

# Inspired by life

....

John Keells Hotels PLC | Annual Report 2016-17



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*You only live once,  
but if you do it right,  
once is enough.*

• • •

Step into our world and forget the one you leave behind as the Cinnamon team discovers a myriad ways to demonstrate that for us, leisure is luxurious and always inspired by life. We offer every guest a choice of destination experiences; from laid-back to exhilarating, tranquil to thrilling... and extraordinary is always on the menu.

Cinnamon Hotels & Resorts offers a dazzling variety of inspired living experiences at any of our elegant hotels and resorts, sited in several magnificent locations across Sri Lanka and the Maldives...each one vibrant, distinctive and exclusive.... designed for pleasure and inspired by life.





....  
*Inspired  
by values*  
....

| OUR VISION |

*We will always  
be the hospitality  
trendsetter.*

...  
*About this Report*  
...



*As our primary publication to stakeholders, this Report demonstrates our integrated approach in formulating strategy and managing our business.*

## WELCOME TO OUR INTEGRATED REPORT

This year, we present our 3rd Integrated Annual Report prepared in accordance with the guidelines of the <IR> Framework issued by the International Integrated Reporting Council (IIRC). As our primary publication to stakeholders, this Report demonstrates our integrated approach in formulating strategy and managing our business, ensuring that business and sustainability objectives are balanced appropriately. Accordingly, the Report aims to provide a holistic and balanced review of our financial, social and environmental performance on matters which are material to our strategy and ability to create sustainable value.

### Scope and Boundary

We adopt an annual reporting cycle and this Report covers the operations of John Keells Hotels PLC and its subsidiaries ('referred to as the Group') in Sri Lanka and Maldives for the period from 1st April 2016 to 31st March 2017. The Report builds on the Group's most recent GRI report for the year ending 31st March 2016. Material aspects included in the Report were selected through a systematic and comprehensive process which involved robust stakeholder engagement at multiple levels, evaluation of emerging risks and opportunities in the industry landscape as well as

assessment of our value creation model. There were no significant changes to the Group's size, structure, shareholding or supply chain during the period under review.

### Reporting Enhancements

We are committed to continuously enhancing the quality of our Report and this year we have improved its relevance and meaningfulness through the following;

- The United Nations has declared the year 2017 as the Year of Sustainable Tourism and throughout this Report, we have demonstrated our contribution to Sustainable Development Goals wherever possible
- Increased connectivity of information through linking our strategy to our value creation model and material issues
- Improved conciseness of the Report

### Navigating our Report

This Report has been structured to clearly address three key areas of interest to our stakeholders as illustrated below. Our response to these areas of priority also reflects the key elements of our strategic agenda and approach towards stakeholder value creation.

	<i>Drivers</i>	<i>Relevant Capital</i>
 WHAT DRIVES OUR BUSINESS	Strong financial performance →	Financial capital (page 53)
	Creating unique guest experiences →	Social and relationship capital - Customers (page 96)
	Our brands →	Intellectual capital (page 102)
 HOW TO STAY IN BUSINESS	A strong employee value proposition →	Human capital (page 82)
	Physical infrastructure →	Manufactured capital (page 57)
	Creating value across our supply chain →	Social and relationship capital - Suppliers (page 98)
 WHAT WE CARE ABOUT	Empowering communities →	Social and relationship capital - Communities (page 100)
	Nurturing the planet →	Natural capital (page 104)
 THE WAY WE DO BUSINESS	Lead by example	
	Strong risk management practices	
	Industry thought leadership	

## About this Report

### Reporting Principles and Assurance

	<i>Integrated Report</i>	<i>Annual Financial Statements</i>	<i>Corporate Governance and Risk Management Report</i>	<i>Sustainability Performance</i>
STANDARDS AND PRINCIPLES	<ul style="list-style-type: none"> <li>Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)</li> </ul>	<ul style="list-style-type: none"> <li>Sri Lanka Financial Reporting Standards</li> <li>Companies Act No. 7 of 2007</li> <li>Listing Requirements of the Colombo Stock Exchange</li> </ul>	<ul style="list-style-type: none"> <li>Code of Best Practice on Corporate Governance issued by the ICASL and SEC</li> <li>Listing Requirements of the Colombo Stock Exchange</li> </ul>	<ul style="list-style-type: none"> <li>GRI- G4 standards (Core)</li> </ul>
ASSURANCE		Messrs. Ernst and Young, Chartered Accountants		Messrs. Ernst and Young, Chartered Accountants

### Feedback

We understand that Integrated Reporting is a continuously evolving journey and value your comments, feedback and suggestions on our Report. For further information, please contact,

**Mr. Prasanna Fernando**

Sector Financial Controller,  
Cinnamon Hotel Management Ltd.,  
117, Sir Chittampalam A Gardiner Mawatha,  
Colombo 02.  
E-mail: prasanna@cinnamonhotels.com

...  
*Our Business at a Glance*  
...

*Our flagship lifestyle brand 'Cinnamon', embodies the best of Sri Lankan culture, entertainment and hospitality.*

We are Sri Lanka's premier hospitality sector operator, owning and managing a portfolio of 1,337 four and five star rooms in 11 hotels across Sri Lanka and Maldives. Our flagship lifestyle brand 'Cinnamon', embodies the best of Sri Lankan culture, entertainment and hospitality, delivering its promise of 'Inspired Living' through iconic, modern and vibrant spaces. A pioneer in sustainable tourism in Sri Lanka, the multi-award winning Cinnamon Hotels & Resorts portfolio has obtained and continues

to comply with numerous international certifications including Green Globe, ISO 22000:2005, ISO 14001 and OHSAS 18001 among others. Headquartered in Colombo, Sri Lanka we are an 80.32% owned subsidiary of John Keells Holdings PLC, Sri Lanka's premier diversified conglomerate, and most valuable listed entity in terms of market capitalization. John Keells Hotels PLC is listed on the primary board of the Colombo Stock Exchange with a market capitalization of Rs.14,561 million at end-March 2017.

**Beach Front**

564 rooms in 4 resorts (refer page 51)



**Adventure and Heritage**

433 rooms in 4 resorts (refer page 50)



**Maldives**

340 rooms in 3 resorts (refer page 52)



# Our Business at a Glance

## GROUP HIGHLIGHTS (2016/17)



Revenue

**Rs.12,312 Mn**  
(+6%)

## OPERATING HIGHLIGHTS (2016/17)



Occupancy - Sri Lanka

**80%**

## OUR STRENGTHS



Our Team

**2,590**



Operating profit

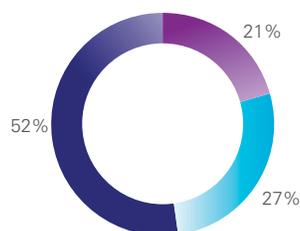
**Rs. 2,248 Mn**  
(+8%)



Occupancy - Maldives

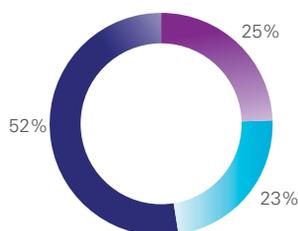
**89%**

### REVENUE COMPOSITION



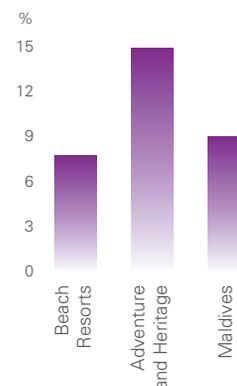
- Beach Resorts
- Adventure and Heritage
- Maldives

### EBIT COMPOSITION



- Beach Resorts
- Adventure and Heritage
- Maldives

### RETURN ON CAPITAL EMPLOYED (ROCE)



	Cluster	Hotel	Room Capacity	TripAdvisor Rating
SRI LANKA	Beach Front	Cinnamon Bey Beruwala	200	4.2
		Hikka Tranz by Cinnamon	150	4.2
		Trinco Blu by Cinnamon	81	4.1
		Bentota Beach by Cinnamon	133	3.8
	Adventure and Heritage	Cinnamon Wild Yala	68	4.4
		Cinnamon Lodge Habarana	138	4.4
		Habarana Village by Cinnamon	108	4.4
		Cinnamon Citadel Kandy	119	4.1
MALDIVES	Beach Front	Cinnamon Dhonveli Maldives	148	4.5
		Ellaidhoo Maldives by Cinnamon	112	4.2
		Cinnamon Hakuraa Huraa Maldives	80	4.5



...  
*Group Structure*  
...



**JOHN KEELLS  
HOLDINGS PLC**

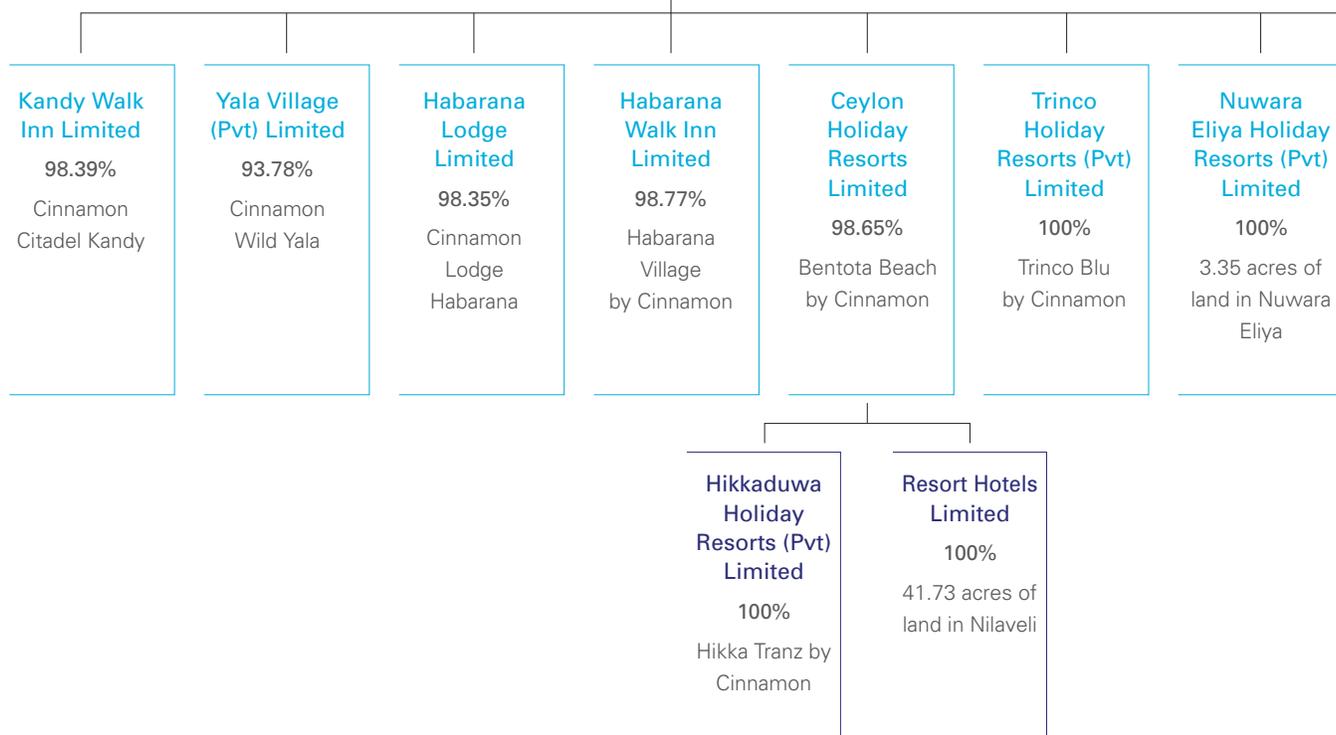
(Ultimate Parent  
Company)

*Cinnamon*

HOTELS & RESORTS

**JOHN KEELLS  
HOTELS PLC**

80.32%



*We are an 80.32% owned subsidiary of John Keells Holdings PLC, Sri Lanka's premier diversified conglomerate, and most valuable listed entity in terms of market capitalization.*

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# Performance Scorecard

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			2016/17	2015/16	Y-o-y change (%)
WHAT DRIVES OUR BUSINESS	<b>FINANCIAL PERFORMANCE (FINANCIAL CAPITAL)</b>				
	Revenue	Rs. Mn	12,312	11,632	6%
	TrevPAR	Rs.	25,229	23,771	6%
	Operating Profit	Rs. Mn	2,248	2,091	8%
	Profit for the year	Rs. Mn	1,864	1,749	7%
	Earnings per share	Rs.	1.27	1.19	6%
	Dividend per share	Rs.	0.40	0.40	-
	Total Assets	Rs. Mn	32,083	28,900	11%
	Property, Plant and Equipment	Rs. Mn	14,355	14,273	1%
	Total Equity	Rs. Mn	24,921	23,018	8%
	Total Debt	Rs. Mn	5,169	3,726	39%
	Net Assets per share	Rs.	17.02	15.72	8%
	Share Price	Rs.	10.00	12.00	(17%)
	Market Capitalization	Rs. Mn	14,561	17,474	(17%)
	<b>THE GUEST EXPERIENCE (SOCIAL AND RELATIONSHIP CAPITAL)</b>				
	Occupancy rate - Sri Lanka	%	80	79	1%
	Occupancy rate - Maldives	%	89	85	4%
	Customer satisfaction rate	Out of 5 (TripAdvisor Rating)	4.30	4.26	1%
	Social media presence	No. of followers	267,047	140,100	91%
HOW TO STAY IN BUSINESS	<b>STRONG EMPLOYEE PROPOSITION (HUMAN CAPITAL)</b>				
	Headcount	No.	2,590	2,628	(1%)
	Employee satisfaction rate	%	89	86.7	3%
	Retention	%	75	80	(6%)
	Productivity	Profit Rs.'000/employee	862	666	29%
	Training hours per employee	Hours	37	45	(18%)
	Injury rate	%	2.12	2.28	(7%)
	Lost day rate	%	0.05	0.04	25%

			2016/17	2015/16	Y-o-y change (%)
HOW TO STAY IN BUSINESS	INVESTING IN OUR PHYSICAL INFRASTRUCTURE (MANUFACTURED CAPITAL)				
	Property plant and equipment	Rs. Mn	14,355	14,273	1%
	Capital expenditure	Rs. Mn	784	1,122	(30%)
	No. of rooms		1,337	1,337	
	CREATING VALUE TO OUR SUPPLY CHAIN				
	Participants for supplier awareness sessions	No.	70	40	75%
	Number of supplier assessments	No.	87	84	4%
WHAT WE CARE ABOUT	EMPOWERING COMMUNITIES (SOCIAL AND RELATIONSHIP CAPITAL)				
	Total investment in CSR	Rs. Mn	12.1	7.9	53%
	NURTURING THE PLANET (NATURAL CAPITAL)				
	Carbon Footprint	tCO <sub>2</sub> e	20,682	20,331	2%
	Energy consumption per guest night	MJ	212	214	(1%)
	Water consumption per guest night	Litres	744	768	(3%)
	Waste disposed per guest night	Kg	2.87	3.39	(15%)
Carbon footprint per guest night	KgCO <sub>2</sub> e	24.72	24.93	(1%)	
HOW WE DO BUSINESS	GOOD GOVERNANCE				
	Fines or penalties	Rs. Mn	Nil	Nil	-
	Issues of non-compliance pertaining to environmental regulations	No.	0	0	-
	Issues of non-compliance pertaining to product responsibility and customer health	No.	0	0	-
	Issues of non-compliance pertaining to marketing communications	No	0	0	-

...  
*Year at a Glance*  
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**JUNE 2016**



**TBCasia**

Cinnamon TBCasia 2016 is a unique event for travel bloggers, industry professionals, new media content creators to learn and recognize the impact of travel blogging on the global tourism and hospitality industry. Cinnamon TBCasia can proudly claim to be the first travel bloggers' conference of its kind conducted in Asia, bringing travel bloggers together to create engaging written and visual content about Sri Lanka. Considering that this is the pioneering travel blogging event in Asia, the Cinnamon brand, and by extension, Sri Lanka, currently owns this space as the ones to have revolutionized this alternate marketing channel, opening the floodgates of one of the most powerful mediums of communication in hospitality.

**AUGUST 2016**



**Cinnamon Colomboscope**

"Cinnamon Colomboscope" is the only multi-disciplinary festival of arts in Sri Lanka. The annual festival is all about experiencing a cornucopia of urban culture creatively, while utilizing spaces which provide an artistic appeal. The festival invites the audience to consider not just the art in itself, but the context in which art would be found.

Established in 2012, Cinnamon Colomboscope is a festival that evolves and changes shape with a new curator each year. Last year's theme, "Testing Grounds" was curated by Dr Susanne Jaschko, a renowned expert in the field of media arts who can look back on an impressive list of international art events and exhibitions. The festival has been curated under three sub-themes that offer different perspectives of how society, and contemporary art is responding to the shift towards digital technology in Sri Lanka, the South Asian region and Europe.

**OCTOBER 2016**



**Miss Intercontinental World Pageant**

Sri Lanka successfully hosted the star spangled international beauty pageant Miss Intercontinental 2016 conceptualized by Cinnamon Hotels & Resorts on 16th October 2016. Publicity for Cinnamon and Sri Lanka spanned across 60 countries across the globe. The event profile was further enhanced with celebrity appearances by 2016 Grammy Nominee Jim Beanz, Destiny and British singer/song writer and Reggae DJ Apache Indian who were also part of the panel of judges and performers that night. The event drew Sri Lanka in to the spotlight in over 60 destinations.

**FEBRUARY 2017**



**Cinnamon Sri Lanka Photo Contest**

The Cinnamon Sri Lanka Photo Contest 2017 is the country's largest crowd-sourced destination campaign to date. The contest is part of a strategic effort to use crowd-sourcing to create a comprehensive destination image bank for Sri Lanka, whilst raising the profile of the country as a preferred travel destination. The competition attracted over 5,000 media submissions from a range of perspectives.

# Our Commitment to Excellence

The Group's resorts won numerous awards and accolades for multiple aspects of its operations, demonstrating excellence in guest satisfaction, culinary expertise, sustainability considerations and health and safety, among others. Several key awards are given below;

## BEACH FRONT SRI LANKA

### Cinnamon Bey Beruwala

- National Safety & Health Excellence Awards 2016 - Sector Award for Tourism
- 24th National Mixology Challenge 2016 – Winner - Down South Region (Mr Harsha De Silva)
- 24th National Mixology Challenge 2016 - 2nd Runners up (All Island)
- Guest Review Award - Booking.com (2016)

### Bentota Beach by Cinnamon

- Agoda - 2016 – Gold Circle Award Winner
- Chairman's CSR Award 2016 - HIV-Aids Awareness Master Trainer (Mr. Ivan Perera)

### Trinco Blu by Cinnamon

- Guest Review Award - Booking.com (2016)

### Hikka Tranz by Cinnamon

- TripAdvisor 2016 - Certificate of Excellence

## ADVENTURE AND HERITAGE

### Cinnamon Lodge Habarana

- National Safety & Health Excellence Awards 2016 - Merit Award (All categories)
- Guest Review Award - Booking.com (2016)

### Habarana Village by Cinnamon

- TripAdvisor 2016 - Certificate of Excellence
- Guest Review Award - Booking.com (2016)

### Cinnamon Citadel Kandy

- Three-star Gold Award 2016 - Organized by Central Environment Authority

### Cinnamon Wild Yala

- National Safety & Health Excellence Awards 2016 - Presidential Bronze Award (Local Category)
- World Travel & Tourism Council Awards 2016 - Finalist (Community Category - Project Leopard)

## CORPORATE REPORTING

- ACCA Sri Lanka Sustainability Reporting Awards 2016 - Gold (Leisure and Connected Services Category)
- CA Sri Lanka 52nd Annual Report Awards - First runner up (Hotel Companies Category)
- SAFA Best Presented Annual Report Awards 2015/16 - First runner up (Service Sector)

## MALDIVES

### Cinnamon Dhonveli Maldives

- South Asian Travel Awards (SATA) 2016 - Leading surf Hotel/Resort in South Asia region
- Food & Hospitality Asia Maldives International Culinary Challenge & Exhibition 2016 - 2 Gold Awards, 4 Bronze Awards and 3 Merit Awards
- Hotel Asia Exhibition & International Culinary Challenge 2016 - 1 Silver Award and 3 Bronze Awards

### Cinnamon Hakuraa Huraa Maldives

- The Hotel Asia Exhibition & International Culinary Challenge, 2016 - 2 Silver Awards and 5 Bronze Awards
- Food & Hospitality Asia Maldives International Culinary Challenge & Exhibition 2016 - 1 Bronze Award and 5 Merit Awards

- Virgin Holidays Awards 2016 - Silver Award ('Best Hotel Indian Ocean')

### Ellaidhoo Maldives by Cinnamon

- Chef Guild Medals (2016) - 1 Bronze Award and 2 Merit Awards





....  
*Inspired  
to perform*  
....

| FINANCIAL HIGHLIGHTS |

*We made significant progress in the achievement of our strategic objectives as discussed in subsequent sections of this Report.*

...  
*Group Financial  
 & Operational Highlights*  
 ...

<i>Year ended 31st March</i>		<i>2017</i>	<i>2016</i>
<b>Earnings Highlights and Ratios</b>			
Revenue	Rs'000	12,311,664	11,631,973
Earnings before interest and tax (EBIT)	Rs'000	2,463,916	2,217,246
Group profit before tax (PBT)	Rs'000	2,236,128	2,035,221
Group profit after tax (PAT)	Rs'000	1,863,508	1,748,799
Group profit attributable to the shareholders	Rs'000	1,846,130	1,734,543
Earnings per share (EPS)	Rs.	1.27	1.19
EPS growth	%	6.7	(6.3)
Interest cover	No. of times	10.8	12.2
Return on equity	%	7.8	8.0
Pre-tax ROCE	%	8.7	8.7
<b>Statement of Financial Position - highlights and ratios</b>			
Total assets	Rs'000	32,083,462	28,899,600
Total debt	Rs'000	5,169,396	3,725,753
Total shareholder's funds	Rs'000	24,781,456	22,884,813
No. of shares in issue	Number 000's	1,456,147	1,456,147
Net assets per share	Rs.	17.02	15.72
Debt/Equity	Times	0.21	0.16
Debt/Total assets	%	16	13
<b>Market/Shareholder information</b>			
Market price of share as at 31st March	Rs.	10.00	12.00
Market capitalisation	Rs '000	14,561,468	17,473,761
Price earnings ratio	No. of times	7.87	10.08
<b>Economic value distributed</b>			
Operating costs	Rs'000	8,181,311	7,857,563
Employee wages and benefits	Rs'000	1,997,976	1,873,646
Payments to providers of funds	Rs'000	810,247	764,484
Payments to government	Rs'000	479,164	479,912
Community investments	Rs'000	12,150	7,941
Retained within the business	Rs'000	1,070,548	800,705
Total employees	Number	2,590	2,628

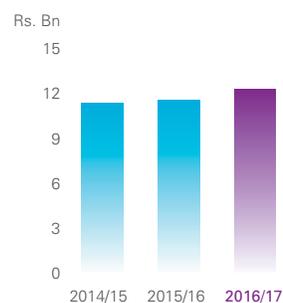
## Financial Calendar

<i>Year ended 31st March</i>	<i>2017</i>	<i>2016</i>
Audited Financial Statements signed on	29th May 2017	27th May 2016
38th Annual General Meeting	29th June 2017	30th June 2016
<b>Interim Financial Statements</b>		
1st Quarter Interim Results released on	25th July 2016	23rd July 2015
2nd Quarter Interim Results released on	26th October 2016	28th October 2015
3rd Quarter Interim Results released on	27th January 2017	2nd February 2016
4th Quarter Interim Results released on	30th May 2017	27th May 2016

## Group Operational Highlights

<i>Year ended 31st March</i>	<i>2017</i>	<i>2016</i>
Occupancy - Sri Lankan Sector	80%	79%
Occupancy - Maldivian Sector	89%	85%
Revenue Room Nights	402,386	393,496

### REVENUE



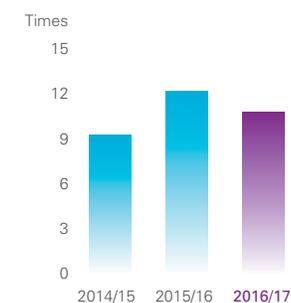
### EARNINGS BEFORE INTEREST AND TAX (EBIT)



### GROUP PROFIT BEFORE TAX (PBT)



### INTEREST COVER







....  
*Inspired  
to excel*  
....

| CHAIRMAN'S REVIEW |

*The Group profit after  
tax increased by 6.6  
per cent to end at  
Rs.1.86 Bn against  
Rs.1.75 Bn last year.*

...  
*Chairman's Review*  
...



*Numerous international events conducted by the Group during the year, will not only strengthen the Cinnamon Hotels and Resorts Brand but also promote Sri Lanka as a destination.*

Dear Stakeholder,

On behalf of the Board, I am pleased to present the Annual Report and Financial Statements of John Keells Hotels PLC (KHL) for the year ended 31st March 2017.

## GLOBAL TOURISM

According to initial estimates released by United Nations World Tourism Organisation (UNWTO) in January 2017, International tourist arrivals reached 1.24 Bn in 2016, which constitutes a year-on-year growth of 4 per cent. Asia Pacific and Africa recorded a growth of 8 per cent respectively, while arrivals to the Americas and Europe grew by 4 per cent and 2 per cent respectively. Results from the latest UNWTO survey predicts that international tourist arrivals, worldwide, will grow at a range of 3 to 4 per cent in 2017.

## SRI LANKA TOURISM

The country reached 2,050,832 tourist arrivals during the year, recording a year-on-year growth of 14 per cent. Western Europe continued to be the largest regional contributor, recording 643,333 arrivals with 17 per cent growth over the previous calendar year. India and China continued to be the two largest single source markets recording 356,729 and 271,577 arrivals respectively.

According to the Central Bank of Sri Lanka, earnings from tourism during 2016 stood at USD 3.40 Bn, up by 14 per cent from the USD 2.98 Bn recorded a year ago.

## MALDIVIAN TOURISM

Tourist arrivals in the Maldives recorded a year-on-year growth of 4 per cent amounting to 1,286,135 arrivals. Arrivals from China continued to decline, recording a year-on-year reduction of 10 per cent to 324,326 arrivals, despite continuing to be the largest source market accounting for 25 per cent of total arrivals. However, the drop in arrivals from China was partially mitigated by stronger demand from the South Asian and South East Asian regions. Traditional markets such as the UK and Germany recorded a growth of 10 per cent and 1 per cent respectively, each accounting for 8 per cent of total arrivals.

## GROUP PERFORMANCE

Group revenue grew by 6 per cent to Rs. 12.3 Bn compared to the Rs. 11.6 Bn recorded in the previous year. Revenue of the Sri Lanka resorts segment increased by 7 per cent to Rs. 5.92 Bn. This stemmed from an improvement in year-round occupancy and

yields. The drop in arrivals from the high yielding Chinese market and the depreciation of the GBP as a result of Brexit impacted revenue in the Maldivian Resorts segment. However, this was mitigated by the depreciation of the Sri Lanka Rupee against the US Dollar, enabling the Maldivian Resorts segment to record a year-on-year growth of 5 per cent.

The gross profit (GP) margin decreased marginally from the previous year due to an increase in direct payroll costs and beverage costs. The continued implementation of cost controlling initiatives helped mitigate the increases in other direct expenses.

Distribution expenses recorded a year-on-year growth of 39 per cent which mainly stemmed from the increase in web commissions in the Maldivian Resorts segment. However, room nights generated from the online segment recorded a year-on-year growth of 108 per cent. Other operating expenses declined by 8 per cent year-on-year due to the reduction in fuel costs in the Maldivian Resorts segment, resulting in an overall fuel cost saving of Rs. 56 million for the group.

The depreciation of the Sri Lankan Rupee against the US Dollar, during the year under review, led to a valuation loss of Rs. 30 million on translation of US Dollar loans in the Sri Lanka Resorts segment against a valuation loss of Rs. 158 million recorded in the previous year.

Other operating income declined by 39 per cent to Rs. 115 million primarily owing to a capital gain of Rs. 121 million being recorded in the previous year on account of the disposal of the lease hold rights of Rajawella Hotels Company Limited.

During the year under review, the Group extended the head lease of Cinnamon Dhonveli Maldives, which was previously due to expire in 2028, by a further seventeen years. The increase in borrowings to fund the lease extension and the increase in interest rates resulted in a 25 per cent year-on-year increase in finance expenses.

During the year under review, the consolidated profit before tax increased by 10 per cent to Rs. 2.2 Bn (2015/16: Rs. 2 Bn). The effective tax rate of the Group was 17 per cent, against 14 per cent last year. This was due to an increase in interest income and dividend income which was taxed at 28 per cent and 10 per cent (withholding tax) respectively. The Group profit after tax increased by 7 per cent to Rs. 1.86 Bn as against Rs. 1.75 Bn recorded last year

## Chairman's Review

### NEW INITIATIVES

In order to further enhance the company's brand image, Cinnamon Hotels and Resorts organised several events of international significance. These included the 'Miss Intercontinental Pageant 2016' which was the first global international pageant held in Sri Lanka, with participants from 60 countries. Cinnamon Hotels also organised the second Travel Bloggers Conference Asia and Awards 2016, hosting 60 of the best travel and video bloggers globally, with the intention of recognising the contribution made by bloggers in creating awareness on travel and destinations. These events, which receive wide exposure and publicity, will not only strengthen the Cinnamon Hotels and Resorts brand but also help market Sri Lanka's offering as a leisure destination.

Cinnamon Hotels and Resorts, together with EUNIC (European Union National Institutes for Culture) Sri Lanka, organised 'Cinnamon Colombo Scope', the only multi-disciplinary arts festival in Sri Lanka under the theme 'Testing Grounds: Art and Digital Cultures in South Asia and Europe'; which focused on the relationship between contemporary art and digital technology. Cinnamon Hotels and Resorts has also taken the initiative to launch 'Sri Lanka Photo Contest 2017' to celebrate the best photography and videography captured in Sri Lanka. The participants will compete in seven different categories; Nature, Culture and People, Landscapes and Cityscapes, Interiors, Activities and Adventure, Deeper Perspective/Photo-Essay and Travel Shorts.

During the year under review, the Sri Lankan Resorts segment enhanced its service offering to its customers by establishing an outsourced customer care/call centre unit which now operates 365 days of the year. A television commercial was also produced this year and is being advertised on board Sri Lankan Airlines in order to generate publicity and brand exposure for the Cinnamon Hotels and Resorts among travellers.

### ACCOLADES AND AWARDS

The 2015/16 Annual Report of John Keells Hotels PLC was adjudged the first runner up among Hotel Companies and was awarded Silver in the Hotel Companies category at the 52nd Annual Report Awards conducted by the Institute of Chartered Accountants of Sri Lanka. Further, John Keells Hotels PLC was adjudged the first runner up at the SAFA Best Presented Annual Report Awards 2015/16 in the Service Sector (Excluding Financial Services and Communication and IT Sector).

At the ACCA Sri Lanka Sustainability Reporting Awards 2016, the Sustainability Report of John Keells Hotels PLC was awarded Gold in the Leisure and Connected Services category.

Cinnamon Hotels and Resorts was awarded Gold along with a special category award for 'Talent Acquisition and On-boarding' at the Sri Lanka Human Capital Management Awards 2016 'Shift 2020', organised by The Association of Human Resource Professionals in collaboration with the National Human Resource Development Council of Sri Lanka (NHRDC).

Cinnamon Dhonveli Maldives was adjudged the 'Best Surf Resort in South Asia Region' at the South Asian Travel Awards (SATA) 2016 while Cinnamon Hakuraa Huraa Maldives won the Silver Award for 'Best Hotel Indian Ocean' at the Virgin Holidays Awards 2016.

### SUSTAINABILITY

As a responsible corporate citizen and part of its sustainability strategy, the Group seeks to continuously minimize the environmental impacts of its operations, maintain a safe working environment and contribute positively towards the communities in which we operate.

### OUTLOOK FOR THE FUTURE

The Government of Sri Lanka has established a target of 2.5 million arrivals for 2017 with the intention of achieving tourism income of USD 4 Bn. Sri Lanka will continue to focus on China and India as growth markets and will also increase digital marketing in leading markets in Europe, including the United Kingdom, France and Germany.

The Government of Maldives has set a challenging target to increase tourism arrivals from 1.3 million tourists per annum to 7 million in the span of 10 years. To facilitate this objective the Government of Maldives is looking to expand the main international Airport which will enable Airbus A380s to land in Maldives.

The growth in the informal accommodation sector in the Maldives and Sri Lanka is expected to continue, together with an increase in star category rooms. In order to combat pressure from competition, your company will continue to focus on enhancing online bookings with Online Travel Agents and its own web site, coupled with a focus on digital marketing initiatives. Additionally,

Sri Lanka Resorts will focus on sales strategies targeting selected cities in India through our representatives in India to drive the MICE market, particularly events and weddings. Further, the segment will continue to position our beach resorts in the German and East European markets and will actively seek to secure more guaranteed contracts. The Maldivian Resorts segment will focus on maintaining market share from current source markets while capitalising on opportunities arising from the launch of flights by Air France to Maldives from November 2017.

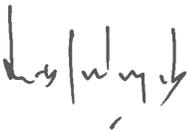
During the upcoming year, partial refurbishments will be undertaken at Ellaidhoo Maldives by Cinnamon and Cinnamon Dhonveli Maldives. A total of 62 standard rooms and beach bungalows will be refurbished at Ellaidhoo while the 'Over water' suite category comprising of 24 suites will undergo a full refurbishment at Dhonveli.

Bentota Beach by Cinnamon will be closed for construction of a new 151 room hotel. Construction will take place while conserving the original structure designed by Geoffrey Bawa. This, together with the partial closure of the Ellaidhoo Maldives by Cinnamon and Cinnamon Dhonveli Maldives for the refurbishment of rooms, will impact profitability in 2017/18.

## CONCLUSION

On behalf of the Board of Directors, I wish to express my thanks and appreciation to our loyal clientele, our business partners for the support extended, and our staff, who worked tirelessly to provide the highest standards in customer care.

Finally, I take this opportunity to welcome Ms. Anarkali Moonesinghe to the Board of Directors and extend my sincere appreciation to my colleagues on the Board for their valuable guidance and support during the year under review. Finally, I wish to acknowledge our shareholders for continuing to be an integral part of John Keells Hotels and I look forward to your continued support in the year ahead.



Susantha Ratnayake  
Chairman

29th May 2017



....  
*Inspired  
to lead*  
....

| BOARD OF DIRECTORS |

*We are committed  
to maintaining the  
highest standards of  
corporate conduct,  
integrity and  
transparency.*



# Board of Directors

## *Mr. Susantha Ratnayake:*

Appointed to the Board of John Keells Hotels PLC in 1999 as a Non-Executive Director and as Chairman in 2006.

**Skills & Experience:** He has 38 years of management experience within the John Keells Group.

**Current Appointments:** Chairman and CEO of John Keells Holdings PLC

**Past Appointments:** Past Chairman of the Sri Lanka Tea Board, Ceylon Chamber of Commerce, and the Employers' Federation of Ceylon

**Shareholding:** 142,877 Shares

## *Mr. Ajit Gunewardene:*

Appointed to the Board of John Keells Hotels PLC in 1999 as a Non-Executive Director.

**Skills & Experience:** He has been a member of the John Keells Holdings PLC Board for over 24 years and has a degree in Economics and brings over 34 years of management experience.

**Current Appointments:** Deputy Chairman of John Keells Holdings PLC, Director of several companies in the John Keells Group, Chairman of Union Assurance PLC, Member of the Board of SLINTEC, a company established for the development of nanotechnology in Sri Lanka under the auspices of the Ministry of Science and Technology. Member of the Tourism Advisory Committee appointed by the Minister of Tourism Development. He was an Advisory Committee Member of COSTI, the coordinating Secretariat for Science Technology and Innovation under the purview of the Minister of Scientific Affairs, as well as the Chairman of PickMe.

**Past Appointments:** Chairman of the Colombo Stock Exchange and Nations Trust Bank PLC

**Shareholding:** Nil

## *Mr. Ronnie Peiris:*

Appointed to the Board of John Keells Hotels PLC in 2003 as a Non-Executive Director.

**Skills & Experience:** He has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance, Treasury, and the Information Technology functions, He has over 40 years of finance and general management experience in Sri Lanka and abroad. He is a Fellow of the Chartered Institute of Management Accountants, UK, Association of Chartered Certified Accountants, Sri Lanka and holds an MBA from the University of Cape Town, South Africa

**Current Appointments:** Group Finance Director of John Keells Group, Director of several companies in the John Keells Group, Member of the Committee of the Ceylon Chamber of Commerce

**Past Appointments:** Managing Director of Anglo American Corporation (Central Africa) Limited in Zambia, Chairman of the Sri Lanka Institute of Directors

**Shareholding:** Nil

## *Mr. Krishan Balendra:*

Appointed to the Board of John Keells Hotels PLC in 2016 as a Non-Executive Director.

**Skills & Experience:** He is an Executive Director of John Keells Holdings PLC with responsibility for the Leisure industry group and John Keells Stock Brokers, He 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, Sri Lanka prior to joining the John Keells Group. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.

**Current Appointments:** Executive Director of John Keells Holdings PLC, Chairman of Nations Trust Bank PLC and the Hon. Consul General of the Republic of Poland in Sri Lanka

**Past Appointments:** Chairman of the Colombo Stock Exchange

**Shareholding:** Nil

### *Mr. Trevine Jayasekera:*

Appointed to the Board of John Keells Hotels PLC in 2013 as a Non-Executive Director.

**Skills & Experience:** International Banking, Finance, Treasury and IT Services

**Current Appointments:**

Group Finance Director – Brandix Lanka Ltd  
Non-Executive Director – NDB Bank

**Past Appointments:**

Non-Executive Director – Hayleys PLC  
Non-Executive Director – Lanka Ventures Ltd  
Board Member – Sri Lanka Auditing and Accounting Standards Monitoring Board  
Group Finance Director – Aitken Spence & Co. Ltd

**Shareholding:** Nil

### *Mr. Nissanka Weerasekera:*

Appointed to the Board of John Keells Hotels PLC in 2010 as a Non-Executive Director.

**Skills & Experience:** He has 32 years senior management experience of which 22 years in venture capital and private equity.

**Current Appointments (in PLCs):** John Keells Hotels PLC, Sunshine Holdings PLC, Watawala Plantations PLC

**Past Appointments(in PLCs):** Dipped Products PLC

**Shareholding:** Nil

### *Ms. Anarkali Moonesinghe:*

Appointed to the Board of John Keells Hotels PLC in 2016 as an independent Non-Executive Director.

**Skills & Experience:** She has over 16 years of Investment Banking experience in Europe and Asia, particularly Asian Emerging Markets. Anarkali joined CIMB Investment Bank in Sri Lanka as the country head in September 2011. Over the past 5 years she has established CIMB as the go to investment bank for

cross border transactional expertise, advising on key transactions. Prior to joining CIMB, Anarkali was a partner with Amura Consulting, a Singapore based financial advisory services boutique which focused on small to mid cap transactions in frontier markets including private equity, mergers & acquisitions, and financial structuring.

She started her career with Merrill Lynch in Mergers & Acquisitions in Singapore where she worked predominantly on cross-border transactions across the ASEAN region. She then moved to Merrill Lynch Europe in London and focused on Corporate Finance transactions involving equity, equity-linked, and debt financing solutions for corporate clients across Europe.

She received a Bachelor of Arts (Hons) in Politics, Philosophy and Economics from Christ Church College, University of Oxford.

**Current Appointments:** Chief Executive officer of CIMB Investment Bank Sri Lanka, Director of Lankan Angel Network.

**Past Appointments:** None

**Shareholding:** Nil

### *Mr. Sunimal Senanayake:*

Appointed to the Board of John Keells Hotels PLC in 2011 as a Non-Executive Director.

**Skills & Experience:** He has over 30 years of experience in the Leisure Industry, both in Hotels and Inbound Tourism.

**Current Appointments:** Executive Vice President of the John Keells Group and the Sector Head of the Leisure Resorts (Sri Lanka & Maldives). He is also a member of the Group Operating Committee.

**Past Appointments:** He served as the Managing Director of Walkers Tours Limited from 1991 - 1997. He is a past President of the Sri Lanka Association of Inbound Tour Operators (SLAITO) and has held many positions in travel trade related associations and committees. He has also been a member of the Tourist Hotels Classification Committee and Chairman / Member of the Advisory Board of the Sri Lanka Institute of Tourism & Hotel Management.

**Shareholding:** Nil

## *Board of Directors*

### *Mr. Jayantissa Kehelpannala:*

Appointed to the Board of John Keells Hotels PLC in March 2005 as a Non-Executive Director.

**Skills & Experience:** He has over 33 years of experience in the Leisure Industry both in hoteliering and inbound tourism.

**Current Appointments:** Head of Maldivian Resorts. He is currently the Chairman of the Hotels & Tourism Employers Group of the Employers' Federation of Ceylon and represents same at the EFC Council Meetings and is a member of the Wages Board for the Hotel and Catering Trade. He also serves as a board member of the Convention bureau.

**Past Appointments:** He is a past President of The Hotels Association of Sri Lanka and the Sri Lanka Maldives business council and has served as a committee member of the Ceylon Chamber of Commerce. He has served as a Director of Walkers Tours previously.

**Shareholding:** Nil

*The quality of our  
leadership is reflected in  
the standards they set  
for themselves.*

• • •





....  
*Inspired  
to grow*  
....

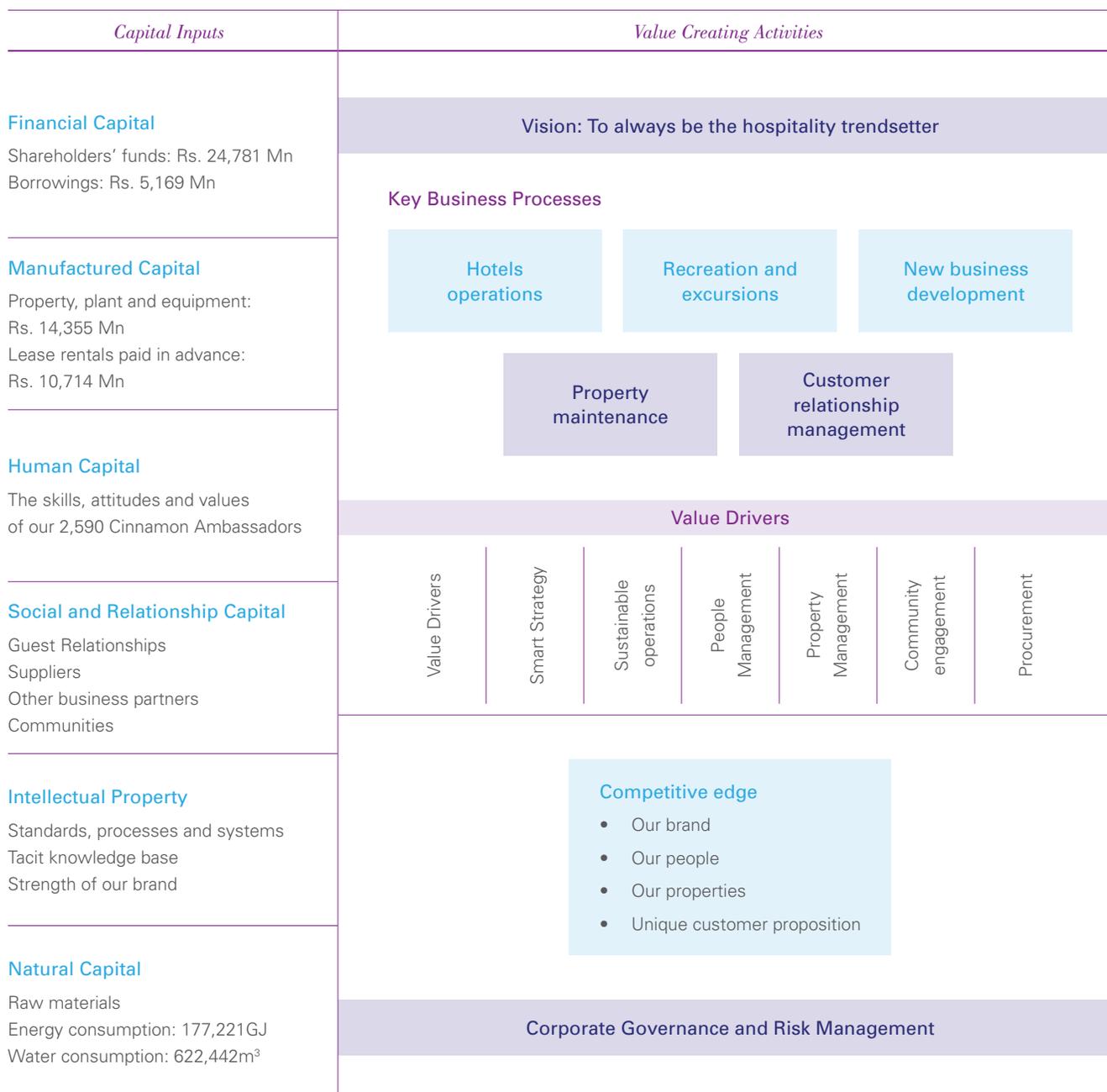
| MANAGEMENT DISCUSSION |  
| & ANALYSIS |

*The value of our  
business is based  
on the ability of  
our underlying  
capital inputs to  
generate sustainable  
stakeholder value.*

# Our Strategic Report

## VALUE CREATION MODEL

The Group's value creation model provides a graphical illustration of how our capital inputs are altered through value creating activities to generate outputs/impacts and create long-term value for our diverse stakeholders.



Key Outputs/Impacts	Key Outcomes Linked To Strategic Priorities
<p><b>Shareholder Value</b></p> <p>Net Profit: Rs. 1,864 Mn Earnings per Share: Rs. 1.27 Dividends per Share: Rs. 0.40</p>	<p><b>STRONG FINANCIAL PERFORMANCE -SHAREHOLDERS</b></p> <p>Sustainable growth in shareholder earnings (refer page 53)</p>
<p><b>Employee Value</b></p> <p>Promotions: 170 Investment in training: 29% YoY increase Total training hours: 92,254 Employee satisfaction rate: 89%</p>	<p><b>STRONG EMPLOYEE VALUE PROPOSITION- EMPLOYEES</b></p> <p>Job Creation Enabling and rewarding environment with equal opportunities, and work-life balance Opportunities for skill and career development (refer page 82)</p>
<p><b>Customer Value</b></p> <p>Guest Satisfaction TripAdvisor Ratings - Sri Lanka: 4.2 - Maldives: 4.4 Occupancy - Sri Lanka: 80% - Maldives: 89%</p>	<p><b>UNIQUE GUEST EXPERIENCE</b></p> <p>Inspire guests through unique experiences (refer page 96)</p>
<p><b>Business Partners</b></p> <p>Relationship with suppliers</p>	<p><b>ONGOING DEVELOPMENT OF BUSINESS PARTNERS</b></p> <p>Partner growth through mutually rewarding, sustainable relationships (refer page 98)</p>
<p><b>Communities</b></p> <p>Investment in community engagement: Rs. 12.1 Mn</p>	<p><b>EMPOWERING COMMUNITIES</b></p> <p>Contribute towards empowerment and socio economic progress of communities we operate in (refer page 100)</p>
<p><b>Our Impacts</b></p> <p>Waste: 2.4 Mn kg Effluents: 570,174 m<sup>3</sup> Carbon Footprint: 20,682 tCO<sub>2</sub>e</p>	<p><b>INDUSTRY THOUGHT LEADERSHIP</b></p> <p>Providing leadership to the industry in promoting Sri Lanka as a destination (refer page 116)</p>

# Our Strategic Report

## UNDERSTANDING OUR CAPITAL TRADE-OFFS

The value of our business is based on the ability of our underlying capital inputs to generate sustainable stakeholder value. Optimal utilisation of these capitals are ensured by effective implementation of a robust strategy which responds to emerging risks and opportunities in the market. In creating value to our stakeholders we understand that trade-offs may arise in our capitals as described below.

<i>Deployment in Our Strategy and Trade-Offs</i>	
Financial Capital	→ Cash flows generated in our operations and access to shareholders' funds and equity enable us to fulfill our growth aspirations and deliver sustainable shareholder returns. Balancing short-term and long-term interests is one of the most challenging trade-offs in financial capital.
Manufactured Capital	→ The ambience in our resorts and the quality of our infrastructure is crucial in sustaining our competitive edge and creating unique guest experiences. Significant financial capital required in the purchase, development and maintenance of our manufactured capital.
Social and relationship Capital	→ Building trust and nurturing long-term relationships with our stakeholders is key to retaining our social and regulatory license to operate. Damages to these important relationships could have a significant impact on our brand reputation and continued operations.
Human Capital	→ People are at the core of delivering our guest experience and a strong employee value proposition is crucial in attracting and retaining the industry's top talent. Significant financial capital is required in providing a safe work environment, investing in training and development and enhancing rewards and recognition.
Intellectual Capital	→ Our intellectual capital is driven by the tacit knowledge of our people, our industry insights and the unique brand attributes of the Cinnamon brand. However, improvement in certain processes and technologies can result in a reduction in workforce, with implications for human capital and relationship capital.
Natural Capital	→ Elements of our natural environment complement the services we offer and preserving these attractions and destinations are crucial for the long-term viability of our industry. The environmental impacts of our operations are felt mostly by the communities around our resorts with potential consequences on relationship capital. We seek to offset these adverse impacts through responsible disposal of waste, efficient use of water and other socio economic benefits through our core operations.

## STAKEHOLDER ENGAGEMENT

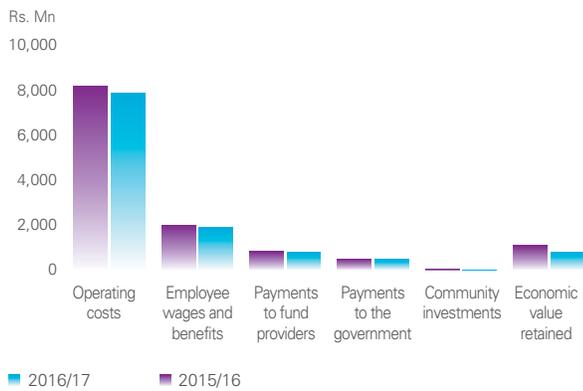
Robust stakeholder engagement mechanisms ensure that we clearly identify issues which matter most to our diverse stakeholders. We engage with the stakeholders who have the most significant impact or can be impacted the most by our operations. Feedback obtained from this engagement forms the foundation for identifying material aspects which are a vital input in our strategy formulation, planning, operations and sustainability reporting.

	<i>Importance of Engagement</i>	<i>Method and Frequency of Engagement</i>	<i>Key Topics Arising from Engagement</i>
SHAREHOLDERS EMPLOYEES	Shareholders provide capital required to fund future growth plans	<ul style="list-style-type: none"> <li>AGM (Annual)</li> <li>Quarterly results updates</li> <li>Annual Report</li> <li>Website (Ongoing)</li> <li>Open door policy for investors (Ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Return on Investment</li> <li>Sustainable growth</li> <li>Corporate Governance and ethics</li> <li>Risk Management</li> <li>Growth opportunities and future outlook</li> </ul>
EMPLOYEES	Employees play a crucial role in delivering guest experiences and achieving our strategic objectives	<ul style="list-style-type: none"> <li>Staff meetings at multiple levels (Ongoing)</li> <li>Performance Appraisal (Annual)</li> <li>Employee Survey (Annual)</li> <li>Collective Agreements (Ongoing)</li> <li>News-letters (Quarterly)</li> </ul>	<ul style="list-style-type: none"> <li>Opportunities for growth</li> <li>Training and Development</li> <li>Job Security</li> <li>Performance Management</li> <li>Health and Safety considerations</li> </ul>
GUESTS	Understanding customer needs and preferences is a prerequisite for delivering unique guest experiences	<ul style="list-style-type: none"> <li>Guest feedback forms (on check-out)</li> <li>Social Media platforms (Ongoing)</li> <li>Face to face interactions (Ongoing)</li> <li>Customer relationship managers (Ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Unique experiences</li> <li>Quality of offering</li> <li>Value for money</li> <li>Ease of transaction</li> <li>Activities</li> </ul>
BUSINESS PARTNERS	Local and International tour operators, travel agents and destination management companies generate business for us	<ul style="list-style-type: none"> <li>Procurement process (Ongoing)</li> <li>Supplier Forums (Ongoing)</li> <li>Face to face interactions (Ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Timely payment</li> <li>Ease of transaction</li> <li>Supplier Development</li> </ul>
SUPPLIERS	Suppliers and other partners enable us to deliver consistent customer experiences	<ul style="list-style-type: none"> <li>Face-to-face interaction (Ongoing)</li> <li>Familiarizations visits and promotion materials (Ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Face to face interaction (Ongoing)</li> <li>Familiarizations visits and promotion materials (Ongoing)</li> </ul>
GOVERNMENT & REGULATORY BODIES	Provides an enabling environment for us to operate in.	<ul style="list-style-type: none"> <li>Constructive relationships with Trade Associations (Ongoing)</li> <li>Face to face interactions (Ongoing)</li> <li>Written communications (Ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Taxation revenues</li> <li>Compliance to all laws and regulations</li> <li>Job creation</li> <li>Contribution towards uplifting communities</li> <li>Environmental Conservation</li> </ul>
COMMUNITIES	Strong ties with local communities is essential for the sustainability of our operations	<ul style="list-style-type: none"> <li>Engagement projects and sponsorships</li> <li>Livelihood development programs</li> </ul>	<ul style="list-style-type: none"> <li>Environmental impacts</li> <li>Job creation</li> <li>Sponsorships</li> </ul>

## Our Strategic Report

A substantial portion of the value generated by the Group is distributed back to our stakeholders, including shareholders, employees, suppliers and the government as tax contributions.

### ECONOMIC VALUE ADDED

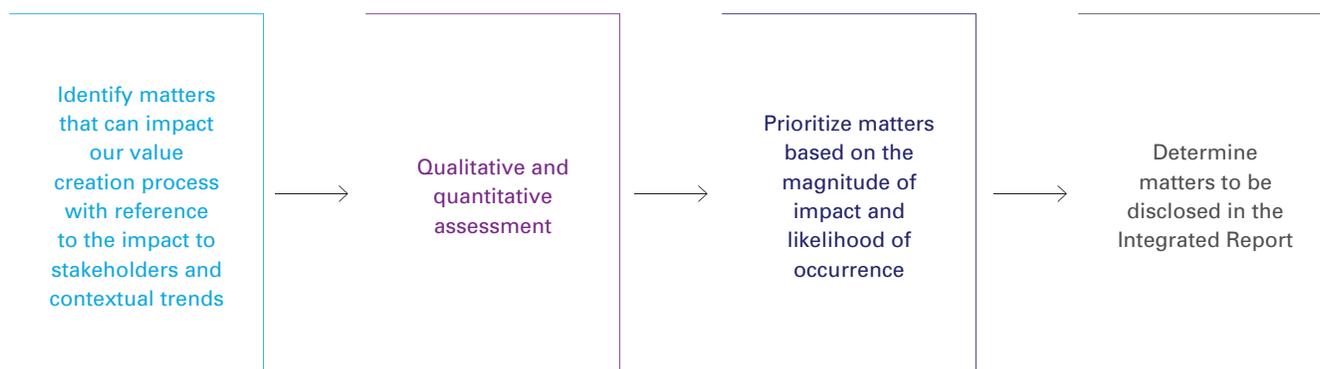


*A substantial portion of the value generated by the Group is distributed back to its stakeholders.*

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## OUR MATERIALITY, MATERIAL RISKS AND OPPORTUNITIES

In determining the material issues to be disclosed in our Integrated Annual Report, we have given due consideration to whether these matters could potentially have an impact on our business model, strategy and our ability to create value over time. The assessment of the magnitude of the impact and the likelihood of occurrence of the Group's top risks listed below informed the identification and prioritization of material issues for inclusion in the Report. The structured process we adopt for determining material issues is as follows;



### Material risks and opportunities

The following matrix demonstrates the magnitude and likelihood of impacts as well as the movements in the identified material matters. Detailed discussion on the potential impact of these risk factors and mechanisms in place to mitigate these risks is available in the Risk Management Report on page 145 of this Report. There were no significant changes in the scope and aspect boundaries in comparison to the previous year.



## Our Strategic Report

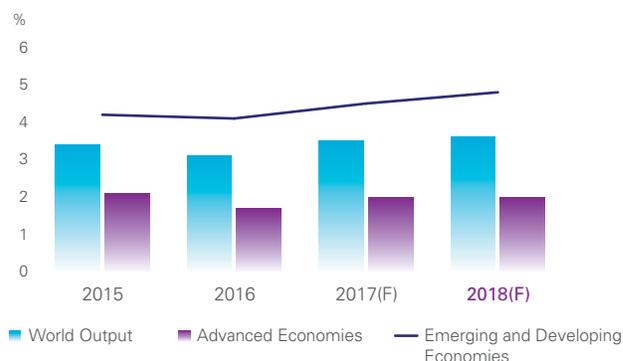
	<i>Material Aspect</i>	<i>Corresponding GRI Aspect</i>	<i>Aspect Boundary</i>
①	Competitive pressures	-	External
②	Macro-economic risks	-	External
③	Talent attraction and retention	Employment-Labour practices and decent work, Labour practice grievance mechanism, Training and development, Human rights-Child labour, Forced/Compulsory labour, Occupational health and safety	Internal
④	Shifts in source markets	-	External
⑤	Changing needs of travellers	-	External
⑥	Service quality and operational efficiency	Product responsibility-Customer health and safety, Effluents and Waste	Internal
⑦	Government policy	Compliance (EN), Compliance (PR)	External
⑧	Technology		Internal
⑨	Safeguarding physical assets		Internal
⑩	Raw materials and supply chain risks	Materials, Supplier environment assessment, Procurement practices	Internal and External
⑪	Energy	Energy	Internal
⑫	Impacts on local communities	Economic performance, Environmental grievance mechanism, Local communities	External
⑬	Climate change	Bio-diversity, Emissions, Overall (EN)	External

## INDUSTRY TRENDS AND MARKET DYNAMICS

### Global economic climate

Services offered by the hospitality sector are in general considered to be discretionary and luxury purchases and are therefore impacted by a multitude of macro-economic, social and political factors in source markets. The global economy grew by 3.1% in 2016, supported by increasing momentum across advanced economies while activity across emerging markets and developing economies remained mixed. Advanced economies grew by 1.7%, supported by improved investor sentiments in the US and resilient economic activity in the UK despite the Brexit. Emerging and developing markets grew by 4.1% in 2016 although distinctive factors resulted in divergent activity across markets. China's growth remained strong upheld by policy support whereas activity in India slowed due to the effects of the currency exchange initiative. Looking ahead, the IMF expects world growth to increase to 3.5% in 2017, with advanced and emerging economies expected to grow by 2.0% and 4.5% respectively.

### GLOBAL ECONOMIC GROWTH



Source: World Economic Outlook, IMF

### The global tourism industry

The tourism and travel industry is a significant contributor to economic activity around the world with numerous direct and indirect impacts. In 2016, the sector contributed 10.1% (or USD 7.6 Bn) to global GDP and accounted for 9.6% of jobs worldwide. International tourist arrivals are estimated to have grown by 3.9% to reach 1.24 Bn during the year, while tourism expenditure was driven by a few leading source markets, led by China (+12%), followed by the US (+8%) and moderate growth from key European markets. The industry has continued to demonstrate strong resilience to political and economic instability, natural disasters and terrorist attacks, outpacing the growth of the global economy for the sixth consecutive year.



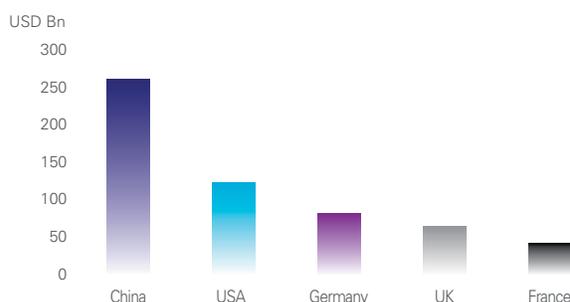
Source: World Travel and Tourism Council

### GLOBAL TOURISM INDUSTRY GROWTH



Source: UNWTO

### TOP TOURISM SPENDERS (2016)



# Our Strategic Report

## The Sri Lankan tourism industry

Tourist arrivals into Sri Lanka increased by 14.0% during 2016, crossing the 2 million milestone for the first time in history. This was supported by increased connectivity through the operation of new airlines, a substantial increase in tourism related infrastructure as well as numerous destination promotion activities. Sri Lanka's largest source markets of Western Europe, East Asia (primarily China) and South Asia (mainly India) recorded relatively strong growth during the year, while growth was moderate in the Middle Eastern and Eastern European markets. Meanwhile, total earnings from tourism increased by 14% to USD 3.4 Bn during the year.

The industry has also seen a rapid increase in room inventory over the last few years, with the total number of graded rooms surging by over 40% during the last 4 years. Rising demand for home stays and changing accommodation needs of travellers have also driven growth in the informal sector, in which room capacity has increased by nearly 80% since 2012 inserting intense pressure on graded establishments. In graded establishments, the average occupancy rate for the year increased marginally to 74.8%, from 74.5% the previous year.

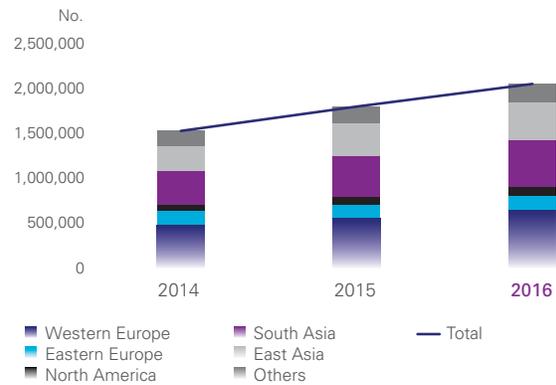
## OCCUPANCY



*Tourist arrivals into Sri Lanka increased by 14% during 2016, crossing the 2 million milestone for the first time in history.*

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## ARRIVALS BY SOURCE MARKET



Average length of stay

**10.2 days**

(2015: 10.1 days)

Average spending per capita/per day

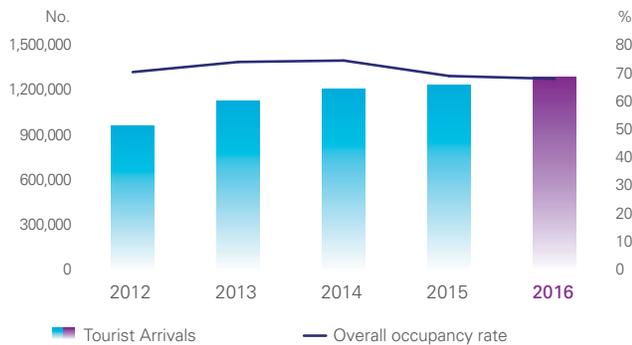
**USD 168.2**

(2015: USD 164.1)

## Maldivian tourism industry

The performance of the Maldivian tourism industry has been below expectations in the last two years, reflecting subdued economic conditions in the European region, a slow-down in China and geopolitical tensions in several source markets. Arrivals into the country grew by 4.2% in 2016, faster than the growth rate of 2.5% recorded in 2015 as the government aggressively pursued promotion of the destination with the launch of "Visit the Maldives Year 2016." Resultantly, annual bed nights also increased by 2.3% during the year while occupancy rates in the resort sector averaged 74%. In terms of source markets, China continues to be the largest individual source market to Maldives, although arrivals from China declined by 9.8% during the year. Meanwhile other key markets such as Russia, Germany and the United Kingdom showed moderate growth levels during the year.

PERFORMANCE OF THE MALDIVIAN TOURISM INDUSTRY



*The emergence of internet tour operators and the increasing use of the internet to research and book holidays have resulted in a gradual transformation of the traditional channels to market structures.*



Key trends shaping our industry

Changing needs of the traveller

Millennials have emerged as an increasingly important guest group, which is challenging the established norms of traditional travel driving different accommodation models and stay expectations. The need for more authentic and personalised experiences has driven demand for alternative hospitality offerings such as home stays and apartments. For traditional hotel operators, this underscores the importance of catering to dynamic and continuously evolving guest needs and expectations.

Increasing connectivity

The surge in online connectivity has enabled guests to book their travel with greater control and share their travel experiences in unique and engaging ways. The emergence of internet tour operators and the increasing use of the internet to research and book holidays have resulted in a gradual transformation of the traditional channels to market structures. Meanwhile hotels,

review sites and travel companies have grown their online presence, allowing travellers to compare a range of options conveniently. This has also brought about an increasing need for transparency regarding pricing structures while necessitating a high level of engagement with potential guests.

Increasing focus on sustainable tourism

The United Nations General Assembly declared 2017 as the International Year of Sustainable Tourism for Development with the objective of building a more responsible and committed tourism sector which promotes economic prosperity, social inclusion as well as cultural and environmental preservation. This is expected to support a change in policies, business practices and consumer behaviour towards building a sector which can contribute effectively towards the Sustainable Development Goals.

19% of consumers book their travel a week or less before departure (Adobe, 2016)

69% of travellers want to try something new (TripBarometer, 2015)  
95% of travellers read reviews online prior to booking (TripBarometer, 2015)

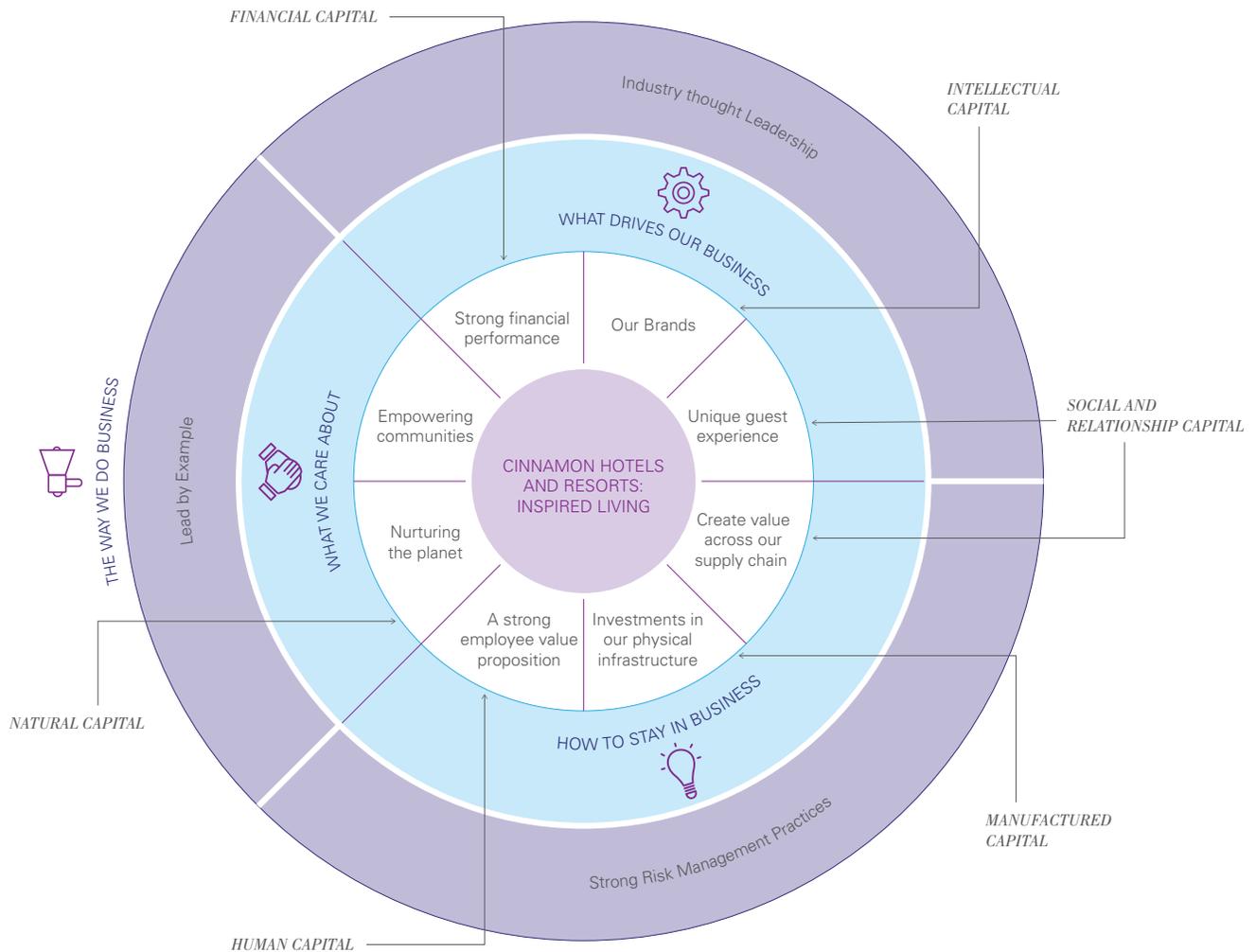
45% of connected travellers use smartphones to book travel activities (TripBarometer, 2015)

6 out of 10 millennials would rather spend their money on experiences than material things

# Our Strategic Report

## OUR STRATEGIC IMPERATIVES

The Group's strategic imperatives as illustrated below have been formulated to respond to the four key questions of the way we do business, what drives our business, how to stay in business and what we care about. The subsequent sections of this Report have been carefully structured to address these issues while demonstrating the connectivity to our material issues, value creation and capital inputs.





## SUSTAINABILITY AT CINNAMON HOTELS & RESORTS

The United Nations has designated the year 2017 as the International Year for Sustainable Tourism Development. This provides a unique opportunity for mobilizing all stakeholders to come together towards creating positive change through supporting change in policies, business practices and consumer behaviour. The Tourism sector's potential contribution towards the achievement of the Sustainable Development Goals stems through the following;

### Inclusive and sustainable economic growth

- 10% of world GDP
- 7% of world exports and 30% of service exports
- 4% or more increase in tourist arrivals since 2009

### Social inclusiveness, employment and poverty reduction

- One in every 11 jobs globally
- Almost twice as many women employers as other sectors
- Largest export category in many developing countries

### Resource efficiency, environmental protection and climate change

- Committed to reducing its 5% of world CO2 emissions
- Vehicle for protecting and restoring biodiversity
- Raises financing for conservation

### Cultural values, diversity and heritage

- Revives traditional activities and customs
- Promotes cultural diversity
- Empowers communities and nurtures pride within them

### Mutual understanding, peace and security

- Breaks down barriers and builds bridges between visitors and hosts
- Provides opportunities for cross cultural encounters
- A tool for soft diplomacy

Cinnamon Hotels & Resorts conducts business in a sustainable manner, identifying, measuring and monitoring material economic, social and environment impacts to ensure that our growth, earnings and reputation can be sustained and improved in the long term. As a hotel management company we impact lives of our guests, our employees, the communities we work in, our suppliers and business

partners, and the surrounding environments in addition to meeting the financial needs of our key investors and shareholders. We have the ability to inspire our guests, our employees, our suppliers and other stakeholders to adopt sustainable practices and to engage in projects that uplift lives of those in need and preserve the limited resources of the planet while enhancing their experiences with us.

### Cinnamon Sustainability Approach

#### A Balance (Environment)

Carbon Consciousness

Biodiversity

Responsible Water Usage & Minimising Waste

#### A Connect (Community)

Inspiring Livelihoods

Education to Enhance Opportunity

Promoting Art & Culture



### Sustainability Governance

We have established an integrated governance mechanism which spans across the entire organisational structure and all our resorts in the form of strategic planning, resource utilization, accountability and assurance. The Key Performance Indicators

of Sustainability projects would be ascertained by assessing the performance of sustainability indicators tracked at a Group level in accordance to the GRI framework on a quarterly basis, and the key indicators tracked, monitored and compared against international benchmarks. This has ensured the consistent tracking, monitoring and reporting of all selected sustainability indicators.

# Our Strategic Report

## OUR COMMITMENT TO THE SUSTAINABLE DEVELOPMENT GOALS

At the United Nations Sustainable Development Summit in September 2015, over 150 countries committed towards the new 2030 Agenda for Sustainable Development, including the Sustainable Development Goals (SDGs). The SDGs set clear objectives to galvanise global efforts to end poverty, promote prosperity and protect the environment. The infogram below lists out the goals which are of greatest relevance to us and how we are currently contributing towards the achievement of these targets.

Sustainable Development Goals	Facts from Sri Lanka	Relevance to the Tourism Sector	Our Contribution/Commitment
	<ul style="list-style-type: none"> <li>Sri Lanka's poverty headcount has recorded a gradual decline over the past 2 decades, amounting to 6.7% by 2012</li> </ul> <p>Source: Dept. of Census and Statistics</p>	<p>Tourism is one of the fastest growing industry sectors in the world, and is well positioned to foster economic growth and development through job creation and empowering youth and women</p>	<p><b>No poverty:</b> Communities adjacent to our resorts benefit from employment generation, numerous CSR initiatives and purchases to the resorts which contribute towards uplifting socio-economic progress</p>
	<ul style="list-style-type: none"> <li>23% of the population is undernourished</li> <li>33% of the population cannot afford a nutritious diet</li> </ul> <p>Source: The World Food Programme</p>	<p>Tourism can support increased agricultural production, use and sale of local produce in tourist destinations and its full integration in the tourism value chain</p>	<p><b>Zero hunger:</b> Our resorts engage in organic farming and encourage the use and sale of local produce in our locations</p>
	<ul style="list-style-type: none"> <li>Public investment in education is relatively lower in comparison to similar income status countries</li> <li>Unemployed without vocational training-66.5%</li> </ul> <p>Source: National HR Development Council of Sri Lanka</p>	<p>The Sector can ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p><b>Quality education:</b> We provide numerous skill and career development opportunities for the individuals who are recruited to our resorts</p>
	<ul style="list-style-type: none"> <li>Low representation of women in parliament of around 7.5%</li> <li>Large concentration of economically active women in unpaid family labour</li> <li>Share of women employed in the non-agricultural sector- 21.4%</li> <li>High incidence of rape, abuse and harassment</li> </ul> <p>Source: ADB</p>	<p>Tourism can empower women in multiple ways, particularly through the provision of jobs and through income-generating opportunities</p>	<p><b>Gender equality:</b> We are an equal opportunity employer and do not practice gender discrimination in recruitment, determining remuneration and promotions etc.</p>
	<ul style="list-style-type: none"> <li>Relatively high drinking water coverage of 94%</li> <li>Sanitation coverage of 92%- the best in South Asia</li> <li>Key issues include rural school sanitation, sanitation for the disabled and problem of ground water contamination</li> </ul> <p>Source: World Health Organisation</p>	<p>Tourism can play a critical role in achieving water access and security, as well as hygiene and sanitation for all through appropriate safety measures, wastewater management and pollution control</p>	<p><b>Clean water and sanitation:</b> All our resorts engage in efficient waste water management and are committed towards the preservation of water</p>
	<ul style="list-style-type: none"> <li>Access to electricity in Sri Lanka is over 92%</li> <li>Access to electricity among the rural population is over 90%</li> <li>Electricity production from renewable sources has recorded strong growth contributing 37% to the total mix (Hydro and non-conventional energy sources)</li> </ul> <p>Source: World Bank</p>	<p>The tourism sector is relatively energy intensive and engaging in the generation of greener energy can accelerate the shift towards renewable energy sources</p>	<p><b>Affordable and clean energy:</b> We have taken numerous steps to reduce reliance on fossil fuels including the use of solar and bio-gas</p>

Sustainable Development Goals	Facts from Sri Lanka	Relevance to the Tourism Sector	Our Contribution/Commitment
	<ul style="list-style-type: none"> <li>Sri Lanka's unemployment rate has declined gradually to 4.2% by end- 2016</li> <li>Labour force participation rate amounted to 54% in 2016</li> </ul> <p>Source: Dept. of Census and Statistics</p>	<p>By providing access to job opportunities in the sector, particularly for women and youth, tourism can contribute towards increased skill and professional development</p>	<p><b>Decent work and economic growth:</b> We are a preferred employer providing opportunities for skill and career development in a challenging and rewarding work environment</p>
	<ul style="list-style-type: none"> <li>Economic growth in recent years have benefitted certain districts more than others</li> <li>The inequality, as measured by the Gini coefficient of household expenditure, fell from 0.41 in 2002 to 0.37 in 2009/10, before rising back to 0.40 in 2012/13.</li> </ul> <p>Source: Dept. of Census and Statistics</p>	<p>Tourism can be a powerful tool for community development and reducing inequalities if it engages local populations and all key stakeholders in its development.</p>	<p><b>Reduced inequalities:</b> By recruiting individuals from the local communities we contribute towards uplifting livelihoods and socio economic progress</p>
	<ul style="list-style-type: none"> <li>Hydro and NCRE sources accounted for 37% of the country's power mix in 2016</li> </ul>	<p>Through adopting sustainable consumption methods including the promotion of local products, the tourism sector can contribute towards the global shift to sustainability</p>	<p><b>Responsible consumption and production:</b> We are committed to the efficient use of resources within all our operations including natural resources</p>
	<ul style="list-style-type: none"> <li>Sri Lanka's per capita emission in 2013 amounted to 0.78 MT, compared to 0.59 MT in 2000</li> <li>Sri Lanka's average temperature has increased from 27.3 C to 27.6 C by 2012</li> </ul> <p>Source: World Bank</p>	<p>Tourism contributes to and is affected by climate change and by lowering energy consumption, shifting to renewable energy, the sector can contribute towards combating climate change</p>	<p><b>Climate action:</b> We persistently strive to reduce the carbon footprint of our operations by using renewable energy and increasing the energy efficiency of our operations</p>
	<ul style="list-style-type: none"> <li>Sri Lanka's coastal habitats include lagoons, mangroves, sea grass beds, coral reefs etc.</li> <li>These resources support a thriving export industry</li> <li>Natural causes and human intervention have caused considerable degradation to these resources over the last few decades</li> </ul>	<p>Coastal and maritime tourism is crucial for developing the sector, particularly in small island states such as Sri Lanka underscoring the importance of conserving and preserving marine ecosystems</p>	<p><b>Life below water:</b> The Blue Whale project has contributed towards raising awareness on Sri Lanka's blue whales, creating an image bank and knowledge base for research</p>
	<ul style="list-style-type: none"> <li>Sri Lanka is considered one of the top 25 biodiversity hot spots in the world by Conservation International</li> <li>One of the highest rates of biological endemism (16% of the fauna and 23% of flowering plants are endemic)</li> </ul>	<p>Rich bio-diversity, pristine forests and landscapes are vital to attracting tourists to destinations and tourism can play a significant role in conserving these natural resources through preservation of flora and fauna and awareness building.</p>	<p><b>Life on land:</b> Several ongoing projects such as the Leopard project and the Elephant research project have contributed towards protecting our rich biodiversity.</p>

# Our Performance

## STRATEGIC PERFORMANCE

Our Strategy	What Drives Our Business			How to Stay in Business
	Strong financial Performance	Our Brands	Unique Guest Experience	Strong Employee Value Proposition
Developments and key focus areas in 2016/17		Enhanced brand reputation through a year-round calendar of events including Cinnamon Colomboscope, TBCasia, and Cinnamon Photo Contest	Ongoing emphasis on staff training and development, increased customer engagement for unique projects such as Project Wild Blu	Ongoing focus was placed on the People Strategy 2020 with emphasis on developing a new employee value proposition. Also strengthened employee attraction and recruitment mechanisms.
Risks and challenges in 2016/17	<ul style="list-style-type: none"> <li>Rising operating costs</li> <li>Revisions to tax structures</li> </ul>	<ul style="list-style-type: none"> <li>Increasing competition from international hotel chains entering Sri Lanka</li> </ul>	<ul style="list-style-type: none"> <li>Increasing competition from the informal sector</li> <li>Changing guest expectations</li> </ul>	<ul style="list-style-type: none"> <li>Difficulties in employee retention, particularly at non-executive level</li> </ul>
Key performance indicators	<ul style="list-style-type: none"> <li>Profit growth of 7% during the year</li> </ul>		<ul style="list-style-type: none"> <li>Overall occupancy in                             <ul style="list-style-type: none"> <li>Sri Lankan resorts: 80% (2015/16: 79%)</li> <li>Maldivian resorts: 89% (2015/16: 85%)</li> </ul> </li> <li>TripAdvisor average rating: 4.3</li> </ul>	<ul style="list-style-type: none"> <li>Employee satisfaction score: 89%</li> <li>Investment in training: 29% YoY increase</li> <li>Total training hours: 92,254</li> <li>No. of promotions: 170</li> <li>Employee turnover: 25% (2015/16: 25%)</li> </ul>
Outlook for 2017/18		An year-round event calendar has been planned for the coming year to further enhance or brand value	We will continue to create unique guest experiences through investments in our employees and resorts.	Employee attraction and retention will be a key priority going forward and we will drive this through our unique value proposition

Our Strategy	How to stay in business		What we care about	
	Investments in physical infrastructure	Creating value across our supply chain	Nurturing the planet	Empowering communities
Developments in 2016/17	We continued to upgrade our resorts and facilities to ensure that the ambience offered is in line with the overall guest experience	We formed new relationships and strengthened existing relationships with our channel partners through proactive engagement. Continued to engage with and develop our broad base of suppliers	Initiated the implementation of an integrated Utility Management System which allows the central monitoring of energy and water consumption across resorts. Installation of a Solar PV at Ellaidhoo Maldives by Cinnamon. Ongoing emphasis on energy efficiency and water management	Ongoing focus on our CSR focus areas including education, youth empowerment and community development and health
Risks and challenges in 2016/17	N/A	<ul style="list-style-type: none"> <li>Digital platforms are transforming the traditional channels to market</li> </ul>	<ul style="list-style-type: none"> <li>Higher operational activity leading to a higher environmental footprint</li> </ul>	N/A
Key performance indicators	<ul style="list-style-type: none"> <li>Total capital expenditure: Rs. 784 million</li> </ul>	<ul style="list-style-type: none"> <li>31% YoY increase in business from online travel platforms</li> <li>No. of supplier audits conducted during the year: 87</li> </ul>	<ul style="list-style-type: none"> <li>Total energy consumption per guest night declined by 1%</li> <li>Water consumption per guest night declined by 3%</li> <li>Carbon footprint per guest night declined by 1%</li> </ul>	<ul style="list-style-type: none"> <li>Total investment in CSR: Rs. 12.1 million</li> </ul>
Outlook for 2017/18		We will proactively monitor emerging trends in the market and refine our engagement with business partners to respond to these changes	The ability to monitor environmental indicators centrally is anticipated to enhance efficiency of decision making and enable easy benchmarking between properties	We will continue to engage with our communities to contribute to socio economic progress through need-based CSR initiatives

# Cluster Reviews

## ADVENTURE AND HERITAGE

<i>Contribution to Group</i>	
Revenue	21%
PBT	24%
Assets	14%
Guest nights	31%
Employees	37%
Carbon footprint	25%

The Adventure and Heritage cluster consists of four unique properties, each with an inimitable personality of its own, collectively offering a room capacity of 433. Located in the Central and North Central regions of Sri Lanka, Cinnamon Lodge Habarana, Habarana Village by Cinnamon and Cinnamon Citadel Kandy feature a distinctive ambience combining culture, adventure and heritage with world-class luxury. Cinnamon Wild Yala, bordering the wilderness of the Yala National Park is an eco-friendly getaway offering rustic luxury and unforgettable experiences for wildlife enthusiasts. All resorts within the cluster are recipients of multiple international awards and accolades for green tourism practices, culinary excellence and customer satisfaction.

### Integrated Performance Review

			2016/17	2015/16	<i>y-o-y change</i>
			12 Months	12 Months	
ECONOMIC	Revenue	Rs. Mn	2,544.2	2,488.4	2%
	PBT	Rs. Mn	534.6	523.5	2%
	Total Assets	Rs. Mn	4,344.0	4,323.4	-
	Total Capital	Rs. Mn	3,699.5	3,738.8	(1%)
	ROCE (%)	%	14.9	14.8	-
	Occupancy rate	%	77%	77%	-
ENVIRONMENTAL	Energy	GJ	96,877	95,387	2%
	Water use	m <sup>3</sup>	233,189	235,851	(1%)
	Waste	MT	608	620	(2%)
	Carbon Footprint	MT	5,209	5,135	1%
	Compliance Issues	Incidents No.	Nil	Nil	-
SOCIAL	Head Count	No.	909	908	-
	Employee productivity	Profit (Rs.'000) / employee	588	499	18%
	Training hours	Hours	35,590	48,204	(26%)
	Investment in community engagement	Rs. Mn	6	3	100%
	Average TripAdvisor rating	Rating	4.32	4.28	1%

In order to improve the conciseness of this Report, the cluster reviews have been refined to focus primarily on operational and financial performance. Please refer to the relevant capital reports from pages 53 to 115 for more information on the cluster's sustainability performance.

The cluster turned in a year of moderate growth to achieve revenue and profit expansion of 2% during the year. Performance was upheld by robust demand from the domestic sector while the

Group's strategies of pursuing growth from non-traditional markets have continued to pay dividend. Resultantly, all four resorts in the cluster demonstrated revenue growth during the year while Cinnamon Citadel Kandy and Cinnamon Lodge Habarana recorded commendable growth in profits. The annual average occupancy rates remained at 77%, a commendable achievement given the sharp increase in industry room inventory during the year while cluster ARR also increased by 5%.

## BEACH FRONT - SRI LANKA

<i>Contribution to Group</i>	
Revenue	27%
PBT	19%
Assets	25%
Guest nights	42%
Employees	44%
Carbon footprint	41%

Our multi-award winning portfolio of Beach Front properties in Sri Lanka are located alongside some of the country's most scenic beaches in the Southern and North Eastern Coastal belts. Bentota Beach by Cinnamon, Trinco Blu by Cinnamon, Cinnamon Bey Beruwala and Hikka Tranz by Cinnamon collectively offer 564 four and five star class rooms and are renowned for their individuality and authenticity, which is expressed to our guests through unique architecture, quality of service, amenities, themed restaurants and bars. All resorts within the cluster espouse principles of sustainable tourism, underlining our commitment to environmental and social factors.

### Integrated performance review

			2016/17	2015/16	y-o-y change
			12 Months	12 Months	
ECONOMIC	Revenue	Rs. Mn	3,360	3,073	9%
	PBT	Rs. Mn	427	251	70%
	Total Assets	Rs. Mn	8,176	9,593	(15%)
	Total Capital	Rs. Mn	7,386	7,863	(6%)
	ROCE(%)	%	7.7	5.2	48%
	Occupancy rate	%	83	80	3%
ENVIRONMENTAL	Energy	GJ	160,506	158,928	1%
	Water Use	m <sup>3</sup>	254,634	258,996	(2%)
	Waste	MT	804	875	(8%)
	Carbon Footprint	MT	8,532	8,474	1%
	Compliance Issues	Incidents No.	Nil	Nil	-
SOCIAL	Head Count	No.	1,085	1,087	-
	Employee productivity	Profit (Rs.'000) / employee	393	202	95%
	Training hours	Hours	53,393	48,780	9%
	Investment in community engagement	Rs. Mn	5.3	4.6	15%
	Average TripAdvisor rating	Rating	4.08	4.15	(2%)

Sri Lankan beach resorts emerged as the best performing cluster during the year, achieving impressive profit growth of 70% during the year. The cluster's performance was upheld by an increase in the average occupancy levels to 83% (from 80% the previous year) and a 6% increase in the ARR. The cluster benefitted from increased Chinese and Indian arrivals as well as strong growth in

domestic guests. Cinnamon Bey and Hikka Tranz were the top performers in the cluster with a doubling of profits in comparison to the previous year. Please refer to the relevant capital reports from pages 53 to 115 for more information on the cluster's sustainability performance

## Cluster Reviews

### MALDIVIAN CLUSTER

<i>Contribution to Group</i>	
Revenue	52%
PBT	54%
Assets	51%
Guest nights	27%
Employees	19%
Carbon footprint	34%

Our world-renowned portfolio of Maldivian resorts features some of the best beaches in the world, offering guests a combination of luxury and authenticity in spectacular surroundings. The cluster consists of 3 properties, Cinnamon Dhonveli, Ellaidhoo by Cinnamon, and Cinnamon Hakuraa which collectively offer a capacity of 340 four star rooms. Globally recognised for their sustainable tourism initiatives, resorts within the cluster have received several international awards and accolades for green practices as well as customer satisfaction and culinary excellence.

#### Integrated performance review

			2016/17	2015/16	y-o-y change
			12 Months	12 Months	
ECONOMIC	Revenue	Rs. Mn	6,391	6,085	5%
	PBT	Rs. Mn	1,200	1,131	6%
	Total Assets	Rs. Mn	15,908	13,224	20%
	Total Capital	Rs. Mn	14,018	12,225	15%
	ROCE	%	9	10	-
	Occupancy	%	89	85	-
ENVIRONMENTAL	Energy	GJ	95,034	91,903	3%
	Water Use	m3	134,619	131,783	2%
	Waste	MT	988	1266	(22%)
	Carbon Footprint	MT	6,941	6,723	3%
	Compliance Issues	Incidents No.	Nil	Nil	-
SOCIAL	Head Count	No.	480	485	(1%)
	Employee productivity	Profit (Rs.'000) / employee	2,500	2,257	11%
	Training hours	Hours	21,225	18,975	12%
	Investment in community engagement	Rs. Mn	0.9	0.3	200%
	TripAdvisor rating	Rating	4.4	4.4	-

The Maldivian cluster recorded a commendable performance in relatively challenging industry conditions to achieve revenue and profit growth of 5% and 6% respectively. Occupancy rates in our three resorts increased to 89% during the year, outperforming the overall industry's occupancy levels. We placed strategic emphasis on driving growth through online platforms including the

Cinnamon website. ARR decreased by about 2% during the year and continue to be considerably higher than the ARR's commanded in the Sri Lankan sector. Please refer to the relevant capital reports from page pages 53 to 115 for more information on the cluster's sustainability performance

# Value Creation Report

## FINANCIAL CAPITAL

*Overall the Group turned in a commendable profit growth of 7% to Rs.1.86 Bn during the year, contributed by both the Sri Lankan resorts (+8%) and the Maldivian sector (+5%).*

### STRONG FINANCIAL PERFORMANCE

*The generation of sustainable shareholder value is underpinned on our ability to effectively obtain and manage our financial capital. It is reinvested in the other capital inputs and is vital in fulfilling our growth aspirations.*

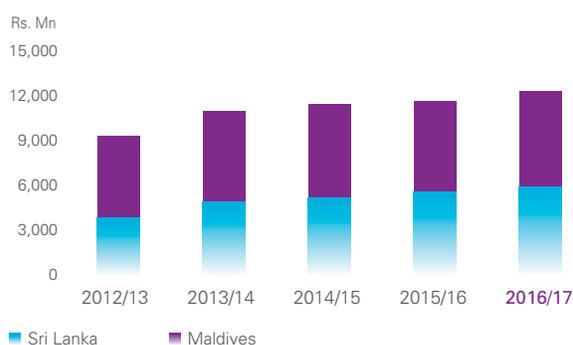
The Group delivered yet another year of outstanding financial performance, supported by a proactive strategy which enabled it to capture emerging opportunities in an increasingly competitive industry space. Despite persistent global volatilities, increasing competitive pressures and rising costs, the Group achieved revenue and profit growth of 6% and 7% respectively during the year under review.

### INCOME STATEMENT

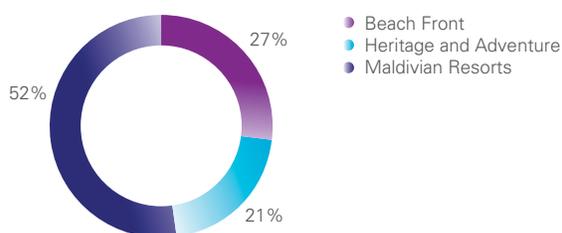
#### Revenue

Consolidated revenue grew by 6% to Rs.12.31 Bn during the year, upheld by the commendable performance of the Sri Lankan resorts (+7%) while the growth in the Maldivian resorts was moderate at 5%. A proactive marketing strategy aimed at capturing opportunities in non-traditional markets while fortifying its position in traditional markets, enabled the Sri Lankan resorts to increase its occupancy levels to 80%, from 79% the year before. Occupancy levels in the Maldivian sector also improved to 89%, although a prolonged slowdown in Chinese arrivals into the Maldives resulted in lower-than anticipated volumes. The ARR of the Sri Lankan Resorts increased by 6% while the ARR at Maldives decreased by 2% during the year under review. The Maldivian sector continues to be the more significant contributor to revenue with a share of 52% during the year, although the relative importance of the Sri Lankan sector has increased over the last few years. (Please refer Cluster Reviews from pages 50 to 52 for detailed performance analysis of the clusters)

#### CONSOLIDATED REVENUE TRENDS



#### CLUSTER-WISE REVENUE COMPOSITION



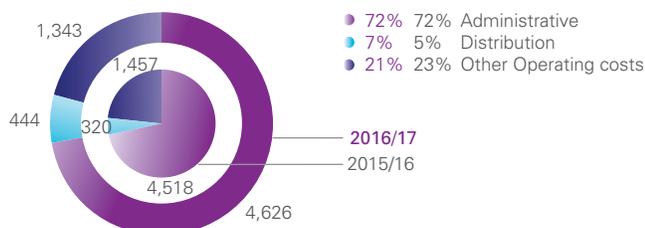
#### Cost management

Ongoing focus on operational efficiencies, employee productivity and energy efficiencies enabled the Group to contain the increase in overhead costs to 2% during the year, despite a higher growth in operational activities. Administrative costs increased by 2% reflecting increases in employee costs and continue to be the largest cost element. Distribution expenses increased by 39% to Rs. 444 million during the year as the Group placed strategic emphasis on building new relationships and strengthening existing relationships with its channel partners. Meanwhile, other operating expenses declined by 8% during the year, demonstrating the Group's ongoing commitment towards generating operational efficiencies.

# Value Creation Report

## OVERHEAD COST BREAKDOWN

(Rs. Mn)



## Earnings before interest and tax (EBIT)

The good growth in the top line together with ongoing efforts on cost management enabled the Group to achieve an 11% growth in EBIT to Rs. 2.46 Bn during the year under review. EBIT from Sri Lankan resorts surged by 13% during the year, while EBIT growth in the Maldivian sector was moderate at 9.1%. The Sri Lankan sector's relative contribution to consolidated EBIT has continued to increase and now accounts for a share of 49%, compared to around 35% several years ago. The Group's EBIT margin widened from 18.9% in 2015/16 to 19.8% this year, reflective of increased occupancy levels and wider ARR's.

### TRENDS IN EBIT



## Net finance cost

The Group's net finance cost declined by 81% to Rs.10.52 million during the year, supported primarily by 71% increase in finance income to Rs. 217.27 million. This improvement reflects an increase in short-term investments as well as proactive management of the Group's investment portfolio. Meanwhile, finance expenses increased by 25% due to a 39% expansion in total borrowings as well as the relatively higher interest rate environment which prevailed during the year.

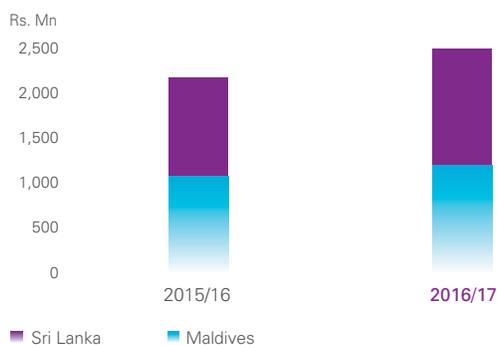
## Profitability

The Group's tax charge increased by 30% to Rs. 372.62 million during the year while the effective tax rate widened to 17% from 14% the year before. Overall the Group turned in a commendable profit growth of 7% to Rs.1.86 Bn during the year, contributed by both the Sri Lankan resorts (+8%) and the Maldivian sector (+5%). The Maldivian sector accounted for 55% of the consolidated profits, a reflection of its wider yields while the contribution of the Sri Lankan resorts to the bottom line remained relatively unchanged at 45%. Consolidated Return on Capital Employed remained unchanged at 8.7% during the year.

### NET PROFIT TRENDS



### SEGMENT CONTRIBUTIONS TO EBIT



## Other comprehensive income

Other comprehensive income for the year amounted to Rs. 625.35 million and comprised primarily of translation gains on foreign exchange earnings given the depreciation of the Sri Lankan Rupee against the US Dollar. Revaluation gains on land and buildings amounted to Rs. 298.33 million. Overall, consolidated total comprehensive income for the period amounted to Rs.2.49 Bn, demonstrating a decline of 23% in comparison to the previous year which had recorded substantially higher foreign exchange gains.

## BALANCE SHEET

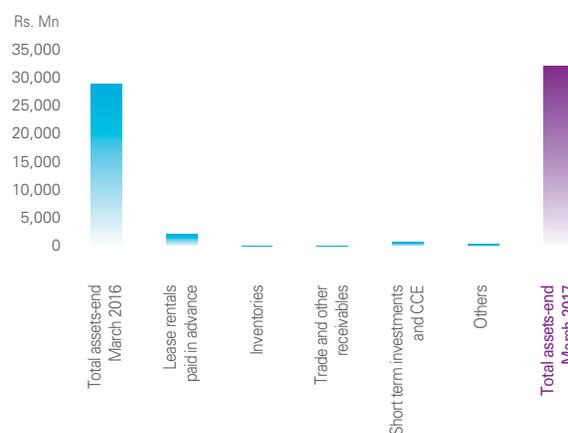
The Group's total asset base grew by 11% to Rs. 32.08 Bn during the year, mainly due to lease rentals of around Rs. 2.48 Bn paid in advance to extend lease hold rights of Dhonveli Island. Other capital expenditure during the year amounted to Rs. 784 million. All major capital investments are evaluated rigorously against specified criteria to ensure an appropriate risk return balance. Stronger cash flow generation during the year also led to increased liquid assets and short term investments, which together accounted for around 13% of the Group's total asset base.

The Group continues to be well capitalized, with shareholders' funds accounting for 78% of the Group's total assets by end-March 2017. Total borrowings increased by 39% during the year to Rs. 5.17 Bn mainly due to the funding of the Dhonveli lease extension and other capital expenditure. The Group's debt profile tilted more towards short-term borrowings, which accounted for 79% of total debt as at end-March 2017. Despite the increase in borrowings, the Group's debt to equity remained at around 0.21 times.

*The Group continues to be well capitalized, with shareholders' funds accounting for 78% of the Group's total assets by end-March 2017.*

• • •

## ASSET BASE



## CASH FLOW

Cash generated from operations is used for debt repayments, tax commitments, dividend payments and capital investments. Net cash flow generated from operating activities amounted to Rs. 3.23 Bn during the year, compared to Rs. 3.62 Bn the previous year. Meanwhile, net cash outflow from investing activities increased to Rs. 3.1Bn reflecting higher capex and the purchase of lease rights in Dhonveli. Additional borrowings amounted to Rs. 1.89 Bn during the year, after which the Group's overall Cash and Cash Equivalents increased to Rs.1.22 Bn by end-March 2017. Cash flow debt protection metrics weakened slightly due to the higher debt loan but remains within comfortable limits; the operational cash flow to debt coverage declined to 0.63 times compared to 0.97 times the year before.

### Return on Capital Employed 2015/16: 8.7% | 2016/17: 8.7%



#### Profitability

EBIT Margin  
2015/16: 19%  
2016/17: 20%



#### Efficiency

Asset Turnover  
2015/16: 0.40  
2016/17: 0.38



#### Financial Leverage

Equity Multiplier  
2015/16: 1.26  
2016/17: 1.29

# Value Creation Report

## INVESTOR RELATIONS

*Proactive engagement with our investors is crucial in determining strategy for long-term value creation and is an important prerequisite of good governance. We have continued to maintain a constructive dialog with all our shareholders and seek to provide relevant and timely information to facilitate informed decision making.*

This segment of the report provides information on the performance of the Company's share.

### Our share

The ordinary shares of John Keells Hotels PLC are listed on the Main Board of the CSE under the ticker symbol "KHL". As at end-March 2017, there were 1,456,146,780 ordinary shares in issue.

### Performance of the share

The Colombo Stock Exchange (CSE) was volatile during the first half of the year ending 31st March 2017 before recording a gradual yet persistent decline from October 2016. Compared to the beginning of the reviewed period, the ASI remained relatively flat by end-March 2017 although indexing between a low of 6,068.3 (February 2017) and a high of 6,708.4 (May 2016) to close the year at 6,061.94 points. The relatively weak performance during the year is attributed to a tightening of monetary policy which resulted in higher interest rates on fixed income securities as well as prolonged uncertainty in global markets particularly in the wake of dramatic political shifts in the USA and European regions. Resultantly, the CSE also experienced selling pressure with foreign investors being net sellers during the year.

The performance of the Company's share mirrored that of the broader market, declining by Rs.2 (or 17%) to end the reviewed period at Rs.10.0. The share traded between a high of Rs.13.50 (May 2016) and a low of Rs. 9.80 (March 2017). Market capitalisation as at end March also declined from Rs. 17.47 Bn to Rs.14.56 Bn the year before accounting for 0.55% of the CSE's total market capitalisation.

## INDICES AND SHARE PRICES



For further information on the shareholding and share performance, please refer the Investor Information section on page 150.

*The stronger performance during the year resulted in earnings per share increasing by 6% to Rs.1.27 during the year.*

• • •

## MANUFACTURED CAPITAL

*During the year under review, we incurred Rs. 784 Mn on capital expenditure.*



### ONGOING INVESTMENTS IN OUR PHYSICAL INFRASTRUCTURE

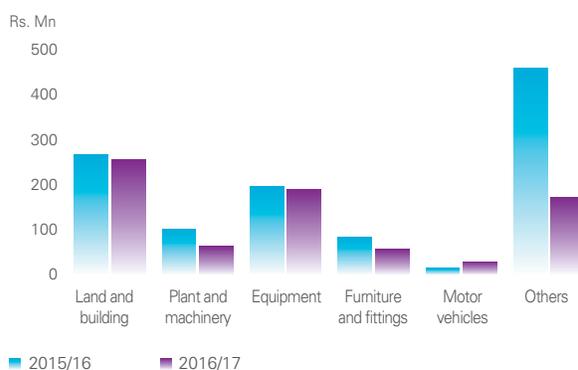
*Our manufactured capital comprises 11 properties which are architectural masterpieces, elevating the natural beauty of the scenic surroundings of our resorts, facilitating inspired living. This capital represents a key element of our customer value proposition and brand promise providing guests the full experience of coastal thrills and chills, awesome nature trails and the mystique of ancient culture.*

	Cluster	No. of rooms	No. of rooms	PPE (Rs. Mn)
SRI LANKA	Beach Front	Cinnamon Bey Beruwala	200	3,875
		Hikka Tranz by Cinnamon	150	1,404
		Trinco Blu by Cinnamon	81	991
		Bentota Beach by Cinnamon	133	370
	Adventure and Heritage	Cinnamon Wild Yala	68	524
		Cinnamon Lodge Habarana	138	846
		Habarana Village by Cinnamon	108	435
Cinnamon Citadel Kandy		119	1,586	
MALDIVES	Beach Front	Cinnamon Dhonveli Maldives	148	914
		Ellaidhoo Maldives by Cinnamon	112	599
		Cinnamon Hakuraa Huraa Maldives	80	1,187

### Capital expenditure

During the year under review, we incurred Rs. 784 million on capital expenditure mainly on building enhancement and hotel equipment.

### VALUE ADDITION TO MANUFACTURED CAPITAL



# Value Creation Report

## Investments in sustainable operations

Sustainability considerations are embedded in our daily business decisions and during the year substantial investments were made in enhancing energy efficiency (thereby reducing the dependence on fossil fuels) and minimising the adverse environmental impact of our operations. A few of these initiatives are listed below and please refer to page 104 of this Report for more detailed information on same.

<i>Initiative</i>	<i>Capital expenditure (Rs. Mn)</i>
Solar PV installation at Ellaidhoo Maldives by Cinnamon	26.25 (Approx.)
Energy efficient lighting, water heating and cooling systems	12.46
Installation of a web-based integrated Utility Management System which enables the central monitoring of energy and water consumption	6.0



Central Monitoring from Head Office -  
Utility Management System



...  
*Cinnamon Lodge Habarana*  
...



*Cinnamon*  
LODGE  
Habarana

*Five-star luxury combines with nature and architecture reminiscent of an ancient monastic palace to create a truly unique resort that offers varied experiences to satisfy every guest.*

Wander amongst ancient cultural sites or seek adventure in the wildlife parks within easy reach of this strategically located luxury five-star resort. Wake up to bird song, watch the playful monkeys and be entranced by the beauty of the sunrises and sunsets. Perch on a watch hut nestled in the trees to watch the myriad hued birds and butterflies that visit the lake for their morning greetings and enjoy the wonders of nature. Rejuvenate yourself at the Azmaara Spa with a calming or energising treatment and wind down at the Tuskers Bar with a local cocktail extending the serenity of the senses. Make every meal a culinary journey at our restaurants or order a special location dining for a truly memorable experience.

Five-star luxury combines with nature and architecture reminiscent of an ancient monastic palace to create a truly unique resort that offers varied experiences to satisfy every guest. Tree lined walkways lead to detached rooms and luxurious suites with open verandahs to enjoy the dusk and the dawn. Enjoy true Sri Lankan hospitality with highly trained staff who are eager to make your stay a treasured memory. Certified by Green Globe, Cinnamon Lodge is instantly recognizable as an eco-friendly resort that pays nurturing nature and the community within which it is located.



<b>Room Capacity</b>
138
<b>TripAdvisor Ratings</b>
4.4 ●●●●○ 2,301 reviews
<b>Experiences</b>
<ul style="list-style-type: none"> <li>• Primate Watch</li> <li>• Minneriya National Park</li> <li>• Kaudulla National Park</li> <li>• Hurulu Eco Park</li> <li>• Bird &amp; Butterfly Trail</li> <li>• Night Walk</li> </ul>
<b>Recreation</b>
<ul style="list-style-type: none"> <li>• Spa</li> <li>• Swimming Pool</li> <li>• Kids Play Area</li> <li>• Sports</li> <li>• Entertainment Centre</li> <li>• Gift Shop</li> </ul>
<b>Dining</b>
<ul style="list-style-type: none"> <li>• Ehala</li> <li>• Tuskers Bar</li> <li>• The Verandah</li> <li>• The Lotus</li> </ul>
<b>Events</b>
<ul style="list-style-type: none"> <li>• Meetings &amp; Conferences</li> <li>• Destination Weddings</li> </ul>
<b>Green Globe Certified</b>



...  
*Hikka Tranz by Cinnamon*  
...



**Hikka  
Tranz**  
by Cinnamon

*Offering both adventure and relaxed comfort, Hikka has an eclectic range of possibilities to interest the most intrepid traveller.*

Hikka Tranz by Cinnamon reflects the upbeat party culture of Hikkaduwa, combining the modern comfort with a heady combination of sun, sea and sand. Unwind with cocktails as you watch a dramatic sunset and surrender to the irrepressible spirit of Hikka that uplifts you as the night unfolds.

Offering both adventure and relaxed comfort, Hikka has an eclectic range of possibilities to interest the most intrepid traveller. Snorkel in the famed coral reefs, capture the blue whales on camera or enjoy shoals of spinner dolphins dancing around you. Surf and dive with professional, certified instructors to experience Hikka's underworld beauty. Visit the Galle Fort built by the Portuguese and get a glimpse of the country's rich culture and history.

Your spirits will mirror the vibrancy of the bold paintings in vibrant hues which adorn Hikka Tranz and the stunning seascapes that are painted by the Indian Ocean. Wining and dining experiences provide the perfect end to the day at any one of our speciality restaurants which offer excellent wines and cuisine to satisfy the most discerning palate.



<i>Room Capacity</i>
150
<i>TripAdvisor Ratings</i>
4.2  1,573 reviews
<i>Experiences</i>
<ul style="list-style-type: none"> <li>• Scuba diving in Hikkaduwa</li> <li>• Marine Mammal safari in Mirissa</li> <li>• Rain Forest Trail – Hiyare Forest Reserve</li> </ul>
<i>Recreation</i>
<ul style="list-style-type: none"> <li>• Spa</li> <li>• Swimming Pool</li> <li>• Beach</li> </ul>
<i>Dining</i>
<ul style="list-style-type: none"> <li>• Tranzcend</li> <li>• Tranzfix</li> <li>• Tranzfuse Pool Bar</li> <li>• Tranzfusion</li> <li>• Tranzform</li> <li>• The Crab</li> </ul>
<i>Events</i>
<ul style="list-style-type: none"> <li>• Meetings &amp; Conferences</li> <li>• Destination Weddings</li> <li>• Banquets</li> </ul>
<i>Green Globe Certified</i>



...  
*Trinco Blu by Cinnamon*  
...



**Trinco  
Blu**  
by Cinnamon

*Thrill to the majesty of the whale rising from the ocean and the shoals of spinner dolphins swimming and spinning around you.*

Enchantment awaits you at this retro chic resort where Sri Lanka's famed east coast beckons you to wade in. Thrill to the majesty of the whale rising from the ocean and the shoals of spinner dolphins swimming and spinning around you. Explore the coral reefs while snorkeling or scuba diving with experienced professional guides. Warm to the hospitality of this sea port town and enjoy a number of inland journeys that will introduce you to a rich culture.

Interiors reflect the ocean setting a mood of rustic luxury with bleached wooden decks, cut cement floors and denim trimmings. A relaxed holiday atmosphere invites you to chill or thrill as the fancy takes you. Water sports, the Azmaara Spa, the beach and pool combine to provide an experience to suit every traveller. A sundown cocktail at The Rum Hold followed by dinner at the Captain's Deck completes your day as you relax with friends and family.



<i>Room Capacity</i>
81
<i>TripAdvisor Ratings</i>
4.1 ●●●●○ 1,219 reviews
<i>Experiences</i>
<ul style="list-style-type: none"> <li>• Water sports</li> <li>• Marine mammal safari</li> <li>• Snorkelling at Pigeon Island</li> <li>• Fishing</li> <li>• Trinco By Boat</li> <li>• City Tour</li> </ul>
<i>Recreation</i>
<ul style="list-style-type: none"> <li>• Spa</li> <li>• Swimming Pool</li> <li>• Kids Play Area</li> <li>• Sports</li> <li>• Entertainment Centre</li> <li>• Gift Shop</li> </ul>
<i>Dining</i>
<ul style="list-style-type: none"> <li>• Captain's Deck</li> <li>• The Crab</li> <li>• The Rum Hold</li> </ul>
<i>Events</i>
<ul style="list-style-type: none"> <li>• Meetings &amp; Conferences</li> <li>• Destination Weddings</li> </ul>
<i>Green Globe Certified</i>



...  
*Bentota Beach by Cinnamon*  
...



**Bentota  
Beach**  
by Cinnamon

*Fun-filled activity, a relaxed atmosphere and excellent cuisine combine to ensure a memorable holiday for all.*

Set amidst the Indian Ocean and the Bentota River, Bentota Beach by Cinnamon offers a fun filled experience with family and friends. Enjoy a banana boat ride, skim the water on a throbbing jet ski or the slick water ski's or simply surf the waves. Renew your senses at the award winning Azmaara Spa as skilled therapists harmonise your mind and body. Fun-filled activity, a relaxed atmosphere and excellent cuisine combine to ensure a memorable holiday for all.

Designed by the renowned architect Geoffrey Bawa, the architecture is reminiscent of an ancient Dutch Fort. All 130 rooms and 3 luxurious suites overlook the river or the sea and provide spacious accommodation. Epicurean adventures await you at the variety of restaurants as you wind down a perfect day, in harmony with the world.



<b>Room Capacity</b>
133
<b>TripAdvisor Ratings</b>
3.8 ●●●●○ 1,435 reviews
<b>Experiences</b>
<ul style="list-style-type: none"> <li>• Water Sports</li> </ul>
<b>Recreation</b>
<ul style="list-style-type: none"> <li>• Spa</li> <li>• Swimming Pool</li> <li>• Kids Play Area</li> <li>• Kids Club</li> <li>• Sports Complex</li> <li>• Shopping Complex</li> <li>• Beach</li> </ul>
<b>Dining</b>
<ul style="list-style-type: none"> <li>• The Peacock</li> <li>• Araliya</li> <li>• Suriya Terrace</li> <li>• Lounge Bar</li> <li>• Pontoon</li> </ul>
<b>Events</b>
<ul style="list-style-type: none"> <li>• Meetings &amp; Conferences</li> <li>• Destination Weddings</li> <li>• Banquets</li> </ul>



...  
*Cinnamon Wild Yala*  
...



*Cinnamon*

WILD  
Yala

*Set in harmony with nature,  
the hotel offers simple  
elegance which provides  
relief to dramatic colours of  
nature at dawn and dusk.*

Offering luxury in the wilderness, this resort is paradise for the nature lover, set in close proximity to the Yala National Park. Unexpected encounters are the expected as peacocks, sambar and deer wander in and resident lemurs bound from branches. Our Cinnamon Trails naturalists guide you on unforgettable excursions within the park where you are likely to meet the majestic pachyderms and with luck, the more elusive leopard or bear. Share your experiences over a drink under a canopy of stars. Excursions to culturally significant sites give you a glimpse of the rich heritage of an ancient land.

Set in harmony with nature, the hotel offers simple elegance which provide relief to dramatic colours of nature at dawn and dusk. A trip to the spa, a champagne breakfast or rustic BBQ rounds off the experience leaving you at peace with nature. Enjoy a spread of local and international cuisine at the Tuskers to round off an exhilarating day.

<b>Room Capacity</b>
68
<b>TripAdvisor Ratings</b>
4.4 ●●●●○ 1,576 reviews
<b>Experiences</b>
<ul style="list-style-type: none"> <li>• Yala National Park</li> </ul>
<b>Recreation</b>
<ul style="list-style-type: none"> <li>• Spa</li> <li>• Swimming Pool</li> <li>• Kids Play Area</li> <li>• Sports</li> <li>• Entertainment Centre</li> <li>• Gift Shop</li> </ul>
<b>Dining</b>
<ul style="list-style-type: none"> <li>• Peacock Bar</li> <li>• Pugmarks Bar</li> <li>• Tuskers</li> </ul>
<b>Events</b>
<ul style="list-style-type: none"> <li>• Destination Weddings</li> </ul>



...  
*Cinnamon Bey Beruwala*  
...



*Cinnamon*  
BEY  
Beruwala

*Cinnamon Bey offers panoramic vistas to soothe your senses and epicurean adventures to satisfy the connoisseur.*

Cinnamon Bay offers panoramic vistas to soothe your senses and epicurean adventures to satisfy the connoisseur. Day excursions to turtle hatcheries or historic and cultural sites open your eyes to the possibilities of this seaside town while water sports provide exhilarating rides for thrill seekers.

This luxurious resort named after the noblemen of the Ottoman Empire combine rich blues and golds in homage to the first Muslim settlement in the country which was established here around 8th century A.D. by Arab traders. A mere 90-minute drive from Colombo, it is the perfect retreat for an indulgent weekend with fun on the side.



<i>Room Capacity</i>
200
<i>TripAdvisor Ratings</i>
4.2 ●●●●○ 1,574 reviews
<i>Experiences</i>
<ul style="list-style-type: none"> <li>• Little Adam's Peak</li> <li>• Water sports</li> <li>• Excursions</li> </ul>
<i>Recreation</i>
<ul style="list-style-type: none"> <li>• Spa</li> <li>• Swimming Pool</li> <li>• Fitness Studio</li> </ul>
<i>Dining</i>
<ul style="list-style-type: none"> <li>• Bufo</li> <li>• Rock Salt</li> <li>• 800 Degrees</li> <li>• Fire</li> <li>• RAW</li> <li>• Mezz</li> <li>• I.C.E.Bar &amp; Lounge</li> <li>• In Room Dining</li> </ul>
<i>Events</i>
<ul style="list-style-type: none"> <li>• Meetings &amp; Conferences</li> <li>• Destination Weddings</li> <li>• Banquets</li> </ul>



...  
*Habarana Village by Cinnamon*  
...



**Habarana  
Village**  
by Cinnamon

*Wild life adventures,  
cultural journeys to  
ancient kingdoms, serene  
experiences of monasteries,  
or days absorbing the  
tranquility of the hotel are  
just some of the possibilities  
that guests can indulge in.*

Nestled in a lush landscape bordering a tranquil lake Habarana Village transports guests to the simplicity and charm of a rural village setting. Wild life adventures, cultural journeys to ancient kingdoms, serene experiences of monasteries, or days absorbing the tranquillity of the hotel are just some of the possibilities that guests can indulge in. Experience the soothing charm of the Azmaara Spa where you can restore your serenity at the hands of Balinese therapists who will wrap you in seaweed or coconut husk as you relax.

Homely chalets dotted across 27 acres of gardens creates a rustic barefoot type elegance with a charm all its own, making your stay truly memorable. Choose your accommodation from 94 superior rooms, 12 deluxe rooms and 2 suites which reflect the pastoral charm of a Sri Lankan village dwelling. Indulge the gourmet in you with dining experiences that take you to a tree top or the lakeside with cuisine to match the ambience. A place where a countless possibilities come to life making memories that last, Habarana Village will charm you back again.



<i>Room Capacity</i>
108
<i>TripAdvisor Ratings</i>
4.4 ●●●●○ 1,366 reviews
<i>Experiences</i>
<ul style="list-style-type: none"> <li>• Cultural Triangle</li> <li>• Minneriya National Park</li> <li>• Kaudulla National Park</li> </ul>
<i>Recreation</i>
<ul style="list-style-type: none"> <li>• Spa</li> <li>• Swimming Pool</li> <li>• Sports Centre</li> </ul>
<i>Dining</i>
<ul style="list-style-type: none"> <li>• El Hena</li> <li>• Ritigala Pauwva</li> <li>• Panthaliya</li> </ul>
<i>Events</i>
<ul style="list-style-type: none"> <li>• Destination Weddings</li> <li>• Banquets</li> </ul>
<i>Green Globe Certified</i>



...  
*Cinnamon Citadel Kandy*  
...



*Cinnamon*  
CITADEL  
Kandy

*Located alongside the Mahaweli River, Cinnamon Citadel has been designed to connect the grandeur of the hill capital's royal heritage with modern design presenting a sophisticated ambience.*

Nature and culture combine at the Citadel to make your stay truly memorable. Wake up to panoramic vistas and the joyous calls of birds. Steep yourself in the history of Sri Lanka's last kingdom and visit the Temple of the Tooth Relic which is a World Heritage site. Explore the mountain ranges where the beauty of nature's bounty will amaze you as these are home to numerous endemic species of flora and fauna.

Located alongside the Mahaweli River, Cinnamon Citadel has been designed to connect the grandeur of the hill capital's royal heritage with modern design presenting a sophisticated ambience. Yield to temptation and sample the sumptuous buffet with a tantalizing range of international and local cuisine or dine a la carte at Café C from a carefully curated menu. Wind down with a cocktail as the stars and lights come out above and below like a myriad fireflies.



<b>Room Capacity</b>
119
<b>TripAdvisor Ratings</b>
4.1 ●●●●○ 2,361 reviews
<b>Experiences</b>
<ul style="list-style-type: none"> <li>• Kandy Town</li> <li>• Horton Plains</li> <li>• Knuckles Mountain Range</li> <li>• Forbidden forest trail</li> <li>• Boat ride on the Mahaweli</li> <li>• Meet the Brass Crafter</li> </ul>
<b>Recreation</b>
<ul style="list-style-type: none"> <li>• Spa</li> <li>• Swimming Pool</li> <li>• Gym</li> <li>• Sports</li> </ul>
<b>Dining</b>
<ul style="list-style-type: none"> <li>• Panorama</li> <li>• Lounge Bar</li> <li>• Café C</li> <li>• In Room Dining</li> <li>• Destination Dining</li> </ul>
<b>Events</b>
<ul style="list-style-type: none"> <li>• Meetings &amp; Conferences</li> <li>• Destination Weddings</li> <li>• Banquets</li> </ul>



...

# *Ellaidhoo Maldives by Cinnamon*

...



## **Ellaidhoo Maldives** by Cinnamon

*Experience our warm island hospitality as our staff set out to make your stay one of relaxed indulgence.*

Surrender to the enchantment of golden beaches surrounded by cerulean waters that wash over thriving coral reefs teeming with marine life as you step off the sea plane. Experience our warm island hospitality as our staff set out to make your stay one of relaxed indulgence. Explore one of the worlds best dive sites located on the island with a professional diver or view it from the surface with a leisurely snorkeling trip to understand the addiction that is Ellaidhoo.

Choose from 24 water bungalows, 46 beach bungalows, 28 superior rooms or 14 standard rooms to customize your experience. Rejuvenate your mind, body and soul with early morning yoga, a stroll on the beach or just watching the sun's rays paint the sky. Indulge your sense of adventure or kickback and relax, immersing yourself in the island spirit. Savour the delicious seafood and other culinary temptations paired with a carefully selected wine to sign off a perfect day of an unforgettable holiday.



<i>Room Capacity</i>
112
<i>TripAdvisor Ratings</i>
4.2 ●●●●○ 1,538 reviews
<i>Experiences</i>
<ul style="list-style-type: none"> <li>• Dive School</li> <li>• Water Sports</li> <li>• Snorkeling</li> </ul>
<i>Recreation</i>
<ul style="list-style-type: none"> <li>• Spa</li> <li>• Swimming Pool</li> <li>• Gym</li> </ul>
<i>Dining</i>
<ul style="list-style-type: none"> <li>• Madi Restaurant</li> <li>• Malamathi Restaurant</li> <li>• Iruohsnee Bar</li> <li>• Sand Bar</li> <li>• In Room Dining</li> <li>• Destination Dining</li> </ul>
<i>Events</i>
<ul style="list-style-type: none"> <li>• Destination Weddings</li> </ul>
<i>Green Globe Certified</i>



...

# *Cinnamon Hakuraa Huraa Maldives*

...



*Cinnamon*  
HAKURAA HURAA  
Maldives

*Nature, luxury and  
hospitality combine at  
Hakuraa Huraa to make  
your holiday a treasured  
memory.*

Nature, luxury and hospitality combine at Hakuraa Huraa to make your holiday a treasured memory. Take a dip directly from your water bungalow or enjoy the sandy beaches along our beach bungalows. Let the Indian ocean lull your senses, setting the mood for intimacy and romance. Marvel at the splendour of a teeming coral reef as you explore its depths or snorkel for a more relaxed experience. Rejuvenate your senses at the spa, harmonising mind, spirit, body and soul as skilled therapists work their magic.

Venture out in a speedboat or dhoni for your very own adventure on the high seas. Have an exhilarating ride on jet skis or water skis and feel the heady wind rush as you skim the waters. Wind down with the sun and take a stroll under a starry sky. Let your taste buds join the party with a gastronomic adventure at any one of our restaurants. You will understand why Hakuraa Huraa is rated amongst the best hotels in the Maldives as you give in to the magic of this island paradise.



<b>Room Capacity</b>
80
<b>TripAdvisor Ratings</b>
4.5  1,315 reviews
<b>Experiences</b>
<ul style="list-style-type: none"> <li>• Diving</li> <li>• Dolphin Watching by Dhoni or speedboat</li> <li>• Fishing</li> <li>• Island hopping</li> <li>• Snorkeling safari</li> </ul>
<b>Recreation</b>
<ul style="list-style-type: none"> <li>• Spa</li> <li>• Gym</li> </ul>
<b>Dining</b>
<ul style="list-style-type: none"> <li>• Malaafaiy Restaurant</li> <li>• The Crab Bar</li> <li>• The Crab Seafood Restaurant</li> <li>• Nalha-Falhua Lounge &amp; Bar</li> <li>• In Room Dining</li> <li>• Destination Dining</li> </ul>
<b>Events</b>
<ul style="list-style-type: none"> <li>• Destination Weddings</li> </ul>



...

# *Cinnamon Dhonveli Maldives*

...



*Cinnamon*  
DHONVELI  
Maldives

*Immaculate beaches and celebrated surf and dive sites makes an escape at Dhonveli an experience you will treasure.*

An island bustling with beach buffs, surfing enthusiasts and divers, signals the variety of underwater and over water experiences this beautiful location offers. A destination for the discerning pleasure seeker, Dhonveli enhances its aquatic experiences with indulgent gastronomic adventures at multiple locations. Combine both for a memorable experience as you dine in a dhoni, water bungalow or the cellar. Sway to island rhythms and enjoy a glimpse in to the Maldivian culture under a tropical starry sky.

Immaculate beaches and celebrated surf and dive sites makes an escape at Dhonveli an experience you will treasure. Pasta Point at Dhonveli invites you to surf, revelling in the magnificent waves that make this a most sought after location by award winning surfers. Sustainable policies and practices make this a guilt free holiday as we take care to maintain the balance of our eco systems. Revel in the afterglow of a spa treatment as your senses give in to the magic of Dhonveli. You will return to recapture the magic of treasured memories!



<i>Room Capacity</i>
148
<i>TripAdvisor Ratings</i>
4.5  2,301 reviews
<i>Experiences</i>
<ul style="list-style-type: none"> <li>• Surfing</li> <li>• Watersports</li> <li>• Diving</li> <li>• Dolphin Watching</li> <li>• Island Hopping</li> <li>• Snorkeling Safari</li> <li>• Dine in Dhoni</li> <li>• Fishing</li> </ul>
<i>Recreation</i>
<ul style="list-style-type: none"> <li>• Spa</li> <li>• Swimming Pool</li> </ul>
<i>Dining</i>
<ul style="list-style-type: none"> <li>• Dine in Dhoni, Cellar or Bungalow</li> <li>• Sunset pier dining</li> <li>• Koimala Garden Restaurant</li> <li>• Rehendhi Restaurant &amp; Bar</li> <li>• Raaiyvilla Sunset Terrace &amp; Bar</li> <li>• Maakana Restaurant</li> <li>• Raalhu Bar</li> <li>• Juice Bar</li> </ul>
<i>Events</i>
<ul style="list-style-type: none"> <li>• Destination Weddings</li> </ul>
<i>Green Globe Certified</i>



# Value Creation Report

## HUMAN CAPITAL

*Our employee value proposition seeks to differentiate the organisation from competition by nurturing a highly engaged and multi-skilled workforce, while creating a unique experience for our employees.*



### A STRONG EMPLOYEE VALUE PROPOSITION

*The skills, experience and attitudes of our team is a vital element of our service offering and a key source of competitive advantage. As a service driven industry, our team of 2,590 employees in Sri Lanka and the Maldives are ambassadors of our brand facilitating our customer experience and driving our strategic agenda.*

#### SDG # 8: Decent work and economic growth



##### Global targets:

By 2030, achieve full and productive employment and decent work for all women and men

By 2020, substantially reduce the proportion of youth not in employment

By 2030, devise policies to promote sustainable tourism and that creates jobs and promotes local culture



##### Our Contribution:

Equal opportunity employer with 9% female representation at executive level

73% of new recruits less than 30 years

Strict policies against forced, compulsory and child labour

#### SDG # 10: Reduced inequalities



##### Global targets:

By 2030, achieve and sustain income growth of bottom 40% at a rate higher than the national average

By 2030, empower and promote the social, economic and political inclusion of all



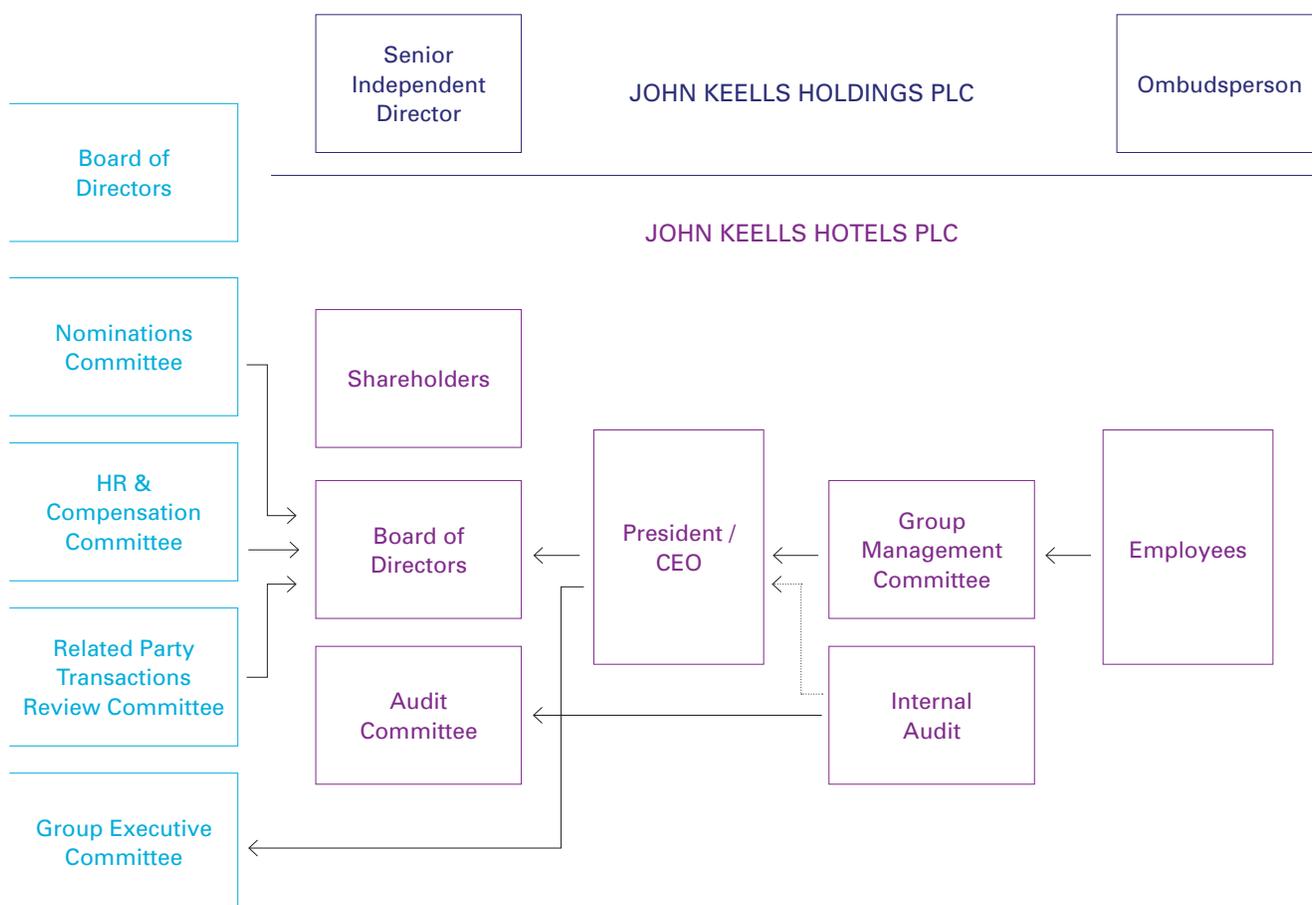
##### Our Contribution:

Approx. 70% of total employee hired from local communities

Continued investment in upskilling youth from local communities

### Management Approach

Our human resources strategy is aligned to our business strategy and ensures that we have the required human capital capacity and skills in place to achieve our strategic agenda, while ensuring employees are engaged and motivated. The Group's approach towards people management is guided by formal policy frameworks and robust governance structures which exceed the minimum requirements of the relevant laws and regulations whilst conforming to the overall standards of the John Keells Group HR management framework and industry best practices. The governance structures of the Group are given below.



A comprehensive suite of HR policies are in place to ensure all employees are treated in a uniform and equitable manner. During the year, we reviewed all policies, processes and procedures and eleven policies (marked with an \* in the infogram below) were revamped to support and reflect the new lifestyle brand.

# Value Creation Report

## Talent Attraction

- Recruitment and selection
- Equal Opportunity
- Policy on Child Labour
- Policy on Forced Labour

## Learning and Development

- Training and development\*
- Succession Planning
- Career Progression
- Empowerment Policy\*
- Grooming and Deportment Policy\*
- Language Proficiency\*

## Retention

- Rewards and Recognition\*
- Engagement
- Work-life Balance
- Health and Safety
- Internal Communications

## Others

- Accommodation and Change\*
- Cinnamon Associates Restaurant Policy\*
- Footwear Policy\*
- Uniform Policy\*
- Associates Policy\*

\* Policies revised during the year

Code of Conduct: All employees, including the Board of Directors are bound to abide by a formal Code of Conduct which underpins a strong set of core values. Key elements of the Code of Conduct include allegiance to the Group, compliance with all relevant rules and regulations, conducting business in an ethical manner and exercising professionalism and integrity at all times (refer to page 139 for further details)

## Ombudsperson

In a situation where an individual employee or a group of employees complain of an alleged violation of the published Code of Conduct, and feels that the alleged violation has not been addressed satisfactorily by internally available mechanisms, provision has been made to refer such complaints to an Ombudsperson. The findings and the recommendations of the Ombudsperson arising subsequent to an independent inquiry is confidentially communicated to the Chairman or to the Senior Independent Director of the ultimate parent company upon which the involvement duty of the Ombudsperson ceases (refer to page 133 for further details)

## EMPLOYEE VALUE PROPOSITION

During the year under review we formulated and implemented a unique employee value proposition (EVP) with the objective of positioning Cinnamon Hotels & Resorts as a preferred employer

in the hospitality industry. The EVP seeks to differentiate the organisation from competition by nurturing a highly engaged and multi-skilled workforce, while creating a unique experience for our employees.



## PEOPLE STRATEGY (20/20)

The Group's five-year people strategy was formulated last year, in response to intensifying industry competition for skilled employees, the rebranding of Cinnamon to a lifestyle brand and the Group's long-term business objectives. During the year, we made considerable progress on all pillars of our 2020 People Strategy;

- **Optimising staff productivity**

Rising competitive and cost pressures have compelled the Group to strive towards maintaining optimum employee levels. A five-year plan has accordingly been formulated to enhance employee productivity and arrive at an optimum staff cadre ratio for each operating brand category (Luxury, Signature, Lean Luxury and White). The key strategic initiatives carried out during the year include,

- (1) Introduction of new designations with combined work roles
- (2) Introduction of new technology and systems that facilitate increased employee productivity
- (3) Outsourcing of non-critical positions such as kitchen stewarding, housekeeping of public areas, gardens and maintenance etc.
- (4) Development of Supervisory level staff in order to increase competencies and capacity that results in lower middle management cadres thus rationalising staff cost and enhancing productivity at Supervisory Level.

- **Development of a training curriculum**

A comprehensive curriculum of integrated training programmes were developed based on the Group's recently introduced competency framework. The curriculum consists of a total of 56 programmes in 17 themes catering to all levels of employees and is expected to result in the continuous development of competencies, consistent delivery of development programs across all our locations and enable continuous development of individuals.

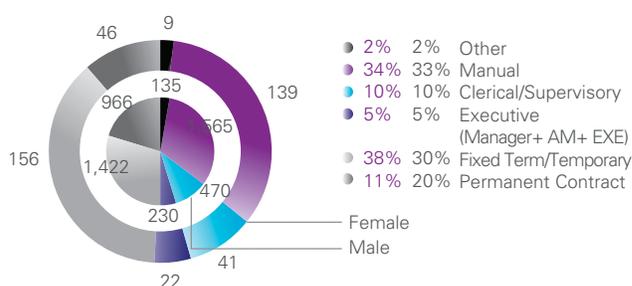
The development is designed to be carried out in two stages and the first stage comprising of 18 training programs was successfully designed, piloted and published by September 2016 and is now available for the training managers. Phase 2 consisting of the development of 38 programmes is currently ongoing and expected to be completed by July 2017.

- **Creating a leadership talent pool**

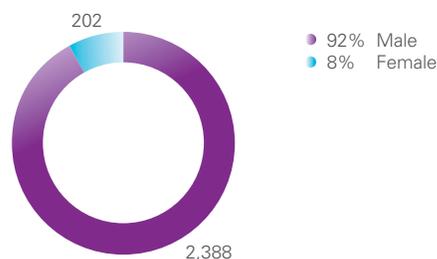
The Talent Acceleration Programme (TAP) and Management Acceleration programme (MAP) were rolled out with the objective of developing a pipeline of talent and effectively grooming the next generation of leaders within the organisation. TAP aims to develop and fast-track identified associate level talent to executive level positions, while the Management Acceleration Programme is designed to fast-track the Assistant Head of Departments and Head of Departments to the next level within the Organisation. Currently, the Group has 50 employees engaged in TAP and 42 in the MAP.

## OUR TEAM

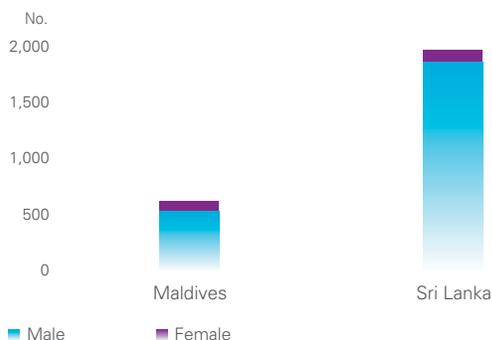
### EMPLOYEES BY CONTRACT AND GENDER



### FULL-TIME EMPLOYEES BY GENDER



### EMPLOYEES BY CONTRACT AND GENDER



# Value Creation Report

## RECRUITMENT

Attracting and retaining employees has emerged as one of the key challenges for the industry; the substantial increase in industry capacity over the last few years has fuelled intense competition for skilled talent and compelled employees to seek opportunities offered by international employers. In effectively responding to these conditions, we placed strategic emphasis on strengthening our recruitment procedures through the following;

- Existing Cinnamon Ambassadors and those within the John Keells Group are given the opportunity to apply for executive level and above vacancies through an Internal Job Posting Procedure.
- Employees are also encouraged to invite prospective individuals from their social and professional networks to join Cinnamon Hotels & Resorts through the 'buddy finds buddy' program.
- Enhanced the use of technology in employee attracting including the launch of the Cinnamon Hotels & Resorts' Careers' Website, a modernized recruitment landscape which works as a database of resumes and the use of social media platforms
- External recruitment sites, professional networking sites, CV Dropbox and talent scout and recruitment agencies.

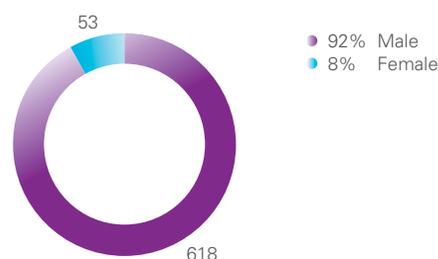
Our talent attraction policy is aimed towards attracting dynamic professionals who are committed to our vision and values whilst adhering to the guidelines set by the John Keells Group. In adding value to the communities we operate in, we make every effort to absorb local talent and around 50% of our resort employees are hired from the local communities. We are an equal opportunity employer and do not discriminate based on gender, race, age, religion or ethnicity. During the year, there were no incidents of discrimination reported. Cinnamon Hotel & Resorts does not engage children in employment and as a general practice, we do not employ any person below the age of 18 (eighteen) years on full time employment. We also do not encourage or tolerate any form of forced or compulsory labour practices. During the year, we recruited 671 new employees to our team and the profiles of our new hires are as follows;

### Use of technology and online platforms to drive recruitments

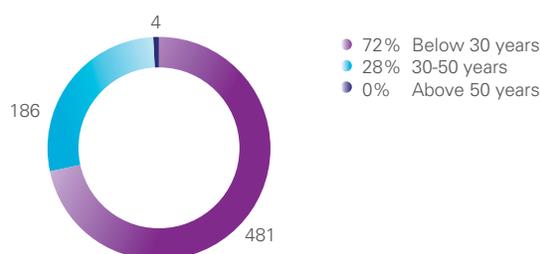
- Database of CVs of current Cinnamon Ambassadors, Referees, candidates
- Creation of Cinnamon Ex. Employee Facebook page
- Increase the number of connections on LinkedIn to 10,000

- Drive traffic to Cinnamon Careers website
- Online Aptitude Test
- Electronic ERF's, interview Summaries and other R&S documentation
- Internship programme
- Neighbourhood school development program – seminars for O/L & A/L students, English language programmes, career guidance

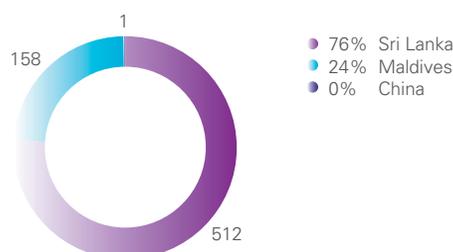
### NEW EMPLOYEES BY GENDER



### NEW EMPLOYEES BY AGE



### NEW EMPLOYEES BY REGION



## EMPLOYEE ENGAGEMENT

We maintain a high level of employee engagement, facilitated through numerous formal and informal platforms. Key methods of engagement include, frequent employee satisfaction surveys, performance appraisals, multiple forms of internal communication, an open door policy, regular staff meetings, year-round work life balance initiatives, suggestion boxes as well as the ability to directly engage with the Group Chairman via e-mail. During the year 27 employee grievances were filed and addressed. Key engagement mechanisms carried out during the year were;

- Great Place to Work Survey (GPTW): Conducted once in every three years, these anonymous surveys are conducted at regular intervals, to ascertain whether employees consider the Company and its subsidiaries ‘great workplaces’. The GPTW was successfully concluded in October 2016 and Cinnamon Hotels & Resorts obtained a score of 89% during the year.
- 360 degree Survey: An e-based questionnaire that is administered to all employees in the Assistant Manager category and above.
- Cinnamon Knowledge Hubs: Launched in April 2015, this aims to create a platform through which employees will share knowledge, read, learn and understand “Cinnamon” better and also create a space which encourages creative thinking.
- Cinnamon Wall: An initiative to enhance internal communications at Cinnamon Hotels & Resorts through an informative digital display in all Business Units to communicate management information and news. The Wall is designed to be cool, vibrant & energetic and to be in line with the new Cinnamon Brand. It is displayed in a vibrant space in which employees can initiate conversations and foster creative thinking. The Digital Signage Screen and the Centralized Software Solution that facilitates Internal Communications is managed by the HR team.

*We maintain a high level of employee engagement, facilitated through numerous formal and informal platforms.*



In addition to the above, the following events were carried out during the year to motivate, create work-life balance and nurture a spirit of camaraderie among employees;

	<i>Employee Engagement Activities</i>
SPORTS	<ul style="list-style-type: none"> <li>• Inter-company Swimming meet</li> <li>• Inter-company Badminton</li> <li>• Inter-company Rugby 7s</li> <li>• Inter-company Netball and Football</li> <li>• Beach Volleyball</li> <li>• Interdepartmental bowling bash</li> <li>• Other Sporting events</li> <li>• Inter resorts Cricket Sixes</li> <li>• Regional Sports Activities</li> </ul>
LIFESTYLE EVENTS	<ul style="list-style-type: none"> <li>• Quarterly Theme parties</li> <li>• Executive and Non-Executive staff outings</li> <li>• Movie Nights</li> <li>• The Race</li> <li>• Music &amp; Talent competitions</li> </ul>
WELLBEING	<ul style="list-style-type: none"> <li>• Cultural/religious events</li> <li>• Sector/ BU Level CSR Initiatives</li> <li>• HIV awareness trainings</li> <li>• Awareness on Gender based violence - WAVE</li> <li>• Awareness on sexual harassment</li> <li>• Equal grounds for LGBTI community - sensitizing</li> <li>• Health Camps</li> <li>• International women’s day</li> </ul>
CAREER	<ul style="list-style-type: none"> <li>• Career Week</li> </ul>
WORK LIFE	<ul style="list-style-type: none"> <li>• Annual family get-togethers at all Resorts</li> <li>• Annual family get-together for the group</li> <li>• Staff Theme</li> <li>• Birthday celebrations</li> </ul>
CSR	<ul style="list-style-type: none"> <li>• Leopard Project</li> <li>• Youth Development</li> <li>• AIDS Awareness Campaigns</li> <li>• Beach cleaning programmes</li> </ul>

# Value Creation Report



Employee Engagement - Choir



Employee Engagement - The Race



Employee Engagement - Sports



Employee Engagement – Safari at Yala

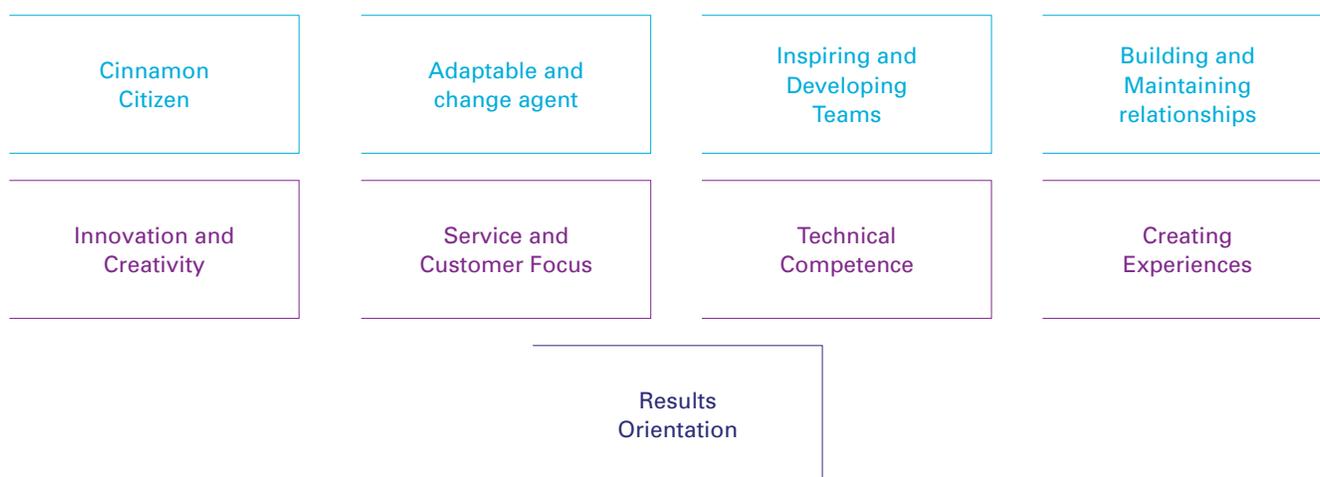


Employee Engagement - Women's Day Celebrations

## REWARDS AND BENEFITS

We strive to embed a performance driven culture within the Organisation, driven by defined mechanisms which are in place to ensure that all employees work towards a set of defined objectives. These objectives are set in accordance with the Group’s overall business objectives and categorized based on the Balance Scorecard and Hoshin Kanri methodology. We do not practice gender-based discrimination when determining

remuneration and the ratio of standard entry level wage between males and females is 1:1. The Leisure Group Competency Framework has been designed to represent the Group’s new brand identity and embodies the concept of “We are Cinnamon, Professionals Delivering Success” and consists of 9 key competencies addressing all middle management, senior management and business leaders. All permanent employees undergo annual performance appraisals which are based on the following competencies;



Multiple platforms are also in place to recognise and reward high performing employees and those who demonstrate exceptional commitment to our corporate and brand values.

Chairman’s Award	Awarded for superior performance and adherence to corporate values. <i>Eligibility: All Managers and above</i>
Champion of the Year	Awarded for superior performance and adherence to corporate values. <i>Eligibility: All Non-Executives</i>
Employee of the Year	Awarded for superior performance and adherence to corporate values <i>Eligibility: All Executives and Assistant Managers</i>
BRAVO	Awarded for superior performance and adherence to corporate values <i>Eligibility: Cinnamon Ambassadors</i>
Cinnamon Citizen	Awarded for superior performance and demonstration of the Cinnamon Competencies <i>Eligibility: Cinnamon Ambassadors</i>

# Value Creation Report

## Succession Planning and Career Development

Our team consists of ambitious and talented individuals who are inspired to excel. In order to retain these high-performers and effectively groom them as the next generation of leaders within the Group we have implemented a comprehensive talent development framework. A dedicated Career Committee identified key talent within the Organisation and structured mechanisms are implemented to develop and fast-track the progression of these star performers. Our objective is to fill 20% of the vacancies arising from the hotels through internal staff members. Other mechanisms in place for effective talent development and succession planning are listed below. During the year under review, 170 employees were promoted consisting of 45 at executive level and 125 at non-executive level.

*In order to retain high-performers and effectively groom them as the next generation of leaders within the Group we have implemented a comprehensive talent development framework.*

• • •

### Platforms for talent development

- Talent Acceleration Programme
- Management Acceleration Programme
- Internal Leadership Training (classroom-based)
- Leadership Development Programme for Assistant Manager and Manager levels
- Assessment Centres / Development Centre for Executive /Assistant Manager's
- External degree programs - Harvard Business
- Mentoring & Coaching
- Rotational Assignments
- Management Trainee Programmes, Development Centres
- Young Forum
- CSR & Special Projects

## LEARNING AND DEVELOPMENT

Providing opportunities for skill development and lifelong learning is a key aspect of our employee value proposition and we provide an array of training opportunities ranging from on-the-job training to structured programs as well as soft skill development opportunities. Training needs are identified primarily through the annual appraisals and employee engagement mechanisms. Resource personnel are drawn from within the Group as well external experts and hospitality based consultants. Investments made on training and development had a YoY increase of 29 per cent, which translated to a total of 92,254.73 training hours during the year.

Key training initiatives carried out during the year include.

Training Tool / Programme	Details	Participants
Management Trainee program	Graduates from the Sri Lanka Institute of Tourism and Hotel Management are picked for our MT programme. It provides an opportunity for graduates to obtain comprehensive knowledge on best practices, technical skills and management competencies.	
Development Centres	As part of our people development initiatives Development Centres (DC) are held each year for the Executive level employees by the John Keells Group. The DCs are designed with the aim of developing our potential employees to achieve their career goals and arm them with the necessary skills which are required to move into the next level.	<ul style="list-style-type: none"> <li>• 5 employees from the resorts sector were selected for Group Development Centres at Executive and Assistant Manager level</li> </ul>

<i>Training Tool / Programme</i>	<i>Details</i>	<i>Participants</i>
Development Centres (Contd.)	<p>This tool identifies the level of preparedness of the employee in respect of the next level competencies and highlights development areas through which we ensure the commitment towards the continuous development of the employee.</p> <p>On the completion of the assessments, the assessor along with the supervisor agrees on a Personal Development Plan (PDP) containing the action plan to develop and improve the areas identified. The PDP is reviewed every six months to ensure continuous development of the employee.</p>	<ul style="list-style-type: none"> <li>• 18 Executives identified as Group Talent</li> <li>• 57 Executives identified as Sector Talent</li> <li>• 23 Non-executives identified for Sector Talent</li> </ul>
Internship Programmes	<p>Cinnamon Hotels and Resorts provides a structured internship programme, focused on grooming, developing and aspiring young talent in order to enable the shaping of these interns to become the next generation of the organisation.</p> <p>Functional internship will be the ultimate route for permanent placement at all entry level positions within the group where the interns will be provided with exposure to handle real life business projects based on a preferred function/field, compulsory Training and a route to a permanent role into the corporate world.</p> <p>The programme will also allow activities such as corporate social responsibility voluntary initiative and other events apart from the main internship duties.</p>	
Talent Acceleration Program (TAP)	TAP was launched to fast track the Non-Executive level associates to move to executive level through a 12 months structured development programme, the key objective behind this is to provide opportunities for internal talent	52
Management Acceleration Program (MAP)	The MAP aims at fast tracking the Assistant HOD's and HOD's through a Personal Development Programme (PDP) to take up the next level	42
Partnership with the Faculty of Management and Finance, Colombo University	Cinnamon Hotels and Resorts partnered with the Faculty of Management and Finance, of Colombo University to support the faculty in the development of a degree programme in Hospitality Leisure Management in 2015 with the objective of bringing in an element of professional experience and expertise into the delivery of the programme. The Front Office module has been completed and the Food & Beverage module will be completed in March.	
English Classes	Flawless communication is a pivotal skill in the hospitality industry. As such Cinnamon Hotels & Resorts provides the opportunity to all our associates to learn and brush up on the English language by providing language classes at all our properties in Sri Lanka & the Maldives.	Offered to all employees

## Value Creation Report

<i>Training Tool / Programme</i>	<i>Details</i>	<i>Participants</i>
	As a means of showcasing the learning gained through the English language program, participants of the program organize the “English Day” which includes a variety of activities such as speech & drama, spelling bee, debate and singing competitions. This day is a much anticipated event among the participants of the program and is encouraged by the management of all resorts as it shows the improvement not only in the proficiency of the language but more importantly the confidence level of our staff.	
IT Classes	As an initiative towards further improving IT knowledge of the Associates, a few initiatives were undertaken by Cinnamon Hotels & Resorts during the year. Some of the initiatives are Advanced MS Excel, TMS, Reservations and POS system trainings.	704



MAP Batch Two

The Group’s training statistics during the year under review are as follows;

	<i>Average Training Hours</i>		<i>Total Training Hours</i>	
	<i>Male</i>	<i>Female</i>	<i>Male</i>	<i>Female</i>
Executive-Manager	11.6	27.3	2,669	601
Non-executives	39.3	49.7	80,036	8,946

Formalised mechanisms are in place to ensure a safe and injury-free workplace for our employees. All health and safety aspects are governed by comprehensive H&S policy frameworks and overall responsibility for the implementation of this policy framework lies with the General Managers and the Chief Health and Safety specialist. Awareness programs, surveillance audits as well as monitoring and follow-up of any work place injuries are conducted on an ongoing basis. In addition, all our resorts have obtained and continue to comply with ISO 22000, ISO14001, OHSAS 18001 and HACCP certifications. The Group's health and safety record is given below;

	2016/17	2015/16	2014/15
Total person days	646,664	1,075,655	992,800
Total person days lost	320.5	423	410
Lost day rate	0.05%	0.04%	0.05%

' Last year's data has been restated to enable better comparison to this year's employee base, which excludes Centre employees who are employed by a direct subsidiary of JKH'

	2016/17	2015/16
Occupational injuries by gender		
Male:	58	60
Female:	2	-
Occupational injuries by cause		
Due to falling	20	14
Exposure to harmful substances	2	2
Due to moving objects	29	44
Others	9	-
Occupational injuries by region		
Sri Lanka	53	49
Maldives	7	11

*All health and safety aspects are governed by comprehensive H&S policy frameworks*



## INDUSTRIAL RELATIONS

We recognise our employees' right to freedom of association and our Sri Lankan employees are represented by two trade unions, namely, the Food Beverages and Tobacco Industries Employee Union and Inter Company Employee Union. The relationship is based on a strong foundation of mutual understanding, open dialogue and is governed by a Memorandum of Understanding (MOU) with each resort. During the year under review, there were no disruptions to work due to industrial action. Union representation at each of our Sri Lanka resorts is as follows;

- Bentota Beach by Cinnamon - 44%
- Cinnamon Lodge Habarana - 51%
- Habarana Village by Cinnamon - 42%
- Cinnamon Wild Yala - 31%
- Trinco Blu by Cinnamon - 29%
- Hikka Tranz by Cinnamon - 21%

Cinnamon Citadel Kandy operates under the parent union Inter Company Employees Union.

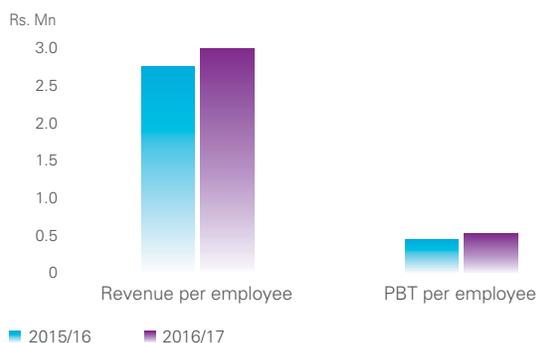
Union representation percentage as of the total cadre

- Cinnamon Citadel Kandy - 24%

## PRODUCTIVITY

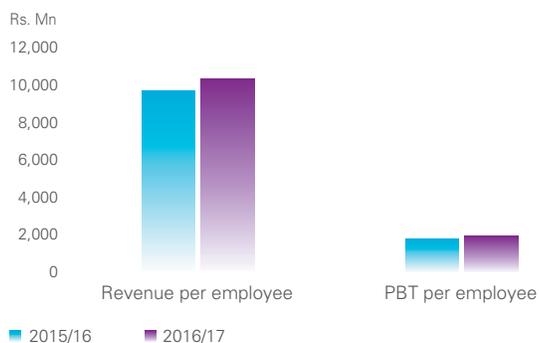
Employee productivity is measured primarily through revenue per employee and net profit per employee. During the year under review, productivity improved at both our Sri Lankan and Maldivian resorts improved as demonstrated below.

### EMPLOYEE PRODUCTIVITY-SRI LANKA

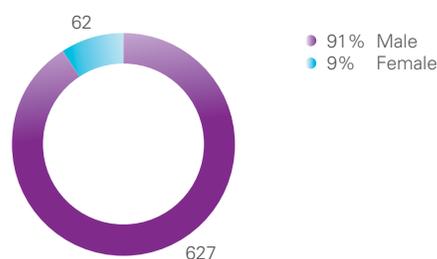


# Value Creation Report

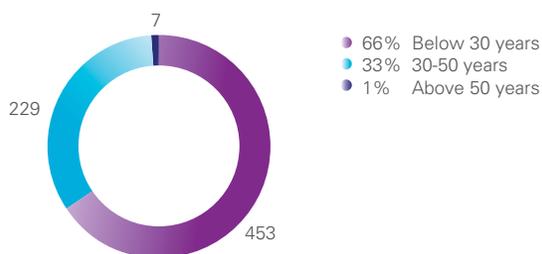
## EMPLOYEE PRODUCTIVITY-MALDIVES



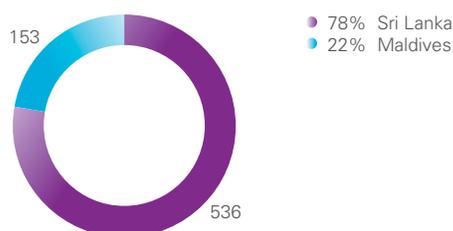
## EXIT EMPLOYEES BY GENDER



## EXIT EMPLOYEES BY AGE



## EXIT EMPLOYEES BY REGION



## RETENTION

Employee retention continues to be a key challenge for the Group and the overall industry. The extensive training provided to our employees make them among the most sought after in the industry, particularly given the sharp increase in the country's hospital room inventory in recent years. During the year, our overall turnover rate amounted to 25%, with turnover among first year recruits as high as 60%. Our strategic focus on creating a unique employee experience through developing an unmatched employee value proposition is expected to improve employee retention levels over the medium to long-term.

## SOCIAL AND RELATIONSHIP CAPITAL

*Our brand promise embodies inspiring guests through experiences and international standards of excellence.*



### EMPOWERING OUR BUSINESS PARTNERS AND COMMUNITIES

*Our stakeholder relationships are fundamental to ensuring the sustainability of our operations and maintain our social license to operate. We continue to invest in collaborative partnerships with our customers, business partners and the communities around our resorts to drive the creation of shared value.*

Customer relationships

Business partners and suppliers

Community relationships

### Highlights of the S&R Capital

#### SDG # 9: Reduced inequalities



##### Global targets:

By 2030, empower and promote the social, economic and political inclusion of all

By 2030, achieve and sustain income growth of the bottom 40%

Adopt policies to achieve greater equality



##### Our Contribution:

The majority of our resort employees are hired from the local communities

Special initiative towards youth empowerment

#### SDG # 4: Quality education



##### Global targets:

By 2030, ensure equal access to technical, vocational and tertiary education

By 2030, substantially increase the number of youth and adults who have relevant skills for decent jobs and entrepreneurship



##### Our Contribution:

The Youth Empowerment program initiated by Cinnamon, strives to increase employability of rural youth by equipping them with skills to obtain employment in the tourism industry

# Value Creation Report

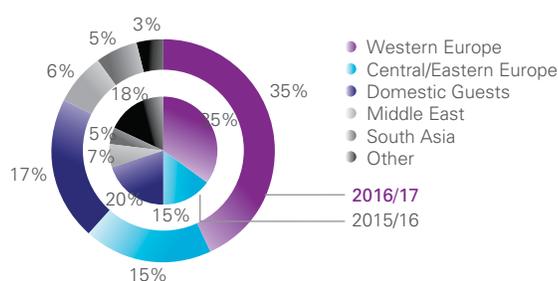
## What Drives our Business- Unique Guest Experience

### CUSTOMER RELATIONSHIPS

#### Customer profile

During the year, we placed emphasis on growing arrivals from both traditional and emerging markets through targeted sales strategies. In the traditional source markets, Germany and United Kingdom recorded commendable increases in guest numbers, while in the non-traditional markets China and India continued to demonstrate double digit growth. Despite a drop in Ukrainian & Russian tourists in to Sri Lanka, the unique guest experience offered, enabled us to maintain our share from these markets. Meanwhile, the domestic market emerged as a key contributor to revenue during the year, accounting for 17% of our total guests.

#### CUSTOMERS BY SOURCE MARKETS



#### The customer experience

Our brand promise embodies inspiring guests through experiences and international standards of excellence. In order to ensure that we provide the quality and uniqueness of experiences demanded by our customers, we constantly invest in enhancing our,

- **Physical infrastructure** including hotel buildings and facilities, equipment and other elements of our manufactured capital. During the year, our total investments in such major and minor refurbishments amounted to Rs. 784 million.
- **Branding** which determines how Cinnamon Resorts & Hotels is perceived by existing and potential customers
- **Accessibility** that enables customers to engage with us easily, obtain information about our product and service offering and utilise our products conveniently. In effectively responding to customers' increasing preference for digital platforms, we have pursued higher penetration levels on social media

proactively engaging with our existing and potential customers through Facebook, Twitter, YouTube and Instagram among others. During the year, our social media reach increased by 91% to 267,047 customers and potential customers. Our social media strategy has been particularly successful in the domestic market enabling us to nurture a highly engaged local customer base. We have also leveraged on our technological capabilities to improve user accessibility and convenience through mobile/tab based check-in at all hotels, automating guest feedback mechanisms and launch of the Cinnamon App.

	Measurements	31st March 2017	31st March 2016	31st March 2015
	Likes	267,047	140,100	127,399
	Views	332,373	175,225	125,650
	Followers	2,675	1,928	1,050
	Followers	3,843	1,745	749
	Followers	700,000	531,067	N/A
	Followers	1,665	1,020	419

#### Product and service responsibility

The safety and wellbeing of our customers and employees is of vital importance to us and comprehensive policy frameworks are in place across all our resorts to ensure health and safety aspects are assessed on an ongoing basis. The policy addresses how health and safety standards are established, communicated, implemented and audited. Each property undergoes stringent safety inspections as part of its audit process and we maintain compliance to best practices in food safety, temperature control, emergency response, hygiene and fire protection. All our resorts have also obtained ISO 22000, ISO 14001, OHSAS 18001, and HACCP Certifications. During the year, we also initiated a health and safety awareness declaration for contract workers in all our resorts.

**Sample of health and safety audits conducted in 2016/17,**

- Green Globe audits
- ISO22000 audit
- Internal health and safety spot and follow up audit
- Food handler's medical test
- Fire training and evacuation drill
- Training on chemical handling and spill control
- Fitness certifications for chain blocks, boilers, lifts and compressors

**Measuring guest satisfaction**

Obtaining and analysing customer feedback to identify areas of concern and potential aspects for improvement is a key component of our guest experience strategy. Guest feedback is obtained upon check-out through a feedback system which was automated during the year under review.

In addition, feedback and reviews on independent travel websites are also monitored on a consistent basis, using specialised software which tracks social media comments in multiple languages. During the year, our resorts on average achieved an improvement in ratings from all three major travel websites, TripAdvisor, Agoda and Booking.com which are based on customer reviews.

<i>Compliance</i>	<i>No. of incidents</i>
Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services	Nil
Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	Nil
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Nil



*Sri Lankan Resorts*

*Maldivian Resorts*

	<i>Bey</i>	<i>Lodge</i>	<i>BBH</i>	<i>Tranz</i>	<i>Wild</i>	<i>Citadel</i>	<i>Village</i>	<i>Blu</i>	<i>Dhonveli</i>	<i>Ellaidhoo</i>	<i>Hakuraa</i>
2015-16	4.2	4.4	4.0	4.3	4.4	4.1	4.2	4.1	4.4	4.3	4.5
2016-17	4.2	4.4	3.8	4.2	4.4	4.1	4.4	4.1	4.5	4.2	4.5

**Excellence in guest satisfaction-2016/17**

- Cinnamon Bey Beruwela: Booking.com Guest Review Awards for year 2016 (8.0/10), Holiday Check Quality Certification (5.2/6)
- Habarana Village by Cinnamon: Booking.com Guest Review Awards for year 2016, Winner - Certificate of Excellence - TripAdvisor
- Bentota Beach by Cinnamon: Agoda - 2016 – Gold Circle Award Winner
- Hikka Tranz by Cinnamon: TripAdvisor 2016 - Certificate of Excellence, Holiday Check Quality Certification 2016
- Cinnamon Lodge Habarana: Booking.com – Guest Review Awards 2016. Scoring 8.70 out of 10.00
- Cinnamon Dhonveli Maldives: 2016 Certificate of Excellence - TripAdvisor

# Value Creation Report

## How to stay in business-Creating value across our supply chain

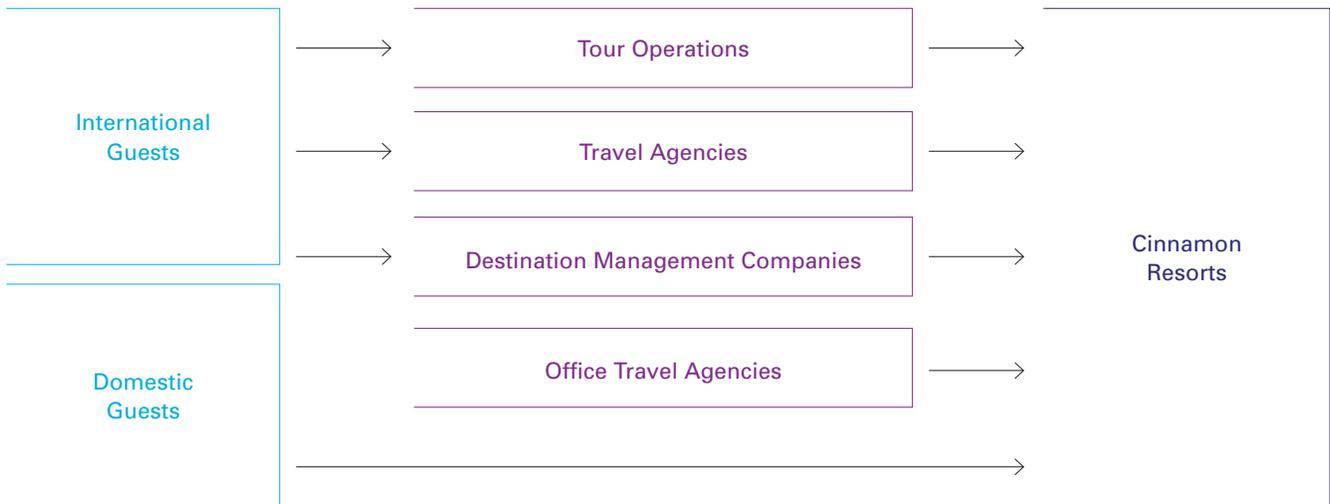
### BUSINESS PARTNERS

Our main business partners comprise our channels partners (such as local and international tour operators, travel agents and destination companies) and our suppliers through whom we procure products and services. We aim to nurture long-term relationships with our business partners which transcend transaction-based relationships to generate sustainable shared value.

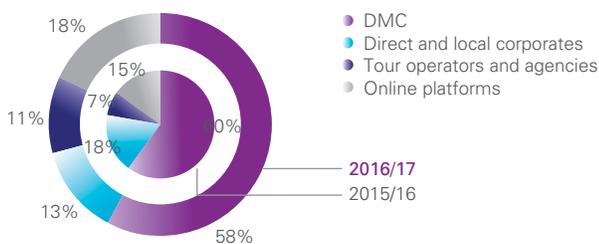
#### Channel partners

The Group's performance during the year was supported by the strategic efforts taken towards expanding and strengthening relationships with our channel partners. We focused on increasing

our network of small and medium sized travel agents through deploying a dedicated team to engage and develop relationships. We also tied up with a strategic partner in India to attract guests for special events, such as destination weddings. Our team continues to engage proactively with foreign tour operators and in 2016/17 we focused on further strengthening relationships through one-on-one interaction. Access to digital platforms is transforming traditional channels to market and the way hotel operators engage with their customers. We continued to focus on growing our online channels linking up with several new online agents during the year. In 2016/17 we also increased penetration to China through online channels, being the first Sri Lankan hotel chain to have a social media presence in China.



### CHANNELS TO MARKET



### Suppliers

The Group's key suppliers are those that provide inputs for the food and beverage divisions of the resorts and our supply chain consists of a broad base of wholesalers and retailers through whom we procure fresh fruits, vegetables, meat, fish, dry rations and other items. We persistently engage with and support the development of our supply chain partners to ensure that the products sourced are of good quality, safe, durable, easy to use and maintain and offer value for money through local suppliers.

All our significant suppliers undergo a comprehensive evaluation of product and process quality as well as labour and environmental practices. We also ensure that the vendors do not employ

persons that are less than 18 years of age, although the legal employable age in the country is 16 years and above. Our evaluations have not revealed any suppliers who could potentially have significant risks for forced or compulsory labour.

We believe that by working together with our value chain partners, we can identify optimal solutions thereby leading towards holistic action to generate more value. Supplier audits and awareness raising initiatives are carried out by the Group on a regular basis to ensure compliance to quality standards and supplier criteria.

#### Supplier Screening Criteria

- Environmental Policy and Environmental Management Systems
- Consumption of natural resources, emissions and wastage
- Noise impact
- Health, safety and welfare
- Hours of work and holidays



Supplier awareness programmes



70

Participants for supplier awareness sessions



87

No. of supplier assessments

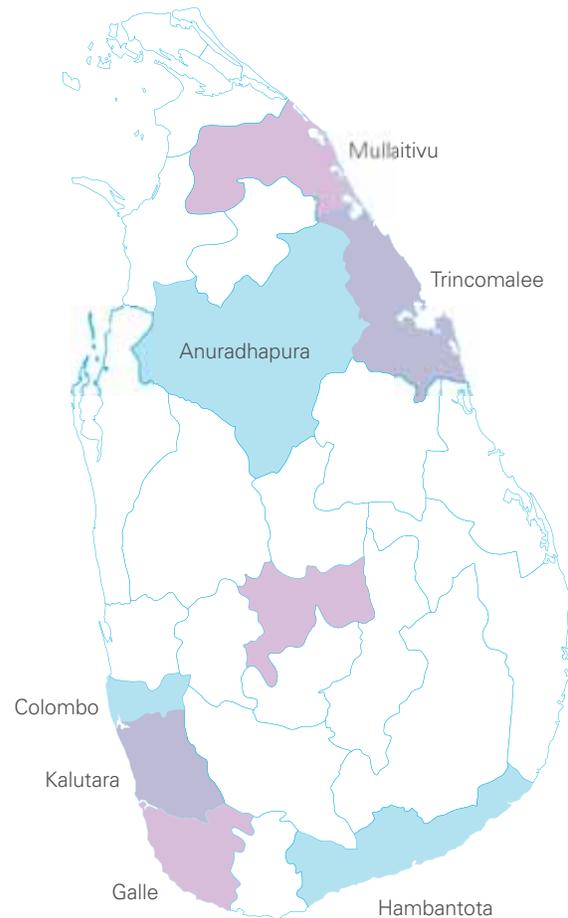
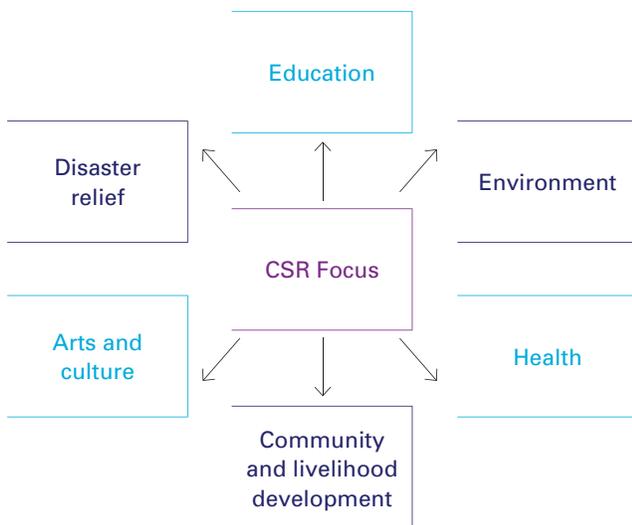


# Value Creation Report

## What we care about- Empowering communities

### EMPOWERING COMMUNITIES

All our resorts engage proactively with the communities we operate in with the objective of meaningfully enriching lives in line with its brand promise. All projects carried out by resorts are aligned to the Group's CSR policy which defines several strategic focus areas for community engagement as illustrated below. In determining the projects to be carried out in these areas of focus, members of our team visit the localities surrounding our resorts to ascertain the real needs of the communities and effectively design programmes to fulfill these requirements. The Group's widespread geographical footprint enables it to reach and empower communities in 8 districts across the island.



*All our resorts engage proactively with the communities we operate in with the objective of meaningfully enriching lives.*

• • •

#### Education

All our resorts conduct year-round initiatives supporting the educational requirements of school children and youth in the localities we operate in. Activities carried out during the year include language and career guidance sessions at schools across the island, open day activities in our resorts as well as numerous donations to primary schools adjacent to our resorts.

#### Health

Many of our resorts organized HIV/Aids awareness and screening programs during the year. In addition we donated health and safety equipment and linen to several schools and hospitals operating in

our neighbouring communities. Blood donation campaigns were carried out at Cinnamon Citadel while wheelchair donations were conducted by Cinnamon Bey and Cinnamon Lodge.

### **Community and livelihood development**

#### **Youth empowerment and skill development**

Cinnamon Hotels & Resorts initiated the Youth Empowerment programme as the overarching initiative supported by the John Keells Foundation and links to JFK's pillars of Education and Livelihood Development. The objective of this initiative is to increase employability of these individuals by equipping them with the skills required to obtain employment in hospitality or other industry. The programme includes structured internship programmes, open day programmes and neighbourhood schools programmes that offer English and IT training and revision lessons for O/L and A/L students in the areas we operate. Launched in 2014/15 in collaboration with CARE International, 2016/17 saw the Youth Empowerment initiative structured in a manner that can be independently sustained for the long term by individual hotels.

### **Environment**

In addition to holistic efforts towards minimising the environmental footprint of its resorts' Cinnamon Hotels & Resorts' also engages guests and surrounding communities in environmental preservation through several ongoing projects. Project Leopard and Project Wild Blu are examples of such initiatives and guests are able to engage in and support these causes (refer to pages 111 to 112 for further details of these programmes). In addition, all of our resorts engaged in numerous projects in commemoration of Earth Hour while shramadana and beach cleaning campaigns were carried out by several resorts. Bentota Beach by Cinnamon and Cinnamon Bey Beruwala organized beach cleaning programs for Marine Environment Conservation Day. Meanwhile Bentota Beach by Cinnamon also conducted a session on assessing environmental impacts in commemoration of the World Environment Day. We also sponsor and support environmental projects conducted by the Provincial Councils in which our resorts are located.

### **Culture and religion**

We continue to support cultural and religious activities in our communities through financial and non-financial support. Our resorts frequently sponsor the construction of shrines, renovations of temples and churches and cultural activities such as New Year festivals among others.



In continuing with our brand promise, Cinnamon Hotels & Resorts organized multiple initiatives targeted towards promoting Sri Lanka as a tourism destination as well as enhancing its brand reputation. These include the Cinnamon Colomboscope, Cinnamon Travel Blogger Awards and the Cinnamon Sri Lanka Photo Contest among others and are discussed in detail on pages 116 to 117 of this Report.

### Systems, processes and tacit knowledge

We have continued to focus on refining our systems and processes to facilitate adaptability to changing external and internal dynamics. This has contributed towards maintaining our competitive edge while developing best practices in all aspects of our operations. We also comply with a host of international quality, safety and environmental certifications, thereby providing

assurance to our stakeholders on the integrity of our systems and processes. The tacit knowledge of our employees is a vital element of our competitive advantage and is nurtured and passed along through mentoring and on-the-job training opportunities. Meanwhile the Cinnamon Spy program enables new recruits to obtain a holistic perspective of our values, brand attributes and organisational culture.

*We comply with a host of international quality, safety and environmental certifications, thereby providing assurance to our stakeholders on the integrity of our systems and processes.*

• • •

	<i>Green Globe Certification</i>	<i>3 Star Crescent Rating</i>	<i>Travelife</i>	<i>LEED</i>	<i>ISO 22000:2005</i>	<i>ISO 14001</i>	<i>OHSAS 18001</i>
Bentota Beach by Cinnamon	✓	✓			✓	✓	✓
Habarana Village by Cinnamon	✓				✓	✓	✓
Cinnamon Citadel Kandy	✓	✓			✓	✓	✓
Trinco Blu by Cinnamon	✓				✓	✓	✓
Cinnamon Lodge Habarana	✓	✓			✓	✓	✓
Cinnamon Wild Yala	✓				✓	✓	✓
Hikka Tranz by Cinnamon	✓	✓			✓	✓	✓
Cinnamon Bey Beruwala	✓			Gold	✓	✓	✓
Cinnamon Hakuraa Huraa Maldives			✓		✓	✓	✓
Ellaidhoo Maldives by Cinnamon	✓		✓		✓	✓	✓
Cinnamon Dhonveli Maldives			✓		✓	✓	✓

# Value Creation Report

What we care about- Nurturing the planet

## NATURAL CAPITAL

*We are a green pioneer in Sri Lanka's tourism industry and adopt a holistic and comprehensive approach towards environmental management.*



## NURTURING THE PLANET

*Elements of our natural environment complement the services we offer and preserving these attractions and destinations are crucial for the long-term sustainability of our industry.*

### Our contribution to sustainable tourism in 2016/17

#### SDG # 6: Clean water and sanitation



##### Global targets:

By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials

By 2030, substantially increase water-use efficiency across all sectors



##### Our Contribution:

Water withdrawn from surface and ground water sources declined by 3% and 2%

Total water discharge declined by 5% during the year

#### SDG # 7: Affordable and clean energy



##### Global targets:

By 2030, increase substantially the share of renewable energy in the global energy mix

By 2030, double the global rate of improvement in energy efficiency



##### Our Contribution:

Installation of 150KW solar PV system

Installation of 643 LED lighting solutions and 196 inverter air conditioners



**SDG # 13: Climate action**



**Global targets:**

Integrate climate change measures into national policies, strategies and planning

Promote mechanisms for raising capacity for effective climate change-related planning and management



**Our Contribution:**

Consistent decline in emissions per guest night

Substantial improvements in energy efficiency

Increased focus on renewable energy

**Management Approach**

We are cognisant that our operations could have an adverse impact on the natural environment and are committed to ensuring that these green impacts are managed similar to the way we

manage our other resort operations. We are a green pioneer in Sri Lanka's tourism industry and adopt a holistic and comprehensive approach towards environmental management, characterised by clearly defined policy framework, governance structures, tools and techniques for monitoring, performance indicators and reporting.

**Natural Capital Management**



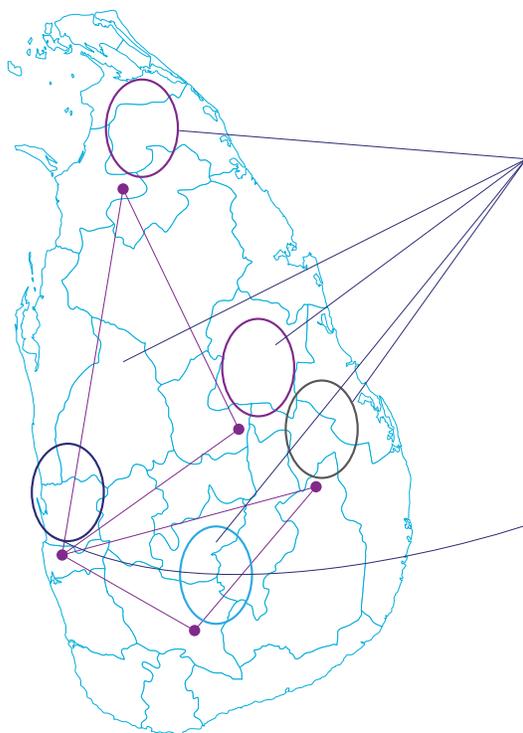
**Utility Management System**

During the reviewed period, the Group initiated steps to implement a holistic Utility Management System (UMS), which enables the central monitoring of electricity, water and gas across our resorts. Having access to accurate, real-time environmental data is expected to transform our environmental management framework facilitating more effective decision making and faster response times. Initially launched in our round-trip hotels (Cinnamon Lodge Habarana, Habarana Village by Cinnamon, Trinco Blu by Cinnamon and Cinnamon Citadel Kandy), we hope to roll-out the UMS to our other Sri Lankan Resorts and the Maldives in the next financial year.

**System framework:** The UMS is a centralised, cloud based system built on the cutting edge technology of IOT (Internet of Things). The system allows data captured at each resort to be collated real-time and monitored at head office through a dedicated server. Connectivity is ensured through a fully functioning user interface which operates on a standard web browser, providing accessibility of the system at all times. The system also automatically generates notifications, alerting our operational teams of any unusual activity levels with regards to the consumption of energy and water. Using a standard system to obtain the comprehensiveness and intensity of such data is likely to have cost nearly 5-fold of the investment in the UMS.

# Value Creation Report

## How it Works



### Distribution of Data

#### Site: Meters - As per Requirements

Each site is unique with their requirement of utilities monitoring.

#### Site: Automation Service - One per Site

A server to gather data and send to the head office. It also acts as a standalone web server.

#### Head Office: Enterprise Server - One for all Sites

A server to bring all sites together and to bring out a bigger picture of the consumption by comparison analysis.

#### Head Office: Report Server - One per Site

To form report automatically at any specified period.

### Primary benefits of UMS

- Facilitates real-time, user-friendly central and remote monitoring capabilities
- Temperature monitoring of old cold storage facilities
- Freeing up site engineers' time by eliminating the need for daily utility reporting
- Enables benchmarking between properties as well as benchmarking against targets in real time
- Ability to monitor effectiveness of energy efficiency initiatives
- Ease of generating management reports to support more effective decision making

### Impacts of climate change

The key impacts of climate change on the tourism industry are anticipated to be felt through the rise of sea levels, desertification and scarcity of water which will make regions less hospitable for tourists as well as deforestation and the harm to bio-diversity.

As a Group, we are yet to implement mechanisms to quantify the impacts of climate change although we are cognizant of how these impacts could affect our long-term ability to generate value.

### Raw materials

Our primary raw materials consist of inputs which are used in the food and beverage processes and for the purpose of this disclosure we have only considered the raw materials which are measured in the unit of kilograms. During the year we encouraged our resorts to expand the scope of the organic farming activities. Our approach towards procurement is characterized by developing mutually beneficial, strategic relationships with our diverse supplier base, thereby providing an effective platform for empowerment while ensuring that we procure highest quality raw materials. Cinnamon Wild operates an integrated organic farm which uses treated, re-cycled water from its resort operations. The produce from the farm is in turn used in the resorts. At all times, attempts are made to source materials from surrounding communities in which our resorts are based.



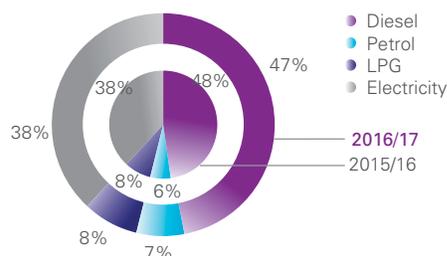
Organic Farm at Cinnamon Wild

### Energy

Energy is a key natural input in our resort operations and our primary sources of energy are electricity, diesel, petrol and liquid petroleum gas. We engage in concerted efforts to increase energy efficiency across our resorts, and the implementation of the UMS has facilitated access to more accurate data which has enhanced our decision making capabilities. As a policy, low energy consuming equipment is utilized when replacing higher energy consuming units across all our resorts while employees and guests are encouraged to contribute towards conserving energy through a range of 'Go Green' choices. Furthermore, energy audits are conducted at our resorts on a regular basis to identify areas for improving energy efficiency.

<i>Consumption In Units (KG)</i>			
<i>Type of Raw Material</i>	<i>2016/17</i>	<i>2015/16</i>	<i>2014/15</i>
Vegetables	885,244	899,243	894,708
Fruits	522,995	830,059	798,398
Fish	1,029,668	384,188	388,212
Meat	369,758	474,868	459,835

### ENERGY CONSUMPTION BY SOURCE



Key energy initiatives carried out during the year and the expected savings generated from these initiatives are listed below;

<i>Initiative</i>	<i>Resort</i>	<i>Expected savings in kWh</i>
Replacing CFL, Tungsten and Metal Halide lights with 643 LED lights during the year	Citadel, Village, Lodge, Wild, Hakuraa and Dhonveli	60,648
Installation of 196 energy efficient Inverter air conditioners	Citadel, Village, Lodge, Blu, Wild, Dhonveli, Ellaidhoo	73,796
Introduced solar hot water panels	Citadel, Hakuraa	23,670
Installation of 150KW solar PV system	Ellaidhoo	7,200 litres of diesel monthly

### Solar PV installation in Ellaidhoo Maldives by Cinnamon

During the year, we committed to installing a solar PV at Ellaidhoo Maldives by Cinnamon to fulfill a shortfall resulting from the breakdown of a 750 KVA generator. In addition to contributing towards reducing the Group's dependence on fossil fuels and its carbon footprint, the solar PV is expected to accrue financial benefits through reducing exposure to volatile energy prices and eliminating generator related maintenance costs. The total project cost is USD 175,000 with minimal maintenance cost and a discounted payback period of just 5 years.

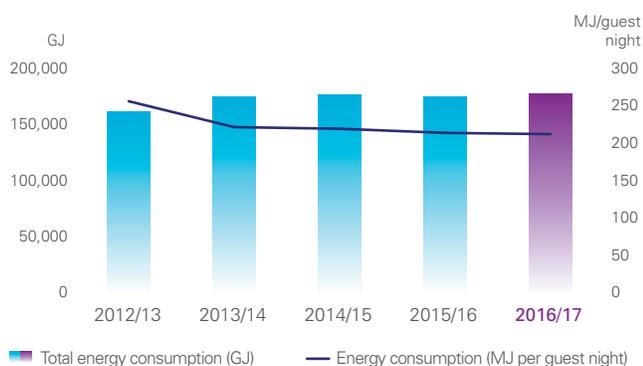
# Value Creation Report

## Energy results in 2016/17

The Group's energy intensity (defined as energy usage per guest night) has continued to a gradual decline reflective of ongoing efforts towards increasing energy efficiency. In 2016/17 energy consumption per guest night fell further to 212 MJ, from 214 MJ the year before. Total energy consumption increased marginally by 2% to 177,221 GJ during the year, primarily due to the increased operational activity across our resort portfolio. Meanwhile, the energy mix remained relatively unchanged with diesel and purchased electricity fulfilling the major part of the Group's energy requirements.

	2016/17	2015/16	2014/15
Diesel (GJ)	83,504	84,093	85,391
Petrol (GJ)	12,005	10,103	14,879
Furnace Oil (GJ)	-	-	-
LPG (GJ)	14,329	13,796	12,321
Electricity (GJ)	67,383	66,174	63,899
Direct Energy (GJ)	109,838	107,992	112,590
Indirect Energy (GJ)	67,383	66,174	63,899
Total Energy Consumption (GJ)	177,221	174,166	176,489
Energy consumption per guest night (MJ/guest night)	212	214	219

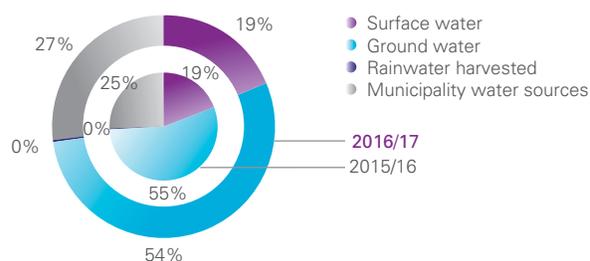
## ENERGY CONSUMPTION TRENDS



## Water

The Group's water requirements are met primarily through ground water sources and municipal lines. Our long-term objective in water management is to reduce water withdrawal from surface and ground water sources through re-cycling water, engaging employees and guests in water conservation and rainwater harvesting. Sub-divisional metering systems have been installed at all properties enabling the continuous monitoring and tracking of water usage and identification of areas of inefficiency. During the year, we installed 50 flow restrictors (9 litres per minute instead of 15 litres per minute) at Bey and Tranz which is estimated to result in monthly water savings of 360 m<sup>3</sup>.

## WATER CONSUMPTION BY SOURCE



## Water results in 2016/17

During the year, the Group's total volume of water withdrawn declined marginally to 706,235 m<sup>3</sup> despite an increase in operational activity. Water withdrawn from surface and ground water sources declined by 3% and 2% respectively during the year. Meanwhile, water withdrawn per guest night also declined by 2.9% to 844 litres.

	2016/17	2015/16	2014/15
Surface water-wetlands, rivers, lakes, ocean (m <sup>3</sup> )	133,118.3	137,456.5	132,109.0
Ground water (m <sup>3</sup> )	382,696.4	389,167.0	413,656.4
Rainwater harvested (m <sup>3</sup> )	1,916.8	2,591.9	2054.5
Municipality water sources (m <sup>3</sup> )	188,503.5	180,073.4	184,947.6
Total Water Withdrawn (m <sup>3</sup> )	706,235	709,288.6	732,767.5
Water per guest night (ltrs)	844	870	909



**WATER CONSUMPTION TRENDS**



**Waste and effluents**

We are committed towards the responsible disposal of waste and state of the art waste management systems have enabled all resorts to effectively segregate, recycle and dispose waste in an environmentally friendly manner. In our Sri Lankan resorts, wet waste is used to generate energy whilst the remainder is sent to local piggeries. During the year under review, 10% of the total food waste generated from our Sri Lankan resorts has been converted to bio-gas. Meanwhile, recyclable material obtained from dry waste is sent to recyclers certified by the Central Environmental Authority and garden waste is used to generate eco-friendly fertilizers. Hazardous waste is also segregated and disposed in assistance with GeoCycle, a party certified by the Central Environmental Authority. Given that all key resort operations generate waste, our ultimate objectives are to generate energy through waste and reduce landfill waste, goals towards which we made significant progress during the year under review.

We ensure that effluents discharged from our resorts comply with the requisite water quality standards and that hotels that do not have the ability to discharge water into common municipal sewerage lines, have a dedicated effluent treatment plant on site. All such effluent plants are checked on a regular basis by independent assessors to ensure it meets compliance levels. Our discharge water quality levels (BOD, COD, TSS, pH and oil and grease levels) comply with government standards.

**Recycling timber in Maldives**

Cinnamon Hakuraa Huraa Maldives used discarded timber from the jetty to construct the Kulhu Mirus restaurant thereby re-using this valuable resource. The project is expected to generate monthly revenue of around USD 750 while its revenue contribution is expected to increase as the hotel provides unique dining experiences such as F&B themes and dining with the chef among others. Given that the cost of the project amounted to USD 1,000, this has proven to be both a financially and environmentally sustainable initiative.

Maldivian resorts continue to use discarded timber to produce a variety of items for guests including guest room trays, wine display racks, lamp shades, brochure stands and ash trays among others. Dhonveli also uses bio-degradable and discarded materials such as dry coconuts and damaged chipboards in order to produce eco-friendly table decor for the Christmas and New Year season. In Hakuraa Huraa waste paper is being used as an input to produce building blocks.



*Kulhu Mirus Restaurant - Constructed Using Re-cycle Timber*

**Waste and effluents results in 2016/17**

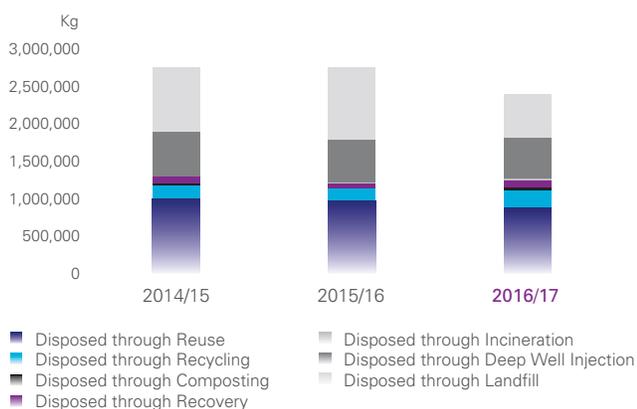
The Group's total waste generation declined by 13% during the year, resulting in a significant decline in waste sent to landfill; the landfill waste per guest night also declined to 0.70 Kgs from 1.20 Kgs the previous year. Meanwhile, total water discharge (effluents) declined by 5% in 2016/17 while the water recycled and reused amounted to 37.2% (compared to 35.9% the previous year. There were no spills reported during the year) out of total water discharged.

# Value Creation Report

## Solid waste by type of disposal

kg	2016/17	2015/16	2014/15
Disposed through Reuse	880,154	982,118	1,007,945
Disposed through Recycling	232,690	147,904	174,361
Disposed through Composting	32,189	5,425	16,793
Disposed through Recovery	96,452	78,610	98,107
Disposed through Incineration	28,603	11,863	8,320
Disposed through Deep Well Injection	541,604	559,339	586,112
Disposed through Landfill	587,568	976,361	864,690
Disposed through On-Site-Storage	-	-	-
<b>Total Non-Hazardous Waste Disposed</b>	<b>2,399,260</b>	<b>2,761,620</b>	<b>2,756,328</b>
Waste per guest night (non-hazardous)	2.87	3.39	3.42

## SOLID WASTE BY METHOD OF DISPOSAL

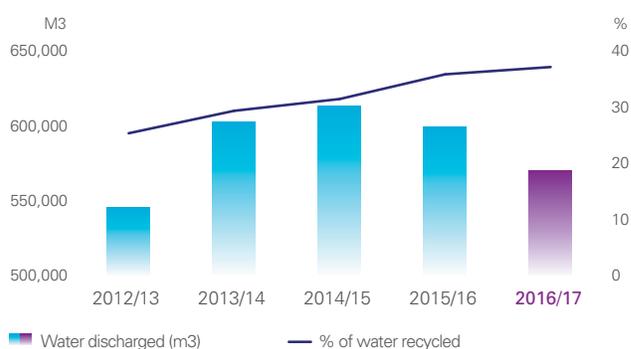


## Discharge by destination

	2016/17	2015/16	2014/15
To Municipality Sewerage, Drainage Lines (m <sup>3</sup> )	120,865.4	133,004.8	167,180.3
To ETPs and Recycled Completely (m <sup>3</sup> )	212,388.1	215,479.7	193,215.9
To Rivers, Lakes after being treated by ETP/STP (m <sup>3</sup> )	216,639.6	222,557.4	227,568.1

	2016/17	2015/16	2014/15
Direct to Rivers, Lakes, Wetlands, Marshes (m <sup>3</sup> )	19,543	28,657.5	25,777.0
To ground through soakage pits (m <sup>3</sup> )	737.5	-	-
<b>Total Water Discharge (m<sup>3</sup>)</b>	<b>570,173.7</b>	<b>599,699.6</b>	<b>613,741.2</b>
Waste water per guest night (ltrs)	682	735	762

## EFFLUENTS DISCHARGED



## Carbon footprint

Each of our resorts track, monitor and measure greenhouse gas emissions and makes concerted efforts towards reducing the carbon footprint of their operations. Emissions are measured using the Greenhouse Gas Protocol as governed by the World Resource Institute (WRI) and the World Business Council for Sustainable Development. The emission factors have been derived from IPCC Guidelines for National Greenhouse Gas Inventories. The boundary for the emission measurement has been governed by Scope 1 and Scope 2.

**Scope 1** - GHG emissions occurring directly from sources that are owned or controlled by the Organisation

**Scope 2** - Direct emissions generated in the production of electricity consumed

The reduction in the Group's energy footprint contributed towards an improvement in the Group's carbon intensity (carbon footprint per guest night) which declined to 24.7 kgCO<sub>2</sub>e from 24.9 kgCO<sub>2</sub>e the year before.



<i>MT of CO2 equivalent</i>	<i>2016/17</i>	<i>2015/16</i>	<i>2014/15</i>
Diesel	6,188	6,231	6,327
Petrol	832	700	1,031
Liquid Petroleum Gas (LPG)	904	871	777
Electricity	12,758	12,529	12,098
CO2 Footprint - Direct Energy through Primary Sources ( Scope 1 )	7,924	7,802	8,136
CO2 Footprint - Indirect Energy through Primary Sources ( Scope 2 )	12,758	12,529	12,098
Total CO2 Footprint	20,682	20,331	20,234
Carbon intensity factor (kgCO <sub>2</sub> e/guest night)	24.7	24.9	25.1

**Natural habitats**

The biodiversity and surrounding natural environment enhances the overall attractiveness and experience at our resorts. The Group has in place several ongoing initiatives to minimise impacts and ensure the sustainability of these natural habitats.

**Project Leopard at Cinnamon Wild Yala**

The Project Leopard, currently in its 6th year of operation has dual objectives of supporting the livelihoods of cattle farmers and protecting the leopard population living in and outside the boundaries of the park. To date, we have distributed 74 such pens to cattle farmers, enabling them to protect their cattle from

leopards in the area. The Project has directly contributed towards enhancing the income levels of dairy farmers. The Project has been shortlisted as a finalist of the ‘2017 Tourism for Tomorrow Awards’, conducted by the World Travel & Tourism Council (WTTC). This effort won the Davis award for peace last year at the University of Clark – USA and was granted 10000 US\$ in assistance to further expand on planned distribution of steel pens to cattle farmers living adjacent to the park. It was also recognised by the World Travel and Tourism Council. The Project is carried out under the stewardship of Cinnamon Natural Trails and Cinnamon Wild, Yala.

**Guest engagement:** We also engaged guests in this initiative through providing opportunities for excursions with the participation of a naturalist. Guests engage directly with the farmers and obtain an understanding and appreciation of the lives of these farmers. Approximately 50 tourists participate in these excursions each month enabling us to propagate information regarding the importance of providing solutions to end animal human conflict in order to preserve the biodiversity.

**Outcomes**

- Leopard predation rates have declined by 87%
- Zero retaliatory killings of leopards (compared to 3-4 annual killings previously)
- Farmers’ average income increased
- Cattle herd size increased by roughly 7 individuals



Project Leopard at Cinnamon Wild Yala



Cinnamon Elephant Project

## Value Creation Report

### Cinnamon Elephant Project at Cinnamon Lodge Habarana

The 'Cinnamon Elephant Project' is a collaborative effort between Cinnamon Hotels and the Centre for Conservation and Research breaks new ground in developing elephant viewing based tourism and taking it to a higher level through integration of research and tourism. Under this program elephants are individually identified based on their morphological characters and their life stories followed by the naturalists at the Cinnamon Hotels. Currently, in its third year we are gearing to place 3 satellite collars on selected matriarchs among the Minneriya herds. The research insights are shared with visitors while on safari and based at the Cinnamon Lodge through a newly constructed elephant research station, enabling them to obtain a unique, enriching and more personal experience. Web based information dissemination enables them to follow the lives of identified elephants even after their visit, encouraging repeat visitation. In addition, demographic, health and behavioural data is collected, which provides baseline data on the population enables monitoring of their well-being and contributes to the scientific knowledge based on Asian elephants.

#### Outcomes

- 3 satellite tags to be placed on matriarchs
- Over 370 guests engaged through photographic safari tours
- Over 75 visits to the Cinnamon Elephant Research Station

### Project Wild Blu at Trinco Blu by Cinnamon

Currently in its 6th year of operation, Project Wild Blu involves the collation of photographic evidence and data to identify blue whales and super pods of sperm whales. Implemented by Cinnamon Nature Trails, together with Trinco Blu by Cinnamon, the Project is supported by Dr. Charles Anderson PhD who works with our team annually. In 2017, over 22 blue whales were seen feeding in the ocean in Trinco and the valuable GPS data records of Blue Whale and Super-Pod sightings has led to deep insights on behavioural patterns, availability of food at sea as well as migration to warmer waters. Our research has also provided information on breeding grounds for these endangered species which needs careful management in the future. Guests are also engaged in whale watching and a marine naturalist has been deployed to document and evaluate the evidence obtained. Additionally, we attracted BBC Ocean in 2016 to film the phenomenon over 35 days at sea by sharing the recorded data.

#### Outcomes

- Obtained 5 years of valuable GPS data
- Identified 78 blue whales
- 100 individual images of tail flukes
- Over 1,500 guests engaged



Project Wild Blu at Trinco Blu by Cinnamon

#### Compliance

All our resorts have obtained the Green Globe Certification for sustainable tourism, while Cinnamon Bey has also obtained the prestigious LEED Gold Certification. Compliance to all relevant environmental regulations are ensured by the Internal Audit function. During the year there were no incidences of non-compliance, penalties or fines imposed on us pertaining to any applicable environmental regulations and laws. There were also no environmental grievances filed during the year. In 2016/17, we invested Rs. 46 million in initiatives targeted towards reducing our environmental footprint.

Initiative	Investment (Rs. Mn)
Energy saving initiatives	13.0
Solar PV installation	26.25
Implementation of the Utility Management System	6.0
Fixing of flow restrictors	0.1



## Our Biodiversity and Natural Habitats

<i>Hotel</i>	<i>Geographical Location</i>	<i>Size of site in Acres</i>	<i>Name of Protected Area in the Vicinity</i>	<i>Position relative to Protected Area (Within/ Adjacent and Distance)</i>	<i>Size of Operational site in square km</i>	<i>Biodiversity value of Protected site</i>	<i>Protected through (Legislation/IUCN/ UNESCO etc.)</i>	<i>Has the EPL been obtained</i>
Trinco Blu by Cinnamon	Trincomalee	13.24	Pigeon Island Marine National Park	16km adjacent	0.05	Maritime	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
Cinnamon Citadel Kandy	Kandy	6.39	Udawatte Kele Sanctuary	6km adjacent	0.023	Wildlife & Forestry	Flora and Fauna Protection Ordinance 1937 IUCN Category IV - Habitat/ Species Management Area	Yes
Cinnamon Wild Yala	Yala	11.25	Yala National Park Bundala National Park	2km adjacent 32km adjacent	0.044	Wildlife & Forestry	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
Hikka Tranz by Cinnamon	Hikkaduwa	4.65	Hikkaduwa Marine National Park	0.5km adjacent	0.018	Maritime	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
Cinnamon Lodge Habarana	Habarana	25.48	Minneriya National Park Ritigala Strict Nature Reserve Kaudulla National Park	15km adjacent 20km adjacent 20km adjacent	0.1	Wildlife & Forestry	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
Cinnamon Bey Beruwala	Beruwala	11.39	Hikkaduwa Marine National Park	45km adjacent	0.04	Maritime	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
Habarana Village by Cinnamon	Habarana	9.34	Minneriya National Park Ritigala Strict Nature Reserve Kaudulla National Park	11km adjacent 17km adjacent 22km adjacent	0.034	Wildlife & Forestry	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
Bentota Beach by Cinnamon	Bentota	13.34	Hikkaduwa Marine National Park	40km adjacent	0.05	Maritime	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes

## Value Creation Report

<i>Hotel</i>	<i>Geographical Location</i>	<i>Size of site in Acres</i>	<i>Name of Protected Area in the Vicinity</i>	<i>Position relative to Protected Area (Within/ Adjacent and Distance)</i>	<i>Size of Operational site in square km</i>	<i>Biodiversity value of Protected site</i>	<i>Protected through (Legislation/IUCN/ UNESCO etc.)</i>	<i>Has the EPL been obtained</i>
Cinnamon Dhonveli Maldives	North Male Atoll Republic of Maldives	17.16	Thamburudhoo thila	1km	0.0673	Maritime	The Environmental Protection & Preservation Act	Yes
Ellaidhoo Maldives by Cinnamon	North Ari Atoll Republic of Maldives	13.80	Orimas thila	1km	0.0556	Maritime	The Environmental Protection & Preservation Act	Yes
Cinnamon Hakuraa Huraa Maldives	Meemu Atoll Republic of Maldives	18.90	Lhazikuraadi	6km	0.05437	Maritime	The Environmental Protection & Preservation Act	Yes

EPL - Environment Protection Licence

*The biodiversity and surrounding natural environment enhances the overall attractiveness and experience at our resorts. The Group has in place several ongoing initiatives to minimise impacts and ensure the sustainability of these natural habitats.*

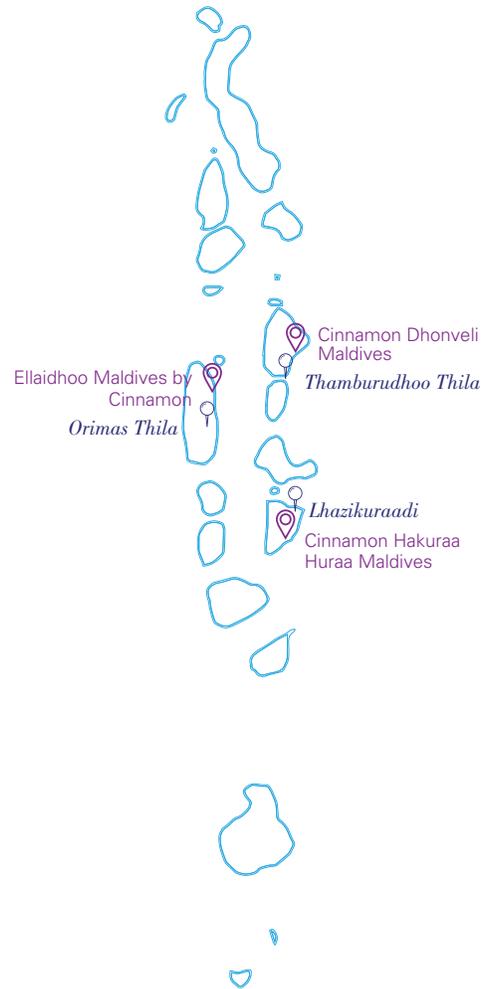
• • •

Locations in Sri Lanka



 Cinnamon Hotels & Resorts       Sanctuaries / National Parks / Nature / Forest Reserves

Locations in Maldives



 Cinnamon Hotels & Resorts       Protected Areas

# Value Creation Report

## The way we do business - Industry thought leadership

### INDUSTRY THOUGHT LEADERSHIP

As Sri Lanka's premier hospitality sector operator, Cinnamon Hotels & Resorts has played a vital role in promoting Sri Lanka as an attractive destination globally. It has been at the forefront of identifying emerging trends in the industry and capturing growth opportunities by attracting potential customers through unique and original engagement platforms. In addition to enhancing the Cinnamon brand image, the Group's thought leadership has contributed towards strengthening Sri Lanka's brand value and attractiveness. The following events are estimated to have generated a total publicity value of USD 800,000 for Sri Lanka and the Cinnamon brand while generating 77 blogs regarding Cinnamon and its various events.

#### Publicity value to Sri Lanka and Cinnamon

- Cinnamon TBCasia: USD 600,000
- Cinnamon Colomboscope: USD 45,000
- Miss Intercontinental Pageant: USD155,000

#### Cinnamon Travel Bloggers Conference and Awards 2016 (TBCasia)

Cinnamon Hotels & Resorts pioneered the first ever travel bloggers conference of its kind to be conducted in Asia in 2014, revolutionizing one of the most powerful mediums of communication in hospitality-influencer marketing. Cinnamon TBCasia 2016 was a unique event for travel bloggers, industry professionals, new media content creators to learn and recognize the impact of travel blogging on the global tourism and hospitality industry. The Cinnamon brand, and by extension, Sri Lanka, currently owns this space having transformed this alternate marketing channel.



#### Cinnamon TBCasia

6,318 posts from 1,128 users with a reach of 4.8 Mn and 49 Mn impressions on Twitter

Following the astounding success of TBCasia in 2014, the 2nd edition of the initiative was launched during the year with the first ever Cinnamon Travel Blogger Awards held in June 2016. The awards marked another 'first' in the industry and attracted the most well-known travel bloggers globally to visit Sri Lanka. The program included a tour around Sri Lanka, followed by a conference and award ceremony for 75 of the world's leading travel bloggers. Awards were presented in 11 categories including best travel blog of the year, best individual travel blogger of the year, best food blog and best responsible tourism award among others. Judges consisted of an eminent panel of travel experts including the Editor of BBC Travel, Head of Sales of TripAdvisor and CEO of PATA. The initiative proved an ideal platform for all travel hospitality professionals to engage with top bloggers from around the world to be involved in the industry's digital revolution while affording a far more personal way to reach audiences.

#### Cinnamon Colomboscope (2016)

Cinnamon Hotels & Resorts together with the John Keells Foundation organised Cinnamon Colomboscope, a multidisciplinary festival of arts exploring contemporary literature, art, film, dance and theatre. Curated in different themes every year, this year's theme centred on digital art and culture, offering different perspectives



of how society and contemporary art is responding to the shift towards digital technology in Sri Lanka, the South Asian region and Europe. The festival invites the audience to consider not just the art in itself, but the context in which art would be found providing exposure for Sri Lankan culture abroad through the participation of renowned international artists and authors. The event has been featured as a key attraction for tourists visiting Colombo and has contributed towards promoting a vibrant city, fostering networks between Sri Lankan and foreign artists and supporting the development of creative arts in Sri Lanka. The event also currently has the largest following among art festivals in Sri Lanka with 6700 followers on social media and #CinnamonColomboscope accumulating over 600 photos on Instagram.

#### Miss Intercontinental 2016 World Pageant

Sri Lanka successfully hosted the star spangled international beauty pageant the 45th Ambiance Miss Intercontinental 2016 in October, conceptualized by Cinnamon Hotels & Resorts. The event featured country title holders from over 60 countries who engaged in various activities across the island, for a period of two weeks prior to the final pageant. The pageant was attended by celebrities as well as local and international media, providing substantial coverage for Sri Lanka and the Cinnamon brand. The event saw Miss Puerto Rico Heilynar Rosario Velazquez being crowned Miss Intercontinental 2016. The event gained wide publicity, with a total reach of 3,099,836 on the Cinnamon Hotels & Resorts page and the highest ever engagement over a 1-month period.

#### Cinnamon cover shot challenge

The Cinnamon cover shot challenge is an expedition based photography challenge, which was conducted for the 2nd year. It provides an opportunity for amateur and professional photographers to capture the beauty of surroundings and convert

them into photographic masterpieces. In 2016, the Challenge focused on the East Coast and allowed 24 participants to venture on a four-day expedition during which they could capture the many facets of the east coast of the island. The winning entry was featured on the cover of the bi-monthly Cinnamon magazine which is placed in every room across Cinnamon Hotels & Resorts.

#### Cinnamon Sri Lanka Photo Contest 2017

Sri Lanka's largest crowd-sourced destination campaign to date, 'Cinnamon Sri Lanka Photo Contest 2017' is part of a strategic effort to use crowd-sourcing to create a comprehensive destination image bank for Sri Lanka thereby raising the profile of the country as a preferred travel destination. The competition draws on the participation of amateur and professional photographers and videographers from around the world, who will have the opportunity to submit their images and footage of the island and vie for the prestigious title of 'Cinnamon Sri Lanka Photographer of the Year'. To date, the Photo Contest has received over 5,000 registrations from six markets that are important to Sri Lanka: India, UAE, Australia, Maldives, Malaysia and Sri Lanka.

Participants will be able to compete in seven different categories; Nature, Culture & People, Landscapes & Cityscapes, Interiors, Activities & Adventure, Deeper Perspective/Photo-Essay and Travel Shorts. From Sri Lanka's picturesque beaches to its historical landmarks and natural treasures, the competition will help showcase the diverse attractions that the country has to offer whilst capturing the very essence of a vibrant, warm and contemporary Sri Lanka. The grand winner is entitled to the status of 'Cinnamon Travel Photographer of the Year' and a grand prize of US\$ 5,000 along with a 3-week curated all-expense paid photography tour of Sri Lanka. The finalists and winners' work will be awarded at a gala event coupled with a curated public exhibition featuring the work. The competition aims to become one of the top travel photography and videography awards from around the world, making it a must-enter competition in every travel photographer's calendar. It was launched at the World Travel Market (WTM), London in November 2016 and will run through May 2017.

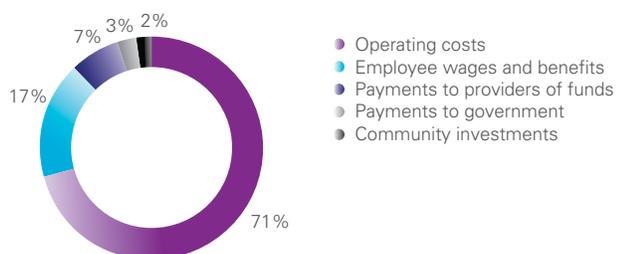


# Consolidated Value Added Statement

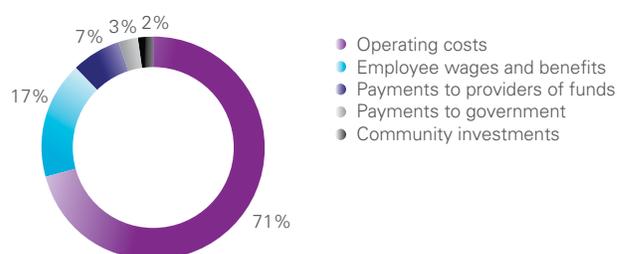
For the year ended 31st March

In Rs. '000s	2017		2016	
<b>Direct economic value generated</b>				
Revenue	12,311,664		11,631,973	
Finance income	217,267		127,129	
Proceeds from sale of property, plant and equipment	22,465		25,149	
	12,551,396		11,784,251	
<b>Economic value distributed</b>				
Operating costs	8,181,311	71%	7,857,563	71%
Employee wages and benefits	1,997,976	17%	1,873,646	17%
Payments to providers of funds	810,247	7%	764,484	7%
Payments to government				
Sri Lanka	302,955	3%	307,276	3%
Maldives	176,209	2%	172,636	2%
Community investments	12,150	0%	7,941	0%
	11,480,848		10,983,546	
<b>Economic value retained</b>	1,070,548		800,705	

ECONOMIC VALUE DISTRIBUTED - 2016/17



ECONOMIC VALUE DISTRIBUTED - 2015/16





# GRI Content Index Tool

## GENERAL STANDARD DISCLOSURES-G4

Number	Description	Reference/Comments	Page Reference
<b>Strategy and Analysis</b>			
G4-1	Statement from the most senior decision maker of the Organisation about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	Chairman's Review	24
<b>Organisational Profile</b>			
G4-3	Name of the organization	John Keells Hotels PLC	
G4-4	Primary brands, products, and services	About John Keells Hotels PLC	7
G4-5	The location of the organization's headquarters	Colombo, Sri Lanka	7
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	About John Keells Hotels PLC	7
G4-7	The nature of ownership and legal form	Inner Back Cover	
G4-8	The markets served (geographic breakdown, sectors served, and types of customers/beneficiaries)	Customers	96
G4-9	The scale of the organization, including: <ul style="list-style-type: none"> <li>Total number of employees</li> <li>Total number of operations</li> <li>Net sales (for private sector organizations) or net revenues (for public sector organizations)</li> <li>Total capitalization broken down in terms of debt and equity (for private sector organizations)</li> <li>Quantity of products or services provided</li> </ul>	About John Keells Hotels PLC Financial Review	7, 53, 34-35
G4-10	a. The total number of employees by employment contract and gender. b. The total number of permanent employees by employment type and gender. c. The total workforce by employees and supervised workers and by gender. d. The total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	Human Capital	85
G4-11	The percentage of total employees covered by collective bargaining agreements.	Human Capital	93
G4-12	Describe the organization's supply chain.	Operating Environment	98

**GENERAL STANDARD DISCLOSURES-G4**

<i>Number</i>	<i>Description</i>	<i>Reference/Comments</i>	<i>Page Reference</i>
G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including:  Changes in the location of, or changes in, operations, including facility openings, closings, and expansions  Changes in the share capital structure and other capital formation, maintenance, and alteration in operations (for private sector organizations)  Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	None	
G4-14	Whether and how the precautionary approach or principle is addressed by the organization.	Risk Management	146
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	About this Report	6
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization is a member.	<ul style="list-style-type: none"> <li>• Tourist Hotels Association of Sri Lanka</li> <li>• Ceylon Chamber of Commerce</li> </ul>	

**Identified Material Aspects and Boundaries**

G4-17	<p>a. List all entities included in the organization's consolidated financial statements or equivalent documents.</p> <p>b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.</p>	<p>Group Structure</p> <p>Accounting Policies</p>	10
G4-18	<p>a. Explain the process for defining the report content and the Aspect Boundaries.</p> <p>b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.</p>	Defining Materiality	39
G4-19	List all the material aspects identified in the process for defining report content.	Defining Materiality	40
G4-20	For each material aspect, the Aspect Boundary within the organization	Defining Materiality	40
G4-21	For each material aspect, report the Aspect Boundary outside the organization	Defining Materiality	40
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	There are no restatements	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	None	40

## GRI Content Index Tool

### GENERAL STANDARD DISCLOSURES-G4

Number	Description	Reference/Comments	Page Reference
<b>Stakeholder Engagement</b>			
G4-24	List of stakeholder groups engaged by the organization.	Stakeholder Engagement	37
G4-25	The basis for identification and selection of stakeholders with whom to engage.	Stakeholder Engagement	37
G4-26	The organization's approach to stakeholder engagement	Stakeholder Engagement	37
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Stakeholder Engagement	37
<b>Report Profile</b>			
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	About this Report	5 - 6
G4-29	Date of most recent previous report (if any).	Financial year ended 31st March 2016	
G4-30	Reporting cycle (such as annual, biennial)	Annual	
G4-31	The contact point for questions regarding the report or its contents.	About this Report	
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option c. Report the reference to the External Assurance Report, if the report has been externally assured.	Core	
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	External Assurance provided by Messrs. Ernst and Young	126
<b>Governance</b>			
G4-34	The governance structure of the organization, including committees of the highest governing body.	Leadership and Governance	129
<b>Ethics and Integrity</b>			
G4-56	The organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Leadership and Governance	84

## SPECIFIC STANDARD DISCLOSURES

<i>Material Aspect</i>	<i>DMA/Indicators</i>	<i>Reference/comments/Reasons for omission</i>	<i>Page</i>
<b>Economic Aspects</b>			
Economic Performance			
G4-EC1	Direct economic value generated	Consolidated Value Added Statement	118
G4-EC2	Financial implications and other risks and opportunities for the Organisation's activities due to climate change	Natural Capital	106
G4-EC3	Coverage of defined benefit plan obligations	Financial Statements	225
<b>Environmental Aspects</b>			
Materials			
G4-EN1	Materials used by weight or volume	Natural Capital	107
Energy			
G4-EN3	Energy consumption within the organization	Natural Capital	108
G4-EN5	Energy intensity	Natural Capital	108
G4-EN6	Reduction of energy consumption	Natural Capital	108
Water			
G4-EN8	Total water withdrawal by source	Natural Capital	108
Biodiversity			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Natural Capital	113 - 115
G4-EN12	Description of significant impacts of activities, products, and services on bio diversity in protected areas and areas of high bio diversity value outside protected areas	Natural Capital	111
G4-EN13	Habitats protected or restored	Natural Capital	113 - 115
Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions	Natural Capital	111
G4-EN16	Energy indirect greenhouse gas (GHG) emissions	Natural Capital	111
G4-EN18	Greenhouse gas (GHG) emissions intensity	Natural Capital	111
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Natural Capital	111
Effluents and Waste			
G4-EN22	Total water discharge by quality and destination	Natural Capital	110
G4-EN23	Total weight of waste by type and disposal method	Natural Capital	110
G4-EN24	Total number and volume of significant spills	Natural Capital	110

## GRI Content Index Tool

### SPECIFIC STANDARD DISCLOSURES

Material Aspect	DMA/Indicators	Reference/comments/Reasons for omission	Page
<b>Compliance</b>			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	There were no violations of environmental laws and regulations during the year due to our strict compliance programme. Consequently there were no fines incurred.	
<b>Overall</b>			
G4-EN31	Total environmental protection expenditures and investments by type	Natural Capital	112
<b>Supplier Environmental Assessment</b>			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Suppliers	99
<b>Environmental Grievance Mechanisms</b>			
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	No Environmental Grievances filed	
<b>Social Aspects</b>			
<b>Employment: Labour practices and Decent Work</b>			
G4-LA1	Total number and rates of new employee hired and employee turnover by age group, gender, and region	Human Capital	86
<b>Employment: Occupational health and safety</b>			
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Human Capital	93
<b>Employment: Training and Education</b>			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Human Capital	92
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Human Capital	91
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Human Capital	89
<b>Employment: Labour practices grievance mechanism</b>			
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	Human Capital	87

**SPECIFIC STANDARD DISCLOSURES**

<i>Material Aspect</i>	<i>DMA/Indicators</i>	<i>Reference/comments/Reasons for omission</i>	<i>Page</i>
<b>Human Rights: Child Labour</b>			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Suppliers	99
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Suppliers	99
<b>Society: Local Communities</b>			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Community Engagement	100
<b>Product Responsibility: Customer Health and Safety</b>			
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	No incidence of non-compliance	
G4-PR5	Results of surveys measuring customer satisfaction	Customers	97
<b>Product Responsibility: Compliance</b>			
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	No incidence of non-compliance	
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No incidence of non-compliance	

# Independent Assurance Report



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## INDEPENDENT ASSURANCE REPORT TO JOHN KEELLS HOTELS PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE ANNUAL REPORT- 2016/17

### Introduction and scope of the engagement

The management of John Keells Hotels PLC (“the Company”) engaged us to provide an independent assurance on the following elements of the sustainability reporting indicators in the annual report- 2016/17 (“the Report”).

- Reasonable assurance on the information on financial performance as specified on page 118 of the Report.
- Limited assurance on other information presented in the Report (General Standard Disclosures and Specific Standard Disclosures of the GRI Index page 120 to page 125), prepared in accordance with the requirements of the Global Reporting Initiative G4 ‘In accordance’ - Core guidelines.

### Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): ‘Assurance Engagements Other than Audits or Reviews of Historical Financial Information’, issued by the Institute of Chartered Accountants of Sri Lanka (“CASL”).

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines (“GRI Guidelines”) and related information in particular, the requirements to achieve GRI G4 ‘In accordance’ - Core guideline publication, publicly available at GRI’s global website at “www.globalreporting.org”.

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in

accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

### Management of the Company’s responsibility for the Report

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

### Ernst & Young’s responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative G4 ‘In accordance’ - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 26 April 2017. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

### Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

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

A member firm of Ernst & Young Global Limited

- Interviewing relevant the Company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2017.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative G4 'In accordance' - Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

#### Limitations and considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

#### Conclusion

Based on the procedures performed, as described above, we conclude that;

- The information on financial performance as specified on page 118 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2017.

- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Bank's sustainability practices and policies some of which are derived from GRI-G4-'In accordance' Core Sustainability Reporting Guidelines.



Chartered Accountants

29 May 2017  
Colombo

# Leadership & Governance

*A sound corporate governance framework comprises the structures, policies and processes in place to direct and control the operations of an entity which facilitates performance while ensuring compliance, carefully balancing stakeholder interests. Roles and responsibilities of shareholders, the Board and executive function are described together with key policies in place to ensure that business is conducted in accordance with corporate values and sound business ethics.*

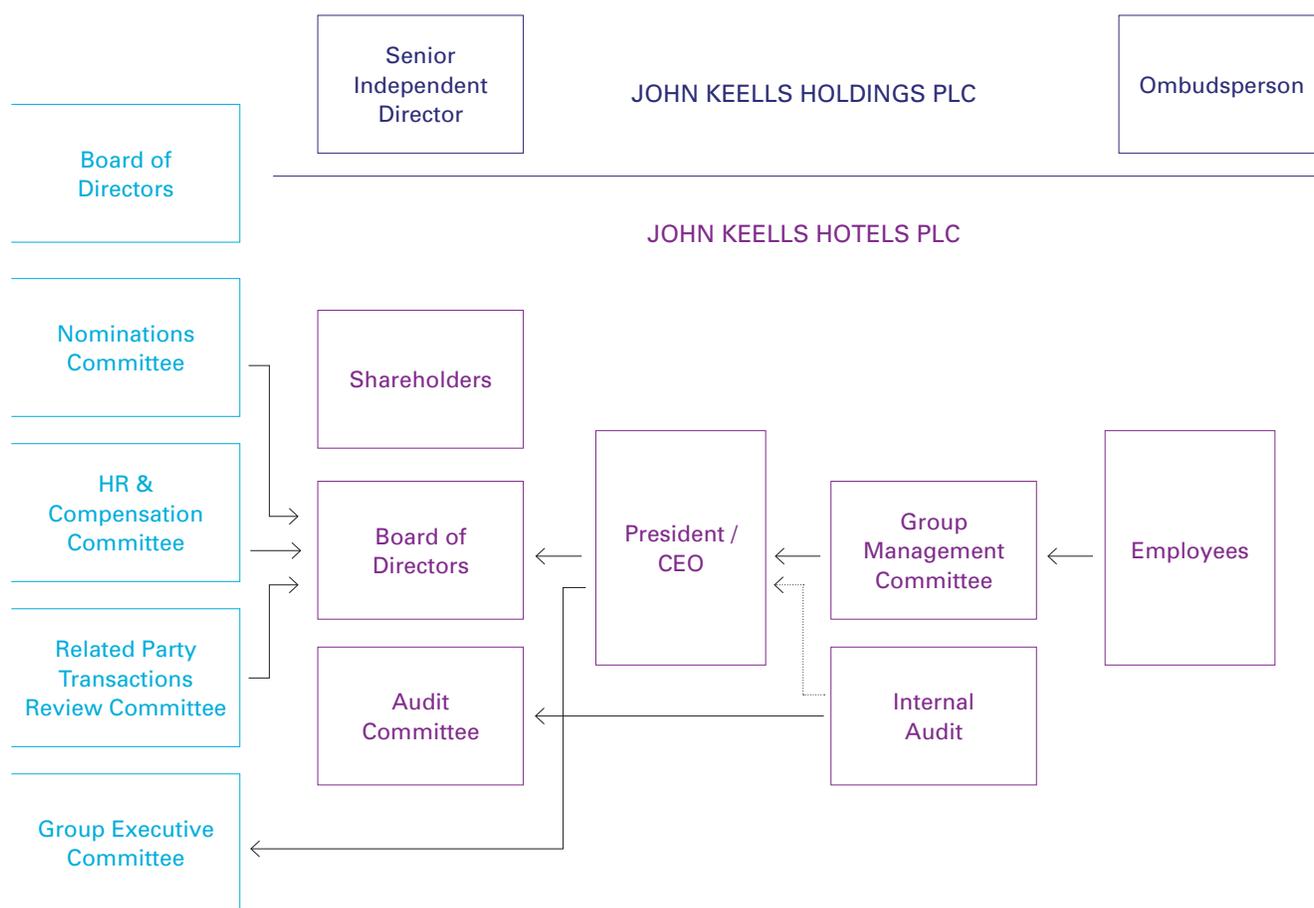
## SHAREHOLDERS

Shareholders approve the re-election of those Directors offering themselves for re-election at the Annual General Meeting, receive annual reports and appoint auditors on a regular basis in accordance with the Companies Act No 07 of 2007. The Board recommends suitable candidates for appointment as directors to shareholders with assistance from the Nominations Committee. The Nominations Committee considers the skills and attributes required for optimal functioning of the Board. Appointment of auditors is also facilitated by the Board together with the Audit Committee who evaluate the competence, independence and objectivity of the auditors. The Chairman of the Audit Committee and the Auditors attend the Annual General Meetings to respond to queries that may be raised by the shareholders.

Shareholders are kept informed about the performance of the company through press releases, quarterly financial statements and notices to the Colombo Stock Exchange in accordance with the continued listing rules.

The Articles of Association of the Company also provide for the convening of extra ordinary general meeting in accordance with the requirements of the Companies Act.

John Keells Hotels PLC is a subsidiary of John Keells Holdings PLC who own 80.32% of the share capital and follows the governance structures and policy frameworks of the Group which comply with regulatory requirements and the Code of Best Practice on Corporate Governance. This provides the Company with access to the vision, expertise, policies and a high performing culture of a vibrant Group. The governance structure together with linkages to the John Keells Group are given below.



## BOARD OF DIRECTORS

The Board is responsible for providing strategic direction, setting in place systems of governance and internal controls, review of annual and long term business plans, monitoring progress and compliance. It is also responsible for reviewing HR processes including succession planning and appointment and reviewing the performance of the Chairman – CEO. Powers specifically reserved for the Board include the delegation of authority, amendments to constitutional documents, reviewing and approving major acquisitions, disposals and capital expenditure and approving the issue of equity and debt securities. As the highest decision making body of the Company, the Board sets the tone at the top and is responsible for reviewing the effectiveness its corporate governance mechanisms, maintaining an appropriate balance between empowerment and accountability with explicit statements of values and standards of conduct expected of its

officers and employees. The Board of Directors comprise two Executive and seven Non-Executive Directors of whom three are independent. Their profiles are given on page 28 to 30.

Directors can seek independent professional advice when deemed necessary, for which the expenses are borne by the Company, strengthening the independence of the Board and the quality of its decisions.

On the recommendations of the Nomination Committee of John Keells Holdings PLC, the Board appoints Directors to its Board. Non-Executive Directors are appointed for a 3 year term. Non-Executive Directors have a maximum of 3 successive terms unless an extended tenure is necessitated by the exigencies of the Company at the time. Casual vacancies are filled by the Board based on the recommendations of the Nomination Committee

## Leadership & Governance

of John Keells Holdings PLC as provided for in the Articles of Association of the Company. The age limit for Directors is 70 years which can be increased with shareholder approval whereas Executive Directors are governed by the John Keells Group retirement rules.

The Board has appointed an Audit Committee comprising 3 Independent Non-Executive Directors to assist in oversight of financial reporting and internal controls. Meetings are held quarterly and the Board is updated on the proceedings by the Audit Committee Chair and the minutes are also circulated to the members of the Board. Members of the Audit Committee meet with the Audit Committee of the parent company on an annual basis to share any concerns.

Directors are required to attend 3/4ths of Board meetings and their attendance is given below:

<i>Attendance</i>		
<i>Director</i>	<i>Board Meetings</i>	<i>Audit Committee</i>
Mr. S C Ratnayake	4/5	
Mr. A D Gunawardene	5/5	
Mr. J R F Peiris	4/5	
Mr. J E P Kehelpannala	5/5	4/4

<i>Attendance</i>		
<i>Director</i>	<i>Board Meetings</i>	<i>Audit Committee</i>
Mr. B J S M Senanayake	5/5	4/4
Mr. K N J Balendra	5/5	
Mr. R T Wijesinha (resigned w.e.f. 30/06/2016)	1/1	1/1
Mr. N B Weerasekera	5/5	4/4
Mr. T L F W Jayasekera	4/5	4/4
Ms. A K Moonesinghe (appointed w.e.f. 01/07/2016)	4/4	2/3

The Nominations Committee, Human Resources and Compensation Committee and the Related Party Transaction Review Committee of John Keells Holdings PLC (parent company) have oversight responsibility for the respective functions and keep the Board of John Keells Hotels PLC informed of relevant developments. Additional linkages with the parent company are provided by four common Executive Directors including the Chairman and a Non-Executive Director, Mr. T L F W Jayasekera.

<i>Board Committee &amp; Composition</i>	<i>Mandate</i>	<i>Scope</i>
<b>Human Resources and Compensation Committee (John Keells Holdings PLC)</b>		
Comprises three Independent Directors. The Chairperson is a Non-Executive Director while the Chairman of the Board is a permanent member except during discussions on his own compensation. Current members are: <ul style="list-style-type: none"> <li>Mr. D A Cabraal -Chairman</li> <li>Mr. M A Omar</li> <li>Dr. S S H Wijayasuriya</li> </ul>	Determine Remuneration Policy and review implementation of the same in alignment with performance appraisal systems, conduct performance evaluation of CEO, review performance evaluation of the Board and its committees	<ol style="list-style-type: none"> <li>Determine and agree with the Board a framework for remuneration of the Chairman and other Directors</li> <li>Consider targets, and benchmark principles for any performance related pay schemes</li> <li>Within the terms of agreed framework, determine total remuneration package of each Director keeping in view; <ul style="list-style-type: none"> <li>Performance</li> <li>Industry trends</li> <li>Past remuneration</li> </ul> </li> <li>Succession planning of key Management</li> </ol>

<i>Board Committee &amp; Composition</i>	<i>Mandate</i>	<i>Scope</i>
<b>Nominations Committee (John Keells Holdings PLC)</b>		
<p>Comprises four Independent Directors and one Non Independent Director. The Chairperson is a Non-Executive, Independent Director. Current members are:</p> <ul style="list-style-type: none"> <li>• Mr. M A Omar - Chairman</li> <li>• Mr. S C Ratnayake - Non Independent</li> <li>• Ms. M P Perera</li> <li>• Dr. S S H Wijayasuriya</li> </ul>	<p>Define and establish nomination process for Directors, lead the process and make recommendations to the Board on the appointment of Directors.</p>	<ol style="list-style-type: none"> <li>Assess skills required on the Board given the needs of the businesses</li> <li>From time to time assess the extent to which required skills are represented on Board</li> <li>Prepare a clear description of the role and capabilities required for a particular appointment</li> <li>Identify and recommend suitable candidates for appointments to the Board.</li> <li>Ensure that on appointment to the Board, Directors receive a formal letter of appointment specifying clearly <ul style="list-style-type: none"> <li>• Expectation in terms of time commitment</li> <li>• Involvement outside of the formal Board meetings</li> <li>• Participation in committees</li> </ul> </li> </ol>
<b>Related Party Transaction Review Committee (John Keells Holdings PLC)</b>		
<p>Comprises three Non-Executive Independent Directors and one executive Non Independent Director. The Chairperson is a Non-Executive Director. Current members are:</p> <ul style="list-style-type: none"> <li>• Ms. M P Perera - Chairman</li> <li>• Mr. A N Fonseka</li> <li>• Mr. D A Cabraal</li> <li>• Mr. S C Ratnayake - Non-Independent</li> </ul>	<p>To ensure on behalf of the Board, that all Related Party Transactions of John Keells Hotels PLC and its subsidiaries are consistent with the Code of Best Practices on Related Party Transactions issued by the Securities &amp; Exchange Commission of Sri Lanka (SEC).</p>	<ol style="list-style-type: none"> <li>Develop, and recommend for adoption by the Board of Directors of John Keells Hotels PLC and its subsidiaries, a Related Party Transaction Policy which is consistent with the Operating Model and the Delegated Decision Rights of the Group.</li> <li>Update the Board of Directors on the related party transactions of each of the companies of the Group on a quarterly basis.</li> </ol>
<b>Group Management Committee</b>		
<p>Comprises the following executive members of John Keells Hotels Group:</p> <ul style="list-style-type: none"> <li>• President – Leisure Group</li> <li>• Sector heads</li> <li>• Chief Financial Officer</li> <li>• Sector Financial Controllers</li> <li>• Head of Sales &amp; Marketing</li> <li>• Head of Brand Marketing</li> <li>• Head of Human Resources</li> <li>• Head of Brand Quality Assurance</li> <li>• Head of Asset Management</li> <li>• Head of Business Solutions</li> <li>• Head of Legal</li> <li>• Head of Business Development</li> </ul>	<p>Review of performance, formulation of strategies for future implementation</p>	<ul style="list-style-type: none"> <li>• Strategy Formulation</li> <li>• Implementation of Sector Strategies</li> <li>• Performance Monitoring</li> <li>• Risk Management</li> <li>• Brand Marketing</li> <li>• Brand Quality Assurance</li> </ul>

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## BOARD INDUCTION AND TRAINING

Newly appointed Non-Executive Directors are apprised of the John Keells Group values and culture, Group governance framework, policies and processes, Code of Conduct expected by the Company, business model of the hotels Group, strategy and the Directors' responsibilities in accordance with current legislation. 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 and this is facilitated through the following activities.

- Access to External and Internal Auditors
- Periodic reports on performance
- Updates on topics that range from proposed/new regulations to industry best practices
- Opportunities to meet Senior Management of the Hotel Operator in a structured setting
- Access to industry experts and other external professional advisory services
- Access to the Centre Legal, Tax and Finance Divisions of the John Keells Group of which the Company is a member and
- The services of the Company Secretary

They have the opportunity of gaining further insight into the Groups' business by visiting hotels across the group's portfolio.

All members of the Board devote sufficient time and make every effort to ensure that they discharge their responsibilities to the Company and the Group in keeping with their knowledge and experience. This is achieved by the review of Board papers, business visits to understand risk exposures and operating conditions, attending Board meetings and participating in discussion with the Internal & External Auditors and the Hotel Operator.

## CHAIRMAN

The Chairman is also the Chairman of John Keells Holdings PLC and is responsible for providing leadership to the Group and the Company. He is the Head of the Board and is responsible for the performance of the Board including engaging Non-Executive

Directors (NED) in deliberation of matters set before the Board and facilitating NED only meetings periodically. He also sets the tone for the governance and ethical framework of the group, facilitates and encourages the expression of differing views, and by keeping in touch with local and global industry developments, ensures that the Board is alert to its obligations to the Company's shareholders and other stakeholders. He represents the Group externally and is the focal point of contact for shareholders on all aspects of corporate governance.

With the assistance of the Board Secretaries, Keells Consultants (Private) Limited, ensures that:

- Board procedures are followed
- Directors receive timely, accurate and clear information
- Updates on matters arising between meetings
- The agenda for the Board meeting, reports and papers for discussion are dispatched at least one week in advance so that the Directors are in a position to study the material and arrive at sound decisions
- A proper record of all proceedings of Board meetings is maintained

The Human Resources and Compensation Committee of the ultimate parent company appraises the performance of the Chairman on an organizational and individual basis as approved by the Board.

## CEO/PRESIDENT

The CEO/President is appointed by the Board with inputs from the Nominations Committee of the parent company. He is responsible for implementing strategic plans of the Group and driving performance within a defined framework and is a member of the Board. The Board receives quarterly statements from the CEO/President confirming compliance with regulatory requirements.

## AUDIT COMMITTEE

The Audit Committee monitors and supervises financial processes to ensure accurate and timely disclosures, transparency, integrity and quality of financial reporting. It also evaluates and recommends appointment of External Auditors and receives reports relating to the audit from them. It is also responsible for ensuring integrity of the Internal Control and Risk Management processes and receive reports from Group Internal Audit and

Group Risk Management in this regard. Annually the Audit Committee has a meeting with both the Internal Auditors and the External Auditors without the presence of the Executive Directors to ensure that Internal and External Auditors have opportunity to raise any concerns without restraint.

The Audit Committee comprises of Non-Executive, Independent Directors with at least one member having current membership of a reputed professional accountancy body. Current members are:

Mr. T L F W Jayasekera (Chairman)

Mr. N B Weerasekera

Ms. A K Moonesinghe

## OMBUDSPERSON & GRIEVANCE MECHANISMS

The John Keells Holdings Group has appointed Mr. S R De Silva as the Ombudsperson who is authorised to entertain complaints from employees of the Group, irrespective of level of alleged violations of the published Code of Conduct of the Group. He is authorised to conduct his inquiries with reference to the Chairman of John Keells Holdings PLC in case of complaints not concerning the Chairman. The findings and the recommendations of the Ombudsperson, 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.

In the case of complaints which concern the Chairman, it will be dealt with by the Ombudsperson with reference to the Senior Independent Director.

**Skip level meetings** - Employees at Assistant Manager and all levels above can discuss matters of concern with superiors who are at a level higher than their own immediate supervisor in an open but confidential environment.

**Exit interviews** - This is conducted for all staff levels above Executive. All such reports are forwarded to the respective President and Executive Vice President for their comments and are subsequently discussed by senior management bimonthly.

**360 degree evaluation** - All employees at Manager, AVP and above level, including the Chairman (direct report evaluation only) is subject to a 360 degree evaluation conducted by an independent third party.

**Great Place to Work Survey** - These anonymous surveys are conducted at regular intervals, to ascertain whether employees consider the Company and its subsidiaries 'great workplaces'. Experience has confirmed that this has contributed to significant improvements in employee perceptions of the Group particularly in respect to practices, policies and behaviours that build credibility, respect and fairness.

## COMPLIANCE

The Group Corporate Governance framework has been developed to comply with the Companies Act No.7 of 2007, the Colombo Stock Exchange Listing Rules and the Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission and the Institute of Chartered Accountants of Sri Lanka in 2013. The Board has also used the G4 Guidelines published by the Global Reporting Initiative to provide guidance in ensuring that due emphasis is given to environmental and social concerns. Appendix I provides more detailed information on each principle of the Code of Best Practice on Corporate Governance.

## REMUNERATION

Remuneration policy is determined by the Human Resources & Compensation Committee of the ultimate parent company. Executive remuneration is formulated to attract and retain high calibre executives and motivate them to develop and implement the business strategy in order to optimise long term Shareholder value creation. It is designed to provide an appropriate balance between fixed remuneration and variable 'risk' reward based on both individual performance and an organisational performance matrix which covers revenue and after tax profit. In addition, a long term incentive in the form of employee share options (ESOP) in the stated capital of the ultimate parent company is granted based on actual performance. As prescribed by the Sri Lanka Accounting Standards (SLFRS / LKAS) all ESOPs of the respective employees are charged to the income statement of the relevant subsidiaries with effect from 01st July 2013 being the date of the first award after the introduction of the accounting standard.

Compensation of Non-Executive, Independent Directors (IDs) is determined with reference to fees paid to other NED/IDs of comparable companies and is adjusted where necessary. The fees received by NED/IDs are determined by the Board and reviewed annually. NED/IDs do not receive any performance/incentive payments and are not eligible to participate in any of the Group's share option plans. The NED/IDs fees are not subject to

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time spent or defined by a maximum/minimum number of hours committed to the Group per annum, and hence are not subject to additional/lower fees for additional/lesser time devoted.

Directors fees applicable to NED/NIDs nominated by John Keells Holdings PLC are paid directly to John Keells Holdings PLC and not to individuals. The aggregate remuneration paid to Directors is disclosed on page 198 of this report.

### RELATED PARTY TRANSACTIONS

Related party transactions are reviewed by the Related Party Transactions Review Committee of the parent company, John Keells Holdings PLC on a quarterly basis. Related party transactions during the year comprise the following:

1. The operations of the hotels owned by the following companies has been entrusted to Cinnamon Hotel Management Limited, the Operators, with whom formal operating contracts have been signed.
  - Habarana Lodge Limited - owner of Cinnamon Lodge Habarana,
  - Habarana Walk Inn Limited - owner of Habarana Village by Cinnamon,
  - Kandy Walk Inn Limited - owner of Cinnamon Citadel Kandy,
  - Trinco Holiday Resorts (Private) Limited - owner of Trinco Blu by Cinnamon,
  - Yala Village (Private) Limited - owner of Cinnamon Wild Yala,
  - Ceylon Holiday Resorts Limited - owner of Bentota Beach by Cinnamon
  - Hikkaduwa Holiday Resorts (Private) Limited - owner of Hikka Tranz by Cinnamon,
  - Beruwela Holiday Resorts (Private) Limited - owner of Cinnamon Bey Beruwala,

- Travel Club (Pte) Limited - owner of Ellaidhoo Maldives by Cinnamon,
- Fantasea World Investments (Pte) Limited - owner of Cinnamon Hakuraa Huraa Maldives,
- Tranquility (Pte) Limited - owner of Cinnamon Dhonveli Maldives.

The Company and its subsidiaries have complied with Para 23 of the LKAS 24, and all related party transactions were carried out at "arm's length" basis.

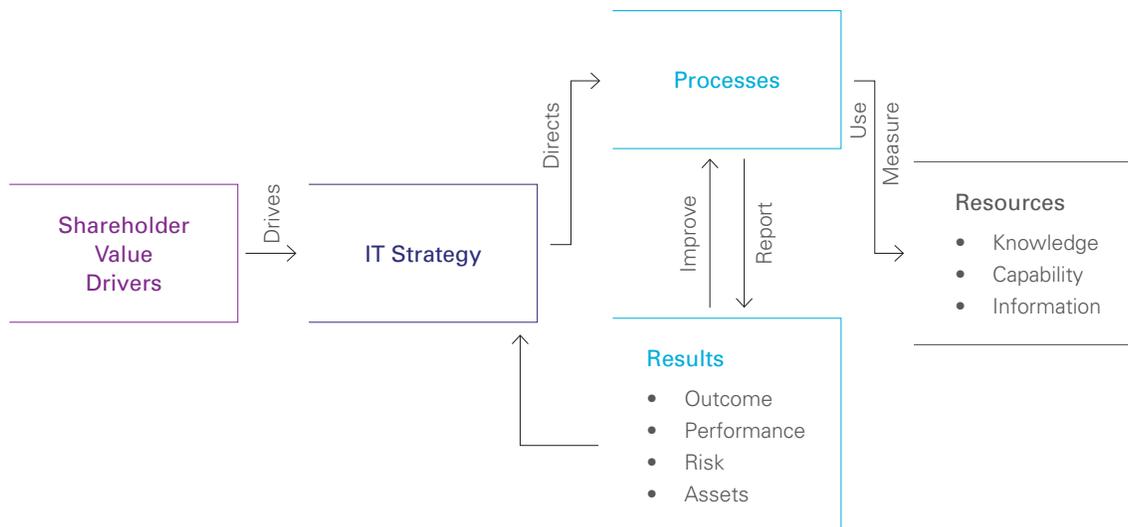
### INVESTMENT APPRAISAL

Over the years, the group has refined the process of investment appraisal which ensures the involvement of the relevant persons when capital investment decisions are made. Several views, opinions and advice 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 usually culminated in a good result. Project appraisal and capital investment decisions are processed through a committee structure which safeguards against one individual having unfettered decision making powers in such decisions.

### IT GOVERNANCE

IT Governance plays a key role in facilitating performance while ensuring compliance and accountability, evolving from simple automation of repetitive back office functions to providing a robust interface for customer reservations and availability of real time management information. The business model of travel and leisure industry has been transformed by IT and social media as bloggers and customers become key influencers for setting trends in tourist travel. John Keells Group has been at the cutting edge of the revolution, perceiving the benefits at an early stage. As reliance on IT increased over the years, IT governance has been a key focus of the Board to ensure security and reliability of the system and the information produced by the same which impacts all aspects of our operations.

### IT Governance Activities & Process



The John Keells Group has progressively improved service quality and mitigated IT risks by implementing prudent internal controls based on the Information Security Management guidelines outlined in ISO27001 within the COSO framework which covers both risk and business continuity management.

the Control Objectives for Information and related Technology guidelines (COBIT) issued by the IT Governance Institute. The Hotels group continues to benefit from this quest for excellence in IT governance and aims to deliver sustainable business value by structuring its IT governance along similar lines.

With the growing dependence on IT caused by the rapid evolution and use of mobile technologies, the Group has also further strengthened its IT governance framework by adopting

### APPENDIX I: COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

This segment provides additional information to support stakeholders who wish for more detailed information on Corporate Governance within John Keells Hotels PLC. It is structured according to the Code of Best Practice on Corporate Governance to ensure that it is sufficiently comprehensive, addressing key aspects of the subject.

Code Ref.	Compliance and Implementation
<b>A</b>	<b>DIRECTORS</b>
<b>A.1</b>	<b>An effective Board</b> The composition, role, responsibilities and appointment of Directors is fully described in the Annual Report on page 129.
A.1.1	<b>Regular Meetings</b> The Board and Audit Committee meet on a quarterly basis as set out in the respective committee reports. Attendance at meetings is given on page 130.
A.1.2	<b>Role &amp; Responsibilities of the Board</b> The Role and Responsibilities of the Board are set out on pages 130 and 131.

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<i>Code Ref.</i>	<i>Compliance and Implementation</i>
A.1.3	<p>Act in Accordance with laws and obtain professional advise as and when required</p> <p>The Board receives Compliance Statements from the CEO/President confirming compliance with regulatory requirements.</p>
A.1.4	<p>Access to advice and services of Company Secretary</p> <p>Secretarial services are provided by Keells Consultants (Pvt) Ltd. All Directors are able to obtain the advice and services of the Company Secretary and the appointment and removal of the Company Secretary is a matter involving the whole Board.</p>
A.1.5	<p>Independent judgement</p> <p>Directors are experienced leaders in their respective fields and use their independent judgement when deliberating matters set before the Board. Composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors, minimising the tendency for one or few members of the Board to dominate Board processes or decision making.</p>
A.1.6	<p>Dedicate adequate time and effort to matters of the Board and the Company</p> <p>Board papers are circulated a week prior to the meeting, giving sufficient time for review and obtaining additional information or clarifications which may be required. Provision to circulate papers closer to the meeting in exceptional circumstances is exercised in rare situations and is generally discouraged. Corporate Management and external experts make representations to the Board on a regular basis providing additional information on relevant matters.</p> <p>All members of the Board devote sufficient time and make every effort to ensure that they discharge their responsibilities to the Company and the Group in keeping with their knowledge and experience.</p>
A.1.7	<p>Board induction and Training</p> <p>Refer page 132 of the Leadership &amp; Governance Report.</p>
A.2	<p><b>Separating the activities of the Board from the executive responsibilities of the Company</b></p> <p>The roles of the Chairman and the CEO are clearly set out on page 132 of the Leadership &amp; Governance Report.</p>
A.3	<p><b>Chairman's role in preserving good corporate governance</b></p> <p>The Chairman's role is described on page 132 of the Leadership &amp; Governance Report.</p>
A.4	<p><b>Availability of financial acumen and knowledge to offer guidance on matters of finance</b></p> <p>The Chairman of the Board Audit Committee (BAC) and two other Directors are professional accountants ensuring a sufficiency of financial acumen. Additionally, all Directors are business leaders with considerable experience on matters of finance.</p>
A.5	<p><b>Board Balance</b></p> <p>The Board comprises of six (6) Non-Executive, Non independent Directors including the Chairman and three (3) Non-Executive, Independent Directors, facilitating an appropriate balance within the Board. NEDs are independent of management and free of business dealings that may be perceived to interfere with the exercise of their unfettered and independent judgement. Annual declarations are submitted to this effect which are evaluated to ensure compliance with the criteria for determining independence which are based on the requirements of the Code.</p> <p>The Chairman holds a meeting at least once a year with NEDs. Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes.</p>
A.6	<p><b>Provision of appropriate and timely information</b></p> <p>Directors receive their Board packs 7 days prior to the meetings and the Chairman ensures that all Directors are properly briefed on same by KMPs when deemed necessary. They also have access to KMP to seek clarifications or additional information. Directors unable to attend a meeting are updated on proceedings through formally documented minutes which are also discussed at the next meeting to ensure follow up and proper recording.</p>

<i>Code Ref.</i>	<i>Compliance and Implementation</i>
A.7	<p><b>Appointments to the Board &amp; Re-election</b></p> <p>Refer Leadership &amp; Governance Report on page 129.</p>
A.8	<p><b>All Directors should submit themselves for re-election at regular intervals</b></p> <p>As provided in the Articles of Association of the Company, 1/3rd of the Directors subject themselves to retirement by rotation in each year and are eligible for re-election. The Directors being subject to retirement by rotation shall be those who have been longest in office since their last election. A retirement Director shall be eligible for re-election.</p>
A.9	<p><b>Appraisal of Board &amp; Committee Performance</b></p> <p>The Board and BAC evaluate their performance once a year and collated responses are discussed by the Chairman with a view to improving performance of the Board.</p>
A.10	<p><b>Annual Report to disclose specified information regarding Directors</b></p> <p>Information specified in the Code with regard to Directors are disclosed within this Annual Report as follows:</p> <ul style="list-style-type: none"> <li>• Profiles including qualifications, expertise, material business interests and key appointments on pages 28 to 30</li> <li>• Remuneration paid to Directors on page 198</li> <li>• Related Party Transactions and other business interests on pages 229 to 233</li> <li>• Membership of committees and attendance at Board Meetings and Committee meetings on pages 130 and 131</li> </ul>
A.11	<p><b>Appraisal of the CEO</b></p> <p>The Board evaluates the performance of the CEO against pre-determined objectives annually.</p>
<b>B</b>	<b>DIRECTORS' REMUNERATION</b>
B.1	<p><b>Directors' Remuneration</b></p> <p>Refer page 133 of the Leadership &amp; Governance Report</p>
B.2	<p><b>Level &amp; Make Up of Remuneration</b></p> <p>Refer page 133 of the Leadership &amp; Governance Report</p>
B.3	<p><b>Disclosures related to remuneration in Annual Report</b></p> <ul style="list-style-type: none"> <li>• Statement of Remuneration Policy on page 133</li> <li>• Details of remuneration of the Board as a whole on page 198</li> <li>• Names of the members of the Human Resource &amp; Compensation Committee on page 130</li> </ul>
<b>C</b>	<b>RELATIONS WITH SHAREHOLDERS</b>
C.1	<p><b>Constructive use of the Annual General Meeting (AGM) &amp; Other General Meetings</b></p> <p>All shareholders are encouraged to participate at the Annual General Meeting and vote on matters reserved for the shareholders which are detailed on page 255. This typically includes proposals to adopt the Annual Report and Accounts, appointment of Directors and Auditors and other matters requiring special resolutions as defined in the Articles of Association of the Company or the Companies Act No.7 of 2007. Chairman ensures the presence of the Chairman of the Audit Committee to respond to any questions that may be directed to them by the Chairman. Notice of the AGM are circulated together with the Annual Report and Accounts and the Agenda for the AGM, 15 working days in advance. A summary of the procedures governing voting at General Meetings is included on page 255 of this Annual Report.</p>

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Code Ref.	Compliance and Implementation
C.2	<p data-bbox="256 520 609 546"><b>Communication with shareholders</b></p> <p data-bbox="256 562 1458 747">Shareholders are provided sufficient financial information and other relevant information on the website of the company to enable them to take decisions regarding their investments which includes interim financial information and Annual Reports for the past 5 years. Annual Reports and Interim Financial statements are circulated to all registered shareholders within prescribed timelines. Required disclosures to the CSE are made in a timely manner which are published on the CSE website. Every effort is made to ensure that the Annual Report provides a balanced review of the performance of the Company which is comprehensive but concise.</p> <p data-bbox="256 785 1414 877">The principal forum for shareholders is the AGM while matters can also be raised through the Company Secretary. The Company Secretary keeps the Board apprised of issues raised by the shareholders to ensure that they are addressed in an appropriate manner. Matters raised in writing are responded to in writing by the Company Secretary.</p>
C.3	<p data-bbox="256 888 716 913"><b>Disclosure of major and material transactions</b></p> <p data-bbox="256 930 1446 1022">Major transactions are disclosed to shareholders in a timely manner as provided in the Articles of Association of the Company and required by the Continued Listing Rules. There were no transactions which would materially alter the Company's or Group's net asset base nor any major related party transactions apart from those disclosed in the</p> <ul data-bbox="256 1047 797 1119" style="list-style-type: none"> <li>• Annual Report of the Board of Directors on page 154</li> <li>• Note 41 to the Financial Statements on page 229</li> </ul>
D	<b>ACCOUNTABILITY &amp; AUDIT</b>
D.1	<p data-bbox="256 1165 1430 1190"><b>Present a balanced and understandable assessment of the Company's financial position, performance and prospects</b></p> <p data-bbox="256 1207 1458 1392">The Board recognises its responsibility to present a balanced and understandable assessment of the Group's financial position, performance and prospects in accordance with the requirements of the Companies Act No 07 of 2007 and the CSE Continuing listing requirements. The Financial statements included in this Annual Report are prepared and presented in accordance with the Sri Lanka Accounting Standards. The Annual Report also conforms to the G4 standard on Sustainability Reporting published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council. The following disclosures as required by the Code are included in this report:</p> <ul data-bbox="256 1417 1414 1673" style="list-style-type: none"> <li>• The Annual Report of the Board of Directors on the Affairs of the Company on page 154.</li> <li>• The "Statement of Directors' Responsibility" is given on page 160 which includes a Statement of Going Concern</li> <li>• The Directors' Statement on Internal Controls is given on page 154</li> <li>• The "Independent Auditors' Report "on page 161</li> <li>• Management Discussion &amp; Analysis on page 34</li> <li>• Related Party Transactions disclosed on page 157 of the Annual Report of the Board of Directors and in Note 41 to the Financial Statements</li> </ul> <p data-bbox="256 1711 1446 1797">In the unlikely event of the net assets of the company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM)to notify the shareholders of the position and to explain the remedial action being taken. The Annual Report clearly explains how net assets have increased during the year on page 55.</p>

Code Ref.	Compliance and Implementation
D.2	<p data-bbox="256 520 1425 583"><b>Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets</b></p> <p data-bbox="256 594 1446 751">The Board has, through the involvement of the Group Business Process Review function, taken steps to obtain assurance that systems designed to safeguard the Company's assets, maintain proper accounting records and provide management information, are in place and are functioning according to expectations. The risk review programme covering the internal audit of the whole Group is outsourced to Messrs. PricewaterhouseCoopers to monitor and report on the adequacy of the financial and operational systems of the properties operated by the Group in both Sri Lanka &amp; Maldives. Their scope included:</p> <ul data-bbox="256 772 1360 919" style="list-style-type: none"> <li>• Assessment of the adequacy of accounting and operational control systems in terms of economy, efficiency and effectiveness.</li> <li>• Examination of compliance with statutory requirements, management policies and procedures.</li> <li>• Review and monitor operational and financial controls in order to ascertain adherence to such controls</li> </ul> <p data-bbox="256 951 1425 1077">Internal audit reports are considered at hotel level and an executive summary including appropriate management action prepared by the Group Business Process Review is forwarded to the Audit Committee after review by the relevant regional sector head and the President of the Leisure group. BAC assists the Board in monitoring management follow up action on concerns raised therein.</p> <p data-bbox="256 1119 378 1140"><b>Risk Review</b></p> <p data-bbox="256 1161 1455 1308">The Board has adopted a group-wide risk management programme to identify, evaluate and manage significant risks in a manner that supports the furtherance of business strategy. This programme ensures that the risks accepted as a result of the group's operations are in keeping with its risk appetite, thereby preserving and creating shared value for all stakeholders. The detailed Risk Management report on page 145 of the Annual Report, describes the process of risk management as adopted by the group and the key risks impacting the achievement of the group's strategic business objectives.</p>
D.3	<p data-bbox="256 1323 435 1350"><b>Audit Committee</b></p> <p data-bbox="256 1360 857 1388">Please refer page 132 of the Leadership &amp; Governance Report.</p>
D.4	<p data-bbox="256 1402 630 1430"><b>Code of Business conduct and Ethics</b></p> <p data-bbox="256 1440 1455 1503">All employees, including the Board of Directors, are bound to abide by a formal Code of Conduct outlined below which is a key source of the Group's competitive advantage:</p> <p data-bbox="256 1535 423 1562"><b>Code of Conduct</b></p> <ul data-bbox="256 1572 1373 1749" style="list-style-type: none"> <li>• Allegiance to the Company and the Group</li> <li>• Compliance with rules and regulations applicable in the territories in which the group operates</li> <li>• Conduct of business in an ethical manner at all times and in keeping with acceptable business practices</li> <li>• Exercise of professionalism and integrity in all business and personal transactions which could affect the image of the group</li> </ul>

# Leadership & Governance

Code Ref.	Compliance and Implementation
D.4	<p><b>Code of Business conduct and Ethics (Contd.)</b></p> <p>The Chairman of the Board affirms that there has not been any material violation of any of the provisions of the code of conduct. In instances where violations did take place, they were investigated and handled through well established procedures.</p> <p>Each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest arising from external associations, interests or personal relationships which may influence judgement in material matters, which are considered by the Board from time to time.</p> <p>Potential or actual conflict of interest or independence of Directors is mitigated by the following process:</p> <ul style="list-style-type: none"> <li>• <b>Prior to Appointment</b> - Nominees are requested to disclose their various interests that could potentially conflict with the interest of the company</li> <li>• <b>Upon Appointment</b> - All Directors are expected to inform the Board and obtain Board clearance prior to accepting any position or engaging in any transaction that could create a potential conflict of interest. Additionally, All NEDs are required to notify the Chairman-CEO of changes in their current Board representation</li> <li>• <b>During Board Meetings</b> - Directors who have disclosed an interest in a matter under discussion excuse themselves from deliberations on the subject matter and abstain from voting on the subject matter (Such abstentions from Board decisions are duly recorded)</li> </ul> <p>Details of companies in which Board members hold Board or Board committee membership is given on pages 28 to 30.</p>
D.5	<p><b>Corporate Governance Disclosures</b></p> <p>This Leadership and Governance Report from pages 135 to 142 complies with the requirement to disclose the extent of compliance with the Code of Best Practice on Corporate Governance as specified in Principle D5.</p>
E & F	<p><b>ENCOURAGE VOTING AT AGM</b></p> <p>Shareholders are encouraged to participate at the AGM and vote on matters set before them.</p>
G	<p><b>SUSTAINABILITY REPORTING</b></p> <p>Sustainability principles are embedded in our business operations and considered in formulating our business strategy and reported in a holistic manner throughout this report. Information required by the Code is located as follows:</p> <p><b>Principle 1</b> - Reporting of Economic Sustainability on page 53 of the Value Creation Report.</p> <p><b>Principle 2</b> - Reporting on the Environment on page 104 of the Value Creation Report.</p> <p><b>Principle 3</b> - Reporting on Labour Practices on page 82 of the Value Creation Report.</p> <p><b>Principle 4</b> - Reporting on Society on page 95 of the Value Creation Report.</p> <p><b>Principle 5</b> - Reporting on Product Responsibility on page 96 of the Value Creation Report.</p> <p><b>Principle 6</b> - Reporting on Stakeholder identification, engagement and effective communication on page 37.</p> <p><b>Principle 7</b> - Sustainable reporting to be formalised as part of the reporting process and to take place regularly (About this Report)</p>

**APPENDIX II: COMPLIANCE WITH CSE CONTINUING LISTING REQUIREMENTS**

<i>Rule No.</i>	<i>Subject</i>	<i>Applicable requirement</i>	<i>Compliance Status</i>	<i>Applicable Section in the Annual Report</i>
7.10.1(a)	Non Executive Directors (NED)	2 or at least 1/3 of the total number of Directors should be NEDs	Complied	Leadership and Governance
7.10.2(a)	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent	Complied	Leadership and Governance
7.10.2(b)	Independent Directors (ID)	Each NED should submit a declaration of independence	Complied	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 NEDs	Complied	Leadership and Governance
		Names of IDs should be disclosed in the Annual Report (AR)	Complied	
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met	Complied	Leadership and Governance
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	Complied	Board of Directors (profile) section in the Annual Report
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Complied	Leadership and Governance and Board of Directors (profile) section in the Annual Report
7.10.4(a-h)	Determination of Independence	Requirements for meeting criteria	Complied	Leadership and Governance
7.10.5	Remuneration Committee (RC)	The RC of the listed parent company may function as the RC	Complied	Leadership and Governance
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of NEDs, a majority of whom will be independent	Complied	Leadership and Governance
7.10.5.(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of the Chief Executive Officer (CEO) and NEDs	Complied	Leadership and Governance
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Directors comprising the RC	Complied	Leadership and Governance and the Board Committee Reports
		Statement of Remuneration Policy	Complied	
		Aggregated remuneration paid to NED/NIDs and NED/IDs	Complied	
7.10.6	Audit Committee (AC)	The Company shall have an AC	Complied	Leadership and Governance

## Leadership & Governance

<i>Rule No.</i>	<i>Subject</i>	<i>Applicable requirement</i>	<i>Compliance Status</i>	<i>Applicable Section in the Annual Report</i>
7.10.6(a)	Composition of Audit Committee	<p>Shall comprise of NEDs a majority of whom will be Independent</p> <p>A NED shall be appointed as the Chairman of the Committee</p> <p>CEO and Chief Financial Officer (CFO) should attend AC meetings</p> <p>The Chairman of the AC or one member should be a member of a professional accounting body</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>	Leadership and Governance and the Board Committee Reports
7.10.6(b)	Audit Committee Functions	<p>Overseeing of the –</p> <p>Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards</p> <p>Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements</p> <p>Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards</p> <p>Assessment of the independence and performance of the External Auditors</p> <p>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</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>	Leadership and Governance and the Board Committee Reports
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	<p>Names of Directors comprising the AC</p> <p>The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination</p> <p>The AR shall contain a Report of the AC setting out the manner of compliance with their functions</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p>	Leadership and Governance and the Board Committee Reports
	Related party transactions review committee	<p>Names of Directors comprising the Committee.</p> <p>Monitor and approve recurrent and non-recurrent related party transactions as set out in the Group policy guidelines.</p>	Voluntarily complied with effect from April 2014	Leadership and Governance Report

# Audit Committee Report

## TERMS OF REFERENCE, PRINCIPAL FOCUS AND MEDIUM OF REPORTING

The responsibilities of the Audit Committee are governed by the Audit Committee Charter, approved and adopted by the Board. The Audit Committee focuses principally on assisting the Board in fulfilling its duties by providing an independent and objective review of the financial reporting process, the process of risk identification and mitigation, internal controls and its compliance with legal and regulatory requirements actively; reviewing procedures relating to statutory, regulatory and related compliance; and the adequacy of the Company's internal and external audit function. The proceedings of the Audit Committee were regularly reported to the Board of Directors, through formal minutes. Further, the effectiveness of the Committee is evaluated annually by each member of the Committee and the results are communicated to the Board.

## COMMITTEE COMPOSITION, MEETINGS HELD AND ATTENDANCE

The Audit Committee consists of three members. The Chairman of the Audit Committee, is a Fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). In addition to the Chairman of the Committee, another member of the Committee is also a qualified Accountant with specialist financial background. The third member of the Committee is a specialist in investment banking, predominantly on cross border transactions across the Asian region. All Non-Executive Directors satisfy the criteria for independence as specified in the Standards on Corporate Governance for listed Companies issued by the Securities & 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 the independence of members are brought to bear on all matters, which fall within the committee's purview. The Sector Head and Chief Financial Officer, together with the Sector Financial Controller and Head of Group Business Process Review (Group BPR) and Head of Sustainability and Enterprise Risk Management of John Keells Holdings PLC, attend Audit Committee meetings by invitation. Outsourced Internal Auditors, i.e. PricewaterhouseCoopers, KPMG, SJMS Associates, BDO Partners and Independent External Auditors, Ernst & Young, are required to attend meetings on a regular basis. The Committee met four times during the financial year ended 31st March 2017. (information on the attendance at these meetings by the members of the Committee is given on page 130). 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 matters.

## ACTIVITIES PERFORMED

- Reviewed the activities and financial affairs of the Company and its subsidiaries and underlying hotel entities. They also reviewed the financial reporting system adopted in the preparation of quarterly and annual financial statements to ensure reliability of the process, appropriateness and consistency of accounting policies and methods adopted and that they facilitate compliance with the requirements of the Sri Lanka Accounting Standards (SLFRS/LKAS), the Companies Act No. 7 of 2007 and other relevant statutory and regulatory requirements.
- Met the outsourced Internal Auditors to consider their reports, management responses and matters requiring follow up on the effectiveness of internal financial controls that have been designed to provide reasonable but not absolute assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in the preparation and presentation of the financial statements. Their scope of work and approach, the timeliness of their reports, and cooperation with External Auditors was also addressed.
- Reviewed the Business Risk Management processes and procedures adopted by the Company, to manage and mitigate the impact of such risks and observed that risk analysis exercises had been conducted across the different Hotels, key risks that could impact operations had been identified and to the extent possible, measures taken to minimise the impact and likelihood of such risks. It was noted that with the integration of Sustainability within the Leisure Group, further measures to mitigate the core sustainability risks had been identified and risk mitigation measures designed and implemented.
- Reviewed the quarterly and year-end financial statements and recommended their adoption to the Board.
- Met with the External Auditors before commencement of the external audit to ascertain the nature, scope and approach of the audit and reviewed their audit plans.
- Met with External Auditors to discuss interim audit issues, management responses and to effect any corrective action where necessary.

## Audit Committee Report

- Met with External Auditors at the conclusion of the annual audit to review the financial statements and the reports thereon and to respond as necessary to such reports.
- Had closed door discussions with the external and outsourced Internal Auditors where necessary.
- Reviewed the type and quantum of non-audit services provided by the External Auditors to the Company to ensure that their independence as auditors has not been impaired.
- Appraised the independence and performance of the outsourced Internal Auditors whose services are coordinated by the Group Business Process Review Division.
- Conducted special review of processes, content and the effectiveness of feeders to the deliberations of the Audit Committee, such as in-house accounting and record keeping; Group Business Process Review, and the Sustainability and Enterprise Risk Management division.
- Reviewed the Company's compliance framework to determine that it provides reasonable assurance that all relevant laws, rules and regulations have been complied with.
- Participated in discussions with management, to evaluate compliance with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and CA Sri Lanka in June 2008, in relation to auditor appointments.
- The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as Auditors for the Financial Year ending March 31, 2018, subject to the approval of the shareholders at the next Annual General Meeting.

To further enhance the internal controls of the companies, the Group commissioned a Data Mining and Analytical tool to capture and present information in a format of outliers/red flags which could be used to carry out further investigations. This system was fully rolled out in the early part of the financial year 2016/2017.

In conclusion, the Audit Committee is satisfied that the Company's accounting policies, operational controls and risk management processes provide reasonable assurance that the affairs of the Company are managed in accordance with Group policies and that Company assets are properly accounted for and adequately safeguarded.

T L F W Jayasekera  
Chairman - Audit Committee

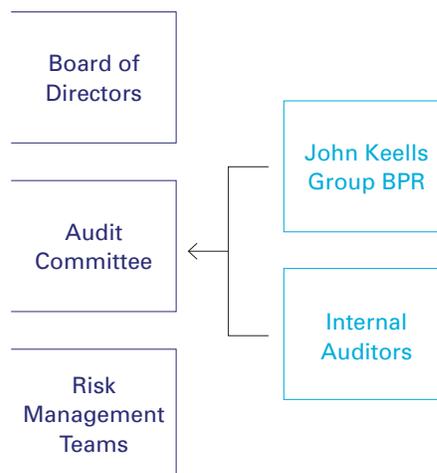
29th May 2017

Members: N B Weerasekera  
A K Moonesinghe

# Risk Management

Proactive risk management is a vital aspect of our corporate governance practices and underpins our ability to deliver sustainable stakeholder value over the long-term. As an organisation exposed to an array of global and domestic, socio-economic and ecological factors, we have continued to enhance our capability to anticipate and proactively respond to these risks.

We are committed towards continuously refining and strengthening our risk management framework to reflect changing dynamics in the operating environment and ensure alignment to the Group's business strategy. Our key risks stem from our material aspects (as detailed on page 39 of this Report) and we evaluate, manage and report on all significant risks in line with our policy frameworks and international best practices where applicable.



## RISK MANAGEMENT GOVERNANCE

The Board of Directors oversees and retains ultimate responsibility for the Group's risk management framework. They are assisted in the discharge of their duties by the Audit Committee who has oversight responsibility for risk and internal control. The John Keells Group Business Process Review (BPR) Division together with the outsourced Internal Auditors assists the Audit Committee in performing its assurance role through regular reviews and recommendations on the robustness of the internal control systems in place. At executive level, the Risk Management Team comprising of the Leisure Group President, Sector Heads, Chief Financial Officer, and Functional and Operational Managers are responsible for the overall implementation of the Board approved risk management policy.

A formalised framework of risk management policies ensure that standardised tools and techniques are used across all properties for the risk identification, analysis and mapping, management and reporting and monitoring. Meanwhile, the John Keells Group Sustainability and Enterprise Risk Management (ERM division) ensures that the policy framework of John Keells Hotels PLC (KHL) is aligned to that of the John Keells Group, through ongoing review, assessment and guidance on implementation.

Group ERM division is in the process of launching an online risk management platform which will allow the Company to monitor, manage and mitigate risk in real time, thus allowing the business to have visibility of the company's risk profiles and action plans for better control and management.

## RISK MANAGEMENT PROCESS

The Group's structured risk management process and information flow is depicted below.



**Determination of material aspects:** We adopt a structured and holistic process to identify and prioritise the most material issues that could have an impact on the Group's ability to create value to its stakeholders. As discussed in detail on page 146 of this Report, our material issues are determined based on the priorities of our stakeholders and factors that are critical to our value creation process as well as broader economic, social and ecological trends.

# Risk Management

**Risk Identification:** Potential risks stemming from the defined material issues are identified at property level.

**Mapping and Analysis:** Identified risks are mapped in terms of impact and probability and plotted on a risk register, enabling the prioritisation of key risk exposures. A velocity rating is also attached to identified risks based on the speed at which the business would be impacted by its occurrence

**Defining Measures:** Measures of risk management, such as acceptance, mitigation, control and transfer are defined and responsibilities assigned. Compliance to internal controls is ensured through formalised procedures while assurance on the adequacy of the Group's financial and operational internal controls is provided by the outsourced internal audit function and the BPR unit.

**Monitoring and Reporting:** Formalised reporting structures and monitoring mechanisms are in place to consistently track the Group's risk profile and ensure that mitigation strategies and internal controls are adequate in design and implementation. In addition to a Quarterly review by the Audit Committee, the Sector Head confirms that risk registers of business units have been updated to correctly reflect internal and external risk dynamics.

## KEY IMPACTS AND RISKS

Identified risk exposures are given due consideration in strategy formulation, ensuring that the Group effectively mitigates the risks that could limit the achievement of its strategic objectives. During the year under review, key risk exposures impacting the Group included geopolitical tensions in the Middle Eastern region, increasing competitive pressures as well as volatilities in exchange and interest rates. These pressures have compelled the Group to pursue growth in non-traditional markets through focused and proactive marketing strategies. From a Human Capital perspective, employee retention emerged as the key risk during the year and the Group sought to strengthen its talent attraction processes, development proposition and enhance overall employee productivity.

Our operational decisions are guided by the Precautionary Principle, and environmental impacts including depletion of natural resources, environmental pollution and degradation as well as impacts on local communities are given due consideration when balancing risk and growth opportunities. As a leisure sector operator, Sri Lanka's natural capital is a vital aspect of our selling

proposition and we continue to contribute towards preserving the country's natural resources and bio-diversity (refer to page 104 for further details)

The Group's key risk exposures and mitigating strategies that are in place are summarised below;

### Competitive Pressures

	2016/17	2015/16
Net risk assessment	●	●

Capacity expansions within Sri Lanka as well as the emergence of alternative hospitality models (such as home-stay and apartments) have resulted in a significant increase in the inventory of rooms over the last few years. The impacts of this was felt pronouncedly during 2016/17, which saw a step-up in industry capacity. This risk exposure underscored the importance of proactively managing our pricing strategy as intensified price competition (particularly during the off-season) could potentially have a significant impact on the Average Room Rate (ARR) and resultantly affect profitability margins. The increased capacity levels have also led to more intense competition for industry talent with employee retention emerging as a key risk during the year (discussed as a separate risk factor)

We effectively managed this risk exposure through continuously and proactively monitoring our capacity utilisation and adopting targeted marketing initiatives to optimise occupancy and profitability. We also pursued multi-channel distribution, with increased focus on online channels. The Group developed new relationships with travel agents and strengthened existing relationships through a high level of engagement and support. We also sought to optimise off-peak capacity through guaranteed inventory agreements with direct operators. We continue to pursue opportunities to expand our room portfolio while maintaining strategic focus on enhancing our product offering and service delivery.

### Macro-economic Risks

	2016/17	2015/16
Net risk assessment	●	●

Economic growth, income distribution, as well as fluctuations in interest rates, exchange rates, and inflation have a direct impact on the Group's revenue generation and profitability. Adverse weather conditions and the ripple effects of global economic woes resulted in the country's GDP growth slowing in 2016. That said, we remain positive about the growth potential of Sri Lanka's economy as well as the country's tourism industry which remained resilient to global pressures during the year. Group has taken steps to mitigate the financial risk arising from the foreign exchange valuation loss on USD loans by pricing our services in foreign currency.

Economic trends and outlook are monitored by the Board on an ongoing basis and are given due consideration when formulating Strategic and Annual Corporate plans. There is also periodical review of changes in cost and expenditure by operational and financial staff to determine appropriate review of rates and tariffs.

#### Talent Attraction and Retention

	2016/17	2015/16
Net risk assessment	●	●

The shortage of skilled hospitality industry personnel in the country continues to be a key risk factor for leisure sector operators, and it was felt more pronouncedly following the step-up in industry room capacity during the year. The comprehensive training we provide to our employees make them the most sought after talent in the industry, and turnover among the Group's first-year recruits was as high as 60% during the year. Employees are a vital aspect of our service offering and the inability to attract and retain skilled talent can potentially have a significant impact on our competitiveness.

During the year we strengthened our recruitment and talent attraction processes with specific focus on online and social media platforms. The Group continues to collaborate with the University of Colombo to attract graduates from the recently introduced hospitality management undergraduate degree program and also strengthened links with other universities and academic institutions to attract individuals for executive positions. We also provided opportunities for competency and multi-skilled development which has contributed towards increasing employee efficiency and productivity. Overall, the Group will place ongoing emphasis on further enhancing its employee value proposition through providing opportunities for career progression, strengthening rewards and benefit schemes and maintaining a high level of employee engagement.

#### Shifts in Source Markets

	2016/17	2015/16
Net risk assessment	●	●

Arrivals from emerging markets, particularly China and India are increasingly accounting for a higher proportion of tourists into the country. This reflects global economic factors and shifts in wealth profiles; for instance geo political tensions in the Middle Eastern region and prolonged economic woes in the European region continued to impact arrivals from these traditional markets during the year. Inability to effectively respond to these market dynamics and customer needs presented by the shift in source markets could result in a decline in competitiveness and overall market share.

The Group continued to adopt focused marketing strategies to pursue growth in non-traditional markets, particularly China and India. During the year we partnered with a direct agent for the Indian market to promote events such as destination weddings among others. All our properties also engage in customizing service levels and the product offering to cater to emerging market customer expectations.

#### Changing needs of Travellers

	2016/17	2015/16
Net risk assessment	●	●

Shifts in the demographic profiles of travellers have led to rapidly evolving guest expectations and emphasis on the experiential value created by the service offering. Proactively responding to changing customer preferences through innovation and enhanced service delivery is essential in increasing customer satisfaction and growing market share.

All our resorts maintain a high level of guest engagement, which is facilitated through satisfaction surveys, social media platforms and face-to-face interactions which includes positioning staff with multilingual skills in guest interface areas. Feedback obtained from such interactions is used to further enhance our product and service offering. We also continue to reinforce our brand promise with focus on inspiring guests and enhancing their experience. Ongoing focus is also placed on reviewing and innovating food and beverage offerings to cater to evolving customer expectations.

# Risk Management

## Maintaining Service Quality and Operational Efficiency

	2016/17	2015/16
Net risk assessment	●	●

Increasing competition for skilled labour has compelled the Group to seek ways of enhancing the productivity and efficiency of our employees in order to ensure superior service quality for our customers. Inadequacies in operational efficiency can potentially affect overall profitability while below-par service quality will have a direct impact on guest satisfaction, competitiveness and market share.

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

## Government Policy

	2016/17	2015/16
Net risk assessment	●	●

Ad hoc changes to existing local statutes and lack of predictability in enforcement timelines can result in numerous financial and operational challenges. This can lead to ambiguity of interpretation and difficulties in planning and budgeting, resulting in financial as well as reputational losses.

The Group manages this risk exposure through consistently monitoring and reviewing legal requirements and statutory returns. Compliance audits are also conducted regularly by the Internal Audit function. We are an active contributor to industry advisory and policy making bodies and regularly make representations to these bodies upon invitation. The Group also continuously reviews and upgrades its information systems to detect and report deviations. These risks are also monitored at parent company level, with ongoing guidance provided by the John Keells Group legal division.

## Technology

	2016/17	2015/16
Net risk assessment	●	●

Rapid growth in the use of online and mobile connectivity platforms have transformed the way customers interact with us, paving the way for new methods of engagement and communication. Inability to respond to opportunities presented by rapidly evolving dynamics in the technology landscape can have a significant impact on our competitive position. Furthermore, the failure and breakdown of IT systems and processes can cause disruption to operations and lead to financial loss.

The Group has in place a formalised and comprehensive IT policy which is clearly articulated to all employees. During the year, we enhanced social media presence, with focus towards increasing bookings from online channels as well as attracting potential employees. We also continuously review the network protection processes at all operational locations to ensure integrity and security of data.

## Safeguarding Physical Assets

	2016/17	2015/16
Net risk assessment	●	●

Natural disasters, fire, accidents, crime and unethical behaviour in and around the resorts can result in destruction and/or loss to our assets and infrastructure leading to disruptions to operations as well as financial loss.

This risk exposure is mitigated through documented business continuity and disaster recovery plans, 24- hour security on premises, signage in appropriate locations to increase staff and guest awareness and insurance coverage for physical damage of properties. In addition employees are continuously provided training on fire-fighting procedures and emergency support among others. Further, all our resorts are covered with CCTV cameras.

## Raw Materials and Supply Chain Risks

	2016/17	2015/16
Net risk assessment	●	●

The Group's key raw materials comprise of food inputs which are sourced from multiple suppliers. Inadequate supply of raw materials and/or procurement of inferior quality raw materials can lead to financial losses, disruptions to operations and reputational losses.

The Group's supply chain and material management processes are discussed on pages 98 to 99 of this Report. We have nurtured relationships with a diverse pool of suppliers thereby limiting exposure to a single party. Supplier evaluation checklists have been developed in line with the JKH Group's criteria for supplier assessment. We also rotate supply contracts on a regular basis to ensure strong relationships with all suppliers.

### Energy

	2016/17	2015/16
Net risk assessment	●	●

An uninterrupted energy supply is critical for the functioning of our properties, with energy costs accounting for approximately 10% of our total cost base. Interruptions to the power supply can cause disruption to operations and adversely impact the customer experience. Energy consumption also has a direct impact on our carbon footprint.

The Group continues to focus on improving energy efficiency through investments in alternative energy, energy efficient lighting and cooling solutions and other equipment. We continue to monitor property-wise energy consumption and intensity ratios to drive energy efficiency.

### Impacts on Local Communities

	2016/17	2015/16
Net risk assessment	●	●

Our operations impact the communities around our properties through employment generation, environmental impacts and cultural factors among others. Inadequate engagement and inability to fully fulfil the expectations of the surrounding communities can lead to reputational losses, community unrest and ultimately impact our social license to operate.

In order to mitigate this risk, we maintain a high level of engagement with neighbouring communities which includes a community and environmental grievance handling mechanism. The Group also provides job opportunities for youth in the local communities and contributes towards empowering and uplifting their livelihoods. We continuously engage in sponsorships and donations for cultural, religious and other projects in the communities.

### Climate Change

	2016/17	2015/16
Net risk assessment	●	●

Implications of climate change, such as decline of the eco-system, increases in temperature, decline in bio-diversity and increased natural disasters can potentially have a significant impact on all industries, including leisure. Irregular weather patterns over the longer term can have an impact on tourist arrivals while the decline in bio-diversity could impact the attractiveness of Sri Lanka as a destination.

As a responsible corporate citizen, we are committed to preserving our natural environment. We continue to monitor a range of environmental indicators including our carbon footprint and engage guests in raising awareness on the impacts of climate change through notices, leaflets, and annual earth hour observance at all properties. Compliance to environmental certifications such as LEED and Green Globe demonstrates our commitment towards preserving the environment and we will continue to strive towards reducing our carbon footprint through concerted efforts.

- Low Risk
- Moderate Risk

# Investor Information

## DISTRIBUTION OF SHAREHOLDERS

There were 6,528 registered Shareholders as at 31st March 2017 (6,568 as at 31st March 2016) distributed as follows:-

No. of Shares held	As at 31st March 2017				As at 31st March 2016			
	No. of Shareholders	%	No. of Shares held	%	No. of Shareholders	%	No. of Shares held	%
1 to 1,000	3,381	51.79	1,335,170	0.09	3,355	51.08	1,362,116	0.09
1,001 to 10,000	2,132	32.66	8,553,793	0.59	2,187	33.30	8,784,618	0.60
10,001 to 100,000	835	12.79	25,709,153	1.77	850	12.94	26,602,995	1.83
100,001 to 1,000,000	160	2.45	43,883,973	3.01	156	2.38	42,392,209	2.91
Over 1,000,000	20	0.31	1,376,664,691	94.54	20	0.30	1,377,004,842	94.57
<b>Total</b>	<b>6,528</b>	<b>100.00</b>	<b>1,456,146,780</b>	<b>100.00</b>	<b>6,568</b>	<b>100.00</b>	<b>1,456,146,780</b>	<b>100.00</b>

## COMPOSITION OF SHAREHOLDERS

	As at 31st March 2017			As at 31st March 2016		
	No. of Shareholders	No. of Shares held	%	No. of Shareholders	No. of Shares held	%
John Keells Holdings PLC	1	1,169,598,478	80.32	1	1,169,598,478	80.32
Directors & Spouses	3	625,117	0.04	3	625,117	0.04
Public - Resident						
Institution	265	203,721,727	14.00	266	204,082,500	14.02
Individual	6,161	70,752,192	4.86	6,198	70,403,740	4.84
Public - Non Resident						
Institution	6	1,213,120	0.08	7	1,482,979	0.10
Individual	92	10,236,146	0.70	93	9,953,966	0.68
	<b>6,528</b>	<b>1,456,146,780</b>	<b>100.00</b>	<b>6,568</b>	<b>1,456,146,780</b>	<b>100.00</b>

The percentage of the shares of the Company held by the Public as at 31st March 2017 was 19.64% (2016 - 19.64%)

## DIRECTORS & SPOUSES SHAREHOLDINGS

	As at 31st Mar 2017	As at 31st Mar 2016
<b>DIRECTORS</b>		
Mr. S. C. Ratnayake	142,877	142,877
Mr. A. D. Gunewardene	-	-
<b>SPOUSES</b>		
Mrs. M. V. Ratnayake	407,434	407,434
Mrs. C. A. Gunewardene	74,806	74,806
	<b>625,117</b>	<b>625,117</b>

## MARKET INFORMATION ON ORDINARY SHARES OF THE COMPANY

	2016/17	Date	2015/16	Date
<b>SHARE INFORMATION</b>				
Highest Price ( Rs.)	13.50	16-05-2016	18.30	12-05-2015
Lowest Price ( Rs.)	9.80	28-03-2017	11.00	09-03-2016
As at period end (Rs.)	10.00	31-03-2017	12.00	31-03-2016
<b>TRADING STATISTICS</b>				
Number of Transactions	3,278		3,332	
Number of Shares Traded	7,869,451		13,971,929	
% of Total Shares in Issue	0.54		0.96	
Values of all Shares Traded ( Rs.)	93,016,656		215,247,592	
Average Daily Turnover ( Rs.)	382,785		904,402	
Market Capitalisation ( Rs.)	14,561,467,800		17,473,761,360	

## TWENTY LARGEST SHAREHOLDERS OF THE COMPANY

Name of shareholder	As at 31st March 2017		As at 31st March 2016	
	No. of Shares	%	No. of Shares	%
John Keells Holdings PLC	1,169,598,478	80.32	1,169,598,478	80.32
Employees Provident Fund	78,474,454	5.39	78,474,454	5.39
Sri Lanka Insurance Corporation Ltd. - Life Fund	71,622,800	4.92	71,622,800	4.92
Mercantile Investments PLC	13,000,000	0.89	13,000,000	0.89
Mr. D.J.M. Blackler	6,514,760	0.45	6,514,760	0.45
National Savings Bank	5,541,205	0.38	5,541,205	0.38
Mercantile Fortunes (Private) Ltd.	3,800,000	0.26	3,800,000	0.26
Seylan Bank PLC - A/C No. 3	3,326,811	0.23	3,666,962	0.25
Mr. D.G. Wijemanna	3,000,000	0.21	3,000,000	0.21
Phoenix Ventures Ltd.	2,801,000	0.19	2,801,000	0.19
Bank of Ceylon - No. 2 A/C	2,725,266	0.19	2,725,266	0.19
Mr. R.T. Jinasena	2,516,765	0.17	2,516,765	0.17
Mr. T.R. Jinasena	2,351,568	0.16	2,351,568	0.16
Mr. U.G. Madanayake	2,000,000	0.14	2,000,000	0.14
Merrill J Fernando & Sons (Pvt) Ltd.	1,911,573	0.13	1,911,573	0.13
E.W. Balasuriya & Co. (Pvt) Ltd.	1,851,626	0.13	1,851,626	0.13
Mrs. N.Weerasinghe	1,556,706	0.11	1,556,706	0.11
People's Leasing and Finance PLC/Mr. L.P Hapangama	1,533,879	0.11	1,533,879	0.11
Mr. A.A.V. Amerasinghe	1,287,800	0.09	1,287,800	0.09
Mr. C.N.H. Liyanage	1,250,000	0.09	1,250,000	0.09
	1,376,664,691	94.54	1,377,004,842	94.56
Shares held by balance shareholders	79,482,089	5.46	79,141,938	5.44
Total	1,456,146,780	100.00	1,456,146,780	100.00



....  
*Inspired  
to deliver*  
....

| FINANCIAL INFORMATION |

*Group revenue grew  
by 6 per cent to  
Rs. 12.3 Bn compared  
to the Rs. 11.6 Bn  
recorded in the  
previous year.*

# Annual Report of the Board of Directors

The Directors have pleasure in presenting their 38th Annual Report of the Company together with the Audited Financial Statements of John Keells Hotels PLC and the Consolidated Financial Statements of the Group for the year ended 31st March 2017.

## PRINCIPAL ACTIVITIES

The principal activity of the Company, which is Investment, remained unchanged. The principal activity of the subsidiaries and joint ventures, which is hoteliering, also remained unchanged.

## REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The financial and operational performance, during the year ended 31st March 2017 and future business development of the Company and Group, is provided in the Chairman's Review, The Management Discussion and Analysis of operations, Sustainability Report and the Financial Overview. These reports, which form an integral part of the Annual Report of the Board of Directors, together with the Audited Financial Statements, reflect the state of affairs of the Company and Group.

## CORPORATE GOVERNANCE

### Directors' Declarations

The Directors declare that;

- a) the Company complied with all applicable laws and regulations in conducting its business.
- b) they have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.
- c) the Company has made all endeavours to ensure the equitable treatment of shareholders.
- d) the business is a going concern with supporting assumptions or qualification as necessary, and
- e) they have conducted a review of internal control covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

The Corporate Governance practices of the Company are described on pages 128 to 142 of this Report.

## HUMAN RESOURCES

The Company continued to implement appropriate human resource management policies to develop employees and optimize their contribution towards the achievement of corporate objectives. The policies and procedures ensure the equitable treatment of all employees. Some of the processes and procedures adopted in this regard are mentioned in pages 82 to 94 of this Report.

## SYSTEM OF INTERNAL CONTROLS

The Board has implemented an effective and comprehensive system of internal controls, which provide reasonable but not absolute assurance that assets are safeguarded and that the financial reporting system may be relied upon in the preparation of the Financial Statements. Reliance upon the internal controls is set out on page 139 of this Report. The Audit Committee receives and acts upon reports on the results of internal control reviews carried out by independent external auditors.

## RISK MANAGEMENT

The Board confirms that there is an ongoing process for identifying, evaluating, managing and mitigating any significant risks faced by the Company, that financial, operational and compliance controls have been reviewed. Risk assessment and evaluation for the Company takes place as an integral part of the business and the Board Audit Committee reviews the principal risks and mitigating actions in place regularly. The Board, through the involvement of the Group Risk and Control Review Division takes steps to gain assurance on the effectiveness of control systems in place. The Head of the Group Business Process Review Division has direct access to the Chairman of the Audit Committee. Foreseeable risks that may materially impact the business are disclosed in the Chairman's Review on Pages 22 to 25 and Risk Management practices on pages 145 to 149 of this Report.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Board has received assurance from the Board Audit Committee and confirms that the Company has complied with all applicable laws, rules and regulations in the territories in which it operates.

## 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 & Exchange Commission of Sri Lanka and Institute of Chartered Accountants of Sri Lanka, have a reasonable expectation that the Company, its subsidiaries and joint ventures possess adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the Financial Statements.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements so that they present a true and fair view of the state of affairs of the Company. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Companies Act No. 7 of 2007, the Sri Lanka

Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors' Responsibility for financial reporting is given on page 160 and forms an integral part of the Annual Report of the Board of Directors.

## REVENUE

The revenue of the Group from its operations amounted to Rs. 12,312 million (2015/16 - Rs. 11,632 million). Revenue contribution to the Group from different geographical segments is provided in Note 07 to the Financial Statements.

## FINANCIAL RESULTS

The Company recorded a profit after tax of Rs. 1,245.5 million (2015/16 – Rs. 965.8 million), while the Group recorded a consolidated net profit after tax of Rs. 1,863.5 million (2015/16 – Rs. 1,748.8 million) for the year under review. A synopsis of the Company's consolidated performance is presented below.

<i>For the year ended 31st March</i>	<i>Group</i>		<i>Company</i>	
	<i>2017</i> <i>Rs. '000s</i>	<i>2016</i> <i>Rs. '000s</i>	<i>2017</i> <i>Rs. '000s</i>	<i>2016</i> <i>Rs. '000s</i>
After making provision for doubtful debts, all known liabilities and depreciation of property, plant, equipment the profit earned before interest was	2,463,916	2,217,246	1,271,032	975,323
Interest paid during the year was	(227,788)	(182,025)	-	(355)
Profit before tax was	2,236,128	2,035,221	1,271,032	974,968
From which was deducted the provision for taxation, including deferred taxation of	(372,620)	(286,422)	(25,483)	(9,174)
Leaving a net profit after tax of	1,863,508	1,748,799	1,245,549	965,794
The profit attributable to the non controlling interest was	(17,378)	(14,256)	-	-
The amount attributable to the Company and the Group was therefore	1,846,130	1,734,543	1,245,549	965,794
Super gain tax	-	(86,387)	-	(1,398)
When the balance brought forward from the previous year was added	7,278,122	6,189,643	1,538,924	1,156,987
The amount available for appropriation was	9,124,252	7,837,799	2,784,473	2,121,383
Other adjustments	(10,016)	22,782	-	-
Dividend paid during the year	(582,459)	(582,459)	(582,459)	(582,459)
Leaving a balance to be carried forward to the next year of	8,531,777	7,278,122	2,202,014	1,538,924

## Annual Report of the Board of Directors

### DIVIDENDS

An interim dividend of Rs. 30 per share for the quarter ended 30th June 2016 was paid on 05th August 2016.

The 2nd interim dividend of Rs. 0.10 per share for the nine months ended 31st December 2016 was paid on 30th March 2017.

As required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors confirmed that the Company satisfied the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the Auditors, prior to recommending the interim dividends mentioned above, for the financial year ended 31st March 2017.

### PROVISION FOR TAXATION

The details of the tax provision of the Group is disclosed in Note 18 to the Financial Statements.

### AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on page 161 of this Report.

### PROPERTY, PLANT & EQUIPMENT

The book value of property, plant and equipment as at the reporting date amounted to Rs. 14,355 million (2015/16 – Rs. 14,273 million) for the Group. Capital expenditure for the Group amounted to Rs. 784 million (2015/16 – Rs. 1,122 million). Details of property, plant and equipment and their movements are given in Note 21 to the Financial Statements.

### MARKET VALUE OF PROPERTIES

Freehold land and buildings of the Group are subject to routine revaluation by independent qualified valuers. The most recent valuation in respect of Group was carried out as at 31st March 2017. Details of property valuations, including the valuation method and effective date of these valuations are provided in Note 21.2 to the Financial Statements.

### INVESTMENTS

The details of investments held by the Company and the Group as at 31st March 2017, are given in Note 24 to the Financial Statements.

### IMPAIRMENT ASSESSMENT

The Board of Directors has evaluated impairment loss in relation to property, plant and equipment, intangible assets and investments. Based on the assessment the investment made by the Company and its subsidiaries do not warrant any impairment in the year 2016/17 (2015/16 - Nil) .

### STATED CAPITAL

The total Stated Capital of the Company as at 31st March 2017 stood at Rs. 9,500.2 million (2016 – Rs. 9,500.2 million) divided into 1,456,146,780 Ordinary Shares (2016 - 1,456,146,780 Ordinary Shares).

### RESERVES

The movement of Other Components of Equity and Revenue Reserves of the Company, its Subsidiaries and Joint Ventures are shown in the Statement of Changes in Equity on page 166 of this Report.

### SEGMENT REPORTING

Geographical segment-wise contribution to Group revenue, results, assets and liabilities is provided in Note 7 to the Financial Statements.

### SHARE INFORMATION AND SHAREHOLDINGS

The market value of an Ordinary Share of the Company as at 31st March 2017 was Rs. 10 (31st March 2016 – Rs. 12). Information relating to earnings, dividends, net assets and market value per share is given in page 18 of this Report. The number of shareholders as at 31st March 2017 was 6,528 (31st March 2016 - 6,568). An analysis of shareholders based on shares held, the distribution of ownership and details of share transactions during the year are provided on pages 150 to 151 of this Report. The list of top twenty shareholders of the Company as at 31st March 2017 is also provided on page 151 of this Report.

### DIRECTORS

The Board of Directors of the Company as at 31st March 2017 and their brief profiles are given on pages 28 to 30 of this Report.

Mr. N.B. Weerasekera and Mr. T.L.F.W Jayasekera who retire by rotation in terms of Article 84 of the Articles of Association of the Company and being eligible for re-election are recommended by

the Board for re-election. Brief profiles of Mr. N.B. Weerasekera and Mr. T.L.F.W Jayasekera are contained on Page 29 of this Report.

Ms. A K Moonesinghe was appointed to the Board of the Company with effect from 01st July 2017.

Ms. A K Moonesinghe retires in terms of the Article 90 of the Article of Association of the Company and being eligible is recommended by the Board for re-election. A brief profile of Ms. A K Moonesinghe contained page 29 of this Report.

## BOARD COMMITTEES

The following members serve on the Board of Audit Committee:

Mr. T L F W Jayasekera (Chairman)

Mr. N B Weerasekera

Ms. A K Moonesinghe

The Audit Committee reviewed the type and quantum of non-audit services provided by the external auditors to the Group to ensure that their independence as auditors has not been impaired. The Report of the Audit Committee is given on pages 143 and 144 of this Report.

## HUMAN RESOURCES AND COMPENSATION COMMITTEE

As permitted by the Listing Rules of the Colombo Stock Exchange, the Human Resources and Compensation Committee of John Keells Holdings PLC, the Parent Company of John Keells Hotels PLC, functions as the Human Resources and Compensation Committee of the Company. The Human Resources and Compensation Committee of John Keells Holdings PLC comprises of three Independent Non-Executive Directors:

Mr. D A Cabraal – Chairman

Mr. M A Omar

Dr. S S H Wijayasuriya

The Remuneration Policy of the Company is detailed in the Leadership and Governance Report on Page 133 of the Annual Report.

## NOMINATIONS COMMITTEE

The mandate and the scope of the Nominations Committee is set out in Page 131 of this Annual Report.

The Nominations Committee members of the parent company are as follows;

Mr. M A Omar - Chairman

Mr. S C Ratnayake

Ms. M P Perera

Dr. S S H Wijayasuriya

## RELATED PARTY TRANSACTION REVIEW COMMITTEE

Related Party Transaction Review Committee of the Parent Company John Keells Holdings PLC functions as Related Party Transactions Review Committee of the Company and its Subsidiary and conforms to the requirements of the Listing Rules of the Colombo Stock Exchange.

The Related Party Transactions Review Committee members of the parent company are as follows;

Ms. M P Perera - Chairperson

Mr. A N Fonseka

Mr. D A Cabraal

Mr. S C Ratnayake

The mandate and the scope of the Related Party Transactions Review Committee is set out on Page 131 of this 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 interest registers of subsidiaries and joint ventures which are Public Companies or Private Companies which have not dispensed with the requirement to maintain an interests register as permitted by Section 30 of the Companies Act No. 7 of 2007.

## DIRECTORS INTERESTS IN CONTRACTS

All the Directors have made a general disclosure to the Board of Directors as permitted by Section 192 (2) of the Companies Act No. 7 of 2007 and no additional interests have been disclosed by any Director.

## Annual Report of the Board of Directors

### DIRECTORS' SHAREHOLDINGS

The shares held by Directors' and their spouses in the Company and its Subsidiaries as at 31st March 2017 are as follows:

	31st March 2017	31st March 2016
<b>DIRECTORS</b>		
Mr. S. C. Ratnayake	142,877	142,877
Mr. A. D. Gunewardene	Nil	Nil
<b>SPOUSES</b>		
Mrs. M. V. Ratnayake	407,434	407,434
Mrs. C. A. Gunewardene	74,806	74,806
<b>Total</b>	<b>625,117</b>	<b>625,117</b>
<b>INTERNATIONAL TOURISTS &amp; HOTELIERS LTD</b>		
Mr. J.E.P. Kehelpannala	150	150

### INDEMNITIES AND DIRECTORS' REMUNERATION

- Details of the remuneration and other benefits received by the Directors of the Company, its subsidiaries and joint ventures are set out in Note 17 to the Financial Statements. The Directors remuneration is determined by the Human Resources and Compensation Committee of John Keells Holdings PLC, the parent company, which are commensurate with the market complexities of the Company. The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company.

Mr. K N J Balendra was appointed as a Non-Executive Director of John Keells Hotels PLC from 01st April 2016 at the standard Non-Executive Fees approved by the Board for Non-Executive Directors, which fees are commensurate with the market complexities of the Company.

Ms. A K Moonesinghe was appointed as a Non-Executive Director of John Keells Hotels PLC from 01st July 2016 for 3 years at the standard Non-Executive Fees approved by the Board for Non-Executive Directors, which fees are commensurate with the market complexities of the Company.

Fees payable to Non- Executive nominee Directors of John Keells Holdings PLC was paid to John Keells Holdings PLC and not to individual Directors.

### DIRECTORS MEETINGS

Details of the meetings of the Directors are given on page 130.

### EMPLOYMENT

The Company has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. There were no material issues pertaining to employees and industrial relations in the year under review. Details of the Group's Human Resource initiatives are detailed in pages 82 to 94. The number of persons employed by the Group as at 31st March 2017 was 2,590 (2016 – 2,628)

### STATUTORY PAYMENTS

The Directors, to the best of their knowledge are satisfied that all statutory payments in relation to the Government and the employees have been either duly paid or appropriately provided for. The income tax position of the Company and its subsidiaries are disclosed in Note 18 to the Financial Statements.

### OUTSTANDING LITIGATION

In the opinion of the Directors and in consultation within the Company Lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company.

### SUPPLIER POLICY

The Company 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 2017, the trade and other payable of the Group amounted to Rs. 718 million (2016 – Rs. 667 million) and for the Company amounted to Rs. 13.6 million (2016 – Rs. 15.4 million).

### SUSTAINABILITY REPORTING

The Group is conscious of the impact, direct and indirect, on the environment due to its business activities. Every endeavour is made to minimize the adverse effects on the environment to ensure sustainable continuity of our natural resources. The activities undertaken by the Group in recognition of its responsibility as a corporate citizen are disclosed more fully on pages 104 to 114 of this Report.

## DONATIONS

Total donations made by the Group during the year amounted to Rs. 12.1 million (2015/16 – Rs. 7.9 million). The amount includes contributions on account of Corporate Social Responsibility (CSR) initiatives for which the Group donated Rs. 9,461,187 /- (2015/16 – Rs. 5,469,318/-). The John Keells Social Responsibility Foundation, which operates with funds contributed by each of the companies in the Group, handles most of the Group’s CSR initiatives and activities. The Foundation manages a range of programs that underpin its key principle of acting responsibly in all areas of business to bring about sustainable development. In quantifying the Group’s contribution to charities no account has been taken of ‘in-house’ costs or management time. Donations made by Subsidiaries of the Company were as follows: Ceylon Holiday Resorts Ltd – Rs. 1,185,535/- (2015/16 - Rs. 2,641,543/-), Habarana Lodge Ltd – Rs. 1,713,296/- (2015/16 - Rs. 347,219) Habarana Walk Inn Ltd – Rs. 902,452/- (2015/16 - Rs. 934,770/-), Kandy Walk Inn Ltd. – Rs. 1,713,296/- (2015/16 - Rs. 679,990/-), Trinco Holiday Resorts (Pvt) Ltd – Rs. 773,024/- (2015/16 - Rs. 477,998/-), Hikkaduwa Holiday Resorts (Pvt) Ltd – Rs. 1,416,706/- (2015/16 - Rs 652,557/-), Yala Village (Pvt) Ltd – Rs. 1,723,646/- (2015/16 - Rs. 991,668/- ), Beruwala Holiday Resorts (Pvt) Ltd, – Rs. 1,892,161/- (2015/16 - Rs. 788,554/-), Travel Club (Pte) Ltd, – Rs. 123,315/- (2015/16 - Rs. 152,244/-), Fantasea World Investments (Pte) Ltd – Rs. 452,277/- (2015/16 - Rs. 90,587/-) Tranquility (Pte) Ltd – Rs 295,358/- (2015/16 - Rs. 173,972/-), John Keells Maldivian Resorts (Pte) Ltd – Rs. 36,995/- (2015/16 - Nil). The CSR initiatives, including completed and on-going projects, are detailed in the sustainability report on page 100.

## AUDITORS

The Audit Committee reviews the appointment of the Auditors, their effectiveness, independence and relationship with the Company, including the level of audit. As far as the Directors are aware, the Auditors, Messrs. Ernst & Young, Chartered Accountants, do not have any relationship or interest in the Company, its subsidiaries or joint ventures.

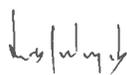
Messrs. Ernst & Young, Chartered Accountants have indicated their willingness to continue as Auditors of the Company, accordingly, a resolution proposing their reappointment as Auditors will be proposed at the Annual General Meeting. Details of the Audit Fees paid to the Auditors are set out in Page 198 of this Report. Further details on the work of the Auditor and the Audit Committee are set out in the Audit Committee Report on pages 143 and 144.

## ANNUAL REPORT

The audited consolidated Financial Statements were approved for issue by the Board of Directors on 29th May 2017. 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 6th June 2017.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02, on the 29th of June 2017 at 3.30 pm. The Notice of the Annual General Meeting appears on page 255. This Annual Report is signed for and on behalf of the Board of Directors by:



Director



Director

By Order of the Board



Keells Consultants (Private) Limited  
Secretaries

29th May 2017

## Statement of Directors' Responsibility

The responsibility of the Directors, in relation to the Financial Statements of the John Keells Hotels PLC (Company) and the Consolidated Financial Statements of the Company and its Subsidiaries (Group) is set out in this Statement. This Statement of Directors' Responsibility is to be read in conjunction with the Report of the Auditors and is made to distinguish the respective responsibilities of the Directors and of the Auditors in relation to the Financial Statements contained in this Annual Report.

### THE FINANCIAL STATEMENTS COMPRISE OF:

- Income statement and statement of comprehensive income of the Company and its subsidiaries, which present a true and fair view of the profit and loss of the Company and its subsidiaries for the financial year.
- Statement of financial position, which represents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year:

As per the provisions of the Companies Act No. 7 of 2007, the Board of your Company shall cause the Annual General Meeting report to be sent to every shareholder of the Company not less than fifteen working days before the date fixed for holding the Annual General Meeting. The Directors of the Company are required by the provisions of the Companies Act No. 7 of 2007 to prepare Financial Statements which give 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, Profit or Loss, Cash flows of the Company and of the Group for the financial year.

The Directors confirm that the Financial Statements of the Company and of the Group for the year ended 31st March 2017 presented in the Report have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Companies Act No. 7 of 2007 and has provided the information required by and otherwise complied with the listing rules of the Colombo Stock Exchange (CSE) and the code of best practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC).

In preparing the Financial Statements, the Directors have selected appropriate accounting policies and have applied them consistently. Reasonable and prudent judgements and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis. The Directors are of the view that adequate

funds and other resources are available within the Company to continue in operation for the foreseeable future.

The Directors have taken all reasonable steps expected of them to safeguard the assets of the Company and of the Group and to establish appropriate systems of internal controls in order to prevent, deter and detect any fraud, misappropriation or other irregularities. The Directors have also taken all reasonable steps to ensure that the Company and its Subsidiaries maintain adequate and accurate accounting books of record which reflect the transparency of transactions and provide an accurate disclosure of the financial position of the Company and its subsidiaries.

The Directors are required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate for the purpose of enabling them to give an independent Audit Report. 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 and levies payable by the Company and the subsidiaries and all contributions, levies and taxes payable on behalf of the employees of the Company and its subsidiaries, and all other known statutory obligations as at the Reporting date have been paid or provided for, except as specified in Note 44 to the Financial Statements covering Contingent Liabilities.

The Directors confirm that the Company and its subsidiaries have complied with the Para 23 of the LKAS 24, and all related party transactions are carried out at "arm's length" basis.

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, satisfied the solvency test immediately after the distribution of dividend in accordance with Section 57 of the Companies Act No. 7 of 2007.

By Order of the Board



Keells Consultants (Private) Limited  
Secretaries

29 May 2017

# Independent Auditors' Report



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
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## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of John Keells Hotels PLC

#### Report on the Financial Statements

We have audited the accompanying financial statements of John Keells Hotels PLC ("Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31 March 2017, and the income statement and statement of 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 information.

#### Board's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
  - 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,
  - the financial statements of the Company give a true and fair view of its financial position as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
  - the financial statements of the Company and the Group comply with the requirements of section 151 and 153 of the Companies Act No. 07 of 2007.

29 May 2017  
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA  
Principal: T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

## Income Statement

For the year ended 31st March

In Rs. '000s	Note	Group		Company	
		2017	2016	2017	2016
Revenue	13	12,311,664	11,631,973	-	-
Cost of sales		(3,766,378)	(3,436,976)	-	-
Gross profit		8,545,286	8,194,997	-	-
Dividend income	14	-	-	1,205,710	962,744
Other operating income	15.1	115,276	189,946	9,206	6,869
Administrative expenses		(4,626,295)	(4,518,006)	(25,633)	(26,155)
Distribution expenses		(443,828)	(319,504)	-	-
Other operating expenses	15.2	(1,342,786)	(1,456,723)	(821)	(503)
Results from operating activities		2,247,653	2,090,710	1,188,462	942,955
Finance expenses	16.2	(227,788)	(182,025)	-	(355)
Finance income	16.1	217,267	127,129	82,570	32,368
Net finance income/(expenses)		(10,521)	(54,896)	82,570	32,013
Share of results of equity accounted investees	25.3	(1,004)	(593)	-	-
Profit before tax	17	2,236,128	2,035,221	1,271,032	974,968
Tax expense	18.1	(372,620)	(286,422)	(25,483)	(9,174)
Profit for the year		1,863,508	1,748,799	1,245,549	965,794
Attributable to :					
Equity holders of the parent		1,846,130	1,734,543		
Non-controlling interests		17,378	14,256		
		1,863,508	1,748,799		

	Note	Rs.	Rs.
Earnings per share	19	1.27	1.19
Dividend per share	20	0.40	0.40

Figures in brackets indicate deductions.

The notes as set out in pages 172 to 235 form an integral part of these financial statements.

## Statement of Comprehensive Income

<i>For the year ended 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>Note</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Profit for the year		1,863,508	1,748,799	1,245,549	965,794
Other comprehensive income					
Other comprehensive income to be reclassified to income statement in subsequent periods					
Currency translation of foreign operations		331,657	1,067,736	-	-
Net gain/(loss) on available for sale financial assets		(2)	-	(2)	-
Other comprehensive income not to be reclassified to income statement in subsequent periods					
Revaluation of land and buildings	21	298,329	422,629	-	-
Realisation of revaluation reserve		-	(20,504)	-	-
Share of other comprehensive income of equity accounted investees		3,100	3,201	-	-
Re-measurement gain/(loss) on defined benefit plans	36	(12,210)	1,608	-	-
Tax on other comprehensive income	18.2	4,473	(8,208)	-	-
Other comprehensive income for the year, net of tax		625,347	1,466,462	(2)	-
Total comprehensive income for the year, net of tax		2,488,855	3,215,261	1,245,547	965,794
Attributable to:					
Equity holders of the parent		2,469,215	3,196,289		
Non-controlling interests		19,640	18,972		
		2,488,855	3,215,261		

Figures in brackets indicate deductions.

The notes as set out in pages 172 to 235 form an integral part of these financial statements.

## Statement of Financial Position

<i>As at 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>Note</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	21	14,354,695	14,272,874	-	-
Lease rentals paid in advance	22	10,714,231	8,537,247	-	-
Intangible assets	23	670,407	670,407	-	-
Investments in subsidiaries	24	-	-	10,665,499	10,623,739
Investments in equity accounted investees	25	70,336	67,215	64,625	63,599
Non-current financial assets	26	184,724	185,476	10	12
Deferred tax assets	18.5	76,804	71,888	-	-
Other non-current assets	27	577	489	-	-
		26,071,774	23,805,596	10,730,134	10,687,350
<b>Current Assets</b>					
Inventories	28	190,266	183,071	-	-
Trade and other receivables	29	895,925	965,011	-	-
Other current assets	30	445,954	296,118	12,554	7,098
Amounts due from related parties	41	165,352	164,879	1,901	1,109
Income tax recoverable	18.3	139,046	44,174	8,276	8,276
Short term investments	31	3,021,672	2,570,671	986,926	360,315
Cash in hand and at bank		1,153,473	870,080	43,901	6,799
		6,011,688	5,094,004	1,053,558	383,597
<b>Total Assets</b>		<b>32,083,462</b>	<b>28,899,600</b>	<b>11,783,692</b>	<b>11,070,947</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the parent</b>					
Stated capital	32	9,500,247	9,500,247	9,500,247	9,500,247
Revenue reserve		8,531,777	7,278,122	2,202,014	1,538,924
Other components of equity	33	6,749,432	6,106,444	(3)	(1)
		24,781,456	22,884,813	11,702,258	11,039,170
Non controlling interests		139,392	132,952	-	-
<b>Total Equity</b>		<b>24,920,848</b>	<b>23,017,765</b>	<b>11,702,258</b>	<b>11,039,170</b>

As at 31st March In Rs. '000s	Note	Group		Company	
		2017	2016	2017	2016
<b>Non-Current Liabilities</b>					
Interest bearing borrowings	35	1,083,408	1,852,851	-	-
Deferred tax liabilities	18.5	262,936	236,468	-	-
Employee benefit liability	36	187,798	156,077	-	-
Other deferred liabilities	37	120,007	84,401	-	-
Non-current financial liabilities	38	-	78,418	-	-
		1,654,149	2,408,215	-	-
<b>Current Liabilities</b>					
Trade and other payables	39	718,019	666,688	13,584	15,411
Other current liabilities	40	455,924	519,418	-	-
Amounts due to related parties	41	139,316	159,970	2,592	1,929
Income tax liabilities	18.4	109,218	254,642	37,657	14,399
Interest bearing borrowings	35	2,573,150	1,150,925	-	-
Bank overdrafts		1,512,838	721,977	27,601	38
		5,508,465	3,473,620	81,434	31,777
<b>Total Equity and Liabilities</b>		<b>32,083,462</b>	<b>28,899,600</b>	<b>11,783,692</b>	<b>11,070,947</b>

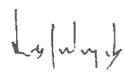
I certify that the financial statements comply with the requirements of the Companies Act, No. 7 of 2007.



D.A.R.C. Perera  
Chief Financial Officer

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

Signed for and on behalf of the Board by,



S.C. Ratnayake  
Chairman



J.R.F. Peiris  
Director

The notes as set out in pages 172 to 235 form an integral part of these financial statements.

29 May 2017

## Statement of Changes in Equity

Group	Attributable to Equity Holders of the Parent					
	Stated Capital	Revaluation Reserve	Foreign currency translation Reserve	Employee share option plan Reserve	Available For Sale Reserve	
<i>In Rs. '000s</i>						
As at 1st April 2015	9,500,247	3,152,565	1,471,550	13,498	(1)	
Charge relating to Super Gain Tax	-	-	-	-	-	
Profit for the year	-	-	-	-	-	
Other comprehensive income	-	391,579	1,067,736	-	-	
Total comprehensive income	-	391,579	1,067,736	-	-	
Realisation of revaluation reserve	-	-	-	-	-	
Share based payment	-	-	-	9,517	-	
Direct cost on issue of shares	-	-	-	-	-	
Interim dividend paid - 2015/16	-	-	-	-	-	
Subsidiary dividend to non-controlling interest	-	-	-	-	-	
As at 31st March 2016	9,500,247	3,544,144	2,539,286	23,015	(1)	
Profit for the year	-	-	-	-	-	
Other comprehensive income	-	301,655	331,657	-	(2)	
Total comprehensive income	-	301,655	331,657	-	(2)	
Share based payment	-	-	-	9,678	-	
Disposal of subsidiary	-	-	-	-	-	
Interim dividend paid - 2016/17	-	-	-	-	-	
Subsidiary dividend to non-controlling interest	-	-	-	-	-	
As at 31st March 2017	9,500,247	3,845,799	2,870,943	32,693	(3)	

Company	Stated Capital	Available For Sale Reserve	Revenue Reserve	Total Equity
<i>In Rs. '000s</i>				
As at 1st April 2015	9,500,247	(1)	1,156,987	10,657,233
Charge relating to Super Gain Tax	-	-	(1,398)	(1,398)
Profit for the year	-	-	965,794	965,794
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	965,794	965,794
Interim dividend paid - 2015/16	-	-	(582,459)	(582,459)
As at 31st March 2016	9,500,247	(1)	1,538,924	11,039,170
Profit for the year	-	-	1,245,549	1,245,549
Other comprehensive income	-	(2)	-	(2)
Total comprehensive income	-	(2)	1,245,549	1,245,547
Interim dividend paid - 2016/17	-	-	(582,459)	(582,459)
As at 31st March 2017	9,500,247	(3)	2,202,014	11,702,258

Figures in brackets indicate deductions.

The notes as set out in pages 172 to 235 form an integral part of these financial statements.

	<i>Revenue Reserve</i>	<i>Total</i>	<i>Non-controlling Interest</i>	<i>Total Equity</i>
	6,189,643	20,327,502	118,187	20,445,689
	(86,387)	(86,387)	(1,485)	(87,872)
	1,734,543	1,734,543	14,256	1,748,799
	2,431	1,461,746	4,716	1,466,462
	1,736,974	3,196,289	18,972	3,215,261
	20,504	20,504	-	20,504
	-	9,517	83	9,600
	(153)	(153)	-	(153)
	(582,459)	(582,459)	-	(582,459)
	-	-	(2,805)	(2,805)
	7,278,122	22,884,813	132,952	23,017,765
	1,846,130	1,846,130	17,378	1,863,508
	(10,225)	623,085	2,262	625,347
	1,835,905	2,469,215	19,640	2,488,855
	-	9,678	87	9,765
	209	209	-	209
	(582,459)	(582,459)	-	(582,459)
	-	-	(13,287)	(13,287)
	8,531,777	24,781,456	139,392	24,920,848

## Statement of Cash Flows

For the year ended 31st March

In Rs. '000s	Note	Group		Company	
		2017	2016	2017	2016
<b>Cash flows from operating activities</b>					
Profit before taxation		2,236,128	2,035,221	1,271,032	974,968
<b>Adjustments for;</b>					
Depreciation of property, plant and equipment		1,004,745	980,767	-	-
Provision for employee benefit costs		35,453	30,578	-	-
Share based payment expense		9,765	9,600	-	-
Amortisation of lease rentals paid in advance		556,836	700,853	-	-
Finance expense		227,788	182,025	-	355
Amortisation of grant received		(762)	(325)	-	-
Dividend received		-	-	(1,205,710)	(962,744)
Finance income		(217,267)	(127,129)	(82,570)	(32,368)
Loss on disposal of property, plant and equipment		43,475	43,118	-	-
Profit on sale of lease right		-	(121,341)	-	-
Share of results of equity accounted investees		1,004	593	-	-
Provision/(Reversal) for slow moving inventories		1,257	(787)	-	-
Provision for impairment losses		2,677	4,891	-	-
Provision for deferred liabilities		34,271	6,800	-	-
Unrealised loss on foreign exchange (net)		29,459	156,353	-	-
<b>Operating profit/(loss) before working capital changes</b>		<b>3,964,829</b>	<b>3,901,217</b>	<b>(17,248)</b>	<b>(19,789)</b>
(Increase)/decrease in inventories		(8,452)	(8,612)	-	-
(Increase)/decrease in trade and other receivables		150,310	41,530	-	-
(Increase)/decrease in other current assets		(113,765)	(4,698)	(5,456)	(2,773)
(Increase)/decrease in amounts due from related parties		(473)	(4,768)	(901)	(461)
Increase/(decrease) in amounts due to related parties		(20,554)	34,849	563	(4,809)
Increase/(decrease) in other current liabilities		(132,333)	59,111	-	-
Increase/(decrease) in trade and other payables		51,331	100,006	(1,827)	2,416
<b>Cash generated from/(used in) operations</b>		<b>3,890,893</b>	<b>4,118,635</b>	<b>(24,869)</b>	<b>(25,416)</b>
Finance expenses paid		(227,788)	(182,025)	-	(355)
Tax paid including super gain tax		(632,629)	(434,083)	(2,225)	(5,254)
Finance income received		217,267	127,129	82,570	32,368
Dividend received		-	-	1,205,710	962,744
Gratuity paid/transfers		(15,942)	(13,898)	-	-
<b>Net Cash Flows from/(used in) operating activities</b>		<b>3,231,801</b>	<b>3,615,758</b>	<b>1,261,186</b>	<b>964,087</b>

## For the year ended 31st March

In Rs. '000s	Note	Group		Company	
		2017	2016	2017	2016
<b>Cash flows from investing activities</b>					
Purchase and construction of property, plant and equipment		(783,614)	(1,122,404)	-	-
Proceeds from sale of property, plant and equipment		22,465	25,149	-	-
(Investment)/withdrawal in short term investments (net)		133,722	(653,038)	(100,446)	-
Purchase of lease rights		(2,479,950)	(607,155)	-	-
(Purchase)/disposal of non-current financial assets (net)		750	(1,321)	-	-
Increase in interest in subsidiaries and joint ventures		(1,026)	(5,311)	(42,686)	(76,306)
Disposal of subsidiary		109	-	109	-
Grant received for investing activities		2,097	-	-	-
<b>Net cash flows from/(used) in investing activities</b>		<b>(3,105,447)</b>	<b>(2,364,080)</b>	<b>(143,023)</b>	<b>(76,306)</b>
<b>Cash flows from financing activities</b>					
Direct cost on issue of shares		-	(153)	-	-
Dividend paid to equity holders of parent		(582,459)	(582,459)	(582,459)	(582,459)
Repayments of long term borrowings		(1,347,443)	(1,376,652)	-	(33,441)
Proceeds from borrowings		1,894,090	-	-	-
Subsidiary dividend to non-controlling interest		(13,287)	(2,805)	-	-
<b>Net cash flows from/(used in) financing activities</b>		<b>(49,099)</b>	<b>(1,962,069)</b>	<b>(582,459)</b>	<b>(615,900)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>77,255</b>	<b>(710,391)</b>	<b>535,704</b>	<b>271,881</b>
Cash and cash equivalents at the beginning of the year		1,126,603	1,836,994	367,076	95,195
Cash and cash equivalents at the end of the year		1,203,858	1,126,603	902,780	367,076
<b>ANALYSIS OF CASH &amp; CASH EQUIVALENTS</b>					
Short term investments	31	1,563,223	978,500	886,480	360,315
Cash in hand and at bank		1,153,473	870,080	43,901	6,799
Bank overdrafts		(1,512,838)	(721,977)	(27,601)	(38)
		1,203,858	1,126,603	902,780	367,076

Figures in brackets indicate deductions.

The notes as set out in pages 172 to 235 form an integral part of these financial statements.

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# Notes to the Financial Statements

## CORPORATE AND GROUP INFORMATION

### 1 CORPORATE INFORMATION

#### Reporting Entity

John Keells Hotels 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 117, Sir Chittampalam A Gardiner Mawatha, Colombo 2.

In the Director's opinion, the Company's parent undertaking is John Keells Holdings PLC, which is a Company incorporated in Sri Lanka.

#### Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2017, comprise "the Company" referring to John Keells Hotels PLC as the holding Company and "the Group" referring to the companies whose accounts have been consolidated therein.

#### Approval of Financial Statements

The Financial statements for the year ended 31 March 2017 were authorised for issue by the Directors on 29 May 2017.

#### Principal Activities and Nature of Operations

##### Holding Company

John Keells Hotels PLC, the Group's holding Company, manages a portfolio of holdings consisting of hoteliering business, which together constitute the John Keells Hotels Group.

#### Responsibility for Financial Statements

The responsibility of the Directors in relation to the financial statements is set out in 'The statement of Director's responsibility on Page 155 to in the Annual report.

#### Statement of compliance

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 flows, 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 (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

### 2 SUBSIDIARIES AND JOINT VENTURES

The Companies within the Group are shown in the Group Structure on pages 10 and 11. The subsidiaries and the joint venture are involved in the business of hoteliering.

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

## BASIS OF PREPARATION & OTHER SIGNIFICANT ACCOUNTING POLICIES

### 3 BASIS OF PREPARATION

#### Bases of Measurement

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention, other than land and buildings, and available-for-sale financial assets that have been measured at fair value.

#### Presentation and Functional Currency

The consolidated Financial Statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency, which is 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.

The following subsidiaries are using United States Dollar (USD) as its functional currency;

John Keells Maldivian Resort (Pvt) Ltd  
Fantasea World Investments (Pvt) Ltd  
Tranquility (Pvt) Ltd  
Travel Club (Pvt) Ltd

Each material class of similar items is presented cumulatively in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard-LKAS 1, 'Presentation of Financial Statements'.

All values are rounded to the nearest rupees thousand (Rs. '000) except when otherwise indicated.

The significant accounting policies are discussed in Note 4 below.

The indicative US Dollar Financial Statements on pages 238 to 240 does not form part of the Financial Statements prepared in accordance with SLFRS/LKAS.

#### Comparative information

The presentation and classification of the financial statements of the previous year has been amended, where relevant for better presentation and to be comparable with those of the current year.

## 4 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 Group.

#### Other significant accounting policies not covered with individual notes.

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

#### Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

#### Foreign currency translation

##### Foreign currency transactions and balances

The consolidated financial statements are presented in Sri Lanka rupees (LKR), which is the Company's functional and presentation currency.

The functional currency is the currency of the primary economic environment in which the entities of the Group operates.

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are translated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

## Notes to the Financial Statements

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on changing fair value of the item.

### Foreign operations

The statement of financial position and income statement of overseas subsidiaries which are deemed to be foreign operations are translated to Sri Lanka rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

The Exchange rates applicable during the period were as follows:

	<i>Reporting Date</i>		<i>Income Statement</i>	
	<i>2017 Rs.</i>	<i>2016 Rs.</i>	<i>2017 Rs.</i>	<i>2016 Rs.</i>
US dollar	151.90	147.65	147.98	139.18

The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

The Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

### 5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements of the Group require the management to make judgments, estimates

and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes to the financial statements. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The line items which have most significant effect on accounting, judgements, estimates and assumptions are as follows;

- Revaluation of property, plant and equipment
- Impairment of non-financial assets
- Share based payments
- Taxes
- Employee benefit liability
- Fair value of financial instruments

### 6 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 SLFRSs 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.

<i>Accounting Standard</i>	<i>Summary of the Requirements</i>	<i>Effective Date</i>	<i>Possible Impact on Consolidated Financial Statements</i>
SLFRS 9 - Financial Instruments	SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. 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)	The Group has performed a high-level impact assessment of all three aspects 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.
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)	The Group completed diagnostic phase of SLFRS 15 adaptation in 2016/17 financial year with the assistance of external consultants. The Group's current study has not revealed a significant change to the revenue recognition patterns. However, the gaps identified will be addressed during 2017/18 financial year and any impact to the current systems and processors will be modified where necessary.
SLFRS 16 - Leases	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.	On or after 1 January 2019 (early adoption permitted)	The Group plans to assess the potential effect of SLFRS 16 on its consolidated financial statements in 2017/18 financial year.

## *Notes to the Financial Statements*

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

- IFRIC 15 - Agreements for the construction on real estate
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to LKAS 16 and LKAS 38)
- Equity Method in Separate Financial Statements (Amendments to LKAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28)
- Annual Improvements to SLFRSs 2012–2014 Cycle – various standards
- Investment Entities: Applying the Consolidation Exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28)
- Disclosure Initiative (Amendments to LKAS 1)

## 7 OPERATING SEGMENT INFORMATION

### Accounting policy

The Group's segments are determined based on the Group's geographical spread of operations.

The Group's internal organization and management is structured based on the Group's geographical spread of operations. The geographical analysis of turnover and profits are based on the location of the operations.

The following table present revenue, profit information, assets and liabilities based on the Group's operating segments.

<i>For the year ended 31st March</i>	<i>Sri Lanka</i>		<i>Maldives</i>		<i>Group</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Total Revenue	5,936,892	5,561,283	6,491,658	6,179,107	12,428,550	11,740,390
Less: inter segment revenue	(16,870)	(14,353)	(100,016)	(94,064)	(116,886)	(108,417)
<b>Segment revenue</b>	<b>5,920,022</b>	<b>5,546,930</b>	<b>6,391,642</b>	<b>6,085,043</b>	<b>12,311,664</b>	<b>11,631,973</b>
Segment operating profit	1,021,038	832,541	1,111,339	1,068,223	2,132,377	1,900,764
Other operating income	11,174	128,740	104,102	61,206	115,276	189,946
Finance expenses	(177,260)	(167,269)	(50,528)	(14,756)	(227,788)	(182,025)
Finance income	182,015	110,442	35,252	16,687	217,267	127,129
Share of results of equity accounted investees	(1,004)	(593)	-	-	(1,004)	(593)
<b>Profit before taxation</b>	<b>1,035,963</b>	<b>903,861</b>	<b>1,200,165</b>	<b>1,131,360</b>	<b>2,236,128</b>	<b>2,035,221</b>
Tax expense	(201,844)	(131,094)	(170,776)	(155,328)	(372,620)	(286,422)
<b>Profit for the year</b>	<b>834,119</b>	<b>772,767</b>	<b>1,029,389</b>	<b>976,032</b>	<b>1,863,508</b>	<b>1,748,799</b>
<b>Assets</b>						
Segment assets	15,504,629	15,004,954	15,908,426	13,224,239	31,413,055	28,229,193
Goodwill					670,407	670,407
<b>Total assets</b>					<b>32,083,462</b>	<b>28,899,600</b>
<b>Liabilities</b>						
Segment liabilities	3,394,400	4,165,437	3,768,214	1,716,398	7,162,614	5,881,835
<b>Total liabilities</b>					<b>7,162,614</b>	<b>5,881,835</b>
<b>Other Information</b>						
Purchase and construction of property, plant and equipment	322,414	410,622	461,200	711,782	783,614	1,122,404
Depreciation of property, plant and equipment	623,968	581,645	380,777	399,122	1,004,745	980,767
Amortisation of lease rentals paid in advance	3,094	3,300	553,742	697,553	556,836	700,853
Provision for employee benefit costs	35,453	30,578	-	-	35,453	30,578

## Notes to the Financial Statements

### 8 BASIS OF CONSOLIDATION

#### *Accounting policy*

The consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31st March 2017. Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

#### **Transactions eliminated on consolidation**

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

#### **Subsidiaries**

Subsidiaries are those enterprises controlled by the parent and have been listed in the Group directory.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, which is 12 months ending 31 March, using consistent accounting policies.

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

#### **Loss of control**

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

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

The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the consolidated income statement and consolidated statement of comprehensive income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the consolidated statement of financial position.

#### **Non-controlling interest (NCI)**

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the consolidated income statement and statement of comprehensive income and as a component of equity in the consolidated statement of financial position, separately from equity attributable to the shareholders of the parent.

The consolidated statement of cash flow includes the cash flows of the Company and its subsidiaries.

## 9 BUSINESS COMBINATIONS & GOODWILL

### *Accounting policy*

Business combinations are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

When the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree is lower than the fair value of net assets acquired, a gain is recognised immediately in the income statement.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability, which is a financial instrument and within the scope of LKAS 39, is measured at fair value with changes in fair value either in income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted

for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

## 10 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments held by the Group, principally comprise of cash, loans and other receivables, trade and

## Notes to the Financial Statements

other receivables, trade and other payables and loans and borrowings. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Group. These financial instruments are exposed to credit, liquidity and market risks.

The Hotel 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.

### 10.1 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, creditworthy 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 debtors impairment is not significant.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents and available-for-sale financial investments, 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 that the counterparties fulfill their obligations.

### 10.1.1 Credit risk exposure - Group

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table shows the maximum risk positions.

2017

<i>As at 31st March</i>	<i>Notes</i>	<i>Non-current financial assets</i>	<i>Cash in hand and at bank</i>	<i>Trade and other receivables</i>	<i>Short term investments</i>	<i>Amounts due from related parties</i>	<i>Total</i>
<i>In Rs. '000s</i>							
Government securities	10.1.2	-	-	-	459,016	-	459,016
Deposits with bank	10.1.3	-	-	-	2,562,656	-	2,562,656
Trade and other receivables	10.1.4	-	-	895,925	-	-	895,925
Amounts due from related parties	10.1.5	-	-	-	-	165,352	165,352
Loans to executives	10.1.6	4,960	-	-	-	-	4,960
Cash in hand and at bank	10.1.3	-	1,153,473	-	-	-	1,153,473
<b>Total credit risk exposure</b>		<b>4,960</b>	<b>1,153,473</b>	<b>895,925</b>	<b>3,021,672</b>	<b>165,352</b>	<b>5,241,382</b>
Available-for-sale investments		179,764	-	-	-	-	179,764
<b>Total equity risk exposure</b>		<b>179,764</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179,764</b>
<b>Total</b>		<b>184,724</b>	<b>1,153,473</b>	<b>895,925</b>	<b>3,021,672</b>	<b>165,352</b>	<b>5,421,146</b>

2016

<i>As at 31st March</i>	<i>Notes</i>	<i>Non-current financial assets</i>	<i>Cash in hand and at bank</i>	<i>Trade and other receivables</i>	<i>Short term investments</i>	<i>Amounts due from related parties</i>	<i>Total</i>
<i>In Rs. '000s</i>							
Government Securities	10.1.2	-	-	-	442,950	-	442,950
Deposits with bank	10.1.3	-	-	-	2,127,721	-	2,127,721
Trade and other receivables	10.1.4	-	-	965,011	-	-	965,011
Amounts due from related parties	10.1.5	-	-	-	-	164,879	164,879
Loans to executives	10.1.6	5,710	-	-	-	-	5,710
Cash in hand and at bank	10.1.3	-	870,080	-	-	-	870,080
<b>Total credit risk exposure</b>		<b>5,710</b>	<b>870,080</b>	<b>965,011</b>	<b>2,570,671</b>	<b>164,879</b>	<b>4,576,351</b>
Available-for-sale investments		179,766	-	-	-	-	179,766
<b>Total equity risk exposure</b>		<b>179,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179,766</b>
<b>Total</b>		<b>185,476</b>	<b>870,080</b>	<b>965,011</b>	<b>2,570,671</b>	<b>164,879</b>	<b>4,756,117</b>

## Notes to the Financial Statements

### Credit risk exposure - Company

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table shows the maximum risk positions.

<i>2017</i>						
<i>As at 31st March</i>	<i>Notes</i>	<i>Non-current financial assets</i>	<i>Cash in hand and at bank</i>	<i>Short term investments</i>	<i>Amounts due from related parties</i>	<i>Total</i>
<i>In Rs. '000s</i>						
Deposits with bank	10.1.3	-	-	986,926	-	986,926
Amounts due from related parties	10.1.5	-	-	-	1,901	1,901
Cash in hand and at bank	10.1.3	-	43,901	-	-	43,901
<b>Total credit risk exposure</b>		-	43,901	986,926	1,901	1,032,728
Available-for-sale investments		10	-	-	-	10
<b>Total equity risk exposure</b>		10	-	-	-	10
<b>Total</b>		10	43,901	986,926	1,901	1,032,738

<i>2016</i>						
<i>As at 31st March</i>	<i>Notes</i>	<i>Non-current financial assets</i>	<i>Cash in hand and at bank</i>	<i>Short term investments</i>	<i>Amounts due from related parties</i>	<i>Total</i>
<i>In Rs. '000s</i>						
Deposits with bank	10.1.3	-	-	360,315	-	360,315
Amounts due from related parties	10.1.5	-	-	-	1,109	1,109
Cash in hand and at bank	10.1.3	-	6,799	-	-	6,799
<b>Total credit risk exposure</b>		-	6,799	360,315	1,109	368,223
Available-for-sale investments		12	-	-	-	12
<b>Total equity risk exposure</b>		12	-	-	-	12
<b>Total</b>		12	6,799	360,315	1,109	368,235

#### 10.1.2 Government Securities

The Group invested in Treasury bonds, which are usually referred to as risk free due to the sovereign nature of the instrument.

### 10.1.3 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 ratings for its deposits.

The Group held cash and cash equivalents including short term investment of Rs. 4,175.1 million at 31 March 2017 (2016 - Rs. 3,440.7 million).

#### Deposits with banks and credit rating of the banks

Bank	Instrument	Credit rating for 2017	2017		2016		
			Investment Rs. 000'	Rating % of total	Investment Rs. 000'	Rating % of total	
<b>Group</b>							
People's Bank	Fixed Deposits	AA+	551,207	22%	AA+	569,936	27%
Sampath Bank PLC	Fixed Deposits	A+	792,380	31%	A+	575,964	27%
Hatton National Bank PLC	Fixed Deposits	AA-	144,446	6%	AA-	113,545	5%
Commercial Bank PLC	Fixed Deposits	AA	6,838	0%	AA	-	0%
Deutsche Bank A.G	Fixed Deposits	AAA	83,463	3%	AAA	-	0%
Nations Trust Bank PLC	Fixed Deposits	A	5,930	0%	A	4,691	0%
Commercial Bank PLC	Re purchase Agreements	AA	961,525	38%	AA	780,045	37%
Nations Trust Bank PLC	Re purchase Agreements	A	16,867	1%	A	83,540	4%
			2,562,656	100%		2,127,721	100%
<b>Company</b>							
Deutsche Bank A.G	Fixed Deposits	AAA	83,463	-	AAA	-	-
Commercial Bank PLC	Re purchase Agreements	AA	903,463	-	AA	-	-
Nations Trust Bank PLC	Re purchase Agreements	A	-	-	A	360,315	-
			986,926	-		360,315	-

### 10.1.4 Trade and other receivables

As at 31st March

In Rs. '000s	Group	
	2017	2016
Neither past due nor impaired	592,308	665,286
Past due but not impaired		
31-60 days	201,222	222,293
61-90 days	43,698	13,451
> 91 days	58,697	63,981
Impaired	44,714	42,037
Gross carrying value	940,639	1,007,048
Less: impairment provision	(44,714)	(42,037)
Individually assessed impairment provision		
<b>Total</b>	<b>895,925</b>	<b>965,011</b>

Based on the review of their past performance and credit worthiness, the Group companies has obtained deposits and advances from major customers.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients.

## Notes to the Financial Statements

### 10.1.5 Amounts due from related parties

The Group's amounts due from related parties mainly consists of the balances from affiliate companies and parent.

### 10.1.6 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/promissory notes as collateral for the loans granted.

## 10.2 Liquidity Risk

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk of a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

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 and overdrafts.

### 10.2.1 Net (debt)/cash

<i>As at 31st March</i>	<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Short term investments	3,021,672	2,570,671	986,926	360,315
Cash in hand and at bank	1,153,473	870,080	43,901	6,799
<b>Total liquid Assets</b>	<b>4,175,145</b>	<b>3,440,751</b>	<b>1,030,827</b>	<b>367,114</b>
Bank borrowings	3,656,558	3,003,776	-	-
Bank overdrafts	1,512,838	721,977	27,601	38
<b>Total liabilities</b>	<b>5,169,396</b>	<b>3,725,753</b>	<b>27,601</b>	<b>38</b>
<b>Net (debt)/cash</b>	<b>(994,251)</b>	<b>(285,002)</b>	<b>1,003,226</b>	<b>367,076</b>

The net debt position of the Group is due to the expansion and refurbishment of its hotel portfolio which will commence generating cash flows in the medium term. This position is constantly monitored and evaluated to determine appropriate risk mitigation strategies.

### 10.2.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing.

### Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2017 based on contractual undiscounted payments.

<i>Group</i> <i>In Rs. '000s</i>	<i>Within 1</i> <i>year</i>	<i>Between 1-2</i> <i>years</i>	<i>Between 2-3</i> <i>years</i>	<i>Between 3-4</i> <i>years</i>	<i>Between 4-5</i> <i>years</i>	<i>More than 5</i> <i>years</i>	<i>Total</i>
Borrowings	2,573,150	742,141	224,950	109,317	7,000	-	3,656,558
Trade and other payables	718,019	-	-	-	-	-	718,019
Amounts due to related parties	139,316	-	-	-	-	-	139,316
Bank overdrafts	1,512,838	-	-	-	-	-	1,512,838
	4,943,323	742,141	224,950	109,317	7,000	-	6,026,731

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2016 based on contractual undiscounted payments.

<i>Group</i> <i>In Rs. '000s</i>	<i>Within 1</i> <i>year</i>	<i>Between 1-2</i> <i>years</i>	<i>Between 2-3</i> <i>years</i>	<i>Between 3-4</i> <i>years</i>	<i>Between 4-5</i> <i>years</i>	<i>More than 5</i> <i>years</i>	<i>Total</i>
Borrowings	1,150,925	1,015,912	610,428	135,511	84,000	7,000	3,003,776
Trade and other payables	666,688	-	-	-	-	-	666,688
Amounts due to related parties	159,970	-	-	-	-	-	159,970
Bank overdrafts	721,977	-	-	-	-	-	721,977
	2,699,560	1,015,912	610,428	135,511	84,000	7,000	4,552,411

### Maturity analysis

The table below summarises the maturity profile of the company's financial liabilities at 31 March 2017 based on contractual undiscounted payments.

<i>Company</i> <i>In Rs. '000s</i>	<i>Within 1</i> <i>year</i>	<i>Between 1-2</i> <i>years</i>	<i>Between 2-3</i> <i>years</i>	<i>Between 3-4</i> <i>years</i>	<i>Between 4-5</i> <i>years</i>	<i>More than 5</i> <i>years</i>	<i>Total</i>
Trade and other payables	13,584	-	-	-	-	-	13,584
Amounts due to related parties	2,592	-	-	-	-	-	2,592
Bank overdrafts	27,601	-	-	-	-	-	27,601
	43,777	-	-	-	-	-	43,777

The table below summarises the maturity profile of the company's financial liabilities at 31 March 2016 based on contractual undiscounted payments.

<i>Company</i> <i>In Rs. '000s</i>	<i>Within 1</i> <i>year</i>	<i>Between 1-2</i> <i>years</i>	<i>Between 2-3</i> <i>years</i>	<i>Between 3-4</i> <i>years</i>	<i>Between 4-5</i> <i>years</i>	<i>More than 5</i> <i>years</i>	<i>Total</i>
Trade and other payables	15,411	-	-	-	-	-	15,411
Amounts due to related parties	1,929	-	-	-	-	-	1,929
Bank overdrafts	38	-	-	-	-	-	38
	17,378	-	-	-	-	-	17,378

## Notes to the Financial Statements

### 10.3 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 of the following risks:

- \* Interest rate risk
- \* Currency risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The sensitivity analysis in the following sections relate to the position as at 31 March in 2017 and 2016.

The following assumptions have been made in calculating the sensitivity analysis:

- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks.
- This is based on the financial assets and financial liabilities held at 31 March 2017 and 2016.

#### 10.3.1 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 following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	<i>Increase/ (decrease) in basis points</i>		<i>Effect on profit before tax</i>	
			<i>Group</i>	<i>Company</i>
2017	Rupee borrowings	Other currency borrowings		
	+ 220 basis points	+ 50 basis points	(36,740)	-
	- 220 basis points	- 50 basis points	36,740	-
2016	+ 180 basis points	+ 40 basis points	(19,308)	-
	- 180 basis points	- 40 basis points	19,308	-

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base rates such as LIBOR, SLIBOR and AWPLR.

#### 10.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements.

### 10.3.3 Effects of currency transaction on forward contract

The following table demonstrates the sensitivity to a reasonably possible change in the USD/LKR exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of the Group's forward exchange contracts. Currently these financial instruments are categorised under trade and other payable.

	<i>Increase/(decrease) in base point USD</i>	<i>Group</i>	<i>Company</i>
2017	3.87%	45,209	-
	-3.87%	(45,209)	-

### 10.3.4 Effects of currency transaction and translation

For purposes of consolidated financial statements, the income and expenses and the assets and liabilities of subsidiaries located outside Sri Lanka are converted into Sri Lankan Rupees. Therefore, period-to-period changes in average exchange rates may cause translation effects that have a significant impact on, for example, revenue, segment results (earnings before interest and taxes – EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates.

The Group's exposure to foreign currency changes for currencies other than USD is not material.

	<i>Increase/(decrease) in exchange rate USD</i>	<i>Group</i>		<i>Company</i>	
		<i>Effect on profit before tax Rs. 000's</i>	<i>Effect on equity Rs. 000's</i>	<i>Effect on profit before tax Rs. 000's</i>	<i>Effect on equity Rs. 000's</i>
2017	3.87%	(68,174)	471,558	-	-
	-3.87%	68,174	(471,558)	-	-
2016	10.15%	(29,115)	1,174,324	-	-
	-10.15%	29,115	(1,174,324)	-	-

#### Assumptions

The assumed movement, in the spread of the exchange rate sensitivity analysis, is based on the current observable market environment.

## 10.4 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.

<i>As at 31st March</i>	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Debt / Equity	0.15	0.13	-	-

## Notes to the Financial Statements

### 11 FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

#### Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are reflected in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in:

- Disclosures for valuation methods, significant estimates and assumptions - notes 11.4, 12.5
- Quantitative disclosures of fair value measurement hierarchy - note 11.1
- Investment in unquoted equity shares - note 24, 25, 26
- Property, plant and equipment under revaluation model - note 21.2
- Financial instruments (including those carried at amortised cost) - note 12.5

#### Accounting policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The Group determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operations.

External valuers are involved for valuation of significant assets, such as land and buildings. Involvement of external valuers is decided upon annually by the Group after discussion with and approval by the Company's Audit Committee. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the external valuers, which valuation techniques and inputs to use for individual assets and liabilities.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## Fair Value Hierarchy

### 11.1 Financial Assets and Liabilities by Fair Value Hierarchy - Group

The Group held the following financial instruments carried at fair value in the statement of financial position:

<i>Financial Assets</i>	<i>Level 1</i>		<i>Level 2</i>		<i>Level 3</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<i>As at 31st March</i> <i>In Rs. '000s</i>						
Available for sale	10	12	-	-	179,754	179,754
<b>Total</b>	<b>10</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>179,754</b>	<b>179,754</b>

<i>Financial Liabilities</i>	<i>Level 1</i>		<i>Level 2</i>		<i>Level 3</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<i>As at 31st March</i> <i>In Rs. '000s</i>						
Fair value through income statement						
Non-current financial liabilities						
Designated at fair value through income statement	-	-	-	-	-	78,418
Foreign exchange forward contracts	-	-	1,882	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,882</b>	<b>-</b>	<b>-</b>	<b>78,418</b>

### 11.2 Financial Assets and Liabilities by Fair Value Hierarchy - Company

The Company held the following financial instruments carried at fair value in the statement of financial position:

<i>Financial Assets</i>	<i>Level 1</i>		<i>Level 2</i>		<i>Level 3</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<i>As at 31st March</i> <i>In Rs. '000s</i>						
Available for sale	10	12	-	-	-	-
<b>Total</b>	<b>10</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

During the reporting periods 31 March 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

## Notes to the Financial Statements

### 11.3 Reconciliation of fair value measurements of Level 3 financial instruments

The Group carries unquoted equity shares as available-for-sale financial instruments classified as Level 3 within the fair value hierarchy.

A reconciliation of the beginning and closing balances including movements is summarised below:

<i>Financial Assets</i>	<i>Available-for-sale financial assets</i>
<i>In Rs. '000s</i>	<i>Group</i>
As at 1 April 2016	179,754
New investment	-
Total gains and losses recognised in OCI	-
<b>As at 31 March 2017</b>	<b>179,754</b>

Group has valued level 3 financial instruments as at reporting date using discounted cash flow method. Fair value would not significantly vary if one or more of the inputs were changed.

### 11.4 Non Financial Assets - Group

<i>As at 31st March In Rs. '000s</i>	<i>Level 1</i>		<i>Level 2</i>		<i>Level 3</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Assets measured at fair value						
Land and buildings	-	-	-	-	7,509,981	7,024,741
Buildings on leasehold land	-	-	-	-	4,463,628	4,706,291

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

## 12 FINANCIAL INSTRUMENTS AND RELATED POLICIES

### *Accounting policy*

### Financial instruments — initial recognition and subsequent measurement

#### 12.1 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 Group determines 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.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables and quoted and unquoted financial instruments.

##### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### Loans and receivables

Loans and receivables are non-derivative 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.

##### Available-for-sale financial investments

Available-for-sale financial investments include equity investments. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to the income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

## Notes to the Financial Statements

### Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 Group's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

### 12.2 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and

all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

#### Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognised directly in other comprehensive income.

### 12.3 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, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, other non-current financial liabilities and financial guarantee contracts.

#### Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

#### Loans and borrowings

After initial recognition, interest bearing loans and borrowings 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.

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition 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.

### 12.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 12.5 Foreign exchange forward contracts

Foreign exchange forward contracts are fair valued at each reporting date. Gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

## Notes to the Financial Statements

### 12 FINANCIAL INSTRUMENTS

#### 12.5 Financial Assets and Liabilities by Categories

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

<i>Financial assets by categories</i>	<i>Group</i>				<i>Company</i>			
	<i>Loans and receivables</i>		<i>Available-for-sale financial assets</i>		<i>Loans and receivables</i>		<i>Available-for-sale financial assets</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<i>As at 31st March In Rs. '000s</i>								
Financial instruments in non-current assets								
Non-current financial assets	4,960	5,710	179,764	179,766	-	-	10	12
Financial instruments in current assets								
Trade and other receivables	895,925	965,011	-	-	-	-	-	-
Amounts due from related parties	165,352	164,879	-	-	1,901	1,109	-	-
Short term investments	3,021,672	2,570,671	-	-	986,926	360,315	-	-
Cash in hand and at bank	1,153,473	870,080	-	-	43,901	6,799	-	-
<b>Total</b>	<b>5,241,382</b>	<b>4,576,351</b>	<b>179,764</b>	<b>179,766</b>	<b>1,032,728</b>	<b>368,223</b>	<b>10</b>	<b>12</b>

Both carrying amount and fair value are equal of available-for-sale financial assets.

The fair value of loans and receivables does not significantly vary from the value based on the amortised cost methodology.

<i>Financial liabilities by categories</i>	<i>Group</i>				<i>Company</i>			
	<i>Financial liabilities at fair value through Income Statement</i>		<i>Financial liabilities at amortized cost</i>		<i>Financial liabilities at fair value through Income Statement</i>		<i>Financial liabilities at amortized cost</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<i>As at 31st March In Rs. '000s</i>								
Financial instruments in non-current liabilities								
Borrowings	-	-	1,083,408	1,852,851	-	-	-	-
Non-current financial liabilities	-	78,418	-	-	-	-	-	-
Financial instruments in current liabilities								
Trade and other payables	-	-	718,019	666,688	-	-	13,584	15,411
Amounts due to related parties	-	-	139,316	159,970	-	-	2,592	1,929
Borrowings	-	-	2,573,150	1,150,925	-	-	-	-
Bank overdrafts	-	-	1,512,838	721,977	-	-	27,601	38
<b>Total</b>	<b>-</b>	<b>78,418</b>	<b>6,026,731</b>	<b>4,552,411</b>	<b>-</b>	<b>-</b>	<b>43,777</b>	<b>17,378</b>

The fair value of financial liabilities does not significantly vary from the value based on the amortised cost methodology.

The management assessed that the fair value of cash and short-term investments, trade and other receivables, trade and other payables and bank overdrafts approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

The following methods and assumptions were used to estimate the fair values:

Fair value of quoted equities and bonds is based on price quotations in an active market at the reporting date.

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of the unquoted ordinary shares has been estimated using a Discounted Cash Flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

#### Accounting judgements, estimates and assumptions

##### Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility.

## 13 REVENUE

### *Accounting Policy*

#### Revenue recognition

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:

#### Rendering of services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale.

#### Turnover based taxes

Turnover based taxes include value added tax, goods and services tax, economic service charge, nation building tax, turnover tax, pradeshiya sabha levy, tourism development levy and green tax. Companies in the Group pay such taxes in accordance with the respective statutes.

## Notes to the Financial Statements

### 13.1 Revenue

For the year ended 31st March

In Rs. '000s	Group		Company	
	2017	2016	2017	2016
Gross revenue	12,522,432	11,707,650	-	-
Less: Green tax	(210,768)	(75,677)	-	-
Net revenue	12,311,664	11,631,973	-	-

Value Added Tax and Goods & Services Tax of Rs. 1,586 million (2016 - Rs. 1,461 million) have been deducted in arriving at the gross revenue.

### 13.2 Revenue Analysis of the Group by Geographical Segment

For the year ended 31st March

In Rs. '000s	Group	
	2017	2016
Sri Lankan hotels	5,920,022	5,546,930
Maldivian hotels	6,391,642	6,085,043
	12,311,664	11,631,973

### 14 DIVIDEND INCOME

Accounting policy

#### Dividend

Dividend income is recognised when the Group's right to receive the payment is established.

For the year ended 31st March

In Rs. '000s	Group		Company	
	2017	2016	2017	2016
Income from investments in subsidiaries	-	-	1,205,710	962,744
	-	-	1,205,710	962,744

### 15 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

Accounting policy

#### Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the income statement, after deducting from the proceeds on 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.

#### Other income

Other income is recognised on an accrual basis.

## 15.1 Other operating income

For the year ended 31st March

In Rs. '000s	Group		Company	
	2017	2016	2017	2016
Sundry income	114,042	68,280	9,206	6,866
Amortisation of grant received	1,234	325	-	-
Gain on sale of lease rights of Rajawella Hotels Company Ltd	-	121,341	-	-
Exchange gain	-	-	-	3
	115,276	189,946	9,206	6,869

## 15.2 Other operating expenses

For the year ended 31st March

In Rs. '000s	Group		Company	
	2017	2016	2017	2016
Exchange loss	18,969	88,617	-	-
Power and Energy	460,484	514,732	-	-
Maintenance and repair cost	278,782	253,232	-	-
Loss on sale of property, plant and equipment	43,475	43,118	-	-
Nation Building Tax	129,131	121,355	-	-
Operating fees	335,179	325,610	-	-
Other overheads	76,766	110,059	821	503
	1,342,786	1,456,723	821	503

## 16 NET FINANCE INCOME / EXPENSE

### Accounting policy

#### Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets.

Interest income is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

#### Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of available for- sale financial assets, impairment

losses recognised on financial assets (other than trade receivables) that are recognised in the income statement.

Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

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

## Notes to the Financial Statements

### 16.1 Finance Income

For the year ended 31st March

In Rs. '000s	Group		Company	
	2017	2016	2017	2016
Interest income	217,267	127,129	82,570	32,368
	217,267	127,129	82,570	32,368

### 16.2 Finance expense

For the year ended 31st March

In Rs. '000s	Group		Company	
	2017	2016	2017	2016
Interest expenses on borrowings	227,788	182,025	-	355
	227,788	182,025	-	355
Net finance income / (expense)	(10,521)	(54,896)	82,570	32,013

## 17 PROFIT BEFORE TAX

### 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;

In Rs. '000s	Group		Company	
	2017	2016	2017	2016
Remuneration to executive directors	18,480	18,396	4,080	3,996
Remuneration to non executive directors	3,600	3,600	3,600	3,600
Auditors' remuneration				
Audit	12,371	9,976	1,174	1,102
Non-audit	6,951	6,217	840	794
Cost of defined employee benefits				
Defined benefit plan cost	35,453	30,578	-	-
Defined contribution plan cost-(EPF and ETF)	79,739	75,133	-	-
Staff expenses	1,907,231	1,767,935	-	-
Depreciation of property, plant and equipment	1,004,745	980,767	-	-
Donations	12,150	7,941	-	-
Amortisation of lease rentals paid in advance	556,836	700,853	-	-
(Reversal) / Impairment of bad and doubtful debts	2,677	4,891	-	-
(Reversal) / Provision for slow moving inventories	1,257	(787)	-	-
(Profit)/Loss on disposal of property, plant and equipment	43,475	43,118	-	-
Operating lease rentals	285,511	231,712	-	-
Business expansion expenses	2,777	2,373	2,777	2,373

## 18 TAXES

### *Accounting policy*

#### **Current tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognized in other comprehensive income shall be recognised in other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Management has used its judgment on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.

#### **Deferred tax**

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

No deferred tax asset or liability has been recognised in the companies which are enjoying the Board of Investment (BOI) Tax Holiday period, if there are no qualifying assets or liabilities beyond the BOI period.

### Sales tax

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

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

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

### 18.1 Tax expense

<i>For the year ended 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>Note</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<b>Current income tax</b>					
Current tax charge	18.6	281,776	248,615	24,510	10,986
Under/(over) provision of current tax in respect of prior years		427	(16,200)	973	(1,812)
10% withholding tax on inter company dividends		62,591	18,302	-	-
Irrecoverable Economic Service Charge		199	446	-	-
<b>Deferred income tax</b>					
Relating to origination and reversal of temporary differences	18.2	27,627	35,259	-	-
<b>Tax expense reported</b>		<b>372,620</b>	<b>286,422</b>	<b>25,483</b>	<b>9,174</b>

**18.2 Deferred Tax Expense**

<i>For the year ended 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	
<b>Income statement</b>					
<b>Deferred tax arising from</b>					
Accelerated depreciation for tax purposes	1,698	1,135	-	-	
Arising from utilisation of tax losses	27,795	35,960	-	-	
Employee benefits liability	(1,866)	(1,836)	-	-	
	27,627	35,259	-	-	
<b>Other comprehensive income</b>					
<b>Deferred tax arising from</b>					
Employee benefits liability	(1,777)	(847)	-	-	
Revaluation of land and building to fair value	(2,696)	9,055	-	-	
	(4,473)	8,208	-	-	
<b>Total deferred tax charge</b>	<b>23,154</b>	<b>43,467</b>	<b>-</b>	<b>-</b>	

Deferred Tax has been computed at the following rates :

Subsidiary companies in Sri Lanka engaged in promotion of tourism - 12%

Yala Village and subsidiary companies in Republic of Maldives - 15%

Others - 28%

**18.3 Income Tax Recoverable**

<i>As at 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	
Balance at the beginning of the year	44,174	59,163	8,276	11,264	
Arising during the year/(utilised)	94,872	(14,989)	-	(2,988)	
Balance at the end of the year	139,046	44,174	8,276	8,276	

**18.4 Income Tax Liabilities**

<i>As at 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	
Balance at the beginning of the year	254,642	359,015	14,399	9,081	
Charge for the year	281,776	248,615	24,510	10,986	
Exchange translation difference	9,216	3,657	-	-	
Payments, set off against refunds and tax credits	(436,416)	(356,645)	(1,252)	(5,668)	
Balance at the end of the year	109,218	254,642	37,657	14,399	

## Notes to the Financial Statements

### 18.5 Deferred Tax Assets and Liabilities

<i>As at 31st March</i>	<i>Group</i>			
	<i>Assets</i>		<i>Liabilities</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Balance at the beginning of the year	71,888	55,099	236,468	178,859
Transferred from/to deferred tax liabilities	-	(3,518)	-	(3,518)
Exchange translation difference	2,131	5,597	529	2,950
Charge/Credit	2,785	14,710	25,939	58,177
<b>Balance at the end of the year</b>	<b>76,804</b>	<b>71,888</b>	<b>262,936</b>	<b>236,468</b>
The closing deferred tax asset/liability balance relates to the following:				
Accelerated depreciation for tax purposes	76,804	66,745	278,382	292,507
Impact on revaluation of property, plant and equipment	-	-	97,855	76,688
Employee benefits liability	-	-	(20,358)	(17,133)
Losses available for off-set against future taxable income	-	5,143	(92,943)	(115,594)
	<b>76,804</b>	<b>71,888</b>	<b>262,936</b>	<b>236,468</b>

#### *Accounting judgements, estimates and assumptions*

The Group is subject to income tax and other taxes including VAT. Significant judgment was required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions

made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

The Group has tax losses relate to subsidiaries that have a history of losses that do not expire and may not be used to offset other tax liabilities and where the subsidiaries have no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

## 18.6 Reconciliation between current tax charge and the accounting profit

<i>For the year ended 31st March</i>	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<i>In Rs. '000s</i>				
Profit before tax	2,236,128	2,035,221	1,271,032	974,968
Dividend income from Group companies	1,205,710	962,744	-	-
Share of results of equity accounted investees	(1,004)	(593)	-	-
Other consolidation adjustments	2,462	3,816	-	-
<b>Profit after adjustments</b>	<b>3,443,296</b>	<b>3,001,188</b>	<b>1,271,032</b>	<b>974,968</b>
Dividends not subjected to income tax	(1,205,710)	(962,744)	(1,205,710)	(962,744)
Income not subject to income tax	-	(121,409)	-	-
Income exempt from income tax	(195,600)	(118,987)	-	-
Adjusted accounting profit chargeable to income taxes	2,041,986	1,798,048	65,322	12,224
Disallowable expenses	1,885,612	1,897,497	-	-
Allowable expenses	(1,930,696)	(1,977,077)	-	-
Utilization of tax losses	(160,063)	(120,589)	-	-
Qualifying payment deductions and tax free allowances	(4,798)	(4,513)	-	-
Tax losses not utilised in the current financial year	27,633	53,860	22,213	27,010
<b>Taxable income</b>	<b>1,859,674</b>	<b>1,647,226</b>	<b>87,535</b>	<b>39,234</b>
<b>Current tax charged at</b>				
Standard rate of 28% (2016 - 28%)	36,587	25,004	24,510	10,986
Income tax charged at 15% (2016 - 15%)	188,376	183,161	-	-
Concessionary rate of 12% (2016 - 12%)	56,813	40,450	-	-
<b>Current tax charge</b>	<b>281,776</b>	<b>248,615</b>	<b>24,510</b>	<b>10,986</b>

## Notes to the Financial Statements

### 18.7 Reconciliation between tax expense and the product of accounting profit

For the year ended 31st March	Group			
	Group		Company	
In Rs. '000s	2017	2016	2017	2016
Adjusted accounting profit chargeable to income tax	2,041,986	1,798,048	65,322	12,224
Tax effect on chargeable profits	311,629	266,750	18,290	3,423
Tax effect on non deductible expenses	5,000	15,330	-	-
Tax effect on deductions claimed	(17,048)	(14,158)	-	-
Net tax effect of unrecognised deferred tax assets for the year	7,169	31,769	6,220	7,563
Net tax effect of deferred tax assets in respect of previous year	1,593	(15,817)	-	-
Tax effect of transfers	1,060	-	-	-
Under / (over) provisions of current tax in respect of prior years	427	(16,200)	973	(1,812)
Other income based taxes				
Irrecoverable Economic Service Charge	199	446	-	-
10% withholding tax on inter company dividends	62,591	18,302	-	-
<b>Total tax expense</b>	<b>372,620</b>	<b>286,422</b>	<b>25,483</b>	<b>9,174</b>

The Group tax is based on the taxable profit of individual companies within the Group. At present the Tax Laws of Sri Lanka do not provide for Group taxation.

### 18.8 Tax Losses Carried Forward

For the Year Ended 31st March	Group		Company	
	2017	2016	2017	2016
Tax losses brought forward	2,247,215	2,345,947	27,010	22,183
Adjustments on finalisation of liability	(54,451)	(32,003)	(27,010)	(22,183)
Tax losses arising during the year	3,370	53,860	-	27,010
Utilisation of tax losses	(160,063)	(120,589)	-	-
	<b>2,036,071</b>	<b>2,247,215</b>	<b>-</b>	<b>27,010</b>

### 18.9 Applicable rates of Income Tax

Companies which undertake promotion of tourism in Sri Lanka are liable to tax at the rate of 12% of such income. Other Income is taxed at the rate of 28%. The following Companies enjoy a full or partial exemption and concessions under the law of Board of Investment (BOI) or Inland Revenue Act.

I Yala Village (Pvt) Ltd is taxed at a concessionary rate of 15% for a period of 15 years commencing from September 2003.

II Profits and income of Trinco Holiday Resorts (Pvt) Ltd are exempt from tax for a period of 10 years from the year of assessment 2011/2012.

III Profits and income of Beruwala Holiday Resorts (Pvt) Ltd are exempt from tax for a period of 8 years from the year of assessment 2014/2015.

## INCOME TAX RATES OF OFF-SHORE COMPANIES

The following subsidiaries based in the Republic of Maldives, are subject to Business Profit Tax of 15% with effect from 18th July 2011.

John Keells Maldivian Resorts (Pvt) Ltd  
 Travel Club (Pvt) Ltd  
 Fantasea World Investments (Pvt) Ltd  
 Tranquility (Pvt) Ltd

## 19 EARNINGS PER SHARE

### *Accounting policy*

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

*For the Year Ended 31st March*

*Group*

<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>
Profit attributable to equity holders of the parent	1,846,130	1,734,543
Weighted average number of ordinary shares	1,456,147	1,456,147
Basic earnings per share - Rs.	1.27	1.19

## 20 DIVIDENDS PER SHARE

*For the Year Ended 31st March*

*Group*

<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>
Declared and paid during the year		
Dividend paid	582,459	582,459
Weighted average number of ordinary shares	1,456,147	1,456,147
Dividend per share	0.40	0.40

## Notes to the Financial Statements

### 21 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 Group and the cost of the asset can be reliably measured.

##### Basis of measurement

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. All other repair and maintenance costs are recognised in the income statement as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation.

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.

Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Group has adopted a guideline of revaluing assets by a professional valuer at least once in every five years.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

##### De-recognition

An item of property, plant and equipment are derecognised 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 derecognised.

##### 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 or over the unexpired period of lease, whichever is lower.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The estimated useful life of assets is as follows:

<i>Assets</i>	<i>Years</i>
Buildings on leasehold land	Estimated lease period
Buildings freehold land	up to 60
Plant and machinery	03 - 10
Equipment	05 - 08
Furniture and fittings	05 - 08
Motor vehicles	05
Computer equipment	05
Cutlery, crockery and glassware and linen	03
Marine vessels	04 - 05

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

The useful lives of property, plant and equipment of Ceylon Holiday Resorts Ltd were reviewed and reassessed during the year in light of the forthcoming refurbishment of the hotel and therefore, the net book value of the property, plant and equipment as of 1 March 2017 were considered for acceleration of depreciation until the date of refurbishment.

### Borrowing costs

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

### Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

### Impairment of property plant and equipment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognized against the revaluation reserve through the statement of other comprehensive income to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

## Notes to the Financial Statements

### 21.1 Property, Plant and Equipment

<i>As at 31 st March</i>	<i>Land and buildings</i>	<i>Buildings on leasehold land</i>	<i>Plant and machinery</i>	
<i>In Rs. '000s</i>				
Group				
Cost or valuation				
At the beginning of the year	7,158,806	5,890,364	1,455,461	
Additions	32,209	101,991	59,217	
Disposals	-	(26,318)	(22,352)	
Revaluations	522,135	(223,806)	-	
Transfers	-	134,391	3,692	
Exchange translation difference	-	85,670	17,935	
Transfers on revaluation	(68,056)	(144,369)	-	
At the end of the year	7,645,094	5,817,923	1,513,953	
Accumulated depreciation				
At the beginning of the year	134,065	1,184,073	670,175	
Charge for the year	69,104	287,100	150,397	
Disposals	-	(10,420)	(15,899)	
Exchange translation difference	-	37,911	8,121	
Transfers on revaluation	(68,056)	(144,369)	-	
At the end of the year	135,113	1,354,295	812,794	
Carrying value				
As at 31 March 2017	7,509,981	4,463,628	701,159	
As at 31 March 2016	7,024,741	4,706,291	785,286	
Carrying value of assets				
At cost				
At valuation				
Carrying value of land and buildings				
At cost				
At valuation				

	<i>Equipment</i>	<i>Furniture and fittings</i>	<i>Motor vehicles</i>	<i>Computer equipment</i>	<i>Cutlery, crockery glassware and linen</i>	<i>Capital work in progress</i>	<i>Total 2017</i>	<i>Total 2016</i>
	1,728,486	1,208,393	94,752	215,144	282,036	214,332	18,247,774	16,944,827
	180,241	56,402	28,671	34,539	86,547	203,797	783,614	1,122,404
	(141,024)	(83,289)	(4,493)	(14,916)	(83,932)	-	(376,324)	(372,580)
	-	-	-	-	-	-	298,329	422,629
	9,451	-	-	-	-	(147,534)	-	-
	15,521	12,043	1,359	2,552	2,215	310	137,605	423,585
	-	-	-	-	-	-	(212,425)	(293,091)
	1,792,675	1,193,549	120,289	237,319	286,866	270,905	18,878,573	18,247,774
	920,950	755,875	52,492	116,120	141,150	-	3,974,900	3,384,794
	231,586	134,996	15,053	38,061	78,448	-	1,004,745	980,767
	(124,854)	(74,878)	(3,524)	(14,204)	(66,605)	-	(310,384)	(297,444)
	8,970	9,095	912	1,194	839	-	67,042	199,874
	-	-	-	-	-	-	(212,425)	(293,091)
	1,036,652	825,088	64,933	141,171	153,832	-	4,523,878	3,974,900
	756,023	368,461	55,356	96,148	133,034	270,905	14,354,695	
	807,536	452,518	42,260	99,024	140,886	214,332		14,272,874
							4,128,694	4,201,064
							10,226,001	10,071,810
							14,354,695	14,272,874
							1,747,608	1,659,222
							10,226,001	10,071,810
							11,973,609	11,731,032

## Notes to the Financial Statements

### 21.2 Revaluation of Land and Buildings

#### Accounting judgements, estimates and assumptions

The Group uses the fair valuation model of measurement of land and buildings. Fair value is determined by reference to market-based evidence. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property.

In determining the fair value of properties as at 31 March 2017, the Group has engaged independent Chartered valuers and they have carried out the valuation in accordance with Sri Lanka Accounting Standards and 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC).

The changes in fair value recognised in other comprehensive income and in the statement of equity. The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

The details of Property, Plant & Equipment of the Group which are stated at valuation are indicated below.

<i>Property</i>	<i>Method of Valuation</i>	<i>Effective date of valuation</i>	<i>Property Valuer</i>	<i>Significant unobservable inputs</i>	<i>Sensitivity of fair value to unobservable inputs</i>
<b>Land of</b>					
Ahungalla Holiday Resorts (Pvt) Ltd	Direct capital comparison method	31st March 2017	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated price per perch Rs. 275,000	Positively correlated sensitivity
Resort Hotels Ltd	Open market value method	31st March 2017	Mr. P.B. Kalugalagedara Consultant Valuer & Assessor	Estimated price per perch Rs. 125,000	Positively correlated sensitivity
Trinco Walk Inn Ltd	Open market value method	31st March 2017	Mr. P.B. Kalugalagedara Consultant Valuer & Assessor	Estimated price per perch Rs. 125,000	Positively correlated sensitivity
Wirawila Walk Inn Ltd	Residual method	31st March 2017	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated occupancy rate 65%	Positively correlated sensitivity
Nuwara Eliya Holiday Resorts (Pvt) Ltd	Residual method / Open market value method	31st March 2017	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated occupancy rate 70% and estimated price per perch Rs. 375,000	Positively correlated sensitivity
<b>Land and buildings of</b>					
Beruwala Holiday Resorts (Pvt) Ltd	Depreciated replacement cost method / Direct capital comparison method	31st March 2017	Mr. P.B. Kalugalagedara Consultant Valuer & Assessor	Estimated price per perch Rs. 550,000 -700,000 and per square foot Rs.3,000 - 10,500	Positively correlated sensitivity
Kandy Walk Inn Ltd	Depreciated replacement cost method / Open market value method	31st March 2017	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated price per perch Rs. 400,000 - 1,000,000 and per square foot Rs.750 - 10,000	Positively correlated sensitivity

<i>Property</i>	<i>Method of Valuation</i>	<i>Effective date of valuation</i>	<i>Property Valuer</i>	<i>Significant unobservable inputs</i>	<i>Sensitivity of fair value to unobservable inputs</i>
Trinco Holiday Resorts (Pvt) Ltd	Depreciated replacement cost method / Direct capital comparison method	31st March 2017	Mr. P.B. Kalugalagedara Consultant Valuer & Assessor	Estimated price per perch Rs. 200,000 and per square foot Rs.1,000 - 6,500	Positively correlated sensitivity
<b>Land &amp; buildings on leasehold land of</b>					
Ceylon Holiday Resorts Ltd	Depreciated replacement cost method / Direct capital comparison method	31st March 2017	Mr. P.B. Kalugalagedara Consultant Valuer & Assessor	Estimated price per perch Rs. 750,000 and per square foot Rs.1,000 - 3,500	Positively correlated sensitivity
Habarana Lodge Ltd	Depreciated replacement cost method	31st March 2017	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated price per square foot Rs.500 - 10,250	Positively correlated sensitivity
Habarana Walk Inn Ltd	Depreciated replacement cost method	31st March 2017	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated price per square foot Rs.2,500 - 7,500	Positively correlated sensitivity
Hikkaduwa Holiday Resorts (Pvt) Ltd	Depreciated replacement cost method / Direct capital comparison method	31st March 2017	Mr. P.B. Kalugalagedara Consultant Valuer & Assessor	Estimated price per perch Rs. 850,000 and per square foot Rs.1,000 - 5,250	Positively correlated sensitivity
Yala Village (Pvt) Ltd	Depreciated replacement cost method	31st March 2017	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated price per square foot Rs.1,000 -8,000	Positively correlated sensitivity

#### Summary description of valuation methodologies

##### Open market value method

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

##### Depreciated replacement cost method

Depreciated replacement cost uses the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

##### Direct capital comparison method

This method may be adopted when the rental value is not available from the property concerned, but there are evidences of sale price of properties as a whole. In such cases, the capitalized value of the property is fixed by direct comparison with capitalized value of similar property in the locality.

## Notes to the Financial Statements

- 21.3** The carrying amounts of fair valued land and buildings if they were carried at cost less depreciation, would be as follows.

*As at 31st March*

<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>
Cost	5,538,350	5,269,759
Accumulated depreciation and impairment	(838,368)	(746,062)
Carrying value	4,699,982	4,523,697

- 21.4** Segmental Analysis of Net Book Value of property, plant and equipment

*As at 31st March*

<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>
Sri Lanka	11,650,233	11,674,861
Maldives	2,704,462	2,598,013
	14,354,695	14,272,874

- 21.5** Group land and buildings with a carrying value of Rs. 4.4 Bn (2016 - Rs. 4.4 Bn) have been pledged as security for term loans obtained, details of which are disclosed in Note 35.2.
- 21.6** Group property, plant and equipment with a cost of Rs. 920 million (2016 - Rs. 740 million) have been fully depreciated and continue to be in use by the Group.

## 22 LEASES

### *Accounting Policy*

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 April 2011, the date of inception is deemed to be 1 April 2012 in accordance with the SLFRS 1.

### **Lease rentals paid in advance**

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term and assessed for impairment whenever there is an indication that the asset may be impaired.

## 22.1 Lease Rentals Paid in Advance

*As at 31st March**Group*

<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>
Balance at the beginning of the year	8,537,247	7,861,533
Payments made during the year	2,479,950	607,155
Disposal of lease right	-	(33,147)
Amortisation during the year	(556,836)	(700,853)
Exchange difference	253,870	802,559
Balance at the end of the year	10,714,231	8,537,247

## 22.2 Details of lease rentals paid in advance

*As at 31st March**Group*

<i>Property</i>	<i>Land Extent (in Acres)</i>	<i>Lease Period</i>	<i>2017</i>	<i>2016</i>
Yala Village (Pvt) Ltd Cinnamon Wild Yala	11.25	30 years from 27th November 2006	58,631	61,625
Hikkaduwa Holiday Resorts (Pvt) Ltd Hikka Tranz by Cinnamon	0.03	10 years from 01st January 2012	500	600
Tranquility (Pvt) Ltd* Cinnamon Dhonveli Maldives	17.16	35 years from 26th August 2010	9,121,221	6,917,044
Travel Club (Pvt) Ltd Ellaidhoo Maldives by Cinnamon	13.80	24 years from 04th August 2006	1,207,738	1,230,540
Fantasea World Investments (Pvt) Ltd Cinnamon Hakuraa Huraa Maldives	18.90	25 years lease extension from 27th August 2022	326,141	327,438
			10,714,231	8,537,247

\* Tranquility (Pvt) Ltd paid US\$ 15 million to Yacht Tours Maldives (Pvt) Ltd and US\$ 1.5 million to Ministry of Tourism of Republic of Maldives on 19th December 2016 in order to extend head lease rights of Dhonveli Island from 26th August 2028 to 16th April 2045.

These lease rentals paid have been classified lease rental paid in advance under non-current assets and are amortised over the lease term.

## Notes to the Financial Statements

### 23 INTANGIBLE ASSETS

#### Accounting policy

#### Basis of recognition

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

#### Basis of measurement

The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

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

#### Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives.

Intangible assets with indefinite useful lives such as Goodwill are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

#### 23.1 Intangible Assets

##### As at 31st March

<i>In Rs. '000s</i>	<i>Group</i>	
	<i>2017</i>	<i>2016</i>
Goodwill		
Cost		
At the beginning of the year	670,407	670,407
Additions during the year	-	-
Adjustments on impairment	-	-
At the end of the year	670,407	670,407

Goodwill acquired through Business Combinations has been allocated to Cash Generating Units (CGU) of Cinnamon Resorts for impairment testing.

<i>In Rs. '000s</i>	<i>Net Carrying Value of Goodwill</i>	
	<i>2017</i>	<i>2016</i>
Cinnamon resorts	670,407	670,407
Cost	670,407	670,407

The recoverable amount of all CGUs have been determined based on the Fair Value Less Cost to Sell or Value In Use (VIU) calculation.

### Accounting judgements, estimates and assumptions

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

#### Gross Margins

The basis used to determine the value assigned to the budgeted gross margins, is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

#### Inflation

The basis used to determine the value assigned to the budgeted cost inflation is the inflation rate based on projected economic conditions.

#### Discount Rate

The discount rate used is the risk free pre-tax discount rate, adjusted by the addition of an appropriate risk premium.

#### Volume Growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of the two years immediately preceding the budgeted year and future industry growth rates.

Cash flows beyond the five year period has been extrapolated using a zero growth rate.

## 24 INVESTMENTS IN SUBSIDIARIES

### Accounting policy

Investment In subsidiaries are initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries are immediately recognised in the income statement. Following initial recognition, Investment In subsidiaries are carried at cost less any accumulated impairment losses.

#### Investments in subsidiaries

##### 24.1 Carrying value

<i>As at 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>Note</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Investments in subsidiaries - Unquoted	24.2	-	-	10,665,499	10,623,739
		-	-	10,665,499	10,623,739

## Notes to the Financial Statements

### 24.2 Investments in subsidiaries - Unquoted

As at 31st March	Group		Company		Cost	
	% Holding		% Holding			
In Rs. '000s	2017	2016	2017	2016	2017	2016
Ceylon Holiday Resorts Ltd	98.65%	98.65%	98.65%	98.65%	1,052,011	1,052,011
Habarana Lodge Ltd	98.35%	98.35%	98.35%	98.35%	695,084	695,084
International Tourists and Hoteliers Ltd	99.33%	99.33%	99.33%	99.33%	2,094,401	2,094,401
Kandy Walk Inn Ltd	98.39%	98.39%	98.39%	98.39%	408,998	408,998
Habarana Walk Inn Ltd	98.77%	98.77%	98.77%	98.77%	311,851	311,851
John Keells Maldivian Resorts (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	4,739,853	4,739,853
Rajawella Hotels Co. Ltd	100.00%	100.00%	100.00%	100.00%	34,862	34,452
Trinco Walk Inn Ltd	100.00%	100.00%	100.00%	100.00%	95,940	95,940
Wirawila Walk Inn Ltd	100.00%	100.00%	100.00%	100.00%	25,559	25,259
Yala Village (Pvt) Ltd	93.78%	93.78%	93.78%	93.78%	300,678	300,678
Trinco Holiday Resorts (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	357,000	357,000
Ahungalla Holiday Resorts (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	132,750	132,350
Nuwara Eliya Holiday Resorts (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	316,062	275,562
Cinnamon Holidays (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	200	200
Resort Hotels Ltd	98.65%	98.65%	23.56%	-	250	-
Yala Holiday Resorts (Pvt) Ltd	-	100.00%	-	100.00%	-	100
Tranquility (Pvt) Ltd	100.00%	100.00%	-	-	-	-
Travel Club (Pvt) Ltd	100.00%	100.00%	-	-	-	-
Fantasea World Investments (Pvt) Ltd	100.00%	100.00%	-	-	-	-
Beruwela Holiday Resorts (Pvt) Ltd	99.33%	99.33%	-	-	-	-
Hikkaduwa Holiday Resorts (Pvt) Ltd	98.65%	98.65%	-	-	-	-
15% Cumulative preference shares						
Yala Village (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	100,000	100,000
Total investments in subsidiaries					10,665,499	10,623,739

### 24.3 Material partly-owned subsidiaries

The Group has concluded that non-controlling interest is not material in aggregate and individually for disclosure purpose.

## 25 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

### *Accounting policy*

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint ventures entered into by the Group, which have been accounted for using the equity method, is

Name	Country of incorporation
Sentinel Realty (Pvt) Ltd	Sri Lanka

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The Income statement reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income (OCI) of those investees is

presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The share of profit or loss of a joint venture is shown on the face of income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the income statement.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

### Investments in equity accounted investees

#### 25.1 Carrying value

<i>As at 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>Note</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Investments in joint venture - Unquoted	25.2	70,336	67,215	64,625	63,599
		70,336	67,215	64,625	63,599

## Notes to the Financial Statements

### 25.2 Investments in joint venture - Unquoted

<i>As at 31st March</i>	<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Sentinel Realty (Pvt) Ltd	50.00%	50.00%	64,625	63,599
Total investments in joint venture			64,625	63,599

### 25.3 Summarised financial information of joint venture

<i>As at 31st March</i>	<i>As per Joint Venture</i>		<i>Group share</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Revenue	-	-	-	-
Administrative expenses	(2,008)	(1,186)	(1,004)	(593)
Loss for the year	(2,008)	(1,186)	(1,004)	(593)
Total assets	143,910	136,800	71,955	68,400
Total liabilities	(3,238)	(2,370)	(1,619)	(1,185)
Net assets	140,672	134,430	70,336	67,215

The Group and the Company have neither contingent liabilities nor capital and other commitments in respect of its joint venture.

## 26 NON-CURRENT FINANCIAL ASSETS

<i>As at 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>Note</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Outside Investments					
Quoted					
Ceylon Hotels Corporation PLC		10	12	10	12
Unquoted					
Rainforest Ecolodge (Pvt) Ltd		18,347	18,347	-	-
Sri Lanka Hotel Tourism Training Institute Ltd		50	50	-	-
Rajawela Holdings Ltd		161,357	161,357	-	-
		179,754	179,754	-	-
Loans to executives	26.1	4,960	5,710	-	-
Total other non current financial assets		184,724	185,476	10	12

**26.1 Loans to executives**

<i>As at 31st March</i>	<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
At the beginning of the year	7,250	5,385	-	-
Loans granted / transfers	1,777	6,019	-	-
Recoveries	(2,640)	(4,154)	-	-
At the end of the year	6,387	7,250	-	-
Receivable within one year	1,427	1,540	-	-
Receivable between one and five years	4,960	5,710	-	-
	6,387	7,250	-	-

**27 OTHER NON-CURRENT ASSETS**

<i>As at 31st March</i>	<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Prepaid staff loans	577	489	-	-
	577	489	-	-

**28 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.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

- Food and Beverage - On a weighted average basis
- House Keeping and Maintenance - On a weighted average basis
- Other inventories - At actual cost

**28.1 Inventories**

<i>As at 31st March</i>	<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Food and beverage	104,096	97,300	-	-
House keeping and maintenance	83,912	83,205	-	-
Others	8,036	7,087	-	-
	196,044	187,592	-	-
Less : Provision for slow moving inventories	(5,778)	(4,521)	-	-
	190,266	183,071	-	-

## Notes to the Financial Statements

### 29 TRADE AND OTHER RECEIVABLES

<i>As at 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>Note</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Trade receivables		852,570	883,102	-	-
Provision for bad and doubtful debts	29.1	(44,714)	(42,037)	-	-
Other debtors		86,642	122,406		
Loans to executives	26.1	1,427	1,540	-	-
		895,925	965,011	-	-

#### 29.1 Movement of provision for bad and doubtful debts

<i>As at 31st March</i>		<i>Group</i>	
<i>In Rs. '000s</i>		<i>Individually Impaired</i>	<i>Total</i>
As at 1 April 2015		37,146	37,146
Charge for the year		4,891	4,891
As at 31 March 2016		42,037	42,037
Charge for the year		2,677	2,677
As at 31 March 2017		44,714	44,714

### 30 OTHER CURRENT ASSETS

<i>As at 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>		<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Prepayments and non cash receivables		363,389	247,210	2,675	3,251
Tax recoverable		82,565	48,908	9,879	3,847
		445,954	296,118	12,554	7,098

### 31 SHORT TERM INVESTMENTS

#### *Accounting policy*

Cash and short term deposits in the statement of financial position comprised cash at bank and on hand and short term deposits with a maturity of three months or less.

For the purpose of cash flow statement, cash and cash equivalents consist of cash and short term deposits as defined above, net of outstanding bank overdrafts.

<i>As at 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>		<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Bank deposits (Less than 3 months) reported for cash flow		1,563,223	978,500	886,480	360,315
Bank deposits (more than 3 months and less than 1 year)		1,458,449	1,592,171	100,446	-
Total		3,021,672	2,570,671	986,926	360,315

**32 STATED CAPITAL AND OTHER COMPONENTS OF EQUITY***Accounting policy*

The ordinary shares of John Keells Hotels PLC are quoted in the Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are eligible for one vote per share at General Meetings of the Company. The Group has in place an Employee Share Option Plan. Please refer note 34 for further details.

**Stated Capital***As at 31st March*

	2017		2016	
	<i>Number of shares '000s</i>	<i>Value of shares Rs. '000s</i>	<i>Number of shares '000s</i>	<i>Value of shares Rs. '000s</i>
Fully paid ordinary shares				
At the beginning of the year	1,456,147	9,500,247	1,456,147	9,500,247
Issue of shares for cash	-	-	-	-
At the end of the year	1,456,147	9,500,247	1,456,147	9,500,247

**33 OTHER COMPONENTS OF EQUITY***As at 31st March*

<i>In Rs. '000s</i>	<i>Note</i>	<i>Group</i>		<i>Company</i>	
		<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Revaluation reserve	33.1	3,845,799	3,544,144	-	-
Foreign currency translation reserve	33.2	2,870,943	2,539,286	-	-
Available for sale reserve	33.3	(3)	(1)	(3)	(1)
Employee share option plan reserve	33.4	32,693	23,015	-	-
		6,749,432	6,106,444	(3)	(1)

- 33.1** Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment.
- 33.2** Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of foreign operation into Sri Lankan rupees.
- 33.3** Available for sale reserve includes changes of fair value of financial instruments designated as available for sale financial assets.
- 33.4** Employee share option plan reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

## Notes to the Financial Statements

### 34 SHARE-BASED PAYMENT PLANS

#### Accounting Policy

##### Employee share option plan

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transaction).

The Group applies SLFRS 2 Share Based Payments in accounting for employee remuneration in the form of shares from 2013/14 financial year onwards.

##### Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting

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

*For the year ended 31st March*

<i>In Rs. '000s</i>	<i>Group</i>	
	<i>2017</i>	<i>2016</i>
Expense arising from equity-settled share-based payment transactions	9,765	9,600
Total expense arising from share-based payment transactions	9,765	9,600

irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

##### 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 and the subsidiary 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.

**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:

	<i>Group</i>			
	<i>2017</i>		<i>2016</i>	
	<i>No.</i>	<i>WAEP</i>	<i>No.</i>	<i>WAEP</i>
Outstanding at 1 April	486,664	196.00	316,793	211.10
Granted during the year	265,405	142.83	170,636	171.25
Transfer in / (out)	(119,451)	164.87	-	-
Forfeited during the year	(31,522)	171.78	(76,310)	186.53
Adjustment during the year	58,005	177.95	75,545	202.36
Expired during the year				
Outstanding at 31 March	659,101	160.87	486,664	196.00
Exercisable at 31 March	215,200	174.89	103,504	212.24

*Accounting judgements, estimates 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 option were granted.

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

**35 INTEREST BEARING BORROWINGS****35.1 Movement**

<i>As at 31st March</i>	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<i>In Rs. '000s</i>				
Balance at the beginning of the year	3,003,776	4,196,650	-	33,441
Loans obtained during the year	1,894,090	-	-	-
Currency translation difference	106,135	183,778	-	-
Repayments during the year	(1,347,443)	(1,376,652)	-	(33,441)
Balance at the end of the year	3,656,558	3,003,776	-	-
Repayable within one year	2,573,150	1,150,925	-	-
Repayable after one year				
Repayable between one and five years	1,083,408	1,845,851	-	-
Repayable after five years	-	7,000	-	-
	1,083,408	1,852,851	-	-
	3,656,558	3,003,776	-	-

## Notes to the Financial Statements

### 35.2 Security and Repayment Terms of Borrowings

<i>In Rs. '000s</i>	<i>Lending Institution</i>	<i>Nominal Interest Rate</i>	<i>Repayment terms</i>	<i>Details of Collaterals</i>	<i>2017</i>	<i>2016</i>
John Keells Maldivian Resorts (Pvt) Ltd	Sampath Bank PLC	6 months LIBOR based plus margin	The loan is payable within 90 days	Fixed deposits of USD 4.3 Mn	1,477,455	-
Travel Club (Pvt) Ltd	HSBC Bank	3 months LIBOR based plus margin	8 quarterly instalments commencing from December 2014	-	-	99,664
	HSBC Bank	1 months LIBOR based plus margin	12 quarterly instalments commencing from September 2017	-	303,800	-
Trinco Holiday Resorts (Pvt) Ltd	Sampath Bank PLC	6 months LIBOR based plus margin	20 quarterly instalments commencing from April 2014	Corporate guarantee of John Keells Hotels PLC for the LKR equivalent of USD 1.158Mn	70,360	102,655
	Sampath Bank PLC	AWPLR based plus margin	83 monthly instalments commencing from July 2014	Letter of comfort of John Keells Hotels PLC	205,000	216,432
Habarana Lodge Ltd	Sampath Bank PLC	6 months LIBOR based plus margin	20 quarterly instalments commencing from July 2013	Corporate guarantee of John Keells Hotels PLC of USD 2Mn	75,950	132,885
	Habib Bank Ltd	1 month LIBOR based plus margin	48 monthly instalments commencing from July 2013	Corporate guarantee of John Keells Hotels PLC of USD 0.9Mn	6,076	32,483
Kandy Walk Inn Ltd	HSBC Bank	1 month LIBOR based plus margin	48 monthly instalments commencing from October 2013 with one year grace period	-	91,840	252,933
Yala Village (Pvt) Ltd	Sampath Bank PLC	6 months LIBOR based plus margin	20 quarterly instalments commencing from July 2013	Corporate guarantee of John Keells Hotels PLC of USD 1.5Mn	56,962	99,664
	Habib Bank Ltd	AWPLR based minus margin	48 monthly instalments commencing from August 2014	-	39,667	67,747

<i>In Rs. '000s</i>	<i>Lending Institution</i>	<i>Nominal Interest Rate</i>	<i>Repayment terms</i>	<i>Details of Collaterals</i>	<i>2017</i>	<i>2016</i>
Beruwala Holiday Resorts (Pvt) Ltd	Hatton National Bank PLC	1 Month SLIBOR with a cap	74 monthly instalments commencing from April 2013	Rs. 3.4 Mn primary floating mortgage bond over hotel property	439,683	559,104
	Sampath Bank PLC	6 months LIBOR based plus margin	20 quarterly instalments commencing from July 2013	Corporate guarantee of John Keells Hotels PLC of USD 4Mn	75,950	132,937
	Standard Chartered Bank	1 months LIBOR based plus margin	16 quarterly instalments commencing from February 2014	Corporate guarantee of John Keells Hotels PLC for the LKR equivalent of USD 2Mn	243,040	443,477
Hikkaduwa Holiday Resorts (Pvt) Ltd	DFCC Bank PLC	AWPLR based minus margin	66 monthly instalments commencing from November 2013	Primary mortgage over lease rights of LKR 940 Mn and LKR 60 Mn over movable property and plant and equipment	388,495	572,892
	Sampath Bank PLC	6 months LIBOR based plus margin	20 quarterly instalments commencing from October 2013	Corporate guarantee of John Keells Hotels PLC for the LKR equivalent of USD 4Mn	182,280	290,903
					3,656,558	3,003,776

## 36 EMPLOYEE BENEFIT LIABILITY

### *Accounting Policy*

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

### **Employee defined benefit plan - gratuity**

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in the other comprehensive income this was previously recognized in income statement.

## Notes to the Financial Statements

<i>As at 31st March</i>	<i>Group</i>		<i>Company</i>	
	<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>
Balance at the beginning of the year	156,077	141,005	-	-
Current service cost	19,072	19,346	-	-
Interest cost	16,381	11,232	-	-
Payments made during the year	(15,930)	(14,452)	-	-
Transfers	(12)	554	-	-
Gain arising from changes in the assumptions or due to over provision in the previous year	12,210	(1,608)	-	-
<b>Balance at the end of the year</b>	<b>187,798</b>	<b>156,077</b>	<b>-</b>	<b>-</b>
The expenses recognised in the following line items in the income statement				
Cost of sales	13,754	12,705		
Administrative expenses	20,559	16,877		
Distribution expenses	1,140	996		
	<b>35,453</b>	<b>30,578</b>		

### *Accounting judgements , estimates and assumptions*

The employee benefit liability of the Group is based on the actuarial valuation carried out by Independent actuarial specialist. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions.

All assumptions are reviewed at each reporting date.

The employee benefit liability of the Group is based on the actuarial valuations carried out by Smiles Global (Pvt) Limited., actuaries.

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

	<i>2017</i>	<i>2016</i>
Discount rate	10.5%	10.5%
Future salary increases	10%	9%

### **36.1 Sensitivity of assumptions used**

If a one percentage point change is assumed in the discount rate and salary increment rate, it would have the following effects:

<i>As at 31st March</i>	<i>Discount rate</i>		<i>Salary increment</i>	
	<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>
Effect on the defined benefit obligation liability				
Increase by one percentage point	(7,592)	(5,400)	8,467	5,898
Decrease by one percentage point	8,299	5,593	(7,882)	(5,520)

### 36.2 Maturity analysis of the payments

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

<i>In Rs. '000s</i>	2017	2016
Within the next 12 months	14,860	9,616
Between 1 and 2 years	20,307	23,541
Between 2 and 5 years	62,877	59,223
Between 5 and 10 years	89,754	63,697
<b>Total expected payments</b>	<b>187,798</b>	<b>156,077</b>

The Group weighted average duration of the defined benefit plan obligation is 5.94 (2016 - 3.18) years.

### 37 OTHER DEFERRED LIABILITIES

#### *Accounting policy*

#### **Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match to the costs, that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

#### **Deferred sublease payment**

Lease payment under operating lease recognise as an expense on straight-line basis over the lease term. Differences arising due to lease payments and lease charges recognised on straight line basis, are adjusted through the other deferred liabilities account.

<i>As at 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>Note</i>	2017	2016	2017	2016
Grant	37.1	4,344	3,009	-	-
Deferred sublease payment	37.2	115,663	81,392	-	-
		120,007	84,401	-	-

#### 37.1

<i>As at 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>		2017	2016	2017	2016
Balance at the beginning of the year		3,009	3,334	-	-
Grant received during the year		2,097	-	-	-
Amortisation during the year		(762)	(325)	-	-
<b>Balance at the end of the year</b>		<b>4,344</b>	<b>3,009</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements

Basis of amortisation - 10% p.a.

This represents the grant received by Yala Village (Pvt) Ltd from The Ceylon Chamber of Commerce for the garbage disposal project with regard to the Promotion of Eco-efficient Productivity (PEP) and the grant received by Fantasea World Investments (Pvt) Ltd from Ministry of Tourism of Maldives to develop a bio gas plant.

- 37.2** Differences arising due to lease payments and lease charges recognised on straight line basis, as per SLFRS/LKAS, are adjusted through the other deferred liabilities account. These amounts are expected to be reverse over the lease term.

### 38 NON-CURRENT FINANCIAL LIABILITIES

#### *Accounting policy*

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

<i>As at 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>Note</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Amount payable to Yacht Tours Maldives (Pvt) Ltd	38.1	-	78,418	-	-
		-	78,418	-	-

- 38.1** The amount payable to Yacht Tours Maldives Private Limited (YTM) by Tranquility (Pvt) Ltd was reversed during the period. The liability no longer exists due to the cancellation of Reassignment Agreement between Tranquility Private Limited and YTM.

### 39 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 payables are classified as current liabilities if payment is due within one year. Trade and other payables are normally non-interest bearing and settled within one year.

<i>As at 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>		<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Trade payables		333,618	337,080	-	-
Other payables		242,942	232,993	6,889	10,036
Accrued expenses		141,459	96,615	6,695	5,375
		718,019	666,688	13,584	15,411

**40 OTHER CURRENT LIABILITIES***Accounting policy*

Group classifies all non financial current liabilities under other current liabilities.

These include non refundable deposits and other tax payables. These liabilities are recorded at amounts expected to be set-off at the reporting date.

<i>As at 31st March</i>	<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Non refundable deposits	277,462	367,437	-	-
Other tax payables	178,462	151,981	-	-
	455,924	519,418	-	-

**41 RELATED PARTY TRANSACTIONS****Terms and conditions of transactions with related parties**

The Group and Company carried out transactions in the ordinary course of business at arm's length price with the following related entities. The list of Directors at each of the subsidiary and joint venture companies have been disclosed in the Group directory under the Supplementary Information section of the Annual Report.

Outstanding current account balances at the year end are unsecured, interest free and settlements occur in cash. Loans are given at pre-agreed terms and interest rates.

**Non-recurrent related party transactions**

There were no any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of

the Company as per 31 March 2016 audited financial statements, which required additional disclosures in the 2016/17 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

**Recurrent related party transactions**

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2016 audited financial Statements, which required additional disclosures in the 2016/17 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

## Notes to the Financial Statements

### 41.1 Amounts Due from Related Parties

<i>As at 31st March</i>	<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Ultimate parent				
John Keells Holdings PLC	128	639	-	-
Companies under common control				
Walkers Tours Ltd	145,654	133,692	-	-
Whittall Boustead (Travel) Ltd	16,696	22,122	-	-
Cinnamon Hotel Management Ltd	2,820	8,062	-	-
Ceylon Cold Stores PLC	54	-	-	-
John Keells Office Automation (Pvt) Ltd	-	245	-	-
Asian Hotels & Properties PLC	-	15	-	-
Trans Asia Hotels PLC	-	33	-	-
Nexus Networks (Pvt) Ltd	-	30	-	-
Sancity Hotels & Properties Ltd	-	41	-	-
Habarana Lodge Ltd	-	-	35	70
Nuwara Eliya Holiday Resorts (Pvt) Ltd	-	-	1,553	373
Yala Village (Pvt) Ltd	-	-	24	42
Beruwela Holiday Resorts (Pvt) Ltd	-	-	136	242
Hikkaduwa Holiday Resorts (Pvt) Ltd	-	-	77	124
Trinco Holiday Resorts (Pvt) Ltd	-	-	30	43
Wirawila Walk Inn Ltd	-	-	44	-
Resort Hotels Ltd	-	-	2	-
Rajawella Hotels Co. Ltd	-	-	-	155
Cinnamon Holidays (Pvt) Ltd	-	-	-	60
	165,224	164,240	1,901	1,109
	165,352	164,879	1,901	1,109

## 41.2 Amounts Due to Related Parties

<i>As at 31st March</i>	<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Ultimate parent				
John Keells Holdings PLC	6,986	6,348	487	60
Companies under common control				
Cinnamon Hotel Management Ltd	118,522	135,616	1,712	676
InfoMate (Pvt) Ltd	2,951	2,442	31	30
Keells Food Products PLC	4,377	5,130	-	-
John Keells International (Pvt) Ltd	1,709	1,318	-	-
John Keells Office Automation (Pvt) Ltd	1,639	540	-	-
Ceylon Cold Stores PLC	571	1,303	-	-
Walkers Tours Ltd	913	3,764	-	-
Jaykay Marketing Services (Pvt) Ltd	74	103	-	-
Asian Hotels & Properties PLC	-	523	-	-
Keells Consultants (Pvt) Ltd	331	483	97	318
Mackinnons Travels (Pvt) Ltd	37	1,331	-	-
Wirawila Walk Inn Ltd	-	-	-	236
Trinco Holiday Resorts (Pvt) Ltd	-	-	160	164
Mack Air Services Maldives (Pvt) Ltd	258	581	-	-
Yala Village (Pvt) Ltd	-	-	16	171
Trans Asia Hotels PLC	48	189	-	158
Resort Hotels Ltd	-	-	-	114
Ceylon Holiday Resorts Ltd	-	-	-	2
Hikkaduwa Holiday Resorts (Pvt) Ltd	-	-	61	-
Habarana Walk Inn Ltd	-	-	27	-
Rajawella Hotels Company Ltd	-	-	1	-
Mackinnons Keells Ltd	579	-	-	-
John Keells Logistics (Pvt) Ltd	66	-	-	-
Sancity Hotels & Properties Ltd	255	299	-	-
	132,330	153,622	2,105	1,869
	139,316	159,970	2,592	1,929

## Notes to the Financial Statements

### 41.3 Transactions with Related Parties

<i>For the year ended 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>Note</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<b>Ultimate parent</b>					
Receiving of services		(62,202)	(60,563)	(3,354)	(2,792)
Directors fees paid		(18,480)	(18,396)	(4,080)	(3,996)
<b>Companies Under Common Control</b>					
Purchase of goods	41.4	(79,777)	(69,237)	-	-
Rendering of services	41.5	572,761	738,750	-	-
Receiving of services	41.6	(1,000,015)	(813,370)	(2,797)	(496)
Sale of lease rights		-	161,357	-	-
<b>Equity accounted investees</b>					
<b>Joint ventures</b>					
Rendering of services		-	-	-	-
Receiving of services		-	-	-	-
<b>Key management personnel</b>					
<b>Close family members of KMP</b>					
<b>Companies controlled/ jointly controlled/ significantly influenced by KMP and their close family members</b>					
<b>Post employment benefit plan</b>					
Contributions to the provident fund		3,806	4,688	-	-

### 41.4 Transactions with Related Parties - Companies under Common Control

<i>For the year ended 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>		<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<b>Purchase of goods</b>					
Ceylon Cold Stores PLC		(15,879)	(13,506)	-	-
Jaykay Marketing Services (Pvt) Ltd		(1,449)	(1,574)	-	-
John Keells Office Automation (Pvt) Ltd		(7,801)	(8,349)	-	-
Keells Food Products PLC		(54,648)	(45,808)	-	-
		(79,777)	(69,237)	-	-

**41.5 Transactions with Related Parties - Companies under Common Control**

<i>For the year ended 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	
Rendering of services					
Walkers Tours Ltd	512,867	640,668	-	-	
Whittall Boustead (Travels) Ltd	51,228	97,676	-	-	
Cinnamon Hotel Management Ltd	6,627	-	-	-	
John Keells Office Automation (Pvt) Ltd	891	-	-	-	
Other related parties	1,148	406	-	-	
	572,761	738,750	-	-	

**41.6 Transactions with Related Parties - Companies under Common Control**

<i>For the year ended 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	
Receiving of services					
InfoMate (Pvt) Ltd	(29,421)	(27,178)	(328)	(84)	
Keells Consultants (Pvt) Ltd	(2,987)	(2,139)	(1,044)	(412)	
John Keells International (Pvt) Ltd	(16,040)	(11,492)	-	-	
John Keells Office Automation (Pvt) Ltd	(75)	(1,072)	-	-	
Cinnamon Hotel Management Ltd	(928,870)	(769,740)	(1,425)	-	
Mackinnons Travels (Pvt) Ltd	(9,097)	(1,114)	-	-	
Walkers Tours Ltd	(2,077)	-	-	-	
Mack Air Services Maldives (Pvt) Ltd	(11,058)	-	-	-	
Other related parties	(390)	(635)	-	-	
	(1,000,015)	(813,370)	(2,797)	(496)	

**41.7 Compensation of Key Management Personnel**

<i>For the year ended 31st March</i>		<i>Group</i>		<i>Company</i>	
<i>In Rs. '000s</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	
Short term employee benefits	22,080	21,996	7,680	7,596	
Post employment benefits	-	-	-	-	
Other long term benefits	-	-	-	-	
Termination benefits	-	-	-	-	
Share based payments	-	-	-	-	
	22,080	21,996	7,680	7,596	

Key management personnel include members of the Board of Directors of John Keells Hotels PLC, its subsidiaries and John Keells Holdings PLC.

## Notes to the Financial Statements

### 42 COMMITMENTS

#### 42.1 Capital Commitments

Capital commitments contracted but not incurred in relation to Nuwara Eliya Hotel project as at 31 March 2017 amounts to Rs. 56.6 million.

Capital commitments approved but not contracted for Bentota Beach Hotel project, Nuwara Eliya Hotel project and the Kakahuraa Hotel project in Maldives as at 31 March 2017 amounts to Rs. 4 Bn , Rs. 3.718 Bn and US\$ 13.5 million respectively.

Bentota Beach by Cinnamon will be closed for construction of a new 151 room hotel from 01 July 2017.

#### 42.2 Lease Commitments

As at 31st March

In Rs. '000s	Group	
	2017	2016
Lease rentals due on non-cancellable operating leases;		
Within one year	502,762	489,039
Between one and five years	2,116,758	2,006,437
After five years	7,327,085	6,276,725
	9,946,605	8,772,201

#### 42.3 Details of Leasehold Land

Company	Land Extent Acres	Lessor	Leased Properties
Ceylon Holiday Resorts Ltd	11.02	Ceylon Tourist Board	Land occupied
Hikkaduwa Holiday Resorts (Pvt) Ltd	4.36	Ceylon Tourist Board	Land occupied
Habarana Walk Inn Ltd	9.34	Kekirawa Divisional Secretariat	Land occupied
Habarana Lodge Ltd	25.48	Kekirawa Divisional Secretariat	Land occupied
Yala Village (Pvt) Ltd	11.25	Ceylon Tourist Board	Land occupied
Fantasea World Investments (Pvt) Ltd	18.90	Government of Maldives	Island rent for the land occupied
Travel Club (Pvt) Ltd	13.80	Government of Maldives and sub-lease with Ellaidhoo Investment (Pvt) Ltd	Lease rental and Island rent for the land occupied
Tranquility (Pvt) Ltd	17.16	Government of Maldives and sub-lease with Yacht Tours Maldives (Pvt) Ltd	Island rent for the land occupied

### 43 ASSETS PLEDGED

Assets pledged for facilities obtained is given in note 35.2 to the financial statements.

## 44 CONTINGENT LIABILITIES

### *Accounting policy*

#### **Provisions, contingent assets and contingent liabilities**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

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:

- The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or
- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (LKAS 18)

Contingent assets are disclosed, where inflow of economic benefit is probable.

There were no significant contingent liabilities as at the reporting date except for the following:

Contingencies of the Company as at the reporting date on account of guarantees issued on behalf of subsidiary companies amounted to Rs. 710 million. (2016 - Rs. 1,235 million.)

#### **Ceylon Holiday Resorts Ltd**

The Department of Inland Revenue has raised an income tax assessment in respect of the year 2012/13 for Rs. 3.2 million. The company has filed an appeal against the assessment and the appeal has not been heard as at the reporting date. Having discussed with independent legal tax experts and based on the information available, the contingent liability as at 31st March 2017 is estimated at Rs. 3.2 million.

#### **Beruwala Holiday Resorts (Pvt) Ltd**

The Department of Inland Revenue has raised an income tax assessment in respect of the year 2012/13 - 2014/15 for Rs. 17 million. The company has filed appeals against the assessments and the appeals have not been heard as at the reporting date. Having discussed with independent legal tax experts and based on the information available, the contingent liability as at 31st March 2017 is estimated at Rs. 3 million.

#### **Habarana Walk Inn Ltd**

The Department of Inland Revenue has raised an income tax assessment in respect of the year 2012/13 and 2013/14 for Rs. 1.7 million. The Company has filed appeals against the assessments and the appeals have not been heard as at the reporting date. Having discussed with independent legal tax experts and based on the information available, the contingent liability as at 31st March 2017 is estimated at Rs 1.7million.

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.

## 45 EVENTS SUBSEQUENT TO THE REPORTING DATE

There has been no material events occurring after the reporting date that requires adjustment to or disclosure in the financial statements.

## Quarterly Information Income Statement - Group

For the three months ended

2016/2017

In Rs. '000s	June 30th	September 30th	December 31st	March 31st	For the year ended
Revenue	2,484,124	2,945,492	3,090,845	3,791,203	12,311,664
Cost of sales	(842,400)	(928,069)	(975,570)	(1,020,339)	(3,766,378)
Gross profit	1,641,724	2,017,423	2,115,275	2,770,864	8,545,286
Other operating income	9,857	4,167	6,821	94,431	115,276
Administrative expenses	(1,120,618)	(1,154,845)	(1,197,837)	(1,152,995)	(4,626,295)
Distribution expenses	(91,374)	(103,706)	(119,831)	(128,917)	(443,828)
Other operating expenses	(320,084)	(314,304)	(346,614)	(361,784)	(1,342,786)
Finance expenses	(50,165)	(53,617)	(55,869)	(68,137)	(227,788)
Finance income	41,379	57,298	61,396	57,194	217,267
Share of results of equity accounted investees	(146)	(134)	(217)	(507)	(1,004)
Profit before tax	110,573	452,282	463,124	1,210,149	2,236,128
Tax expense	(27,138)	(102,925)	(68,885)	(173,672)	(372,620)
Profit for the year	83,435	349,357	394,239	1,036,477	1,863,508
Attributable to:					
Equity holders of the parent	83,928	345,696	390,966	1,025,540	1,846,130
Non controlling interests	(493)	3,661	3,273	10,937	17,378
	83,435	349,357	394,239	1,036,477	1,863,508

## Quarterly Information

### Statement of Financial Position - Group

<i>As at</i>	<i>2016/2017</i>			
<i>In Rs. '000s</i>	<i>June 30th</i>	<i>September 30th</i>	<i>December 31st</i>	<i>March 31st</i>
<b>Assets</b>				
Non current assets	23,456,902	23,286,425	25,801,285	26,071,774
Current assets	5,224,963	4,876,269	5,521,892	6,011,688
<b>Total Assets</b>	<b>28,681,865</b>	<b>28,162,694</b>	<b>31,323,177</b>	<b>32,083,462</b>
<b>Equity and Liabilities</b>				
Equity	22,855,869	22,812,892	23,462,902	24,781,456
Non controlling interest	132,486	126,912	130,265	139,392
<b>Total Equity</b>	<b>22,988,355</b>	<b>22,939,804</b>	<b>23,593,167</b>	<b>24,920,848</b>
Non current liabilities	2,173,611	2,217,141	2,308,502	1,654,149
Current liabilities	3,519,899	3,005,749	5,421,508	5,508,465
<b>Total Liabilities</b>	<b>5,693,510</b>	<b>5,222,890</b>	<b>7,730,010</b>	<b>7,162,614</b>
<b>Total Equity and Liabilities</b>	<b>28,681,865</b>	<b>28,162,694</b>	<b>31,323,177</b>	<b>32,083,462</b>
<b>SHARE INFORMATION</b>				
Earnings per share	0.06	0.24	0.27	0.70
Net assets per share	15.70	15.67	16.11	17.02
<b>Market price per share</b>				
Highest	13.50	12.90	12.50	11.10
Lowest	11.80	11.50	10.30	9.80
Last traded price	12.00	12.00	10.90	10.00

## Indicative US Dollar Financial Statements

### Income Statement

For the Year Ended 31st March	Group		Company	
	2017	2016	2017	2016
<i>In USD '000s</i>				
Revenue	83,199	83,576	-	-
Cost of sales	(25,452)	(24,695)	-	-
Gross profit	57,747	58,881	-	-
Dividend income	-	-	8,148	6,917
Other operating income	779	1,365	62	49
Administrative expenses	(31,263)	(32,462)	(173)	(188)
Distribution expenses	(2,999)	(2,296)	-	-
Other operating expenses	(9,074)	(10,467)	(6)	(4)
Results from operating activities	15,190	15,021	8,031	6,774
Finance expenses	(1,539)	(1,308)	-	(3)
Finance income	1,468	913	558	233
Net finance income/(expenses)	(71)	(395)	558	230
Share of results of equity accounted investees	(7)	(4)	-	-
Profit before tax	15,112	14,622	8,589	7,004
Tax expense	(2,518)	(2,058)	(172)	(66)
Profit for the year	12,594	12,564	8,417	6,938
Attributable to :				
Equity holders of the parent	12,477	12,462		
Non controlling interests	117	102		
	12,594	12,564		
Exchange Rate (SL Rs.)	147.98	139.18	147.98	139.18

Indicative consolidated accounts have been published in USD equivalents for information purposes only.

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. These financial statements should be read together with the auditors opinion and notes to the financial statements.

The exchange rates prevailing at each year end have been used for the conversion of the consolidated income statement and the statement of financial position.

## Indicative US Dollar Financial Statements

### Statement of Financial Position

As at 31st March	Group		Company	
	2017	2016	2017	2016
<i>In USD '000s</i>				
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	94,501	96,667	-	-
Lease rentals paid in advance	70,534	57,821	-	-
Intangible assets	4,413	4,541	-	-
Investments in subsidiaries	-	-	70,214	71,952
Investments in equity accounted investees	463	455	425	431
Non-current financial assets	1,216	1,256	-	-
Deferred tax assets	506	487	-	-
Other non-current assets	4	3	-	-
	171,637	161,230	70,639	72,383
<b>Current Assets</b>				
Inventories	1,253	1,240	-	-
Trade and other receivables	5,898	6,536	-	-
Other current assets	2,936	2,006	83	48
Amounts due from related parties	1,089	1,117	13	8
Income tax recoverable	915	299	54	56
Short term investments	19,892	17,411	6,497	2,440
Cash in hand and at bank	7,594	5,893	289	46
	39,577	34,502	6,936	2,598
<b>Total Assets</b>	<b>211,214</b>	<b>195,732</b>	<b>77,575</b>	<b>74,981</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Stated capital	62,543	64,343	62,543	64,343
Other components of equity	44,433	41,358	-	-
Revenue reserve	56,167	49,293	14,496	10,423
	163,143	154,994	77,039	74,766
Non controlling interests	918	900	-	-
<b>Total Equity</b>	<b>164,061</b>	<b>155,894</b>	<b>77,039</b>	<b>74,766</b>

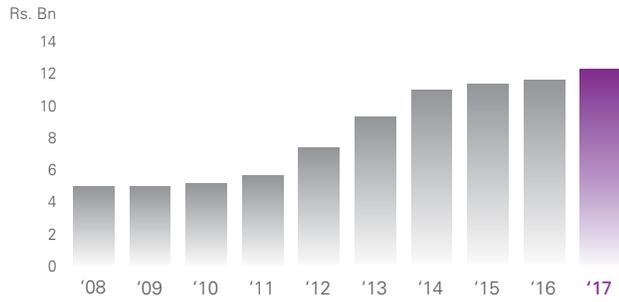
## Indicative US Dollar Financial Statements

### Statement of Financial Position

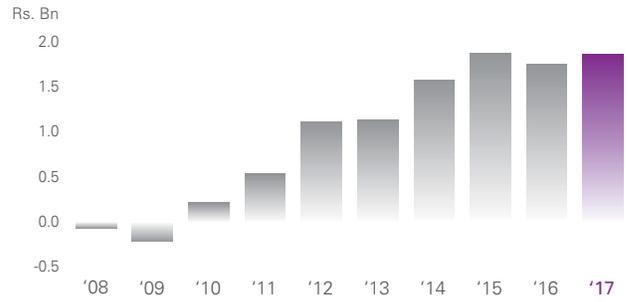
<i>As at 31st March</i>	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<i>In USD '000s</i>				
<b>Non-Current Liabilities</b>				
Interest bearing borrowings	7,132	12,549	-	-
Deferred tax liabilities	1,731	1,602	-	-
Employee benefit liability	1,236	1,057	-	-
Other deferred liabilities	790	572	-	-
Non-current financial liabilities	-	531	-	-
	10,889	16,311	-	-
<b>Current Liabilities</b>				
Trade and other payables	4,727	4,516	89	104
Other current liabilities	3,001	3,518	-	-
Amounts due to related parties	917	1,083	17	13
Income tax liabilities	719	1,725	248	98
Current portion of interest bearing borrowings	16,941	7,795	-	-
Bank overdrafts	9,959	4,890	182	-
	36,264	23,527	536	215
<b>Total Equity and Liabilities</b>	<b>211,214</b>	<b>195,732</b>	<b>77,575</b>	<b>74,981</b>
Exchange Rate (SL Rs.)	151.90	147.65	151.90	147.65

## Ten Year Graphical Review

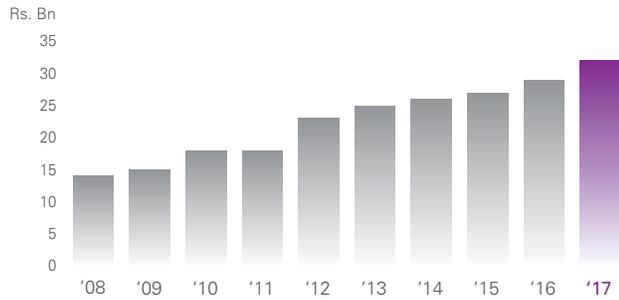
### REVENUE



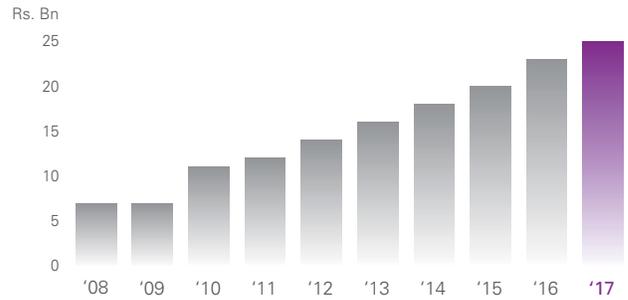
### PROFIT AFTER TAX



### TOTAL ASSETS



### NET ASSETS



## Ten Years Summary - Group

31st March

In Rs.000s	2017	2016	2015	2014	2013
<b>OPERATING RESULTS</b>					
Revenue	12,311,664	11,631,973	11,444,150	10,966,381	10,966,381
Cost of sales	(3,766,378)	(3,436,976)	(3,290,496)	(3,590,914)	(3,590,914)
Gross profit	8,545,286	8,194,997	8,153,654	7,375,467	7,375,467
Earnings before interest and tax	2,463,916	2,217,246	2,455,788	2,427,116	2,427,116
Finance expenses	(227,788)	(182,025)	(265,101)	(533,877)	(533,877)
Profit/(loss) before tax	2,236,128	2,035,221	2,190,687	1,893,239	1,893,239
Tax expense	(372,620)	(286,422)	(322,923)	(318,313)	(318,313)
loss after tax for the year from discontinued operations	-	-	-	-	-
Profit/(loss) for the year	1,863,508	1,748,799	1,867,764	1,574,926	1,574,926
<b>Attributable to:</b>					
Equity holders of the parent	1,846,130	1,734,543	1,853,724	1,565,846	1,565,846
Non controlling interests	17,378	14,256	14,040	9,080	9,080
	1,863,508	1,748,799	1,867,764	1,574,926	1,574,926
<b>ASSETS</b>					
<b>Non current assets</b>					
Property, plant and equipment (PPE)	14,354,695	14,272,874	13,560,033	13,152,921	13,152,921
Lease rentals paid in advance (LRPA)	10,714,231	8,537,247	7,861,533	8,235,508	8,235,508
Intangible assets (IA)	670,407	670,407	670,407	670,407	670,407
Non current assets other than PPE, LRPA and IA	332,441	325,068	137,841	121,392	121,392
	26,071,774	23,805,596	22,229,814	22,180,228	22,180,228
<b>Current assets</b>					
Short term investments and cash in hand and bank	4,175,145	3,440,751	2,893,304	2,729,432	2,729,432
Current assets other than STI and C&B	1,836,543	1,653,253	1,626,251	1,557,862	1,557,862
	6,011,688	5,094,004	4,519,555	4,287,294	4,287,294
<b>Total assets</b>	<b>32,083,462</b>	<b>28,899,600</b>	<b>26,749,369</b>	<b>26,467,522</b>	<b>26,467,522</b>
<b>EQUITY &amp; LIABILITIES</b>					
<b>Equity attributable to equity holders of the parent</b>					
Stated capital	9,500,247	9,500,247	9,500,247	9,500,247	9,500,247
Other components of equity	6,749,432	6,106,444	4,637,612	3,886,925	3,886,925
Revenue reserves	8,531,777	7,278,122	6,189,643	4,708,642	4,708,642
	24,781,456	22,884,813	20,327,502	18,095,814	18,095,814
Non-controlling interests	139,392	132,952	118,187	100,442	100,442
<b>Total equity</b>	<b>24,920,848</b>	<b>23,017,765</b>	<b>20,445,689</b>	<b>18,196,256</b>	<b>18,196,256</b>

	2013	2012	2011	2010	2009	2008
	9,341,581 (3,004,424)	7,388,158 (2,310,988)	5,691,186 (1,735,846)	5,187,129 (1,567,127)	5,114,000 (1,653,083)	5,158,168 (1,879,017)
	6,337,157 1,819,992 (537,096)	5,077,170 1,640,782 (264,628)	3,955,340 1,104,756 (271,603)	3,620,002 825,250 (318,986)	3,460,917 70,534 (292,013)	3,279,151 392,223 (475,484)
	1,282,896 (161,877) -	1,376,154 (265,354) -	833,153 (80,423) (226,747)	506,264 (2,989) (298,117)	(221,479) 503 -	(83,261) 12,199 -
	1,121,019	1,110,800	525,983	205,158	(220,976)	(71,062)
	1,116,779 4,240	1,105,271 5,529	523,944 2,039	204,960 198	(211,498) (9,478)	(61,337) (9,725)
	1,121,019	1,110,800	525,983	205,158	(220,976)	(71,062)
	13,471,801 8,639,214 670,407 79,289	9,918,258 9,386,494 670,407 59,206	6,585,581 8,605,476 670,407 72,114	8,718,964 3,653,846 670,963 66,407	8,685,256 3,839,086 666,068 47,396	7,823,749 3,686,557 666,068 41,327
	22,860,711	20,034,365	15,933,578	13,110,180	13,237,806	12,217,701
	910,125 1,493,302	1,687,270 1,638,314	325,367 1,638,520	3,572,296 1,245,912	504,494 1,005,993	419,881 1,593,749
	2,403,427	3,325,584	1,963,887	4,818,208	1,510,487	2,013,630
	25,264,138	23,359,949	17,897,465	17,928,388	14,748,293	14,231,331
	9,500,247 3,628,684 3,165,257	9,500,247 1,791,313 2,482,461	9,500,247 761,197 1,379,022	9,500,247 772,879 870,373	5,859,880 620,791 695,953	5,859,880 303,213 907,451
	16,294,188 92,623	13,774,021 67,725	11,640,466 63,689	11,143,499 56,269	7,176,624 47,111	7,070,544 56,534
	16,386,811	13,841,746	11,704,155	11,199,768	7,223,735	7,127,078

## Ten Years Summary - Group

31st March

In Rs.000s	2017	2016	2015	2014
<b>Non current liabilities</b>				
Non current liabilities other than borrowings	570,741	555,364	465,709	390,375
Borrowings	1,083,408	1,852,851	2,900,658	4,245,400
	1,654,149	2,408,215	3,366,367	4,635,775
<b>Current liabilities</b>				
Current liabilities other than borrowings and OD	1,422,477	1,600,718	1,524,144	1,520,160
Current portion of borrowings and bank overdraft	4,085,988	1,872,902	1,413,169	2,115,331
	5,508,465	3,473,620	2,937,313	3,635,491
<b>Total equity and liabilities</b>	<b>32,083,462</b>	<b>28,899,600</b>	<b>26,749,369</b>	<b>26,467,522</b>
<b>CASH FLOWS</b>				
Net cash flows from/(used in) operating activities	3,231,801	3,615,758	3,542,296	3,229,473
Net cash flows from/(used) in investing activities	(3,105,447)	(2,364,080)	(1,408,306)	(910,612)
Net cash flows from/(used in) financing activities	(49,099)	(1,962,069)	(2,324,195)	(938,729)
Net Increase/(decrease) in Cash and Cash Equivalents	77,255	(710,391)	(190,205)	1,380,132
<b>KEY INDICATORS</b>				
Earnings per share (EPS)	1.27	1.19	1.27	1.08
EPS growth	6.4%	-6.3%	17.6%	40.2%
Dividend per share	0.40	0.40	0.25	-
Interest cover (no. of times)	10.8	12.2	9.3	4.5
Return on equity	7.8	8.0	9.7	9.2
Pre-tax ROCE	8.7	8.7	10.0	10.1
No. of shares in issue	1,456,147	1,456,147	1,456,147	1,456,147
Net assets per share	17.02	15.72	13.96	12.43
Debt/Equity (no. of times)	0.21	0.16	0.21	0.35
Debt/Total assets	16%	13%	16%	24%
Market price of share as at 31st March	10.00	12.00	14.30	12.50
Market capitalisation	14,561,468	17,473,761	20,822,899	18,201,835
Price earnings ratio (no. of times)	7.87	10.08	11.26	11.62
USD closing rate	151.90	147.65	133.45	130.70
USD average rate	147.98	139.18	131.24	130.09

	2013	2012	2011	2010	2009	2008
	297,181	193,329	163,347	117,068	192,226	198,428
	5,571,060	5,809,814	2,615,273	3,006,492	3,184,228	3,582,006
	5,868,241	6,003,143	2,778,620	3,123,560	3,376,454	3,780,434
	1,463,010	1,496,896	803,074	1,383,999	1,073,113	1,138,327
	1,546,076	2,018,164	2,611,616	2,221,061	3,074,991	2,185,492
	3,009,086	3,515,060	3,414,690	3,605,060	4,148,104	3,323,819
	25,264,138	23,359,949	17,897,465	17,928,388	14,748,293	14,231,331
	2,640,675	2,481,857	494,403	989,108	916,481	192,224
	(2,329,157)	(3,273,604)	(2,312,965)	(473,600)	(1,032,180)	(1,623,409)
	(338,777)	2,930,882	(1,870,223)	3,623,564	(515,482)	645,198
	(27,259)	2,139,135	(3,688,785)	4,139,072	(631,181)	(785,987)
	0.77	0.76	0.36	0.14	(0.19)	(0.06)
	1.0%	111.0%	155.6%	-172.7%	244.8%	-114.1%
	0.30	-	-	-	-	-
	3.4	6.2	4.1	2.6	0.2	0.8
	7.5	8.7	4.6	2.2	(3.1)	(1.3)
	8.1	8.5	6.6	5.5	0.5	3.5
	1,456,147	1,456,147	1,456,147	1,456,147	1,092,110	1,092,110
	11.19	9.46	7.99	7.65	6.57	6.47
	0.44	0.57	0.45	0.47	0.87	0.82
	28%	34%	29%	29%	42%	41%
	13.20	12.60	17.20	18.25	6.50	7.00
	19,221,137	18,347,449	25,045,725	26,574,679	7,098,715	7,644,770
	17.21	16.60	47.80	129.66	(33.56)	(124.64)
	126.75	128.10	110.40	114.00	115.53	107.78
	139.91	112.56	112.13	115.02	109.83	110.30

## Group Real Estate Portfolio

Owning Company and location	Buildings (Sq Ft)		Land in acres				Net book value	
	2017	2016	Freehold property		Leasehold property		Rs. '000	Rs. '000
			2017	2016	2017	2016	2017	2016
<b>PROPERTIES - SRI LANKA</b>								
<b>Beruwala Holiday Resorts (Pvt) Ltd</b> Cinnamon Bey Beruwala	425,684	425,684	11.39	11.39	-	-	3,433,098	3,256,098
<b>Ceylon Holiday Resorts Ltd</b> Bentota Beach by Cinnamon	236,524	236,524	2.32	2.32	11.02	11.02	291,174	642,042
<b>Hikkaduwa Holiday Resorts (Pvt) Ltd</b> Hikka Tranz by Cinnamon	233,965	233,965	0.29	0.29	4.36	4.36	1,141,311	1,160,508
<b>Habarana Lodge Ltd</b> Cinnamon Lodge Habarana	202,999	202,999	-	-	25.48	25.48	713,801	668,601
<b>Habarana Walk Inn Ltd</b> Habarana Village by Cinnamon	121,767	121,767	-	-	9.34	9.34	346,645	330,300
<b>Kandy Walk Inn Ltd</b> Cinnamon Citadel Kandy	173,900	173,900	6.39	6.39	-	-	1,438,299	1,293,567
<b>Resort Hotels Ltd</b> Nilaveli	4,485	4,485	41.73	41.73	-	-	834,500	767,740
<b>Trinco Holiday Resorts (Pvt) Ltd</b> Trinco Blu by Cinnamon	120,910	120,910	13.24	13.24	-	-	799,329	764,729
<b>Trinco Walk Inn Ltd</b> Trincomalee	-	-	14.64	14.64	-	-	283,000	271,638
<b>Wirawila Walk Inn Ltd</b> Wirawila	-	-	25.15	25.15	-	-	86,883	86,886
<b>Yala Village (Pvt) Ltd</b> Cinnamon Wild Yala	111,529	111,529	-	-	11.25	11.25	473,395	484,533
<b>Ahungalla Holiday Resorts (Pvt) Ltd</b> Ahungalla	-	-	4.63	4.63	-	-	152,790	148,850
<b>Nuwara Eliya Holiday Resorts (Pvt) Ltd</b> Nuwara Eliya	-	-	3.35	3.35	-	-	290,911	259,396

Owning Company and location	Buildings (Sq Ft)		Land in acres				Net book value	
			Freehold property		Leasehold property		Rs. '000	Rs. '000
	2017	2016	2017	2016	2017	2016	2017	2016
<b>PROPERTIES - MALDIVES</b>								
<b>Tranquility (Pte) Ltd</b>								
Cinnamon Dhonveli Maldives	246,358	246,358	-	-	17.16	17.16	9,690,056	7,414,527
<b>Travel Club (Pte) Ltd</b>								
Ellaidhoo Maldives by Cinnamon	170,877	170,877	-	-	13.80	13.80	1,529,258	1,564,500
<b>Fantasea World Investments (Pte) Ltd</b>								
Cinnamon Hakuraa Huraa Maldives	150,412	150,412	-	-	18.90	18.90	1,183,394	1,155,214
<b>Total</b>	<b>2,199,410</b>	<b>2,199,410</b>	<b>123.13</b>	<b>123.13</b>	<b>107.24</b>	<b>107.24</b>	<b>22,687,844</b>	<b>20,269,129</b>

## Directors of Subsidiary Companies

### Sri Lanka

#### CEYLON HOLIDAY RESORTS LIMITED

(PB 40)	- 98.65%
Owner & operator of Bentota Beach by Cinnamon	
Incorporated in	- 1966
Company operating address	- Bentota Beach by Cinnamon, Galle Road, Bentota
Registered office address	- No.117, Sir Chittampalam A Gardiner Mawatha, Colombo 2
Stated Capital	- Rs. 744.5 Mn
Contact No.	- 034-2275176/7
Directors	- Mr S C Ratnayake - Chairman Mr A D Gunewardene Mr B J S M Senanayake

#### HABARANA LODGE LIMITED

(PB 38)	- 98.35%
Owner & operator of Cinnamon Lodge Habarana	
Incorporated in	- 2007
Company operating address	- Cinnamon Lodge, P.O Box 02, Habarana.
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02.
Stated Capital	- Rs. 341.5 Mn
Contact No.	- 066-2270011/2
Directors	- Mr S C Ratnayake - Chairman Mr A D Gunewardene Mr B J S M Senanayake

#### HABARANA WALK INN LIMITED

(PB 33)	- 98.77%
Owner & operator of Habarana Village by Cinnamon	
Incorporated in	- 1973
Company operating address	- Habarana Village by Cinnamon, PO Box 01, Habarana.
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02.
Stated Capital	- Rs. 126.3 Mn
Contact No.	- 066-2270046
Directors	- Mr S C Ratnayake - Chairman Mr A D Gunewardene Mr B J S M Senanayake

#### INTERNATIONAL TOURISTS AND HOTELIERS LIMITED

(PB 17)	- 99.33%
Incorporated in	- 1973
Registered office address	- No.117, Sir Chittampalam A Gardiner Mawatha, Colombo 2
Stated Capital	- Rs. 1.9 Bn
Contact No.	- 0112306000
Directors	- Mr S C Ratnayake - Chairman Mr A D Gunewardene Mr B J S M Senanayake

#### KANDY WALK INN LIMITED

(PB 395)	- 98.39%
Owner & operator of Cinnamon Citadel Kandy	
Incorporated in	- 1979
Company operating address	- Cinnamon Citadel Kandy, 124, Srimath Kuda Ratwatte Mawatha, Kandy.
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02.
Stated Capital	- Rs. 115.1 Mn
Contact No.	- 0812234365/6
Directors	- Mr S C Ratnayake - Chairman Mr A D Gunewardene Mr B J S M Senanayake

#### RAJAWELLA HOTELS COMPANY LIMITED

(PB 92)	- 100%
Incorporated in	- 1992
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02.
Stated Capital	- Rs. 34 Mn
Contact No.	- 0112306000
Directors	- Mr S C Ratnayake - Chairman Mr A D Gunewardene Mr J R Gunaratne

#### TRINCO WALK INN LIMITED

(PB168)	- 100%
<b>Owner of real estate in Trincomalee</b>	
Incorporated in	- 1984
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02.
Stated Capital	- Rs. 119.8 Mn
Contact No.	- 0112306000
Directors	- Mr S C Ratnayake - Chairman Mr A D Gunewardene Mr B J S M Senanayake

#### RESORT HOTELS LIMITED

(PB 193)	- 100%
<b>Owner of real estate in Nilaveli</b>	
Incorporated in	- 2008
Registered office address	- No.117, Sir Chittampalam A Gardiner Mawatha, Colombo 2
Stated Capital	- Rs. 7.4 Mn
Contact No.	- 0112306000
Directors	- Mr S C Ratnayake - Chairman Mr A D Gunewardene

#### WIRAWILA WALK INN LIMITED

(PB 89)	- 100%
<b>Owner of real estate in Wirawila</b>	
Incorporated in	- 1994
Registered office address	- No.117, Sir Chittampalam A Gardiner Mawatha, Colombo 2
Stated Capital	- Rs. 18.7 Mn
Contact No.	- 0112306000
Directors	- Mr S C Ratnayake - Chairman Mr A D Gunewardene Mr. B.J.S.M. Senanayake

#### YALA VILLAGE (PRIVATE) LIMITED

(PV 2868)	- 93.78%
<b>Owner &amp; Operator of Cinnamon Wild Yala</b>	
Incorporated in	- 1999
Company operating address	- P.O Box 01, Kirinda, Tissamaharama
Registered office address	- No.117, Sir Chittampalam A Gardiner Mawatha, Colombo 2
Stated Capital	- Rs. 419 Mn
Contact No.	- 047- 2239449/52
Directors	- Mr S C Ratnayake - Deputy Chairman Mr A D Gunewardene Mr J A Davis Mr M A Perera - Chairman Mr B J S M Senanayake

#### BERUWALA HOLIDAY RESORTS (PRIVATE) LIMITED

(PV 69678)	- 100%
<b>Owner &amp; Operator of Cinnamon Bey Beruwala</b>	
Incorporated in	- 2009
Company operating address	- Cinnamon Bey Beruwala Moragolla, Beruwala.
Registered office address	- No.117, Sir Chittampalam A Gardiner Mawatha, Colombo 2
Stated Capital	- Rs. 2.3 Bn
Contact No.	- 034-2297000
Directors	- Mr S C Ratnayake - Chairman Mr A D Gunewardene Mr B J S M Senanayake

#### TRINCO HOLIDAY RESORTS (PRIVATE) LIMITED

(PV 69908)	- 100%
<b>Owner &amp; Operator of Trinco Blu by Cinnamon</b>	
Incorporated in	- 2010
Company operating address	- Trinco Blu by Cinnamon Sambativu, Uppuveli, Trincomalee.
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02.
Stated Capital	- Rs. 357 Mn
Contact No.	- 026-2222307
Directors	- Mr S C Ratnayake – Chairman Mr A D Gunewardene Mr B J S M Senanayake

## Directors of Subsidiary Companies

### Sri Lanka

#### HIKKADUWA HOLIDAY RESORTS (PRIVATE) LIMITED

(PV 71747) - 100%  
Owner & Operator of Hikka Tranz by Cinnamon  
Incorporated in - 2010  
Company operating address - Hikka Tranz by Cinnamon  
No.01, Galle Road, Hikkaduwa,  
Sri Lanka.  
Registered office address - No.117, Sir Chittampalam A  
Gardiner Mawatha, Colombo 2  
Stated Capital - Rs. 1.06 Bn  
Contact No. - 091-2277023  
Directors - Mr S C Ratnayake - Chairman  
Mr A D Gunewardene  
Mr B J S M Senanayake

#### AHUNGALLA HOLIDAY RESORTS (PRIVATE) LIMITED

(PV 85046) - 100%  
Owner of real estate in Ahungalla  
Incorporated in - 2012  
Registered office address - 117, Sir Chittampalam A Gardiner  
Mawatha, Colombo 02.  
Stated Capital - Rs. 132.7 Mn  
Contact No. - 0112306000  
Directors - Mr S C Ratnayake - Chairman  
Mr A D Gunewardene  
Mr B J S M Senanayake

#### NUWARA ELIYA HOLIDAY RESORTS (PVT) LIMITED

(PV 98357) - 100%  
Owner of real estate in Nuwara Eliya  
Incorporated in - 2014  
Registered office address - 117, Sir Chittampalam A Gardiner  
Mawatha, Colombo 02.  
Stated Capital - Rs. 316 Mn  
Contact No. - 0112306000  
Directors - Mr S C Ratnayake - Chairman  
Mr A D Gunewardene  
Mr B J S M Senanayake

#### CINNAMON HOLIDAYS (PVT) LIMITED

(PV 101005) - 100%  
Inbound and outbound Tour Operator  
Incorporated in - 2015  
Registered office address - 117, Sir Chittampalam A Gardiner  
Mawatha, Colombo 02.  
Stated Capital - Rs. 0.2 Mn  
Contact No. - 0112306000  
Directors - Mr S C Ratnayake - Chairman  
Mr A D Gunewardene

## Maldives

### JOHN KEELLS MALDIVIAN RESORTS (PTE) LIMITED

(C-208/96)	- 100%
Incorporated in	- 1996
Registered office address	- 2nd Floor, H.Maizan Building, Sosun Magu, Male, Republic of Maldives.
Stated Capital	- US\$ 39 Mn
Contact No.	- 0112306000
Directors	- Mr S C Ratnayake - Chairman Mr A D Gunewardene Mr B J S M Senanayake Mr J E P Kehelpannala

### TRAVEL CLUB (PTE) LIMITED

(C-121/92)	- 100%
Owner & Operator of Ellaidhoo Maldives by Cinnamon	
Incorporated in	- 1992
Company operating address	- Ellaidhoo Maldives by Cinnamon Aril Atoll, Maldives
Registered office address	- 2nd Floor, H.Maizan Building, Sosun Magu, Male, Republic of Maldives.
Stated Capital	- US\$ 2.5 Mn
Contact No.	- 0112306000
Directors	- Mr S C Ratnayake - Chairman Mr A D Gunewardene Mr B J S M Senanayake Mr J E P Kehelpannala

### FANTASEA WORLD INVESTMENTS (PTE) LIMITED

(C-143/97)	- 100%
Owner & Operator of Cinnamon Hakuraa Huraa Maldives	
Incorporated in	- 1997
Company operating address	- Cinnamon Hakuraa Huraa, Maldives Meemu Atoll, Maldives
Registered office address	- 2nd Floor, H.Maizan Building, Sosun Magu, Male, Republic of Maldives.
Stated Capital	- US\$ 5 Mn
Contact No.	- 0112306000
Directors	- Mr S C Ratnayake - Chairman Mr A D Gunewardene Mr B J S M Senanayake Mr J E P Kehelpannala

### TRANQUILITY (PTE) LIMITED

(C344/2004)	- 100%
Owner & Operator of Cinnamon Dhonveli Maldives	
Incorporated in	- 2004
Company operating address	- Cinnamon Dhonveli Maldives, North Male' Atoll, Maldives
Registered office address	- 2nd Floor, H.Maizan Building, Sosun Magu, Male, Republic of Maldives.
Stated Capital	- US\$ 5 Mn
Contact No.	- 0112306000
Directors	- Mr S C Ratnayake - Chairman Mr A D Gunewardene Mr B J S M Senanayake Mr J E P Kehelpannala

## Glossary of Financial Terms

### ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

### ACCRUAL BASIS

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

### AMORTISATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

### CAPITAL EMPLOYED

Shareholders' funds plus non-controlling interest and debt.

### CASH EQUIVALENTS

Short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### CONTINGENT LIABILITIES

A condition or situation existing as at the reporting date due to past events, where the financial effect is not recognized because:

1. the obligation is crystallised by the occurrence or non-occurrence of one or more future events or,
2. a probable outflow of economic resource is not expected or,
3. it is unable to be measured with sufficient reliability

### CURRENT RATIO

Current assets divided by current liabilities.

### CAPITAL EXPENDITURE

The total additions to property, plant and equipment.

### CORPORATE GOVERNANCE

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of the entity, the supervision of executive actions and accountability to owners and others.

### DEBT/EQUITY RATIO

Debt as a percentage of shareholders' funds and non-controlling interest.

### DEFERRED TAX

Sum set aside in the Financial Statements for taxation that may become payable in a financial year other than the current financial year.

### DIVIDEND YIELD

Dividends adjusted for changes in number of shares in issue as a percentage of the share price (diluted) at the end of the period.

### EARNINGS PER SHARE (EPS)

Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

### EBIT MARGIN

EBIT divided by turnover inclusive of share of associate company turnover.

### EBIT

Earnings before interest and tax (includes other operating income).

### EBITDA

Earnings before interest, tax, depreciation and amortisation.

### EFFECTIVE TAX RATE

Tax expense divided by profit before tax.

### EPS GROWTH

Percentage of the increase in the EPS over the previous year.

### EQUITY METHOD

The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post acquisition changes in the investors' share of net assets of the investee. The income statement of the investor includes the investor's share of the profit or loss of the investee.

#### **FAIR VALUE**

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

#### **FINANCE LEASE**

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

#### **GROUP**

A group is a parent, all its subsidiaries and joint ventures.

#### **GUARANTEES**

Tri party agreement involving a promise by one party (the guarantor) to fulfill the obligations of a person owing a debt if that person fails to perform.

#### **IMPAIRMENT**

This occurs when recoverable amount of an asset is less than its carrying amount.

#### **INTANGIBLE ASSET**

An intangible asset is an identifiable non-monetary asset without a physical substance.

#### **INTEREST COVER**

Consolidated profit before interest and tax over finance expenses.

#### **KEY MANAGEMENT PERSONNEL**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

#### **MATERIALITY**

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

#### **NON-CONTROLLING INTEREST**

Part of net results of operations and net assets of subsidiaries attributable to interests which are not owned, directly or indirectly through subsidiaries, by the Parent Company.

#### **MARKET VALUE PER SHARE**

The price at which an ordinary share can be purchased in the stock market.

#### **MARKET CAPITALISATION**

Number of shares in issue at the end of the period multiplied by the market price at the end of the period.

#### **NET ASSETS**

Total assets minus current liabilities, long term liabilities and non-controlling interest.

#### **NET ASSETS PER SHARE**

Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end.

#### **NET DEBT (CASH)**

Total debt minus cash plus short term deposits.

#### **OPERATIONAL RISK**

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

#### **PRE-TAX RETURN ON CAPITAL EMPLOYED**

Consolidated profit before interest and tax as a percentage of average capital employed at year end.

#### **PRICE EARNINGS RATIO**

Market price per share (diluted) over diluted earnings per share.

#### **PRUDENCE**

Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

## Glossary of Financial Terms

### **PUBLIC HOLDING**

Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report.

### **RELATED PARTIES**

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

### **QUICK RATIO**

Cash plus short term investments plus receivables, divided by current liabilities.

### **RETURN ON ASSETS**

Profit after tax divided by the average total assets.

### **RETURN ON EQUITY**

Profit attributable to shareholders as a percentage of average shareholders' funds.

### **SEGMENT**

Constituent business units grouped in terms of similarity in operations and locations.

### **SUBSTANCE OVER FORM**

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

### **SHAREHOLDERS' FUNDS**

Shareholders' funds consist of stated capital, other components of equity and revenue reserves.

### **TOTAL DEBT**

Long term loans plus short term loans and overdrafts.

### **TOTAL EQUITY**

Shareholders' funds plus non-controlling interest.

## Notice of Meeting

Notice is hereby given that the Thirty Eighth Annual General Meeting of John Keells Hotels PLC will be held on 29th June 2017 at 3.30 p.m. at the John Keells staff dining hall at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.

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 Financial Statements of the Company for the Financial Year ended 31st March 2017 with the Report of the Auditors thereon.
3. To re-elect as Director, Mr. N.B. Weerasekera, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. N.B. Weerasekera is contained in Page 29 of the Annual Report
4. To re-elect as Director, Mr. T.L.F.W Jayasekera, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. T.L.F.W Jayasekera is contained in Page 29 of the Annual Report
5. To re-elect as Director, Ms. A K Moonesinghe who retires in terms of Article 90 of the Articles of Association of the Company. A brief profile of Ms. A K Moonesinghe is contained in Page 29 of the Annual Report.
6. To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors and to authorise the Directors to determine their remuneration.
7. 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,



Keells Consultants (Private) Limited  
Secretaries

Colombo  
06th June 2017

Notes:

- A member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.
- A Proxy need not be a member of the Company.
- A member wishing to vote by Proxy at the Meeting may use the Proxy Form enclosed.
- 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.
- If a poll is demanded, a vote can be taken on a show of hand or by a poll. Each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual shareholder and his proxy holder are both present at the meeting, only the shareholder's vote is counted. If proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.







# Form of Proxy

I/We ..... of  
 .....being

a member/s of John Keells Hotels PLC hereby appoint

..... of  
 ..... or failing him/her

- |   |                |
|---|----------------|
| Mr. Susantha Chaminda Ratnayake                   | or failing him |
| Mr. Ajit Damon Gunewardene                        | or failing him |
| Mr. James Ronnie Felitus Peiris                   | or failing him |
| Mr. Krishan Niraj Jayasekara Balendra             | or failing him |
| Mr. Jayantissa Emalka Pohath Kehelpannala         | or failing him |
| Mr. Balapuwaduge Justus Sunimal Mendis Senanayake | or failing him |
| Mr. Nissanka Bandara Weerasekera                  | or failing him |
| Mr. Trevine Lalith Francis Waas Jayasekera        | or failing him |
| Ms. Anarkali Kumari Moonesinghe                   |                |

as my/our proxy to represent me/us and vote on my/our behalf at the Thirty Eighth Annual General Meeting of the Company to be held on the 29th June 2017 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
To re-elect as Director, Mr. N.B. Weerasekera who retires in terms of Article 84 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect as Director, Mr. T.L.F.W Jayasekera, who retires in terms of Article 84 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect as Director, Ms. A K Moonesinghe, who retires in terms of Article 90 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
To re-appoint Auditors Messrs. Ernst & Young Chartered Accountants and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this .....day of ..... Two Thousand and Seventeen

.....  
 Signature/s of shareholder/s

Note: INSTRUCTIONS AS TO COMPLETION OF PROXY FORM ARE NOTED ON THE REVERSE.

## Form of Proxy

### INSTRUCTIONS AS TO COMPLETION OF PROXY

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. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02, 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.	:	.....

## **NAME OF COMPANY**

John Keells Hotels PLC

## **LEGAL FORM**

Public Limited Liability Company incorporated in Sri Lanka on 1st October 1979

## **STOCK EXCHANGE LISTING**

The issued shares of John Keells Hotels PLC are listed on the Colombo Stock Exchange

## **COMPANY REGISTRATION NO.**

PQ 8

## **DIRECTORS**

S C Ratnayake – Chairman  
A D Gunewardene  
J R F Peiris  
K N J Balendra  
J E P Kehelpannala  
B J S M Senanayake  
N B Weerasekera  
T L F W Jayasekera  
A K Moonesinghe (Appointed w.e.f. 01st July 2016)

## **SECRETARIES AND REGISTRARS**

Keells Consultants (Pvt) Ltd  
117, Sir Chittampalam A. Gardiner Mawatha  
Colombo 2

## **AUDITORS**

Ernst & Young  
Chartered Accountants  
P.O. Box 101  
Colombo

## **BANKERS**

Bank of Ceylon  
Deutsche Bank A.G  
Hongkong and Shanghai Banking Corporation  
Nations Trust Bank  
Hatton National Bank  
Habib Bank  
Citi Bank N. A

## **HEAD OFFICE & REGISTERED OFFICE OF THE COMPANY**

117, Sir Chittampalam A. Gardiner Mawatha,  
Colombo 2  
Telephone : (94-11) 2421101-15, (94-11) 2306000  
Facsimile : (94-11) 2439046  
E-mail : [htlres@keells.com](mailto:htlres@keells.com)  
Web : [www.johnkeellshotels.com](http://www.johnkeellshotels.com)

## **HOTEL RESERVATIONS**

Cinnamon Hotel Management Ltd  
117, Sir Chittampalam A. Gardiner Mawatha,  
Colombo 2  
Telephone : (94-11) 2306600, (94-11) 2439049-51  
Facsimile : (94-11) 2320862  
E-mail : [htlres@keells.com](mailto:htlres@keells.com)  
Web : [www.cinnamonhotels.com](http://www.cinnamonhotels.com)

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*Cinnamon*

HOTELS & RESORTS

[www.cinnamonhotels.com](http://www.cinnamonhotels.com)