

*f*ocus

focus

Our focus never faltered and our goal remained consistent; enriching our guest experience remained paramount.

Sharpening our focus in the year under review, enabled us to emerge resilient and not flounder in the face of trials and tribulations. Focusing inward, we improved ourselves, enhancing the impeccable service standards we have maintained year in and year out. Focusing outward, we upgraded our infrastructure; investing in elevating with progress in mind.

Focusing intensely, gave us the impetus to charge forward with confidence and embrace our standing as THE trendsetter in the hospitality industry.





*“What an amazing place!
The staff could not do
more for us and the island
was so beautiful. Food was
amazing and our water
bungalow was the perfect
accommodation for our
special trip.”*

TripAdvisor Review by
Emma H

Ellaidhoo Maldives by Cinnamon

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About this Report

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John Keells Hotels PLC presents its 5th Annual Report according to an Integrated format of reporting. Reflecting the Group's Triple Bottom Line approach, the report discusses the quality, availability and the effective management of all six capitals.







REPORT SCOPE AND BOUNDARY

The report covers the operations of John Keells Hotels PLC and its subsidiaries referred to as the "Group" in Sri Lanka and Maldives for the period from 1st April 2018 to 31st March 2019. We adopt an annual reporting cycle, and the most recent previous report for the financial year ending 31st March 2018 is available on our website www.cinnamonhotels.com. The complete list of hotels within the Group is provided on page 19. The Management Discussion & Analysis reports on operations which fall directly under the control of the Group and as individual properties.

In preparing this report we have drawn on concepts, guidance and methodology given in the International Integrated Reporting Council's Framework and Sri Lanka Accounting Standards (SLFRS/LKAS) applicable for financial periods beginning on or after 1st January 2012. The accounting policies adopted are described in detail in the Financial Statements. Further, we are in compliance with the laws and regulations of the Companies Act No. 07 of 2007 and subsequent amendments and Listing Rules of the Colombo Stock Exchange (CSE).

The Capital reports are based on the universally applicable and comparable framework for Sustainability Reporting developed by the Global Reporting Initiative (GRI) Standard, in accordance to the Core Reporting option. We also report on the Group's initiatives towards meeting the United Nations' Sustainable Development Goals as applicable to the Group. During the year under review there were no significant changes to the organisation and its supply chain. There were no material re-statements of information from the previous reporting period.

NAVIGATION ICONS

	Financial Capital
	Manufactured Capital
	Human Capital
	Social and Relationship Capital
	Intellectual Capital
	Natural Capital

Feedback

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

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CAPITAL

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“ *The staff here are very friendly and welcoming. Set in the lovely countryside, so the views are amazing and the weather is very hot. Sunshine all day. Food is excellent so are the large variety of drinks Lovely pool.* ”

TripAdvisor Review by
Pat D

Cinnamon Lodge Habarana

Who We Are

We will always be the Hospitality Trendsetter

Cinnamon Hotels & Resorts is known as a pioneer in the travel and hospitality industry inspiring you to enjoy life's best moments.

As one of Sri Lanka's largest hotel operators, we own a portfolio of nine operational resort hotels spread across prime tourist locations in Sri Lanka and Maldives, offering beaches, mountains and cultural splendour.

With a passion for style and a penchant for fun, the diversity of the Cinnamon way of doing things means we have unique experiences in each of the hotels from rooms on the beach to rooms in the ocean and views of the city, the jungle and horizons, so take your pick and we'll deliver. We create holistic, inspiring adventures and light-hearted fun for one-of-a-kind island adventures.

Our Portfolio



Luxury Lifestyle

05

Hotels

672

Rooms



Rustic Luxury

04

Hotels

451

Rooms



*Re-development/
Re-construction*

02

Hotels

259

Rooms





“ *The location of this hotel is fabulous with lots of wild life in the grounds, a great pool and a very relaxing feel.* ”

TripAdvisor Review by
jilemcam17

Habarana Village by Cinnamon

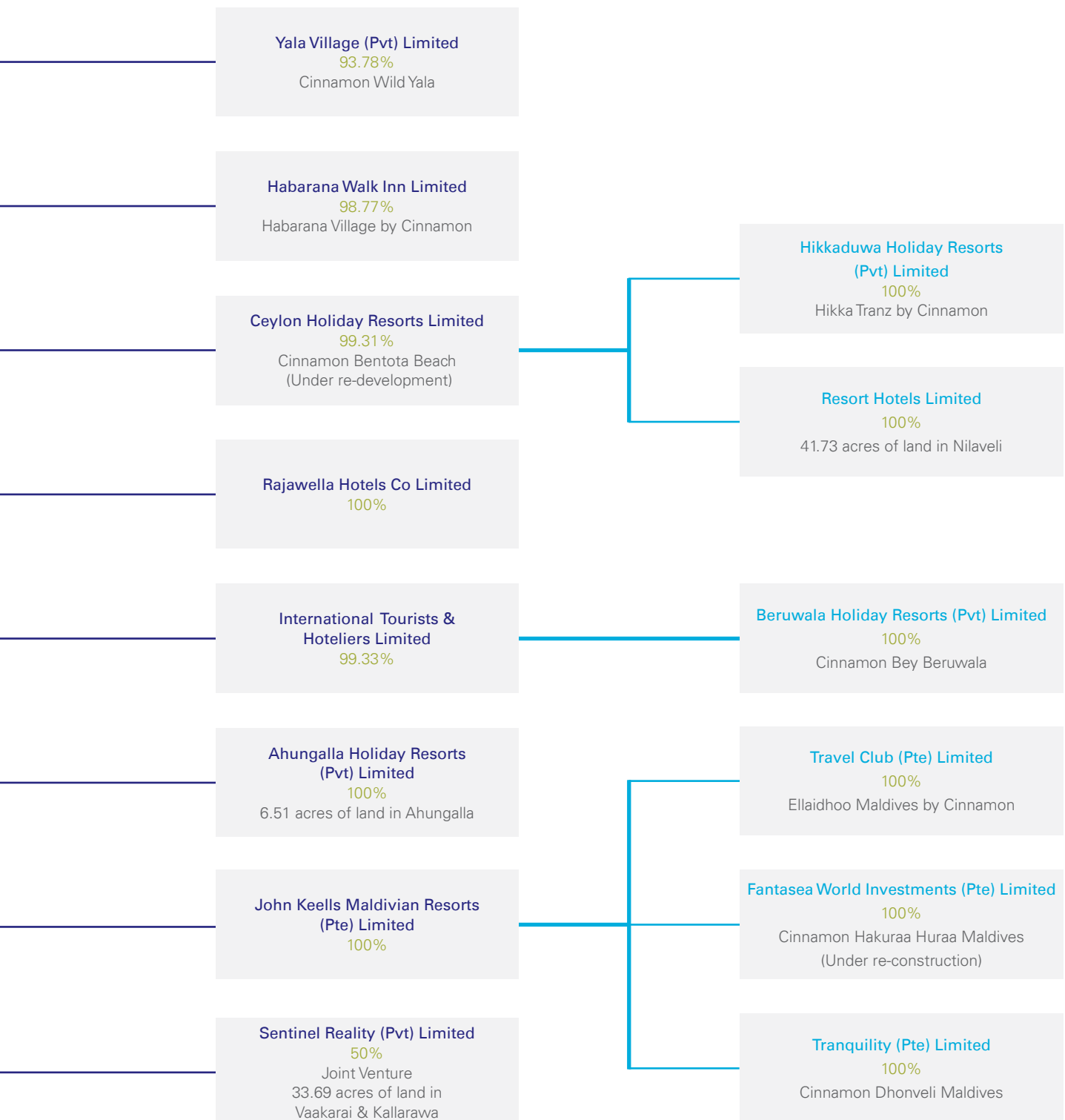


Group Structure





GRI 102-5 GRI 102-45





Performance Scorecard

	Indicator		2018/19	2017/18	Change y-o-y
Commitment: Sustainable growth in earnings					
Financial Capital	Revenue	Rs. Million	11,033	11,614	(5%)
	TrevPAR	Rs.	26,745	25,720	4%
	Operating profit	Rs. Million	1,087	1,324	(18%)
	Profit for the year	Rs. Million	832	1,131	(26%)
	Earnings per share	Rs.	0.56	0.77	(27%)
	Dividend per share	Rs.	0.15	0.40	(63%)
	Total assets	Rs. Million	37,250	33,236	12%
	Total equity	Rs. Million	28,897	26,353	10%
	Total debt	Rs. Million	5,455	4,244	29%
	Net assets per share	Rs.	19.75	18.00	10%
	Share price	Rs.	7.50	9.30	(19%)
	Market capitalisation	Rs. Million	10,921	13,542	(19%)
Commitment: Continued investments in our physical infrastructure					
Manufactured Capital	Property, plant and equipment	Rs. Million	17,563	14,084	25%
	Room capacity	No. of Rooms	1,123	1,204	(7%)
	Capital expenditure	Rs. Million	3,917	1,526	157%
Commitment: Strengthening the employee value proposition					
Human Capital	Total employees	No.	2,105	2,286	(8%)
	Payments to employees	Rs. Million	2,083	2,094	(0.6%)
	No. of promotions	No.	97	152	(36%)
	Attrition rate	%	23	28	(18%)
	Female representation	%	8	8.3	(4%)
	Investment in training	Rs. Million	47.1	34.1	38%
	Total training hours	Hours	115,200	89,119	29%
	New recruits	No.	571	444	29%
	Average training hours/employee	Hours	68	39	74%
	Workplace injuries	No.	33	43	(23%)

GRI 102-7

Indicator		2018/19	2017/18	Change y-o-y	
Commitment: Creating guest experiences					
Social and Relationship Capital	Occupancy rate - Sri Lanka	%	80	81	(1%)
	Occupancy rate - Maldives	%	84	82	2%
	TripAdvisor rating	Out of 5	4.4	4.4	-
	Social media presence (All platforms)	No. of followers	425,310	378,911	12%
	Commitment: Creating value across our supply chain				
	Total suppliers	No	1,063	1,073	(1%)
	Payments to suppliers	Rs. Million	2,159	2,174	(1%)
	Commitment: Empowering communities				
	Total investment in CSR	Rs. Million	10.6	10.7	(1%)
	Commitment: Nurturing the planet				
Natural Capital	Raw material usage	MT	2,064	2,298	(10%)
	Carbon footprint	tCO ₂ e	17,484	19,711	(11%)
	Energy consumption per guest night	MJ	216	230	(6%)
	Water withdrawn per guest night	Litres	793	811	(2%)
	Waste disposed per guest night	Kg	2.45	2.85	(14%)
	Carbon footprint per guest night	KgCO ₂ e	24.98	25.60	(2%)

Hours
115,200
Training Hours

















Rs. Million
3,917
Capital Expenditure

tCO₂e
17,484
Carbon Footprint



About the Group

John Keells Hotels PLC is one of Sri Lanka's largest multi-destination hotel operators, who owns and currently operates a portfolio of 1,123 Four and Five star rooms in 9 hotels across Sri Lanka and the Maldives. Our lifestyle brand "Cinnamon" embodies the promise of "Inspired Living" through our spaces, service and guest experiences. Brand Cinnamon is frequently featured amongst the country's top brands and in fact became the only hospitality brand to be amongst "Sri Lanka's 100 Most Valuable Brands" in 2018. As an industry pioneer in sustainable tourism in Sri Lanka, all 9 operating resorts have obtained the prestigious Green Globe certification and one of our properties is LEED Gold certified. Headquartered in Colombo, Sri Lanka, we are a 80.32% owned subsidiary of John Keells Holdings PLC, Sri Lanka's premier diversified conglomerate and most valuable listed entity in terms of market capitalisation.

FINANCIAL PERFORMANCE AND STRENGTH	UNIQUE GUEST EXPERIENCES	STAKEHOLDER VALUE CREATION	ECONOMIC CONTRIBUTION
<p><i>Prudent financial management and a strong balance sheet ensures resilience through business cycles</i></p>	<p><i>We provide a range of unique guest experiences to remain relevant to our customers</i></p>	<p><i>Our integrated strategy is aimed at fulfilling the often-competing interests of stakeholders</i></p>	<p><i>Our value chain creates economic benefit across the entire economy</i></p>
 <p>37.2 Rs. Billion</p> <p>Total Assets</p>	 <p>1,123</p> <p>Rooms</p>	 <p>218 Rs. Million</p> <p>Dividend Payments</p>	 <p>571</p> <p>Employment Generation</p>
 <p>11 Rs. Billion</p> <p>Revenue</p>	 <p>9</p> <p>Hotel Properties</p>	 <p>2.1 Rs. Billion</p> <p>Payments to Employees</p>	 <p>377 Rs. Million</p> <p>Tax Payments</p>
 <p>832 Rs. Million</p> <p>Profit After Tax</p>	 <p>24</p> <p>Restaurants</p>	 <p>2,159 Rs. Million</p> <p>Supplier Payments</p>	 <p>2,105</p> <p>Employees</p>
 <p>3 %</p> <p>Return on Equity</p>	<p><i>Brand Building Initiatives</i></p> <ul style="list-style-type: none"> • Mamma Mia! in Sri Lanka • The Colombo Music Festival • Cinnamon Island Weddings • Nigella Lawson in Sri Lanka 	 <p>10.6 Rs. Million</p> <p>Investment in CSR</p>	 <p>11.4 Rs. Billion</p> <p>Economic Value Generated</p>
 <p>19.75 Rs.</p> <p>Net Asset Per Share</p>			

GRI 102-2

	Resort	Room Capacity	TripAdvisor Rating
Luxury Lifestyle	Cinnamon Bey Beruwala	199	4.2
	Cinnamon Wild Yala	68	4.4
	Cinnamon Lodge Habarana	138	4.5
	Cinnamon Citadel Kandy	119	4.2
	Cinnamon Dhonveli Maldives	148	4.6
	Cinnamon Hakuraa Huraa Maldives	Closed for re-construction	
	Cinnamon Bentota Beach	Closed for re-development	
Rustic Luxury	Hikka Tranz by Cinnamon	150	4.1
	Trinco Blu by Cinnamon	81	4.3
	Habarana Village by Cinnamon	108	4.3
	Ellaidhoo Maldives by Cinnamon	112	4.4



Year at a Glance



Nigella Lawson in Sri Lanka

June

- The world-famous culinary celebrity Nigella Lawson was hosted in Sri Lanka by Cinnamon.
- Celebration of World Environment Day across all resorts with beach clean-up and tree planting initiatives.
- Cinnamon Island Weddings project completed as the world's largest online wedding competition, promoting Sri Lanka as an idyllic destination for weddings and honeymooners.



Cinnamon Island Weddings

August

- Cinnamon held the Colombo Music Festival 2018, at the Havelock Sports Club Grounds bringing to life the biggest music festival held in the island
- Cinnamon Wild Yala together with John Keells Foundation established an Emergency Treatment Unit at Kirinda hospital



Colombo Music Festival

September

Cinnamon and the John Keells Foundation presented "Guru Gedera" together with the Chitrasena Vajira Kalayathanaya, making it the first immersive traditional arts festival held in the Island.



Guru Gedera



Cinnamon TBCasia



Earth Hour Celebrations

October

- Cinnamon Wild Yala & Cinnamon Nature Trails presented the 100th pen in its project to solve the Human Leopard conflict (Project Leopard)
- Cinnamon TBCasia presented the 3rd edition of its biennial conference
- Completed refurbishment at Ellaidhoo Maldives by Cinnamon

March

- Celebration of International Women's Day on the 8th of March
- Celebration of Earth Hour at selected Sri Lanka and Maldives Resorts on the 30th of March 2019
- Launch of new Cinnamon Hotels and Resorts website



MAMMA MIA!



Women's Day

December

- Cinnamon presented MAMMA MIA! in Sri Lanka, making this its first appearance in South Asia
- Ellaidhoo Maldives by Cinnamon launched a Coral Propagation project



Women's Day



Group Financial and Operational Highlights

GRI 102-7

Group Financial Highlights

Year ended 31st March		2019	2018
Earnings Highlights and Ratios			
Revenue	Rs'000	11,032,715	11,614,376
Earnings Before Interest and Tax (EBIT)	Rs'000	1,330,888	1,606,233
Group Profit Before Tax (PBT)	Rs'000	1,079,785	1,350,714
Group Profit After Tax (PAT)	Rs'000	831,695	1,130,598
Group profit attributable to the shareholders	Rs'000	816,810	1,118,951
Earnings Per Share (EPS)	Rs.	0.56	0.77
EPS growth	%	(27.3)	(39.4)
Interest cover	No. of times	5.3	6.3
Return on equity	%	3.0	4.4
Pre-tax ROCE	%	4.1	5.3

As at 31st March		2019	2018
Statement of Financial Position - highlights and ratios			
Total assets	Rs'000	37,250,467	33,235,840
Total debt	Rs'000	5,455,215	4,244,146
Total shareholder's funds	Rs'000	28,759,965	26,208,985
No. of shares in issue	No. 000's	1,456,147	1,456,147
Net assets per share	Rs.	19.75	18.00
Debt/Equity	Times	0.19	0.16
Debt/Total assets	%	14.64	13
Current ratio	Times	1.29	1.92
Quick asset ratio	Times	1.25	1.86
Market/Shareholder information			
Market price of share as at 31st March	Rs.	7.50	9.30
Market capitalisation	Rs '000	10,921,101	13,542,165
Price earnings ratio	No. of times	13.39	12.08
Economic value distributed			
Operating costs	Rs'000	7,880,751	8,300,093
Employee wages and benefits	Rs'000	2,082,607	2,094,528
Payments to providers of funds	Rs'000	469,525	837,978
Payments to government	Rs'000	377,383	367,622
Community investments	Rs'000	10,604	10,697
Retained within the business	Rs'000	546,143	396,368
Total employees	No.	2,105	2,286

Group Operational Highlights

Year ended 31st March		2019	2018
Occupancy - Sri Lankan Sector		80%	81%
Occupancy - Maldivian Sector		84%	82%
Revenue Rooms		333,053	367,562

Rs. Million
11,033
Revenue

Rs. Million
1,331
EBIT

Rs. Million
832
PAT

Rs. Million
37,250
Total Assets

Rs. Million
28,760
Total Shareholder's Funds

Rs. Million
5,455
Total Debt

Rs.
4.1 %
Pre-tax ROCE

3 %
Return on Equity

No. of times
5.3
Interest Cover

Rs.
0.56
EPS

Rs.
19.75
Net Assets Per Share

Times
0.19
Debt/Equity



Chairman's Review

GRI 102-14

“We believe that sustainable value creation by an enterprise is an integrated process and is a result of interplay between all forms of capital, including financial, human, intellectual, natural, manufactured and the society within which it operates.”

Dear Stakeholder,

On behalf of the Board, I am pleased to present the Integrated Annual Report and Financial Statements of John Keells Hotels PLC (KHL) for the year ended 31st March 2019.

I write this message in the aftermath of a tragedy that struck our nation; impacting lives, the economy and the travel and tourism sector in particular. This senseless act of multiple explosions that took place on Easter Sunday affected our sister hotel, Cinnamon Grand Colombo. My heartfelt sympathies go out to all the families of our team members and guests who lost their lives at Cinnamon Grand and those affected in several locations across the country and I wish the injured a speedy recovery. Despite facing such adversity, it is heartening that Cinnamon Grand Colombo has continued to be in operation displaying true resilience and positivity to serve our valued guests, who opted to continue staying at the hotel soon after these events.

In the immediate aftermath of these events, the Group has enhanced security measures and introduced additional safety measures in consultation with the relevant authorities and security experts, to ensure the safety of our guests and team members in all Cinnamon City and Resort Hotels and at all our places of business. These measures will be complemented with further investments into security related technology and training for staff and other relevant stakeholders at our properties to raise awareness and levels of vigilance.

GLOBAL TOURISM:

Globally an expansion in consumer spending, a consolidation of the recovery in key destinations, enhanced connectivity and increased visa facilitation continued to drive growth in the global Travel and Tourism Sector which expanded by 3.9 per cent in 2018 outpacing global economic growth for the 8th consecutive year. International tourist arrivals increased by 6 per cent to 1.4 billion in 2018 driven by arrivals to the Middle East (+10 per cent) and Africa (+7 per cent) together with supported by Asia Pacific and Europe. Meanwhile, China maintained its position as the world's largest tourism spender while the Russian Federation (+16 per cent), France (+10 per cent) and Australia (+9 per cent) recorded strong growth in tourism expenditure.

SRI LANKA TOURISM:

The year under review was a challenging one for Sri Lanka's tourism sector with the moderate growth in tourist arrivals and the benefit afforded by a depreciating Rupee countered by intense price competition, political unrest and changing traveller demographics. Tourist arrivals increased by 10.3 per cent to 2.33 million in 2018 (compared to the subdued growth of 3.0 per cent in 2017), although falling short of the Government's target of 2.5 million for the year. The Asia Pacific region maintained its position as Sri Lanka's largest source market and grew by 3.1 per cent in 2018, while arrivals from Europe-our second largest source market recorded healthy growth of 18.8 per cent during the year. Meanwhile, the surge in the country's room inventory both in the formal and informal sectors

have led to intense price competition among operators and the occupancy rate of graded establishments declined for the second consecutive year.

MALDIVIAN TOURISM:

Arrivals to Maldives grew by 6.8 per cent over the previous year to reach 1.48 Million aided by a stable political landscape since the Presidential elections which took place in September 2018. Europe remained the key source region with a market share of 49 per cent of the total tourist arrivals, followed by the Asia Pacific region with a 42 per cent share. The Americas secured the third position with a 4.6 per cent market share, whilst Middle East recorded a market share of 3.5 per cent. African countries also contributed 1 per cent to total arrivals to the Maldives. Despite a continued downturn, by 7.6 per cent in arrivals during the year under review, China retained its position as the Maldives' single biggest source market with a market share of 19 per cent amounting to 283,116 tourist arrivals. The average occupancy rate in the industry for resorts and marinas remained flat at 74.6 per cent during the period under review.

GROUP PERFORMANCE AND CONTEXT:

The Group performed well despite intensifying competition in Sri Lanka and the resulting pressure on room rates which was further compounded by several challenges in the operating environment. The Group also continued to focus on repositioning and refurbishing its properties to augment their platform to enhance the guest offerings and the competitive advantages. Cinnamon Bentota Beach continued to remain closed during the year for the re-development of the resort and is expected to be operational by end 2019, whilst Ellaidhoo Maldives by Cinnamon was partially closed for refurbishment of its 24 water bungalows from June to end October 2018. Cinnamon Hakuraa Huraa Maldives which closed in May 2018 for a reconstruction as a new hotel, is expected to reopen in December 2019 with the addition of 20 new rooms on the adjacent island. The above closures resulted in a year on year decline in the Group's Revenue and Profits Before Tax by 5 per cent and 20 per cent respectively. The Consolidated Profit After Tax declined by 26 per cent to Rs. 831 Million for the year compared to Rs. 1.13 Billion recorded in the previous year. The Sri Lankan cluster's contribution to Group profitability rose during the year to 81 per cent compared with 56 per cent in the previous year, given the closures due to refurbishment in two of our resorts in the Maldives as mentioned above.

It is commendable that the Group's Sri Lankan resorts cluster achieved Occupancy levels of 80 per cent, despite an increased supply of rooms and modest growth in arrivals during the year. The Maldivian sector recorded occupancy of 84 per cent above the industry average of 74 per cent during the year. Total Revenue per Available Room (TrevPAR) for the Group rose by 4 per cent during the year to reach Rs. 26,745.

ACCOLADES:

We are heartened by the national and international accolades that Cinnamon Hotels and Resorts received during the year. These awards recognised many different facets of the Company ranging from brand value to operational excellence, customer service and our sustainability initiatives. They include the recognition as the "Most Valuable Hospitality Brand" by Brand Finance for the second consecutive year. Cinnamon was also ranked 23rd amongst "The hundred most valuable brands in Sri Lanka"; becoming the only hospitality brand to be selected amongst Sri Lanka's top 100 brands. One of our Sustainability initiatives -The Cinnamon Elephant Project by Nature Trails (our Eco Tourism arm) won the PATA Gold award for the "Best Eco Tourism Project". The complete list of awards and recognition during the year are presented in the ensuing Management Discussion and Analysis section of this report.

OUR PEOPLE:

Our people are the ambassadors of brand Cinnamon and the key drivers of the Group's success. The Group thus continued with its initiatives across all its properties to enhance and sustain our talent pool.

CORPORATE GOVERNANCE:

Your Group believes that the highest standards in governance is indispensable to creating long term value to its stakeholders and must be pursued without compromise. The Company ensures that its mechanisms for good governance are constantly reviewed and benchmarked and strengthened to meet evolving requirements. Further details on corporate governance are outlined in the Leadership and Governance Report.



Chairman's Review (contd.)

SUSTAINABILITY:

We believe that sustainable value creation by an enterprise is an integrated process and is a result of interplay between all forms of capital, including financial, human, intellectual, natural, manufactured and the society within which it operates.

Adopting renewable energy, to reduce our Carbon footprint through a multipronged strategy is a priority on our green agenda. Following the successful instalment of the Solar-Diesel Hybrid system at Ellaidhoo Maldives by Cinnamon in the previous year, the Group installed two more Solar power generation plants during the year under review. An 80 kW Solar PV system at Hikka Tranz by Cinnamon and a 300 kW Solar-Diesel Hybrid system at Cinnamon Dhonveli Maldives; thus reducing the Group's dependence on non-renewable energy. The Group also took a significant step of installing an integrated Utility Management System for all Sri Lankan properties; enabling central monitoring of real time online data on power and water consumption. It has proven to benefit the Group's efforts to constantly raise the bar for itself on responsible resource utilisation. Our Social sustainability project focused on youth empowerment as a win-win initiative by helping to meet the industry need for talent.

Moreover, the number of globally recognised standards we adhere to, the certifications we obtain and the accolades we continue to win are a result and a reflection of our commitment to excellence and Triple Bottom Line objectives.

BRANDING INITIATIVES

Brand Cinnamon enjoys a distinct identity embodying "inspired living" and has come to be synonymous with "affordable luxury for all ages, comfort, creativity and discovery." This brand identity has become a key differentiator in the market and a corner stone of our value creation process. The Group thus continues to take initiatives to consolidate the brand positioning and enhance its visibility through life style centric brand building activities and signature events. These initiatives also strengthen our relationships with our social capital. Some of the novel initiatives carried out during the year by Cinnamon Life include hosting of the world-famous culinary celebrity of home cooking, Nigella Lawson in Sri Lanka for a series of events; presenting the Colombo Music Festival-the island's largest music festival and Guru Gedera the first immersive traditional arts experience presented by the Chitrasena Vajira Dance Foundation, in

addition to bringing in the iconic West End production of Mamma Mia to the Sri Lankan audience for its first performance in South Asia. Moreover, "Cinnamon Island Weddings", launched in the previous year as a new product category, conducted one of the world's largest online wedding competition to promote Sri Lanka as a destination for weddings and honeymooners.

LOOKING AHEAD:

We are optimistic and confident that Sri Lanka's tourism industry will begin to recover in about 12 to 18 months - the time taken by other tourism hot spots such as Kenya and Indonesia who faced similar incidents a few years ago.

It is encouraging that several policy measures were initiated, and numerous promotional campaigns were implemented in 2018 to harness the still untapped potential of Sri Lanka's tourism industry. The implementation of the new Tourism Strategic Plan (TSP) 2017-2020, which was introduced in 2017, continued in 2018 and the Sri Lanka Tourism Promotion Bureau (SLTPB) carried out country specific promotional activities in 34 identified markets in 2018, including participation in trade fairs, road shows, and consumer and food festivals. In addition, the launch of a new brand identity "So Sri Lanka" in November, will further help in presenting our value proposition as a tourist destination. Post the Easter Sunday attacks, the Government has also initiated plans to implement a public relations campaign to curtail the negative global media coverage whilst also working towards the removal of adverse travel advisories for key tourist markets. The Government, commendably, has also announced a range of concessions to help the revival of the leisure industry, including a moratorium on loans taken by the tourism related businesses.

We are optimistic on the prospects for Maldives as a destination over the next few years as it continues to brim with potential to sustain and attract increased demand from travellers. The stability in the political environment since the end of 2018 provides the necessary foundation for continued growth. Moreover, the country's ongoing infrastructure development such as the construction of the second runway at the Malè airport and the bridge between the airport and the Malè island that was completed in August 2018 will support a vibrant growth in arrivals. Arrivals to the atolls at present stand at 1.4 million for the calendar year, indicating the vastly untapped potential of this luxurious destination.

Considering the potential in the atolls, the Group has entered into an MoU to sublease a new property under the “Cinnamon” umbrella. Moreover, as part of the Group’s plans to refurbish and update its properties, Cinnamon Dhonveli Maldives would undergo a partial refurbishment from 1st May 2019 to 31st October 2019. Due to the ongoing, as well as the planned refurbishments in Sri Lanka and Maldives and the expected short-term decline in tourist arrivals to Sri Lanka, the Group profitability in the coming year is expected to be adversely impacted.

We remain buoyant on the prospects for the medium and long term in the tourism and hospitality industry of Sri Lanka and will continue with our strategic investments. Construction of the 212 room Cinnamon Red Kandy property which is to be the first LEED Gold certified hotel in Kandy began in January 2019 and is expected to be completed by the second half of 2020/21. The Group will have a 40% equity stake in this venture.

IN CONCLUSION

My sincere appreciation to my colleagues on the Board for their guidance, constant support and cooperation. My heartfelt thanks to our management team and staff at our properties located across the country and overseas, for their passion and commitment to create “Inspired Living”.

The Board joins me in extending our deep appreciation of the invaluable contribution made by our former Chairman, Mr. Susantha Ratnayake who retired from the Board in December 2018 and Mr. Sunimal Senanayake who retired from the Board in June 2018. We wish them the very best. I welcome Mr. Hishan Singhawansa who joined the Board during the year under review.

I also wish to convey my sincere appreciation to our numerous stakeholders, including tour operator partners, our valuable guests and shareholders for their loyalty and the inspiration they provide us to keep raising the bar.



Krishan Balendra
Chairman

24th May, 2019





“ Great hotel, excellent service, beautiful location with a very clean beach. All the staff are very friendly, everyone smiling and happy to help. ”

TripAdvisor Review by
Kaie M

Hikka Tranz by Cinnamon



Board of Directors

GRI 102-22

Mr. Krishan Balendra

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

Skills & Experience: Krishan Balendra is the Chairman of John Keells Holdings PLC. He is a Director of the Ceylon Chamber Commerce and the Hon. Consul General of the Republic of Poland in Sri Lanka. He is a former Chairman of Nations Trust Bank PLC and the Colombo Stock Exchange. Krishan started his career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. He joined JKH in 2002. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.

Current Appointments: Chairman of John Keells Holdings PLC, Chairman of Union Assurance PLC and is the Hon. Consul General of the Republic of Poland in Sri Lanka.

Past Appointments: Former Chairman of the Colombo Stock Exchange & Nations Trust Bank PLC

Shareholding: Nil

Mr. Gihan Cooray

Appointed to the Board of John Keells Hotels PLC in 2018 as a Non-Independent Non-Executive Director.

Skills & Experience: Gihan Cooray has experience in corporate finance, corporate treasury and investor relations in addition to exposure to retail supermarket operations. He has been involved in investment appraisals, capital raising and structuring transactions for the John Keells Group. He holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, USA and is an Associate Member of the Chartered Institute of Management Accountants, UK. He is also a Certified Management Accountant of the Institute of Certified Management Accountants, Australia and holds a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing, UK.

Current Appointments:

- Deputy Chairman/Group Finance Director and Board member of John Keells Holdings PLC, responsible for the Finance, Accounting, Taxation, Corporate Finance & Strategy, Treasury and Information Technology functions of the Group and John Keells Research. He is also the Chairman of Nations Trust Bank PLC.
- Committee Member of the Ceylon Chamber of Commerce

Past Appointments: President Retail Sector, Head of Corporate Finance and Treasury of the John Keells Group

Shareholding: Nil



Mr. Jitendra Gunaratne

Appointed to the Board of John Keells Hotels PLC in 2018 as a Non-Independent Non-Executive Director.

Skills & Experience: Jitendra Gunaratne has 39 years of management experience covering Consumer Foods, Plantation, Retail, Leisure and Property sectors.

Current Appointments: President - Leisure Sector. He is also responsible for the Plantation Sector. He is currently a member of the Council of the Employers' Federation of Ceylon.

Past Appointments: Prior to his appointment as President of Leisure Sector, he oversaw the Consumer Foods Sector, Property and Retail sectors.

Shareholding: Nil

Mr. Hishan Singhawansa

Appointed to the Board of John Keells Hotels PLC in 2018 as a Non-Independent Non-Executive Director.

Skills & Experience: Hishan Singhawansa has been with the John Keells Group since 2008. He holds a BSc Engineering (Hons) degree from University of Moratuwa and is an Associate of the Chartered Institute of Management Accountants (UK). He also holds an MBA from the University of Wales.

Current Appointments: He is the Sector Head of the Leisure Resorts sector for Sri Lanka and Maldives.

Past Appointments: He was with the Retail sector of the group for 8 years holding positions in Category Management and heading Supply Chain before moving in to the Leisure Sector in 2017.

Shareholding: Nil



Board of Directors (contd.)

Mr. Jayantissa Kehelpannala

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

Skills & Experience: Jayantissa Kehelpannala has over 35 years of experience in the Leisure Industry both in hoteliering and inbound tourism.

Current Appointments: Head of Maldivian Resorts and also he serves as a board member of the Convention Bureau.

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

Shareholding: Nil

Mr. Trevine Jayasekara

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

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

Current Appointments:

Non-Executive Director - Brandix Lanka Ltd

Past Appointments:

Group Finance Director - Brandix Lanka Ltd,
Non-Executive Director - NDB Bank
Non-Executive Director - Hayleys PLC,
Non-Executive Director - Lanka Ventures Ltd
Director - Ceylease Financial Services Ltd,
Board Member of Sri Lanka Auditing and Accounting Standards Monitoring Board
Group Finance Director - Aitken Spence & Co. Ltd
General Manager & Financial Controller - Deutsche Bank
Controller - Arab Bank Limited, Bahrain
Audit/Senior Supervisor - Coopers & Lybrand, Zambia

Shareholding: Nil

Mr. Nissanka Weerasekera

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

Skills & Experience: 34 years senior management experience of which 24 years in venture capital and private equity. FCMA, BSc (Hons) in Physics from the University of Peradeniya, MA in Economics from the University of Colombo

Current Appointments: Non-Executive Independent Director of Watawala Plantations PLC and Hatton Plantations PLC.

Past Appointments: CEO of People's Venture Investment Company (PVIC) and Nextventures, Regional Managing Partner for Central and South Asia of Aureos Capital, Board Member and Global Operations Director of Aureos Capital, Managing Director for Sri Lanka and Bangladesh of the Abraaj Group.

Shareholding: Nil

Ms. Anarkali Moonesinghe

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

Skills & Experience: Anarkali has over 18 years of Investment Banking experience in Europe and Asia, particularly Asian Emerging Markets. Anarkali joined CIMB Investment Bank in Sri Lanka as the country head in September 2011. Over the past 7 years Anarkali has established CIMB as the go to investment bank for cross border transactional expertise, advising on key transactions. Prior to joining CIMB, Anarkali was a partner with Amura Consulting, a Singapore based financial advisory services boutique which focused on small to mid-cap transactions in frontier markets including private equity, mergers & acquisitions, and financial structuring.

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

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

Current Appointments: Anarkali currently serves on the Board of Directors of the Lankan Angel Network, a platform for private investors who invest in high growth early stage Sri Lankan ventures.

Past Appointments: None

Shareholding: Nil



Corporate Governance

A strong Corporate Governance structure is not only about following the rules applicable, it is also carrying out business activities in an ethical manner. This has been the foundation of John Keells Hotels PLC (Company) with the Board of the Company guiding strategy, setting the tone at the top, driving integration of best practice, compliance and performance through sound structures, comprehensive policy frameworks and robust systems of internal controls. The Company is a subsidiary of John Keells Holdings PLC (JKH or Parent Company) and thus, many of the structures and policies of the Company conform to those of the Parent Company and the John Keells Group (John Keells Group or Group), ensuring an agreed level of compliance within the Group. Authoritative pronouncements shaping governance of JKH are given in the adjacent diagram. It is noteworthy that the John Keells Group governance structure also references the UK Corporate Governance Code published by the Financial Reporting Council of UK, implementing recommendations where practicable in the context of the nature of businesses and risk profiles.

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

The Company is compliant with almost the full 2017 Code of Best Practice on Corporate Governance issued by the ICASL to the extent of business exigency and as required by the John Keells Group.

This report has been structured according to the Code of Best Practice on Corporate Governance 2013 issued by ICASL and the SEC of Sri Lanka, reflecting an overview of our current level of compliance with the same. Appendix - 1 on page 43 provides deeper insights for those requiring more detail.

Applicable Laws and Codes on Corporate Governance Complied With

Companies Act No.7 of 2007

CSE Continuing Listing Rules

Code of Best Practice on Corporate Governance 2013

John Keells Group Governance Structures & Policies

Key Internal Benchmarks Facilitating Sound Corporate Governance

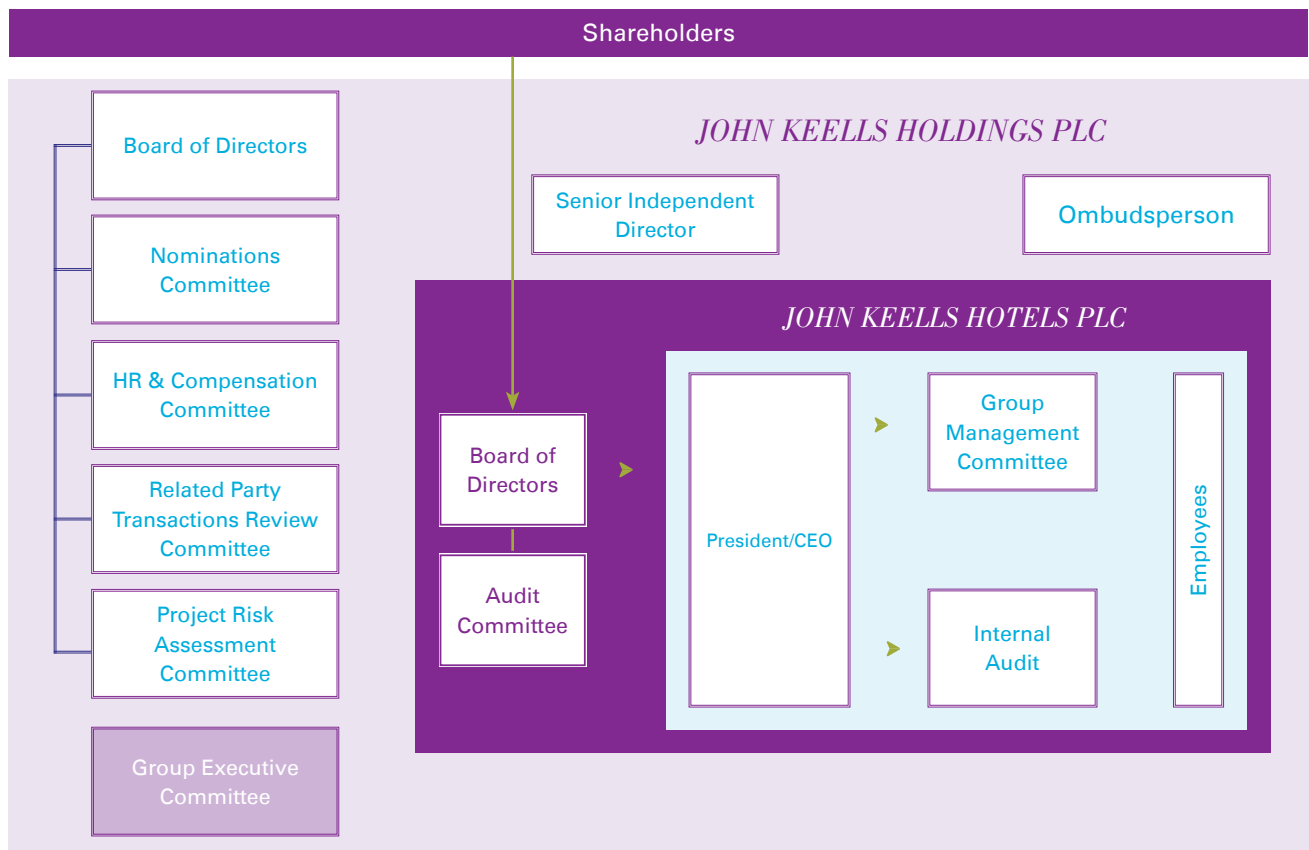
- Articles of Association of the Company and other constitutional documents
- Recruitment and selection policies
- Learning and development policies
- Policy on career management and promotions
- Rewards and recognition policy
- Leave, flexi-hours and tele-working policies
- Code of conduct
- Policy against sexual harassment
- Policies on forced, compulsory and child labour
- Disciplinary procedure
- Policy on grievance handling
- Anti-fraud policy
- Policy on communications and advertising
- Ombudsperson policy
- Group accounting procedures and policies
- Policies on enterprise risk management
- Policies on fund management and FX risk mitigation
- IT policies and procedures, including data protection and security
- Group environmental and economic policies
- Policies on energy, emissions, water and waste management
- Policies on products and services

GRI 102-18

Code of Corporate Governance 2013	
The Company	Shareholders
A. Directors	E. Institutional Investors
B. Directors' Remuneration	F. Other Investors
C. Relations with Shareholders	G. Sustainability Reporting
D. Accountability & Audit	

AN EFFECTIVE BOARD

The Board provides leadership to the Company and is responsible for determining its strategic direction, setting in place sound governance mechanisms and internal controls to ensure integrity of financial and non-financial information and regulatory compliance, determining its risk appetite, appointment of key management personnel and reviewing performance of the Company against agreed targets and goals. The Board comprises entirely of Non-Executive Directors of which three are Independent as depicted below. The Articles of Association, which sets out of the power of the Board can be accessed at https://cdn.cse.lk/cmt/uploadAssociationFiles/9601429783057_561.pdf





Corporate Governance (contd.)

GRI 102-35

GRI 102-36

GRI 102-37

COMPLIANCE SUMMARY

Regulatory Benchmarks

Standard / Principle / Code	Adherence
The Companies Act No.7 of 2007 and regulations	Mandatory provisions - fully compliant
Listing Rules of the Colombo Stock Exchange (CSE)	Mandatory provisions - fully compliant
Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, including directives and circulars	Mandatory provisions - fully compliant
Code of Best Practice on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary provisions - fully compliant
UK Corporate Governance Code (formerly known as the Combined Code of 2010)	Voluntary provisions - fully compliant, as applicable
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka	Voluntary provisions – compliant with almost the full 2017 Code, to the extent of business exigency and as required by the John Keells Group

APPOINTMENT, RE-ELECTION & RETIREMENT

Non-Executive Directors are appointed by the shareholders for a 3-year term and are eligible for re-election thereafter. Non-Executive Directors have a maximum of 3 successive terms unless an extended tenure is necessitated by the exigencies of the Company at the time. Casual vacancies are filled by the Board based on the recommendations of the Nominations Committee of JKH as provided for in the Articles of Association. The age limit for Non-Executive Directors is 70 years. However, in terms of Section 210 of the Companies Act No. 7 of 2007, the shareholders by way of a resolution at a general meeting of the Company may declare that the said age limit shall not apply to such Director, which will be valid for one year from such Director's appointment.

BOARD COMMITTEES

The Board has appointed an Audit Committee whilst the Nominations Committee, the Human Resources and Compensation Committee and the Related Party Transactions Review Committee of JKH, the parent company, functions as the relevant committees of the Company, as permitted by the listing rules of the Colombo Stock Exchange (CSE). The Board Committees provide key inputs and recommendations in relation to their areas of responsibility. Their composition and roles are summarised overleaf.

GRI 102-24 GRI 102-25

Board Committee & Composition	Mandate	Scope
Audit Committee (John Keells Hotels PLC)		
<p>Comprises three Independent Non-Executive Directors of which the Chairman is a Chartered Accountant. Current members are:</p> <ul style="list-style-type: none"> Mr. T L F W Jayasekara <i>Chairman</i> Mr. N B Weerasekera Ms. A K Moonesinghe 	<p>Monitor and supervise management's financial reporting process to ensure:</p> <ul style="list-style-type: none"> Accurate and timely disclosure Transparency, integrity and quality of financial reporting 	<ol style="list-style-type: none"> Confirm and assure: <ul style="list-style-type: none"> Independence of External Auditor Objectivity of Internal Auditor Review with independent auditors the adequacy of internal controls and quality of financial reporting Regular review meetings with the Management, Internal Auditor and External Auditors in seeking assurance on various matters. Refer page 57 for Audit Committee Report.
Human Resources and Compensation Committee (John Keells Holdings PLC)		
<p>Comprises three Independent Directors. The Chairman is a Non-Executive Director while the Chairman of the Board attends the meeting on invitation except during discussions on his own compensation. Current members are:</p> <ul style="list-style-type: none"> Mr. D A Cabraal - <i>Chairman</i> 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>	<ol style="list-style-type: none"> Determine and agree with the Board a framework for remuneration of the Chairman and other directors Determine remuneration for CEO and Executive Directors of the Company Consider targets, and benchmark principles for any performance related pay schemes Within the terms of agreed framework, determine total remuneration package of each Director keeping in view: <ul style="list-style-type: none"> Performance Industry trends Past remuneration Succession planning of key Management <ul style="list-style-type: none"> Refer page 59 for the Human Resources and Compensation Committee report
Nominations Committee (John Keells Holdings PLC)		
<p>Comprises three Independent Directors. The Chairman is a Non-Executive, Independent Director. Current members are:</p> <ul style="list-style-type: none"> Mr. M A Omar - <i>Chairman</i> Ms. M P Perera Dr. S S H Wijayasuriya Mr. K N J Balendra (<i>appointed to the committee w.e.f. 01/01/2019</i>) Dr. R Coomaraswamy (<i>appointed to the committee w.e.f. 06/11/2018</i>) 	<p>Define and establish nomination process for Directors, lead the process and make recommendations to the Board on the appointment of Directors.</p>	<ol style="list-style-type: none"> Assess skills required on the Board given the needs of the businesses The mandate of the Committee remains: <ul style="list-style-type: none"> To recommend to the Board the process of selecting the Chairman and Deputy Chairman. To identify suitable persons who could be considered for appointment to the Board of JKH PLC and other Listed Companies in the Group, as Non-Executive Directors. Make recommendation on matters referred to it by the Board. From time to time assess the extent to which required skills are represented on Board Prepare a clear description of the role and capabilities required for appointment Identify and recommend suitable candidates for appointments to the Board. Ensure that on appointment to the Board, Directors receive a formal letter of appointment specifying clearly the: <ul style="list-style-type: none"> Expectation in terms of time commitment Involvement outside of the formal board meetings Participation in committees Refer page 60 for the Nominations Committee report



Corporate Governance (contd.)

Board Committee & Composition	Mandate	Scope
Related Party Transactions Review Committee (John Keells Holdings PLC)		
<p>Comprises three Non-Executive Independent Directors and one Non-Executive Non-Independent Director. The Chairperson is a Non-Executive Director. Current members are:</p> <ul style="list-style-type: none"> • Ms. M P Perera - <i>Chairperson</i> • Mr. K N J Balendra (<i>appointed to the committee w.e.f. 01/01/2019</i>) • Mr. A N Fonseka • Mr. D A Cabraal 	<p>To ensure on behalf of the Board, that all Related Party Transactions of John Keells Hotels PLC and its subsidiaries are consistent with the Code of Best Practices on Related Party Transactions issued by the SEC.</p>	<ol style="list-style-type: none"> Develop and recommend for adoption by the Board of Directors of John Keells Hotels PLC and its subsidiaries, a Related Party Transaction Policy which is consistent with the Operating Model and the Delegated Decision Rights of the Group. Update the Board of Directors on the related party transactions of each of the companies of the Group on a quarterly basis (Four meetings during the Financial Year 2018/19). Refer page 61 for related party transaction Committee Report
Project Risk Assessment Committee (John Keells Holdings PLC)		
<p>Comprises two Independent Non-Executive Directors and two Non-Independent Directors (including Chairman and Group Finance Director). The Chairman must be a Non-Executive Director. Current members are:</p> <ul style="list-style-type: none"> • Mr. De. S S H Wijayasuriya - <i>Chairman</i> • Mr. K N J Balendra • Mr. J G A Cooray • Ms. M P Perera 	<p>To evaluate and assess risks associated with Significant New Investments at the initial stages of formulation and in any event prior to making any contractual commitments for the long term.</p>	<ol style="list-style-type: none"> Review and assess risks associated with large-scale investments and the mitigatory plans thereto, if mitigation is possible, and identify risks that cannot be mitigated. Ensure stakeholder interests are aligned, as applicable, in making this investment decision. Where appropriate, obtain specialised expertise from external sources to evaluate risks, in consultation with the Group Finance Director. Recommend to the Board, necessary action required, to mitigate risks that are identified in the course of evaluating a project in order to ensure that those risks are captured by the Group Risk Matrix for monitoring and mitigation. Note that the Committee shall convene only when there is a need to transact in business as per the terms of its mandate.
Group Management Committee (John Keells Holdings PLC - Leisure Sector)		
<p>Comprises the following executive members of John Keells Hotels Group:</p> <ul style="list-style-type: none"> • President - Leisure sector • Sector Heads • Chief Financial Officer • Sector Financial Controllers • Head of Sales & Marketing • Head of Brand Marketing • Head of Human Resource • Head of Brand Quality Assurance • Head of Business Solutions • Head of Legal • Head of Business Development • Head of Engineering & Projects 	<p>Review of performance, formulation of strategies for future implementation.</p>	<ul style="list-style-type: none"> • Strategy formulation • Implementation of sector strategies • Performance monitoring • Risk management • Brand marketing strategies • Brand quality assurance

Meetings & Attendance

BOARD MEETING ATTENDANCE.

No of meetings - 4

	Eligible to Attend	Attended
Mr. K N J Balendra*	4	4
Mr. S C Ratnayake**	3	3
Mr. J G A Cooray	4	4
Mr. J R Gunaratne	4	3
Mr. M H Singhawansa***	3	3
Mr. J E P Kehelpannala	4	3
Mr. B J S M Senanayake****	1	1
Mr. T L F W Jayasekara	4	4
Mr. N B Weerasekera	4	4
Ms. A K Moonesinghe	4	4

* Appointed as the Chairman with effect from 1st January 2019,

** Resigned from the Board and as Chairman with effect from 31st December 2018

*** Appointed to the Board with effect from 1st July 2018

**** Resigned from the Board with effect from 30th June 2018

AUDIT COMMITTEE MEETING ATTENDANCE.

No of meetings - 4

Meeting attendance	Eligible to Attend	Attended
Mr. T L F W Jayasekara*	4	4
Mr. N B Weerasekera	4	3
Ms. A K Moonesinghe	4	4

By Invitation

Mr. J E P Kehelpannala	4	4
Mr. M H Singhawansa	3	3
Mr. B J S M Senanayake	1	1

* Committee Chair.

HUMAN RESOURCES AND COMPENSATION COMMITTEE MEETING ATTENDANCE

No of meetings - 3

	Eligible to Attend	Attended
Mr. D A Cabraal*	3	3
Mr. M A Omar	3	3
Dr. S S H Wijayasuriya	3	2

By Invitation

Mr. S C Ratnayake**	2	2
Mr. K N J Balendra	3	3
Mr. J G A Cooray	3	3

* Committee Chair

** Resigned from the Board with effect from 31st December 2018

NOMINATIONS COMMITTEE MEETING ATTENDANCE

No of meetings - 3

	Eligible to Attend	Attended
Mr. S C Ratnayake*	3	3
Mr. K N J Balendra**	-	-
Dr. R Coomaraswamy***	-	-
Mr. M A Omar****	3	3
Ms. M P Perera	3	3
Dr. S S H Wijayasuriya	3	3

* Resigned from the Board with effect from 31st December 2018

** Appointed to the Committee with effect from 1st January 2019

*** Appointed to the Committee with effect from 6th November 2018

**** Committee Chair



Corporate Governance (contd.)

GRI 102-23

GRI 102-27

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE MEETING ATTENDANCE

Please refer page 61 for Related Party Transaction Review Committee attendants.

CHAIRMAN

The Chairman of JKH, the Parent Company, serves as the Chairman of the Company as well and is responsible for providing leadership to the John Keells Group and performance of the Board, engaging all Directors to actively contribute to matters set before the Board. He sets the tone for the governance and ethical framework of the John Keells 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
- He 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 Human Resources and Compensation Committee of the Parent Company appraises the performance of the Chairman on an organisational and individual basis, as approved by the Board.

PRESIDENT

The President is appointed by the Board with inputs from the Nominations Committee of the Parent Company. He is responsible for implementing strategic plans of the Group and driving performance within a defined framework and is a member of the Board. The Board receives quarterly statements from the President 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 hotels Group, strategy and the Directors' responsibilities in accordance with current legislation. The induction process includes visits to key operational locations to facilitate an appreciation of the operations of the John Keells Hotels Group. The Chairman ensures that new Directors are introduced to other Board members and key management personnel and are briefed on matters taken up at prior meetings.

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

- Access to External and Internal Auditors
- Periodic reports on performance
- Updates on topics that range from proposed/new regulations to industry best practices
- Opportunities to meet Senior Management of the 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

GRI 102-25	GRI 102-35
GRI 102-36	GRI 102-37

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 discussions with the Internal and External Auditors and the Managing Agents.

REMUNERATION

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. In addition, a long-term incentive in the form of employee share options (ESOP) in the stated capital of the ultimate parent company JKH is granted based on actual performance. As prescribed by the Sri Lanka Accounting Standards (SLFRS / LKAS) all ESOPs of the respective employees are charged to the income statement of the relevant subsidiaries with effect from 01st July 2013 being the date of the first award after the introduction of the accounting standard.

Compensation of Non-Executive, Independent Directors (NED/IDs) is 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 individual Directors. The aggregate remuneration paid to Directors is disclosed on page 200 of this Report.

RELATED PARTY TRANSACTIONS

Related party transactions are reviewed by the Related Party Transactions Review Committee of JKH on a quarterly basis. Related party transactions during the year comprise the followings:

The operations of the hotels owned by the following companies have been entrusted to Cinnamon Hotel Management Ltd, the Operator, with whom formal operating contracts have been signed.

Habarana Lodge Limited

owner of Cinnamon Lodge Habarana,

Habarana Walk Inn Limited

owner of Habarana Village by Cinnamon,

Kandy Walk Inn Limited

owner of Cinnamon Citadel Kandy,

Trinco Holiday Resorts (Private) Limited

owner of Trinco Blu by Cinnamon,

Yala Village (Private) Limited

owner of Cinnamon Wild Yala,

Ceylon Holiday Resorts Limited

owner of Cinnamon Bentota Beach

Hikkaduwa Holiday Resorts (Private) Limited

owner of Hikka Tranz by Cinnamon,

Beruwala Holiday Resorts (Private) Limited

owner of Cinnamon Bey Beruwala,

Travel Club (Pte) Limited

owner of Ellaidhoo Maldives by Cinnamon,

Fantasea World Investments (Pte) Limited

owner of Cinnamon Hakuraa Huraa Maldives,

Tranquility (Pte) Limited

owner of Cinnamon Dhonveli Maldives.

SHAREHOLDERS

Shareholders approve the re-election of Directors offering themselves for re-election at the Annual General Meeting, receive annual reports and appoint auditors on a regular basis in accordance with the Companies Act No. 07 of 2007. The Board recommends suitable candidates for appointment as Directors to shareholders with assistance from the Nominations Committee. The Nominations Committee considers the skills and attributes required for optimal functioning of the Board. Appointment of auditors is also facilitated by the Board together with the Audit



Corporate Governance (contd.)

GRI 102-21

Committee who evaluate the competence, independence and objectivity of the auditors. The Chairman of the Audit Committee and the Auditors attend the Annual General Meetings to respond to queries that may be raised by the shareholders.

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

The Articles of Association of the Company also provide for the convening of extraordinary general meetings in accordance with the Companies Act No. 7 of 2007 requiring the participation of shareholders and ensuring that they are informed about matters significantly affecting the sustained operations of the Company.

OMBUDSPERSON & GRIEVANCE MECHANISMS

The John Keells Group has appointed an Ombudsperson who is authorised to entertain complaints from employees of the Group, irrespective of their level, of alleged violations of the published Code of Conduct of the Group. The findings and the recommendations of the Ombudsperson, subsequent to an independent inquiry, is confidentially communicated to the Chairman-CEO or to the Senior Independent Director upon which the involvement duty of the Ombudsperson ceases.

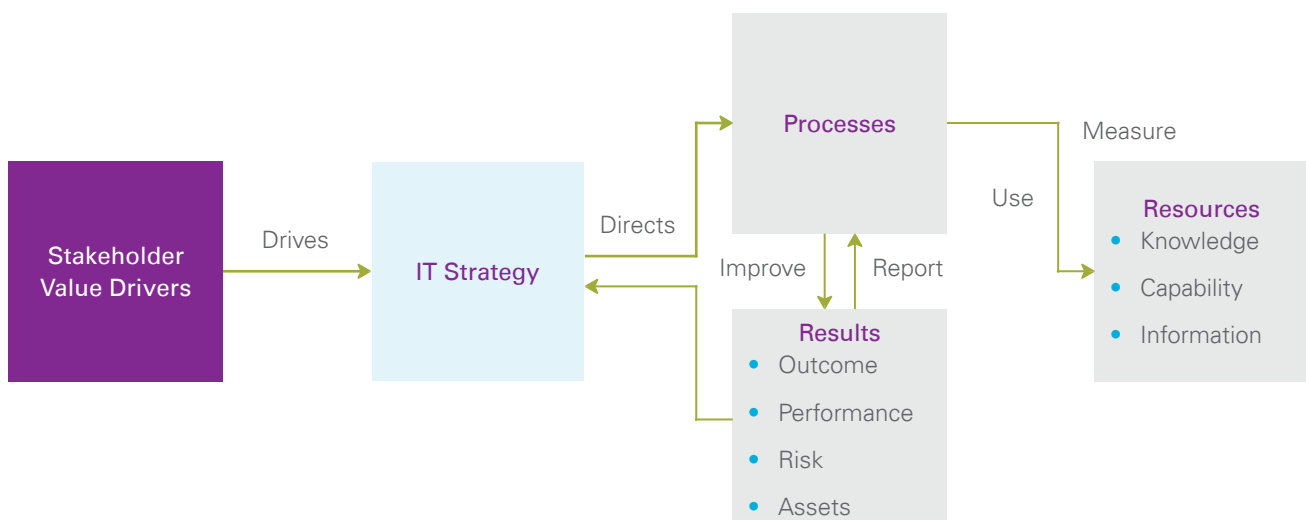
Additionally, skip level meetings, exit interviews, 360 degree evaluations conducted by an independent third party and Great Place to Work surveys provide opportunities for employees to provide feedback on a wide range of potential issues at the workplace.

INVESTMENT APPRAISAL

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

IT GOVERNANCE

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



GRI 102-33

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. With the growing dependence on IT caused by the rapid evolution and use of mobile technologies, the Group has also further strengthened its IT governance framework by adopting the Control Objectives for Information and related Technology guidelines (COBIT) issued by the IT Governance Institute. The Hotels continues to benefit from this quest for excellence in IT governance and aims to deliver sustainable business value by structuring its IT governance along similar lines.

Appendix I:

Compliance with the code of best practice on corporate governance (2013) issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities & Exchange Commission of Sri Lanka.

This segment provides additional information to support stakeholders who wish to gain more information on the Corporate Governance policy within the Company. The Corporate Governance policy followed by the Company is structured according to the 2013 Code of Best Practice on Corporate Governance to ensure that it is sufficiently comprehensive and compliant addressing key aspects of the subject.

Code Ref.	Compliance and Implementation	Compliance
A.	Directors	
A.1	An effective Board should direct, lead and control the Company The Board comprises 8 Non-Executive Directors of whom 3 are Independent Non-Executive Directors. They are nominated for appointment by the Nomination Committee of the parent company, John Keells Holdings PLC and re-elected by the shareholders at the Annual General Meeting.	<input checked="" type="checkbox"/>
A.1.1	Regular meetings, structure and process of submitting information The Board meets on a quarterly basis and attendance at meetings is given on page 39. Board packs including relevant information pertaining to the Board meetings are circulated one week prior to the Board meeting.	<input checked="" type="checkbox"/>
A.1.2	Role & Responsibilities of the Board The Role and Responsibilities of the Board are as follows: a. Guiding development of strategy including sustainability goals, monitoring implementation and performance against agreed key performance indicators b. Appointment of Chairman c. Evaluating adequacy of skills and experience of management team for implementation of business strategy d. Ensuring succession planning of Key Management Personnel e. Setting in place an appropriate governance framework including organisation structure f. Approving resource allocation through the budgeting process and specific approval of major capital expenditure g. Defining matters expressly reserved for the Board and delegation of authority h. Setting in place appropriate systems and internal controls	<input checked="" type="checkbox"/>



Corporate Governance (contd.)

Code Ref.	Compliance and Implementation	Compliance
	<ul style="list-style-type: none"> i. Reviewing risk management and reporting processes j. Ensure compliance with laws k. Define and shape ethical standards, corporate values and culture l. Balancing stakeholder interests and ensuring a sustainable business model m. Adopting appropriate policies including accounting policies, and fostering compliance with financial regulations n. Ensuring responsible corporate reporting in accordance with best practice including integrated reporting 	
A.1.3	<p>Act in Accordance with laws</p> <p>The Board receives Compliance Statements from the President confirming compliance with regulatory requirements each quarter in accordance with its commitment to regulatory compliance. The Board and its individual members are provided with the opportunity to request and obtain independent professional advice at the expense of the Company if deemed necessary.</p>	☑
A.1.4	<p>Access to advise and services of Company Secretary</p> <p>Secretarial services are provided by Keells Consultants (Pvt) Ltd., who are responsible for ensuring that Board procedures and applicable regulations are complied with. All Directors are able to obtain the advice and services of the Company Secretary and the appointment and removal of the Company Secretary is a matter involving the whole Board.</p>	☑
A.1.5	<p>Independent judgement</p> <p>Directors are experienced leaders in their respective fields and use their independent judgement when deliberating matters set before the Board based on the skills and experience they bring to the Board. This ensures diversity in opinions and perspectives on key matters such as strategy, performance review, resource allocation, risk management, compliance and business conduct while supporting continuous improvement through having of best practice. Composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors, minimising the tendency for one or few members of the Board to dominate Board processes or decision making.</p>	☑
A.1.6	<p>Dedicate adequate time and effort to matters of the Board and the Company</p> <p>Board papers are circulated a week prior to the meeting giving sufficient time for review and obtaining additional information or clarifications which may be required. Corporate Management and external experts make representations to the Board on a regular basis providing additional information on relevant matters.</p> <p>Matters arising from the previous meeting's minutes are a separate agenda item and are followed up by the Board with those accountable for actioning the same.</p> <p>Independent NEDs dedicate not less than 4 days per annum in fulfilling their duties while members of the Audit Committee dedicate a further 4 days</p>	☑

GRI 102-33

Code Ref.	Compliance and Implementation	Compliance
A.1.7	<p>Board induction and Training All Board members are required to participate in the induction programmes on appointment to the Board which includes an overview of the Group Corporate Governance Framework, Group policies and insights in to the company's operations and operating environment and its being regularly reviewed and developed. Board members are also given insights in to regulatory changes that may impact the industry at Board meetings.</p> <p>Audit Committee members are given additional insights on a quarterly basis to ensure that they are updated on regulatory requirements impacting reporting and risk management processes. They are also informed about organisation wide initiatives to strengthen internal controls, risk management and financial reporting processes at the same meetings.</p>	<input checked="" type="checkbox"/>
A.2	<p>Chairman and Chief Executive Officer The Chairman is a Non-Independent Non-Executive Director who is the Chairman of the parent company JKH while the President of the sector is responsible for implementation of strategy.</p>	<input checked="" type="checkbox"/>
A.3	<p>Chairman's role in preserving good corporate governance The Chairman is responsible for the effective functioning of the Board and ensures that Board meetings are conducted in an appropriate manner facilitating the discharge of Board functions.</p>	<input checked="" type="checkbox"/>
A.3.1	<p>Conduct of Board Meetings The Chairman conducts the Board meetings ensuring the effective participation of all Directors obtaining their views on matters set before the Board and that the Board is in complete control of the affairs of the Company and alert to its obligations to shareholders and other stakeholders.</p>	<input checked="" type="checkbox"/>
A.4	<p>Availability of financial acumen The Board comprises of experienced business leaders who have a sufficiency of financial acumen. Additionally, the presence of 2 finance professionals including the Chairman of the Audit Committee provides further assurance of the same</p>	<input checked="" type="checkbox"/>
A.5	Board Balance	
A.5.1	Majority of Non-Executive Directors	<input checked="" type="checkbox"/>
A.5.2	<p>If only 2 NEDs, they should be Independent The Board comprises of eight Non-Executive Directors of whom three are Independent Directors ensuring an appropriate Board balance despite the Chairman being a Non-Independent Non-Executive Director.</p>	<input checked="" type="checkbox"/>
A.5.3	<p>Independence of Directors Independent Directors are Independent of management and free of business dealings that may be perceived to materially interfere with the exercise of their unfettered and independent judgement.</p> <p>All meetings of the Board are meetings with Non-Executive Directors.</p>	<input checked="" type="checkbox"/>
A.5.4	Annual declaration by Directors	<input checked="" type="checkbox"/>
A.5.5	Annual determination of Independence	<input checked="" type="checkbox"/>



Corporate Governance (contd.)

GRI 102-28

Code Ref.	Compliance and Implementation	Compliance
A.5.6	Alternate Directors There are no alternate directors	✓
A.5.7 & A.5.8	Senior Independent Directors There is no requirement for a Senior Independent Director as the Chairman is non-executive and separate from the role of President.	✓
A.5.9	Annual meeting with NED As all meetings of the Board are only with Non-Executive Directors, there is no necessity for a separate meeting.	✓
A.5.10	Recording of dissent in minutes Directors' concerns on matters which have not been resolved unanimously are recorded in the Board minutes and Directors have the opportunity to review minutes and correct the same at the next Board meeting.	✓
A.6	Supply of Information Directors receive their Board packs 7 days prior to the meetings and the Chairman ensures that all Directors are properly briefed on same by KMPs when deemed necessary. They also have access to KMP to seek clarifications or additional information. Directors unable to attend a meeting are updated on proceedings through formally documented minutes which are also discussed at the next meeting to ensure follow up and proper recording.	✓
A.7	Appointments to the Board and Re-election The Board has a formal and transparent process in place for the appointment of directors.	✓
A.7.1	Establish a Nomination Committee The Nominations Committee of the parent company JKH makes recommendations to the Board on appointments in accordance with accepted practice for diversified holdings.	✓
A.7.2	Annual assessment of Board composition The Nominations Committee of the parent company JKH consider the business needs of the Company in assessing the Board composition and makes recommendations accordingly. Additionally, it is assessed by the Board as part of the annual Board evaluation process.	✓
A.7.3	Disclosures on appointment of new directors The Company provides a brief resume of newly appointed Directors including a description of his skills and experience, current appointment and whether he is considered Independent.	✓
A.8	Directors to submit themselves for re-election Non-Executive Directors are appointed for a three-year term and are eligible for re-appointment for a maximum of a three-year term unless exigencies of the Board require a further extension. All Directors including the Chairman of the Board, should be subject to re-election by shareholders at the first opportunity after their appointments and to re-elections thereafter at intervals of no more than three years.	✓
A.9	Appraisal of Board and Committee Performance The Board and Board Audit Committee evaluate their performance once a year using a comprehensive format. Collated responses are discussed by the Chairman with a view to improving performance of the Board.	✓

GRI 102-35 GRI 102-36 GRI 102-37

Code Ref.	Compliance and Implementation	Compliance
A.10	<p>Annual Report to disclose specified information regarding directors Information specified in the Code with regard to Directors are disclosed within this Annual Report as follows:</p> <ul style="list-style-type: none"> • Profiles including qualifications, expertise, material business interests including directorships in other companies and other key appointments on pages 30 to 33 • Remuneration paid to Directors on page 200 • Related Party Transactions and other business interests on pages 230 to 233 • Membership of committees and attendance at Board Meetings and Committee meetings on page 39 • Total number of Board seats held by each Director indicating listed and unlisted companies and whether in an Executive or Non-Executive capacity on pages 30 to 33 	✓
A.11	<p>Appraisal of the President The Board evaluates the performance of the President against pre-determined objectives annually.</p>	✓
B. Directors' Remuneration		
B.1.1	<p>Establish process for developing policy on executive and director remuneration. The Human Resources & Compensation Committee of John Keells Holdings PLC, the parent company, develops remuneration policy for the Group including that of Non-Executive Directors.</p>	✓
B.1.2	<p>Committee to comprise entirely of Non-Executive Directors The Human Resources and Compensation Committee of the parent comprises entirely of Non-Executive Directors.</p>	✓
B.1.3	<p>Disclosure of Remuneration Committee members Names of the parent company's Human Resources and Compensation Committee are given on page 37</p>	✓
B.1.4	<p>Non-Executive Director Remuneration Compensation of Non-Executive Directors is determined by the Human Resources & Compensation Committee of the Group with reference to that of other corporates. Aggregate remuneration to Non-Executive Directors amounted to Rs. 8.1 Million for the reporting year.</p>	✓
B.1.5	<p>Consult Chairman and President on proposals The Human Resources and Compensation Committee consults the Chairman about its proposals relating to remuneration and have access to professional advice in discharge of their responsibilities.</p>	✓
B.2	<p>Level & Make Up of Remuneration The Human Resources and Compensation Committee determines the level of Non-Executive Director remuneration considering the need to attract and retain the Directors in line with the business needs of the Company, carefully balancing stakeholder interests.</p> <p>Non-Executive Directors are not included in any share option schemes. Directors' remuneration relating Non-Executive Directors who are part of the John Keells Group is paid to John Keells Holdings PLC and amounted to Rs. 8 Million</p>	✓



Corporate Governance (contd.)

GRI 102-21

Code Ref.	Compliance and Implementation	Compliance
B.3	<p>Disclosures related to remuneration in Annual Report</p> <ul style="list-style-type: none"> • Statement of Remuneration Policy on page 59 • Details of remuneration of the Board as a whole on page 200 • Names of the members of the Human Resources and Compensation Committee on page 37 • ESOP Scheme on page 59 	☑
C. Relations with Shareholders		
C.1	<p>Constructive use of the AGM & Other General Meetings</p> <p>All shareholders are encouraged to participate at the Annual General Meeting (AGM) and vote on matters reserved for the shareholders which are detailed on page 262. This typically includes proposals to adopt the Annual Report and Accounts, appointment of Directors and auditors and other matters requiring special resolutions as defined in the Articles of Association of the Company or the Companies Act No.7 of 2007.</p> <p>The Chairman ensures the presence of the Chairmen of the Audit Committee to respond to any questions that may be directed to them by the Chairman. Notice of the AGM is circulated together with the Annual Report and Accounts and the Agenda for the AGM 15 working days in advance. A summary of the procedures governing voting at General Meetings is included on page 262 of this Annual Report.</p> <p>The proxy form clearly states that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.</p>	☑
C.2	<p>Communication with shareholders</p> <p>Shareholders are provided sufficient financial information and other relevant information on the website of the company to enable them to make decisions regarding their investments which includes interim financial information and Annual Reports for the past 5 years. Annual Reports and Interim Financial statements are circulated to all registered shareholders within prescribed timelines. Required disclosures to the CSE are made in a timely manner which are published on the CSE website. Every effort is made to ensure that the Annual Report provides a balanced review of the performance of the Company which is comprehensive but concise.</p> <p>The principal forum for shareholders is the AGM while matters can also be raised through the Company Secretary. The Company Secretary keeps the Board apprised of issues raised by the shareholders to ensure that they are addressed in an appropriate manner. Matters raised in writing are responded to in writing by the Company Secretary.</p>	☑

Code Ref.	Compliance and Implementation	Compliance
C.3	<p>Disclosure of major transactions</p> <p>Major transactions are disclosed to shareholders in a timely manner as provided in the Articles of Association of the Company and required by the Continued Listing Rules. There were no transactions which would materially alter the Company's or Group's net asset base nor any major related party transactions apart from those disclosed in the</p> <ul style="list-style-type: none"> • Annual Report of the Board of Directors on pages 158 to 163 • Note 41 to the Financial Statements on page 230 	<p><input checked="" type="checkbox"/></p>
D. Accountability & Audit		
D.1	<p>Present a balanced and understandable assessment of the Company's financial position, performance and prospects</p> <p>The Board recognises its responsibility to present a balanced and understandable assessment of the Group's financial position, performance, business model, governance structure, risk management, internal controls, challenges, opportunities and prospects as required by the Code. The regulatory and voluntary frameworks complied with in the preparation of the annual report are given on 'About the Report' on page 6.</p> <p>The Board's responsibility to present a balanced and understandable assessment also extends to our quarterly financial statements, price sensitive public reports and other reports to regulators.</p> <p>The following disclosures as required by the Code are included in this report:</p> <ul style="list-style-type: none"> • The Annual Report of the Board of Directors on the Affairs of the Company on page 158. • The "Statement of Directors' Responsibility" is given on page 164 which includes a Statement of Going Concern. • The Directors' Statement on Internal Controls is given on page 158 • The "Independent Auditors' Report" on pages 165 to 168 • Management Discussion & Analysis on pages 64 to 153 • Related Party Transactions disclosed on page 161 of the Annual Report of the Board of Directors Report and in Note 41 in the Financial Statements <p>Related party transactions are reviewed by the Related Party Transactions Review Committee of the parent company JKH and registers are maintained by the Company to record transactions that take place.</p> <p>In the unlikely event of the net assets of the Company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken. The Annual Report clearly explains how net assets have increased during the year in the Financial Review on page 77</p>	<p><input checked="" type="checkbox"/></p>



Corporate Governance (contd.)

Code Ref.	Compliance and Implementation	Compliance
D.2	<p>Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets</p> <p>The Board has, through the involvement of the Group Business Process Review function, taken steps to obtain assurance that systems designed to safeguard the Company's assets, maintain proper accounting records and provide management information, are in place and are functioning according to expectations. The risk review programme covering the internal audit of the whole Group is outsourced to Messrs. PricewaterhouseCoopers to monitor and report on the adequacy of the financial and operational systems of the properties operated by the Group in both Sri Lanka and Maldives. Their scope included:</p> <ul style="list-style-type: none"> • Assessment of the adequacy of accounting and operational control systems in terms of economy, efficiency and effectiveness. • Examination of compliance with statutory requirements, management policies and procedures. • Review and monitor operational and financial controls in order to ascertain adherence to such controls <p>Internal audit reports are considered at hotel level and an executive summary including appropriate management action prepared by the Group Business Process Review is forwarded to the Audit Committee after review by the relevant regional sector head and the President of the Leisure Group. Board Audit Committee assists the Board in monitoring management follow up action on concerns raised therein.</p> <p>Risk Review</p> <p>The Board has adopted a group-wide risk management programme to identify, evaluate and manage significant risks in a manner that supports the furtherance of business strategy. This programme ensures that the risks accepted as a result of the group's operations are in keeping with its risk appetite, thereby preserving and creating shared value for all stakeholders. The detailed Risk Management report on page 142 of the Annual Report describes the process of Risk Management as adopted by the Group and the key risks impacting the achievement of the Group's strategic business objectives.</p>	<input checked="" type="checkbox"/>
D.3	<p>Audit Committee</p> <p>The Board has appointed an Audit Committee comprising of three Independent Non-Executive Directors which is chaired by Mr. Trevine Jayasekara who is an experienced finance professional with recent experience in financial reporting and internal control. The committee's Terms of Reference comply with the requirements of the Code and the John Keells Group. The Report of the Audit Committee on page 57 sets out composition, scope of work, the number of meetings and attendance at the same and a description of its activities during the year.</p>	<input checked="" type="checkbox"/>

GRI 102-16

Code Ref.	Compliance and Implementation	Compliance
D.4	<p>Code of Ethics All employees, including the Board of Directors, are bound to abide by a formal Code of Conduct outlined below which is a key source of the Group's competitive advantage:</p> <p>Code of Conduct</p> <ul style="list-style-type: none"> • Allegiance to the Company and the group • Compliance with rules and regulations applicable in the territories in which the group operates • 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 personal transactions which could affect the image of the group <p>The Chairman of the Board affirms that there has not been any material violation of any of the provisions of the Code of Conduct. In instances where violations did take place, they were investigated and handled through well established procedures.</p> <p>Each Director has a continuing responsibility to determine whether he/she has a potential or actual conflict of interest arising from external associations, interests or personal relationships which may influence judgement in material matters, which are considered by the Board from time to time.</p> <p>Potential or actual conflict of interest or independence of Directors is mitigated by the following process:</p> <ul style="list-style-type: none"> • Prior to Appointment - Nominees are requested to disclose their various interests that could potentially conflict with the interest of the company. • Upon Appointment - All Directors are expected to inform the Board and obtain Board clearance prior to accepting any position or engaging in any transaction that could create a potential conflict of interest. Additionally, All NEDs are required to notify the Chairman - CEO of changes in their current Board representation. <p>During Board Meetings - Directors who have disclosed an interest in a matter under discussion excuse themselves from deliberations on the subject matter and abstain from voting on the subject (Such abstentions from Board decisions are duly recorded)</p> <p>Details of companies in which Board members hold Board or Board committee membership is given on pages 30 to 33 with their profiles.</p>	<p style="text-align: center;">☑</p>
D.5	<p>Corporate Governance Disclosures This Corporate Governance Report from pages 34 to 61 complies with the requirement to disclose the extent of compliance with the Code of Best Practice on Corporate Governance.</p>	<p style="text-align: center;">☑</p>
E. & F. Encourage voting at AGM		
	<p>Shareholders are encouraged to participate at the AGM and vote on matters set before them.</p>	



Corporate Governance (contd.)

Code Ref.	Compliance and Implementation	Compliance
G. Sustainability Reporting		
	<p>Sustainability principles are embedded in our business operations and considered in formulating our business strategy and reported in a holistic manner throughout this report. Information required by the Code is located as follows:</p> <p>Principle 1 - Reporting of Economic Sustainability on page 77</p> <p>Principle 2 - Reporting on the Environment on page 127 of the Capital Management Report</p> <p>Principle 3 - Reporting on Labour Practices on page 104 of the Capital Management Report.</p> <p>Principle 4 - Reporting on Society on page 113 of the Capital Management Report.</p> <p>Principle 5 - Reporting on Product Responsibility on page 80 of the Capital Management Report.</p> <p>Principle 6 - Reporting on Stakeholder identification, engagement and effective communication on pages 64 to 67.</p> <p>Principle 7 - Sustainable reporting to be formalised as part of the reporting process and to take place regularly ('About this Report' on page 6)</p>	

Appendix II

Compliance with CSE Continuing Listing Requirements

- Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure

Rule		Compliance Status	Reference (within the Report)
(i)	Names of persons who were Directors of the entity	Yes	Board of Directors
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	Management Discussion and Analysis
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Yes	Investor Information
(iv)	The public holding percentage	Yes	
(v)	A statement of each Director's holding and President holding in shares of the Entity at the beginning and end of each financial year	Yes	
(vi)	Information pertaining to material foreseeable risk factors of the entity	Yes	Risk, Opportunities and Internal Controls
(vii)	Details of material issues pertaining to employees and industrial relations of the entity	Yes	Sustainability Integration and Stakeholder Integration
(viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Yes	Group Real Estate Portfolio

Rule		Compliance Status	Reference (within the Report)
(ix)	Number of shares representing the entity's stated capital	Yes	Investor Information
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes	
(xi)	Financial ratios and market price information	Yes	
(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	Yes	Notes to the Financial Statements
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Yes	Investor Information
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Yes	
(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	Yes	Corporate Governance
(xvi)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the entity as per audited financial statements, whichever is lower	Yes	



Corporate Governance (contd.)

- Statement of Compliance under Section 7.10 of the Listing Rules of the CSE on Corporate Governance

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10.1 (a) - (c)	Non-Executive Directors (NED)	2 or 1/3 of the total number of Directors, whichever is higher should be NEDs	Complied	Corporate Governance
7.10.2 (a)	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent	Complied	Corporate Governance
7.10.2 (b)	Independent Directors (ID)	Each NED should submit a declaration of independence annually	Complied	Available with the Secretaries for review
7.10.3 (a)	Disclosure relating to Directors	<ul style="list-style-type: none"> • The Board shall annually determine the independence or otherwise of the NEDs • Names of IDs should be disclosed in the Annual Report (AR) 	Complied	Corporate Governance
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met	Complied	Corporate Governance
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Directors' areas of expertise	Complied	Board of Directors (profile) section in the Annual Report
7.10.3 (d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Complied	Corporate Governance and Board of Directors (profile) section in the Annual Report
7.10.4 (a - h)	Determination of Independence	Requirements for meeting criteria	Complied	Corporate Governance
7.10.5	Remuneration Committee (RC)	The RC of the listed parent company may function as the RC	Complied	Corporate Governance
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise of NEDs, a majority of whom will be independent	Complied	Corporate Governance
7.10.5 (b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of the Non-Executive Directors, CEO /President and or equivalent position thereof	Complied as applicable	Corporate Governance
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	<ul style="list-style-type: none"> • Names of Directors comprising the RC • Statement of Remuneration Policy • Aggregated remuneration paid to NED/NIDs and NED/IDs 	Complied	Corporate Governance and the Board Committee Reports
7.10.6	Audit Committee (AC)	The Company shall have an AC	Complied	Corporate Governance

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10.6 (a)	Composition of Audit Committee	<ul style="list-style-type: none"> • Shall comprise of NEDs a majority of whom will be Independent • An NED shall be appointed as the Chairman of the Committee • Sector Head and Chief Financial Officer (CFO) should attend AC meetings • The Chairman of the AC or one member should be a member of a professional accounting body 	Complied	Corporate Governance and the Board Committee Reports
7.10.6 (b)	Audit Committee Functions	<ul style="list-style-type: none"> • Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards • Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements • Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards • Assessment of the independence and performance of the external auditors • Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditor 	Complied	Corporate Governance and the Board Committee Reports
7.10.6 (c)	Disclosure in Annual Report relating to Audit Committee	<ul style="list-style-type: none"> • Names of Directors comprising the AC • The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination • The AR shall contain a Report of the AC setting out the manner of compliance with their functions 	Complied	Corporate Governance and the Board Committee Reports
	Related party transactions review committee	<ul style="list-style-type: none"> • Names of Directors comprising the Committee. • Will monitor and approve recurrent and non-recurrent related party transactions as set out in the Group policy guidelines. 	Voluntarily complied with effect from April 2014	Refer page 61 for the Related Party Chairman's report

- Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance



Corporate Governance (contd.)

Rule		Compliance Status	Reference (within the Report)
(a)	Details pertaining to Non-Recurrent Related Party Transactions	Yes	Refer Report of the Related Party Transaction Review Committee
(b)	Details pertaining to Recurrent Related Party Transactions	Yes	Notes to the Financial Statements
(c)	Report of the Related Party Transactions Review Committee	Yes	Refer Report of the Related Party Transaction Review Committee
(d)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to RPT, or a negative statement otherwise	Yes	Annual Report of the Board of Directors

Appendix III

Statement of Compliance pertaining to Companies Act No. 7 of 2007

Rule		Compliance Status	Reference (within the Report)
168 (1) (a)	The nature of the business together with any change thereof	Yes	Page 158
168 (1) (b)	Signed financial statements of the Group and the Company	Yes	Financial Statements
168 (1) (c)	Auditors' Report on financial statements	Yes	Independent Auditors' Report
168 (1) (d)	Accounting policies and any changes therein	Yes	Notes to the Financial Statements
168 (1) (e)	Particulars of the entries made in the Interest Register	Yes	Annual Report of the Board of Directors
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Yes	Notes to the Financial Statements
168 (1) (g)	Corporate donations made by the Company	Yes	Notes to the Financial Statements
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Yes	Pages 254 to 258
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Notes to the Financial Statements
168 (1) (j)	Auditors' relationship or any interest with the company and its subsidiaries	Yes	Report of the Audit Committee / Financial Statements
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	Financial Statements / Annual Report of the Board of Directors



Audit Committee Report

TERMS OF REFERENCE, PRINCIPAL FOCUS AND MEDIUM OF REPORTING

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

COMMITTEE COMPOSITION, MEETINGS HELD AND ATTENDANCE

The Audit Committee consists of three members. The Chairman of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). In addition to the Chairman of the Committee, another member of the Committee is also a qualified Accountant with specialist financial background. The third member of the Committee is a specialist in investment banking, predominantly on cross border transactions across the Asian region. All Non-Executive Directors satisfy the criteria for independence as specified in the Standards on Corporate Governance for listed Companies, issued by the Securities & Exchange Commission of Sri Lanka. The Audit Committee reports directly to the Board. The individual and collective financial and hotel industry specific knowledge, business experience and the independence of members are brought to bear on all matters, which fall within the committee's purview. The Sector Head and Chief Financial Officer, together with the Sector Financial Controller and Head of Group Business Process Review and Head of Sustainability and Enterprise Risk Management of John Keells Holdings PLC, attend Audit Committee meetings by invitation. Outsourced Internal Auditors, i.e; PricewaterhouseCoopers, KPMG, BDO Partners and Independent External Auditors, Ernst & Young, are required to attend meetings on a regular basis. The Committee met four times during the financial year ended 31st March 2019 (information on the attendance at these meetings by the members of the Committee is given on page 39). In addition, the Chairman of the

Committee met the Internal and External Auditors and in-house personnel, as necessary, to strengthen guidance and oversight related to audit matters.

ACTIVITIES PERFORMED

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



Audit Committee Report (contd.)

- Met with External Auditors at the end of the annual audit to review the financial statements and the reports thereon and to respond as necessary to such reports.
- Had closed door discussions with the External and Outsourced Internal Auditors where necessary.
- Reviewed the type and quantum of non-audit services provided by the External Auditors to the Company to ensure that their independence as auditors has not been impaired.
- Appraised the independence and performance of the outsourced Internal Auditors whose services are coordinated by the Group Business Process Review Division.
- Conducted special review of processes, content and the effectiveness of feeders to the deliberations of the Audit Committee, such as in-house accounting and record keeping, Group Business Process Review, and the Sustainability and Enterprise Risk Management division.
- Reviewed the Company's compliance framework to determine that it provides reasonable assurance that all relevant laws, rules and regulations have been complied with.
- Participated in discussions with management, to evaluate compliance with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and CA Sri Lanka in the year 2013, in relation to auditor appointments.
- The senior management of the Company followed a formal assessment process to evaluate the performance of the External Auditors and the Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as Auditors for the financial year ending March 31, 2020, subject to the approval of the shareholders at the next Annual General Meeting.
- To further enhance the internal controls of the companies, the Group commissioned a Data Mining and Analytical tool to capture and present information in a format of outliers/red flags which could be used to carry out further investigations. This system was fully rolled out in the early part of the financial year 2016/2017.

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

T L F W Jayasekara
Chairman - Audit Committee

24th May 2019

Members: **N B Weerasekera**
A K Moonesinghe



Report of the Human Resources and Compensation Committee

The Committee determined the remuneration of the Chairman - CEO in terms of the methodology set out by the Board, upon an evaluation of his performance by the Non-Executive Directors. The Chairman - CEO's evaluation of the other Executive Directors and the members of the Group Executive Committee were considered by the committee and remuneration was determined based on performance, market comparators for similar positions and in accordance with the Company's Compensation and Benefits Policy.

The succession plans discussed and agreed previously were successfully set in motion, including the appointment of the new Chairman - CEO, Mr. K. Balendra from 1st January 2019. The Compensation & Benefit Plan for the Group was modified during the reporting year after obtaining expert inputs and conducting many internal deliberations. The new plan was successfully rolled out based on a pre-agreed communication plan to the employees that were impacted by the change.

A report from the Chairman of the Human Resources and Compensation Committee continues to be a standing agenda item at the quarterly Board meetings. The Chairman of the Committee reports on the developments which have taken place since the last Board meeting, if any, and updates the Board on various matters, as relevant and requested.

The Committee wishes to report that the Company has complied with the Companies Act in relation to remuneration of Directors. The annual performance appraisal scheme, the calculation of short term incentives, and the award of Employee Share Option Plans were executed in accordance with the approvals given by the Board, based on discussions conducted between the Committee and the Management.

I wish to thank my colleagues for their valuable inputs in guiding the Committee in its deliberations, and the President responsible for Human Resources of the Group for enabling fruitful interactions at the meetings of the Committee.

A Cabraal
Chairman of the Human Resources and Compensation Committee

24th May 2019



Report of the Nominations Committee

GRI 102-24

The Nominations Committee, as of 31st March 2019, consisted of the following:

Mr. A Omar (Chairman)
 Mr. K Balendra
 Dr. R Coomaraswamy - Appointed to the Committee on 6th November 2018
 Ms. P Perera
 Dr. H Wijayasuriya

The mandate of the Committee remains:

- To recommend to the Board the process of selecting the Chairman and Deputy Chairman.
- To identify suitable persons who could be considered for appointment to the Board of John Keells Holdings PLC and other Listed Companies in the Group, as Non-Executive Directors.
- Make recommendation on matters referred to it by the Board.

During the reporting period the Board of Directors resolved to appoint Mr. K. Balendra as the Chairman-Chief Executive Officer and Mr. G. Cooray as the Deputy Chairman/Group Finance Director, with effect from 1st January 2019.

The following appointments were made consequent to approval obtained from the Committee

- Mr. Dumith Fernando, as a Director of Union Assurance PLC
- Mr. Arjuna Gunaratne, as a Director of Tea Smallholder Factories PLC
- Mr. Hishan Singhawansa, as a Director of John Keells Hotels PLC
- Mr. Jitendra Gunaratne, as a Director of John Keells PLC and Tea Smallholder Factories PLC

The Committee continues to work with the Board on reviewing its skills mix, based on the immediate and emerging needs. Further, the Committee discusses with the Board the outputs of the Annual JKH Board Evaluation.

A Omar
 Chairman of the Nominations Committee

24th May 2019

Report of the Related Party Transaction Review Committee

GRI 102-25

The following Directors served as members of the Committee during the financial year:

Ms. P Perera - *Chairperson*
Mr. N Fonseka
Mr. A Cabraal
Mr. K Balendra (*appointed on 1st January 2019*)
Mr. S Ratnayake (*retired on 31st December 2018*)

In addition, the Group Finance Director Mr. Gihan Cooray, Former Group Financial Controller Mr. Suran Wijesinghe (resigned on 31st December 2018), and Group Financial Controller Mr. Mohan Thanthirige (appointed on 1st January 2019) attended meetings by invitation. The Head of Group Business Process Review, Mr. Hisham Nazeem, served as the Secretary to the Committee.

The objective of the Committee is to exercise oversight on behalf of the Board of John Keells Holdings PLC and its listed Subsidiaries, to ensure compliance with the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ("The Code") and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and the CSE.

The Committee in discharging its functions primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel (KMP) with a view to ensuring that:

- there is compliance with the Code;
- shareholder interests are protected; and
- fairness and transparency are maintained.

The Committee reviewed and pre-approved all proposed non-recurrent related party transactions (RPTs) of the parent, John Keells Holdings PLC, and all its listed Subsidiaries, namely: John Keells PLC, Tea Smallholder Factories PLC, Asian Hotels and Properties PLC, Trans Asia Hotels PLC, John Keells Hotels PLC, Ceylon Cold Stores PLC, Keells Food Products PLC and Union Assurance PLC. Further, recurrent RPTs were reviewed annually by the Committee. Other significant transactions of non-listed subsidiaries were presented to the Committee for information.

In addition to the Directors, all Presidents, Executive Vice Presidents, Chief Executive Officers, Chief Financial Officers and Financial Controllers of respective companies/sectors have been designated as KMPs in order to increase transparency and enhance good governance. Annual disclosures from all KMPs setting out any RPTs they were associated with, if any, were obtained and reviewed by the Committee.

The Committee held four meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below.

	Eligible to Attend	Attended
A Cabraal	4	4
N Fonseka	4	4
P Perera	4	4
S Ratnayake*	3	3
K Balendra**	4	4

By Invitation

G Cooray	4	4
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* *Retired from the Board on 31st December 2018*

** *Appointed to the Committee on 1st January 2019; attended prior meetings by invitation*

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



P Perera

Chairperson of the Related Party Transaction Review Committee

16th May 2019





“ This was an amazing hotel. In a lovely location. The staff was so friendly and helpful. Even the wildlife was friendly. As for the food, words can't express adequately the variety or quality. All the vegetables were grown organically on site and there was a whole separate room full of desserts. ”

TripAdvisor Review by
Iain J

Cinnamon Lodge Habarana



Our Strategic Report

Value Creation by the Group

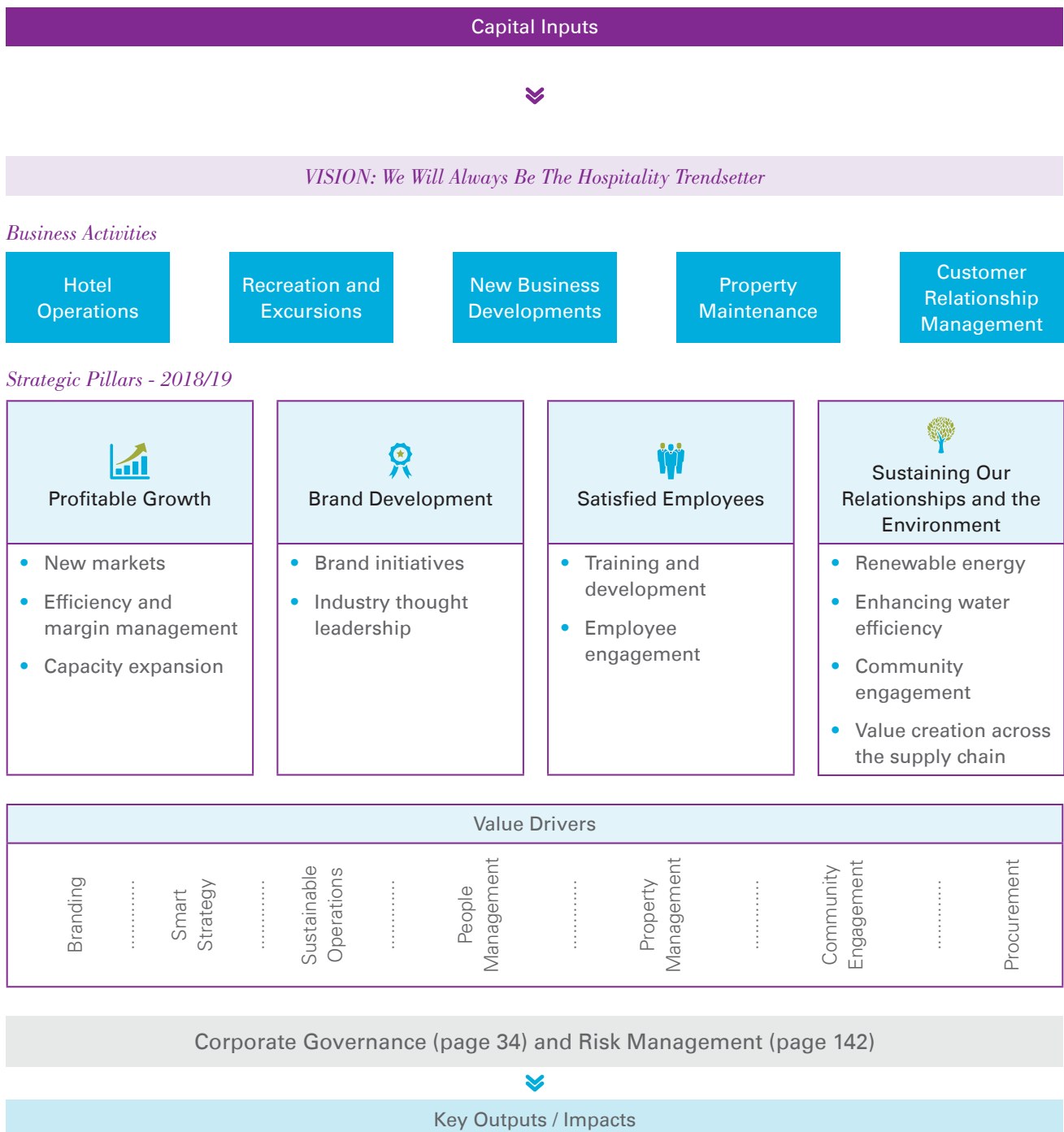
Considering the four strategic pillars as still relevant to the Group, our Value Creation model on the next page depicts the key Objectives through which the strategies are achieved. How we delivered on our strategies during the year are elaborated in the subsequent Capitals reports.

Capital Inputs	Key Outputs / Impacts
<p>Financial Capital Shareholders' funds: Rs. 28.76 Billion Borrowings: Rs. 5.46 Billion (Page 77)</p> <hr/> <p>Manufactured Capital Property, plant and equipment: Rs.17.56 Billion (Page 80)</p> <hr/> <p>Human Capital The skills, attitudes and values of our 2,105 Cinnamon Ambassadors (Page 104)</p> <hr/> <p>Social and Relationship Capital Guest relationships Suppliers Other business partners Communities (Page 113)</p> <hr/> <p>Intellectual Property Standards, processes and systems Tacit knowledge base Strength of our brand (Page 121)</p> <hr/> <p>Natural Capital Raw Materials: 2,064 MT Energy consumption: 151,358 GJ Water withdrawn: 554,737 m3 (Page 127)</p>	<p style="text-align: right;">Shareholder Value Net Profit: Rs. 832 Million Earnings per Share: Rs. 0.56 Dividend per Share: Rs. 0.15</p> <hr/> <p style="text-align: right;">Employee Value Total payments to employees: Rs. 2.08 Billion Promotions: 97 Investment in training: Rs. 47.2 Million Total training hours: 115,200</p> <hr/> <p style="text-align: right;">Customer Value Guest Satisfaction: 4.4 (TripAdvisor) Occupancy: Sri Lanka 80% Maldives 84%</p> <hr/> <p style="text-align: right;">Business Partners Payments to suppliers: Rs. 2.16 Billion</p> <hr/> <p style="text-align: right;">Communities Investment in community engagement: Rs.10.6 Million</p> <hr/> <p style="text-align: right;">Our Impacts Total Waste: 1,712 MT Effluents: 439,742 m3 Carbon Footprint: 17,484 tCO_{2e}</p>



GRI 102-16

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





Our Strategic Report (contd.)

STAKEHOLDER ENGAGEMENT:

The scope and extent of our business impacts a multitude of stakeholders, both internal and external. Engaging meaningfully with these stakeholders enables us to identify our priorities within the wider socio-economic context. By understanding the concerns and needs of our stakeholders, we are in a better position to align our business value proposition with their goals thereby creating mutual and lasting value. Feedback obtained from this engagement forms the foundation for identifying material aspects which are a vital input in our strategy formulation, planning operations and sustainability reporting.

We outline below the engagement mechanisms in place with each stakeholder group through multiple channels and the priority issues identified for both the Stakeholder and the Company.

	Importance of Engagement	Method & Frequency of Engagement	Key Topics arising from Engagement	Strategic Response
Shareholders	Shareholders provide capital required to fund future growth plans	<ul style="list-style-type: none"> • AGM (Annual) • Quarterly Results updates • Annual Report • Website (Ongoing) • Open door policy for investors (Ongoing) 	<ul style="list-style-type: none"> • Return on Investment • Sustainable Growth • Corporate Governance & Ethics • Risk Management • Growth Opportunities & Outlook 	Generating above average returns and remaining resilient through the business cycles
Employees	Employees play a crucial role in delivering guest experiences and achieving our strategic objectives	<ul style="list-style-type: none"> • Staff Meetings at multiple levels (Ongoing) • Performance Appraisal (Annual) • Employee Survey (Quarterly) • Collective Agreements (Ongoing) • New letters (Quarterly) 	<ul style="list-style-type: none"> • Opportunities for Growth • Training & Development • Job Security • Performance Management • Health & Safety Considerations 	Attracting and retaining talent has become increasingly challenging and we continue to invest in strengthening our employee value proposition
Guests	Understanding Customer needs and preferences is a prerequisite for delivering unique guest experiences	<ul style="list-style-type: none"> • Guest feedback forms (On check-out) • Social media platforms (Ongoing) • Face to face interactions (Ongoing) • Customer Relationship managers (Ongoing) 	<ul style="list-style-type: none"> • Unique experiences • Quality of offering • Value for Money • Ease of transaction • Activities 	Nurturing brand loyalty through creating unique guest experiences is a key element of our strategy.



GRI 102-40	GRI 102-42
GRI 102-43	GRI 102-44

	Importance of Engagement	Method & Frequency of Engagement	Key Topics arising from Engagement	Strategic Response
Business Partners	Local & international tour operators, travel agents and destination management companies generate business for us	<ul style="list-style-type: none"> • Face to face interaction (Ongoing) • Familiarisation visits and promotion materials (Ongoing) 	<ul style="list-style-type: none"> • Ease of transactions • Availability of up to date information on product offerings 	We strive to nurture mutually beneficial, long term relationships with our business partnerships and propagate sustainable practices across the value chain.
Suppliers	Suppliers & other partners enable us to deliver consistent customer experiences	<ul style="list-style-type: none"> • Procurement process (Ongoing) • Supplier Forum (Ongoing) • Face-to-face interactions (Ongoing) 	<ul style="list-style-type: none"> • Timely payment • Ease of transaction • Supplier Development 	
Government & Regulatory Bodies	Provides an enabling environment for us to operate in	<ul style="list-style-type: none"> • Constructive relationships with Trade Associations (Ongoing) • Face to face interactions (Ongoing) • Written communications (Ongoing) 	<ul style="list-style-type: none"> • Taxation revenues • Compliance with all laws and regulations • Job creation • Contribution towards uplifting communities • Environmental Conservation 	Systematic mechanisms are in place to ensure that the Group complies with relevant regulations in all markets it operates in.
Communities	Strong ties with local communities is essential for the sustainability of our operations	<ul style="list-style-type: none"> • Projects of engagement and sponsorships • Livelihood development programmes. 	<ul style="list-style-type: none"> • Environmental impacts • Job creation • Sponsorships 	We adopt a strategic approach towards CSR and strive to create meaningful relationships with the communities we operate in.



Our Strategic Report (contd.)

BACK DROP TO PERFORMANCE :

Economic Landscape :

Global Economy :

After a strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of 2018, reflecting a convergence of factors affecting major economies. China's growth declined following a combination of needed regulatory tightening to rein in shadow banking and an increase in trade tensions with the United States. The Euro area economy lost more momentum than expected as consumer and business confidence weakened and car production in Germany was disrupted by the introduction of new emission standards; and investment in Italy dropped as sovereign spreads widened; and external demand, especially from emerging Asia, softened. Moreover, natural disasters hurt activity in Japan whilst trade tensions increasingly took a toll on business confidence and hence, worsened financial market sentiment with financial conditions tightening for vulnerable emerging markets in early 2018 and subsequently in advanced economies later in the year. Following a notable tightening of financial conditions in late 2018, market sentiment rebounded in early 2019 and conditions have begun to ease as the US Federal Reserve signalled a more accommodative monetary policy stance and markets became more optimistic about a US-China trade deal.

As a result of these developments, the IMF projects global growth to slow from 3.6% in 2018 to 3.3% in 2019, before returning to 3.6% in 2020. The current IMF forecast envisages that global growth will level off in the first half of 2019 and firm up towards the end of the year. The projected pickup in the second half of 2019 is based on expectations of an ongoing build-up of policy stimulus in China; recent improvements in global financial market sentiment; the waning of some temporary drags on growth in the Euro area; and a gradual stabilisation of conditions in stressed emerging market economies, including Argentina and Turkey. In the United States, growth is expected to decline to 2.3% in 2019 as per IMF estimates, and soften further to 1.9% in 2020 with the unwinding of fiscal stimulus. The downward revision to 2019 growth reflects the impact of the government shut down and some what lower fiscal spending than previously anticipated, while the modest upward revision for 2020 reflects a more accommodative stance of monetary policy as the US Federal Reserve, in response to rising global risks, paused interest rate increases and signalled no increases for the rest of the year.

Sri Lanka :

Sri Lanka's economy continued to grow at a modest pace with real GDP growth decelerating to 3.2% in 2018 (compared with 3.4% in 2017); reflecting Sri Lanka's vulnerability to global and domestic disturbances. Growth was mainly supported by an expansion of the services sector which grew by 4.7% led by financial services, and the agriculture sector which grew by 4.8%, following a recovery from the effect of extreme weather conditions experienced in the previous year. Industry activities slowed down significantly to 0.9% during the year, mainly as a result of the contraction in construction activities (by 2.1% compared with an expansion of 4.3% in 2017). The external sector of the economy was volatile during the year due to both global and domestic factors. Globally, monetary policy normalisation, particularly in the United States, resulted in global financial conditions tightening, thus causing capital outflows from emerging market economies and increased pressure on exchange rates of twin deficit economies, in particular. Sri Lanka also experienced these headwinds, particularly from mid-April 2018, which were exacerbated following the political uncertainties and the downgrade of the country's sovereign rating in the fourth quarter of the year. Combined with these external environmental factors; the Central Bank's decision to follow a market based exchange rate policy in 2018 resulted in a sharp 16.4% depreciation of the rupee in 2018. Despite the sharp depreciation of the rupee and the introduction of the pricing formula for domestic petroleum price adjustments; it is noteworthy that headline and core inflation remained well anchored in low single digit levels during the year, supported by proactive monetary policy measures, improved domestic supply conditions, as well as subdued consumer spending. Accordingly, year-on-year headline inflation based on CCPI declined to 2.8% by end 2018 from 7.1% at the end of 2017.

Global Tourism Industry :

Continuing on eight consecutive years of above-average growth experienced since the 2009 global economic crisis, international tourist arrivals (overnight visitors) grew by an impressive 6% in 2018, reaching a total of 1.4 Billion arrivals, as per the UNWTO statistics. UNWTO's long-term forecast published in 2010 predicted the 1.4 billion mark of international tourist arrivals for 2020. Yet stronger economic growth, more affordable air travel, technological changes, new business models and greater visa facilitation around the world have accelerated growth, helping the world reach targets two years ahead.



International tourist arrivals in Europe reached 713 Million in 2018, a notable 6% increase over an exceptionally strong 2017. Growth was driven by Southern and Mediterranean Europe which grew by 7%, Central and Eastern Europe by 6% and Western Europe which grew by 6%. Results in Northern Europe were flat due to a decline of arrivals to the United Kingdom.

Asia and the Pacific saw a 6% growth in international arrivals whilst visitors to South-East Asia grew by 7%, followed by North-East Asia which saw a 6% increase in numbers and South Asia which by 5%. Oceania showed more moderate growth at 3%.

The arrivals to the Americas increased by 3% to reach 217 million international arrivals in 2018, with mixed results across destinations. Growth was led by North America (+4%), and followed by South America (+3%), while Central America and the Caribbean (both -2%) reached very mixed results, the latter reflecting the impact of the September 2017 hurricanes Irma and Maria.

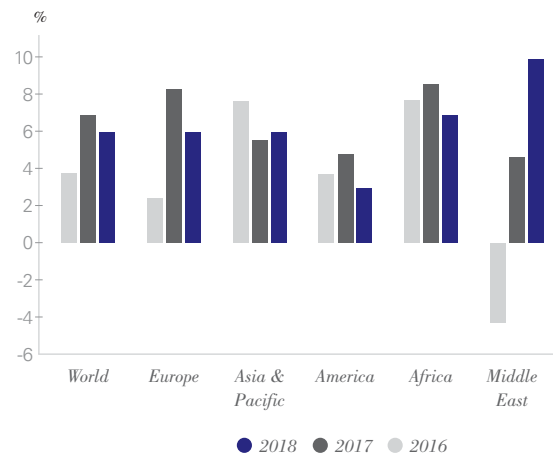
Data from Africa points to a 7% increase in 2018 (North Africa at +10% and Sub-Saharan +6%), reaching an estimated 67 million arrivals.

The Middle East achieved a 10% growth, consolidating its 2017 recovery, with international tourist arrivals reaching 64 Million.

Based on current trends, economic prospects and the UNWTO Confidence Index, UNWTO forecasts international arrivals to grow by 3% to 4% next year, at a more sustainable pace, in line with historic growth trends.

As one of the world's largest economic sectors, Travel & Tourism generates employment, and drives exports, and in 2018 contributed 10.4% to world economic growth. In 2018, as per the World Tourism and Travel Council, the Travel & Tourism industry grew by 3.8%, outpacing world economic growth of 3.2% and accounted for one in five of the new jobs created around the world.

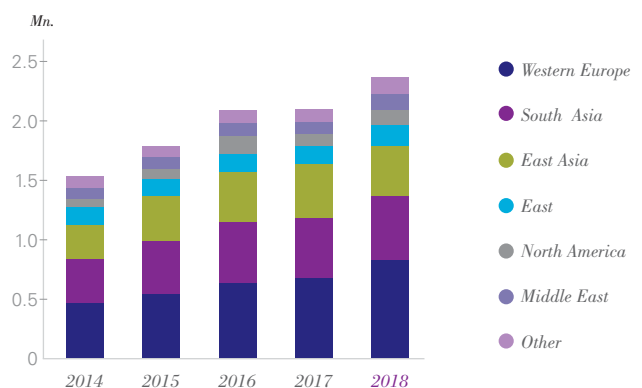
International Tourist Arrival Growth



Sri Lanka Tourism :

Arrivals to Sri Lanka increased by 10.3% in 2018 reaching a record 2,333,796. Earnings from tourism thus continued to be a key source of foreign exchange to the country, growing by 11.6%. The average spending per tourist rose to US dollars 173.8 per day from US dollars 170.1 per day in 2017, according to the latest annual survey on tourist spending and duration of stay conducted by the Sri Lanka Tourism Development Authority (SLTDA). The average duration of stay by a tourist was estimated at 10.8 days in 2018, in comparison to 10.9 days in 2017.

Tourist Arrivals by Source Market



Tourist arrivals from all major regions, except East Asia and the Middle East, increased in 2018. Europe continued to be the largest source of tourist arrivals to Sri Lanka accounting for 44% of total arrivals and growing by 20.8% in 2018 whilst arrivals from South Asia, the second largest tourist origin of Sri Lanka, increased by 4.8% to 543,160 arrivals.



Our Strategic Report (contd.)

However, tourist arrivals from South Asia, as a share of total arrivals, fell to 23.3% in 2018, from 24.5% in 2017. The share of tourist arrivals from East Asia, which has been increasing steadily from 2011 to 2016, on the back of an impressive growth of arrivals from China, declined to 18.1% as arrivals from the region declined by 4.7%. However, tourist arrivals from Australasia grew by a significant 36.5%, increasing its share in total arrivals to 4.8% in 2018 from 3.8% in 2017. Such a growth was mainly driven by increased arrivals from Australia, partly attributable to the commencement of direct flights between Sri Lanka and Australia.

Arrivals from Sri Lanka's top five sources

	2018/19	% share of arrivals	2017/18	% Growth Y-o-Y
India	424,887	18	384,628	10.46
China	265,965	11	268,952	(1.12)
United Kingdom	254,176	11	201,879	25.9
Germany	156,888	7	130,227	20.47
Australia	110,928	5	81,281	36.5

Source: Sri Lanka Tourism Development Authority

Investments in Sri Lanka's tourism sector continued to expand in 2018. Thirty Five new hotel projects commenced operations in 2018, adding 1,125 rooms whilst proposals were received by the SLTDA for 141 new hotel projects and final approval was granted for 44 of them which would total 1,233 rooms, thus further intensifying the competitive pressure in the hospitality sector.

The Sri Lanka Tourism Promotion Bureau undertook several initiatives to strengthen the tourism industry of Sri Lanka to be in-line with the new tourism strategic plan 2017-2020. In 2018, several country specific promotional activities were carried out in 34 identified markets. These included food festivals, trade fairs and road shows. Additionally, Online marketing campaigns were carried out during the year and a new brand identity "So Sri Lanka" was launched in November 2018 to further facilitate the successful implementation of the aforesaid strategic plan.



GRI 102-47 GRI 102-46 GRI 103-1

Management Approach

	Material Aspect	Corresponding GRI Aspect	Topic Boundary	Why the Topic is Material to the Group
1.	Competitive pressures	GRI 201: Economic Performance	External	Intensifying competition, particularly from the informal sector has resulted in increased price competition. This in turn has impacted profitability margins affecting the Group's financial performance.
2.	Macro economic risks	GRI 201-1: Direct economic value generated and distributed	External	Higher interest rates, reduced economic activity across sectors and fiscal consolidation efforts by the government had an adverse impact on consumer spending during the year, affecting demand for our services.
3.	Talent attraction & retention	GRI 401: Employment GRI 403: Occupational Health & Safety GRI 404: Training & Education GRI 405: Diversity & Equal Opportunity	Internal and External	As a service organisation, the quality of our human capital is a key determinant of customer experience and our competitive edge. Additionally, the competition for talent in the Sri Lankan industry has been increased by the increase in properties and international brands in the past year. Attracting and retaining talented employees is therefore crucial to our value creation process and can impact the Group's long term sustainability.
4.	Shifts in source markets		External	Changing demographics and geo-political dynamics have resulted in a shift in our source markets, compelling us to rethink our marketing strategies and customer value propositions.
5.	Changing needs of travellers		External	The need for more authentic travel experiences and demand for alternative hospitality offerings has challenged established norms of traditional travel, this could impact the attractiveness of our properties and financial performance over the long term.
6.	Service quality & operational efficiency	GRI 416: Customer health & safety GRI 306: Effluents & waste GRI 303: Water	Internal	Given the pressure on yields operational efficiency and minimising waste is important. In addition, increasing social and environmental consciousness amongst travellers also drives minimisation of wastage for it could impact customer decision making and hence our competitive edge to some extent.



Our Strategic Report (contd.)

GRI 102-49

	Material Aspect	Corresponding GRI Aspect	Topic Boundary	Why the Topic is Material to the Group
7.	Government policy	GRI 307: Environmental compliance GRI 419: Socio-economic compliance	External	As a responsible corporate citizen, the Group ensures that it complies with all relevant regulations. Non-compliance could impact the Group's financial performance, reputation and social license to operate.
8.	Technology		Internal and External	Increasing connectivity and mobile phone penetration has transformed how customers interact with hospitality operators, and our inability to keep pace with these emerging dynamics could have a sharp impact on our competitive edge.
9.	Safeguarding physical assets		Internal	Maintaining and upgrading our Manufactured Capital is important in ensuring guest satisfaction and loyalty.
10.	Raw material & supply chain risks	GRI 301: Raw Materials GRI 308: Supplier environment assessment GRI 204: Procurement practices	Internal and External	Securing a sustainable supply chain is important for ensuring the continuity of operations. We also drive our sustainability agenda through our supply chain, by propagating sustainable business practices amongst our suppliers.
11.	Energy	GRI 302: Energy	Internal	Energy costs are one of the most significant costs for the Group. We strive to drive energy efficiency across our resorts in a bid to meet both our commercial and sustainability objectives.
12.	Impacts on local communities	GRI 201: Economic performance GRI 413: Local communities	External	Inability to maintain meaningful and harmonious relationships with the communities we operate in could lead to regulatory pressures and affect our social license to operate.
13.	Implications of climate change	GRI 304: Bio-diversity GRI 305: Emissions	Internal and External	We are increasingly feeling the implication of climate change, with erratic weather conditions having a direct impact on tourist arrivals on the one hand and on our supplies and utility costs on the other hand.

- There were significant changes in the list of material topics and topic boundaries compared to last year, changes are included above.



DELIVERING ON OUR STRATEGY:

Our strategic pillars are vital to create and sustain value for all our stakeholders, in the context of the strengths and weaknesses of the Company and the opportunities and risks within the business environment.

Vision	Summary			
Strategic Pillars	 Profitable Growth	 Brand Development	 Satisfied Employees	 Sustaining our Relationships & the Environment
Strategic Drivers in 2018/19	<ul style="list-style-type: none"> Operational Efficiency & Cost Management Re-development, re-construction and refurbishment at Cinnamon Bentota Beach, Cinnamon Hakuraa Huraa Maldives and Ellaidhoo Maldives by Cinnamon 	<ul style="list-style-type: none"> Several customer engagement and industry thought leadership initiatives and events Social Media engagement 	<ul style="list-style-type: none"> Ongoing investment in Training & Development Increased opportunities for engagement Investment in upgrading employee accommodation 	<ul style="list-style-type: none"> Supplier value creation Ongoing community engagement initiatives Reduced dependence on fossil fuels through the installation of the 2nd Solar Diesel hybrid system at Dhonveli Water and waste management
Resources Allocated	<ul style="list-style-type: none"> Capital expenditure on refurbishment: Rs. 3,917 Million Planned investment on new resorts: Rs. 9.8 Billion 	Investment in brand building initiatives	<ul style="list-style-type: none"> Total payments & benefits to employees: Rs. 2,083 Million Investments in Training: Rs. 472 Million 	<ul style="list-style-type: none"> Investment in CSR: Rs. 10.6 Million
Key Performance Indicators	<ul style="list-style-type: none"> Total room capacity increased by 18% over the past 10 years. 	<ul style="list-style-type: none"> Occupancy levels: Sri Lanka (80%) and Maldives (84%) Ranked as the No.1 hospitality brand in Sri Lanka by Brand Finance 	<ul style="list-style-type: none"> Average Training hours per employee: 68 Employee Retention Rate: 77% 	<ul style="list-style-type: none"> Volunteer Hours: 699 11% reduction in total Carbon Footprint 11% reduction in total Water Withdrawn 22% reduction in total Waste
Opportunities & Challenges	Intense Competitive pressures from the informal sector and capacity expansion in the formal sectors	Competition & Customer Retention	Shortage in skilled labour is an industry-wide challenge and has rendered attraction & retention extremely challenging	Significant opportunities in renewable energy.
Strong Foundations	Corporate Governance + Risk Management + People Promises			

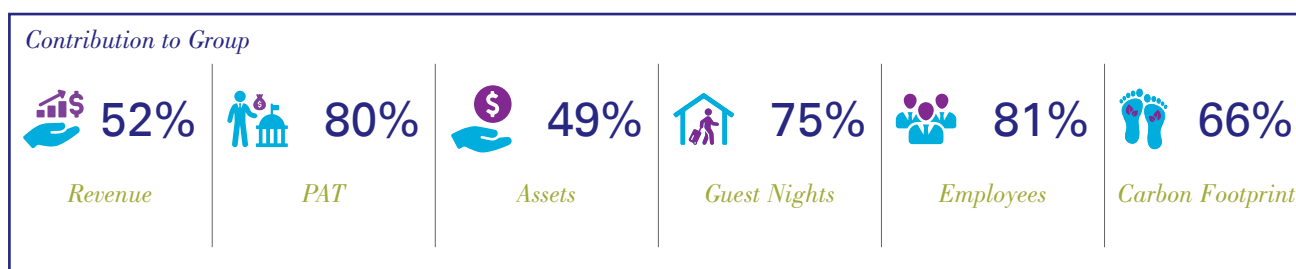
- How we delivered on our strategies is discussed at length in the ensuing Capital Reports.



Cluster Reviews

SRI LANKAN CLUSTER

Cinnamon Hotels and Resorts Sri Lankan cluster consists of seven properties each with its inimitable guest offering. These properties together totalled 863 rooms subsequent to the closure of Cinnamon Bentota Beach for re-development. Each property features a distinctive ambience combining Sri Lankan heritage with world class luxury. All resorts within the cluster are recipients of multiple international awards and accolades for green tourism practices, culinary excellence and customer satisfaction. The year under review saw the Group launch an addition to its Sri Lankan portfolio as intimated before, and commenced the construction of Cinnamon Red Kandy as an associate partnership, in January 2019. This would expand our inventory by another 212 rooms.



			2018/19	2017/18	Y-o-Y Change
Economic	Revenue	Rs. Million.	5,684	5,469	4%
	PBT	Rs. Million.	872	754	16%
	Total Assets	Rs. Million.	17,868	16,898	6%
	Total Capital	Rs. Million.	15,012	14,124	6.3%
	ROCE (%)	%	6.1	4.8	27%
	Occupancy Rate	%	80	81	(1%)
Environmental	Energy	GJ	70,451	74,421	(5%)
	Water withdrawn	m3	440,742	480,357	(8%)
	Effluents	m3	348,547	392,539	(11%)
	Total Waste	MT	1,031	1,189	(13%)
	Carbon Footprint	MT	11,609	12,264	(5%)
	Compliance (Incidents)	No.	Nil	Nil	-
Social	Head Count	No.	1,709	1,761	(3%)
	Employee Productivity profit/employee	Rs. 000's	510	428	19%
	Training Hours	Hours	91,774	55,294	80%
	Average TripAdvisor Rating		4.3	4.3	-

It is commendable that the Cluster's Revenue increased by 4% over the previous year despite the complete closure of Cinnamon Bentota Beach since July 2017 and a challenging operating environment. All 7 Sri Lankan resorts contributed to this growth in Revenue and contributed 52% to total Group Revenue during the year. The Sri Lankan cluster continued to record an Occupancy level of 80%. The Sri Lankan cluster's contribution to Group net profitability rose during the year to 80% compared with 56% the previous year whilst Profit for the year rose by 9% despite the closure of Cinnamon Bentota Beach and narrower profit margins.

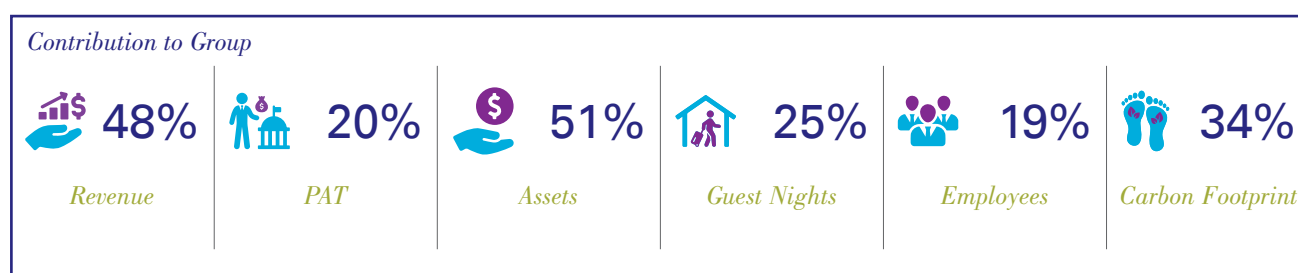


Way Forward :

Despite the catastrophe of 21st April 2019 that has changed the prognosis for the entire industry, the Group remains buoyant on the medium and long term prospects for the Sri Lankan industry. Accordingly it will proceed with the investments that have been planned pursuing an asset light model of expansion. We also expect intensifying competition to be price driven and hence impinging on profit margins in the industry.

MALDIVIAN CLUSTER

The Cluster comprises two world class resorts which offer guests from around the world a combination of luxury and authenticity in spectacular surroundings. The 2 properties at present offer a capacity of 260 rooms including 24 Over-Water Suites. Resorts in this cluster have been globally recognised by international awards and accolades for their sustainable tourism initiatives, green practices as well as customer satisfaction and culinary excellence.



			2018/19	2017/18	Y-o-Y Change
Economic	Revenue	Rs. Million.	5,348	6,145	(13%)
	PBT	Rs. Million.	208	597	(65%)
	Total Assets	Rs. Million.	18,712	15,668	(19%)
	Total Capital	Rs. Million.	13,748	12,085	(14%)
	ROCE (%)	%	2.2	5	(56%)
	Occupancy Rate	%	84	82	2%
Environmental	Energy	GJ	80,907	102,350	(21%)
	Water withdrawn	m3	113,995	144,078	(21%)
	Effluents	m3	91,195	116,472	(22%)
	Total Waste	MT	681	1,006	(32%)
	Carbon Footprint	MT	5,875	7,447	(21%)
	Compliance (Incidents)	No.	Nil	Nil	-
Social	Head Count	No.	396	525	(25%)
	Employee Productivity profit/employee	Rs. 000's	526	1,137	(54%)
	Training Hours	Hours	23,427	18,399	20%
	Average TripAdvisor Rating		4.5	4.5	-



Cluster Reviews (contd.)

During the year the cluster focused on revamping its property infrastructure to enhance customer experience. Ellaidhoo Maldives by Cinnamon was partially closed for refurbishment of its 24 water bungalows from 1st June 2018, and was re-opened in end October 2018. Cinnamon Hakuraa Huraa Maldives which closed in May 2018 for a re-construction into a new hotel, is expected to reopen in mid December 2019 with the addition of 20 new rooms on the adjacent island. The partial closure of Ellaidhoo Maldives by Cinnamon and the complete closure of Cinnamon Hakuraa Huraa Maldives since May, resulted in a drop in revenue and profitability from this cluster. The Cluster's Revenue declined by 13% whilst Profit After Tax decreased by 68%. However, occupancy levels in the Maldives cluster rose to 84% during the year, compared with 82% the previous year.

Way Forward

We are most optimistic on the prospects for Maldives as a destination over the next few years as it continues to brim with potential to sustain and increase demand. The stability in the political environment since the end of 2018 provides the necessary foundation. Moreover, the country's ongoing infrastructure development such as the construction of the second runway at the Malè airport and the bridge between the airport and the Malè island that was completed in August 2018 will augment the nature endowed Unique Selling Point (USP) of this destination to support a vibrant growth in arrivals. Arrivals to the atolls at present stand at a mere 1.4 Million for the calendar year, indicating the still vastly untapped potential of this luxurious destination. Considering this potential the Group entered in to an MoU to sublease a new property under the "Cinnamon" umbrella. Moreover, as part of the Group's plans to refurbish and update its properties, Cinnamon Dhonveli Maldives would undergo a partial refurbishment from 1st May 2019 to 31st October 2019 in order to ensure that their ambience, interiors as well as the technology on offer for guests is state of the art.



Value Creation Report

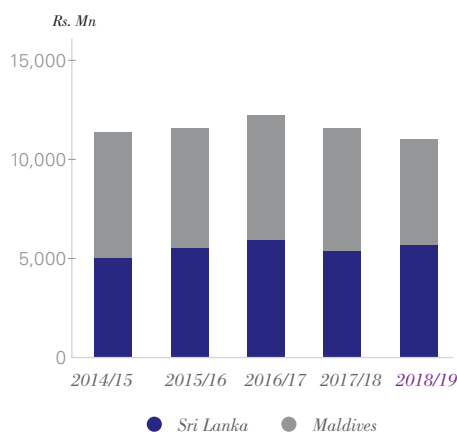


Financial Capital

FINANCIAL PERFORMANCE

Revenue

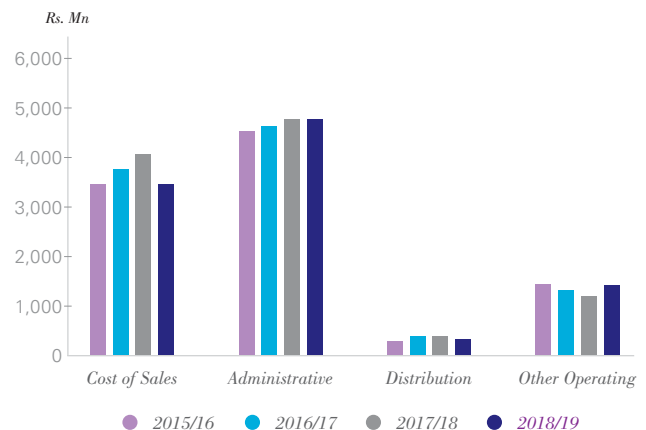
Consolidated Revenue



The Group revenue was impacted by the closure of Cinnamon Hakuraa Huraa Maldives from 1st May 2018 and the partial closure of Ellaidhoo Maldives by Cinnamon for refurbishments. As a result, Group's consolidated revenue declined by 5 per cent to Rs.11.03 Billion. The hospitality industry in Sri Lanka was affected with unfortunate events that took place throughout the year including political and civil unrest and the intensifying rate competition within the industry. Despite this, Sri Lanka resorts recorded a year on year growth in revenue of 4 per cent. This improved performance by the Sri Lankan cluster was attributed to the improved rupee average room rate as a result of the depreciation against the US dollar. All seven resorts hotels which were operational in Sri Lanka contributed to this revenue growth whilst the complete closure of Cinnamon Bentota Beach during the entire year dampened revenue from the Sri Lankan cluster as the resort was in operation in quarter one of 2017/18. The occupancy levels in the Sri Lanka properties stood at 80 per cent compared with 81 per cent in the previous year. The Maldivian cluster recorded an occupancy of 84 per cent during the year, compared to 82 per cent recorded in the previous year and it is commendable that Maldives sector occupancy was above the industry average occupancy of 74 per cent in spite of the closure of rooms for the refurbishments which took place during the year. The group revenue composition changed as a result of the refurbishments in the Maldivian cluster where the contribution from the Sri Lanka resorts cluster increased from 47 per cent to 52 per cent. (Please refer page 74 for detailed performance analysis of the clusters).

Cost management

Cost Management



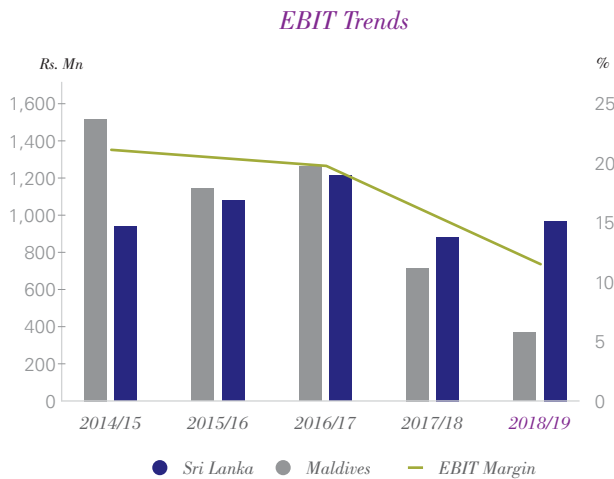
Even though revenue decreased during the year, the Group was able to improve the consolidated gross profit margin to 68.8 per cent (compared with 65 per cent the year before) and maintain the same Gross Profit level as last year by adopting effective cost management measures. Administrative expenses, which decreased by a marginal 0.4 per cent during the year under review; included the effects of non-recurring expenses amounting to Rs. 249 Million which arose from accelerated depreciation and a voluntary retirement scheme which impacted the previous year because of the closure of Cinnamon Bentota Beach. Other operating expenses increased by 16.8 per cent due to the exchange loss resulting from the depreciation of the rupee as well as Rs. 208 Million year-on-year loss incurred from the disposal of Property Plant & Equipment which mainly stemmed from Cinnamon Hakuraa Huraa Maldives. The Group's distribution expenses decreased by 9.6 per cent as a result of the scale down in operations in the Maldives sector.



Value Creation Report (contd.)

Financial Capital

Earnings Before Interest and Tax



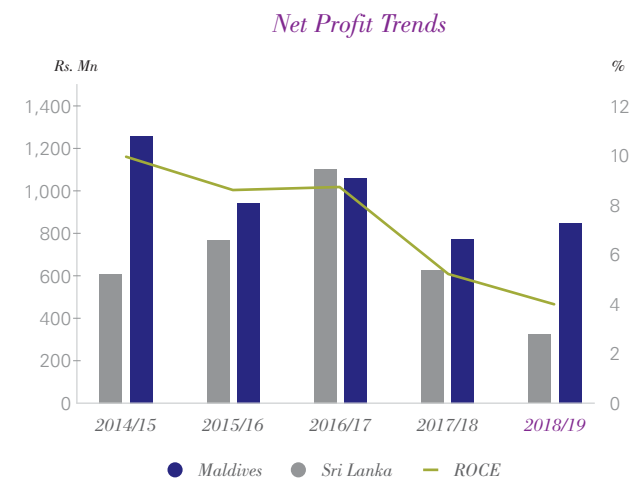
Sri Lankan cluster's EBIT increased by 9 per cent year-on-year, thereby contributing 72% towards the Group's EBIT. However, Group's EBIT decreased by 17 per cent to Rs.1.33 Billion owing to a considerable 49.2 per cent decline in the Maldivian sector's EBIT. This also resulted in Group's EBIT margin contracting to 12% from 14% the previous year.

Net finance cost

The group's finance income decreased year-on-year by Rs. 93.2 Million due to the decline in short term investments in both Maldives and Sri Lanka resorts sectors as the investments were utilised to invest in the ongoing refurbishment projects. As a result of the drop-in interest income, group net finance cost increased to Rs. 88.8 Million.

Profitability

Tax expenses for the year increased by 12.7 per cent to Rs. 248 Million whilst the effective tax rate amounted to 23 per cent compared to 16.3 per cent the previous year. Sri Lanka resorts recorded a 9 per cent year on year growth in profitability. However, group profitability declined by 26 per cent to Rs. 831.6 Million due to a sharp 68 per cent decline of profits from the Maldivian cluster owing to the closure of Cinnamon Hakuraa Huraa Maldives and the partial refurbishment of Ellaidhoo Maldives by Cinnamon. The Sri Lankan cluster's contribution to Group net profitability rose during the year to 80 per cent compared with 56 per cent the previous year whilst the Maldivian cluster's relative contribution declined to 20.2 per cent due to the complete closure of Cinnamon Hakuraa Huraa Maldives for re-construction. Overall the Group's ROCE declined to 3 per cent from 5.3 per cent the previous year.



Other Comprehensive Income

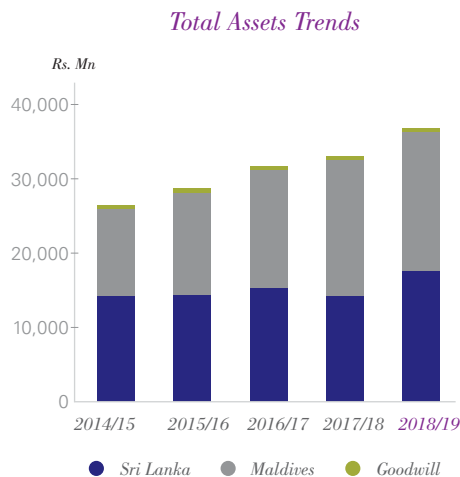
Other Comprehensive Income for the year amounted to Rs. 1.9 Billion comprising mainly of gain from foreign exchange translations from foreign operations; which amounted Rs. 1.49 Billion and revaluation of land and building amounting to Rs. 436 Million net of tax. Overall, consolidated total comprehensive income for the period amounted to Rs. 2.75 Billion, demonstrating an increase of 37% in comparison to the previous year.



FINANCIAL POSITION

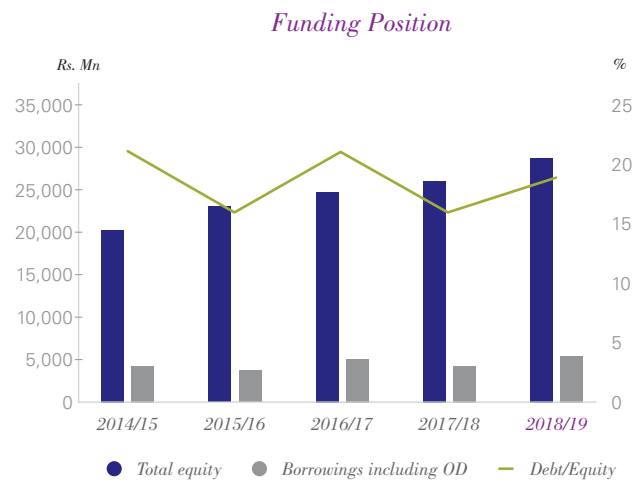
Total Assets:

Total Assets grew by 12 per cent to Rs. 37.2 Billion as at end March 2019. The increase reflects in the PPE additions which increased by 25 per cent to Rs. 17.6 Billion due to the ongoing refurbishments and property and land revaluation. In addition, the exchange impact on lease rental paid in advance, investment made into Indra Hotels and Resorts Kandy (Pvt) Ltd (Cinnamon Red Kandy) and the increase in other current assets as a result of advances paid to contractors and suppliers also contributed towards the increase in total assets. The asset composition of the Group changed slightly with non-current assets counting 86 per cent of total assets compared with 82 per cent the previous year. Short term investments and liquid assets accounted for 6 per cent of total assets during the year compared with 13 per cent the previous year.



Funding Position

The Group's capital position continued to remain strong with Shareholders' funds accounting for 77.5 per cent of total assets by end March 2019. Total borrowings increased to Rs. 5.46 Billion, from Rs. 4.24 Billion in 2017/18 due to the financing requirements for refurbishment in the Maldives sector. Hence, the debt to equity ratio rose to 0.19 times compared with 0.16 times the previous year.



Cash Flow

Net cash generated from operations declined by 43 per cent to Rs. 1.7 Billion mainly as a result of the advances paid to contractors and suppliers for the ongoing re-development and refurbishment projects. Net cash out flows from investing activities increased significantly to Rs. 3.8 Billion during the year reflecting the ongoing re-construction project at Cinnamon Hakuraa Huraa Maldives and re-development of Cinnamon Bentota Beach. In addition, there was added pressure of cash inflows due to the drop in business volumes. These resulted in a decrease in cash and cash equivalents to Rs. 832 Million at the end of 31st March 2019.



Value Creation Report (contd.)



Manufactured Capital

The total Manufactured Capital owned by John Keells Hotels PLC includes 8 resort properties in Sri Lanka and 3 resort properties in Maldives which are a vital element of the Group's ability to create value for all its stakeholders. Each of these properties with their distinct architecture and ambience are designed for "inspired living" and to fulfil the promise of brand Cinnamon. The number of rooms owned and currently operated across these properties totalled 1,123 as at 31st March 2019.

Room Inventory :

Cluster	Hotel	No. of Rooms	PPE (Rs. Million)
Sri Lanka	Cinnamon Bey Beruwala	199	4,196
	Hikka Tranz by Cinnamon	150	1,338
	Trinco Blu by Cinnamon	81	1,115
	Cinnamon Bentota Beach*	-	1,102
	Cinnamon Wild Yala	68	515
	Cinnamon Lodge Habarana	138	923
	Habarana Village by Cinnamon	108	438
	Cinnamon Citadel Kandy	119	1,792
Maldives	Cinnamon Dhonveli Maldives	148	1,536
	Ellaidhoo Maldives by Cinnamon	112	1,355
	Cinnamon Hakuraa Huraa Maldives**	-	2,905

* Is currently under re-development - Opening in December 2019

** Is currently under re-construction - Opening in December 2019

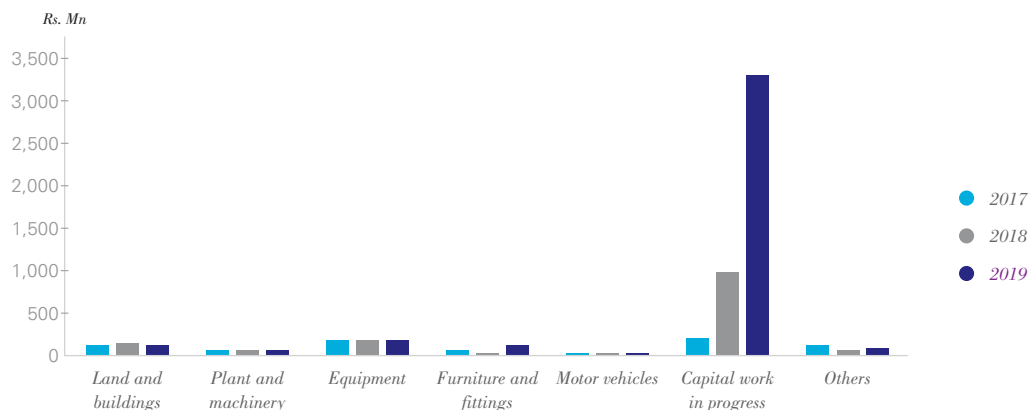
ENHANCEMENTS TO OUR MANUFACTURED CAPITAL IN 2018 :

During the year the Group invested Rs. 3,917 Million. in enhancing the manufactured capital through additions to property, plant and equipment.

Value addition to manufactured capital			
	2017	2018	2019
Land and buildings	134	169	129
Plant and machinery	59	64	59
Equipment	180	191	178
Furniture and fittings	56	52	114
Motor vehicles	29	6	17
Capital work in progress	204	983	3,327
Others	121	61	93
Total	783	1,526	3,917



Value Addition to Manufactured Capital



ONGOING UPGRADES AND REFURBISHMENTS:

Cinnamon Bentota Beach is currently being re-developed and upgraded into a 159 room five star property, whilst Cinnamon Hakuraa Huraa Maldives is being re-constructed and upgraded into a 100 room four star deluxe property.

Cinnamon Lodge Habarana





Located 176 Kms at the centre of the Cultural Triangle in Habarana this 5 Star property is an ideal getaway for those seeking culture or adventure.

Explore Ritigala, the spiritual Dambulla Cave temple, the legendary Sigiriya Fortress or the ruins of the ancient capitals of Anuradhapura and Polonnaruwa. From bird watching to journeying into the heart of Hiriwaduna, to a wildlife safari at Minneriya or even a hot air balloon ride - the options are many and the choice is yours.

A wide array of dining options is sure to make you spoilt for choice - by the lakeside, on a tree top, prepare your own organic meal or dine with the chef

Stars

★ ★ ★ ★ ★

Keys

138

TripAdvisor Ratings

4.5

Guest Satisfaction

89%

Experiences

Primate Watch
Minneriya National Park
Kaudulla National Park
Hurulu Eco Park
Bird & Butterfly Trail
Night Walk
Tree Top Dining

Recreation

Spa
Swimming Pool
Kids Play Area
Sports
Entertainment Centre
Gift Shop

Dining

Ehala
Tuskers Bar
The Verandah
The Lotus
In Room Dining

Events

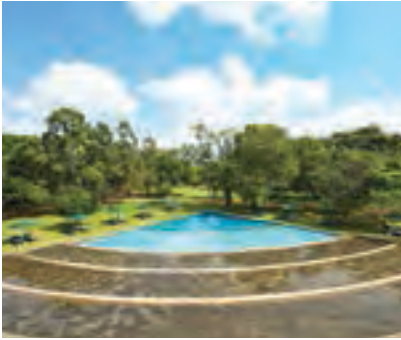
Meetings & Conferences
Destination Weddings

Habarana Village by Cinnamon





An idyllic setting in an unspoilt environment, a holiday spent at this 4-star property is guaranteed to make you feel rejuvenated.



Leaving the hustle and bustle of the city aside, totally relax to the gentle pace of village life. Spot a monkey on the way to breakfast and walk in the shade of the many trees spread around the property. Being at the centre of the Cultural Triangle will give you the opportunity to visit many places of historic value.



Do remember to indulge in a spa treatment or two and make ample use of this idyllic holiday to treat yourself.



Stars



Keys

108

TripAdvisor Ratings

4.3

Guest Satisfaction

91%

Experiences

Cultural Triangle
Minneriya National Park
Kaudulla National Park

Recreation

Spa
Swimming Pool
Sports Centre

Dining

El Hena
Ritigala Pauwwa
Panthaliya
In Room Dining

Events

Destination Weddings
Banquets

Cinnamon Wild Yala





Holiday makers to Kirinda and Tissamaharama most often visit for the pristine stretch of beach or the wildlife which is in abundance.

This is the ideal location for the safari enthusiast as the The Yala National Park is a short distance away. You can also join a night safari around the hotel or a lake safari. A separate visit to the Bundala Bird Sanctuary is also a possibility on a guided nature walk. For those interested in the pastoral lifestyle, one can take the opportunity to understand the lifestyle of dairy farmer; or if spirituality appeals, visit the ancient ruins at Situlpawwa.

After a day of adventure you can relax at the Spa choosing from its wide range of relaxing and holistic massages.

Stars



Keys

68

TripAdvisor Ratings

4.4

Guest Satisfaction

86%

Experiences

Yala National Park
Infrared Night Drive
Bundala National Park

Recreation

Spa
Swimming Pool
Kids Play Area
Sports
Entertainment Centre
Gift Shop

Dining

Peacock Bar
Pugmarks Bar
Tuskers

Events

Destination Weddings

Hikka Tranz by Cinnamon





The sun, the sea and sand - and much more. If lounging on a sun-bed reading a book is not your ideal holiday plan, you could spend the day roaming around the legendary Galle Fort, visit a turtle hatchery or try out a traditional mask in Ambalangoda.

The Dive Centre, Spa and facilities for indoor and outdoor sports are just a few of the options open for you.

The Hikkaduwa Marine Park - a coral sanctuary and home to marine turtles and exotic fish is a popular attraction while for those keen on culture, the hand-painted murals at Gangarama Maha Vihara is a must-see.

Stars



Keys

150

TripAdvisor Ratings

4.1

Guest Satisfaction

86%

Experiences

- Scuba diving in Hikkaduwa
- Marine Mammal safari in Mirissa
- Stilt fishing
- Rain Forest Trail - Hiyare Forest Reserve

Recreation

- Spa
- Swimming Pool
- Beach

Dining

- Tranzcend
- Tranzfix
- Tranzfuse Pool Bar
- Tranzfusion
- Tranzform
- The Crab
- In Room Dining

Events

- Meetings & Conferences
- Destination Weddings
- Banquets

Trinco Blu by Cinnamon





Blue as far as the eye can see, the horizon and the sky meet to bid you a warm welcome. Situated 257 Kms away from Colombo at Trincomalee, the four-starred property has everything you need to make your beach holiday a truly memorable one.

Mix business with pleasure and organise a conference; or completely unwind - the choice is yours. Learn to scuba dive and add a few diving qualifications under your belt or head to the Spa to indulge in a Heaven and Earth massage. Spend the early morning hours Whale and Dolphin watching or dive into the sea for a snorkeling adventure.

While in Trincomalee, slot in time for a visit to Fort Frederick built by the Portuguese in the 17th century and the Koneswaram Temple that stands on Swami Rock cliff and avail yourself of the panoramic views over the city and the coastline.

Stars



Keys

81

TripAdvisor Ratings

4.3

Guest Satisfaction

87%

Experiences

- Water sports
- Marine mammal safari
- Snorkelling at Pigeon Island
- Fishing
- Trinco by Boat
- City Tour

Recreation

- Spa
- Swimming Pool
- Kids Play Area
- Sports
- Entertainment Centre
- Gift Shop

Dining

- Captain's Deck
- The Crab
- The Rum Hold
- In Room Dining

Events

- Meetings & Conferences
- Destination Weddings

Cinnamon Bey Beruwala





Located on the Southwest coast of Beruwala, this beach front property is ideal for a holiday by the sea.

Our water sports centre in Bentota, which is just a 10-minute drive away is a firm attraction.



Apart from lounging around in the pool which overlooks our slice of the Indian Ocean, you can visit the Moonstone Mine in Meetiagoda, Kosgoda Turtle Hatchery and be amazed by the collection of traditional masks at the Ariyapola Museum.



Drop in at Galle Fort and the Beruwala Lighthouse; you could also visit the Kande Viharaya temple, Ketchimale Mosque. For those interested in the safari experience, we offer the Bentota and Madhu River Safaris.



Stars

★ ★ ★ ★ ★

Keys

199

TripAdvisor Ratings

4.2

Guest Satisfaction

88%

Experiences

Water sports
Excursions
Kids club

Recreation

Spa
Swimming Pool
Fitness Studio

Dining

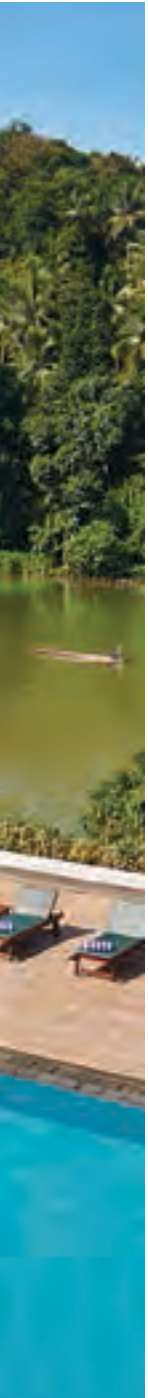
Bufe
800 Degrees
Fire
Raw
Mezz
I.C.E. Bar & Lounge
In Room Dining

Events

Meetings & Conferences
Destination Weddings
Banquets

Cinnamon Citadel Kandy





With the lush hills of Kandy and the Mahaweli River as its scenic backdrop, Cinnamon Citadel Kandy is a must-visit for those who appreciate the rich blend of culture, heritage and nature that it has to offer.



Wake up early to the sound of serenading birds and enjoy a relaxed breakfast at the terrace, a full-day of sightseeing and then enjoy a delectable dinner at the terrace once again, reliving the holiday experiences at leisure.



Make the most of your visit to the hill capital by taking a Kandy city tour, visiting the Peradeniya botanical gardens, paying homage at the Temple of the Tooth Relic, playing with the baby pachyderms at the Pinnawala elephant orphanage, taking a boat ride on the Kandy Lake and trekking through the Udawatte forest - all experiences not to be missed when staying at the last bastion of the country.



Stars

★ ★ ★ ★ ★

Keys

119

TripAdvisor Ratings

4.2

Guest Satisfaction

85%

Experiences

Kandy Town
Knuckles Mountain Range
Forbidden forest trail
Boat ride on the Mahaweli river
Meet the Brass Crafter

Recreation

Spa
Swimming Pool
Gym
Sports

Dining

Panorama
Lounge Bar
Café C
In Room Dining
Destination Dining

Events

Meetings & Conferences
Destination Weddings

Ellaidhoo Maldives by Cinnamon





25 minutes by seaplane, 90 minutes by speedboat and just 42 Kms away from Malè, at Ellaidhoo Maldives by Cinnamon the toughest choice you would have to make is whether to book a water bungalow or a beach bungalow.



This 4-star property on North Ari Atoll sprawls on 13 acres and is equipped to handle all your holiday needs. Be enticed by the clear aquamarine waters and swaying palms and plan out a day filled with sand bank picnicking, island hopping, souvenir shopping, romantic island hideaway or relax at the spa.



Be a qualified diver by the end of your holiday with the many diving courses on offer and try something new with sunset, night or big game fishing.



Stars

★ ★ ★ ★

Keys

112

TripAdvisor Ratings

4.4

Guest Satisfaction

85%

Experiences

Dive School
Water Sports
Snorkelling

Recreation

Spa
Swimming Pool
Gym
Sports

Dining

Madi Restaurant
Malamathi Restaurant
Iruohsnee Bar
Sand Bar
Destination Dining

Events

Destination Weddings

Cinnamon Dhonveli Maldives





Just 13 Kms from Malè and 25 minutes by speedboat, lies a row of luxury beach bungalows that make up this 17-acre property situated in North Malè Atoll.

Make the most of your island holiday by indulging yourself at the spa, engaging in water sports or partying at the beach.



Spend your days mesmerised by the multi-blue ocean, kissed by the warm sun or grab a photo flight, take a submarine tour or snorkel with the turtles. With room service available from 10 am to 1 am and the main bar open from 9 am till the last guest leaves, set aside your worries and get your holiday party mode on!



Stars

★ ★ ★ ★ ★

Keys

148

TripAdvisor Ratings

4.6

Guest Satisfaction

85%

Experiences

- Diving
- Snorkelling safari
- Dolphin Watching by Dhoni or speedboat
- Surfing
- Water sports
- Fishing
- Dine in Dhoni
- Island hopping

Recreation

- Spa
- Swimming Pool
- Gym

Dining

- Dine in Dhoni, Cellar or Bungalow
- Sunset pier dining
- Koimala Garden Restaurant
- Rehendhi Restaurant & Bar
- Raaiyvilla Sunset Terrace & Bar
- Maakana Restaurant
- Raalhu Bar
- Juice Bar
- In Room Dining

Events

- Destination Weddings

Cinnamon Bentota Beach





Scheduled to reopen in December 2019, the new design of this 159-room, 5-star property integrates designs inspired by world renowned architect Geoffrey Bawa.

Situated between the Bentara River and the beach of Bentota, those choosing a holiday here will be able to enjoy the best of both worlds; the Bentara lagoon and the sea bordering the South West coast.

Enjoy exploring the sandy strip known as Paradise Island which is parallel to Bentota Lagoon and the coral-rich dive sites including the Canoe Rock. The ancient Galapota Temple is on Bentota river whilst the legendary Lunuganga Estate and gardens of Bawa is close by. His brother Bevis's creation, Brief Garden, is visit-worthy as well.

Opening in December 2019

Cinnamon Hakuraa Huraa Maldives





145 Kms from the capital of Maldives is a paradise island resort in Meemu Atoll that is the personification of island luxury. This 4-star Deluxe 100 room property, made up of two inter-connected islands; the 18-acre main Island and a smaller one of 6 acres.

Opening in December 2019



Hakuraa Huraa - “Reef above water” in Dhivehi - is just a 45-minute ride away from Malè by seaplane.

Go on a sunset ocean cruise or try out a snorkelling safari. With many water sports on offer including wind surfing and catamaran sailing, you could relax and unwind at the end the day at the cinema on the beach with a sunset cocktail.





Value Creation Report (contd.)

GRI 102-8



Human Capital

The assertion that “people are our most valuable asset” is today almost a cliché. However, at Cinnamon, it is a fact as well as a belief we have embraced. In the highly competitive market of the hospitality industry, the passion, commitment and talents of our people have been the key differentiator which has propelled Cinnamon to become one of the preferred brands and a “Hospitality Trend Setter” in the industry.

The Group’s People strategy is aligned with its overall business strategies and ensures that the Group stays future ready amidst evolving market needs and industry environs. Cinnamon’s HR philosophy pivots around five promises to its people and the Group’s performance is measured monthly vis a vis these five promises.

Cinnamon’s People Promises:

1. We promise you the best training & career development
2. We promise a supportive and caring boss
3. We promise that your voice and opinions will matter
4. We promise competitive remuneration and benefits
5. We promise a great place to work

STRATEGIC PRIORITIES IN HR MANAGEMENT:

Sri Lanka’s hospitality industry is currently challenged by a dearth of skilled labour and hence, spiralling wage costs amidst intensifying competition. Ensuring the long term sustainability of the industry’s profitability thus requires urgent strategic measures to address these challenges. Moreover, the rapid rise in properties, with an influx of international brands and the expansion of the industry in post war Sri Lanka, is beginning to exacerbate this challenge. In an environment of rising costs and increasing price based competition, increasing efficiencies and maintaining staff cadre at optimum levels have become vital for sustainable growth.

In this backdrop, Cinnamon’s HR management has prioritised the following as strategic imperatives for the future.

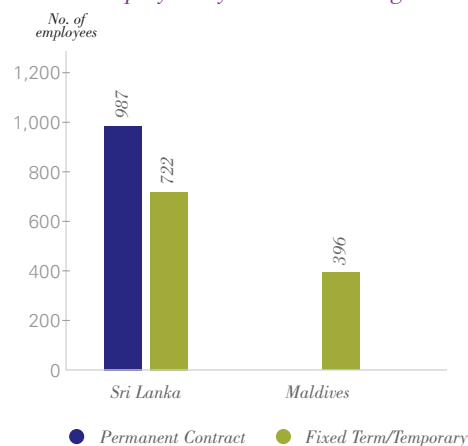
- Digitisation
- Increasing staff productivity
- Increasing staff capabilities
- Creating a leadership pipeline
- Creating a future ready organisational structure

THE COMPOSITION OF OUR DIVERSE WORKFORCE:

The diversity of our people brings richness in perspective, skills and experience that we leverage as an advantage in serving an equally diverse client base. The gender ratio below indicates the low female participation rates at Cinnamon Hotels and Resorts, which is characteristic of the industry, and which we have begun to address through various initiatives to attract more females to the industry.

Employment Category	Gender				Total
	Male	%	Female	%	
Permanent Contract	944	96%	43	4%	987
Fixed Term/ Temporary	986	88%	132	12%	1,118
Total	1,930	92%	175	8%	2,105

Employees by Contract & Region



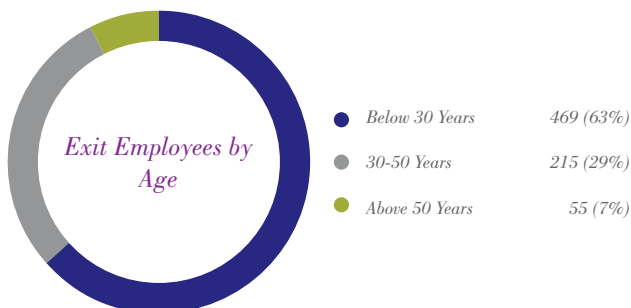
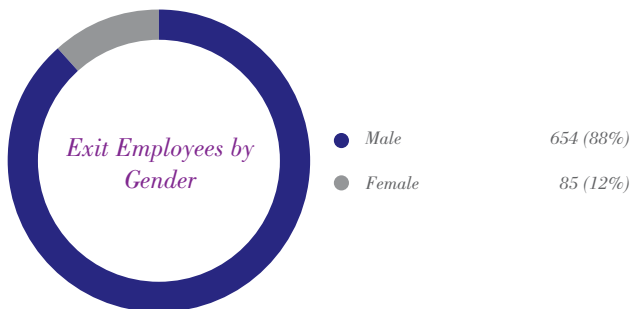
- We do not engage employees on a part time basis.



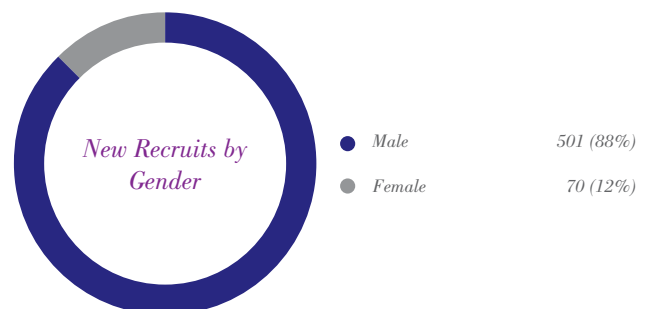
GRI 401-1 GRI 404-1 GRI 404-2

	2018/19	2017/18
Attrition	23%	28%
Profits per Employee (Rs.)	395,105	494,313
Average training hours per Employee	68	39

Details on the Group's exit employees for the year are given below;



Details on the Group's new recruits for the year are given below;



LEARNING & DEVELOPMENT AT CINNAMON

The Learning & Development initiatives during the year, in line with our People Promise offers opportunities to hone and harness the potential of the individual and that of the company. Cinnamon Hotels and Resorts' training curriculum is based on the sector's long term strategy and brand standards. The programmes are designed by internal and external experts. Additionally 6 new training programmes were developed and conducted during the year under review along with the 25 programmes which are currently in existence. Every programme and the participants' skills and knowledge are evaluated upon completion which provides HR with valuable input on the effectiveness and usefulness of the learnings.



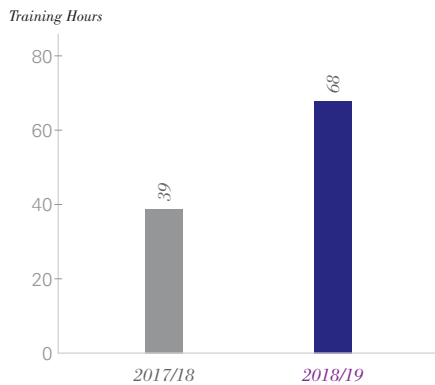
Value Creation Report (contd.)

GRI 404-1

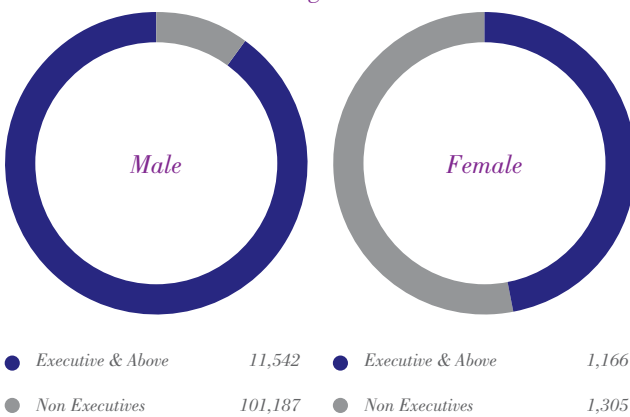
Human Capital

	2018/19	2017/18
Investment in training (Rs. Million)	47.2	34.1
Total training hours	115,200	89,119
Total employees trained	1,687	1,384

Average Training Hours per Employee



Training hours by category and gender



It is encouraging that the Company was able to increase the total training hours by 29% and has taken an extra step to provide easy learning platforms.

Cinnamon has established itself as a leading brand due to how well the brand values and attributes are lived and communicated by its employees, to delight guests and exceed their expectations. Moreover, the Group’s future strategy of “asset light growth” which will increase the share of managed properties in its portfolio; requires greater emphasis on harnessing the knowledge base, skills and experience of its Cinnamon brand ambassadors. Thus, the Group’s training agenda during the year included 58 programmes on soft skills development and brand values.

In addition to the existing platforms, Cinnamon launched a new online learning platform, “Lobster Ink”; this internationally recognised, hospitality specialised learning platform will enable employees to obtain an internationally recognised certification, enhance their knowledge and skills to create a future ready organisation whilst enabling them to learn at their own pace. Moreover, since its launch in August 2018, the Group has, to date acquired 250 licenses and completed 1,296 online courses successfully.

In line with the Group’s Triple Bottom Line focus, training topics for new recruits encompass Sustainability whilst all employees are continuously encouraged to spearhead and participate in social and environmental sustainability initiatives across our properties.

CREATING A CULTURE OF COACHING & MENTORING AT CINNAMON

True to our pledges to “Offer supportive and caring bosses” and a “Great place to work”, Cinnamon nurtures a culture of coaching and mentoring amongst employees by offering training in coaching for all the General Managers (GM’s) of the Group, through a collaboration with a leading training partner. The GM’s then initiate coaching of Heads of Divisions and their learnings are cascaded down to other levels. This culture is to be further strengthened in the year ahead by providing selected senior coaches with Advanced Coaching Training.

A STRATEGY OF DIGITISATION FOR A FUTURE READY WORK PLACE:

The Group’s digitisation strategy aims to have a paperless work flow which captures the process from on boarding to off boarding; enabling an employee to manage his or her employment life cycle, recruiters to track and follow up on the entire recruitment process online and for the Group to systemise its succession planning process. The year under review saw the launch of the new Human Resource Information System Success Factors (HIVE) to strengthen the access to information and thereby better support the Company’s strategic intents. The following modules were launched during the year. The recruitment module which manages the end to end process from job requisition, job posting, candidate application to interview and selection; the on boarding module which manages the subsequent process of new employee orientation; the performance management module which manages the end to end process from organisational plan based individual objective setting and continuous performance management to career committee based evaluation; and the succession planning module which manages the process of career planning, talent identification and succession management.



GRI 405-2

Moreover, the year under review also saw the 360 degree employee survey, which was hitherto conducted through an external party, being launched on HIVE.

TRAINING & DEVELOPMENT STRATEGIES FOR A FUTURE READY ORGANISATION:

Given the Group's aggressive expansion strategy and an industry environment which has a dearth of skilled labour; Cinnamon's HR initiatives will look to collaborate with an international hospitality training academy to develop the skills of the middle management and bring in best practices. Moreover, the Group will also embark on the following to enhance training across the board :

- Digitising of training material and online training
- Reviewing the possibility of having a Cinnamon Training Academy
- Developing trainers through a partnership with an internationally renowned hospitality training academy
- Developing on the job training through a partnership with an internationally renowned hospitality training academy

PROMOTING INCLUSIVITY AND DIVERSITY:

The low female participation rate, as we've also mentioned earlier in this report, reflects the negative perceptions of the tourism industry as unsuitable for women.

We do not practice gender-based discrimination when determining remuneration and the ratio of standard entry level wage between males and females is 1:1. Discussed below are some of our initiatives during the year to address this imbalance and to attract more women into the hospitality industry.

A win-win initiative that empowers youth and addresses the industry's gender gap

The tourism industry in Sri Lanka has traditionally been a sector in which females are reluctant to seek employment, due to negative perceptions of the industry as being incongruous with Sri Lankan cultural norms. The male to female ratio is heavily skewed towards the male gender with females making up less than 35% of the total labour force in the hospitality sector compared with an over 51% female participation rate in the overall labour force. Cinnamon has thus adopted a multipronged approach to bridge this gender gap.

During the year under review, we launched a Cinnamon Youth Development Programme under the Cinnamon World Campaign with win-win objectives of empowering youth and women in particular and creating awareness of opportunities in the industry whilst also building a pipeline of talent for Cinnamon. The programme sought to encourage women in particular by creating awareness amongst community leaders such as school principals, religious leaders and local government representatives. It is thus most encouraging that more than 70% of the trainees in the programme this year were women.

The programme, carried out in partnership with the NGO Chrysalis, across seven of our properties, selected 35 underprivileged youth to begin a five month training programme on technical and soft skills. Upon completion the participants will be provided a certificate by Cinnamon whilst the completion of an additional six months of training at a Cinnamon Hotel would entitle the participants to an accredited certification from the National Apprentice and Industrial Training Authority NAITA (NVQ Level 2 or 3). The training programme, which shares theoretical as well as practical knowledge is designed to groom young women and men to become confident and resourceful individuals who can contribute to and reap the benefits of a thriving and rapidly growing tourism industry. The young men and women who successfully complete the programme will also according to availability, be offered employment opportunities as trainees in areas such as front-office servicing, housekeeping, food & beverage and maintenance, under the guidance and mentoring of an industry veteran; with the high performers provided with opportunities to join the Cinnamon team.



Youth Development Programme



Value Creation Report (contd.)

Human Capital

LAUNCH OF “YHELIYA” TO ENCOURAGE WOMEN INTO THE HOSPITALITY INDUSTRY:

Cinnamon also launched “Yeheliya” a female associate networking forum, to address workplace concerns particular to women; such as facilities, health and safety, security, stigma, and sexual harassment. The forum meets every month and the programme’s effectiveness is measured through indicators such as staff participation as a percentage of the total female population; number of ideas tabled at meetings; the number of initiatives taken by the committee to uplift facilities/ address issues; feedback from random sample of female associates during the audits, and the impact of the community engagement initiatives.



Yeheliya Forum - Cinnamon Lodge Habarana



Yeheliya Forum - Hikka Tranz & Cinnamon Bey

Material Topic	Management Approach	Policies	Action in 2018/19
Employment	Our approach towards managing our human capital is aligned to the Group’s overall business strategy and designed to ensure that we have the required capacity and skills to drive our strategic aspirations, whilst ensuring employees stay engaged and motivated.	Recruitment & Selection Policies	Revamped the Cinnamon Careers web site. Increased presence on external online recruitment/social media platforms. Established a partnership with a Hospitality training institution in the region
Training & Education	Increasing the value of our most valuable assets is a key priority and Cinnamon Hotels and Resorts offer numerous opportunities for learning and development and career progression .	T&D Policy. Succession Planning & Career Progression programmes	Successful launch of an on line learning platform Lobster ink.
Diversity & Equal Opportunity	We are an equal opportunity employer and do not discriminate on gender, age or ethnic representation. We also refrain from employing anyone under the age of 18 years.	Policies & Guidelines on Equal opportunity	Launch of the “Youth Development Program ” and the “Yeheliya” Programme
Labour Management Relations	We are cognisant of our employees’ rights to freedom of association and strive to maintain cordial relationships with all trade unions.	Guide lines on labour management and guided by the MOU’s with the trade unions.	Entered into a milestone MOU on a special ex-gratia payment to all employees who have worked for more than 10 years
Health & Safety	Formalised mechanisms are in place to ensure a safe and injury-free workplace for our employees	Health & Safety Policy	Won Silver Award at Presidential Environment Awards organised by Central Environment Authority for Cinnamon Lodge Habarana



GRI 404-3

MANAGING PERFORMANCE:

The Performance Management System at Cinnamon Hotels and Resorts, aligned to the JKH Group’s appraisal system, has been developed to incorporate an enlightened approach to goal based performance appraisals and is a dynamic process across executive and management grades in the company. Objectives are agreed on and cascaded in a top-down approach, using the Hoshin Kanri method. All employees are appraised bi-annually, on KPI’s agreed on at the beginning of the year, whilst each employee is also afforded the opportunity to self-review their performance during the year. The immediate supervisor’s review is also reviewed and validated by the Career Committee and any shortcomings in performance is identified and analysed, with training needs identified to address those shortcomings.

One of the ways in which Cinnamon Hotels and Resorts encourages and rewards employee commitment and effort is through a performance based remuneration system where a component of every employee’s salary, incentives and other benefits are linked to the performance of each individual and of the company.

High performers who demonstrate exceptional commitment to corporate and brand values and to achieving Group objectives are recognised through several awards and recognition schemes as listed below.

- Chairman’s Award: awarded for superior performance and adherence to corporate values.
Eligibility : All Managers and above
- Champion of the Year: awarded for superior performance and adherence to corporate values.
Eligibility : All Non-executives
- Employee of the Year: awarded for superior performance and adherence to corporate values.
- BRAVO: awarded for superior performance and adherence to corporate values.
- Cinnamon Citizen: awarded for superior performance and demonstration of Cinnamon competencies.
Eligibility : Cinnamon Ambassadors

SUCCESSION PLANNING:

As one of the Group’s key strategic priorities in HR is to develop a talent pipeline, with a promise of career progression for our people, structured mechanisms are in place to develop and fast track identified high performers, whilst a dedicated Career Committee identifies key talent in the organisation. The talent development plan comprises of the Talent Acceleration program (TAP) which develops identified supervisory level to executive positions and the Management Acceleration program (MAP) to fast track the Assistant Heads of Departments to take up next level positions. Our talent pool comprises 44 Associates in the Talent Acceleration Programme and 69 Associates in the Management Acceleration Programme. Furthermore, employees identified as “talent” are also eligible to participate in Group level talent development programmes such as the John Keells Development Centres and other leadership Development programmes. Each year the Group targets to fill 25% of vacancies at its properties through internal cadre reallocations or promotions.



MAP Batch 4



MAP Assessment Centre



Value Creation Report (contd.)

GRI 403-1

GRI 403-2

Human Capital

OCCUPATIONAL SAFETY AND HEALTH:

The Health and Safety, of both our employees and guests, is high on our agenda and is a sine qua non in order to offer a great place to work and “Inspired living” to our guests. The hotels adhere to Occupational Health and Safety (OHS) Standards set by a comprehensive policy framework which meets OHSAS 18001:2007. The General Managers overlook the implementation of the policy whilst it is centrally monitored by the Health, Safety & Environment team. We ensure adherence by conducting regular audits and routine training sessions to refresh staff awareness whilst any work place injuries are always monitored and followed up on. Quarterly audits are conducted at each property, Surveillance audits conducted annually and third party audits conducted for the renewal of licenses. All Cinnamon properties also have an Emergency Response plan in place for all natural or man made disasters and a First Aid Response plan prepared with trained First Aiders. Moreover, the Company’s Business Continuity Plan which is also regularly reviewed, outlines the emergency preparedness and plans.

In addition, all Cinnamon properties have obtained and continue to comply with ISO 22000:2005, ISO 14001:2015, OHSAS 18001:2007, Green Globe Certification and Travelife certification.

Health and Safety at the Workplace	
• Total no. of occupational injuries	33
• Total male injuries	30
• Total female injuries	3
• Total no. of injuries due to falling	13
• Total no. of injuries due to exposure to harmful substances	2
• Total no. of injuries due to moving objects	1
• Other	17
• Total person days	162,664
• Total person days lost	340
• Lost day rate	1.95
Occupational Injuries by Region	
• Sri Lanka	27
• Maldives	6

Employee grievance handling mechanisms are an essential element of how we live the promise to ensure that employee voices and opinions matter and to offer a supportive environment and a great work place. In addition to an Open Door Policy which enables employees to reach their superiors or colleagues to air concerns or grievances, all Cinnamon properties also have a formal grievance handling procedure in place. These processes ensure transparency, consistency and fairness in handling any workplace complaints or conflicts. The mechanism aims to prevent an escalation of any issue, resolve employee issues quickly and informally, resolve matters without requiring third party involvement and promote a harmonious work place and employee confidence in their place of work and superiors.



GRI 102-41

In addition to this procedure the Group offers other platforms to bring individual, departmental or group level issues. These include a Departmental meeting held once in two months, a Cinnamon Consultative Committee meeting held every other month, a Supervisory meeting held once in two months and the “Yeheliya” female forum. Moreover, an Ombudsman has been appointed at Group level for employees to seek remedial measures for any breach of the Code of Conduct or issues of sexual harassment or injustice. An employee who is not satisfied with a resolution that he or she has been offered, could also appeal to a higher authority at the Corporate office, of John Keells Holdings or the Ombudsman.

Health and Safety at the Workplace	
Grievance Handling	
• Total Grievances filed during the period	3
• Total Grievances addressed during the period	3
• Total Grievances resolved during the period	3

There were no incidents of discrimination reported during the year.

THE GROUP REACHES A MILESTONE IN INDUSTRIAL RELATIONS

The Group reached a milestone in industrial relations during the year by arriving at a Memorandum of Understanding on the matter of enhanced superannuation benefits received by a Hotel sector employee which has long been an issue of contention and deliberation for the entire industry. It is noteworthy that Cinnamon Hotels & Resorts on behalf of the industry took a leading role in spearheading negotiations, formulating and arriving at a settlement and in executing the agreement in June 2018.

Due to the nature and structure of employee compensation and benefits in the Hotel industry, the superannuation benefits (namely EPF, ETF contributions and gratuity payables) received by Hotel industry employees in comparison to other sectors has been low. Thus, representations have been made by unions at Cinnamon and other unions in the industry, over a long period of time to consider the Service Charge or a part of it for the calculation of EPF and ETF for hotel sector employees. On the basis of subsequent deliberations by a committee appointed by the Employers Federation of Ceylon and the proposals made by the unions, a solution acceptable to both parties was arrived at; i.e; to grant a “Special ex-gratia payment” to all employees who have worked for more than 10 years

Number of employees covered under the Collective agreement

Business Unit	Permanent Non-Executives	% Covered in Collective bargaining agreements
Cinnamon Lodge Habarana	159	58
Habarana Village by Cinnamon	109	56
Cinnamon Wild Yala	82	59
Trinco Blu by Cinnamon	63	43
Hikka Tranz by Cinnamon	111	46
Total	524	

EMPLOYEE ENGAGEMENT

Employee engagement to facilitate dialogue, knowledge sharing and strong relationships to build a cohesive team has always been a priority at Cinnamon. The Group facilitates and actively encourages numerous formal as well as informal channels of engagement with its employees and these include satisfaction surveys, performance appraisals, internal communications, an open-door policy, regular staff meetings, suggestion boxes, opportunity to directly engage with the Chairman via an E mail and year around social and sports engagements. The formal channels of communication during the year under review include:

- The Cinnamon Employee Survey which targets 25% of staff whose feedback flows directly to Group’s action plans.
- Cinnamon Knowledge Hubs: launched in 2015, it is a platform through which employees share knowledge, encourage reading, learn and understand “Cinnamon” better. It is also a space which encourages creative thinking.
- The Cinnamon Wall: an informative digital display at all Business units to communicate management information and news. The wall is designed to look cool, vibrant and energetic to reflect the new cinnamon brand.
- “Journey” - the Cinnamon staff newsletter which contains useful information, interviews and brand related information.

Some of the year around informal channels of engagement which build camaraderie and promote a work life balance sans rank or hierarchy during the year included staff gatherings, movie nights, sports events and CSR projects as listed;



Value Creation Report (contd.)

Human Capital

Sports	Lifestyle	Work life	CSR
<ul style="list-style-type: none"> • Inter-company swimming meet • Inter-company badminton • Inter-company basketball • JKH Rugby 7s • JKH Goal Ring 7s • Other sports activities including Travel trade and mercantile sporting events • Regional sporting events 	<ul style="list-style-type: none"> • Monthly and quarterly themed parties and dinners • Executive and Non-Executive trip/outing • The Race • Movie Nights • Cinnamon year end get-together 	<ul style="list-style-type: none"> • Annual family get together at all Hotels • John Keells year end get-together • Birthday celebrations 	<ul style="list-style-type: none"> • Youth Development programme • AIDS awareness campaigns • Beach Cleaning programmes • Cleaning and restoration programmes at Temples, Churches and Hospitals etc. • Various donation campaigns • Blood donation campaigns



Goal Ring 7s 2019



Badminton



World Children's day



World Women's day



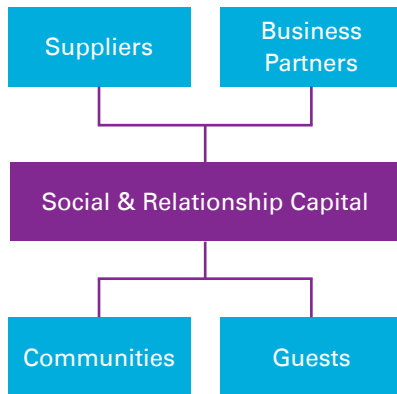
Year End Get Together



Year End Get Together



Social & Relationship Capital



The Group's Social and Relationship Capital primarily comprises the Guests to its properties, Suppliers, Business Partners and the Communities - especially in the localities of its resort properties. The relationships we nurture with our stakeholders is an integral aspect of how we operate; and more so in an industry such as tourism which depends on the culture and nature of a destination. Thus, the relationships we have developed over time enhance our ability to sustain long term value and a competitive advantage. In return, the Group gives priority to its commitment to create sustainable value for these stakeholders.

Cinnamon's Promises to its Guests:

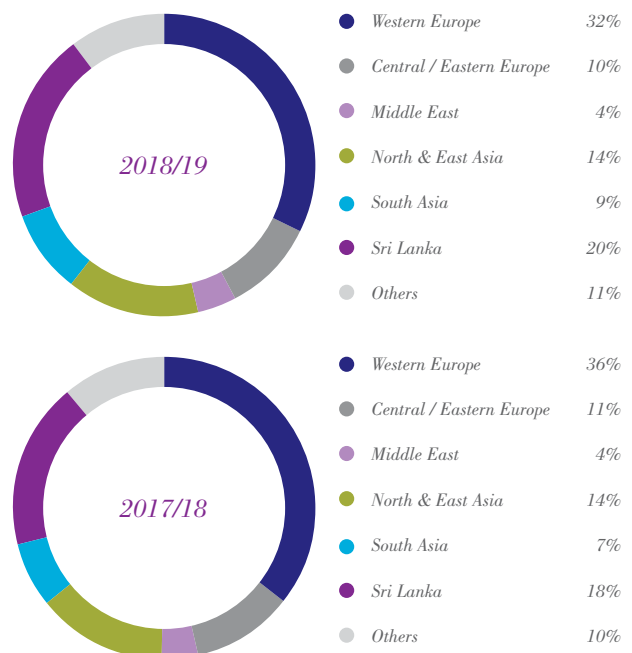
- We offer convenience at every service step
- We provide uncompromising levels of cleanliness
- We offer experiences that enrich lifestyles (overall gym, spa, swimming pool & facilities)
- We provide a variety of quality cuisines and beverages in a pleasant ambiance
- We provide an inspiring room experience
- Service is part of our DNA – giving our guests the best comes naturally to us
- We offer value for money

GUESTS:

Being in the hospitality sector, the customers of our business are the "Guests" who spend time at our properties, where the value we create is determined by a composition of factors, such as how we interact with them to the quality of the food and beverage we can offer to the allure of the property and attractions, amongst many others. Guest satisfaction and exceeding their expectations is thus an essential factor in ensuring the sustainability and growth of this vital capital to create value for all our stakeholders. The continuous enhancement of our guest offering is hence a key strategic priority for our Group.

Brand Cinnamon's guests make up a diverse profile from across the globe as depicted in charts below:

Customers by source market





Value Creation Report (contd.)

GRI 416-2

Social & Relationship Capital

Ensuring the safety and well being of our guests is a pre requisite to delighting and exceeding their expectations at our resorts. Comprehensive policy frameworks are thus in place across all our resorts to ensure the highest standards in health, safety and quality. Our properties are subject to Tour Operator Audits whilst the following ISO certifications which have been obtained by all our resorts reflect this commitment and provide the necessary frameworks across all departments.

Resort	ISO 22000:2005	ISO 14001:2015	OHSAS 18001:2007
Cinnamon Lodge Habarana	✓	✓	✓
Habarana Village by Cinnamon	✓	✓	✓
Trinco Blu by Cinnamon	✓	✓	✓
Cinnamon Citadel Kandy	✓	✓	✓
Cinnamon Wild Yala	✓	✓	✓
Hikka Tranz by Cinnamon	✓	✓	✓
Cinnamon Bey Beruwala	✓	✓	✓
Ellaidhoo Maldives by Cinnamon	✓	✓	✓
Cinnamon Dhonveli Maldives	✓	✓	✓

Some of the other tools in place to ensure health, safety and quality include medical tests for food handlers, food microbiological testing, water sampling, legionella testing (of water), regular staff trainings on food safety and health, chemical handling, spill control, first aid and chemical testing. There were no instances of non-compliance with regulations and /or voluntary codes concerning health and safety or products/services.

Continuing to enhance our value proposition to guests:

Cinnamon aims to “inspire” people through unique experiences and excellence in properties and service standards. We thus continue to invest in enhancing our physical infrastructure, amenities F&B, service levels and customer engagement in order to continue offering inspired living.

The Group ventured into the re-development of Cinnamon Bentota Beach and re-construction of Cinnamon Hakuraa Huraa Maldives to enhance and upgrade its infrastructure and value proposition. Work is in progress and the new look properties are scheduled to open in December 2019.

During the year the Group introduced a “Life Stylist” at all its resorts, who will from the point of check in, will be the “go to person” for all guest relations, giving them the comfort of knowing there is one individual who will attend to their varied requests and need for information. In addition, we have commenced a brand and property differentiator process to optimise the value proposition of each resort.

Enhancing our primary channel of communication:

World’s tourism industry, over the past decade has seen a quantum growth in the internet as a point of contact and a channel of business. Over the last year, online reservations made up more than 50% of reservations for Sri Lanka’s hotel industry. In 2018/19, Cinnamon’s component of Direct Online reservations for Sri Lanka Resorts increased by 30% over the previous year, accounting for 5% of total reservations for its resorts in Sri Lanka and accounting for 2% for its resorts in the Maldives. Overall Online reservations contributed to 22% of the total room revenue for Sri Lanka and 24% in the Maldives.

During the year, Cinnamon relaunched its web site, elevating it to a user-friendly site for visitors to experience the Cinnamon brand, its properties and offerings. The new, more experiential driven web site also proposes itineraries for guests and facilitates better data analytics whilst reflecting the Cinnamon brand’s essence, of “Inspired Living”.



Engaging via Social Media:

Aligning ourselves with the trend of increasing preference for digital platforms amongst existing and potential customers, we continue to pursue higher penetration levels on social media such as Facebook, Twitter and YouTube amongst others.

		As at 31st March			
		2019	2018	2017	2016
	Likes	413,464	365,550	267,047	140,100
	Views	513,645	380,228	332,337	176,225
	Twitter Followers	3,817	3,250	2,675	1,928
	Instagram Followers	12,000	6,000	3,843	1,745
	LinkedIn followers	6,829	4,111	1,665	1,020

Guest Satisfaction

Guest feedback is an essential element of how we keep sustaining and enhancing the value we offer. Guest satisfaction is thus measured through a real time online platform where satisfaction scores are computed instantly. Feedback is also obtained upon checkout through an automated feedback system. Any aspects that need attention are escalated to the relevant person through an alert mechanism. The score for each hotel is displayed online through an internal digital dashboard with access control and this information is utilised to constantly enhance the hotel's service levels.

Feedback and reviews on independent travel web sites and social media are also continuously monitored using specialized software which tracks social media comments in multiple languages. Our TripAdvisor ratings are depicted below.

	Sri Lankan Resorts							Maldivian Resorts	
	Bey	Lodge	Tranz	Wild	Citadel	Village	Blu	Dhonveli	Ellaidhoo
2016/17	4.2	4.4	4.2	4.4	4.1	4.4	4.1	4.5	4.2
2017/18	4.2	4.5	4.2	4.3	4.2	4.4	4.2	4.6	4.3
2018/19	4.2	4.5	4.1	4.4	4.2	4.3	4.3	4.6	4.4

BUSINESS PARTNERS:

Our Business Partners comprising tour operators, travel agencies, destination management companies and online travel agencies, are vital links to our end customers. The Group has placed emphasis on building long term mutually beneficial relationships to propagate sustainable practices across the value chain.

As digital platforms are fast becoming the preferred link for end customers to reach hotels the Group is actively engaged in strengthening and expanding relationships with online agents.



Value Creation Report (contd.)

GRI 102-9

GRI 204-1

GRI 308-1

Social & Relationship Capital

SUPPLIERS:

Suppliers are a key stakeholder group who enable our value creation process. As an enterprise that values a Triple Bottom Line model, we are always mindful of the broader role we can play in the nation's economy and look to our supply chain as another avenue to stimulate economic activity. A key element of our efforts to ensure maximum engagement with local communities is the purchase of goods and services from them, whenever possible, to support livelihoods, whilst also enabling us to source fresh produce. Our properties also engage with suppliers to ensure continuous improvement of their products and that they meet our standards. Our purchases from local suppliers as a proportion of total procurement during the year amounted to more than 40%.

Some of the key selection criteria for suppliers:

- Supplier audits and awareness raising initiatives, to ensure compliance in quality standards.
- Supplier screening including an environment criteria through site visit, audits and recommendations prior to selection. (During the year under review supplier screening was carried out for all new suppliers)

- Periodic health & safety audits on F&B suppliers to ensure consistency with regard to hygiene and quality standards.
- Medical reports and health & safety checks for local suppliers of selected food items.
- Supplier impact assessments.
- Assessment of suppliers' social and environmental policies.

In addition to the purchases from local community, the Group also sources its supplies from local and foreign suppliers and these are guided by standard operating procedures and stringent selection criteria that cover all aspects of the sourcing process from supplier selection to receiving of supplies. Our wide range of supplier categories include suppliers of agricultural produce, furniture, table ware, crockery, cutlery, IT hardware and software, to construction material, stationary, transportation solutions and services such as excursions for guests and interior design. Long term contracts and agreements are signed with key supply chain partners to ensure stability and commitment.

Supplier engagement and ensuring the highest standards:

Ensuring the highest standards in procurement	
Aspect	Process followed
Transparency	Tender procedures and blind testing
Confidentiality	Secure supplier database and price list
Determining one supplier over another	Based on price, quality, past performance and availability to meet our demand
Supplier concerns/discontent	Managed and handled on a case by case basis
Facilities to support suppliers	Central warehouse in Colombo for delivery
Termination of suppliers	Decided by management based on factors such as quality, performance, service etc.
Service improvements	Long term contracts with fixed pricing and requests are made to reduce packaging







GRI 413-1

IMPACT ON COMMUNITY

Cinnamon Hotels & Resorts CSR Pillars are as follows






Below is a summary of our CSR initiatives some of which are discussed at length in the Natural Capital section of this report.

Relevant SDG	Resort	Initiative in brief
<p>Good Health & Well Being</p> 	Cinnamon Wild Yala	Established a fully equipped Emergency Treatment Unit together with John Keells Foundation at the Kirinda Peripheral Hospital. The unit commenced operations on the 16th of August 2018
		Blood Donation Campaign with the participation of 80 donors
	Hikka Tranz by Cinnamon	Blood Donation Campaign with the participation of 74 donors
	Ellaidhoo Maldives by Cinnamon	Blood Donation Campaign with the participation of 50 donors
	Cinnamon Bey Beruwala	Overlooked all maintenance activities of the Seenawatte Hospital – Children’s Ward
<p>Quality Education</p> 	All Sri Lankan Resorts	Development of IT, English and Soft-skills of youth within the local communities (Discussed in the Human Capital Report)
<p>Decent work & Economic Growth</p> 	All Sri Lankan Resorts	Provided internship opportunities for NAITA students enabling them to obtain practical industrial experience (Discussed in the Human Capital Report)
<p>Industry Innovation & Infrastructure</p> 	Hikka Tranz by Cinnamon	Sponsored the complete renewal and painting of the Sri Sudharma Nursury, Rathgama.



Value Creation Report (contd.)

Social & Relationship Capital

Relevant SDG	Resort	Initiative in brief
Sustainable Cities & Communities 	Cinnamon Citadel Kandy	A team of 35 comprising of teachers and students from Gurudeniya Educational Training Centre were given the opportunity to learn of the sustainable practices at the hotel.
	Cinnamon Wild Yala	Awareness programme on power & energy saving initiatives for 40 students from the Rajarata University
Life Below Water 	Cinnamon Dhonveli Maldives	Successfully launched the 1st phase of the coral propagating programme
	Hikka Tranz by Cinnamon	2.5 Km beach cleaning program was organised in celebration of the National Coastal and Marine Resource Conservation week
Life on Land 	Cinnamon Wild Yala	On going project to solve the Human Leopard conflict in proximity of the Yala National Park. Donated 19 pens during the year making it a total of 100 pens donated since the project's inception.
	Ellaidhoo Maldives by Cinnamon	Donated 70 banyan plants to the neighbouring island
	Trinco Blu by Cinnamon	Planted 170 trees in celebration of the World Environment Day 2019
Other Initiatives	Hikka Tranz by Cinnamon	Celebrated World Children's Day with the participation of 96 children from the local community
	Cinnamon Citadel Kandy	Familiarisation tour for 24 Certificate Level Housekeeping Students of SLITHM Kurunegala
	Cinnamon Wild Yala	On going donation of Wheel Chairs to the needy with 20 donations within the year



2018	Internship	English Language Scholarship Programme	Open Day	Project Wave
April	268	131	0	0
May	284	131	0	0
June	249	109	0	0
July	255	94	0	0
August	249	Commencement of new batch	0	122
September	288	28	20	120
October	94	38	18	0
November	301	26	60	0
December	322	40	0	0
Jan-19	322	32	55	0
Feb-19	313	15	75	101
Mar-19	291	267	46	69
Total	3,236	911	274	412

Being integrated into the diverse and evolving local communities and engaging with all its stakeholders in win-win partnerships to enhance value creation for all, is a key priority which is intrinsic to the Group's business strategies. The wide geographic spread of our properties enable us to reach and contribute to the socio-economic progress of a large population.

Cinnamon's team members visit the communities in the surrounding localities to ascertain their needs and design programmes to meet these requirements, in line with the focus areas defined by the John Keells Group's social responsibility policy focus. Our employees are actively encouraged to lend their time and efforts to these initiatives. The Group begins by including topics of Sustainability at point of orientation for new recruits.

It is noteworthy that three of our key Cinnamon Nature Trails' initiatives which protect the nation's bio diversity and endangered species, have also integrated communities to support their livelihoods. (Discussed in the Natural Capital section of this report)

Our Promise to Communities:

- To empower youth with education and skills for employability. (Youth Internship programmes)
- We encourage healthy lifestyle choices. (Project WAVE / HIV Awareness)
- We support the development of art and culture. (Cinnamon Colombo Scope & Pop-up Art Galleries)
- We pioneer change and improvements in the industry.



Value Creation Report (contd.)

GRI 419-1

Social & Relationship Capital

Summary of our Management Approach to Social & Relationship Capital

Material Topic	Management Approach	Policies	Activities in 2018/19
Customer Health & Safety	The policies addresses how health & safety standards are established, communicated implemented and audited. Each property undergoes stringent safety inspections as part of its audit process and we maintain compliance to best practices in food safety, temperature control, emergency response, hygiene and fire protection.	Food & Beverage Policy Children and Infants Policy	Obtained recertification of ISO 22000, ISO 14001 and OHSAS 18001
Supplier Environmental Assessment	Supplier screening is carried out by the health and safety team, who conducts site visits and audits and provide recommendations. Key selection criteria include product quality, reliability of supply, timely delivery and financial background.	Procurement Policy	All new suppliers were assessed for environmental criteria.
Socio-economic Compliance	A systematic framework is in place to ensure that all laws and regulations, internal policies and codes are complied with.	N/A	There were no instances of non-compliance to any socio-economic regulations or voluntary codes.
Economic Performance	Our operations aim to create value for all relevant stakeholders including the communities in which we operate.	N/A	Refer statement of economic value added.
Local communities	All our resorts engage proactively with the communities we operate in, with the objective of meaningfully enriching lives in line with its brand promise and the Group's Social Responsibility Policy.	Social Responsibility Policy	Refer table on CSR initiatives



Intellectual Capital

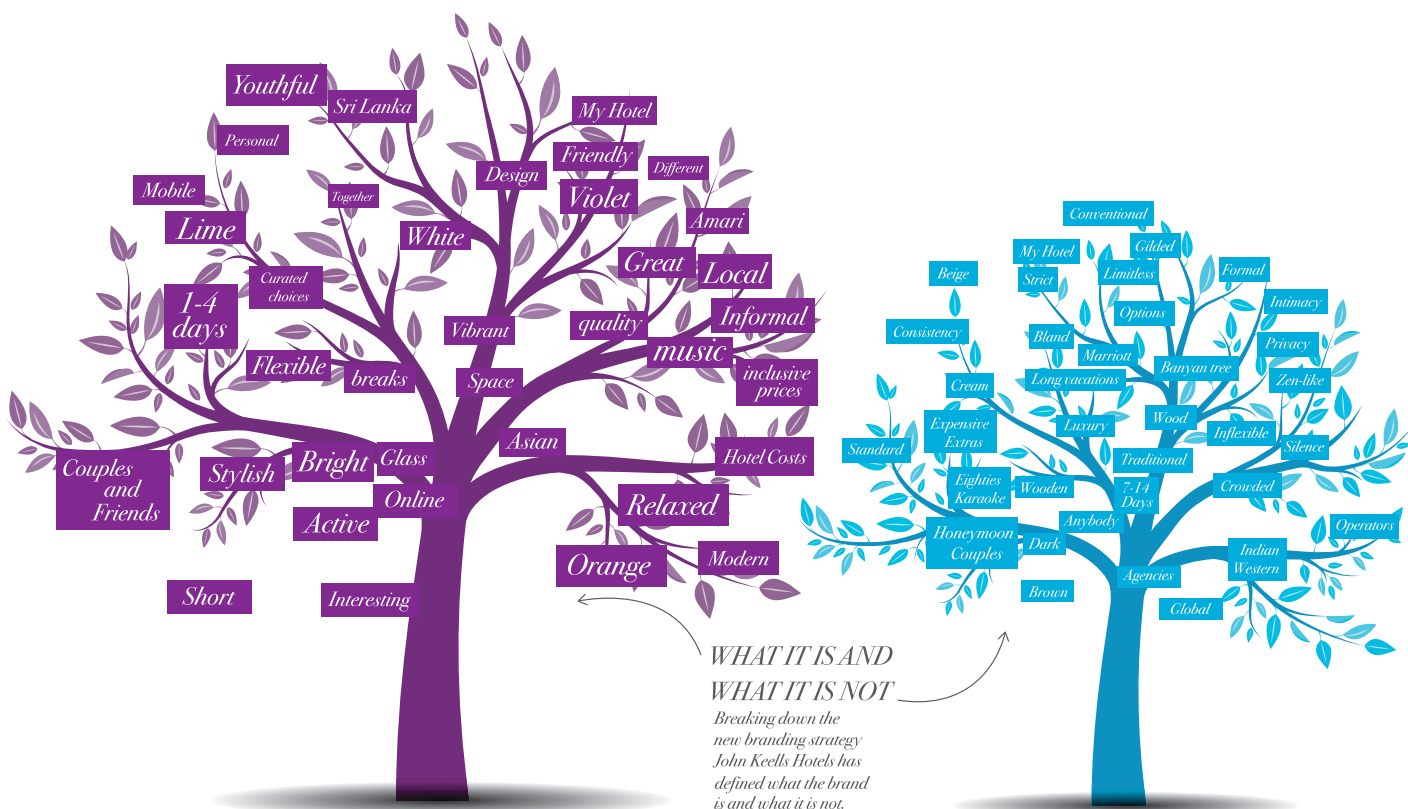
Value creation and intellectual capital are interdependent; although varying in significance across different businesses. Being in the Services sector and as a leader in Sri Lanka's tourism industry, John Keells Hotels PLC has identified three key intangible capitals as significant in its value creation process. They are our brand equity, the tacit knowledge base and the systems including the processes, and the accolades and accreditations as illustrated and depicted below.



BRAND EQUITY

Brand "Cinnamon" was launched in 2005 as a Sri Lankan brand that could travel overseas, taking legendary Sri Lankan hospitality to other countries. Today, brand Cinnamon enjoys a distinct identity embodying "Inspired Living" and has come to be synonymous with affordable luxury for all ages, comfort, creativity and discovery. The brand identity has thus become a key differentiator in the market and a cornerstone of our value creation process.

This Intellectual Capital of the Group is also a key factor in its future strategy of "asset light" growth which aims to create value through properties which are owned by others. The Group will thus lay greater emphasis on leveraging the experience and expertise of our talent and the brand equity of Cinnamon. As the Group intends to expand its portfolio of managed properties by entering into management contracts both locally and overseas, its Intellectual Capital will play a more significant role in the Group's strategic path over the next few years ahead.





Value Creation Report (contd.)

Intellectual Capital

RECOGNITION OF OUR BRAND

Cinnamon Hotels & Resorts was ranked as the “Most Valuable Hospitality Brand” by Brand Finance for the second consecutive year with a Brand Value of Rs. 6,454 Million. It was also ranked 23rd amongst the “100 Most Valuable Brands in Sri Lanka” becoming the only hospitality brand in the country to be placed amongst the top 100 brands in Sri Lanka.

Brand Finance is an international entity based in the UK with branches in over 20 countries including Sri Lanka, known for its branded business valuation and strategy consultation. The organisation’s core objective is to further understand marketing finance to offer professional solutions to brand sustainability. They have pioneered in practical methods of brand evaluations to many leading organisations across the world, bringing marketing and finance together to analyse business opportunities.

ENHANCING OUR BRAND EQUITY

Over the past few years our brand equity has also expanded with Cinnamon Life which has positioned itself as an industry thought leader by identifying emerging trends in the industry and creating growth opportunities through the offer of creative and authentic platforms for engaging potential customers. Through these platforms we have also played an invaluable and proactive role in promoting Sri Lanka as an attractive destination. Such social events held during the year under review and which continued to enhance our brand are listed below.

Online wedding competition by Cinnamon Island Weddings

Cinnamon Island Weddings which was launched as a new product category, initiated a novel project which promoted Sri Lanka as a destination for weddings and honeymooners. It was launched as one of the world’s largest online wedding competition judged by a globally recognised and celebrated panel of judges from a cross-section of fields and industries.

The grand prize offered was truly grand indeed. The couple was provided business class air tickets and 48 economy class tickets for their family and friends, full board accommodation at 4 and 5 star Cinnamon Resorts in Sri Lanka, a wedding reception complete with décor planned by experts, photography by professionals, entertainment, bridal attire, end-to-end transportation in Sri Lanka, an exotic location to host the wedding as well as a 7 night honeymoon package at Cinnamon Resorts. The Group was partnered in this initiative by the national carrier Sri Lankan Airlines and Kuoni UK- a premium long-haul tour operating business.



Cinnamon Island Weddings

Featuring Nigella Lawson in Sri Lanka

The world-famous culinary celebrity of home cooking, Nigella Lawson was hosted in Sri Lanka at a series of events held from the 21st to 23rd June 2018. Nigella toured the island and experienced Sri Lanka through the vibrantly inspired Cinnamon properties before she made her formal public appearances at a cocktail and an “in-conversation” brunch with Nigella, followed by a high tea and a session of book autographing.



Nigella Lawson in Sri Lanka

The Colombo Music Festival

Cinnamon “brought to life” the biggest music festival held in the island, with the Colombo Music Festival 2018. A one day festival, it was the first of its kind in Sri Lanka which was held at the Havelock Sports Club Grounds on 18th August 2018 with a Caribbean Night theme, featuring the legends of reggae-fusion and dancehall with Diana King, Shaggy, Maxi Priest and Big Mountain. This mega event with its state-of-the-art set up, unforgettable line-up and innovative engagements had a contemporary festival experience with a global feel. Spurred by its success, Cinnamon Life intends to make it an annual event.



Colombo Music Festival

Presenting Guru Gedara

It was the first immersive traditional arts experience presented by the Chitrasena Vajira Dance Foundation with Cinnamon and in association with John Keells Foundation. This is in line with the Group's commitment to support Sri Lanka's arts in all its form. The festival focused on raising awareness and understanding of sacred art forms that have evolved into a truly unique cultural heritage. The four day festival which opened on 30th August 2018 concluded on the 02nd of September 2018.



Guru Gedara

Hosting Cinnamon TBCasia

Cinnamon TBCasia 2018 supported by PTBA (Professional Travel Blogger Association) and PATA (Pacific Asia Travel Association) presented the third edition of its biennial conference on 30th October 2018. The focus of this year's conference was on the shifts and trends that are shaping the travel industry, through its theme Creating Transformational Digital Content for Travel. With seven internationally recognised speakers sharing expertise and thoughts across varied topics, the conference offered valuable insights for participants on leveraging digital content for tourism and hospitality. The industry participants also were afforded the exciting opportunity to network with 60 of the world's most recognised travel influencers.



Cinnamon TBCasia

MAMMA MIA! in Sri Lanka

Cinnamon brought in the iconic West End production of MAMMA MIA! to Sri Lanka, making this its first appearance in South Asia. Staged in Colombo at the Nelum Pokuna Theatre from the 22nd - 30th of December 2018; the play has over the years been viewed by over 60 million people, in 50 productions, in 16 different languages. Its international tour is produced by Judy Craymer, Richard East & Björn Ulvaeus for Little star in association with Universal, Stage Entertainment and NGM.



MAMMA MIA!

KNOWLEDGE BASE AND SYSTEMS & PROCESSES

With a winning combination of both academic qualifications in the field of hospitality and industrial expertise in the local and global arena, one of the Group's key intangible assets is its tacit and explicit knowledge base. The Cinnamon Hotels' Management Team comprises industry experts who have an inborn passion and talent for hospitality management.

Our processes with regard to customer service, delivery, customer engagement and social and environmental sustainability, over the years have been fine-tuned to be a key differentiator and an intangible capital for sustained growth. The position of industry leadership that the Group enjoys has been sustained by the rigour of the processes and systems of the Company as well as of its parent company John Keells Holdings PLC, which facilitate operational excellence.



Value Creation Report (contd.)

Intellectual Capital

ACCOLADES & ACCREDITATIONS

The accolades that the Group has been recognised with and the accreditations it has achieved and continue to seek, bear testimony to the Group's commitment to quality and excellence, sustainable tourism, the strength of our knowledge base and the quality of our systems and processes. They are a key element of the appeal of our properties to the more savvy and conscious global traveller.

These accreditations go hand in glove with the rigour of our processes, for they endorse the commitment to excellence whilst also prompting us to continuously improve our systems and processes.

John Keells Hotels PLC

- PATA Gold Award for Best Eco-tourism Project 2018 - Elephant Gathering Project
- World Travel Market Silver Award for Best in Responsible Tourism 2018 - Elephant Gathering Project
- Sri Lanka Tourism Awards 2018 - The Best Tourism Promotion Campaign - Cinnamon Island Weddings
- Sri Lanka Tourism Awards 2018 - The Best Print Media Presentation on Travel & Tourism - Cinnamon Magazine
- Sri Lanka Tourism Awards 2018 - The Best Conservationist/ Naturalist Award - Chitral Jayatilake
- South Asian Federation of Accountants (SAFA) Annual Report Awards 2018 - Best Presented Annual Report - Silver Award (Leisure Sector)
- CA Sri Lanka Annual Report Awards 2018 - Bronze Award (Leisure Sector)
- The Most Valuable Hospitality Brand in Sri Lanka for 2019 - Brand Finance



PATA Gold Awards 2018



Sri Lanka Tourism Awards 2018



Tea Master Cup International 2018

Cinnamon Lodge Habarana

- Word Travel Awards 2018 - Best Family Resort
- Presidential Environment Awards 2018 - Silver Award

Cinnamon Citadel Kandy

- Studiosus Quality Award 2018

Trinco Blu by Cinnamon

- Guest Review Awards 2018 - Booking.com

Habarana Village by Cinnamon

- Tea Master Cup International 2018 - Gold Award won by Yasarithna Bandara
- Guest Review Award 2018 - Booking.com
- Agoda Gold Circle Award Winner 2018



South Asia Travel Awards 2018

Ellaidhoo Maldives by Cinnamon

- Guest Review Award 2018 - Booking.com
- Guest Review Award 2018 - Holiday Check
- Guest Review Award 2018 - Hotels.com

Cinnamon Wild Yala

- South Asia Travel Awards 2018 - Leading Wild Life Hotel - Silver Award



Presidential Environment Awards 2018

Cinnamon Dhonveli Maldives

- Asia International Culinary Challenge 2018 - 2 Gold, 3 Silver and 8 Bronze Medals
- South Asia Travel Awards 2018 - Leading Surf Hotel / Resort in South Asia Region and in Maldives



Value Creation Report (contd.)

Intellectual Capital

Standards and Certifications

Resort	Green Globe Certification	Travelife	LEED	3 Star Crescent Rating	ISO 22000:2005	ISO 14001:2015	OHSAS 18001:2007
Cinnamon Lodge Habarana	✓			✓	✓	✓	✓
Habarana Village by Cinnamon	✓				✓	✓	✓
Trinco Blu by Cinnamon	✓	✓			✓	✓	✓
Cinnamon Citadel Kandy	✓			✓	✓	✓	✓
Cinnamon Wild Yala	✓				✓	✓	✓
Hikka Tranz by Cinnamon	✓	✓		✓	✓	✓	✓
Cinnamon Bey Beruwala	✓	✓	Gold		✓	✓	✓
Ellaidhoo Maldives by Cinnamon	✓	✓			✓	✓	✓
Cinnamon Dhonveli Maldives	✓	✓			✓	✓	✓



GRI 302-5

Natural Capital

Given the nature of our business and industry (of resort hotels, in the tourism industry) Natural Capital is an essential link in our value creation process and a key value proposition to our customers. Thus, the industry is dependent on the enhancement and preservation of the Natural Capital rather than mere extraction, as in the case of many other economic sectors. Whilst Cinnamon Hotels & Resorts extract natural resources such as water, energy and raw materials from our natural environments we also continuously enhance our efforts to keep reducing our carbon footprint.

Minimising our Environmental Impact Natural Capital Inputs in 2018

151,358 GJ
Energy Consumption

554,737 m³
Water Withdrawn

2,064 MT
Raw Material Inputs

Achievements in 2018/19

Energy Consumption

14.38%



Energy Intensity

5.81%



Water Withdrawn

11.16%



Water Intensity

2.27%



Landfill Waste

35.75%



Effluent Discharge

13.61%



ENERGY:

The global need for conservation of energy and developing sources of renewable energy has been made more urgent today than ever. The primary sources of energy for our resorts are electricity, diesel, petrol and liquid petroleum gas. The Group has established ongoing efforts to reduce energy consumption and seek renewable sources of energy at all its locations. In addition, the Group has a policy of purchasing low energy consuming equipment when replacing higher energy units at all its resorts.

We also encourage all our guests towards “Go Green” contributions in a multitude of ways across all our properties. All Sri Lankan Resorts have installed electric car charging stations to support our employees and guests to drive electric cars and reduce the dependence on fossil fuels.

Generating renewable energy in 2018:

Taking another significant step in the Group’s journey towards adopting alternative energy sources, and in line with our commitment to the United Nation’s Sustainable Development Goal 7 (Affordable and Clean energy), two more solar power projects were commissioned by the Group during the year under review.



Solar PV System - Hikka Tranz by Cinnamon

A Solar-Diesel hybrid electricity generation plant was commissioned at Cinnamon Dhonveli Maldives with a total investment of USD 364,037. This 310 kW plant was commissioned in December 2018 and yielded a saving of generator electricity by 136,858 kWh within 4 months and enabling a reduction of diesel consumption by 40,252 litres. This followed the installation of the first such system at Ellaidhoo Maldives by Cinnamon in the previous year. The other solar power generation system was a Net Plus 80 kW Solar PV system at Hikka Tranz by Cinnamon which generated 85,900 kWh of power within 6 months.



Value Creation Report (contd.)

GRI 302-1

GRI 302-3

GRI 302-4

Natural Capital

This net plus solar PV system generates power equivalent to 4% of the Hotel's total power consumption. The Group is also engaged in research to incorporate cutting edge technology that would enable the recovery of energy from the generators installed at its properties.

Other key energy saving initiatives carried out during the year and the estimated savings in 2018/19 that these initiatives generated are listed below.

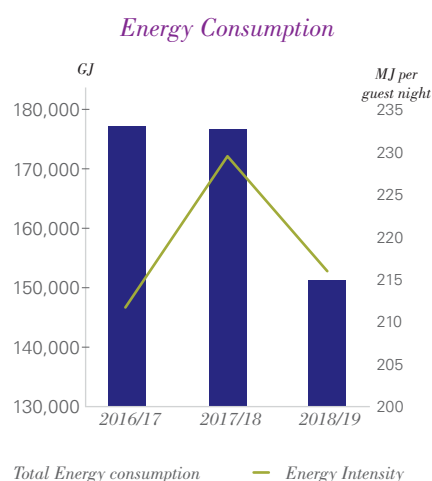
Other Energy Saving Initiatives during the year:

Resort	Initiative	Estimated Savings (kWh) in 2018/19
Cinnamon Lodge Habarana	Replaced conventional Air Conditioning units with 42 Inverter type units and 1800 CFL bulbs with LED illumination in Guest Rooms	45,000 kWh
Cinnamon Citadel Kandy	Replaced CFL illumination with LED illumination in Guest Rooms, Public Areas and the Conference Hall	3,000 kWh
Habarana Village by Cinnamon	Replaced conventional Air Conditioning units with 16 Energy Efficient Inverter type 12,000 BTU units	2,300 kWh
Trinco Blu by Cinnamon	Replaced conventional Air Conditioning units with 13 Energy Efficient Inverter type 18,000 BTU units	5,000 kWh
Cinnamon Wild Yala	Replaced CFL illumination with LED illumination in Guest Rooms	2,500 kWh
Cinnamon Dhonveli Maldives	Replaced 94 Fluorescent lamps with LED illumination	1,400 kWh
Ellaidhoo Maldives by Cinnamon	Replaced 89 Fluorescent lamps with LED illumination	4,800 kWh

It is encouraging that the Group's total energy consumption declined by 14.38% during the year representing reductions in the consumption of all the key sources of energy, i.e; Diesel, Petrol, LPG and Electricity as listed below. This reduction was supported by the addition of solar powered electricity at Hikka Tranz by Cinnamon, solar-diesel hybrid system at Cinnamon Dhonveli Maldives, shift to energy efficient alternatives and the use of electric vehicles at all Sri Lankan Resorts. Energy intensity, defined as energy usage per guest night, also declined by 5.81% reflecting the above.

Energy Usage

	2018/19	2017/18	2016/17
Diesel (GJ)	65,461	84,017	83,504
Petrol (GJ)	16,695	19,747	12,005
LPG (GJ)	12,878	13,510	14,330
Electricity (GJ)	56,324	59,498	67,383
Direct Energy (GJ)	95,034	117,273	109,838
Indirect Energy (GJ)	56,324	59,498	67,383
Total energy consumption (GJ)	151,358	176,771	177,221
Energy Consumption per Guest night (MJ/guest night)	216.25	229.57	211.84





GRI 303-1

WATER

The Group’s water requirements are primarily met through ground water, municipality water and sea water. The Group continues to take steps towards its long term objectives in water management, of reducing water withdrawal through the recycling of water via Effluent Treatment Plants, engaging employees and guests in water conservation and rain water harvesting systems.

Source of water	2018/19	2017/18	2016/17
Surface water-wetlands, rivers, lakes oceans (m3)	112,898	155,866	133,118
Ground water (m3)	283,668	295,584	382,696
Rainwater harvested (m3)	1,390	1,593	1,917
Municipality water sources (m3)	156,781	171,392	188,504
Total water withdrawn (m3)	554,737	624,435	706,235
Water Withdrawn per guest night (Litres/Guest night)	793	811	844

The Group continued on its declining trend in water withdrawal, reducing total water withdrawal by 11.16%. Water withdrawn from both surface water bodies such as lakes and river as well as water withdrawn from ground water sources declined by 27.57% and 4.03% respectively. Water intensity (defined as water withdrawn per guest night) also declined by 2.27% during the year.



Knowing that every little footstep takes us closer to our objectives, our resorts are constantly engaged in efforts to conserve water through initiatives. During the year under review the Effluent Treatment Plant at Cinnamon Lodge Habarana was upgraded with a tertiary treatment system worth an investment of Rs. 3.1 Million. Due to this upgrade Cinnamon Lodge Habarana and Habarana Village by Cinnamon is no longer dependent on surface and ground water for gardening purposes. In the previous year we carried out Water Audits at four selected resorts and based on the recommendations of these audits, during this year measures were taken to reduce our water consumption. The installation of flow restrictors and water saving fittings for example, were initiatives to control water flow where it exceeded the standard flow rates across all properties.



Value Creation Report (contd.)

GRI 102-9 GRI 303-3 GRI 301-1

Natural Capital

Water Saving Initiatives in 2018

Resort	Initiative	Estimated Saving per annum
Cinnamon Citadel Kandy	Introduced dual flushing systems to 30 Guest Rooms and flow restrictors to standardise flow rate in 56 Guest Rooms	24,000 m3
Cinnamon Bey Beruwala	Introduced flow restrictors to standardise flow rates in 199 Guest Rooms	55,000 m3
Cinnamon Lodge Habarana & Habarana Village by Cinnamon	Introduced a Tertiary Treatment system to the existing Effluent Treatment Plant for water recycling and introduced flow restrictors to standardise flow rates in Guest Rooms, Kitchen and Staff Quarters.	104,000 m3
Hikka Tranz by Cinnamon	Introduced flow restrictors to standardise flow rate in 150 Guest Rooms	18,000 m3

RAW MATERIALS:

Our primary raw materials comprise inputs for Food and Beverages, a bulk of which are purchased from external suppliers with whom we have developed mutually beneficial relationships. Purchases from local suppliers as a proportion of total procurement amounted to more than 40%.

Raw material consumption (Kg)

	2018/19	2017/18	2016/17
Vegetables	716,499	800,991	885,244
Fruits	654,143	725,975	522,995
Fish	286,751	326,010	1,029,668
Meat	406,545	445,156	369,758

- For this disclosure we have only considered the raw material which are measured in unit of Kgs.

Our Supplier selection criterion has been developed according to the guidelines of good manufacturing and hygiene practices whilst we have also developed a scoring scheme to make decisions on accepting and rejecting suppliers. During the year under review 109 supplier audits were conducted covering local suppliers of Sri Lanka and Maldives Resorts. These audits are also followed by a grace period and subsequent follow up audits to assess the progress of any corrective action that may have been required of the suppliers. Moreover, the Group ensures that its sustainability criteria are met by its suppliers through Supplier Impact Assessments. 15 Supplier Impact Assessments were conducted covering major food suppliers. The supplier's natural resource consumption, employ working conditions, quality, health and safety are few key aspects assessed under this process.

WASTE AND EFFLUENTS:

Emissions, effluence and solid waste make up the waste output of the Group's operations. Aware of the risk that these waste can pose to habitats and environments if not properly disposed of and in states which are harmful; the Group adheres to stringent standards across all its properties to minimise waste and to treat effluence before it is discharged. The effluents discharged at all resorts comply with the requisite water quality standards. The resorts which do not have the option to discharge water into common municipal sewerage lines have a dedicated Effluent Treatment Plant on site. All our Effluent Treatment Plants are checked regularly by independent assessors to ensure it meet compliance levels. Our discharge water quality levels (BOD, COD, TSS, pH, oil and grease levels) comply with government standards.



Effluent Treatment Plant - Cinnamon Lodge Habarana

State of the art waste management systems are in place at all our resorts to effectively segregate, recycle and dispose waste. At Habarana Village by Cinnamon, Cinnamon Wild Yala and Cinnamon Citadel Kandy wet waste is used to generate bio-gas whilst the remainder like in the other Sri Lankan Resorts is sent to local piggeries. During the



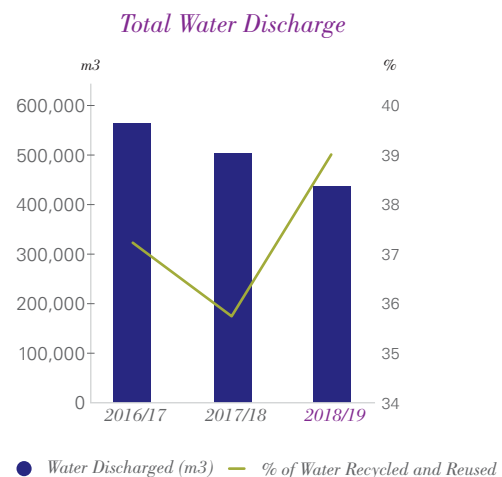
GRI 303-3	GRI 306-1
GRI 306-2	GRI 306-3
	GRI 306-5

year under review the group conducted two pilot projects of converting food waste to compost using the agency of electric composting machines at Trinco Blu by Cinnamon and Cinnamon Bey Beruwala. Recyclable material obtained from dry waste is sent to recyclers certified by the Central Environmental Authority whilst garden waste is used to generate eco-friendly fertilisers. The total volume of compost generated in 2018/19 increased by 87%.

The Group was able to achieve a notable 21.86% reduction in total non hazardous waste disposed during the year. Upon conducting Waste Audits at selected resorts our operational processes were studied and improved resulting a 29.32% reduction in Landfill Waste per Guest Night. No water bodies were affected by water discharge and the total water discharged, continuing on the declining trend of the previous year, also reduced by 13.61%. There were no significant spills recorded during the year.

Non-Hazardous Waste (Kg)	2018/19	2017/18	2016/17
Disposed Through Reuse	747,533	781,440	880,155
Disposed Through Recycling	144,387	192,650	232,691
Disposed Through Composting	24,780	13,239	32,189
Disposed Through Recovery	65,748	67,635	96,451
Disposed Through Incineration	1,691	17,312	28,603
Disposed Through Deep Well Injection	353,042	535,011	541,604
Disposed Through Landfill	375,312	584,180	587,568
Total Non-Hazardous Waste Disposed	1,712,493	2,191,467	2,399,261
Kgs of Landfill waste per guest night	0.54	0.76	0.70
Kgs of Total Non-Hazardous waste per guest night	2.45	2.85	2.87

Effluents (m ³)	2018/19	2017/18	2016/17
To Municipality Sewerage, Drainage Lines	58,701	79,486	120,865
To ETPs and Recycled Completely	171,741	181,828	212,388
To Rivers, Lakes after being treated by ETP/STP	168,968	180,059	216,640
Direct to Rivers, Lakes, Wetlands, Marshes	39,463	66,558	19,543
To Ground Through Soakage Pits etc	869	1,079	738
Total Water Discharge	439,742	509,011	570,174
Total Recycled and Reused	39%	36%	37%





Value Creation Report (contd.)

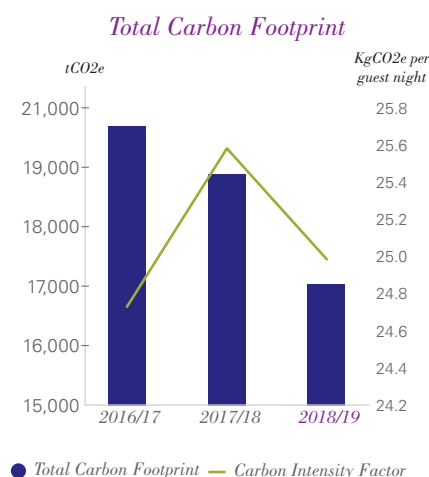
GRI 305-1	GRI 305-2
GRI 307-1	GRI 305-4
	GRI 305-5

Natural Capital

CARBON FOOTPRINT:

Emissions by our properties are measured using the Green House 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 Green House Gas Inventories. The boundary for emission measurements have been governed by Scope 1 which refers to GHG missions occurring directly from sources that are owned or controlled by the organisation and Scope 2 which refers to direct emissions generated in the production of electricity consumed.

MT of Co2 equivalent	2018/19	2017/18	2016/17
Diesel	4,850	6,226	6,188
Petrol	1,157	1,368	832
Liquid Petroleum Gas (LPG)	813	852	904
Electricity	10,664	11,265	12,758
CO ₂ Footprint - Direct Energy through Primary Sources (Scope 1)	6,820	8,446	7,924
CO ₂ Footprint - Indirect Energy through Primary Sources (Scope 2)	10,664	11,265	12,758
Total CO ₂ Footprint	17,484	19,711	20,682
CO ₂ per guest night (KgCO _{2e} / Guest Night)	24.98	25.60	24.72



The Group's total Carbon Footprint continued to decline, by 11.3% during the year, supported by our efforts to drive energy efficiencies and it is encouraging that the Carbon Footprint per Guest Night also declined by 2.42%

Other Environmental Initiatives carried out by the Resorts:

- Habarana Village by Cinnamon launched a novel initiative to present each local guest of the hotel with a young plant to take back home and nurture its growth. The young plants are grown at our own compost yard and guests are able to choose a plant that best fits their garden. The pots in which the plants are presented to the guests are empty clay curd pots used by the Hotel, each weighing 1 kg as an empty pot. Thus, this initiative not only helps to propagate a tree whilst providing a much appreciated memento to our guests but also helps us reduce our landfill waste volume.
- Cinnamon Lodge Habarana, together with the Defence Services War Disabled Officers Association (DSWDOA) of Sri Lanka, planted 300 trees during a tree planting campaign organised by the hotel.

ENVIRONMENTAL COMPLIANCE:

One of the key aspects of our environmental management agenda includes the identification of Compliance requirements for the organisation, in line with its strategies and sustainable objectives. All our Sri Lankan resorts utilise a state of the art Utility Management System (UMS) which enables us to centrally monitor electricity, water and cool room temperatures. Compliance checks are part of the routine internal audits where hotel teams check to ensure that licenses, certifications and permits are up to date and renewed on time. During the year there were no incidences of non compliance, penalties or fines imposed on us for any applicable environmental regulations or laws.



GRI 304-3

In addition to the laws and regulations of the country and the Central Environment Authority, our Group also voluntarily complies with a number of other requirements to meet the highest international standards and environmental laws;

Resort	Green Globe Certification	Travelife	LEED	ISO 14001:2015
Cinnamon Lodge Habarana	✓			✓
Habarana Village by Cinnamon	✓			✓
Trinco Blu by Cinnamon	✓	✓		✓
Cinnamon Citadel Kandy	✓			✓
Cinnamon Wild Yala	✓			✓
Hikka Tranz by Cinnamon	✓	✓		✓
Cinnamon Bey Beruwala	✓	✓	Gold	✓
Ellaidhoo Maldives by Cinnamon	✓	✓		✓
Cinnamon Dhonveli Maldives	✓	✓		✓

PROTECTING BIO-DIVERSITY & NATURAL HABITATS

The groups resorts are located either within very close proximity to a national park, a nature reserve, a protected area or a marine national park. These natural assets are important to the allure of our resorts. During the year under review there were no significant negative impacts recorded on bio-diversity and natural habitats due to hotel operations. Cinnamon Hotels & Resort's eco tourism arm Cinnamon Nature Trails has several ongoing initiatives aiming to minimise negative impacts as well as proactively sustain these habitats.

Project Leopard-Cinnamon Wild Yala

A classic win-win initiative which has integrated social and environmental sustainability, Project Leopard is in its 8th year in operation as a solution to the Human - Leopard Conflict that impacted the communities as well as the leopard population living in close proximity to the boundaries of the Yala National Park.

The livelihoods of farming families in the areas were severely affected due to the loss of cattle and calves as these animals were hunted by leopards. Loss of several calves resulted in a loss of milk supply from the mother and hence a loss of a livelihood for a villager. In addition, the calves who were not killed by these predator attacks also often died of infection if they happened to be swiped by a leopard's paw. The villagers resorted to the only solution they could think of and retaliated by poisoning the carcasses of calves and thus killing the leopards. Cinnamon Nature Trails decided to provide a simple solution to this weighty problem, by providing pens made out of steel for farmers to safely cage their cattle.



Value Creation Report (contd.)

Natural Capital



Project Leopard

These steel pens proved to be a very effective solution as confirmed by an independent study; as the rate of loss of livestock to predator killings have decreased considerably and the average cattle herd size as well as farmer incomes have increased significantly. During the year, Cinnamon donated another 19 pens at a cost of Rs. 89,000 each, with the 100th pen donated in October 2018. The project has also received contributions from our guests at Cinnamon Wild Yala as well as other stakeholders of the Group. The donation of the 100 pens have impacted a total of 81 families as some farmer families received multiple pens due to larger herds.

The number of cattle in the area has increased from around 4700 to 9600 providing opportunities to sell their extra calves to other dairy farmers. The average earnings from the sale of such excess cattle is Rs. 62,295 per family per year. More importantly, it was observed that zero calves had been killed and there were zero retaliatory killings of leopards performed by dairy farmers after they had received the pen to protect their cattle.

Project Gathering - Cinnamon Lodge Habarana

Cinnamon Nature Trail's Elephant Gathering project currently in its 4th year in operation is conducted in collaboration with the Centre for Conservation and Research which is headed by Dr. Prithviraj Fernando. The project has broken new ground by integrating elephant viewing tourism with research as well as helping mitigate the human elephant conflict. The programme helps identify elephants individually, based on their morphological characteristics and their life stories which are being followed by naturalists at Cinnamon Nature Trails. In addition, the teams also collect demographic, health and behavioural data which helps monitoring of their well being and contributes to scientific knowledge on Asian elephants. Since its launch the project has identified over

130 male elephants and 71 females, including 11 tusked. The project has now expanded to use high tech satellite collars on the elephants to track and understand their seasonal movements. Cinnamon Nature Trails sponsored the import of three such collars, two of which been placed on two female elephants since two years ago. One elephant herd selected from Minneriya National Park and one herd from Kaudulla National Park. These collared matriarchs named as 'Tara Devi' and 'Biso' leads 22+ and 20+ individual elephants respectively in their herds. Real time information on the elephants' movements of this form can often help warn villagers of a possible approach to their fields and help them be prepared with fire torches and prevent entry into their fields. In addition, the incorporation of scientific analysis of data, enables the research teams to determine and predict the movement of the herds over the next three years and thus make recommendations for the better management of land.

Cinnamon engages its guests and enthusiasts in this project through a Facebook group named "Elephants of the Gathering" initiated in 2014. Over 300 guests have engaged in the project during their elephant safaris while two awareness sessions have been conducted on elephant movements for safari drivers.



Project Gathering



Project Wild Blu - Trinco Blu by Cinnamon



Project Wild Blu

Another pioneering triple bottom line initiative in Sri Lanka, implemented by Cinnamon Nature Trails together with Trinco Blu by Cinnamon, Project Wild Blu promotes Whale watching in a nature friendly manner, collates photographic evidence and data to identify Blue Whales and super pods of Sperm Whales. The project is supported by Dr. Charles Anderson PhD who works with our team. The programme, since its commencement 4 years ago, has identified 45 individual Blue Whales based on characteristics while 11 new Blue Whales have been identified with photo identifications during the year under review. Furthermore, sighting of as many as 300-400 whales during the year was confirmed, giving birth to a description of Sri Lanka as a "Mega Pod for Whales".

Images of the tail flukes of Blue Whales captured by our naturalists helped to develop a data base for a Whale Identification Catalogue. Cinnamon Nature Trails also submitted a photo catalogue of 20 individual Blue Whales sited in Koddiiyar Bay area of Trincomalee to the Department of Wildlife Conservation, as part of its ongoing efforts to provide scientific information for the better management of marine habitats in Sri Lanka.

The project has helped raise awareness across the world of Sri Lankan seas, as one of the world's largest habitats of the world's largest mammal, thus helping in the understanding, appreciation and protection of Blue Whales. The long term collation of scientific information on whales attracted the BBC Ocean team to visit Trincomalee to film Whales for their documentary "Blue Planet II". This attraction of Whale watching and awareness will continue to increase arrivals of nature tourists and tourism revenue to Sri Lanka and Cinnamon Hotels and Resorts.

Coral Propagation Project - Cinnamon Dhonveli Maldives

Alongside the famed Great Barrier Reef, Maldives is also home to some of the world's most enchanting and diverse coral reefs in the world. During the year under review, Cinnamon Dhonveli Maldives, in collaboration with Meridis Dive & Relax Team, launched a coral propagating project with the objectives of transplanting corals in order to protect the ocean's bio-diversity and spreading awareness on the importance of coral conservation.

The project was launched on 27th September 2018, to mark World Tourism Day, as healthy coral reefs are amongst the most biologically and economically valuable eco systems in the world which also provide food habitats for many species of marine life, protect coastlines from erosion and provide a source of income to local economies who depend on fishing, tourism and recreation.

This project will restore Corals in a five step process, which will begin with an assessment of the reef's health and water quality, followed by a restoration plan after determining the coral species, the exact locations and the numbers to be planted. These species will then be grown using accelerated growth and improved resiliency methods and implanted on the reef when they've reached required maturity levels. The team will then continue to monitor the progress of the installed reef.



Coral Propagation Project



Value Creation Report (contd.)

GRI 304-1

Natural Capital

Our Biodiversity and Natural Habitats

Hotel	Geographical Location	Size of site in Acres	Name of Protected Area in the Vicinity	Position relative to Protected Area (Within / Adjacent and Distance)	
Trinco Blu by Cinnamon	Trincomalee	13.24	Pigeon Island Marine National Park	16km adjacent	
Cinnamon Citadel Kandy	Kandy	6.57	Udawatte Kele Sanctuary	6km adjacent	
Cinnamon Wild Yala	Yala	11.25	Yala National Park Bundala National Park	2km adjacent 32km adjacent	
Hikka Tranz by Cinnamon	Hikkaduwa	4.65	Hikkaduwa Marine National Park	0.5km adjacent	
Cinnamon Lodge Habarana	Habarana	25.48	Minneriya National Park Ritigala Strict Nature Reserve Kaudulla National Park	15km adjacent 20km adjacent 20km adjacent	
Cinnamon Bey Beruwala	Beruwala	11.39	Hikkaduwa Marine National Park	45km adjacent	
Habarana Village by Cinnamon	Habarana	9.34	Minneriya National Park Ritigala Strict Nature Reserve Kaudulla National Park	11km adjacent 17km adjacent 22km adjacent	
Cinnamon Bentota Beach	Bentota	13.34	Hikkaduwa Marine National Park	40km adjacent	
Cinnamon Dhonveli Maldives	North Malè Atoll, Republic of Maldives	17.16	Thamburudhoo thila	1km	
Ellaidhoo Maldives by Cinnamon	North Ari Atoll, Republic of Maldives	13.80	Orimas thila	1km	
Cinnamon Hakuraa Huraa Maldives	Meemu Atoll, Republic of Maldives	18.90	Lhazikuraadi	6km	

EPL - Environment Protection License



	Size of Operational site in square km	Biodiversity value of Protected site	Protected through (Legislation/ IUCN / UNESCO etc.)	Has the EPL been obtained
	0.05	Maritime	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
	0.023	Wildlife & Forestry	Flora and Fauna Protection Ordinance 1937 IUCN Category IV - Habitat/ Species Management Area	Yes
	0.044	Wildlife & Forestry	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
	0.018	Maritime	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
	0.1	Wildlife & Forestry	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
	0.04	Maritime	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
	0.034	Wildlife & Forestry	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
	0.05	Maritime	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
	0.0673	Maritime	The Environmental Protection & Preservation Act	Yes
	0.0556	Maritime	The Environmental Protection & Preservation Act	Yes
	0.05437	Maritime	The Environmental Protection & Preservation Act	Yes



Value Creation Report (contd.)

GRI 102-4 GRI 102-6

Natural Capital

Locations in Sri Lanka



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

Locations in Maldives



Cinnamon Hotels & Resorts
 Protected Areas



Material topic	Management Approach	Policies	Activities in 2018/19
Raw materials	We strive to nurture mutually beneficial strategic relationships with our diverse supplier base, thereby providing an effective platform for empowerment whilst ensuring that we procure highest quality raw materials.	Procurement Policy	<ul style="list-style-type: none"> • 109 Supplier Audits • 15 Supplier Impact Assessments
Energy	We engage in concerted efforts to increase energy efficiency across our resorts and reduce dependence on fossil fuels	Energy Management Policy	<ul style="list-style-type: none"> • Installation of a 300 kW Solar-Diesel Hybrid system at Cinnamon Dhonveli Maldives • 80 kW Solar PV System at Hikka Tranz by Cinnamon • Shift to energy efficient equipment and illumination
Water	Our long term objective in water management is to reduce water withdrawal from surface and ground water sources through recycling water, engaging employees and guests in water conservation and rainwater harvesting.	Water Management Policy	<ul style="list-style-type: none"> • Installation of water saving mechanisms to taps and fittings across several resorts to ensure standard flow rates • Introduced a tertiary treatment system to the Effluent Treatment Plant at Cinnamon Lodge Habarana
Effluents & Waste	We are committed to the responsible disposal of waste and minimising the landfill ratio.	Waste Management Policy Hazardous Waste Policy	<ul style="list-style-type: none"> • 3 R concept for waste management • Waste audits for continuous improvements
Emissions	Each of our resorts track, monitor and measure greenhouse gas emissions and makes concerted efforts towards reducing the carbon footprint of their operations.	Environment Policy	Carbon consciousness in purchases and activities.
Bio-diversity	The rich bio-diversity surrounding our resorts is a key source of competitive edge and we have implemented projects in several of our resorts to preserve the eco system and bio-diversity.	Bio-diversity Conservation Policy	<ul style="list-style-type: none"> • Project Leopard • Project Gathering • Project Wild Blu • Coral Propagation Project in Maldives



Independent Assurance Report

GRI 102-56



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INDEPENDENT ASSURANCE REPORT TO JOHN KEELLS HOTELS PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT- 2018/19

Introduction and scope of the engagement

The management of John Keells Hotels PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report- 2018/19 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 245 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' – Core guidelines.

Basis of our work and level of assurance

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

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

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Management of the Company's responsibility for the Report

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

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

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 25 March 2019. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the ICASL.

Key assurance procedures

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

- Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2019.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' – Core guidelines.

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

Limitations and considerations

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

Conclusion

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

- The information on financial performance as specified on page 245 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2019.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards- 'In accordance' Core.

Ernst & Young
Chartered Accountants

24th May 2019
Colombo



Risk Management

GRI 102-15

“As an organisation whose performance is dependent on an array of global and domestic, socio-economic and ecological factors, we continue to enhance our capability to anticipate and proactively respond to risks that stem from these factors”

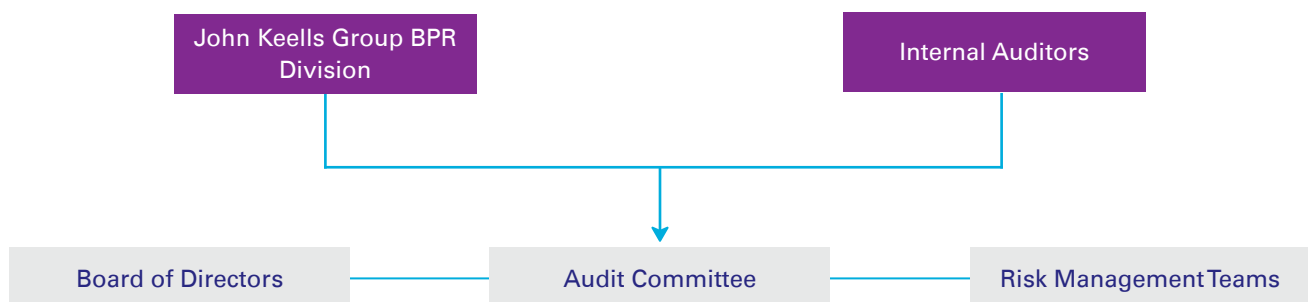
We are committed towards continuously refining and strengthening our risk management framework to reflect changing dynamics in the operating environment and to ensure alignment to the Group's business strategy. Our key risks stem from our material aspects (as detailed on page 71 of this Report) and we evaluate, manage and report on all significant risks in line with our policy frameworks and international best practices where applicable.

RISK MANAGEMENT GOVERNANCE

The Board of Directors oversees and retains ultimate responsibility for the Group's risk management framework. They are assisted in the discharge of their duties by the Audit Committee who has oversight and responsibility for risk and internal control. The John Keells Group's Business Process Review (BPR) Division, together with the outsourced Internal Auditors assists the Audit Committee in performing its assurance role through regular reviews and recommendations on the robustness of the

internal control systems in place. At executive level, the Risk Management Team comprising the Leisure Group President, Sector Heads, Chief Financial Officer, and Functional and Operational Managers are responsible for the overall implementation of the Board approved risk management policy.

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

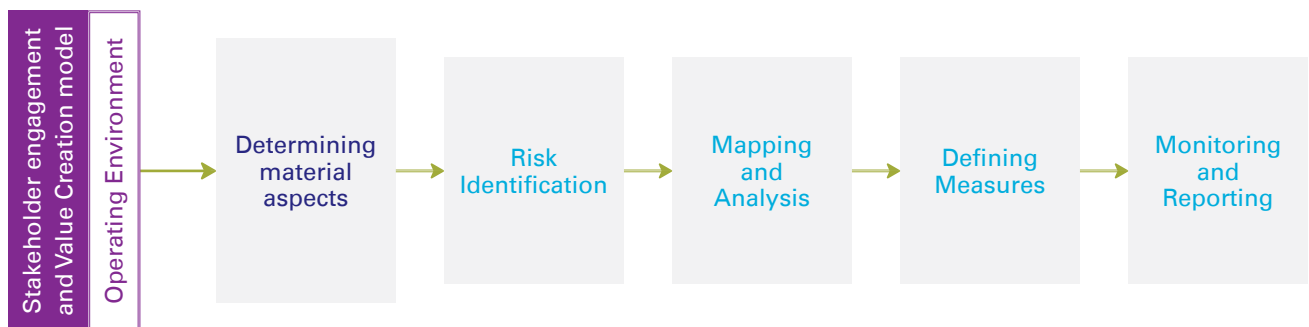




GRI 102-11

RISK MANAGEMENT PROCESS

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



Determination of Material Aspects: We adopt a structured and holistic process to identify and prioritise the most material issues that could have an impact on the Group's ability to create value to its stakeholders.

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

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

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

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

Our operational decisions are guided by the Precautionary Principle, and environmental impacts including depletion of natural resources, environmental pollution and degradation as well as impacts on local communities are given due consideration when balancing risk and growth opportunities.



Risk Management (contd.)

RISK UNIVERSE IN 2018/19

The principal risk factors that could affect the Group are given below. We have considered each risk in the context of the Group's strategy and potential impact whilst mitigation mechanisms are also been summarised.

Principal Risks	Net Risk Assessment	Risk assessment compared to last year		Relevance to strategy
		Impact	Likelihood	
Threat from terrorist activities	●	▲	▲	
Competitive pressures	●	▲	▲	
Macro-economic risks	●	▲	▶	
Shift in source markets	●	▶	▶	
Talent attraction and retention	●	▶	▲	
Maintaining service quality and operational efficiency	●	▶	▶	
Government policy	●	▶	▶	
Safeguarding physical assets	●	▶	▶	
Changing needs of travellers	●	▶	▶	
Raw materials and supply chain risks	●	▶	▶	
Impacts on local communities	●	▶	▶	
Implications of climate change	●	▲	▶	

▶ Unchanged from previous year ▲ Year on year increase ● High ● Moderate ● Low



Profitable Growth



Satisfied Employees



Brand Development



Sustaining Relationships and the Environment



Risk factor	Risk assessment compared to last year		Net Risk Assessment	Strategic impact	Potential impact on capitals
	Impact	Likelihood			
Threat from terrorist activities	▲	▲	●		Financial Capital
Description	Possible attack on civilians and economic targets by terrorists may lead into a civil unrest and thereby imposition of travel advisories against Sri Lanka.				
Potential impact	Pressure on room rates and ARR's thereby impacting profitability margins due to drop in Tourist arrivals.				
Mitigating actions	<ol style="list-style-type: none"> 1. Increase security checks on vehicles and guests 2. Business interruption insurance cover in place 3. Property all risk insurance in place 4. Business Continuity Plan (BCP) in place 				


▶ Unchanged from previous year ▲ Year on year increase ● High ● Moderate ● Low

Risk factor	Risk assessment compared to last year		Net Risk Assessment	Strategic impact	Potential impact on capitals
	Impact	Likelihood			
Competitive pressures	▲	▲	●		Financial Capital
Description	Capacity expansions by both the formal and informal sector and the increasing popularity of alternative hospitality models (such as home-stay and apartments) resulted in increased competitive intensity.				
Potential impact	<ol style="list-style-type: none"> 1. Pressure on room rates and ARR's thereby impacting profitability margins 2. Difficulties in building brand loyalty 3. More intense competition for industry talent 				
Mitigating actions	<ol style="list-style-type: none"> 1. Brand development initiatives to enhance loyalty 2. Proactively monitoring our capacity utilisation 3. Multi-channel distribution with increased focus on online channels 4. Strengthened relationships with travel agents 5. Guaranteed inventory agreements with direct operators 6. Strategic focus on enhancing service delivery 				


▶ Unchanged from previous year ▲ Year on year increase ● High ● Moderate ● Low



Risk Management (contd.)

Risk factor	Risk assessment compared to last year		Net Risk Assessment	Strategic impact	Potential impact on capitals
	Impact	Likelihood			
Macro-economic risks	▲	▶	●		Financial Capital
Description	Economic growth, income distribution, as well as fluctuations in interest rates, exchange rates, and inflation have a direct impact on the Group's revenue generation and profitability. During the 12-month period, the Sri Lankan Rupee depreciated by around 12.5% while interest rates gradually picked up, reflecting the tighter monetary policy adopted by the Government.				
Potential impact	<ol style="list-style-type: none"> 1. Foreign exchange gains/losses on USD loans 2. Increased borrowing costs resulting from the rise in interest rates 3. Implications on customer spending and affordability could affect demand for our services. 				
Mitigating actions	<ol style="list-style-type: none"> 1. Our services are priced in foreign currency, thereby hedging exposure to currency fluctuations on USD loans. 2. Economic trends and outlook are monitored by the Board on an ongoing basis and are given due consideration when formulating Strategic and Annual Corporate plans 3. Periodical review of changes in cost and expenditure by operational and financial staff to determine appropriate review of rates and tariffs 				

▶ Unchanged from previous year ▲ Year on year increase ● High ● Moderate ● Low



Risk factor	Risk assessment compared to last year		Net Risk Assessment	Strategic impact	Potential impact on capitals
	Impact	Likelihood			
Shift in source markets	▶	▶	●		Financial Capital
Description	Arrivals from emerging markets, particularly China and India are increasingly accounting for a higher proportion of tourists into the country. These trends reflect global economic factors, shifts in wealth profiles and geopolitical factors.				
Potential impact	Inability to effectively respond to these market dynamics and customer needs presented by the shift in source markets could result in a decline in competitiveness and overall market share.				
Mitigating actions	<ol style="list-style-type: none"> 1. Focused market strategies to pursue growth in non-traditional markets, particularly China and India 2. Customising service levels and the product offering to cater to emerging market expectations 				

▶ Unchanged from previous year ▲ Year on year increase ● High ● Moderate ● Low



Risk factor	Risk assessment compared to last year		Net Risk Assessment	Strategic impact	Potential impact on capitals
	Impact	Likelihood			
Talent attraction and retention	▶	▲	●	 	Financial Capital Human Capital
Description	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 since the entry of several international players and the step up of room capacity during the year. The comprehensive training we provide our employees make them the most sought-after talent in the industry.				
Potential impact	<ol style="list-style-type: none"> 1. Challenges in maintaining service quality 2. Increased costs associated with new recruitments 3. Impact on competitive edge and brand loyalty 				
Mitigating actions	<ol style="list-style-type: none"> 1. Ongoing investment in talent and competency development 2. Collaboration with the University of Colombo to attract graduates from the Hospitality Management undergraduate programme 3. Providing opportunities for career progression 4. Strengthening rewards and benefit schemes 				

▶ Unchanged from previous year ▲ Year on year increase ● High ● Moderate ● Low

Risk factor	Risk assessment compared to last year		Net Risk Assessment	Strategic impact	Potential impact on capitals
	Impact	Likelihood			
Maintaining service quality and operational efficiency	▶	▶	●	 	Financial capital Intellectual Capital
Description	Pressure on yields and increasing competition for labour have compelled the Group to seek ways of enhancing the productivity and efficiency of our employees in order to ensure superior service quality for our customers				
Potential impact	<ol style="list-style-type: none"> 1. Inadequacies in operational efficiency can potentially affect overall profitability 2. Direct impact on guest satisfaction, competitiveness and market share. 				
Mitigating actions	<ol style="list-style-type: none"> 1. We ensure continued compliance to several national and international accreditations and certifications, thereby compelling our properties to maintain the highest standards in quality and efficiency. 2. Implementation of a robust Property Management System has facilitated the tracking and analysis of each aspect of our hotel operations and allows us to benchmark our operational efficiency against global best practices. 3. Investment in upskilling employees. 				

▶ Unchanged from previous year ▲ Year on year increase ● High ● Moderate ● Low



Risk Management (contd.)



Risk factor	Risk assessment compared to last year		Net Risk Assessment	Strategic impact	Potential impact on capitals
	Impact	Likelihood			
Government Policy	▶	▶	●		Financial Capital
Description	This risk exposure arises from ad hoc changes to existing local statutes and lack of predictability in enforcement timelines.				
Potential impact	<ol style="list-style-type: none"> 1. Ambiguity of interpretation 2. Difficulties in planning and budgeting resulting in financial as well as reputational losses. 				
Mitigating actions	<ol style="list-style-type: none"> 1. The Group manages this risk exposure through consistently monitoring and reviewing legal requirements and statutory returns. Compliance audits are also conducted regularly by the Internal Audit function. 2. The Group also continuously reviews and upgrades its information systems to detect and report deviations. These risks are also monitored at parent company level, with ongoing guidance provided by the John Keells Group legal division. 				

▶ Unchanged from previous year ▲ Year on year increase ● High ● Moderate ● Low


Risk factor	Risk assessment compared to last year		Net Risk Assessment	Strategic impact	Potential impact on capitals
	Impact	Likelihood			
Safeguarding physical assets	▶	▶	●		Financial Capital
Description	Natural disasters, fire, accidents crime and unethical behaviour in and around the resorts can result in destruction and/or loss to our assets.				
Potential impact	<ol style="list-style-type: none"> 1. Financial losses 2. Reputational damage 3. Disruptions in operations 				
Mitigating actions	<ol style="list-style-type: none"> 1. Documented business continuity and disaster recovery plans. 2. 24- hour security on premises, signage in appropriate locations to increase staff and guest awareness 3. Insurance coverage for physical damage of properties 4. Employees are continuously provided training on fire-fighting procedures and emergency support among others 				

▶ Unchanged from previous year ▲ Year on year increase ● High ● Moderate ● Low



Risk factor	Risk assessment compared to last year		Net Risk Assessment	Strategic impact	Potential impact on capitals
	Impact	Likelihood			
Changing needs of travellers	▶	▶	●	 	Financial Capital Social and Relationship Capital
Description	Shifts in the demographic profiles of travellers have led to rapidly evolving guest expectations and emphasis on the experiential value created by the service offering. Proactively responding to changing customer preferences through innovation and enhanced service delivery is essential in increasing customer satisfaction and growing market share.				
Potential impact	<ol style="list-style-type: none"> 1. Difficulties in building brand loyalty 2. Erosion of market share 3. Impact on profitability margins 				
Mitigating actions	<ol style="list-style-type: none"> 1. High level of guest engagement, which is facilitated through satisfaction surveys, social media platforms and face to face interactions which includes positioning staff with multilingual skills in guest interface areas. 2. Reinforcing our brand promise with focus on inspiring guests and enhancing their experience 3. Reviewing and innovating our F&B and experiential offerings to cater to evolving requirements 				

▶ Unchanged from previous year ▲ Year on year increase ● High ● Moderate ● Low

Risk factor	Risk assessment compared to last year		Net Risk Assessment	Strategic impact	Potential impact on capitals
	Impact	Likelihood			
Raw materials and supply chain risks	▶	▶	●		Social and Relationship Capital Natural Capital
Description	The Group's key raw materials comprise of food inputs which are sourced from multiple suppliers, house-keeping items and electronic equipment, among others.				
Potential impact	<p>Inadequate supply of raw materials and/or procurement of inferior quality raw materials can lead to,</p> <ol style="list-style-type: none"> 1. Financial losses 2. Disruptions to operations 3. Reputational losses 				
Mitigating actions	<ol style="list-style-type: none"> 1. Nurtured relationships with a diverse pool of suppliers thereby limiting exposure to a single party 2. Supplier evaluation checklists have been developed in line with the JKH Group's criteria for supplier assessment 3. Supply contracts are rotated on a regular basis 				

▶ Unchanged from previous year ▲ Year on year increase ● High ● Moderate ● Low



Risk Management (contd.)

Risk factor	Risk assessment compared to last year		Net Risk Assessment	Strategic impact	Potential impact on capitals
	Impact	Likelihood			
Impacts on local communities	▶	▶	●		Social and Relationship Capital
Description	Our operations impact the communities in the neighbourhoods of our properties through employment generation, environmental impacts and cultural factors among others.				
Potential impact	Inadequate engagement and inability to fulfil the expectations of the surrounding communities can lead to reputational losses, community unrest and ultimately impact our social license to operate.				
Mitigating actions	<ol style="list-style-type: none"> 1. We maintain a high level of engagement with neighbouring communities 2. Job opportunities for youth in the local communities 3. Sponsorships and donations for cultural, religious, educational and other projects in the communities. 				

▶ Unchanged from previous year ▲ Year on year increase ● High ● Moderate ● Low

Risk factor	Risk assessment compared to last year		Net Risk Assessment	Strategic impact	Potential impact on capitals
	Impact	Likelihood			
Implications of climate change	▲	▶	●		Natural Capital Financial Capital
Description	Implications of climate change, such as imbalances in the eco-system, increases in temperature, decline in bio-diversity and increase in natural disasters can potentially have significant impacts on all industries, including leisure. We have increasingly felt the implications of climate change with erratic weather conditions having a direct impact on tourist arrivals during the year.				
Potential impact	Unfavourable weather conditions and the decline in bio-diversity could impact Sri Lanka's attractiveness as a destination				
Mitigating actions	<ol style="list-style-type: none"> 1. We continue to monitor a range of environmental indicators including water, energy, waste and our carbon footprint 2. Ongoing efforts to reduce the consumption of natural resources 3. Guests are engaged in raising awareness on the impacts of climate change through notices, leaflets, and annual earth hour celebrations at all properties 				

▶ Unchanged from previous year ▲ Year on year increase ● High ● Moderate ● Low



Investor Information

DISTRIBUTION OF SHAREHOLDERS

There were 6,510 registered Shareholders as at 31st March 2019 (6,527 as at 31st March 2018) distributed as follows:-

No of Shares held	As at 31st March 2019				As at 31st March 2018			
	No. of Shareholders	%	No. of Shares held	%	No. of Shareholders	%	No. of Shares held	%
1 to 1,000	3,488	53.59	1,319,342	0.09	3,440	52.70	1,334,201	0.09
1,001 to 10,000	2,049	31.47	8,106,569	0.56	2,097	32.13	8,393,900	0.58
10,001 to 100,000	797	12.24	24,588,352	1.69	808	12.38	24,942,397	1.71
100,001 to 1,000,000	153	2.35	41,817,703	2.87	159	2.44	42,850,861	2.94
Over 1,000,000	23	0.35	1,380,314,814	94.79	23	0.35	1,378,625,421	94.68
Total	6,510	100.00	1,456,146,780	100.00	6,527	100.00	1,456,146,780	100.00

COMPOSITION OF SHAREHOLDERS

	As at 31st March 2019			As at 31st March 2018		
	No. of Shareholders	No. of Shares held	%	No. of Shareholders	No. of Shares held	%
John Keells Holdings PLC	1	1,169,598,478	80.32	1	1,169,598,478	80.32
Directors & Spouses	-	-	-	2	550,311	0.04
Public - Resident						
Institution	255	183,248,779	12.58	256	202,744,828	13.92
Individual	6,167	70,059,247	4.81	6,177	71,168,174	4.89
Public - Non Resident						
Institution	6	22,594,828	1.55	6	1,954,766	0.13
Individual	81	10,645,448	0.73	85	10,130,223	0.70
Total	6,510	1,456,146,780	100.00	6,527	1,456,146,780	100.00

The percentage of the shares of the Company held by the Public as at 31st March 2019 was 19.68% (2018 - 19.64%)



Investor Information (contd.)

DIRECTORS & SPOUSES SHAREHOLDINGS

	As at 31st March 2019	As at 31 31st March 2018
Directors		
Mr. S. C. Ratnayake	N/A	142,877
Spouses		
Mrs. M. V. Ratnayake	N/A	407,434
Total	-	550,311

MARKET INFORMATION ON ORDINARY SHARES OF THE COMPANY

	2018/19	Date	2017/18	Date
Share Information				
Highest Price (Rs.)	10.10	24-04-2018	11.90	22-05-2017
Lowest Price (Rs.)	7.20	27-03-2019	8.30	21-02-2018
As at period end (Rs.)	7.50	29-03-2019	9.30	29-03-2018
Trading Statistics				
Number of Transactions	2,941		4,407	
Number of Shares Traded	32,355,471		10,175,175	
% of Total Shares in Issue	2.22		0.70	
Values of all Shares Traded (Rs.)	248,334,576		101,511,885	
Average Daily Turnover (Rs.)	1,052,265		417,744	
Market Capitalisation (Rs.)	10,921,100,850		13,542,165,054	
Float Adjusted Market Capitalisation (Rs.)	2,149,112,265		2,659,781,316	

Note: As the Float Adjusted Market Capitalisation as at 31st March 2019, is over Rs. 1.0 Billion, the company has complied with option 1 of the listing rules 7.13.1 (b) which is applicable for listed companies under Diri Savi Board.



TWENTY LARGEST SHAREHOLDERS OF THE COMPANY

Name of Shareholder	31st March 2019		31st March 2018	
	No. of Shares	%	No. of Shares	%
John Keells Holdings PLC	1,169,598,478	80.32	1,169,598,478	80.32
Employees Provident Fund	78,474,454	5.39	78,474,454	5.39
Sri Lanka Insurance Corporation Ltd. - Life Fund	53,655,250	3.68	69,872,369	4.80
Citi Bank New York S/A Norges Bank Account 2	21,380,056	1.47	-	-
Mercantile Investments PLC	13,000,000	0.89	13,000,000	0.89
Mr. D.J.M. Blackler	6,514,760	0.45	6,514,760	0.45
National Savings Bank	5,541,205	0.38	5,541,205	0.38
Mercantile Fortunes (Private) Ltd.	3,800,000	0.26	3,800,000	0.26
Seylan Bank PLC - A/C No. 3	3,326,811	0.23	3,326,811	0.23
Bank of Ceylon - No. 2 A/C	2,725,266	0.19	2,725,266	0.19
Mr. R.T. Jinasena	2,516,765	0.17	2,516,765	0.17
Mr. T.R. Jinasena	2,351,568	0.16	2,351,568	0.16
Mr. K.D.A Perera	2,044,600	0.14	1,552,246	0.11
Mr. U.G. Madanayake	2,000,000	0.14	2,000,000	0.14
Merrill J Fernando & Sons (Pvt) Ltd.	1,911,573	0.13	1,911,573	0.13
E.W. Balasuriya & Co. (Pvt) Ltd.	1,851,626	0.13	1,851,626	0.13
Mrs. V. Saraswathi	1,651,612	0.11	-	0.00
Mrs. N. Weerasinghe	1,556,706	0.11	1,556,706	0.11
People's Leasing and Finance PLC/ Mr. L.P Hapangama	1,533,879	0.11	1,533,879	0.11
Mr. A.A.V Amerasinghe	1,287,800	0.09	1,287,800	0.09
	1,376,722,409	94.55	1,369,415,506	94.04
Shares held by balance shareholders	79,424,371	5.45	86,731,274	5.96
Total	1,456,146,780	100.00	1,456,146,780	100.00





“ *The best place in the world, perfect place, plenty to do and great friendly staff. The best views, a total paradise, accommodation was very good and water bungalows were great to go straight in to the sea and snorkel* ”

TripAdvisor Review

Keiron C

Cinnamon Hakuraa Huraa Maldives



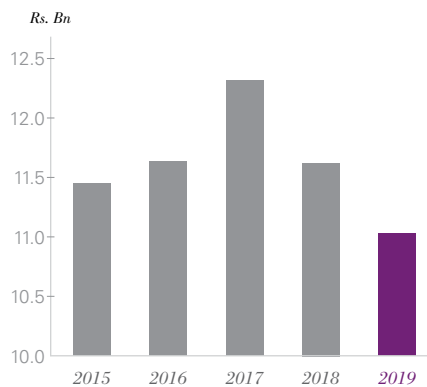
Financial Calendar

Year ended 31st March	2019	2018
Audited Financial Statements signed on	24th May 2019	28th May 2018
Annual General meeting	28th June 2019	28th June 2018

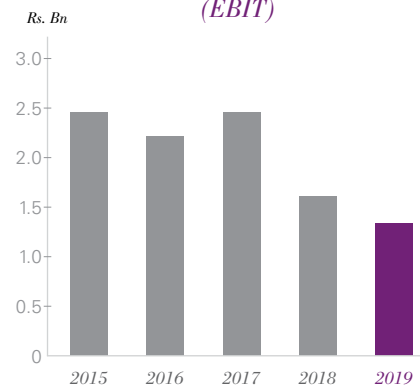
Interim Financial Statements

1st Quarter Interim Results released on	26th July 2018	28th July 2017
2nd Quarter Interim Results released on	26th October 2018	31st October 2017
3rd Quarter Interim Results released on	28th January 2019	06th February 2018
4th Quarter Interim Results released on	27th May 2019	30th May 2018

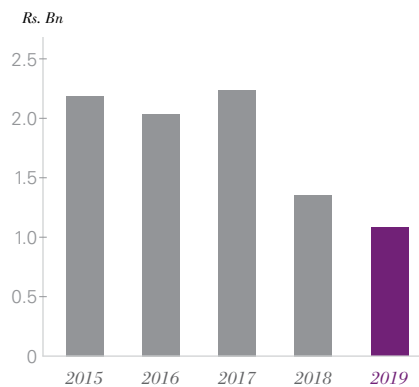
Revenue



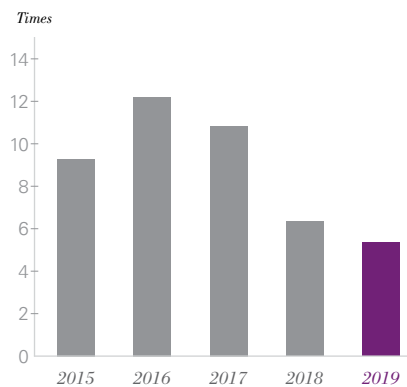
Earnings Before Interest and Tax (EBIT)



Profit Before Tax



Interest Cover





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Annual Report of the Board of Directors

The Directors have pleasure in presenting their 40th Annual Report of John Keells Hotels PLC ("Company") together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the John Keells Hotels PLC Group ("Group") for the year ended 31st March 2019.

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The financial and operational performance, during the year ended 31st March 2019 and future business developments of the Company and the Group, are provided in the Chairman's Review, Management Discussion and Analysis of Operations, Sustainability Report and the Financial Overview. These reports, which form an integral part of the Annual Report of the Board of Directors, together with the Audited Financial Statements, reflect the state of affairs of the Company and Group.

CORPORATE GOVERNANCE

Directors' Declarations

The Directors declare that;

- a) the Company complied with all applicable laws and regulations in conducting its business.
- b) they have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.
- c) the Company has made all endeavours to ensure the equitable treatment of shareholders.
- d) the business is a going concern with supporting assumptions or qualification as necessary, and
- e) they have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.
- f) The Company being listed on the Colombo Stock Exchange (CSE) is compliant with continuous listing rules on Corporate Governance under the Listing Rules of the CSE with regard to the composition of the Board and its Sub-Committees

- g) The Company is fully compliant with the Code of Best Practice on Corporate Governance (2013) jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL). The Company is almost fully compliant with the 2017 Code of Best Practice on Corporate Governance, issued by the ICASL to the extent of business exigency and as required by the John Keells Group.

The Corporate Governance practices of the Company are described on pages 34 to 56 of this Report.

HUMAN RESOURCES

The Company continued to implement appropriate human resource management policies to develop employees and optimise their contribution towards the achievement of corporate objectives. The policies and procedures ensure the equitable treatment of all employees. Some of the processes and procedures adopted in this regard are mentioned on pages 104 to 112 of the Annual Report.

SYSTEM OF INTERNAL CONTROL

The Board has implemented an effective and comprehensive system of internal controls, which provide reasonable but not absolute assurance that assets are safeguarded and that the financial reporting system may be relied upon in the preparation of the Financial Statements. Reliance upon the internal controls is set out on page 50 of this Report. The Audit Committee receives and acts upon reports on the results of internal control reviews, carried out by independent external auditors.

RISK MANAGEMENT

The Board confirms that there is an ongoing process for identifying, evaluating, managing and mitigating any significant risks faced by the Company, that financial, operational and compliance controls have been reviewed. Risk assessment and evaluation for the Company takes place as an integral part of the business and the Board Audit Committee reviews the principal risks and mitigating actions in place regularly. The Board, through the involvement of the Group Risk and Control Review Division takes steps to gain assurance on the effectiveness of control systems in place. The Head of the Group Business Process Review Division has direct access to the Chairman of the Audit Committee. Foreseeable risks that may materially impact the business are disclosed in the Chairman's Review on pages 24 to 27 and Risk Management practices on pages 142 to 150 of this Report.



COMPLIANCE WITH LAWS AND REGULATIONS

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

GOING CONCERN

The Board of Directors, after considering the financial position, operating conditions, regulatory and other factors, and such matters required to be addressed in the Code of Best Practice on Corporate Governance (2013) issued jointly by the SEC and ICASL, have a reasonable expectation that the Company, its subsidiaries, joint ventures and associates possess adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the Financial Statements.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements so that they present a true and fair view of the state of affairs of the Company. The Directors are of the view that these Financial Statements have

been prepared in conformity with the requirements of the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Listing Rules of the CSE and the Code of Best Practice on Corporate Governance (2013) issued jointly by the SEC and ICASL. The Statement of Directors' Responsibility for financial reporting is given on page 164 and forms an integral part of the Annual Report of the Board of Directors.

REVENUE

The revenue of the Group from its operations amounted to Rs. 11,033 Mn (2017/18 - Rs. 11,614 Mn). Revenue contribution to the Group from different geographical segments is provided in Note 7.1 to the Financial Statements.

FINANCIAL RESULTS

The Company recorded a profit after tax of Rs. 324.4 Mn (2017/18 - Rs. 1,444.5 Mn), while the Group recorded a consolidated net profit after tax of Rs. 831.7 Mn (2017/18 - Rs. 1,130.6 Mn) for the year under review. A synopsis of the Company's consolidated performance is presented below.

As at 31st March Rs. 000's	Group		Company	
	2019	2018	2019	2018
After making provision for doubtful debts, all known liabilities and depreciation on property, plant and equipment the profit earned before interest was	1,330,888	1,606,233	338,451	1,483,587
Interest paid during the year was	(251,103)	(255,519)	(8,556)	(2)
Profit before tax was	1,079,785	1,350,714	329,895	1,483,585
From which was deducted the provision for taxation, including deferred taxation of	(248,090)	(220,116)	(5,428)	(39,092)
Leaving a net profit after tax of	831,695	1,130,598	324,467	1,444,493
The profit attributable to the non-controlling interest was	(14,885)	(11,647)	-	-
The amount attributable to the Company and the Group was therefore	816,810	1,118,951	324,467	1,444,493
When the balance brought forward from the previous year was added	9,075,560	8,531,777	3,064,048	2,202,014
The amount available for appropriation was	9,892,370	9,650,728	3,388,515	3,646,507
Other adjustments	21,577	7,291	-	-
Dividend paid during the year	(218,422)	(582,459)	(218,422)	(582,459)
Leaving a balance to be carried forward to the next year of	9,695,525	9,075,560	3,170,093	3,064,048



Annual Report of the Board of Directors (contd.)

DIVIDENDS

An interim dividend of Rs. 0.15 per share for the six months ended 30th September 2018 was paid on 3rd January 2019.

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 has obtained a certificate from the Auditors, prior to recommending the interim dividends mentioned above, for the financial year ended 31st March 2019.

PROVISION FOR TAXATION

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

AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on page 165 of the Annual Report.

PROPERTY, PLANT & EQUIPMENT

The book value of property, plant and equipment as at the reporting date amounted to Rs. 17,563 Mn (2017/18 - Rs. 14,084 Mn) for the Group. Capital expenditure for the Group amounted to Rs. 3,917 Mn (2017/18 - Rs.1,526 Mn). Details of property, plant and equipment and their movements are given in Note 21 to the Financial Statements.

MARKET VALUE OF PROPERTIES

Freehold land and buildings of the Group are subject to routine revaluation by independent qualified valuers. The most recent valuation in respect of Group was carried out as at 31st December 2018. Details of property valuations, including the valuation method and effective date of these valuations are provided in Note 21.2 to the Financial Statements.

INVESTMENTS

The details of investments held by the Company and the Group as at 31st March 2019, are given in Notes 25,26 and 32 to the Financial Statements.

IMPAIRMENT ASSESSMENT

The Board of Directors has evaluated impairment loss in relation to property, plant and equipment, intangible assets and other investments. Based on the assessment, the investments made by the Company and its subsidiaries do not warrant any impairment in the year 2018/19 (2017/18 - Nil).

STATED CAPITAL

The total Stated Capital of the Company as at 31st March 2019 stood at Rs. 9,500.2 Mn (2018 - Rs. 9,500.2 Mn) divided into 1,456,146,780 Ordinary Shares (2018 - 1,456,146,780 Ordinary Shares).

RESERVES

The movement in Other Components of Equity and Revenue Reserves of the Company, its subsidiaries, joint ventures and associates are shown in the Statement of Changes in Equity on page 172 of this Report.

SEGMENT REPORTING

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

SHARE INFORMATION AND SHAREHOLDINGS

The market value of an Ordinary Share of the Company as at 31st March 2019 was Rs. 7.50 (31st March 2018 - Rs. 9.30). Information relating to earnings, dividends, net assets and market value per share is given in page 22 of this Report. The number of shareholders as at 31st March 2019 was 6,510 (31st March 2018 - 6,527). An analysis of shareholders based on shares held, the distribution of ownership and details of share transactions during the year are provided on pages 151 to 153 of this report. The list of top twenty shareholders of the Company as at 31st March 2019 is also provided on page 153 of this Report.

DIRECTORS

The Board of Directors of the Company as at 31st March 2019 and their brief profiles are given on pages 30 to 33 of this Report.

In accordance with Article 84 of the Articles of Association of the Company, Mr. T L F W Jayasekara and Ms. A K Moonesinghe, who retire by rotation and being eligible for re-election offer themselves for re-election. Brief profiles of Mr. T L F W Jayasekara and Ms. A K Moonesinghe are contained in Page 32 and 33 of the Annual Report.



In accordance with Article 90 of the Articles of Association of the Company, Mr. M H Singhawansa who retires and being eligible offers himself for re-election. A brief profile of Mr. M H Singhawansa is contained in Page 31 of the Annual Report.

Mr. S C Ratnayake resigned from the Board of the Company with effect from 31st December 2018.

Mr. B J S M Senanayake resigned from the Board of the Company with effect from 30th June 2018.

Mr. M H Singhawansa was appointed to the Board of the Company with effect from 01st July 2018.

Mr. Krishan Balendra was appointed as the chairman on 1st January 2019.

RESPONSIBILITIES OF THE BOARD

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

BOARD COMMITTEES

Audit Committee

The following members serve on the Audit Committee:

Mr. T L F W Jayasekara - *Chairman*
Mr. N B Weerasekera
Mr. A K Moonesinghe

The Audit Committee reviewed the type and quantum of non-audit services provided by the external auditors to the Group to ensure that their independence as auditors has not been impaired. The Report of the Audit Committee is given on page 57 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 (JKH), the Parent Company of John Keells Hotels PLC, functions as the Human Resources and Compensation Committee of the Company. The Human Resources and Compensation Committee of JKH comprises of three Independent Non-Executive Directors:

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

The Report of the Human Resources and Compensation Committee and the remuneration policy of the Company is detailed in the Corporate Governance Report on Page 34 of the Annual Report.

Nominations Committee

Nominations Committee of the Parent Company, John Keells Holdings PLC (JKH), functions as Nominations Committee of the Company and conforms to the requirements of the Listing Rules of the Colombo Stock Exchange.

The mandate and the scope of the Nominations Committee is set out in Page 60 of this Annual Report.

The Nominations Committee members of JKH is as follows;

Mr. M A Omar - *Chairman*
Mr. K N J Balendra (*Appointed to the committee w.e.f. 01/01/2019*)
Dr. R Coomaraswamy (*Appointed to the committee w.e.f. 06/11/2018*)
Ms. M P Perera
Dr. S S H Wijayasuriya
Mr. S C Ratnayake (*resigned from the Company w,e,f. 31/12/2018*)

Related Party Transactions Review Committee

Related Party Transactions Review Committee of JKH functions as Related Party Transactions Review Committee of the Company and conforms to the requirements of the Listing Rules of the Colombo Stock Exchange.

The Related Party Transactions Review Committee of JKH are as follows;

Ms. M P Perera - *Chairperson*
Mr. A N Fonseka
Mr. D A Cabraal
Mr. K N J Balendra (*Appointed to the committee w.e.f. 01/01/2019*)
Mr. S C Ratnayake (*resigned from the Company w,e,f. 31/12/2018*)

The report, mandate and the scope of the Related Party Transaction Review Committee is set out on Page 61 of this Annual Report.



Annual Report of the Board of Directors (contd.)

INTERESTS REGISTER

The Company has maintained an Interests Register as contemplated by the Companies Act No. 7 of 2007. In compliance with the requirements of the Companies Act No. 7 of 2007, this Annual Report also contains particulars of entries made in the interests register of subsidiaries, joint ventures and associates which are Public or Private Companies which are not dispensed with the requirement to maintain an interest register as permitted by Section 30 of the Companies Act No. 7 of 2007.

DIRECTORS INTERESTS IN CONTRACTS

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

DIRECTORS' SHAREHOLDINGS

The shares held by the Directors and their spouses in the Company and its subsidiaries as at 31st March 2019 are as follows:

	As at 31st March 2019	As at 31st March 2018
Directors		
Mr. S. C. Ratnayake	N/A	142,877
Spouses		
Mrs. M. V. Ratnayake	N/A	407,434
Total	-	550,311
International Tourist & Hoteliers Ltd		
Mr. J. E. P. Kehelpannala	150	150

Indemnities and Directors' Remuneration

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

Mr. M H Singhawansa was appointed as a Non-Executive Non-Independent Director of John Keells Hotels PLC from 01st July 2018 at the standard Non-Executive Fees recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC, the holding company of John Keells Hotels PLC, which fees are commensurate with the market complexities of the Company. Fees payable to Non-Executive nominee Directors of John Keells Holdings PLC was paid to John Keells Holdings PLC and not to the individual Directors.

EMPLOYEE SHARE OPTION PLAN (ESOP)

The Directors confirm that the Company or any subsidiaries have not granted any funding to employees to exercise options.

DIRECTORS MEETINGS

Details of the meetings of the Directors are given on page 39.

EMPLOYMENT

The Company has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. There were no material issues pertaining to employees and industrial relations in the year under review. Details of the Group's Human Resource initiatives are detailed in pages 104 to 112 of this Annual Report. The number of persons employed by the Group as at 31st March 2019 was 2,105 (2018 - 2,286).

STATUTORY PAYMENTS

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

OUTSTANDING LITIGATION

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



SUPPLIER POLICY

The Company applies an overall policy of agreeing and clearly communicating terms of payment as part of the commercial agreements negotiated with suppliers and endeavors to pay for all items properly charged in accordance with these agreed terms. As at 31st March 2019, the trade and other payable of the Group amounted to Rs. 761 Mn (2018 – Rs. 723 Mn) and for the Company amounted to Rs. 14.3 Mn (2018 - Rs. 14.8 Mn).

SUSTAINABILITY REPORTING

The Group is conscious of the impact, direct and indirect, on the environment due to its business activities. Every endeavor is made to minimise the adverse effects on the environment to ensure sustainable continuity of our natural resources. The activities undertaken by the Group in recognition of its responsibility as a corporate citizen are disclosed more fully on pages 127 to 139 of this Report.

DONATIONS

Total donations made by the Group during the year amounted to Rs. 10.6 Mn (2017/18 – Rs.10.7 Mn). The amount includes contributions on account of Corporate Social Responsibility (CSR) initiatives for which the Group donated Rs. 8,964,697/- (2017/18 - Rs. 6,562,523/-) The John Keells Social Responsibility Foundation, which operates with funds contributed by each of the companies in the Group, handles most of the Group's CSR initiatives and activities. The Foundation manages a range of programs that underpin its key principle of acting responsibly in all areas of business to bring about sustainable development. In quantifying the Group's contribution to charities no account has been taken of 'in-house' costs or management time. Donations made by Subsidiaries of the Company were as follows: Ceylon Holiday Resorts Ltd - Rs. 13,039/- (2017/18 - Rs. 320,017/-), Habarana Lodge Ltd - Rs. 1,304,067/- (2017/18 - Rs. 673,545/-), Habarana Walk Inn Ltd - Rs. 677,943/- (2017/18 - Rs. 749,649/-), Kandy Walk Inn Ltd. - Rs. 1,976,940/- (2017/18- Rs. 1,018,262/-), Trinco Holiday Resorts (Pvt) Ltd - Rs. 889,211/- (2017/18 - Rs. 582,766/-), Hikkaduwa Holiday Resorts (Pvt) Ltd - Rs. 2,106,354/- (2017/18 - Rs 1,242,743/-), Yala Village (Pvt) Ltd - Rs. 1,577,114/- (2017/18 - Rs. 1,528,121/-), Beruwala Holiday Resorts (Pvt) Ltd - Rs. 2,071,487/- (2017/18 - Rs. 1,229,900/-), Travel Club (Pte) Ltd - Nil (2017/18 - Rs. 995,120/-), Fantasea World Investments (Pte) Ltd - Nil (2017/18 - Rs. 1,135,913/-) and Tranquility (Pte) Ltd - Rs 134,432/- (2017/18 - Rs. 1,221,216/-). The CSR initiatives, including completed and on-going projects, are detailed in the sustainability report on pages 117.

AUDITORS

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

Messrs. Ernst & Young, Chartered Accountants have indicated their willingness to continue as Auditors of the Company, Accordingly, a resolution proposing their reappointment as Auditors will be proposed at the Annual General Meeting. Details of the Audit Fees paid to the Auditors are set out on Page 200 of this Report. Further details of the work of the Auditor and the Audit Committee are set out in the Audit Committee Report on page 57.

ANNUAL REPORT

The audited consolidated Financial Statements were approved for issue by the Board of Directors on 24th May 2019. 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 3rd June 2019.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02, on the 28th of June 2019 at 3.30 pm. The Notice of the Annual General Meeting appears on page 262.

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


Director


Director

By Order of the Board



Keells Consultants (Private) Limited
Secretaries

24th May 2019



Statement of Directors' Responsibility

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

THE FINANCIAL STATEMENTS COMPRISE OF:

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

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

The Directors confirm that the Financial Statements of the Company and of the Group for the year ended 31st March 2019 presented in the Report have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Companies Act and has provided the information required by and otherwise complied with the listing rules of the Colombo Stock Exchange (CSE) and the code of best practice on Corporate Governance (2013) issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC).

In preparing the Financial Statements, the Directors have selected appropriate accounting policies and have applied them consistently. Reasonable and prudent judgements and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis. The Directors are of the view that adequate funds and other resources are available within the Company to continue in operation for the foreseeable future.

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

The Directors are required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate for the purpose of enabling them to give an independent Audit Report. The Directors are of the view that they have discharged their responsibilities as set out in this statement.

COMPLIANCE REPORT

The Directors confirm that, to the best of their knowledge, all taxes and levies payable by the Company and the subsidiaries and all contributions, levies and taxes payable on behalf of the employees of the Company and its subsidiaries, and all other known statutory obligations as at the reporting date have been paid or provided for, except as specified in Note 44 to the Financial Statements covering Contingent Liabilities.

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

Further, as required by Section 56 (2) of the Companies Act, the Board of Directors have confirmed that the Company, based on the information available, satisfied the solvency test immediately after the distribution of dividends in accordance with Section 57 of the Companies Act.

By Order of the Board

Keells Consultants (Private) Limited
Secretaries

24th May 2019



Independent Auditors' Report



Ernst & Young
Chartered Accountants
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Sri Lanka

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of John Keells Hotels PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of John Keells Hotels PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2019, and the statement of 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.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



Independent Auditors' Report (contd.)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of Land and Buildings As at reporting date 31 March 2019, Land and Buildings carried at fair value, classified as Property, Plant and Equipment and Investment Property amounted to Rs. 12.4 Bn and Rs. 1.6 Bn respectively. The fair value of such property was determined by external valuers engaged by the Group. The valuation of Land and Buildings was significant to our audit due to the use of significant estimates such as per perch price and value per square foot disclosed in notes 21.2 and 23.1 to the financial statements.</p>	<p>Our audit procedures focused on the valuations performed by the external valuers engaged by the Group, and included the following;</p> <ul style="list-style-type: none"> Assessed the competency, capability and objectivity of the external valuers engaged by the Group Read the external valuer's report and understood the key estimates made and the approach taken by the valuers in determining the valuation of each property Engaged our internal specialised resources to assess the reasonability of the valuation techniques, per perch price and value per square foot <p>We have also assessed the adequacy of the disclosures made in notes 21.2 and 23.1 to the financial statements relating to the valuation techniques and estimates used by the external valuers.</p>

Other Information Included in the Group's 2019 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those Charged with Governance

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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism 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 internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



Independent Auditors' Report (contd.)

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 2471.

24th May 2019
Colombo



Income Statement

For the year ended 31st March		Group		Company	
In Rs. '000s	Note	2019	2018	2019	2018
Revenue from contracts with customers	13	11,032,715	11,614,376	-	-
Cost of sales		(3,439,138)	(4,020,790)	-	-
Gross profit		7,593,577	7,593,586	-	-
Dividend income	14	-	-	317,691	1,371,046
Other operating income	15.1	17,702	103,865	761	1,981
Administrative expenses		(4,751,463)	(4,768,996)	(25,343)	(26,883)
Distribution expenses		(349,112)	(386,029)	-	-
Other operating expenses	15.2	(1,423,645)	(1,218,806)	(108)	(536)
Results from operating activities		1,087,059	1,323,620	293,001	1,345,608
Finance expenses	16	(251,103)	(255,519)	(8,556)	(2)
Finance income	16	190,262	283,494	45,450	137,979
Change in fair value of investment property	23.1	52,398	-	-	-
Share of results of equity accounted investees (net of tax)	26.3	1,169	(881)	-	-
Profit before tax	17	1,079,785	1,350,714	329,895	1,483,585
Tax expense	18.1	(248,090)	(220,116)	(5,428)	(39,092)
Profit for the year		831,695	1,130,598	324,467	1,444,493
Attributable to :					
Equity holders of the parent		816,810	1,118,951		
Non-controlling interests		14,885	11,647		
		831,695	1,130,598		
		Rs.	Rs.		
Earnings per share - Basic/Diluted	19	0.56	0.77		
Dividend per share	20	0.15	0.40		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 175 to 235 form an integral part of these financial statements



Statement of Comprehensive Income

For the year ended 31st March		Group		Company	
In Rs. '000s	Note	2019	2018	2019	2018
Profit for the year		831,695	1,130,598	324,467	1,444,493
Other comprehensive income					
Other comprehensive income to be reclassified to income statement in subsequent periods					
Currency translation of foreign operations		1,490,982	306,933	-	-
Net other comprehensive income to be reclassified to income statement in subsequent periods		1,490,982	306,933	-	-
Other comprehensive income not to be reclassified to income statement in subsequent periods					
Revaluation of land and buildings	21.1	503,023	951,480	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	26.3	(204)	4,010	-	-
Net gain/(loss) on equity instruments at fair value through other comprehensive income		(4)	(1)	(4)	(1)
Re-measurement gain/(loss) on defined benefit plans	37.1	853	1,770	-	-
Net other comprehensive income not to be reclassified to income statement in subsequent periods		503,668	957,259	(4)	(1)
Tax on other comprehensive income	18.2	(67,886)	(386,143)	-	-
Other comprehensive income for the year, net of tax		1,926,764	878,049	(4)	(1)
Total comprehensive income for the year, net of tax		2,758,459	2,008,647	324,463	1,444,492
Attributable to:					
Equity holders of the parent		2,739,941	1,992,197		
Non-controlling interests		18,518	16,450		
		2,758,459	2,008,647		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 175 to 235 form an integral part of these financial statements



Statement of Financial Position

As at 31st March In Rs. '000s	Note	Group		Company	
		2019	2018	2019	2018
ASSETS					
Non-current assets					
Property, plant and equipment	21	17,563,154	14,083,594	-	-
Lease rentals paid in advance	22	11,449,766	10,587,355	-	-
Investment property	23	1,626,196	1,573,798	-	-
Intangible assets	24	670,407	670,407	-	-
Investments in subsidiaries	25	-	-	12,208,992	11,438,036
Investments in equity accounted investees	26	496,602	75,077	486,797	66,237
Non-current financial assets	27	183,967	185,632	5	9
Deferred tax assets	18.5	140,627	93,833	-	-
Other non-current assets	28	980	1,213	-	-
		32,131,699	27,270,909	12,695,794	11,504,282
Current assets					
Inventories	29	179,215	170,268	-	-
Trade and other receivables	30	1,139,121	959,581	-	-
Amounts due from related parties	41	129,805	100,072	5,398	647
Other current assets	31	1,301,277	347,342	3,807	15,356
Income tax recoverable	18.3	116,026	221,757	-	5,175
Short term investments	32	1,523,651	3,225,312	385,516	1,055,378
Cash in hand and at bank		729,673	940,599	17,431	51,790
		5,118,768	5,964,931	412,152	1,128,346
Total assets		37,250,467	33,235,840	13,107,946	12,632,628
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	33	9,500,247	9,500,247	9,500,247	9,500,247
Revenue reserve		9,695,525	9,075,560	3,170,093	3,064,048
Other components of equity	34	9,564,193	7,633,178	(8)	(4)
		28,759,965	26,208,985	12,670,332	12,564,291
Non controlling interests		136,602	144,503	-	-
Total equity		28,896,567	26,353,488	12,670,332	12,564,291
Non-current liabilities					
Interest bearing borrowings	36	3,207,504	2,764,218	-	-
Deferred tax liabilities	18.5	761,366	659,227	-	-
Employee benefit liability	37	213,580	191,449	-	-
Other deferred liabilities	38	209,754	154,622	-	-
		4,392,204	3,769,516	-	-
Current liabilities					
Trade and other payables	39	761,245	722,525	14,326	14,818
Amounts due to related parties	41	144,654	128,412	6,108	2,069
Other current liabilities	40	640,697	499,555	-	-
Income tax liabilities	18.4	167,389	282,416	30,374	51,437
Interest bearing borrowings	36	979,403	1,220,753	-	-
Bank overdrafts		1,268,308	259,175	386,806	13
		3,961,696	3,112,836	437,614	68,337
Total equity and liabilities		37,250,467	33,235,840	13,107,946	12,632,628

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

C L P Gunawardane
Chief Financial Officer

The Board of Directors is responsible for these financial statements.
Signed for and on behalf of the Board by,

K N J Balendra
Chairman

J G A Cooray
Director

The accounting policies and notes as set out in pages 175 to 235 form an integral part of these financial statements

24th May 2019
Colombo



Statement of Changes in Equity

GROUP	Attributable to Equity Holders of the Parent							Total equity	
	Stated capital	Revaluation reserve	Foreign currency translation reserve	Employee share option plan reserve	Fair value reserve of financial assets at FVOCI	Revenue reserve	Total		
In Rs. '000s									
As at 31st March 2017	9,500,247	3,845,799	2,870,943	32,693	(3)	8,531,777	24,781,456	139,392	24,920,848
Profit for the year	-	-	-	-	-	1,118,951	1,118,951	11,647	1,130,598
Other comprehensive income	-	564,675	306,933	-	(1)	1,639	873,246	4,803	878,049
Total comprehensive income	-	564,675	306,933	-	(1)	1,120,590	1,992,197	16,450	2,008,647
Share based payment	-	-	-	11,359	-	-	11,359	63	11,422
Acquisition, disposal and changes in non controlling interest	-	766	-	14	-	5,652	6,432	(6,209)	223
Interim dividend paid - 2017/18	-	-	-	-	-	(582,459)	(582,459)	-	(582,459)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	-	(5,193)	(5,193)
As at 31st March 2018	9,500,247	4,411,240	3,177,876	44,066	(4)	9,075,560	26,208,985	144,503	26,353,488
Profit for the year	-	-	-	-	-	816,810	816,810	14,885	831,695
Other comprehensive income	-	431,915	1,490,982	-	(4)	238	1,923,131	3,633	1,926,764
Total comprehensive income	-	431,915	1,490,982	-	(4)	817,048	2,739,941	18,518	2,758,459
Share based payment	-	-	-	8,987	-	-	8,987	70	9,057
Transfer to revenue reserve	-	(9,505)	-	-	-	9,505	-	-	-
Acquisition, disposal and changes in non controlling interest	-	8,622	-	18	-	11,834	20,474	(20,152)	322
Interim dividend paid - 2018/19	-	-	-	-	-	(218,422)	(218,422)	-	(218,422)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	-	(6,337)	(6,337)
As at 31st March 2019	9,500,247	4,842,272	4,668,858	53,071	(8)	9,695,525	28,759,965	136,602	28,896,567

COMPANY	Fair value reserve of financial assets at FVOCI			Total equity
	Stated capital	Revenue reserve	Total	
In Rs. '000s				
As at 31st March 2017	9,500,247	2,202,014	11,702,258	
Profit for the year	-	1,444,493	1,444,493	
Other comprehensive income	-	(1)	(1)	
Total comprehensive income	-	(1)	(1)	
Interim dividend paid - 2017/18	-	(582,459)	(582,459)	
As at 31st March 2018	9,500,247	3,064,048	12,564,291	
Profit for the year	-	324,467	324,467	
Other comprehensive income	-	(4)	(4)	
Total comprehensive income	-	(4)	(4)	
Interim dividend paid - 2018/19	-	(218,422)	(218,422)	
As at 31st March 2019	9,500,247	3,170,093	12,670,332	

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 175 to 235 form an integral part of these financial statements



Statement of Cash Flows

For the year ended 31st March		Group		Company	
In Rs. '000s	Note	2019	2018	2019	2018
Cash flows From Operating Activities					
Profit before tax		1,079,785	1,350,714	329,895	1,483,585
Adjustments for;					
Depreciation of property, plant and equipment	21.1	982,156	1,131,849	-	-
Provision for employee benefit costs	37	46,515	38,199	-	-
Share based payment expense		9,057	11,422	-	-
Amortisation of lease rentals paid in advance	22.1	441,654	401,474	-	-
Finance expense		251,103	255,519	8,556	2
Amortisation of grant received		(1,078)	(1,469)	-	-
Dividend received		-	-	(317,691)	(1,371,046)
Finance income		(190,262)	(283,494)	(45,450)	(137,979)
Profit/loss on disposal of property, plant and equipment		208,831	(48,024)	-	-
Share of results of equity accounted investees		(1,169)	881	-	-
Provision/(reversal) for slow moving inventories		411	1,147	-	-
Provision/(reversal) for impairment losses	30.1	(43,528)	50,714	-	-
Change in fair value of investment property		(52,398)	-	-	-
Provision for deferred liabilities		56,209	36,084	-	-
Unrealised (gain)/loss on foreign exchange (net)		8,588	(8,686)	-	-
Operating profit/(loss) before working capital changes		2,795,874	2,936,330	(24,690)	(25,438)
(Increase)/decrease in inventories		(9,358)	18,851	-	-
(Increase)/decrease in trade and other receivables		59,963	(17,253)	-	-
(Increase)/decrease in other current assets		(981,839)	103,106	11,549	(2,802)
(Increase)/decrease in amounts due from related parties		(29,733)	65,280	(4,751)	1,254
Increase/(decrease) in amounts due to related parties		16,242	(10,904)	4,039	(523)
Increase/(decrease) in other current liabilities		141,142	41,415	-	-
Increase/(decrease) in trade and other payables		38,720	4,506	(492)	1,234
Cash Generated from/(used in) Operations		2,031,011	3,141,331	(14,345)	(26,275)
Finance expenses paid		(251,103)	(255,519)	(8,556)	(2)
Finance income received		190,262	283,494	45,450	137,979
Tax paid		(241,789)	(139,424)	(21,316)	(22,211)
Dividend received		-	-	317,691	1,371,046
Gratuity paid/transfers		(23,531)	(32,778)	-	-
Net Cash Flows from/(used in) Operating Activities		1,704,850	2,997,104	318,924	1,460,537



Statement of Cash Flows (contd.)

For the year ended 31st March		Group		Company	
In Rs. '000s	Note	2019	2018	2019	2018
Cash Flows from Investing Activities					
Purchase and construction of property, plant and equipment	21.1	(3,917,327)	(1,525,967)	-	-
Proceeds from sale of property, plant and equipment		90,469	109,416	-	-
(Investment)/withdrawal in short term investments (net)		454,495	851,412	-	100,446
(Purchase)/disposal of non-current financial assets (net)		1,661	(909)	-	-
Net increase in interest in subsidiaries		-	-	(770,956)	(772,537)
Increase in interest in equity accounted investees		(420,560)	(1,612)	(420,560)	(1,612)
Net Cash Flows from/(used) in Investing Activities		(3,791,262)	(567,660)	(1,191,516)	(673,703)
Cash Flows from Financing Activities					
Dividend paid to equity holders of parent		(218,422)	(582,459)	(218,422)	(582,459)
Repayments of borrowings	36.1	(1,281,475)	(2,581,145)	-	-
Proceeds from borrowings	36.1	1,125,099	2,834,971	-	-
Changes in non controlling interest		322	223	-	-
Dividend paid to shareholders with non-controlling interest		(6,337)	(5,193)	-	-
Net Cash Flows from/(used in) Financing Activities		(380,813)	(333,603)	(218,422)	(582,459)
Net Increase/(decrease) in Cash and Cash Equivalents		(2,467,225)	2,095,841	(1,091,014)	204,375
Cash and Cash Equivalents at the beginning of the year		3,299,699	1,203,858	1,107,155	902,780
Cash and Cash Equivalents at the end of the year		832,474	3,299,699	16,141	1,107,155
ANALYSIS OF CASH & CASH EQUIVALENTS					
Short term investments	32	1,371,109	2,618,275	385,516	1,055,378
Cash in hand and at bank		729,673	940,599	17,431	51,790
Bank overdrafts		(1,268,308)	(259,175)	(386,806)	(13)
		832,474	3,299,699	16,141	1,107,155

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 175 to 235 form an integral part of these financial statements



Notes to the Financial Statements

CORPORATE AND GROUP INFORMATION

1. CORPORATE INFORMATION

Reporting Entity

John Keells Hotels PLC is a public limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and principal place of business of the Company is located at 117, Sir Chittampalam A Gardiner Mawatha, Colombo 2.

Ordinary shares of the Company are listed on the Colombo Stock Exchange.

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

Consolidated Financial Statements

The Financial Statements for the year ended 31st March 2019, comprise "the Company" referring to John Keells Hotels PLC as the holding Company and "the Group" referring to the companies whose accounts have been consolidated therein.

Approval of Financial Statements

The Financial statements for the year ended 31st March 2019 were authorised for issue by the Directors on 24th May 2019.

Principal Activities and Nature of Operations of the Holding Company

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

Responsibility for Financial Statements

The responsibility of the Directors in relation to the financial statements is set out in the statement of Director's responsibility on Page 164 of this Annual Report.

Statement of Compliance

The financial statements which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

2. GROUP INFORMATION

Subsidiaries, Associates and Joint Ventures

The Companies within the Group are shown in the Group structure on pages 14 and 15. The subsidiaries, associate and joint venture are involved in the business of hoteliering.

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

BASIS OF PREPARATION & OTHER SIGNIFICANT ACCOUNTING POLICIES

3. BASIS OF PREPARATION

Basis of Measurement

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings, derivative financial instruments and equity instruments at fair value through other comprehensive income that have been measured at fair value.

Presentation and Functional Currency

The consolidated Financial Statements are presented in Sri Lankan Rupees, which is the primary economic environment in which the Holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

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

- Fantasea World Investments (Pte) Ltd
- John Keells Maldivian Resorts (Pte) Ltd
- Tranquility (Pte) Ltd
- Travel Club (Pte) Ltd

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

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

The significant accounting policies are discussed with relevant individual notes.

The share of results of equity accounted investees in the income statement and other comprehensive income statement are shown net of all related taxes.



Notes to the Financial Statements (contd.)

The indicative US Dollar Financial Statements on pages 238 and 239 do not form part of the Financial Statements prepared in accordance with SLFRS/LKAS.

Comparative Information

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Other Significant Accounting Policies not Covered with Individual Notes

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

Current Versus Non-current Classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when it is:

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

The Group classifies all other liabilities as non-current.

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

Foreign Currency Translation, Foreign Currency Transactions and Balances

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

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

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

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

Foreign Operations

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

The Exchange rates applicable during the period were as follows:

	Reporting Date		Income Statement	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
US Dollar	175.45	155.90	168.58	153.56

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

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



5. **SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Financial Statements of the Group require the management to make judgements, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

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

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

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

- a) Valuation of property, plant and equipment and investment property
- b) Impairment of non-financial assets
- c) Share based payments
- d) Taxes
- e) Employee benefit liability
- f) Provision for expected credit losses of trade receivables

6. **CHANGES IN ACCOUNTING STANDARDS AND STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The Group applied SLFRS 15 and SLFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018/19 financial year, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted SLFRS 15 using the full retrospective method of adoption. Based on the assessment performed, the Group concluded that SLFRS 15 does not have a material impact on Group's consolidated financial statements.

SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, which the Group applied prospectively, the Group has applied SLFRS 9 retrospectively, with the initial application date of 1 April 2018. The Group has taken an exception not to restate comparative information for prior periods with respect to classification and measurement requirements.

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



Notes to the Financial Statements (contd.)

The Group intends to adopt this standard, if applicable, when it becomes effective.

Accounting Standard	Summary of the Requirements	Effective Date	Possible Impact on Consolidated Financial Statements														
SLFRS 16 - Leases	<p>SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised.</p> <p>The only exceptions are short-term and low-value leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for the users of financial statements to assess the effect that leases have on the financial position.</p>	On or after 1st January 2019 (early adoption permitted)	<p>The Group will apply the standard from its mandatory adoption date which financial reporting period starting from 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The standard will affect primarily the accounting for the group's operating leases and lease commitments. The Group will elect to apply the standard to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4. The Group will elect to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.</p> <p>The Group has rent agreements with several parties that the lease term ends within 12 months. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).</p> <p>The group has performed a detailed impact assessment of SLFRS 16 as at the reporting date.</p> <table border="1"> <thead> <tr> <th>Assets</th> <th>In Rs. '000</th> </tr> </thead> <tbody> <tr> <td>Right-of-use assets</td> <td>19,525,799</td> </tr> <tr> <td>Lease rentals paid in advance</td> <td>(11,241,823)</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td>Liabilities</td> <td></td> </tr> <tr> <td>Lease liabilities</td> <td>8,283,976</td> </tr> <tr> <td>Net impact on equity</td> <td>Nil</td> </tr> </tbody> </table>	Assets	In Rs. '000	Right-of-use assets	19,525,799	Lease rentals paid in advance	(11,241,823)			Liabilities		Lease liabilities	8,283,976	Net impact on equity	Nil
Assets	In Rs. '000																
Right-of-use assets	19,525,799																
Lease rentals paid in advance	(11,241,823)																
Liabilities																	
Lease liabilities	8,283,976																
Net impact on equity	Nil																



Accounting Standard	Summary of the Requirements	Effective Date	Possible Impact on Consolidated Financial Statements
			<p>The Group expects that net profit after tax will decrease by approximately Rs. 93.2 Mn for 2019/20 financial year as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately Rs. 1,138 Mn, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.</p> <p>Operating cash flows will increase and financing cash flows decrease by approximately Rs. 676 Mn as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements.</p>

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

- Revised Conceptual Framework for Financial Reporting
- Presentation of Financial Statements & Accounting Policies and Changes in Accounting Estimates and Errors (Amendments to LKAS 1 & LKAS 8)
- Annual Improvements Cycle - 2015-2017
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to LKAS 19)

7. OPERATING SEGMENT INFORMATION

Accounting Policy

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

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

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group.

No operating segments have been aggregated to form reportable operating segments. An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Board of Directors. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the operating segments' information, is measured differently from operating profit or loss in the consolidated financial statements. Transfer prices between operating segments are carried out in the ordinary course of business.



Notes to the Financial Statements (contd.)

7.1 Business Segments

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

For the year ended 31st March In Rs. '000s	Sri Lanka		Maldives		Group	
	2019	2018	2019	2018	2019	2018
Disaggregation of revenue -						
Timing of revenue recognition						
Services transferred over time	5,712,310	5,481,095	5,487,577	6,249,470	11,199,887	11,730,565
Less: inter segment revenue	(28,091)	(12,406)	(139,081)	(103,783)	(167,172)	(116,189)
Net segment revenue from contracts with customers	5,684,219	5,468,689	5,348,496	6,145,687	11,032,715	11,614,376
Segment results	725,167	507,345	344,190	712,410	1,069,357	1,219,755
Other operating income	3,921	119,021	13,781	(15,156)	17,702	103,865
Finance expenses	(93,615)	(133,295)	(157,488)	(122,224)	(251,103)	(255,519)
Finance income	182,615	261,700	7,647	21,794	190,262	283,494
Change in fair value of investment property	52,398	-	-	-	52,398	-
Share of results of equity accounted investees	1,169	(881)	-	-	1,169	(881)
Profit before taxation	871,655	753,890	208,130	596,824	1,079,785	1,350,714
Tax expense	(207,761)	(146,011)	(40,329)	(74,105)	(248,090)	(220,116)
Profit for the year	663,894	607,879	167,801	522,719	831,695	1,130,598
Assets						
Segment assets	17,868,319	16,897,786	18,711,741	15,667,647	36,580,060	32,565,433
Goodwill					670,407	670,407
Total assets					37,250,467	33,235,840
Liabilities						
Segment liabilities	3,133,452	3,042,800	5,220,448	3,839,552	8,353,900	6,882,352
Total liabilities					8,353,900	6,882,352
Other Information						
Purchase and construction of property, plant and equipment	1,200,401	458,025	2,716,926	1,067,942	3,917,327	1,525,967
Depreciation of property, plant and equipment	561,368	766,198	420,788	365,651	982,156	1,131,849
Amortisation of lease rentals paid in advance	3,139	3,093	438,515	398,381	441,654	401,474
Provision for employee benefit costs	46,515	38,199	-	-	46,515	38,199

In addition to segment results, information such as finance costs/ income, tax expenses have been allocated to segments for better presentation.



8. BASIS OF CONSOLIDATION

Accounting Policy

The consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31st March 2019. Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Control over an investee

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

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

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

Transactions eliminated on consolidation

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

Subsidiaries

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

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

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

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

Loss of control

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

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

Non-controlling interest (NCI)

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

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

9. BUSINESS COMBINATIONS & GOODWILL

Accounting Policy

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

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

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



Notes to the Financial Statements (contd.)

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability, which is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised in income statement. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of SLFRS 9, it is measured in accordance with the appropriate SLFRS/LKAS.

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

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

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

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

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

9.1 Investment in subsidiaries

The Company increased its shareholdings in Ceylon Holiday Resorts Ltd from 99.09% to 99.31% with an investment of Rs. 817 Mn by subscribing to the rights issue in May 2018 in order to facilitate the re-developments of the hotel.

9.2 Investment in Equity Accounted Investees

In January 2019, the Group acquired a 40% stake with a total investment of Rs. 421 Mn in Indra Hotels and Resorts Kandy (Pvt) Ltd. This Company plans to develop a lean luxury hotel branded as "Cinnamon Red Kandy".

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments held by the Group, principally comprise of cash, short term investment, loans and other receivables, trade and other receivables, trade and other payables and loans and borrowings. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Group. These financial instruments are exposed to credit, liquidity and market risks.

The Hotel Group has established guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlement, accounting and related controlling. The guidelines upon which the Group's risk management processes are based are designed to identify and analyse these risks throughout the Group, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products. The Group manages and monitors these risks primarily through its operating and financing activities.



10.1 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to debtors impairment is not significant.

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

10.1.1 Credit risk exposure - Group

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

As at 31st March	Notes	2019					Total
		Non-current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	
In Rs. '000s							
Deposits with bank	10.1.2	-	-	-	1,523,651	-	1,523,651
Trade and other receivables	10.1.3	-	-	1,139,121	-	-	1,139,121
Amounts due from related parties	10.1.4	-	-	-	-	129,805	129,805
Loans to executives	10.1.5	4,208	-	-	-	-	4,208
Cash in hand and at bank	10.1.2	-	729,673	-	-	-	729,673
Total credit risk exposure		4,208	729,673	1,139,121	1,523,651	129,805	3,526,458
Financial Assets at fair value through OCI	10.1.6	179,759	-	-	-	-	179,759
Total equity risk exposure		179,759	-	-	-	-	179,759
Total		183,967	729,673	1,139,121	1,523,651	129,805	3,706,217



Notes to the Financial Statements (contd.)

As at 31st March	Notes	2018					Total
		Non-current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	
In Rs. '000s							
Deposits with bank	10.1.2	-	-	-	3,225,312	-	3,225,312
Trade and other receivables	10.1.3	-	-	959,581	-	-	959,581
Amounts due from related parties	10.1.4	-	-	-	-	100,072	100,072
Loans to executives	10.1.5	5,869	-	-	-	-	5,869
Cash in hand and at bank	10.1.2	-	940,599	-	-	-	940,599
Total credit risk exposure		5,869	940,599	959,581	3,225,312	100,072	5,231,433
Financial Assets at fair value through OCI	10.1.6	179,763	-	-	-	-	179,763
Total equity risk exposure		179,763	-	-	-	-	179,763
Total		185,632	940,599	959,581	3,225,312	100,072	5,411,196

Credit risk exposure - Company

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

As at 31st March	Notes	2019				Total
		Non-current financial assets	Cash in hand and at bank	Short term investments	Amounts due from related parties	
In Rs. '000s						
Deposits with bank	10.1.2	-	-	385,516	-	385,516
Amounts due from related parties	10.1.4	-	-	-	5,398	5,398
Cash in hand and at bank	10.1.2	-	17,431	-	-	17,431
Total credit risk exposure		-	17,431	385,516	5,398	408,345
Financial Assets at fair value through OCI	10.1.6	5	-	-	-	5
Total equity risk exposure		5	-	-	-	5
Total		5	17,431	385,516	5,398	408,350



As at 31st March	Notes	2018				Total
		Non-current financial assets	Cash in hand and at bank	Short term investments	Amounts due from related parties	
In Rs. '000s						
Deposits with bank	10.1.2	-	-	1,055,378	-	1,055,378
Amounts due from related parties	10.1.4	-	-	-	647	647
Cash in hand and at bank	10.1.2	-	51,790	-	-	51,790
Total credit risk exposure		-	51,790	1,055,378	647	1,107,815
Financial Assets at fair value through OCI	10.1.6	9	-	-	-	9
Total equity risk exposure		9	-	-	-	9
Total		9	51,790	1,055,378	647	1,107,824

10.1.2 Credit risk relating to cash and cash equivalents

In order to mitigate settlement and operational risks related to cash and cash equivalents, the Company uses several banks with acceptable ratings for its deposits. Deposits with bank mainly consist of fixed and call deposits.

The Group held cash and cash equivalents including short term investment of Rs. 2,253 Mn at 31st March 2019 (2018 - Rs.4,166 Mn).

Deposits with banks and Credit rating of the banks

Bank	Instrument	2019			2018		
		Credit rating	Investment Rs. 000'	Rating% of total	Credit rating	Investment Rs. 000'	Rating% of total
Group							
People's Bank	Fixed Deposits	AA+	637,550	42%	AA+	2,463,804	76%
DFCC Bank	Fixed Deposits	AA-	679,318	45%	AA-	-	-
Sampath Bank PLC	Fixed Deposits	A+	-	-	A+	147,685	5%
Hatton National Bank PLC	Fixed Deposits	AA-	-	-	AA-	465,778	14%
Commercial Bank PLC	Re purchase Agreements	AA	160,129	10%	AA	82,134	3%
Nations Trust Bank PLC	Re purchase Agreements	A	45,488	3%	A	65,148	2%
Deutsche Bank A.G	Re purchase Agreements	A-	1,166	-	A-	763	-
			1,523,651	100%		3,225,312	100%
Company							
People's Bank	Fixed Deposits	AA+	272,410	71%	AA+	1,004,068	95%
Commercial Bank PLC	Re purchase Agreements	AA	111,819	29%	AA	46,097	5%
Deutsche Bank A.G	Re purchase Agreements	A-	1,166	-	A-	763	-
Nations Trust Bank PLC	Re purchase Agreements	A	121	-	A	4,450	-
			385,516	100%		1,055,378	100%



Notes to the Financial Statements (contd.)

10.1.3 Trade and other receivables

	Group	
	2019	2018
Neither past due nor impaired	804,420	739,560
Past due but not impaired		
31 - 60 days	272,562	178,679
61 - 90 days	50,083	39,661
> 91 days	12,056	1,681
Impaired	51,900	95,428
Gross carrying value	1,191,021	1,055,009
Less: impairment provision		
Provision for expected credit losses	(51,900)	(95,428)
Total	1,139,121	959,581

The Group 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. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

10.1.4 Amounts due from related parties

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

10.1.5 Loans to executives

Loans to executive portfolio is largely made up of vehicle loans which are given to staff at assistant manager level and above. The respective business units have obtained the necessary Power of Attorney/promissory notes as collateral for the loans granted.

10.1.6 Financial Assets at fair value through OCI

All equity investments are made after obtaining Board of Directors' approval.

10.2 Liquidity Risk

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

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts.



10.2.1 Net (debt)/cash

As at 31st March In Rs. '000s	Group		Company	
	2019	2018	2019	2018
Short term investments	1,523,651	3,225,312	385,516	1,055,378
Cash in hand and at bank	729,673	940,599	17,431	51,790
Total liquid Assets	2,253,324	4,165,911	402,947	1,107,168
Borrowings				
Bank borrowings	4,186,907	3,984,971	-	-
Bank overdrafts	1,268,308	259,175	386,806	13
Total liabilities	5,455,215	4,244,146	386,806	13
Net (debt)/cash	(3,201,891)	(78,235)	16,141	1,107,155

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

10.2.2 Liquidity risk management

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

Maturity analysis - Group

The table below summarises the maturity profile of the Group's financial liabilities at 31st March 2019 based on contractual undiscounted payments.

As at 31st March In Rs. '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Borrowings	979,403	1,053,818	1,158,610	850,330	144,746	-	4,186,907
Trade and other payables	761,245	-	-	-	-	-	761,245
Amounts due to related parties	144,654	-	-	-	-	-	144,654
Bank overdrafts	1,268,308	-	-	-	-	-	1,268,308
	3,153,610	1,053,818	1,158,610	850,330	144,746	-	6,361,114

The table below summarises the maturity profile of the Group's financial liabilities at 31st March 2018 based on contractual undiscounted payments.

As at 31st March In Rs. '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Borrowings	1,220,753	831,584	669,470	575,061	559,485	128,618	3,984,971
Trade and other payables	722,525	-	-	-	-	-	722,525
Amounts due to related parties	128,412	-	-	-	-	-	128,412
Bank overdrafts	259,175	-	-	-	-	-	259,175
	2,330,865	831,584	669,470	575,061	559,485	128,618	5,095,083



Notes to the Financial Statements (contd.)

Maturity analysis - Company

The table below summarises the maturity profile of the company's financial liabilities at 31st March 2019 based on contractual undiscounted payments.

As at 31st March In Rs. '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Trade and other payables	14,326	-	-	-	-	-	14,326
Amounts due to related parties	6,108	-	-	-	-	-	6,108
Bank overdrafts	386,806	-	-	-	-	-	386,806
	407,240	-	-	-	-	-	407,240

The table below summarises the maturity profile of the company's financial liabilities at 31st March 2018 based on contractual undiscounted payments.

As at 31st March In Rs. '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Trade and other payables	14,818	-	-	-	-	-	14,818
Amounts due to related parties	2,069	-	-	-	-	-	2,069
Bank overdrafts	13	-	-	-	-	-	13
	16,900	-	-	-	-	-	16,900

10.3 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market prices comprise of the following risks:

- Interest rate risk
- Currency risk

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

The sensitivity analysis in the following sections relate to the position as at 31st March in 2019 and 2018.

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

- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks.
- This is based on the financial assets and financial liabilities held at 31st March 2019 and 2018.



10.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

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

Group			
	Increase/(decrease) in basis points		Effect on profit before tax
	Rupee borrowings	Other currency borrowings	Rs. 000's
2019	+ 113 basis points	+ 29 basis points	(13,427)
	- 113 basis points	- 29 basis points	13,427
2018	+ 63 basis points	+ 104 basis points	(29,478)
	- 63 basis points	- 104 basis points	29,478

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

10.3.2 Foreign currency risk

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

10.3.3 Effects of currency transaction on forward contract

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

Group		
	Increase/(decrease) in base point USD	Effect on profit before tax
		Rs. 000's
2019	15.28%	(36,378)
	-15.28%	36,378
2018	2.91%	(14,704)
	-2.91%	14,704

Assumptions

The assumed spread of the exchange rate is based on the current observable market environment.



Notes to the Financial Statements (contd.)

10.3.4 Effects of currency transaction and translation

For purposes of consolidated financial statements, the income and expenses and the assets and liabilities of subsidiaries located outside Sri Lanka are converted into Sri Lankan Rupees. Therefore, period-to-period changes in average exchange rates may cause translation effects that have a significant impact on, for example, revenue, segment results (earnings before interest and taxes ñ EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates.

The Group's exposure to foreign currency changes for currencies other than USD is not material.

	Group		
	Increase/(decrease) in exchange rate USD	Effect on profit before tax Rs. 000's	Effect on equity Rs. 000's
2019	15.28%	(557,041)	2,639,421
	-15.28%	557,041	(2,639,421)
2018	2.91%	(51,327)	345,762
	-2.91%	51,327	(345,762)

Assumptions

The assumed movement, in the spread of the exchange rate sensitivity analysis, is based on the current observable market environment.

10.4 Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

	Group		Company	
	2019	2018	2019	2018
Debt/Equity	0.19	0.16	0.03	-

11. FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are reflected in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in:

- Investment in unquoted equity shares - Note 25, 26, 27
- Property, plant and equipment under revaluation model - Note 21.2
- Financial instruments (including those carried at amortised cost) - Note 12.5
- Investment properties - Note 23



Accounting policy

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

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

The principal or the most advantageous market must be accessible by the Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted equity instruments, 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 buildings. Involvement of external valuers is decided upon annually by the Group after discussion with and approval by the Company's Audit Committee. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the external valuers, which valuation techniques and inputs to use for individual assets and liabilities.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.



Notes to the Financial Statements (contd.)

11.1 Financial Assets and Liabilities by Fair Value Hierarchy - Group

The Group held the following financial instruments carried at fair value in the statement of financial position:

FINANCIAL ASSETS	Level 1		Level 2		Level 3	
	2019	2018	2019	2018	2019	2018
As at 31st March In Rs. '000						
Listed equity investments	5	9	-	-	-	-
Non-listed equity investments	-	-	-	-	179,754	179,754
Foreign exchange forward contracts	-	-	-	4,652	-	-
Total	5	9	-	4,652	179,754	179,754

FINANCIAL LIABILITIES	Level 1		Level 2		Level 3	
	2019	2018	2019	2018	2019	2018
As at 31st March In Rs. '000						
Fair value through income statement						
Foreign exchange forward contracts	-	-	13,659	-	-	-
Total	-	-	13,659	-	-	-

11.2 Financial Assets and Liabilities by Fair Value Hierarchy - Company

The Company held the following financial instruments carried at fair value in the statement of financial position:

FINANCIAL ASSETS	Level 1		Level 2		Level 3	
	2019	2018	2019	2018	2019	2018
As at 31st March In Rs. '000						
Listed equity investments	5	9	-	-	-	-
Total	5	9	-	-	-	-

During the reporting periods 31st March 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

11.3 Reconciliation of Fair Value Measurements of Level 3 Financial Instruments

The Group carries unquoted equity shares as equity instruments designated at fair value through OCI classified as Level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements is summarised below:

In Rs. '000	Group
As at 1st April 2018	179,754
New investment	-
Remeasurement recognised in OCI	-
As at 31st March 2019	179,754

Group has valued level 3 financial instruments as at reporting date using discounted cash flow method. Fair value would not significantly vary if one or more of the inputs were changed.



11.4 Non Financial Assets - Group

As at 31st March In Rs. '000	Level 1		Level 2		Level 3	
	2019	2018	2019	2018	2019	2018
Assets measured at fair value						
Land and buildings	-	-	-	-	7,071,739	6,738,274
Buildings on leasehold land	-	-	-	-	5,374,601	5,054,947
Investment property	-	-	-	-	1,626,196	1,573,798

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated re-development requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

12. FINANCIAL INSTRUMENTS AND RELATED POLICIES

Accounting Policy

Financial instruments - initial recognition and subsequent measurement

12.1 Financial Assets

Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Group's financial assets include cash and short-term deposits, trade and other receivables, amounts due from related parties, loans and other receivables and quoted and unquoted financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories.

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss



Notes to the Financial Statements (contd.)

Debt instruments

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables and short term investments.

Financial assets at fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

Equity Instruments

Financial assets designated at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.



Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

From 1st April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

12.2 Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

De-recognition

A financial liability is de-recognised 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 the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

12.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

12.4 Derivative Financial Instruments and Hedge Accounting - Initial Recognition and Subsequent Measurement

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the Fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation



Notes to the Financial Statements (contd.)

Foreign exchange forward contracts

Foreign exchange forward contracts are fair valued at each reporting date. Gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

12.5 Financial Assets and Liabilities by Categories

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9

Financial assets by categories	Group				Company			
	Financial assets at amortised cost		Financial assets at fair value through OCI		Financial assets at amortised cost		Financial assets at fair value through OCI	
As at 31st March	2019	2018	2019	2018	2019	2018	2019	2018
In Rs. '000								
Financial instruments in non-current assets								
Non-current financial assets	4,208	5,869	179,759	179,763	-	-	5	9
Financial instruments in current assets								
Trade and other receivables	1,139,121	959,581	-	-	-	-	-	-
Amounts due from related parties	129,805	100,072	-	-	5,398	647	-	-
Short term investments	1,523,651	3,225,312	-	-	385,516	1,055,378	-	-
Cash in hand and at bank	729,673	940,599	-	-	17,431	51,790	-	-
Total	3,526,458	5,231,433	179,759	179,763	408,345	1,107,815	5	9

Both carrying amount and fair value are equal of financial assets at fair value through OCI.

The fair value of loans and receivables does not significantly vary from the value based on the amortised cost methodology.

Financial liabilities by categories	Group		Company	
	Financial liabilities measured at amortised cost		Financial liabilities measured at amortised cost	
As at 31st March	2019	2018	2019	2018
In Rs. '000				
Financial instruments in non-current liabilities				
Borrowings	3,207,504	2,764,218	-	-
Financial instruments in current liabilities				
Trade and other payables	761,245	722,525	14,326	14,818
Amounts due to related parties	144,654	128,412	6,108	2,069
Borrowings	979,403	1,220,753	-	-
Bank overdrafts	1,268,308	259,175	386,806	13
Total	6,361,114	5,095,083	407,240	16,900



The fair value of financial liabilities does not significantly vary from the value based on the amortised cost methodology.

The management assessed that the fair value of cash and short-term investments, trade and other receivables, trade and other payables, amount due from related parties, amount due to related parties and bank overdrafts approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

Fair value of quoted equities and bonds is based on price quotations in an active market at the reporting date.

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of the unquoted ordinary shares has been estimated using a Discounted Cash Flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

**Accounting judgements, estimates and assumptions
Fair value of financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgment is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting Policy

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Services transferred over time

Under SLFRS 15, the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

13.1 Disaggregation of Revenue

The Group presented disaggregated revenue with Group's reportable segments based on timing of revenue recognition and geographical region in the operating segment information section.

13.2 Reconciliation of Revenue

Reconciliation between Revenue from contracts with customers and revenue information that is disclosed for each reportable segment has been provided in the operating segment information section.

13.3 Contract Balances

Contract liabilities

Contract liabilities are Group's obligation to transfer goods or services to a customer for which the group has received consideration (or the amount is due) from the customer. Contract liabilities include short-term advances received to render certain services. Contract liabilities of the Group have been disclosed in other current liabilities note.

13.4 Performance Obligations and Significant Judgements

The Group's performance obligations and significant judgements are summarised below:

The revenue for providing the services are usually recognised over the period of stay. The entity identifies the services under each contract as one performance obligation. The revenue is accounted based on the output method. Since revenue will be based on the final good or service provided, the output method will provide a faithful depiction in recognising revenue.

The Group applies the practical expedient and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the year ended 31st March 2019.



Notes to the Financial Statements (contd.)

13.5 Revenue from Contracts with Customers

For the Year Ended 31st March In Rs. '000s	Group	
	2019	2018
Gross revenue from contracts with customers	11,208,151	11,816,982
Less : Turnover tax	(175,436)	(202,606)
Net revenue	11,032,715	11,614,376

Value Added Tax and Goods & Services Tax of Rs. 1,648 Mn (2018 - Rs. 1,666 Mn) have been deducted in arriving at the gross revenue.

14. DIVIDEND INCOME

Accounting Policy

Dividend

Dividend income is recognised when the Group's right to receive the payment is established.

For the Year Ended 31st March In Rs. '000s	Company	
	2019	2018
Income from investments in subsidiaries	317,691	1,371,046
	317,691	1,371,046

15. OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

Accounting Policy

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

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

Other income and expenses

Other income and expenses are recognised on an accrual basis.

15.1 Other Operating Income

For the Year Ended 31st March In Rs. '000s	Note	Group		Company	
		2019	2018	2019	2018
Sundry income		16,320	29,826	761	1,981
Amortisation of grant received		1,382	1,556	-	-
Profit on sale of property, plant and equipment		-	48,024	-	-
Exchange gains		-	24,459	-	-
		17,702	103,865	761	1,981



15.2 Other Operating Expenses

For the Year Ended 31st March In Rs. '000s	Group		Company	
	2019	2018	2019	2018
Power and Energy	461,539	479,411	-	-
Maintenance and repair cost	178,550	239,212	-	-
Nation Building Tax	124,567	120,257	-	-
Operating fees	275,891	298,721	-	-
Loss on sale of property, plant and equipment	208,831	-	-	-
Exchange losses	97,122	-	-	-
Other overheads	77,145	81,205	108	536
	1,423,645	1,218,806	108	536

16. FINANCE INCOME AND FINANCE EXPENSE

Accounting Policy

Finance income

Finance income comprises interest income on funds invested, gains on the disposal of fair value though OCI financial assets.

Interest income is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Finance expense

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of fair value though OCI financial assets, impairment losses recognised on financial assets (other than trade receivables) that are recognised in the income statement.

Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

For the Year Ended 31st March In Rs. '000s	Group		Company	
	2019	2018	2019	2018
Finance income				
Interest income	190,262	283,494	45,450	137,979
	190,262	283,494	45,450	137,979
Finance expense				
Interest expenses on borrowings	251,103	255,519	8,556	2
	251,103	255,519	8,556	2
Net finance income/(expense)	(60,841)	27,975	36,894	137,977



Notes to the Financial Statements (contd.)

17. PROFIT BEFORE TAX

Expenditure recognition

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

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

For the Year Ended 31st March In Rs. '000s	Group		Company	
	2019	2018	2019	2018
Profit before tax is stated after charging all expenses including the following;				
Remuneration to Executive Directors	11,027	16,794	-	-
Remuneration to Non-Executive Directors	8,118	8,330	8,118	8,330
Auditors' remuneration				
Audit	13,664	13,089	1,332	1,250
Non-audit	4,730	6,438	570	549
Cost of defined employee benefits				
Defined benefit plan cost	37,757	38,199	-	-
Defined contribution plan cost (EPF and ETF)	79,484	77,264	-	-
Other long term employee benefits cost	8,758	-	-	-
Staff expenses	1,956,608	1,979,065	-	-
Share based payments	9,057	11,422	-	-
Depreciation of property, plant and equipment	982,156	1,131,849	-	-
Donations	10,604	10,697	-	-
Amortisation of lease rentals paid in advance	441,654	401,474	-	-
(Reversal)/impairment of bad and doubtful debts	(43,528)	50,714	-	-
(Reversal)/provision for slow moving inventories	411	1,147	-	-
(Profit)/loss on disposal of property, plant and equipment	208,831	(48,024)	-	-
Operating lease payments	223,718	275,748	-	-
Sublease payments	305,053	278,212	-	-
Business expansion expenses	1,461	1,181	1,461	1,181

18. TAXES

Accounting Policy

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income shall be recognised in other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Management has used its judgement on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.



The Group has complied with the arm's length principles relating to transfer pricing as prescribed in the Inland Revenue Act, and has complied with the related Gazette notification issued by Ministry of Finance.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

No deferred tax asset or liability has been recognised in the companies which are enjoying the Board of Investment (BOI) Tax Holiday period, if there are no qualifying assets or liabilities beyond the tax holiday period.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of an assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.



Notes to the Financial Statements (contd.)

18.1 Tax Expense

For the Year Ended 31st March		Group		Company	
In Rs. '000s	Note	2019	2018	2019	2018
Current income tax					
Current tax charge	18.6	175,961	218,528	3,217	39,189
Under/(over) provision of current tax in respect of previous years		(17,815)	(16,916)	2,211	(97)
Irrecoverable Economic Service Charge		8,842	-	-	-
Withholding tax on inter company dividends - 14% (2018 - 10%)		82,447	23,648	-	-
Deferred income tax					
Relating to origination and reversal of temporary differences	18.2	(1,345)	(5,144)	-	-
Tax expense reported		248,090	220,116	5,428	39,092

18.2 Deferred Tax Expense

For the Year Ended 31st March		Group	
In Rs. '000s		2019	2018
Income statement			
Deferred tax arising from			
Accelerated depreciation for tax purposes		(54,227)	28,379
Revaluation of investment property to fair value		5,240	-
Benefit/ (reversal) arising from tax losses		48,448	(30,793)
Employee benefits liability		(806)	(2,730)
		(1,345)	(5,144)
Other comprehensive income			
Deferred tax arising from			
Employee benefits liability		533	102
Revaluation of land and building to fair value		67,353	386,041
		67,886	386,143
Total deferred tax charge		66,541	380,999

Deferred Tax has been computed at the following rates:

Subsidiary companies in Sri Lanka engaged in promotion of tourism - 14%.

Subsidiary companies in Maldives - 15%.

Other companies - 28%

18.3 Income Tax Recoverable

As at 31st March		Group		Company	
In Rs. '000s		2019	2018	2019	2018
Balance at the beginning of the year		221,757	139,046	5,175	8,276
Arising/(utilised) during the year		(105,731)	82,711	(5,175)	(3,101)
Balance at the end of the year		116,026	221,757	-	5,175



18.4 Income Tax Liabilities

As at 31st March In Rs. '000s	Group		Company	
	2019	2018	2019	2018
Balance at the beginning of the year	282,416	109,218	51,437	37,657
Charge for the year	175,961	218,528	3,217	39,189
Effect of movements in exchange rates	(50,663)	2,282	-	-
Payments, set off against refunds and tax credits	(240,325)	(47,612)	(24,280)	(25,409)
Balance at the end of the year	167,389	282,416	30,374	51,437

18.5 Deferred Tax Assets and Liabilities

As at 31st March In Rs. '000s	Group			
	Assets		Liabilities	
	2019	2018	2019	2018
Balance at the beginning of the year	93,833	76,804	659,227	262,936
Transferred from/to deferred tax liabilities	(119)	119	(119)	119
Effect of movements in exchange rates	13,128	2,247	1,932	510
Charge/(release)	33,785	14,663	100,326	395,662
Balance at the end of the year	140,627	93,833	761,366	659,227
The closing deferred tax asset and liability balances relates to the following:				
Accelerated depreciation for tax purposes	140,627	87,241	329,982	294,637
Impact on revaluation of property, plant and equipment	-	-	517,536	483,896
Revaluation of investment property to fair value	-	-	5,240	-
Employee benefits liability	-	-	(24,737)	(20,787)
Losses available for off-set against future taxable income	-	6,592	(66,655)	(98,519)
	140,627	93,833	761,366	659,227

Accounting judgements, estimates and assumptions

The Group is subject to income tax and other taxes including VAT. Significant judgement was required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

The Group has tax losses relate to subsidiaries that have a history of losses that do not expire and may not be used to offset other tax liabilities and where the subsidiaries have no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

The Group has contingent liabilities amounting to Rs. 50.2 Mn (2018 - Rs. 15.8 Mn). These have been arrived at after discussing with independent and legal tax experts and based on information available. All assumptions are revisited as the reporting date.

Further details on contingent liabilities are disclosed in note 44 in the financial statements.



Notes to the Financial Statements (contd.)

18.6 Reconciliation Between Current Tax Charge and the Accounting Profit

For the Year Ended 31st March In Rs. '000s	Group		Company	
	2019	2018	2019	2018
Profit before tax	1,079,785	1,350,714	329,895	1,483,585
Dividend income from Group companies	317,691	1,371,046	-	-
Share of results of equity accounted investees	1,169	(881)	-	-
Other consolidation adjustments	9,283	4,952	-	-
Profit after adjustments	1,407,928	2,725,831	329,895	1,483,585
Dividend not subjected to income tax	(317,691)	(1,371,046)	(317,691)	(1,371,046)
Income exempt from income tax	(174,340)	(163,499)	-	-
Adjusted accounting profit chargeable to income taxes	915,897	1,191,286	12,204	112,539
Disallowable expenses	2,200,469	2,003,628	-	-
Allowable expenses	(1,810,062)	(1,874,025)	(715)	-
Utilisation of tax losses	(423,932)	(150,238)	-	-
Tax losses not utilised in the current financial year	222,022	201,592	-	27,422
Taxable income	1,104,394	1,372,243	11,489	139,961
Current tax charged at				
Standard rate of 28% (2018 - 28%)	25,669	54,122	3,217	39,189
Income tax charged at 15% (2018 - 15%)	108,567	103,326	-	-
Concessionary rate of 14% (2018 - 12%)	41,725	61,080	-	-
Current tax charge	175,961	218,528	3,217	39,189

18.7 Reconciliation Between Tax Expense and the Product of Accounting Profit

For the Year Ended 31st March In Rs. '000s	Group		Company	
	2019	2018	2019	2018
Adjusted accounting profit chargeable to income tax	915,897	1,191,286	12,204	112,539
Tax effect on chargeable profits	145,012	202,292	3,417	31,511
Tax effect on non deductible expenses	42,742	17,561	-	-
Tax effect on deductions claimed	(1,779)	(42,224)	(200)	-
Net tax effect of unrecognised deferred tax assets for the year	2,317	8,768	-	7,678
Net tax effect of deferred tax assets in respect of previous year	-	-	-	-
Tax Effect of transfers	(104)	(6)	-	-
Deferred tax due to rate differentials	(9,799)	23,220	-	-
Deferred tax on assets with WDV as at the end of the tax holiday period	(3,773)	3,773	-	-
Under/(over) provisions of current tax in respect of prior years	(17,815)	(16,916)	2,211	(97)
Other income based taxes				
Irrecoverable Economic Service Charge	8,842	-	-	-
Withholding tax on inter company dividends - 14% (2018 - 10%)	82,447	23,648	-	-
Total tax expense	248,090	220,116	5,428	39,092

The Group tax is based on the taxable profit of individual companies within the Group. At present the Tax Laws of Sri Lanka and Maldives do not provide for Group taxation.



18.8 Tax Losses Carried Forward

For the Year Ended 31st March In Rs. '000s	Group	
	2019	2018
Tax losses brought forward	1,879,208	2,036,071
Adjustments on finalisation of liability	125,751	(18,064)
Tax losses arising during the year	218,776	11,439
Utilisation of tax losses	(423,932)	(150,238)
	1,799,803	1,879,208

18.9 Applicable Rates of Income Tax

Income Tax rates of Sri Lankan Companies

Companies which undertake promotion of tourism in Sri Lanka are liable to tax at the rate of 14% (2018 - 12%) of such income. Other Income is taxed at the rate of 28%. The following Companies enjoy a full or partial exemption and concessions under the law of Board of Investment (BOI).

- Profits and income of Trinco Holiday Resorts (Pvt) Ltd are exempt from tax for a period of 10 years commencing from the year in which the company commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operation whichever is earlier. The BOI exemption period has commenced from the year 2011/12.
- Profits and income of Beruwala Holiday Resorts (Pvt) Ltd are exempt from tax for a period of 8 years commencing from the year in which the company commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operation whichever is earlier. The BOI exemption period has commenced from the year 2014/15.

Income Tax rates of off-shore Companies

- The following subsidiaries based in the Republic of Maldives, are subject to Business Profit Tax of 15% with effect from 18th July 2011.
 - John Keells Maldivian Resorts (Pte) Ltd
 - Travel Club (Pte) Ltd
 - Fantasea World Investments (Pte) Ltd
 - Tranquility (Pte) Ltd

19. EARNINGS PER SHARE

Accounting Policy

Basic earnings per share (EPS) is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting outstanding share option scheme and warrants) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the year /previous year.

For the Year Ended 31st March	Group	
	2019	2018
Profit attributable to equity holders of the parent (In Rs. '000s)	816,810	1,118,951
Weighted average number of ordinary shares (In '000s)	1,456,147	1,456,147
Basic/diluted earnings per share (Rs.)	0.56	0.77



Notes to the Financial Statements (contd.)

20. DIVIDENDS PER SHARE

For the Year Ended 31st March	Company	
	2019	2018
Equity dividend on ordinary shares declared and paid during the year (In Rs. '000s)	218,422	582,459
Weighted average number of ordinary shares (In '000s)	1,456,147	1,456,147
Dividend per share (Rs.)	0.15	0.40

21. PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Basis of recognition

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

Basis of measurement

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group de-recognises the replaced part, and recognises the new part with its own associated useful life and depreciation. All other repair and maintenance costs are recognised in the income statement as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Group has adopted a guideline of revaluing assets by a professional valuer at least once in every five years.

De-recognition

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

Depreciation

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.



The estimated useful life of assets is as follows:

Assets	Years
Buildings on leasehold land	Estimated lease period
Buildings on freehold land	up to 60
Plant and machinery	03 - 10
Equipment	05 - 08
Furniture and fittings	05 - 08
Motor vehicles	05
Computer equipment	05
Cutlery, crockery and glassware and linen	03
Marine vessels	04 - 05

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Impairment of property plant and equipment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve through the statement of other comprehensive income to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



Notes to the Financial Statements (contd.)

21.1 Property, Plant and Equipment

As at 31st March	Land and buildings	Buildings on leasehold land	Plant and machinery	Equipment
In Rs. '000s				
Group				
Cost or valuation				
At the beginning of the year	6,874,658	6,733,673	1,485,595	1,854,168
Additions	43,301	85,441	59,448	178,324
Disposals	(51,284)	(427,354)	(91,915)	(143,913)
Revaluations	414,726	88,297	-	-
Transfers	-	388,076	54,742	12,621
Effect of movements in exchange rates	-	499,527	93,896	69,247
Transfer to investment properties	-	-	-	-
Transfers on revaluation	(57,879)	(99,805)	-	-
At the end of the year	7,223,522	7,267,855	1,601,766	1,970,447
Accumulated depreciation				
At the beginning of the year	136,384	1,678,726	896,839	1,110,669
Charge for the year	73,278	309,516	131,765	234,856
Disposals	-	(250,516)	(104,036)	(103,883)
Effect of movements in exchange rates	-	255,333	68,480	54,081
Transfers on revaluation	(57,879)	(99,805)	-	-
At the end of the year	151,783	1,893,254	993,048	1,295,723
Carrying value				
As at 31st March 2019	7,071,739	5,374,601	608,718	674,724
As at 31st March 2018	6,738,274	5,054,947	588,756	743,499
Carrying value of assets				
At cost				
At valuation				
Carrying value of land and buildings				
At cost				
At valuation				



	Furniture and fittings	Motor vehicles	Computer equipment	Cutlery, crockery glassware and linen	Capital work in progress	Total	Total
						2019	2018
	1,156,801	119,622	222,026	224,897	330,713	19,002,153	18,878,573
	113,851	16,919	22,345	70,627	3,327,071	3,917,327	1,525,967
	(130,964)	(10,437)	(10,704)	(72,865)	-	(939,436)	(674,595)
	-	-	-	-	-	503,023	951,480
	68,291	-	-	-	(523,730)	-	-
	56,936	9,998	12,313	8,791	25,413	776,121	82,785
	-	-	-	-	-	-	(1,573,798)
	-	-	-	-	-	(157,684)	(188,259)
	1,264,915	136,102	245,980	231,450	3,159,467	23,101,504	19,002,153
	727,876	76,563	147,490	144,012	-	4,918,559	4,523,878
	136,549	15,531	30,712	49,949	-	982,156	1,131,849
	(110,694)	(6,307)	(8,092)	(56,608)	-	(640,136)	(613,203)
	33,352	6,676	10,679	6,854	-	435,455	64,294
	-	-	-	-	-	(157,684)	(188,259)
	787,083	92,463	180,789	144,207	-	5,538,350	4,918,559
	477,832	43,639	65,191	87,243	3,159,467	17,563,154	
	428,925	43,059	74,536	80,885	330,713		14,083,594
						7,790,393	4,662,473
						9,772,761	9,421,121
						17,563,154	14,083,594
						2,673,579	2,372,100
						9,772,761	9,421,121
						12,446,340	11,793,221



Notes to the Financial Statements (contd.)

21.2 Revaluation of Land and Buildings

Accounting judgements, estimates and assumptions

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties.

Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The date of the most recent revaluation was on 31st December 2018.

The changes in fair value recognised in other comprehensive income and in the statement of changes in equity. The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

The details of Property, Plant & Equipment of the Group which are stated at valuation are indicated below.

Property	Method of Valuation	Effective date of valuation	Property Valuer	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
Land of					
Nuwara Eliya Holiday Resorts (Pvt) Ltd	Residual method / Direct capital comparison method	31st December 2018	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated occupancy rate 62.5% and estimated price per perch Rs. 640,000	Positively correlated sensitivity
Land and buildings of					
Beruwala Holiday Resorts (Pvt) Ltd	Depreciated replacement cost method / Direct capital comparison method	31st December 2018	Mr. P. B. Kalugalagedara Consultant Valuer & Assessor	Estimated price per perch Rs. 750,000 - 950,000 and per square feet Rs. 3,000 - 10,500	Positively correlated sensitivity
Kandy Walk Inn Ltd	Depreciated replacement cost method / Open market value method	31st December 2018	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated price per perch Rs. 10,000 - 1,150,000 and per square feet Rs. 1,000 - 7,750	Positively correlated sensitivity
Trinco Holiday Resorts (Pvt) Ltd	Depreciated replacement cost method / Direct capital comparison method	31st December 2018	Mr. P. B. Kalugalagedara Consultant Valuer & Assessor	Estimated price per perch Rs. 300,000 and per square feet Rs. 1,000 - 6,500	Positively correlated sensitivity
Land, Buildings and Buildings on leasehold land of					
Ceylon Holiday Resorts Ltd	Depreciated replacement cost method / Open market value method	31st December 2018	Mr. P. B. Kalugalagedara Consultant Valuer & Assessor	Estimated price per perch Rs. 250,000 - 850,000 and per square feet Rs. 1,800 - 3,500	Positively correlated sensitivity
Habarana Lodge Ltd	Depreciated replacement cost method	31st December 2018	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated price per square feet Rs. 500 - 10,000	Positively correlated sensitivity
Habarana Walk Inn Ltd	Depreciated replacement cost method	31st December 2018	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated price per square feet Rs. 2,000 - 6,850	Positively correlated sensitivity
Hikkaduwa Holiday Resorts (Pvt) Ltd	Depreciated replacement cost method / Direct capital comparison method	31st December 2018	Mr. P. B. Kalugalagedara Consultant Valuer & Assessor	Estimated price per perch Rs. 800,000 and per square feet Rs. 2,500 - 5,400	Positively correlated sensitivity
Yala Village (Pvt) Ltd	Depreciated replacement cost method	31st December 2018	Mr. P. B. Kalugalagedara Consultant Valuer & Assessor	Estimated price per square feet Rs. 2,500 - 7,500	Positively correlated sensitivity



Summary description of valuation methodologies

Open market value method

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

Depreciated replacement cost method

Depreciated replacement cost uses the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Direct capital comparison method

This method may be adopted when the rental value is not available from the property concerned, but there are evidences of sale price of properties as a whole. In such cases, the capitalised value of the property is fixed by direct comparison with capitalised value of similar property in the locality.

21.3 The carrying amounts of fair valued land and buildings if they were carried at cost less depreciation, would be as follows.

As at 31st March In Rs. '000s	Group	
	2019	2018
Cost	6,954,126	6,437,308
Accumulated depreciation and impairment	(1,061,558)	(945,656)
Carrying value	5,892,568	5,491,652

21.4 Segmental Analysis of Net Book Value of Property, Plant and Equipment

As at 31st March In Rs. '000s	Group	
	2019	2018
Sri Lanka	11,761,296	10,690,903
Maldives	5,801,858	3,392,691
	17,563,154	14,083,594

21.5 Group land and buildings with a carrying value of Rs. 3.5 Bn (2018 - Rs. 4.8 Bn) have been pledged as security for term loans obtained, details of which are disclosed in Note 36.2.

21.6 Group property, plant and equipment with a cost of Rs. 1,243 Mn (2018 - Rs. 873 Mn) have been fully depreciated and continue to be in use by the Group.

22. LEASES

Accounting Policy

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1st April 2011, the date of inception is deemed to be 1st April 2012 in accordance with the SLFRS 1.

Lease rentals paid in advance

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term and assessed for impairment whenever there is an indication that the asset may be impaired.



Notes to the Financial Statements (contd.)

22.1 Lease Rentals Paid in Advance

As at 31st March In Rs. '000s	Group	
	2019	2018
Lease rentals paid in advance		
Balance at the beginning of the year	10,587,355	10,714,231
Amortisation during the year	(441,654)	(401,474)
Effect of movements in exchange rates	1,304,065	274,598
Balance at the end of the year	11,449,766	10,587,355

Prepaid lease rentals paid in advance to acquire land use rights have been classified as lease rentals paid in advance and are amortised over the lease term in accordance with the pattern of benefits provided.

22.2 Details of Lease Rentals Paid in Advance

As at 31st March

In Rs. '000s

Property	Land Extent (in Acres)	Lease Period	Group	
			2019	2018
Fantasea World Investments (Pte) Ltd Cinnamon Hakuraa Huraa Maldives	18.90	25 years lease extension from 27 August 2022	351,937	323,726
Hikkaduwa Holiday Resorts (Pvt) Ltd Hikka Tranz by Cinnamon	0.03	10 years from 01 January 2012	300	400
Tranquility (Pte) Ltd Cinnamon Dhonveli Maldives	17.16	35 years from 26 August 2010	9,784,447	9,027,806
Travel Club (Pte) Ltd Ellaidhoo Maldives by Cinnamon	13.80	24 years from 04 August 2006	1,260,483	1,179,785
Yala Village (Pvt) Ltd Cinnamon Wild Yala	11.25	30 years from 27 November 2006	52,599	55,638
			11,449,766	10,587,355

23. INVESTMENT PROPERTY

Accounting Policy

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Fair values are evaluated at least every 3 years by an accredited external, independent valuer.

Investment properties are de-recognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.



Transfers are made to or from investment property only when there is a change in use for a transfer from investment property to owner occupied property. The deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted using Group accounting policy for property, plant and equipment.

23.1 Investment Property

As at 31st March In Rs. '000s	Group	
	2019	2018
Carrying value		
At the beginning of the year	1,573,798	-
Transfer from property, plant & equipment	-	1,573,798
Change in fair value during the year	52,398	-
At the end of the year	1,626,196	1,573,798
Freehold property	1,626,196	1,573,798
	1,626,196	1,573,798
Rental income earned	-	-
Direct operating expenses incurred	-	-

Accounting judgements, estimates and assumptions

Fair value of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar location and category. Investment property is appraised in accordance with LKAS 40, SLFRS 13 and the 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC) by the independent valuers. In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values. The changes in fair value are recognised in the income statement.



Notes to the Financial Statements (contd.)

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

Property	Method of Valuation	Effective date of valuation	Property Valuer of Valuation	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
Land of					
Ahungalla Holiday Resorts (Pvt) Ltd	Direct capital comparison method	31st December 2018	Mr. Sunil Fernando Chartered Valuation Surveyors	Estimated price per perch Rs. 235,000 - 385,000	Positively correlated sensitivity
Resort Hotels Ltd	Direct capital comparison method	31st December 2018	Mr. Sunil Fernando Chartered Valuation Surveyors	Estimated price per perch Rs. 100,000 - 250,000	Positively correlated sensitivity
Trinco Walk Inn Ltd	Direct capital comparison method	31st December 2018	Mr. Sunil Fernando Chartered Valuation Surveyors	Estimated price per perch Rs. 115,000 - 300,000	Positively correlated sensitivity
Wirawila Walk Inn Ltd	Direct capital comparison method	31st December 2018	Mr. Sunil Fernando Chartered Valuation Surveyors	Estimated price per perch Rs. 21,875	Positively correlated sensitivity

Summary description of valuation methodologies can be found in property plant and equipment note no 21.2.

24. INTANGIBLE ASSETS

Accounting Policy

Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged to income statement in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives such as Goodwill are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.



24.1 Intangible Assets

As at 31st March In Rs. '000s	Group	
	2019	2018
Goodwill		
Cost		
At the beginning of the year	670,407	670,407
Adjustments on impairment	-	-
At the end of the year	670,407	670,407

Goodwill acquired through Business Combinations has been allocated to Cinnamon Resorts for impairment testing.

As at 31st March In Rs. '000s	Net Carrying Value of Goodwill	
	2019	2018
Cinnamon resorts	670,407	670,407
	670,407	670,407

The recoverable amounts of all CGUs have been determined based on the Fair Value Less Cost to Sell or Value In Use (VIU) calculation.

Accounting judgements, estimates and assumptions

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

Gross Margins

The basis used to determine the value assigned to the budgeted gross margins, is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation is the inflation rate based on projected economic conditions.

Discount Rate

The discount rate used is the risk free pre-tax discount rate, adjusted by the addition of an appropriate risk premium.

Volume Growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on industry growth rates.

Cash flows beyond the five year period has been extrapolated using a zero growth rate.



Notes to the Financial Statements (contd.)

25. INVESTMENTS IN SUBSIDIARIES

Accounting Policy

Investment In subsidiaries are initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries are immediately recognised in the income statement. Following initial recognition, investment in subsidiaries are carried at cost less any accumulated impairment losses.

25.1 Carrying Value

As at 31st March	Note	Group		Company	
		2019	2018	2019	2018
Investments in subsidiaries - Unquoted	25.2	-	-	12,208,992	11,438,036
		-	-	12,208,992	11,438,036

25.2 Investments in Subsidiaries - Unquoted

As at 31st March	Group		Company		Cost (Rs. '000)	
	Effective Holding 2019	Effective Holding 2018	Effective Holding 2019	Effective Holding 2018	2019	2018
Ceylon Holiday Resorts Ltd*	99.31%	99.09%	99.31%	99.09%	2,685,922	1,869,016
Habarana Lodge Ltd	98.35%	98.35%	98.35%	98.35%	695,084	695,084
International Tourists and Hoteliers Ltd	99.33%	99.33%	99.33%	99.33%	2,094,401	2,094,401
Kandy Walk Inn Ltd	98.39%	98.39%	98.39%	98.39%	408,998	408,998
Habarana Walk Inn Ltd	98.77%	98.77%	98.77%	98.77%	311,851	311,851
John Keells Maldivian Resorts (Pte) Ltd	100.00%	100.00%	100.00%	100.00%	4,739,853	4,739,853
Rajawella Hotels Co. Ltd	100.00%	100.00%	100.00%	100.00%	35,412	35,112
Trinco Walk Inn Ltd	100.00%	100.00%	100.00%	100.00%	95,940	95,940
Wirawila Walk Inn Ltd	100.00%	100.00%	100.00%	100.00%	27,089	26,159
Yala Village (Pvt) Ltd	93.78%	93.78%	93.78%	93.78%	300,678	300,678
Trinco Holiday Resorts (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	357,000	357,000
Ahungalla Holiday Resorts (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	133,490	133,150
Nuwara Eliya Holiday Resorts (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	323,074	320,344
Cinnamon Holidays (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	200	200
Resort Hotels Ltd	99.31%	99.09%	-	16.54%	-	250
Tranquility (Pte) Ltd	100.00%	100.00%	-	-	-	-
Travel Club (Pte) Ltd	100.00%	100.00%	-	-	-	-
Fantasea World Investments (Pte) Ltd	100.00%	100.00%	-	-	-	-
Beruwala Holiday Resorts (Pvt) Ltd	99.33%	99.33%	-	-	-	-
Hikkaduwa Holiday Resorts (Pvt) Ltd	99.31%	99.09%	-	-	-	-
15% Cumulative preference shares						
Yala Village (Pvt) Ltd	-	100.00%	-	100.00%	-	50,000
Total investments in subsidiaries					12,208,992	11,438,036

* The Company increased its shareholdings in Ceylon Holiday Resorts Ltd from 99.09% to 99.31% with an investment of Rs. 817 Mn by subscribing to the rights issue in May 2018.

25.3 Material Partly-owned Subsidiaries

The Group has concluded that non-controlling interest is not material in aggregate and individually for disclosure purpose.



26. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

Accounting Policy

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint venture entered into by the Group, which has been accounted for using the equity method, is

Name	Country of incorporation
Sentinel Realty (Pvt) Ltd	Sri Lanka

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Associate company incorporated in Sri Lanka of the Group which has been accounted for under the equity method of accounting is:

Name	Country of incorporation
Indra Hotels and Resorts Kandy (Pvt) Ltd	Sri Lanka

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The Income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The share of profit or loss of an associate or a joint venture is shown on the face of income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of result of equity accounted investees' in the income statement.

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.



Notes to the Financial Statements (contd.)

The accounting policies of associate company and joint venture conform to those used for similar transactions of the Group.

Equity method of accounting has been applied for associate and joint venture using their corresponding/matching 12 month financial period.

Investments in equity accounted investees

26.1 Carrying Value

As at 31st March In Rs. '000s	Note	Group		Company	
		2019	2018	2019	2018
Investments in joint venture - Unquoted	26.2	74,655	75,077	66,237	66,237
Investments in associate - Unquoted	26.2	421,947	-	420,560	-
Total Investments in equity accounted investees		496,602	75,077	486,797	66,237

26.2 Investments in Joint Venture and Associate - Unquoted

As at 31st March In Rs. '000s		Effective Holding Company/Group		Company	
		2019	2018	2019	2018
Investments in joint venture - Unquoted					
Sentinel Realty (Pvt) Ltd		50.00%	50.00%	66,237	66,237
Total investments in joint venture				66,237	66,237
Investments in associate - Unquoted					
Indra Hotels and Resorts Kandy (Pvt) Ltd		40.00%	-	420,560	-
Total investments in associate				420,560	-
				486,797	66,237

26.3 Summarised Financial Information of Equity Accounted Investees

For the Year Ended 31st March In Rs. '000s	Sentinel Realty (Pvt) Ltd		Indra Hotels and Resorts Kandy (Pvt) Ltd		Total	
	2019	2018	2019	2018	2019	2018
Group share of;						
Revenue	136	15	-	-	136	15
Operating expenses	(1,062)	(896)	(27)	-	(1,089)	(896)
Net finance income	10	-	1,954	-	1,964	-
Changes in fair value of investment property	775	-	-	-	775	-
Tax expenses	(78)	-	(539)	-	(617)	-
Share of results of equity accounted investees	(219)	(881)	1,388	-	1,169	(881)
Other comprehensive income	(204)	4,010	-	-	(204)	4,010
Group share of;						
Total assets	77,319	75,921	422,425	-	499,744	75,921
Total liabilities	(2,664)	(844)	(478)	-	(3,142)	(844)
Net assets	74,655	75,077	421,947	-	496,602	75,077

The share of results of equity accounted investees in Income Statement and Other Comprehensive Statement are shown net of all related taxes.

The Group and the Company have neither contingent liabilities nor capital and other commitments in respect of its joint venture and associate.



27. NON-CURRENT FINANCIAL ASSETS

As at 31st March		Group		Company	
In Rs. '000s	Note	2019	2018	2019	2018
Outside Investments					
Quoted					
Ceylon Hotels Corporation PLC		5	9	5	9
Unquoted					
Rainforest Ecolodge (Pvt) Ltd		18,347	18,347	-	-
Sri Lanka Hotel Tourism Training Institute Ltd		50	50	-	-
Rajawella Holdings Ltd		161,357	161,357	-	-
		179,754	179,754	-	-
Loans to executives	27.1	4,208	5,869	-	-
Total other non current financial assets		183,967	185,632	5	9

Carrying value of the investment in Rajawella Holdings Ltd would remain as last year since the fair value of the investment cannot be reliably measured as the underlying investee company is in its development stage.

27.1 Loans to executives

As at 31st March		Group	
In Rs. '000s		2019	2018
At the beginning of the year		7,666	6,387
Loans granted/transfers		2,158	3,873
Recoveries		(4,479)	(2,594)
At the end of the year		5,345	7,666
Receivable within one year		1,137	1,797
Receivable between one and five years		4,208	5,869
		5,345	7,666

28. OTHER NON-CURRENT ASSETS

As at 31st March		Group	
In Rs. '000s		2019	2018
Prepaid staff loans		980	1,213
		980	1,213



Notes to the Financial Statements (contd.)

29. INVENTORIES

Accounting Policy

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

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

Food and Beverage	- On a weighted average basis
House Keeping and Maintenance	- On a weighted average basis
Other inventories	- At actual cost

29.1 Inventories

As at 31st March In Rs. '000s	Group	
	2019	2018
Food and beverage	88,510	90,916
House keeping and maintenance	94,613	82,648
Others	3,428	3,629
	186,551	177,193
Less : Provision for slow moving inventories	(7,336)	(6,925)
	179,215	170,268

There were no inventories pledged as security for borrowings as at 31st March 2019. (as at 31st March 2018 - Nil)

30. TRADE AND OTHER RECEIVABLES

Receivables represent the Group's right to an amount of consideration that is unconditional. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

As at 31st March In Rs. '000s	Note	Group	
		2019	2018
Trade receivables		1,091,274	985,699
Provision for expected credit loss	30.1	(51,900)	(95,428)
Other receivables		98,610	67,513
Loans to executives	27.1	1,137	1,797
		1,139,121	959,581

Please refer credit risk note (Note 10.1.3) for age analysis of trade and other receivables.

30.1 Movement of Provision for Expected Credit Loss

	Group
	Expected credit loss
As at 31st March 2018	95,428
Charge/(reversal) for the year	(43,528)
As at 31st March 2019	51,900



31. OTHER CURRENT ASSETS

As at 31st March In Rs. '000s	Group		Company	
	2019	2018	2019	2018
Prepayments and non cash receivables	1,060,612	185,738	2,188	1,558
Tax recoverable	240,665	161,604	1,619	13,798
	1,301,277	347,342	3,807	15,356

32. SHORT TERM INVESTMENTS

Accounting Policy

Cash and cash equivalents in the statement of cash flows comprise cash at banks and on 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.

As at 31st March In Rs. '000s	Group		Company	
	2019	2018	2019	2018
Bank deposits (Less than 3 months) reported for cash flow	1,371,109	2,618,275	385,516	1,055,378
Bank deposits (more than 3 months and less than 1 year)	152,542	607,037	-	-
Total short term investments	1,523,651	3,225,312	385,516	1,055,378

33. STATED CAPITAL

Accounting Policy

The ordinary shares of John Keells Hotels PLC are quoted in the Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are eligible for one vote per share at General Meetings of the Company. The Group has in place an Employee Share Option Plan. Please refer note 35 for further details.

As at 31st March	2019		2018	
	Number of shares '000s	Value of shares in Rs. '000s	Number of shares '000s	Value of shares in Rs. '000s
STATED CAPITAL				
Fully paid ordinary shares				
At the beginning of the year	1,456,147	9,500,247	1,456,147	9,500,247
Issue of shares	-	-	-	-
At the end of the year	1,456,147	9,500,247	1,456,147	9,500,247



Notes to the Financial Statements (contd.)

34. OTHER COMPONENTS OF EQUITY

As at 31st March		Group		Company	
In Rs. '000s	Note	2019	2018	2019	2018
Revaluation reserve	34.1	4,842,272	4,411,240	-	-
Foreign currency translation reserve	34.2	4,668,858	3,177,876	-	-
Fair value reserve of financial assets at FVOCI	34.3	(8)	(4)	(8)	(4)
Employee share option plan reserve	34.4	53,071	44,066	-	-
		9,564,193	7,633,178	(8)	(4)

34.1 Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment.

34.2 Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of foreign operation into Sri Lankan rupees.

34.3 Fair value reserve of financial assets at FVOCI includes changes of fair value of equity instruments.

34.4 Employee share option plan reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

35. SHARE-BASED PAYMENT PLANS

Accounting Policy

Employee share option plan

Employees of the Company and its subsidiaries are eligible to participate in employee share option schemes of John Keells Holdings PLC (Ultimate parent). Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transaction).

The Group applies SLFRS 2 Share Based Payments in accounting for employee remuneration in the form of shares from 2013/14 financial year onwards.

Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.



Employee Share Option Scheme

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

The contractual term for each option granted is five years. There are no cash settlement alternatives.

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

For the year ended 31st March In Rs. '000s	Group	
	2019	2018
Expense arising from equity-settled share-based payment transactions	9,057	11,422
Total expense arising from share-based payment transactions	9,057	11,422

Movements in the year

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

As at 31st March	Group			
	2019		2018	
	No.	WAEP	No.	WAEP
Outstanding at 1st April	878,181	163.96	659,101	160.87
Granted during the year	141,963	138.69	212,224	173.25
Transfer in / (out)	107,488	143.45	29,733	161.59
Forfeited during the year	(245,104)	191.65	(22,877)	145.88
Adjustment during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31st March	882,528	158.61	878,181	163.96
Exercisable at 31st March	468,414	158.80	388,078	169.20

Accounting judgements, estimates and assumptions

The fair value of the share options is estimated at the grant date using most appropriate valuation 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 (contd.)

36. INTEREST BEARING BORROWINGS

36.1 Movement

As at 31st March In Rs. '000s	Group	
	2019	2018
Balance at the beginning of the year	3,984,971	3,656,558
Cash Movement		
Loans obtained during the year	1,125,099	2,834,971
Repayments during the year	(1,281,475)	(2,581,145)
Non Cash Movement		
Currency translation difference	358,312	74,587
Balance at the end of the year	4,186,907	3,984,971
Analysed by repayment period		
Repayable within one year	979,403	1,220,753
Repayable after one year		
Repayable between one and five years	3,207,504	2,635,600
Repayable after five years	-	128,618
	3,207,504	2,764,218
	4,186,907	3,984,971



36.2 Security and Repayment Terms of Borrowings

As at 31st March In Rs. '000s	Interest Rate	Repayment terms	Carrying value of collaterals	2019	2018
Beruwala Holiday Resorts (Pvt) Ltd	1 month SLIBOR based plus margin	74 monthly instalments commencing from April 2013	Rs. 3,395 Mn primary floating mortgage bond over hotel property	49,683	309,684
	1 month LIBOR based plus margin	20 quarterly instalments commencing from March 2018	-	180,933	169,346
	1 month COF based plus margin	20 quarterly instalments	-	-	49,375
	6 months LIBOR based plus margin	20 quarterly instalments commencing from July 2013	Corporate guarantee of John Keells Hotels PLC of USD 2Mn	-	15,590
Fantasea World Investments (Pte) Ltd	3 months LIBOR based plus margin	22 quarterly instalments after 18 months grace period commencing from December 2018	Leasehold rights of Island of Cinnamon Hakuraa Huraa Maldives	945,676	-
Habarana Lodge Ltd	1 months LIBOR based plus margin	8 quarterly instalments commencing from May 2018	-	31,581	46,770
	6 months LIBOR based plus margin	20 quarterly instalments commencing from July 2013	Corporate guarantee of John Keells Hotels PLC of USD 2Mn	-	15,590
Hikkaduwa Holiday Resorts (Pvt) Ltd	AWPLR	66 monthly instalments commencing from November 2013	Primary mortgage over lease rights of Rs. 940 Mn and Rs. 60 Mn over movable property and plant and equipment	11,828	208,494
	1 months LIBOR based plus margin	8 quarterly instalments commencing from May 2018	-	135,097	-
	6 months LIBOR based plus margin	20 quarterly instalments commencing from October 2013	Corporate guarantee of John Keells Hotels PLC for the Rupee equivalent of USD 4Mn	-	62,360
Tranquility (Pte) Ltd	3 months LIBOR based plus margin	20 quarterly instalments commencing from July 2018	Leasehold right on the Island of Kanuoiy Huraa in Kaafu (Malè)	2,460,686	2,572,350
Travel Club (Pte) Ltd	1 months LIBOR based plus margin	12 quarterly instalments commencing from September 2017	-	146,208	233,850



Notes to the Financial Statements (contd.)

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As at 31st March In Rs. '000s	Interest Rate	Repayment terms	Carrying value of collaterals	2019	2018
Trinco Holiday Resorts (Pvt) Ltd	6 months LIBOR based plus margin	20 quarterly instalments commencing from April 2014	Corporate guarantee of John Keells Hotels PLC for the Rupee equivalent of USD 1.158 Mn	-	36,107
	AWPLR based plus margin	83 monthly instalments commencing from July 2014	Letter of comfort of John Keells Hotels PLC	165,000	188,000
	1 months LIBOR based plus margin	6 quarterly instalments commencing from May 2018	-	36,529	54,097
Yala Village (Pvt) Ltd	1 months LIBOR based plus margin	8 quarterly instalments commencing from May 2018	-	23,686	-
	6 months LIBOR based plus margin	20 quarterly instalments commencing from July 2013	Corporate guarantee of John Keells Hotels PLC of USD 1.5 Mn	-	11,691
	AWPLR based minus margin	48 monthly instalments commencing from August 2014	-	-	11,667
				4,186,907	3,984,971

37. EMPLOYEE BENEFIT LIABILITY

Accounting Policy

Employee contribution plans - EPF/ETF

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

Employee defined benefit plan - gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in the other comprehensive income.

As at 31st March In Rs. '000s	Note	Group	
		2019	2018
Employee defined benefit plan - gratuity	37.1	204,822	191,449
Other long term employee benefits	37.2	8,758	-
		213,580	191,449



37.1 Employee Defined Benefit Plan - Gratuity

As at 31st March In Rs. '000s	Group	
	2019	2018
Balance at the beginning of the year	191,449	187,798
Current service cost	18,801	18,488
Interest cost on benefit obligation	18,956	19,711
Payments	(21,754)	(34,938)
Transfers	(1,777)	2,160
(Gain)/loss arising from changes in assumptions	(853)	(1,770)
Balance at the end of the year	204,822	191,449
The expenses recognised in the following line items in the income statement		
Cost of sales	15,989	15,471
Administrative expenses	21,717	21,193
Distribution expenses	51	1,535
	37,757	38,199

Accounting judgements, estimates and assumptions

The employee benefit liability of the Group is based on the actuarial valuation carried out by Independent actuarial specialist. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions.

All assumptions are reviewed at each reporting date.

The employee benefit liability of the Group is based on the actuarial valuations carried out by Smiles Global (Pvt) Limited, actuaries.

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

	2019	2018
Discount rate	10.5%	10%
Future salary increases	10%	10%

37.1.1 Sensitivity of assumptions used

If a one percentage point change is assumed in the discount rate and salary increment rate, it would have the following effects:

As at 31st March In Rs. '000s	Group			
	Discount rate		Salary increment	
	2019	2018	2019	2018
Effect on the defined benefit obligation				
Increase by one percentage point	(6,980)	(7,178)	9,543	7,547
Decrease by one percentage point	9,165	7,497	(7,470)	(7,344)



Notes to the Financial Statements (contd.)

37.1.2 Maturity analysis of the payments

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

As at 31st March In Rs. '000s	Group	
	2019	2018
Within the next 12 months	10,466	12,581
Between 1 and 2 years	10,548	9,887
Between 2 and 5 years	111,976	102,204
Between 5 and 10 years	71,832	66,777
Total expected payments	204,822	191,449

The Group weighted average duration of the defined benefit plan obligation is 5.27 (2018 - 5.22) years.

37.2 Other Long Term Employee Benefits

As at 31st March In Rs. '000s	Group	
	2019	2018
Current service cost	8,758	-
Balance at the end of the year	8,758	-

38. OTHER DEFERRED LIABILITIES

Accounting Policy

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the costs, that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

Deferred sublease payment

Lease payment under operating lease is recognised as an expense on a straight-line basis over the lease term. Differences arising due to lease payments and lease charges recognised on straight line basis, are adjusted through the other deferred liabilities account.

As at 31st March In Rs. '000s	Note	Group	
		2019	2018
Grant	38.1	1,797	2,875
Deferred sublease payment	38.2	207,957	151,747
		209,754	154,622



38.1 Balance at the beginning of the year

As at 31st March In Rs. '000s	Note	Group	
		2019	2018
Balance at the beginning of the year		2,875	4,344
Grant received during the year		-	-
Amortisation during the year		(1,078)	(1,469)
Balance at the end of the year		1,797	2,875

Basis of amortisation - 25% p.a.

This represents the grant received by Fantasea World Investments (Pvt) Ltd from Ministry of Tourism of Maldives to develop a bio gas plant.

38.2 Differences arising due to lease payments and lease charges recognised on straight line basis, as per SLFRS/ LKAS, are adjusted through the other deferred liabilities account. These amounts are expected to be reversed over the lease term.

39. TRADE AND OTHER PAYABLES

Accounting Policy

Trade payables are the aggregate amount of obligations to pay for goods or services, that have been acquired in the ordinary course of business.

Trade payables are classified as current liabilities if payment is due within one year.

As at 31st March In Rs. '000s	Group		Company	
	2019	2018	2019	2018
Trade and other payables				
Trade payables	311,667	311,641	-	-
Other payables	329,919	253,827	14,326	8,873
Accrued expenses	119,659	157,057	-	5,945
	761,245	722,525	14,326	14,818

Trade and other payables are normally non-interest bearing and settled within one year. For further explanation on the Group's liquidity risk management process, please refer note 10.2.

40. OTHER CURRENT LIABILITIES

Accounting Policy

Group classifies all non financial current liabilities under other current liabilities. These include non refundable deposits, advances and other tax payables.

As at 31st March In Rs. '000s	Group	
	2019	2018
Contract liabilities	436,729	298,245
Non refundable deposits	28,529	45,044
Other tax payables	175,439	156,266
	640,697	499,555



Notes to the Financial Statements (contd.)

41. RELATED PARTY TRANSACTIONS

Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of business at arm's length price with the following related entities. The list of Directors at each of the subsidiary, joint venture and associate companies have been disclosed in the Group directory under the Supplementary Information section of the Annual Report.

Outstanding current account balances at the year end are unsecured, interest free and settlements occur in cash. Loans are given at pre-agreed terms and interest rates.

Non-recurrent related party transactions

There were no any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31st March 2018 audited financial statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

Recurrent related party transactions

There were no any recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31st March 2018 audited financial Statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

41.1 Amounts due from related parties

As at 31st March In Rs. '000s	Group		Company	
	2019	2018	2019	2018
Ultimate parent				
John Keells Holdings PLC	107	468	-	-
Companies under common control				
Walkers Tours Ltd	116,693	90,382	-	-
Cinnamon Hotel Management Ltd	8,270	2,794	-	30
Whittall Boustead (Travel) Ltd	2,827	5,366	-	-
Whittall Boustead Ltd	1,099	-	-	-
Rajawella Holdings Ltd	510	405	-	-
Sentinel Realty (Pvt) Ltd	159	-	-	-
Asian Hotels & Properties PLC	124	-	-	-
John Keells Office Automation (Pvt) Ltd	16	-	-	-
Waterfront Properties (Pvt) Ltd	-	60	-	-
Saffron Aviation (Pvt) Ltd	-	102	-	-
Union Assurance PLC	-	483	-	-
InfoMate (Pvt) Ltd	-	12	-	-
Nuwara Eliya Holiday Resorts (Pvt) Ltd	-	-	2,881	-
Wirawila Walk Inn Ltd	-	-	1,029	-
Ceylon Holiday Resorts Ltd	-	-	660	560
Resort Hotels Ltd	-	-	518	-
Rajawella Hotels Co. Ltd	-	-	310	-
Habarana Lodge Ltd	-	-	-	6
Yala Village (Pvt) Ltd	-	-	-	5
Beruwala Holiday Resorts (Pvt) Ltd	-	-	-	6
Hikkaduwa Holiday Resorts (Pvt) Ltd	-	-	-	26
Trinco Holiday Resorts (Pvt) Ltd	-	-	-	14
	129,698	99,604	5,398	647
	129,805	100,072	5,398	647



41.2 Amounts due to related parties

As at 31st March In Rs. '000s	Group		Company	
	2019	2018	2019	2018
Ultimate parent				
John Keells Holdings PLC	6,311	8,769	953	1,115
Companies under common control				
Cinnamon Hotel Management Ltd	82,242	107,577	475	693
Cinnamon Hotel Management International (Pvt) Ltd	41,033	-	-	-
InfoMate (Pvt) Ltd	3,112	3,049	47	36
Keells Food Products PLC	2,784	1,949	-	-
Mackinnons Travel (Pvt) Ltd	1,931	2,018	-	-
John Keells International (Pvt) Ltd	1,688	1,809	-	-
Walkers Tours Ltd	1,542	914	-	-
Sancity Hotels & Properties Ltd	1,038	621	-	-
Trans Asia Hotels PLC	1,030	-	-	-
Asian Hotels & Properties PLC	556	-	-	-
Mack Air Services Maldives (Pvt) Ltd	528	851	-	-
Keells Consultants (Pvt) Ltd	419	271	191	126
John Keells Office Automation Ltd	195	390	-	-
Ceylon Cold Stores PLC	199	97	-	-
Jaykay Marketing Services (Pvt) Ltd	34	59	-	-
Saffron Aviation (Pvt) Ltd	12	38	-	-
Nuwara Eliya Holiday Resorts (Pvt) Ltd	-	-	2,730	-
Wirawila Walk Inn Ltd	-	-	947	17
Resort Hotels Ltd	-	-	436	26
Rajawella Hotels Co. Ltd	-	-	311	11
Yala Village (Pvt) Ltd	-	-	18	16
Habarana Walk Inn Ltd	-	-	-	29
	138,343	119,643	5,155	954
	144,654	128,412	6,108	2,069



Notes to the Financial Statements (contd.)

41.3 Transactions with related parties

For the year ended 31st March		Group		Company	
In Rs. '000s	Note	2019	2018	2019	2018
Ultimate parent					
Receiving of services		(65,609)	(67,035)	(4,002)	(5,662)
Directors fees paid		(11,577)	(21,524)	(4,569)	(4,730)
Companies under common control					
Purchase of goods	41.4	(22,331)	(55,661)	-	-
Rendering of services	41.4	419,497	364,794	-	-
Receiving of services	41.4	(858,311)	(895,921)	(1,652)	(523)
Equity accounted investees					
Joint ventures					
Rendering of services		-	-	-	-
Receiving of services		-	-	-	-
Key management personnel					
		-	-	-	-
Close family members of KMP					
		-	-	-	-
Companies controlled/ jointly controlled/ significantly influenced by KMP and their close family members					
		-	-	-	-
Post employment benefit plan					
Contributions to the provident fund		2,746	3,472	-	-



41.4 Transactions with Companies Under Common Control

For the year ended 31st March In Rs. '000s	Group		Company	
	2019	2018	2019	2018
Purchase of goods				
Ceylon Cold Stores PLC	(1,026)	(3,793)	-	-
Jaykay Marketing Services (Pvt) Ltd	(761)	(471)	-	-
John Keells Office Automation (Pvt) Ltd	(9,226)	(9,659)	-	-
Keells Food Products PLC	(11,318)	(41,738)	-	-
	(22,331)	(55,661)	-	-
Rendering of services				
Walkers Tours Ltd	378,569	337,246	-	-
Whittall Boustead (Travels) Ltd	7,915	27,498	-	-
Cinnamon Hotel Management Ltd	19,664	-	-	-
Mackinnons Travels (Pvt) Ltd	11,863	-	-	-
Other related parties	1,686	50	-	-
	419,497	364,794	-	-
Receiving of services				
Infomate (Pvt) Ltd	(38,274)	(34,712)	(567)	(74)
Keells Consultants (Pvt) Ltd	(2,973)	(2,065)	(1,085)	(449)
John Keells International (Pvt) Ltd	(19,431)	(22,155)	-	-
John Keells Office Automation (Pvt) Ltd	(495)	(1,203)	-	-
Cinnamon Hotel Management Ltd	(443,041)	(810,157)	-	-
Cinnamon Hotel Management International (Pvt) Ltd	(319,807)	-	-	-
Mackinnons Travels (Pvt) Ltd	(11,195)	(14,745)	-	-
Walkers Tours Ltd	(3,444)	(875)	-	-
Mack Air Services Maldives (Pvt) Ltd	(12,512)	(9,787)	-	-
Other related parties	(7,139)	(222)	-	-
	(858,311)	(895,921)	(1,652)	(523)

41.5 Compensation of Key Management Personnel

For the year ended 31st March In Rs. '000s	Group		Company	
	2019	2018	2019	2018
Short term employee benefits	19,145	25,124	8,118	8,330
Post employment benefits	-	-	-	-
Other long term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	19,145	25,124	8,118	8,330

Key management personnel include members of the Board of Directors of John Keells Hotels PLC, its subsidiaries and John Keells Holdings PLC.



Notes to the Financial Statements (contd.)

42 COMMITMENTS

42.1 Capital and other Commitments

As at 31st March In Rs. '000s	Group		Company	
	2019	2018	2019	2018
Capital commitments contracted but not incurred	4,161,740	4,953,316	-	-
Capital commitments approved but not contracted	5,611,504	3,970,798	-	-
Guarantees commitment	-	247,000	-	247,000
	9,773,244	9,171,114	-	247,000

42.2 Lease Commitments

As at 31st March In Rs. '000s	Group	
	2019	2018
Lease rentals due on non-cancellable operating leases;		
Within one year	618,460	547,617
Between one and five years	2,768,876	2,336,491
After five years	8,013,630	7,908,065
	11,400,966	10,792,173

42.3 Details of Leasehold Land

Company	Land Extent Acres	Lessor	Leased Properties
Ceylon Holiday Resorts Ltd	11.02	Ceylon Tourist Board	Land occupied
Fantasea World Investments (Pte) Ltd	18.90	Government of Maldives	Land occupied
Habarana Walk Inn Ltd	9.34	Kekirawa Divisional Secretariat	Land occupied
Habarana Lodge Ltd	25.48	Kekirawa Divisional Secretariat	Land occupied
Hikkaduwa Holiday Resorts (Pvt) Ltd	4.36	Ceylon Tourist Board	Land occupied
Travel Club (Pte) Ltd	13.80	Government of Maldives and sub-lease with Ellaidhoo Investment (Pte) Ltd	Land occupied
Tranquility (Pte) Ltd	17.16	Government of Maldives	Land occupied
Yala Village (Pvt) Ltd	11.25	Ceylon Tourist Board	Land occupied

43. ASSETS PLEDGED

Assets pledged for facilities obtained is given in note 36.2 to the financial statements.



44. CONTINGENT LIABILITIES

Accounting Policy

Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of:

- The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or
- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (SLFRS 15)

Contingent assets are disclosed, where inflow of economic benefit is probable.

There were no significant contingent liabilities as at the reporting date except for the following:

Ceylon Holiday Resorts Ltd

The Department of Inland Revenue has raised Income tax assessments relating to years of assessments 2012/13, 2013/2014, 2014/2015 and 2015/16. The company has lodged valid appeals against the assessments 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 2019 is estimated at Rs. 19.6 Mn.

Beruwala Holiday Resorts (Pvt) Ltd

The Department of Inland Revenue has raised income tax assessments for the years of assessment 2012/2013, 2013/2014, and 2014/2015. The company has lodged valid appeals against the assessments 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 2019 is estimated at Rs. 4.2 Mn.

Hikkaduwa Holiday Resorts (Pvt) Ltd

The Department of Inland Revenue has raised Income tax assessment for the year of assessment 2014/2015. The company has lodged a valid appeal against the assessment and is contesting it 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 2019 is estimated at Rs. 2.5 Mn.

Hikkaduwa Urban Council has raised Pradeshiya Sabha Levy assessments for period up to 31st March 2019. Having discussed with legal experts and based on information available, the contingent liability as at 31st March 2019 is estimated at Rs. 23.9 Mn.

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

45. EVENTS SUBSEQUENT TO THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustment to or disclosure in the financial statements.



Quarterly Information

Income Statement - Group

For the three months ended In Rs. '000s	2018/2019				
	June 30th	September 30th	December 31st	March 31st	For the year ended
Revenue	2,129,886	2,383,436	2,852,528	3,666,865	11,032,715
Cost of sales	(814,927)	(798,193)	(919,698)	(906,320)	(3,439,138)
Gross profit	1,314,959	1,585,243	1,932,830	2,760,545	7,593,577
Other operating income	3,565	6,576	4,850	2,711	17,702
Administrative expenses	(1,100,106)	(1,118,878)	(1,195,009)	(1,337,470)	(4,751,463)
Distribution expenses	(67,491)	(78,780)	(95,682)	(107,159)	(349,112)
Other operating expenses	(430,313)	(341,617)	(371,519)	(280,196)	(1,423,645)
Finance expenses	(59,813)	(58,761)	(63,748)	(68,781)	(251,103)
Finance income	48,503	56,315	47,606	37,838	190,262
Change in fair value of investment property	-	-	-	52,398	52,398
Share of results of equity accounted investees	(168)	(189)	(256)	1,782	1,169
Profit before tax	(290,864)	49,909	259,072	1,061,668	1,079,785
Tax expense	27,385	(46,832)	(73,277)	(155,366)	(248,090)
Profit for the year	(263,479)	3,077	185,795	906,302	831,695
Attributable to:					
Equity holders of the parent	(262,942)	850	182,153	896,749	816,810
Non-controlling interests	(537)	2,227	3,642	9,553	14,885
	(263,479)	3,077	185,795	906,302	831,695

Statement of Financial Position - Group

As at In Rs. '000s	2018/2019			
	June 30th	September 30th	December 31st	March 31st
Assets				
Non current assets	27,293,013	28,687,180	30,847,542	32,131,699
Current assets	5,763,032	5,476,926	5,650,834	5,118,768
Total Assets	33,056,045	34,164,106	36,498,376	37,250,467
Equity and Liabilities				
Equity	26,150,550	26,967,792	27,994,161	28,759,965
Non controlling interest	123,824	120,648	124,334	136,602
Total Equity	26,274,374	27,088,440	28,118,495	28,896,567
Non current liabilities	3,673,242	3,623,391	3,855,952	4,392,204
Current liabilities	3,108,429	3,452,275	4,523,929	3,961,696
Total Liabilities	6,781,671	7,075,666	8,379,881	8,353,900
Total Equity and Liabilities	33,056,045	34,164,106	36,498,376	37,250,467
SHARE INFORMATION				
Earnings per share	(0.18)	0.00	0.13	0.62
Net assets per share	17.96	18.52	19.22	19.75
Market price per share				
Highest	10.10	8.60	8.40	7.90
Lowest	8.20	7.70	7.40	7.20
Last traded price	8.20	7.70	7.80	7.50

Indicative US Dollar Financial Statements

Income Statement

For the Year Ended 31st March In USD '000s	Group		Company	
	2019	2018	2019	2018
Revenue from contracts with customers	65,445	75,633	-	-
Cost of sales	(20,401)	(26,184)	-	-
Gross profit	45,044	49,449	-	-
Dividend income	-	-	1,885	8,928
Other operating income	105	676	5	13
Administrative expenses	(28,185)	(31,056)	(150)	(175)
Distribution expenses	(2,071)	(2,514)	-	-
Other operating expenses	(8,445)	(7,937)	(1)	(3)
Results from operating activities	6,448	8,618	1,739	8,763
Finance expenses	(1,490)	(1,664)	(51)	-
Finance income	1,129	1,846	270	899
Change in fair value of investment property	311	-	-	-
Share of results of equity accounted investees (net of tax)	7	(6)	-	-
Profit before tax	6,405	8,794	1,958	9,662
Tax expense	(1,472)	(1,433)	(32)	(255)
Profit for the year	4,933	7,361	1,926	9,407
Attributable to :				
Equity holders of the parent	4,845	7,286		
Non-controlling interests	88	75		
	4,933	7,361		
Exchange Rate (SL Rs.)	168.58	153.56	168.58	153.56

Indicative consolidated accounts have been published in USD equivalents for information purposes only.

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. These financial statements should be read together with the auditors opinion and note to the financial statements.

The exchange rates prevailing at each year end have been used for the conversion of the consolidated income statement and the statement of financial position.



Statement of Financial Position

As at 31st March In USD '000s	Group		Company	
	2019	2018	2019	2018
ASSETS				
Non-Current Assets				
Property, plant and equipment	100,103	90,337	-	-
Lease rentals paid in advance	65,259	67,911	-	-
Investment property	9,269	10,095	-	-
Intangible assets	3,821	4,300	-	-
Investments in subsidiaries	-	-	69,587	73,368
Investments in equity accounted investees	2,830	482	2,775	425
Non-current financial assets	1,049	1,191	-	-
Deferred tax assets	802	602	-	-
Other non-current assets	6	8	-	-
	183,139	174,926	72,362	73,793
Current assets				
Inventories	1,021	1,092	-	-
Trade and other receivables	6,493	6,155	-	-
Other current assets	7,417	2,228	22	98
Amounts due from related parties	740	642	31	4
Income tax recoverable	661	1,422	-	33
Short term investments	8,684	20,688	2,197	6,770
Cash in hand and at bank	4,159	6,033	99	332
	29,175	38,260	2,349	7,237
Total assets	212,314	213,186	74,711	81,030
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Stated capital	54,148	60,938	54,148	60,938
Other components of equity	54,512	48,962	-	-
Revenue reserve	55,261	58,214	18,068	19,654
	163,921	168,114	72,216	80,592
Non controlling interests	779	927	-	-
Total equity	164,700	169,041	72,216	80,592
Non-current liabilities				
Interest bearing borrowings	18,282	17,731	-	-
Deferred tax liabilities	4,340	4,229	-	-
Employee benefit liability	1,217	1,228	-	-
Other deferred liabilities	1,196	992	-	-
Non-current financial liabilities	-	-	-	-
	25,035	24,180	-	-
Current liabilities				
Trade and other payables	4,338	4,633	82	95
Other current liabilities	3,652	3,204	-	-
Amounts due to related parties	824	824	35	13
Income tax liabilities	954	1,812	173	330
Interest bearing borrowings	5,582	7,830	-	-
Bank overdrafts	7,229	1,662	2,205	-
	22,579	19,965	2,495	438
Total equity and liabilities	212,314	213,186	74,711	81,030
Exchange Rate (SL Rs.)	175.45	155.90	175.45	155.90



Decade at a Glance - Group

31st March In Rs.000s	2019	2018	2017
OPERATING RESULTS			
Revenue	11,032,715	11,614,376	12,311,664
Cost of sales	(3,439,138)	(4,020,790)	(3,907,360)
Gross profit	7,593,577	7,593,586	8,404,304
Earnings before interest and tax	1,330,888	1,606,233	2,463,916
Finance expenses	(251,103)	(255,519)	(227,788)
Profit/(loss) before tax	1,079,785	1,350,714	2,236,128
Tax expense	(248,090)	(220,116)	(372,620)
loss after tax for the year from discontinued operations	-	-	-
Profit for the year	831,695	1,130,598	1,863,508
Attributable to:			
Equity holders of the parent	816,810	1,118,951	1,846,130
Non controlling interests	14,885	11,647	17,378
	831,695	1,130,598	1,863,508
ASSETS			
Non current assets			
Property, Plant and Equipment (PPE)	17,563,154	14,083,594	14,354,695
Lease Rentals Paid in Advance (LRPA)	11,449,766	10,587,355	10,714,231
Investment Property (IP)	1,626,196	1,573,798	-
Intangible Assets (IA)	670,407	670,407	670,407
Non current assets other than PPE, LRPA, IP and IA	822,176	355,755	332,441
	32,131,699	27,270,909	26,071,774
Current assets			
Short Term Investments (STI) and cash in hand and at bank	2,253,324	4,165,911	4,175,145
Current assets other than STI and C&B	2,865,444	1,799,020	1,836,543
	5,118,768	5,964,931	6,011,688
Total assets	37,250,467	33,235,840	32,083,462
EQUITY & LIABILITIES			
Equity attributable to equity holders of the parent			
Stated capital	9,500,247	9,500,247	9,500,247
Other components of equity	9,564,193	7,633,178	6,749,432
Revenue reserves	9,695,525	9,075,560	8,531,777
	28,759,965	26,208,985	24,781,456
Non-controlling interests	136,602	144,503	139,392
Total equity	28,896,567	26,353,488	24,920,848
Non current liabilities			
Non current liabilities other than borrowings	1,184,700	1,005,298	570,741
Borrowings	3,207,504	2,764,218	1,083,408
	4,392,204	3,769,516	1,654,149
Current liabilities			
Current liabilities other than borrowings and overdraft	1,713,985	1,632,908	1,422,477
Current portion of borrowings and bank overdraft	2,247,711	1,479,928	4,085,988
	3,961,696	3,112,836	5,508,465
Total equity and liabilities	37,250,467	33,235,840	32,083,462

	2016	2015	2014	2013	2012	2011	2010
	11,631,973	11,444,150	10,966,381	9,341,581	7,388,158	5,691,186	5,187,129
	(3,436,976)	(3,290,496)	(3,590,914)	(3,004,424)	(2,310,988)	(1,735,846)	(1,567,127)
	8,194,997	8,153,654	7,375,467	6,337,157	5,077,170	3,955,340	3,620,002
	2,217,246	2,455,788	2,427,116	1,819,992	1,640,782	1,104,756	825,250
	(182,025)	(265,101)	(533,877)	(537,096)	(264,628)	(271,603)	(318,986)
	2,035,221	2,190,687	1,893,239	1,282,896	1,376,154	833,153	506,264
	(286,422)	(322,923)	(318,313)	(161,877)	(265,354)	(80,423)	(2,989)
	-	-	-	-	-	(226,747)	(298,117)
	1,748,799	1,867,764	1,574,926	1,121,019	1,110,800	525,983	205,158
	1,734,543	1,853,724	1,565,846	1,116,779	1,105,271	523,944	204,960
	14,256	14,040	9,080	4,240	5,529	2,039	198
	1,748,799	1,867,764	1,574,926	1,121,019	1,110,800	525,983	205,158
	14,272,874	13,560,033	13,152,921	13,471,801	9,918,258	6,585,581	8,718,964
	8,537,247	7,861,533	8,235,508	8,639,214	9,386,494	8,605,476	3,653,846
	-	-	-	-	-	-	-
	670,407	670,407	670,407	670,407	670,407	670,407	670,963
	325,068	137,841	121,392	79,289	59,206	72,114	66,407
	23,805,596	22,229,814	22,180,228	22,860,711	20,034,365	15,933,578	13,110,180
	3,440,751	2,893,304	2,729,432	910,125	1,687,270	325,367	3,572,296
	1,653,253	1,626,251	1,557,862	1,493,302	1,638,314	1,638,520	1,245,912
	5,094,004	4,519,555	4,287,294	2,403,427	3,325,584	1,963,887	4,818,208
	28,899,600	26,749,369	26,467,522	25,264,138	23,359,949	17,897,465	17,928,388
	9,500,247	9,500,247	9,500,247	9,500,247	9,500,247	9,500,247	9,500,247
	6,106,444	4,637,612	3,886,925	3,628,684	1,791,313	761,197	772,879
	7,278,122	6,189,643	4,708,642	3,165,257	2,482,461	1,379,022	870,373
	22,884,813	20,327,502	18,095,814	16,294,188	13,774,021	11,640,466	11,143,499
	132,952	118,187	100,442	92,623	67,725	63,689	56,269
	23,017,765	20,445,689	18,196,256	16,386,811	13,841,746	11,704,155	11,199,768
	555,364	465,709	390,375	297,181	193,329	163,347	117,068
	1,852,851	2,900,658	4,245,400	5,571,060	5,809,814	2,615,273	3,006,492
	2,408,215	3,366,367	4,635,775	5,868,241	6,003,143	2,778,620	3,123,560
	1,600,718	1,524,144	1,520,160	1,463,010	1,496,896	803,074	1,383,999
	1,872,902	1,413,169	2,115,331	1,546,076	2,018,164	2,611,616	2,221,061
	3,473,620	2,937,313	3,635,491	3,009,086	3,515,060	3,414,690	3,605,060
	28,899,600	26,749,369	26,467,522	25,264,138	23,359,949	17,897,465	17,928,388

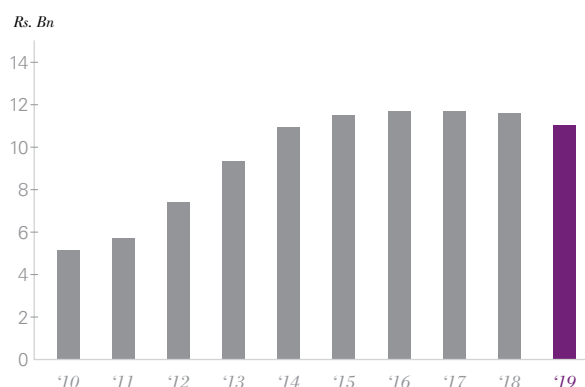


Decade at a Glance - Group (contd.)

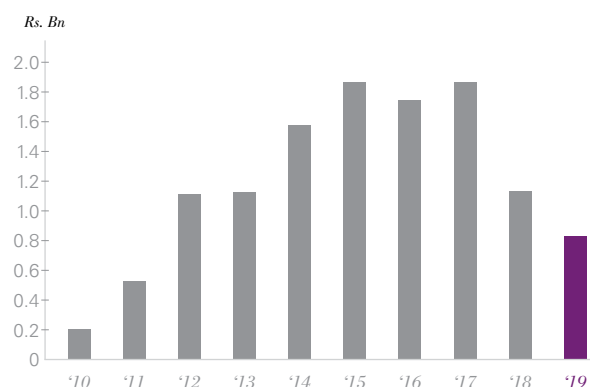
31st March In Rs.000s	2019	2018	2017
CASH FLOWS			
Net cash flows from/(used in) operating activities	1,704,850	2,997,104	3,231,801
Net cash flows from/(used in) investing activities	(3,791,262)	(567,660)	(3,105,447)
Net cash flows from/(used in) financing activities	(380,813)	(333,603)	(49,099)
Net Increase/(decrease) in cash and cash equivalents	(2,467,225)	2,095,841	77,255
KEY INDICATORS			
Basic earnings per share (EPS) (Rs.)	0.56	0.77	1.27
EPS growth (%)	(27.3)	(39.4)	6.7
EBIT Margin (%)	12.06	13.83	20.01
Dividend per share (Rs.)	0.15	0.40	0.40
Dividend payout (%)	26.79	52.05	31.55
Dividend yield (%)	2.00	4.30	4.00
Interest cover (no. of times)	5.3	6.3	10.8
Return on equity (%)	3.0	4.4	7.8
Pre-tax ROCE (%)	4.1	5.3	8.7
No. of shares in issue ('000)	1,456,147	1,456,147	1,456,147
Net assets per share (Rs.)	19.75	18.00	17.02
Debt/Equity (no. of times)	0.19	0.16	0.21
Debt/Total assets (%)	14.64	12.77	16.11
Market price of share as at 31st March (Rs.)	7.50	9.30	10.00
Market capitalisation (Rs. '000)	10,921,101	13,542,165	14,561,468
Price earnings ratio (no. of times)	13.39	12.08	7.87
Assets turnover (no. of times)	0.30	0.35	0.38
Current ratio (no. of times)	1.29	1.92	1.09
USD closing rate	175.45	155.90	151.90
USD average rate	168.58	153.56	147.98

* The figures are derived from financial statements prepared in accordance with SLFRS/LKAS. Figures for the remaining periods are derived from financial statements prepared in accordance with previous SLASs.

Revenue

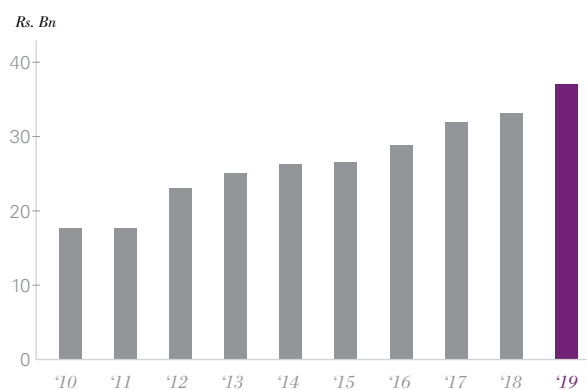


Profit After Tax

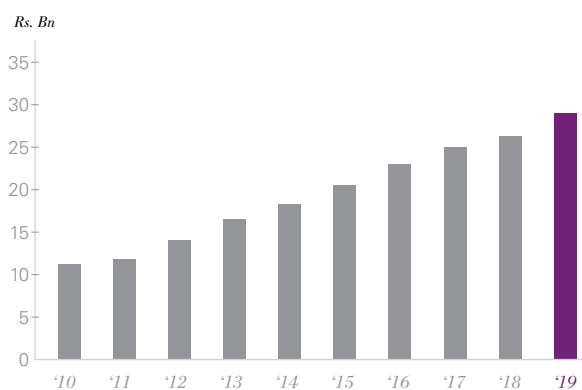


	2016	2015	2014	2013	2012	2011	2010
	3,615,758	3,542,296	3,229,473	2,640,675	2,481,857	494,403	989,108
	(2,364,080)	(1,408,306)	(910,612)	(2,329,157)	(3,273,604)	(2,312,965)	(473,600)
	(1,962,069)	(2,324,195)	(938,729)	(338,777)	2,930,882	(1,870,223)	3,623,564
	(710,391)	(190,205)	1,380,132	(27,259)	2,139,135	(3,688,785)	4,139,072
	1.19	1.27	1.08	0.77	0.76	0.36	0.14
	(6.3)	176	40.2	1.0	111.0	155.6	(172.7)
	19.06	21.46	22.13	19.48	22.21	19.41	15.91
	0.40	0.25	-	0.30	-	-	-
	33.58	19.64	-	39.12	-	-	-
	3.33	1.75	-	2.27	-	-	-
	12.2	9.3	4.5	3.4	6.2	4.1	2.6
	8.0	9.7	9.2	7.5	8.7	4.6	2.2
	8.7	10.0	10.1	8.1	8.5	6.6	5.5
	1,456,147	1,456,147	1,456,147	1,456,147	1,456,147	1,456,147	1,456,147
	15.72	13.96	12.43	11.19	9.46	7.99	7.65
	0.16	0.21	0.35	0.44	0.57	0.45	0.47
	12.89	16.13	24.03	28.17	33.51	29.20	29.16
	12.00	14.30	12.50	13.20	12.60	17.20	18.25
	17,473,761	20,822,899	18,201,835	19,221,137	18,347,449	25,045,725	26,574,679
	10.08	11.26	11.62	17.21	16.60	47.80	129.66
	0.40	0.43	0.41	0.37	0.32	0.32	0.29
	1.47	1.54	1.18	0.80	0.95	0.58	1.34
	147.65	133.45	130.70	126.75	128.10	110.40	114.00
	139.18	131.24	130.09	139.91	112.56	112.13	115.02

Total Assets



Net Assets





Group Real Estate Portfolio

Owning Company and location	Buildings				Land in acres				Net book value (At valuation/cost)		
	Number of Buildings		Square Feet		Freehold property		Leasehold property		Rs.'000	Rs.'000	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	
<i>Properties - Sri Lanka</i>											
Beruwala Holiday Resorts (Pvt) Ltd											
Cinnamon Bey Beruwala	5	5	460,515	425,684	11.39	11.39	-	-	3,869,775	3,677,121	
Ceylon Holiday Resorts Ltd											
Cinnamon Bentota Beach	8	2	309,479	11,476	2.32	2.32	11.02	11.02	204,540	181,295	
Hikkaduwa Holiday Resorts (Pvt) Ltd											
Hikka Tranz by Cinnamon	5	5	233,965	233,965	0.29	0.29	4.36	4.36	1,172,303	1,176,903	
Habarana Lodge Ltd											
Cinnamon Lodge Habarana	79	79	202,999	202,999	-	-	25.48	25.48	768,995	742,912	
Habarana Walk Inn Ltd.											
Habarana Village by Cinnamon	84	84	121,767	121,767	-	-	9.34	9.34	361,548	359,466	
Kandy Walk Inn Ltd											
Cinnamon Citadel Kandy	6	6	173,900	173,900	6.57	6.57	-	-	1,671,011	1,616,915	
Resort Hotels Ltd											
Nilaveli	1	1	4,485	4,485	41.73	41.73	-	-	892,180	867,900	
Trinco Holiday Resorts (Pvt) Ltd											
Trinco Blu by Cinnamon	9	9	120,910	120,910	13.24	13.24	-	-	1,017,957	913,322	
Trinco Walk Inn Ltd											
Trincomalee	-	-	-	-	14.64	14.64	-	-	356,116	339,548	
Wirawila Walk Inn Ltd											
Wirawila	-	-	-	-	25.15	25.15	-	-	88,135	86,887	
Yala Village (Pvt) Ltd											
Cinnamon Wild Yala	76	76	113,509	113,509	-	-	11.25	11.25	487,171	495,601	
Ahungalla Holiday Resorts (Pvt) Ltd											
Ahungalla	-	-	-	-	6.51	6.51	-	-	289,900	279,600	
Nuwara Eliya Holiday Resorts (Pvt) Ltd											
Nuwara Eliya	-	-	-	-	2.66	3.35	-	-	272,640	313,900	
<i>Properties - Maldives</i>											
Tranquility (Pte) Ltd											
Cinnamon Dhonveli Maldives	144	144	246,770	246,358	-	-	17.16	17.16	10,750,618	9,977,690	
Travel Club (Pte) Ltd											
Ellaidhoo Maldives by Cinnamon	114	114	171,777	170,877	-	-	13.80	13.80	2,238,761	1,759,031	
Fantasea World Investments (Pte) Ltd											
Cinnamon Hakuraa Huraa Maldives	12	116	98,026	150,412	-	-	18.90	18.90	1,081,068	1,166,697	
Total	543	641	2,258,102	2,199,410	124.50	125.19	111.31	111.31	25,522,708	23,954,788	

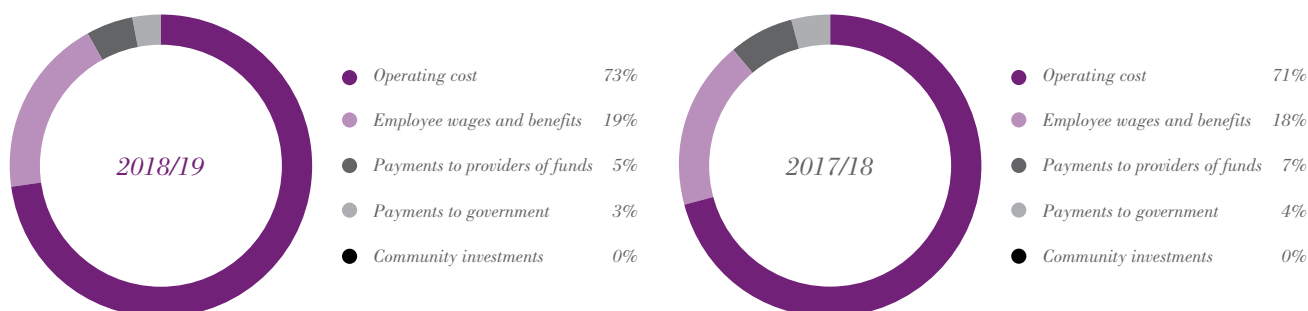
Consolidated Value Added Statement

GRI 201-1

For the year ended 31st March In Rs. '000s	Sri Lanka		Maldives		Group	
	2019	2018	2019	2018	2019	2018
Direct economic value generated						
Revenue	5,684,219	5,468,689	5,348,496	6,145,687	11,032,715	11,614,376
Finance income	182,615	261,700	7,647	21,794	190,262	283,494
Change in fair value of investment property	52,398	-	-	-	52,398	-
Share of results of equity accounted investees	1,169	(881)	-	-	1,169	(881)
Proceeds from sale of property, plant and equipment	57,707	109,416	32,762	-	90,469	109,416
	5,978,108	5,838,924	5,388,905	6,167,481	11,367,013	12,006,405
Economic value distributed						
Operating cost	3,864,510	3,909,189	4,016,241	4,390,904	7,880,751	8,300,093
Employee wages and benefits	1,094,543	1,052,155	988,064	1,042,373	2,082,607	2,094,528
Payments to providers of funds	312,037	715,754	157,488	122,224	469,525	837,978
Payments to government						
Sri Lanka	291,718	264,296	-	-	291,718	264,296
Maldives	-	-	85,665	103,326	85,665	103,326
Community investments	10,604	7,345	-	3,352	10,604	10,697
	5,573,412	5,948,739	5,247,458	5,662,179	10,820,870	11,610,918
Economic value retained	404,696	(109,815)	141,447	505,302	546,143	395,487

Above data has been derived from the audited Financial Statements that were prepared based on Sri Lanka Accounting Standards (SLFRS/LKAS).

Group Economic Value Distributed





GRI Content Index

GRI 102-55

GRI Standard	Disclosure	Page Number	Comments
GRI 101: Foundation 2016 (does not include any disclosures)			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	6, IBC	
	102-2 Activities, brands, products and services	19	
	102-3 Location of headquarters	IBC	
	102-4 Location of operations	138	
	102-5 Ownership and legal form	15, IBC	
	102-6 Markets served	138	
	102-7 Scale of the organisation	17, 22	
	102-8 Information on employees and other workers	104	
	102-9 Supply chain	116, 130	
	102-10 Significant changes to the organisation and supply chain	6	
	102-11 Precautionary principle	143	
	102-12 External initiatives	6	
	102-13 Membership of associations		Tourist Hotels Association of SL, Chamber of Commerce
	102-14 Statement from senior decision maker	24	
	102-15 Key impacts, risks and opportunities	142	
	102-16 Values, principles, norms and standards of behavior	51, 65	
	102-18 Governance Structure	35	
	102-21 Consulting stakeholders on economic, environmental, and social topics	42, 48	
	102-22 Composition of the highest governance body and its committees	30	
	102-23 Chair of the highest governance body	40	
	102-24 Nominating and selecting the highest governance body	37, 60	
	102-25 Conflicts of interest	37, 41, 61	
	102-27 Collective knowledge of highest governing body	40	
102-28 Evaluating the highest governance body's performance	46		
102-33 Communicating critical concerns	43, 45		
102-35 Remuneration policies	36, 41, 47		
102-36 Process for determining remuneration	36, 41, 47		
102-37 Stakeholders' involvement in remuneration	36, 41, 47		
102-40 List of stakeholder groups	67		
102-41 Collective bargaining agreements	111		

GRI 102-55

GRI Standard	Disclosure	Page Number	Comments
	102-42 Identifying and selecting stakeholders	67	
	102-43 Approach to stakeholder engagement	67	
	102-44 Key topics and concerns raised	67	
	102-45 Entities included in the consolidated financial statements	15	
	102-46 Defining report content and topic boundary	6, 71	
	102-47 Material topics	71	
	102-48 Restatement of information	6	
	102-49 Changes in reporting	72	
	102-50 Reporting period	6	
	102-51 Date of most recent report	6	
	102-52 Reporting cycle	6	
	102-53 Contact point for questions regarding Report	6	
	102-54 Claims of reporting in accordance with GRI Standards	6	
	102-55 GRI context index	246-250	
	102-56 External assurance	140	
Material Topics			
Economic Performance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	120	
	103-3 Evaluation of the Management Approach	-	This is currently not in place
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	245	
	201-3 Defined benefit plan obligations and other retirement plans	226	
Procurement practices			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	120	
	103-3 Evaluation of the Management Approach	116	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	116	
Raw materials			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	139	
	103-3 Evaluation of the Management Approach	139	
GRI 301: Raw materials 2016	301-1 Raw materials used by weight or volume	130	

GRI Content Index (contd.)

GRI 102-55

GRI Standard	Disclosure	Page Number	Comments
Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	139	
	103-3 Evaluation of the Management Approach	139	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	128	
	302-3 Energy intensity	128	
	302-4 Reduction of energy consumption	128	
	302-5 Reduction in energy requirements of products and services	127	
Water			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	139	
	103-3 Evaluation of the Management Approach	139	
GRI 303: Water 2016	303-1 Water withdrawal by source	129	
	303-3 Water recycled and reused	130-131	
Bio Diversity			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	139	
	103-3 Evaluation of the Management Approach	136-137	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in or adjacent to protected areas and high areas of biodiversity value outside protected areas	136	
	304-3 Habitats protected or restored	133	
Emissions			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	139	
	103-3 Evaluation of the Management Approach	132	
GRI 305 Emissions: 2016	305-1 Direct greenhouse gas (GHG) emissions	132	
	305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	132	
	305-4 GHG emissions intensity	132	
	305-5 Reduction of greenhouse gas emissions	132	
Effluents and Waste			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	139	
	103-3 Evaluation of the Management Approach	130-131	

GRI 102-55

GRI Standard	Disclosure	Page Number	Comments
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	131	
	306-2 Waste by type and disposable method	131	
	306-3 Significant spills	131	
	306-5 Water bodies affected by discharge	131	
Environmental Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	139	
	103-3 Evaluation of the Management Approach	132	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	132	
Supplier Environmental Assessment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	139	
	103-3 Evaluation of the Management Approach	116	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	116	
Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	108	
	103-3 Evaluation of the Management Approach	106	
GRI 401: Employment 2016	401-1 Employee hires and turnover	105	
Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	108	
	103-3 Evaluation of the Management Approach	108	
GRI 403: Health and Safety 2016	403-1 Workers representation in formal joint management worker health and safety committees	110	
	403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	110	
Training and Education			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	108	
	103-3 Evaluation of the Management Approach	108	



GRI Content Index (contd.)

GRI 102-55

GRI Standard	Disclosure	Page Number	Comments
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	105-106	
	404-2 Programs for upgrading skills and transition assistance programmes	105	
	404-3 Percentage of employees receiving regular performance and career development reviews	109	
Diversity and Equal Opportunity			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	108	
	103-3 Evaluation of the Management Approach	108	
GRI 405: Diversity and equal opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	107	
Local Communities			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	120	
	103-3 Evaluation of the Management Approach	120	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	117	
Customer Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	120	
	103-3 Evaluation of the Management Approach	120	
GRI 416: Customer Health and Safety 2016	416-2 Incidences of non-compliance concerning the health and safety aspects of products	114	
Socio Economic Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	
	103-2 The Management Approach and its components	120	
	103-3 Evaluation of the Management Approach	120	
GRI 419: Socio-economic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	120	

Glossary of Financial Terms

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

ACCRUAL BASIS

Recording revenues and expenses in the period in which they are earned or incurred, regardless of whether cash is received or disbursed in that period.

AMORTISATION

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

ASSET TURNOVER

Revenue divided by average total assets.

CAPITAL EMPLOYED

Shareholders' funds plus non-controlling interest and debt.

CASH EQUIVALENTS

Short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CONTINGENT LIABILITIES

A condition or situation existing as at the date of the report due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non-occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability.

CURRENT RATIO

Current assets divided by current liabilities.

CORPORATE GOVERNANCE

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of the entity, the supervision of executive actions and accountability to owners and others.

DEBT/EQUITY RATIO

Debt as a percentage of shareholders' funds and non-controlling interest.

DEFERRED TAX

Sum set aside in the Financial Statements for taxation that may become payable/recoverable in a financial year other than the current financial year (future periods).

DIVIDEND PAYOUT RATIO

Dividend paid as a percentage of Company profits, adjusted for non-cash gain items.

DIVIDEND YIELD

Dividends adjusted for changes in number of shares in issue as a percentage of the share price (diluted) at the end of the period.

EARNINGS PER SHARE (EPS)

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

EBIT

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

EBIT MARGIN

EBIT divided by turnover inclusive of share of associate company turnover.



Glossary of Financial Terms (contd.)

EBITDA

Earnings before interest, tax, depreciation and amortisation.

EFFECTIVE TAX RATE

Tax expense divided by profit before tax.

EPS GROWTH

Percentage of the increase in the EPS over the previous year.

EQUITY METHOD

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investors' share of net assets of the investee. The income statement of the investor includes the investor's share of the profit or loss of the investee.

FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCE LEASE

A contract whereby a lessor conveys to the lessee the right to use an asset over an agreed period of time. The lessor transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee. Title may or may not be eventually transferred.

GROUP

A group is a parent and all its subsidiaries.

GUARANTEES

Tri-party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt, if that person fails to perform.

IMPAIRMENT

This occurs when recoverable amount of an asset is less than its carrying amount.

INTANGIBLE ASSET

An intangible asset is an identifiable non-monetary asset without a physical substance.

INTEREST COVER

Consolidated profit before interest and tax over finance expenses.

KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

MATERIALITY

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

NON-CONTROLLING INTEREST

Part of net results of operations and net assets of subsidiaries attributable to interests which are not owned, directly or indirectly through subsidiaries, by the Parent Company.

MARKET VALUE PER SHARE

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

MARKET CAPITALISATION

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



NET ASSETS

Total assets minus current liabilities, long term liabilities and non-controlling interests.

NET ASSETS PER SHARE

Net assets as at a particular financial year end, divided by the number of shares in issue, as at the current financial year end.

NET DEBT (CASH)

Total debt minus, cash plus short term deposits.

OPERATIONAL RISK

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

PRE-TAX RETURN ON CAPITAL EMPLOYED

Consolidated profit before interest and tax, as a percentage of average capital employed, at year end.

PRICE EARNINGS RATIO

Market price per share (diluted) over diluted earnings per share.

PRUDENCE

Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

PUBLIC HOLDING

Percentage of shares held by the public, calculated as per the Colombo Stock Exchange Listing Rules, as at the date of the Report.

RELATED PARTIES

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

QUICK RATIO

Cash plus short term investments plus receivables, divided by current liabilities.

RETURN ON ASSETS

Profit after tax divided by the average total assets.

RETURN ON EQUITY (ROE)

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

SEGMENT

Constituent business units grouped in terms of similarity in operations and locations.

SUBSTANCE OVER FORM

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

SHAREHOLDERS' FUNDS

Shareholders' funds consist of stated capital, other components of equity and revenue reserves.

TOTAL DEBT

Long term loans plus short term loans and overdrafts.

TOTAL EQUITY

Shareholders' funds plus non-controlling interest.



Group Directory

Sri Lanka

CEYLON HOLIDAY RESORTS LIMITED

(PB 40)	- 99.31%
Owner of Cinnamon Bentota Beach <i>(under re-development)</i>	
Incorporated in	- 1966
Company operating address	- Cinnamon Bentota Beach, Galle Road, Bentota
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02
Stated Capital	- Rs. 2,378.9 Mn
Contact No.	- 034-2275176/7
Directors	- Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. M. H. Singhawansa Mr. S. C. Ratnayake <i>(resigned 31/12/2018)</i> Mr. B. J. S. M. Senanayake <i>(resigned 30/06/2018)</i>

HABARANA WALK INN LIMITED

(PB 33)	- 98.77%
Owner of Habarana Village by Cinnamon	
Incorporated in	- 1973
Company operating address	- Habarana Village by Cinnamon PO Box 01, Habarana
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02
Stated Capital	- Rs. 126.3 Mn
Contact No.	- 066-2270046
Directors	- Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. M.H. Singhawansa Mr. S. C. Ratnayake <i>(resigned 31/12/2018)</i> Mr. B. J. S. M. Senanayake <i>(resigned 30/06/2018)</i>

HABARANA LODGE LIMITED

(PB 38)	- 98.35%
Owner of Cinnamon Lodge Habarana	
Incorporated in	- 2007
Company operating address	- Cinnamon Lodge Habarana PO Box 02, Habarana
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02
Stated Capital	- Rs. 341.5 Mn
Contact No.	- 066-2270011/2
Directors	- Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. M. H. Singhawansa Mr. S. C. Ratnayake <i>(resigned 31/12/2018)</i> Mr. B. J. S. M. Senanayake <i>(resigned 30/06/2018)</i>

INTERNATIONAL TOURISTS AND HOTELIERS LIMITED

(PB 17)	- 99.33%
Incorporated in	- 1973
Registered office address	- No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02
Stated Capital	- Rs. 1,939.7 Mn
Contact No.	- 0112306000
Directors	- Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. M.H. Singhawansa Mr. S. C. Ratnayake <i>(resigned 31/12/2018)</i> Mr. B. J. S. M. Senanayake <i>(resigned 30/06/2018)</i>



KANDY WALK INN LIMITED

(No. PB 395)	- 98.39%
Owner of Cinnamon Citadel Kandy	
Incorporated in	- 1979
Company operating address	- Cinnamon Citadel Kandy, 124, Srimath Kuda Ratwatte Mawatha, Kandy
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02
Stated Capital	- Rs.115.2 Mn
Contact No.	- 081-2234365/6
Directors	- Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. M.H. Singhawansa Mr. S. C. Ratnayake <i>(resigned 31/12/2018)</i> Mr. B. J. S. M. Senanayake <i>(resigned 30/06/2018)</i>

TRINCO WALK INN LIMITED

(PB168)	- 100%
Owner of real estate in Trincomalee	
Incorporated in	- 1984
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02
Stated Capital	- Rs.119.8 Mn
Contact No.	- 0112306000
Directors	- Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. M.H. Singhawansa Mr. S. C. Ratnayake <i>(resigned 31/12/2018)</i> Mr. B. J. S. M. Senanayake <i>(resigned 30/06/2018)</i>

RAJAWELLA HOTELS COMPANY LIMITED

(PB 92)	- 100%
Incorporated in	- 1992
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02
Stated Capital	- Rs. 35.4 Mn
Contact No.	- 0112306000
Directors	- Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. M.H. Singhawansa Mr. S. C. Ratnayake <i>(resigned 31/12/2018)</i> Ms. D. C. Alagaratnam <i>(resigned 30/06/2018)</i>

RESORT HOTELS LIMITED

(PB 193)	- 99.31%
Owner of real estate in Nilaveli	
Incorporated in	- 2008
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 2
Stated Capital	- Rs.8.3 Mn
Contact No.	- 0112306000
Directors	- Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. M. H. Singhawansa Mr. S. C. Ratnayake <i>(resigned 31/12/2018)</i>



Group Directory (contd.)

Sri Lanka

WIRAWILA WALK INN LIMITED

(PB 89)	- 100%
<i>Owner of real estate in Wirawila</i>	
Incorporated in	- 1994
Registered office address	- No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 2
Stated Capital	- Rs.20.2 Mn
Contact No.	- 0112306000
Directors	- Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. M. H. Singhawansa Mr. S. C. Ratnayake <i>(resigned 31/12/2018)</i> Mr. B. J. S. M. Senanayake <i>(resigned 30/06/2018)</i>

BERUWALA HOLIDAY RESORTS (PVT) LIMITED

(PV 69678)	- 99.33%
<i>Owner of Cinnamon Bey Beruwala</i>	
Incorporated in	- 2009
Company operating address	- Cinnamon Bey Beruwala Moragolla, Beruwala
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 2
Stated Capital	- Rs. 2,338.1 Mn
Contact No.	- 034-2297000
Directors	- Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. M. H. Singhawansa Mr. S. C. Ratnayake <i>(resigned 31/12/2018)</i> Mr. B. J. S. M. Senanayake <i>(resigned 30/06/2018)</i>

YALA VILLAGE (PVT) LIMITED

(PV 2868)	- 93.78%
<i>Owner of Cinnamon Wild Yala</i>	
Incorporated in	- 1999
Company operating address	- Cinnamon Wild Yala P.O Box 01, Kirinda Tissamaharama
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 2
Stated Capital	- Rs.319.4 Mn
Contact No.	- 047- 2239449/52
Directors	- Mr. M. A. Perera - <i>Chairman</i> Mr. K. N. J. Balendra - <i>Deputy Chairman</i> Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. J.A. Davis Mr. M. H. Singhawansa Mr. S. C. Ratnayake <i>(resigned 31/12/2018)</i> Mr. J. G. A. Cooray <i>(resigned 31/12/2018)</i> Mr. B. J. S. M. Senanayake <i>(resigned 30/06/2018)</i>

TRINCO HOLIDAY RESORTS (PVT) LIMITED

(PV 69908)	- 100%
<i>Owner of Trinco Blu by Cinnamon</i>	
Incorporated in	- 2009
Company operating address	- Trinco Blu by Cinnamon Sambativu, Uppuveli, Trincomalee
Registered office address	- 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02
Stated Capital	- Rs.357 Mn
Contact No.	- 026-2222307
Directors	- Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. M. H. Singhawansa Mr. S. C. Ratnayake <i>(resigned 31/12/2018)</i> Mr. B. J. S. M. Senanayake <i>(resigned 30/06/2018)</i>



HIKKADUWA HOLIDAY RESORTS (PVT) LIMITED

(PV 71747) - 99.31%
Owner of Hikka Tranz by Cinnamon
 Incorporated in - 2010
 Company operating address - Hikka Tranz by Cinnamon
 01, Galle Road,
 Hikkaduwa
 Registered office address - No.117, Sir Chittampalam
 A Gardiner Mawatha,
 Colombo 2
 Stated Capital - Rs. 1,062.6 Mn
 Contact No. - 091-2277023
 Directors - Mr. J. R. Gunaratne
 Mr. K. C. Subasinghe
 Mr. M. H. Singhawansa
 Mr. S. C. Ratnayake
(resigned 31/12/2018)
 Mr. B. J. S. M. Senanayake
(resigned 30/06/2018)

AHUNGALLA HOLIDAY RESORTS (PVT) LIMITED

(PV 85046) - 100%
Owner of real estate in Ahungalla
 Incorporated in - 2012
 Registered office address - 117, Sir Chittampalam
 A Gardiner Mawatha,
 Colombo 02
 Stated Capital - Rs. 133.5 Mn
 Contact No. - 0112306000
 Directors - Mr. J. R. Gunaratne
 Mr. K. C. Subasinghe
 Mr. M.H. Singhawansa
 Mr. S. C. Ratnayake
(resigned 31/12/2018)
 Mr. B. J. S. M. Senanayake
(resigned 30/06/2018)

SENTINEL REALTY (PVT) LIMITED

(PV80706) - 50%
Owner of real estate in Vaakarai and Kallarawa
 Incorporated in - 2011
 Registered office address - 117, Sir Chittampalam
 A Gardiner Mawatha,
 Colombo 02
 Stated Capital - Rs. 132.3 Mn
 Contact No. - 0112306000
 Directors - Mr. B. A. B. Goonetilleke
 Mr. J. R. Gunaratne
 Mr. K. Balasundaram
 Mr. S. Rajendra

NUWARA ELIYA HOLIDAY RESORTS (PVT) LIMITED

(PV98357) - 100%
Owner of real estate in Nuwara Eliya
 Incorporated in - 2014
 Registered office address - 117, Sir Chittampalam
 A Gardiner Mawatha,
 Colombo 02
 Stated Capital - Rs. 323.1 Mn
 Contact No. - 0112306000
 Directors - Mr. J. R. Gunaratne
 Mr. K. C. Subasinghe
 Mr. M.H. Singhawansa
 Mr. S. C. Ratnayake
(resigned 31/12/2018)
 Mr. B. J. S. M. Senanayake
(resigned 30/06/2018)

CINNAMON HOLIDAYS (PVT) LIMITED

(PV107427) - 100%
Inbound and Outbound Tour Operators
 Incorporated in - 2015
 Registered office address - 117, Sir Chittampalam
 A Gardiner Mawatha,
 Colombo 02
 Stated Capital - Rs.0.2 Mn
 Contact No. - 0112306000
 Directors - Mr. J. R. Gunaratne
 Mr. K. C. Subasinghe
 Mr. M.H. Singhawansa
 Mr. S. C. Ratnayake
(resigned 31/12/2018)
 Mr. B. J. S. M. Senanayake
(resigned 30/06/2018)

INDRA HOTELS & RESORTS KANDY (PVT) LIMITED

(PV124247) - 40%
Owner of Cinnamon Red Kandy (under construction)
 Incorporated in - 2017
 Registered office address - 273, Katugastota Road,
 Kandy
 Stated Capital - Rs. 1,051.4 Mn
 Contact No. - 081-2234346
 Directors - Mr. Y. S. H. I. K. Silva
 Mr. Y. S. H. R. S. Silva
 Mr. Y. S. H. H. K. Silva
 Mr. J. R. Gunaratne
 Mr. K. C. Subasinghe



Group Directory (contd.)

Maldives

JOHN KEELLS MALDIVIAN RESORTS (PTE) LIMITED

(C-208/96)	- 100%
Incorporated in	- 1996
Registered office address	- 2nd Floor, H.Maizan Building, Sosun Magu, Malè, Republic of Maldives
Stated Capital	- US\$38.9 Mn
Contact No.	- 0112306000
Directors	- Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. J. E. P. Kehelpannala Mr. M. H. Singhawansa Mr. S. C. Ratnayake <i>(resigned w.e.f.31/12/2018)</i> Mr. K. N. J. Balendra <i>(resigned w.e.f.31/12/2018)</i> Mr. B. J. S. M. Senanayake <i>(resigned w.e.f.30/06/2018)</i>

FANTASEA WORLD INVESTMENTS (PTE) LIMITED

(C-143/97)	- 100%
<i>Owner of Cinnamon Hakuraa Huraa Maldives (under re-construction)</i>	
Incorporated in	- 1997
Company operating address	- Cinnamon Hakuraa Huraa Maldives, Meemu Atoll, Republic of Maldives
Registered office address	- 2nd Floor, H.Maizan Building, Sosun Magu, Malè, Republic of Maldives
Stated Capital	- US\$5 Mn
Contact No.	- 0112306000
Directors	- Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. J. E. P. Kehelpannala Mr. M.H. Singhawansa Mr. S. C. Ratnayake <i>(resigned w.e.f. 31/12/2018)</i> Mr. B. J. S. M. Senanayake <i>(resigned w.e.f. 30/06/2018)</i>

TRAVEL CLUB (PTE) LIMITED

(C-121/92)	- 100%
<i>Owner of Ellaidhoo Maldives by Cinnamon</i>	
Incorporated in	- 1992
Company operating address	- Ellaidhoo Maldives by Cinnamon North Ari Atoll, Republic of Maldives
Registered office address	- 2nd Floor, H.Maizan Building, Sosun Magu, Malè, Republic of Maldives
Stated Capital	- US\$2.5Mn
Contact No.	- 0112306000
Directors	- Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. J. E. P. Kehelpannala Mr. M.H. Singhawansa Mr. S. C. Ratnayake <i>(resigned w.e.f.31/12/2018)</i> Mr. B. J. S. M. Senanayake <i>(resigned w.e.f.30/06/2018)</i>

TRANQUILITY (PTE) LIMITED

(C344/2004)	- 100%
<i>Owner of Cinnamon Dhonveli Maldives</i>	
Incorporated in	- 2004
Company operating address	- Cinnamon Dhonveli Maldives, North Malè Atoll, Republic of Maldives
Registered office address	- 2nd Floor, H.Maizan Building, Sosun Magu, Malè, Republic of Maldives
Stated Capital	- US\$5Mn
Contact No.	- 0112306000
Directors	- Mr. J. R. Gunaratne Mr. K. C. Subasinghe Mr. J. E. P. Kehelpannala Mr. M.H. Singhawansa Mr. S. C. Ratnayake <i>(resigned w.e.f. 31/12/2018)</i>



Notice of Meeting

Notice is hereby given that the Fortieth Annual General Meeting of John Keells Hotels PLC will be held on 28th June 2019 at 3.30 p.m. at the John Keells staff dining hall at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.

The business to be brought before the meeting will be:

1. To read the Notice convening the Meeting.
2. To receive and consider the Annual Report and Financial Statements of the Company for the Financial Year ended 31st March 2019 with the Report of the Auditors thereon.
3. To re-elect as Director, Mr. T L F W Jayasekara, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. T L F W Jayasekara is contained in Page 32 of the Annual Report.
4. To re-elect as Director, Ms. A K Moonesinghe, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Ms. A K Moonesinghe is contained in Page 33 of the Annual Report.
5. To re-elect as Director, Mr. M H Singhawansa who retires in terms of Article 90 of the Articles of Association of the Company. A brief profile of Mr. M H Singhawansa is contained in Page 31 of the Annual Report.
6. To re-appoint Messrs. Ernst & Young, Chartered Accountants, as Auditors and to authorise the Directors to determine their remuneration.
7. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

By Order of the Board,

KEELLS CONSULTANTS (PRIVATE) LIMITED
Secretaries

Colombo
03rd June 2019

Notes:

- A member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.
- A Proxy need not be a member of the Company.
- A member wishing to vote by Proxy at the Meeting may use the Form of Proxy enclosed.
- In order to be valid, the completed Form of Proxy must be lodged at the Registered Office of the Company not later than 48 hours before the meeting.
- If a poll is demanded, a vote can be taken on a show of hand or by a poll. Each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual member and his 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.

Form of Proxy

I/We of
.....being a member/s of John Keells Hotels PLC hereby appoint
..... of or failing him/her

Mr. Krishan Niraj Jayasekara Balendra	or failing him
Mr. Joseph Gihan Adisha Cooray	or failing him
Mr. Jitendra Romesh Gunaratne	or failing him
Mr. Jayantissa Emalka Pohath Kehelpannala	or failing him
Mr. Mohomed Hishan Singhawansa	or failing him
Mr. Nissanka Bandara Weerasekera	or failing him
Mr. Trevine Lalith Francis Waas Jayasekara	or failing him
Ms. Anarkali Kumari Moonesinghe	

as my/our proxy to represent me/us and vote on my/our behalf at the Fortieth Annual General Meeting of the Company to be held on the 28th of June 2019 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

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

	FOR	AGAINST
To re-elect as Director, Mr. T L F W Jayasekara, who retires in terms of Article 84 of the Articles of Association of the Company		
To re-elect as Director, Ms. A K Moonesinghe, who retires in terms of Article 84 of the Articles of Association of the Company		
To re-elect as Director, Mr. M H Singhawansa, who retires in terms of Article 90 of the Articles of Association of the Company		
To re-appoint Auditors Messrs. Ernst & Young Chartered Accountants and to authorise the Directors to determine their remuneration		

Signed thisday of Two Thousand and Nineteen.

.....
Signature/s of shareholder/s

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



INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02, not later than 48 hours before the time appointed for the holding of the Meeting.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the appointer is a Company or Corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the Company or Corporation in accordance with its Articles of Association or Constitution.
5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name	:
Address	:
	:
	:
Jointly with	:
Share Folio No.	:

Corporate Information

GRI 102-1

GRI 102-3

GRI 102-5

NAME OF COMPANY

John Keells Hotels PLC

LEGAL FORM

Public Limited Liability Company incorporated in Sri Lanka on 1st October 1979

STOCK EXCHANGE LISTING

The issued shares of John Keells Hotels PLC are listed on the Colombo Stock Exchange

COMPANY REGISTRATION NO.

PQ 8

DIRECTORS

K N J Balendra – Chairman
J G A Cooray
J R Gunaratne
J E P Kehelpannala
M H Singhawansa (Appointed w.e.f. 01st July 2018)
N B Weerasekera
T L F W Jayasekara
A K Moonesinghe (Ms.)

SECRETARIES AND REGISTRARS

Keells Consultants (Pvt) Ltd
117, Sir Chittampalam A. Gardiner Mawatha
Colombo 2

AUDITORS

Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10

BANKERS

Bank of Ceylon
Deutsche Bank A.G
Hongkong and Shanghai Banking Corporation
Nations Trust Bank
Hatton National Bank
Habib Bank
Commercial Bank of Ceylon
People's Bank
Citibank N.A.
DFCC Bank
Sampath Bank

HEAD OFFICE & REGISTERED OFFICE OF THE COMPANY

117, Sir Chittampalam A. Gardiner Mawatha
Colombo 2
Telephone : (94-11) 2306000
Facsimile : (94-11) 2320862
E-mail : htlres@keells.com
Web : www.cinnamonhotels.com

HOTEL RESERVATIONS

Cinnamon Hotel Management Ltd
Iceland Business Center
Level 1, No.30,
Sri Uttarananda Mawatha
Colombo 03
Telephone : (94-11) 2161161
Facsimile : (94-11) 2320862
E-mail : htlres@keells.com
Web : www.cinnamonhotels.com

Concept & Designed by

Copyline
A great equation

Printed by Printel (Pvt) Ltd

Cinnamon
HOTELS & RESORTS