



Ensconced in paradise

Trans Asia Hotels PLC | Annual Report 2017/18

Ensconced in the paradise that is the heart of Colombo, in full view of the picturesque Beira lake, lies Cinnamon Lakeside - the quintessential urban getaway that affords you the best of both worlds. Eclectic leisure and inimitable experiences are our specialities. Inspiring event venues, the largest city swimming pool, immaculate landscaping, tasteful architecture, gastronomic excellence, a convivial atmosphere that incites adventure and decadent rooms equipped with every luxurious amenity you could possibly desire make it the perfect escape from the hustle and bustle of the city; and the proverbial cherry on top here? You need not travel far to avail yourself of all this and more! Cinnamon Lakeside- An oasis for those desiring grandeur, personalised hospitality and uninhibited relaxation, close to home.





An oasis of relaxation

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About this Report

We are committed to consistently enhancing the meaningfulness and readability of our Annual Report and this year we transitioned to an Integrated Report, in accordance with the <IR> framework developed by the International Integrated Reporting Council (IIRC). In keeping with the requirements of the <IR> framework, we have attempted to provide a concise and balanced overview of our strategy, governance, performance and prospects, in the context of the external environment we operate in, leading to Cinnamon Lakeside's value creation over time. We have also continued to report on both the positive and negative economic, environmental and social impacts of our operations, and in doing so have adopted the GRI Standards for sustainability reporting published by the Global Reporting Initiative (GRI) - guidelines for sustainability reporting.

Scope and Boundary

This Report covers the operations of Trans Asia Hotels PLC for the period from 1st April 2017 to 31st March 2018. We adopt an annual reporting cycle and the Company's most recent previous report for the period ending 31st March 2017 is available on our website www.cinnamonhotels.com. This is the Company's first GRI Report and we have opted for the early adoption of the GRI standards. Our sustainability reporting is 'in accordance' with the core option. Material events occurring after this date up to the date of sign off by the Board of Directors on 23rd May 2018 have been included in this Report.

Our Annual Report complies with the requirements of the following standards and principles.

Financial and Non-financial Reporting	Regulatory Reporting
<ul style="list-style-type: none"> Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) 'In accordance' - Core of Global Reporting Initiative (GRI) Standards; Sustainability Reporting guidelines - voluntary adoption International <IR> framework of the IIRC - voluntary adoption 	<ul style="list-style-type: none"> Companies Act No. 7 of 2007 and its subsequent amendments Listing rules of the Colombo Stock Exchange (CSE) Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC)

Assurance of Information

The financial statements of Trans Asia Hotels PLC have been audited by Messrs. KPMG, Chartered Accountants. The Board acknowledges its responsibility to ensure the integrity of the Integrated Report and believes that it addresses all material issues and presents fairly the integrated performance of Cinnamon Lakeside in accordance with the principles set out in the <IR> framework.

Reporting Enhancements

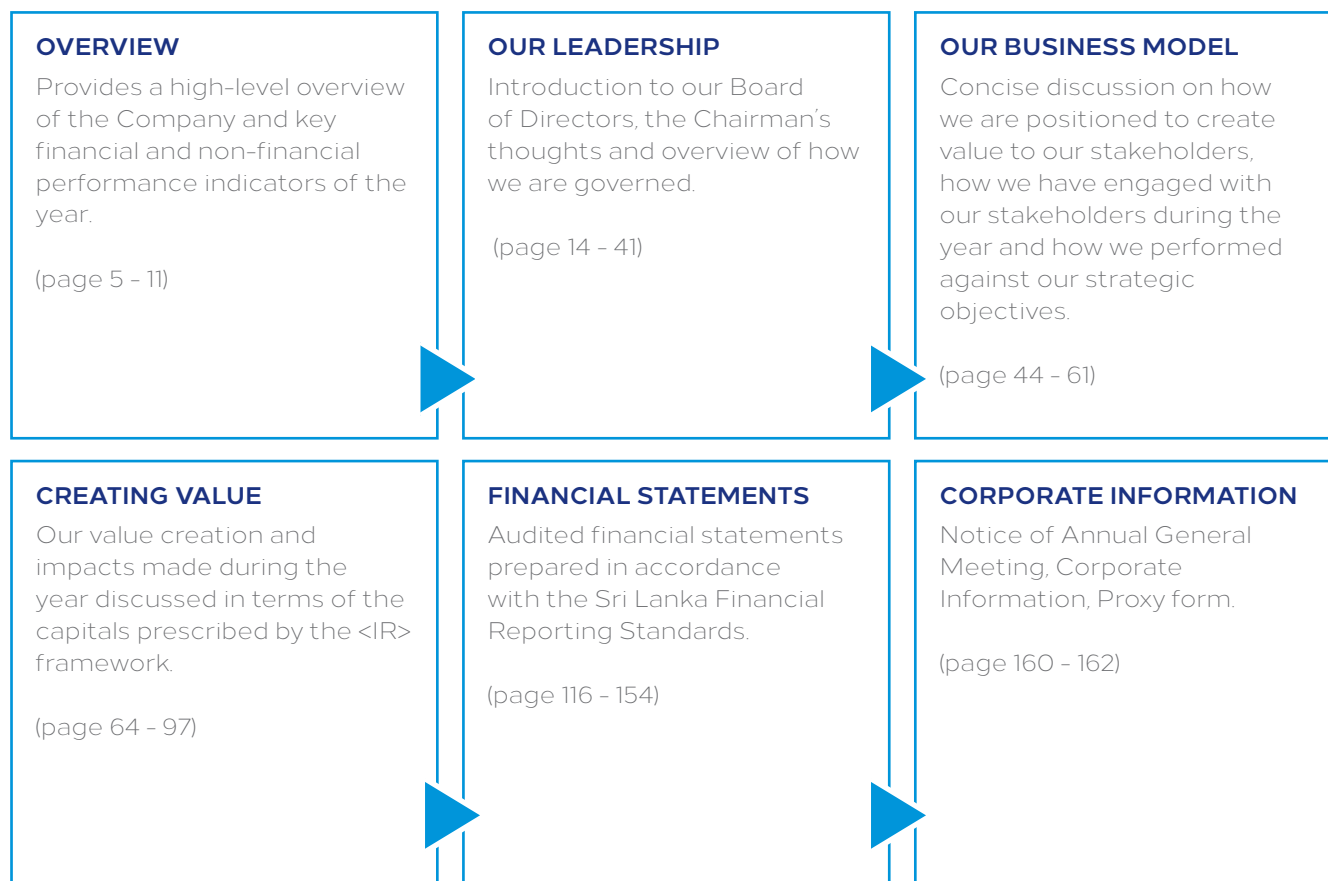
- Improved the connectivity of information by using navigation icons and signposts throughout the report.
- Adoption of the latest GRI Standards for sustainability reporting and disclosure of material non-financial information.
- Demonstrate our contribution to the Sustainable Development Goals set, wherever applicable.

About this Report (continued)

Feedback

We hope that our Annual Report incorporating the principles of <IR> gives you a better understanding of our business. We understand that Integrated Reporting is a journey of continuous improvement and welcome your feedback, comments and queries, which will be helpful in improving our reporting as we embark on our journey of <IR>. Please direct your feedback to, Mr. Ruvindra Angunawela on 0094 11 2491077 during normal office hours or email ruvindra@cinnamonhotels.com.

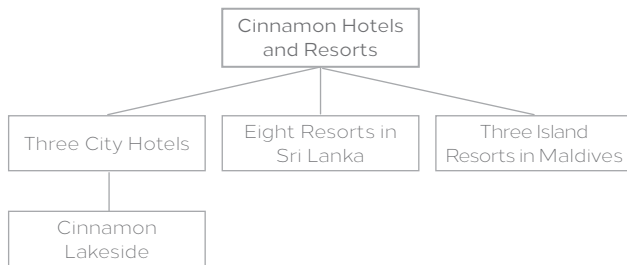
Navigating our Report



This is Cinnamon Lakeside

An Urban Oasis

Cinnamon Lakeside is the quintessential urban resort; An oasis in the heart of the city centre, the hotel caters to the needs of the leisure and business traveller with five-star facilities, delectable international cuisine and world-class service standards.



346 Five-Star Rooms

191 Superior Rooms	29 Executive Rooms	106 Premium Rooms	20 Suites
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The Cinnamon Brand

Epitomising the Cinnamon brand's promise of 'inspired living', at Cinnamon Lakeside, we strive to create an atmosphere of serenity in the midst of the city, for our valued guests and visitors. Cinnamon Hotels and Resorts is Sri Lanka's premier hospitality provider, operating a chain of 14 hotels and 2,427 rooms in Sri Lanka and Maldives. Uniquely Sri Lankan, the Cinnamon brand has redefined the hospitality industry standards in the country.

Spoilt for Choice

Cinnamon Lakeside houses 8 speciality restaurants, providing some of the best dining experiences in the city. Royal Thai, possibly the best Thai restaurant in Colombo, Long Feng, serving traditional Chinese cuisine, 7 Degrees North, specialising in Mediterranean fare complete with Colombo's only Aqua Lounge. "The Library" remains one of the most exclusive places in the city to relax and unwind and is a favourite amongst our discerning clientele.

Events and Meetings

2 Ballrooms	3 Conference Venues	3 Boardroom Suites	8° On the Lake Floating Venue
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We provide a range of world-class facilities for hosting meetings and events. Our exceptional support services have made us a favourite in this market segment. Dream weddings become a reality with Cinnamon Lakeside. The Waterside Lawn, our beautiful garden with the Beira Lake as a backdrop, and our floating venue 8° on the Lake, provide an alternative to traditional ballrooms that few other five-star city hotels can offer.

Leading the Industry with Quality



ISO 14001 Certification for Environmental Management.



ISO 22000 and OHSAS 18001 certification for "A" Food Grading – Excellence in Food Safety and Hygiene.



Culinary Art 2017 organised by the Chefs' Guild of Sri Lanka - Most outstanding "City" hotel team and "Gold" for the "Best Cocktail Creation".



"Rising Stars of Hospitality" awarded by the Hotels Association of Sri Lanka – 2 "Golds", 1 "Bronze" (9 categories awarded).

750 Employees

Our Journey

Trans Asia Hotels PLC was incorporated in 1981 as a public limited liability company and quoted on the Colombo Stock Exchange. The Hotel commenced commercial operations in 1985 under the name 'Ramada Renaissance Hotel'. Several name and ownership changes occurred subsequently with the Hotel being re-named as 'Trans Asia Hotel' in 1995. In 2003, John Keells Holdings PLC, Sri Lanka's premier diversified conglomerate, together with Asian Hotels and Properties PLC acquired a controlling stake of the Company. On 1st September 2009 the hotel was re-branded as 'Cinnamon Lakeside Colombo'. Since then, Cinnamon Lakeside has evolved, true to its vision of 'being a hospitality trendsetter' and has emerged as a favourite amongst leisure travellers in the city of Colombo.

Commitment to the Environment

We are cognisant of our carbon footprint and have initiated several projects to reduce and control the consumption of energy and water, materials use and disposal of waste. Our contribution to environmental sustainability includes the use of alternative energy, water conservation and creating awareness of sustainable practices among hotel staff, guests and visitors.

At Cinnamon Lakeside, we aim to delight. Ensconced in the heart of Colombo and swathed in quintessential Sri Lankan warmth, our distinctive brand of luxury hospitality is a class apart. It is the perfect escape from the city, within the city and unlike anything you have ever experienced before.





A Snapshot of Our Business



Financial Performance

PBT Rs. 990 Mn
(2017 – Rs. 1,016 Mn)

**Cash Flows from Operations
Rs. 679 Mn**
(2017 – Rs. 928 Mn)

Revenue Rs. 3,199 Mn
(2017 – Rs. 3,251 Mn)

Earnings Per Share Rs. 4.42
(2017 – Rs. 4.54)



A Skilled, Engaged and Motivated Team

Number of Employees 750
(2017 – 771)

Training and Development Rs. 2 Mn
(2017 – Rs. 2 Mn)

Retention Rate 82%
(2017 – 84%)

Room Sales per Employee Rs. 2 Mn
(2017 – Rs. 2 Mn)



Satisfied Customers

Guest Satisfaction Rate 89%

Trip Advisor Rating 4.5/5

Average Occupancy 63%
(2017 – 64%)



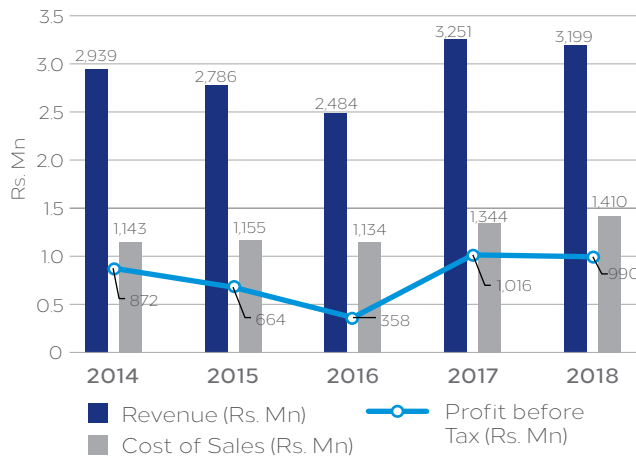
Commitment to Sustainability

Investment in CSR Rs. 2 Mn
(2017 – Rs. 8 Mn)

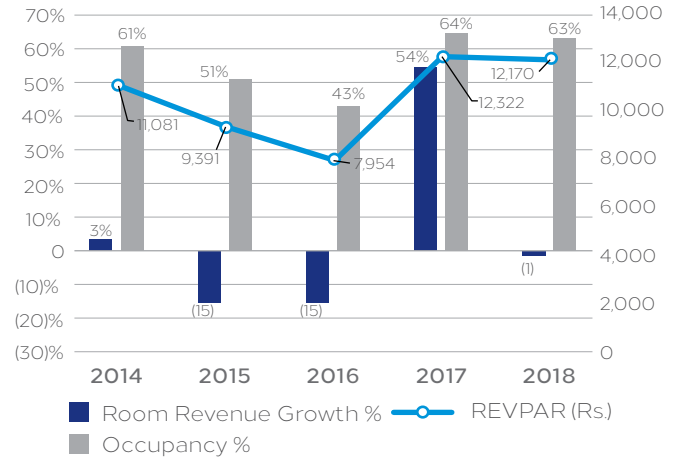
Carbon Footprint 5,864 MT
(2017 – 6,449 MT)

Waste Recycled 92%
(2017 – 90%)

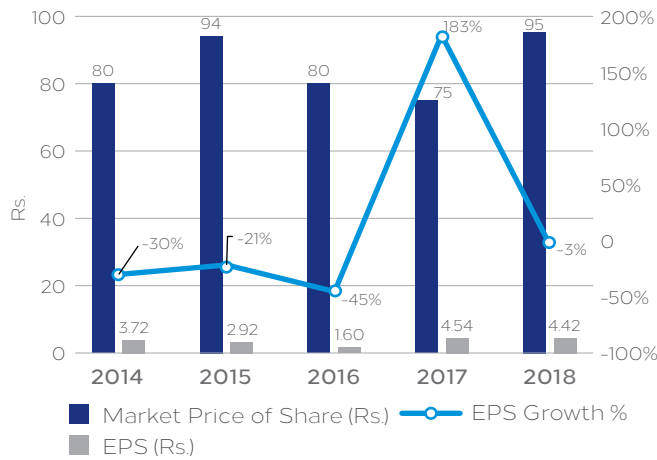
Revenue, Costs and Profits



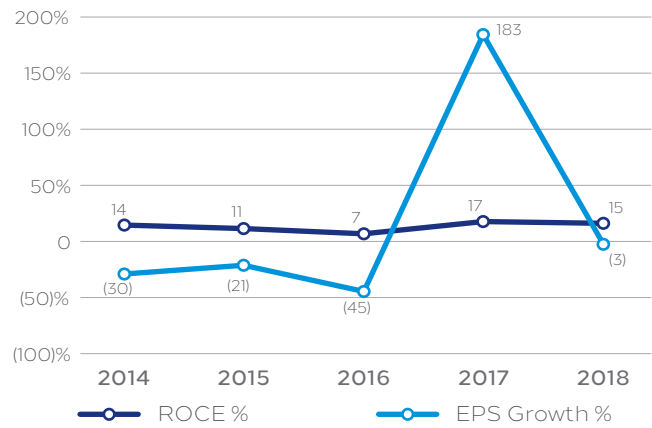
Room Revenue and Occupancy



Share Price and Earnings



ROCE vs. EPS growth



Performance Highlights

Financial and Operational Highlights

	2018	2017	2016	2015	2014
Key Financial Ratios – Income statement					
Net Revenue, (Rs. Mn)	3,199	3,251	2,484	2,786	2,939
Net Revenue Growth, (%)	(2)	31	(11)	(5)	3
Gross Profit Margin, (%)	58	61	57	61	63
EBIT (Earnings Before Interest & Tax), (Rs. Mn)	1,016	1,045	405	664	872
EBIT, (%)	32	32	16	24	30
Profit for the Year (PAT), (Rs. Mn)	883	908	321	585	743
EPS (Earnings per Share), (Rs.)	4.42	4.54	1.60	2.92	3.72
ROE (Return on Equity), (%)	14	16	5	10	12
ROCE (Return on Capital Employed), (%)	15	17	7	11	14
Interest Cover, (Times)	39	36	9	3,488	22,900

Key Financial Ratios – Financial Position

Total Assets, (Rs. Mn)	7,677	7,495	7,174	6,908	6,999
Net Assets, (Rs. Mn)	6,183	6,008	5,703	5,988	6,099
Interest Bearing Loans, (Rs. Mn)	292	370	443	N/a	N/a
Debt/Equity Ratio, (%)	5	6	8	N/a	N/a
Equity Asset Ratio, (%)	81	80	79	87	87
Net Assets per Share, (Rs.)	30.92	30.04	28.52	29.94	30.50
Current Ratio, (Times)	0.81	1.19	1.07	1.91	2.09
Quick Assets Ratio, (Times)	0.76	1.14	1.01	1.84	2.01
No. of Shares in Issue, (Mn)	200	200	200	200	200

Market/Shareholder Information

Market Value per Share, (Rs.)	95	75	80	94	80
Market Capitalisation, (Rs. Mn)	19,000	15,020	15,980	18,800	15,980
Dividend per Share, (Rs.)	3.50	3.00	2.00	3.50	3.50
Price Earnings Ratio, (Times)	22	17	50	32	21
Dividend Cover, (Times)	1.26	1.51	0.80	0.84	1.06
Dividend Yield, (%)	3.7	4.0	2.5	3.7	4.4
Dividend Payout Ratio, (%)	79	66	125	120	94

Key Operational Ratios

Occupancy, (%)	63	64	43	51	61
RevPAR, (Rs.)	12,170	12,322	7,954	9,391	11,081
Average Room Rate, (Rs.)	19,339	19,121	18,569	18,267	18,224

Economic Performance

Value Generated by the Company, (Rs. Mn)	2,263	2,039	1,413	1,774	1,973
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Value Distributed to:

Employees as Wages and Benefits, (Rs. Mn)	658	590	552	529	534
Payments to Government, (Rs. Mn)	487	485	270	434	483
Community Investments, (Rs. Mn)	2	8	4	11	7
Providers of Funds, (Rs. Mn)	726	629	447	700	700
Value Retained within the Business, (Rs. Mn)	390	327	139	100	249

Social and Environmental Highlights

	2018	2017	2016	2015	2014
Human Capital					
Total Employees, (Nos)	750	771	781	826	855
Female, (%)	10	9	9	9	10
Retention Rate, (%)	82	84	86	89	92
Investment in Training, (Rs. '000)	2,120	1,977	1,588	2,410	3,834
Total Training Hours	47,718	53,200	59,073	71,492	69,472
Workplace Injuries, (Nos)	30	27	13	16	17
Social and Relationship Capital					
Total Guests, (Nos)	144,959	149,208	98,394	103,506	112,565
Investment in CSR activities, (Rs. '000)	1,728	8,265	4,103	10,843	7,104
Natural Capital					
Carbon Footprint, (MT)	5,864	6,449	6,277	6,317	6,354
Carbon Footprint per Guest Night, (kg)	39.81	67.95	63.80	61.03	56.45
Water Usage per Guest Night, (Litres)	854	1,583	1,495	1,406	1,343
Water Disposed per Guest Night, (Litres)	3.97	5.86	5.29	3.75	3.85





The best of both worlds

Chairman's Message

Dear Stakeholder,

On behalf of the board, I am pleased to present to you the Integrated Annual Report and Financial Statements of Trans Asia Hotels PLC (Cinnamon Lakeside Colombo) for the year ending 31st March 2018.

Global Tourism

Fuelled by a recovery in the global economy, enhanced connectivity and improved visa facilitation, international tourism recorded strong growth across regions in 2017. International tourist arrivals grew by 7% according to the United Nations World Tourism Organisation (UNTWO), recording the fastest growth rate since 2010. Growth was driven by both advanced and emerging economies, with arrivals from Europe and Africa increasing by 8% followed by Asia Pacific (+6%) and the Middle East (+5%). China continues to be the largest spender in outbound tourism, with a 5% increase in spending, followed by the USA, Germany, UK and France. Destinations that were negatively impacted in 2016 posted strong recovery this year, reflecting robust outbound demand.

Sri Lanka Tourism

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

Our Performance

The Company's performance was reflective of the broader industry performance. The continuity of room inventory growth in the city of Colombo resulted in intensified competition, with total revenue declining by 2% to Rs. 3.19 Bn. Room revenue declined marginally by 1% to Rs. 1.54 Bn with the average occupancy of 63%, compared to 64% the year before. Food and Beverage revenue decreased by 1% to Rs. 1.32 Bn as a result of the decreased revenue from food and beverage outlets which decreased by Rs. 24.87 Mn against previous year. Banquet revenue showed an improvement compared to previous year recording an increase of 2% to end at Rs. 643.13 Mn partially negating the decline in revenue from the food and beverage outlets.

The Gross Profit margin decreased to 58%, from 61% in the previous year primarily as a result of the decline in revenue. Sales and

marketing expenses recorded a year-on-year increase of 20% as a result of the increase in marketing and promotional efforts to further strengthen the Leisure and MICE business segments. The Pre-tax profit for the year (excluding valuation gains arising from the revaluation of investment property) amounted to Rs. 592.11 Mn, a decline of 23% compared to previous year. The pre-tax profit, including the revaluation gain arising from the investment property valuation amounting to Rs. 397.60 Mn, stood at Rs. 989.71 Mn, a 3% decline against previous year's pre-tax profit of Rs. 1.01 Bn which included a revaluation gain of Rs. 243.40 Mn. The net profit attributable to equity holders of the Company declined to Rs. 883.19 Mn, a 3% decrease against the previous year's net profit of Rs. 907.76 Mn.

Awards and Recognition

The Company is a frequent recipient of both local and international awards and accolades, attesting to its commitment to achieve excellence in all aspects of its operations. During the year, our team won the coveted "Outstanding City Hotel Team" at the Chef's Guild Culinary Art Awards 2017 and 2 (out of 9) of the "Rising Star of Hospitality" awards conducted by the Hotels Association of Sri Lanka. Attesting to our commitment to transparent corporate reporting, the Company's Annual Report won the Bronze Award in the Hotels Sector, at the Annual Report Awards conducted by CA Sri Lanka. During the year, Cinnamon Lakeside also obtained the ISO 14001 Environmental Management Certification.

Customer Engagement

Creating unique customer experiences is a key attribute of our brand offering and we continued to invest in numerous customer engagement initiatives. The hotel also hosted numerous corporate events demonstrating its unique positioning as a leisure destination which combines the convenience of urban life in tranquil and natural surroundings.

“During the year, our team won the coveted “Outstanding City Hotel Team” at the Chef’s Guild Culinary Art Awards 2017 and two (out of nine) of the “Rising Star of Hospitality” awards conducted by the Hotels Association of Sri Lanka.”

People Proposition

In our industry employees are a vital source of competitive edge as they facilitate the customer experience. The industry-wide shortage of skilled labour has rendered it extremely challenging to attract and retain employees. In responding to these dynamics, the Company placed emphasis on further enhancing its employee value proposition. During the year we conducted a compensation and benefits study and strengthened the reward and recognition schemes of our high-performing employees. The learning and development offering was also enhanced, with employees given the opportunity to engage in numerous external and in-house training sessions.

Sustainability at Cinnamon Lakeside

As responsible corporate citizens we strive to embed sustainability into all aspects of our operations. The Company’s environmental priorities include enhancing energy and water efficiency and the responsible disposal of waste. During the latter part of the year, we installed a state of the art chiller at an investment of Rs. 69 Mn which is estimated to result in significant electricity savings. The full impact is expected to be seen in the next financial year. During the year our employees also pledged commitment to the John Keells Group’s ‘Plasticycle’ initiative. We also engage customers in our sustainability initiatives through events such as celebration of earth hour and poster campaigns.

Outlook

The medium to long-term outlook for Sri Lanka’s tourism sector continues to be positive, with the government targeting 2.5 Mn tourist arrivals for 2018. Global marketing campaigns carried out by the Sri Lanka Tourist Development Authority (SLTDA) and the Sri Lanka Tourism Promotion Bureau (SLTB) is

expected to strengthen Sri Lanka’s attractiveness as a ‘destination for all seasons’. The key downside risks include shortage of skilled labour and intensifying competition from the informal sector. We will continue to leverage on our unique market position to strengthen our customer value proposition while driving employee productivity and operational efficiencies. We see great potential in the Leisure and MICE business segment and will continue to fortify our position in this growing segment.

Acknowledgements

On behalf of the board, I take this opportunity to express my appreciation to our guests for their continued loyalty, business partners for the support extended, and our team who have worked diligently to provide the highest standards in guest experiences.

The Board joins me in extending our sincere appreciation of the invaluable contribution made by Mr. Ajit Gunewardene and Mr. Ronnie Peiris who retired from the Board in December 2017. I welcome Mr. Gihan Cooray and Mr. Jit Gunaratne who were appointed to the Board on 1st January 2018 and sincerely thank my colleagues on the Board for their valuable guidance and support given.

In conclusion, I wish to thank our valued shareholders of Trans Asia Hotels PLC for their continued confidence in the Company.



Susantha Rathnayake
Chairman

23rd May 2018

Board of Directors

Susantha Ratnayake *Chairman*

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

Krishan Balendra *Director*

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

Rohan Karunarahaj *Director*

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

Gihan Cooray *Director*

Gihan Cooray is the Group Finance Director and bears overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury and Information Technology functions (including John Keells IT) and John Keells Research. He is a Director of several companies in the John Keells Group and a Non- Executive Director of Nations Trust Bank PLC. Gihan holds an MBA from the Jesse H. Jones Graduate School of Management

at Rice University, Houston, Texas. He is an Associate member of the Chartered Institute of Management Accountants, UK, a Certified Management Accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK. He serves as a Committee Member of the Ceylon Chamber of Commerce.

Jitendra Gunaratne *Director*

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

Cholmondeley Pinto*Director**

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

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 Postgraduate 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 12:4 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 three decades and has held directorships in numerous subsidiaries of John Keells Holdings PLC—namely Walkers Tours Ltd., Whittalls Boustead (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 the Zonta Club Woman of Achievement Award.

** Independent Director*

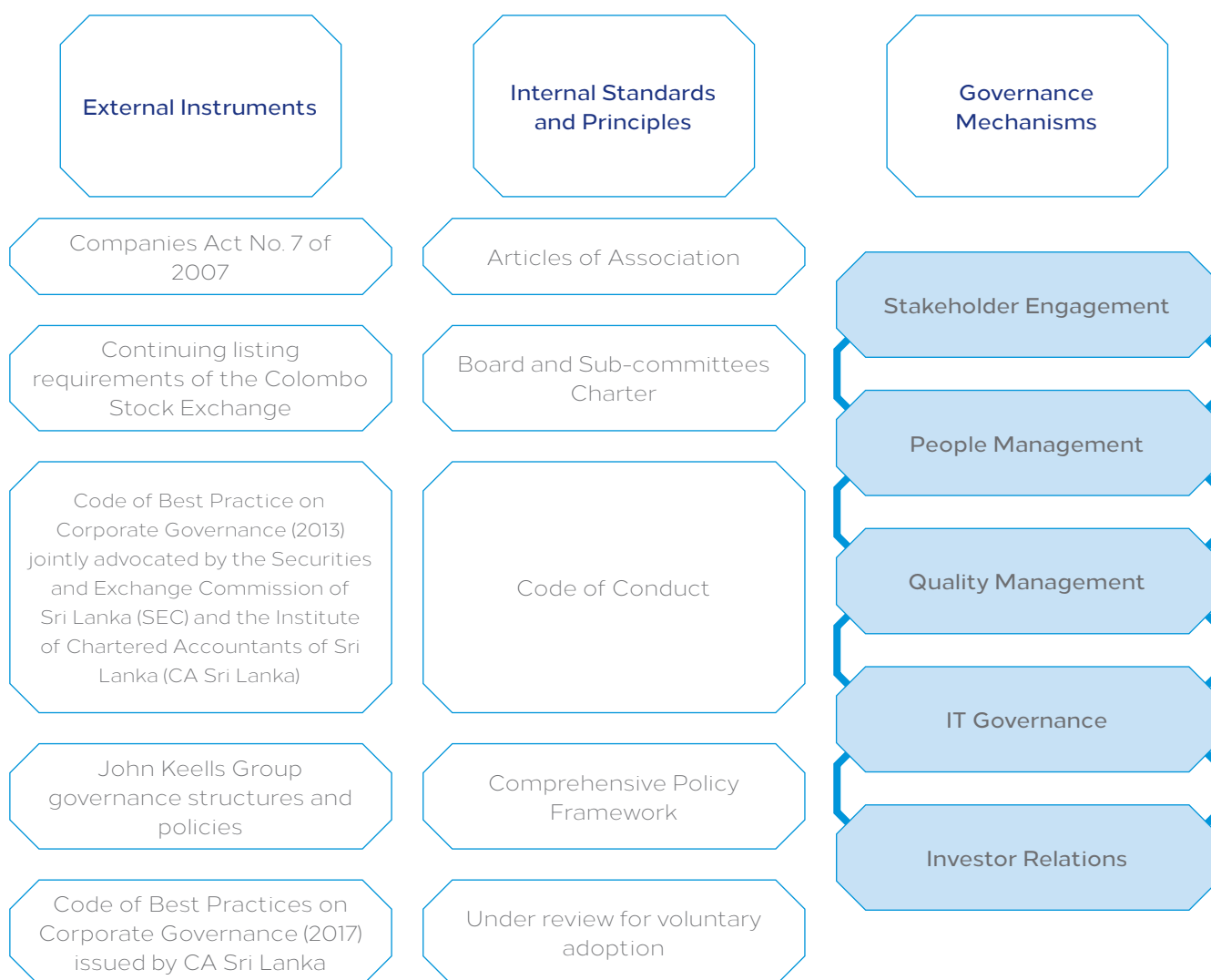




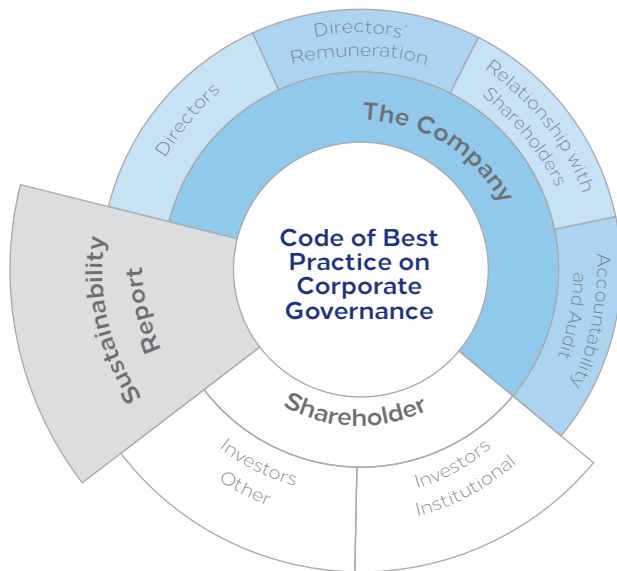
Endless adventure awaits...

Corporate Governance

Robust corporate governance practices are the bedrock of sustainable value creation at Trans Asia Hotels PLC, with the Board setting the tone at the top and guiding strategy while clearly defined governance structures and comprehensive policy frameworks ensure compliance. As part of the John Keells Group, many of the structures and policies conform to those of the Group, ensuring an agreed level of compliance within the Group. The Company's governance framework is based on the following internal and external steering instruments:



In providing a concise yet comprehensive overview of the Company's governance practices, this Report has been structured according to the Code of Best Practice on Corporate Governance 2013, issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, reflecting an overview of our current level of compliance with the same.



Total
9
Board
Composition



Independent
Non-Executive
Directors

4



Non-Executive,
Non-Independent
Directors

4



Executive
Director

1

An Effective Board

The Board of Directors provides leadership to the Company and is responsible for setting strategic direction, building and enhancing stakeholder relationships, determining risk appetite, reviewing performance against objectives and appointing key

management personnel. The Board has delegated its executive authority to the President of the Leisure Industry Group. The Board comprises of 09 directors who combine diverse skills and industry experience, thereby, enriching Board discussions and decision making.

Board Composition

The Board's composition ensures a healthy balance of executive authority and independent judgement. Composition of the Board is graphically depicted alongside. The Board has determined that, although Mr. N L Gooneratne has been a member of the Board for a period exceeding 09 years and does not satisfy the "number of years on the Board" criteria to be considered independent set out in the Listing Rules of Colombo Stock Exchange, given all the circumstances, he satisfied the other qualifying criteria to be deemed independent. The Board has also determined that although Mr. C J L. Pinto is a Director of Asian Hotels and Properties PLC, in the opinion of the Board he satisfies the other qualifying criteria of independence. Having considered the declarations made by the Directors and all relevant factors, the Board has also determined that Ms. J C Ponniah and Mr. E H Wijenaike are independent. The Board remains cognisant of the need to continuously refresh its composition over time.

Board Sub-Committees

As permitted by the Listing Rules, certain Board Committees of the parent and Ultimate Parent Company, John Keells Holdings PLC (JKH) function as the Board sub-committees of the Company. Notwithstanding functioning of the Board sub-committees, the Board of Directors are collectively responsible for the decisions taken by these sub-committees. Accordingly, the Nominations Committee of the Asian Hotels and Properties PLC functions as the Company's Nominations Committee while the Related Party Transactions Review Committee and the Human Resources and Compensations Committee of John Keells Holdings PLC provide key inputs in relation to its areas of responsibility. The Board has appointed an Audit Committee. Their composition and roles are summarised in the overleaf.

Corporate Governance (continued)

Board Committee and Composition	Mandate	Scope
Audit Committee (Trans Asia Hotels PLC)		
<p>Comprises 03 Independent Directors and the Chairperson is a Chartered Accountant. Current members are:</p> <ul style="list-style-type: none"> • Mr. C J L Pinto - Chairman • Mr. E H Wijenaike • Ms. J C Ponniah 	<p>Monitor and supervise the management's financial reporting process, internal controls, risk reviews and the audit function in ensuring:</p> <ul style="list-style-type: none"> • Accurate and timely disclosure • Transparency, integrity and quality of financial reporting 	<p>i. Confirm and assure:</p> <ul style="list-style-type: none"> • Independence of the External Auditor. • Objectivity of the Internal Auditor. <p>ii. Review with independent auditors the adequacy of internal controls and quality of financial reporting.</p> <p>iii. Regular review meetings with management, Internal Auditor and External Auditors in seeking assurance on various matters.</p> <p><i>Refer page 109 for Audit Committee Report</i></p>
Human Resources and Compensation Committee (John Keells Holdings PLC)		
<p>Comprises 03 Independent Directors. The Chairperson is a Non-Executive Director while the Chairman of the Board is a permanent member except during discussions on his own compensation. Current members are:</p> <ul style="list-style-type: none"> • Mr. D A Cabraal - Chairman • Mr. M A Omar • Dr. S S H Wijayasuriya 	<p>Determine Remuneration Policy and review implementation of the same in alignment with performance appraisal systems, conduct performance evaluation of CEO, review performance evaluation of the Board and its committees</p>	<p>i. Determine and agree with the Board a framework for remuneration of the Chairman and other Directors.</p> <p>ii. Consider targets, and benchmark principles for any performance related pay schemes.</p> <p>iii. Within the terms of agreed framework, determine total remuneration package of each Director keeping in mind;</p> <ul style="list-style-type: none"> • Performance • Industry Trends • Past Remuneration <p>iv. Succession Planning of Key Management</p>

Board Committee and Composition	Mandate	Scope
Nominations Committee (Asian Hotels and Properties PLC)		
Comprises 02 Independent Directors and one Non-Independent Director. Current members are: <ul style="list-style-type: none"> • Mr. S K G Senanayake • Ms. S A Jayasekera • Mr. S C Ratnayake 	Define and establish nomination process for Directors, lead the process and make Recommendations to the Board on the appointment of Directors.	<ul style="list-style-type: none"> i. Assess skills required on the Board given the needs of the businesses. ii. From time-to-time, assess the extent to which required skills are represented on the Board. iii. Prepare a clear description of the role and capabilities required for appointment. iv. Identify and recommend suitable candidates for appointments to the Board. v. Ensure that on appointment to the Board, Directors receive a formal letter of appointment specifying clearly: <ul style="list-style-type: none"> • Expectation in terms of time commitment. • Involvement outside of the formal board meetings. • Participation in committees.
Related Party Transaction Review Committee (John Keells Holdings PLC)		
Comprises 03 Independent Directors and one Non-Independent Director. The Chairperson is a Non-Executive Director. Current members are: <ul style="list-style-type: none"> Ms. M P Perera – <i>Chairperson</i> Mr. D A Cabraal Mr. A N Fonseka Mr. S C Ratnayake 	To ensure on behalf of the Board, that all Related Party Transactions of John Keells Holdings PLC and its subsidiaries are consistent with the Code of Best Practices on Related Party Transactions issued by the SEC.	<ul style="list-style-type: none"> i. Develop, and recommend for adoption by the Board of Directors of John Keells Holdings PLC and its subsidiaries, a Related Party Transaction Policy which is consistent with the Operating Model and the Delegated Decision Rights of the Group. ii. Update the Board of Directors on the related party transactions of each of the companies of the Group on a quarterly basis.

Tenure, Retirement and Re-election

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

The tenure of Non-Executive 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. One third of the Directors except for the Chairman, retire by rotation on the basis prescribed in the Articles, of Association of the Company. The proposal for the re-appointment of Directors is set out in the Directors Report as well as the Notice of Meeting on page 160 of this Report.

Corporate Governance (continued)

Name of Director / Capacity	Shareholding (i)	Management / Director (ii)	Material Business Relationship (iii)	Employee of Company (iv)	Family Member a Director or GM (v)	Continuous Service for 09 years (vi)
Non Executive, Non Independent Director (NED/NID)						
Mr. S C Ratnayake	Yes	Yes	No	No	No	N/A*
Mr J G A Cooray	Yes	Yes	No	No	No	N/A**
Mr. J R Gunaratne	No	Yes	No	No	No	N/A**
Mr. K N J Balendra	No	Yes	No	No	No	N/A***
Mr. A D Gunewardene (Resigned w.e.f. 31 December 2017)	Yes	Yes	No	No	No	N/A
Mr. J R F Peiris (Resigned w.e.f. 31 December 2017)	Yes	Yes	No	No	No	N/A
Non Executive, Independent Director (NED/ID)						
Mr. N L Gooneratne	Yes	No	No	No	No	Yes****
Mr. C J L Pinto	Yes	No	No	No	No	No*****
Mr. E H Wijenaike	No	No	No	No	No	No*****
Ms. J C Ponniah	No	No	No	No	No	No*****
Executive, Non Independent Director (ED/NID)						
Mr. R J Karunarajah	Yes	Yes	No	No	No	No*****

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% 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 09 years.

- * Appointed to the Board in September 2003 and has continuously served the Board since then.
- ** Appointed to the Board in January 2018
- *** 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

Meetings and Attendance

The Board meets on a quarterly basis and Directors' attendance during the year is given below.

Name of Director		28.04.17	25.07.17	25.10.17	19.01.18	Meetings Attended
Mr. S C Ratnayake	NI/NED	✓	✓	✓	✓	4/4
Mr. A D Gunewardene (Resigned w.e.f. 31st December 2017)	NI/NED	-	✓	✓	N/A	2/3
Mr. J R F Peiris (Resigned w.e.f. 31st December 2017)	NI/NED	✓	-	✓	N/A	2/3
Mr. K N J Balendara	NI/NED	✓	✓	✓	✓	4/4
Mr. J G A Cooray (Appointed w.e.f. 01st January 2018)	NI/NED	N/A	N/A	N/A	✓	1/1
Mr. J R Gunaratne (Appointed w.e.f. 01st January 2018)	NI/NED	N/A	N/A	N/A	✓	1/1
Mr. N L Gooneratne	I/NED	-	✓	✓	✓	3/4
Mr. C J L Pinto	I/NED	✓	-	✓	✓	3/4
Mr. E H Wijenaike	I/NED	✓	✓	-	✓	3/4
Ms. J C Ponniah	I/NED	✓	-	✓	✓	3/4
Mr. R J Karunarajah	NI/ED	✓	✓	✓	✓	4/4

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.

Role of Chairman and CEO

The Chairman of John Keells Holdings PLC (JKH) serves as the Chairman of Trans Asia Hotels PLC and is responsible for providing leadership to Board, engaging Non-Executive Directors and facilitating NED only meetings periodically. He sets the tone for the governance and ethical framework of the group, facilitates and encourages the expression of diverse views, and by keeping in touch with local and global industry developments, ensures that the Board is alert to its obligations to the Company's shareholders and other stakeholders.

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

- Board procedures are followed.
- Directors receive timely, accurate and clear information.
- Updates on matters arising between meetings.

- The agenda for the board meeting, reports and papers for discussion are dispatched at least one week in advance so that the directors are able to study the material and arrive at sound decisions.
- A proper record of all proceedings of Board meetings is maintained.

The roles of Chairman and CEO are segregated, and the General Manager is appointed by the Board with inputs from the Nominations Committee of the parent company, JKH. He is responsible for implementing the Company's strategic plans, guiding the senior management team, ensuring that the Company's operating

Corporate Governance (continued)

model is aligned to the strategic aspirations of the ultimate parent and ensuring effective succession planning at senior management level. The Board receives quarterly statements from the General Manager confirming compliance with regulatory requirements.

Board Induction and Training

The John Keells Group has a formal induction process for Directors designed to provide an overview of the John Keells Group values and culture, Group governance framework, policies and processes, Code of Conduct expected by the Company, business model of the Hotel's Group, strategy and the Directors' responsibilities in accordance with current legislation.

Directors are encouraged to update their skills and knowledge on a continuous basis and this is facilitated through the following activities:

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

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

Board 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.

Remuneration

The Remuneration policy is determined by the Human Resources and Compensation Committee of the Ultimate Parent Company JKH. Executive remuneration policy is designed to attract and retain highly capable executives and to motivate implementation of business strategy. The policy provides an appropriate balance between fixed remuneration and variable 'risk' reward based on both individual performance and an organisational performance matrix which covers revenue and after-tax profit. Trans Asia Hotels PLC does not have an employee share option scheme (ESOP). However, eligible employees are entitled to receive employee share options (ESOP) of the parent company JKH based on actual performance.

Compensation of Non-Executive, Independent Directors (NED/ID) are determined with reference to fees paid to other NED/IDs of comparable companies and is adjusted where necessary. Fees received by NED/IDs are determined by the Board and reviewed annually. NED/IDs do not receive any performance/incentive payments and are not eligible to participate in any of the Group's share option plans. The NED/IDs fees are not subject to time spent or defined by a maximum/minimum number of hours committed to the Group per annum, and hence are not subject to additional/lower fees for additional/lesser time devoted.

Directors' fees applicable to Non-Executive, Non Independent Directors (NED/NIDs) nominated by JKH are paid directly to JKH and not to individuals. The aggregate remuneration paid to Directors is disclosed on page 129 of this report.

Shareholder Relations

Shareholders appoint Directors, receive annual reports and appoint auditors on a regular basis in accordance with the Companies Act No. 7 of 2007. The Board recommends suitable candidates for appointment as Directors to Shareholders with assistance from the Nominations Committee. The Annual General Meeting (AGM) is the main platform for engaging with shareholders, and all shareholders are given the opportunity to raise questions to gain a better understanding of the Company's strategy, business model and future plans. The Chairman of the Audit Committee and the Auditors attend the AGMs to respond to queries that may be raised by the shareholders.

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

Company Secretary

The Company Secretary is responsible for inducting new Directors, assist the Chairman and the Board of Directors in determining the annual Board Plan, guide 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.

Assurance

A system of 'assurance' is in place as the supervisory module of the Company's Corporate Governance Framework to ensure high standards of integrity, accuracy and transparency.

Whistle-blower Policy

'The Chairman Direct' Line allows employees to raise 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 ensured of complete confidentiality and such complaints are investigated and addressed via a selected committee under the direction of the Chairman.

Ombudsperson and Grievance Mechanism

The John Keells Group has appointed an Ombudsperson who is authorised to entertain complaints from employees, irrespective of level, of alleged violations of the published Code of Conduct of the Group. The Chairman or the Senior Independent Director, 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.

Additionally, skip level meetings, exit interviews, 360° evaluations conducted by an independent third party and Great Place to Work surveys provide opportunities for employees to provide feedback on a wide range of potential issues at the workplace.

Corporate Governance (continued)

Code of Conduct

All employees and the Board of Directors are bound by the John Keells Group Code of Conduct which clearly defines the behaviour expected of employees in performing their duties and stakeholder interactions. The Chairman of the Board affirms that there were no material violations of any of the provisions of the Code of Conduct during the year. 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.

John Keells Group 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

IT Governance

IT Governance plays a key role in facilitating performance while ensuring compliance and accountability. The Company's IT framework has evolved from the simple automation of repetitive back office functions to providing a robust interface for customer reservations and availability of real time management information. As reliance on IT increased over the years, IT governance has been a key focus of the Board to ensure security and reliability of the system and the information produced by the same which impacts all aspects of our operations.

The John Keells Group has progressively improved service quality and mitigated IT risks by implementing prudent internal controls based on the Information Security Management guidelines outlined in ISO 27001 within the COSO framework

which covers both risk and business continuity management. The Company has also been successful in mitigating IT risks through internally developed IT policy guidelines, stringent internal and external audits and compliance requirements which are conducted annually 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.

Risk Management and Internal Controls

The Board holds ultimate responsibility for formulating and implementing an effective and proactive risk management framework. The Company's risk management framework ensures that existing and emerging risks arising from the external and internal operating landscapes are effectively managed in creating and preserving stakeholder value. (Please refer to page 54 of this Annual Report for an overview of the Company's key risk exposures and how they were mitigated during the year). The Board Audit Committee ensures the sufficiency and effectiveness of the Company's internal control systems.

Internal Controls

A robust framework of internal controls ensure that proper accounting records are maintained, assets are safe-guarded and information is disbursed to all relevant stakeholders in a timely manner. Key elements of such procedures are as follows:

- Clearly defined formal policies and procedures 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.
- The annual budgets are approved by the Board after detailed management review.
- 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.

Investment Appraisal

The Company has a formalised process in place for investment appraisals, which ensure that the involvement of the relevant persons when capital investment decisions are made. Several views, opinions and advice are obtained prior to the investment decision being made. Experience has proven that a holistic and well debated view of the commercial viability and potential of proposed projects including operational, financial, funding, risk and tax implications has usually culminated in a good result. Project appraisal and capital investment decisions are processed through a committee structure which safeguards against one individual having unfettered decision-making powers in such decisions.

Sustainability

As an operation with sizable social and environmental impacts, the Company strives to embed the principles of sustainability to its operations and consistently monitors the opportunities and risks presented to it by economic,

environmental and social developments in the operating context. The Company has a systematic process in place for identifying and responding to stakeholder concerns as enumerated on page 46 of this Report.

The Company's corporate reporting has also evolved towards embracing the principles of sustainability and this Report aims to discuss the opportunities, risks and performance of all economic, social and environmental material aspects that can affect the Company's value creation process and its key stakeholders. This Annual Report is an Integrated Report, prepared in line with the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC). It also complies with the GRI Standards published by the Global Reporting Initiative for sustainability reporting.

The main sustainability disclosures prescribed by the Code of Best Practice are as follows:

Disclosure	Page Reference	Compliance
Economic Performance	67	Adopted
The Environment	84	Adopted
Labour Practice	74	Adopted
Society	83	Adopted
Product Service and Responsibility	79	Adopted
Stakeholder identification, engagement and effective communication	46	Adopted
Sustainable Reporting and Disclosure	74 - 87	Adopted

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.

Corporate Governance (continued)

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

CSE Rule 7.6		Compliance Status	Reference in the Annual Report
(i)	Names of people who were Directors of the Entity during the financial year.	Complied	Board of Directors
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein.	Complied	Business Model
(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	Shareholder Information and Share Holding
(iv)	The public holding percentage.	Complied	Shareholder Information and Share Holding
(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	Shareholder Information and Share Holding
(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.	During the year 2017/18, there were no material issues pertaining to employees and industrial 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	Shareholder Information and Share Holding
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Complied	Shareholder Information and Share Holding
(xi)	Financial ratios and market price information.	Complied	Shareholder Information and Share Holding / Performance Highlights
(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	Shareholder Information and Share Holding

CSE Rule 7.6		Compliance Status	Reference in the Annual Report
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes.	Complied	Notes to the Financial Statements
(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% of the equity or 5% of the total assets of the Entity as per audited financial statements, whichever is lower.	Complied	Corporate Governance

Corporate Governance Check List

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

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10 Compliance				
a./b./c.	Compliance with Corporate Governance Rules	The Company is in compliance with the Corporate Governance Rules and any deviations are explained where applicable.	✓	Corporate Governance
7.10.1 Non Executive Directors				
a./b./c.	Non-Executive Directors (NED)	At least 02 or 1/3 of the total number of Directors, whichever is higher should be NEDs.	✓	Corporate Governance
7.10.2 Independent Directors				
a.	Independent Directors (ID)	2 or 1/3 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

Corporate Governance (continued)

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.3 Disclosures Relating to Directors				
a./b.	Disclosure relating to Directors	i. The Board annually determines the independence or otherwise of the NEDs. ii. Names of IDs should be disclosed in the Annual Report (AR).	✓	Corporate Governance
c.	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.	✓	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.	✓	Board of Directors (profile) section in the Annual Report
7.10.4 Criteria for Defining Independence				
(a-h)	Determination of Independence	Requirements for meeting criteria to be an independent Director.	✓	Corporate Governance
7.10.5 Remuneration Committee				
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.	✓	Corporate Governance
b.	Functions of Remuneration Committee	The RC shall recommend the remuneration of the General Manager (GM) and NEDs.	✓	Corporate Governance
c.	Disclosure in the Annual Report relating to Remuneration Committee	i. Names of Directors comprising the RC. ii. A statement of remuneration policy. iii. The aggregate remuneration paid to Executive and Non-Executive Directors.	✓	Corporate Governance, Corporate Governance of Holding Company and Notes to the Financial Statements
7.10.6 Audit Committee				
a.	Composition of Audit Committee (AC)	i. Shall comprise of NEDs a majority of whom should be independent. ii. A NED shall be appointed as the Chairman of the Committee. iii. GM and Director Finance of the Company should attend AC meetings. iv. The Chairman of the AC or one member should be a member of a recognised professional accounting body.	✓	Corporate Governance and the Board Committee Reports.

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
b.	Audit Committee Functions	<ul style="list-style-type: none"> i. Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS). ii. Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. iii. Overseeing the process to ensuring the internal controls and risk management are adequate to meet the requirements of the SLFRS/LKAS. iv. Assessment of the independence and performance of the External Auditors. 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. 	✓	Corporate Governance and Audit Committee Report.
c	Disclosure in Annual Report relating to Audit Committee	<ul style="list-style-type: none"> i. Names of Directors comprising the Audit Committee. ii. The Audit Committee shall make a determination of the independence of the External Auditors and disclose the basis for such determination. iii. The Annual Report shall contain a report on the manner in which the Audit Committee carried out its functions. 	✓	Corporate Governance and the Board Committee Reports.

Adoption of Code of Best Practice - Checklist

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	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.1 DIRECTORS – Board				
A.1	The Board	<ul style="list-style-type: none"> • The Company is to be headed by an effective Board to direct and control the Company 	✓	Corporate Governance
A.1.1	Frequency of Board Meetings	<ul style="list-style-type: none"> • The Board should meet regularly, at least once in every quarter of a financial year 	✓	Corporate Governance / Directors' Report

Corporate Governance (continued)

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.1.2	Responsibilities of the Board	<ul style="list-style-type: none"> Formulation and implementation of strategy, skill, experience, knowledge and adequacy of management and succession strategy. Integrity of information, internal controls and risk management, compliance with laws, regulations and ethical standards. Code of conduct. Adoption of appropriate accounting policies. 	✓	Corporate Governance
A.1.3	Access to Professional Advice	<ul style="list-style-type: none"> Procedures to obtain independent professional advice when deemed necessary. 	✓	Corporate Governance
A.1.4	Company Secretary	<ul style="list-style-type: none"> Ensure adherence to Board procedures and applicable rules and regulations. Procedure for Directors to access services of Company Secretary. 	✓	Corporate Governance
A.1.5	Independent Judgement	<ul style="list-style-type: none"> The Directors should exercise independent judgement on issues of strategy, resources, performance and standards of business judgement. 	✓	Corporate Governance
A.1.6	Dedication of Adequate Time and Effort by Directors	<ul style="list-style-type: none"> The Directors should devote adequate time and effort to discharge their responsibilities to the Company satisfactorily. 	✓	Corporate Governance
A.1.7	Training for Directors	<ul style="list-style-type: none"> The Directors should receive appropriate induction, training, hone skills and expand knowledge to more effectively perform duties 	✓	Corporate Governance
A.2 DIRECTORS - Chairman and Chief Executive Officer				
A.2	Division of Responsibilities to Ensure no Individual has Unfettered Powers of Decision	<ul style="list-style-type: none"> A balance of power and authority to be maintained by separating responsibility for conducting board business from that of executive decision making. 	✓	Corporate Governance
A.3 DIRECTORS - Role of Chairman				
A.3	Ensure Good Corporate Governance	<ul style="list-style-type: none"> Chairman to preserve order and facilitate effective discharge of Board functions by proper conduct of Board proceedings and meetings. 	✓	Corporate Governance
A.4 DIRECTORS - Financial Acumen				
A.4	Possession of Adequate Financial Acumen	<ul style="list-style-type: none"> The Board is to ensure adequacy of financial acumen and knowledge within the Board. 	✓	Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A. 5 DIRECTORS – Board Balance				
A.5.1	Composition of Board	<ul style="list-style-type: none"> The Board should include a sufficient number of Non-Executive, independent Directors. 	✓	Corporate Governance
A.5.2	Proportion of Independent Directors	<ul style="list-style-type: none"> 02 or 1/3 of the Non-Executive Directors should be independent. 	✓	Corporate Governance
A.5.3	Definition of independence	<ul style="list-style-type: none"> 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. 	✓	Corporate Governance
A.5.4	Declaration of independence	<ul style="list-style-type: none"> Non-Executive Directors should submit a signed and dated declaration of their independence / non-independence. 	✓	Corporate Governance / Directors' Report.
A.5.5	Annual Determination of Criteria of Independence / Non-independence and Declaration of same by Board.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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 style="list-style-type: none"> If the roles of Chairman / CEO are combined, a Non-Executive Director should be appointed as a Senior Independent Director. 	N/A	N/A
A.5.8	Availability of Senior Independent Director to other Directors.	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> The Chairman should meet the Non-Executive, Independent Directors at least once a year without the Executive Directors being present. 	✓	Corporate Governance
A.5.10	Directors concerns to be recorded	<ul style="list-style-type: none"> Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they are to ensure their concerns are recorded in Board minutes. 	N/A	N/A

Corporate Governance (continued)

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.6 DIRECTORS - Supply of Information				
A.6.1	Provision of Adequate Information to Board	<ul style="list-style-type: none"> Management to ensure that the Board is provided with timely and appropriate information. 	✓	Corporate Governance
A.6.2	Adequacy of Notice and formal agenda to be discussed at Board meetings	<ul style="list-style-type: none"> Board minutes, agenda and papers should be circulated at least 07 days before the Board meeting. 	✓	Corporate Governance
A.7 DIRECTORS - Appointments to the Board				
A.7	Appointments to the Board	<ul style="list-style-type: none"> Formal and transparent procedure for Board appointments. 	✓	Corporate Governance
A.7.1	Nomination Committee	<ul style="list-style-type: none"> Nomination committee of the Asian Hotels and Properties PLC function as the Nomination Committee of the Company and make recommendations to the Board on new Board appointments. 	✓	Corporate Governance
A.7.2	Annual assessment of Board composition	<ul style="list-style-type: none"> Nomination committee or Board should annually assess the composition of Board. 	✓	Corporate Governance
A.7.3	Disclosure of new Board appointments	<ul style="list-style-type: none"> Profiles of new Board appointments to be communicated to shareholders. 	✓	Corporate Governance / Notice of Meeting
A.8 DIRECTORS - Re-election				
A.8.1	Appointment of Non-Executive Directors	<ul style="list-style-type: none"> Appointment of Non-Executive Directors should be for a specified terms and re-election should not be automatic. 	✓	Corporate Governance / Annual Report of the Board of Directors
A.8.2	Re-election of Directors by Shareholders	<ul style="list-style-type: none"> The appointment of all Directors should be subject to re-election by shareholders at the first opportunity after such appointment. 	✓	Corporate Governance / Notice of Meeting/ Annual Report of the Board of Directors
A.9 DIRECTORS - Appraisal of Board Performance				
A.9.1	Annual Appraisal of Board Performance	<ul style="list-style-type: none"> The Board should annually appraise how effectively it has discharged its key responsibilities. 	✓	Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.9.2	Self Evaluation of Board and Board Committees	<ul style="list-style-type: none"> The Board should evaluate its performance and that of its committees annually. 	✓	Corporate Governance / Audit Committee Report
A.9.2	Declaration of Basis of Performance Evaluation	<ul style="list-style-type: none"> The Board should disclose how performance evaluations have been carried out in the Annual Report. 	✓	Corporate Governance
A.10 DIRECTORS - Disclosure of Information in Respect of Directors				
A.10.1	Biographical Profiles and Relevant Details of Directors to be Disclosed	<ul style="list-style-type: none"> Annual Report should disclose the biographical details of Directors and attendance at Board/ Committee meetings. 	✓	Board of Directors /Corporate Governance / Audit Committee Report
A.11 DIRECTORS - Appraisal of Chief Executive Officer				
A.11.1	Short, Medium and Long Term Objectives, Financial and Non-Financial Objectives to Be Set	<ul style="list-style-type: none"> The Board should set out the short, medium and long term objectives, financial and non-financial objectives at the commencement of each year. 	✓	Corporate Governance
A.11.2	Evaluation Of General Managers Performance	<ul style="list-style-type: none"> The performance of the CEO should be evaluated by the Board at the end of the year. 	✓	Corporate Governance
B.1 DIRECTORS REMUNERATION - Remuneration Procedure				
B.1.1	Appointment of Remuneration Committee	<ul style="list-style-type: none"> Remuneration Committee of the Ultimate Parent Company may function as such for the Company to make recommendations on directors remuneration. 	✓	Corporate Governance
B.1.2	Composition of Remuneration Committee	<ul style="list-style-type: none"> Board to appoint only Non-Executive Directors to serve on Remuneration Committee. 	✓	Corporate Governance
B.1.3	Disclosure of Members of Remuneration Committee	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Board to determine the level of remuneration of Non-Executive Directors. 	✓	Corporate Governance
B.1.5	Access to Professional Advice	<ul style="list-style-type: none"> Remuneration Committee should have access to professional advice in order to determine appropriate remuneration for Executive Directors. 	✓	Corporate Governance

Corporate Governance (continued)

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
B.2 DIRECTORS' REMUNERATION - Level and Make Up of Remuneration				
B.2.1	Remuneration Packages for Executive Directors	<ul style="list-style-type: none"> Packages should be structured to attract, retain and motivate Executive Directors. 	✓	Corporate Governance
B.2.2	Remuneration Packages to be Appropriately Positioned	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Performance related elements of remuneration should be aligned with interests of Company. 	✓	Corporate Governance
B.2.5	Share Options	<ul style="list-style-type: none"> Executive share options should not be offered at a discount. 	✓	Corporate Governance
B.2.6	Remuneration Packages for Non-Executive Directors	<ul style="list-style-type: none"> Should reflect time commitment and responsibilities of role and in line with existing market practice. 	✓	Corporate Governance
B.3 DIRECTORS' REMUNERATION - Disclosure of Remuneration				
B.3.1	Disclosure of Details of Remuneration	<ul style="list-style-type: none"> The Annual Report should disclose the remuneration paid to Directors. 	✓	Financial Statements - Note 9
C.1 RELATIONS WITH SHAREHOLDERS – Constructive Use and Conduct of Annual General Meeting (AGM)				
C.1.1	Proxy Votes to be Counted	<ul style="list-style-type: none"> The Company should count and indicate the level of proxies lodged for and against in respect of each resolution. 	✓	Corporate Governance
C.1.2	Separate Resolutions	<ul style="list-style-type: none"> Separate resolutions should be proposed for substantially separate issues. 	✓	Corporate Governance / Notice of Meeting
C.1.3	Availability of Committee Chairmen at AGM	<ul style="list-style-type: none"> The Chairmen of Board committees should be available to answer any queries at AGM. 	✓	Corporate Governance
C.1.4	Notice of AGM	<ul style="list-style-type: none"> 15 working days notice to be given to shareholders. 	✓	Notice of Meeting

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
C.15	Procedure for Voting at Meetings	<ul style="list-style-type: none"> Company to circulate the procedure for voting with Notice of Meeting. 	✓	Notice of Meeting
C.2 COMMUNICATION WITH SHAREHOLDERS				
C.2.1	Channel of Communication	<ul style="list-style-type: none"> Channel to reach all shareholders to disseminate timely information. 	✓	Corporate Governance
C.2.2 –C.2.7	Policy and Methodology of Communication	<ul style="list-style-type: none"> Policy and Methodology of communication with shareholders and implementation. 	✓	Corporate Governance
C.3 MAJOR AND MATERIAL TRANSACTIONS INCLUDING MAJOR RELATED PARTY TRANSACTIONS				
C.3.1	Disclosure of Material Major Transactions	<ul style="list-style-type: none"> Disclosure of all material facts involving all material transactions including related party transactions. 	✓	Notes to Financial Statements
D.1 ACCOUNTABILITY AND AUDIT - Financial Reporting				
D.1.1	Presentation of Public Reports	<ul style="list-style-type: none"> Should be balanced, understandable and comply with statutory and regulatory requirements. 	✓	Business Model / Creating Value / Corporate Governance / Risk Management / Financial Statements
D.1.2	Directors Report	<p>The Directors' Report should be included in the Annual Report and confirm that</p> <ul style="list-style-type: none"> the Company has not contravened laws or regulations in conducting its activities. Material interests in contracts have been declared by Directors. the Company has endeavoured to ensure equitable treatment of shareholders. that the business is a "going concern". 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. 	✓	Audit Committee Report / Annual Report of the Board of Directors / Financial Statements / Corporate Governance / Risk Management
D.1.3	Respective Responsibilities of Directors and Auditors	<ul style="list-style-type: none"> 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 style="list-style-type: none"> Annual Report to include section on Management Discussion and Analysis. 	✓	Business Model / Creating Value

Corporate Governance (continued)

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.15	Going Concern	<ul style="list-style-type: none"> Directors to substantiate and report that the business is a going concern or qualify accordingly. 	✓	Annual Report of the Board of Directors
D.16	Serious Loss of Capital	<ul style="list-style-type: none"> Directors to summon an Extraordinary General Meeting in the event that the net assets of the Company falls below 50% of the value of Shareholders Funds. 	N/A	N/A
D.17	Related Party Transactions	<ul style="list-style-type: none"> Disclosure of Related Party Transactions. 	✓	Notes to the Financial Statements
D.2 ACCOUNTABILITY AND AUDIT - Internal Control				
D.2.1	Effectiveness of System of Internal Controls	<ul style="list-style-type: none"> Directors to annually conduct a review of the effectiveness of the system of internal controls. This responsibility may be delegated to the Audit Committee. 	✓	Audit Committee Report / Risk Management
D.2.2	Functionality	<ul style="list-style-type: none"> Internal Audit Function. 	✓	Corporate Governance
D.2.3 / D.2.4	Continuity of Internal control	<ul style="list-style-type: none"> Maintaining a sound system of internal control. 	✓	Corporate Governance
D.3 AUDIT COMMITTEE				
D.3.1	Chairman and Composition of Audit Committee	<ul style="list-style-type: none"> Should comprise of a minimum of two independent, Non-Executive directors. Audit Committee Chairman should be appointed by the Board. 	✓	Audit Committee Report
D.3.2	Duties of Audit Committee	Should include; <ul style="list-style-type: none"> Review of scope and results of audit and its effectiveness. Independence and objectivity of the Auditors. 	✓	Audit Committee Report
D.3.3	Terms of Reference / Charter	<ul style="list-style-type: none"> The Audit Committee should have a written Terms of Reference which defines the purpose of the Committee and its duties and responsibilities. 	✓	Audit Committee Report
D.3.4	Disclosures	<ul style="list-style-type: none"> The Annual Report should disclose the names of directors serving on the Audit Committee. The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination. The Annual Report should contain a report by the Audit Committee setting out the manner of the compliance of the Company during the period to which the Report relates. 	✓	Corporate Governance / Audit Committee Report

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.4 CODE OF BUSINESS CONDUCT AND ETHICS				
D.4.1	Adoption of Code of Business Conduct and Ethics	<ul style="list-style-type: none"> The Company must adopt a Code of Business Conduct and Ethics for Directors and members of the senior management team and promptly disclose any violation of the Code. 	✓	Corporate Governance
D.4.2	Chairman's Affirmation	<ul style="list-style-type: none"> 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 Message / Annual Report of the Board of Directors
D.5 CORPORATE GOVERNANCE DISCLOSURES				
D.5.1	Corporate Governance Report	<ul style="list-style-type: none"> The Annual Report should include a report setting 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. INSTITUTIONAL INVESTORS				
E.1 Shareholder Voting				
E.1.1	Structured Dialogue with Shareholders	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Institutional investors should be encouraged to consider the relevant factors drawn to their attention with regard to Board structure and composition. 	✓	Corporate Governance
F. OTHER INVESTORS – Investing Divesting Decisions				
F.1.	Individual Investors	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Individual shareholders should be encouraged to participate and exercise their voting rights. 	✓	Corporate Governance / Form of Proxy
G. SUSTAINABILITY REPORTING				
G.1 – G.1.7	Sustainability Reporting	<ul style="list-style-type: none"> Disclosure on adherence to sustainability principles. 	✓	Contributing to Sustainability Development Goals





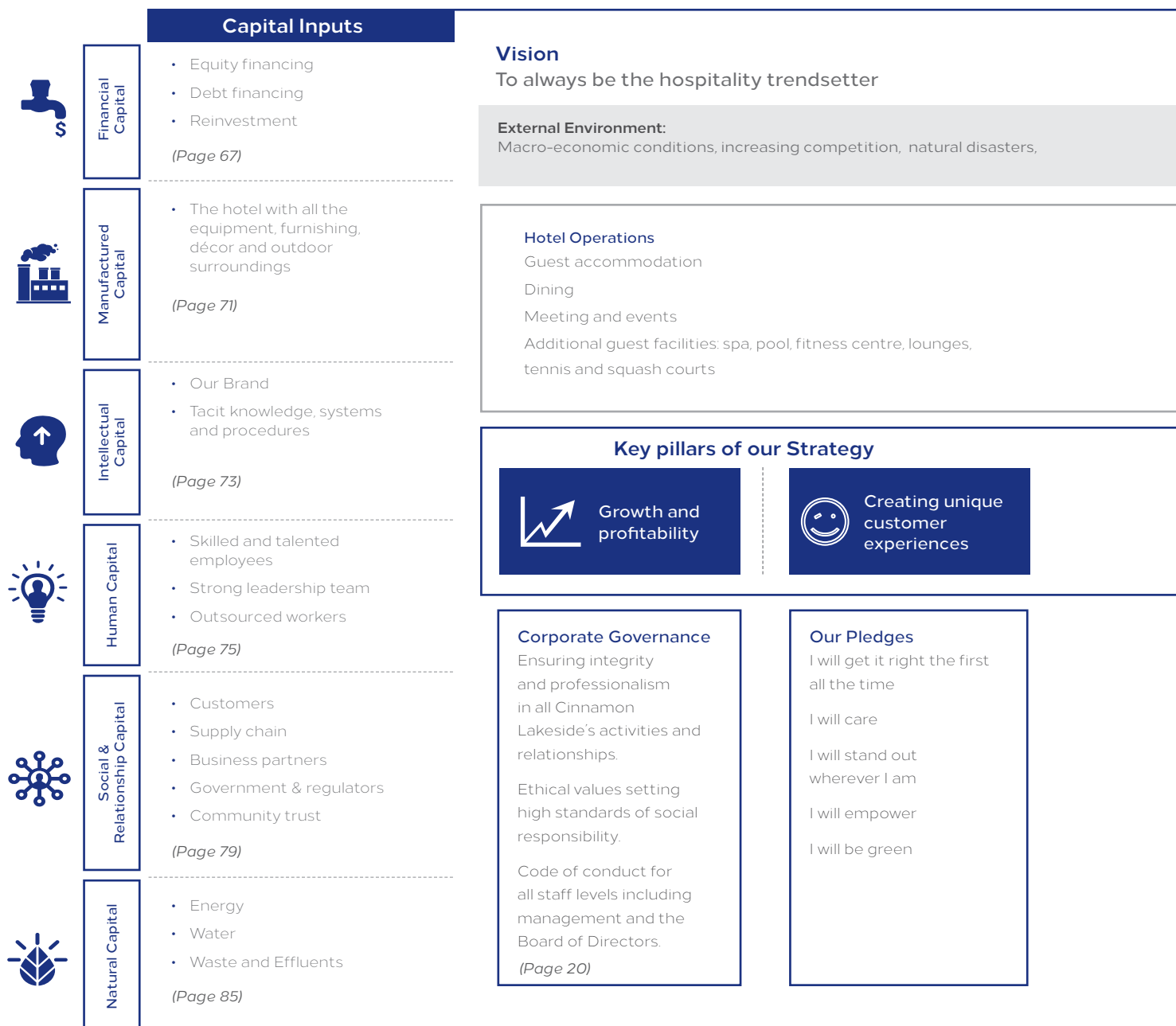
An epicurean escapade

Value Creation Model

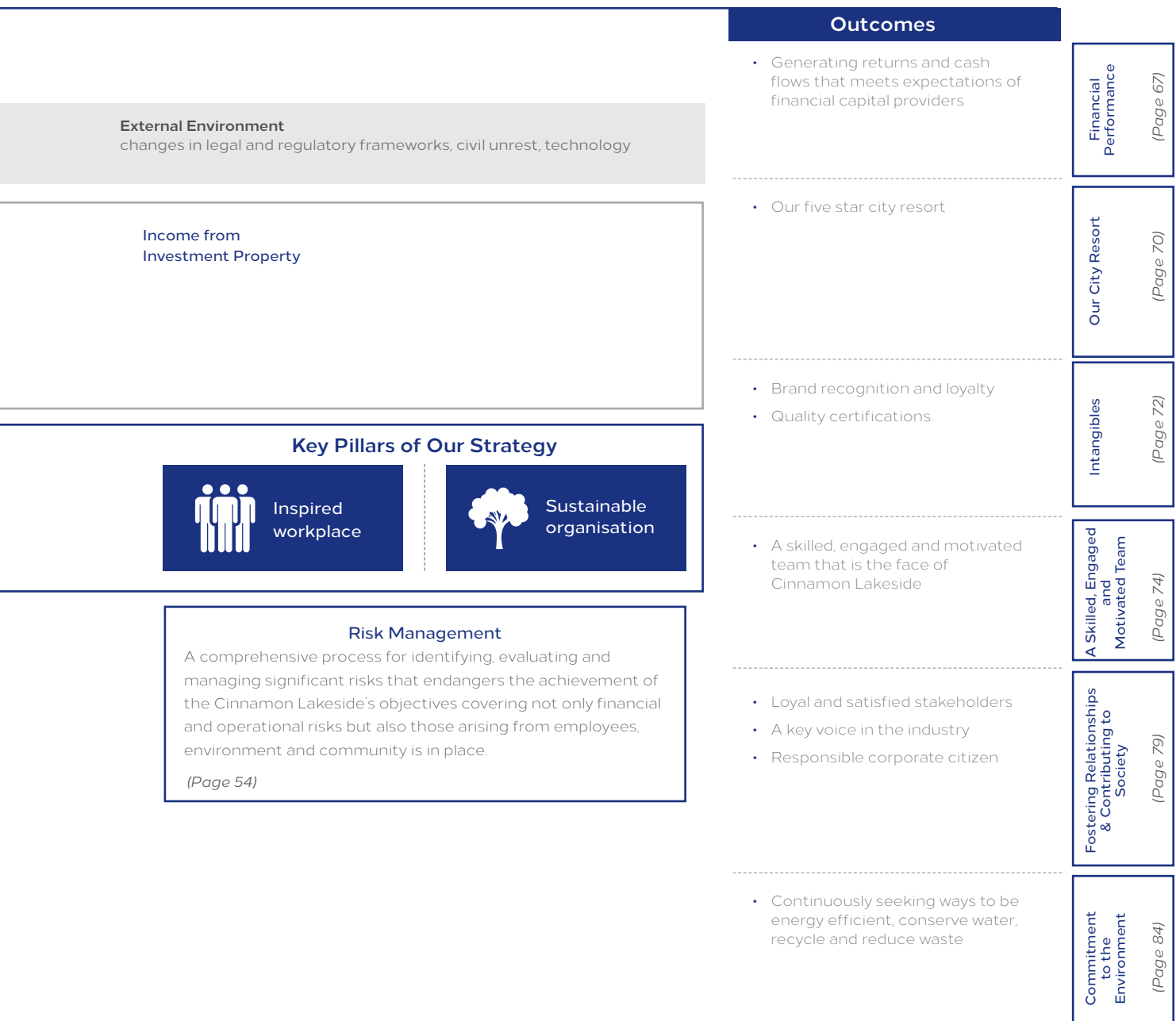
Understanding Our Business Model

Trans Asia Hotels PLC also known as Cinnamon Lakeside is a five-star city hotel located in the heart of the business district in the city of Colombo. Whilst operating the hotel is its core activity, Trans Asia Hotels PLC also derives rental income from its Commercial Centre Building.

The foundation of our business model is our vision of 'always being the hospitality trendsetter' together with the values embedded in our 'pledges'. The resources and relationships that Cinnamon Lakeside use







and in turn are affected by our business are what we refer to as capitals – financial capital, manufactured capital, human capital, social and relationship capital and natural capital. The external environment, including economic conditions, technological change, societal issues and environmental challenges, sets the context within which Cinnamon Lakeside operates. Our business model draws on the various capitals as inputs, and through its business activities that interacts with the external environment, converts them to outputs and outcomes. These activities are supported by strong corporate governance practices and a robust risk management framework.




Stakeholder Engagement

Cinnamon Lakeside identifies and engages with stakeholders who are significantly affected by our business and who in turn can be reasonably expected to affect our ability to create value. We systematically engage with our stakeholders through clearly established lines of communications to ensure we are continuously updated about their expectations and interests. This has resulted in increased accountability to several stakeholders and helped to build and strengthen trust.

Stakeholder	Importance of Engagement	Engagement Mechanism and Frequency	Key Topics and Concerns Raised	Response Strategies
Shareholders The Company's major shareholders are John Keells Holdings PLC (48.64% share) and Asian Hotels and Properties PLC (43.41%). The remaining shares are held by 6.01% institutional investors and 1.94% retail investors.	Shareholders provide funding for future growth plans.	<ul style="list-style-type: none"> • AGM (annual). • Interim Financial Statements (quarterly). • Annual Report. • Corporate Website (ongoing). • Announcements Made to the Colombo Stock Exchange (As and When Required). 	<ul style="list-style-type: none"> • Return on Investment • Sustainable Growth • Corporate Governance and Ethics • Risk Management • Growth Opportunities and Future outlook 	<ul style="list-style-type: none"> • Drive occupancy • Drive customer footfall • F&B customer retention • Increased online presence 
Guests The hotel caters to both local and international guests from all regions of the world	Guest satisfaction is critical to draw new customers and ensure the loyalty of existing guests.	<ul style="list-style-type: none"> • Guest satisfaction surveys on iPad (on check out). • Feedback on travel websites and social media platforms (ongoing). • Face to face interactions (as required). 	<ul style="list-style-type: none"> • Service Efficiency. • Recognition/ Personalised Service. • Comfortable Stay. • Safety – Food & Premises. • Choices Available. 	<ul style="list-style-type: none"> • VIP Programme for Repeat Guests. • Negative Guest Ratings Addressed Immediately and Action Taken to Ensure Non-Repetition. • Staff training. • Nationalities of Tourists Considered When Providing Services. 

Stakeholder	Importance of Engagement	Engagement Mechanism and Frequency	Key Topics and Concerns Raised	Response Strategies
Employees Our team comprises 750 employees who are among the most sought after in the industry and are a key source of competitive edge.	Employees are the face of the hospitality industry and are key in ensuring a satisfactory guest experience.	<ul style="list-style-type: none"> • Structured 'Skip level' meetings (as required). • 360 degree surveys and 'Voice of Employee' survey (annually). • Great Place to Work Survey (once in 4 years). • Ombudsperson appointed by the Ultimate Parent Company (as required). • 'Chairman Direct' – a link to raise concerns about unethical behaviour / violation of group values to the Chairman of the Ultimate Parent Company (as required). • Performance Appraisals (mid year/annually). 	<ul style="list-style-type: none"> • Competitive Remuneration Package. • Opportunities for Career Progression. • Training and Development. 	<ul style="list-style-type: none"> • Strengthened remuneration and recognition programmes for key and high performing employees. • Structured learning and development opportunities for high performing employees. • Recognition of high performing employees and teams every quarter. 
Supply Chain We procure raw materials and other inputs from a range of large, SME and individual suppliers.	An uninterrupted supply chain is important to ensure hotel operations are not disrupted / reasonable supply costs / quality of supplies	<ul style="list-style-type: none"> • Review and audit of suppliers (ongoing) • Awareness programmes conducted for suppliers by Cinnamon Lakeside (as required) 	<ul style="list-style-type: none"> • Reasonable pricing • Timing of supply of goods 	<ul style="list-style-type: none"> • Monthly meetings to determine supplier prices • If there is a marked increase in the overall prices in the market, supplier prices are revised • Suppliers are clearly instructed on the timeline for deliveries 

Stakeholder Engagement (continued)

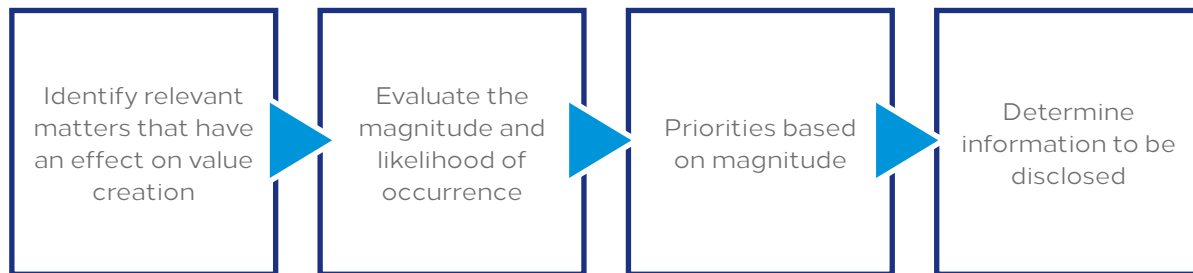
Stakeholder	Importance of Engagement	Engagement Mechanism and Frequency	Key Topics and Concerns Raised	Response Strategies
Business Partners Local and international tour operators, travel agents and destination management companies	Ability to promote Cinnamon Lakeside and generate additional business	<ul style="list-style-type: none"> • Multi layered relationship management (ongoing) • Visiting and entertaining (ongoing) • Trade exhibitions and fairs (as required) • Quality and performance reviews (ongoing) 	<ul style="list-style-type: none"> • Satisfaction of guests • Pricing • Relationship with Hotel • Ease of transacting 	<ul style="list-style-type: none"> • Group bookings – liaising with the guests in advance to identify their needs and preferences • Be in constant touch/similar understanding with business partners 
Government/Regulatory Authorities Our regulatory authorities include the Sri Lanka Tourism Development Authority, the Inland Revenue Department and, Local Councils, amongst others.	Compliance with laws and regulations and to be an active and significant voice in industry concerns	<ul style="list-style-type: none"> • Direct engagement with government officials and regulators at various levels (ongoing) • Membership in industry associations and participating in industry forums (ongoing) 	<ul style="list-style-type: none"> • Compliance with laws and regulations • Contribute to the development of the hospitality industry 	<ul style="list-style-type: none"> • To be updated on all laws and regulations and ensure compliance • Be actively involved in industry forums 
Community Communities adjacent to our operating sites	Be a responsible corporate citizen	<ul style="list-style-type: none"> • Philanthropic and other projects that impact the community in the long run (ongoing) 	<ul style="list-style-type: none"> • Contributing to the community 	<ul style="list-style-type: none"> • Initiatives taken for sustainable operations • Community development projects/ philanthropic projects are initiated each year 

Material Matters

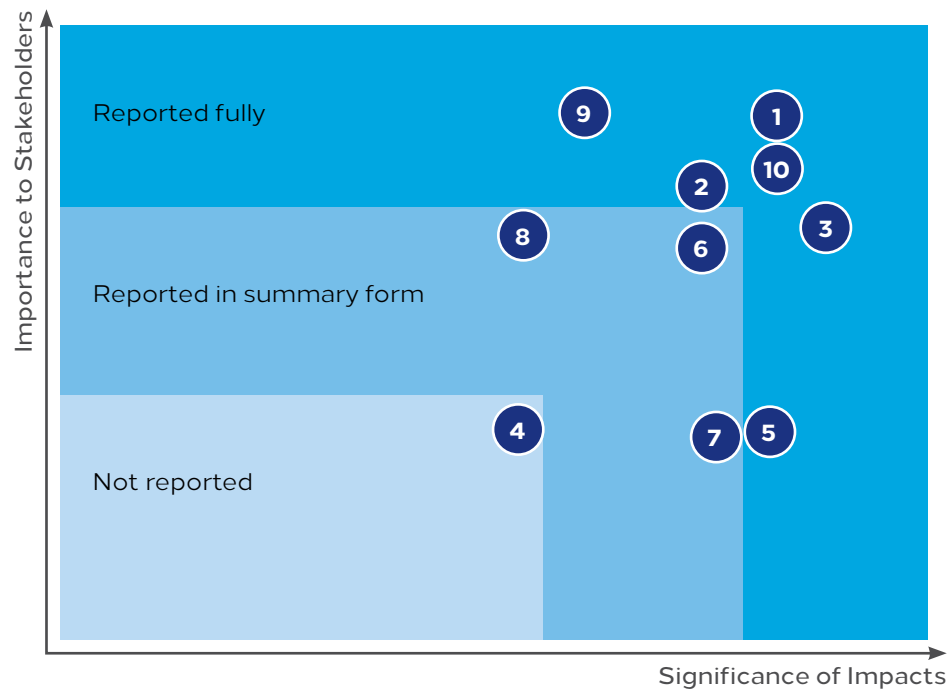
Materiality

In identifying relevant matters to be disclosed in our Integrated Report, we have taken into account the materiality of each matter, based on their ability to affect Cinnamon Lakeside's value creation over time. Both positive and negative matters, including risks and opportunities and favourable and unfavourable performance or prospects have been given due consideration.

Our materiality determination process is as follows:



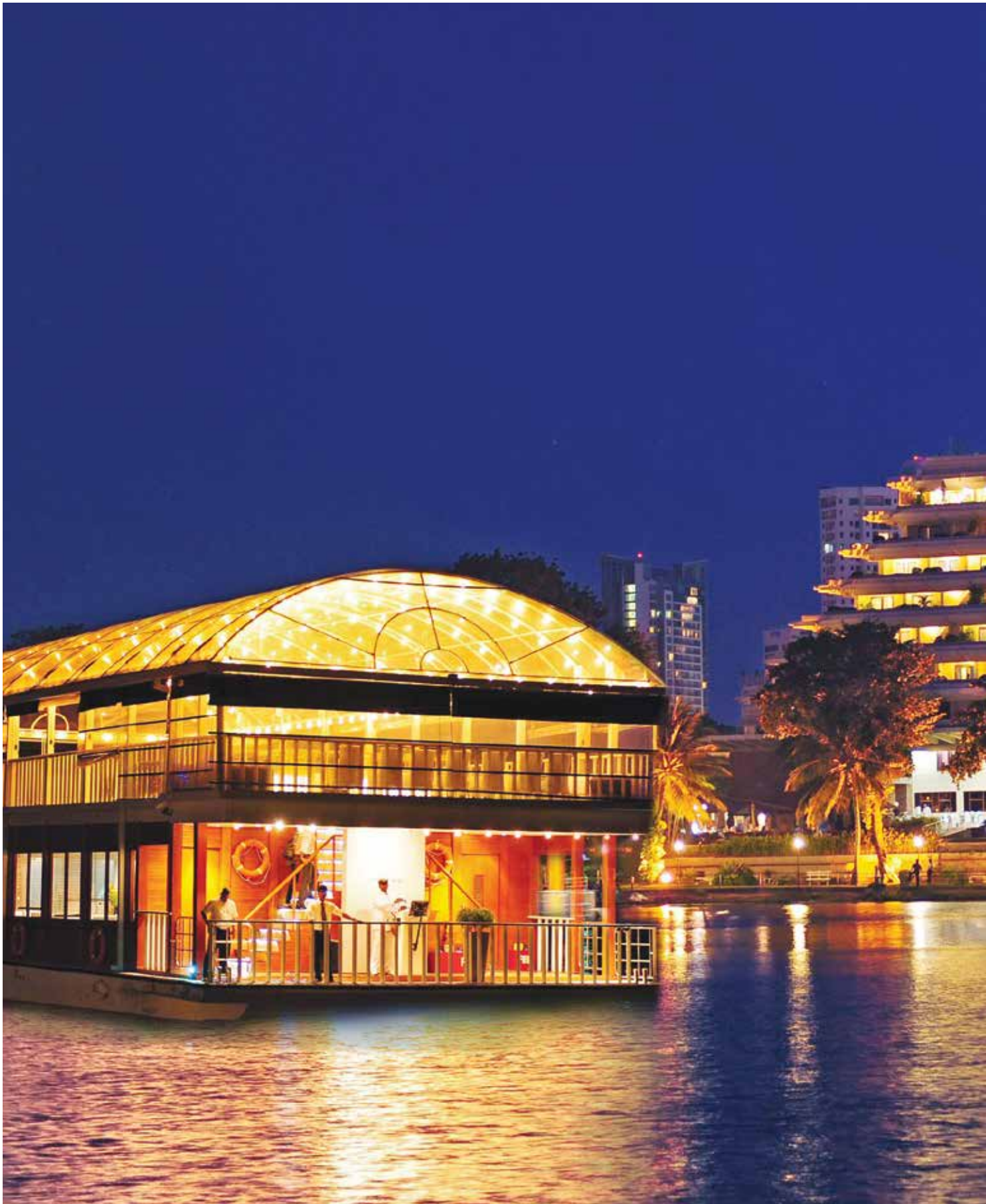
We have identified the following to be the matters that are most material to Cinnamon Lakeside. These matters are elaborated throughout the Report.



Material Matters (continued)

No.	Material Topic	Corresponding GRI topic	Why it is Material to Us?	Page Reference for Further Information
1.	Increasing Competition in the Industry	-	Capacity increases in both the formal and informal sector have led to severe price undercutting and competition for labour	65
2.	Technological Disruption	-	Increasing connectivity and mobile penetration has transformed how customers share their travel experiences and interact with hotels	66
3.	Attracting and Retaining Talented Employees	GRI 401: Employment GRI 404: Training and education	As a service organisation, the experience of our customers depends largely on the quality of our human capital.	75
4.	Climate Change	GRI 305: Emissions	Erratic weather conditions and rising temperatures affected tourist arrivals into the country.	84
5.	Uninterrupted Supply Chain	GRI 204: Procurement Practices	An uninterrupted supply chain is critical for ensuring continuity of operations and the procurement of good quality raw materials	82
6.	Economic Environment	-	Macro-economic fundamentals such as interest rates, inflation and exchange rates have a direct impact on affordability	64
7.	Government Policy	GRI 307: Environmental Compliance GRI 419: Socioeconomic Compliance	Non-compliance to regulations could impact the Group's financial performance, reputation and social license to operate.	65

No.	Material Topic	Corresponding GRI topic	Why it is Material to Us?	Page Reference for Further Information
8.	Environmental Footprint	GRI 302: Energy GRI 306: Effluents and waste GRI 303: Water	As a responsible corporate citizen, we strive to minimise the carbon footprint of our operations	84
9.	Customer Health and Safety	GRI 416: Customer Health and Safety	Inability to offer a safe accommodation and dining experience to our customers would impact the Hotel's reputation and can lead to legal liability	80
10.	Contribution to the Community	GRI 201: Economic Performance GRI 413: Local Communities	Nurturing mutually beneficial and meaningful relationships with our communities is important in preserving our social license to operate	83

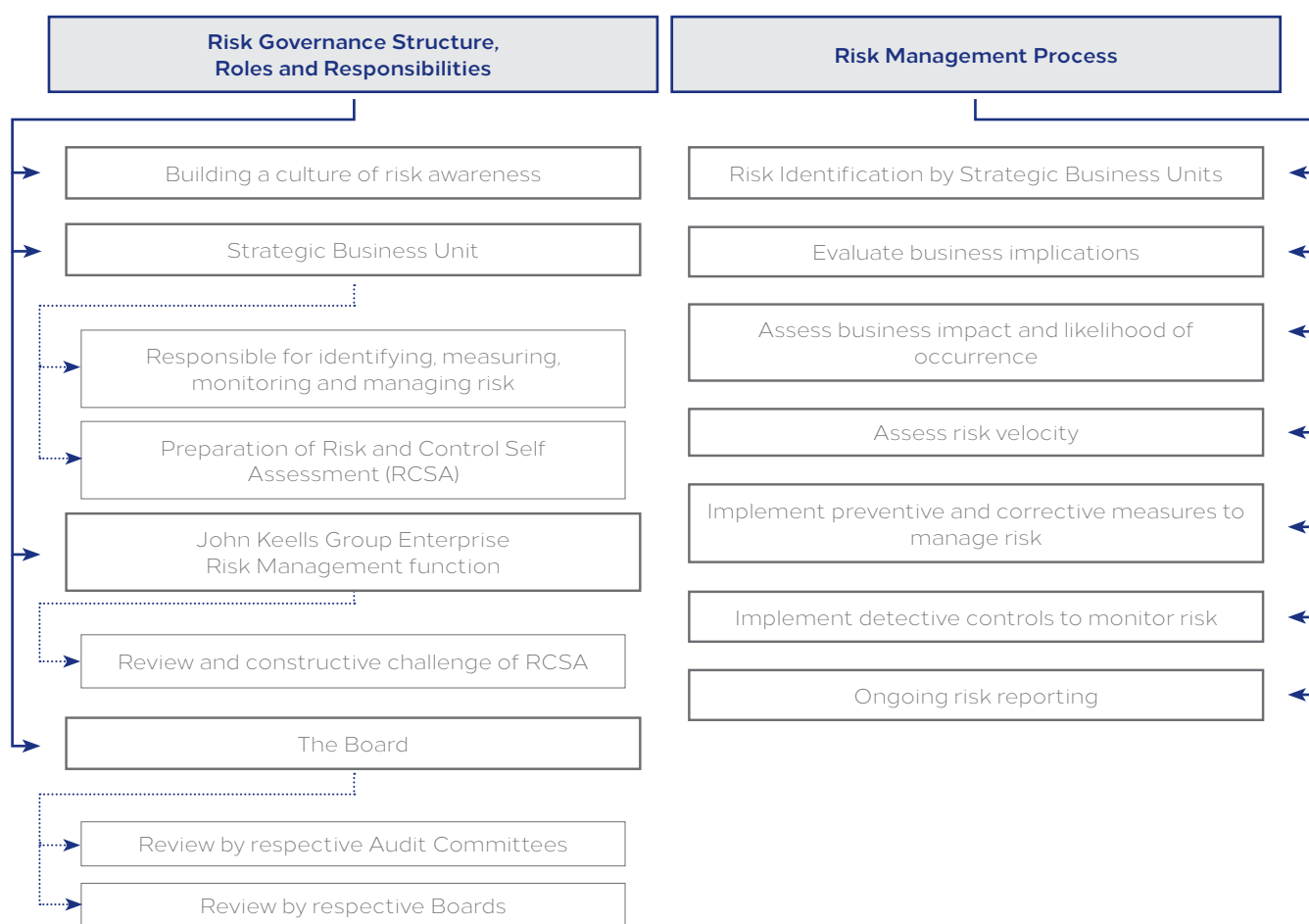




Resort-style languorous luxury

Risk Management

As an organisation exposed to an array of global and domestic, socio-economic and ecological factors, we have continued to enhance our capability to anticipate and proactively respond to these risks. A formalised framework of risk management policies ensure that standardised tools and techniques are used across all properties for the risk identification, analysis and mapping, management and reporting and monitoring. Meanwhile, the John Keells Group Sustainability Enterprise Risk Management and Group Initiatives Division ensures that the policy framework of the Company is aligned to that of the parent, John Keells Group, through ongoing review, assessment and guidance on implementation. Our risk management structure and processes are graphically depicted alongside. Here we present our most significant risks along with how we manage them to ensure that we achieve our strategic goals.



Risk Governance and Responsibilities

The Company's risk management framework includes clearly defined responsibilities for risk identification, prioritisation, management and reporting. Responsibility for overall risk management lies with the General Manager who is the Head of the Business unit. The risk management team comprises of the Heads of Departments, Manager - Compliance Health and Safety Quality Certifications. The team is guided by the framework established by the Group Business Process Review Division.

Principal Risks in 2017/18

Risk	Mitigating Measures	Current Assessment and Trend
Business Risk Room inventory in the country and the city have experienced exponential growth, with competitive pressures stemming from both the formal and informal sector. This could have a long term impact on our ability to attract guests and also affect on profitability margins.	<ul style="list-style-type: none"> • <i>Preventive</i> measures implemented encompass refurbishments, enhancing service standards and guest value propositions in our hotels • <i>Detective</i> measures include gathering business intelligence on market developments • <i>Corrective</i> measures implemented include monitoring of guest reviews and rankings, redoubling marketing efforts including social media strategies and internal reviews of pricing strategies 	Impact: High Likelihood of Occurrence: High Velocity: High Trend: ▲
People Risk The shortage of skilled hospitality industry personnel in the country continues to be a key risk factor for leisure sector operators, and it was felt more pronouncedly following the entry of several international players and the step up of room capacity during the year.	<ul style="list-style-type: none"> • <i>Preventive</i> measures taken include staff welfare, building loyalty and review of reward and recognition initiatives • <i>Detective</i> measures include conducting Great Place to Work surveys and monitoring trends • <i>Corrective</i> measures taken include expanding sources of talent including registration with overseas recruiting agencies 	Impact: Moderate Likelihood of Occurrence: Low Velocity: Low Trend: ►
Implications of Climate Change and Natural Disasters These implications include the decline of the ecosystem, increases in temperature, decline in bio-diversity and increased natural disasters, all of which can potentially have a significant impact on all industries, including leisure	<ul style="list-style-type: none"> • <i>Preventive</i> measures include signage, evacuation plans and back up plans • <i>Detective</i> measures include fire drills twice a year • <i>Corrective</i> measures taken include Business Continuity Plan reviewed quarterly and insurance 	Impact: Moderate Likelihood of Occurrence: Low Velocity: Low Trend: ►
Negative Propaganda on Social Media The Cinnamon brand has been nurtured through decades of commitment to ensure high standards in hospitality. Increasing connectivity and mobile penetration has transformed how guests share their experience and interact with others. In order to preserve our brand reputation, it is therefore vital to ensure that our reputation on social media is a good one, as it directly affects our ability to attract guests.	<ul style="list-style-type: none"> • <i>Preventive</i> measures taken are maintaining brand standards, health and safety standards and ensuring high levels of customer satisfaction. • <i>Detective</i> measures include continuous monitoring of social media platforms. • <i>Corrective</i> measures taken are responding immediately to guest concerns and addressing any areas of weakness. 	Impact: High Likelihood of Occurrence: Low Velocity: Low Trend: ►

► Unchanged ▲ Increasing

Risk Management (continued)

Risk	Mitigating Measures	Current Assessment and Trend
Food Safety This has a direct and immediate impact on the health and safety of guests impacting their experiences and our reputation. Additionally, F&B accounted for 41% of revenue in the reporting year making it a key area of focus for the Group and impacting a greater proportion of guests	<ul style="list-style-type: none"> • Preventive measures taken include ISO 22000 food safety management certification in place supported by Associate training on basic food hygiene and systematic waste disposal methods in place. • Detective measures include regular audits and third party microbiological testing, regular medical checks for food handlers, cleaning, regular sanitisation and pest control schedules. • Corrective measures taken will typically include public relations handling by duty managers and offer of commensurate compensation. 	Impact: High Likelihood of occurrence: Low Velocity: Low Trend: ►
Customer Privacy and Data Protection Safeguarding customer privacy of customer data collected to facilitate smooth operations and in line with regulatory requirement is a key concern	<ul style="list-style-type: none"> • Preventive measures have been implemented through compliance with the John Keells Group IT policy which set out the expected behavior of employees in handling data and IT systems, back up servers, updating of firewalls, service contracts, storage in alternate location. • Detective measures include monitoring of potential threats through regular internal audits and implementation of cyber security framework. • Corrective measures include review of reports, investigation of unusual activity and initiating appropriate action, disaster recovery plans. 	Impact: Moderate Likelihood of Occurrence: Low Velocity: Low Trend: ►
Financial Risk: Credit and Liquidity Risk Credit risks arise primarily from debtor defaults while liquidity risks represent the Company's inability to meet financial commitments on the due dates.	<ul style="list-style-type: none"> • Preventive measures include stringent credit management and reviewing of credit limits on a regular basis. • Detective measures are ongoing monitoring against collection targets, and regular review mechanisms to monitor the Company's performance against budgets. • Corrective measures include regular internal audits. 	Impact: Low Likelihood of Occurrence: Low Velocity: Low Trend: ►
Exchange Rate Fluctuations Fluctuations in the respective strengths of currencies impact profitability to the extent of changes against the reporting currency (LKR) and Services are priced in the foreign currency.	<ul style="list-style-type: none"> • Preventive measures include consistent monitoring of market movements and trends. • Detective measures include ongoing engagement with the Group Treasury. • Corrective measures include natural hedging by invoicing and accepting payments in the same currency as debt and engaging proactively with banks to obtain the best possible rates. 	Impact: Low Likelihood of Occurrence: Low Velocity: Low Trend: ►

► Unchanged ▲ Increasing

Risk	Mitigating Measures	Current Assessment and Trend
Interest Rate Risk Arises from fluctuations in interest rates which can lead to changes in the fair value or future cash flow of a financial asset as well as higher interest costs on borrowings.	<ul style="list-style-type: none"> • <i>Preventive</i> measures include ongoing monitoring of domestic and international macro-economic trends. • <i>Detective</i> measures include carrying out sensitivity analyses to identify potential impacts on profitability. • <i>Corrective</i> measures include maximising interest income with the support of the JKH Group Treasury and leveraging on rate differences. 	Impact: Low Likelihood of Occurrence: Low Velocity: Low Trend: ►
Customer Health and Safety Health and safety of our guests within our premises is a key priority as incidents in this regard can negatively impact the guest experience, our reputation and brand.	<ul style="list-style-type: none"> • <i>Preventive</i> measures implemented include OHSAS 18001 certification, signage, adequate lighting, railings, lifeguard etc. • <i>Detective</i> measures include monitoring of potential threats through regular internal audits and monitoring of incidents. • <i>Corrective</i> measures include Investigation and review of process, training, insurance, etc. 	Impact: Moderate Likelihood of Occurrence: Low Velocity: Low Trend: ►
Supply Chain Inability of our suppliers to deliver our requirements in terms of quality and price can lead to negative impacts on service quality and margin pressure. Short supplies in raw materials could result in disruptions to operations.	<ul style="list-style-type: none"> • <i>Preventive</i> measures implemented include Continuously review supplier standards, maintenance of agreements, supplier forums and continuous monitoring and engagement of suppliers. • <i>Detective</i> measures include supplier audit using the checklist and regular third party assessment of Top 20 suppliers. • <i>Corrective</i> measures include robust supplier engagement, capacity building on food safety and insurance and identification of alternative suppliers. 	Impact: Moderate Likelihood of Occurrence: Low Velocity: Low Trend: ►
Equipment/Machinery Breakdown Breakdown in equipment and machinery can disrupt our services negatively impacting operations and guest experiences negatively.	<i>Preventive</i> maintenance is carried out on a regular basis according to a predetermined schedule <i>Detective</i> measures include regular inspections and monthly maintenance <i>Corrective</i> maintenance is done on a needs basis upon identification of issues from detective measures or breakdown incidents	Impact: Moderate Likelihood of Occurrence: Low Velocity: Low Trend: ►

Strategic Framework

The Company's strategy formulation process takes into consideration emerging risks and opportunities as well as stakeholder concerns. The following table provides a high-level overview of our strategic priorities during the year, the external drivers which impacted performance and our strategic outlook for the coming financial year.

Vision We will always be the hospitality trendsetter				
Our Pledges				
I will get it right the first all the time	I will care	I will stand out wherever I am	I will empower	I will be green
Strategic Pillars	Growth and Profitability	Creating Unique Customer Experiences	Inspired Workplace	A Sustainable Organisation
				
Strategic Drivers	<ul style="list-style-type: none"> • Drive Occupancy. • Drive Customer Footfall. • F&B Customer Retention. • Increased Online Presence. 	<ul style="list-style-type: none"> • Service Excellence. • Brand Development. • Product Offering. • Customer Health and Safety. 	<ul style="list-style-type: none"> • Training and Development. • Performance Management. • Retention of High-performing Employees. 	<ul style="list-style-type: none"> • Nurturing Long-Term Relationships with Suppliers. • Minimising Our Carbon Footprint. • Meaningful Relationships with Our Communities.
Resources Allocated	<ul style="list-style-type: none"> • Strong Sales Team. • Investments in Online Presence. 	<ul style="list-style-type: none"> • World-Class Restaurants. • Skilled and Trained Employees. 	<ul style="list-style-type: none"> • Investment in Training. • Payments to Employees. 	<ul style="list-style-type: none"> • Investments in Environmentally Friendly Initiatives. • Investment in CSR.

Strategic Pillars	Growth and Profitability	Creating Unique Customer Experiences	Inspired Workplace	A Sustainable Organisation
External Impact in 2017/18	<ul style="list-style-type: none"> • Growth in Global Tourism. • Moderating Arrivals to Sri Lanka. • Moderating Economic Growth, Inflationary Pressures and Decline on Consumer Spending. • Intense Competition. 	<ul style="list-style-type: none"> • Increasing Competition. • Disposable Income and Consumer Spending. • Customer Sophistication. • Customers' Social Media Engagement. 	<ul style="list-style-type: none"> • Increasing Competition for Skilled Labour. • Difficulties in Staff Attraction and Retention. 	<ul style="list-style-type: none"> • Implications of Climate Change. • Rising Energy Costs. • Opportunities in Renewable Energy.
Key Performance Indicators 2017/18	Revenue Decline of 2% Profit Decline of 3% Social Media Presence: Over 94,000 Followers on Facebook	Cinnamon Hotels Were Ranked as The Country's No. 1 Hospitality Brand (LMD) TripAdvisor Rating: 4.5/5	Staff Retention Rate: 82% Promotions: 88 Investment in Training: Rs. 2.12 Mn	Carbon Footprint Declined by 9%
Enablers	<div> <div>Talented Team</div> <div>+</div> <div>Robust Governance Practices</div> <div>+</div> <div>Risk Management</div> <div>+</div> <div>Stakeholder Engagement</div> </div>			

Contribution to Sustainability Development Goals

On 1 January 2016, the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development – adopted by world leaders in September 2015 at an historic UN Summit – officially came into force. Over the next fifteen years, with these new Goals that universally apply to all, countries will mobilise efforts to end all forms of poverty, fight inequalities and tackle climate change. Each SDG has an associated set of targets, total amounting to 169 targets. As an organisation we are exploring how we can contribute to Sri Lanka's achievement of these goals; a summary of these activities are given below.

SDG	SDG Targets	Our Contribution
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>3.3 By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.</p> <p>3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.</p>	<ul style="list-style-type: none"> • Educating Cinnamon Lakeside Associates on HIV – 765 training hours. • Educating Cinnamon Lakeside Associates on health and safety practices – Training on food hygiene, first aid, life-saving for pool attendants, chemical handling & safety, environmental laws and food allergy and poisoning.
 <p>4 QUALITY EDUCATION</p>	<p>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p> <p>4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.</p>	<ul style="list-style-type: none"> • Training was provided to Cinnamon Lakeside's Associates to enhance their knowledge of English – 1,658 training hours. • Cinnamon Lakeside's Associates were given training on gender equality – 172 training hours. • Many programmes were conducted during the year to create awareness on sustainable practices among Hotel Associates – several poster awareness campaigns and cancer awareness session – 51 hours.
 <p>6 CLEAN WATER AND SANITATION</p>	<p>6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all.</p> <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p>	<ul style="list-style-type: none"> • To achieve the Hotel's objective of reducing water consumption by 2% during the year a tube well was constructed which provides the total water requirement for the Hotel garden – A total of 2,997.72 m³ water was saved.

SDG	SDG Targets	Our Contribution
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.</p>	<ul style="list-style-type: none"> To achieve the Hotel's objective of reducing electricity consumption by 2% during the year a magnetic bearing chiller was installed, new elevators which consume a lower amount of energy were installed and guest floor air handling units were turned off 2 hours earlier than usual without compromising guest comfort levels – A total of 151,952.64 kWh energy was saved.
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.</p>	<ul style="list-style-type: none"> Total jobs created directly by the Hotel – 750 employees. Sinhala and Tamil new year celebrations were held at Cinnamon Lakeside with the objective of educating guests and visitors on Sri Lankan new year customs. Supporting Sri Lanka as it hosted the United Nations Vesak celebrations – Cinnamon Lakeside's façade was lit with 90 lotus lanterns and 80 teardrop lanterns.
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources.</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p> <p>12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.</p> <p>12.b Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products.</p>	<ul style="list-style-type: none"> Sorting of dry garbage as bio-degradable and non-biodegradable. Total waste segregated amounted to 151,200 kg. Reduced the usage of polythene by discontinuing the use of lunch sheets in the Hotel – 225 sheets saved per month. Reduced the use of plastics by replacing plastic cups with paper cups for water dispensers – 10,000 plastics cups saved per month. All the polythene items purchased by the Hotel are above 20 microns as per government regulations. This has been tested and verified by a third party lab. 92% of waste has been recycled by the Hotel. ⁽ⁱ⁾ page 84 – Commitment to the Environment: Waste and Effluents. <p>Please refer SDG 8</p>



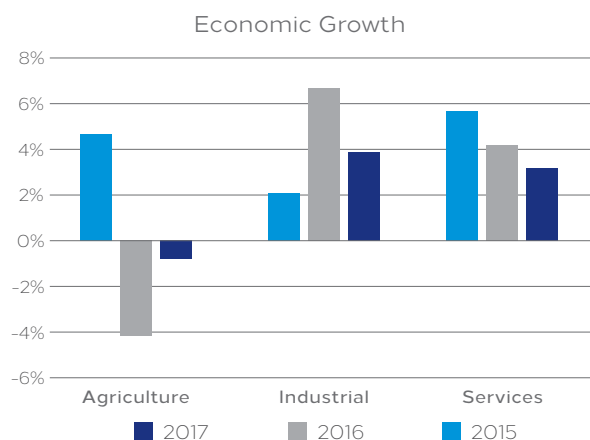


An atmosphere of celebration

Operating Environment

Economic Environment

Sri Lanka's economic growth moderated during the year with GDP expanding by 3.1% in 2017 (from 4.4% in 2016) as a weaker agricultural sector, tighter fiscal and monetary policy and global headwinds impacted overall performance. The agriculture sector contracted by 0.8% during the year, with cascading effects across industry value chains. The industries sector grew by 3.9% led by the continued expansion in construction, mining and quarry activities. Meanwhile, the services sector grew by 3.2%, upheld by financial services, telecommunication and wholesale and retail trade activities. The relatively tight monetary policy stance adopted by the Government resulted in market interest rates gradually trending upwards. Inflationary pressures also increased during the year reflecting global commodity price increases and weather-related supply shortages in the country.

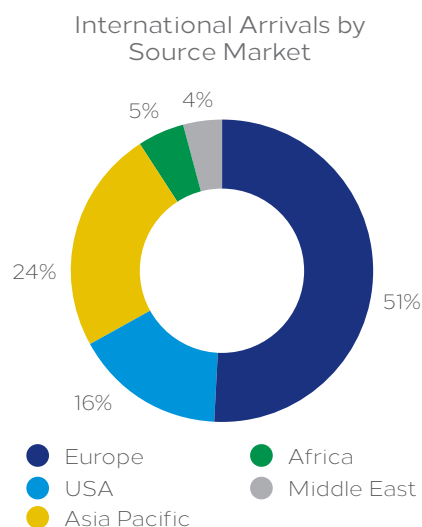


¹ World Tourism and Travel Council

² UNWTO Travel Barometer

Global Tourism Industry

The tourism and travel industry is a significant contributor to economic activity around the world, with numerous direct and indirect socio-economic impacts. In 2017, the sector's direct and indirect contribution to global GDP was estimated at 11.4%¹, accounting for 11.5% of jobs worldwide. Globally, the tourism industry recorded a strong year of growth in 2017, with international tourist arrivals increasing by 7%², well above the average growth rate of 4% recorded in previous years. The improvement during the year is attributed to the global economic recovery and the stronger outbound demand from many traditional and emerging markets such as Brazil and the Russian Federation. Most major source markets recorded an increase in tourism expenditure; China maintained its leading position as the world's largest tourism spender followed by USA, Germany and UK.



Sri Lanka Tourism

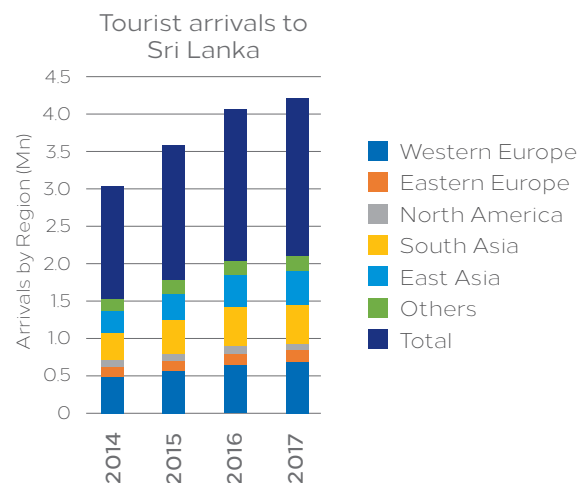
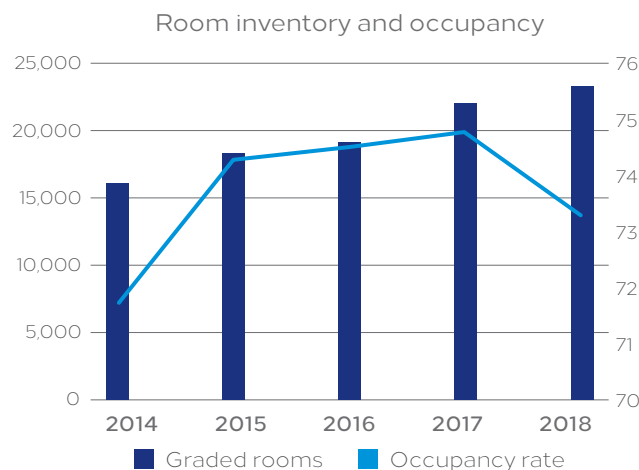
Tourist arrivals into Sri Lanka reached a record high of 2,116,407 in 2017, although the year-on-year growth rate slowed to 3.2%. This moderation reflects the partial closure of the Bandaranaike International Airport until April 2017, unfavourable weather conditions and the breakout of the dengue epidemic in mid-2017. Western Europe continues to be Sri Lanka's largest source market followed by South Asia and East Asia. India maintained its position as the single largest individual source market, followed by China, UK, Germany and France. Despite the moderation in tourist arrivals, earnings from tourism grew by 11% to USD 3.92 billion supported by an increase in average spending and duration of stay by tourists; average spending per tourist per day rose to USD 170.2 (from USD 168.2) while duration of stay widened to 10.9 days, from 10.2 the year before. Meanwhile, 2018 has seen a rebound with arrivals to Sri Lanka increasing 16% year-on-year by April 2018.

The industry has also seen a rapid increase in room inventory over the last few years, with the total number of graded rooms surging by over 45% during the last five years. By March 2018, final approval had been granted for 316 projects with a total of 17,991 rooms.

Several international hotel chains such as Shangri-La Colombo and Movenpick Hotel Colombo commenced operations in Colombo during the year with several more including Hyatt, Sheraton, ITC and NEXT under construction. Rising demand for home stays and changing accommodation needs of travellers have also driven growth in the informal sector, in which room capacity has increased by nearly 70% since 2012 inserting intense pressure on graded established rooms. In graded establishments, the average occupancy rate for the year decreased marginally to 73.3%, from 74.8% the previous year.

Status of Project	No. of Projects	No. of Rooms	Investment (USD Mn)
Final Approval Granted	316	17,991	2,869.7
Under Construction	113	7,261	1,014.7
Projects in Operation	161	8,932	1,651.1
Projects Not Yet Started	42	1,798	204.0

Source: SLTDA 1



Operating Environment (continued)

Industry Opportunities and Risks

Opportunities

- Growth in Global Tourism
- Increasing Popularity of Sri Lanka as a Travel Destination
- Opportunities in MICE Tourism
- Increasing Sophistication of Customers
- Technology and Connectivity
- Sustainable Tourism

Risks

- Changing needs of Travellers and Preferences for More Authentic Experiences
- Industry-wide Labour Shortage
- Increasing Competition from the Formal and Informal Sectors
- Rising Costs
- Implications of Climate Change

The Capitals Report

The subsequent section of the Integrated Report aims to provide a comprehensive and balanced overview of how the Company created value during the year, through the outcomes defined. These outcomes directly link to the six capitals prescribed by the Integrated Reporting Framework as illustrated below;

Defined Outcome	Relevant Capital	Page Reference
Financial Performance	Financial Capital	67
Our City Resort	Manufactured Capital	70
Intangible Value	Intellectual Capital	72
Skilled, Engaged and Motivated Team	Human Capital	74
Fostering Relationships	Social and Relationship Capital	79
Commitment to the Environment	Natural Capital	84

Financial Performance

Financial Capital

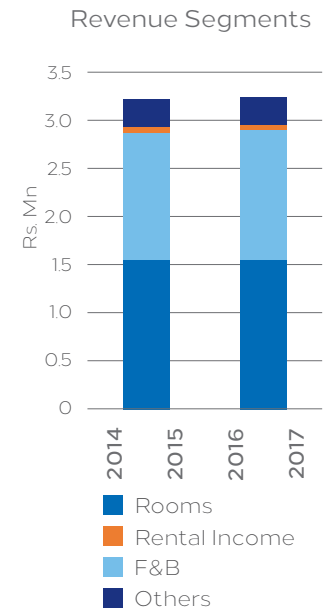
Challenges stemming from the external environment impacted the Company's performance during the year, with moderation in tourist arrival growth and intensified competitive pressures impacting revenue and profitability. Against this backdrop, the Hotel has performed commendably with a marginal drop of 2% and 3% in revenue and profit respectively compared to previous year.

Revenue and Costs

The Company's performance was reflective of the broader industry performance. The continued increase of room inventory in Colombo city resulted in intensified competition, with total revenue declining by 2% to Rs. 3.19 Bn. Room revenue decreased marginally by 1% to Rs. 1.54 Bn during the year as increased competition resulted in a slightly lower occupancy rate of 63% (2017 – 64%). The crew segment recorded the highest growth in room nights during the year with an increase of 1,130 revenue room nights compared to the previous year (growth of 21%), while the Leisure and MICE segment revenue room nights showed only a marginal variance compared to previous year. The corporate segment room nights dipped by 3,535 room nights mainly owing to the drop in the online and local corporate sales.

F&B revenue also decreased by 1% to Rs. 1.32 Bn - lower occupancy and a plethora of dining choices in the city – contributing to a reduction in the number of covers. Within the F&B segment however, banquet revenue increased by 2% to Rs. 0.64 Bn, partially negating the drop of revenue from the F&B outlets. The other revenues recorded a decrease by 5% to Rs. 336.27 Mn compared to the previous year.

Cost of sales increased by 5% during the year, reflective of inflationary pressures; the rise in costs coupled with the contraction in top line resulted in the Company's gross profit margin declining to 58% this year (2017 – 61%). Despite these challenges, we continued to invest in our brand through marketing and promotional activities aimed at strengthening the leisure and MICE business segments; this resulted in a 20% increase in sales and marketing expenses compared to the previous year.



26%

Increase in
Share Price



3%

Increase in
Net Asset Value
Per Share

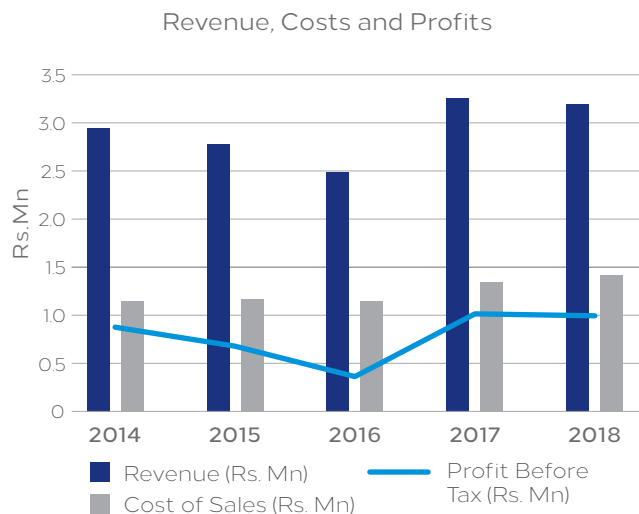


17%

Increase in
Dividend Per Share



Financial Performance (continued)



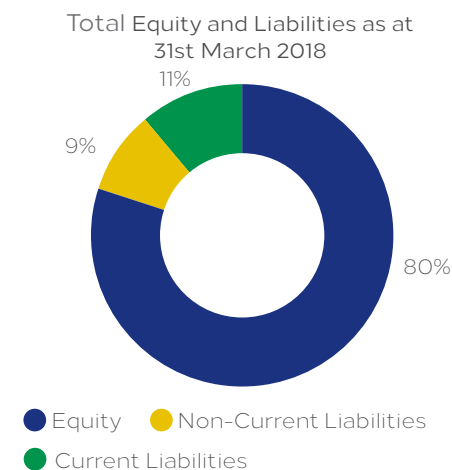
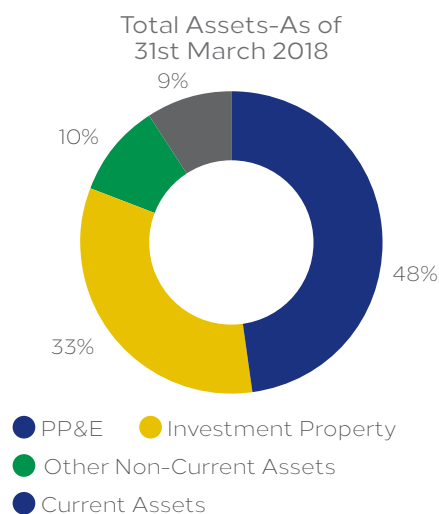
Profitability

A decrease in the gross profit together with an increase in sales and marketing expenses contributed to a 22% decline in the operating profit for the year. The net finance cost increased by Rs. 8.61 Mn mainly attributable to the reduced interest income generated during the year as excess cash available for investment decreased with the revenue drop and interest rates on short term deposits declined compared to the previous year. A revaluation surplus on the Hotel's investment property of Rs. 397.60 Mn helped to curtail the decrease in profit before tax for the year to only 3% against the previous year to end at Rs. 989.72 Mn. The effective tax rate for the year was 10.7% (2017-10.6%). Cinnamon Lakeside ended the year with a profit after tax of Rs. 883.19 Mn – a 3% decrease compared to the previous year.

Financial Position

The Company's balance sheet continues to be healthy, with total assets growing and shareholder's funds growing by 2.4% (to Rs. 7.67 Bn) and 2.9% (to Rs. 6.18 Bn) respectively during the year. Understandably, the Hotel's asset base is tilted towards non-current assets with 81% of total assets in the form of property, plant and equipment and investment property. To maintain its position as one of the leading five star city hotels, Cinnamon Lakeside has consistently invested funds in upgrading its

physical infrastructure including refurbishments and new investments in PPE that are necessary for the running of a sustainable Hotel. The Commercial Centre Building – investment property – was revalued during the year which resulted in a revaluation surplus of Rs. 397.60 Mn. The current condition of the property, future usability and redevelopment requirements have also been looked at when determining the fair value which validates our expenditure on upkeep, maintenance and refurbishments of our properties. The Company's capital position is strong, with shareholders' equity funding nearly 80% of total assets and the gearing continued to be low at 4.73%.



Financial Capital

Cash Flows

Net cash generated from operating activities decreased by 27% to Rs. 678.94 Mn during the year reflecting the reduction in top line and the increase in tax payments. Increased investment in PPE resulted in a investing cash outflow of Rs. 221.85 Mn while dividend pay-out for the year amounted to Rs. 700 Mn.

Value Created for Shareholders

While 2017/18 was a challenging year for the Hotel, mainly due to industry conditions, we continued to generate sustainable returns to our shareholders. The Company's net asset value per share increased by 3% compared to last year. Despite the subdued performance of the broader market, the Company's share price increased by 26% during the year, reflecting investor sentiments regarding its growth potential.

As proposed in the previous year's financial statements, the Company declared a final dividend of Rs. 1.50 per share for the financial year 2016/17 which was paid on 14th June 2017. An interim dividend of Rs. 2 per share for the financial year 2017/18 was paid on 27th March 2018.

	2017/18	2016/17	Variance %
Earnings Per Share (Rs.)	4.42	4.54	(2.7)%
Net Assets Per Share (Rs.)	30.92	30.04	3%
Share Price (Closing) (Rs.)	95.00	75.10	26.5%
Market Capitalisation (Rs. Mn)	19,000	15,020	26.5%
P/E Ratio (Times)	22	17	30%
Dividend Payout	79%	66%	13%

Our City Resort

Cinnamon Lakeside is located in the heart of the business district in the hustle and bustle of Colombo. Overlooking the tranquil Beira Lake, with beautiful landscaped gardens, world-class amenities and delectable cuisine, our city resort is the perfect urban getaway.

All our rooms, irrespective of grade are designed to provide guests with a soothing and calming effect from the busy city just outside our doors. With breathtaking views of the city, lake or poolside, each of our rooms comes with fresh foliage, bathtubs, lighting control systems and eye-catching interiors. A wide range of dining choices await guests as well as in-room dining. Our signature restaurants – Royal Thai and Long Feng – are intended not only to please the senses but also to create an unforgettable ambience and experience of the country the food originated from.

Kings Court is just one of our ballrooms – the biggest and the most magnificent. It is one of the City's most sought after venues for weddings, conferences and dinner dances. Our boardroom suites with executive chairs, meeting equipment, stationary and attached washrooms are perfect for a business meeting right in town. Set adrift with your guests at 8° on the Lake for an unconventional experience. With an open kitchen with action stations, two floors with stylish white interiors and a transparent roof it will undoubtedly be an unforgettable experience.

Guests have access to many additional facilities at Cinnamon Lakeside. Our outdoor pool is the largest in the city and overlooks the Beira Lake for a relaxing swim or lounge by the pool. The Azmaara Spa has Balinese therapists trained in both Balinese and Swedish healing techniques. The Power Drone fitness club is complete with US licensed equipment, trained staff and steam and sauna rooms. An executive lounge, hospitality lounge and a business centre caters to the different needs of guests while our tennis courts and air conditioned squash courts are perfect for some vigorous exercise.

Extensive upkeep and maintenance with periodical refurbishment as well as investments in new equipment, furniture, kitchen equipment and soft furnishing among others is essential in delivering our brand promise and maintaining our competitive edge. Our investment in property, plant and equipment (PP&E) – that together makes up our city resort of Cinnamon Lakeside – is given below.

					
346 Rooms	8 Speciality Restaurants	2 Ballrooms	3 Conference Venues	3 Boardroom Suites	8° on the Lake Floating Venue
Additional Guest Facilities					
Pool (Largest in the city)	Azmaara Spa		Fitness Centre	Lounges	Tennis and Squash Courts

Manufactured Capital

At Cost (Rs. Mn)	Gross Carrying Value		Net Carrying Value	
	31.03.2018	%	31.03.2018	%
Buildings	2,982	55	2,730	74
Plant and Machinery	597	11	318	8.5
Computer Equipment	109	2	18	0.5
Furniture, Fixtures and Fittings	390	7	196	5
Kitchen and Laundry Equipment	268	5	103	3
Hotel Equipment	96	2	71	2
Motor Vehicles	67	1	36	1
Soft Furnishings	705	13	152	4
Circulating Assets	179	3	37	1
WIP	24	1	24	1
Total	5,418	100	3,685	100
Investment Property	2,546		2,546	

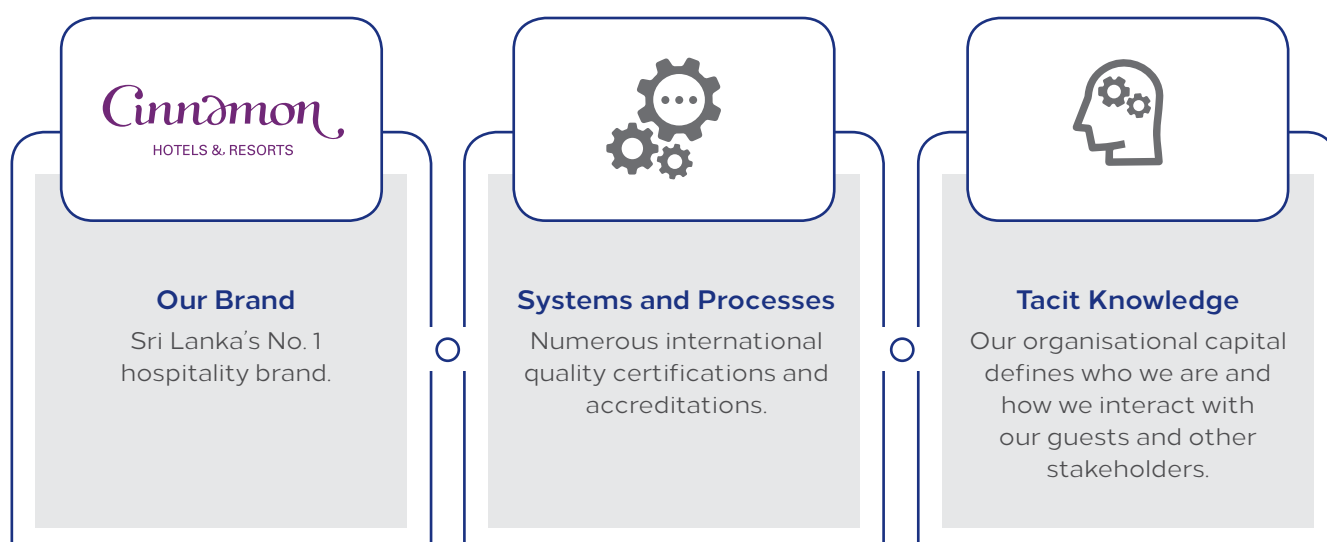
Our properties have continued to appreciate in value due to their prime locations and a rigorous maintenance and upkeep programme coupled with regular refurbishments. The Commercial Centre Building, which is our investment property, increased in value by Rs.397.60 Mn as per the last valuation done in September 2017.

The main investments during the year were on a magnetic bearing chiller amounting to Rs.69 Mn, soft furnishings of Rs.33 Mn and Rs.31 Mn on circulating assets.



Intangible Value

Our Intellectual Capital defines who we are and is a key factor in sustaining our market position and unique competitive edge. It comprises of our brand value, the organisational capital and tacit knowledge of our employees and the management systems and processes we have in place, to ensure service excellence.



The Cinnamon Brand

We have created a unique lifestyle brand which embodies the promise of 'inspired living'. Our brand identity is at the core of our value proposition, with all operational aspects of our resorts ranging from the behaviour of staff and architecture to cuisine and entertainment aligned to the attributes and personality of the Cinnamon brand. The Cinnamon brand is frequently featured among the country's top brands; in 2017 it was ranked as Sri Lanka's No. 1 hospitality brand by the LMD Brands Annual.

Systems and Processes

The strength and effectiveness of our systems and processes have been validated through several quality accreditations received during the year. These serve to provide assurance to our stakeholders on our commitment to operational excellence.

Intellectual Capital



ISO 14001: This standard requires that an organisation considers all environmental issues relevant to its operations, such as air pollution, water and sewage issues, waste management, soil contamination, climate change mitigation and adaptation, and resource use and efficiency.



ISO 22000: This is a food safety management standard that helps organisations identify and control food safety hazards. To ensure that food is safe, an organisation needs to demonstrate its ability to control food safety hazards.



OHSAS 18001: Is an international standard on Occupational Health and Safety Management which provides a framework to identify, control and decrease the risks associated with health and safety within the workplace.



"A" level food grading for excellence in food safety and hygiene awarded by the Colombo Municipal Council.

Organisational Capital and Tacit Knowledge

Our organisational culture supports mentoring and sharing of ideas which has resulted in the nurturing of a unique base of organisational capital. Collectively, they represent the sum of experiences gained in over 30 years of hospitality and functioning as the premier city Hotel. These attributes make our employees among the most sought after in the industry and our experience has been enriched by our guests and events hosted as we stretched our capabilities to new limits to deliver customised experiences to our discerning clientele.

Skilled, Engaged and Motivated Team

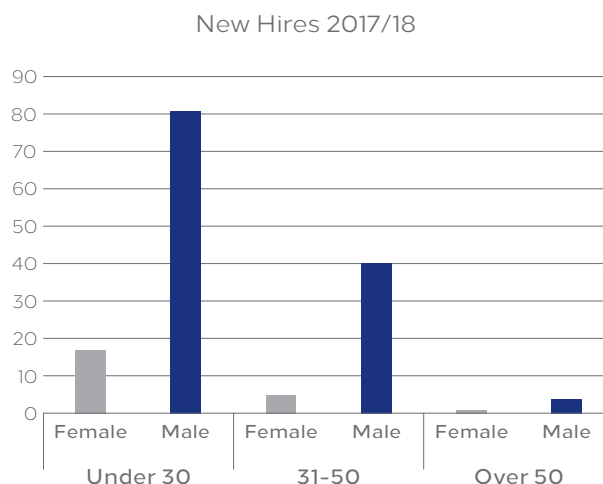
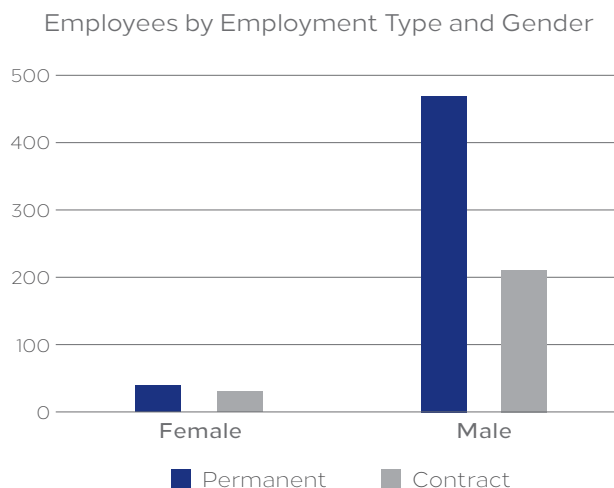
In our industry, employees play a key role in sustaining competitive advantage as they act as the key point of customer engagement and facilitate the customer experience. We have continued to invest in enhancing the value we create for them by providing opportunities for skill and career development and nurturing a conducive work environment.

Our Talent Pool

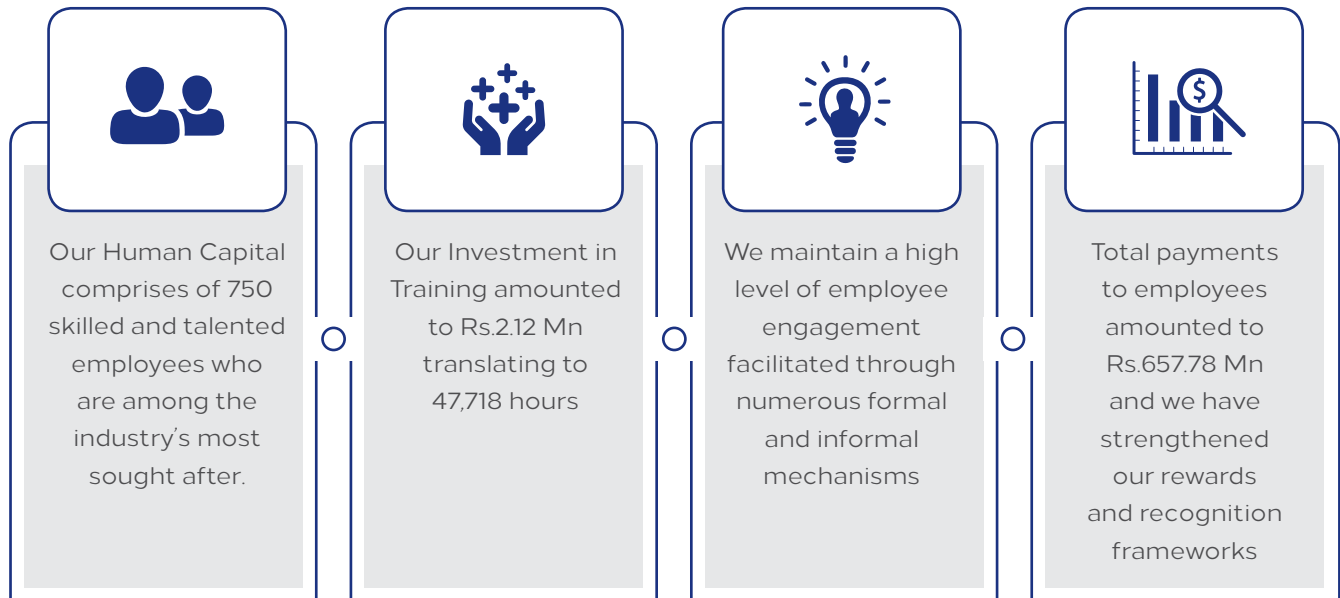
Attracting and retaining skilled employees is a key challenge faced by the entire hospitality industry. The rapid increase in hotel capacity in Colombo, with the entry of several international chains has resulted in intense competition for available skills. Cinnamon Lakeside's employee value proposition has taken these factors into consideration and evolved to be relevant to the current environment.

Our team which consisted of only full-time employees numbered 750 (2017 – 771), encompassing all departments such as food and beverage, kitchen, housekeeping, front office, and administration. In an industry which is defined by the customer experience, each employee, irrespective of grade or department has a contributory role to play in ensuring service excellence. Our employees are among the most sought after in the industry and our excellent guest ratings are testimony to the service, skills and attitudes displayed by our team.

GRI 401-1



Human Capital



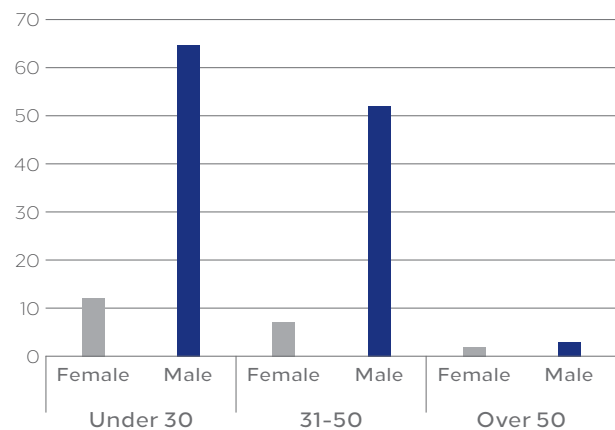
Talent Attraction and Retention

With intensifying competition in the industry for available talent, we continue to refine our value proposition to ensure that we attract and retain the industry's best talent. The challenge has been on the attraction and retention of skilled professionals such as chefs, front office staff, house-keeping staff and food and beverage staff. This has exacerbated with several international chains entering the local market, and employees preferring international exposure. Entry level positions have been relatively less challenging due to the availability of the Hotel's trainee pool who are drawn from hotel schools. We are an equal opportunity employer and do not discriminate based on gender, age, ethnicity or any other form of diversity. During the year, we added 148 new recruits to our team the profiles of whom are given below. Meanwhile 141 employees left employment, during the year, translating to an overall turnover rate of 18%.

The Company also has a relatively high return-to-work after parental leave ratio, attesting to our appeal as an employer and our ability to provide a conducive working environment for women.

Attrition Numbers 2017/18

GRI 401-1



Skilled, Engaged and Motivated Team (continued)

GRI 401-3

	Male	Female
Number of employees entitled to parental leave by gender.	354	67
Number of employees that took parental leave by gender.	11	3
Number of employees that returned to work after parental leave by gender.	11	3
Number of employees that were still employed 12 months after returning to work after parental leave by gender.	11	2
Return to work and retention rates of employees that took parental leave by gender (within the first year after returning to work).	100%	67%

Rewards and Recognition

Rewarding and recognition of service excellence is an important aspect of Cinnamon Lakeside's employee value proposition and has been a catalyst to motivate and retain employees. During the year, a market study was carried out, based on which the remuneration and recognition programmes for key and high performing employees were further strengthened. We strive to nurture a performance driven culture and performance appraisals are carried out for all employees. The rating at the year-end performance evaluation determines increments and bonuses. Service charge is also a key component of remuneration in the hospitality industry and is pooled and allocated between those entitled to it.

Multiple mechanisms are in place to recognise high performing employees; for instance, the Associate and Team of the quarter is recognised and rewarded on a quarterly basis. The annual 'long' service awards were also held in October 2017, where 94 staff members were awarded a gold sovereign based on their years of service. This was a glittering event, with buffet, music and entertainment for both the associates and their families. The management of Cinnamon Lakeside hosted a high tea for the lady associates to commemorate International Women's Day.

GRI 404-2

Training and Development

The intensifying competitive pressures has compelled us to strengthen our brand to nurture customer loyalty through providing an excellent service which is in par with the international chains. Accordingly, we placed strategic focus on capability development, with training programmes geared specially towards equipping employees with soft skills, language skills and service skills. We also have a pool of TAD trainers (Trained, Assess and Develop) train specific departments on technical aspects. Emphasis was also placed on providing increased training exposure to high performing employees.

Rising Stars of Hospitality Awards – 2017

The Hotels Association of Sri Lanka held its inaugural competition to recognise and reward outstanding employees in the hospitality industry in 2017. This competition was also expected to incite interest among the Sri Lankan youth in making the hospitality sector their career choice. Employees were awarded under 09 categories.



Cinnamon Lakeside won 2 'Gold' awards in the categories 'Best Bartender' and 'Best Bell Hop', 1 'Bronze' award in the category 'Best Receptionist'. The Hotel also had a nominee in the category 'Best Telephone Operator'.

Having identified employees need for defined career progression paths, we have taken action to implement a clear succession plan and nurture a strong pipeline of talent.

Human Capital

During the year, our investment in training initiatives amounted to approximately Rs.2.12 Mn and the total training hours amounted to 47,718. This translated to an average of 63.64 training hours per employee.

	Training Hours 2017/18
Executive	1,230
Non-Executive	46,488

Employee Engagement

We understand the importance of identifying and effectively responding to employee concerns and maintain a high level of engagement with them to facilitate open communication. These platforms include staff satisfaction surveys, skip level meetings, an open-door policy and exit interviews are some of the methods that we have used to gauge employee engagement.

The staff of Cinnamon Lakeside participated in many sports activities. Inter-department carrom, soccer, cricket and badminton tournaments were held during the year. The Gold Ring 7's which is an inter-company netball and football tournament was represented by Cinnamon Lakeside and its Soccer 'A' team emerged as champions in the Plate category and the Netball team emerged as runners up. The Cinnamon City premier league was also attended by Cinnamon Lakeside, where not only the cricket teams, but many participants from the Hotel attended to cheer their teams on.

Art of Mixology



The In-house Cocktail Competition was held on May 2017 for Associates to showcase their talents and be rewarded for bringing out their best skills.

Long Service Awards



25 and 30 years awards recipients with Cinnamon Lakeside General Manager Dermot Gale and Director Human Resources Priyantha Wijeratne

Vesak Celebrations



Vesak lanterns at the Cinnamon Lakeside



A bhakthi gee session was also presented by the Associates on Poson poya day.

Skilled, Engaged and Motivated Team (continued)

Human Capital



The annual staff party of Trans Asia Hotels PLC was an event that Associates and their families enjoyed in August 2017.



Cinnamon Lakeside General Manager Dermot Gale and the management team hosted an exquisite High Tea for the lady Associates of the hotel to celebrate International Women's Day on 8th March 2018 at 7 Degrees North.



Sector Head - City Hotels Rohan Karr and Cinnamon Lakeside General Manager Dermot Gale greeting the players during the Cinnamon City Premier League Tournament on 18th March 2018.



Cinnamon Lakeside General Manager, Dermot Gale, Heads of Departments along with the chefs and their team members at the annual Christmas cake mixing ceremony.



The Cinnamon Lakeside Netball team, pictured here with General Manager, Dermot Gale, emerged as the Runners-up at the JKH Goal Ring 7's Intercompany netball tournament held on 24th February 2018.



Winners of the Inter-Department Cricket Tournament, F&B team with Cinnamon Lakeside General Manager, Dermot Gale on 1st July 2017.

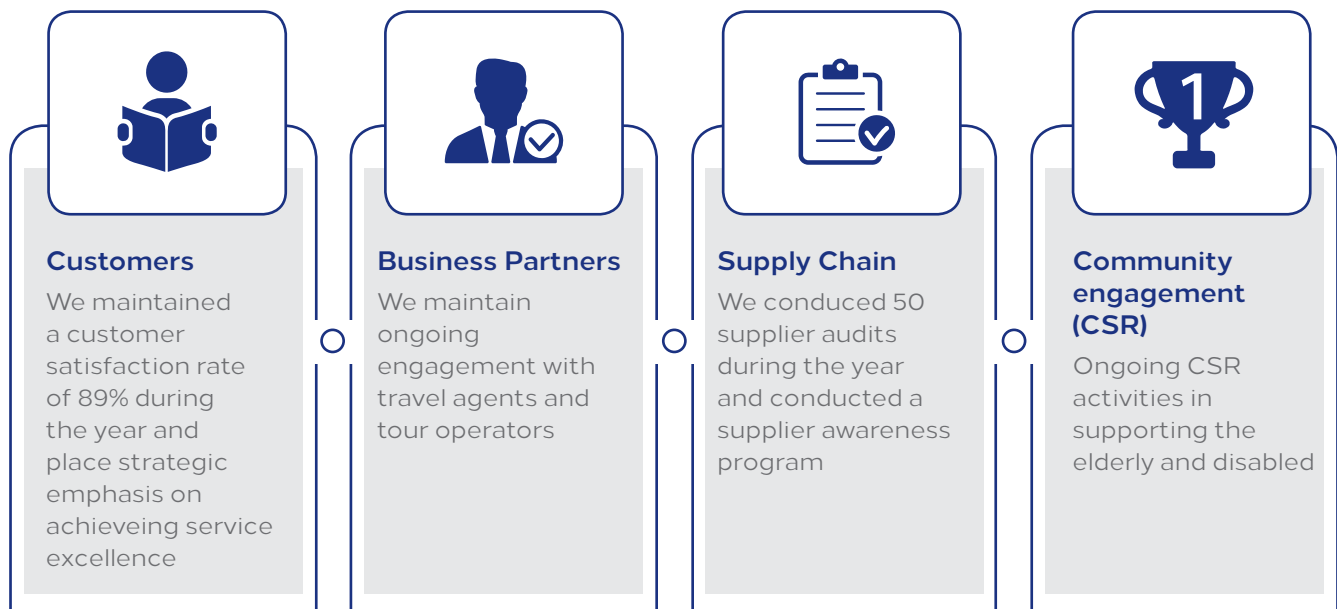
Health and Safety GRI 403-1.2

We are committed to creating an injury and hazard-free working environment for all our employees. The Hotel is an OHSAS 18001 – Occupational Health and Safety Management – certified organisation. This certification ensures that a rigorous health and safety policy is in place which protects employees against possible occupational risks and reduces the likelihood of accidents in the workplace. Any accidents that do take place are initially recorded in an accident register, followed by an initial accident investigative report and a final accident analysis report. The injury rate for the year was 4.3% with the lost day rate being 0.12%.

Fostering Relationships

Social and Relationship Capital

Nurturing meaningful and mutually beneficial relationships with our stakeholders is important to preserve our social license to operate and ensure the sustainability of our business.



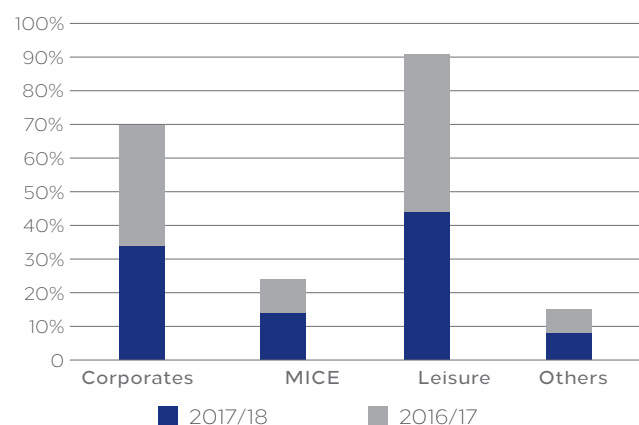
Satisfied Customers

Guests are among our most important stakeholders as they are a focal point in our operating model. With new entrants to the city hotel landscape, guests have a wider choice than before in selecting a hotel for their stay. Our signature personalised service, constant dialogue with guests, identifying guest needs before and during a stay, proactive and intense employee training and guest interaction are factors that enable us to have high levels of guest satisfaction rates that translate to repeat guests and referrals.

The Customer Experience

Our main customers are leisure travellers followed by corporate customers, MICE and others such as airline crews. Most of Cinnamon Lakeside's guests are directed through local travel agents with the rest being through online bookings and independent travellers.

Revenue - Customer Segments



Fostering Relationships (continued)

Cinnamon Lakeside

Booking.com

Booking.com Rating

8.3/10



Guest
Satisfaction
Rate

89%



Trip Advisor Rating

4.5/5 stars

We ensure that group bookings are handled efficiently. This is not only important to ensure guest satisfaction but also to ensure that future business is directed to us by the travel agents. Guests are contacted before arrival to identify individual preferences and cater to these needs through customised solutions. Check in is quick and efficient – where the guest is conducted to the room within minutes. This is followed up by a courtesy call to ensure that the room and service has been satisfactory.

Given the strong growth in guest arrivals from China and India we have refined our amenities and preferences to cater to their specific needs. For instance, one floor caters exclusively for Chinese nationals with signposts and amenities in the Chinese language. We also operate a VIP programme for our loyal repeat guests, with a dedicated team assigned to handle VIP guests. These guests enjoy room upgrades and extra amenities in their rooms.

Staff training is the key to the personalised service we provide and our excellent guest ratings. We ensure mistakes are not repeated and role plays have also proven to be a very effective learning method.

① Page 76 Details on Staff Training

Guest satisfaction is measured at check out and also through ongoing review of social media and travel websites. From January 2018, the Hotel initiated an iPad review system, where the guest is required to review the stay through the iPad. Alerts are received for any negative reviews with immediate follow up and resolution. Travel websites are monitored on an hourly basis and negative reviews are discussed at morning meetings and departmental meetings. Negative reviews are addressed by responding to the relevant guests.

Customer Health and Safety

GRI 416-1,2

The safety and well-being of our guests is important in achieving service excellence and guest satisfaction. The numerous certifications we have obtained provide independent assurance to our customers on the procedures we have in place to ensure the safety of all operations including accommodation and food safety among others. Certifications conform to strict international standards and there were no instances of non-compliance with regulatory authorities or voluntary codes during the year.

① Page 72 on Quality Accreditations for Certifications

Initiatives for Guest Safety

- Daytime operation of the clinic with nurse on duty for any emergencies.
- Doctor visits twice a day once during the morning and once during the evening and is available on-call 24 hours a day.
- Registered ambulance service to respond during an emergency.
- Monthly audits are conducted on fire and emergency evacuation, swimming pool safety and food hygiene.
- We also follow H and S standards established by international travel agencies. Our checklists are based on these standards.
- Fire and evacuation drills are conducted bi-annually.
- There is a page in the room compendium on what the guest should do in the event of an emergency.
- Facilities are provided for disable guests, such as rooms, public area toilets, ramps, hand rails etc.
- 24-hour CCTV surveillance, with a dedicated associate monitoring them at the command room.

Social and Relationship Capital

- Each shift has a trained fireman on duty to respond for an emergency.
- Associates from selected departments are trained and certified on First Aid.
- Security associates are trained on how to respond in case of a fire.
- Food sample testing, water testing (Drinking and Swimming pool) etc is carried out periodically.
- All staff are trained in fire fighting.

Guest Engagement

An year-round calendar of unique and exciting events ensure that we maintain a high level of engagement with our guests. These events highlighted the culture of Sri Lanka and the cuisine of the signature restaurants of Cinnamon Lakeside. A brief overview of these events are given below; Technology and increasing connectivity have transformed how hospitality providers engage with their guests. The Hotels has an active social media presence, with large followings on several popular social media platforms.

Social Media Engagement



Customer privacy GRI 418-1

Customer privacy is a key concern and we limit our collection of personal data to what is required for our operations and collect data only with the consent of the guest. The data is used only to only for the operations of the Hotel and are not shared with any third party. During the year, there were no reported breaches of customer privacy or loss of data.



Sinhala and Tamil New Year Celebrations



The spread of Easter goodies at the Easter Brunch



31st Night Party at Cinnamon Lakeside



Celebrating our Valued Booking Agents and Business Partners

Fostering Relationships (continued)



The Thai Food Festival held from 14th-24th September 2017, was one of the most talked about events in Colombo, where Master Chef Bongkot Sabpong and the talented team at Royal Thai created over 60 dishes, including delicacies at 11 action stations.



The much-anticipated Chinese Food Festival in celebration of the Chinese New Year, held from 8th-18th February 2018, gave diners in Colombo an opportunity to savour over 100 dishes. The extensive menu was created by Master Chefs Huanxi Yan and Mei Din Duan.



The Royal Thai restaurant received the 'Authentic Thai Cuisine' certification from the Thai Government's Ministry of Commerce, which rewards those creating genuine cuisine experiences from Thailand elsewhere in the world. The award was presented to General Manager – Cinnamon Lakeside, Dermot Gale and the Royal Thai team by the Thai Ambassador to Sri Lanka H.E. Chulamanee Chartsuwan on 17th November 2017.



Her Royal Highness of Thailand Princess Chulabhorn Mahilol was welcomed to Cinnamon Lakeside by General Manager, Dermot Gale on 26th November 2017.

Our Business Partners

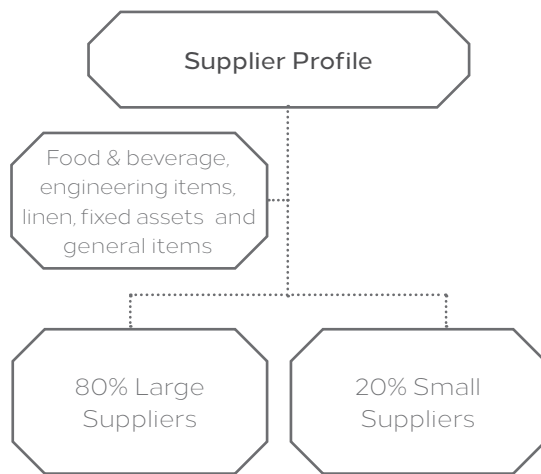
Our business partners are a vital link in our supply chain, engaging potential guests and directing them to our hotel. They include tour operators, aggregators and corporate customers who facilitate booking for guests and provide information about experiences at Cinnamon Lakeside. A dedicated sales team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

A Reliable Supply Chain

In the hospitality industry an uninterrupted and reliable supply chain is vital in ensuring the smooth continuity of operations. Supplier selection at Cinnamon Lakeside is a rigorous and proactive process. Supplier screening is carried out by two independent certification and auditing bodies who conduct site visits and audits and provide recommendations. This selection criteria is based on codex general principals of hygiene. An assessment is also made on the suppliers' social and environmental policies. All suppliers are continuously evaluated with surprise audits being conducted and sustainability, including social and environmental criteria, assessed annually through a questionnaire that is evaluated by Cinnamon Lakeside's Ultimate Parent Company. During the year 80 suppliers were screened using social and environmental criteria.

Social and Relationship Capital

To minimise supply chain issues and supply shortages we constantly monitor the emerging dynamics in our supply chain, and ensure that we have sufficient alternatives in place. We also conduct supplier audits and awareness forums, thereby contributing towards capacity building of our suppliers. During the year, we conducted 50 audits and engaged suppliers in an awareness forum.



The main challenges facing Cinnamon Lakeside's supply chain during the year was higher costs of supplies due to shortages resulting from the implications of unfavourable weather conditions, managing the shortage of quality supply due to the increase in hotel capacity in Colombo and limiting purchasing supplies from only audited suppliers.

Suppliers' Awareness Forum

24 of Cinnamon Lakeside's suppliers attended this forum. Suppliers are instructed on product quality, hygiene and managing process quality. Audit findings are also elaborated at this forum with related support on rectifying issues.

Community Engagement (CSR)

GRI 413-1

Cinnamon Lakeside's corporate social responsibility activities are targeted towards nurturing meaningful relationships with the communities we operate in. Our community engagement targets not only corporate philanthropy but projects which create long-term and holistic value to communities. Despite our relatively subdued performance we invested Rs. 1.7 Mn in community engagement initiatives during the year (Rs.8.3 Mn – 2016/17).

	2017/18	2016/17
Contribution to Society – as a % of Profit After Tax	0.2%	0.9%

During the year, two projects to provide necessities for the elderly were carried out. The Mayakaduwa Memorial Elders Home in Wadduwa and the Marian Glove Elders Home benefited from receiving essential items such as mattress protectors, bed sheets, towels, pillows, cushion covers etc. Clothes and linen items were provided to destitute children in Peter Weerasekera's Children's Home and the Salvation Army Children's Home in Borella. Projects with longer term benefits such as the neighbourhood school project and maintenance of the roundabout in the immediate vicinity were also initiated during the year.

Commitment to the Environment

The impact of climate change is felt more pronounced than ever before. We are committed to minimising the environmental impact of our operations by increasing the efficiency of our natural inputs and engaging in the responsible disposal of our waste.

Our Approach to Environmental Management

The hospitality sector has a relatively significant impact on the environment through its consumption of energy and water, usage of consumable and durable goods, solid and hazardous waste disposal and the discharge of emissions. At Cinnamon Lakeside, we have continued in our commitment to reduce our environmental footprint and have initiated several projects during the year towards achieving this objective. The Company's environmental management approach and policies are aligned to that of the John Keells Holdings Group. Our environmental footprint is consistently monitored against the benchmarks set by EarthCheck.

Energy

GRI 302-1,4

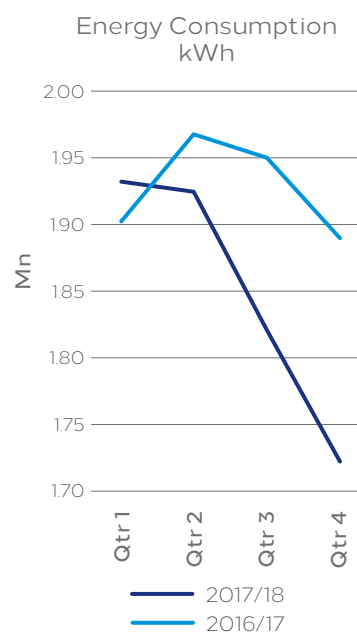
Almost all the energy requirements of Cinnamon Lakeside are fulfilled through the national grid. Solar energy amounts to approximately 1% of our total consumption. During the year, the energy consumption of Cinnamon Lakeside decreased by 3% reflecting ongoing focus on energy efficiencies. This brings the Hotel closer to its target of reducing energy consumption by 11% during the period from 2015/16 to 2020. As of the end of the year, the reduction in energy consumption from the 2015/16 baseline was 10%. Several energy saving initiatives that were taken during the year directly contributed to this improvement:

- A magnetic bearing chiller was installed at the Hotel where the moving components are able to run without the use of oil. Carried out at an investment of Rs. Rs.69 Mn this project is expected to result in savings of 90,000 kWh per month.
- The newly replaced guest elevators which uses energy saving motors have resulted in a saving of 5,400 kWh per year.

Environmental Impact Per Guest Night
(Against Earthcheck Benchmark) **GRI 302-3, 305-4**

	ECG	2017/18	2016/17
Carbon Footprint (kg)	14.4	25.94	36.67
Power Usage (kWh)	45.6	32.73	43.87
Water Usage (Litres)	622	556.23	854.57
Waste (kg)	0.27	0.20	0.39

- Turning off guest corridor air handling units two hours earlier which saved 3.5 kWh per hour
- Almost 90% of our lighting requirements are fulfilled through LED lighting solutions
- New air conditioners that are being replaced comprise inverter technology
- Usage of the key card system for rooms has resulted in energy savings as where guests are encouraged to switch off energy when not in the room.



Natural Capital



Energy

The Hotels energy **consumption declined by 3%** during the year, resulting from concerted efforts to drive energy efficiency



Water

Total water **consumption declined by 16%** during the year



Waste

We engage in the responsible disposal of all solid and liquid waste, with nearly **89.76% of our waste recycled**.



Carbon Footprint

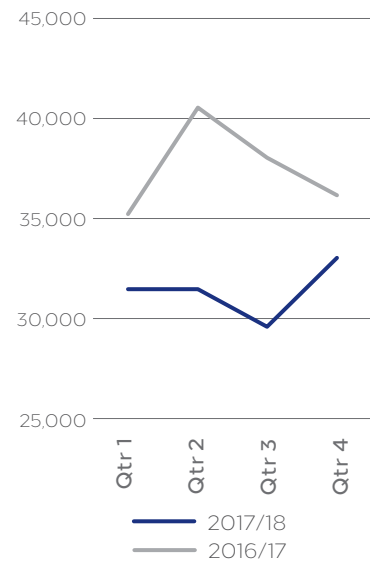
We achieved a **9.05% reduction carbon footprint** during the year.

Water

GRI 303-1

Cinnamon Lakeside has made tremendous strides in achieving its target of reducing water consumption by 1% from 2015/16 usage by 2020. As at the end of the year the reduction in water consumption from the 2015/16 baseline was 21%. Water Consumption during the year decreased by 16%. The main initiative to reduce water consumption in 2017/18 was the installation of a tube well that was able to provide the total water requirement for the Hotel garden. 720 m³ of water a month was saved by using the tube well. Cinnamon Lakeside continues to encourage its guests to help conserve water by go green options such as re-using linen, towels and bed sheets. The Hotel uses municipal water supplies for all its operations other than for the garden.

Water Consumption
Cubic Meters



Waste and Effluents

GRI 306-2

Waste is segregated and recycled to ensure responsible disposal. Paper, metal and plastic bottles are recycled and wet garbage is given to piggeries. We also operate the boiler through using kitchen waste oil which is estimated to save around 600 litres of oil per month. Meanwhile, all our employees also pledged their commitment to John Keells Group's plasticycle project, which aims to drive responsible disposal of plastic across the island. Cinnamon Lakeside also cultivates an organic garden in its premises and uses leaves as compost to fertilize the vegetables grown. 265 kg of vegetables were harvested during the year including spinach, kankun, basil leaves and ladies fingers among others.

Although waste generated increased by 5% during the year, 92% of this waste was recycled.

Commitment to the Environment (continued)

How We Recycle Waste

Waste	Recycling Method
Food	Given to farms such as piggeries
Plastic/polythene	Registered collectors of the CEA
Glass	Piramal Glass
Paper	Certified recyclers
Hazardous waste such as CFL bulbs	Orange Electric
E-waste	Think Green
Used cooking oil	To power boilers at the Hotel

The Hotel's effluents are treated and discharged to the municipality sewerage lines. Quality of discharge is monitored consistently to ensure that they conform to the regulatory requirements.

Emissions

GRI 302-1 305-1,2,5

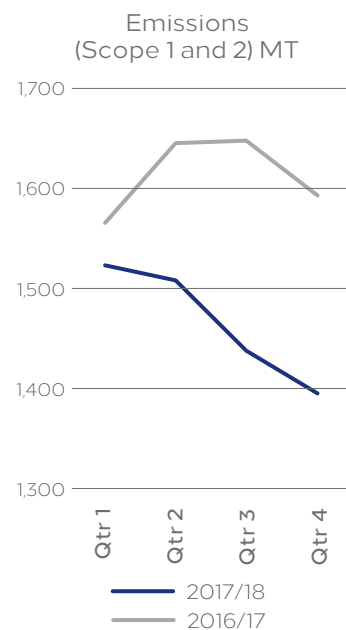
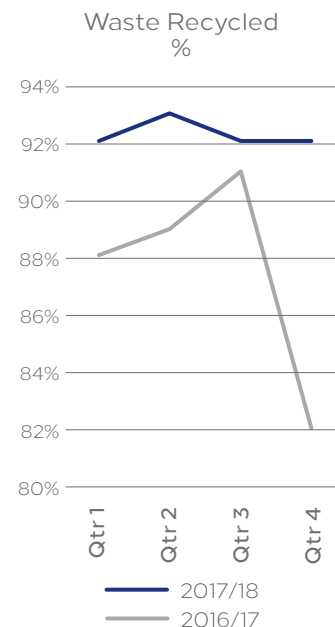
The carbon footprint is computed using the Greenhouse Gas Protocol as governed by the World Resource Institute (WRI) and the World Business Council for Sustainable Development. The emission factors have been derived from IPCC Guidelines for National Greenhouse Gas Inventories used are based on the representations of the Sustainable Energy Authority of Sri Lanka. The boundary for the emission measurement is governed by Scope 1 and Scope 2.

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

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

Scope 3 - GHG emissions that occur outside of the organisation, including both upstream and downstream emissions

Cinnamon Lakeside's carbon footprint (scope 1 & 2) reduced by 9% during the year, resulting from its concerted efforts to reduce energy consumption. Scope 3 emissions are few but has increased from 4 MT in 2016/17 to 5 MT in 2017/18.



Natural Capital**Environmental Compliance**

GRI 307-1

Sustainability data relating to the environment is reported to Cinnamon Lakeside's Ultimate Parent Company, John Keells Holdings PLC, periodically and reviewed at multi-level meetings. We also obtained ISO 14001 certification in June 2017 on environmental management. This ensures that we identify, manage, monitor and control our environmental issues in a 'holistic' manner. Cinnamon Lakeside renews its 'Environmental Protection Licence' on an annual basis with the Central Environmental Authority. During the year, there were no instances of non-compliance or penalties imposed on the Hotel for contravention of any environmental regulations or guidelines.

GRI Context Index

GRI Standard	Disclosure	Page Number	Omission
GRI 101: Foundation 2016 (does not include any disclosures)			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	3	
	102-2 Activities, brands, products and services	5	
	102-3 Location of headquarters	121	
	102-4 Location of operations	5	
	102-5 Ownership and legal form	121	
	102-6 Markets served	79	
	102-7 Scale of the organisation	10	
	102-8 Information on employees and other workers	74	
	102-9 Supply chain	83	
	102-10 Significant changes to the organisation and supply chain	-	N/A
	102-11 Precautionary principle	55	
	102-12 External initiatives	3	
	102-13 Membership of associations	82	
	102-14 Statement from senior decision maker	15	
	102-16 Values, principles, norms and standards of behaviour	28	
	102-18 Governance Structure	20	
	102-40 List of stakeholder groups	46	
	102-42 Identifying and selecting stakeholders	46	
	102-43 Approach to stakeholder engagement	46	
	102-44 Key topics and concerns raised	46	
	102-45 Entities included in the consolidated financial statements	-	The Company does not have subsidiaries
	102-46 Defining report content and topic boundary	49	
	102-47 Material topics	50	
	102-48 Restatements of information	-	N/A
	102-49 Changes in reporting	-	N/A
	102-50 Reporting period	3	
	102-51 Date of most recent report	3	
	102-52 Reporting cycle	3	
	102-53 Contact point for questions regarding Report	3	
	102-54 Claims of reporting in accordance with GRI Standards	3	
	102-55 GRI context index	88	
	102-56 External assurance		External assurance not sought

GRI Standard	Disclosure	Page Number	Omission
Material Topics			
Economic Performance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	51	
	103-2 The Management Approach and its components	51	
	103-2 Evaluation of the Management Approach	51	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	10	
	201-3 Defined benefit plan obligations and other retirement plans	142	
Indirect economic impacts			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	51	
	103-2 The Management Approach and its components	82	
	103-2 Evaluation of the Management Approach	82	
GRI 203: Indirect economic impacts	203-2 Significant indirect economic impacts	83	
Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	51	
	103-2 The Management Approach and its components	84	
	103-2 Evaluation of the Management Approach	84	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	84	
	302-4 Reduction of energy consumption	84	
Water			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	51	
	103-2 The Management Approach and its components	84	
	103-2 Evaluation of the Management Approach	84	
GRI 303: Water 2016	303-1 Water withdrawal by source	85	
Emissions			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	51	
	103-2 The Management Approach and its components	86	
	103-2 Evaluation of the Management Approach	86	
GRI 305: Emissions: 2016	305-1 Direct greenhouse gas (GHG) emissions	86	
	305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	86	
	305-5 Reduction of greenhouse gas emissions	86	

GRI Context Index (continued)

GRI Standard	Disclosure	Page Number	Omission
Effluents and Waste			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	51	
	103-2 The Management Approach and its components	85	
	103-2 Evaluation of the Management Approach	85	
GRI 306: Effluents and Waste	306-2 Waste by type and disposal method	85	
Environmental Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	51	
	103-2 The Management Approach and its components	87	
	103-2 Evaluation of the Management Approach	87	
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	87	
Supplier Environmental Assessment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	51	
	103-2 The Management Approach and its components	82	
	103-2 Evaluation of the Management Approach	82	
GRI 308: Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	82	
Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	51	
	103-2 The Management Approach and its components	74	
	103-2 Evaluation of the Management Approach	74	
GRI 401: Employment 2016	401-1 Employee hires and turnover	75	
	401-3 Parental leave	76	
Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	51	
	103-2 The Management Approach and its components	78	
	103-2 Evaluation of the Management Approach	78	
GRI 403: Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	78	

GRI Standard	Disclosure	Page Number	Omission
Training and Education			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	51	
	103-2 The Management Approach and its components	76	
	103-2 Evaluation of the Management Approach	76	
GRI 404: Training and education	404-2 Programs for upgrading skills and transition assistance programmes	76	
Local Communities			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	51	
	103-2 The Management Approach and its components	83	
	103-2 Evaluation of the Management Approach	83	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	83	
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GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	51	
	103-2 The Management Approach and its components	80	
	103-2 Evaluation of the Management Approach	80	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	80	
	416-2 Incidences of non-compliance concerning the health and safety aspects of products	80	





Picturesque views

Share Information and Shareholding

2017/18 Financial Calender

2017/18 Financial Calendar

Meeting	
37th Annual General Meeting	18th June 2018
Interim Financial Statements	
1st Quarter ended 30th June 2017	Released on 25th July 2017
2nd Quarter ended 30th September 2017	Released on 25th October 2017
3rd Quarter ended 31st December 2017	Released on 19th January 2018
4th Quarter ended 31st March 2018	Released on 23rd May 2018

Dividend	Declared	Paid
Interim	7th March 2018	27th March 2018
Final	23rd May 2018	*13th June 2018

*Final dividend proposed to be paid

1. Directors' Shareholding

	As at 31.03.2018	As at 31.03.2017
Mr. S. C. Ratnayake - Chairman	400	400
Mr.K.N.J.Balendra	Nil	Nil
Mr. J G A Cooray (Appointment date 1st January 2018)	1,200	N/A
Mr. N. L. Gooneratne	589,281	589,281
Mr. J R Gunaratne (Appointment date 1st January 2018)	Nil	Nil
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. Karunarahaj	400	400
Mr. A. D. Gunewardene (Resignation date 31st December 2017)	N/A	400
Mr. J. R. F. Peiris (Resignation date 31st December 2017)	N/A	400

2. The Company's Issued Ordinary Share Capital of 200,000,000 Shares were held by 1,374 Shareholders as at 31st March 2018. (1,391 Shareholders as at 31st March 2017)

2.1 Share Distribution as at 31st March 2018

	Number of Shareholders	Percentage of Shareholding	Total number of Shares
Less Than or Equal to 1,000	1,143	0.10%	195,569
1,001 to 10,000	177	0.34%	687,067
10,001 to 100,000	40	0.51%	1,015,851
100,001 to 1,000,000	10	2.14%	4,274,781
Over 1,000,001	4	96.91%	193,826,732
Grand Total	1,374	100.00%	200,000,000

2.2 The Twenty Largest Shareholders

		Shareholding as at 31.03.2018	%	Shareholding as at 31.03.2017	%
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	5,423,248	2.71	5,371,248	2.69
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	547,549	0.27	533,768	0.27
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.	Mrs. M. I. Wijekoon	40,000	0.02	41,480	0.02
19.	Mr. H. A. Van Starrex	35,598	0.02	40,000	0.02
20.	Mr. G.M.T. Gunaratne	33,652	0.02	38,320	0.02
		198,285,699	99.14	198,230,468	99.12

Share Information and Shareholding (continued)

2.3 Composition of Shareholders

	As at 31st March 2018			As at 31st March 2017		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	Number of Shares	%
Directors and Spouses	5	598,681	0.30	6	598,281	0.30
Public non-resident						
Institutions	-	-	-	-	-	-
Individuals	14	84,073	0.04	14	84,073	0.04
Public resident						
Institutions	49	196,117,949	98.06	51	196,074,796	98.04
Individuals	1,306	3,199,297	1.60	1,320	3,242,850	1.62
	1,374	200,000,000	100	1,391	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.

3. Market Information on Ordinary Shares of the Company

	2017/18	Q4	Q3	Q2	Q1	2016/17
High (Rs.)	97.00	97.00	91.10	89.90	93.00	94.00
Low (Rs.)	76.10	76.10	70.10	71.50	70.00	70.00
Close (Rs.)	95.00	95.00	89.00	80.00	90.00	75.10
Dividend Paid (Per Share) (Rs.)	3.50	2.00	-	-	1.50	3.00
Trading Statistics						
Number of Transactions	400	38	85	110	167	365
Number of Shares Traded ('000)	103	1	8	34	60	87
% of Total Shares in Issue	0.0516	0.0006	0.0040	0.0172	0.0298	0.0435
Value of all Shares Traded (Rs. Mn)	8.21	0.10	0.69	2.69	4.73	7.51
Average Daily Turnover (Rs. '000)	89.24	5.65	31.27	107.77	175.04	65.3
Market Capitalisation (Rs. Mn)	19,000	19,000	17,800	16,000	18,000	15,020

Dividends since 2004/05

Year Ended 31st March	Dividend Paid Per Share (Rs.)	Dividend Paid (Rs.'000)
2004/05	3.50	175,000
2005/06	5.35	267,500
2006/07	2.40	120,000
2007/08	0.75	37,500
2008/09	1.50	75,000
2009/10	1.00	50,000
2010/11	2.00	100,000
2011/12	3.00	300,000
2012/13	3.00	600,000
2013/14	3.50	700,000
2014/15	3.50	700,000
2015/16	2.00	400,000
2016/17	3.00	600,000
2017/18	3.50	700,000

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
2017/18	200,000

** Sub division of shares





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Financial Statements

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Annual Report of the Board of Directors

The Directors have pleasure in presenting the 37th Annual Report of your Company together with the Audited Financial Statements for the year ended 31st March 2018.

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 Colombo, 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 2018 and future business developments of the Company are provided in the Chairman's Statement on pages 14 to 15 and Value Creation Model appearing on pages 44 to 45. 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 Independent Directors and the Auditor's Report on the financial statements are provided on pages 113 to 154.

Corporate Governance

The Corporate Governance principles and practices of the Company are described from pages 20 to 41 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 54 to 57 of this Report and notes to the financial statements on pages 120 to 154.

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.

Annual Report of the Board of Directors (continued)

Accounting Policies

Details of accounting policies have been discussed in Notes 1 to 40 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 2018 amounted to Rs. 3,199 Mn (2017 Rs. 3,251 Mn)

Results & Appropriations

The Profit After Tax of the Company and the profit attributable to the equity holders for the year was Rs. 883 Mn (2017 - Rs. 908 Mn). The synopsis of the Company's performance is presented in the following table:

For the year ended 31st March	2018 Rs. 000'	2017 Rs. 000'
After providing for all known liabilities bad & doubtful debts and depreciation on property, plant and equipment, the profit earned before interest was	605,095	776,841
Interest paid during the year was	(26,251)	(29,197)
Interest earned during the year was	13,275	24,827
Changing fair value of Investment Property	397,600	243,400
Profit Before Tax was	989,719	1,015,871
From which was deducted the Provision for taxation including deferred taxation of	(106,531)	(108,106)
Leaving a net Profit After Tax of	883,188	907,765
Deferred tax effect on actuarial gain	(982)	871
Gain/Loss on defined benefit plans	(5,615)	(7,257)
The amount transferred from Revaluation Reserve was	25,134	25,134
When the balance brought forward from the previous year was added	3,005,658	2,779,145
The amount available for appropriation was	3,901,354	3,705,658
Interim dividend paid Rs. 2.00 per share 2017/18 (Rs. 2.00 per share 2016/17)	(400,000)	(400,000)
Final dividend to be paid of Rs. 1.00 per share (Rs. 1.50 per share 2016/17)	(200,000)	(300,000)
Leaving a balance to be carried forward next year of	3,301,354	3,005,658

* 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. 1.50 per share for the Financial Year ended 2016/17 and an interim dividend of Rs. 2.00 per share for the Financial Year ended 2017/18 was paid during the current financial year on 14th June 2017 and 27th March 2018 respectively, resulting in a cash payout for the financial year ended 2017/18 amounting to Rs. 700 Mn (Rs. 600 Mn paid in 2016/17).

The Board of Directors recommended a Rs. 200 Mn dividend of Rs. 1.00 per share for the financial year ended 31st March 2018 which will be paid on 13th June 2018 to the shareholders on the register as at 1st June 2018.

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. 1.00. per share for the financial year ended 31st March 2018.

Property, Plant & Equipment

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 3,685 Mn (2017 - Rs. 3,654 Mn) for the Company.

Capital expenditure for the year amounted to Rs. 230 Mn (2017 - Rs. 100 Mn).

Details of property, plant and equipment and their movements are given in Note 14 to the financial statements on page 132 of this report.

Market Value of Properties

All buildings owned by the Company were revalued as at 31st March 2018. 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 2018.

All properties classified as investment property were valued as at 31st March 2018 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. 2,546 Mn (2017 - Rs. 2,148 Mn). The Directors have decided to retain the fair value of investment property recognised as at 31st March 2018.

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 132 to 137 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 of the notes to the financial statements on page 136.

Stated Capital

The total stated capital of the Company as at 31st March 2018 was Rs. 1,113 Mn (2017 - 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 2018 for the Company amounted to Rs. 5,070 Mn (2017 - Rs. 4,895 Mn). The movement of reserves during the year is disclosed in the Statement of Changes in Equity on page 119.

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 2018 and the contingent Liabilities as at that date are given in Note 38 to the financial statements on page 154.

Annual Report of the Board of Directors (continued)

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 154.

Share Information & Shareholding

The market value of an ordinary share of the Company as at 31st March 2018 was Rs. 95.00 (2017 - Rs. 75.10). The number of shareholders as at 31st March 2018 was 1,374 (31st March 2017 - 1,391). 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 94 to 97 of this report. The list of Top Twenty Shareholders of the Company as at 31st March 2018 is also provided on page 95 of this report.

Directors

The Board of Directors of the Company as at 31st March 2018 and their brief profiles are given on pages 16 to 17 of this report.

Retirement and Re-Election of Directors

In accordance with Article 83 of the Articles of Association of the Company, Ms. J C Ponniah and Mr. C J L Pinto who retire by rotation and being eligible offer themselves for re-election. Brief profiles of Ms. J C Ponniah and Mr. C J L Pinto are contained on Page 17 of the Annual Report.

Mr. J G A Cooray and Mr. J R Gunaratne were appointed to the Board as Non Independent Non Executive Directors on 01 January 2018. In accordance with Article 90 of the Articles of Association of the Company, Mr. J G A Cooray and Mr. J R Gunaratne are eligible for re-election. Brief profiles of Mr. J G A Cooray and Mr. J R Gunaratne are contained on Page 16 of the Annual Report.

The Company has recommended the re-election of Mr. N.L. Gooneratne who is 75 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 75 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 page 109 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 :

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 non-independent 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 three 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. C J L Pinto'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, whose fees is commensurate with the market complexities of the Company.

Mr. J R Gunaratne and Mr. J G A Cooray were appointed as Non-Executive Directors of Trans Asia Hotels PLC from 01st January 2018 at the standard Non-Executive Fees recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC, 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:-

	2018	2017
Mr. S C Ratnayake	400	400
Mr. A D Gunewardene (resigned w.e.f. 31.12.2017)	N/A	400
Mr. J R F Peiris (resigned w.e.f. 31.12.2017)	N/A	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 Karunaratjah	400	400
Mr. K N J Balendra	Nil	Nil
Mr. J G A Cooray (appointed w.e.f. 01.01.2018)	1,200	N/A
Mr. J R Gunaratne (appointed w.e.f. 01.01.2018)	Nil	Nil

Annual Report of the Board of Directors (continued)

Directors' Remuneration

Details of the remuneration and other benefits received by the Directors are set out in page 129 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 (SFP). 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 74 to 78. The number of persons employed by the Company as at 31st March 2018 was 750 (2017 – 771).

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, 28 and 32 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 2018, the trade and other payables of the Company amounted to Rs. 256 Mn (2017 – Rs. 262 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 60 to 61 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. 2 Mn (2017 - Rs. 8 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 60 to 61.

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 129 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 page 109.

Annual Report

The Board of Directors approved the audited financial statements for issue on 23rd May 2018. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board on 23rd May 2018.

Annual General Meeting

The Annual General Meeting will be held at the Ceylon Chamber of Commerce Auditorium, No. 50, Nawam Mawatha, Colombo 02 on Monday, 18th June 2018 at 3.30 pm. The Notice of the Annual General Meeting appears on page 160.

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


Director


Director



Keells Consultants (Private) Limited
Secretaries

23rd May 2018

Statement of Directors' Responsibility

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 provisions of the Companies Act No. 07 of 2007, is set out in the Report of Auditors.

The Financial Statements comprise of:

- 1) 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.
- 2) 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. 1/- per share for this year, to be paid on 13th June 2018

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



Keells Consultants (Private) Limited
Secretaries

Colombo
23rd May 2018

Audit Committee Report

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 20 to 41.

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 process is 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 - City Sector 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*	Chairman
Mr. E H Wijenaike*	Member
Ms. J C Ponniah*	Member

**Independent Non-Executive Director*

Whilst a detailed profile of the Board of Directors is given on page 16 and 17 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, both locally and overseas. He also serves as a Non-Executive Independent Director and the Chairman of the Board Audit Committee of Asian Hotels and Properties PLC.

Audit Committee Report (continued)

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 2017/18. The attendance of the Committee members at these meetings was as follows:

Name of Members	27.04.2017	20.07.2017	24.10.2017	18.01.2018	Total
Mr. C J L Pinto	✓	Via Skype	✓	✓	4/4
Mr. E H Wijenaike	✓	✓	✓	✓	4/4
Ms. J C Ponniah	✓	-	✓	✓	3/4

The activities and views of the Committee have been communicated to the Board of Directors by tabling the minutes of the Committee 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 2019, 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 Broker 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 behavior 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 CA Sri Lanka.

Audit Committee Report (continued)

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 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 J L Pinto
Chairman of the Audit Committee

23rd May 2018

Members:

C J L Pinto - Chairman
E H Wijenaikie
J C Ponniah

Independent Auditors' Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
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TO THE SHAREHOLDERS OF TRANS ASIA HOTELS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Trans Asia Hotels PLC ("the Company"), which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes set out on pages 116 to 154.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of

the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

01. Valuation of investment property

Nature and area of focus	Our response
Refer to note 16 in the financial statements.	Our procedures included;
Management has estimated the fair value of the Company's investment property to be LKR 2,546 Mn as at 31st March 2018 with a gain on fair value change for the year ended 31st March 2018 recorded in the statement of profit or loss of LKR 397.6 million. This investment property, which is stated at fair value, are significant to the Company in terms of its value.	<ul style="list-style-type: none"> Assessment of key assumption applied by the external valuer in deriving the fair value of properties and comparing the same with evidence of current market values. Discussions with the external valuer and compare the key assumptions used against externally published market comparable or industry data available and challenging the reasonableness of key assumptions based on our knowledge of the business and industry.
Management's assessment of the fair value of investment property is based on valuation performed by external property valuer in accordance with recognized industry standards.	

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

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan ACA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA
Ms. C.T.K.N. Perera ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyratne FCA
R.M.D.B. Rajapakse FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA

Independent Auditors' Report (continued)



01. Valuation of investment property (continued)	
Nature and area of focus	Our response
<p>Estimating the fair value is a complex process involving a significant degree of judgement and estimates in respect of capitalization rates, fair market rents, diversity of locations and nature of the investment property.</p> <p>We identified assessing the valuation of investment property owned by the Company as a key audit matter because of the complexity of the valuations, the significant judgements and estimation required.</p>	<ul style="list-style-type: none"> Assessing the objectivity and independence of the external valuer and the competence and qualification of the external valuer. Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the key assumptions in the estimate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines

is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditors' Report (continued)



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

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

may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG
Colombo, Sri Lanka

23rd May 2018

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	2018	2017
Revenue	6	3,198,851	3,251,041
Cost of sales		(1,340,174)	(1,273,301)
Gross profit		1,858,677	1,977,740
Other operating income	7	8,866	15,295
Administrative expenses		(705,260)	(710,625)
Sales and marketing expenses		(275,952)	(229,094)
Other operating expenses	8	(281,236)	(276,475)
Profit from operations	9	605,095	776,841
Finance income		13,275	24,827
Finance cost		(26,251)	(29,197)
Net finance cost	10	(12,976)	(4,370)
Change in fair value of investment property	16	397,600	243,400
Profit before taxation		989,719	1,015,871
Income tax expense	11	(106,531)	(108,106)
Profit for the year		883,188	907,765
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement loss on defined benefit obligation, net of tax		(4,633)	(6,386)
Deferred tax implication on other comprehensive income due to rate differential		(7,993)	-
Other comprehensive income for the year, net of tax		(12,626)	(6,386)
Total comprehensive income for the year, net of tax		870,562	901,379
		Rs.	Rs.
Earnings per share	12	4.42	4.54

Note

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

Statement of Financial Position

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

As at 31st March		2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	14	3,685,300	3,653,984
Leasehold property	15	769,048	781,452
Investment property	16	2,546,000	2,148,400
Intangible assets	17	1,125	804
Other financial assets		8,564	8,573
Other non-current assets		1,624	1,347
Total non current assets		7,011,661	6,594,560
Current assets			
Inventories	18	37,968	39,109
Trade and other receivables	19	461,476	424,052
Other current assets	20	49,874	69,354
Amounts due from related parties	21	35,033	94,130
Short term investments	22	-	148,181
Cash in hand and at bank		81,458	125,414
Total current assets		665,809	900,240
Total assets		7,677,470	7,494,800
EQUITY AND LIABILITIES			
Stated capital	23	1,112,880	1,112,880
Revenue reserves		3,509,347	3,305,658
Other components of equity	24	1,560,892	1,589,102
Total equity		6,183,119	6,007,640
Non-current liabilities			
Loans and borrowings	25	146,156	256,331
Employees benefits	27	137,080	129,229
Deferred tax liability	28	384,269	346,297
Total non-current liabilities		667,505	731,857
Current liabilities			
Trade and other payables	29	256,474	261,521
Other current liabilities	30	147,120	155,741
Amounts due to related parties	31	30,484	36,535
Current tax liability	32	37,486	115,408
Loans and borrowings	25	146,156	113,925
Bank overdrafts		209,126	72,173
Total current liabilities		826,846	755,303
Total liabilities		1,494,351	1,487,160
Total equity and liabilities		7,677,470	7,494,800
		Rs.	Rs.
Net assets per share		30.92	30.04

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.



C L P Gunawardane
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Approved and Signed for and on behalf of the Board;



K N J Balendra
Director



J G A Cooray
Director

23rd May 2018

Statement of Cash Flows

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

For the year Ended 31st March	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	989,719	1,015,871
Adjustments for:		
Finance income	(13,275)	(24,827)
Finance expenses	18,011	17,741
Depreciation of property, plant and equipment	194,055	206,315
WIP write-off	-	2,273
Profit on disposal of property, plant and equipment	(4,234)	(3,255)
Amortisation of leasehold properties	12,404	12,404
Amortisation of intangible assets	394	571
Gratuity provision and related costs	23,817	21,922
Exchange loss on long term borrowings	8,240	11,456
Change in fair value of investment property	(397,600)	(243,400)
Provision made on slow moving inventory	254	575
(Reversal)/provision for impairment of trade receivables	(69)	4,270
Share based payment expenses	4,917	3,124
Operating profit before working capital changes	836,633	1,025,040
Decrease/(increase) in inventories	887	(946)
Increase in trade and other receivables	(57,277)	(23,742)
Decrease/(increase) in other current assets	78,577	(42,839)
Increase in other non-current assets	(268)	(2,134)
Decrease in trade and other payables	(5,154)	(53,978)
(Decrease)/increase in other current liabilities	(14,672)	37,993
Cash generated from operations	838,726	939,394
Finance income received	13,275	24,827
Finance expenses paid	(18,011)	(17,741)
Tax paid	(133,570)	-
Gratuity paid	(21,476)	(18,807)
Net cash generated from operating activities	678,944	927,673
Cash flows from investing activities		
Purchase and construction of property, plant and equipment	(229,669)	(100,167)
Purchases of intangible assets	(715)	-
Proceeds from disposal of Property, Plant and Equipment	8,534	15,991
Net cash used in investing activities	(221,850)	(84,176)
Cash flows from financing activities		
Dividend paid	(700,000)	(600,000)
Repayment of long term borrowing	(86,184)	(84,150)
Net cash used in financing activities	(786,184)	(684,150)
Net (decrease)/increase in cash and cash equivalents	(329,090)	159,347
Cash and cash equivalents at the beginning of the year	201,422	42,075
Cash and cash equivalents at the end of the year	(127,668)	201,422
Analysis of cash and cash equivalents		
Short term investments	-	148,181
Cash in hand and at bank	81,458	125,414
Bank overdrafts	(209,126)	(72,173)
	(127,668)	201,422

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 Components of Equity				Total Equity
	Stated Capital	Other Capital Reserve	Revaluation Reserve	Revenue Reserve	
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 for the year	-	-	-	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					
Final dividend paid - 2015/16	-	-	-	(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
Balance as at 1st April 2017	1,112,880	9,941	1,579,161	3,305,658	6,007,640
Total comprehensive income for the year					
Profit for the year	-	-	-	883,188	883,188
Other comprehensive income	-	-	(7,993)	(4,633)	(12,626)
Total comprehensive income for the year	-	-	(7,993)	878,555	870,562
Transferred to accumulated profit (Note a)	-	-	(25,134)	25,134	-
Share based payments (Note 26)	-	4,917	-	-	4,917
Transaction with owners of the company					
Final dividend paid - 2016/17	-	-	-	(300,000)	(300,000)
Interim dividend paid - 2017/18	-	-	-	(400,000)	(400,000)
Balance as at 31st March 2018	1,112,880	14,858	1,546,034	3,509,347	6,183,119

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.

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

Notes to the Financial Statements

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Notes to the Financial Statements

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 2018 was 750 (2017 - 771).

Approval of financial statements

The financial statements for the year ended 31 March 2018 were authorised for issue by the Board of Directors on 23rd May 2018.

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.

Basis of Preparation & Other Significant Accounting Policies

2. Basis of Accounting

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'.

Notes to the Financial Statements (continued)

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 31 March 2018 is included in the following notes:

- Determining the fair value of investment property;
- 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.

However the Company has only loans and receivable as financial assets as at reporting date.

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, short term investments, 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.

Notes to the Financial Statements (continued)

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

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.

(d) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or 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.

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 or where fair values are only disclosed are reflected in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in:

- | | |
|---|---------|
| • Property, plant and equipment under revaluation model | Note 14 |
| • Investment property | Note 16 |

Notes to the Financial Statements (continued)

5. Standards Issued but Not Yet Effective

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRS's will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future financial statements.

The Company intends to adopt these standards, if applicable, when they become effective.

New or Amended Standards	Summary of the Requirement	Possible Impact on Financial Instruments
SLFRS 9 - Financial Instruments	SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Classification and Measurement, impairment and hedge accounting. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.	<p>During 2017, the Company has performed a high-level impact assessment of SLFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its financial position and equity.</p> <p>Classification and measurement The Company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of SLFRS 9.</p> <p>Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under SLFRS 9. Therefore, reclassification for these instruments is not required.</p> <p>Impairment SLFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all trade receivables.</p>

New or Amended Standards	Summary of the Requirement	Possible Impact on Financial Instruments
SLFRS 15, Revenue from Contracts with Customers	<p>SLFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised.</p> <p>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.</p>	<p>SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Company plans to adopt the new standard on the required effective date.</p> <p>Based on the initial assessment it is noted that there are no significant implications.</p>
SLFRS 16, Leases	<p>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.</p>	<p>The Company is assessing the potential impact on its financial statements resulting from the application of SLFRS 16.</p>

Notes to the Financial Statements (continued)

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

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	2018	2017
Room	1,536,985	1,556,182
Food	1,173,681	1,189,097
Beverage	151,916	151,537
Food and beverage - other	53,119	47,918
Power dome revenue	32,297	27,979
Rental Income from investment property	61,331	61,331
Others	189,522	216,997
Total Revenue	3,198,851	3,251,041

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.

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

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	2018	2017
Profit on disposal of property, plant and equipment	4,234	3,255
Gain on exchange	2,770	9,616
Sundry income	904	1,945
Unclaimed dividends written back	958	479
	8,866	15,295

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	2018	2017
Repairs and maintenance expenses	51,842	57,620
Heat ,light and power expenses	154,703	147,266
Bank charges	1,225	1,042
Other	3,780	-
Nation building tax	69,686	70,547
	281,236	276,475

9. Profit from Operating Activities

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

For the year ended 31st March	2018	2017
Directors fees	6,300	6,300
Audit services	741	650
Audit related services	133	77
Donations / CSR	1,728	8,265
Depreciation/amortisation of property, plant and equipment	206,855	219,290
Provision for impairment-trade receivables	211	10,783
Trade receivables reversal during the year	(280)	(6,513)
Provision for slow moving inventory	254	575
Legal fees	3,345	3,295
Operating fees	163,915	174,241
Foreign exchange (gain) / loss	(2,770)	(9,616)
Staff cost (includes the following)	657,784	589,626
Defined benefit plan costs - employees benefit	23,817	21,922
Defined contribution plan costs -EPF and ETF	56,287	47,993

Notes to the Financial Statements (continued)

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

10. Net Finance Cost

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, overdrafts and exchange loss on borrowings.

For the year ended 31st March	2018	2017
Finance income		
Interest income on staff loan	1,203	900
Interest income other	491	495
Interest income on short term investments	11,581	23,432
	13,275	24,827
Finance cost		
Interest expense on long term borrowings	(17,274)	(17,635)
Exchange Loss on long term borrowings	(8,241)	(11,456)
Interest expenses on bank overdraft	(736)	(106)
	(26,251)	(29,197)
Net finance cost	(12,976)	(4,370)

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% 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%.

For the year ended 31st March	2018	2017
Current tax charge (11.1)	75,565	105,660
Under or over provision of Income tax in the previous year	5	-
Deferred tax expense (11.2)	30,961	2,446
	106,531	108,106

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

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

For the year ended 31st march	2018	2017
Profit before tax	989,719	1,015,871
Profits not liable for tax	(2,161)	(1,379)
Accounting profit chargeable to income taxes	987,557	1,014,492
Income tax on accounting profit at applicable rates	129,017	134,860
Tax effect on disallowable expenses	2,995	3,484
Tax effect on aggregate Allowable expenses	-	(30,113)
Tax effect on Investment Property Revaluation	(55,692)	-
Tax effect on Rate Differentials	60,544	-
over provision of Deferred tax	(30,339)	-
Under or over provision of income tax in the previous years	5	-
Tax effect on adjustment to opening deferred tax liability	-	(125)
Total income Tax expense	106,531	108,106
Income tax charged at Standard rate - 28%	18,393	21,377
Concessionary rate of 12%	57,172	84,283
	75,565	105,660
Under or over provision of Income tax in the previous year	5	-
Deferred Tax Charge	30,961	2,446
Total Income Tax Expense	106,531	108,106
Deferred Tax Expense		
Deferred tax expense arising from Accelerated depreciation for tax purposes	32,060	3,721
Employee benefit liability	(1,099)	(1,275)
Deferred tax charge recognised in the profit or loss	30,961	2,446
Other Comprehensive Income		
Re-mesurement of defined benefit obligation	(982)	(871)
Tax effect on rate differentials	7,993	-
Deferred tax charge recognised in the other comprehensive income	7,011	871
Total deferred tax charge	37,972	1,575

Deferred tax liability has been computed taking into consideration the tax rate of 14% applicable for the tourism industry as per the new Inland Revenue Act, No 24 of 2017, with effect from 1st April 2018.

Notes to the Financial Statements (continued)

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

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 outstanding during the year, as required by Sri Lanka Accounting Standard 33 "Earnings per share".

For the year ended 31st March	2018	2017
Profit attributable to Ordinary shareholders of the company (Rs.)	883,188	907,765
Weighted average number of ordinary shares	200,000	200,000
Earnings per share (Rs.)	4.42	4.54

13. Dividends Per Share

For the year ended 31st March	2018	2017
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
Final dividend paid 2016/2017	300,000	-
Final dividend per share 2016 / 17 (Rs.)	1.50	-
Interim dividend Paid 2017 / 18	400,000	-
Interim dividend per share 2017 / 18 (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.

*All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.*

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 depreciation 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.

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 62 years.

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

Notes to the Financial Statements (continued)

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

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.

Property, Plant and Equipment

As at 31st March	Buildings Rs.	Plant and Machinery Rs.	Computer Equipment Rs.	Furniture Fixtures and Fittings Rs.	Kitchen and Laundry Equipment Rs.	Hotel Equipment Rs.	Motor Vehicles Rs.	Soft Furnishing Base Stock Rs.	Circulating Assets Rs.	Work In Progress Rs.	Total 31.03.2018 Rs.	Total 31.03.2017 Rs.
Cost / valuation												
Balance as at 1st April 2017	2,967,334	543,329	103,672	370,290	256,914	78,237	67,244	674,923	166,116	8,690	5,236,754	5,196,404
Additions	15,140	72,066	6,000	19,566	11,842	17,386	-	33,047	30,684	23,939	229,669	100,167
Transfers from WIP	-	7,789	-	901	-	-	-	-	-	(8,691)	-	-
Disposals	-	(26,238)	(529)	(510)	(290)	-	(89)	(2,670)	(17,792)	-	(48,118)	(57,544)
Write - off of assets	-	-	-	-	-	-	-	-	-	-	-	(2,273)
Balance as at 31st March 2018	2,982,474	596,946	109,143	390,247	268,466	95,623	67,155	705,300	179,008	23,938	5,418,305	5,236,754
Accumulated depreciation												
Balance as at 1st April 2017	194,766	280,212	84,505	171,193	152,266	18,632	25,321	516,040	139,832	-	1,582,767	1,421,261
Charge for the year	58,109	24,699	7,384	23,278	13,652	5,951	5,317	37,706	17,960	-	194,055	206,315
Disposals	-	(26,175)	(521)	(499)	(221)	-	(89)	(763)	(15,550)	-	(43,817)	(44,809)
Balance as at 31st March 2018	252,875	278,736	91,368	193,972	165,697	24,583	30,549	552,983	142,242	-	1,733,005	1,582,767
Carrying Amount												
As at 31st March 2018	2,729,599	318,210	17,775	196,275	102,769	71,040	36,606	152,317	36,766	23,938	3,685,300	-
As at 31st March 2017	2,772,568	263,117	19,167	199,097	104,648	59,605	41,923	158,883	26,284	8,690	-	3,653,984

14.1. Property, Plant and Equipment

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 30th September 2017.

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

Property	Method of valuation	Effective date of valuation	Property valuer
Buildings (Extent - 316,067 sq. ft.) No. 115, Sir Chittampalam A Gardiner Mawatha, Colombo 02	Summation method based on depreciated current cost approach	30th September 2017	P B Kalugalagedera & Associates Chartered Valuation Surveyor

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

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 30.09.2017	Valuation technique	Significant unobservable inputs	Estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Building on lease hold land	2,730,000,000	Summation method based on depreciated current cost approach	Estimated price per square feet	Rs. 7,750/- per sq. ft. Rs. 3,500/- per sq. ft. Rs. 6,250/- per sq. ft.	Positively correlated sensitivity
			Capitalisation rate	6% & 3% for 62 years	Negatively correlated sensitivity

Management has not taken these revalued amounts to the financial statements as there were no significant value change when compared to the carrying value of the buildings with revalued amounts as at 30th September 2017, based on the detail valuation report and valuer's statement on revalued amount as at 31st March 2018.

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

As at 31st March	2018	2017
Cost	2,162,995	2,147,855
Accumulated depreciation	(505,838)	(447,729)
Disposals	(26,821)	(26,821)
Carrying value	1,630,336	1,673,305

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.

As at 31st March	2018	2017
Cost/valuation		
Balance at the beginning of the year	945,161	945,161
Balance at the end of the year	945,161	945,161
Accumulated amortisation		
Balance at the beginning of the year	163,709	151,305
Charge for the year	12,404	12,404
Balance at the end of the year	176,113	163,709
Carrying amount	769,048	781,452

Notes to the Financial Statements (continued)

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

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	2018	2017
Balance at the beginning of the year	2,148,400	1,905,000
Change in fair value during the year	397,600	243,400
Balance at the end of the year	2,546,000	2,148,400

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 valuer has considered the property location and size.

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.

The Commercial Centre was revalued in 30th September 2017 by qualified valuer and the surplus arising from the valuation was transferred to the income statement.

As at 31 March Property	Method of Valuation	2018	2017
Leasehold property Commercial Centre Building (Land extent - A 01 - R02 - P30.0 Building extent - 55,548 sq. ft.) No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02	Average value of Investment Method and Direct Capital Comparison Method	2,546,000	2,148,400

Further, there is no significant value change as at 31st March 2018, as per the valuer's statement.

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

Rental income earned from Investment Property by the Company amounted to Rs. 61,331/- (2017 - Rs. 61,331/) and direct operating expenses incurred by the Company amounted to Rs. 7,713/- (2017 - Rs. 8,910/-).

16.2. Description of Valuation Techniques Used and Key Inputs and Assumptions Used for the Valuation on Investment Property

	Valuation technique	Significant unobservable Inputs	Estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Commercial Centre building	Discounted cash flows The valuation model considers the Investment value of net cash flows to be generated from the property for rent and market value for the building and land.	Capitalisation rate	6% & 3% for 62 years	Negatively correlated sensitivity
		Estimated price per building square feet	Rs. 4,000/-	Positively correlated sensitivity
		Estimated price per land perch	Rs. 12.5 Mn	Positively correlated 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.

Notes to the Financial Statements (continued)

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

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	2018	2017
Computer software		
Cost		
Balance at the beginning of the year	25,462	25,462
Additions	715	-
Balance at the end of the year	26,177	25,462
Accumulated amortisation		
Balance at the beginning of the year	24,658	24,087
Amortisation for the year	394	571
Balance at the end of the year	25,052	24,658
Carrying amount	1,125	804

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	2018	2017
Food	15,716	14,595
Beverage	15,339	16,588
Engineering spares	7,876	8,286
Guest supplies	2,785	3,098
Others	5,916	5,952
Provision for slow moving inventory	(9,664)	(9,410)
	37,968	39,109

19. Trade and Other Receivables

As at 31st March	2018	2017
Trade receivables	426,770	393,102
Provision for impairment (Note 19.1)	(3,519)	(3,588)
	423,251	389,514
Advances and deposits	35,932	32,692
Staff loans recoverable within one year	2,293	1,846
	38,225	34,538
	461,476	424,052

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

19.1 Provision for Impairment of Trade Receivables

As at 31st March	2018	2017
Balance at the beginning of the year	3,588	11,903
Reversal during the year	(280)	(6,513)
Provision charged during the year	211	10,783
Write off during the year	-	(12,585)
Balance at the end of the year	3,519	3,588

20. Other Current Assets

Advances to other creditors	3,284	19,404
Prepayments	27,589	30,029
WHT recoverable	1,386	2,014
ESC recoverable	17,615	17,907
	49,874	69,354

21. Amounts Due from Related Parties

Ultimate Parent - John Keells Holdings PLC	3,916	4,450
Parent - Asian Hotels and Properties PLC	510	229
Companies under common control of John Keells Holdings PLC	30,607	89,451
	35,033	94,130

22. Short Term Investments

Fixed and call deposits	-	140,000
Interest Receivable	-	8,181
	-	148,181

23. Stated Capital

Issued and fully paid 200,000,000 ordinary shares	1,112,880	1,112,880
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24. Other Components of Equity

Balance at the beginning of the year	1,589,102	1,611,112
Transferred to retained earnings	(25,134)	(25,134)
Share based payments - (Note 26)	4,917	3,124
Tax effect on Other comprehensive income	(7,993)	-
Balance at the end of the year	1,560,892	1,589,102

Notes to the Financial Statements (continued)

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

25. Interest-Bearing Loans and Borrowings

As at 31st March	2018	2017
Balance at the beginning of the year	370,256	442,950
Cash Changes		
Repayments	(86,184)	(84,150)
Non Cash Changes		
Exchange difference	8,240	11,456
At the end of the year	292,312	370,256
Repayable within one year	146,156	113,925
Repayable after one year	146,156	256,331
	292,312	370,256

Security and repayment terms

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

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.

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

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 (SOFPI). The fair value of the options granted is determined by the Group using an option valuation model and the relevant details are communicated by the Group to all applicable subsidiary companies.

Employee share option scheme

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

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

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

	2018	2017
Expense arising from equity-settled share-based payment transactions	4,917	3,124
Total expense arising from share-based payment transactions	4,917	3,124

Movements in the year

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

	2018		2017	
	No.	WAEP	No.	WAEP
Outstanding at 1 April	231,923	158.60	149,942	194.16
Granted during the year	120,443	173.25	103,001	142.83
Forfeited during the year	(18,379)	155.19	(43,211)	165.60
Adjustment during the year	-	-	22,191	170.45
Outstanding at 31 March	333,987	164.15	231,923	158.60
Exercisable at 31 March	134,063	167.93	64,364	176.56

Fair value of the share option and assumptions

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

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

Notes to the Financial Statements (continued)

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

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% and 3% 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	2018	2017
Balance at the beginning of the year	129,229	118,603
Current service cost	10,248	9,467
Interest cost	13,569	12,455
Transfer in	-	254
Transfer out	(105)	-
Payments made during the year	(21,476)	(18,807)
Actuarial (gain)/loss arising from changes in the assumptions in the previous years	5,615	7,257
Balance at the end of the year	137,080	129,229

The employee benefit liability of the Company is based on the actuarial valuation carried out by Mr. Poopalanathan AIA, Messrs. Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries as at 31st March 2018.

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

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

As at 31st March	2018	2017
Discount rate	10.0%	10.5%
Future salary increases	10%	10%

Sensitivity of assumptions used

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

	2018		2017	
	Discount rate	Salary increment	Discount rate	Salary increment
Effect on the defined benefit obligation liability				
Increase by one percentage point	(5,614)	6,324	(5,256)	5,963
Decrease by one percentage point	6,100	(5,923)	5,722	(5,571)

Maturity analysis of the payments

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

Future working life time	Defined Benefit Obligation	
	2018	2017
Within the next 12 months	25,058	24,101
Between 1 and 2 years	33,450	33,015
Between 2 and 5 years	34,190	32,117
Between 5 and 10 years	35,505	31,379
Beyond 10 years	8,878	8,617
Total expected payments	137,080	129,229

The average duration of the defined benefit plan obligation at the end of the reporting period is 4.64 years .

Notes to the Financial Statements (continued)

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

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	2018	2017
Balance at the beginning of the year	346,297	344,722
Charge / (reversal) for the year	37,972	1,575
Balance at the end of the year	384,269	346,297
The closing deferred tax liability relates to the following		
Revaluation of buildings to fair value	55,953	47,960
Accelerated depreciation for tax purposes	347,507	313,844
Employee benefit liability	(19,191)	(15,507)
	384,269	346,297

29. Trade and Other Payables

As at 31st March	2018	2017
Trade payables	60,565	56,172
Advances and deposits received	44,338	67,845
Accruals and other payables	116,096	101,725
Staff payables	35,475	35,779
	256,474	261,521

30. Other Current Liabilities

As at 31st March	2018	2017
Banquet advances	74,642	77,420
Other advances	6,140	6,528
Other taxes payable	66,338	71,793
	147,120	155,741

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

31. Amounts Due to Related Parties

As at 31st March	2018	2017
Ultimate Parent - John Keells Holdings PLC	3,075	2,273
Parent-Asian Hotels and Properties PLC	4,553	8,324
Companies under the common control of John Keells Holdings PLC	22,856	25,938
	30,484	36,535

32. Current Tax Liability

As at 31st March	2018	2017
Balance at the beginning of the year	115,408	11,453
Charge for the year	75,565	105,660
Under provision of Income tax in the previous year	5	-
Payments,	(133,570)	-
Set-off against tax credits and adjustments	(19,922)	(1,705)
Balance at the end of the year	37,486	115,408

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.

Notes to the Financial Statements (continued)

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

33.1 Transactions with Related Companies

	2018	2017
Ultimate Parent John Keells Holdings PLC		
Rendering /(receiving) of services	(25,148)	(19,746)
Rent received / paid	28,298	27,953
Parent - Asian Hotels and Properties PLC		
Rendering /(receiving) of services	(3,068)	252
Transactions with companies under common control of John Keells Holdings PLC.		
(Purchase) / sale of Goods	(14,802)	(21,941)
Rendering /(receiving) of services	(57,250)	(30,988)
Rent received / Paid	43,671	42,973
Equity accounted investees of John Keells Holdings PLC.		
(Receiving) / rendering of services	8,082	38,921

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) have been classified as KMP of the Company.

	2018	2017
Compensation of key management personnel		
Short term employee benefits	6,300	6,300
Key management personnel		
Rendering of services	1,153	322

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

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 assets by categories As at 31 st March	Financial assets by categories								Financial liabilities by categories	
	Loans and receivables		Financial assets at fair value through profit and loss		Available-for-sale financial assets		Held-to-maturity investments		Financial liabilities measured at amortised cost	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Financial assets and liabilities not measured at faire value										
Financial instruments in non-current assets/(liabilities)										
Other non-current financial assets	1,624	1,347	-	-	-	-	-	-	-	-
Other financial assets	8,564	8,573	-	-	-	-	-	-	-	-
Interest bearing borrowings	-	-	-	-	-	-	-	-	(146,156)	(256,331)
Financial instruments in current assets/(liabilities)										
Trade and other receivables / payables	461,476	424,052	-	-	-	-	-	-	(168,853)	(180,976)
Amounts due from / due to related parties	35,033	94,130	-	-	-	-	-	-	(30,484)	(36,535)
Short term investments	-	148,181	-	-	-	-	-	-	-	-
Cash in hand and at bank	81,458	125,414	-	-	-	-	-	-	-	-
Bank overdrafts	-	-	-	-	-	-	-	-	(209,126)	(72,173)
Current portion of interest bearing borrowings	-	-	-	-	-	-	-	-	(146,156)	(113,925)
Total	588,155	801,697	-	-	-	-	-	-	(700,775)	(659,940)

The management assessed that the fair value of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current financial liabilities are approximate their carrying amounts largely due to the short-term maturities of these instruments. Accordingly the fair value hierarchy does not apply.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable and willing parties, other than in a forced sale or on liquidation.

34.2 Financial Risk Management Objectives and Policies

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

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

Notes to the Financial Statements (continued)

*All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.*

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 appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products. The 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
Figures in brackets indicate deductions.

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).

2018								
	Notes	Other non current financial assets	Cash at bank	Trade and other receivables	Other investments	Amounts due from related parties	Total	% of allocation
Loans to executives	34.2.4	10,188	-	2,293	-	-	12,481	2%
Trade receivables	34.2.5	-	-	423,251	-	-	423,251	77%
Amounts due from related parties	34.2.6	-	-	-	-	35,033	35,033	6%
Bank balances	34.2.7	-	79,144	-	-	-	79,144	14%
Total credit risk exposure		10,188	79,144	425,544	-	35,033	549,909	100%

2017								
	Notes	Other non current financial assets	Cash at bank	Trade and other receivables	Other investments	Amounts due from related parties	Total	% of allocation
Fixed deposits with bank	34.2.3	-	-	-	148,181	-	148,181	19%
Loans to executives	34.2.4	9,921	-	1,846	-	-	11,766	2%
Trade 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		9,921	123,180	391,360	148,181	94,130	766,771	100%

34.2.3 Deposits with Bank

Fixed and call deposits held comprise with banks rated "AA-(Ika)" (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. Company have obtained the necessary Power of Attorney/Promissory Notes as collateral for the loans granted.

34.2.5 Trade Receivables

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

As at 31st March	2018	2017
Neither past due nor impaired	32,051	16,302
Past due but not impaired		
< 30 days	186,220	249,055
31 - 60 days	73,668	91,281
61 - 90 days	9,646	19,588
91 - 120 days	65,838	1,699
121 - 180 days	56,258	7,155
> 180 days	3,089	8,022
Gross carrying value	426,770	393,102
Less: impairment provision		
Individually assessed impairment provision	(3,519)	(3,588)
Total	423,251	389,514

Notes to the Financial Statements (continued)

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

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 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. 81.4 Mn excluding bank overdrafts as at 31st March 2018 (2017 Rs. 273.5 Mn).

34.3 Liquidity Risk

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

Company monitors the level of expected cash inflows on trade and other receivable together with expected cash outflows on trade and other payables. The expected cash flow from trade and other receivables maturing within two months were Rs. 574 Mn (2017 - Rs. 606 Mn).

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

Company has approved and unused overdraft facility amounting to Rs. 270 Mn - as at 31st March 2018

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.

Contractual cash flows - 2018	Carrying Amount	Total	2 Months or less	2-12 Months	1-2 Years	2-5 Years	More than 5 years
Trade payables	60,565	60,565	60,565	-	-	-	-
Staff payables	35,475	35,475	35,475	-	-	-	-
Amount due to related parties	30,484	30,484	30,484	-	-	-	-
Loans and borrowings	292,312	292,312	29,231	116,925	116,925	29,231	-

Contractual cash flows - 2017	Carrying Amount	Total	2 Months or less	2-12 Months	1-2 Years	2-5 Years	More than 5 years
Trade payables	56,172	56,172	56,172	-	-	-	-
Staff payables	35,779	35,779	35,779	-	-	-	-
Amount due to related parties	36,535	36,535	36,535	-	-	-	-
Loans and borrowings	370,256	370,256	-	113,925	113,925	142,406	-

*All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.*

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

The bank loan obtained in US Dollar terms are matched with US Dollar receipts from customers. The annual repayment of the US dollar loan for the current financial year is USD 562,500. The annual average US Dollar receipts of the Company is USD 1,825,992 approximately. However, Company engages in transactions associated with foreign currencies in its ordinary course of operations, hence exposed to Currency risk. Across the industry, the hotel rates targeting the foreign tourists are quoted in US Dollar terms, However a fluctuation in the exchange rate will not have a significant impact since majority of the quotes are converted to local currency at the point of invoicing. The company monitors fluctuations in foreign exchange rates and takes precautionary measures to revise its exchange rates on a regular basis. In an attempt to mitigate the exposure to currency risk arising from its transactions.

Interest rate risk

Interest rate mainly arises as a result of 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 regular basis and ensure risks are managed on a timely manner.

Notes to the Financial Statements (continued)

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

35. Fair Value Measurement

Fair values vs carrying amounts

	Trading	Held to Maturity	Loans and receivables	Available for sale	Other financial liabilities	Total carrying amount
31st March 2018						
Cash in hand and at bank	-	-	81,458	-	-	81,458
Trade and other receivables	-	-	461,476	-	-	461,476
Amounts due from related parties	-	-	35,033	-	-	35,033
	-	-	577,967	-	-	577,967
Trade and other payables	-	-	-	-	168,853	168,853
Amounts due to related parties	-	-	-	-	30,484	30,484
Loans and borrowings	-	-	-	-	292,312	292,312
Bank overdrafts	-	-	-	-	209,126	209,126
	-	-	-	-	700,775	700,775
31st March 2017						
Cash in hand and at bank	-	-	273,595	-	-	273,595
Trade and other receivables	-	-	424,052	-	-	424,052
Amounts due from related parties	-	-	94,130	-	-	94,130
	-	-	791,777	-	-	791,776
Trade and other payables	-	-	-	-	180,976	180,976
Amounts due to related parties	-	-	-	-	36,535	36,535
Loans and borrowings	-	-	-	-	370,256	370,256
Bank overdrafts	-	-	-	-	72,173	72,173
	-	-	-	-	659,940	659,940

All the above financial assets and liabilities are not measured at fair value.

Fair value for above financial assets and liabilities is not disclosed since the carrying amount is a reasonable appropriation of their fair value. Accordingly fair value hierarchy does not apply.

All values are in Rupees' 000s, unless otherwise stated
Figures in brackets indicate deductions.

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

For the year ended 31st March	Hotel		Investment Property		Total	
	2018	2017	2018	2017	2018	2017
Total Revenue	3,137,520	3,189,710	61,331	61,331	3,198,851	3,251,041
Other Operating Income	8,866	15,295	-	-	8,866	15,295
Expenses	(2,594,909)	(2,480,585)	(7,713)	(8,910)	(2,602,622)	(2,489,495)
Net Finance Cost	(12,976)	(4,370)	-	-	(12,976)	(4,370)
Change in Fair Value of Investment Property	-	-	397,600	243,400	397,600	243,400
Profit before Taxation	538,501	720,050	451,218	295,821	989,719	1,015,871
Segment Assets	5,131,470	5,346,400	2,546,000	2,148,400	7,677,470	7,494,800
Segment Liabilities	1,494,351	1,487,160	-	-	1,494,351	1,487,160

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.

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	2018	2017
Total liabilities	1,494,351	1,487,160
Less: cash and short term deposits	81,458	273,595
Adjusted net debt	1,412,893	1,213,565
Total equity	6,183,119	6,007,640
Adjusted net debt to adjusted equity ratio	23%	20%

Notes to the Financial Statements (continued)

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 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, 2013/14 and 2014/15. The Company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure. Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31st March 2018 is estimated at Rs. 40.6 Mn and penalties on it.

The management is confident that the ultimate resolution of the above contingencies are unlikely to have a material adverse effect on the financial position of the Company.

There were 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 2017/18

The Board of Directors of the Company have recommended a final dividend of Rs. 1 per share for the year ended 31st March 2018.

As required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the auditors, prior to recommending the final dividend of Rs. 1 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 2018.

40. Directors' Responsibility Statement

The Board of Directors is responsible for the preparation and presentation of the financial statements. Please refer to the page 108 for the statement of Directors' Responsibility for Financial Reporting.

Quarterly Financial Data for the Financial Year Ended 31st March 2018

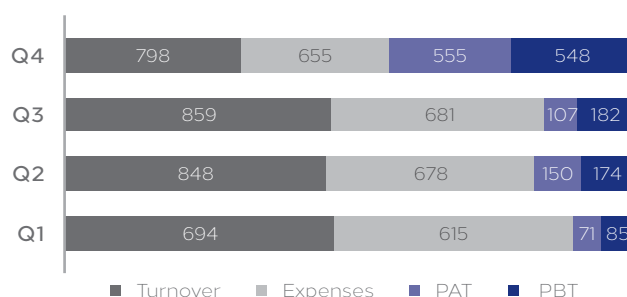
Income Statement

For the Quarter ended	30 Jun '17	30 Sep'17	31 Dec '17	31 Mar '18	Total for the Year
Turnover	694,149	847,696	859,305	797,701	3,198,851
Cost of Sales	(311,796)	(352,157)	(353,636)	(322,585)	(1,340,174)
Gross Profit	382,353	495,539	505,669	475,116	1,858,677
Other Operating Income	538	3,101	1,335	3,892	8,866
Administrative Expenses	(168,750)	(182,141)	(179,603)	(174,766)	(705,260)
Sales and Marketing Expenses	(57,305)	(67,599)	(72,112)	(78,935)	(275,951)
Other Operating Expenses	(72,261)	(71,557)	(70,942)	(66,476)	(281,236)
Profit from Operating Activities	84,575	177,343	184,347	158,831	605,096
Finance Income	5,180	1,301	2,537	4,257	13,275
Finance Cost	(4,879)	(4,430)	(4,405)	(12,537)	(26,251)
Change in Fair Value of Investment Property				397,600	397,600
Profit before Taxation	84,876	174,214	182,479	548,150	989,719
Income Tax Expense	(14,066)	(23,972)	(75,799)	7,306	(106,531)
Profit after Taxation	70,810	150,242	106,680	555,456	883,188
Earning Per Share					4.42

Balance Sheet

As at	30 Jun '17	30 Sep'17	31 Dec '17	31 Mar '18
Net Assets				
Property, Plant and Equipment	6,573,172	6,557,083	6,627,225	7,000,348
Other Non Current Assets	10,073	11,995	11,323	11,313
Net Current Assets	(98,853)	33,550	96,570	(161,037)
	6,484,392	6,602,628	6,735,118	6,850,624
Less : Non Current Liabilities	704,946	671,632	703,933	667,505
	5,779,446	5,930,996	6,031,185	6,183,119
Shareholders' Funds				
Stated capital and revenue reserves	4,195,632	4,352,158	4,465,317	4,622,227
Other components of equity	1,583,814	1,578,838	1,565,868	1,560,892
	5,779,446	5,930,996	6,031,185	6,183,119
Net Assets Per Share	28.90	29.65	30.16	30.92

Quarterly Revenue & Profitability



Five Year Financial Summary & Key Indicators

	17/18 Rs. ' 000	16/17 Rs. ' 000	15/16 Rs. ' 000	14/15 Rs. ' 000	13/14 Rs. ' 000
Revenue					
Rooms	1,536,986	1,556,182	1,007,293	1,185,959	1,399,408
Food	1,173,681	1,189,097	1,023,937	1,129,314	1,073,233
Beverages	151,916	151,537	122,028	145,303	153,647
Food and Beverage Others	53,119	47,918	44,764	41,016	38,123
Investment Property Income	61,331	61,331	61,331	61,331	61,075
Others	221,819	244,223	223,646	221,334	210,932
Total Revenue	3,198,851	3,251,041	2,483,689	2,786,072	2,939,463
Direct Expenses					
Rooms	338,816	324,841	229,966	224,433	215,396
Food Cost	449,173	464,452	391,220	433,489	412,603
Beverage Cost	50,537	52,355	40,596	44,158	42,438
Food and Beverage	455,680	379,300	361,088	349,367	369,542
Investment Property Cost	441	1,615	1,011	551	1,268
Others	115,212	117,723	107,136	99,524	98,221
Total Direct Expenses	1,409,859	1,343,847	1,134,174	1,154,872	1,143,454
Gross Operating Income	1,788,990	1,907,194	1,349,515	1,631,200	1,796,008
Other Expenses					
Administration and General	250,395	239,527	216,161	221,149	209,074
Advertising and Sales	260,267	213,214	183,076	117,778	75,051
Heat, Light and Power	154,703	147,266	169,251	182,621	193,695
Repairs and Maintenance	106,829	105,135	110,869	107,572	103,477
Operating Fee	163,915	174,241	122,454	148,848	163,352
Marketing Expenses	15,684	15,879	10,278	12,102	14,280
Branding Expenses			399	-	-
Total Deductions	951,792	895,262	812,488	790,070	758,928
Gross Operating Profit	837,198	1,011,932	537,027	841,130	1,037,080
Other Income	18,361	40,122	12,427	44,912	68,544
Assets Write-off	-	-	(24,564)	-	-
Change in fair value of investment properties	397,600	243,400	126,100	20,650	-
	1,253,159	1,295,454	650,990	906,692	1,105,624
Finance Expenses	26,251	29,197	47,074	190	38
Insurance and Rates	30,335	31,097	28,075	27,106	28,136
Depreciation and Amortisation	206,855	219,289	218,268	215,147	205,731
	263,440	279,583	293,417	242,444	233,906
Net Profit Before Taxation	989,719	1,015,872	357,572	664,248	871,719

	17/18 Rs. ' 000	16/17 Rs. ' 000	15/16 Rs. ' 000	14/15 Rs. ' 000	13/14 Rs. ' 000
Operating Results					
Total Revenue	3,198,851	3,251,041	2,483,689	2,786,072	2,939,463
Sales Growth %	(1.61)	30.89	(10.85)	(5.22)	3.49
Profit from Operating Activities	605,095	776,841	537,027	841,130	1,037,080
Finance Expenses	26,251	29,197	47,074	190	38
Rates Insurance, Depreciation & Amortisation	237,190	250,386	246,343	242,254	233,868
Profit Before Taxation	989,719	1,015,871	357,572	664,248	871,719
Shareholder's Funds					
Stated Capital	1,112,880	1,112,880	1,112,880	1,112,880	1,112,880
Other components of equity	1,560,892	1,589,102	1,611,112	1,639,692	1,662,351
Revenue reserves	3,509,347	3,305,658	2,979,145	3,235,190	3,323,878
Total equity	6,183,119	6,007,640	5,703,137	5,987,762	6,099,109
Assets Employed					
Property ,Plant and Equipment	3,685,300	3,653,984	3,775,142	3,419,394	3,457,787
Leasehold Property	769,048	781,452	793,856	806,260	818,664
Investment Property	2,546,000	2,148,400	1,905,000	1,778,900	1,758,250
Other Non Current Assets	11,313	10,724	9,161	6,531	11,421
Net Current Assets	(161,037)	144,937	43,200	427,739	496,968
	6,850,624	6,739,497	6,526,359	6,438,823	6,543,090
Less					
Long Term Liabilities					
Employee Benefits	137,080	129,229	118,603	109,999	106,570
Deferred Tax Liability	384,269	346,297	344,722	341,062	337,411
Loans and Borrowings	146,156	256,331	359,897	-	-
Net Assets	6,183,119	6,007,640	5,703,137	5,987,762	6,099,109
Key Indicators					
Current Ratio Times	0.81	1.19	1.07	1.91	2.09
Net Asset per Share (Rs.)	30.92	30.04	28.52	29.94	30.50
Market Price per Share (Rs.)	95.00	75.10	79.90	94.00	79.90
Earnings per Share (Rs.)	4.42	4.54	1.60	2.92	3.72
Profit Before Taxation (%)	31	31	14	24	30
Statistical Summary					
Occupancy %	63	64	43	51	61
No. of Rooms Occupied	79,475	81,387	54,246	64,923	76,790
Average Daily Rate (Rs.)	19,339	19,121	18,569	18,267	18,224

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.

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 Capitalisation

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

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

$(P1 - P0 + D) / P0 \times 100$
P1 = Market price at the end of the year
P0 = 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 of Meeting

NOTICE IS HEREBY GIVEN that the Thirty Seventh Annual General Meeting of Trans Asia Hotels PLC will be held on 18th June 2018 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:

1. To read the notice convening the meeting.
2. To receive and consider the Annual Report and Audited Financial Statements of the Company for the year ended 31st March 2018 together with the Report of the Auditors thereon.
3. To re-elect as Director Ms. J C Ponniah who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Ms. J C Ponniah is contained in the Board of Directors section of the Annual Report.
4. To re- elect as Director Mr. C J L Pinto who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Mr. C J L Pinto is contained in the Board of Directors section of the Annual Report.
5. To re-elect as Director Mr. J G A Cooray who retires in terms of Article 90 of the Articles of Association of the Company. A brief profile of Mr. J G A Cooray is contained in the Board of Directors section of the Annual Report.
6. To re-elect as Director Mr. J R Gunaratne who retires in terms of Article 90 of the Articles of Association of the Company. A brief profile of Mr. J R Gunaratne is contained in the Board of Directors section of the Annual Report.
7. 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 75 years and that he be re-elected a Director of the Company."
8. To re-appoint Auditors, Messrs. KPMG, Chartered Accountants, and to authorise the Directors to determine their remuneration.
9. 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



Keells Consultants (Private) Limited
Secretaries

Colombo,
23rd May 2018

Notes:

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

Notes

Notes

Form of Proxy

I/We..... of

 being a member/members of Trans Asia Hotels PLC hereby appoint of
 or failing him/her

Mr. Susantha Chaminda Ratnayake	or failing him
Mr. Krishan Niraj Jayasekara Balendra	or failing him
Mr. Joseph Gihan Adisha Cooray	or failing him
Mr. Jitendra Romesh Gunaratne	or failing him
Mr. Navindra Lal Gooneratne	or failing him
Mr. Cholmondeley John Lloyd Pinto	or failing him
Mr. Eranjith Harendra Wijenaik	or failing him
Ms. Jhansi Carryl Ponniah	or failing her
Mr. Rohan Jebashanthan Karunarajah	

as my/our proxy to represent me/us and to vote on my/our behalf at the Thirty Seventh Annual General Meeting of the Company to be held on 18th June 2018 at 3.30pm and at any adjournment thereof, and at any poll which may be taken in consequence thereof.

I/We the undersigned hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified resolution as indicated by the letter "X" in the appropriate cage:

		FOR	AGAINST
1.	To re-elect as Director Ms. J C Ponniah who retires in terms of Article 83 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
2.	To re-elect as Director Mr. C J L Pinto who retires in terms of Article 83 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3.	To re-elect as Director Mr. J G A Cooray who retires in terms of Article 90 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4.	To re-elect as Director Mr. J R Gunaratne who retires in terms of Article 90 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
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	<input type="checkbox"/>	<input type="checkbox"/>
6.	To re-appoint Auditors, KPMG, Chartered Accountants, and to Authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this day of Two Thousand and Eighteen

.....
 Signature/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 :

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.cinnamonhoels.com/cinnamonlakeside.htm>

Board of Directors

Mr. Susantha Chaminda Ratnayake - Chairman
Mr. Krishan Niraj Jayasekara Balendra
Mr. Joseph Gihan Adisha Cooray
Mr. Jitendra Romesh Gunaratne
Mr. Navindra Lal Gooneratne
Mr. Cholmondeley John Lloyd Pinto
Mr. Eranjith Harendra Wijenaike
Ms. Jhansi Carryl Ponniah
Mr. Rohan Jebashanthan Karunarajah

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
DFCC Bank

Company Related Information Requirements

Shareholders can contact Keells Consultants (Private) Limited on 011-2306245 for any Company related information requirements.

Cinnamon
LAKESIDE
Colombo

Trans Asia Hotels PLC

No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.