

# **VISION**

"We will always be the hospitality trendsetter"

# **OUR PLEDGES**

I will get it right the first time all the time
I will care
I will stand out wherever I am
I will empower
I will be green

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Enter an oasis of relaxation. A resort that combines the convenience of being situated in the heart of the city, while offering the laid back escape that everyone craves. A subtle balancing act where the hustle and bustle of the city melts away, to be taken over by impeccable service and langurous luxury.

Cinnamon Lakeside - making serenity a destination.

# FINANCIAL HIGHLIGHTS

			12/13	13/14	14/15	15/16	16/17
Creating Operational Excellence							
	Occupancy	<u>%</u>	60%	61%	51%	43%	64%
	Room Available	Number	126,290	126,290	126,290	126,636	126,290
	Room Nights Sold	Number	76,199	76,790	64,923	54,246	81,387
	Average Room Rate	Rs.	17,794	18,224	18,267	18,569	19,121
	Room Sales per Employee per Month	Rs.'000	135	143	117	97	152
Creating Financial Value							
Wealth Creation	Value Generated by the Company	Rs. Mn	2,263	1,973	1,774	1,413	2,039
	Market Value Added	Rs. Mn	8,026	9,881	12,812	10,277	8,642
	Net Asset Value per Share	Rs.	30.3	30.5	29.9	28.5	30.0
	Market Capitalisation	Rs. Mn	14,080	15,980	18,800	15,980	15,020
	Market Price of Share as at 31st March	Rs.	70.40	79.90	94.00	79.90	75.10
Shareholder Return	Earning Based						
	Earnings per Share	Rs.	5.33	3.72	2.92	1.60	4.54
	EPS Growth (%)	%	71%	(30%)	(21%)	(45%)	183%
	Price Earnings Ratio ( PE)	Times	13	21	32	50	17
	Return on Assets	%	16.47	10.69	8.41	4.56	12.37
	Total Shareholder Return	%	9.7	18.5	22.0	(12.9)	(2.3)
	Dividend Based						
	Dividend per Share	Rs.	3.00	3.50	3.50	2.00	3.00
	Dividend Cover	Times	1.78	1.06	0.84	0.80	1.51
	Dividend Yield	%	4.3%	4.4%	3.7%	2.5%	4.0%
	Dividend Payout Ratio	%	56%	94%	120%	125%	66%
Profitability on Investment	Return on Capital Employed	%	21%	14%	11%	7%	17%
	Return on Equity	%	19%	12%	10%	5%	16%
	Revenue	Rs. Mn	2,840	2,939	2,786	2,484	3,251
	Gross Profit Margin	%	64%	63%	61%	57%	61%
	Profit from Operating Activities	Rs. Mn	858	816	609	272	777
	Profit Before Tax (PBT)	Rs. Mn	1,211	872	664	358	1,016
	Profit After Tax (PAT)	Rs. Mn	1,066	743	 585	321	908
Playing by the Rules							
	Tax paid to Government	Rs. Mn	512	483	434	270	484
Serving the Community	- <del>- '</del>						
Investing in Community	Community Development Investments (CSR)	Rs.'000	4,096	7,104	10,843	4,103	8,265
	Community Investments as Percentage of PAT	%	0.4%	1.0%	1.9%	1.3%	0.9%
Being Friendly Towards the Environmen							
Combating Climate Change	Total Carbon Footprint	MT	6,453	6,354	6,317	6,277	6,449
	Waste Generated per Guest Night	Kg	5.3	3.8	3.7	5.3	5.6
Position and Liquidity ended 31st Marc	- <u>-</u>						
Liquidity	Current Ratio	Times	2.43	2.09	1.91	1.07	1.19
	Quick Asset Ratio	Times	2.35	2.01	1.84	1.01	1.14
Assets Position	Total Assets	Rs. Mn	6,901	6,999	6,908	7,174	7,495
	Equity Assets Ratio	%	88%	87%	87%	7,174 –	80%
Equity	Total Equity	Rs. Mn	6,054	6,099		5,703	6,008
	No. of Shares in Issue (Mn)	Mn	200	200	200	200	200
	Debt to Equity	%					6%
	•						
	Interest Cover	Times	12,628	22,900	3,488	9	36

64%

Occupancy

(2015-16): 43%

Rs. 3.25 Bn

Revenue

(2015-16): 2.5Bn

Rs. 1.02 Bn

**Profit Before Tax** 

(2015-16) : 0.36Bn

Rs. 0.94 Bn

Cash Generated from Operating Activities

(2015-16): 0.48 Bn

Rs. 4.54

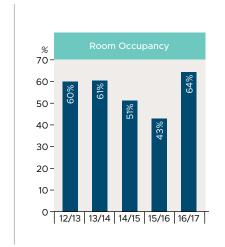
Earnings per Share

(2015 - 16) : 1.6

Rs. 75.10

Market Price per Share

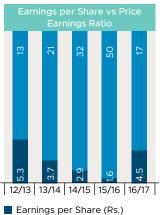
(2015-16): Rs. 79.90

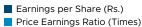




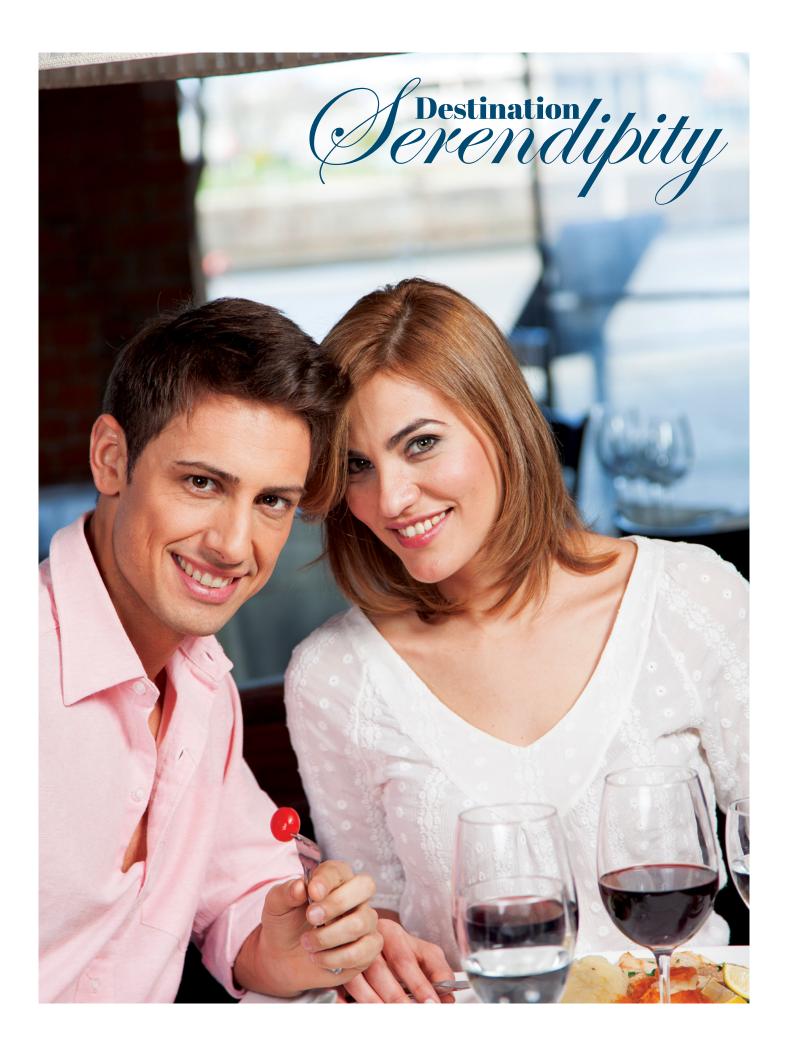












Dear Stakeholder.

On behalf of the Board of Trans
Asia Hotels PLC (Cinnamon Lakeside
Colombo), I am pleased to present the
Annual Report and Financial Statements
of the Company 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
1.235 Bn in 2016, which constitutes a
year-on-year growth of 3.9 per cent.
Asia Pacific and Africa recorded a
growth of 8 per cent, whilst 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 rate of 3 to 4
per cent in 2017.

## **SRI LANKA TOURISM**

The country achieved 2,050,832 tourist arrivals during the year recording year-on-year growth of 14 per cent. Western Europe continued to be the largest regional contributor, recording 643,333 arrivals which was a growth of 16.5 per cent over the previous calendar year.

"During the current financial year, Cinnamon Lakeside successfully retained its international certifications with ISO recertification for OHSAS 18001 and ISO 22000."

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 3.4 Bn, up 14 per cent from the USD 2.98 Bn recorded a year ago.

### **COMPANY PERFORMANCE**

The room inventory in the 3 and 4 star category in the city of Colombo has experienced extensive growth, resulting in intensified competition. Room revenue grew by 54 per cent to Rs. 1.56 Bn compared to Rs. 1.01 Bn recorded in the previous year due to an improvement in year-round occupancy to 64 per cent from 43 per cent in the previous year. Occupancy was positively impacted as Cinnamon Lakeside was fully operational during the year in review, whereas the Hotel was partially closed during the previous year. Food and beverage revenue increased by 17 per cent to Rs. 1.34 Bn from Rs. 1.14 Bn in the previous year on account of food and beverage outlet and banquet revenue growing by Rs. 133 Mn and Rs. 61 Mn, respectively. Total revenue for the year increased by 31 per cent to Rs. 3.25 Bn from the Rs. 2.48 Bn recorded in the previous year.

The gross profit margin improved from 57 per cent in the previous year to 61 per cent in the year under review stemming from a rise in room revenue on account of improved occupancy and control of direct costs.

Sales and marketing expenses recorded a year-on-year increase of 18 per cent primarily due to the increase in marketing initiatives and promotional efforts in order to improve the leisure and MICE business segments. The depreciation of the Sri Lanka Rupee against the USD during the year led to a valuation loss of Rs. 12 Mn on translation of USD loans, against a valuation loss of Rs. 42 Mn recorded in the previous year.

During the year under review, the Company recorded a profit before tax of Rs. 772.5 Mn excluding revaluation gains on investment property, compared to the Rs. 231.5 Mn recorded in the previous year. Profit before tax including a Rs. 243 Mn increase in fair value of its investment property amounted to Rs. 1.02 Bn for the period under review compared to Rs. 357.6 Mn recorded last year. The effective tax rate of the Company amounted to 10.6 per cent, and was marginally higher than last year due to the increase in finance income which is taxed at the higher rate of 28 per cent. Net profit attributable to equity holders of the Company increased to Rs. 907.8 Mn from Rs. 320.8 Mn last year.

## **NEW INITIATIVES**

In order to further enhance the Company's brand image, several events of international significance were held such as "Miss Intercontinental Pageant 2016" and Travel Bloggers Conference Asia and Awards 2016.

The Hotel continued to consolidate its unique brand positioning as a leisure destination that combines the convenience of city life with the tranquillity and natural surroundings of a luxury resort.

### **ACCOLADES AND AWARDS**

During the current financial year, Cinnamon Lakeside successfully retained its international certifications with ISO recertification for OHSAS 18001 and ISO 22000. The Hotel was endorsed by guests this year and obtained Bookings. com Guest Review Award with a rating of 8.3, while it was also recognised by the Institute of Chartered Accountants of Sri Lanka, with a Bronze Award in the Hotels Sector at the Annual Report Awards 2016.

### **OUTLOOK FOR THE FUTURE**

The Company is looking at a future that is likely to be increasingly competitive considering the expected increase in room inventory. However, overall growth in tourism and increased business activity are likely to augur well for the future. While competition will indeed become more intense in the immediate future, we believe that the Hotel, with its new and uniquely differentiated brand proposition, is equipped to surmount these challenges.

In the new financial year, the Hotel will continue to focus on marketing and promotions, and on enhancing its value proposition. Cinnamon Lakeside will continue to attract growing volumes from the MICE and leisure segments where the Hotel holds a competitive edge. The Hotel will also concentrate on the significant markets of India and China and will continue to introduce initiatives that would appeal to these travelers.

# **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 guest experiences.

I would also like to 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 their continued confidence in the Company.

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Susantha Ratnayake

Chairman

24th May 2017

## Susantha Ratnayake

Chairman

Susantha Ratnayake was appointed as the Chairman and CEO of John Keells Holdings PLC (JKH) in January 2006 and has served on the JKH Board since 1992/1993. He has 38 years of management experience, all of which is within the John Keells Group. He is a past Chairman of the Sri Lanka Tea Board, Ceylon Chamber of Commerce, and the Employers' Federation of Ceylon.

## **Ajit Gunewardene**

Director

Ajit Gunewardene is the Deputy Chairman of John Keells Holdings PLC and has been a member of the Board for over 24 years. He is a Director of several companies in the John Keells Group and is the Chairman of Union Assurance PLC. He is a member of the Board of SLINTEC, a company established for the development of nano technology in Sri Lanka under the auspices of the Ministry of Science and Technology. He is also a member of the Tourism Advisory Committee appointed by the Minister of Tourism Development. He has also served as the Chairman of the Colombo Stock Exchange and Nations Trust Bank PLC. Ajit has a degree in Economics and brings over 34 years of management experience.

# **Ronnie Peiris**

Director

Appointed to the John Keells Holdings PLC Board during 2002/03, Ronnie, as Group Finance Director, has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance, Treasury, and the Information Technology functions. He is also a Director of several companies in the

John Keells Group. He was previously the Managing Director of Anglo American Corporation (Central Africa) Limited in Zambia.

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 UK, and the Society of Certified Management Accountants Sri Lanka and holds an MBA from the University of Cape Town, South Africa. Previously, the Chairman of the Sri Lanka Institute of Directors, he is currently a member of the Committee of the Ceylon Chamber of Commerce.

## Rohan Karunarajah

Director

Rohan Karunarajah, Sector Head of the City Hotels sector, currently overlooks the management of the Cinnamon Grand, Cinnamon Lakeside and Cinnamon Red. A career hotelier counting over three decades, both in the local and international hospitality industry; he held the position of General Manager in several hotels in the United Kingdom, lastly being the Marriott Marble Arch, London. He is also a Director of Asian Hotels and Properties PLC. He read for his Masters in Hospitality and Business Studies from the Thames Valley University, London.

### Krishan Balendra

Director

Krishan Balendra has responsibility for the Leisure Group and John Keells Stock Brokers Ltd. He also serves as the Chairman of Nations Trust Bank PLC and is the Hon. Consul General of the Republic of Poland in Sri Lanka. He is a former Chairman of the Colombo Stock Exchange. 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 JKH. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.

## **Cholmondeley Pinto**

Director\*

Cholmondeley Pinto was appointed as a Non-Executive Director and as the Chairman of the Board Audit Committee of Trans Asia Hotels PLC in July 2011. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka with 44 vears of experience in the profession and in industry. Before returning to Sri Lanka in 2006 after a spell of 32 years abroad, he worked for SAB Miller PLC for 23 years, the world's second largest multinational breweries group, holding CFO positions in its listed subsidiaries in several countries. He currently works as a beverage industry consultant and is semi-retired. He is also a Non-Executive Director of Asian Hotels and Properties PLC.

# **Eranjith Wijenaike**

Director\*

Eranjith Wijenaike was appointed to the Board of Trans Asia Hotels PLC as a Non-Executive Director in June 2012. He is the Managing Director of Central Finance Company PLC, a leading non-banking Financial Institution in the country. Eranjith is also a Director of several other quoted companies within and outside the Central Finance Group. He holds a Bachelor's Degree in Commerce and a Post Graduate Diploma in Finance and Banking.

## **Navin Gooneratne**

Director\*

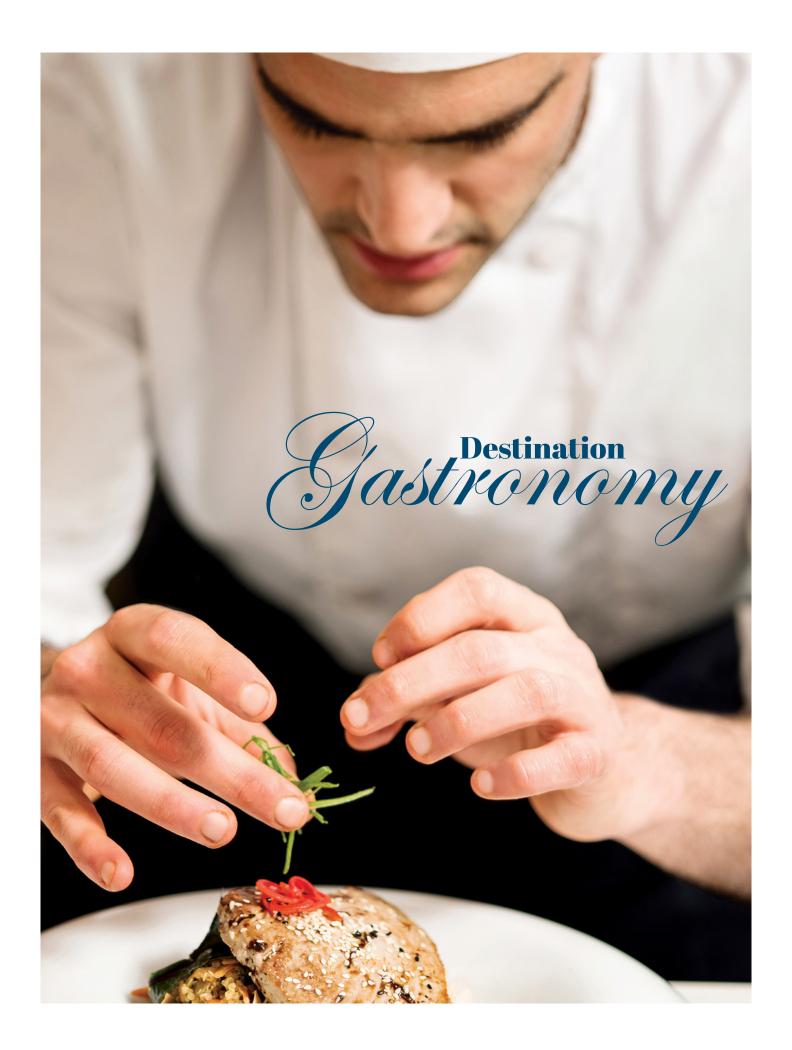
Navin Gooneratne has been a member of the Trans Asia Hotels PLC Board as a Non-Executive Director since its inception in 1984. He holds a Bachelor of Science Degree in Engineering and is a Member of the Institute of Engineers (Sri Lanka). He is the Chairman of 1:2:4 Designs Ltd; Radiance Film International (Pvt) Ltd. and Trans Asia Films (Pvt) Ltd. He is the Honorary Chairman of SAMA International Trust, Swarajya Foundation and the Light of Asia Foundation. He is also a Patron of Mahatma Gandhi Centre in Colombo.

# **Jhansi Ponniah**

Director\*

Jhansi Ponniah was appointed to the Board of Trans Asia Hotels PLC as a Non-Executive Director in October 2013. She has been intimately involved in the travel and tourism industry for over 30 years and has held directorships in numerous subsidiaries of John Keells Holdings PLC – namely Walkers Tours Ltd., Whittalls Travels Limited and Gordon Frazer & Co. Limited. She has also served as the Secretary to the Sri Lanka Association of Inbound Tour Operators and is a recipient of Zonta Club Woman of Achievement Award.

\*Independent Director



# **OPERATING ENVIRONMENT**

Cinnamon Lakeside has always had a unique brand proposition; that of being a city hotel that has all the characteristics of a resort. Located as it is by the lake and able to take advantage of the nuances of total relaxation even though it sits within the heart of the country's commercial capital, the Hotel is positioned as the five-star urban resort of the country. It is surely a location that espouses tranquillity, quietude and calm, while also imbuing the imperatives required by the contemporary business traveller. Combining the laid-back feel of a resort and an active buzz for corporate demands, well founded in sustainable best practices, diverse product and service offerings, and efficient customer service excellence. Cinnamon Lakeside can proudly carry the honour of the title -'Destination Serenity' with great aplomb, having returned into the city hotel fray with a renewed look and feel this year.

## **SRI LANKAN ECONOMY**

The Sri Lankan economy grew at a slower rate of 4.4 per cent in 2016 in real terms, in comparison to 4.8 per cent in the previous year. The value addition in agriculture, forestry and fishing related activities recorded an overall decline of 4.2 per cent in 2016 compared to the growth of 4.8 per cent observed in the previous year. As a result, the GDP share of this sector reduced further to 7.1 per cent in 2016 from 7.8 per cent in 2015. The contraction in the sector was particularly due to adverse weather patterns experienced during the year. The value addition in industry related activities changed course to a higher growth trajectory, expanding by 6.7 per cent in 2016 compared to 2.1 per cent in the previous year. The value addition in service related activities grew by 4.2 per cent in 2016 compared to 5.7 per cent in 2015. All service activities, except for the professional services subsector, grew in 2016.

Services continued to record a surplus during the year, led by the increased earnings from tourism, followed by export of transport, telecommunications, computer and information services. In addition to the rise in tourist arrivals, the increase in the estimated average spending per day and the improvement in the estimated average duration of stay by tourists, led to an 14 per cent growth in earnings from tourism, amounting to USD 3.4 Bn during the year. Tourist arrivals may pick up with high economic growth in Europe, China, India and Russia, which are Sri Lanka's major sources of tourism.

The tax framework in the Budget 2017 proposed an increase of corporate tax rates from 12 to 28 per cent on the registered service providers in the leisure industry, which will have an impact on the profitability of the Hotel. The increases in the value added tax (VAT) rate to 15 per cent and in corporate tax rates, amongst others tax increases, will affect Sri Lanka's competitiveness in the region, where Sri Lanka is already priced on par with several key tourism related competitors. Being identified as one of the key thrust areas of the Sri Lankan economy and given the industry's growth trajectory, it is imperative that Sri Lanka remains competitive regionally whilst also ensuring that investment in expanding inventory is not discouraged due to higher taxes. An amendment in the corporate tax rate is yet to be enacted (however, as at 19th May 2017, indications are that the corporate tax rate may change to 14 per cent).

### **SRI LANKAN TOURISM INDUSTRY**

The Sri Lankan tourism industry, a major foreign currency earner in the economy, continued its growth momentum during 2016 with tourist arrivals exceeding the 2 Mn milestone for the first time in history. The country recorded 2,050,832 arrivals during the year which is an impressive annual growth of 14 per cent. The significant increase in tourism related infrastructure development and investments, increased connectivity

through the operation of new airlines and cruise lines, together with country specific promotional campaigns have contributed to this impressive growth. Increased geo-political tension in major tourist destinations of the world also helped Sri Lanka to attract tourists. Tourist arrivals from all major regions, except Africa, increased in 2016. Western Europe continued to be the largest region of tourist origin for Sri Lanka, representing 31.4 per cent, with the number of tourist arrivals increasing by 16.5 per cent to 643,333. The share of tourist arrivals from East Asia has increased continuously since 2010, accounting for 20.7 per cent of total arrivals in 2016 compared to 10.5 per cent in 2010, contributed by the impressive growth recorded in tourist arrivals from China. India remained the largest country of tourist origin with 356,729 arrivals in 2016, while China remained second, followed by the UK, Germany and France. These five largest tourist source destinations together have accounted for 51 per cent of tourist arrivals to Sri Lanka in 2016, reflecting the market concentration of tourism. The highest contribution to growth was recorded from China with 271,577 tourist arrivals, followed by India and the UK.

In terms of the purpose of visit, a majority of tourists (83.4 per cent) visited the country on vacation. Tourist arrivals for business activities were 1.8 per cent, while the share of tourist arrivals for other intentions, such as visiting friends and relatives, religious and cultural events, official, MICE (Meetings, Incentives, Conferences & Events), health, education and sports, was 14.8 per cent of total arrivals in 2016. Earnings from tourism continued its growth momentum in 2016, contributing towards the strengthening of the Services sector.

As a result of the growth in tourist arrivals, together with higher spending and the increased duration of stay by tourists, earnings from tourism grew by 14 per cent to USD 3.4 Bn

# **OPERATING ENVIRONMENT**

in 2016, in comparison to USD 2,981 Mn in 2015. According to the latest annual survey on tourist spend and duration of stay conducted by the Sri Lanka Tourism Development Authority (SLTDA), the average spend per day by a tourist increased to USD 168.2 in 2016 from USD 164.1 in 2015. Further. the average duration of stay by a tourist was estimated at 10.2 days in 2016, which was a marginal improvement in comparison to 10.1 days in 2015. The healthy growth in earnings from tourism can be mainly attributed to extensive promotional activities and hotel and other related infrastructure development during the post conflict era.

### **TOURIST ROOM CAPACITY**

The tourism sector investment expanded further in 2016. During this period, approval was granted for 41 new hotel projects at an investment of USD 126 Mn to incorporate 1,526 rooms. In 2015 the number of projects approved was 37. Several international hotels, including Shangri-La, RIU and Best Western commenced their operations adding 1,569 rooms to the industry. Several major hotel projects including Hyatt, Sheraton, Shangri-La Colombo , ITC and NEXT continued their construction work during the year. Further, supplementary establishments, which include boutique villas, guest houses, home stays, heritage homes, bungalows and rented apartments, increased in 2016 by 149 to 1,558, resulting in a total room capacity growth, from 833 rooms to 11,535. These new hotel projects will help the Government to achieve its target of building 75,000 rooms to cater to 4.5 Mn tourist arrivals by 2020. The tourism industry in Eastern and Northern Sri Lanka continued to grow with local and foreign investors, focusing their attention on harnessing the high potential for tourism in these provinces.

Reflecting this development, many new projects related to tourism have been completed in the Eastern and Northern provinces, particularly in Passikudah, Nilaveli and Jaffna. In addition, proposals have been called to establish new tourism projects in islands of Jaffna and Mannar, Mullativu and Kuchchaweli in the North and East. Further, proposals have been made to develop integrated tourism resort projects in Kalpitiya and a resort and recreation development in Dedduwa by the BOI.

### **IMPROVING TOURISM STANDARDS**

Coordinated efforts were taken to improve the standards of Sri Lanka's tourism industry. A new classification for tourist hotels was introduced by the SLTDA in April 2016, replacing the earlier classifications created in 1968 and 1999. Under the new classification requirement, all tourist hotels registered with SLTDA are required to have a star classification, which will have to be reclassified every three years.

Further, as per the budget 2016, a programme for the absorption of the informal sector into the formal tourism sector was launched to regulate and improve the quality of service. The governing body, Sri Lanka Tourism, which comprises SLTDA, Sri Lanka Tourism Promotion Bureau (SLTPB), Sri Lanka Institute of Tourism and Hotel Management and the Sri Lanka Convention Bureau, celebrated its golden jubilee in May 2016, and organised many activities on par with this event. The SLTDA, together with other tourism institutions, organised a Tourists' Holiday Festival with cultural shows, seasonal events, food festivals, exhibitions and entertainment to cater to peak tourist arrivals in December 2016.

Recognising the growth potential in the industry, the budget for 2017 introduced several proposals mainly to increase the quality of the tourism industry and tourist attractions. This includes construction of a convention centre to develop MICE tourism and financial support schemes for tourist organisations aiming towards the

sustainable development of the tourism industry of Sri Lanka.

### **PROMOTIONAL CAMPAIGNS**

Targeted promotion campaigns launched by the SLTPB helped Sri Lanka to position itself as a leading and one of the most attractive tourist destinations in the world. Recognising the importance of tourism promotion, the SLTPB continued its country specific strategic marketing plan in 2016 and implemented a series of activities including participation in travel fairs and road shows whilst launching advertising campaigns in key markets. This included global outdoor promotional activities; such as advertising on the UK underground and in reputed global telecasts such as National Geographic and BBC Wildlife.

In addition, the SLTPB increasingly engaged in web based promotional activities in 2016 conducting visiting bloggers' programmes, online advertising campaigns, digital advertising through web banners, dedicated email and social media programmes; all targeting high end tourists. These promotional campaigns have assisted to increase the value of Sri Lanka as a destination brand and was computed by Brand Finance, a leading independent business valuation company at USD 74 Bn with a country ranking of 55 in 2016, upgraded from 57 in 2015. In addition, many travel related entities have endorsed Sri Lanka as one of the best destinations to travel to in 2016 and 2017. Although vigorous promotional campaigns were carried out during the last few years and initiatives taken to develop infrastructure related to the tourism industry helped attract tourists, Sri Lanka has not yet tapped into its full potential in the global market.

### **TOURISM FORECAST**

The upward trend in the performance of the tourism sector is expected to continue in the coming years, with efforts to uplift Sri Lanka's brand value through tactical marketing campaigns

# **OPERATING ENVIRONMENT**

and continued investments in enhancing the tourism infrastructure of the country being put in place.

While Sri Lanka attracted 2 Mn tourists in 2016, some countries in the South East Asian region, such as Singapore, Taiwan and Hong Kong, have recorded tourist arrivals of more than 10 Mn per year. Sri Lanka can explore its potential in the areas of medical tourism and eco-tourism as the country is already competitive in providing ayurvedic medicine and high quality private healthcare facilities.

A proper mechanism needs to be designed as a Public Private Partnership (PPP) to train workers for the hospitality industry as the labour shortage may hinder the future growth momentum of the industry. Training courses on hospitality management need to be promoted at regional levels, combined with internship programmes. Further, measures taken to improve the room capacity also need to be continued; since home stays are gaining popularity among budget travellers. However, it is important to standardise the informal sector accommodation as higher standards are required to maintain the country's competitiveness in the long run. At the same time, policy initiatives are imperative to diversify the availability of tourist activities in Sri Lanka. More emphasis should be paid on lagging sectors of the tourism industry, such as leisure tourism and recreational tourism in order to increase average guest nights, which is currently stagnated.

# **OPERATIONAL REVIEW**

Rejuvenated and reinvented under the Cinnamonization programme, the current financial year saw Cinnamon Lakeside return to compete in the Colombo city circuit, donning the mantle of 'Destination Serenity,' backed by full operational capacities following seven months of partial functionality. Cinnamon Lakeside's new unique branding as a leisure locale that combines city

convenience and city lifestyle with the environ of a resort has undoubtedly positioned it as an unparalleled gem in the domestic tourism portfolio. Imbued by the vision of 'Inspired Living', Cinnamon Lakeside made waves during the current financial year by tangibalising the concept of 'serenity as a destination.'

Cinnamon Lakeside's room inventory which stands at 346, comprising 20 suites, 191 superior rooms, 106 premium rooms, 29 executive rooms.

Consolidating its new brand identity, Cinnamon Lakeside also continued to inculcate the Cinnamonization Strategy to its teams via training and development initiatives to differentiate the Hotel and to provide curated services to customers. Training and strengthening of skills remained a strong focal point throughout the year. Varied programmes structured towards different touch points of the Hotel enhanced the overall professionalism accompanied by customer-centric service orientation. Staff skills were upgraded across the spectrum from English language skills to Chinese language and behavioural norms, cascading correct deportment and respectful and polite communications.

In addition, the Hotel conducted numerous activities customised specifically for target markets. Chinese tourism to Sri Lanka is increasing rapidly as diplomatic and trade ties continue to strengthen. The Cinnamonization strategy earmarked China as a primary target market for leisure services, as the annual growth in Chinese visitors to Sri Lanka hold great opportunity and growth potential. Taking advantage of the intrinsic knowledge the Hotel has of the Chinese market, a number of promotional activities were held for Chinese guests, while product and service enhancements specifically conceptualised for these guests were also mooted.

### **FOOD & BEVERAGE PERFORMANCE**

Cinnamon Lakeside's eight outlets rallied strongly in the current financial year recovering from the low key performance in the previous year stemming from partial closure. Within the property, the Hotel also has some innovative dining venues, where the cuisine and ambience serve a blend of extraordinary experiences. Eight Degrees on the Lake glides along the Beira Lake imbuing either quietude or a party atmosphere when necessary. Authentic Chinese cuisine is the specialty at the Long Feng, while Royal Thai takes guests on a journey of the esoteric flavours of Thailand. Seven Degrees North by the quiet winding waters of the Beira has become one of the most popular chill-out venues for cocktails and music.

This eclectic collection of venues combined their creative culinary efforts during the year to contribute a significant 17 per cent growth in food and beverage revenues during the year. This was by providing visitors uniquely distinct flavours, ambiance and experiences to realise the concept of 'Inspired Living' in practice through gastronomic journeys. In keeping with the Chinese market strategy, the Long Feng restaurant introduced an All-You-Can-Eat Dim Sum Buffet for daily lunch and hosted a Chinese New Year Food Promotion featuring over 50 popular Cantonese items.

Other dining venues too held a range of promotional activities and introduced new gastronomic delights and beverage options coupled with family events and children's activities. The Royal Thai also brought in a new dining concept launching a special Set Menu for lunch; followed by a ten-day Thai Food Festival at The Terrace featuring cuisine from all parts of Thailand.

The Lounge hosted a Festive High Tea in December with an array of the choicest seafood, meat and vegetarian dishes

# **OPERATING ENVIRONMENT**

from both the hot and cold kitchens. The Hotel also unveiled the Longest Christmas Secret, revealing a 180 feet yule log, created by 24 pastry chefs. It also hosted the Teddy Bears' Picnic, enticing children with a children's movie theatre, trampoline, speedboat rides, painting, F1 racing challenges and pony rides. Christmas became even more festive with Carols on The Terrace featuring the award winning Methodist College Old Girls' Metho Cantanti Choir,

Buffets at The Dining Room on Christmas Eve and Christmas Day and a sparkling lunch at 8 Degrees on the Lake, which set the tone for the season with a splendid family feast.

Ringing in the New Year, the Countdown Party was held at The Terrace with guests who joined Cinnamon Lakeside's New Year's Eve dinner buffets at The Dining Room, Royal Thai and Long Feng joining in.

With its newly refurbished facilities, Cinnamon Lakeside was well positioned to host international VVIPs and during the current year. The Hotel played host to the Commerce Minister of Bangladesh the Hon. Tofail Ahmed, HOSTED a cocktail party for the participants of the Miss Intercontinental 2016 pageant, held for the first time in Sri Lanka.



Publicity for the launch of Royal Thai lunch Set Menu



Thai Food Festival at Cinnamon Lakeside



Guests enjoying the Thai Food Festival



Publicity for All-You-Can-Eat Dim Sum Buffet



The Terrace all set for the Chinese Food



F&B team at the Chinese Food Promotion with General Manager Dermot Gale, Director F&B Faizeen Jameel and Executive Chef Kapila Jayasinghe



Cinnamon Lakeside General Manager Dermot Gale with the chefs who made the lengthiest yule log for the season



Bangladesh Commerce Minister Hon. Tofail Ahmed at Cinnamon Lakeside



Participants of Miss Intercontinental Pageant posing for a picture during the cocktails held at The Terrace

# **OPERATING ENVIRONMENT**

### **ACCOLADES AND CERTIFICATIONS**

Representing one of the country's leading hospitality groups, Cinnamon Lakeside has a proven track record of continually improving its operational systems. Coupled with an innovation driven mindset, the Hotel has remained focused on governance and ethics. quality and standards, leadership and service excellence, green conscience and contribution to the industry and to the country. Cinnamon Lakeside has continued to integrate international industry best practices within all its operations and across the value chain process to create a hotel on par with international hospitality brands. While setting new industry benchmarks in the country with innovative concepts, the Hotel has been fully cognisant of the vital role accreditation plays in enhancing brand image and credibility of operations in the eyes of customers and international business partners.

During the current financial year,
Cinnamon Lakeside was successfully
able to retain its international
certifications with ISO recertification
for OHSAS 18001 and ISO 22000. The
OHSAS 18001:2007 aligns the Hotel with
best international standards in workplace
health and safety practices and systems.
ISO 22000:2005 is a validation of the
Cinnamon Lakeside's Food Safety
Management System Standard, which
has now been renewed, reflecting the
consistently improving procedures. The
certifications extends throughout the

entire food manufacturing operations, including material purchasing, stores, kitchens, stewarding, restaurants, bars, human resources, maintenance and waste disposal. Safety and hygiene standards were commended with an "A" level food grading for Excellence in Food Safety and Hygiene by the Colombo Municipal Council during the current year as well. Overall excellence in service quality was recognised with the Cinnamon Lakeside being crowned with the Booking.com Guest Review Award gaining a rating of 8.3 which is in the higher echelons evaluated for leisure excellence.

Cinnamon Lakeside associates made the Hotel proud with their achievements in areas of work specialisation and in sporting activities. Bringing pride to the Hotel, at the National Bartenders Competition organised by the Ceylon Hotel School Graduates Association, 24 of our associates participated with one named Second Runner Up and another gaining kudos in the Classic/Innovative cocktail competition. At the National Bartenders Seminar and Competition 2016, Cinnamon Lakeside was proud to have a winner in the Classic Category which saw this associate participate in the Asia Pacific Bartender of the Year Cocktail Competition 2016 in Singapore. In the sporting arena, Cinnamon Lakeside's associates returned with three gold medals at the John Keells Inter-Company Swimming Meet.

### **GUEST ENGAGEMENT**

# Cinnamon City Hotels #CSnapColombo Competition

In an innovative new approach to promote city tourism, the Cinnamon's city hotels of which Cinnamon Lakeside is part of, launched the unique #CSnapColombo Photography Competition on Instagram.

Organised to coincide with World Tourism Day 2016, the competition aimed at highlighting and rediscovering the city's hidden gems through the artful capture of places, art, culture and cuisine. Luring modern travellers through the sights and sounds of Colombo with vivid photographs captured by Sri Lankans and foreign visitors alike will encourage longer stays, thereby increasing revenue for city hotels.

Over 500 photographs were submitted for the competition, which ran for a three-month period, of which the winners received attractive prizes from the city hotels under the Cinnamon umbrella.



National Bartenders Competition Second Runner Up Sasiri Ruksala in action



Booking.com Awards 2016



#CSnapColombo initiative organised by the Cinnamon's city Marketing Communications team

# **FINANCIAL REVIEW**

### **REVENUE**

Returning to full operational status in the current financial year, Cinnamon Lakeside leveraged its unique locality and surroundings as 'Destination Serenity' to establish its image as a specially designed oasis of relaxation, within the hustle and bustle of the ever dynamic city of Colombo. The Hotel has made great strides to regain its foothold in the domestic tourism market as a unique offering within the increasingly crowding leisure sector of Sri Lanka. The performance of the Hotel in the current financial year is clear evidence that Cinnamon Lakeside has managed to master the subtle balance of realising this brand vision in making serenity a destination.

Room revenue grew by Rs. 548.9 Mn which is an increase of 54 per cent against the previous year with annual occupancy inclining by 21 per cent, from 43 per cent in the previous year to 64 per cent in the year under review. The depreciation of the Rupee against the USD by 6 per cent also contributed towards the increase in room revenue, although the annual average room rate in USD terms dipped by USD 4 from USD 132 achieved in the previous year. The Leisure segment recorded the highest growth in room nights during the year with an increase of 16,139 revenue room nights compared to the previous year (growth of 69 per cent), whilst the corporate segment revenue room nights grew by 30 per cent against the previous year. The crew segment revenue rooms grew by 4,574 revenue room nights which is a 548 per cent increase from the previous year as a result of KLM, Gulf Air, Oman Air and Garuda choosing Cinnamon Lakeside for its crews. The revenue rooms from the MICE segment dipped marginally by 1 per cent against the previous year.

Total Food and Beverage (F&B) revenue increased against the previous year by Rs. 194.7 Mn to Rs. 1,340.6 Mn due to the growth in both F&B outlet and banquet revenue gaining by Rs. 133.3 Mn and Rs. 61.4 Mn against last year respectively. F&B outlets recorded a 23 per cent expansion in the number of covers whilst Banquet recorded an 8 per cent improvement in covers against the previous year.

Aligned with the increase in operational volumes, the other revenue component increased by 7 per cent (Rs. 23.8 Mn) from Rs. 330.4 Mn to Rs. 354.2 Mn, which also contributed towards boosting the Hotel's top line.

# OPERATING OVERHEADS AND PROFITABILITY

The cost of sales increased by 18 per cent reflecting a growth in operational volumes, while gross profit increased by a remarkable 41 per cent to Rs. 1977.7 Mn. GP margin increased from 57 percent to 61 per cent.

Other internal expenditure too climbed up during the year. This was due to

a combination of growth in business activities and overall cost increases in the country. Administrative expenses increased by 12 per cent while sales and marketing costs increased by 18 per cent under the new marketing drives compared to the subdued marketing activities of the previous year due to ongoing renovations. There was an increase of constructed marketing initiatives and promotional strategies implemented during the year under review, in order to improve market presence not only in Sri Lanka but also outside the country and enhance business volumes. Other operating expenses however declined by 12 per cent against the previous year, due to the inclusion of the asset write off pertaining to the renovation project during last year. Profits from operations increased by Rs. 504.9 Mn to Rs. 776.8 Mn.

The conversion loss arising from exchange rate fluctuation due to the depreciation of the Sri Lankan Rupee against the USD on the USD 3 Mn borrowing obtained for the renovation in the previous year reduced from Rs. 41.5 Mn to Rs. 11.5 Mn during the current financial year. The increase in interest cost during the year under review, mainly as a result of the interest cost capitalisation during the renovation period last year, was negated by the increase in interest income through investment of excess cash in investments yielding higher return. This reduced the net finance cost by 89 per cent to



KLM Crew on their first day of stay at Cinnamon Lakeside



The inaugural Gulf Air crew



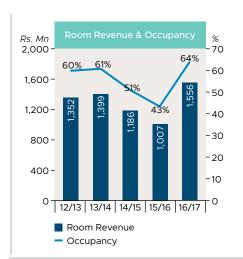
Cinnamon Lakeside hosted many large scale conferences during the year including, CMA Conference 2016

# **FINANCIAL REVIEW**

Rs. 4.4 Mn from Rs. 40.4 Mn year-onyear. Change in fair value of investment property saw a 93 per cent increase due to fair value gain on commercial centre valuation notching at Rs. 243.4 Mn. The profit before tax for the year under review was Rs. 1,015.9 Mn compared to the previous years' profit before tax of Rs. 357.6 Mn. Profit after tax increased by 183 per cent to Rs. 907.8 Mn.

### **TAXATION**

The effective tax rate saw a marginal incline of 10.6 per cent during the year under review, compared to 10.3 per cent in the previous year. This was mainly due to the augmentation in interest income by 272 per cent against previous year. Total tax charge for the year rose from Rs. 36.8 Mn to Rs. 108.1 Mn due to the incline in taxable profit and interest income.



### **DIVIDENDS**

As proposed in the previous year's financial statements, the Company declared a final dividend of Rs. 1 per share for the financial year 2015/16 which was paid on 14th June 2016. An interim dividend of Rs. 2 per share for the financial year 2016/17 was paid on 30th March 2017.

### **GEARING AND INTEREST COVER**

The gearing ratio of the property as at 31st March 2017 was 5.8 per cent with an interest cover of 35.8 times.

### **ROA, ROCE AND ROE**

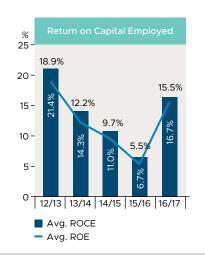
The return on assets (ROA) for the year under review was 12.37 per cent against 4.6 per cent of the previous year. This was primarily due to the partial closure of the Hotel during the first

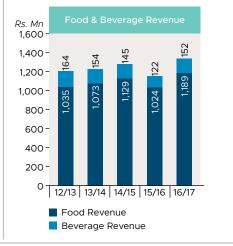
seven months of 2015/16 for renovation. The Company invested Rs. 100.2 Mn in property, plant and equipment during the year under review to maintain brand standards.

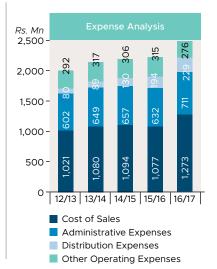
The return on capital employed (ROCE) was Rs. 16.7 per cent, while the Return On Equity (ROE) was Rs. 15.5 per cent for the year.

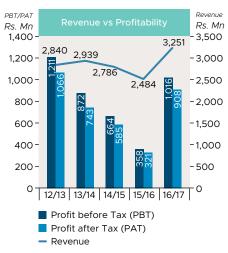
### **OPERATING CASH FLOWS**

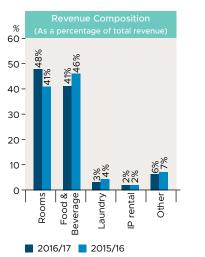
Cash flows generated from operating activities during the year under review increased to Rs. 927.7 Mn compared to Rs. 210.4 Mn in the previous year, which represents a growth of 341 per cent. This was mainly as a result of the partial closure of the Hotel due to the renovation and the payment of super gain tax amounting to Rs. 202.4 Mn during the previous year.











# **HUMAN RESOURCES**

### **OUR TEAM**

Linked together by the common objective of achieving our aspirations, Cinnamon Lakeside is fortunate indeed to have as its associates, a team of multiskilled personnel that are dedicated and committed to the Company. Their steadfast loyalty and integrity have made it possible for the Hotel to continuously achieve both its financial and non-financial objectives. The team is the heart and soul driving the concept of 'Inspired Living,' making it an experiential reality and an unforgettable memory for our guests. The mind-set of continually raising the bar has made the property known for its exceptional customer care and professionalism, consistently generating high customer ratings from both international and local customers. Whether via social media or through individual engagement, the reputation garnered as a hotel that truly delivers on its brand promise and values has continued to grow during the current financial year as well.

The Hotel's HR strategy has been structured to reflect the founding principles of the Cinnamonization process within its framework, while driving associates to become a benchmarked team. The Hotel has a holistic HR manual to guide management and associates on professional standards, behaviour, work ethics and workplace culture.

In the light of rising competition within the Sri Lankan hospitality industry, there is a continuous need to upskill associates in order to maintain the competitive advantage within the intensely tightening market. From sourcing to retaining and developing our human resources, our human resource management skills are being honed to ensure that Cinnamon Lakeside attracts and keep the best skills in the industry. As part of this process,

our associates are recognised as the spearheads for our success and are rewarded accordingly through training and development, remuneration and unparalleled benefits, which have in turn contributed towards fulfilled associates and enhanced productivity.

The Hotel strives to maintain a culture of camaraderie presenting numerous opportunities for associates to contribute and participate in the growth process of the Company.

All efforts are made to ensure associates enjoying a good work-life balance for a healthy mind-set and positive attitudes towards work. As a result of our exceptionally beneficial work environment, we have become an employer of choice in the city hospitality industry.

### **OUR DIVERSITY**

Diversity is integral to the Hotel's inclusive growth policy and employees are exposed to educational and awareness building activities to encourage a tolerant work culture. Believing strongly that diversity enhances creativity and innovation through new perceptions and the opportunity to share cultural, educational and experiential learnings; Cinnamon Lakeside practices a stringent policy of meritocracy on all fronts and is strictly non-discriminatory by gender, age, religion, culture, ethnicity or physical ability. Following the principles and values embedded within the Group, recruitment is based on the employment position, suitability to that job, culture of the organisation and willingness to learn and be a team player. Our associates therefore form an exciting grouping of diverse individuals, each possessing unique talents and skills, sharing experiences and knowledge that enriches the organisational culture.

As a home grown brand with Sri Lankan principles and values, the Hotel attempts at all times to generate employment for Sri Lankans. This policy has generated opportunity for Sri Lankan youth through exposure to the highest standards of hospitality industry practices, and specialised training programmes; thereby creating a pool of highly skilled people who contribute immensely to the country's hospitality industry in total. Unless a particular position requires unique skills, knowledge and experience which will add a definite competitive advantage to the sustainability of our business, it is Sri Lankans who are recruited into our team. At Cinnamon Lakeside, nearly all our associates are Sri Lankans including those in the management cadre, with only six foreign personnel being sourced externally.

### **RETENTION**

Sri Lanka has seen rapid development in the hospitality industry within the past few years, led by the significant influx of new entrants into the market, primarily within the hotel and resort sub sector of the industry. While this has generated multiple employment opportunities for young people in the country, the limited training facilities within the country have made it a challenge to source the appropriate combination of talent, skill and personality for the Hotel given our exacting standards set for service levels. As a premier city hotel brand, Cinnamon Lakeside's guests expect the highest professionalism in service and it is our duty to ensure that our human resources are aligned to this. Therefore, the Hotel invests extensively in training and development of our team, making employee retention a key priority of the human resource management function, given the cost and time invested in training and development. Currently, the industry is in dire need of trained personnel and there is intense

# **HUMAN RESOURCES**

competition to source well trained highly skilled personnel like ours.

# OCCUPATIONAL HEALTH & SAFETY AND FOOD SAFETY MANAGEMENT

Cinnamon Lakeside operates within stringent and internationally aligned health and safety and food safety policies which have been structured to incorporate the latest industry best practices, conforming to global hoteliers' and industry standards. Occupational Health and Safety standards (OH&S) have been set in line with international certification requirements and are regularly revised to reflect industry evolutions and trends. The Hotel's ultimate objective is to create a workplace with 'Zero Lost Workdays' and every OH&S initiative introduced, works towards this goal.

Following the meticulous guidelines laid down in the OH&S 18001 and the ISO 22000 certification requirements, Cinnamon Lakeside's non-compromising stance on OH&S and food safety standards has enabled us to create a safe and secure work environment for our associates, and a safe and secure space for leisure and business for our guests.

Aligned with our strict policy on health and safety and food safety, associates are exposed to regular training programmes to refresh and enhance their operational safety knowledge. During the current year, associates were trained in line with OH&S 18001 and ISO 22000 certification requirements. These included 608 hours of first aid training, lifesaving training for pool attendants by the Lifesaving Association of Sri Lanka which was a 144 hour programme, fire awareness and emergency evacuation training which was a comprehensive 510 hours of training, chemical handling and safety for laundry for 14 hours of

exposure in handling chemicals used in the laundry, and another 74 hours of chemical handling and safety training for Housekeeping associates.

As a regular safety practice, a bi-annual fire evacuation drill is also conducted in the Hotel to give associates the rudiments of handling guests and other stakeholders within the Hotel in case of such an emergency. The process involves roll calls at the assembly areas, counter checks, evacuation papers collected and ratified, briefings by the Head of Security and demonstration of extinguishing a fire, this year specifically, at 8 Degrees on the Lake using a submersible water pump.

The Hotel also focused on food safety and engaged associates in 19 hours of introductory training on food allergies and 164 hours of basic food hygiene training. 166 hours of exposure on basic safety practices for workplace health and safety standards and a workplace safety practices and prevention of accidents by the Labour Department which took 112 hours, 32 hours on safe handling of gas and 33 hours of training on accident investigation procedure were also conducted.

# GRIEVANCE HANDLING AND WHISTLEBLOWING POLICY

Grievance handling is an essential component in our business operations and in facilitating teamwork for greater understanding and cooperation. To ensure fair play and fair hearing, the Hotel has a formal and transparent grievance handling procedure, which includes a Whistleblowing Policy to ensure that associates can obtain redress in the event of unjust or unfair treatment, or in having witnessed or become privy to situations which can be detrimental to themselves or the organisation. In the latter, absolute

confidentiality is maintained in seeking a solution to the problem at hand. The policy and procedure is published in the Employee Code of Conduct. All associates are made aware of this during their induction and can always validate it with the Human Resources department or at the quarterly meetings held with management.

### **Rewards and Recognition**

Recognising the crucial role played by our associates in maintaining our leadership stance in this intensely competitive industry, Cinnamon Lakeside has an ingrained policy of recognising and rewarding associates for exemplary performance. At a ceremony held during the final Associates Quarterly Meeting for the year, those who have displayed diligence and dedication to their work, with forward thinking innovative processes, positive attitudes, exceeding guest expectations and speedy response times were recognised. Teams and individuals are recognised with the coveted Associate of the Quarter award as well.

At the annual long service awards, Cinnamon Lakeside Colombo celebrated the dedication and hard work of 107 associates who completed 5, 10, 15, 20, 25 and 30 years of service, at a red carpet gala event, inspired by the Oscars. The evening was made memorable with several entertainment acts conceptualised and presented by other associates who paid their tributes to those who have guided, helped and mentored them over the years.

### **WORK-LIFE BALANCE**

Working in the hospitality industry can be demanding and it is vital therefore that a good work-life balance is maintained to ensure higher levels of productivity and better levels of application to their job. Cinnamon

# **HUMAN RESOURCES**

Lakeside organises a diverse array of events for associates to facilitate relaxation through opportunities to socialise - be it in a party atmosphere, in a competitive setting through sporting events or through the organisation of cultural events. The Hotel also maintains some of the best welfare facilities for its associates as this is considered an integral facet in our healthy workplace strategy. These benefits include a rewarding and enjoyable working environment coupled with relaxation spaces within the Lakeside residence, a unique lifestyle complex dedicated to associates with its own gym, recreational areas and welfare shop.

In addition, our associates are presented with financial incentives, medical benefits including a clinic with a visiting doctor, free meals and uniforms, as well as scholarships for their children. Associates are also encouraged to maintain good health with preventive tests and precautionary measures to instil healthier lifestyles. Numerous workshops and awareness programmes are conducted including annual compulsory medical check-ups for associates over 40 years of age, Senior Executives and Food Handlers. Routine medical examinations including diabetes prevention through a diabetic clinic are part of the Hotel's medical benefits.

Some highlights for good work-life balance are summarised below:

# International Women's Day High Tea In commemoration of International Women's Day, the General Manager hosted a High Tea for all female associates. Over 80 associates enjoyed

an afternoon of fellowship at the Dukes Court which was decorated with pink and white helium balloons detailed with flowers.

### Staff Party 2016

The gala annual Cinnamon Lakeside Staff Party held at Excel World had a gathering of over 1,600 associates and their families. Besides top line entertainment and exceptional cuisine, 120 prizes were presented at a raffle draw as well.

### Poson Dhamma Sermon

A Poson Dhamma Sermon was conducted by Ven. Polpitimukalane Pagngnasiri Thero to instil the importance of religious roots into everyday life and for a better understanding of the philosophy of Buddhism. About 100 associates participated at the sermon.



30 Years of Service award recipients with Cinnamon Lakeside General Manager Dermot Gale and Director Human Resources Priyantha Wijeratne at Long Service Awards



25 Years of Service award recipients with Cinnamon Lakeside General Manager Dermot Gale and Director Human Resources Priyantha Wijeratne at Long Service Awards



Entertainment acts by associates for Service awards recipients and families



Lakeside ladies celebrating International Women's Day



Children of associates at the Staff Party



Poson Dhamma Sermon at Cinnamon Lakeside

# **HUMAN RESOURCES**

### **SPORTS EVENTS**

Espousing that sports is a fundamental for strong teamwork and spirited competition inculcating positive mind-sets, Cinnamon Lakeside encourages associates to participate in both internal and external extracurricular sporting events to ensure that the competitive spirit is always championed.

## JKH Intercompany Rugby 7's

Cinnamon Lakeside's rugby team competed at the JKH Intercompany Rugby 7's, cheered on by the Hotel's associates in full garb of the Caribbean theme embraced by the Cinnamon's city hotels for the event. This was a fun-filled day full of entertainment and fellowship.

# Inter Company Badminton Team Championship 2016

At the Inter-Company Badminton Team Championship, the Cinnamon Lakeside Team emerged Runners Up in the Mixed Veterans' event.

## John Keells Inter-Company Swimming Meet

Cinnamon Lakeside won three gold medals at the John Keells Inter-Company Swimming Meet.

# Cinnamon's City Premier League Cricket Encounter 2016 (CCPL)

Cinnamon Lakeside cricket team partook in the Cinnamon's city hotels debut Premier League Cricket Encounter against Cinnamon Grand and Cinnamon Red. We emerged first Runners Up.

# Inter Department Badminton Tournament

Twelve teams participated in the Interdepartment Badminton tournament with the Sports Centre team winning the Championship trophy and the Accounts team emerging as First Runners Up and Security team placed Second Runners Up.

### **Inter Department Cricket Tournament**

At the Inter Department Cricket
Tournament organised by the Hotel,
a total of 24 teams from various
departments collated 192 players to vie
for the Champion's trophy cheered on
by a large of number of associates. The
Power Drome team took home the win
after a fierce battle with the Engineering
A team. The winners of the women's
match was the F&B team.

## Inter Department Carrom Tournament

The Inter Department Carrom
Tournament had 13 teams participating
with the winner emerging from the
Laundry department, and Runner
Up from Accounts. A Player of the
Tournament was adjudged as well.

### **National Sports Week Activities**

In commemoration of National Sports Week, the Hotel organised an aerobics session for associates together with a briefing on the health benefits of exercising.

# **HUMAN RESOURCES**



Cinnamon Lakeside rugby team at the JKH Intercompany Rugby 7's



Few from the Lakeside team, dressed for some Caribbean fun at the JKH Intercompany Rugby 7's with General Manager Dermot Gale



Inter Department Badminton Tournament Winners, Power Drome with General Manager Dermot Gale



JK Inter Company Swimming Meet - Cinnamon Lakeside medal winner, H. L. Sanath Ananda from Power Drome



CCPL First Runners Up, Cinnamon Lakeside with Cinnamon Hotels and Resorts Sector Head-City Hotels Rohan Karr



Lakeside supporters at the CCPL



Inter Department Cricket Winners - Men, Sports Centre with General Manager Dermot Gale



Inter Department Cricket Winners - Ladies, F&B with General Manager Dermot Gale



Inter Department Carrom Tournament 2016 Winners - Laundry with General Manager Dermot Gale

# **HUMAN RESOURCES**

### LEARNING AND DEVELOPMENT

Skill development has been central to building the Cinnamon Lakeside's premier brand image, espousing brand values and brand promise. With competition in the tourism sector continuing to increase, this is now an imperative to retain competitiveness. Professional and competent staff can contribute towards repeat customers and great reviews that encourage others to sample our hospitality. Therefore, the focus has been on continuous skill development across all grades of associates within the Hotel.

All new associates undergo a three-day comprehensive induction programme focusing on the property, sector and Group. 213 associates received this induction training during the year. In addition, the Cinnamon Magic, which is a customised programme to differentiate the Cinnamon Brand in delivering a unique service to our guests, 121 personnel were trained on the Cinnamonization strategy. Programmes including the Cinnamon Curator and Tea Sommelier trainings were implemented for 39 personnel and the Cinnamon Drive programme was conducted for 44 associates, stressing the importance of an enhanced and unique experience for guests in Cinnamon branded cars. F&B associates were also given specialised training in cocktails and beverage.

market and promote the Hotel, product knowledge is absolutely essential. This

To educate associates to better

A moment from the Cinnamon Magic training programme

was met through a series of programmes conducted for 343 associates from different departments. A basic English programme was conducted for 86 associates in the operational departments to enhance language skills and build more confidence to serve our guests. 337 personnel were also trained on the seasonal happenings of Cinnamon Lakeside. The Hotel also conducted a Professional Doorman Certification programme given that they are the first point of face-to-face contact for a guest. Designed to increase product knowledge, develop skills in giving directions and making them aware of local attractions and sites around the Hotel, 34 Security personnel participated in a certification programme with two scoring full marks at the final examination.

Departmental Trainers continuously train associates on the How To's relevant to their departments and 425 associates were trained in the current year. Under the Train-the-Trainer Programme which educated selected individuals as department trainers, 41 personnel were taught within the year.

To ensure that associates interact effectively and in a professional manner with guests as well as co-workers, 94 personnel from operational departments were trained in soft skills. Another 208 were trained on customer care and hospitality, and the importance of delivering excellent service to guests. To educate associates on the importance of proper grooming and hygiene and

Curator training underway

its impacts on the hospitality industry, 81 associates were trained in personal grooming.

Eight participants from the Reservations Department attended the Reservations Touch Points programme. Chinese language classes were conducted for Front Office and F&B associates to ensure that Chinese visitors, who the Hotel is targeting as a primary guest segment, feel comfortable and are able to communicate comprehensively with Hotel associates. Training programmes also include health and safety initiatives and programmes pertaining to pool safety, lifesaving, first aid training, fire safety, HIV and AIDS awareness and diabetes awareness.

Cinnamon Lakeside associates were also exposed to concepts of gender rights to create a more inclusive mind-set and to build a workplace and lifestyle free from gender related violence under Project Wave.

# **Awards Ceremonies**

An Awards Ceremony felicitated over 90 associates who had succeeded in selected training programmes, emphasising the high value placed on individual learning and development which naturally cascades to the Hotel's ultimate success. A felicitation ceremony was also held for the 13 associates who completed the three month English for Specific Purposes (ESP) Course for the hospitality industry, which aimed to develop and enhance English knowledge for those working in operational areas.



Doormen after the completion of the Professional Doorman Certification with General Manager Dermot Gale

# SUSTAINABILITY REPORT

# **ENVIRONMENTAL IMPACTS**

As a Hotel that prides itself on its leadership in sustainable actions and impacts, Cinnamon Lakeside is highly conscious of its environmental responsibility as a vital component that encompasses the overall responsibilities pertaining to good corporate stewardship. This drives Cinnamon Lakeside to attempt, at all times, to mitigate any environmental impacts with the single minded intention of preserving the natural environs of our operational space. This is central to our brand image - of being a resort within the buzzing metropolis of the city and thereby promoting, 'Destination Serenity'.

Cognisant of the diverse environmental impacts that leisure operation have, while being mindful of potential impacts, proactive measures are implemented to prevent, control and contain existing and possible impacts to our eco system. This mind set is an integral aspect of our sustainability ethos which is ingrained into the way we do business and is reflected within the environmental philosophy of the Hotel. Given that our location, though being in the heart of the city is surrounded by unique natural features which in turn add immense value to the green advantages of the property, our Environmental Policy collates the two pronged approach of compliance and resource conservation.

Joining the global movement for a more sustainable world, Cinnamon Lakeside paid tribute to Earth Hour on 25th March 2017 with all electric bulbs in public areas dimmed for an hour. A candle lighting ceremony commemorating Earth Hour was held in the lobby with guests and associates joining in, signalling a collective pledge to conserving energy and thereby planet Earth.

### **ACCOUNTABILITY**

We believe the foundation of sustainability is the acknowledgment of accountability, where we as a business take responsibility for our environmental impacts and from thenceforth identify, define and implement methods by which such identified impacts can be eliminated or if this is not practical, mitigated. We recognise that as a leisure service provider, sustainability is inextricably intertwined into our bottom line and we take great responsibility in being accountable for the resources we consume from this planet. We have conceptualised prudent waste management policies and resource conservation initiatives to give the Hotel a positive quantitative gain. We are constantly innovating and infusing initiatives that will positively impact our carbon footprint and thereby, the future of the planet.

Our stringent compliance and adherence to environmental guidelines constantly enable us to remain alert to any changes in the quantitative and qualitative targets we have set for ourselves, while also remaining cognisant to the diktats that we must comply with. Hence, there were no fines imposed on Cinnamon Lakeside for non-compliance during the reporting year.

Cinnamon Lakeside is a member of the Sri Lanka Business and Biodiversity Platform, which is the nationally owned member driven knowledge sharing network that promotes dialogue and knowledge exchange, to interlink groups that promote biodiversity as a business practice.

## STAKEHOLDER ENGAGEMENT

Cinnamon Lakeside has made it a tradition and a component of its daily operational activities to diffuse environmental awareness and a green conscience among its stakeholders. Its diverse stakeholder groups are continually educated on green practices through a range of global and local events and activities that encourage a green mind set and contribute towards developing a sense of accountability towards their actions that have varying impacts on the natural environment. The Hotel's associates also take part in numerous activities to ensure that the message of conservation cascades unhindered for maximised results and the widest possible reach.

## Supplier Training on Food Safety

In addition to internal quality controls on food safety, suppliers too are exposed to extensive and specialised training on food health and hygiene to ensure that the stringent standards expected by the Hotel are met. This is to ensure that the entire supply network is safeguarded from potential hazards. During the current financial year, Cinnamon Lakeside suppliers participated in a training programme on basic food safety collating 696 training hours for ready-to-eat food suppliers by the Colombo Public Health Department.

### **Carbon Footprint**

Carbon footprint is an internationally acknowledged indicator to measure volume of carbon dioxide (CO2) and other greenhouse gases (GHG) that are released into the atmosphere through the operation of a business. With growing global consumer awareness of climate change and its linkages to carbon emissions, businesses around the world are becoming more conscious of attaining growth while also containing carbon footprint.

As a responsible corporate spearhead and a Hotel that has been traditionally conscious of its environmental accountability, Cinnamon Lakeside

# SUSTAINABILITY REPORT

# **ENVIRONMENTAL IMPACTS**

keenly measures, manages and reports its GHG emissions, which is estimated at over 70 per cent of most businesses' value chain emissions. The Hotel follows the guidelines of the World Resources Institute and World Business Council for Sustainable Development in measuring the parameters for GHG emissions by the Hotel. This protocol is the foundation for nearly every GHG standard and programme in the world, from the International Standards Organisation to the Climate Registry, where global warming is measured for impact on individual businesses and properties. The depth and scope of measurement hedges on direct emissions from sources owned and controlled by the Hotel and indirect emissions emanating from the usage of energy from the national grid. The Hotel diligently tracks usage both directly and indirectly - with targets for reduction set for each year.

## **ENERGY MANAGEMENT**

Having a strong and sustained focus on managing its carbon footprint, the Hotel has paid special attention towards energy conservation and more efficient management of energy sources. A key component of this process has been to create awareness among our stakeholders and in tandem, infuse system and process improvements. The combined impact of these efforts over the last few years have made a significant savings on energy costs and contributed towards containing the Hotel's carbon footprint despite operational expansions.

During the current financial year, Cinnamon Lakeside continued to improve its operational processes to further reduce energy wastage. A case in point is the Laundry air conditioning unit, which has a capacity 65 tons and is run with VFD & BMS operation, saving 2000 kwh of energy per month, cascading into a saving of 8000 kwhs. Lamps in

guest rooms were fitted with LED lights which reduced energy consumption from 40w to 8w, resulting in a reduction of energy consumed per hour by 1920w. Efficiency increases were achieved in machinery used in the Hotel to further enhance energy savings. The tube in the chiller condenser with its capacity of 465 tons was cleaned as was the tube in the boiler with its 5000 lb/hr capacity for reduction in energy wastage and higher efficiencies. Five stream traps in laundry machines were replaced for faster and more efficient operations, which has also contributed towards overall energy conservation.

### **WATER MANAGEMENT**

Given the high consumption of water in the hotel sector, a paradigm synonymous with the leisure industry, conservation of the resource has been a key sustainability concern for Cinnamon Lakeside. To safeguard it and minimise wastage, water usage within the premises is continually monitored and measured to understand consumption patterns and to identify possible wastage that can be avoided. Associates are continually apprised of our water usage, while guests are given options to conserve it, especially in laundry and in washrooms. Due to this unwavering focus on continually reducing our usage, we have already installed active water savers in 300 guest rooms. This initiative contributes towards a tangible saving of 16 liters of water per minute per shower.

## **WASTE MANAGEMENT**

Cinnamon Lakeside has introduced a range of initiatives towards safe and hygienic management of its waste outputs from daily operations, in order to minimise environmental impacts and public health impacts. As a first step in this process, the Hotel monitors and measures its waste products on a continuous basis. The Hotel estimates

that it generates 1,000 kgs of solid waste daily, primarily through food waste which is non-hazardous and biodegradable. In managing its waste production, the Hotel emphasises the use of the 3R initiative of Reduce, Reuse, Recycle which is cascaded to all solid waste disposal. Wet waste is distributed to piggeries while packaging and other bio-degradable waste is recycled via a certified recycling entity. E-waste, primarily toners, cartridges, CDs, batteries, UPSs, cables and wires are also recycled through a certified e-waste management company.

Ongoing initiatives aimed at waste management include:

- A dry garbage segregation room to streamline waste management procedures and promote the 3R concept
- The use of colour-coded waste bins in F&B and kitchens to facilitate waste segregation practices
- Poster campaigns on food wastage at the associates' cafeteria
- Use of a CCTV camera at the clearance area to monitor food waste

The consistent reduction in waste since the structured introduction of the 3R practices is indicative of the efficacy of the Hotel's implementation of management, measuring and analysing waste management and disposal results. This enables the segregation and reuse of recycled hazardous and non-hazardous waste. The process has made it possible for the Hotel to continually monitor and compare against forecasts which forms the blueprint for future plans of action.

### **BIODIVERSITY CONSERVATION**

The eco system of the Beira Lake, comprising a complex web of interdependency between the fauna

# **ENVIRONMENTAL IMPACTS**

and flora within and around the lake environment, is preserved through a delicate ecological balance which is constantly under threat due to development and expansion in the city. With the Beira Lake forming an integral part of Cinnamon Lakeside's personality, that of 'Destination Serenity,' the Hotel has charged itself with ensuring the maintenance of the Lake's eco system and the natural beauty that surrounds it. The Hotel takes an active role in conserving the biodiversity of its immediate locale both on land and within the lake to maintain the unique picturesque panorama surrounding the premises. The flora and fauna of the area is tended to by the Hotel, while our experienced landscape artistes use their green thumbs to propagate plants and trees on site, some of which are indigenous.

As part of this conservation movement, the bank of the Beira Lake adjacent to the Hotel is cleaned daily. An avi-fauna friendly habitat is maintained, engaging our guests in the unusual expedition of bird watching right in the heart of the city as a part of their 'Inspired Living' experience.

### PRODUCT RESPONSIBILITY

Cinnamon Lakeside's sustainability model makes product responsibility a central component of business operations. As a sustainable business, all processes, merchandise and manufacturing activities are assessed to determine whether they adequately address current environmental concerns while supporting the bottom line. The importance of this product responsibility extends to our entire value chain and is relevant to procurement and sourcing as well.

In order to ensure the integrity of the procurement process and to control

the quality of products, the Hotel has invested in standard certifications including ISO 22000 and ISO 2005 Food Safety Management Systems. As an indigenous home-grown brand, Cinnamon Lakeside also believes in supporting local producers and as part of this policy, sources produce from local manufacturers whenever possible, in particular from local companies following sustainable best practices aligned with the Hotel's stringent diktats. The Hotel's supply chain therefore has an integrated focus on sustainability which includes responsible sourcing and resource conservation.

As part of the Company's responsible sourcing policy, we adhere to stringent standards including:

- The use of bio-degradable cleaning products that have European ecolabel standards
- Application of a Purchasing Policy and procedures that incorporate environmental/sustainability criteria and preferences
- Giving preference to locally produced goods and services
- Encouraging certified suppliers or those following environmental best practices by giving preference to such suppliers
- Giving preference to working with suppliers whose mode of business is constructed on the 3R principle where packaging and shipping containers and pallets are taken back for reuse or recycling

To ensure supplier quality standards are aligned with the stringent standards of the Hotel, the top 20 suppliers to John Keells Hotels who are combined to Central Purchasing office are subjected to an independent audit. In addition, Cinnamon Lakeside is regularly audited and inspected by leading international

tour operators to ensure that quality standards within the premises conform to international hoteliers' standards.

Another effective measure of quality has been regular customer feedback. The Hotel makes it a point to continually monitor guest feedback as an integral aspect of business operations, identifying possible weaknesses and areas for improvement and to strengthen existing systems. The Hotel constantly evaluates customer feedback forms to analyse and measure results to enable input for the next phase of improvement. These feedback initiatives include guest comment cards in the rooms and restaurants and through digital media including TripAdvisor, Facebook and Zomato.

# **ENVIRONMENTAL IMPACTS**

### **CORPORATE SOCIAL RESPONSIBILITY**

We believe strongly that economic and social impact of our business must positively touch our communities, which should change their lives for the better. As a responsible corporate citizen, our profit making formula must be a winwin for both our communities and our business. This therefore makes corporate social responsibility a way of life at Cinnamon Lakeside and is inextricably intertwined into the way we do business as a sustainable organisation.

All CSR programmes implemented by Cinnamon Lakeside are aligned with key projects mooted at Group level in collaboration with the John Keells Foundation. All projects developed by the Foundation are evaluated against the strong tenets of diversity, unity and inclusivity before being approved for implementation, thereby ensuring widespread impacts across society. Last year, Cinnamon Lakeside participated in Project Wave, the gender equality awareness programme launched by the John Keells Foundation and this year too, continued to support this and other projects initiated by the Group.

We are proud to state that at Cinnamon Lakeside, it is our associates that drive our CSR activities, not only philanthropic activities but also projects that impact our communities positively and sustainably in the long term. These include a wide range of projects generally in the form of donations presented to the underserved or the lesser privileged. While also being active in fund raising whenever necessary for the projects at hand, our associates volunteer their personal time to help these communities. Employee volunteerism therefore plays a significant part in career progression and is also linked to productivity and performance evaluation.

During the current year, the Hotel presented individuals and communities with gym equipment, linen and clothing, practicing the concept of reuse provided the products are of good quality. A multigym which was used by associates and valued at Rs. 100,000 was presented to St. John's College Nugegoda. Clothes at a value of Rs. 880,555 were donated to the children of the Salvation Army Orphanage in Borella, and Rs. 1,471,500 worth to the Army Hospital in Narahenpita. Hotel linen in good condition valued at Rs. 262,875 was presented to the National Council for Mental Health.

# Eliminate Violence Against Women

Participating in the John Keells Foundation initiative Project Wave to eliminate violence against women, Cinnamon Lakeside associates pledged their allegiance to the cause at this annual event. Project Wave is aimed at creating awareness among all associates to build a workplace and society free of all forms of discrimination and violence including sexual harassment and contribute positively towards the complete eradication of violence against women. White ribbons were pinned on all Senior Managers while associates offered their support by signing a board display at the 'Link', the associates' cafeteria.

### **AIDS Awareness**

Displaying commitment to a cause that is not only a global scourge but also one that tears apart communities, impacts the health of nations and thereby productivity, Cinnamon Lakeside commemorated World AIDS Day with the ceremonial pinning of the Red Ribbon on all associates, including the General Manager and Heads of Department. A raffle draw was held to create awareness and the seriousness of its impacts, culminating in three

winners emerging from the raffle draw. In addition, an awareness programme conducted by John Keells Master Trainers was also held at the Hotel for 20 associates.

### **Controlling Diabetes**

Another debilitating disease permeating the country was spot lit by Cinnamon Lakeside in a bid to shed awareness on the prevention and control of Diabetes. A doctor from the National Diabetes Centre conducted a workshop for 80 associates on the topic, 'Control Diabetes in Future'.

# SUSTAINABILITY REPORT

# **ENVIRONMENTAL IMPACTS**

# **Upholding Religious Traditions**

Being cognisant of the potpourri of religions and culture within its diverse team, Cinnamon Lakeside strives to highlight religious and cultural festivals gaining the input of its associates. This year too, for the fifth consecutive year, over 200 associates organised a Dansala during Poson at the Kelaniya Temple, distributing 4,200 packets of rice prepared by over 30 chefs to the devotees visiting the temple.

18 associates encompassing multiple religions formed a choral group to sing Bakthi Gee during Vesak at the 'Link', the associates' cafeteria, espousing the tenets of Buddhism while also instilling a sense of joyous celebration among the team in engaging in an extracurricular activity together.



Distributing rice packets at the Poson Dansala



Chefs hard at work in the kicthen for the Poson Dansala



Associates from every department partook in preparing for the Dansala



# **CORPORATE GOVERNANCE**

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

The Company has been structured and controlled internally through a process of continuous review in facilitating the observance of the key principles of Corporate Governance. Whilst the Company is governed by an internal process which ensures integrity and professionalism in all its activities and relationships, ethical values are also given effect to and emphasised every day in a constant effort to set high standards of social responsibility. This philosophy has been ingrained through the Company by means of a strong set of corporate values and a formal Code of Conduct which the associates at all levels, management and the Board of Directors are required to observe in the performance of their official duties.

As a subsidiary of John Keells Holdings PLC (JKH) - the Ultimate Parent company, the Company displays these values and policies in its day-to-day activities as a fundamental requirement at all times, following the best practices of the parent company. The staff members of the Company are expected to live out these values, which are reinforced through recognition schemes of the parent company which insist, as a minimum, that all nominees have modelled the values.

In this report, the Corporate Governance framework of the Company is outlined in detail, enabling the Board of Directors to reassure its investors that they have discharged their duties responsibly through the governance processes in place. The framework is confirmed to be in full compliance with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka as well as the Rules on Corporate Governance published by the Colombo Stock Exchange. Any permitted deviations have been explained in detail.

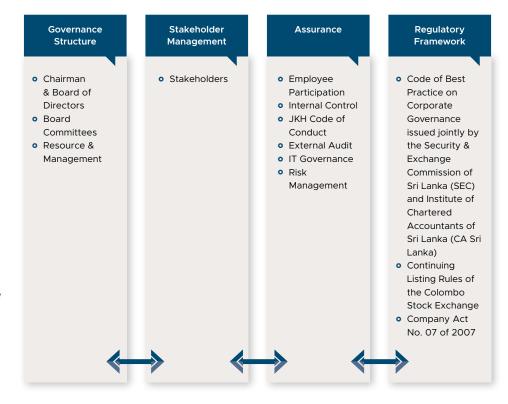
In identifying that good governance entails the long term sustainability of the Company, a detailed report of its sustainability initiatives is included from pages 23 to 27 of the Management Discussion and Analysis Report outlining the Company activities with society at large. The reporting of financial and non-financial performance measures have been integrated; displaying our commitment to governance, ethical, social, environmental and sustainability issues.

### **Corporate Governance Framework**

This Corporate Governance report is structured in the following sequence to highlight the different elements that are adopted by the Company to ensure robust governance framework.

- Internal Governance Structure
- External Governance Structure

The Internal Governance Structure encompasses; Board of Directors, Board Committees, General Manager and the Senior Management Team, complemented by internal governance systems which act as the enablers and drivers of the Company's business strategy. These mechanisms within the internal governance structure ensure that the Company's Corporate Governance framework is upheld.



### **Governance Structure**

# Chairman and the Board of Directors Role of Chairman

The Chairman is a Non-Executive, Non Independent Director whose main responsibility is to lead and manage the Board and its Committees so that they can function effectively. He represents the Company externally and is the focal point of contact for shareholders on all aspects of Corporate Governance.

While leading the Board, effectively executing their duties towards all stakeholders, the Chairman, with the assistance of the Board Secretaries, Keells Consultants (Private) Limited, ensures that:

- Board procedures and duties are followed
- 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
- Directors receive timely, accurate and clear information and update on matters arising between meetings
- A proper record of all proceedings of Board meetings are maintained
- Financial goals are achieved to create shareholder value

The Chairman also sets the tone for the governance and ethical framework of the Company, facilitates and solicits the views of all Directors 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.

# The Board of Directors

The Board of Trans Asia Hotels PLC holds responsibility to shareholders of the Company to discharge its

stewardship obligations, in the best interests of the Company and its stakeholders. This is achieved by,

- Maximising shareholder wealthcreation on a sustainable basis while safeguarding the rights of multiple stakeholders
- Building and enhancing stakeholder relationships which are considered an integral aspect of Board effectiveness and a responsible approach to business
- Ensuring that one person does not have unfettered powers of decision making
- Ensuring that the methods employed to achieve goals are as important as the goals themselves
- Making business decisions and resource allocations in an efficient and timely manner, within a framework that ensures transparent and ethical dealings which are compliant with the laws of the country
- Actively participating in discussions with the relevant regulatory bodies in the formation and implementation of governance regulations, accounting standards, and economic reforms
- Opting for the early adoption of accounting standards and best practices in governance regulations, when practical.
- Resolving to maintain strong governance practices which result in strengthened stakeholder confidence, particularly that of both institutional and individual investors

The Board of Trans Asia Hotels PLC has delegated its executive authority to the President of the Leisure Industry Group for the implementation of strategies approved by the Board, and developing and recommending to the Board the

business plans and budgets in keeping with Group strategy, subject to predefined limits.

### **Board Responsibilities**

The Board of Directors are accountable

- To the shareholders for the governance of the Company
- For sharing responsibility in ensuring the highest standards of disclosure, reporting, ethics and integrity across the Group
- For the proper stewardship of the Company's resources and the effectiveness of the Company's systems of internal control and the management of risk
- For compliance with laws and regulations of the countries in which the Group's subsidiaries operate
- For the formulation and approval of the Company's medium and longterm strategy, annual investment budgets, significant financial and operational policies

### **Board Composition**

At the last Annual General Meeting (AGM) of Trans Asia Hotels PLC, held on 17th June 2016, the Board consisted of nine Directors comprising of;

- Four Non-Executive, Non-Independent Directors, (NED/NID) including the Chairman
- Four Non-Executive, Independent Directors (NED/ID)
- One Executive, Non-Independent Director (ED/NID)

As at 31 March 2017, the Board consisted of four Non-Executive Non-Independent Directors (NED/NID), four Non Executive Independent Directors (NED/ID) and one Executive, Non-Independent Director, as noted:

# **CORPORATE GOVERNANCE**

- Mr. S C Ratnayake NED/NID
- Mr. A D Gunewardene NED/NID
- Mr. J R F Peiris NED/NID
- Mr. K N J Balendra NED/NID
- Mr. N L Gooneratne NED/ID
- Mr. C J L Pinto NED/ID
- Mr. E H Wijenaike NED/ID
- Ms. J C Ponniah NED/ID
- Mr. R J Karunarajah ED/NID

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

The Board has determined that, although Mr. N L Gooneratne has been a member of the Board for a period exceeding 9 years and does not satisfy the "number of years on the Board" criteria set out in the Listing Rules of Colombo Stock Exchange, given all the circumstances, Mr. N L Gooneratne is Independent especially as he does satisfy the other qualifying criteria in terms of independence.

Furthermore the Board has also determined that despite the fact that Mr. C J L. Pinto is a Director of Asian Hotels & Properties PLC, in the opinion of the Board he satisfies the other qualifying criteria of independence, having considered other relevant factors and circumstances, is of the holistic view that Mr. C J L Pinto is an Independent Director of the Company.

The Board, having considered the declarations made by the Directors and all relevant factors, has determined that Ms. J C Ponniah and Mr. E H Wijenaike are Independent.

The brief resume of the Directors are set out on pages 7 to 8 of this report.

# Non Executive/Independent Directors and Board Balance

The Board is of the view that its present composition ensures a healthy balance between executive expediency and independent judgment.

This is based on the following:-

- Collectively, the Non-Executive
   Directors possess proven business
   experience and expertise in their
   respective fields.
- The present composition of the board represents an appropriate mix of skills and experience.
- The Independent Directors possess strong financial acumen and by virtue of their membership on external boards, are able to assess the integrity of the Group's financial reporting systems and internal controls, continually review, critique and suggest changes in keeping with best practice.
- The Board is also conscious of the need to progressively refresh its composition over time and notes the qualitative contribution of the Independent Directors to the governance of the Hotel.

Shareholding (i)	Management / Director (ii)	Material Business Relationship (iii)	Employee of Company (iv)	Family Member a Director or GM (v)	Continuous Service for nine years (vi)
Yes	Yes	No	No	No	N/A*
Yes	Yes	No	No	No	N/A*
Yes	Yes	No	No	No	N/A*
No	Yes	No	No	No	N/A**
dent Director (N	ED/ID)				
Yes	No	No	No	No	Yes***
Yes	No	No	No	No	No****
No	No	No	No	No	No****
No	No	No	No	No	No*****
dent Director (ED	D/NID)				
No	Yes	No	No	No	No*****
	Yes Yes No Ident Director (Ni Yes Yes No Ident Director (Ni No No Ident Director (Effective Control of Control	(i) Director (ii)  Rependent Director (NED/NID)  Yes Yes  Yes  Yes  Yes  Yes  No Yes  Ident Director (NED/ID)  Yes No  Yes  No No  No No  No No  Ident Director (ED/NID)	(i)         Director (ii)         Business Relationship (iii)           Image: Ima	(i)         Director (ii)         Business Relationship (iii)         Company (iv)           dependent Director (NED/NID)         Ves         No         No           Yes         Yes         No         No           Yes         Yes         No         No           No         Yes         No         No           No         Yes         No         No           No         No         No         No	(i)         Director (ii)         Business Relationship (iii)         Company (iv)         a Director or GM (v)           dependent Director (NED/NID)         Ves         No         No         No           Yes         Yes         No         No         No           Yes         Yes         No         No         No           No         Yes         No         No         No           No         Yes         No         No         No           No         No         No         No         No           No         N

## **Definitions**

- (i) Shareholding in the Company
- (ii) Director of a listed Company in which they are employed, or having a significant shareholding or have a material business relationship
- (iii) Income/Non cash benefits derived from the Company is equivalent to 20 per cent of the Director's annual income
- (iv) Director is employed by the Company two years immediately preceding appointment
- (v) Immediate family member who is a Director or General Manager
- (vi) Has served the Board for a continuous period exceeding 9 years
- \* Appointed to the Board in September 2003 and has continuously served the Board since then
- \*\* Appointed to the Board in April 2016
- \*\*\* Appointed to the Board in October 1984
- \*\*\*\* Appointed to the Board in July 2011
- \*\*\*\*\* Appointed to the Board in June 2012
- \*\*\*\*\*\* Appointed to the Board in October 2013
- \*\*\*\*\*\* Appointed to the Board in May 2015

## Conflict of Interest and Independence

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

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

# Board Meetings, Agenda and Attendance

The Board of Trans Asia Hotels PLC met once in every quarter and the Director's attendance is as tabulated below.

### Attendance at Meetings

Name of Director		25.04.16	26.07.16	26.10.16	27.01.17	Meetings Attended
Mr. S C Ratnayake	NED/NID		$\overline{\hspace{1cm}}$		$\overline{\hspace{1cm}}$	3/4
Mr. A D Gunewardene	NED/NID	$\overline{}$	$\overline{\hspace{1cm}}$	$\overline{}$	$\overline{\hspace{1cm}}$	4/4
Mr. J R F Peiris	NED/NID		$\overline{\hspace{1cm}}$	$\overline{\hspace{1cm}}$	$\overline{\hspace{1cm}}$	4/4
Mr. K N J Balendara	NED/NID	$\sqrt{}$	$\overline{}$			4/4
Mr. N L Gooneratne	NED/ID		$\overline{\hspace{1cm}}$		$\overline{\hspace{1cm}}$	3/4
Mr. C J L Pinto	NED/ID	<b>√</b>	$\overline{}$			3/4
Mr. E H Wijenaike	NED/ID		$\overline{}$	$\overline{}$		4/4
Ms. J C Ponniah	NED/ID		$\overline{\hspace{1cm}}$	$\overline{}$	$\overline{\hspace{1cm}}$	4/4
Mr. R J Karunarajah	ED/NID				√	3/4

# Supply of Information and Board Induction

Newly appointed Non-Executive Directors are apprised of:

- The operations of the Company and its strategies
- The operating model of the Company
- Company values and culture
- Company policies, governance framework and processes
- Their responsibilities as directors in terms of prevailing legislation
- The Code of Conduct expected by the Company

The updating of all Directors' skills and knowledge is progressive and ongoing. This is achieved by keeping them fully informed on significant developments in the business activities of the Company and by providing them access to

- External and Internal Auditors
- Periodic reports on performance
- Updates on topics that range from proposed/new regulations to industry best practices

- Senior Management in a structured setting
- Industry experts and other external professional advisory services
- The Legal, Tax and Finance Divisions of the John Keells Group
- The services of the Company Secretary

Non-Executive Directors have the opportunity of gaining further insight into the Company's business by visiting the Hotel

The Directors devote sufficient time and make every effort to ensure that in proportion with their knowledge and experience, they discharge their responsibilities to the Company. This is achieved by reviewing Board papers, business visits to understand risk exposures and operating conditions, attending Board meetings and participating in discussions with the Senior Management of the Company. Senior Management of the Company on invitation attend Board meetings and

update the Board on the performance of the Company.

# Board and General Manager's Performance Appraisal

The Chairman evaluates the performance of the Board while the Independent, Non-Executive Chairman of the Audit Committee evaluates the effectiveness of the Audit Committee based on feedback from committee members and regular invitees to the Committee, which includes the General Manager, Finance Director of the Hotel, Chief Financial officer of the Leisure Group, Sector Financial Controller, Head of Group Business Process Review and the Internal and External Auditors.

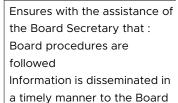
The annual appraisal of the General Manager is carried out at parent level and is based on pre-agreed performance criteria, covering the following broad aspects :-

### Chairman's Role

Leads the Board for its effectiveness

Sets the tone for governance and ethical framework

Ensures that constructive working relations are maintained between the Members of the Board





policies of the Board

Senior Management Team

model of the Company is aligned to the short term and long term strategies pursued by the Ultimate Parent Company

Ensure that succession at the senior management level is planned



Executes strategies and

Guides and supervises the

Ensures that the operating

# **Board Committees and Delegation of** Authority

Certain functions of the Board are delegated through Board Committees, enabling the Committee members to focus on their designated areas of responsibility and impart knowledge in areas where they have greatest expertise. As permitted by the listing rules, certain Board Committees of the Ultimate Parent Company, John Keells Holdings PLC, also function in the capacity of Board Committees of the Company. Notwithstanding functioning of the Board Committees the Board of Directors is collectively responsible for the decisions taken by these sub Committees.

# Nominations Committee and Board **Appointments**

The Nomination Committee holds responsibility to identify and propose suitable candidates for appointment as Non-Executive Directors to the

Board of the Company, in keeping with the target Board composition and skill requirements. The Board of the Company after due consideration of such recommendations, determines and appoints the new Director.

Shareholders must formally approve all new appointments at the first opportunity after their appointment, as provided by Article 90 of the Articles of Association of the Company.

As per the consolidation in Trans Asia Hotels PLC with Asian Hotels and Properties PLC, the Nominations Committee of Asian Hotels and Properties PLC functions as the Nominations Committee of the Company with effect from the O1st December 2015.

The Nominations Committee of Asian Hotels and Properties PLC comprises of two independent Directors and one Non-Independent Director namely:-

Mr. S K G Senanayake - Chairman

Ms. S A Jayasekera

Mr. S C Ratnayake

# Tenure, Retirement and Re-election

One third of the Directors except for the Chairman, retire by rotation on the basis prescribed in the Articles of Association of the Company. A Director retiring by rotation is eligible for re-election.

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

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

The proposal for the re-appointment of Directors is set out in the Directors Report as well as the Notice of Meeting on page 113 of this Report.

### Remuneration

# **Human Resources & Compensation** Committee

The Human Resource & Compensation Committee of the Ultimate Parent Company John Keells Holdings PLC functions as the Human Resource & Compensation committee of the Company, as permitted by the listing rules of the Colombo Stock Exchange.

The Human Resources & Compensation Committee of John Keells Holdings PLC comprises of three Independent Directors:

Mr. D A Cabraal - Chairman Mr. M A Omar

Dr. S S H Wijayasuriya

The remuneration policy adopted by the Company as recommended by the Human Resources & Compensation Committee of its Ultimate Parent, John Keells Holdings PLC is formulated to attract and retain high caliber executives to develop and implement the business strategies that help to optimise long term Shareholder value creation whilst grooming and motivating them to do so. The Committee also recommends the remuneration of the General Manager of the Hotel.

Having conducted market surveys, obtained expert opinion and having considered the management complexities of the Company, on the recommendation of the Human Resource & Compensation Committee, the Company has adopted the following remuneration policy designed to provide an appropriate balance between fixed remuneration and variable 'risk' reward which includes.

- A fixed element;
- A variable element in the form of a short term incentive which is based on both individual performance and an organisational performance metric which covers revenues and Profit After Tax; and
- A long term incentive in the form of employee share options at John Keells Holdings PLC for applicable senior executives

A customised "pay for performance" scheme based on individual and organisational performance ratings is carried out for employees at Assistant Manager level and above, while only individual performance ratings govern remuneration at Executive level and below. The rationale for excluding the organisational performance rating at the lower levels is that individuals at

this level have little direct impact on the bottom line of the business unit. These varied performance measures have contributed towards generating a more robust alignment between reward and performance.

# Board Remuneration Remuneration for Non-Executive, Non-Independent Directors

Compensation for Non-Executive, Non Independent Directors (NED/NID's) is determined by reference to fees paid to other NED/NID's of comparable companies. Director Fees applicable to NED/NID's Directors nominated by John Keells Holdings PLC are paid directly to the Company and not to individuals.

# Remuneration for Non-Executive, Independent Directors

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

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

The aggregate remuneration paid to Directors is disclosed on page 99 of this report.

# Remuneration for Executive, Non-Independent Directors

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

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

# **Audit Committee**

The Audit Committee comprises of a majority of Independent and Non-Executive Directors. As prescribed in the Listing Rules of the Colombo Stock Exchange, the Chairman of the Audit Committee is a member of a professional accounting body – a fellow of the Institute of Chartered Accountants of Sri Lanka with several years of experience in financial auditing and accounting.

The Audit Committee focuses principally in assisting the Board to fulfil its duties by providing an independent and objective view of the financial reporting process, internal controls, risk review and the audit function. It is governed by a Charter that encompasses the review and monitoring of internal control, operational and business risks, adequacy and fairness of disclosures, procedures relating to statutory, regulatory and

related compliances as well as the working of the Committee. The Audit Committee is responsible for the consideration and recommendation of the External Auditors.

The Audit Committee met on four occasions during the year and the attendance was as follows:-

## **Attendance at Meetings**

Name of Members	22nd April 2016	25th July 2016	25th October 2016	26th January 2017	Total
Mr. C J L Pinto	1	1	Via Skype	1	4/4
Mr. E H Wijenaike	1	1	1	1	4/4
Ms. J C Ponniah	1	1	1	1	4/4

The regular invitees to the Audit
Committee are the Chief Financial Officer
of Leisure Group – John Keells Holdings
PLC, Sector Financial Controller of John
Keells Holdings PLC, General Manager
and the Director Finance of Trans
Asia Hotels PLC, the Head of Business
Process Review of John Keells Holdings
PLC and the External and Internal
Auditors of the Company.

The Director Finance of Trans Asia Hotels PLC is required to confirm compliance with financial standards and regulations by means of a quarterly self-certification programme. The managers of the Company are required to confirm operational compliance with statutory and other regulations, risk management and other key control procedures.

In order to ensure effectiveness and best Corporate Governance, the Company implemented an 'Audit Committee Effectiveness Evaluation' system from April 2011. This process collates feedback from all participants to the Audit Committee including the Chairman of the Committee who is expected to convey his independent opinion on the functionality and any potential areas for improvements. All these views and opinions are collated by the Group's Business Process Review division and are used to further enhance the effectiveness of the Audit Committee.

The detailed Audit Committee Report including the areas reviewed during the financial year 2016/17 is found on pages 70 to 72 of the Annual Report.

# Related Party Transaction Review Committee

The Related Party Transaction Review
Committee which was made mandatory
with effect from 1st January 2016 was
adopted voluntarily by the Company
from 1st of April 2014. The Parent
Company John Keells Holdings PLC
(JKH) functions as the Related Party
Transaction Review Committee of the
Company, as permitted by the Securities
and Exchange Commission of Sri Lanka.
The Committee will review and approve
transfer of resources, services or
obligations between related parties as
guided by the terms of reference set out
to the Committee.

The Related Party Transaction Review Committee of John Keells Holdings PLC comprises of four Independent Directors and one Non-Independent Director namely:

Ms. M P Perera - Chairman Mr. A N Fonseka

Mr. D A Cabraal Mr. S C Ratnayake The Group Finance Director Mr. J.R.F. Peiris attended meetings of the Related Party Transaction Review Committee by invitation.

Related party transactions are reviewed by the Related Party Transactions Review Committee of the parent company, John Keells Holdings PLC Board on a quarterly basis. Related party transactions during the year are set out in pages 98 to 99. These transactions were carried out on an arm's length basis.

## **RESOURCE MANAGEMENT**

The Board has delegated certain of its financial authority to the General Manager and the Senior Management of the Hotel.

# **General Manager**

The General Manager of the Hotel serves as the head of the business unit and is responsible to the Board for the attainment of the Company's overall objectives and formulation of strategy. The General Manager coordinates and guides the different functional heads of the Company to streamline the different functional units and achieve goal congruence.

## Senior Management Team

The Senior Management team consists of the Heads of the different functional

units of the Company and holds responsibility to the General Manager for attainment of functional objectives through effective utilisation of resources and competencies.

#### STAKEHOLDER MANAGEMENT

The Company underlines effective management of different stakeholder groups as a vital aspect in safeguarding the Company's Corporate Governance philosophy. Therefore, numerous mechanisms are in place, including those that have cascaded down from the Ultimate Parent Company to enhance the relationship between the Company and different stakeholders.

## **Shareholder Relations**

Shareholders have the opportunity at the Annual General Meeting (AGM), to put forward questions to the Board to gain a better understanding of the Company's business and operational workings and future plans, while at the same time giving the Directors the opportunity to understand the issues and concerns of shareholders. The content of this Annual Report will enable existing and prospective stakeholders to make better informed decisions in their dealings with the Company.

All necessary steps are taken to facilitate protection of shareholder rights at the AGM, which include the receipt of the notice of the AGM and related documents within the specified time period, voting for the election of new Directors.

## **Company Secretary**

The Company Secretary is responsible for inducting new Directors, assisting the Chairman and the Board of Directors in determining the annual Board Plan, guiding the Board and the individual Directors in the proper discharge of their responsibilities and acting as a

central source of guidance on matters of ethics and governance. In addition to the many duties, the Company Secretary is responsible for making necessary disclosures on related party transactions required by law and regulations and also acts as a channel of communication with shareholders to ensure good shareholder relations. The shareholders can contact M/s. Keells Consultants (Private) Limited, the Company secretaries on 011-2306245 for any Company related information requirements.

# Other Stakeholders: Corporate Social Responsibility and Sustainability

The Company recognises that emphasis should not only be on maximising long term shareholder value, but it should also look after the rights and appropriate claims of many non-shareholder groups such as employees, consumers, clients, suppliers, lenders, environmentalists, host communities and governments. A detailed description of the Company's Corporate Social Responsibility activities can be found on the 'Integrated Management' report of this Annual Report, laid down on pages 26 to 27.

## **ASSURANCE**

The 'Assurance' element is the supervisory module of the Company's Corporate Governance Framework, where a range of mechanisms such as monitoring, benchmarking and effectiveness tests are carried out in order to ensure continued accuracy and to implement corrective action where necessary.

## **Employee Participation**

Human Resource unit is designed in a manner that enables high accessibility by any employee to every level of management. Structured 'skip level' meetings are held where employees are given the opportunity to discuss matters of concern with superiors who are at a level higher than their own immediate supervisor in an open but confidential environment. Through the participation of 360 degree surveys and Voice of Employee (VOE) surveys which are conducted annually, employees are able to voice their opinion about the Company and their respective superiors. The employees also have the opportunity to take part in the Great Place To Work (GPTW) survey conducted at the Ultimate Parent Company level once in every four years giving them the opportunity to voice their opinion on the overall work environment.

# Whistleblower Policy

Through a communication link named 'Chairman Direct', concerns about any unethical behaviour or violation of group values could be reported by employees to the Chairman of John Keells Holdings PLC. Employees reporting such incidents are guaranteed complete confidentiality and such complaints are investigated and addressed via a selected committee under the direction of the Chairman.

# Ombudsperson

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

The Ombudsperson's duty ceases upon the confidential written communication of the findings of the Ombudsperson and recommendations to the Chairman or the Senior Independent Director of John Keells Holdings PLC, as the case may be.

The Chairman or the Senior Independent Director, as the case may

be, will place before the Board;

- The decision and the recommendations of the Ombudsperson
- The action taken based on the recommendations
- The areas of disagreement and the reasons adduced in instances where the Chairman or the Senior Independent Director disagrees with any or all of the findings and/ or recommendations. In such cases, the Board shall consider the areas of disagreement and determine the way forward.

The Chairman or the Senior Independent Director is expected to take such steps as are necessary to ensure that the complainant is not victimised for having invoked this process.

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

## JKH CODE OF CONDUCT

The written Code of Conduct, to which employees at all levels and the Board of Directors are bound by, engraves the desired behaviour of JKH staff at executive level and above. This is being constantly and rigorously monitored.

# **JKH Code of Conduct**

- Allegiance to the Company and the Group
- Compliance with rules and regulations applying in the territories that the Group operates in
- Conduct of business in an ethical manner at all times and in keeping with acceptable business practices
- Exercise of professionalism and integrity in all business and 'public' personal transactions

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

#### **INTERNAL CONTROL**

Monitoring financial data:

- Financial results are evaluated against the Annual Plan and subsequent Reforecast on a monthly basis at all management levels.
- The Board reviews the financial results on a quarterly basis.
- The Chairman and Group Finance
   Director are able to view key
   financial information of the Company
   on a real time basis via the group
   wide ERP system.
- The IT systems in place facilitate the online display of information relevant to the needs of Company Managers and Functional Heads pertinent to their areas of responsibility.

# Going Concern and Financial Reporting

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

The going concern principle has been adopted in preparing the financial statements. All statutory and material declarations are highlighted in the Annual Report of the Board of Directors in this Annual Report, set out in pages 63 to 68. Financial statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS) and comply with the requirements of

the Companies Act No. 07 of 2007.

Information in the financial statements of the Annual Report are supplemented by a detailed Management Discussion and Analysis from pages 10 to 22 and pages 51 to 56 which explains to shareholders the strategic, operational, investment and risk related aspects of the Company that have translated into the reported financial performance and are likely to influence future results.

The Statement of Directors'
Responsibilities in relation to financial reporting is given on page 69 of the Annual Report. The Directors' interests in contracts of the Company are addressed on page 66 of the Annual Report.

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

# Investment Appraisal Process and Investment Decisions

Over the years, the Company has refined the process of investment appraisal which ensures the involvement of the relevant persons when investment decisions are made. In this manner, several views, opinions and advice are obtained prior to investment decision been taken. Experience has proven that a holistic and well debated view of the commercial viability and potential of proposed projects including operational, financial, funding, risk and tax implications has most of the time culminated a good result. All investment decisions are routed through

a committee structure which safeguards against one individual having unfettered decision making powers in such decisions.

## **Major Transactions**

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

# **Integrity of Systems & Processes**

The Board has taken necessary steps to ensure the integrity of the Company's accounting and financial reporting systems, internal control systems and also reviews and monitors such systems on a periodic basis. Systems and processes covering risk management, financial and operational control, ethical conduct, compliance with legal and regulatory requirements and corporate social responsibility are described below.

## **Internal Control**

The Company's systems are designed to provide the Directors with reasonable assurance that assets are safeguarded, transactions are authorised and properly recorded and that material errors and irregularities are either prevented or detected in a timely manner. Key elements of such procedures are as follows:

Formal policies and procedures are defined which include the documentation of key systems and rules relating to delegation of financial authority. This restricts the unauthorised use of the Company's assets and ensures the monitoring of controls.

- by the Board after detailed
  management review. There is a
  detailed budgeting process for
  the Company where budgets are
  prepared in a manner that facilitates
  management to monitor the key
  business and financial activities.
  Results are regularly reviewed
  against budget and revised
  forecasts for the year are prepared
  on a half yearly basis.
- The Enterprise resource planning system; SAP has ensured that monthly management accounts are prepared promptly providing relevant, reliable and up-to-date financial and other information.
- Capital Expenditure is subject to formal authorisation procedures.
- Experienced and suitably qualified staff takes responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- To further strengthen internal control and have independent assurance, the Company has enlisted the services of Messrs. PricewaterhouseCoopers (PwC), an internationally reputed firm of Chartered Accountants, to monitor and report on the adequacy of the financial and operational systems.

## The scope included:

- Assessment of the adequacy of accounting and operational control systems in terms of economy, efficiency and effectiveness.
- Examination of compliance with statutory requirements, management policies and procedures.
- Review and monitor operational and financial controls in order to ascertain adherence to such controls.

The internal audit reports are firstly discussed by the externally appointed internal auditor with management of the Company. The Head of Risk & Control Division of Ultimate Parent Company attends these meetings as the moderator. After which these reports are forwarded to the Audit Committee. Internal Audit reports are structured in a manner that facilitates the resolution of the concerns highlighted and follow up action is monitored by the Board on an ongoing basis.

#### **Internal Auditors**

The internal audit function of the Company is outsourced to Messrs. PWC, Chartered Accountants. The role of the internal audit has transformed into a value adding function instead of merely a 'warning' function, where audit findings are regarded a valuable contribution in modifying and strengthening our internal processes.

# **EXTERNAL AUDIT**

Messrs. KPMG, Chartered Accountants serve as the external auditors of the Company.

The audit fees paid by the Company to Messrs. KPMG are separately classified on page 84 in the Notes to the Financial Statements of the Annual Report.

The Auditors' report on the financial statements of the Company for the year under review is found on page 73 of the Annual Report.

# SUSTAINABLE BUSINESS MODEL

To ensure a sustainable business model, the Company has identified that it is a prerequisite to have an effective risk management model and a duly up-todate business continuity plan.

# **Risk Management**

The Board has adopted a Companywide risk management programme to identify, evaluate and manage significant risks while stress-testing for various risk scenarios. This programme ensures that a multitude of risks, arising as a result of the Company's operations, are effectively managed in creating and preserving shareholder and other stakeholder wealth. The detailed Risk Management report on pages 51 to 56 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.

## **Business Continuity Planning**

The Business Continuity Planning (BCP) is an essential part of the Company's response planning. The carefully articulated BCP of the Company sets out how it will operate following an unforeseen incident and how it is expected to return to "business as usual" in the quickest possible time. The Company has an effective BCP developed with the support of an external consultant and expert in the said field enabling the Company to be well prepared to respond to any unforeseen disaster situation, minimising any potential economic, social and environmental impact. The BCP is updated on a regular basis to ensure that all information is current at all times.

# INFORMATION TECHNOLOGY (IT) GOVERNANCE

The Company identifies that in an era where technology is critical to business, Corporate Governance is incomplete without adequate IT Governance. With this basic premise the Company's IT Governance has evolved in the years to deliver and embrace the new technologies which have aligned with the overall business objectives of the

Company. The efforts of IT Governance in the Company are to improve the efficiency and effectiveness of delivering reliable information to all of its valuable stakeholders. The IT division has been successful in improving the service quality and mitigating IT risks through internally developed IT policy guidelines as well as going through stringent internal and external audits and compliance requirements which are conducted yearly based on the Group's information security management guidelines. The IT Governance Framework of the Company is reviewed at the Board Audit Committee on a periodic basis.

#### **EXTERNAL GOVERNANCE STRUCTURE**

# **Compliance with Regulatory Framework**

The Board of Directors have taken reasonable measures in ensuring that all financial statements are prepared in accordance with the Sri Lanka Accounting Standards and the requirements of the Colombo Stock Exchange and other applicable authorities.

This Report has been prepared as per the rules and regulations stipulated by the Corporate Governance Listing Rules published by the Colombo Stock Exchange and also by the Companies Act No. 07 of 2007.

The Company has also adhered to the Code of Best Practice on Corporate Governance Reporting guidelines jointly set out by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka in preparation of this Corporate Governance Report, and where necessary deviations have been explained as provided within the rules and regulations. The Company's Governance framework is confirmed to be in full compliance with,

- Companies Act No. 7 of 2007 -Mandatory Compliance
- The Continuing Listing Rules of the Colombo Stock Exchange -Mandatory Compliance
- The Code of Best Practice on Governance published by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka
  - Voluntary Compliance

## Regulatory Compliance Sign Off

A regulatory compliance check list is signed off on a quarterly basis by the respective Head of Department ensuring compliance with the applicable laws and regulations. Changes in the regulation are monitored both by the Ultimate Parent Company level as well as the Company level and are updated on a regular basis. The compliance reports are tabled and discussed at the Board Audit Committee meetings.

## Conclusion

The Company's robust and sound Governance helps it to create and maintain trust with employees, investors, government, business partners, guests and other stakeholders. Within this framework, the Company's goal is to run its business sustainably, engaging with society in a way that leads to the creation of shared value over the long term.

A detailed report on the extent of our adherence to best practices with appropriate reference is given below;

In order to comply with the minimum public holding directive issued by the Colombo Stock Exchange, the shares of the Company are now listed on the Dirisavi Board.

# Statement of Compliance under Section 7.6 of the Rules of the Colombo Stock Exchange (CSE) on Corporate Governance

CSE R	ule 7.6	Compliance Status	Reference in the Annual Report
(i)	Names of persons who were Directors of the Entity during the financial year	Complied	Directors' Profiles
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Complied	Management Discussion and Analysis
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Complied	Information to shareholders and investors
(iv)	The public holding percentage	Complied	Information to shareholders and investors
(v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	Complied	Information to shareholders and investors
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	Risk Management
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	material issue	ear 2016/17, there were no es pertaining to employees I relations of the Company
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Complied	Notes to the Financial Statements
(ix)	Number of shares representing the Entity's stated capital	Complied	Information to shareholders and investors
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied	Information to shareholders and investors
(xi)	Financial ratios and market price information	Complied	Information to shareholders and investors
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Complied	Notes to the Financial Statements
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Complied	Information to shareholders and investors
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Complied	Information to shareholders and investors
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Complied	Corporate Governance
(xvi)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower	Complied	Corporate Governance

# **CORPORATE GOVERNANCE CHECKLIST**

Statement of compliances under Rule 7.10 of the Rules of the Colombo Stock Exchange (CSE) on Corporate Governance.

Rule	Subject	Applicable Requirement	Compliance	Applicable Section in the
No.	•		Status	Annual Report
7.10 Co	mpliance			
a./b./c.	Compliance with Corporate Governance Rules	The Company is compliance with the Corporate Governance Rules and any deviations are explained where applicable	<u> </u>	Corporate Governance
7.10.1 N	on Executive Directors			
a./b./c.	Non Executive Directors (NED)	At least two or one third of the total number of Directors, whichever is higher should be NEDs	<b>/</b>	Corporate Governance
7.10.2 lr	ndependent Directors			
a.	Independent Directors (ID)	2 or1/3 of NEDs, whichever is higher, should be independent		Corporate Governance
b.	Independent Directors	Each NED should submit a declaration of independence or non independence		The independent NEDs have submitted signed confirmations of their independence, which are available with the Secretaries for review
7.10.3 🖸	Disclosures relating to D	irectors		
a./b.	Disclosure relating to Directors	(i) The Board annually determines the independence or otherwise of the NEDs		Corporate Governance
		(ii) Names of IDs should be disclosed in the Annual Report (AR)	<b>✓</b>	Corporate Governance
C.	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	<b>/</b>	Board of Directors (profile) section in the Annual Report
d.	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board along with details		Corporate Governance
7.10.4	Criteria for defining inde	pendence		
(a-h)	Determination of Independence	Requirements for meeting criteria to be an Independent Director		Corporate Governance
7.10.5 R	Remuneration Committe	e		
7.10.5	Remuneration Committee (RC)	The RC of the listed Parent Company may function as the RC		Corporate Governance
a.	Composition of Remuneration Committee	Shall comprise of NEDs, a majority of whom will be independent	<u> </u>	Corporate Governance
b.	Functions of Remuneration Committee	The RC shall recommend the remuneration of the General Manager (GM) and NEDs	✓	Corporate Governance

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
c.	Disclosure in the Annual Report relating to Remuneration Committee	<ul> <li>(i) Names of Directors comprising the RC</li> <li>(ii) A statement of remuneration policy</li> <li>(iii) The aggregate remuneration paid to Executive and Non-Executive Directors</li> </ul>	\\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\	Corporate Governance, Corporate Governance of Holding Company and Notes to the Financial Statements
7.10.6	Audit Committee			
a.	Composition of Audit Committee (AC)	<ul><li>(i) Shall comprise of NEDs a majority of whom should be independent</li><li>(ii) A NED shall be appointed as the Chairman of the Committee</li></ul>	✓ ✓	Corporate Governance and the Board Committee Reports
		(iii) GM and Director Finance TAH should attend AC meetings	<b>/</b>	
		(iv) The Chairman of the AC or one member should be a member of a professional accounting body		
b.	Audit Committee Functions	(i) Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS)		Corporate Governance and the Board Committee Reports
		(ii) Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements	<b>/</b>	
		<ul><li>(iii) Ensuring the internal controls and risk management are adequate to meet the requirements of the SLFRS/LKAS</li></ul>	<b>/</b>	
		(iv) Assessment of the independence and performance of the external auditors	<b>/</b>	
		(v) 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	<b>/</b>	
С	Disclosure in Annual Report relating to Audit Committee	<ul> <li>(i) Names of Directors comprising the AC</li> <li>(ii) The AC shall make a determination of the independence of the external auditors and disclose the basis for such determination</li> </ul>	<u> </u>	Corporate Governance and the Board Committee Reports
	_	(iii) The AR shall contain a report on the manner in which the AC carried out its functions		

# **ADOPTION OF CODE OF BEST PRACTICE - CHECK LIST**

Statement of Compliance under Code of Best Practice of Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Code Ref.	Subject	oject Applicable Requirement		Applicable Section in the Annual Report
A. 1 DIF	RECTORS - Board			
A.1	The Board	<ul> <li>Company to be headed by an effective Board to direct and control the Company</li> </ul>	<u> </u>	Corporate Governance
A.1.1	Frequency of Board Meetings	Board should meet regularly, at least once in every quarter	<u> </u>	Corporate Governance/ Annual Report of the Board of Directors
A.1.2	Responsibilities of the Board	Formulation and implementation of strategy,skill adequacy of management and succession,		Corporate Governance
		<ul> <li>Integrity of information, internal controls and risk management, compliance with laws, regulations and ethical standards</li> </ul>	<b>/</b>	
		• Code of conduct	<b>/</b>	
		Adoption of appropriate accounting policies		
A.1.3	Access to professional advice	<ul> <li>Procedures to obtain independent professional advice</li> </ul>	<b>/</b>	Corporate Governance
A.1.4	Company Secretary	<ul> <li>Ensure adherence to Board procedures and applicable rules and regulations</li> </ul>	<b>/</b>	Corporate Governance
		Procedure for Directors to access services of Company Secretary		
A.1.5	Independent judgement	<ul> <li>Directors should exercise independent judgement on issues of strategy, resources, performance and standards of business judgement</li> </ul>		Corporate Governance
A.1.6	Dedication of adequate time and effort by Directors	<ul> <li>Directors should devote adequate time and effort to discharge their responsibilities to the Company satisfactorily</li> </ul>	<b>/</b>	Corporate Governance
A.1.7	Training for Directors	<ul> <li>Directors should receive appropriate induction, training, hone skills and expand knowledge to more effectively perform duties</li> </ul>	<u> </u>	Corporate Governance
A.2 DIF	RECTORS - Chairman & Ch	ief Executive Officer		
A.2	Division of responsibilities to ensure no individual has unfettered powers of decision	<ul> <li>A balance of power and authority to be maintained by separating responsibility for conducting board business from that of executive decision making</li> </ul>		Corporate Governance
A.3 DIF	RECTORS - Role of Chairm	an		
A.3	Ensure good corporate governance	<ul> <li>Chairman to preserve order and facilitate effective discharge of Board functions by proper conduct of Board meetings</li> </ul>	✓	Corporate Governance
A.4 DIF	RECTORS - Financial Acun	nen		
A.4	Possession of adequate financial acumen	<ul> <li>Board to ensure adequacy of financial acumen and knowledge within the Board</li> </ul>	<b>/</b>	Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
	RECTORS - Board Balanc			The Annual Report
A.5.1	Composition of Board	The Board should include a sufficient number of non-executive, independent Directors		Corporate Governance
A.5.2	Proportion of Independent Directors	Two or one third of the Non-Executive Directors should be independent		Corporate Governance
A.5.3	Definition of independence	<ul> <li>Independent Directors should be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement</li> </ul>		Corporate Governance
A.5.4	Declaration of independence	<ul> <li>Non-Executive Directors should submit a signed and dated declaration of their independence /non- independence</li> </ul>		Corporate Governance/ Annual Report of the Board of Directors
A.5.5	Annual determination of criteria of independence /non-independence and declaration of same by Board	The Board should annually determine and disclose the names of Directors deemed to be independent		Corporate Governance
A.5.6	Appointment of an Alternate Director	• If an alternate Director is appointed by a Non- Executive Director, such Alternate Director should not be an executive of the Company	N/A	N/A
A.5.7	Appointment of Senior Independent Director (SID)	<ul> <li>If the roles of Chairman /CEO are combined, a Non- Executive Director should be appointed as a Senior Independent Director</li> </ul>	N/A	N/A
A.5.8	Availability of Senior Independent Director to other Directors	• If warranted, the SID should be available to the other Directors for confidential discussions.	N/A	N/A
A.5.9	Interaction between Chairman and Non-Executive, independent Directors	The Chairman should meet the Non-Executive, independent Directors at least once a year		Corporate Governance
A.5.10	Directors concerns to be recorded	<ul> <li>Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, Directors to ensure their concerns are recorded in Board minutes</li> </ul>	N/A	N/A
A.6 DIR	ECTORS - Supply of Info	mation		
A.6.1	Provision of adequate information to Board	<ul> <li>Management to ensure that the Board is provided with timely and appropriate information</li> </ul>	<b>/</b>	Corporate Governance

Code Ref.	Subject	Applicable Requ	uirement	Adoption	Applicable Section in
A.6.2	Adequacy of Notice and formal agenda to be discussed at Board meetings		es, agenda and papers should be t least seven days before the Board	Status	the Annual Report  Corporate Governance
A.7 DIR	ECTORS - Appointments	the Board			
A.7	Appointments to the Board	Formal & tra appointmen	insparent procedure for Board ts	<b>/</b>	Corporate Governance
A.7.1	Nomination Committee	Properties Pl of the Comp	committee of the Asian Hotels & LC function as the Nomination Committee any and make recommendations to the w Board appointments		Corporate Governance
A.7.2	Annual assessment of Board composition		committee or Board should annually composition of Board		Corporate Governance
A.7.3	Disclosure of new Board appointments		ew Board appointments to be led to Shareholders		Corporate Governance Notice of Meeting
A.8 DIR	ECTORS - Re-election			-	-
A.8.1	Appointment of Non- Executive Directors		nt of Non-Executive Directors should be ed terms and re-election should not be		Corporate Governance/ Annual Report of the Board of Directors
A.8.2	Re-election of Directors by Shareholders	subject to re	ment of all Directors should be e-election by shareholders at the first after such appointment		Corporate Governance /Notice of Meeting/ Director's Report
A.9 DIR	ECTORS - Appraisal of B	rd Performance	<b>)</b>		
A.9.1	Annual appraisal of Board performance		hould annually appraise how effectively arged its key responsibilities		Corporate Governance
A.9.2	Self evaluation of Board and Board Committees		hould evaluate its performance and that ittees annually	<b>/</b>	Corporate Governance/ Audit Committee Report
A.9.2	Declaration of basis of performance evaluation		hould disclose how performance have been carried out		Corporate Governance
A. 10 DI	RECTORS - Disclosure of	formation in re	spect of Directors		-
A.10.1	Biographical profiles and relevant details of Directors to be disclosed	Annual Repo	ort should disclose the biographical rectors and attendance at Board/	<u> </u>	Board of Directors/ Corporate Governance/ Audit Committee Report
A.11 DIR	RECTORS - Appraisal of C	ef Executive Of	ficer		
A.11.1	Short, medium and long term objectives, financial and non-financial objectives to be set	long term ol	hould set out the short, medium and ojectives, financial and non-financial the commencement of each year		Corporate Governance
A.11.2	Evaluation of CEO performance		nance of the CEO should be evaluated d at the end of the year	<u> </u>	Corporate Governance

Code Ref.	Subject	Ар	Applicable Requirement		Applicable Section in the Annual Report
B.1 DIR	ECTORS REMUNERATION	1 - R	emuneration Procedure		
B.1.1	Appointment of Remuneration Committee	0	Remuneration Committee of the Ultimate Parent Company may function as such for the Company to make recommendations on directors remuneration	<u> </u>	Corporate Governance
B.1.2	Composition of Remuneration Committee	0	Board to appoint only Non-Executive Directors to serve on Remuneration Committee		Corporate Governance
B.1.3	Disclosure of members of Remuneration Committee	0	The Annual Report should disclose the Chairman and Directors who serve on the Remuneration Committee		Corporate Governance
B.1.4	Remuneration of Non- Executive Directors	0	Board to determine the level of remuneration of Non-Executive Directors	<u> </u>	Corporate Governance
B.1.5	Access to professional advice	0	Remuneration Committee should have access to professional advice in order to determine appropriate remuneration for Executive Directors	<u> </u>	Corporate Governance
B.2 DIR	RECTORS REMUNERATION	N - L	evel and Make up of Remuneration		
B.2.1	Remuneration packages for Executive Directors	0	Packages should be structured to attract, retain and motivate Executive Directors	<b>/</b>	Corporate Governance
B.2.2	Remuneration packages to be appropriately positioned	0	Packages should be comparable and relative to that of other companies as well as the relative performance of the Company		Corporate Governance
B.2.3	Appropriateness of remuneration and conditions in relation to other Group companies	0	When determining annual increases remuneration committee should be sensitive to that of other Group companies		Corporate Governance
B.2.4	Performance related elements of remuneration	0	Performance related elements of remuneration should be aligned with interests of Company	<u> </u>	Corporate Governance
B.2.5	Share options	0	Executive share options should not be offered at a discount		Corporate Governance
B.2.6	Remuneration packages for Non- Executive Directors	0	Should reflect time commitment and responsibilities of role and in line with existing market practice	<u> </u>	Corporate Governance
B.3 DIR	RECTORS REMUNERATION	N - D	isclosure of Remuneration		
B.3.1	Disclosure of details of remuneration	•	The Annual Report should disclose the remuneration paid to Directors		Notes to the Financial Statements - Note 9
C.1 REL	ATIONS WITH SHAREHO	LDE	RS – Constructive use and conduct of Annual General	Meeting	
C.1.1	Proxy votes to be counted	0	The Company should count and indicate the level of proxies lodged for and against in respect of each resolution	<b>/</b>	Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
C.1.2	Separate resolutions	<ul> <li>Separate resolutions should be proposed for substantially separate issues</li> </ul>		Corporate Governance Notice of Meeting
C.1.3	Availability of Committee Chairmen at AGM	<ul> <li>The Chairmen of Board committees should be available to answer any queries at AGM</li> </ul>	<b>/</b>	Corporate Governance
C.1.4	Notice of AGM	• 15 calendar days' notice to be given to shareholders		Notice of Meeting
C.1.5	Procedure for voting at meetings	<ul> <li>Company to circulate the procedure for voting with Notice of Meeting</li> </ul>	<b>/</b>	Notice of Meeting
C.2 CON	MMUNICATION WITH SHA	AREHOLDERS		
C.2.1	Channel of Communication	<ul> <li>Channel to reach all shareholders to disseminate timely information</li> </ul>		Corporate Governance
C.2.2 -C.2.7	Policy and Methodology of Communication	<ul> <li>Policy and Methodology of communication with shareholders and implementation</li> </ul>		Corporate Governance
C.3 MA.	JOR AND MATERIAL TRA	NSACTIONS INCLUDING MAJOR RELATED PARTY TRANS	ACTIONS	
C.3.1	Disclosure of Material Major Transactions	<ul> <li>Disclosure of all material facts involving all material transactions including related party transactions</li> </ul>		Notes to Financial Statements
D.1 ACC	OUNTABILITY AND AUD	IT - Financial Reporting		
D.1.1	Presentation of public reports	<ul> <li>Should be balanced, understandable and comply with statutory and regulatory requirements</li> </ul>	<b>/</b>	Management Discussion, Corporate Governance Risk Management Financial Statements
D.1.2	Directors Report	The Director's Report should be included in the Annual Report and confirm that		
		<ul> <li>the Company has not contravened laws or regulations in conducting its activities</li> </ul>	<b>/</b>	Audit Committee Report
		<ul> <li>Material interests in contracts have been declared by Directors</li> </ul>	<b>/</b>	Annual Report of the Board of Directors
		• the Company has endeavoured to ensure equitable treatment of shareholders	<b>/</b>	Financial Statements
		<ul> <li>that the business is a "going concern"</li> <li>that there is reasonable assurance of the effectiveness of the existing business systems following a review of the internal controls covering financial, operational and compliance</li> </ul>	<b>\rightarrow</b>	Corporate Governance Director's Report Audit Committee Report Risk Management
D.1.3	Respective responsibilities of Directors and Auditors	• The Annual Report should contain separate statements setting out the responsibilities of the Directors for the preparation and presentation of the financial statements and the reporting responsibilities of the Auditors		Statement of Directors' Responsibility
D.1.4	Management Discussion and Analysis	<ul> <li>Annual Report to include section on Management Discussion and Analysis</li> </ul>		Management Discussion and Analysis

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.1.5	Going Concern	<ul> <li>Directors to substantiate and report that the business is a going concern or qualify accordingly</li> </ul>		Annual Report of the Board of Directors
D.1.6	Serious Loss of Capital	<ul> <li>Directors to summon an Extraordinary General Meeting in the event that the net assets of the Company falls below 50% of the value of Shareholders Funds</li> </ul>	N/A	N/A
D.1.7	Related Party Transactions	Disclosure of Related Party Transactions		Notes to the Financial Statements
D.2 ACC	COUNTABILITY AND AUD	DIT - Internal Control		-
D.2.1	Effectiveness of system of internal controls	<ul> <li>Directors to annually conduct a review of the effectiveness of the system of internal controls.</li> <li>This responsibility may be delegated to the Audit Committee</li> </ul>		Audit Committee Report Risk Management
D.2.2	Functionality	Internal Audit Function		Corporate Governance
D.2.3 / D.2.4	Continuity of Internal control	Maintaining a sound system of internal control	<u> </u>	Corporate Governance
D.3 AUI	DIT COMMITTEE			
D.3.1	Chairman and Composition of Audit	<ul> <li>Should comprise of a minimum of two independent, Non-Executive Directors</li> </ul>	<b>/</b>	Audit Committee Report
	Committee	<ul> <li>Audit Committee Chairman should be appointed by the Board</li> </ul>	<b>/</b>	Audit Committee Report
D.3.2	Duties of Audit	Should include		
	Committee	<ul> <li>Review of scope and results of audit and its effectiveness</li> </ul>	<b>/</b>	Corporate Governance
		Independence and objectivity of the Auditors		Corporate Governance
D.3.3	Terms of Reference/ Charter	<ul> <li>The Audit Committee should have a written Term of Reference which defines the purpose of the Committee and its duties and responsibilities</li> </ul>	<b>/</b>	Corporate Governance
D.3.4	Disclosures	<ul> <li>The Annual Report should disclose the names of directors serving on the Audit Committee</li> </ul>	<u> </u>	Corporate Governance Audit Committee Report
		<ul> <li>The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination</li> </ul>	<b>/</b>	Corporate Governance
		<ul> <li>The Annual Report should contain a report by the Audit Committee setting out the manner of the compliance of the Company during the period to which the Report relates</li> </ul>	<b>/</b>	Audit Committee Report
D.4 COI	DE OF BUSINESS CONDU	ICT AND ETHICS		
D.4.1	Adoption of Code of Business Conduct and Ethics	• The Company must adopt a Code of Business Conduct and Ethics for Directors and members of the senior management team and promptly disclose any violation of the Code		Corporate Governance

Code Ref.	Subject	Applicable Requirement Adoption Status	Applicable Section in the Annual Report
D.4.2	Chairman's affirmation	The Annual Report must include an affirmation by the Chairman that he is not aware of any violation of the Code of Business Conduct and Ethics	Chairman's Review/ Annual Report of the Board of Directors
	RPORATE GOVERNANCE	DISCLOSURES	
D.5.1	Corporate Governance Report	out the manner and extent to which the Company has adopted the principles and provisions of the Code of Best Practice on Corporate Governance	Corporate Governance
E. INST	TITUTIONAL INVESTORS		
E.1 Sha	reholder Voting		
E.1.1	Structured Dialogue with Shareholders	A regular and structured dialogue should be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman	Corporate Governance
E.2	Evaluation of Governance Disclosures by Institutional Investors	Institutional investors should be encouraged to consider the relevant factors drawn to their attention with regard to Board structure and composition	Corporate Governance
F. OTH	ER INVESTORS – Investin	Divesting Decisions	
F.1.	Individual Investors	Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment/divestment decisions	Corporate Governance
F.2	Shareholder Voting	Individual shareholders should be encouraged to participate and exercise their voting rights	Corporate Governance / Form of Proxy
G. SUS	TAINABILITY REPORTING		
G.1 – G.1.7	Sustainability Reporting	Disclosure on adherence to sustainability principles	Sustainability Report

Risk is a probable occurrence of an uninvited event. Risk Management is a vital part of the organisational process of identifying the types of risk exposure within the Company and a key factor in ensuring the Company's success through sustainable growth whilst boosting stakeholder value. Trans Asia Hotels PLC is aware that it operates in a dynamic industry that is subject to frequent changes. Therefore, Risk Management is incorporated with the Hotel's strategic planning process and also considered as an integral component of the Company's Corporate Governance Framework. Hence appropriate systems, policies and procedures are in place in all areas of operations and they are periodically reviewed to ensure adequacy and adherence

## **Risk Management Framework**

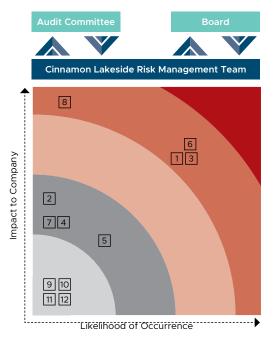


### **Proactive Risk Management Culture and Framework**

Having in place an effective system of internal controls and risk management is essential to being a Responsible Business. Therefore, the Board aims to embed proactive risk management capability and culture throughout the business. In achieving this, the Board is supported by the Senior Management, Audit Committee, and Management Committee.

# **Risk Management Team and Structure**

The Company's risk management team is headed by the General Manager who is the business unit head. The team consists of Heads of Department and the Manager - Compliance Health and Safety Quality Certifications. Whilst the team carries out the risk management process, they are guided by the framework established by the Group Business Process Review Division.



1	Business Risk
2	Brand Image and Reputation Risk
3	Uncertainty in Regulatory
	Environment Risk
4	Supply Chain Risk
5	Human Resource Risk
6	Technology and Data Protection Risk
7	Internal Operational Processes
8	Risk from Natural or Man-made
	Disasters
9	Credit Risk
10	Liquidity Risk
11	Foreign Exchange Risk
12	Interest Rate Risk
Risk R	ating
	Ultra High
	High
	Medium
	Low
	Insignificant

**Top Risk Scenarios** 

#### **Risk Identification**

As the initial step of risk framework it is important to identify risks before they can be managed. Identification of possible risks is the initial step of the Company's risk management team. We believe that sustainability and risk management are interrelated and therefore business should not only consider financial and operational risksfaced by the Company, but also risks resulting from possible impacts on the environment, employees and community due to its operations. Trans Asia Hotels PLC identifies risks through various means including intelligence gathering, quality audits, safety audits, internal audits and means such as customer feedback and incidents.

#### **Risk Prioritisation and Assessment**

Under the guidance of the Group sustainability and enterprise risk management division the risk management team will review and assess identified risks. The risks are evaluated in terms of likelihood of occurrence, impact to company, impact from Company and velocity. Based on the impact and likelihood ratings, each risk is rated on a scale of 'ultrahigh' to 'insignificant' and tabulated in the Company's risk control Self-Assessment (RCSA) form, thereby enabling the Company to identify the risks that need most urgent attention and to plan out risk mitigation strategies

# **Developing Risk Response Strategy and Risk Owner**

The risk management strategies address how Trans Asia Hotels PLC assess and respond to risks and making transparent the risk perceptions that organisations routinely use in making investment and operational decisions. Based on the score assigned to each identified risk, the risk management committee decides on an appropriate risk response strategy.

# **RISK MANAGEMENT**

There are three broad categories of risk response strategies namely classified as preventive, destructive and corrective. Each risk is assigned to a risk owner based on their field of expertise and the risk owner is responsible for the implementation and reporting of the mitigation strategy for the relevant risk.

#### **Risk Reporting**

The Company follows a well-structured reporting mechanism for the identified risks. The RCSA is reviewed on a quarterly basis by the Risk Committee and team members sign off a compliance statement at the end of each quarter. The consolidated financial and operational compliance report is received by the Audit Committee from the President of the Leisure

Group. The Audit Committee has also included a Risk Review on the agenda of Audit Committee meeting. The responsibility of maintaining an effective system of internal controls and risk management lies with The Board. The Audit Committee on behalf of the Board reviews the risk management process adopted by the Company.

# Implementation of Risk Mitigation strategy

As the implementation of each risk mitigation strategy lies with risk owner he or she ensures that all required resources to implement strategy are included in the capital expenditure or operational expenditure budget of the Company. The risk owner is also responsible for the implementation of

the strategy within agreed date plan and to update the committee accordingly.

## **Monitoring of Controls**

Risks related to the Tourism industry do not remain static, therefore it is vital to monitor risk on an ongoing basis. Where risks change or new risks are identified then those risks are added to the risk assessment for appropriate categorisation and action. Regular monitoring will be carried out in order to ensure that there are sound internal controls and procedures in place to manage and mitigate risks. The Internal Audit Department of the parent company is responsible for providing assurances on the effectiveness of internal controls within the Group and reports directly to the Audit Committee.

## **Risk Category and Description**

# Strategic Risks

## **Business Risk**

The performance of the Company could be adversely affected due to intense competition, unfavourable economic conditions and new entrants

## **Potential Impact**

Reduction in fair share of market and loss of revenue

Adverse impact on profitability and cash flow

## **Control Measures and Action Plans to Mitigate Risks**

## Risk Rating - High

- The Company closely monitors competitor activities and strategies. This process includes the reviewing of competitors' market share and performance. Where necessary, new strategies are formulated or existing strategies are revised to counter the actions of competitors
- Ongoing and timely investments to upgrade property and facilities
- Exceeding customer expectations by careful analysis of guest feedback and tailoring appropriate and prompt responses to issues identified
- Providing value for money by enhancing services, improving service delivery and focusing on consistent quality
- Growing web-generated business

Risk Category and Description	Potential Impact	Control Measures and Action Plans to Mitigate Risks			
Uncertainty in Regulatory Environment Risk Changes in legal and regulatory Potential exposure to framework requires significant changes to operating process		<ul> <li>Risk Rating - High</li> <li>Creating awareness about legal &amp; statutory obligations at all levels</li> <li>Internal auditors carrying out specific reviews and checks to ensure that operations and services remain in compliance with regulations</li> <li>Tax/regulatory returns submitted by the company being subjected to regular monitoring and scrutiny by the Tax Division of the Leisure Group</li> <li>The Legal Division of John Keells Group provides guidance and direction to safeguard the company against any losses or loss of reputation that could arise from any legal consequences of transactions it enters into</li> </ul>			
Brand Image and Reputation Risk		Risk Rating - Low			
Any event that could undermine the brand equity and the reputation of the hotel such as decline in service levels, the product not meeting customer expectation, possible environmental impacts and health and safety as well as failure to sustain the appeal of the hotel brand to its customers	Decline in customer base, loss of market share, market penetration and ability to develop the business  Inability to maintain room rate differentiation and competitive advantage  Erosion in confidence may damage sustainability of Group business  Negative propaganda on social media	<ul> <li>Although some factors are beyond its control, the Group adopts the following approaches to mitigate this risk:</li> <li>Regular Brand Audits of the 'Cinnamon' brand are carried out</li> <li>Ensuring that the most sought after and qualified staff hold high Managerial positions (in different hierarchies)</li> <li>Continuous attention is focused on the environment and health and safety concerns by complying with HACCP and other quality certifications</li> <li>Ongoing reviews of guest comments in order to exceed customer expectations</li> <li>Encouraging and nurturing responsible corporate citizenship through CSR initiatives</li> <li>Continuous monitoring and reviewing of online customer reviews and rating</li> </ul>			
Operational Risks					
Risks from Natural or Man-made  Disasters  Loss of property and equipment resulting in significant losses	Injuries to staff and guests, damage to property and cost implication	<ul> <li>Risk Rating - High</li> <li>Documented business continuity and disaster recovery plans are in place</li> <li>Appropriate signages within the Hotel property and evacuation plans are in place</li> <li>A process to create awareness of such incidents is in place</li> <li>Fire fighting systems, trained staff and procedures are in place</li> <li>Relevant insurance policies are in place and the adequacy of such cover is subject to regular review</li> </ul>			

Risk Category and Description	Potential Impact	Control Measures and Action Plans to Mitigate Risks
Technology and Data Protection	· · ·	Risk Rating – High
Risk Failure to keep pace with developments in the technology sphere could impair our competitive position and operation	Adverse impact on efficiency of operations, guest satisfaction and loss of competitive advantage	<ul> <li>Reservation, property management, material management and financial information systems were upgraded for greater alignment with business needs, making it easier to respond to change in business strategy</li> <li>The IT division of the sector and the John Keells Group have implemented procedures to safeguard</li> </ul>
Risk of cyber attacks	Data theft	<ul> <li>the computer installations of the Company to ensure continuity of operations</li> <li>Commissioning an audit of all websites by an IT Governance, Risk and Compliance professional to</li> </ul>
		<ul> <li>safeguard against cyber-attacks</li> <li>While the Group's operations are reliant on Information Technology, stringent security measures, disaster recovery procedures and business continuity plans are implemented.</li> <li>There are group-wide measures to ensure the mitigation of significant information technology risks.</li> </ul>
		<ul> <li>Clearly defined IT policy, which is communicated to all associates</li> </ul>
Human Resource Risk		Risk Rating – Low
The Company's human resources are the backbone of the business, holding the Company together. The growth of the Company is heavily dependent on the talents and efforts of the highly skilled	Inability to maintain quality standards and meet guest expectations  Higher operational costs and loss of business	<ul> <li>As part of the performance appraisal process carried out in the Company, a clear vision has been set out on career development and succession plans, enabling the Company to retain its employees</li> <li>Regular trainings both locally and overseas is carried out in order to infuse motivation, commitment and</li> </ul>
individuals that the Company is	and loss of basilless	empowerment among staff
able to attract and retain. The recruitment and retention of employees is a constant challenge	Adverse impact on the Company's brand image	<ul> <li>Recruitment of high calibre staff, effective induction to the Group's corporate culture, transparency in management actions and effective communication lines are developed in the Company's culture to foster good employee relationships</li> <li>Developing a spirit of unity by organising associate</li> </ul>
		gatherings to celebrate staff birthdays, outings, sports activities, family get-togethers and religious activities
Supply Chain Risks		Risk Rating – Low
Short supply of goods and raw material resulting in disruptions to operations	Cost overruns, reputational loss	<ul> <li>Alternate suppliers have been identified</li> <li>Maintain good business relationships with supply chain, rotating contracts when economically possible</li> <li>Identification of local supplier base</li> </ul>

Risk Category and Description	Potential Impact	Control Measures and Action Plans to Mitigate Risks
Internal operational processes		Risk Rating – Low
The risk of financial loss and disruption to the business due to breakdown in internal controls	Disruption of operations, loss of profits and ineffective use of assets and resources	<ul> <li>Clearly defined systems and procedures are in place to ensure compliance with internal controls, which are monitored and reviewed for their continued efficiency and effectiveness</li> <li>An outsourced internal audit firm reviews and provides assurance on the adequacy of the Group's financial and operational systems on a quarterly basis</li> <li>Quarterly confirmation of compliance with financial, operational and sustainability procedures and requirements which include any incidence of fraud</li> <li>A formal process is in place to review and monitor all audit findings</li> </ul>
Financial Risk		
Liquidity Risk Inability to meet financial commitments on due dates	Probable penalty charges and adverse credit terms for future business	Risk Rating – Low Regular review mechanisms are in place to monitor the performance of the Company against approved budget targets to achieve a balance between liquidity and profitability Capital investments are planned so as not to adversely impact the Cash Flows and gearing of the Company
Credit Risk Exposure and losses due to default of settlement by debtors	Reduced cash flow and profitability	Risk Rating – Low  Credit policy and stringent controls are in place to mitigate the impact of default  Credit limits are reviewed on a regular basis at Sector level  Constant monitoring and review of debtor balances with collection targets and adapt progressive action
Interest Rate Risk Changes in market interest rates lead to changes in fair value or future cash flows of a financial instrument  Drop in interest rates will lead to a lower interest income as a result of which, the Company would have an impact on its Other Income  Increase in finance cost on the debt obligations with floating interest	Reduced interest income, Increase in finance cost Reduced profitability	<ul> <li>Risk Rating - Low</li> <li>The Company has taken measures to maximise the interest income with the assistance and guidance of the John Keells Group Treasury Department</li> <li>Keeping abreast of global as well as local interest rate activities</li> <li>Leveraging rate differences in foreign and local lending markets and structuring low cost debt through negotiation</li> <li>Sensitivity analysis is conducted to identify the potential impact that market interest rates will have on profitability</li> </ul>

Risk Category and Description	Potential Impact	Control Measures and Action Plans to Mitigate Risks	
Foreign Exchange Risk		Risk Rating – Low	
Fluctuations in the respective	Reduced revenue and	Maintenance of Foreign Exchange Earners Accounts	
strengths of currencies impact	profitability	Natural hedge by invoicing and accepting payments in	
operations to the extent of		the same currency as the debt	
changes against the reporting		Sensitivity analysis to identify the potential impact of	
currency (LKR), Services are priced		currency fluctuations on profit	
in the foreign currency		Use of forward exchange rates to minimise our	
		exposure to fluctuations	

The Board confirms that a process for identifying, evaluating and managing significant risks that endanger the achievement of the strategic objectives of Trans Asia Hotels PLC has been in place throughout the year in accordance with the guidelines set out by the Institute of Chartered Accountants of Sri Lanka and industry best practices. Potential Financial Risk in compliance with the Sri Lanka Accounting Standards (SLFRS) are disclosed on pages 99 to 104 under notes of the Financial Statements. The Audit Committee has reviewed the Business Risk Management process adopted by the Company and has noted that the risk management exercises had been conducted for the year under review.

# **SHAREHOLDERS' DIARY**

Meeting	
36th Annual General Meeting	16th June 2017
Interim Financial Statements	
1st Quarter ended 30th June 2016	Released on 26th July 2016
2nd Quarter ended 30th September 2016	Released on 26th October 2016
3rd Quarter ended 31st December 2016	Released on 27th January 2017
4th Quarter ended 31st March 2017	Released on 24th May 2017

Dividend	Declared	Paid
Interim	10th March 2017	30th March 2017
Final*	24th May 2017	14th June 2017

<sup>\*</sup> Final dividend proposed to be paid

# 1. Directors' Shareholding

	As at	As at
	31.03.2017	31.03.2016
Mr. S. C. Ratnayake - Chairman	400	400
Mr. A. D. Gunewardene	400	400
Mr. J. R. F. Peiris	400	400
Mr. N. L. Gooneratne	589,281	589,281
Mr. C. J. L. Pinto (Joint account with Mrs. M. R. C. Pinto)	7,400	7,400
Mr. E. H. Wijenaike	Nil	Nil
Ms. J. C. Ponniah	Nil	Nil
Mr. R. J. Karunarajah	400	400
Mr. K. N. J. Balendra	Nil	Nil

# 2. The Company's Issued Ordinary Share Capital of 200,000,000 shares were held by 1,391 shareholders as at 31st March 2017. (1,389 Shareholders as at 31st March 2016)

# 2.1 Share Distribution as at 31st March 2017

	Number of Shareholders	Percentage of Shareholding	Total Number of Shares
Less than or equal to 1,000	1,156	0.1	205,724
1,001 to 10,000	179	0.35	691,727
10,001 to 100,000	42	0.53	1,066,817
100,001 to 1,000,000	10	2.13	4,261,000
Over 1,000,001	4	96.89	193,774,732
Grand total	1,391	100.00	200,000,000

# 2.2 The Twenty Largest Shareholders

		Shareholding as	%	Shareholding as at	%
		at 31.03.2017		31.03.2016	
1	John Keells Holdings PLC	97,284,256	48.64	97,284,256	48.64
2	Asian Hotels and Properties PLC	86,823,028	43.41	86,823,028	43.41
3	Bank of Ceylon A/C Ceybank Unit Trust	5,371,248	2.69	5,321,007	2.66
4	Employees Provident Fund	4,296,200	2.15	4,296,200	2.15
5	Prof. D. N. L. Alwis	600,107	0.30	600,107	0.30
6	Mr. N. L. Gooneratne	589,281	0.29	589,281	0.29
7	Mr. A. N. G. Wijeyekoon	572,960	0.29	572,960	0.29
8	Employees Trust Fund Board	571,941	0.29	571,941	0.29
9	Bank of Ceylon A/C Ceybank Century Growth Fund	533,768	0.27	516,568	0.26
10	Bank of Ceylon No. 1 Account	477,200	0.24	477,200	0.24
11	Ellawala Exports (Pvt) Ltd.	358,400	0.18	358,400	0.18
12	Mr. G. L. A. Ondaatjie	250,199	0.13	250,199	0.13
13	Mr. D. Gonsalkorale	161,200	0.08	161,200	0.08
14	Mrs. B. J. E. Severin	72,800	0.04	72,800	0.04
15	Mr. R. D. Ranatunga	50,112	0.03	50,112	0.03
16	Mr. N. P. Tippala Gamage	49,500	0.02	49,500	0.02
17	Mr. G. P. Gunawardena	48,468	0.02	48,468	0.02
18	Mr . A.S .Chatoor	41,480	0.02	51,185	0.03
19	Mrs. M .I . Wijekoon	40,000	0.02	40,000	0.02
20	Mr. H. A. Van Starrex	38,320	0.02	39,760	0.02
		198,230,468	99.12	198,174,172	99.09

# 2.3 Composition of Shareholders

	As at 31st March 2017			As	5	
	Number of Shareholders	Number of Shares	%	Number of Shareholders	Number of Shares	%
Directors and Spouses	6	598,281	0.3	6	598,281	0.3
Public non-resident						
Institutions		-	-	-	-	-
Individuals	14	84,073	0.04	13	84,070	0.04
Public resident						
Institutions	51	196,074,796	98.04	48	196,017,204	98.01
Individuals	1,320	3,242,850	1.62	1,322	3,300,445	1.65
	1,391	200,000,000	100	1,389	200,000,000	100

In order to comply with the minimum public holding directive issued by the Colombo Stock Exchange, the shares of the Company are now listed on the Dirisavi Board.

# **INFORMATION TO SHAREHOLDERS & INVESTORS**

# 3 Market Information on Ordinary Shares of the Company

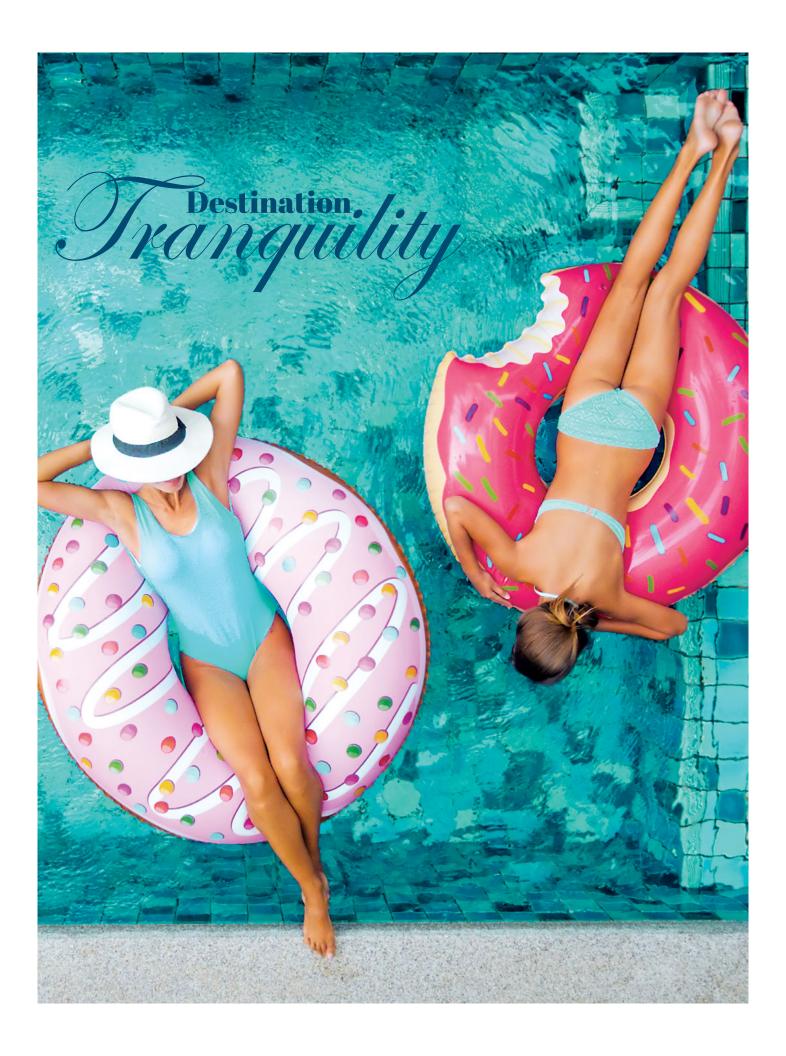
	2016/2017	Q4	Q3	Q2	Q1	2015/2016
High (Rs.)	94.00	94.00	95.00	96.00	100.00	100.00
Low (Rs.)	70.00	70.00	86.50	81.00	79.00	76.10
Close (Rs.)	75.10	75.10	94.00	94.60	93.00	79.90
Dividend paid (per share) (Rs.)	3.00	2.00			1.00	2.00
Trading Statistics						
Number of transactions	365	155	38	57	115	303
Number of shares traded ('000)	87	29	8	22	28	46
% of total shares in issue	0.0435	0.0145	0.004	0.011	0.014	0.023
Value of all shares traded (Rs. Mn)	7.51	2.21	0.748	2	2.542	4.01
Average daily turnover (Rs. '000)	65.3	53.89	39.4	91.34	77.06	45.99
Market capitalisation (Rs. Mn)	15,020	15,020	18,800	18,920	18,600	15,980

# Dividends since 2004/05

Year ended 31st	Dividend Paid Per	Dividend Paid
March	Share (Rs.)	(Rs.'000)
2004/05	3.5	175,000
2005/06	5.35	267,500
2006/07	2.4	120,000
2007/08	0.75	37,500
2008/09	1.5	75,000
2009/10	1	50,000
2010/11	2	100,000
2011/12	3	300,000
2012/13	3	600,000
2013/14	3.5	700,000
2014/15	3.5	700,000
2015/16	2	400,000
2016/17	3	600,000

# Share Capital since 2004/05

Year ended 31st March	Number of Shares
	in Issue ('000)
2004/05	50,000
2005/06	50,000
2006/07	50,000
2007/08	50,000
2008/09	50,000
2009/10	50,000
2010/11**	50,000
2011/12**	100,000
2012/13	200,000
2013/14	200,000
2014/15	200,000
2015/16	200,000
2016/17	200,000
** Sub division of shares	



# FINANCIAL INFORMATION

# **FINANCIAL CONTENTS**

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The Directors have pleasure in presenting the 36th Annual Report of your Company together with the Audited Financial Statements for the year ended 31st March 2017.

#### **GENERAL**

The Company was incorporated on 17th July 1981 as a public limited company. The shares of the Company have been listed on the Colombo Stock Exchange since 17th July 1981. Furthermore, in compliance with the provisions of the Companies Act No. 7 of 2007 the Company was re-registered on 15th June 2007.

## PRINCIPAL ACTIVITY

The principal activity of the Company is hoteliering and this has remained unchanged. The Company owns
Cinnamon Lakeside Hotel, a Five-Star
Hotel situated in Colombo. The Company also derives rental income from the investment property adjoining the Hotel.

# REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The financial and operational performance during the year ended 31st March 2017 and future business developments of the Company are provided in the Chairman's Statement on pages 5 to 6 and Management Discussion & Analysis appearing on pages 10 to 22. These reports which form an integral part of Annual Report of Board of the Directors' Report together with the audited financial statements reflect the state of affairs of the Company.

# FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The Financial Statements of the Company duly signed by the Directors and the Auditor's Report on the Financial Statements are provided on pages 73 to 107.

#### **CORPORATE GOVERNANCE**

The Corporate Governance principles and practices of the Company are described from pages 29 to 50 of this report. The Directors confirm that the Company is in compliance with the continuing listing rules of the Colombo Stock Exchange and has adopted the relevant Rules on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

# SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

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. The Audit Committee receives and acts upon reports on the results of internal control reviews carried out by independent external auditors. The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Company and 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 principal risks and mitigating actions in place are reviewed regularly by the Board Audit Committee. The Board, through the involvement of the Ultimate Parent Company John Keells Holdings PLC, Group Business Process Review and Control 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 business are disclosed in the Risk Management Statement on pages 51 to 56 of this Report and notes to the financial statements on pages 78 to 107.

#### **GOING CONCERN**

The Board of Directors after considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka have reasonable expectation that the Company possesses 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.

# **ACCOUNTING POLICIES**

Details of accounting policies have been discussed in Notes 1 to 5 to the financial statements. There have been no changes in the accounting policies adopted by the Company during the year under review.

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 Sri Lanka Accounting Standards (SLFRS), Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing

Standards Act No. 15 of 1995 and the Continuing Listing Rules of the Colombo Stock Exchange.

#### **REVENUE**

Revenue generated by the Company as at 31st March 2017 amounted to Rs. 3,251 Mn (2016 - Rs. 2,484 Mn).

#### **RESULTS & APPROPRIATIONS**

The Profit After Tax of the Company and the profit attributable to the equity holders for the year was Rs. 908 Mn (2016- Rs. 321 Mn). The synopsis of the Company's performance is presented in the following table:-

2017	2010
2017	2016
776,841	271,874
(29,197)	(47,074)
24,827	6,672
243,400	126,100
1,015,871	357,572
108,106)	(36,777)
907,765	320,795
871	520
(7,257)	(4,338)
25,134	29,426
,779,145	2,835,190
705,658	2,979,145
00,000)	-
00,000)	(200,000)
005,658	2,779,145
1	(29,197) 24,827 243,400 1,015,871 108,106) 907,765 871 (7,257) 25,134 705,658 00,000)

<sup>\*</sup> The final dividend paid for this financial year has not been recognised as at the balance sheet date in compliance with LKAS 10 – Events after reporting period.

## **DIVIDENDS**

A final dividend of Rs. 1.00 per share for the Financial Year ended 2015/16 and an interim dividend of Rs. 2.00 per share for the Financial Year ended 2016/17 was paid during the current financial year on 14th June 2016 and 30th March 2017 respectively, resulting in a cash payout for the financial year ended 2016/17 amounting to Rs. 600 Mn (Rs. 400 Mn paid in 2015/16).

The Board of Directors recommended a Rs. 300 Mn dividend of Rs. 1.50 per share for the financial year ended 31st March 2017 which will be paid on 14th June 2017 to the shareholders on the register as at 1st June 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 final dividend of Rs. 1.50 per share for the financial year ended 31st March 2017.

## **PROPERTY, PLANT & EQUIPMENT**

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 3,654 Mn (2016 - Rs. 3,775 Mn) for the Company.

Capital expenditure for the year amounted to Rs. 100 Mn (2016 - Rs. 588 Mn).

Details of property, plant and equipment and their movements are given in note 14 to the financial statements on pages 88 to 89 of this report.

# **MARKET VALUE OF PROPERTIES**

All buildings owned by the Company were revalued as at 31st March 2017. The valuation was carried out by M/s. P B Kalugalagedara, Chartered Valuation Surveyor who has confirmed that the current values of the buildings are at market value, for the year ended 31st March 2017.

All properties classified as investment property were valued as at 31st March 2017 in accordance with the requirements of LKAS 40. This valuation too was carried out by M/s. P B Kalugalagedara, Chartered Valuation Surveyor. The carrying value of investment property of Company amounted to Rs. 2,148 Mn (2016 - Rs. 1,905 Mn). The Directors have decided to retain the fair value of investment property recognised as at 31st March 2017.

Details of valuation of property, plant and equipment and investment property are provided in note 14 and 16 of the notes to the financial statements on pages 89 to 91 of this report.

#### **INVESTMENT PROPERTIES**

In accordance with LKAS 40, Investment Property, the net book value of properties held to earn rental income and properties held for capital appreciation have been classified as investment properties. The details of the investment properties are explained in note 16 to the financial statements on pages 90 to 91.

## STATED CAPITAL

The total stated capital of the Company as at 31st March 2017 was Rs. 1,113 Mn (2016 – Rs. 1,113 Mn). The Stated Capital of the Company comprises of 200 Mn Ordinary Shares fully paid up.

## **RESERVES**

Total reserves as at 31st March 2017 for the Company amounted to Rs. 4,895 Mn (2016 - Rs. 4,590 Mn). The movement of reserves during the year is disclosed in the Statement of Changes in Equity on page 77.

## **SEGMENT REPORTING**

Segment wise contribution to Company revenue, results, assets and liabilities is provided in Note 36 of the Financial Statements.

# CONTINGENT LIABILITIES & CAPITAL COMMITMENTS

Commitments made for capital expenditure as at 31st March 2017 and the contingent Liabilities as at that date are given in Note 38 to the financial statements on page 107.

# EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There have been no events subsequent to the balance sheet date, which would have any material effect on the Company other than those disclosed in Note 39 to the Financial Statements on page 107.

# SHARE INFORMATION & SHAREHOLDING

The market value of an ordinary share of the Company as at 31st March 2017 was Rs. 75.10 (31st March 2016 - Rs. 79.90). The number of shareholders as at 31st March 2017) was 1,391 (31st March 2016 - 1,389). An analysis of shareholders based on shares held, percentage of public holding, the distribution of ownership and details of share transactions during the year are provided on pages 57 to 59 of this report. The list of Top Twenty Shareholders of the Company as at 31st March 2017 is also provided on page 58 of this report.

## **DIRECTORS**

The Board of Directors of the Company as at 31st March 2017 and their brief profile are given on pages 7 to 8 of this report.

Mr. R.J. Karunarajah and Mr. E.H. Wijenaike who retire by rotation in terms of Article 83 of the Articles of Association of the Company and being eligible for re-election are recommended by the Board for re-election. Brief profile of Mr. R.J. Karunarajah and Mr. E.H. Wijenaike

are contained on Page 7 and 8 of the Annual Report.

The Board has recommended the reelection of Mr. N.L. Gooneratne who is 74 years old and retires in term of Section 210 of the Companies Act No. 7 of 2007. The resolution proposes that the age limit stipulated in Section 210 of the Companies Act shall not apply to Mr. N.L. Gooneratne who is 74 years old and that he be re-elected a Director of the Company.

#### **BOARD COMMITTEES**

## **Board Audit Committee**

The following members serve on the Board Audit Committee:

Mr. C J L Pinto - Chairman Mr. E H Wijenaike Ms. J C Ponniah

The Audit Committee 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.

The report of the Audit Committee is given on pages 70 to 72 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 Ultimate Parent company of Trans Asia Hotels PLC functions as the Human Resources and Remuneration Committee of the Company. The Human Resources and Compensation Committee of John Keells Holdings PLC comprises three independent Directors:

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

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Mr. D.A. Cabraal - Chairman

Mr. M.A. Omar

Dr. S.S.H. Wijayasuriya

#### **Nominations Committee**

As per the consolidation in Trans
Asia Hotels PLC with Asian Hotels
and Properties PLC, the Nomination
Committee of Asian Hotels & Properties
PLC functions as the Nominations
Committee of the Company. The
Nomination Committee of Asian Hotels
& Properties PLC comprises of two
Independent Directors and one NonIndependent Director namely:

Mr. S.K.G. Senanayake – Chairman Ms. S.A. Jayasekera Mr. S.C. Ratnayake

# Related Party Transaction Review Committee

As permitted by the listing rules of the Colombo Stock Exchange, the Related Party Transaction Review Committee of John Keells Holdings PLC, the Ultimate Parent company of Trans Asia Hotels PLC functions as the Related Party Transaction Review Committee of the Company. The Related Party Transaction Review Committee of John Keells Holdings PLC comprises four Independent Directors and one Non Independent Director:

Ms. M P Perera – Chairman

Mr. A N Fonseka Mr. D A Cabraal Mr. S C Ratnayake

## **INTERESTS REGISTER**

The Company has maintained an Interests Register as contemplated by the Companies Act No. 7 of 2007.

## a) Interests in Contracts

The Directors have all made a General Disclosure to the Board of Directors as provided for by Section 192(2) of the Companies Act No. 7 of 2007 and no additional interests have been disclosed by any Director.

#### b) Indemnities and Remuneration

The Remuneration Committee of John Keells Holdings PLC (being the holding company of Trans Asia Hotels PLC) has not recommended an increment in fees to the Non-Executive Directors of the Trans Asia Hotels PLC during the year. The fees payable to Non-Executive nominees of John Keells Holdings PLC are paid to the Company and not to individual Directors.

- Mr. K.N.J. Balendra was appointed as a Non-Executive Director of Trans Asia
  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. J.C. Ponniah's contract as a Non-Executive Director of Trans Asia Hotels PLC
  was renewed for a further period at Non-Executive Directors' fees approved by
  the Human Resources and Compensation Committee of John Keells Holdings PLC,
  the holding company, which fees are commensurate with the market complexities
  of the Company.

# **DIRECTORS SHAREHOLDING IN THE COMPANY**

The shareholdings of the Directors and their spouses in the Company are set out below:-

	2017	2016
Mr. S C Ratnayake	400	400
Mr. A D Gunewardene	400	400
Mr. J R F Peiris	400	400
Mr. N L Gooneratne	589,281	589,281
Mr. C J L Pinto	7,400	7,400
(Joint account with Mrs. M R C Pinto)		
Mr. E H Wijenaike	Nil	Nil
Ms. J C Ponniah	Nil	Nil
Mr. R J Karunarajah	400	400
Mr. K N J Balendra	Nil	Nil

# **DIRECTORS' REMUNERATION**

Details of the remuneration and other benefits received by the Directors are set out in page 99 of the Financial Statements.

## **EMPLOYEE SHARE OPTION PLAN (ESOP)**

Employees of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of the employee services received in respect of the shares or share options granted under the employee

share option scheme of John Keells
Holdings PLC is recognised in the
Income statement over the period that
employees provide services, from the
time when the award is granted up to
the vesting date of the options. The
overall cost of the award is calculated
using the number of share options
expected to vest and the fair value of the
options at the date of grant.

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

# **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.

Details of the Company's Human Resource initiatives are detailed on pages 17 to 22. The number of persons employed by the Company as at 31st March 2017 was 771 (2016 - 781). There were no material issues pertaining to employees and industrial relations during the Financial Year.

## **STATUTORY PAYMENTS**

The Directors to the best of their knowledge are satisfied that all statutory payments in relation to the Government, other regulatory institutions and the employees have been either duly paid or appropriately provided for in the Financial Statements. The tax position of the Company is disclosed in Note 11 to the Financial Statements.

#### **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 endeavors to pay for all items properly charged in accordance with these agreed terms. As at 31st March 2017, the trade and other payables of the Company amounted to Rs. 262 Mn (2016 - Rs. 316 Mn).

## SUSTAINABILITY REPORTING

The Company is conscious of the impact, direct and indirect, on the environment due to its business activities. Every endeavour is made to minimise the adverse effects on the environment to ensure sustainable continuity of our natural resources. The activities undertaken by the company in recognition of its responsibility as a corporate citizen are disclosed more fully on pages 23 to 27 of this Report.

## **RELATED PARTY TRANSACTIONS**

There were no related party transactions required to be disclosed under the Listing Rules of the Colombo Stock Exchange other than as disclosed under Note 33 of the financial statements.

#### **DONATIONS**

Total donations made by the Company during the year amounted to Rs. 8 Mn (2016 - Rs. 4 Mn) on account of Corporate Social Responsibility (CSR) initiatives. The John Keells Foundation, which operates with funds contributed by each of the companies in the John Keells Group, handles most of the Group's CSR initiatives and activities. The Foundation manages a range of programmes that underpin its key principle of acting responsibly in all areas of business to bring about sustainable development. The CSR initiatives, including completed and on-going projects, are detailed in the Sustainability Report on pages 23 to 27.

In quantifying the Company's contribution to charities, no account has been taken of 'in-house' costs or management time.

## **AUDITORS**

The Audit Committee reviews the appointment of the Auditors, their effectiveness, independence and relationship with the Company, including the level of audit.

Messrs. KPMG, Chartered Accountants have indicated their willingness to continue as Auditors of the Company, and a resolution proposing their reappointment as auditors will be tabled at the Annual General Meeting.

Details of the Audit Fees paid to the Auditors are set out in page 84 of the Financial Statements.

Further details on the work of the Auditor and the Audit Committee are set out in the Audit Committee Report on pages 70 to 72.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

Trans Asia Hotels PLC Annual Report 2016/17

# **ANNUAL REPORT**

The Board of Directors approved the audited financial statements for issue on 24th 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 24th May 2017.

### **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held at the Ceylon Chamber of Commerce Auditorium, No. 50, Nawam Mawatha, Colombo 02 at 3.30 pm on Friday, 16th June 2017. The Notice of the Annual General Meeting appears on page 113.

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

Director

Director

Keells Consultants (Private) Limited

Secretaries

24th May 2017

Mauhah

The Responsibility of Directors in relation to the Financial Statement is set out in the following statement. The responsibility of the Auditors in relation to the Financial Statements prepared in accordance with the provision of the Companies Act No 07 of 2007, is set out in the Report of Auditors.

The Financial Statements comprise of:

- Statement of profit or loss and statement of comprehensive Income of the Company, which present a true and fair view of the profit or loss of the Company for the financial year.
- A statement of financial position, which presents a true and fair view of the state of affairs of the company as at end of the financial year.

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

- a) Using appropriate accounting policies which have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained; and
- b) in accordance with the Sri Lanka
   Accounting Standards (SLFRS/
   LKAS) and that reasonable and
   prudent judgements and estimates
   have been made so that the form
   and substance of transactions are
   promptly reflected; and
- c) Provide the information required by and otherwise comply with the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Directors have ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements. Further the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose with reasonable accuracy the financial position of the Company.

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

The Directors are required to prepare the Financial Statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion. Further, as required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors have confirmed that the Company, based on the information, satisfy the solvency test immediately after the distribution of dividends in accordance with Section 57 of Companies Act No. 07 of 2007, and have obtained a certificate from the auditors prior to declaring a final dividend of Rs. Rs. 1.50 per share for this year to be paid on 14th June 2017.

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

#### **COMPLIANCE REPORT**

Directors confirm that to the best of their knowledge all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or where relevant provided for.

By Order of the Board

Mauhah

**Keells Consultants (Private) Limited** *Secretaries* 

24th May 2017

## **INTRODUCTION**

The Board Audit Committee (BAC) of Trans Asia Hotels PLC is formally constituted as a Sub Committee of the Main Board, to which it is accountable.

The Committee operates pursuant to the Audit Committee Charter which is reviewed at least annually by the Committee.

This report focuses on the activities of the Audit Committee for the year under review. A more general description of the Committee's functions is also given under Corporate Governance Report on pages 35 to 36.

# ROLE OF THE BOARD AUDIT COMMITTEE

The BAC in its role, assist the Board in fulfilling their responsibility with regard to:

- ensuring the integrity of the financial statements of the Company and that good financial reporting systems are in place and is managed in order to give accurate, appropriate and timely information to the management, regulatory authorities and shareholders in accordance to the financial reporting standards of The Institute of Chartered Accountants of Sri Lanka, Companies Act No.7 of 2007, the Sri Lanka Accounting and Auditing Standards and the continuing Listing Rules of the Colombo Stock Exchange.
- Assessing the independence and monitoring the performance of external auditors and external internal auditors.
- Ensuring the Company's internal control and risk management processes are efficient and effective.

- Ensure compliance with applicable laws, regulations and policies of the Group and Company.
- Assess the company's ability to continue as a going concern in the foreseen future.

# COMPOSITION OF THE BOARD AUDIT COMMITTEE AND MEETINGS

The Audit Committee of Trans Asia
Hotels PLC comprised of three
Independent Non-Executive Directors.
The composition is in compliance with
the requirement to have a minimum
of two Independent Non-Executive
Directors in terms of the Rules on
Corporate Governance for Listed
Companies issued by the Colombo Stock
Exchange. The Head of Finance of the
company serves as the Secretary to the
Audit Committee.

The General Manager of Trans Asia
Hotels PLC, Chief Financial Officer
- Leisure Group, Sector Financial
Controller - Cinnamon Hotels & Resorts
and the Head of Group Business Process
Review (Group BPR) of John Keells
Holdings PLC attend the meetings of the
Audit Committee by invitation. Other
officials are invited to attend on a needs
basis. The External Auditors and the
Outsourced Internal Auditors also attend
meetings on a regular basis.

The Board Audit Committee (BAC) is composed of the following Non-Executive Directors who conduct Committee proceedings in accordance with the terms of reference set out in the Audit Committee Charter.

Mr. C J L Pinto* Chairma		
Mr. E H Wijenaike*	Member	
Ms. J C Ponniah* Member		
*Independent Non-Executive Director		

Whilst a detailed profiles of the Board of Directors are given on pages 7 and 8, a brief description of each Member of the Board Audit Committee is given below:

Mr. C J L Pinto serves as the Chairman of the Board Audit Committee since July 2011. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and has 44 years of post qualifying experience in the profession and in the industry locally and overseas. He also serves as an Independent Director and the Chairman of the Board Audit Committee of Asian Hotels and Properties PLC.

Mr. E H Wijenaike was appointed to the Board and as a member of the Audit Committee in June 2012. He is the Managing Director of Central Finance Company PLC, a leading non banking Financial Institution in the country. Mr. Wijenaike is a Director of several other quoted companies within and outside the Central Finance Group and counts over 32 years of management experience. He holds a Bachelor's Degree in Commerce and a Post Graduate Diploma in Finance and Banking.

Ms. Jhansi Ponniah assumed the role of Director and a member of the Audit Committee in October 2013. She has been intimately involved in the travel and tourism industry for over 30 years in several capacities in the John Keells Group and its subsidiaries. She has served as Secretary to the Sri Lanka Association of Inbound Tour Operators and also a recipient of the Zonta Club Woman of Achievement Award.

#### MEETINGS OF THE BOARD AUDIT COMMITTEE

The Audit Committee held four meetings during the financial year 2016/2017. The attendance of the Committee members at these meetings was as follows:

Name of Members	22nd April '16	25th July '16	25th October '16	26th January '17	Total
Mr. C J L Pinto	1	1	Via Skype	1	4/4
Mr. E H Wijenaike	1	1	1	1	4/4
Ms. J C Ponniah	1	1	1	1	4/4

The activities and views of the Committee have been communicated to the Board of Directors by tabling the minutes of the Committee's meetings at Board Meetings and verbally at Board meetings when necessary.

#### **FINANCIAL REPORTING**

The Audit Committee has reviewed and discussed the Company's quarterly and annual financial statements prior to publication with management and the external auditors, including the extent of compliance with Sri Lanka Accounting Standards and the adequacy of disclosures required by other applicable laws, rules, and guidelines. The Committee has also regularly discussed the operations of the Company and its future prospects with management and is satisfied that all relevant matters have been taken into account in the preparation of the financial statements.

#### **INTERNAL AUDIT & CONTROL ASSESSMENT**

The internal audit plans and scope of work were formulated in consultation with the internal audit function, which at John Keells is termed Group Business Process Review (Group BPR) Division and the outsourced Internal Auditors and approved by the Committee.

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

During the year, Internal Audit Reports received by the Committee from the outsourced Internal Auditors, Messrs. PricewaterhouseCoopers were reviewed and discussed with management and Group Business Process Review Division of John Keells Holdings PLC. The recommendations of the Internal Auditors have been followed up and implemented.

#### **RISK ASSESSMENT**

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

Formal confirmations and assurances have been received from senior management quarterly regarding the efficacy and status of the internal control systems and risk management systems, and compliance with applicable laws and regulations.

#### **EXTERNAL AUDIT**

The External Auditors' Letter of Engagement, including the scope of the audit was reviewed and discussed by the Committee with the external auditors and management prior to the commencement of the audit.

The External Auditors kept the Committee advised on an on-going basis regarding any unresolved matters of significance. At the conclusion of the Annual Audit, the Committee met with the external auditors to discuss all audit issues and agree on their treatment. The Committee also met the External Auditors, without management present, at the conclusion of the annual audit to review the financial statements and the reports thereon and to respond as necessary to such reports.

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

The performance of the External Auditors has been evaluated and discussed with the senior management of the Company, and the Committee has recommended to the Board that Messrs. KPMG be re-appointed as the External Auditors of Trans Asia Hotels PLC for the financial year ending 31st March 2018, subject to approval by the shareholders at the Annual General Meeting.

# INFORMATION TECHNOLOGY RISK ASSESSMENT

Keeping abreast with international standards, the company seeks the services of Information Technology (IT) to provide customers with a superior service. Adaptation of changes, going concern of the IT infrastructure and the security aspect of data is reviewed and assessed by the Committee on a periodic basis. The committee draws conformity of the Leisure Group Head of IT when disseminating this role. The Leisure Group Head of IT makes a presentation to the Committee on the above key element on an annual basis.

#### **INSURANCE ASSESSMENT**

An integrated assessment of the adequacy of insurance of the Hotel is done by the committee on a periodic basis. The committee assesses the adequacy of insurance coverage in terms of Employee well-being, public liability and Economic benefit. The committee draws conformity of the Group Insurance agent for the expertise and confirmation of its compliance.

#### WHISTLE BLOWING ASSESSMENT

The company has an established mechanism for employees to report to the Chairman of John Keells Holdings through a communication link named "Chairman Direct" about any unethical behaviour or any violations to Group values. Employees reporting such incidents are guaranteed complete confidentiality. The committee reviews this process on a periodic basis.

# COMPLIANCE WITH CODE OF BEST PRACTICE ON AUDIT COMMITTEE

The BAC scope and functions are in compliance with the requirements of the Code of Best Practice on Audit Committee issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

#### COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

The BAC has conducted its affairs with the requirements of the code of best practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

# COMPLIANCE WITH CORPORATE GOVERNANCE RULES AS PER SECTION 7.10 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

The BAC has conducted its affairs with the requirements with Corporate Governance Rules as per section 7.10 of the listing Rules of the Colombo Stock Exchange.

# **EVALUATION OF THE BOARD AUDIT COMMITTEE**

Evaluation of the BAC is done on a periodic basis. The committee seeks the assistance of the Group Business Process Review Team for this purpose. The members of the BAC along with other participants such as General Manager of the Hotel, Chief Financial Officer of the Leisure Group, Internal auditors, and external auditors assess the Committee. The assessment is tabled at the Audit Committee Meeting and communicated to the Board of the Company.

#### CONCLUSION

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

C II Pinto

Cf Rinte

Chairman of the Audit Committee

24th May 2017

#### Members:

C J L Pinto - *Chairman* E H Wijenaike J C Ponniah



**KPMG** Tel : +94 - 11 542 6426 (Chartered Accountants) Fax : +94 - 11 244 5872 32A, Sir Mohamed Macan Markar Mawatha, +94 - 11 244 6058

P. O. Box 186, +94 - 11 254 1249 Colombo 00300, Sri Lanka.

Internet

#### **INDEPENDENT AUDITORS' REPORT** TO THE SHAREHOLDERS OF TRANS **ASIA HOTELS PLC**

#### REPORT ON THE FINANCIAL **STATEMENTS**

We have audited the accompanying financial statements of Trans Asia Hotels PLC,("the Company"), which comprise the statement of financial position as at March 31, 2017, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 74 to 107.

#### **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 control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **AUDITORS' 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 auditors' 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**

: www.kpmg.com/lk

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 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. 07 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 and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

**Chartered Accountants** Colombo

24th May 2017

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

All values are in Rupees '000s, unless otherwise stated

For the year ended 31st March	Note	2017	2016	Change %
Revenue	6	3,251,041	2,483,689	31
Cost of sales		(1,273,301)	(1,076,648)	(18)
Gross profit		1,977,740	1,407,041	41
Other operating income		15,295	5,755	166
Administrative expenses		(710,625)	(631,725)	(12)
Sales and marketing expenses		(229,094)	(193,753)	(18)
Other operating expenses	8	(276,475)	(315,444)	12
Profit from operations	9	776,841	271,874	186
Finance income		24,827	6,672	272
Finance expenses		(29,197)	(47,074)	38
Net finance expense	10	(4,370)	(40,402)	89
Change in fair value of investment property	16	243,400	126,100	93
Profit before taxation		1,015,871	357,572	184
Tax expense	11	(108,106)	(36,777)	(194)
Profit for the year		907,765	320,795	183
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Re-measurement gain/(loss) on defined benefit plans	27	(7,257)	(4,338)	(67)
Deferred tax effect on actuarial valuation gain/(loss)		871	520	67
Other comprehensive income for the year, net of tax		(6,386)	(3,818)	(67)
Total comprehensive income for the year, net of tax		901,379	316,977	184
		Rs.	Rs.	
Earnings per share	12	4.54	1.60	

#### Note:

The notes to the financial statements form an integral part of these financial statements.

Figures in brackets indicate deductions.

As at 31st March	Note	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	14	3,653,984	3,775,142
Leasehold property		781,452	793,856
Investment property	16	2,148,400	1,905,000
Intangible assets		804	1,375
Other financial assets		8,573	6,757
Other non-current assets		1,347	1,029
Total non current assets		6,594,560	6,483,159
Current assets			
Inventories		39.109	38.738
Trade and other receivables		424,052	406,285
Other current assets		69,354	46,074
Amounts due from related parties		94,130	74,572
Short term investments		148,181	-
Cash in hand and at bank		125,414	125,646
Total current assets		900,240	691,315
Total assets		7,494,800	7,174,474
EQUITY AND LIABILITIES Stated capital	23	1,112,880	1,112,880
Revenue reserves		3,305,658	2,979,145
Other components of equity	24	1,589,102	1,611,112
Total equity		6,007,640	5,703,137
			-,,
Non-current liabilities			
Non-current liabilities Loans and borrowings		256,331	359,897
	25 27	256,331 129,229	
Loans and borrowings			359,897 118,603 344,722
Loans and borrowings Employees benefits	27	129,229	359,897 118,603
Loans and borrowings Employees benefits Deferred tax liability	27	129,229 346,297	359,897 118,603 344,722 823,222
Loans and borrowings Employees benefits Deferred tax liability Total non-current liabilities Current liabilities	27	129,229 346,297	359,897 118,603 344,722 823,222
Loans and borrowings Employees benefits Deferred tax liability Total non-current liabilities Current liabilities	27 28 29 30	129,229 346,297 731,857 261,521 155,741	359,897 118,603 344,722 823,222 315,755 117,095
Loans and borrowings Employees benefits Deferred tax liability Total non-current liabilities  Current liabilities  Trade and other payables	27 28 29	129,229 346,297 731,857	359,897 118,603 344,722 823,222
Loans and borrowings Employees benefits Deferred tax liability Total non-current liabilities  Current liabilities Trade and other payables Other current liabilities	27 28 29 30 31 32	129,229 346,297 731,857 261,521 155,741 36,535 115,408	359,897 118,603 344,722 823,222 315,755 117,095 37,188 11,453
Loans and borrowings Employees benefits Deferred tax liability Total non-current liabilities  Current liabilities Trade and other payables Other current liabilities Amounts due to related parties Current tax liability Loans and borrowings	27 28 29 30 31	129,229 346,297 731,857 261,521 155,741 36,535 115,408 113,925	359,897 118,603 344,722 823,222 315,755 117,095 37,188 11,453 83,053
Loans and borrowings Employees benefits Deferred tax liability Total non-current liabilities  Current liabilities  Trade and other payables Other current liabilities  Amounts due to related parties Current tax liability Loans and borrowings Bank overdrafts	27 28 29 30 31 32	129,229 346,297 731,857 261,521 155,741 36,535 115,408 113,925 72,173	359,897 118,603 344,722 823,222 315,755 117,095 37,188 11,453 83,053 83,571
Loans and borrowings Employees benefits Deferred tax liability Total non-current liabilities  Current liabilities Trade and other payables Other current liabilities Amounts due to related parties Current tax liability Loans and borrowings Bank overdrafts Total current liabilities	27 28 29 30 31 32	129,229 346,297 731,857 261,521 155,741 36,535 115,408 113,925 72,173 755,303	359,897 118,603 344,722 823,222 315,755 117,095 37,188 11,453 83,053 83,571 648,115
Loans and borrowings Employees benefits Deferred tax liability Total non-current liabilities  Current liabilities Trade and other payables Other current liabilities Amounts due to related parties Current tax liability Loans and borrowings Bank overdrafts Total current liabilities Total liabilities	27 28 29 30 31 32	129,229 346,297 731,857 261,521 155,741 36,535 115,408 113,925 72,173 755,303 1,487,160	359,897 118,603 344,722 823,222 315,755 117,095 37,188 11,453 83,053 83,571 648,115 1,471,337
Loans and borrowings Employees benefits Deferred tax liability Total non-current liabilities  Current liabilities Trade and other payables Other current liabilities Amounts due to related parties Current tax liability Loans and borrowings Bank overdrafts Total current liabilities	27 28 29 30 31 32	129,229 346,297 731,857 261,521 155,741 36,535 115,408 113,925 72,173 755,303	359,897 118,603 344,722 823,222 315,755 117,095 37,188 11,453 83,053 83,571 648,115

#### Note:

The Notes to the Financial Statements form an integral part of these Financial Statements

I certify that the Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

DARC Perera

Chief Financial Officer

The Board of Directors are responsible for the preparation and presentation of these Financial Statements. Approved and Signed for and on behalf of the Board;

A D Gunewardena

Director

J R F Peiris
Director

For the year Ended 31st March	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,015,871	357,572
Adjustments for:		
Finance income	(24,827)	(6,672)
Finance expenses	17,741	5,524
Depreciation of property, plant and equipment	206,315	204,845
WIP write-off	2,273	
Profit on disposal of property, plant and equipment	(3,255)	(3,537)
Amortisation of leasehold properties	12,404	12,404
Amortisation of intangible assets	571	1,019
De-recognition of property, plant and equipment		24,564
Gratuity provision and related costs	21,922	19,667
Exchange loss on long term borrowings	11,456	41,550
Change in fair value of investment property	(243,400)	(126,100)
Provision made on slow moving inventory	575	790
(Reversal)/provision for impairment of trade receivables	4,270	154
Share based payment expenses	3,124	846
Operating Profit before working capital changes		532,626
Decrease/(Increase) in inventories	(946)	(5,604)
Decrease/(Increase) in trade and other receivables	(23,742)	(103,528)
Decrease/(Increase) in other current assets	(42,839)	(32,568)
Decrease/(Increase) in other non-current assets	(2,134)	(3,407)
(Decrease)/Increase in trade and other payables	(53,978)	68,372
(Decrease)/Increase in other current liabilities	37,993	17,034
Cash generated from operations	939,394	472,925
	04.00	0.070
Finance income received	24,827	6,672
Finance expenses paid	(17,741)	(5,524)
Super gain tax paid		(202,450)
Tax paid		(45,000)
Gratuity paid	(18,807)	(16,217)
Net cash generated from operating activities	927,673	210,406
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase and construction of property, plant and equipment	(100,167)	(588,147)
Purchases to intangible assets	-	(243)
Proceeds from disposal of Property, plant and equipment	15,991	6,526
Net cash used in investing activities	(84,176)	(581,864)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(600,000)	(400,000)
Loans obtained during the year		401,400
Repayment of long term borrowing	(84,150)	401,400
Net cash used financing activities	(684,150)	1,400
Net decrease in cash and cash equivalents	159,347	(370,058)
Cash and cash equivalents at the beginning of the year		
	42,075	412,133
Cash and cash equivalents at the end of the year	201,422	42,075
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short term investments	148,181	-
Cash in hand and at bank		
	125,414	125,646
Bank overdrafts		125,646 (83,571)

#### Note:

The notes to the financial statements form an integral part of these financial statements Figures in brackets indicate deductions.

# STATEMENT OF CHANGES IN EQUITY

All values are in Rupees '000s, unless otherwise stated

		Other Compon	ents of Equity		
	Stated	Other Capital	Revaluation	Revenue	Total
For the year ended 31st March	Capital	Reserve	Reserve	Reserve	Equity
Balance as at 1st April 2015	1,112,880	5,971	1,633,721	3,235,190	5,987,762
Charge relating to Super Gain Tax (Note b)			-	(202,450)	(202,450)
Total comprehensive income for the year					
Profit for the year				320,795	320,795
Other comprehensive income				(3,818)	(3,818)
Total comprehensive income	-		-	316,977	316,977
Transferred to accumulated profit (Note a)			(25,134)	25,134	
Share based payments (Note 26)	-	846		-	846
Derecognition of Refurbished assets			(4,292)	4,292	
Tunnantian with summer of the same					
Transaction with owners of the company,					
recognised directly in equity				(400,000)	(400,000)
Final dividend paid - 2014/2015			- 1.004.005	(400,000)	(400,000)
Balance as at 31st March 2016		6,817	1,604,295	2,979,145	5,703,137
Balance as at 1st April 2016	1,112,880	6,817	1,604,295	2,979,145	5,703,137
Total comprehensive income for the year					
Profit for the year	-	-	-	907,765	907,765
Other comprehensive income			-	(6,386)	(6,386)
Total comprehensive income	-	-	-	901,379	901,379
Transferred to accumulated profit (Note a)			(25,134)	25,134	
Share based payments (Note 26)		3,124		-	3,124
Transaction with owners of the company,					
recognized directly in equity					
Final dividend paid - 2015/2016				(200,000)	(200,000)
Interim dividend paid - 2016/17				(400,000)	(400,000)
Balance as at 31st March 2017	1,112,880	9,941	1,579,161	3,305,658	6,007,640

#### Note (a)

As per Sri Lanka Accounting Standards No. 16 on "Property Plant and Equipment" when the revalued asset is used by an entity, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the assets original cost is transferred from revaluation surplus to retained earnings. This transfer relates to buildings revalued in 2008 and 2013.

#### Note (b)

As per the provisions of Part III of the Finance Act, No. 10 of 2015, the Company was liable for Super Gain tax of Rs. 202.5 Mn. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards and hence the expense of Super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

The notes to the financial statements form an integral part of these financial statements. Figures in brackets indicate deductions.

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#### 1. CORPORATE INFORMATION

#### Reporting entity

Trans Asia Hotels PLC (the Company) 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 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.

Principal shareholders of the Company are John Keells Holdings PLC and Asian Hotels & Properties PLC who hold 48.64% and 43.41% respectively.

The number of persons employed by the Company as at 31st March 2017 was 771 (2016 - 781).

#### Approval of financial statements

The financial statements for the year ended 31st March 2017 were authorised for issue by the Board of Directors on 24th May 2017.

# Principal activities and nature of operations of the holding Company

The principal activity of the Company is hoteliering. The Company also derives rental income from the commercial property.

#### Responsibility for financial statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility report in the Annual report.

#### Statements of compliance

The financial statements which comprise the statement of profit or loss and other 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 in compliance with the Companies Act No. 7 of 2007.

#### **2 BASIS OF PREPARATION**

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of Companies Act No. 7 of 2007.

#### Basis of measurement

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

- Buildings are measured at cost at the time of acquisition and subsequently recognised at revalued amounts which are fair values at the date of revaluation less accumulated depreciation and impairment losses if any,
- Investment properties are stated at fair values.
- Defined benefit obligations are measured at its present value, based on an actuarial valuation as explained in Note 27.

#### Presentation of functional currency

The Company's Financial Statements are presented in Sri Lankan Rupees which is the Company's functional and Presentation Currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Each material class of similar items is presented separately 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 on 'Presentation of Financial Statements.

#### Going concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has a resources to continue in business for the foreseeable future. Further Management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore the Financial Statements continue to be prepared on a going concern basis.

#### Comparative information

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

#### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing of the Financial Statements, management has made judgements, estimates and assumptions that effect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis.
Revisions to accounting estimates are recognised prospectively.

# Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a

significant risk of resulting in a material adjustment in the year ending 31st March 2017 is included in the following notes:

- Impairment test Key assumptions underlying recoverable amounts;
- Measurement of defined benefit obligations: Key actuarial assumptions;
- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

# 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 Company.

# Other significant accounting policies not covered with individual notes

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

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

#### (a) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated

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

Non-monetary items that are measured based on historical costing in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

#### (b) Financial instruments

#### (i) Non-derivative financial assets

The Company classifies as non-derivative financial assets in to four categories. They are fair value through profit or loss, loans and receivables, held-to maturity investments, available-for-sale financial assets.

#### Recognition and derecognition

The Company initially recognises loans and receivables on the date when they are originated. All other financial assets are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction

in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

#### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Loans and receivables comprise cash and cash equivalents, related party receivables and trade and other receivables.

#### (ii) Non-derivative financial liabilities Initial recognition and measurement

Financial liabilities are recognised initially on trade date at which the Company becomes a party to the contractual provision of the instrument.

The Company classifies financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs.

After initial recognition, these financial liabilities are subsequently measured at amortised cost using the effective

interest rate method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Other financial liabilities comprise trade & other payables, bank overdraft, borrowings from banks and amounts due to related parties.

#### De-recognition

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 Statement of Profit or Loss.

#### (iii) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

#### **Impairment**

#### (i) Non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment

as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

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

# Financial assets measured at amortised cost

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

# (c) Non-financial assets-impairment The carrying amounts of the Company's non - financial assets,

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

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

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

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

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to the standards were issued but they were not effective as at the year-end. Accordingly, the Company has not applied the following new or amended standards in preparing these Financial Statements:

New or Amended Standards	Summary of the requirement	Possible impact on Financial Instruments
SLFRS 9 - Financial Instruments	SLFRS 9, published in July 2014, replace the existing guidance in LKAS 39 - 'Financial Instruments: Recognition and Measurement'. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of the financial instruments from LKAS 39. SLFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.	The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 9.
SLFRS 15, Revenue from Contracts with Customers	SLFRS 15 established 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'. SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.	The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 15.
SLFRS 16, Leases	SLFRS 16 eliminates the current dual accounting model for leases which distinguishes between on-balance sheet finance leases and off-balance operating leases. Instead there will be a single on balance sheet accounting model that is similar to the current finance lease accounting.	The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

All values are in Rupees '000s, unless otherwise stated

#### 6 REVENUE

#### **Accounting policy**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company, 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 sales taxes.

The following specific criteria are used for recognition of revenue:

#### (i) Income from Hotel

Revenue is recognised on the rooms occupied on a daily basis and Food and Beverages and Hotel related sales are accounted for at the time of sale.

#### (ii) Turnover based taxes

Turnover based taxes include Value Added Tax (VAT) and Tourism Development Levy (TDL) payable to the Sri Lanka Tourism Development Authority.

#### Rental income

Rental income is recognised on an accrual basis.

For the year ended 31st March	2017	2016
Room	1,556,182	1,007,293
Food	1,189,097	1,023,937
Beverage	151,537	122,028
Food and beverage - Other	47,918	44,764
Power drome revenue	27,979	24,154
Rental Income from investment property	61,331	61,331
Others	216,997	200,182
Total Revenue	3,251,041	2,483,689

#### 7 OTHER OPERATING INCOME

#### Accounting policy

Other income is recognised on an accrual basis.

#### **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 Statement of Profit or Loss, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

On the disposal of any revalued Property, Plant and Equipment, the amount remaining in the Revaluation reserve, relating to that particular asset is transferred directly to retained earnings.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

For the year ended 31st March	2017	2016
Profit on disposal of property, plant and equipment	3,255	3,537
Gain on exchange	9,616	1,800
Sundry income	1,945	288
Unclaimed dividend income written back	479	130
	15,295	5,755

#### **8 OTHER OPERATING EXPENSES**

#### **Accounting policy**

#### **Expenditure recognition**

Expenses are recognised in the Statement of Profit or Loss 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 Statement of Profit or Loss.

For the purpose of presentation of the Statement of Profit or Loss, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company performance.

For the year ended 31st March	2017	2016
Repairs and maintenance expenses	57,620	63,167
Heat, light and power expenses	147,266	169,251
Bank charges	1,042	936
De-recognition of property, plant and equipment	-	24,564
Nation Building Tax	70,547	57,526
	276,475	315,444

#### 9 PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is stated after charging all expenses including the following:

For the year ended 31st March	2017	2016
Directors fees	6,300	6,300
Audit services	650	595
Audit related services	77	58
Donations / CSR	8,265	4,103
Depreciation of property, plant and equipment / amortisation of intangibles and leasehold property	219,290	218,268
Provision for impairment-trade receivables	10,783	11,971
Reversal of provision for impairment of trade receivable	(6,513)	(11,817)
Provision for slow moving inventory	575	790
Legal fees	3,295	2,421
Operating fees	174,241	122,454
Foreign exchange (gain) / loss	(9,616)	(1,800)
Staff cost (includes the following)	589,626	567,754
Defined benefit plan costs - employees benefit	21,922	19,667
Defined contribution plan costs - EPF and ETF	47,993	42,732

#### 10 NET FINANCE EXPENSE

#### **Accounting policy**

#### Finance income

Finance income comprises interest income derived on funds invested as Treasury bills, fixed deposits and repurchase agreements (repos). Interest income or expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

#### **Borrowing cost**

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

#### Finance costs

Finance costs comprise interest expense on borrowings and exchange loss on borrowings.

For the year ended 31st March	2017	2016
Finance income		
Interest income on staff loan	900	763
Interest income other	495	28
Interest income on short term investments	23,432	5,881
	24,827	6,672
Finance expenses		
Interest expense on long term borrowings	(17,635)	(5,234)
Exchange Loss on long term borrowings	(11,456)	(41,550)
Interest expenses on bank over-draft	(106)	(290)
	(29,197)	(47,074)
	(4,370)	(40,402)

#### 11 INCOME TAX EXPENSE

#### **Accounting policy**

Income tax expenses comprise of Income tax and deferred tax.

#### **Current taxation**

The Company is liable for taxation at a rate of 12 per cent in terms of Section 46(1) of the Inland Revenue Act No. 10 of 2006 and amendments thereto, on its profits derived from "promotion of tourism" Income Tax for any other income is computed at 28 per cent.

For the year ended 31st March	2017	2016
Current tax charge (11.1)	105,660	32,597
Deferred tax expense (11.2)	2,446	4,180
	108,106	36,777

#### 11.1 Reconciliation between income tax expense and the product of accounting profit

For the year ended 31st March	2017	2016
Profit before tax	1,015,871	357,572
Profits not liable for tax	(1,379)	(893)
Accounting profit chargeable to income taxes	1,014,492	356,679
Income tax on accounting profit at applicable rates	134,860	52,820
Tax effect on disallowable expenses	3,484	2,425
Tax effect on aggregate allowable expenses	(30,113)	(18,468)
Tax effect on adjustment to opening deferred tax liability	(125)	_
Total Income Tax expense	108,106	36,777
Income tax charged at		
Standard rate - 28%	21,377	17,532
Concessionary rate of 12%	84,283	15,065
	105,660	32,597
Under or over provision on Income Tax previous year	-	-
Deferred Tax Charge	2,446	4,180
Total Income Tax expense	108,106	36,777
Deferred tax expense		
Deferred tax expense arising from		
Accelerated depreciation for tax purposes	3,721	5,212
Employee benefit liability	(1,275)	(1,032)
Deferred tax charge recognised in the profit or loss	2,446	4,180
Impact of actuarial adjustment on gratuity recognised in Other Comprehensive Income	(871)	(520)
Total deferred tax charge	1,575	3,660

Deferred tax liability has been computed taking into consideration the tax rate of 12% applicable for the tourism industry.

#### 12 EARNINGS PER SHARE

Earnings per share is calculated on the profit attributable to the shareholders of the Company over the weighted average number of ordinary shares in issue during the year, as required by Sri Lanka Accounting Standard 33 "Earnings per share".

For the year ended 31st March	2017	2016
Profit attributable to Ordinary shareholders of the Company (Rs.)	907,765	320,795
Weighted average number of ordinary shares in issue	200,000	200,000
Earnings per share (Rs.)	4.54	1.60

For the year ended 31st March	2017	2016
. o. the year ended electrical en		
13 DIVIDENDS PER SHARE		
Final dividend paid 2014/2015	-	400,000
Final dividend per share 2014 / 15 (Rs.)	-	2.00
Final dividend paid 2015/2016	200,000	
Final dividend per share 2015 / 16 (Rs.)	1.00	-
Interim dividend Paid 2016 / 17	400,000	
Interim dividend per share 2016 / 17 (Rs.)	2.00	

Dividend per share has been calculated, for all periods, based on the number of shares in issue at the time of dividend payout.

#### 14 PROPERTY, PLANT AND EQUIPMENT

#### **Accounting policy**

#### Basis of recognition

Property plant and equipment are stated at cost of purchase or valuation less accumulated depreciation, and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

The Company applies the revaluation model for buildings. Such properties are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are made once in every five years to ensure that their carrying amounts do not defer materially from their fair values at the reporting date.

When an asset is revalued, any increase in carrying amount is recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down.

When an asset's carrying amount is decreased as a result of revaluation, the decrease is recognised as an expense unless it reverses a previous surplus relating to that asset. In such case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

The Company applies cost model for other property plant and equipment which are stated at historical cost, less deprecation less any accumulated impairment losses.

#### Subsequent measurement

The cost of replacing a part of an item of Property Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of Property, Plant and Equipment are recognised in profit or loss.

#### Derecognition

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 Statement of Profit or Loss 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.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that asset is derecognised.

#### Capital work - in - progress

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

The estimated useful life of assets is as follows:

Assets	Years
Plant and machinery	20
Computer equipment	5
Kitchen and laundry equipment	15
Hotel equipment	15
Motor vehicles	5
Motor vehicles - floating restaurant	18
Base stock	10
Circulating assets	3
Furniture and fittings	15

Buildings are depreciated using the straight line method over the remaining lease period of 63 years.

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

#### Property, plant and equipment

uildings	Plant and		Furniture	Kitchen and							
uildings	i idili dila	Computer	Fixtures and	Laundry	Hotel	Motor	Soft Furnishing	Circulating	Work In	Total	Total
	Machinery	Equipment	Fittings	Equipment	Equipment	Vehicles	Base Stock	Assets	Progress	31.03.2017	31.03.2016
•			•						•		Rs.
К3.				К3.				Кэ.			къ.
63,478	540,675	107,894	378,774	246,783	65,852	65,818	646,526	161,548	19,054	5,196,402	4,714,188
4,579	8,421	4,650	9,363	12,031	12,394	1,426	29,075	17,558	670	100,167	588,147
7,043	-	473	189	183	-	-	870	2	(8,761)	-	-
(7,766)	(5,767)	(9,345)	(18,036)	(2,083)	(9)	-	(1,548)	(12,992)	-	(57,544)	(105,932)
-	-	-	-	-	-	-	-	-	(2,273)	(2,273)	-
967,334	543,329	103,672	370,290	256,914	78,237	67,244	674,923	166,116	8,690	5,236,751	5,196,403
136,926	262,043	86,482	166,325	140,282	13,703	19,712	464,554	131,234	-	1,421,261	1,294,794
57,840	23,607	7,351	22,060	13,831	4,932	5,609	52,865	18,218	-	206,315	204,845
-	(5,439)	(9,328)	(17,192)	(1,847)	(3)	-	(1,379)	(9,620)	-	(44,809)	(78,378)
194,766	280,212	84,505	171,193	152,266	18,632	25,321	516,040	139,832		1,582,767	1,421,261
772,568	263,117	19,167	199,097	104,648	59,605	41,923	158,883	26,284	8,690	3,653,984	-
326,553	278,632	21,412	212,449	106,501	52,149	46,106	181,972	30,314	19,054	-	3,775,142
1	Rs.  63,478 4,579 7,043 (7,766) 67,334  36,926 57,840 94,766	Rs. Rs.  63,478 540,675 4,579 8,421 7,043 - (7,766) (5,767) - 67,334 543,329  36,926 262,043 57,840 23,607 - (5,439) 94,766 280,212	Rs.	Rs.	Rs.         Rs.         Rs.         Rs.         Rs.           63,478         540,675         107,894         378,774         246,783           4,579         8,421         4,650         9,363         12,031           7,043         -         473         189         183           (7,766)         (5,767)         (9,345)         (18,036)         (2,083)           -         -         -         -         -           67,334         543,329         103,672         370,290         256,914           36,926         262,043         86,482         166,325         140,282           57,840         23,607         7,351         22,060         13,831           -         (5,439)         (9,328)         (17,192)         (1,847)           94,766         280,212         84,505         171,193         152,266           72,568         263,117         19,167         199,097         104,648	Rs.         Rs. <td>Rs.         Rs.         Rs.<td>Rs.         Rs.         Rs.<td>Rs.         Rs.         Rs.<td>Rs.         Rs.         Rs.<td>Rs.         Rs.         Rs.</td></td></td></td></td>	Rs.         Rs. <td>Rs.         Rs.         Rs.<td>Rs.         Rs.         Rs.<td>Rs.         Rs.         Rs.<td>Rs.         Rs.         Rs.</td></td></td></td>	Rs.         Rs. <td>Rs.         Rs.         Rs.<td>Rs.         Rs.         Rs.<td>Rs.         Rs.         Rs.</td></td></td>	Rs.         Rs. <td>Rs.         Rs.         Rs.<td>Rs.         Rs.         Rs.</td></td>	Rs.         Rs. <td>Rs.         Rs.         Rs.</td>	Rs.         Rs.

All values are in Rupees '000s, unless otherwise stated

#### 14.1 Property, Plant and Equipment continued

The Company uses the revaluation model of measurement for buildings. The Company engaged P. B. Kalugalagedera & Associates, an accredited independent valuer, to determine the fair value of its buildings. Fair value is determined by reference to market-based evidence. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent valuation was 31st March 2013.

Details of Company's buildings stated at valuation are indicated below.

Property	Method of valuation	Effective date of valuation	Property valuer
Buildings	Summation method based on depreciated current cost approach	31st March 2013	P B Kalugalagedera & Associates Chartered Valuation Surveyor

The carried amount of fair value of land & buildings if they were carried at cost less depreciation would be as follows,

As at 31st March	2017	2016
Cost	2,147,855	2,136,233
Accumulated depreciation	(447,729)	(389,889)
Disposals	(26,821)	(19,055)
Carrying value	1,673,305	1,727,289

The fair value measurement for property, plant and equipment has been categorised as a level 3 fair value based on the inputs to the valuation.

Type of Asset	Fair value as at 31.03.2013	Valuation technique	Significant unobservable inputs	Estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Building on	2,307,746	Summation method	Estimated price	Rs.7,000/- per sq. ft.	Positively correlated
lease hold land		based on depreciated current cost approach	per square feet	Rs.3,000/- per sq. ft. Rs.1,250/- per sq. ft.	sensitivity

#### 15 LEASEHOLD PROPERTY

#### Accounting policy

#### Basis of recognition

Leasehold property comprises of land use rights and is amortised on a straight line basis over the period of the lease.

#### **Amortisation**

The lease period is for 99 years commencing 7th August 1981 and the leasehold land is being amortised over a period of 94 years which commenced from 1st April 1986. The impairment loss if any is recognised in the Statement of Profit or Loss.

All values are in Rupees '000s, unless otherwise stated

	945,161
Balance at the beginning of the year 945,161	
Balance at the beginning of the year 945,161	
Balance at the end of the year 945,161	945,161
Accumulated amortisation	
Balance at the beginning of the year 151,305	138,901
Charge for the year 12,404	12,404
Balance at the end of the year 163,709	151,305
Carrying amount 781,452 7	93,856

#### **16 INVESTMENT PROPERTY**

#### **Accounting policy**

#### Basis of recognition and measurement

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit and loss.

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

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

As at 31st March	2017	2016
Balance at the beginning of the year	1,905,000	1,778,900
Change in fair value during the year	243,400	126,100
Balance at the end of the year	2,148,400	1,905,000

#### 16.1 Valuation details of investment property

Fair value of the Investment Property is ascertained by independent valuations carried out by M/s P.B. Kalugalagedara, Chartered Valuation Surveyors, who have recent experience in valuing properties of akin location and category. Investment Property is appraised in accordance with LKAS 40.

In determining the fair value, 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.

The fair value measurement for Investment Property has been categorised as a level 3 fair value, based on the inputs to the valuation technique used.

All values are in Rupees '000s, unless otherwise stated

The significant assumptions used by the valuers are as follows;

As at 31 March	Method of Valuation	2017	2016
Property			
Commercial Centre Building	Open market value based on	2,148,400	1,905,000
(Extent - A 01 - R02 - P30.0)	annual rent		
No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02			

The Commercial Centre was revalued in March 2017 by a qualified valuer and the surplus arising from the valuation was transferred to the income statement.

Rental income earned from Investment Property by the Company amounted to Rs. 61,331/- (2016 - Rs. 61,331/-) and direct operating expenses incurred by the Company amounted to Rs. 8,910/- (2016 - Rs. 7,335/-).

#### 16.2 Description of valuation techniques used and key inputs to valuation on investment properties:

	Valuation technique	Significant unobservable Inputs	Estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Commercial	Discounted cash flows	Estimated market	Rs.4,000/- per	Positively correlated
Centre building	The valuation model considers the investment value of net cash flows to be generated from the property for rent	rental discount rate at 6%	sq. ft.	sensitivity

#### 17 INTANGIBLE ASSETS

#### Accounting policy

#### **Recognition and Measurement**

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or other services, rental to others or for administrative purpose.

An intangible asset is initially recognised at cost, if it is probable that future economic benefits will flow to the enterprise, and the cost of assets can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

#### **Computer Software**

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

#### **Amortisation**

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

#### De-recognition

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

As at 31st March	2017	2016
Computer software		
Cost		
Balance at the beginning of the year	25,462	25,219
Additions		243
Balance at the end of the year	25,462	25,462
Accumulated amortisation		
Balance at the beginning of the year	24,087	23,068
Amortisation for the year	571	1,019
Balance at the end of the year	24,658	24,087
Carrying amount	804	1,375

#### **18 INVENTORIES**

#### **Accounting policy**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

As at 31st March	2017	2016
Food	14,595	16,698
Beverage	16,588	13,655
Engineering spares	8,286	8,440
Guest supplies	3,098	2,386
Others	5,952	6,394
Provision for slow moving inventory	(9,410)	(8,835)
	39,109	38,738
19 TRADE AND OTHER RECEIVABLES		
Trade receivables	393,102	380,816
Provision for impairment (Refer 19.1)	(3,588)	(11,903)
	389,514	368,913
Advances and deposits	32,692	35,834
Staff loans to be recovered within one year	1,846	1,538
	34,538	37,372
	424.052	406.285

As at 31st March	2017	2016
19.1 Provision for impairment of trade receivables		
Balance at the beginning of the year	11,903	11,749
Reversal during the year	(6,513)	(11,817)
Provision charged during the year	10,783	11,971
Write off during the year	(12,585)	-
Balance at the end of the year	3,588	11,903
20 OTHER CURRENT ASSETS		
Advances to other creditors	19,404	13,955
Prepayments	30,029	30,415
WHT recoverable	2,014	1,704
ESC recoverable	17,907	1,704
	69,354	46,074
21 AMOUNTS DUE FROM RELATED PARTIES		
Ultimate Parent - John Keells Holdings PLC	4,450	4,894
Parent - Asian Hotels and Properties PLC		319
Companies under common control of JKH PLC	89,451	69,359
	94,130	74,572
22 SHORT TERM INVESTMENTS		
Fixed and call deposits	140,000	-
Interest receivable	8,181	-
	148,181	-
23 STATED CAPITAL		
200,000,000 ordinary shares		1,112,880
24 OTHER COMPONENTS OF EQUITY		
Balance at the beginning of the year	1,611,112	1,639,692
Transferred to retained earnings	(25,134)	(25,134)
Derecognition of refurbished assets		(4,292)
Share based payments - (Note 26)	3,124	846
Balance at the end of the year	1,589,102	1,611,112
		, - ,

As at 31st March	2017	2016
25 INTEREST-BEARING LOANS AND BORROWINGS		
Balance at the beginning of the year	442,950	-
Loans obtained	-	401,400
Repayments	(84,150)	-
Exchange difference	11,456	41,550
At the end of the year	370,256	442,950
Repayable within one year	113,925	83,053
Repayable after one year	256,331	359,897
	370,256	442,950

#### Security and repayment terms

Lending	Nature of	Interest rate	Repayment	Repayment Security 2017 2016	2017		6	
institution	facility	terms			Face value	Carrying value	Face value	Carrying value
Hatton National Bank PLC	Term Loan (USD)	2.87% fixed for first year and pricing to be reviewed annually	Capital repayment in 16 equal quarterly installments of USD 187,500 after initial grace period of one year. Interest to be serviced monthly. Interest to be serviced in the grace period as well	None	370,256	370,256	442,950	442,950

#### **26 SHARE-BASED PAYMENT PLANS**

#### **Accounting policy**

In accounting for employee remuneration in the form of shares, SLFRS 2 - Share Based Payments, is effective for the Company's Ultimate Parent entity John Keells Holdings PLC, from the financial year beginning 2013/14.

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

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

All values are in Rupees '000s, unless otherwise stated

#### Employee share option scheme

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

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

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

As at 31st March		2016
Expense arising from equity-settled share-based payment transactions	3,124	846
Total expense arising from share-based payment transactions	3,124	846

#### Movements in the year

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

As at 31st March	2017		2016	
	No.	WAEP	No.	WAEP
Outstanding at 1 April	149,942	194.16	77,058	242.90
Granted during the year	103,001	142.83	60,550	171.25
Forfeited during the year	(43,211)	165.60	(28,543)	194.77
Adjustment during the year	22,191	170.45	22,588	412.66
Transfers during the year	-	-	18,289	225.92
Outstanding at 31 March	231,923	158.60	149,942	194.16
Exercisable at 31 March	64,364	176.56	32,025	212.28

#### Fair value of the share option and assumptions

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

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

All values are in Rupees '000s, unless otherwise stated

#### **27 EMPLOYEE BENEFITS**

#### **Accounting policy**

#### **Defined contribution plans**

A defined contribution plan is a post- employment benefit plan under which an entity pays fixed contributions into a separate entity - and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Employees are eligible for Employees' Provident Fund contributions and Employees Trust Fund contributions in line with respective statutes and regulations. The Company contributes 12 per cent and 3 per cent of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

#### Defined benefit plans

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

The Company is liable to pay retirement benefits under the Payment of Gratuity Act, No. 12 of 1983. The liability recognised in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 -'Employee Benefits' Such actuarial valuations will be carried out every year, the liability is not externally funded. All Actuarial gains or losses are recognised under other comprehensive income.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

As at 31st March	2017	2016
Balance at the beginning of the year	118,603	109,999
Current service cost	9,467	8,667
Interest cost	12,455	11,000
Transfer in	254	1,557
Transfer out		(741)
Payments made during the year	(18,807)	(16,217)
Actuarial (gain)/loss arising from changes in the assumptions in the previous years	7,257	4,338
Balance at the end of the year	129,229	118,603

The employee benefit liability of the Company is based on the actuarial valuation carried out by Mr. Poopalanathan AlA, Messrs. Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries as at 31st March 2017 The principal assumptions used in determining the cost of employee benefits were:

As at 31st March	2017	2016
Discount rate	10.5%	10.5%
Future salary increases	10%	9%

#### Sensitivity of assumptions used

If a one percentage point change in the assumptions it would have the following effects:

As at 31st March	2017		2016	
	Discount	Salary	Discount	Salary
	rate	increment	rate	increment
Effect on the defined benefit obligation liability				
Increase by one percentage point	(5,256)	5,963	(5,328)	6,181
Decrease by one percentage point	5,722	(5,571)	5,858	(5,709)

#### Maturity analysis of the payments

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

Future working life time	Defined Benef	it Obligation
As at 31st March	2017	2016
Within the next 12 months	24,101	17,886
Between 1 and 2 years	33,015	32,571
Between 2 and 5 years	32,117	27,070
Between 5 and 10 years	31,379	29,733
Beyond 10 years	8,617	11,343
Total expected payments	129,229	118,603

The average duration of the defined benefit plan obligation at the end of the reporting period is 4.63 years .

#### 28 DEFERRED TAX LIABILITY

#### **Accounting policy**

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

As at 31st March	2017	2016
Balance at the beginning of the year	344,722	341,062
Charge / (reversal) for the year	1,575	3,660
Balance at the end of the year	346,297	344,722
The closing deferred tax liability relates to the following:		
Revaluation of land and buildings to fair value	47,960	47,960
Accelerated depreciation for tax purposes	313,844	310,994
Employee benefit liability	(15,507)	(14,232)
	346,297	344,722

As at 31st March	2017	2016
29 TRADE AND OTHER PAYABLES		
Trade payables	56,172	69,717
Advances and deposits received	67,845	44,508
Accruals and other payables	101,725	164,886
Staff payables	35,779	36,644
	261,521	315,755
30 OTHER CURRENT LIABILITIES		
Banquet advances	77,420	80,185
Other advances	6,528	8,953
Other taxes payable	71,793	27,957
	155,741	117,095
31 AMOUNTS DUE TO RELATED PARTIES		
31 AMOUNTS DUE TO RELATED PARTIES Ultimate Parent - John Keells Holdings PLC	2,273	2,689
Parent-Asian Hotels and Properties PLC	8,324	4,604
Companies under the common control of John Keells Holdings PLC	25,938	29,895
Companies under the common control of John Reelis Holdings PLC	<u></u>	37,188
		37,100
32 CURRENT TAX LIABILITY		
Balance at the beginning of the year	11,453	27,137
Charge for the year	105,660	32,597
Payments	-	(45,000)
Set-off against tax credits and adjustments	(1,705)	(3,281)
Balance at the end of the year	115,408	11,453

#### **33 RELATED PARTY TRANSACTIONS**

The Company carries out transactions in the ordinary course of business with parties who are defined as Related Parties in "Sri Lanka Accounting Standards (LKAS 24) Related Party Disclosures, the details of which are reported below.

The parent entity of the company is Asian Hotels and Properties PLC . In the opinion of the directors, the Ultimate Parent undertaking and controlling entity is John Keells Holdings PLC which is incorporated in Sri Lanka.

	2017	2016
33.1 Transactions with Related Companies		
Ultimate Parent John Keells Holdings PLC		
Rendering /(receiving) of services	(19,746)	(15,251)
Rent received / paid	27,953	25,142
Parent - Asian Hotels and Properties PLC		
Rendering /(receiving) of services	252	(3,909)

	2017	2016
Transactions with companies under common control of John Keells Holdings PLC		
(Purchase) / sale of goods	(21,941)	(7,913)
Rendering /(receiving) of services	(30,988)	(63,672)
Rent received / paid	42,973	37,440
Equity accounted investees		
(Receiving) / rendering of services	38,921	32,115
Interest received / (paid)		

The amounts outstanding as at year end are included under note 21 and 31 in the financial statements.

#### Transaction with key management personnel (KMP)

According to 'Sri Lanka Accounting Standards (LKAS 24) ' Key Management Personnel are those having authority and responsibility for planning and controlling activities of the entity. Accordingly, the Directors of the Company (including Executive and Non Executive Directors) and close members of their family have been classified as KMP of the Company.

Immediate family member is defined as spouse or Dependant. Dependant is defined as anyone who depends on respective Director for more than 50% of his/her financial needs.

#### Compensation of key management Personnel

Short term employee benefits	6,300	6,300
Key management personnel		
Ney management personner		
Rendering of services	322	840

#### **34. FINANCIAL INSTRUMENTS**

#### 34.1 Financial Assets and Liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

					Financial by categ							l liabilities egories
			Financial a	ssets at							Financial	l liabilities
	Loans	and	fair value t	hrough	Available-f	or-sale	Held-to-m	aturity			measu	ured at
	receiv	ables	profit an	d loss	financial a	assets	investm	ents	То	tal	amortis	sed cost
As at 31st March	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Financial instruments in												
non-current assets/liabilities												
Other non-current financial assets	1,347	1,029	-	-	-	-	-	-	1,347	1,029	-	-
Other financial assets	8,573	6,757	-	-	-	-	-	-	8,573	6,757	-	-
Interest bearing borrowings				-			-	-			256,331	359,897
Financial instruments in current assets												
Trade and other receivables / payables	389,514	368,914	-	-	-	-	-	-	389,514	368,914	261,521	315,755
Amounts due from / due to related parties	94,130	74,571	-	-	-	-	-	-	94,130	74,571	36,535	37,188
Short term investments	148,181	-	-	-	-	-	-	-	148,181	-	-	
Cash in hand and at bank	125,414	125,646	-	-	-	-	-	-	125,414	125,646	-	-
Bank overdrafts	-	-	-	-	-	-	-	-	-	-	72,173	83,571
Current portion of interest bearing borrowings	-	-	-	-	-	-	-	-		-	113,925	83,053
Total	767,160	576,917	-	-	-	-	-	-	767,160	576,917	740,485	879,464

#### 34.2 Financial risk management objectives and policies

Financial instruments held by the Company, principally comprises of cash, loans and other receivables, trade and other receivables, trades and other payables, related party receivable & payables and loans & borrowing.

The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Company.

Financial risk management of the Company is carried out based on guidelines established by its parent company's central treasury department (Group Treasury) which comes under the purview of the Group Executive Committee (GEC) of the parent company. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Hotel's operating unit. The parent company provides guidelines for overall risk management, as well, covering specific areas such as credit risk, investment of excess liquidity, interest rate risk and foreign currency risk.

The Company 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 Company's risk management process are based and designed to identify and analyse these risks throughout the Company, to set appropriates 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 Company manages and monitors these risks primarily through its operating and financing activities.

Audit committee of the Company monitors how management compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

#### 34.2.1 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 Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Company trades only with recognised, creditworthy third parties. It is the Company'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 Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Company, such as cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty. The Company manages its operations to avoid any excessive concentration of counterparty risks and the Company takes all reasonable steps to ensure that the counterparties fulfil their obligations.

All values are in Rupees '000s, unless otherwise stated

#### 34.2.2 Credit risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available) Following table shows the maximum risk positions (without consideration of collateral, if available).

		Other non		Trade		Amounts		
		current	Cash in	and		due from		
		financial	hand and	other	Other	related		% of
2017	Notes	assets	at bank	receivables	investments	parties	Total	allocation
Deposits with bank	34.2.3	_	<u>-</u>	<u>-</u>	148,181	-	148,181	19%
Loans to executives	34.2.4	9,920		1,846	-	·	11,766	2%
Trade and other receivables	34.2.5	-		389,514			389,514	51%
Amounts due from related parties	34.2.6	-	-	-	-	94,130	94,130	12%
Bank balances	34.2.7	-	123,180	-	-	-	123,180	16%
Total credit risk exposure		9,920	123,180	391,360	148,181	94,130	766,771	100%
		Other non		Trade		Amounts		
		current	Cash in	and		due from		
		financial	hand and	other	Other	related		% of
2016	Notes	assets	at bank	receivables	investments	parties	Total	allocation
Loans to executives	34.2.4	7,787	_	1,538	_	_	9,324	2%
Trade and other receivables	34.2.5			368,914			368,914	64%
Amounts due from related parties	34.2.6					74,571	74,571	13%
Bank balances	34.2.7		123,437				123,437	21%
Total credit risk exposure		7,787	123,437	370,452		74,571	576,246	100%

#### 34.2.3 Deposits with bank

Fixed and call deposits comprise 100% (2016 - 100%) with banks rated "AA-(lka)" (Fitch Rating).

#### 34.2.4 Loans to executives

Loans to executive portfolio is made up of vehicle loans which are given to staff at manager level and above. The Company has obtained the necessary Power of Attorney/Promissory Notes as collateral for the loans granted.

All values are in Rupees '000s, unless otherwise stated

#### 34.2.5 Trade and other receivables

Age analysis of trade and other receivables and other carrying value net of impairment losses is given below:

	Com	Company		
As at 31st March	2017	2016		
Neither past due nor impaired	16,302	26,816		
Past due but not impaired				
< 30 days	249,055	179,259		
31 - 60 days	91,281	109,250		
61 - 90 days	19,588	41,114		
91 - 120 days	1,699	5,406		
121 - 180 days	7,155	4,097		
> 180 days	8,022	14,874		
Gross carrying value	393,102	380,816		
Less: impairment provision				
Individually assessed impairment provision	(3,588)	(11,902)		
Total	389,514	368,914		

The Company has obtained customer deposits from major customers by reviewing their past performance and credit worthiness, as collateral.

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

#### 34.2.6 Amounts due from related parties

The Company's amounts due from related party mainly consists balances from related companies.

#### 34.2.7 Credit risk relating to cash and cash equivalents

In order to mitigate settlement and operational risks related to cash and cash equivalents, the Company uses several banks with acceptable rating for its deposits. The Company held cash and short term deposits of Rs. 201 Mn as at 31 March 2017 (2016 – Rs. 42 Mn).

#### 34.3 Liquidity risk

Liquidity risk is the risk that will encounter difficulty in meeting the obligation associated with it's financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors the level of expected cash inflows on trade and other receivable together with expected cash outflows on trade and other payables as at 31st March 2017, the expected cash flow from trade and other receivables maturing within two months were Rs. 345 Mn (2016 - Rs. 299 Mn).

This excludes the potential impact of extreme circumstances that cannot reasonably be predicted such as natural disasters.

The Company has approved and unused overdraft facility amounting to Rs. 240.38 Mn as at 31st March 2017.

All values are in Rupees '000s, unless otherwise stated

The following are the remaining contractual maturities at the end of reporting period of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Carrying		2 Months	212	1-2	2-5	More than
Amount	Total	or less	Months	Years	Years	5 years
56,172	56,172	56,172		<del>-</del> -		
35,779	35,779	35,779		<u> </u>	<u>-</u>	
36,535	36,535	36,535				
370,256	370,256	-	113,925	113,925	142,406	
		2 Months	212	1-2	2-5	More than
Amount	Total	or less	Months	Years	Years	5 years
69,717	69,717	69,717	-	-	-	-
36,644	36,644	36,644	-	-	-	
37,188	37,188	37,188		-	-	
442,950	442,950	-	83,053	110,738	249,159	
	Amount  56,172 35,779 36,535 370,256  Carrying Amount  69,717 36,644 37,188	Amount         Total           56,172         56,172           35,779         35,779           36,535         36,535           370,256         370,256           Carrying Amount         Total           69,717         69,717           36,644         36,644           37,188         37,188	Amount         Total         or less           56,172         56,172         56,172           35,779         35,779         35,779           36,535         36,535         36,535           370,256         370,256         -           Carrying         2 Months           Amount         Total         or less           69,717         69,717         69,717           36,644         36,644         36,644           37,188         37,188         37,188	Amount         Total         or less         Months           56,172         56,172         -           35,779         35,779         -           36,535         36,535         36,535           370,256         370,256         -           Carrying         2 Months         212           Amount         Total         or less         Months           69,717         69,717         -           36,644         36,644         36,644         -           37,188         37,188         37,188         -	Amount         Total         or less         Months         Years           56,172         56,172         -         -           35,779         35,779         -         -           36,535         36,535         -         -           370,256         370,256         -         113,925           Carrying         2 Months         212         1-2           Amount         Total         or less         Months         Years           69,717         69,717         69,717         -         -           36,644         36,644         36,644         -         -           37,188         37,188         37,188         -         -	Amount         Total         or less         Months         Years         Years           56,172         56,172         -         -         -         -           35,779         35,779         -         -         -         -           36,535         36,535         36,535         -         -         -         -           370,256         370,256         -         113,925         113,925         142,406           Carrying         2 Months         212         1-2         2-5           Amount         Total         or less         Months         Years         Years           69,717         69,717         -         -         -         -           36,644         36,644         36,644         -         -         -         -           37,188         37,188         37,188         -         -         -         -         -

#### Management of Liquidity risk

The Company's approach to managing liquidity is to as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage top's reputation.

The Company maintains a portion of its assets in highly liquid form (short term fixed deposits and government securities) in order to meet its contractual obligations during the normal course of its operations. As at the reporting date "Cash and short term deposits" amounted to Rs. 201.4 Mn.

The Company monitors the level of expected cash flows on trade and other receivables together with expected cash outflow on trade and other payables and it expected a significant portion of Trade receivables as at the reporting date would mature within a shorter period of time, given the historical trends, which enable to meet its contractual obligations.

#### 34.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates will affect income or the value of its holdings of financial instruments, The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### 34.4.1 Currency risk

Foreign currency risk that the fair value or future cash flows of a financial instrument will fluctuate, due to changes in foreign exchange rates.

The Company as at the reporting date, do not hold significant "Financial Instruments" denominated in currencies other than its functional / reporting currency, hence do not get significantly exposed to currency risk from transaction of such balances into the functional / reporting currency, which is Sri Lankan Rupees.

The bank loan obtained in USD terms are matched with USD receipts from customers. The annual repayment of the USD loan for the following financial year is USD 750,000. The annual average USD receipts of the Company is USD 1,730,089 approximately.

However, the Company engages in transactions associated with foreign currencies in its ordinary course of operations, hence exposed to Currency risk.

Across the industry, the hotel rates targeting the foreign tourists are quoted in USD terms, However a fluctuation in the exchange rate will not have a significant impact since majority of the quotes are converted to local currency at the point of invoicing. The company monitors fluctuations in foreign exchange rates and takes precautionary measures to revise its exchange rates on a regular basis. In an attempt to mitigate the exposure to currency risk arising from its transactions.

#### Interest rate risk

Interest rate mainly arises as a result of the Company having interest sensitive assets and liabilities which are directly impacted by changes in the interest rates. The Company is exposed to interest rate risk for USD loan obtained from HNB. However, management monitors the sensitivities on a regular basis and ensures risks are managed in a timely manner.

#### 35 FAIR VALUE MEASUREMENT

#### **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 Company.

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

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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Company determines the policies and procedures for both recurring fair value measurement, such as investment properties, and for nonrecurring measurement, such as assets held for sale in discontinued operations.

All values are in Rupees '000s, unless otherwise stated

Property, plant and equipment under revaluation model

External valuers are involved for valuation of significant assets, such as land and building and investment properties. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Company 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 Company 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 related disclosures for financial instruments and non-financial assets that are measured at fair value 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:

Note

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roperty, plant and equipment and revaluation model		11010				
Investment properties		Note	16			
			Loans		Other	Total
		Held to	and	Available	financial	carrying
Fair values vs carrying amounts	Trading	Maturity	receivables	for sale	liabilities	amount
31st March 2017						
Cash and cash equivalents	-	-	201,422	-		201,422
Trade and other receivables	-	-	424,052	-	-	424,052
Amounts due from related parties	-	-	94,130	-	-	94,130
		-	719,604	-		719,604
Trade and other payables	<del>-</del>	-	-	-	261,521	261,521
Amounts due to related parties	<del>-</del>	-	-	-	36,535	36,535
Loans and borrowings	-	-	-	-	370,256	370,256
		-	-	-	668,312	668,312
31st March 2016						
Cash and cash equivalents	-	-	42,075	-	-	42,075
Trade and other receivables	-	-	406,285	-		406,285
Amounts due from related parties	-	-	74,571	-	-	74,571
		-	522,930			522,930
Trade and other payables	<del>-</del>	-	-	-	315,755	315,755
Amounts due to related parties	-	=	-	-	37,188	37,188
Loans and borrowings	-	-	-	-	442,950	442,950
	-	-		-	795,893	795,893

Fair value for above financial assets and liabilities not measured at fair value is not disclosed since the carrying amount is a reasonable appropriation of fair value.

All values are in Rupees '000s, unless otherwise stated

#### **36 SEGMENTAL INFORMATION**

#### **Accounting policy**

A segment is a distinguishable component of the Company that is engaged either in providing products or services which are subject to risks and rewards that are different from those of other segments. The rental income generated from the Commercial Centre which is categorised as Investment Property is shown separately.

The Company has the following two strategic division, which are its reportable segments.

Reportable segment	Operation
Hotel	Hotelliering activities
Investment property	Renting out building premises

Но	tel	Investmen	t Property	Total		
2017	2016	2017	2016	2017	2016	
3,189,710	2,422,358	61,331	61,331	3,251,041	2,483,689	
15,295	5,755		-	15,295	5,755	
(2,480,585)	(2,210,235)	(8,910)	(7,335)	(2,489,495)	(2,217,570)	
(4,370)	(40,402)	-		(4,370)	(40,402)	
-		243,400	126,100	243,400	126,100	
720,050	177,476	295,821	180,096	1,015,871	357,572	
5,346,400	5,269,474	2,148,400	1,905,000	7,494,800	7,174,474	
1,487,160	1,471,337	-		1,487,160	1,471,337	
	2017 3,189,710 15,295 (2,480,585) (4,370) - 720,050 5,346,400	3,189,710 2,422,358 15,295 5,755 (2,480,585) (2,210,235) (4,370) (40,402)  720,050 177,476 5,346,400 5,269,474	2017         2016         2017           3,189,710         2,422,358         61,331           15,295         5,755         -           (2,480,585)         (2,210,235)         (8,910)           (4,370)         (40,402)         -           -         -         243,400           720,050         177,476         295,821           5,346,400         5,269,474         2,148,400	2017         2016         2017         2016           3,189,710         2,422,358         61,331         61,331           15,295         5,755         -         -           (2,480,585)         (2,210,235)         (8,910)         (7,335)           (4,370)         (40,402)         -         -           -         -         243,400         126,100           720,050         177,476         295,821         180,096           5,346,400         5,269,474         2,148,400         1,905,000	2017         2016         2017         2016         2017           3,189,710         2,422,358         61,331         61,331         3,251,041           15,295         5,755         -         -         15,295           (2,480,585)         (2,210,235)         (8,910)         (7,335)         (2,489,495)           (4,370)         (40,402)         -         -         (4,370)           -         -         243,400         126,100         243,400           720,050         177,476         295,821         180,096         1,015,871           5,346,400         5,269,474         2,148,400         1,905,000         7,494,800	

#### **37 CAPITAL MANAGEMENT**

The primary objective of the Company 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 Company 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 Company may issue new shares, have a rights issue or buy back of shares.

As at 31st March	2017	2016
Total liabilities	1,487,160	1,471,337
Less: cash and short term deposits	273,595	125,646
Adjusted net debt	1,213,565	1,345,691
Total equity	6,007,640	5,703,137
Adjusted net debt to adjusted equity ratio	20%	24%

# **NOTES TO THE FINANCIAL STATEMENTS**

#### 38 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

#### **Accounting policy**

#### **Provisions**

Provisions are recognised when the Company 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.

## Contingent assets and contingent liabilities

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

• The Department of Inland Revenue has issued income tax assessments for the years 2012/13 and 2013/14. The company has filed valid appeals against these assessments and the appeals have not been heard as at the reporting date. Having discussed with independent legal tax experts and based on information available, the contingent liability as at 31st March 2017 is estimated at Rs. 37 Mn.

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 Company.

There was no Capital commitments of the Company as at the reporting date.

#### 39 EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to the date of the Statement of Financial Position, no circumstances have arisen which would require adjustments to or disclosure in the financial Statements except for the following.

#### Final Dividend 2016/17

The Board of Directors of the Company have recommended the payment of a final dividend of Rs. 1.50 per share for the year ended 31st March 2017.

As required by Section 56(2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the auditors, prior to recommending the final dividend of Rs. 1.50 per share for this year.

In accordance with Sri Lanka Accounting Standards (LKAS 10) Events after the Reporting Period, the proposed final dividend has not been recognised as a liability in the Financial Statements as at 31st March 2017.

## **40 DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors is responsible for the preparation and presentation of the Financial Statements. Please refer to the page 69 for the statement of Directors' Responsibility for Financial Reporting.

# QUARTERLY FINANCIAL DATA FOR THE FINANCIAL YEAR ENDED 31 ST MARCH 2017

All values are in Rupees '000s, unless otherwise stated

## **INCOME STATEMENT**

For the Quarter ended	30 Jun '16	30 Sep'16	31 Dec '16	31 Mar '17	Total for the Year
Turnover	658,062	845,928	893,572	853,479	3,251,041
Cost of sales	(274,683)	(325,819)	(343,750)	(329,049)	(1,273,301)
Gross profit	383,379	520,109	549,822	524,430	1,977,740
Other operating income and finance income	7,585	3,598	82	4,030	15,295
Administrative expenses	(164,250)	(183,981)	(178,969)	(183,425)	(710,625)
Sales and marketing expenses	(48,005)	(64,972)	(58,659)	(57,458)	(229,094)
Other operating expenses	(70,455)	(78,763)	(81,751)	(45,506)	(276,475)
Profit from operating activities	108,254	195,991	230,525	242,071	776,841
Finance cost	(3,271)	(4,768)	(4,922)	(16,236)	(29,197)
Finance income	1,716	2,815	8,689	11,607	24,827
Change in fair value of investment property	-	-	-	243,400	243,400
Profit before taxation	106,699	194,038	234,292	480,842	1,015,871
Taxation	(16,003)	(26,221)	(32,061)	(33,821)	(108,106)
Profit after taxation	90,696	167,817	202,231	447,021	907,765
Earning per share for the period	0.45	0.84	1.01	2.24	4.54
BALANCE SHEET					
As at		30 Jun '16	30 Sep'16	31 Dec '16	31 Mar '17
Net assets					
Property, plant & equipment		6,429,931	6,406,365	6,378,550	6,583,836
Other non current assets		8,552	8,361	7,902	10,724
Net current assets		(52,158)	112,419	324,308	144,937
		6,386,325	6,527,145	6,710,760	6,739,497
Less : non current liabilities		792,356	764,364	744,752	731,857
		5,593,969	5,762,781	5,966,008	6,007,640
Shareholders' funds					
Stated capital and revenue reserves		3,989,005	4,163,104	4,371,618	4,418,538
Other components of equity		1,604,964	1,599,677	1,594,390	1,589,102
		5,593,969	5,762,781	5,966,008	6,007,640
Net assets per share		27.97	28.81	29.83	30.04

		871,719	664,248		
	216,039	233,906	242,444	293,417	279,583
Depreciation & amortisation	184,610	205,731	215,147	218,268	219,289
Insurance & rates	31,333	28,136	27,106	28,075	31,097
Finance expenses	96	38	190	47,074	29,197
	1,427,252	1,105,624	906,692	650,990	1,295,453
Change in fair value of investment properties	288,710	-	20,650	126,100	243,400
Assets write-off		-	-	(24,564)	
Other income	77,067	68,544	44,912	12,427	40,122
Gross operating profit	1,061,475	1,037,080	841,130	537,027	1,011,932
Total deductions	697,364	758,928	790,070	812,488	895,262
Branding expenses		-	-	399	
Marketing expenses	13,609	14,280	12,102	10,278	15,879
Operating fee	160,689	163,352	148,848	122,454	174,24
Repairs & maintenance	98,441	103,477	107,572	110,869	105,135
Heat, light & power	173,232	193,695	182,621	169,251	147,266
Advertising & sales	66,185	75,051	117,778	183,076	213,214
Administration & general	185,208	209,074	221,149	216,161	239,527
Gross operating income  Expenses	1,758,839	1,796,008	1,631,200	1,349,515	1,907,194
	4.750.000	1 700 000	1 621 200	1 240 545	1 007 10 4
Total cost of sales	1,081,384	1,143,454	1,154,872	1,134,174	1,343,847
Others	104,500	102,207	102,874	110,293	121,283
Investment property income	179	1,268	551	1,011	1,615
Food & beverage	343,149	369,542	349,367	361,088	379,300
Beverage cost	46,248	42,438	44,158	40,596	52,355
Food cost	395,510	412,603	433,489	391,220	464,452
<b>Expenses</b> Rooms			224,433	229,966	3 <b>24,84</b>
Total revenue		2,939,463	2,786,072	2,483,689	3,251,041
Other operating income	216,313	213,977	223,149	224,336	244,977
Investment property income	34,283	61,075	61,331	61,331	61,33°
Food & beverage others	38,618	38,123	41,016	44,764	47,918
Beverages	163,607	153,647	145,303	122,028	151,537
Food	1,034,971	1,073,233	1,129,314	1,023,937	1,189,097
Rooms	1,352,432	1,399,408	1,185,959	1,007,293	1,556,182
Revenue					
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	12/13 Rs.'000	13/14 Rs.'000	14/15 Rs.'000	15/16 Rs.'000	16 Rs.'0

	12/13	13/14	14/15	15/16	16/17
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating results					
Total revenue	2,840,223	2,939,463	2,786,072	2,483,689	3,251,041
Sales growth %	19.56	3.49	(5.22)	(10.85)	30.89
Gross operating profit	1,061,475	1,037,080	841,130	537,027	776,841
Finance expenses	96	38	190	47,074	29,197
Rates insurance, depreciation & amortisation	215,943	233,868	242,254	246,343	250,386
Net profit/(loss) before taxation	1,211,213	871,719	664,248	357,572	1,015,871
Shareholder's funds					
Stated capital	1,112,880	1,112,880	1,112,880	1,112,880	1,112,880
Other components of equity	1,683,989	1,662,351	1,639,692	1,611,112	1,589,102
Revenue reserves	3,256,656	3,323,878	3,235,190	2,979,145	3,305,658
Total equity	6,053,525	6,099,109	5,987,762	5,703,137	6,007,640
Assets employed					
Property ,plant and equipment	3,279,844	3,457,787	3,419,394	3,775,142	3,653,984
Leasehold property	831,068	818,664	806,260	793,856	781,452
Investment property	1,758,250	1,758,250	1,778,900	1,905,000	2,148,400
Other non current assets	14,735	11,421	6,531	9,161	10,724
Net current assets	598,384	496,968	427,739	43,200	144,937
	6,482,281	6,543,090	6,438,823	6,526,359	6,739,497
Less					
Long term liabilities	1,416	-	<del>-</del>		
Employee benefits	98,027	106,570	109,999	118,603	129,229
Deferred taxation	329,313	337,411	341,062	344,722	346,297
Term loan		-	-	359,897	256,331
Net assets	6,053,525	6,099,109	5,987,762	5,703,137	6,007,640
Key indicators					
Current ratio times	2.43	2.09	1.91	1.07	1.19
Net asset per share (Rs.)	30.27	30.50	29.94	28.52	30.04
Market price per share (Rs.)	70.40	79.90	94.00	79.90	75.10
Earnings per share (Rs.)	5.33	3.72	2.92	1.60	4.54
Statistical summary					
Occupancy (%)	60	61	 51	43	64
No. Of rooms occupied	76,199	76,790	64,923	54,246	81,387
Average daily rate (Rs.)	17,794	18,224	18,267	18,569	19,121
Food cost (%)	38	38	38	38	39
Beverage cost (%)		28	30	33	35
Net profit before tax (%)	43	30	24	14	31
, ,					

# **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**

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

#### **AMORTISATION**

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

#### **AVERAGE ROOM RATE**

Hotel revenue divided by the number of rooms sold.

#### **BOOKING ENGINE**

Application which helps the travel and tourism industry support reservation through the Internet. It helps guests to book hotel services online.

# **CAPITAL EMPLOYED**

Shareholders' funds plus 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.

#### **CONTINGENCIES**

A condition or situation existing at Balance Sheet date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

#### **CURRENT RATIO**

Current assets divided by current liabilities.

## **CAPITAL RESERVES**

Reserves identified for specific purposes and considered not available for distribution.

#### **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 an entity, the supervision of executive actions and accountability to owners and others.

#### **DEBT/EQUITY RATIO**

Debt as a percentage of shareholders' funds.

#### **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**

Dividend earned per share as a percentage of its market value.

## **DIVIDEND COVER**

The ratio of company's earnings (net income) over the dividend paid to shareholders, calculated as earnings per share divided by the dividend per share.

#### **DIVIDEND PER SHARE**

Dividend per share (DPS) is the total dividends paid out over an entire year (including interim dividends but not including special dividends) divided by the number of outstanding ordinary shares issued.

# **DIVIDEND PAYOUT RATIO**

The percentage of earnings paid to a shareholder as dividends.

# **EARNINGS PER SHARE (EPS)**

Profit attributable to equity holders divided by the weighted average number of ordinary shares in issue during the period.

#### **EBIT**

Earnings before interest and tax (includes other operating income).

#### **EBITDA**

Earnings before interest, tax, depreciation and amortisation

#### **ECONOMIC VALUE ADDED (EVA)**

EVA indicates the wealth that has been created by the business to its shareholders. EVA takes in to account the economic cost of the sums invested as equity in to the business.

#### **EFFECTIVE TAX RATE**

Provision for taxation for the year divided by the profit before tax.

#### **STAFF ATTRITION RATE**

This is the Percentage of a company's employees who have left during a specified period.

#### **EPS GROWTH**

Percentage increase in the EPS over the previous year.

#### **EQUITY ASSETS RATIO**

Total assets divided by shareholder's equity.

#### **FAIR VALUE**

Fair value is the amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction.

# **GROSS PROFIT MARGIN**

What remains from sales after a company pays out the cost of goods sold. To obtain gross profit margin, divide gross profit by sales. Gross profit margin is expressed as a percentage.

# **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 physical substance.

# **GLOSSARY OF FINANCIAL TERMS**

#### **INTEREST COVER**

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.

#### **MARKET VALUE ADDED (MVA)**

A calculation that shows the difference between the market value of a company and the capital contributed by investors. In other words, it is the sum of all capital claims held against the company plus the market value of debt and equity.

#### **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.

#### **MARKET VALUE PER SHARE**

The price at which an Ordinary share can be purchased in the stock market.

#### **MARKET CAPITALIZATION**

Number of shares in issue at the end of period multiplied by the market price at end of period.

#### **NET ASSETS**

Total assets minus current liabilities minus long term liabilities.

#### **NET ASSETS PER SHARE**

Shareholders' funds divided by the weighted average number of ordinary shares.

#### **OCCUPANCY**

The number of rooms occupied at a given time at the Hotel

#### **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

Profit before interest and tax as a percentage of average capital employed at year end.

#### **PRICE EARNINGS RATIO**

Market price per share over 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.

#### **QUICK ASSET RATIO**

The quick ratio measures a company's ability to meet its short term obligations with its most liquid assets and is calculated as follows –

= (current assets - inventories)/current liabilities

#### **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.

#### **RETURN ON ASSETS**

Profit after tax as a percentage of average total assets.

# **RETURN ON EQUITY**

Profit attributable to shareholders as a percentage of average shareholders' funds.

#### **RETURN ON AVERAGE ASSETS (ROA)**

Profit after tax divided by the average assets.

#### **ROOM NIGHT**

One hotel room occupied for one night; a statistical unit of occupancy.

# ROOM SALES PER EMPLOYEE PER MONTH

Room sales in relation to the number of employees.

## **SHAREHOLDERS' FUNDS**

Stated capital plus capital and revenue reserves.

#### **TOTAL CARBON FOOT PRINT**

Total greenhouse gas emissions caused by the hotel.

#### **TOTAL DEBT**

Long term loans plus short term loans and overdrafts.

#### **TOTAL SHAREHOLDER RETURN**

(P1 - Po + D)/Po X100

P1 = Market price at the end of the year Po = Market price at the beginning of the financial year

D = Dividend for the year

#### **TOTAL VALUE ADDED**

The wealth created by the operations of the hotel. The value is distributed among the stakeholders and the balance is retained within the business. NOTICE IS HEREBY GIVEN that the Thirty Sixth Annual General Meeting of Trans Asia Hotels PLC will be held on 16th June 2017 at 3.30pm at the Ceylon Chamber of Commerce Auditorium, No. 50, Nawam Mawatha, Colombo 02.

The business to be brought before the meeting will be:

- To read the notice convening the meeting.
- To receive and consider the Annual Report and Audited Financial Statements of the Company for the year ended 31st March 2017 together with the Report of the Auditors thereon.
- 3 To re-elect as Director Mr. R J Karunarajah who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Mr. R J Karunarajah is contained in Page 7 of the Annual Report.
- 4. To re- elect as Director Mr. E H Wijenaike who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Mr. E H Wijenaike is contained in Page 8 of the Annual Report.

- 5. To re-elect as Director Mr. N L Gooneratne who is over the age of 70 years and who retires in terms of Section 210 of the Companies Act No. 7 of 2007, for which the passing of the following ordinary resolution is recommended by the Company:
  - "THAT the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. N L Gooneratne, who is 74 years and that he be re-elected a Director of the Company."
- To re-appoint Auditors, Messrs.
   KPMG, Chartered Accountants, and to authorise the Directors to determine their remuneration.
- 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 Trans Asia Hotels PLC

Mauhah

Keells Consultants (Private) Limited Secretaries

Colombo, 24th May 2017

#### Notes:

- i. A member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.
- ii. A Proxy need not be a member of the Company.
- iii. A member wishing to vote by Proxy at the Meeting may use the Proxy Form enclosed.
- iv. In order to be valid, the completed Proxy Form must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.
- v. If a poll is demanded, a vote can be taken on a show of hands 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/her proxy holder are both present at the meeting, only the shareholder's vote is counted. If the proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.

I/W	e				of
beir	ng a *member/members of Trans Asia	otels 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.	Navindra Lal Gooneratne	or failing him			
Mr.	Cholmondeley John Lloyd Pinto	or falling him			
Mr.	Eranjith Harendra Wijenaike	or failing him			
Ms.	Jhansi Carryl Ponniah	or failing her			
Mr.	Rohan Jebashanthan Karunarajah	or failing him			
Mr.	Krishan Niraj Jayasekara Balendra				
as *	my/our provy to represent *me/us and	to vote on *my/our behalf at the Thirty Sixth Anr	nual General M	peting of the	Company
		ournment thereof, and at any poll which may be			
	•	y/our proxy to vote for *me/us and on *my/our		•	
	cated by the letter "X" in the appropria		oction off the s	peemea res	oration as
ii i Gi	cated by the letter // in the approprie	e cage.			
				FOR	AGAINST
1.	To re-elect as Director Mr. R J Karuna	ajah who retires in terms of Article 83 of the Art	icles of		
	Association of the Company	•			
2.	To re-elect as Director Mr. E H Wijena	ke who retires in terms of Article 83 of the Articl	es of		
	Association of the Company				
3.	To re-elect as Director Mr. N L Goon	ratne who is over the age of 70 years and who r	etires in		
	terms of Section 210 of the Companie	s Act No. 7 of 2007			
4.	To re-appoint Auditors, KPMG, Chart	red Accountants, and to Authorise the Directors	to determine		
	their remuneration.				
Sigr	ned on this day of	Two Thousand and Sevente	een		
Sigr	nature/s of Shareholder/s				

# **Notes:**

Instructions as to completion of the Form of Proxy are noted on the reverse.

#### **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. 115 Sir Chittampalam A Gardiner Mawatha, Colombo 2, 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
7.0.0.
Jointly with
Share Folio No.

# **CORPORATE INFORMATION**

#### NAME OF THE COMPANY

Trans Asia Hotels PLC

#### **LEGAL FORM**

A Public Limited Liability Company incorporated in Sri Lanka on 17th July, 1981 and quoted on the Colombo Stock Exchange.

## **COMPANY REGISTRATION NUMBER**

PQ 5

#### **REGISTERED OFFICE**

No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.

Tel: 2491000 Fax: 2449184

E-mail: lakeside@cinnamonhotels.com

Website: http://www.cinnamonhotels.com/en/

cinnamonlakesidecolombo/

#### **BOARD OF DIRECTORS**

Mr. Susantha Chaminda Ratnayake - Chairman

Mr. Ajit Damon Gunewardene Mr. James Ronnie Felitus Peiris

Mr. Navindra Lal Gooneratne Mr. Cholmondeley John Lloyd Pinto

Mr. Eranjith Harendra Wijenaike

Ms. Jhansi Carryl Ponniah

Mr. Rohan Jebashanthan Karunarajah Mr. Krishan Niraj Jayasekara Balendra

#### **AUDIT COMMITTEE**

Mr. C. J. L. Pinto (Chairman)

Mr. E. H. Wijenaike Ms. J. C. Ponniah

# **COMPANY SECRETARIES AND REGISTRARS**

Keells Consultants (Private) Limited 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02

#### **AUDITORS**

Messrs. KPMG

**Chartered Accountants** 

32A, Sir Mohamed Macan Markar Mawatha, Colombo 03

#### **BANKERS**

Citibank NA

Deutsche Bank AG

Sampath Bank PLC

The Hongkong and Shanghai Banking Corporation Ltd.

Nations Trust Bank PLC

People's Bank PLC

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

#### **COMPANY RELATED INFORMATION REQUIREMENTS**

Shareholders can contact Keells Consultants (Private) Limited on 011-2306245 for any Company related information requirements.





Trans Asia Hotels PLC

No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.

Tel: 2491000 Fax: 2449184