Trendsetter

John Keells Hotels PLC | Annual Report 2017/18

LIFESTYLE

Cinnamon
HOTELS & RESORTS

LIFESTYLE

LIFESTYLE

Trendsetter

Cinnamon Hotels & Resorts has always offered our guests and visitors an exciting choice of destination experiences designed to invigorate and delight the most world-weary traveller. Our business proposition remains focused on quality, value, sensation and style; corporate attributes that are captured in the concept of 'inspired living' that lies at the heart of all that we do.

This year, we sought to set the benchmarks of innovation in our competitive industry by pioneering several exciting business initiatives designed to keep our profile high, while strengthening our corporate position in the local leisure industry. These strategies are described in the pages that follow, as we chart our course into the future; fine-tuning our business model and setting the trends that will deliver long-term value to the diverse stakeholders we serve.

LIFESTYLE

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LIFESTYLE

"We will always be the Hospitality Trendsetter"

OUR VISION

About this Report

GRI - 102-1, 102-10, 102-12, 102-46, 102-48, 102-50, 102-51, 102-52, 102-53,102-54, 102-56

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

John Keells Hotels PLC embarked on the Integrated Reporting journey in 2015 and has since strived to improve the meaningfulness, readability and relevance of the Report. As our primary publication to stakeholders, this Report demonstrates our integrated approach in formulating strategy and managing our business, ensuring that business and sustainability objectives are balanced appropriately.

SCOPE AND BOUNDARY

This Report covers the operations of John Keells Hotels PLC and its subsidiaries (referred to as the 'Group') in Sri Lanka and Maldives for the period 1st April 2017 to 31st March 2018. We adopt an annual reporting cycle, and the most recent previous report for the financial year ending 31st March 2017 is available on our website www.cinnamonhotels.com. We continue to sharpen the stakeholder relevance of our Report by engaging in a systematic materiality determination process, which includes stakeholder engagement at multiple levels, evaluation of emerging risks and opportunities in the industry landscape as well as assessment of our value creation model. There were no significant changes to the Group's size, structure, shareholding or supply chain during the period under review. There were also no material re-statements of information from the previous reporting period.

STANDARDS AND ASSURANCE

The Annual Report is prepared based on the principles prescribed by the Integrated Reporting Framework published by the International Integrated Reporting Council. The financial statements have been prepared in accordance with the Sri Lanka Financial Reporting Standards while the sustainability reporting is 'in accordance' with the core criteria prescribed by the Global Reporting Initiative (GRI) Standards. The Report also complies with the Companies Act No.7 of 2007, Listing Requirements of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance issued by CA Sri Lanka and Securities and Exchange Commission of Sri Lanka. External assurance on the financial and non-financial reporting has been provided by Messrs. Ernst and Young, Chartered Accountants.

KEY CONCEPTS

In representing material developments to providers of our financial capital and other stakeholders, we have complied with the following reporting principles;

Concept	How We Complied
Strategic Focus and Future Orientation	We have dedicated a chapter to the strategic focus of the Group and have connected our actions to strategic priorities wherever possible. A forward outlook has been provided for each business review and capital chapter.
Reliability	We have sought external assurance on the both the financial and non-financial reporting.
Connectivity	We have used navigation icons and signposting across the report to improve connectivity
Conciseness	The narrative is limited to the topics that are most material to our stakeholders.

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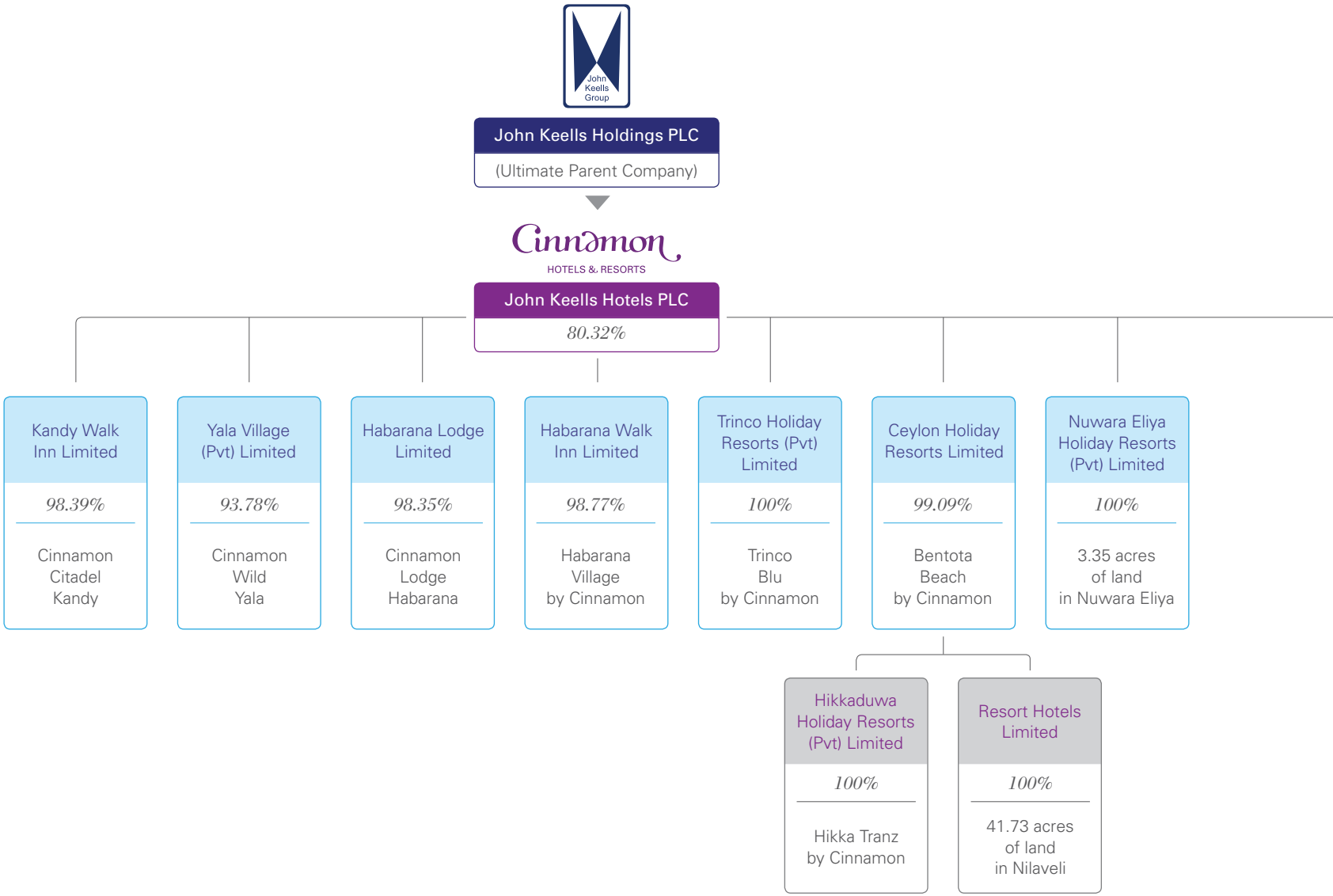
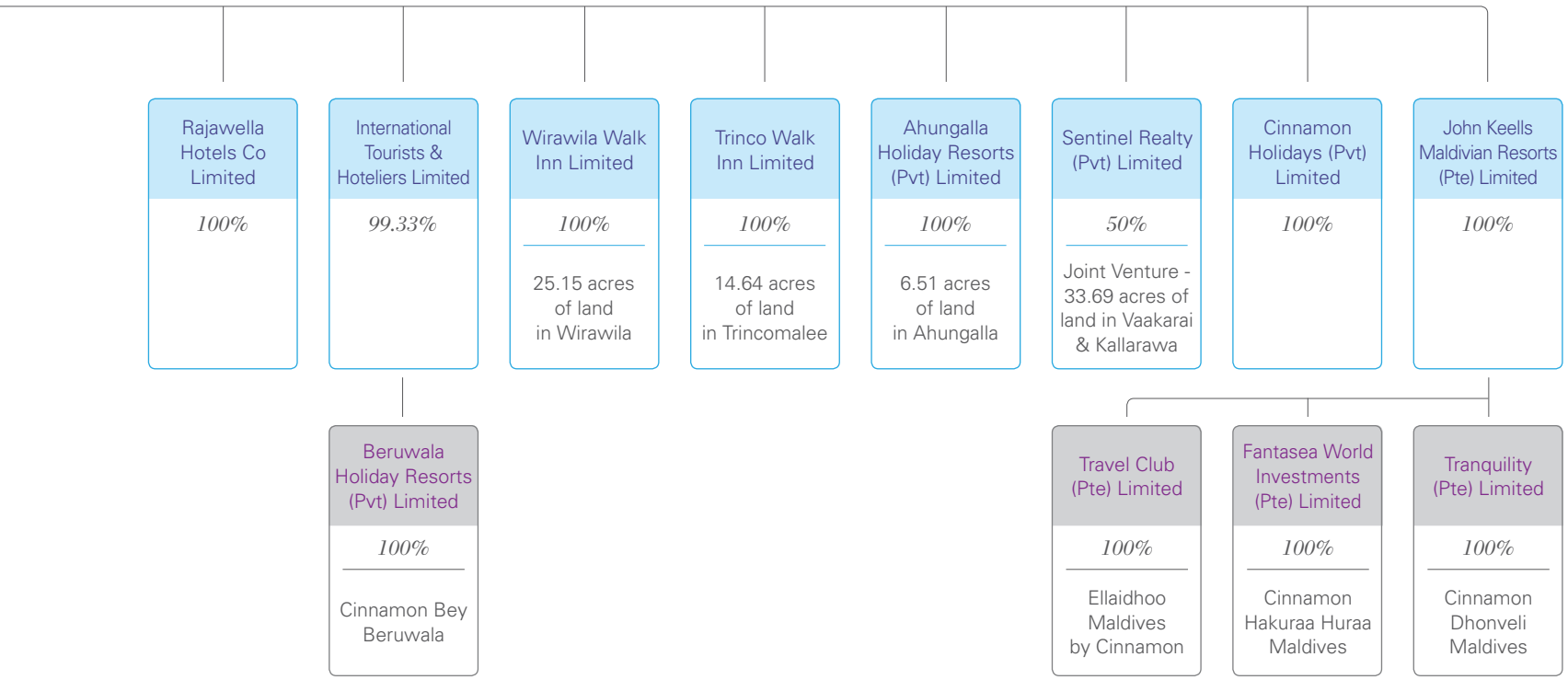
Group Structure

GRI - 102-45



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



Performance Scorecard

	Indicator	Metric	2017/18	2016/17	Change y-o-y
Financial Capital	Commitment: Sustainable growth in earnings				
	Revenue	Rs. Million	11,614	12,312	- 6%
	TrevPAR	Rs.	25,720	25,229	2%
	Operating Profit	Rs. Million	1,324	2,248	- 41%
	Profit for the year	Rs. Million	1,131	1,864	- 39%
	Earnings per share	Rs.	0.77	1.27	- 39%
	Dividend per share	Rs.	0.40	0.40	0%
	Total Assets	Rs. Million	33,236	32,083	4%
	Property, Plant and Equipment	Rs. Million	14,084	14,355	-2%
	Total Equity	Rs. Million	26,353	24,921	6%
	Total Debt	Rs. Million	4,244	5,169	-18%
	Net Assets per share	Rs.	18.00	17.02	6%
	Share Price	Rs.	9.30	10.00	-7%
	Market Capitalization	Rs. Million	13,542	14,561	-7%
Manufactured Capital	Commitment: Continued investments in our physical infrastructure				
	Property, plant and equipment	Rs. Million	14,084	14,355	-2%
	Room capacity	No. of Rooms	1,204	1,337	-10%
	Capital expenditure	Rs. Million	1,526	784	95%
Human Capital	Commitment: Strengthening the employee value proposition				
	Total employees	No.	2,286	2,590	-12%
	Payments to employees	Rs. Million	2,094	1,907	10%
	No. of promotions	No.	152	170	-11%
	Attrition rate	%	28	25	12%
	Female representation	%	8.3	8.0	4%
	Investment in training	Rs. Million	34.1	42.7	-20%
	Total training hours	Hours	89,119	110,208	-19%
	New recruits	No.	444	657	- 32%
	Average training hours/employee	Hours	39	42	-7%
	Workplace injuries	No.	43	56	-23%

	Indicator	Metric	2017/18	2016/17	Change y-o-y
Social and Relationship Capital	Commitment: Creating guest experiences				
	Occupancy rate - Sri Lanka	%	81	80	1%
	Occupancy rate - Maldives	%	82	89	- 8%
	Customer satisfaction rate	Out of 5 (TripAdvisor Rating)	4.4	4.3	2%
	Social media presence	No. of Followers	365,550	267,047	37%
	Commitment: Creating value across our supply chain				
	Total suppliers	No	1,073	1,135	- 5%
	Payments to suppliers	Rs. Million	2,174	2,282	- 5%
	Commitment: Empowering communities				
	Total investment in CSR	Rs. Million	10.7	12.1	-12%
Natural Capital	Commitment: Nurturing the planet				
	Raw Material usage	MT	2,298	2,808	-18%
	Carbon Footprint	tCO2e	19,711	20,682	- 5%
	Energy consumption per guest night	MJ	230	212	8%
	Water withdrawn per guest night	Litres	811	844	- 4%
	Waste disposed per guest night	Kg	2.85	2.87	-1%
	Carbon footprint per guest night	KgCO2e	25.60	24.72	4%

About the Group

GRI - 102-2, 102-4

John Keells Hotels PLC is Sri Lanka's hospitality trendsetter, offering the best of Sri Lankan culture, entertainment and cuisine through iconic, modern and vibrant spaces. As one of Sri Lanka's largest hotel operators, we own and manage a portfolio of 1,204 four and five-star rooms in 10 hotels across Sri Lanka and Maldives. Our flagship lifestyle brand 'Cinnamon' is frequently featured among the country's top brands and embodies the promise of 'Inspired Living' through our spaces, service and guest experience. An industry pioneer in sustainable tourism in Sri Lanka, 9 out of 10 hotels in our portfolio have obtained the prestigious Green Globe certification. Headquartered in Colombo, Sri Lanka we are an 80.32% owned subsidiary of John Keells Holdings PLC, Sri Lanka's premier diversified conglomerate and most valuable listed entity in terms of market capitalization.

FINANCIAL PERFORMANCE AND STRENGTH

Prudent financial management and a strong balance sheet ensures resilience through business cycles

33.2
Assets - *Rs. Billion*

11.6
Revenue - *Rs. Billion*

1.13
Profit After Tax - *Rs. Billion*

4.4
Return on Equity - %

18
Net Asset Value Per Share - *Rs.*

UNIQUE GUEST EXPERIENCES

We provide a range of unique guest experiences to remain relevant to our customers

1,204 Rooms in **10** Properties

24 Restaurants

Brand Building Initiatives

- Andrew Lloyd Webber and David Ian's Really Useful Group Production of the Sound of Music
- Master class with celebrity chef George Calombaris
- Cinnamon Future of Tourism Summit

STAKEHOLDER VALUE CREATION

Our integrated strategy is aimed at fulfilling the often-competing interests of stakeholders

582 *Rs. Million* Dividend Payments

2.1 *Rs. Billion* Payments to Employees

2,174 *Rs. Million* Supplier Payments

10.7 *Rs. Million* Investment in CSR

ECONOMIC CONTRIBUTION

Our value chain creates economic benefit across the entire economy

444
Employment Generation

368
Tax Payments - *Rs. Million*

2,286
Employees

12
Economic Value Generated - *Rs. Billion*

HOTEL PORTFOLIO

We operate 7 hotels and 864 guest rooms in Sri Lanka and 3 hotels and 340 guest rooms in the Maldives. The Group also has 1 hotel in the pipeline. We place continued emphasis on strengthening our portfolio through our unique brand positioning, leveraging scale and adopting a disciplined approach to capital allocation.

Brand Family	Hotel	Room Capacity	TripAdvisor Rating
Luxury Lifestyle	Cinnamon Bey Beruwala	200	4.2
	Cinnamon Wild Yala	68	4.3
	Cinnamon Lodge Habarana	138	4.5
	Cinnamon Citadel Kandy	119	4.2
	Cinnamon Dhonveli Maldives	148	4.6
	Cinnamon Hakuraa Huraa Maldives	80	4.7
Rustic Luxury	Hikka Tranz by Cinnamon	150	4.2
	Trinco Blu by Cinnamon	81	4.2
	Bentota Beach by Cinnamon	133 (under re-development)	
	Habarana Village by Cinnamon	108	4.4
	Ellaidhoo Maldives by Cinnamon	112	4.3

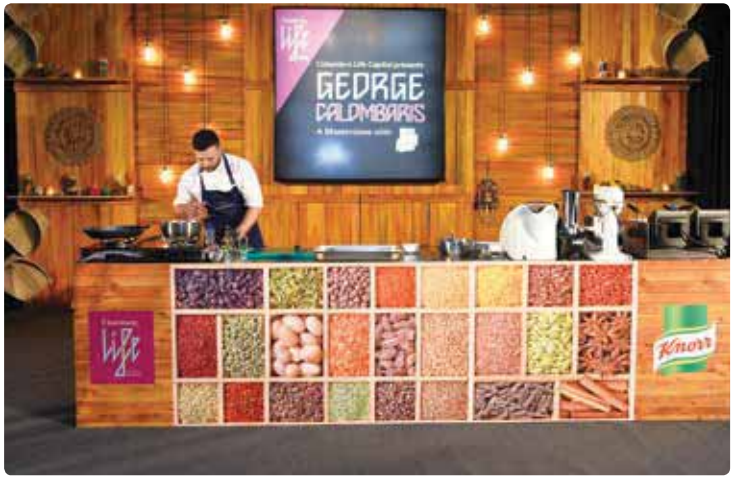
Milestones in 2017/18

April 2017

- Community engagement initiatives launched by several resorts in line with the 'I WILL CARE' pledge of the Leisure Group
- Successfully completed Cinnamon Sri Lanka Photo Contest 2017

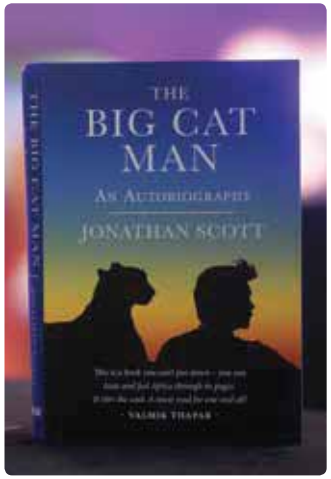
June 2017

- Celebration of World Environment Day across all resorts which included beach cleaning campaigns and tree planting initiatives.
- Celebrity Chef and MasterChef Australia judge George Calombaris was hosted in Sri Lanka



July 2017

- Cinnamon presented world famous wildlife photographers Jonathan and Angela Scott



September 2017

- Cinnamon Colomboscope was held at the former Colombo Terminus Railway Station

February 2018

- The Sound of Music World Tour in Colombo by Cinnamon

November 2017

- Cinnamon Future of Tourism Summit promoting technology, innovation and authenticity in promoting Sri Lankan Tourism
- Employees of all Sri Lankan resorts signed a pledge in supporting the Plasticycle project by John Keells Group.
- Launch of Cinnamon Island Weddings

Awards and Accolades

The Group's hotels are frequent recipients of numerous local and international awards demonstrating excellence in guest satisfaction, culinary expertise, sustainability considerations and health and safety among others. Key awards obtained in 2017/18 are given below;

South Asian Travel Awards

Hikka Tranz by Cinnamon

Culinary Art Competition (2017) Organised by the Chef's Guild

Culinary Team	F&B Team
3 Gold medals	1 Gold medal
11 Silver medals	4 Silver medals
11 Bronze medals	1 Bronze medal

Bocuse d' Or Sri Lanka

Silver Award

Cinnamon Citadel Kandy

South Asian Travel Awards 2017- Gold Award for Leading Lake Resort in South Asia

Cinnamon Bey Beruwala

Fine Arts of Preparing Food and Carving Competition

F&B Team

6 Gold medals
3 Silver medals
17 Bronze medals

Kitchen Artist Kelum Jeewana won the All Island Best Artist - Gold Excellence Award.

Presidential Environmental Awards 2017

Silver Award

South Asian Travel Awards 2017

Silver - leading F&B Resort

World Travel Awards

Cinnamon Lodge Habarana

World Travel Awards Indian Ocean Gala Ceremony

Sri Lanka's Leading Family Resort

Presidential Awards

Cinnamon Wild Yala

Presidential Environmental Awards 2017

Gold Award

SLIM Brand Excellence Awards

Cinnamon Hakuraa Huraa Maldives

Expedia.com top partner resorts 2017 - Gold

John Keells Hotels PLC

ACCA Sri Lanka Sustainability Reporting Awards 2016

Runners Up - Leisure and Connected Services Category

Annual Report Awards 2017 Organised by CA Sri Lanka

Silver Award in the Hotel Sector

SLIM Brand Excellence Awards

CSR Brand - Silver Award

Service Brand - Silver Award

SAFA Awards

Service Sector - 1st runner up

Brand Finance - No. 1 Hospitality Brand in Sri Lanka

Ellaidhoo Maldives by Cinnamon

International Chef Guild Culinary Challenge

3 Gold medals

7 Merit awards

International Culinary Challenge

CA Sri Lanka Annual Report Awards

Cinnamon Dhonveli Maldives

Highest Growth Award - 2016 by Booking.com

Food & Hospitality Asia Maldives Exhibition & International Culinary Challenge 2017

3 Gold medals

5 Silver medals

2 Bronze medals and

2 Merits

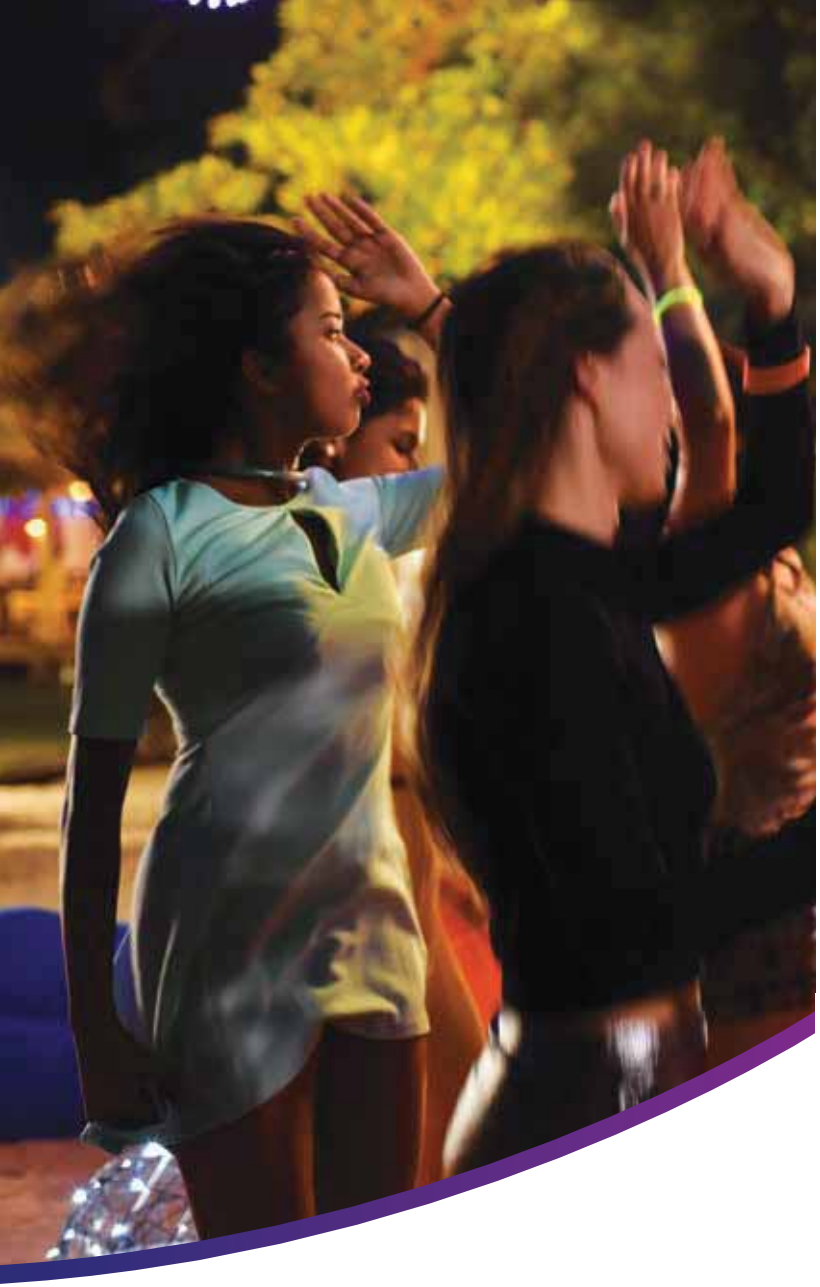
South Asian Travel Awards - 2017

Leading Surf Hotel/Resort in South Asia Region

Top 100 best resort hotels in the world 2017 - Ranked 36th

ACCA Sri Lanka Sustainability Reporting Awards

Brand Finance Ranking



LIFESTYLE

"We are always looking for new ways to combine our expertise, innovation and commitment to sustainability to deliver returns to our stakeholders over the long term"

FINANCIAL HIGHLIGHTS

Group Financial and Operational Highlights

Year ended 31st March		2018	2017
Earnings Highlights and Ratios			
Revenue	Rs'000	11,614,376	12,311,664
Earnings before interest and tax (EBIT)	Rs'000	1,606,233	2,463,916
Group profit before tax (PBT)	Rs'000	1,350,714	2,236,128
Group profit after tax (PAT)	Rs'000	1,130,598	1,863,508
Group profit attributable to the shareholders	Rs'000	1,118,951	1,846,130
Earnings per share (EPS)	Rs.	0.77	1.27
EPS growth	%	(39.4)	6.7
Interest cover	No. of times	6.3	10.8
Return on equity	%	4.4	7.8
Pre-tax ROCE	%	5.3	8.7
Statement of Financial Position - highlights and ratios			
Total assets	Rs'000	33,235,840	32,083,462
Total debt	Rs'000	4,244,146	5,169,396
Total shareholder's funds	Rs'000	26,208,985	24,781,456
No. of shares in issue	Number 000's	1,456,147	1,456,147
Net assets per share	Rs.	18.00	17.02
Debt/Equity	Times	0.16	0.21
Debt/Total assets	%	13	16
Current ratio	Times	1.92	1.09
Quick asset ratio	Times	1.86	1.06
Market/Shareholder information			
Market price of share as at 31st March	Rs.	9.30	10.00
Market capitalisation	Rs '000	13,542,165	14,561,468
Price earnings ratio	No. of times	12.08	7.87

Year ended 31st March		2018	2017
Economic value distributed			
Operating costs	Rs'000	8,300,093	8,181,311
Employee wages and benefits	Rs'000	2,094,528	1,997,976
Payments to providers of funds	Rs'000	837,978	810,247
Payments to government	Rs'000	367,622	479,164
Community investments	Rs'000	10,697	12,150
Retained within the business	Rs'000	396,368	1,070,548
Total employees	Number	2,286	2,590

Group Operational Highlights

Year ended 31st March	2018	2017
Occupancy - Sri Lankan Sector	81%	80%
Occupancy - Maldivian Sector	82%	89%
Revenue Room Nights	367,562	402,386

LIFESTYLE

"During the year under review, the group embarked on a journey of repositioning its existing product portfolio in order to continue to provide the highest quality of guest experiences"

CHAIRMAN'S REVIEW

Chairman's Review

GRI - 102-14

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 2018.

During the year under review, the group embarked on a journey of repositioning its existing product portfolio in order to continue to provide the highest quality of guest experiences. This included the complete closure of Bentota Beach by Cinnamon for redevelopment and the partial closure of Cinnamon Dhonveli Maldives and Ellaidhoo Maldives by Cinnamon to facilitate refurbishments. The closures resulted in KHL recording a profit before tax of Rs.1.35 Bn for the financial year ended 31st March 2018, a decline of 40 per cent over the previous year. Excluding the impact of the closures, KHL recorded a satisfactory performance given the increased room supply in the informal and graded sector, particularly in the coastal areas of the country.

GLOBAL TOURISM

International tourist arrivals grew by 7 per cent worldwide, as reported by the United Nations World Tourism Organisation (UNWTO), which is the highest recorded in seven years supported by an 8 per cent growth in Europe and Africa, a 6 per cent growth in Asia Pacific and a growth of 5 per cent in the Middle East. The growth in tourist travel stemmed from an increase in demand for outbound tourism from traditional and emerging source markets. China continued to be the biggest spender in outbound tourism with a 5 per cent increase in spending, followed by the USA, Germany, the UK and France, while a recovery in outbound tourist spend was witnessed in Russia and Brazil. Based on current trends, UNWTO projects international tourist arrivals to grow at approximately 4.5 per cent in 2018.

SRI LANKA TOURISM

The Sri Lankan tourism industry, recorded subdued growth of 3.2 per cent to 2.1 Mn arrivals, compared with robust growth of 14 per cent achieved in 2016, falling short of the Government's 2017 target of 2.5 Mn arrivals. Key contributory factors to the moderate growth in arrivals included the three-month partial closure of the Bandaranaike International Airport for renovations, travel advisories in key markets due to floods, the outbreak of dengue fever and the declaration of a state of emergency for a period of 12 days. The peak fourth quarter recorded a 17.1 per cent year-on-year growth in arrivals off a low base in the corresponding period last year that was affected by the partial closure of the airport.

As in previous years, Western Europe was the largest regional contributor accounting for 32 per cent of total arrivals to the country. India continues to be the largest single source market with 384,628 arrivals. East Asia recorded a year-on-year growth in arrivals of 4.5 per cent with China being its main contributor with 268,952 arrivals. Earnings from tourism during the calendar year 2017 stood at USD 3.93 Bn, which was an increase of 11.6 per cent from the USD 3.52 Bn recorded a year ago.

MALDIVIAN TOURISM

Maldives recorded 1.39 Mn tourist arrivals for the calendar year 2017, representing a moderate growth of 8 per cent over the previous year, impacted by the unfavourable political climate in the country resulting in travel advisories being issued from key source markets including China, USA, UK and India, during the year under review. Europe was the largest regional source market accounting for 46.5 per cent of the tourist arrivals to the country. Traditional markets such as Germany and England grew by 5.4 per cent and 2.1 per cent respectively. Russia recorded a strong recovery in outbound travel to the Maldives with a 33.1 per cent increase over the previous year accounting for 61,939 arrivals. The Asia and Pacific region recorded a year-on-year growth of 3.2 per cent amid a continued decline in arrivals from China, although China remains the single largest source market of tourists to Maldives.

PRODUCT AND BRAND INITIATIVES

In keeping with upholding our brand promise of a superior product, the Group refurbished 46 beach bungalows and 16 standard rooms at Ellaidhoo Maldives by Cinnamon, while at Cinnamon Dhonveli Maldives 24 water suites were rebuilt along with the main restaurant and the construction of an exclusive pool for the water suites. These investments have been well received by our clients and has resulted in improved room rates and excellent guest comments.

The redevelopment of 159 rooms at Bentota Beach by Cinnamon, is ongoing with operations expected to commence in November 2019.

Initiatives were undertaken to continue to consolidate the Cinnamon brand through its life style centric brand building exercises and signature events. Cinnamon partnered with Broadway Asia International to present Andrew Lloyd Webber & David Ian's The Really Useful Group production of 'The Sound of Music' in February 2018, which was its first performance in South Asia and the first West-End theatre production to be staged in Sri Lanka. Cinnamon hosted Australian MasterChef, Judge and Celebrity chef George Calombaris and renowned Wildlife Photographers Jonathan and Angela Scott with curated events, paving the way for robust brand positioning and awareness.

Cinnamon Island Weddings was launched for the UK market at the World Travel Market 2017 in London with a competition to promote Sri Lanka as a world-class romantic wedding destination.

Cinnamon Hotels and Resorts also continues to promote thought leadership in Tourism in Sri Lanka, organizing "Cinnamon Future of Tourism Summit 2017" for the second time to promote the theme of technology, innovation and authenticity, in the context of creating awareness and popularizing Sri Lanka's attractions. The event endorsed by PATA, underlined by keynote speaker Brekke Fletcher, Executive Editor of CNN Travel, was a timely and relevant intervention, bringing together experts in the travel and tourism industry on a global scale to mentor and share their success stories.

Cinnamon Hotels and Resorts hosted "Cinnamon Colomboscope" for the fifth consecutive year, the only multi-disciplinary international festival of arts in Sri Lanka, as a joint initiative between Alliance Française de Kotte, British Council and the Goethe-Institute to promote contemporary art in Sri Lanka, captivating audiences both locally and internationally. Additionally, the 'Sri Lanka Photo Contest 2017' was launched in partnership with the Sri Lanka Tourist Board to celebrate the best photography and videography captured throughout Sri Lanka to fortify the global photo library on Sri Lankan destinations, creating greater social engagement among travellers and establishing relationships with leading photographers and videographers around the world.

GROUP PERFORMANCE

During the year under review, the Sri Lankan Resorts segment recorded an improvement in year-on-year occupancies while Maldivian Resorts sector continued to record occupancies well above the industry average of 74 per cent. The improvement in occupancy is commendable given the increased supply of rooms and the impact to tourist arrivals caused by floods and adverse travel advisories issued during the year.

Further, it is noteworthy that the group recorded a TrevPAR (Total revenue per available room) of Rs. 25,720 a 2 per cent increase over previous year. However, Group revenue for the financial year was recorded at Rs.11.6 Bn representing a decline of 6 per cent over the previous year (2016/17: Rs.12.3 Bn) due to the closure of Bentota Beach by Cinnamon for redevelopment and the partial closure of Cinnamon Dhonveli Maldives and Ellaidhoo Maldives by Cinnamon as stated above.

The Consolidated profit before tax decreased by 40 per cent to Rs.1.35 Bn during the year under review (2016/17 Rs.2.2 Bn) mainly due to the revenue decline and the exceptional expenses arising as a result of the closure of Bentota Beach by Cinnamon which included an asset write-off and a voluntary retirement scheme expense. The Group ended the year with a profit after tax of Rs.1.13 Bn against the Rs.1.86 Bn achieved in 2016/17, representing a 39 per cent decline against the previous year.

CORPORATE GOVERNANCE

There were no departures from any of the provisions of the Code of Business Conduct and Ethics of the Code of Best Practice on Corporate Governance issued jointly by Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. Further details on Corporate Governance are outlined in the Leadership and Governance Report.

SUSTAINABILITY

The year 2017 was recognized as the "International Year of Sustainable Tourism for Development" at the United Nations General Assembly. The Group continued to focus on sustainable practices of its operations and aligning itself with the said theme. The Group initiated studies to evaluate

renewable energy options and a pilot solar project was successfully implemented at Ellaidhoo Maldives by Cinnamon where a solar-diesel hybrid system was installed. It is expected that, approximately 10 per cent of the total energy requirement of the resort will be generated from this investment.

Considering its relevance to the community and to the industry, Cinnamon embarked upon the Youth Empowerment Programme which was launched in January 2018. Cinnamon's agenda for the youth in our communities is to have direct access to employment opportunities within and outside the hospitality industry, as well as provide the necessary skills for personal development through internships, and neighbourhood school programmes.

The Group provided 39 hours of training per employee on average with a total investment in training of Rs. 34.1 Mn.

BUILDING BRAND VALUE

Cinnamon Hotels & Resorts was ranked as the No.1 hospitality brand in Sri Lanka by Brand Finance, while Cinnamon Wild Yala and Cinnamon Bey Beruwala were awarded the Presidential Gold Award and the Presidential Silver Award respectively at the "Presidential Environmental Awards 2017" which was organized by the Central Environment Authority under the Ministry of Mahaweli Development and Environment, in recognition of its environmental friendly initiatives.

Cinnamon Dhonveli Maldives was ranked 36th out of the "Top 100 best resort hotels in the world: 2017" and was rated No.1 in the Maldives by the Russian & CIS region on Tophotels.org based on guest satisfaction ratings. Equally commendable in this regard are the awards garnered by Ellaidhoo Maldives by Cinnamon in being adjudged the Top Package Producer 2017, Cinnamon Hakuraa Huraa Maldives in being awarded the Gold for top partner resorts 2017 by Expedia.com and Cinnamon Dhonveli Maldives in being awarded the "Highest Growth Award-2016" by Booking.com. Ellaidhoo Maldives by Cinnamon and Cinnamon Dhonveli were further accredited "Loved by Guests" by Hotels.com 2017.

OUTLOOK FOR THE FUTURE

The government of Sri Lanka has established a target of 2.5 Mn tourist arrivals for 2018 with India expected to grow to 450,000 tourist arrivals to the island. Sri Lanka has sought the expertise from New Zealand in developing the islands adventure tourism segment to appeal to thrill seekers. Further efforts are being made by the Sri Lanka Tourism Development Authority (SLTDA) to carry out global advertising campaigns to increase the visibility of the destination. The Sri Lanka Tourism Promotion Bureau (SLTPB) has also increased its efforts to raise global awareness of the country by focusing on promoting film tourism, destination weddings, MICE travel, religious and pilgrimage related travel, to position Sri Lanka as a 'destination for all seasons'.

The political instability in Maldives is expected to continue as the Presidential Election is to take place in September 2018. Despite this, the Group is confident that tourist arrivals to Maldives will continue to improve as a result of the ongoing infrastructure development in the country. The current expansion of Velana International Airport with an aim to attract 7.5 Mn tourist arrivals, is to be completed in 2019. In addition, the construction of the China-Maldives friendship bridge is to be completed by August 2018 improving inter-island transportation for locals and tourists. Additionally, efforts were taken by the Maldives Association of Tourism Industry to strengthen the safety regulation of tourist establishments, enhancing the image of the Maldives Tourism Industry.

The Group has strong conviction on the long-term growth prospects of the industry and is actively pursuing investment opportunities and partners to expand the Cinnamon hotel portfolio. The Group is conscious of the high asset base of the industry group and in this light, in line with Global trends, the Group's future expansion will be executed through asset-light models.

In keeping with the brand standards to ensure that the highest quality service is provided to meet guest expectations, it was decided that Cinnamon Hakuraa Huraa Maldives will be closed for full refurbishment and additionally, 12 more rooms will be constructed adjacent to the Island of Hakuraa Huraa. The resort is scheduled to reopen in time for the 2019

Winter season. Further, partial refurbishments will be underway at Ellaidhoo Maldives by Cinnamon where 24 Water Bungalows will be refurbished. Due to the above planned closures and refurbishments the Group profitability in the coming year will be impacted.

Further, to strengthen the Group's presence in Sri Lanka, the Group has made plans to commence construction of a Cinnamon Red in Kandy with a room inventory of 210.

CONCLUSION

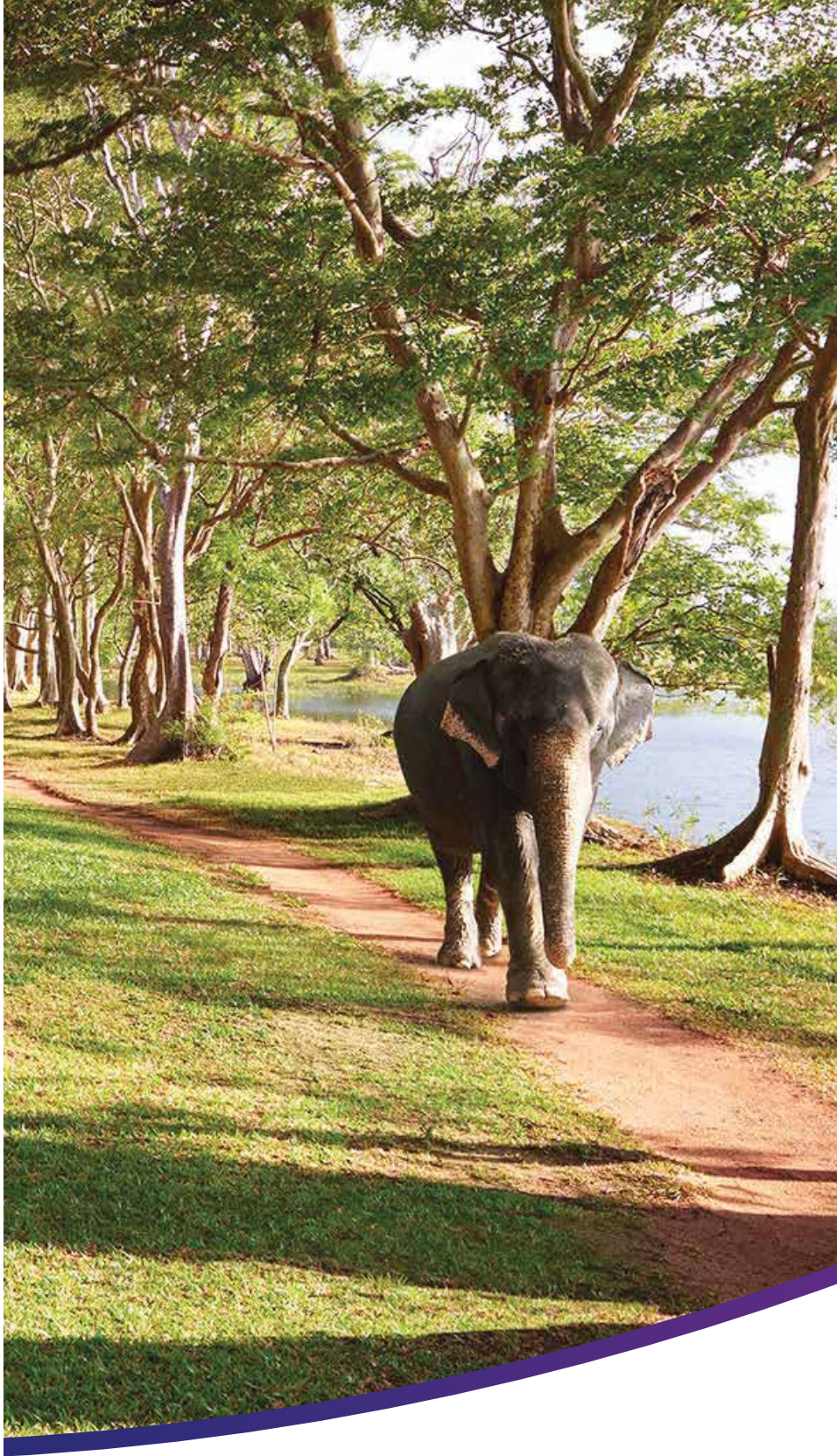
On behalf of the board, I take this opportunity to express my appreciation to our guests for their continued loyalty, our business partners for the support extended, and our team who have worked diligently to provide the highest standard in guest experiences.

The Board joins me in extending our sincere appreciation of the invaluable contribution made by Mr. Ajit Gunewardene and Mr. Ronnie Peiris who resigned from the Board in December 2017. I welcome Mr. Gihan Cooray and Mr. Jit Gunaratne who joined the Board during the year under review and sincerely thank my colleagues on the Board for their valuable guidance and support.

In conclusion, I wish to thank our valued shareholders for your continued support.

Susantha Ratnayake
Chairman

28th May 2018



LIFESTYLE

"Our Board of Directors combine diverse skills, experience and industry insight contributing to the overall quality and depth of discussions and decision making"

BOARD OF DIRECTORS

Board of Directors

MR. SUSANTHA RATNAYAKE:

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

Skills & Experience: He has 39 years of management experience within the John Keells Group and as the Executive Chairman and CEO of John Keells Holdings PLC he adds considerable expertise, experience and business acumen to the Board.

Current Appointments: Chairman and CEO of John Keells Holdings PLC

No. of Board seats in listed Companies in Executive capacity - 1
No. of Board seats in listed Companies in Non-Executive capacity - 9

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

Shareholding: 142,877 Shares

MR. KRISHAN BALENDRA:

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

Skills & Experience: He has responsibility for the Leisure & Transportation industry groups, John Keells Stock Brokers and John Keells Office Automation. He started his professional career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. After a four year stint in Hong Kong, he continued his career in corporate finance at Aitken Spence PLC, Sri Lanka prior to joining the John Keells Group. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.

Current Appointments: Chairman of Nations Trust Bank PLC and is the Hon. Consul General of the Republic of Poland in Sri Lanka. Deputy Chairman of John Keells Holdings PLC

No. of Board seats in listed Companies in Executive capacity - 1
No. of Board seats in listed Companies in Non-Executive capacity - 8

Past Appointments: Former Chairman of the Colombo Stock Exchange

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 holds a MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is an Associate Member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK.

Current Appointments:
Gihan is the Group Finance Director and has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury and Information Technology functions (including John Keells IT) and John Keells Research. He is a Director of several companies in the John Keells Group and a Non-Executive Director of Nations Trust Bank PLC. He serves as a committee member of the Ceylon Chamber of Commerce.

No. of Board seats in listed Companies in Executive capacity - 1
No. of Board seats in listed Companies in Non-Executive capacity - 8

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

Shareholding: Nil

MR. JIT GUNARATNE:

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

Skills & Experience: He has 36 years of management experience covering Plantation, Retail, Leisure and Property sectors.

Current Appointments: Director of Ceylon Cold Stores PLC and Keells Food Products PLC and is also the President of the Beverage Association of Sri Lanka. He is responsible for the Consumer Foods sector and is a member of the Council of the Employers' Federation of Ceylon and the Food Advisory Committee of the Ministry of Health.

No. of Board seats in listed Companies in Executive capacity - 1
No. of Board seats in listed Companies in Non-Executive capacity - 4

Past Appointments: Prior to his appointment as President, he oversaw the Plantations and Retail sectors.

Shareholding: Nil

MR. SUNIMAL SENANAYAKE:

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

Skills & Experience: He has over 35 years of experience in the Leisure Industry, both in Hotels and Inbound Tourism.

Current Appointments: Executive Vice President of the John Keells Group and the Sector Head of the Leisure Resorts (Sri Lanka & Maldives). He is also a member of the John Keells Group Operating Committee. He has also been a member of the Tourist Hotels Classification Committee and Chairman/Member of the Advisory Board of the Sri Lanka Institute of Tourism & Hotel Management.

No. of Board seats in listed Companies in Executive capacity - Nil
No. of Board seats in listed Companies in Non-Executive capacity - 1

Past Appointments: He served as the Managing Director of Walkers Tours Limited from 1991 to 1997. He is a past President of the Sri Lanka Association of Inbound Tour Operators (SLAITO) and has held many positions in travel trade related associations and committees.

Shareholding: Nil

MR. JAYANTISSA KEHELPANNALA:

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

Skills & Experience: He has over 34 years of experience in the Leisure Industry both in hoteliering and inbound tourism.

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

No. of Board seats in listed Companies in Executive capacity - Nil
No. of Board seats in listed Companies in Non-Executive capacity - 1

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

Shareholding: Nil

Board of Directors

MR. NISSANKA WEERASEKERA:

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

Skills & Experience: 33 years senior management experience of which 23 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 John Keells Hotels PLC, Sunshine Holdings PLC, Watawala Plantations PLC and Hatton Plantations PLC.

No. of Board seats in listed Companies in Executive capacity - Nil
No. of Board seats in listed Companies in Non-Executive capacity - 4

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

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
Non-Executive Director – NDB Bank PLC

No. of Board seats in listed Companies in Executive capacity - Nil
No. of Board seats in listed Companies in Non-Executive capacity - 2

Past Appointments:

Group Finance Director – Brandix Lanka Ltd
Non-Executive Director – Hayleys PLC
Non-Executive Director – Lanka Ventures Ltd
Director – Ceylease Financial Services Ltd
Board Member – 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

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 17 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 6 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.

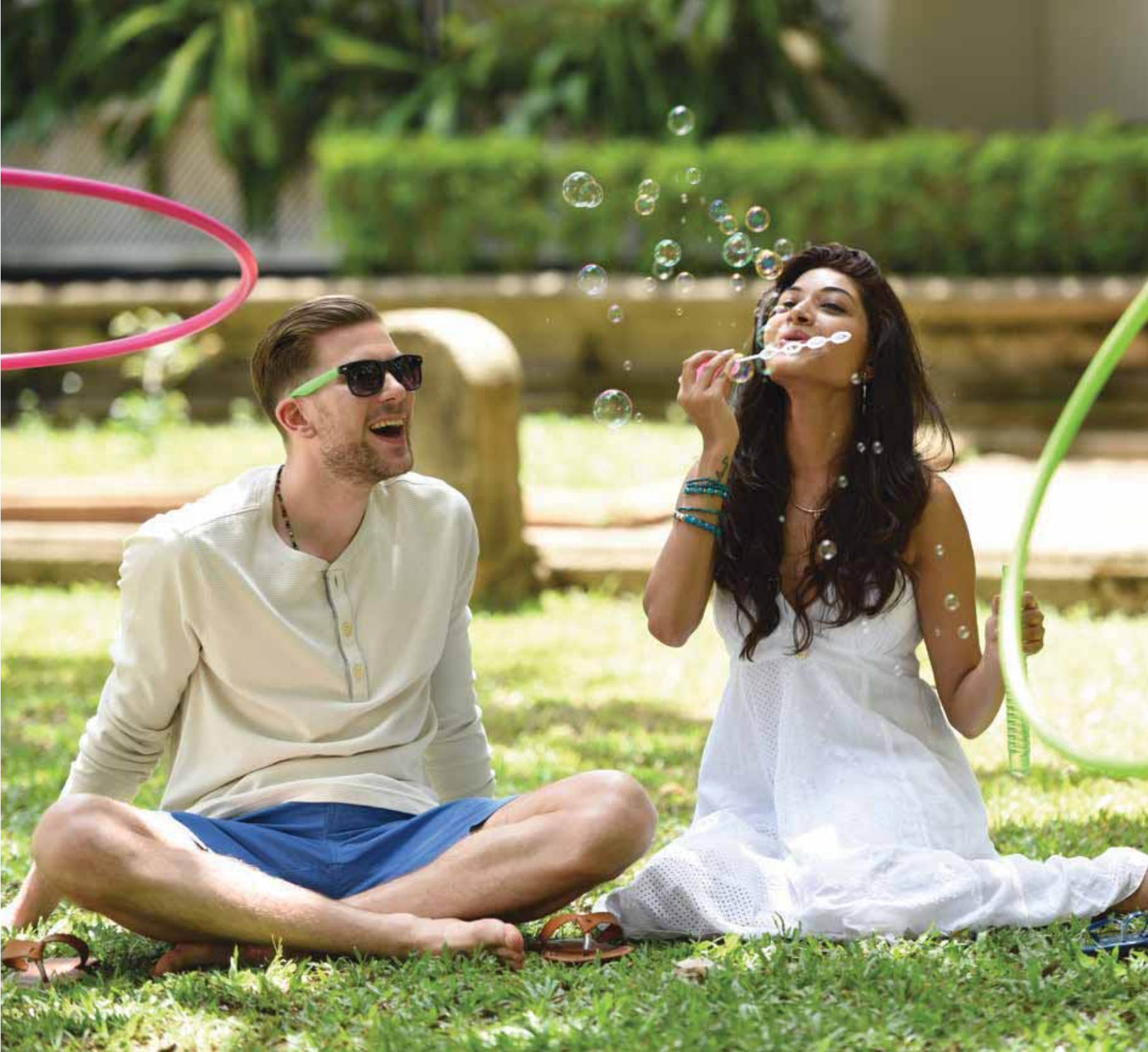
Anarkali received a Bachelor of Arts (Hons) in Politics, Philosophy and Economics from Christ Church College, University of Oxford.

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. She is also the Chief Executive Officer of CIMB Investment Bank of Sri Lanka.

No. of Board seats in listed Companies in Executive capacity - Nil
No. of Board seats in listed Companies in Non-Executive capacity - 1

Past Appointments: None

Shareholding: Nil



LIFESTYLE

"We continue to set the benchmarks of five-star leisure through 'inspired living'"

MANAGEMENT DISCUSSION & ANALYSIS

Our Strategic Report

VALUE CREATION MODEL

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

Capital Inputs

Financial Capital

Shareholders' funds: Rs.26.21 Bn
Borrowings: Rs.4.24 Bn

(Pages 174 - 175)

Manufactured Capital

Property, plant and equipment : Rs.14.08 Bn

(Page 174)

Human Capital

The skills, attitudes and values of our 2,286 Cinnamon Ambassadors

(Page 80)

Social and Relationship Capital

Guest Relationships
Suppliers
Other business partners
Communities

(Page 93)

Intellectual Property

Standards, processes and systems
Tacit knowledge base
Strength of our brand

(Page 100)

Natural Capital

Raw Materials: 2,298 MT
Energy consumption: 176,771 GJ
Water withdrawn: 624,435 m^3

(Page 104)

Vision: We will always be the Hospitality Trendsetter

Business Activities

- Hotel Operations
- Recreation and Excursions
- New Business Developments
- Property Maintenance
- Customer Relationship Management

Strategic Pillars - 2017/18

Profitable Growth

- New markets
- Efficiency and margin management
- Capacity expansion

Brand Development

- Brand initiatives
- Industry thought leadership

Satisfied Employees

- Training and development
- Employee engagement

Sustaining Our Relationships and the Environment

- Renewable energy
- Enhancing water efficiency
- Community engagement
- Value creation across the supply chain

Value Drivers

Branding · Smart Strategy · Sustainable Operations · People Management · Property Management · Community Engagement · Procurement

Corporate Governance (page 124) and Risk Management (page 146)

Key Outputs / Impacts

Shareholder Value

Net Profit: Rs. 1.13 Bn
Earnings per Share: Rs. 0.77
Dividend per Share: Rs. 0.40

Employee Value

Total payments to employees: Rs.2.09 Bn
Promotions: 152
Investment in training: Rs. 34.1 Mn
Total training hours: 81,119
Employee satisfaction rate: 89%

Customer Value

Guest Satisfaction: 4.4 (TripAdvisor)
Occupancy: Sri Lanka 81%
Maldives 82%

Business Partners

Payments to suppliers: Rs.2.17 Bn

Communities

Investment in community engagement: Rs.10.7 Mn

Our Impacts

Total Waste: 2,195 MT
Effluents: 509,011 m^3
Carbon Footprint: 19,711 tCO2e

Key Outcomes Linked to Strategic Priorities

Strong Financial Performance - Shareholders

Sustainable growth in shareholder earnings

(Page 56)

Strong Employee Value Proposition - Employees

Job Creation
Enabling and rewarding environment with equal opportunities and work-life balance
Opportunities for skill and career development

(Page 80)

Unique Guest Experience

Inspire guests through unique experiences

(Page 95)

Ongoing Development of Business Partners

Partner growth through mutually rewarding, sustainable relationships

(Page 93)

Empowering Communities

Contribute towards empowerment and socio economic progress of communities we operate in

(Page 98)

Industry Thought Leadership

Providing leadership to the industry in promoting Sri Lanka as a destination

(Page 102)

STAKEHOLDER ENGAGEMENT

Identifying and effectively responding to stakeholder concerns through a proactive strategy is crucial to ensuring sustainable value creation. We engage with the stakeholders who have the most significant impact or can be impacted the most by our operations. Feedback obtained from this engagement forms the foundation for identifying material aspects which are a vital input in our strategy formulation, planning, operations and sustainability reporting.

	Importance of Engagement	Method and Frequency of Engagement	Key Topics arising from Engagement	Strategic Response
Shareholders	Shareholders provide capital required to fund future growth plans	AGM (Annual) Quarterly results updates Annual Report Website (Ongoing) Open door policy for investors (Ongoing)	Return on Investment Sustainable Growth Corporate Governance and Ethics Risk Management Growth Opportunities and Outlook	Our strategy is directed towards generating above average returns and remaining resilient through the business cycles. Profitable Growth
Employees	Employees play a crucial role in delivering guest experiences and achieving our strategic objectives	Staff meetings at multiple levels (Ongoing) Performance Appraisal (Annual) Employee Survey (Quarterly) Collective Agreements (Ongoing) News-letters (Quarterly)	Opportunities for Growth Training and Development Job Security Performance Management Health and Safety Considerations	Attracting and retaining talent has become increasingly challenging, and we continue to invest in strengthening our employee value proposition. Satisfied Employees
Guests	Understanding customer needs and preferences is a prerequisite for delivering unique guest experiences	Guest feedback forms (on check-out) Social Media platforms (Ongoing) Face to face interactions (Ongoing) Customer relationship managers (Ongoing)	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. Brand Development

	Importance of Engagement	Method and Frequency of Engagement	Key Topics arising from Engagement	Strategic Response
Business Partners	Local and International tour operators, travel agents and destination management companies generate business for us	Face to face interaction (Ongoing) Familiarization visits and promotion materials (Ongoing)	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. Sustaining Relationships
Suppliers	Suppliers and other partners enable us to deliver consistent customer experiences	Procurement process (Ongoing) Supplier Forums (Ongoing) Face to face interactions (Ongoing)	Timely payment Ease of transaction Supplier Development	
Government & Regulatory Bodies	Provides an enabling environment for us to operate in.	Constructive relationships with Trade Associations (Ongoing) Face to face interactions (Ongoing) Written communications (Ongoing)	Taxation revenues Compliance to 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. Sustaining Relationships
Communities	Strong ties with local communities is essential for the sustainability of our operations	Engagement projects and sponsorships Livelihood development programs	Environmental impacts Job creation Sponsorships	We adopt a strategic approach towards CSR and strive to create meaningful relationships with the communities we operate in. Sustaining Relationships

TRENDS IN GLOBAL TRAVEL - OPPORTUNITIES AND THREATS

Demographic Changes in Global Travel

Millennials have secured their position as the leaders in global travel, challenging the established norms of travelling and driving different accommodation models and expectations. The need for more authentic and personalised experiences has driven demand for alternative hospitality offerings such as home stays and apartments.

Meanwhile, nearly 80% of travel decisions are now made my women with increased popularity of solo female travel. This underscores the importance of ensuring safe destinations.

Mobile Technology and Connectivity

Increasing connectivity and penetration in mobile technology have transformed global travel, with guests booking their travel with greater control and sharing their travel experiences in unique ways. The use of the internet to research and book holidays has about an increasing need for transparency regarding pricing structures while necessitating a high level of engagement with potential guests.

45% of travellers use an app to help plan travel*

7/10 Travellers post vacation photos via social media*

87% of global travellers use smart phones while travelling*

Pursuing New Experiences

Travellers of all ages are seeking out experiences they haven't tried out before, ranging from adventure travel, solo travel and cruises to authentic experiences such as home stays

69% of travellers plan to try something

- 17% of travellers will seek solo travel for the first time
- 15% will try adventure travel for the first time**

Sustainable Tourism

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

Importance of Online Reputation

Millennials pursue convenient and accessible modes of booking and therefore, relying increasingly on hospitality providers online reputation. For operators, online reputation management is vital in maintaining competitive edge and increased investments are being channelled for this purpose.

93% of hoteliers believe online reviews are important to the future of their businesses

*Amadeus **Travel Barometer

MATERIAL MATTERS

As our primary publication to shareholders, the Group's Annual Report comprises information which is most material to our stakeholders. In determining content to be included in this Report, we give due consideration to issues that could potentially have an impact on our business model, strategy and our ability to create value over time. The structured process we adopt for determining material issues is as follows;

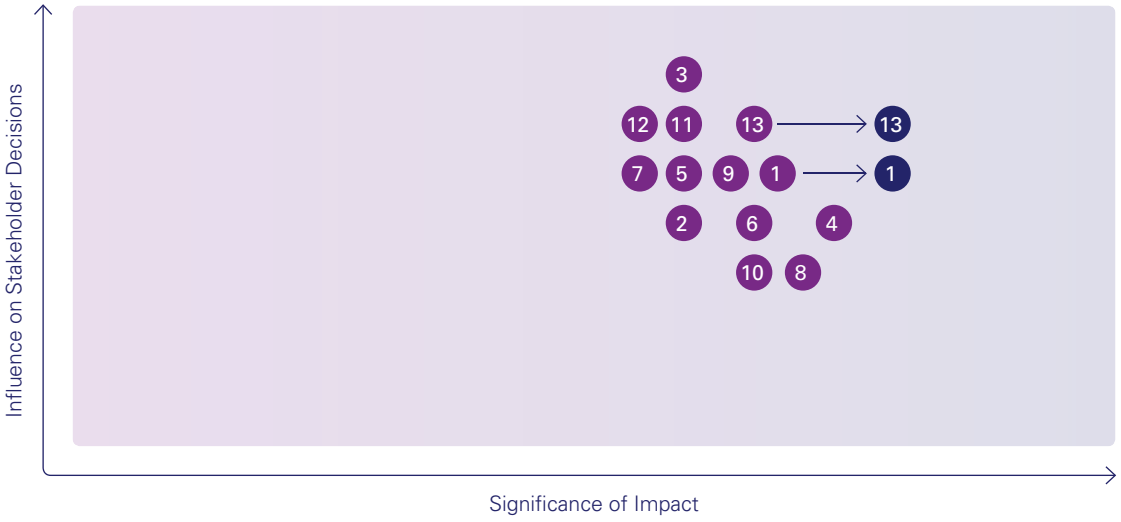
Identify matters that can impact our value creation process with reference to the impact to stakeholders and contextual trends

Qualitative and quantitative assessment

Prioritize matters based on the magnitude of impact and likelihood of occurrence

Determine matters to be disclosed in the Integrated Report

The Group's material topics for the year 2017/18 are given below, prioritised on the significance of their impacts and the potential influence on stakeholder decisions. The material topics represent factors that are unique to our value creation model, industry dynamics and stakeholder concerns; we have also shown how these material topics correspond to the material topics prescribed by GRI. There were no significant changes in the list of material topics and topic boundaries compared to last year.



	Material Aspect	Corresponding GRI Aspect	Why the Topic is Material to the Group
1	Competitive pressures	-	Intensifying competition, particularly from the informal sector has resulted in increased price competition. This has in turn impacted profitability margins, affecting the Group's financial performance.
2	Macro-economic risks	-	Higher interest rates, inflationary pressures and fiscal consolidation efforts by the government have had an adverse impact on consumer spending during the year, affecting demand for our services.
3	Talent attraction and retention	GRI 401: Employment GRI 403: Occupational health and safety GRI 404: Training and education GRI 405: Diversity and equal opportunity	As a service organisation, the experience of our customers depends largely on the quality of our human capital. Attracting and retaining talented employees is therefore crucial to our value creation process and can impact the Group's long-term economic and social sustainability.
4	Shifts in source markets	-	Changing 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	-	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 and operational efficiency	GRI 416: Customer health and safety GRI 306: Effluents and waste GRI 303: Water	Given the pressure on yields, driving operational efficiencies and minimising wastage is vital in preserving profitability margins.
7	Government policy	GRI 307: Environmental compliance GRI 419: Socio-economic compliance	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	-	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	-	Maintaining and upgrading our manufactured capital is important in ensuring guest satisfaction and loyalty.

	Material Aspect	Corresponding GRI Aspect	Why the Topic is Material to the Group
10	Raw materials and supply chain risks	GRI 301: Materials GRI 308: Supplier environment assessment GRI 204: Procurement practices	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 among our suppliers.
11	Energy	GRI 302: Energy	Energy costs are one of the Group's most significant costs. 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	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	We are increasingly feeling the implications of climate change, with erratic weather conditions having a direct impact on tourist arrivals.

Our Strategic Report

DELIVERING ON OUR STRATEGY

Vision	We will always be the Hospitality Trendsetter			
Strategic Pillars	Profitable Growth	Brand Development	Satisfied Employees	Sustaining Our Relationships and the Environment
Strategic Drivers in 2017/18	• Operational efficiency and cost management • Refurbishments and redevelopments at Bentota Beach by Cinnamon, Cinnamon Dhonveli Maldives and Ellaidhoo Maldives by Cinnamon • Capacity expansions	• Several customer engagement and industry thought leadership initiatives such as Cinnamon Future of Tourism Summit, Cinnamon Colomboscope and events carried out • Launch of Cinnamon Island Weddings • Social media engagement	• Ongoing investment in training and development • Increased opportunities for engagement • Investment in upgrading employee accommodation	• Supplier value creation • Ongoing community engagement initiatives • Reduced dependence on fossil fuels through installing a solar diesel hybrid system in Ellaidhoo Maldives by Cinnamon • Water and waste management
Resources Allocated	Capital expenditure on refurbishment: Rs. 1,070 Million Planned investment on new resorts: Rs. 5.13 Billion	Investment in brand building initiatives: Rs. 26.9 Million	Total payments and benefits to employees: Rs. 2,095 Million Investment in training: Rs. 34.1 Million	Investment in CSR: Rs. 10.7 Million Investment in environmental initiatives: Rs. 50 Million
Key Performance Indicators (KPIs)	Total room capacity increased by 18% over the past 10 years. Revenue, however declined by 6% in 2017/18 due to the challenging market conditions and refurbishments and redevelopments in 3 properties.	Ranked as the No.1 hospitality brand in Sri Lanka by Brand Finance. Occupancy levels: Sri Lanka (81%) and Maldives (82%)	Average training hours per employee: 39 (-7% y-o-y) Employee retention rate: 72% Employee satisfaction rate: 89%	Volunteer Hours: 726 5% reduction in carbon footprint 12% reduction in water withdrawn 9% reduction in total waste

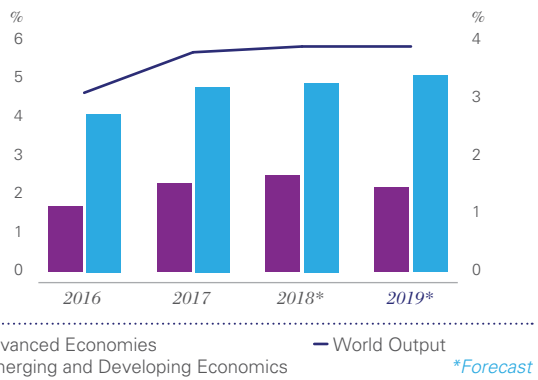
Vision	We will always be the Hospitality Trendsetter			
	Profitable Growth	Brand Development	Satisfied Employees	Sustaining Our Relationships and the Environment
Opportunities and Challenges	Intense competitive pressures from the informal sector and capacity expansions of the formal sector.	Competition and Customer Retention	Shortage in skilled labour is an industry-wide challenge and has rendered attraction and retention extremely challenging.	Significant opportunities in renewable energy
Strong Foundations	Corporate Governance + Risk Management + People Promises			

OUR OPERATING LANDSCAPE

Economic Landscape

Global economic growth picked up speed in 2017, with output expanding by 3.8% during the year, the fastest since 2011. Growth in advanced economies, particularly the United States and Japan were above expectations upheld by a recovery in investments following accommodative monetary policies. Emerging markets and developed economies grew by 4.8% in 2017 with stronger private consumption and a recovery in trade supporting expansion in India and China. Meanwhile, commodity exporting countries like Brazil and Russia also contributed to the growth following the uptick in commodity prices during the year.

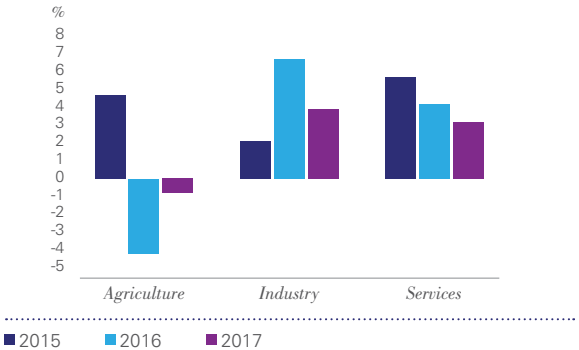
GLOBAL ECONOMIC GROWTH



Source: International Monetary Fund

Sri Lanka's GDP growth moderated to 3.1% in 2017 (from 4.4% in 2016) as a weaker agricultural sector, tighter fiscal and monetary policy and global headwinds impacted overall performance. The agriculture sector contracted by 0.8% during the year and had trickling down effects across industry value chains. The Industries sector grew by 3.9% led by the continued expansion in construction, mining and quarry activities. Meanwhile, the Services sector grew by 3.2%, upheld by financial services, telecommunication and wholesale and retail trade activities. The relatively tight monetary policy stance adopted by the Government and supply-rated inflationary pressures impacted consumer spending during the year.

SECTOR ECONOMIC GROWTH



Source: Dept. of Census and Statistics

"The global tourism industry turned in a year of strong growth in 2017, with international tourist arrivals increasing by 7% well above the average growth rate of 4% recorded in previous years."

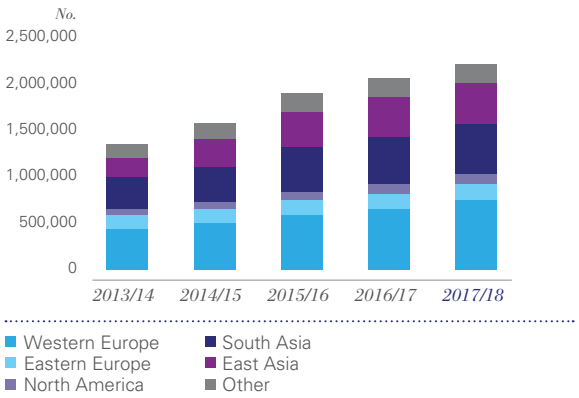
Global Tourism Industry

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

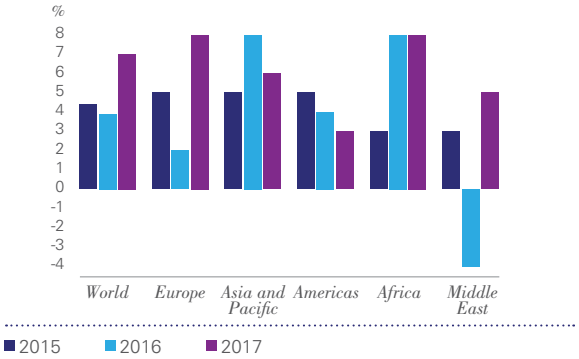
[1] World Tourism and Travel Council

[2] UNWTO Travel Barometer

TOURIST ARRIVALS BY SOURCE MARKET



INTERNATIONAL TOURIST ARRIVAL GROWTH



Source: UNWTO Tourism Barometer

Sri Lanka Tourism

The Sri Lankan tourism industry experienced a challenging year due to the partial closure of the Bandaranaike International Airport until April 2017, unfavourable weather conditions and the outbreak of dengue fever in mid-2017. Although tourist arrivals to the country reached a record high of 2,116,407 in 2017 the y-o-y growth rate slowed to 3.2%. Western Europe continues to be Sri Lanka's largest source market followed by South Asia and East Asia. India maintained its position as the single largest individual source market, followed by China, UK, Germany and France. Despite the moderation in tourist arrivals, earnings from tourism grew by 11% to USD 3.93 Billion supported by an increase in average spending and duration of stay by tourists; average spending per tourist per day rose to USD 170.2 (from USD 168.2) while duration of stay widened to 10.9 days, from 10.2 the year before. Meanwhile, 2018 has seen a rebound with arrivals to Sri Lanka increasing 16.1% y-o-y by April 2018.

	2017/18	2016/17	Y-o-y Growth (%)
India	384,628	356,729	+8%
China	268,952	271,577	-1%
United Kingdom	201,879	188,159	+7%
Germany	130,227	133,275	-2%

Competitive pressures between hospitality providers have intensified, with the industry seeing a rapid increase in room inventory over the last few years, with the total number of graded rooms surging by over 45% during the last 5 years. By March 2018 final approval had been granted for 316 projects with a total of 17,991 rooms. A few international hotel chains such as Shangri-La Colombo and Movenpick commenced operations in Colombo during the year with several more including Hyatt, Sheraton, ITC and NEXT under construction. The exponential growth of the informal sector has challenged the competitive position of traditional leisure sector operators with rising demand for home stays and more authentic experiences. The informal sector's room capacity has increased by nearly 70% since 2012 inserting intense pressure on graded established rooms. In graded establishments, the average occupancy rate for the year decreased marginally to 73.3%, from 74.8% the previous year.

Status of Project	No. of Projects	No. of Rooms	Investment (USD)
Final approval granted	316	17,991	2,869.8
Under construction	113	7,261	1,014.7
Projects in operation	161	8,932	1,651.1
Projects not yet started	42	1,798	204.0

Source: SLTDA 1

Cluster Reviews

SRI LANKAN CLUSTER

The Sri Lankan cluster consists of 7 unique properties, offering a collective room capacity of 864, subsequent to the closure of the 133 room Bentota Beach by Cinnamon for re-development. Each property has an inimitable personality of its own and feature 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.

			2017/18	2016/17	Y-o-y Change
Economic	Revenue	Rs. Mn	5,469	5,920	- 8%
	PBT	Rs. Mn	754	1,036	- 27%
	Total Assets	Rs. Mn	16,898	15,504	9%
	Total Capital	Rs. Mn	15,296	13,908	10%
	ROCE (%)	%	4.8	7.8	- 38%
	Occupancy Rate	%	81	80	1%
Environmental	Energy	GJ	74,421	82,187	- 9%
	Water Withdrawn	m^3	480,357	571,616	-16%
	Effluents	m^3	392,539	463,092	-15%
	Total Waste	MT	1,189	1,412	-16%
	Carbon Footprint	MT	12,264	13,741	-11%
	Compliance	Incidents No.	Nil	Nil	-
Social	Head Count	No.	1,761	1,994	-12%
	Employee Productivity	Profit (Rs. Mn) / employee	428	520	-18%
	Training Hours	Hours	69,354	88,983	- 22%
	Investment in Community Engagement	Rs. Mn	7.3	11.2	- 35%
	Average TripAdvisor Rating	Rating	4.3	4.3	-

CONTRIBUTION TO GROUP

47%
Revenue

56%
PBT

48%
Assets

73%
Guest Nights

77%
Employees

62%
Carbon Footprint

The cluster's revenue declined by 8% y-o-y, reflecting the challenging external environment and complete closure of Bentota Beach by Cinnamon from July 2017. While most resorts in the cluster recorded marginal revenue growth the overall turnover was impacted by the complete closure of Bentota Beach by Cinnamon. The Group's strategy of entering into committed contracts in key markets enabled the cluster to achieve stronger than average performance, with the Sri Lankan cluster recording an average occupancy level of 81% compared to the industry average of 73%. The cluster's profit for the year declined by 27% due to the decline in the top line, narrower profit margins, a voluntary retirement scheme for staff and asset write-off at Bentota Beach by Cinnamon.

WAY FORWARD

Tourist arrivals into the country showed some rebound in the first quarter of 2018 and this trend is expected to continue throughout the year. While intensifying competitive pressures will continue to impinge on profit margins, the Group's strategies of entering into committed contracts and pursuing growth in non-traditional markets will enable it to record above average performance. In order to strengthen the Group's presence in Sri Lanka, the Group has made plans to commence construction of a Cinnamon Red in Kandy with a room inventory of 210, during the upcoming year.

MALDIVIAN CLUSTER

The cluster comprises of 3 world-class resorts offering a capacity of 340 rooms and offering guests a combination of luxury and authenticity in spectacular surroundings. Globally recognised for their sustainable tourism initiatives, resorts within the cluster have received several international awards and accolades for green practices as well as customer satisfaction and culinary excellence.

			2017/18	2016/17	Y-o-y Change
Economic	Revenue	Rs. Mn	6,145	6,392	- 4%
	PBT	Rs. Mn	597	1,200	- 50%
	Total Assets	Rs. Mn	15,668	15,908	-1.5%
	Total Capital	Rs. Mn	11,991	12,300	- 2.5%
	ROCE (%)	%	5	9	- 4%
	Occupancy Rate	%	82	89	-8%
Environmental	Energy	GJ	102,350	95,034	8%
	Water Withdrawn	m^3	144,078	134,619	7%
	Effluents	m^3	116,472	107,082	9%
	Total Waste	MT	1,006	994	1%
	Carbon Footprint	MT	7,447	6,941	7%
	Compliance	Incidents No.	Nil	Nil	-
Social	Head Count	No.	525	480	9%
	Employee Productivity	Profit (Rs. Mn) / employee	1,137	2,500	- 55%
	Training Hours	Hours	19,765	21,225	-7%
	Investment in Community Engagement	Rs. Mn	3.4	0.9	278%
	Average TripAdvisor Rating	Rating	4.5	4.4	2%

CONTRIBUTION TO GROUP

53%
Revenue

44%
PBT

52%
Assets

27%
Guest Nights

23%
Employees

38%
Carbon Footprint

During the year, the Maldivian cluster focused on elevating its property infrastructure with capital expenditure amounting to USD 6.9 Mn. Ellaidhoo Maldives by Cinnamon refurbished 62 standard rooms and beach bungalows while Cinnamon Dhonveli Maldives fully refurbished 24 over-water suites, the Rehendi restaurant and built a new swimming pool to cater exclusively to the over-water suite guests. The partial closure of both properties during the year, coupled with political instability in the last 2 months of the financial year resulted in the cluster's revenue declining by 4% during the year. An increase in operational costs in line with the refurbishment and higher finance costs resulted in the cluster's profit for the year declining sharply by 50%.

WAY FORWARD

Political instability in Maldives is expected to continue as the Presidential Election is to take place in September 2018. That said, ongoing infrastructure development in the country such as the expansion of the Velana International Airport and the construction of China-Maldives friendship bridge is expected to support tourist arrivals during the upcoming years. Cinnamon Hakuraa Huraa Maldives will be closed for full refurbishment and the construction of 12 more rooms adjacent to the Island. The resort is scheduled to reopen in time for the 2019 winter season. Further, partial refurbishments will be underway at Ellaidhoo Maldives by Cinnamon where 24 Water Bungalows will be refurbished.

Value Creation Report

FINANCIAL CAPITAL

KHL's performance was impacted by the complete closure of Bentota Beach by Cinnamon for redevelopment and the partial closure of Cinnamon Dhonveli Maldives and Ellaidhoo Maldives by Cinnamon to facilitate refurbishments. Excluding the impact of the closures, KHL recorded a satisfactory performance given the increased room supply in the informal and graded sector, particularly in the coastal areas of the country.

Financial Capital Inputs

Rs.26.21 Billion
Shareholder's Funds

Rs.4.24 Billion
Borrowings

How we nurtured our Financial Capital in 2017/18

- Revenue management through guaranteed contracts
- Efficiency and productivity drive to preserve profitability margins
- Conservative management of balance sheet

Our Commitment:

Sound Financial Performance

Results in 2017/18

4% ↑
Growth in Total Assets

6% ↓
Decline in Revenue

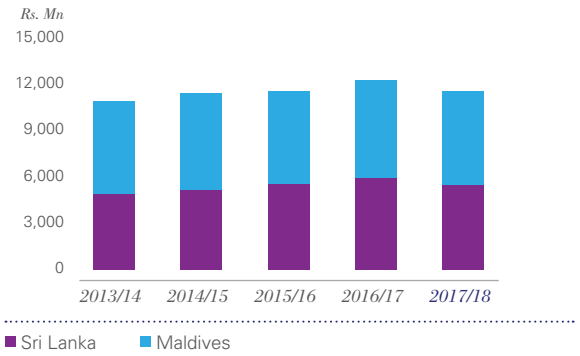
39% ↓
Decline in Profits

FINANCIAL PERFORMANCE

Revenue

The Group's consolidated revenue declined by 6% to Rs.11.61 Billion during the year, reflecting reductions in both Sri Lankan Resorts (-8%) and the Maldivian cluster (-4%). The Sri Lankan cluster was affected by the slowdown in tourist arrivals growth due to adverse weather conditions, the outbreak of dengue fever and travel advisories issued in key markets. Committed contracts with key partners from the Russian, Ukranian, German and Scandinavian markets enabled the Group to achieve above average occupancy levels of 81% in Sri Lanka, compared to the industry average of 73%. The revenue decline in the Maldivian cluster is attributed to the partial closure of Dhonveli and Ellaidhoo due to major refurbishments at both resorts. Occupancy levels in the Maldivian sector thus declined to 82% compared to 89% the year before. The Maldivian sector accounted for 53% of the Group's revenue during the year. (Please refer Cluster Reviews on pages 54 and 55 for detailed performance analysis of the clusters)

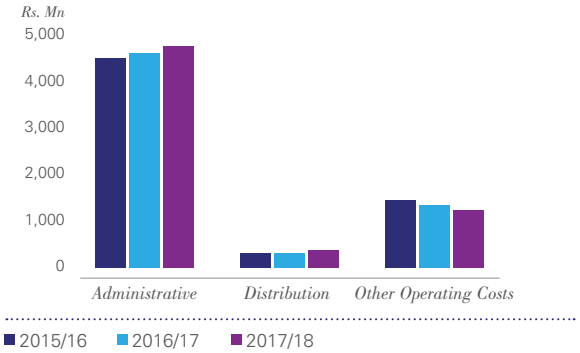
CONSOLIDATED REVENUE TRENDS



11,614
Rs. Million
Revenue

1,131
Rs. Million
Profit After Tax

OVERHEAD COST MANAGEMENT



Cost Management

The Consolidated Gross profit margin narrowed to 65% compared to 68% the year before. Intensified competitive pressures during the year, particularly in the Sri Lankan cluster compelled us to adopt a volume driven strategy, slightly compromising profitability margins. Meanwhile, ongoing emphasis on operational efficiencies, cost optimisation, employee productivity and energy efficiencies enabled the Group to contain the increase in overhead costs to 3% during the year. Administrative expenses increased by just 3% while other operating expenses declined by 9% due to a reduction in maintenance and repair costs and operating fees. The Group's distribution expenses increased by 27% during the year reflecting investments in brand building, marketing and promotional activities.

Earnings Before Interest and Tax

The decline in the top line, coupled with narrower gross profit margins resulted in the Group's EBIT falling sharply by 38% to Rs. 1.61 Billion during the year. The Sri Lankan cluster's EBIT declined by 27% to Rs.888 Million reflecting pressures on profit margins as well as the complete closure of Bentota Beach by Cinnamon for redevelopment. Meanwhile, the Maldivian cluster's EBIT also declined by 43% during the year. The Group's EBIT margin for the year narrowed to 14% from 20% the year before.

FINANCIAL CAPITAL

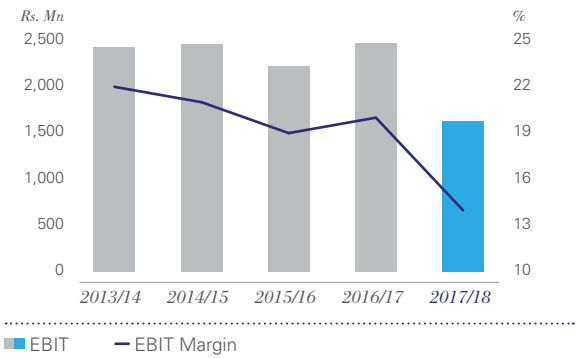
Net Finance Cost

The Group generated a net finance income of Rs. 27.98 Million during the year, compared to a net expense of Rs.10.52 Million in 2016/17. Finance income increased by 30% reflecting an increase in short term investment and the rising interest rate scenario which prevailed during the year. Finance expenses also increased by 12% due to the increase in rates although total borrowings declined by 18% during the year.

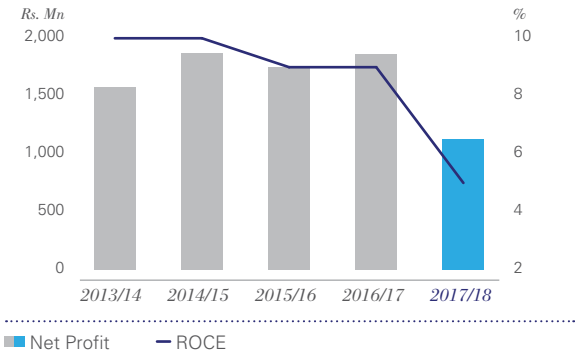
Profitability

Income tax expenses for the year declined by 41% to Rs.220.12 Million given the reduction in profits while the effective tax rate amounted to 16.3%, compared to 16.7% the year before. Overall profit for the period fell by 39% to Rs.1.13 Billion with both the Sri Lankan (-27%) and Maldivian (-50%) clusters recording a decline. The Sri Lankan Cluster's contribution to Group profitability however improved during the year, accounting for 56% of consolidated profits compared to 46% the previous year. The Maldivian cluster's relative contribution to the Group's profit after tax declined in view of the partial closure of Ellaidhoo and Dhonveli due to refurbishment. Overall the Group's ROCE declined to 5.3%, from 8.7% the year before.

TRENDS IN EBIT



NET PROFIT TRENDS



Other Comprehensive Income

Other comprehensive income for the year amounted to Rs. 878.05 million, comprising mainly of revaluation of land and buildings amounting to Rs. 951.48 Million. The depreciation in the exchange rate also resulted in unrealised gains on translation of USD financials. Tax on other comprehensive income however increased to Rs. 386.14 Million due to increase in corporate tax rate and deferred tax on revaluation of land to fair value, arising from the provisions of the new Inland Revenue Act, which came in to operation from 1st April, 2018. This resulted in the Group's total comprehensive income for the period clocking in at Rs. 2.01 Billion, compared to Rs. 2.49 Billion the year before.

FINANCIAL POSITION

Total Assets

Asset growth was moderate at 4% with the total Balance Sheet reaching Rs. 33.24 Billion as at end-March 2018. The increase reflects additions to PPE in view of ongoing refurbishment. Property amounting to Rs.1.57 Billion was reclassified as an investment property during the year and reflects the Group's non-operational assets. The asset composition remained relatively unchanged with non-current assets accounting for 82% of total assets. Short term investments and liquid assets accounted for 13% of total assets during the year.

"While the Group's Balance Sheet remained strong with a debt to equity ratio of just 0.16 times, the reduction in debt also resulted in improved cash protection metrics with the Group's operational cash flow to debt coverage improving marginally to 0.71 times, from 0.63 times the previous year."

Funding Position

The Group' capital position remains strong with shareholders' funds accounting for 79% of total assets by end-March 2018. Total borrowings declined by 18% to Rs.4.24 Billion during the year while short-term borrowings were converted to long-term borrowings given the rising interest rate scenario. The debt to equity ratio declined further to 0.16 times from 0.21 times last year.

Cash Flow

Cash generated from operations is used for debt repayments, tax commitments, dividend payments and capital investments. Net cash generated from operations declined by 7% to Rs.3.00 Bn reflecting the relatively subdued operating performance during the year. Net cash outflow from investing activities includes to Rs. 1.53 Bn as investments in redevelopment of Bentota Beach by Cinnamon and refurbishment of Cinnamon Dhonveli Maldives and Ellaidhoo Maldives by Cinnamon. Additional borrowings of Rs. 2.83 Bn were used to refinance existing borrowings. The reduction in debt resulted in improved cash protection metrics with the Group's operational cash flow to debt coverage improving marginally to 0.71 times, from 0.63 times the previous year.

Return on Capital Employed
2016/17: 8.7%
2017/18: 5.3%

Profitability	Efficiency	Financial Leverage
EBIT Margin *2016/17: 20%* *2017/18: 14%*	Asset Turnover *2016/17: 0.38* *2017/18: 0.35*	Equity Multiplier *2016/17:1.29* *2017/18: 1.26*

Value Creation Report

MANUFACTURED CAPITAL

"Our properties are fundamental in attracting guests, delivering our brand promise, customer experience and preserving our competitive edge. The Group's manufactured capital comprises 10 properties which are architectural masterpieces, elevating the natural beauty of the scenic surroundings of our resorts, facilitating inspired living."

During the year, the Group invested Rs. 1,526 Mn in enhancing its manufactured capital through additions to property, plant and equipment. Key investments during the year included,

Bentota Beach by Cinnamon

Complete redevelopment of the Hotel

Ellaidhoo Maldives by Cinnamon

Refurbished 62 standard rooms and beach bungalows

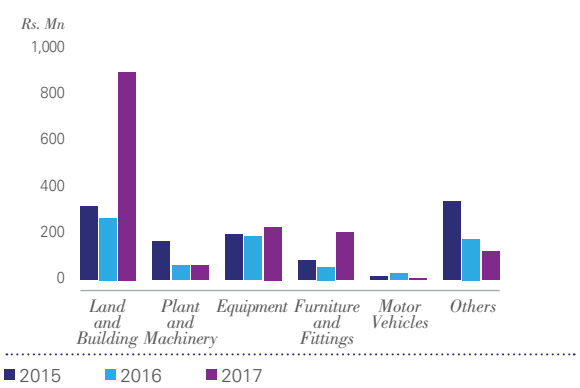
Cinnamon Dhonveli Maldives

Refurbished 24 over-water suites, the Rehendi restaurant and built a new swimming pool

Cluster	Hotel	No. of Rooms	PPE (Rs. Mn)
Sri Lanka	Cinnamon Bey Beruwala	200	4,048
	Hikka Tranz by Cinnamon	150	1,358
	Trinco Blu by Cinnamon	81	1,018
	Bentota Beach by Cinnamon*	133	299
	Cinnamon Wild Yala	68	525
	Cinnamon Lodge Habarana	138	875
	Habarana Village by Cinnamon	108	434
	Cinnamon Citadel Kandy	119	1,749
Maldives Beach Front	Cinnamon Dhonveli Maldives	148	1,408
	Ellaidhoo Maldives by Cinnamon	112	818
	Cinnamon Hakuraa Huraa Maldives	80	1,162

* Under redevelopment into a 159 room hotel

VALUE ADDITION TO MANUFACTURED CAPITAL



Cinnamon Lodge Habarana

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

Cinnamon LODGE Habarana

Stars		Keys
★★★★★		138
TripAdvisor Ratings	Customer Satisfaction	Guest Reviews (All Channels)
4.5	88%	2,002

Experiences
- Primate Watch
- Minneriya National Park
- Kaudulla National Park
- Hurulu Eco Park
- Bird & Butterfly Trail
- Night Walk

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

Green Globe Certified

Experience Sri Lanka's unique cultural heritage or enjoy a wildlife adventure at national parks within easy reach of this eco friendly yet luxurious 5 star resort. An early morning stroll will reward your zeal with trills of a myriad birds and blue and gold sunrise by the lake. Watch the monkeys gambol along while you take a ride on your bike. Calm your senses at the Azmaara Spa with a luxurious massage and sip a local cocktail at the Tuskers Bar as you wind down. Complete your day with your choice of cuisine excellently prepared and served by our resident chefs or dine under the stars for a night to remember.

GUEST TESTIMONIAL

Perfect Destination

Awesome property in Habarana. Felt homely. Unimaginable food; tasty n quality. Value for money.

You'll get a room which is a small house.

Good for birdwatching around the lake and the pond near the pool. Also try safari ride to Kawdulla. Elephants, elephants and elephants. Heavily recommend.

Chandana H.

Our Commitment to Sustainable Tourism

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Reduction in fuel consumption by 17%

13 CLIMATE ACTION — Carbon intensity reduced by 6%

14 LIFE BELOW WATER — Effluents declined by 16%

15 LIFE ON LAND — Landfill waste per guest night reduced by 7%

Hikka Tranz by Cinnamon

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

Hikka Tranz by Cinnamon

This upbeat beach resort uplifts your spirits with an exhilarating combination of the unique party culture of Hikkaduwa sea, sun and sand. An eclectic range of possibilities caters to every traveller whether you want adventure, fun or rejuvenation of the senses. Dive in to the famed coral reefs or wonder at the majesty of a blue whale. Experience the rich cultural heritage of the country with a visit to the Galle Fort built by the Portuguese on a day excursion. Surrender to the unmistakable vibe of Hikka Tranz with a sundowner before your adventure in gastronomy at any one of our speciality restaurants with wines and cuisine to satisfy the most discerning palate.

GUEST TESTIMONIAL

Fabulous Place

We stayed for 2 nights after arriving in Sri Lanka. It was the perfect place to unwind. The room was lovely and brilliantly air conditioned with lovely facilities and a sweet balcony with a table chairs and a comfy cushioned seat area. As far as I could see every room overlooked the sea. The area around the pools and beach were lovely and clean and the sea breeze made it lovely to relax.

The staff were a complete delight and couldn't do enough to help. Food was fabulous. Breakfast was amazing... a huge selection where you could sit overlooking the sea... just beautiful. The Crab restaurant was excellent lobster and fish exquisitely cooked and served... a great wine list too.

The bar by the pool served wonderful shellfish for lunch, we recommend the prawns, but ensure you order enough as you will want to eat more.

We can't recommend this hotel highly enough. A fabulous place in a fabulous location in a so far fabulous country.

Sandiheidi, Cardiff, UK

Stars		Keys
★★★★★		150
TripAdvisor Ratings	Customer Satisfaction	Guest Reviews (All Channels)
4.2 ●●●●○	85%	2,063

Experiences

- Scuba diving in Hikkaduwa
- Marine Mammal safari in Mirissa
- 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

Green Globe Certified

Our Commitment to Sustainable Tourism

4 QUALITY EDUCATION — English language skill development of 47 students

8 DECENT WORK AND ECONOMIC GROWTH — 155 employees trained

Trinco Blu by Cinnamon

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

Trinco Blu by Cinnamon

This retro chic resort in Sri Lanka's East coast invites you to experience the warm hospitality of a sea port town as you thrill or chill according to your fancy. Take a ride on the jet skis or a leisurely boat ride with spinner dolphins all around you. Rejuvenate your mind and body at the Azmaara Spa and watch the sunset with your favourite cocktail at The Rum Hold. Dine at the Captain's Deck where a tantalising culinary adventure awaits you to round off a wonderful day.

GUEST TESTIMONIAL

Our favourite in Sri Lanka so far

We opted to upgrade for a beach front chalet, a very wise choice at a reasonable price. We stayed there a total of 4 nights. The place is fantastic, the staff are great, the food is to die for and a great two man band at dinner time. They even played a lovely salsa track at our request to which my wife and I danced and had a laugh.

Do go for a long walk on the white sandy beach and help the fishermen pull the nets in if you want, a great exercise and they are always thankful for your help.

We wrote in the comment book that we were hoping the hotel would arrange for a bi-weekly walk aling the beach beyond their premises to collect the rubbish as it is a big contrast to the beach at the hotel itself.

We will visit this place again, certainly and strongly recommend other to stay there.

ESJLondon, Haywards Heath, UK

Stars		Keys
★★★★★		81
TripAdvisor Ratings	Customer Satisfaction	Guest Reviews (All Channels)
4.2 ●●●●○	85%	1,304

Experiences

- Water sports
- Marine mammal safari
- Snorkeling 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

Green Globe Certified

Our Commitment to Sustainable Tourism

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — 7% reduction in water withdrawn

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — 56% increase in waste recycled

13 CLIMATE ACTION — 4% reduction In carbon footprint

14 LIFE BELOW WATER — Effluents declined by 7%

Cinnamon Wild Yala

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

Cinnamon WILD Yala

A paradise for nature lovers, Cinnamon Wild offers luxury in the wilderness located near the Yala National Park. Expect unexpected encounters with peacocks, sambar and deer who wander in the grounds of the hotel while resident lemurs watch from branches. Our Cinnamon Trails naturalists will guide your adventure in the park as you seek the majestic pachyderms or the more elusive leopard or bear. Recapture those amazing moments with your friends over a drink and mull over the rich heritage of an ancient land as you complete your day with a tempting array of Sri Lankan and International cuisine.

Stars		Keys
★★★★★		68
TripAdvisor Ratings	Customer Satisfaction	Guest Reviews (All Channels)
4.3 ●●●●○	86%	1,131
Experiences		
Yala National Park		
Recreation		
Spa		
Swimming Pool		
Kids Play Area		
Sports		
Entertainment Centre		
Gift Shop		
Dining		
Peacock Bar		
Pugmarks Bar		
Tuskers		
Events		
Destination Weddings		
Green Globe Certified		

GUEST TESTIMONIAL

Nature at your Doorstep

This is a lovely property where you're rooms are virtually in the jungle so much so that monkeys, wild boar and other animals pay frequent visits close to the rooms.

Very close to the Yala National Park and there is also a lot of wild life that you can see from the hotel itself.

The food though a huge range, is very tasty.

Channagn

Our Commitment to Sustainable Tourism

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — 11% reduction in water withdrawal

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — 10% reduction in non-hazardous waste per guest night

13 CLIMATE ACTION — 7% reduction In carbon intensity

15 LIFE ON LAND — 81 steel pens distributed through 'Project Leopard'

Cinnamon Bey Beruwala

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

Cinnamon
BEY
Beruwala

Cinnamon Bey offers panoramic vistas and gastronomical adventures to satisfy the discerning traveller. Enjoy a day of water sports, visit the turtle hatcheries or take an excursion to a nearby cultural site according to your fancy. Or enjoy the warm hospitality of the hotel staff as you relax in the indulgent interior of this resort that pays homage to the country's links with the Ottoman Empire. Harmonise mind and body at the Spa and wind down with a drink for a more chilled experience. Our restaurants offer a wide range of culinary delights to tempt the most exacting palate and is the perfect ending to a delightful day.

Stars		Keys
★★★★★		200
TripAdvisor Ratings	Customer Satisfaction	Guest Reviews (All Channels)
4.2 ●●●●○	82%	2,500

Experiences
- Water sports
- Excursions

Recreation
- Spa
- Swimming Pool
- Fitness Studio

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

Events
- Meetings & Conferences
- Destination Weddings
- Banquets

Green Globe Certified

GUEST TESTIMONIAL

Beautiful Seaside Hotel

I stayed in a deluxe room for three nights. It was towards the end of my holiday as a place to relax and unwind. The rooms were beautiful and spacious, the shower, bathroom area was not personally to my taste but understood why they were the way they were.

I spent most of the days in the pool which was directly outside our balcony area. This was great and just a small walk in my swimsuit. Waiters came round every hour or so and we ordered our drinks which were brought directly to us with minimal effort from me, which was great.

The buffet which I had for breakfast, lunch and dinner offered a wide selection, especially their desserts and starters with a good mix of Sri Lankan cuising and English. This made a welcome change, and gave me the ability to take a mixture of all foods.

Overall, the hotel was beautiful, the architecture itself is really nice, being both modern with elements of Sri Lankan culture. Would recommend and definitely come back.

Jay S. Leicester UK

Our Commitment to Sustainable Tourism

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

4% reduction in water withdrawal

15 LIFE ON LAND

11% reduction in landfill waste

Habarana Village by Cinnamon

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

Habarana Village by Cinnamon

The charming simplicity of this resort set in a tranquil village pays homage to nature. Wake to bird song and visit world heritage sites for a glimpse of the ancient culture or thrill to a safari ride in a national park among abundant wild life. Laze in the pool and renew your senses at the spa as you let the world go by. Feast on the fresh produce that adorn our buffets prepared to traditional recipes or given a new twist by innovative chefs. A unique place founded on principles of sustainability in harmony with the people and the environment, Cinnamon Village is an ideal getaway for the family.

Stars		Keys
★★★★★		108
TripAdvisor Ratings	Customer Satisfaction	Guest Reviews (All Channels)
4.4 ●●●●○	88%	771

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

Green Globe Certified

GUEST TESTIMONIAL

Perfect Place to Unwind

We stayed at this hotel for two nights and absolutely loved our stay. The room was spacious and modern and the most attractive part was the silence of the place. We stayed just before the new year festivals and the place was relatively busy, but that did not prevent us from having a quality time.

The food was excellent with a very good spread in the buffet menus. The staff was well trained and polite. It was a bood base to explore Sigiriya and surrounding area. We would definitely return to this place.

Sharmal K, Sri Lanka

Our Commitment to Sustainable Tourism

13 CLIMATE ACTION — 6% reduction in CO_2 intensity

15 LIFE ON LAND — 44% reduction in landfill waste

Cinnamon Citadel Kandy

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

Cinnamon CITADEL Kandy

Stars		Keys
★★★★★		119
TripAdvisor Ratings	Customer Satisfaction	Guest Reviews (All Channels)
4.2 ●●●●○	86%	1,608

Experiences

- Kandy Town
- Horton Plains
- Knuckles Mountain Range
- Forbidden forest trail
- Boat ride on the Mahaweli
- 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

Green Globe Certified

Set in the last kingdom of the country, Cinnamon Citadel combines nature and grandeur of a bygone era to give you a unique location for a memorable stay. Panoramic vistas and the joyous trills of birds reward the early riser while a visit to the Temple of the Tooth Relic which is a World Heritage will give you a glimpse in to the country's rich culture. Located alongside the longest river in the country, the surrounding area is home to numerous endemic species of flora and fauna. Choose your epicurean adventure between a curated a la carte menu or a mouth-watering buffet with local and international cuisine.

GUEST TESTIMONIAL

Excellent Hotel!

We sadly only had one night here but it was the perfect place to be. With super views over the river and a lovely clean pool it was just what we needed. It was a perfect situation to see Kandy and the sites, The breakfast was superb and the views from the restaurant were wonderful. A great start to a day! The hotel was very clean and the staff were very helpful and gave us a lovely welcome.

We would highly recommend this hotel. Thank you for a lovely stay.

SERichards 78, Abergavenny, UK

Our Commitment to Sustainable Tourism

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — 8% reduction in water withdrawal

14 LIFE BELOW WATER — Effluents declined by 8%

15 LIFE ON LAND — 34% decline in hazardous waste

15 LIFE ON LAND — 11% reduction in landfill waste

Ellaidhoo Maldives by Cinnamon

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

Ellaidhoo Maldives by Cinnamon

Golden beaches surrounded by azure waters enchant you as you set foot on this charming island getaway. Explore one of the worlds best dive sites located on the island with a professional diver or view the teeming marine life from the surface as you snorkel and give in to the magic of Ellaidhoo. Our water bungalows, beach bungalows, superior rooms and standard rooms allow you to customize your experience while our culinary temptations elevate your senses to make your holiday one of relaxed indulgence.

GUEST TESTIMONIAL

Excellent Hotel!

We chose this hotel as our honeymoon destination and its one of the decisions we ever took. Simply we felt like we were in the heaven. We had a warm welcome by the two nice ladies at the reception and everyone was friendly and helpful. We spent four nights on all inclusive basis, food was tasty but lack of varieties. It was really hard to leave the place after our stay as it was such an amazing paradise. And also they surprised me by making an special birthday cake on the day we arrived and we had a separate surprise honeymoon treat as well. Thank you everyone for your great hospitality and keep it up. Will visit again soon.

Thili88, Kurunegala, Sri Lanka

Stars		Keys
★★★★★		112
TripAdvisor Ratings	Customer Satisfaction	Guest Reviews (All Channels)
4.3 ●●●●○	86%	774

Experiences

- Dive School
- Water Sports
- Snorkelling

Recreation

- Spa
- Swimming Pool
- Gym

Dining

- Madi Restaurant
- Malamathi Restaurant
- Iruohsnee Bar
- Sand Bar
- Destination Dining

Events

- Destination Weddings

Green Globe Certified

Our Commitment to Sustainable Tourism

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

5% reduction in total diesel consumption

15 LIFE ON LAND

37% reduction in landfill waste

Cinnamon Dhonveli Maldives

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

Cinnamon
DHONVELI
Maldives

Unforgettable underwater and over water experiences beckon pleasure seekers to this beautiful location with pristine beaches and celebrated surf and dive sites. Experiences on land are no less pleasurable with a range of indulgent culinary creations at our themed restaurants designed to elevate your mood. Dine in a Dhoni, Water Bungalow or the Cellar for an amazing experience as you combine the best of this tropical island getaway. Surf at Pasta Point atop magnificent waves that make this a sought after location by award winning surfers. Our sustainable policies and practices make this a guilt free holiday in paradise.

Stars		Keys
★★★★★		148
TripAdvisor Ratings	Customer Satisfaction	Guest Reviews (All Channels)
4.6	89%	1,134

Experiences

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

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

Green Globe Certified

GUEST TESTIMONIAL

Heaven on Earth

I can honestly say I've left my heart in Cinnamon Dhonveli Maldives. I'm not the person to review places but this place is truly heaven on earth. The overwater suite is gorgeous and spacious, the food is spectacular and after 2 hours in the spa, I felt like I was born again.

Bu the highlight of my visit was Zea, the perfect example of excellent customer service even for a picky hospitality professional like myself. Extremely helpful and friendly, this girl has turned what was meant to be a weekend getaway in to an experience you share with your grandchildren.

Thank you Cinnamon and a huge thank you to Zea!

Mariaimola69, Dubai, UAE

Our Commitment to Sustainable Tourism

8 DECENT WORK AND ECONOMIC GROWTH

31% increase in employee training hours

15 LIFE ON LAND

12% increase in waste recycled

HUMAN CAPITAL

"Our talented pool of Cinnamon Ambassadors facilitate our customer experience, drive innovation and live our corporate values; they are critical to the Group's strategic aspirations."

Dynamic, Agile and Skilled

39 hours
Training Per Person

8%
Female Employees

2,286
Cinnamon Ambassadors

	2017/18	2016/17
Total employees	2,286	2,590
Payments to employees (Rs. Million)	2,094	1,907
Training hours	89,119	110,208
Investment in training (Rs. Million)	34.1	42.7
Promotions	152	170
New recruits	444	657
Attrition rate (%)	28	25
Female participation rate (%)	8.3	8.0
Workplace injuries	43	56

MANAGEMENT APPROACH

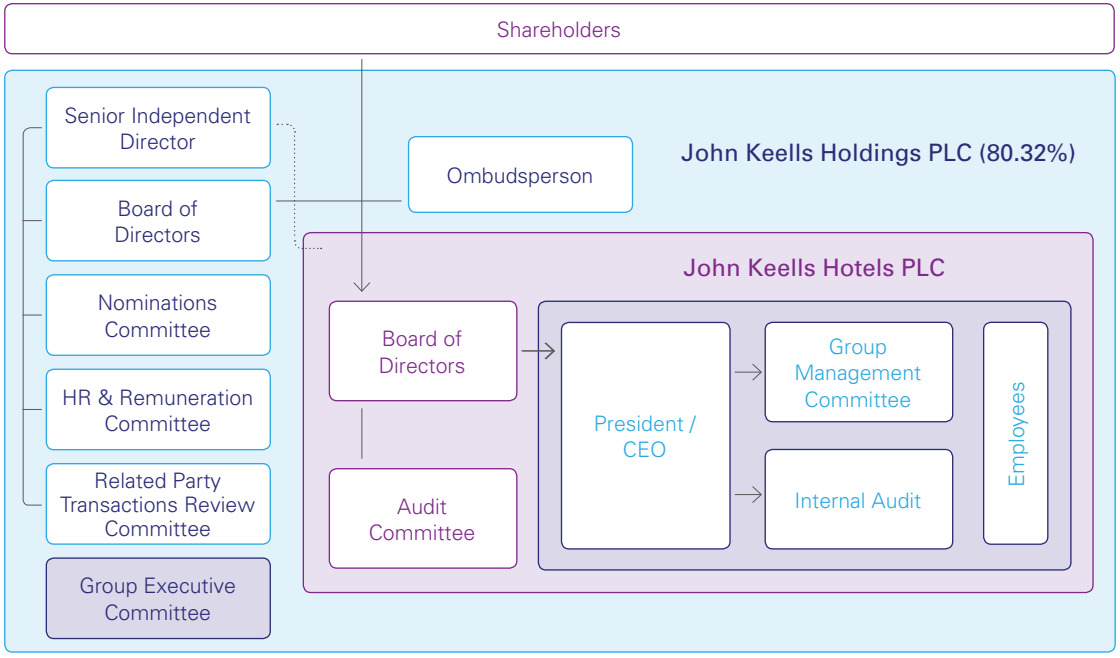
Material Topic	Management Approach		
Employment	Our approach towards managing our human capital is aligned to the Group's overall business strategy and is designed to ensure that we have the required capacity and skills to drive our strategic aspirations, while ensuring employees are engaged and motivated	**Policies** Recruitment and Selection Policy	**Activities in 2017/18** Agreements with headhunters Created a Cinnamon profile on Caterer Global Buddy finds buddy - referral program Comprehensive walk-in interview process
Training and Education	We offer numerous opportunities for career and skill development, with the objective of equipping employees with the skills required to drive our strategies while achieving personal and professional development	**Policies** Training and Development Policy Succession Planning Policy Career Progression Policy	**Activities in 2017/18** Detailed evaluation of training needs Focus on bridging competency gaps Ongoing investment in training and development
Diversity and Equal Opportunity	We are an equal opportunity employer and do not discriminate on gender, age or ethnic representation. As a general practice we also do not employ individuals below the age of 18 years.	**Policies** Policy and guidelines on equal opportunity	**Activities in 2017/18** Concerted efforts to drive better gender representation across the Group
Labour Management Relations	We are cognisant of our employees' rights to freedom of association and strive to maintain cordial relationships with all trade unions.	**Policies**	**Activities in 2017/18** Entered into a collective agreement with a trade union at 5 hotels
Health and Safety	Formalised mechanisms are in place to ensure a safe and injury-free workplace for our employees	**Policies** Health and Safety Policy	**Activities in 2017/18** Conducted awareness programmes, surveillance audits and monitoring of all work place injuries

HUMAN CAPITAL

HR GOVERNANCE

The Group's approach towards people management is guided by formal policy frameworks and robust governance structures which exceed the minimum regulatory requirements and embrace industry best practices.

A comprehensive suite of HR policies (a few of which are listed in page 81) are in place to ensure all employees are treated in a uniform and equitable manner. The Group's HR policies are largely aligned to that of the John Keells Group HR Management Framework. The governance structure of the Group are given below;



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

Cinnamon Values: Our core values reflect the underlying philosophy guiding employee behaviour and reflects who Cinnamon Ambassadors are. In further refining the values framework, during the year we further articulated how these values relate to "The Way We Work" and "The Way We Behave".

"The Group's unique employee value proposition is aimed at positioning Cinnamon Hotels & Resorts as a preferred employer in the hospitality industry."

Cinnamon Values

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

The Way We Work

- We build high-powered teams
- We develop meaningful connections
- We embrace creativity and innovation
- We ride tides of change with ease
- We give our all to our customers
- We have the knowledge, skills and competence to accomplish the tasks at hand
- We make dreams come true
- We set the benchmark for efficiency and effectiveness
- We are first-time achievers – we get it right the first time all the time
- We effortlessly deliver excellence at work

The Way We Behave

- We live life to the fullest
- We are vibrant and dynamic
- We embrace inspiration, we drive change
- We always stay upbeat, friendly and relaxed
- We are young at heart
- We are smart, stylish and modern

THE PEOPLE PROMISES

Our HR strategy is designed to sustain our position as one of the industry's preferred employers and during the year, we pledged five promises to our team. Our performance against these promises are measured monthly through a defined set of KPIs.

People Promises

- We promise the best training and career development
- We promise a supportive and caring boss
- We promise competitive remuneration and benefits
- We promise to listen and consider what you have to say
- We promise a great place to work

HUMAN CAPITAL

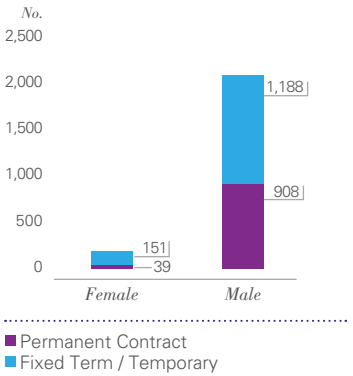
VALUE PROPOSITION

The Group's unique employee value proposition is aimed at positioning Cinnamon Hotels & Resorts as a preferred employer in the hospitality industry. Key pillars of this proposition are listed below and discussed in subsequent sections of this Report.

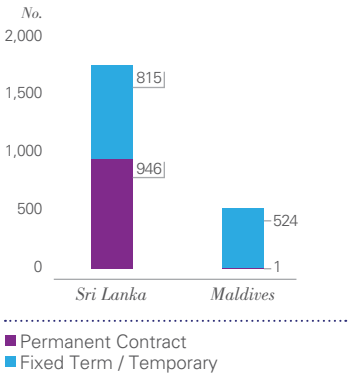
CINNAMON AMBASSADORS

Our talented pool of Cinnamon Ambassadors is diverse in their age and ethnic representation; the relatively low female participation rate reflects negative perceptions on the industry as a suitable workplace for women. Ongoing efforts are in place to address this imbalance and provide more conducive work environments for women within the resorts. The Group does not engage employees on part-time basis.

EMPLOYEES BY CONTRACT AND GENDER



EMPLOYEES BY CONTRACT AND REGION



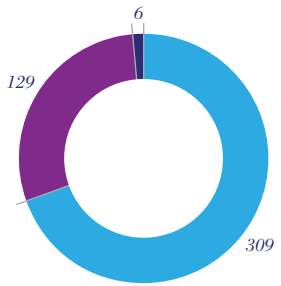
*We do not engage employees on a part time basis

"The intensifying competition for labour in the hospitality industry and resultant difficulties in attraction and retention has compelled the Group to further strengthen its recruitment procedures."

TALENT ATTRACTION

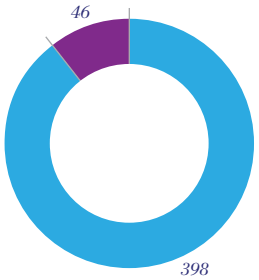
The intensifying competition for labour in the hospitality industry and resultant difficulties in attraction and retention has compelled the Group to further strengthen its recruitment procedures. Our talent attraction policy is aimed towards attracting dynamic professionals who are committed to our vision and values whilst adhering to the guidelines set by the John Keells Group. Key initiatives introduced during the period to strengthen our recruitment procedures include the launch of a referral programme and agreements with international and local head hunters among others. During 2017/18, we recruited 444 new employees, the profile of whom are given on page 85. In adding value to the communities we operate in, we make every effort to absorb local talent and around 50% of our resort employees are hired from the local communities.

NEW RECRUITS BY AGE



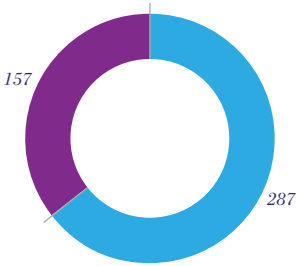
Below 30 Years
Above 50 Years
30-50 Years

NEW RECRUITS BY GENDER



Male
Female

NEW RECRUITS BY REGION



Sri Lanka
Maldives

EMPLOYEE ENGAGEMENT

Identifying and effectively responding to the needs of our employees is crucial in nurturing a satisfied and motivated pool. The Group engages with its employees through numerous formal and informal mechanisms including satisfaction surveys, performance appraisals, internal communications, an open-door policy, regular staff meetings, year-round work life balance initiatives, suggestion boxes as well as the ability to directly engage with the Group Chairman via e-mail. Key mechanisms through which we engaged with our employees during the year are,

- 360-degree Survey: An e-based questionnaire that is administered to all employees in the Assistant Manager category and above.
- Cinnamon Employee survey: A dipstick survey (targeting 25% of our staff) carried out every quarter with a 100% coverage in a full year. Feedback from these surveys flow directly to our action plans.
- Cinnamon Knowledge Hubs: Launched in April 2015, this aims to create a platform through which employees will share knowledge, read, learn and understand "Cinnamon" better and create a space which encourages creative thinking.

"We maintain a year-round calendar of employee events to strengthen engagement and nurture a sense of camaraderie."

- Cinnamon Wall: An initiative to enhance internal communications in the Group through an informative digital display in all Business Units to communicate management information and news. The Wall is designed to be cool, vibrant & energetic and to be in line with the new Cinnamon Brand.
- The Cinnamon staff newsletter "Journey": recently revamped, this publication comprises important information, announcements, interviews and brand related information.

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

Value Creation Report

HUMAN CAPITAL

Sports

- Intercompany Swimming meet
- Intercompany Badminton
- Intercompany Basketball
- JKH Rugby 7s
- Intercompany Netball and Football
- Other Sporting events (Travel Trade, etc.)
- Inter resorts Cricket Sixes
- Regional Sports Activities

Lifestyle

- Quarterly Theme parties
- Executive and Non-Executive staff outings
- Movie Nights
- The Race
- Music & Talent competitions

Wellbeing

- Cultural/Religious events (Christmas party/Vesak festival)
- Sector/BU Level CSR Initiatives
- HIV awareness trainings
- Awareness on Gender based violence - WAVE
- Awareness on sexual harassment
- Equal grounds for LGBTI community - sensitizing
- Health Camps
- International women's day
- Health and Wellness Week

Work Life

- Annual family get-togethers at all Resorts
- Annual family get-together for the group
- Staff Theme parties
- Birthday celebrations
- JKH career week

CSR

- Project Leopard
- Youth Development
- AIDS Awareness Campaigns
- Beach cleaning programmes
- Colour Washing Public Places (Temple, Church, Hospital, etc.)
- Road Cleaning "Shramadhana" Campaigns
- Donation of various items to institutions in need (Schools, hospitals, etc.)
- Child ward cleaning
- Blood Donations in various regions

The Race 2017

JKH Goal Ring 7s - Maldives Football Team

Cinnamon Cricket Sixes - Cinnamon Bey Team

JKH Intercompany Basketball

Avurudu Celebrations

JKH Goal Ring 7s

Women's Day Celebrations

HUMAN CAPITAL

Year End Get Together

Year End Get Together

PERFORMANCE MANAGEMENT

The Group has a systematic performance management framework, designed to nurture a performance driven culture and ensure that all employees work towards a set of defined objectives. These objectives are set in accordance with the Group's overall business objectives and categorized based on the Balance Scorecard and Hoshin Kanri methodology. We do not practice gender-based discrimination when determining remuneration and the ratio of standard entry level wage between males and females is 1:1.

The Leisure Group Competency Framework comprises of 9 key competencies addressing all middle management, senior management and business leaders and embodies the Group's new brand identity and strategic agenda.

All permanent employees undergo annual performance appraisals which are based on the following competencies;

We are Cinnamon	Professionals	Delivering Success
Cinnamon Citizen	Adaptable and Change Agent Inspiring and Developing Teams Building and Maintaining Relationships Innovation and Creativity Service and Customer Focus Technical Competence	Creating Experiences Results Orientation

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

Chairman's Award	Awarded for superior performance and adherence to corporate values. 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 Eligibility: All Executives and Assistant Managers
BRAVO	Awarded for superior performance and adherence to corporate values Eligibility: Cinnamon Ambassadors
Cinnamon Citizen	Awarded for superior performance and demonstration of the Cinnamon Competencies Eligibility: Cinnamon Ambassadors

SUCCESSION PLANNING

Providing opportunities for career development are an important aspect of our value proposition and we have implemented a comprehensive talent development framework to nurture our pipeline of talent. A dedicated Career Committee identifies key talent within the Organisation and structured mechanisms are implemented to develop and fast-track the progression of these star performers. Our objective is to fill 15% of the vacancies arising from the hotels through internal staff members.

Our talent development plan comprises the Talent Acceleration Program (TAP), aimed at developing identified supervisory level to executive positions and the Management Acceleration Program (MAP), which aims to fast track the Assistant Head of Departments and Head of the Departments to take up next level positions. In addition to the above, the employees who are identified as talent at Cinnamon are also eligible to take part in Group level talent development programs such as John Keells Development Centres and other leadership development programs.

Participation in Talent Development Programmes	Promotions in 2017/18
TAP: 31	Executive Level: 19
MAP: 32	Non-Executive Level: 133

LEARNING AND DEVELOPMENT

We offer an array of learning opportunities to our team, ranging from technical on-the-job training to personality and leadership development. In recent years we have focused on equipping employees with the skills required for achieving service excellence in line with the Cinnamon brand's offering. In 2017/18, we invested Rs. 34.1 Million on training, with 1,384 employees trained. A summary of training initiatives carried out during the year are given below;

GRI - 404-2

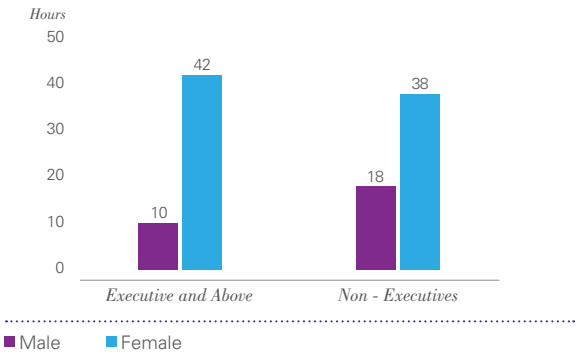
HUMAN CAPITAL

Training Tool / Programme	Details	Participants
Management Trainee Programme	The Cinnamon MT programme provides an opportunity for graduates to obtain comprehensive knowledge on best practices, technical skills and management competencies in the leisure industry.	6
Development Centres	Conducted as an ongoing programme by John Keells Group, the Development Centres (DC) are designed to upskill employees and drive them towards their career aspirations. On the completion of the assessments, the assessor along with the supervisor agrees on a Personal Development Plan (PDP) containing the action plan to develop and improve the areas identified. The PDP is reviewed every six months to ensure continuous development of the employee.	• 2 employees from leisure resorts sector were selected for Group Development Centres at Executive and Assistant Manager level • 27 executives identified as Group Talent • 63 executives identified as Sector Talent • 13 Non-Executives identified for Sector Talent
Internship Programmes	Cinnamon Hotels and Resorts provides a structured internship programme, focused on grooming, developing aspiring young talent to shape these interns to becoming the next generation of the organisation. Functional internship provides the opportunity for young aspiring talent to obtain a permanent placement in the organisation.	
Talent Acceleration Program (TAP)	Enables Non-Executive level associates to move to the executive level through an 18-month long development programme.	31
Management Acceleration Program (MAP)	The MAP aims at fast tracking the Assistant HOD's and HOD's through a Personal Development Programme (PDP).	32
English Classes	We strive to nurture communication and language skills in all our associates at all our properties in Sri Lanka and the Maldives through structured English language classes. As a means of showcasing the learning gained through the English language programme, participants of the programme organized the "English Day" which includes a variety of activities such as speech & drama, spelling bee, debate and singing competitions.	Offered to all employees
IT Classes	This program was launched to enhance the IT skills of our associates and include training on Advanced MS Excel, TMS, Reservations and POS system trainings.	802
Launching Online Learning	Successful pilot runs were carried out to launch an online learning platform parenting some of the best local and international content and platform providers	

Training details for 2017/18 are given below;

	2017/18	2016/17
Investment in training (Rs. Mn)	34.1	42.7
Total training hours	89,119	110,208
Total employees trained	1,384	2,467

AVERAGE TRAINING HOURS



"During the year, we entered into a collective agreement for the first time with the Food, Beverages & Tobacco Industries Employee Union for Cinnamon Lodge Habarana, Habarana Village by Cinnamon, Cinnamon Wild Yala, Trinco Blu by Cinnamon and Hikka Tranz by Cinnamon."

HEALTH AND SAFETY

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

Total Injuries - by Gender	
Male injuries	40
Female injuries	3
Total Injuries - by Type	
Due to falling	21
Exposure to harmful substances	4
Due to moving objects	18
Other	0
Total Injuries - by Region	
Sri Lanka	30
Maldives	13
Lost day rate	0.54

INDUSTRIAL RELATIONS

We recognise our employees' right to freedom of association and our Sri Lankan employees are represented by two trade unions, namely, the Food, Beverages and Tobacco Industries Employee Union and Inter Company Employee Union. The relationship is based on a strong foundation of mutual understanding, open dialogue and is governed by a Memorandum of Understanding (MOU) with each resort.

During the year, we entered into a collective agreement for the first time with the Food, Beverages & Tobacco Industries Employee Union for Cinnamon Lodge Habarana, Habarana Village by Cinnamon, Cinnamon Wild Yala, Trinco Blu by Cinnamon and Hikka Tranz by Cinnamon.

Union representation at each of our Sri Lanka resorts is as follows;

- Bentota Beach by Cinnamon - 37%
- Cinnamon Lodge Habarana - 65%
- Habarana Village by Cinnamon - 55%
- Cinnamon Wild Yala - 41%
- Trinco Blu by Cinnamon - 34%
- Hikka Tranz by Cinnamon - 20%

Cinnamon Citadel Kandy operates under the parent union Inter Company Employees Union and has a union representation of 40%.

GRI - 401-1

HUMAN CAPITAL

RETENTION

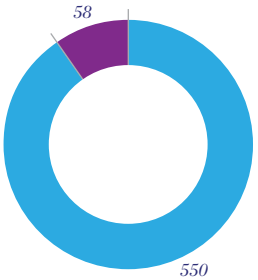
Retention is an industry-wide challenge given the sharp increases in room inventory in recent years. The extensive training provided to our employees make them among the most sought after in the industry and our overall turnover rate for the year amounted to 28%, compared to 25% the year before. Details on the Group's exit employees for the year are given below;

WAY FORWARD

Key human capital priorities for next year are,

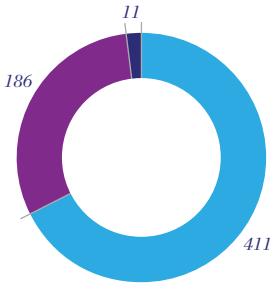
- Focus on training and development
- Enhancing employee engagement
- Optimising the employee cadre
- Increasing the female participation rate

EXIT EMPLOYEES BY GENDER



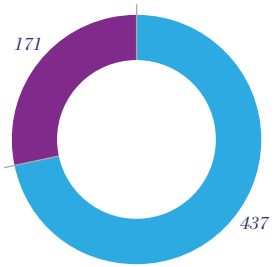
Male Female

EXIT EMPLOYEES BY AGE



Below 30 Years Above 50 Years
30-50 Years

EXIT EMPLOYEES BY REGION



Sri Lanka Maldives

CLOSURE OF BENTOTA BEACH BY CINNAMON

In July 2017 Bentota Beach by Cinnamon was closed down for redevelopment. Opportunities for staff were given in other Cinnamon Hotels and only 24% staff were discontinued. The closure was handled in a smooth manner by paying attention to the needs of employees and amicably resolving the matter with unions through open dialogue and a strong relationship.

- Staff plan - 122
- No. of staff who took VRS - 48
- No. of staff who were transferred - 80%

SOCIAL & RELATIONSHIP CAPITAL

"Our Social and Relationship Capital represents the relationships we have nurtured with our customers, business partners, suppliers and the communities in which we operate."

Social and Relationship Capital Inputs

- Guest Relationships
- Business Partners and Suppliers
- Community Relationships

How we nurtured our Social and Relationship Capital in 2017/18

- Maintained a high level of engagement with guests including through social media
- Refurbishment of infrastructure in Ellaidhoo and Dhonveli
- Conducted 56 supplier audits
- Invested Rs. 10.7 million in CSR initiatives

Results in 2017/18

- Numerous awards for guest satisfaction and service excellence
- 6 Resorts achieved improved TripAdvisor ratings

SOCIAL & RELATIONSHIP CAPITAL

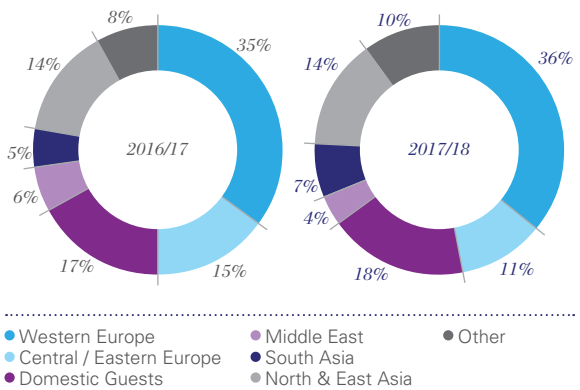
MANAGEMENT APPROACH

Material Topic	Management Approach		
Customer Health and Safety	The policy addresses how health and safety standards are established, communicated, implemented and audited. Each property undergoes stringent safety inspections as part of its audit process and we maintain compliance to best practices in food safety, temperature control, emergency response, hygiene and fire protection.	**Policies** Food & Beverage policy Children and infants policy	**Activities in 2017/18** Obtained recertification of ISO 22000, ISO 14001, OHSAS 18001, and HACCP
Supplier Environmental Assessment	Supplier screening is carried out by two independent partners who conduct site visits and audits and provide recommendations. Key selection criteria include product quality, reliability of supply, timely delivery and financial background	**Policies** Procurement policy	**Activities in 2017/18** All new suppliers were assessed for environmental criteria
Socio Economic Compliance	A systematic framework is in place to ensure that all regulations, laws and internal policies and codes are complied with	**Policies** N/A	**Activities in 2017/18** During the year, there were no instances of non-compliance to any socio-economic regulations or voluntary codes
Economic Performance	Our operations are aimed towards creating value for all relevant stakeholders including the communities in which we operate.	**Policies** N/A	**Activities in 2017/18** 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 all projects carried out by resorts are aligned to the Group's Social Responsibility policy	**Policies** Social Responsibility Policy	**Activities in 2017/18** Invested Rs. 10.7 million and 726 volunteer hours in numerous CSR initiatives

CUSTOMER RELATIONSHIPS

Customers are at the core of our value creation process and our financial sustainability depends on our ability to attract and retain customers through a holistic value proposition. Our strong brand name enables us to attract guests from all regions and in recent years we have placed parallel emphasis on growing arrivals from both traditional and emerging markets through targeted sales strategies. During the year, we continued to record strong arrivals from our traditional source markets of Germany and United Kingdom.

CUSTOMERS BY SOURCE MARKETS



Customer satisfaction is measured through a real time, online platform, where satisfaction scores are computed instantly; any areas that require attention is escalated to the relevant person through an alert mechanism. The scores for each hotel is displayed online through a digital dashboard with access control and this information is utilized to continuously enhance the hotels service levels.

Formal mechanisms are in place to identify and address customer concerns. Guest feedback is obtained upon check-out through an automated feedback system while feedback and reviews on independent travel websites are also monitored on a consistent basis, using specialised software which tracks social media comments in multiple languages. In 2017/18, most resorts in our portfolio recorded improvements in TripAdvisor ratings as given below.

The Cinnamon Experience and Customer Satisfaction

The Cinnamon brand promise aims to inspire guests through unique experiences and international standards of excellence. To ensure that we consistently provide the quality standards expected by our customers, we constantly invest in enhancing our physical infrastructure and amenities, employee development, customer engagement, food and beverage and overall quality of service.

	Sri Lankan Resorts								Maldivian Resorts		
	Bey	Lodge	BBC	Tranz	Wild	Citadel	Village	Blu	Dhonveli	Ellaidhoo	Hakuraa
2016/17	4.2	4.4	3.8	4.2	4.4	4.1	4.4	4.1	4.5	4.2	4.5
2017/18	4.2	4.5	- *	4.2	4.3	4.2	4.4	4.2	4.6	4.3	4.7

* Bentota Beach by Cinnamon was closed for redevelopment during the year

GRI - 416-2

SOCIAL & RELATIONSHIP CAPITAL

Excellence in Guest Satisfaction-2017/18

- Cinnamon Dhonveli Maldives - ranked 36th out of the top 100 world's best resort hotels and No. 1 hotel in the Maldives by the Russian and CIS region
- Ellaidhoo Maldives by Cinnamon - adjudged the Top Package Producer 2017
- Cinnamon Hakuraa Huraa Maldives - Gold for top partner resorts 2017 by Expedia.com
- Cinnamon Dhonveli Maldives- highest growth award in 2017 by Booking.com
- Ellaidhoo Maldives by Cinnamon and Cinnamon Dhonveli Maldives - Loved by Guests award by Hotels.com 2017

Product and Service Responsibility

The safety and wellbeing of our customers and employees is of vital importance to us and comprehensive policy frameworks are in place across all our resorts to ensure health and safety aspects are assessed on an ongoing basis. All our resorts have also obtained ISO 22000, ISO 14001, OHSAS 18001, and HACCP Certifications. During the year, there were no instances of non-compliance with regulations and/or voluntary codes concerning the health and safety of products/services.

Sample of Health and Safety audits conducted in 2017/18

- OSHAS 18001 audits
- ISO 22000 audit
- Internal health and safety spot and follow up audit
- Food handler's medical test
- Fire training and evacuation drill
- Food microbiological analysis
- Training on chemical handling and spill control
- Fitness certifications for chain blocks, boilers, lifts and compressors

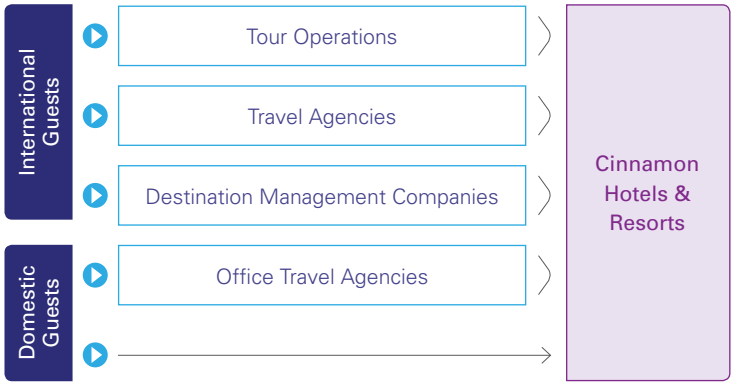
Social Media Engagement

In effectively responding to customers' increasing preference for digital platforms, we have pursued higher penetration levels on social media proactively engaging with our existing and potential customers through Facebook, Twitter, YouTube and Instagram among others.

	31st March 2018	31st March 2017	31st March 2016
Likes	365,550	267,047	140,100
Views	380,228	332,337	175,225
Twitter Followers	3,250	2,675	1,928
Instagram Followers	6,000	3,843	1,745
LinkedIn Followers	4,111	1,665	1,020

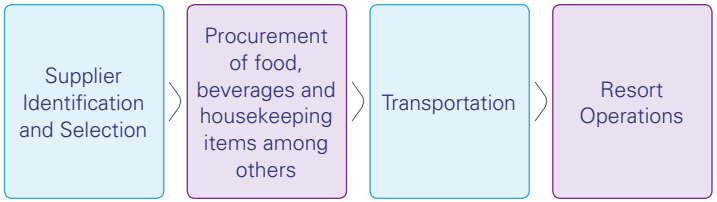
CHANNEL PARTNERS

Our channel partners comprise of tour operators, travel agencies, destination management companies and online travel agencies. These partners are a vital link to end-customers and we have placed strategic emphasis on nurturing long-term relationships with them. Our efforts to form strategic partnerships in non-traditional markets has paid dividends through guaranteed contracts supporting our occupancy levels. Access to digital platforms is transforming traditional channels to market and we have strengthened relationships with online agents. We are also the first Sri Lankan hotel chain to have a social media presence in China, enabling us to fortify our market position in this growing market.



SUPPLIERS

The Group has an extensive supply chain which provides inputs for the food and beverage, housekeeping and other units. Our chain consists of a broad base of wholesalers and retailers; we persistently engage with and support the development of our supply chain partners to ensure that the products sourced are of good quality, safe, durable, easy to use and maintain and offer value for money through local suppliers. Efforts are made to purchase locally, especially through suppliers who are in communities neighbouring our resorts.



Supplier Selection Process

The Group follows a rigorous supplier selection process which is aligned to that of the John Keells Holdings Group. Supplier screening is carried out by two independent partners who conduct site visits, audits and provide recommendations. Key selection criteria include product quality, reliability of supply, timely delivery and financial background. An assessment is also made on the suppliers' social and environmental policies. During the year all new suppliers were screened using social and environmental criteria.

Supplier Awareness Programmes

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

GRI - 413-1

SOCIAL & RELATIONSHIP CAPITAL

Social and Environmental Screening Criteria

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

"In determining the scope and coverage of our CSR initiatives, members of our team visit the localities surrounding our resorts to ascertain the real needs of the communities and effectively design programmes to fulfil these requirements."

COMMUNITY ENGAGEMENT (CORPORATE SOCIAL RESPONSIBILITY)

The Group's widespread geographical reach in Sri Lanka enables it to empower and positively contribute to the socio-economic progress of a large population. Our initiatives are in line with the strategic focus areas defined by the John Keells Groups' social responsibility policy. In determining the projects to be carried out in these areas of focus, members of our team visit the localities surrounding our resorts to ascertain the real needs of the communities and effectively design programmes to fulfil these requirements. During the year, we sharpened our CSR focus by aligning our initiatives to the Sustainable Development Goals (SDGs).

726
Volunteer Hours

10.7
Rs. Million
Investment in CSR

A summary of the CSR initiatives carried out during the year are given below;

Relevant SDG	Resort	Initiative in Brief	KPIs
3 GOOD HEALTH AND WELL-BEING	Cinnamon Citadel Kandy Cinnamon Bey Beruwala	HIV awareness campaigns	150 participants
	Cinnamon Lodge Habarana	HIV awareness campaign for members of the Mannar Army Camp and Ampara Army Training School	400 participants
	Habarana Village by Cinnamon	HIV awareness campaign at Minneriya Army Camp	190 participants
	Cinnamon Wild Yala	Blood donation camp	81 donors
		Establishment of a emergency treatment unit at the Kirinda divisional hospital	6,000 permanent residents
	Trinco Blu by Cinnamon	HIV awareness campaign for higher education students in tourism and hospitality management	174 students

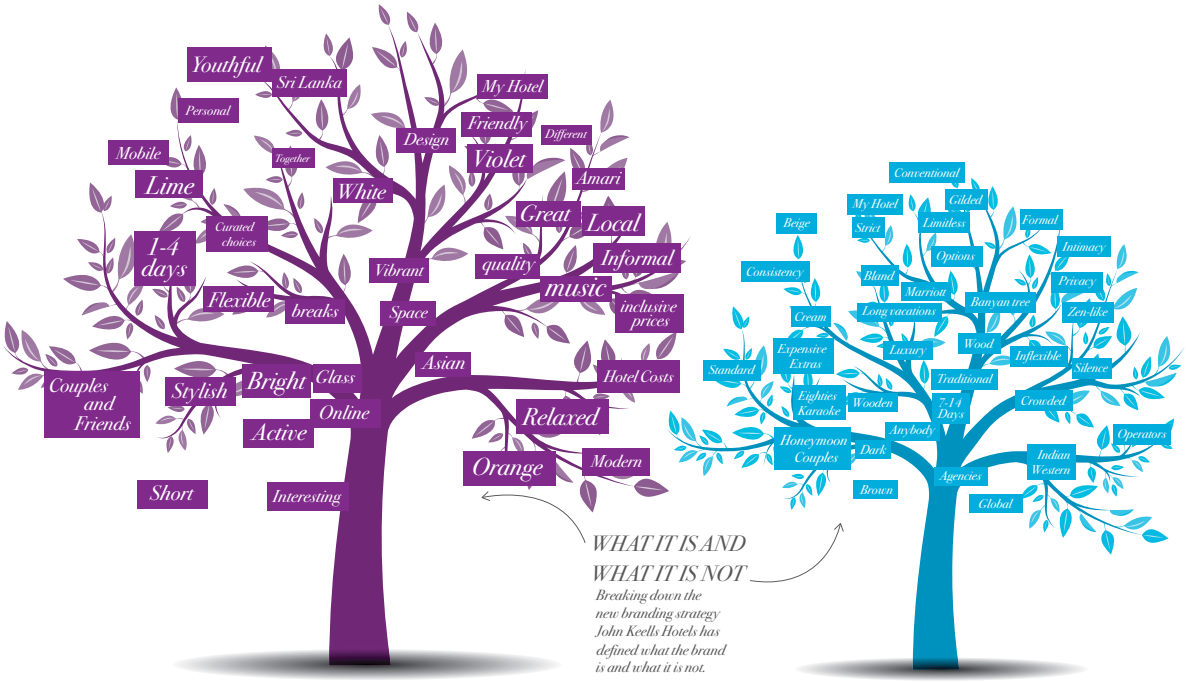
Relevant SDG	Resort	Initiative in Brief	KPIs
4 QUALITY EDUCATION	Hikka Tranz by Cinnamon	Developing English language skills of school students in the Galle-Hikkaduwa region	47 students
	Cinnamon Citadel Kandy	Providing English language classes to children from impoverished communities	36 students
	Cinnamon Bey Beruwala	Developing English language skills of the youth	15 participants
	Cinnamon Lodge Habarana and Habarana Village by Cinnamon	Improving English language and soft skills of school students	45 students
	Cinnamon Wild Yala	Upgrading the English language skills of students in Dewananda College, Yodakandiya	30 students
5 GENDER EQUALITY	Cinnamon Citadel Kandy	Gender equality awareness programme for employees	39 participants
8 DECENT WORK AND ECONOMIC GROWTH	Hikka Tranz by Cinnamon Cinnamon Citadel Kandy	Provided internship opportunities for NAITA and VTA students, enabling them to obtain practical industry experience.	11 students
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Hikka Tranz by Cinnamon	Development of the school infrastructure in Boossa	50 students
	Cinnamon Bey Beruwala	Development of infrastructure at the Moragolla School	350 students
11 SUSTAINABLE CITIES AND COMMUNITIES	Cinnamon Bey Beruwala	Distribution of green bags to promote environmental sustainability at school level	350 students
	Cinnamon Dhonveli Maldives	Awareness programme for three neighbouring local island on International plastic free day	65 participants
15 LIFE ON LAND	Cinnamon Bey Beruwala Hikka Tranz by Cinnamon Trinco Blu by Cinnamon	Beach cleaning initiative	
	Cinnamon Lodge Habarana	Awareness programme for students of Habarana Maha Vidyalaya on Human Elephant conflict and Elephant conservation	45 students
	Cinnamon Wild Yala	Leopard Project (refer to page 111 for more information)	81 steel pens distributed
Other Initiatives Flood Relief	Cinnamon Hotels and Resorts	Donated dry rations and essentials to the flood affected communities in Eheliyagoda, Ratnapura, Kalutara, Hingalgoda and Nagoda	Over 100 families

INTELLECTUAL CAPITAL

"Our Intellectual Capital defines who we are and is a key factor in sustaining our competitive edge. It comprises of our brand value, the tacit knowledge management systems and processes we have in place and our positioning as a thought leader in Sri Lanka's hospitality industry."

The Cinnamon Brand

Through the Cinnamonisation initiative launched in 2015, we have created a unique lifestyle brand with a distinct identity enabling the Group to effectively differentiate itself from competition. The Cinnamon brand identity embodies the essence of 'inspired living' which is at the core of our value proposition. Accordingly resort infrastructure, operational delivery, marketing communications and people management among others represent the attributes of our brand. All operational aspects of our resorts ranging from the behaviour of staff and architecture to cuisine and entertainment are aligned to the attributes and personality of the Cinnamon brand.



WHAT IT IS AND WHAT IT IS NOT

Breaking down the new branding strategy John Keells Hotels has defined what the brand is and what it is not.

The Cinnamon brand is frequently featured among the country's top brands; in 2017 it was ranked as Sri Lanka's No. 1 hospitality brands by LMD Brands Annual. The brand also notched up 4 positions in Sri Lanka's overall brand rankings to be positioned as Sri Lanka's 21st most valuable brand. According to the LMD Brands Annual Publication, the estimated value of the Cinnamon brand amounted to Rs. 5.71 Billion with a brand rating of AA. Cinnamon was also featured as the country's 14th most valuable brand in Interbrand's inaugural Best Sri Lankan Brands of 2017. Cinnamon Hotels & Resorts is also committed towards promoting Sri Lanka as a tourism destination, conducting numerous international events to showcase the country's attractiveness. These events (discussed on page 102 under Thought Leadership) has contributed towards further enhancing its brand reputation.

'Cinnamon Brand'

- The 21st most valuable brand in Sri Lanka-LMD
- No. 1 ranked hospitality brand in Sri Lanka
- 14th most valuable brand in Sri Lanka-Interbrands 2017

Systems, Processes and Tacit Knowledge

The Group's organisation capital is represented by its systems, processes and tacit knowledge which have contributed towards service excellence and maintaining our competitive edge. We comply with a host of international quality, safety and environmental certifications, thereby providing assurance to our stakeholders on the integrity of our systems and meanwhile, the Cinnamon Spy programme enables new recruits to obtain a holistic perspective of our values, brand attributes and organisational culture.

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

INTELLECTUAL CAPITAL

INDUSTRY THOUGHT LEADERSHIP

As Sri Lanka's premier hospitality sector operator, Cinnamon Hotels & Resorts plays a proactive role in promoting Sri Lanka as an attractive destination. It has been at the forefront of identifying emerging trends in the industry and capturing growth opportunities for attracting potential customers through unique and authentic engagement platforms. In addition to enhancing the Cinnamon brand image, the Group's thought leadership has contributed towards strengthening Sri Lanka's brand value and attractiveness, in its endeavour to make Brand Cinnamon synonymous with the destination.

Cinnamon Colomboscope 2017

Cinnamon Colomboscope, held for the 5th consecutive year, is a contemporary multidisciplinary arts festival organised in partnership with Alliance Francaise de Kotte, the British Council and the Goethe-Institute. Since its inception, the Festival has expanded both locally and internationally attracting participation from Sri Lanka, Europe and South Asia.

The 2017 edition was held at the Former Colombo Terminus Railway Station under the theme of 'Environmental Sustainability'. With a participant base of over 3000, positive media coverage and a successful social media reach, the festival proved an effective platform to raise awareness on our initiatives pertaining to environmental sustainability.

Cinnamon Colomboscope

- Over 3,000 attendees
- Total media value generated: Rs. 8 Million
- Social media reach of over 1 Million people
- 92 staff volunteers

Cinnamon Sri Lanka Photo Contest 2017

'Cinnamon Sri Lanka Photo Contest 2017' was Sri Lanka's largest crowd-sourced destination campaign to date; the competition was hosted as a part of a strategic effort to use crowd-sourcing to create a comprehensive destination image bank for Sri Lanka thereby raising the profile of the country as a preferred travel destination. Successfully completed in April 2017, the competition drew participation of amateur and professional photographers and videographers from many regions, who submitted images and footage of the island to vie for the title of 'Cinnamon Sri Lanka Photographer of the Year'. Participants competed in several categories including Nature, Culture & People, Landscapes & Cityscapes, Interiors, Activities & Adventure, Deeper Perspective/Photo-Essay and Travel Shorts.

Cinnamon Future of Tourism Summit 2017

In the endeavour to maintain its thought leadership in the scope of travel and tourism Cinnamon Hotels and Resorts conducted Cinnamon Future of Tourism Summit to propagate the theme of technology, innovation and authenticity in promoting travel and tourism. The Summit brought together the industry insights and knowledge of a pool of experts from diverse verticals and participants from a cross section of organisations and corporate entities from within the travel sector. It featured 13 distinguished speakers including CNN Travel Editor – Brekke Fletcher and other international experts on Tourism and Responsible Travel, Technology and Innovation Consultants and Travel Trend Analysts among others.

Cinnamon Future of Tourism Summit 2017

- 400+ participants from the travel and tourism industry
- Endorsement of the event by CNN and PATA
- Media value of Rs.10 Million

Cinnamon presents George Calombaris

Cinnamon presented celebrity Chef, 'MasterChef' Judge and restaurateur, George Calombaris in Sri Lanka for a series of events from the 8th to the 11th of June 2017. The event comprised of two Greek inspired dinners, a high tea event and a Masterclass that offered our guests, the opportunity to dine and interact with the maestro himself. During his short stay, George visited the cultural triangle of Sri Lanka obtaining uniquely Sri Lankan experiences which inspired him to execute menus for the events.

Cinnamon presents Jonathan and Angela Scott

Cinnamon together with Cinnamon Nature Trails and HSBC hosted a dinner featuring Jonathan and Angela Scott, where Jonathan launched his autobiography 'The Big Cat Man'. The couple is globally reputed travel photographers, whose images have appeared on international publications such as National Geographic, BBC Wildlife, Digital Photography, Outdoor Photographer and Traveller, to name a few. The first series of the long-running nature documentary series, Big Cat Diary featured the wild cats that Jonathan and Angela had spent years meticulously observing and photographing.

Cinnamon presents The Sound of Music

In February 2018, Cinnamon presented one of the world's best-loved musicals of all time Andrew Lloyd Webber and David Ian's Really Useful Group Production of The Sound of Music, the first of its calibre to ever be performed in Sri Lanka. Produced by the Asia Broadway Group, the event received rave reviews from audiences, generating substantial mileage to the Cinnamon Brand. Production equipment, cast and crew members were flown in for the event while 12 junior performers from Sri Lanka were also given the opportunity to perform leading roles, gaining invaluable exposure to the workings of an international production.

NATURAL CAPITAL

"Hotel operations have a significant environmental impact and as an organisation which is deeply committed to sustainability, we proactively seek to minimise our adverse environmental impacts and preserve the natural resources and rich biodiversity in and around our resorts."

Natural Capital Inputs

176,771 GJ	624,435 m^3	2,298 MT
Energy Consumption	Water Withdrawn	Raw Material Inputs

How we nurtured our Natural Capital in 2017/18

- Installation of a Solar Diesel Hybrid System in Ellaidhoo
- Utility Management System to centrally monitor real time information on environmental indicators
- Replacing energy intensive lighting with LED solutions
- Energy efficient equipments
- Responsible disposal of waste
- Ongoing projects to preserve natural habitats

Our Commitment:

Nurturing the planet

Results in 2017/18

0.25% ↓ Energy Consumption	12% ↓ Water Withdrawal
4% ↓ Water Intensity	9% ↓ Non-hazardous Waste
11% ↓ Effluents	5% ↓ Carbon Footprint

MANAGEMENT APPROACH

Material Topic	Management Approach		
Raw Materials	We strive to nurture mutually beneficial, strategic relationships with our diverse supplier base, thereby providing an effective platform for empowerment while ensuring that we procure highest quality raw materials	**Policies** Procurement Policy	**Activities in 2017/18** Conducted 56 supplier audits during the year
Energy	We engage in concerted efforts to increase energy efficiency across our resorts and reduce dependence on fossil fuels	**Policies** Energy Management Policy	**Activities in 2017/18** Installation of a Solar Diesel Hybrid system in Ellaidhoo Maldives by Cinnamon Use of energy efficient equipment and lighting solutions
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	**Policies** Water Management Policy	**Activities in 2017/18** Effluent Treatment Plants for water recycling Upgrade of the ETP at Trinco Blu by Cinnamon External water audits to ensure continuous improvement
Effluents and Waste	We are committed towards the responsible disposal of waste and minimising the landfill ratio	**Policies** Waste Management Policy Hazardous Waste Policy	**Activities in 2017/18** 3R concept for waste management Bio gas plants operating in three resorts 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	**Policies** Environment Policy	**Activities in 2017/18** Carbon consciousness in all purchases and activities
Biodiversity	The rich biodiversity 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 biodiversity	**Policies** Biodiversity Conservation Policy	**Activities in 2017/18** Project Leopard Cinnamon Elephant Project Project Wild Biu

GRI - 204-1,301-1, 302-1, 307-1

NATURAL CAPITAL

ENVIRONMENTAL MANAGEMENT AND COMPLIANCE

Out of our 10 resorts, 9 have obtained the Green Globe Certification for sustainable tourism, while Cinnamon Bey has also obtained the prestigious LEED Gold Certification. During the year, Cinnamon Bey, Trinco Blu by Cinnamon and Hikka Tranz by Cinnamon also obtained the Travelife certification, an international sustainability certification scheme. Compliance to all relevant environmental regulations are ensured by the Internal Audit function. The independent certifying authorities (such as Green Globe and Travelife) also conduct audits to ensure that our Resorts comply with the relevant certifications. During the year there were no incidences of non-compliance, penalties or fines imposed on us pertaining to any applicable environmental regulations and laws.

All resorts within the Group continuously track, report on and monitor their environmental indicators. The round-trip hotels utilise a state of the art Utility Management System (UMS) which enables central monitoring of electricity, water and gas. Access to accurate, real time environmental data has facilitated more effective decision making and faster response times. Over the medium to long-term, we hope to roll-out the UMS to our other Sri Lankan and Maldivian hotels and resorts.

RAW MATERIALS

Our primary raw materials consist of inputs which are used in the food and beverage processes. The bulk of these raw materials are purchased from external suppliers with whom we have developed mutually beneficial, strategic relationships. For this disclosure, we have only considered the raw materials which are measured in the unit of kilograms. At all times, attempts are made to source materials from surrounding communities in which our resorts are based. Purchases from local suppliers as a proportion of total procurement amounted to more than 43%.

Raw Material Consumption (KG)

	2017/18	2016/17	2015/16
Vegetables	800,991	885,244	899,243
Fruits	725,975	522,995	830,059
Fish	326,010	1,029,668	384,188
Meat	445,156	369,758	474,868

ENERGY

Primary sources of energy in our resorts are electricity, diesel, petrol and liquid petroleum gas. Organisation-wide efforts are in place to reduce our energy consumption and as a policy low energy consuming equipment is utilized when replacing higher energy consuming units across all our resorts whilst, employees and guests are encouraged to contribute towards conserving energy through a range of 'Go Green' choices. In order to support our customers' and employees' shift to electric cars and reduce the dependence on fossil fuels, we introduced charging stations in 7 of our resorts. Capacity expansions and increasing business volumes understandably result in a larger carbon footprint and the Group is now leveraging on emerging technologies to drive further efficiencies. One such initiative was the installation of a Solar - Diesel Hybrid System in Ellaidhoo Maldives by Cinnamon; the new system was installed following a comprehensive analysis of the load curves to ensure optimum generator efficiency. Representing a total investment of Rs. 27.1 Million the new system is anticipated to generate energy savings of 216,000 kWh per annum with a payback period of approximately 4.5 years.

216,000 *kWh*
Energy Savings

27.1 *Rs. Million*
Total Investment

Solar Diesel Hybrid System - Ellaidhoo by Cinnamon

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

Resort	Initiative	Estimated Savings (kWh)
Cinnamon Citadel Kandy	Replaced 488 5W bulbs with 3W CFL bulbs	2,555
Hikka Tranz by Cinnamon	Replaced guest room lights with LED bulbs in 34 guest rooms	7,263
Cinnamon Lodge Habarana	Replaced 300 lights in guest areas with LED bulbs	10,950
	Installation of 20 inverter ACs in guest rooms	14,450
	Installation of a solar hot water system	1,980
Habarana Village by Cinnamon	Installation of 20 inverter ACs in guest rooms	6,688
	Replaced 426 LED bulbs in guest rooms	2,812
Cinnamon Wild Yala	Replaced 104 LED bulbs in guest rooms	1,139
Cinnamon Dhonveli Maldives	Replaced 120 tube, fluorescent, spot and metal halide lights with LED bulbs	4,774
	Installation of 24 inverter type ACs	9,734
Ellaidhoo Maldives by Cinnamon	Installation of a 150 kW PV system	96,902
Cinnamon Hakuraa Huraa Maldives	Replaced 85 tube, fluorescent, spot and metal halide lights with LED bulbs	2,466
Trinco Blu by Cinnamon	Replaced 422 lights in guest rooms and public areas with LED bulbs	4,461

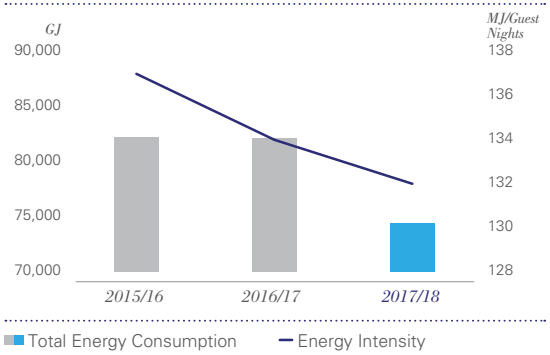
The Group's total energy consumption declined by 0.25% during the year, representing reductions in electricity and LPG consumption. Energy intensity (defined as energy usage per guest night) increased by 8% to 230 MJ primarily due to increased intensity in Cinnamon Dhonveli Maldives and Ellaidhoo Maldives by Cinnamon which underwent major refurbishment during the year. At Cinnamon Dhonveli Maldives we reconstructed 24 over water suites and added a new restaurant and pool. At Ellaidhoo Maldives by Cinnamon 46 beach bungalows and 16 garden bungalows were refurbished.

	Sri Lanka			Maldives			Total		
	2017/18	2016/17	2015/16	2017/18	2016/17	2015/16	2017/18	2016/17	2015/16
Diesel (GJ)	4,717	3,796	5,074	79,300	79,708	79,019	84,017	83,504	84,093
Petrol (GJ)	964	1,150	1,332	18,783	10,855	8,771	19,747	12,005	10,103
LPG (GJ)	9,242	9,859	9,683	4,268	4,471	4,114	13,510	14,330	13,797
Electricity (GJ)	59,498	67,383	66,174	-	-	-	59,498	67,383	66,174
Direct Energy (GJ)	14,923	14,804	16,088	102,350	95,034	91,903	117,273	109,838	107,991
Indirect Energy (GJ)	59,498	67,383	66,174	-	-	-	59,498	67,383	66,174
Total Energy Consumption (GJ)	74,421	82,187	82,262	102,350	95,034	91,903	176,771	177,221	174,165
Energy consumption per guest night (MJ/guest night)	132	134	137	492	425	425	230	212	214

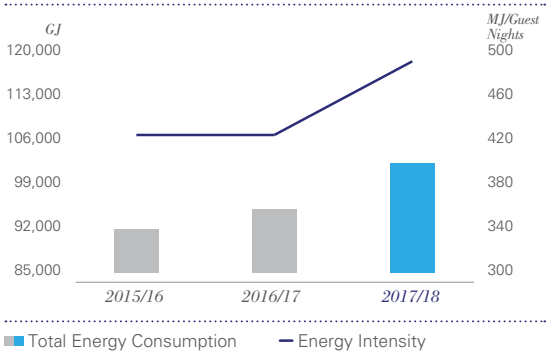
GRI - 303-1

NATURAL CAPITAL

ENERGY CONSUMPTION - SRI LANKA



ENERGY CONSUMPTION - MALDIVES



WATER

The Group's water requirements are met primarily through ground water sources and municipal lines. Our long-term objective in water management is to reduce water withdrawal from surface and ground water sources through recycling water, engaging employees and guests in water conservation and rainwater harvesting. During the year we conducted 4 water audits at Cinnamon Lodge Habarana, Habarana Village by Cinnamon, Cinnamon Dhonveli Maldives and Cinnamon Wild Yala; this study enabled us to identify leakages, avenues for water conservation and introduce rectifying measures. At Cinnamon Citadel Kandy, we replaced 48 normal commodes with dual flush systems generating an estimating saving of 138 m^3 annually.

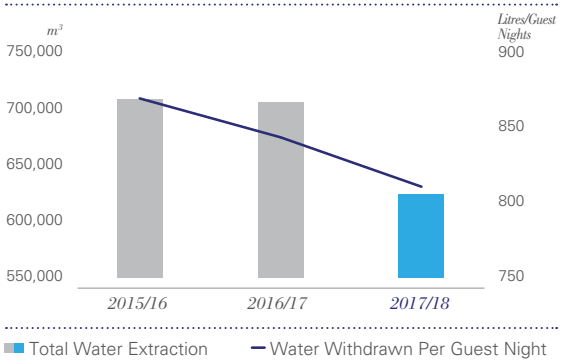
Aquaponics Farm - Habarana Village by Cinnamon

In an exciting new sustainable initiative, Habarana Village by Cinnamon implemented an Aquaponics farm, which utilises aquaculture and hydroponics systems to cultivate vegetables and fish. We intend to propagate this sustainable practice among our neighbouring communities, most of whom are dependent on agriculture for their livelihoods. The mechanism is estimated to save up to 95% of water, as the water used for vegetable cultivation is recycled. Going forward, we plan to engage proactively with school children, farming communities and other associations in spreading awareness on this sustainable agriculture initiative.

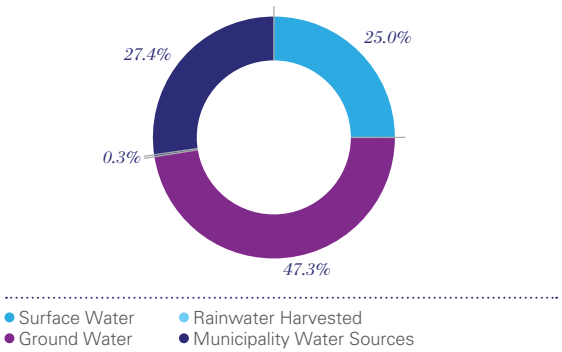
The Group's total water withdrawal has been on a declining trend, reducing by a further 12% during the year. Water withdrawn from ground water sources declined by 23%. Meanwhile, water withdrawn per guest night also fell by 4% during the year.

Water Withdrawn (m^3)	2017/18	2016/17	2015/16
Surface water-wetlands, rivers, lakes, oceans (m^3)	155,866	133,118	137,456
Ground water (m^3)	295,584	382,696	389,167
Rainwater harvested (m^3)	1,593	1,917	2,592
Municipality water sources (m^3)	171,392	188,504	180,073
Total water withdrawn (m^3)	624,435	706,235	709,288
Water per guest night (Litres/guest nights)	811	844	870

WATER WITHDRAWN



WATER WITHDRAWN BY SOURCE



WASTE AND EFFLUENTS

All resorts engage in the responsible disposal of waste with state of the art waste management systems in place to effectively segregate, recycle and dispose waste. In our Sri Lankan resorts, wet waste is used to generate energy whilst the remainder is sent to local piggeries. Meanwhile, recyclable material obtained from dry waste is sent to recyclers certified by the Central Environmental Authority and garden waste is used to generate eco-friendly fertilizers. Although relatively insignificant, the Group's hazardous waste is also segregated and disposed with the assistance of Think Green and Asia Recycling, parties certified by the Central Environmental Authority.

During the year we conducted waste audits at Trinco Blu by Cinnamon, Hikka Tranz by Cinnamon and Cinnamon Bey Beruwala, the findings of which will be implemented over the short to medium term. Meanwhile, all our employees also pledged their commitment to the John Keells Group's plasticycle project, which aims to drive responsible disposal of plastic across the island.

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

Total non-hazardous waste disposed declined by 9% during the year with notable reductions in disposals through incineration and reuse. Waste per guest night also reduced marginally during the year. Meanwhile, total water discharge (effluents) also declined by 11% while the water recycled and reused amounted to 36% during the year. There were no significant spills recorded during the year.

Effluent Water Treatment Plant - Cinnamon Citadel Kandy

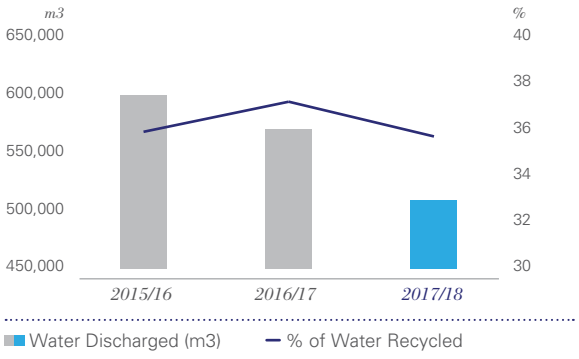
NATURAL CAPITAL

Non-Hazardous Waste (KG)	2017/18	2016/17	2015/16
Disposed through Reuse	781,440	880155	982,119
Disposed through Recycling	192,650	232,691	147,904
Disposed through Composting	13,239	32,189	5,425
Disposed through Recovery	67,635	96,451	78,609
Disposed through Incineration	17,312	28603	11,863
Disposed through Deep Well Injection	535,011	541,604	559,339
Disposed through Landfill	584,180	587,568	976,361
Disposed through On-Site-Storage	-	-	-
Total Non-Hazardous Waste Disposed	2,191,467	2,399,261	2,761,620
Waste per guest night (non-hazardous)	2.85	2.87	3.39

*During the year, the Group's Hazardous Waste halved to 3.5 MT from 6.7 MT the year before.

Effluents (m^3)	2017/18	2016/17	2015/16
To Municipality Sewerage, Drainage Lines	79,486	120,865	133,005
To ETPs and Recycled Completely	181,828	212,388	215,480
To Rivers, Lakes after being treated by ETP/STP	180,059	216,640	222,557
Direct to Rivers, Lakes, Wetlands, Marshes	66,558	19,543	28,658
To Ground through Soakage Pits	1,079	738	-
Total Water Discharge	509,011	570,174	599,700

TOTAL WATER DISCHARGE



CARBON FOOTPRINT

Emissions are measured using the Greenhouse Gas Protocol as governed by the World Resource Institute (WRI) and the World Business Council for Sustainable Development. The emission factors have been derived from IPCC Guidelines for National Greenhouse Gas Inventories. The boundary for the emission measurement has been governed by Scope 1 and Scope 2.

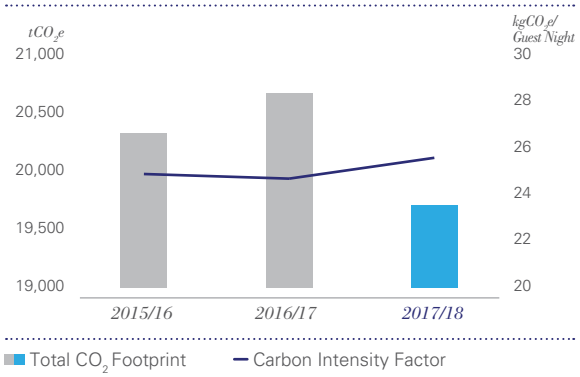
Scope 1 - GHG emissions occurring directly from sources that are owned or controlled by the Organisation

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

The Group's total carbon footprint declined by 5% during the year, reflecting our initiative to drive energy efficiencies; carbon footprint per guest night however increased slightly during the year impacted mainly by a reduction in guest nights due to major construction activities stemming from the refurbishment at Cinnamon Dhonveli Maldives and Ellaidhoo Maldives by Cinnamon.

MT of CO_2 equivalent	2017/18	2016/17	2015/16
Diesel	6,226	6188	6,231
Petrol	1,368	832	700
Liquid Petroleum Gas (LPG)	852	904	871
Electricity	11,265	12,758	12,529
CO_2 Footprint - Direct Energy through Primary Sources (Scope 1)	8,446	7,924	7,802
CO_2 Footprint - Indirect Energy through Primary Sources (Scope 2)	11,265	12,758	12,529
Total CO_2 Footprint	19,711	20,682	20,331
Carbon intensity factor ($kgCO_2e$ / guest night)	25.6	24.7	24.9

TOTAL CARBON FOOTPRINT



BIODIVERSITY AND NATURAL HABITATS

The biodiversity and surrounding natural environment enhances the overall attractiveness and experience at our resorts. Cinnamon Hotels & Resorts has partnered with Cinnamon Nature Trails in several ongoing initiatives to minimise impacts and ensure the sustainability of these natural habitats. Several of these projects have been launched in collaboration with leading scientists and institutions which have experience in biodiversity conservation.

Project Leopard - Cinnamon Wild Yala

Currently in its 7th year of operation, Project Leopard is a unique initiative aimed at supporting the livelihoods of cattle farmers while protecting the leopard population living outside the park boundary. Through this initiative, we distribute steel pens to house cattle in communities affected by human leopard conflict. The project is directly supervised and deployed by the Cinnamon Nature Trails Naturalists at Cinnamon Wild Yala.

An independent study has confirmed the success of the project as evidenced by a decrease in the leopard predation rates on livestock, an increase in the cattle herd size and increases in the farmers' average monthly income. More importantly, zero calves had been killed and zero retaliatory killings of leopards performed by herders after they received the pen to protect their cattle, compared to a previous average of 3-4 retaliatory killings per year. The project has also allowed us to nurture stronger relationships with the communities around the Resort, enabling us to propagate our conservation agenda.

Quick Look

- 81 steel pens distributed to date
- Decline in leopard predation rates by 87%
- Increase in herd size by 7 cattle a year
- Farmers' average monthly income increased by 23%

Project Gathering - Cinnamon Elephant Project at Cinnamon Lodge Habarana

A collaboration between the Cinnamon Nature Trails and the Centre for Conservation and Research spearheaded by Dr.Prithiviraj Fernando PhD, this project breaks new ground integrating elephant viewing based tourism and research. Under this program elephants are individually identified based on their morphological characters and their life stories followed by the naturalists at the Cinnamon Hotels. This information is shared with visitors through an elephant research station at Cinnamon Lodge Habarana. In addition, demographic, health and behavioural data is collected, which provides baseline data on the populations, enables monitoring of their

NATURAL CAPITAL

well-being and contributes to scientific knowledge on Asian elephants. This project was initiated in 2013 and we have already identified 70+ individual male elephants in the Minneriya National Park.

This project will track two elephant herds that consist of about 40 individuals by using high tech satellite collars throughout the year even after the gathering disperses to understand the exact seasonal movement of the elephant herds that are part of the larger gathering. Incorporation of GPS locations into the land use map enables us to determine their movement in next three years and to make land management recommendations based on the tracking science data. Guests and enthusiasts are engaged through social media and a Facebook group named 'Elephants of the "Gathering"' was initiated in December 2014.

Quick Look

- 70+ male elephants identified
- Over 250 guests engaged through photographic safari tours
- Over 100 visits to the Cinnamon Elephant Research Station
- 210 Members on the Facebook page

Project Wild Blu at Trinco Blu by Cinnamon

Project Wild Blu involves the collation of photographic evidence and data to identify blue whales and super pods of sperm whales. Implemented by Cinnamon Nature Trails, together with Trinco Blu by Cinnamon, the Project is supported by Dr. Charles Anderson PhD who works with our team annually. Images of the tail flukes of blue whales captured by the naturalists of Cinnamon Nature Trails, helped to develop a database of the 'whale identification catalogue'. Based on each whale's unique markings (e.g. scars on each blue whale's fluke) we have identified 37 individual blue whales in 2017 and monitor their habits as they visit Sri Lankan waters. Nature Trails has submitted 2017 photo catalogue of 20 individual whales that have been sighted in Koddiyar Bay area of Trincomalee to the Department of Wildlife Conservation as a part of providing scientific information on Blue Whales for the better management of marine habitats of Sri Lanka. The long term collection of scientific information on whales in Trincomalee has also attracted the BBC Ocean team to visit Trincomalee to film whales for their documentary 'Blue Planet II'.

Quick Look

- 37 Blue Whales identified
- 20 individual images of tail flukes
- Over 100 guests engaged in the project

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)	Size of Operational site in square km	Biodiversity value of Protected site	Protected through (Legislation/ IUCN / UNESCO etc.)	Has the EPL been obtained
Trinco Blu by Cinnamon	Trincomalee	13.24	Pigeon Island Marine National Park	16km adjacent	0.05	Maritime	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
Cinnamon Citadel Kandy	Kandy	6.57	Udawatte Kele Sanctuary	6km adjacent	0.023	Wildlife & Forestry	Flora and Fauna Protection Ordinance 1937 IUCN Category IV - Habitat/ Species Management Area	Yes
Cinnamon Wild Yala	Yala	11.25	Yala National Park Bundala National Park	2km adjacent 32km adjacent	0.044	Wildlife & Forestry	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
Hikka Tranz by Cinnamon	Hikkaduwa	4.65	Hikkaduwa Marine National Park	0.5km adjacent	0.018	Maritime	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
Cinnamon Lodge Habarana	Habarana	25.48	Minneriya National Park Ritigala Strict Nature Reserve Kaudulla National Park	15km adjacent 20km adjacent 20km adjacent	0.1	Wildlife & Forestry	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
Cinnamon Bey Beruwala	Beruwala	11.39	Hikkaduwa Marine National Park	45km adjacent	0.04	Maritime	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
Habarana Village by Cinnamon	Habarana	9.34	Minneriya National Park Ritigala Strict Nature Reserve Kaudulla National Park	11km adjacent 17km adjacent 22km adjacent	0.034	Wildlife & Forestry	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes

NATURAL CAPITAL

Hotel	Geographical Location	Size of site in Acres	Name of Protected Area in the Vicinity	Position relative to Protected Area (Within / Adjacent and Distance)	Size of Operational site in square km	Biodiversity value of Protected site	Protected through (Legislation/ IUCN / UNESCO etc.)	Has the EPL been obtained
Bentota Beach by Cinnamon	Bentota	13.34	Hikkaduwa Marine National Park	40km adjacent	0.05	Maritime	Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park	Yes
Cinnamon Dhonveli Maldives	North Male Atoll, Republic of Maldives	17.16	Thamburudhoo thila	1km	0.0673	Maritime	The Environmental Protection & Preservation Act	Yes
Ellaidhoo Maldives by Cinnamon	North Ari Atoll, Republic of Maldives	13.80	Orimas thila	1km	0.0556	Maritime	The Environmental Protection & Preservation Act	Yes
Cinnamon Hakuraa Huraa Maldives	Meemu Atoll, Republic of Maldives	18.90	Lhazikuraadi	6km	0.05437	Maritime	The Environmental Protection & Preservation Act	Yes

EPL - Environment Protection License

Locations in Sri Lanka

Cinnamon Hotels & Resorts

Sanctuaries / National Parks / Nature / Forest Reserves

Locations in Maldives

Cinnamon Hotels & Resorts

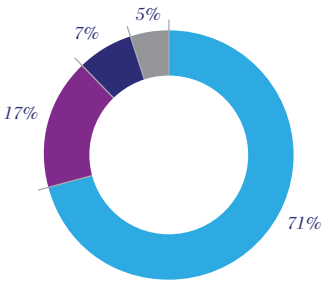
Protected Areas

Consolidated Value Added Statement

GRI - 201-1

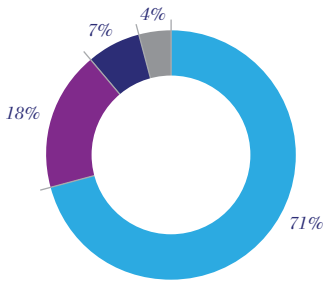
For the year ended 31st March In Rs. '000s	2018	2017
Direct economic value generated		
Revenue	11,614,376	12,311,664
Finance income	283,494	217,267
Proceeds from sale of property, plant and equipment	109,416	22,465
	12,007,286	12,551,396
Economic value distributed		
Operating costs	8,300,093	8,181,311
Employee wages and benefits	2,094,528	1,997,976
Payments to providers of funds	837,978	810,247
Payments to government		
Sri Lanka	264,296	302,955
Maldives	103,326	176,209
Community investments	10,697	12,150
	11,610,918	11,480,848
Economic value retained	396,368	1,070,548

ECONOMIC VALUE DISTRIBUTED - 2017/18



- Operating costs
- Payments to providers of funds
- Employee wages and benefits
- Payments to government

ECONOMIC VALUE DISTRIBUTED - 2016/17



- Operating costs
- Payments to providers of funds
- Employee wages and benefits
- Payments to government

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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	10	
	102-2 Activities, brands, products and services	16,17	
	102-3 Location of headquarters	IBC	
	102-4 Location of operations	16	
	102-5 Ownership and legal form	181	
	102-6 Markets served	95,115	
	102-7 Scale of the organisation	14,15	
	102-8 Information on employees and other workers	84	
	102-9 Supply chain	15, 97	
	102-10 Significant changes to the organisation and supply chain	10	
	102-11 Precautionary principle	147	
	102-12 External initiatives	10	
	102-13 Membership of associations		Tourist Hotels Association of SL, Chamber of Commerce
	102-14 Statement from senior decision maker	28 - 31	
	102-16 Values, principles, norms and standards of behaviour	82,140	
	102-18 Governance Structure	125	
	102-40 List of stakeholder groups	42, 43	
	102-41 Collective bargaining agreements	91	
	102-42 Identifying and selecting stakeholders	42	
	102-43 Approach to stakeholder engagement	42	
	102-44 Key topics and concerns raised	42	
	102-45 Entities included in the consolidated financial statements	12,13	
	102-46 Defining report content and topic boundary	10, 45	
	102-47 Material topics	46, 47	
	102-48 Restatement of information	10	
	102-49 Changes in reporting	45	
	102-50 Reporting period	10	
	102-51 Date of most recent report	10	
	102-52 Reporting cycle	10	
	102-53 Contact point for questions regarding Report	10	

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	102-55 GRI context index	117-121	
	102-56 External assurance	10,122-123	
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Economic Performance			
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	103-2 The Management Approach and its components	94	
	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	116	
	201-3 Defined benefit plan obligations and other retirement plans	242	
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GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	106	
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GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
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GRI 301: Raw materials 2016	301-1: Raw materials used by weight or volume	106	
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	103-2 The Management Approach and its components	105	
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	302-4 Reduction of energy consumption	107	
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	103-3 Evaluation of the Management Approach	105	
GRI 303: Water 2016	303-1 Water withdrawal by source	108	

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Bio Diversity			
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	103-2 The Management Approach and its components	105	
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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	113 -115	
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GRI 305 Emissions: 2016	305-1 Direct greenhouse gas (GHG) emissions	110	
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GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	109 -110	
	306-2 Waste by type and disposable method	109 -110	
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GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	46	
	103-2 The Management Approach and its components	106	
	103-3 Evaluation of the Management Approach	106	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	106	

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	103-2 The Management Approach and its components	94	
	103-3 Evaluation of the Management Approach	94	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	97	
Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	46	
	103-2 The Management Approach and its components	81	
	103-3 Evaluation of the Management Approach	81	
GRI 401: Employment 2016	401-1 Employee hires and turnover	85, 92	
Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	46	
	103-2 The Management Approach and its components	81	
	103-3 Evaluation of the Management Approach	81	
GRI 403: Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	91	
Training and Education			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	46	
	103-2 The Management Approach and its components	81	
	103-3 Evaluation of the Management Approach	81	
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	91	
	404-2 Programs for upgrading skills and transition assistance programmes	90	
	404-3 Percentage of employees receiving regular performance and career development reviews	88	
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GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	46	
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	103-3 Evaluation of the Management Approach	81	
GRI 405: Diversity and equal opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	88	

GRI Standard	Disclosure	Page Number	Comments
Local Communities			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	94	
	103-3 Evaluation of the Management Approach	94	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	98 - 99	
Customer Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	46	
	103-2 The Management Approach and its components	94	
	103-3 Evaluation of the Management Approach	94	
GRI 416: Customer Health and Safety 2016	416-2 Incidences of non-compliance concerning the health and safety aspects of products	96	
Socio Economic Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	46	
	103-2 The Management Approach and its components	94	
	103-3 Evaluation of the Management Approach	94	
GRI 419: Socio-economic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	94	

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- 2017/18

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- 2017/18 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 116 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 ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI 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 sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's Responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 16 March 2018. We disclaim any assumption of responsibility for

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 Jayesinghe 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

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any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Key Assurance Procedures

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

- 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 2018.
- 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 116 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2018.
- 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

Ernst & Young
Chartered Accountants

28th May 2018
Colombo

Leadership & Governance

"The John Keells Group governance structures 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."

Sound corporate governance 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 also a subsidiary of the John Keells Holdings PLC (JKH) and many of the structures and policies conform to those of the 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 structures 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 also in the process of evaluating the provisions under the Code of Best Practices on Corporate Governance (2017) issued by the ICASL in December 2017. Whilst remaining in compliance with the 2013 Code, the Group will analyse the provisions of the 2017 code and its applicability to JKH given the nature of business and conglomerate setting and thereby adopt, where applicable, the provisions recommended and in the context that the SEC has conveyed its intention to issue a Governance Code by mid-2018".

This report has been structured according to the Code of Best Practice on Corporate Governance 2013 issued by the Institute of Chartered Accountants of Sri Lanka and the Securities & Exchange Commission of Sri Lanka, reflecting an overview of our current level of compliance with the same. Appendix I on page 132 provides deeper insights for those requiring more detail.

Regulations 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

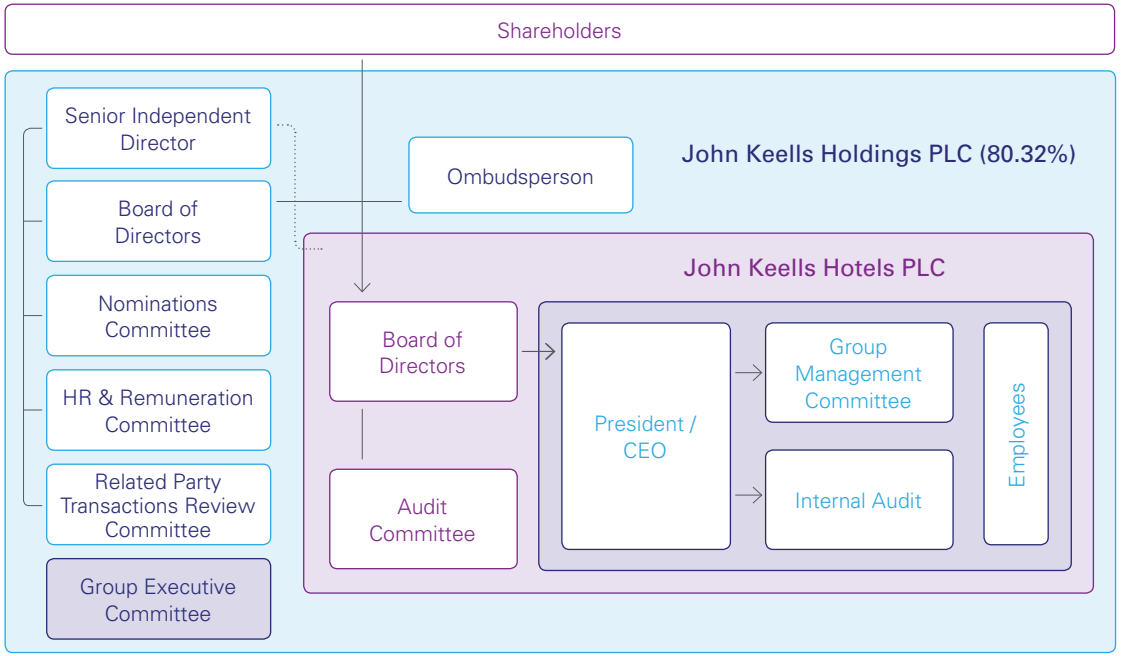
Key Internal Benchmarks Facilitating Sound Corporate Governance

- 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

Code of Best Practice on 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 graphically depicted below. Articles of Association of the Company set out the powers of the Board can be accessed at https://cdn.cse.lk/cmt/uploadAssociationFiles/9601429783057_561.pdf.



APPOINTMENT, RE-ELECTION & RETIREMENT

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 John Keells Holdings PLC as provided for in the Articles of Association. The age limit for Non-Executive Directors is 70 years. However, 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 as depicted in page 125 and the Nominations Committee, the Human Resources and Compensation Committee and the Related Party Transactions Review Committee of John Keells Holdings PLC, the parent company, function as the relevant committees of the Company as permitted by the listing rules of the CSE and provide key inputs in relation to their areas of responsibility. Their composition and roles are summarised overleaf.

Board Committee & Composition	Mandate	Scope
Audit Committee (John Keells Hotels PLC)		
Comprises three Independent Directors and the Chairman is a Chartered Accountant. Current members are: • Mr. T L F W Jayasekara - Chairman • Mr. N B Weerasekera • Ms. A K Moonesinghe	Monitor and supervise management's financial reporting process in ensuring: • Accurate and timely disclosure • Transparency, integrity and quality of financial reporting	i. Confirm and assure: • Independence of External Auditor • Objectivity of Internal Auditor ii. Review with independent auditors the adequacy of internal controls and quality of financial reporting iii. Regular review meetings with management, Internal Auditor and External Auditors in seeking assurance on various matters Refer page 144 for Audit Committee Report
Human Resources and Compensation Committee - Remuneration Committee (John Keells Holdings PLC)		
Comprises three Independent Directors. The Chairperson is a Non-Executive Director while the Chairman of the Board is a permanent member except during discussions on his own compensation. Current members are: • Mr. D A Cabraal - Chairman • Mr. M A Omar • Dr. S S H Wijayasuriya	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	i. Determine and agree with the Board a framework for remuneration of the Chairman and other directors ii. Determine remuneration for CEO and Executive Directors of the Company iii. Consider targets, and benchmark principles for any performance related pay schemes iv. Within the terms of agreed framework, determine total remuneration package of each Director keeping in view; • Performance • Industry trends • Past remuneration v. Succession planning of key Management

Board Committee & Composition	Mandate	Scope
Nominations Committee (John Keells Holdings PLC)		
Comprises three Independent Directors and one Non-Independent Director. The Chairman is a Non-Executive, Independent Director. Current members are: • Mr. M A Omar - Chairman • Mr. S C Ratnayake • Mrs. M P Perera • Dr. S S H Wijayasuriya	Define and establish nomination process for Directors, lead the process and make recommendations to the Board on the appointment of directors.	i. Assess skills required on the Board given the needs of the businesses ii. From time to time assess the extent to which required skills are represented on Board iii. Prepare a clear description of the role and capabilities required for appointment iv. Identify and recommend suitable candidates for appointments to the Board. v. Ensure that on appointment to the Board, Directors receive a formal letter of appointment specifying clearly • Expectation in terms of time commitment • Involvement outside of the formal board meetings • Participation in committees
Related Party Transaction Review Committee (John Keells Holdings PLC)		
Comprises three Non-Executive Independent Directors and one Non-Executive Non-Independent Director. The Chairperson is a Non-Executive Director. Current members are: • Ms. M P Perera - Chairperson • Mr. S C Ratnayake • Mr. A N Fonseka • Mr. D A Cabraal	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.	i. 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. ii. 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 2017/18).
Group Management Committee (John Keells Holdings PLC)		
Comprises the following executive members of John Keells Hotels Group: • 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	Review of performance, formulation of strategies for future implementation	• Strategy Formulation • Implementation of Sector Strategies • Performance Monitoring • Risk Management • Brand Marketing Strategies • Brand Quality Assurance

MEETINGS & ATTENDANCE

Attendance at the Board Meetings and Audit Committee Meetings is given below.

Director	Attendance	
	Board Meetings	Audit Committee
Mr. S.C. Ratnayake	4/4	N/A
Mr. A.D. Gunewardene (Resigned w.e.f 31/12/2017)	3/3	N/A
Mr. J.R.F. Peiris (Resigned w.e.f 31/12/2017)	3/3	N/A
Mr. J.E.P. Kehelpannala	4/4	4/4
Mr. B.J.S.M. Senanayake	4/4	4/4
Mr. K.N.J. Balendra	4/4	N/A
Mr. N.B. Weerasekera	4/4	4/4
Mr. T.L.F.W. Jayasekara	4/4	4/4
Ms. A.K. Moonesinghe	4/4	4/4
Mr. J.G.A. Cooray (Appointed w.e.f 01/01/2018)	1/1	N/A
Mr.J.R. Gunaratne (Appointed w.e.f 01/01/2018)	1/1	N/A

CHAIRMAN

The Chairman of John Keells Holdings PLC serves as the Chairman of John Keells Hotels PLC as well and is responsible for providing leadership to the 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 Group, facilitates and encourages the expression of diverse views and by keeping in touch with local and global industry developments, ensures that the Board is alert to its obligations to the Company's shareholders and other stakeholders.

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

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

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

CEO/PRESIDENT

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

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 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

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

REMUNERATION

Remuneration policy is determined by the Human Resources and Compensation Committee of the ultimate parent company. 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 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 John Keells Holdings PLC are paid directly to John Keells Holdings PLC and not to individuals. The aggregate remuneration paid to Directors is disclosed on page 211 of this Report.

RELATED PARTY TRANSACTIONS

Related party transactions are reviewed by the Related Party Transactions Review Committee of John Keells Holdings PLC Board 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 Operators, with whom formal operating contracts have been signed.
- Habarana Lodge Limited - owner of Cinnamon Lodge Habarana,
- Habarana Walk Inn Limited - owner of Habarana Village by Cinnamon,
- Kandy Walk Inn Limited - owner of Cinnamon Citadel Kandy,
- Trinco Holiday Resorts (Private) Limited - owner of Trinco Blu by Cinnamon,
- Yala Village (Private) Limited - owner of Cinnamon Wild Yala,
- Ceylon Holiday Resorts Limited - owner of Bentota Beach by Cinnamon
- Hikkaduwa Holiday Resorts (Private) Limited - owner of Hikka Tranz by Cinnamon,
- 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 Committee who evaluate the competence, independence and objectivity of the auditors. The Chairman of the Audit Committee and the Auditors attend the Annual General Meetings to respond to queries that may be raised by the shareholders.

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

The Articles of Association of the Company also provide for the convening of extraordinary general meetings in accordance with the Companies Act No. 7 of 2007 requiring the participation of shareholders, 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 level, of alleged violations of the published Code of Conduct of the Group. He is authorised to conduct his inquiries with reference to the Chairman in case of complaints not touching the Chairman. In case of complaints touching or concerning the Chairman, it will be dealt with by the Ombudsperson with reference to the Senior Independent Director.

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.

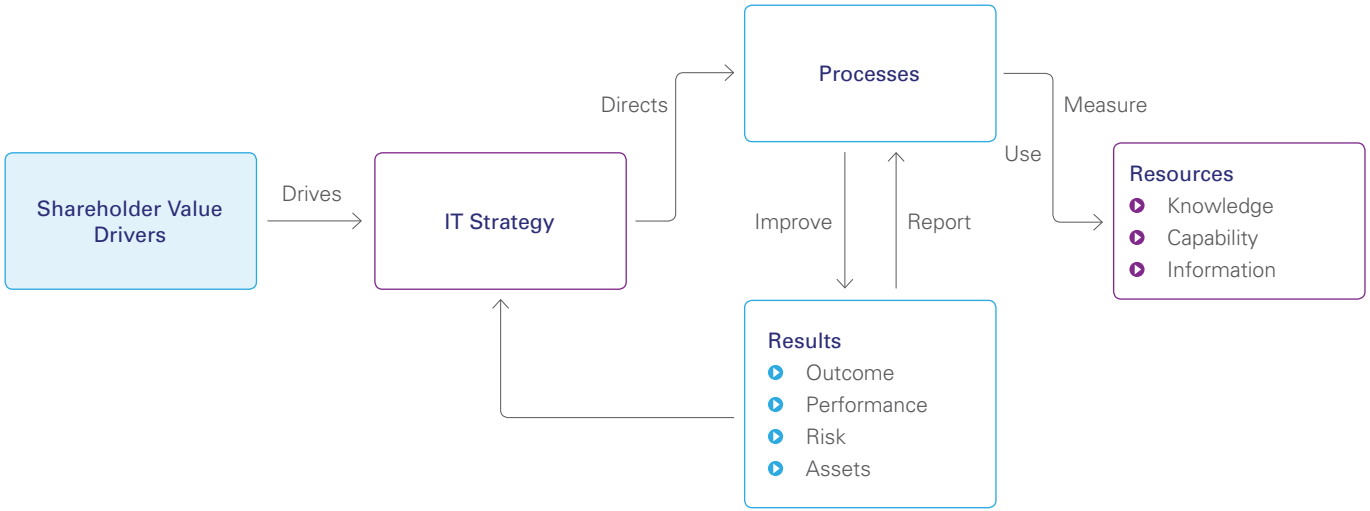
INVESTMENT APPRAISAL

The 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 tourist travel. JKH has been at the cutting edge of the revolution, perceiving the benefits at an early stage. As reliance on IT increased over the years, IT governance has been a key focus of the Board to ensure security and reliability of the system and the information produced by the same which impacts all aspects of our operations.

IT Governance Activities & Process



The John Keells Group has progressively improved service quality and mitigated IT risks by implementing prudent internal controls based on the Information Security Management guidelines outlined in 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 group continues to benefit from this quest for excellence in IT governance and aims to deliver sustainable business value by structuring its IT governance along similar lines.

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

Code Ref.	Compliance and Implementation	Compliance
A	Directors	
A.1	An effective Board should direct, lead and control the company	
	The Board comprises 9 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.	☑
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 128. Board packs including relevant information pertaining to the Board meetings are circulated one week prior to the Board meeting.	☑
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 for CEO & 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 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	☑

Code Ref.	Compliance and Implementation	Compliance
A.1.3	Act in Accordance with laws	
	The Board receives Compliance Statements from the CEO/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.	☑
A.1.4	Access to advise and services of Company Secretary	
	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.	☑
A.1.5	Independent judgement	
	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.	☑
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	
	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. 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. 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.	☑
A.1.7	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. 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.	☑

Code Ref.	Compliance and Implementation	Compliance
A.2	Chairman & Chief Executive Officer	
	The Chairman is a Non-Independent Non-Executive Director who is the Chairman of the parent company while the President of the sector is responsible for implementation of strategy.	☑
A.3	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.	☑
A.3.1	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.	☑
A.4	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;	☑
A.5	Board Balance	
A.5.1	Majority of Non-Executive Directors	
A.5.2	If only 2 NEDs, they should be Independent	
	The Board comprises of nine Non-Executive Directors of whom three are Independent Directors ensuring an appropriate Board balance despite the Chairman being a Non-Independent Non-Executive Director.	☑
A.5.3	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. All meetings of the Board are meetings with Non-Executive Directors.	☑
A.5.4	Annual declaration by Directors	
A.5.5	Annual determination of independence	
	The Board determines the independence of Directors on an annual basis based on annual declarations submitted by the Directors and other information based on the requirements of the Code as set out in A.5.5.	☑
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 CEO.	☑
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.	☑

Code Ref.	Compliance and Implementation	Compliance
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 & Re-election	
	The Board has a formal and transparent process in place for the appointment of Directors.	☑
A.7.1	Establish a Nominations Committee	
	The Nominations Committee of John Keells Holdings PLC 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 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 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 & Committee Performance	
	The Board and Board Audit Committee evaluates 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.	☑
A.10	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: • Profiles including qualifications, expertise, material business interests including directorships in other companies and other key appointments on pages 34 - 36 • Remuneration paid to Directors on page 211 • Related Party Transactions and other business interests on pages 248 - 250 • Membership of committees and attendance at Board Meetings and Committee meetings on pages 126 - 128 • 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 34 - 36	☑

Code Ref.	Compliance and Implementation	Compliance
A.11	Appraisal of the CEO	
	The Board evaluates the performance of the CEO against pre-determined objectives annually.	☑
B	Directors' Remuneration	
B.1.1	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.	☑
B.1.2.	Committee to comprise entirely of Non-Executive Directors	
	The Human Resources and Compensation Committee of the parent comprises entirely of Non-Executive Directors.	☑
B.1.3	Disclosure of Remuneration Committee members	
	Names of the parent company's Human Resources and Compensation Committee are given on page 126.	☑
B.1.4	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. 8.3 Mn for the reporting year.	☑
B.1.5	Consult Chairman and CEO 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.	☑
B.2	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. 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. 3.7 Mn.	☑
B.3	Disclosures related to remuneration in Annual Report	
	• Statement of Remuneration Policy on page 129 • Details of remuneration of the Board as a whole on page 211 • Names of the members of the Human Resources and Compensation Committee on page 126 • ESOP Scheme on page 129	☑

Code Ref.	Compliance and Implementation	Compliance
C	Relations with Shareholders	
C.1	Constructive use of the AGM & Other General Meetings	
	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 274. 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. 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 are circulated together with the Annual Report and Accounts and the Agenda for the AGM 15 working days in advance. A summary of the procedures governing voting at General Meetings is included on page 274 of this Annual Report. 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.	☑
C.2	Communication with shareholders	
	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. 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.	☑
C.3	Disclosure of major transactions	
	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 • Annual Report of the Board of Directors on page 161 • Note 41 to the Financial Statements on page 248	☑

Code Ref.	Compliance and Implementation	Compliance
D	Accountability & Audit	
D.1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects	
	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 10. 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. The following disclosures as required by the Code are included in this report: • The Annual Report of the Board of Directors on the Affairs of the Company on page 161. • The "Statement of Directors' Responsibility" is given on page 167 which includes a Statement of Going Concern • The Directors' Statement on Internal Controls is given on page 161 • The "Independent Auditors' Report "on page 169 • Management Discussion & Analysis on page 40 • Related Party Transactions disclosed on page 164 of the Annual Report of the Board of Directors Report and in Note 41.3 in the Financial Statements Related party transactions are reviewed by the parent company Related Party Transactions Review Committee and registers are maintained by the Company to record transactions that take place. 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 56	☑

Code Ref.	Compliance and Implementation	Compliance
D.2	Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	
	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 & Maldives. Their scope included: • Assessment of the adequacy of accounting and operational control systems in terms of economy, efficiency and effectiveness. • Examination of compliance with statutory requirements, management policies and procedures. • Review and monitor operational and financial controls in order to ascertain adherence to such controls. 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. **Risk Review** 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 146 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.	☑
D.3	Audit Committee	
	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 144 sets out composition, scope of work, the number of meetings and attendance at the same and a description of its activities during the year.	☑

Code Ref.	Compliance and Implementation	Compliance
D.4	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: **Code of Conduct** • 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 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. Each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest arising from external associations, interests or personal relationships which may influence judgement in material matters, which are considered by the Board from time to time. Potential or actual conflict of interest or independence of Directors is mitigated by the following process: • 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 • 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 matter (Such abstentions from Board decisions are duly recorded) Details of companies in which Board members hold Board or Board committee membership is given on page 34 with their profiles.	☑
D.5	Corporate Governance Disclosures	
	This Corporate Governance Report from pages 124 to 143 complies with the requirement to disclose the extent of compliance with the Code of Best Practice on Corporate Governance.	☑

Code Ref.	Compliance and Implementation	Compliance
E & F	Encourage voting at AGM	
	Shareholders are encouraged to participate at the AGM and vote on matters set before them.	
G	Sustainability Reporting	
	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: Principle 1 - Reporting of Economic Sustainability on page 56 Principle 2 - Reporting on the Environment on page 104 of the Capital Management Report Principle 3 - Reporting on Labour Practices on page 80 of the Capital Management Report. Principle 4 - Reporting on Society on page 93 of the Capital Management Report. Principle 5 - Reporting on Product Responsibility on page 95 of the Capital Management Report. Principle 6 - Reporting on Stakeholder identification, engagement and effective communication on page 42. Principle 7 - Sustainable reporting to be formalised as part of the reporting process and to take place regularly (About this Report on page 10)	

APPENDIX II

Compliance with CSE Continuing Listing Requirements

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 or1/3 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	• The Board shall annually determine the independence or otherwise of the NEDs	Complied	Corporate Governance
		• Names of IDs should be disclosed in the Annual Report (AR)	Complied	
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met	Complied	Corporate Governance

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	Complied	Board of Directors (profile) section in the Annual Report
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Complied	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 Chief Executive Officer (CEO) and Executive Directors	Complied	Corporate Governance
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	• Names of Directors comprising the RC • Statement of Remuneration Policy • Aggregated remuneration paid to NED/NIDs and NED/IDs	Complied Complied Complied	Corporate Governance and the Board Committee Reports
7.10.6 (a)	Composition of Audit Committee (AC)	• Shall comprise of NEDs a majority of whom will be Independent • A NED shall be appointed as the Chairman of the Committee • CEO 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 Complied Complied Complied	Corporate Governance and the Board Committee Reports

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.6 (b)	Audit Committee Functions	Overseeing of the –		Corporate Governance and the Board Committee Reports
		• Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards	Complied	
		• Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements	Complied	
		• Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards	Complied	
		• Assessment of the independence and performance of the external auditors	Complied	
		• 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	
7.10.6 (c)	Disclosure in Annual Report (AR) relating to Audit Committee	• Names of Directors comprising the AC	Complied	Corporate Governance and the Board Committee Reports
		• The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination	Complied	
		• The AR shall contain a Report of the AC setting out the manner of compliance with their functions	Complied	
	Related party transactions review committee	• Names of Directors comprising the Committee.	Voluntarily complied with effect from April 2014	Corporate Governance Report
		• Will monitor and approve recurrent and non-recurrent related party transactions as set out in the Group policy guidelines.		

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, SJMS Associates, BDO Partners and Independent External Auditors, Ernst & Young, are required to attend meetings on a regular basis. The Committee met four times during the financial year ended 31st March 2018 (information on the attendance at these meetings by the members of the Committee is given on page 128). 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.

- 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.
- Met with External Auditors at the conclusion of the annual audit to review the financial statements and the reports thereon and to respond as necessary to such reports.
- Had closed door discussions with the external and outsourced Internal Auditors where necessary.
- Reviewed the type and quantum of non-audit services provided by the External Auditors to the Company to ensure that their independence as auditors has not been impaired.
- Appraised the independence and performance of the outsourced Internal Auditors whose services are coordinated by the Group Business Process Review Division.
- Conducted special review of processes, content and the effectiveness of feeders to the deliberations of the Audit Committee, such as in-house accounting and record keeping, Group Business Process Review, and the Sustainability and Enterprise Risk Management division.
- Reviewed the Company's compliance framework to determine that it provides reasonable assurance that all relevant laws, rules and regulations have been complied with.
- Participated in discussions with management, to evaluate compliance with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and CA Sri Lanka in the year 2013, in relation to auditor appointments.
- The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as Auditors for the financial year ending March 31, 2019, 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

28th May 2018

Members: N B Weerasekera
A K Moonesinghe

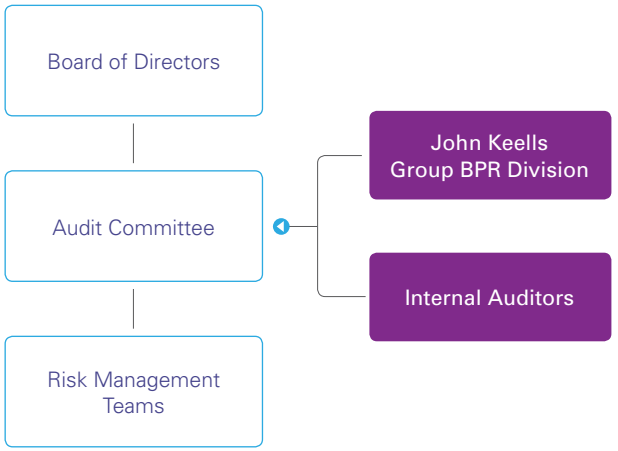
Risk Management

"As an organisation exposed to an array of global and domestic, socio-economic and ecological factors, we have continued to enhance our capability to anticipate and proactively respond to these risks."

We are committed towards continuously refining and strengthening our risk management framework to reflect changing dynamics in the operating environment and ensure alignment to the Group's business strategy. Our key risks stem from our material aspects (as detailed on page 45 of this Report) and we evaluate, manage and report on all significant risks in line with our policy frameworks and international best practices where applicable.

RISK MANAGEMENT GOVERNANCE

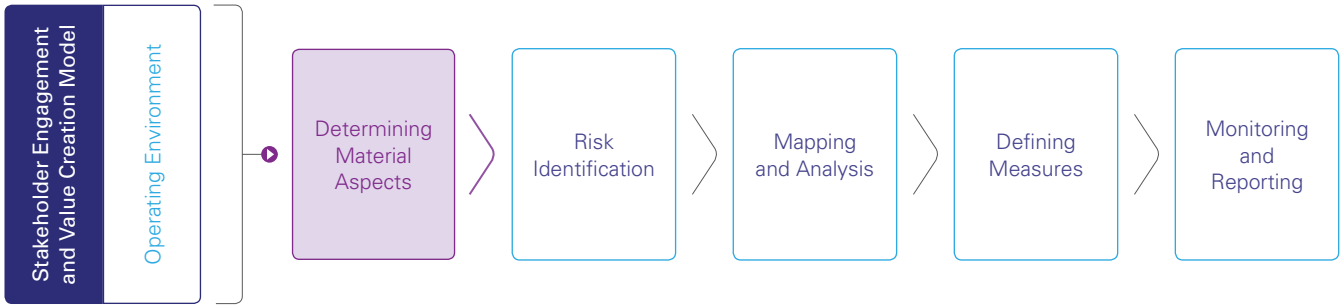
The Board of Directors oversees and retains ultimate responsibility for the Group's risk management framework. They are assisted in the discharge of their duties by the Audit Committee who has oversight responsibility for risk and internal control. The John Keells Group Business Process Review (BPR)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



A formalised framework of risk management policies ensure that standardised tools and techniques are used across all properties for the risk identification, analysis and mapping, management and reporting and monitoring. Meanwhile, the John Keells Group Sustainability and Enterprise Risk Management (ERM division) ensures that the policy framework of the Group is aligned to that of the parent, John Keells Group, through ongoing review, assessment and guidance on implementation. During the year, the Group ERM division also launched an online risk management platform, enabling the Group to monitor, manage and mitigate risk in real time; this enables businesses to have visibility of the company's risk profiles and action plans for better control and management.

RISK MANAGEMENT PROCESS

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



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

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

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

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

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

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

RISK UNIVERSE IN 2017/18

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 and mitigation mechanisms have also been summarised.

Principal Risks	Net Risk Assessment	Risk Assessment Compared to Last Year		Relevance to Strategy
		Impact	Likelihood	
Competitive pressures	Moderate	Year-on-year increase	Year-on-year increase	Profitable Growth
Macro-economic risks	Low	Year-on-year increase	Unchanged	Profitable Growth
Talent attraction and retention	Moderate	Year-on-year increase	Year-on-year increase	Satisfied Employees; Profitable Growth
Shifts in source markets	Moderate	Unchanged	Unchanged	Profitable Growth
Changing needs of travellers	Low	Unchanged	Unchanged	Profitable Growth; Brand Development
Maintaining service quality and operational efficiency	Low	Unchanged	Unchanged	Profitable Growth
Government policy	Low	Unchanged	Unchanged	Profitable Growth
Safeguarding physical assets	Low	Unchanged	Unchanged	Profitable Growth
Raw materials and supply chain risks	Low	Unchanged	Unchanged	Sustaining Relationships and the Environment
Impacts on local communities	Low	Unchanged	Unchanged	Sustaining Relationships and the Environment
Implications of climate change	Year-on-year increase	Unchanged	Moderate	Sustaining Relationships and the Environment

Unchanged · Year-on-year increase · High · Moderate · Low

Profitable Growth · Satisfied Employees · Brand Development · Sustaining Relationships and the Environment

Risk Factor	Risk Assessment Compared to 2016/17		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. Over the last 5 years, capacity in graded establishments increased by 43% while capacity in supplementary establishments grew by over 146%.				
Potential impact	• Pressure on room rates and ARRs thereby impacting profitability margins • Difficulties in building brand loyalty • More intense competition for industry talent				
Mitigating actions	• Brand development initiatives to enhance loyalty • Proactively monitoring our capacity utilisation • Multi-channel distribution with increased focus on online channels • Strengthened relationships with travel agents • Guaranteed inventory agreements with direct operators • Strategic focus on enhancing service delivery				

▶ Unchanged ▲ Year-on-year increase ● High ● Moderate ● Low

Risk Factor	Risk Assessment Compared to 2016/17		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 2.6% while interest rates gradually picked up reflecting the tighter monetary policy adopted by the Government.				
Potential impact	• Foreign exchange gains/losses on USD loans • Increased borrowing costs resulting from the rise in interest rates • Implications on customer spending and affordability could affect demand for our service				
Mitigating actions	• Our services are priced in foreign currency, thereby hedging exposure to currency fluctuations on USD loans. • 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 • Periodical review of changes in cost and expenditure by operational and financial staff to determine appropriate review of rates and tariffs				

▶ Unchanged ▲ Year-on-year increase ● High ● Moderate ● Low

Risk Factor	Risk Assessment Compared to 2016/17		Net Risk Assessment	Strategic Impact	Potential Impact on Capitals
	Impact	Likelihood			
Shift in Source Markets	▶	▶	●		Financial Capital Human 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	▶ Focused market strategies to pursue growth in non-traditional markets, particularly China and India ▶ Customizing service levels and the product offering to cater to emerging market expectations				

▶ Unchanged ▲ Year-on-year increase ● High ● Moderate ● Low

Risk Factor	Risk Assessment Compared to 2016/17		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 following the entry of several international players and the step up of room capacity during the year. The comprehensive training we provide to our employees make them the most sought-after talent in the industry, and turnover among the Group's first-year recruits was as high as 80% during the year.				
Potential impact	▶ Challenges in maintaining service quality ▶ Increased costs associated with new recruitments ▶ Impact on competitive edge and brand loyalty				
Mitigating actions	▶ Ongoing investment in talent and competency development ▶ Collaboration with the University of Colombo to attract graduates from the Hospitality Management undergraduate programme ▶ Opportunities for career progression ▶ Strengthening rewards and benefit schemes				

▶ Unchanged ▲ Year-on-year increase ● High ● Moderate ● Low

Risk Factor	Risk Assessment Compared to 2016/17		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	• Ambiguity of interpretation • Difficulties in planning and budgeting resulting in financial as well as reputational losses.				
Mitigating actions	• The Group manages this risk exposure through consistently monitoring and reviewing legal requirements and statutory returns. Compliance audits are also conducted regulatory by the Internal Audit function. • 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 ▲ Year-on-year increase ● High ● Moderate ● Low

Risk Factor	Risk Assessment Compared to 2016/17		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 has compelled the Group to seek ways of enhancing the productivity and efficiency of our employees in order to ensure superior service quality for our customers				
Potential impact	• Inadequacies in operational efficiency can potentially affect overall profitability • Direct impact on guest satisfaction, competitiveness and market share.				
Mitigating actions	• 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. • 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. • Investment in upskilling employees.				

▶ Unchanged ▲ Year-on-year increase ● High ● Moderate ● Low

Risk Management

Risk Factor	Risk Assessment Compared to 2016/17		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	• Difficulties in building brand loyalty • Erosion of market share • Impact on profitability margins				
Mitigating actions	• 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. • Reinforcing our brand promise with focus on inspiring guests and enhancing their experience • Reviewing and innovating our F&B and experiential offerings to cater to evolving requirements				

▶ Unchanged ▲ Year-on-year increase ● High ● Moderate ● Low

Risk Factor	Risk Assessment Compared to 2016/17		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	• Financial losses • Reputational damage • Disruptions in operations				
Mitigating actions	• Documented business continuity and disaster recovery plans. • 24- hour security on premises, signage in appropriate locations to increase staff and guest awareness • Insurance coverage for physical damage of properties • Employees are frequently provided with training on fire-fighting procedures and emergency support among others				

▶ Unchanged ▲ Year-on-year increase ● High ● Moderate ● Low

Risk Factor	Risk Assessment Compared to 2016/17		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	Inadequate supply of raw materials and/or procurement of inferior quality raw materials can lead to, • Financial losses • Disruptions to operations • Reputational losses				
Mitigating actions	• Nurtured relationships with a diverse pool of suppliers thereby limiting exposure to a single party • Supplier evaluation checklists have been developed in line with the John Keells Group's criteria for supplier assessment • Supply contracts are rotated on a regular basis				

▶ Unchanged ▲ Year-on-year increase ● High ● Moderate ● Low

Risk Factor	Risk Assessment Compared to 2016/17		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 around 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	• We maintain a high level of engagement with neighbouring communities • Job opportunities for youth in the local communities • Sponsorships and donations for cultural, religious and other projects in the communities.				

▶ Unchanged ▲ Year-on-year increase ● High ● Moderate ● Low

Risk Factor	Risk Assessment Compared to 2016/17		Net Risk Assessment	Strategic Impact	Potential Impact on Capitals
	Impact	Likelihood			
Implications of Climate Change	▲	▶	●		Natural Capital
Description	Implications of climate change, such as decline of the eco-system, increases in temperature, decline in bio-diversity and increased natural disasters can potentially have a significant impact on all industries, including leisure. 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	▶ We continue to monitor a range of environmental indicators including water, energy, waste and carbon footprint ▶ Ongoing efforts to reduce the consumption of natural resources ▶ Guests are engaged in raising awareness on the impacts of climate change through notices, leaflets, and annual earth hour celebrations at all properties				

▶ Unchanged ▲ Year-on-year increase ● High ● Moderate ● Low

Investor Information

DISTRIBUTION OF SHAREHOLDERS

There were 6,527 registered Shareholders as at 31st March 2018 (6,528 as at 31st March 2017) distributed as follows:-

	As at 31st March 2018				*As at 31st March 2017*			
No of Shares Held	No. of Shareholders	%	No. of Shares Held	%	No. of Shareholders	%	No. of Shares Held	%
1 to 1,000	3,440	52.70	1,334,201	0.09	3,381	51.79	1,335,170	0.09
1,001 to 10,000	2,097	32.13	8,393,900	0.58	2,132	32.66	8,553,793	0.59
10,001 to 100,000	808	12.38	24,942,397	1.71	835	12.79	25,709,153	1.77
100,001 to 1,000,000	159	2.44	42,850,861	2.94	160	2.45	43,883,973	3.01
Over 1,000,000	23	0.35	1,378,625,421	94.68	20	0.31	1,376,664,691	94.54
Total	6,527	100.00	1,456,146,780	100.00	6,528	100.00	1,456,146,780	100.00

COMPOSITION OF SHAREHOLDERS

	As at 31st March 2018			*As at 31st March 2017*		
	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	3	625,117	0.04
Public - Resident						
Institution	256	202,744,828	13.92	265	203,721,727	13.99
Individual	6,177	71,168,174	4.89	6,161	70,752,192	4.86
Public - Non Resident						
Institution	6	1,954,766	0.13	6	1,213,120	0.08
Individual	85	10,130,223	0.70	92	10,236,146	0.70
	6,527	1,456,146,780	100.00	6,528	1,456,146,780	100.00

The percentage of the shares of the Company held by the public as at 31st March 2018 was 19.64% (2017 - 19.64%)

Investor Information

DIRECTORS & SPOUSES SHAREHOLDINGS

	As at 31st March 2018	*As at 31st March 2017*
DIRECTORS		
Mr. S. C. Ratnayake	142,877	142,877
Mr. A. D. Gunewardene	N/A	-
SPOUSES		
Mrs. M. V. Ratnayake	407,434	407,434
Mrs. C. A. Gunewardene	N/A	74,806
	550,311	625,117

MARKET INFORMATION ON ORDINARY SHARES OF THE COMPANY

	2017/18	Date	2016/17	Date
SHARE INFORMATION				
Highest Price (Rs.)	11.90	22-05-2017	13.50	16-05-2016
Lowest Price (Rs.)	8.30	21-02-2018	9.80	28-03-2017
As at period end (Rs.)	9.30	29-03-2018	10.00	31-03-2017
TRADING STATISTICS				
Number of Transactions	4,407		3,278	
Number of Shares Traded	10,175,175		7,869,451	
% of Total Shares in Issue	0.70		0.54	
Values of all Shares Traded (Rs.)	101,511,885		93,016,656	
Average Daily Turnover (Rs.)	417,744		382,785	
Market Capitalisation (Rs.)	13,542,165,054		14,561,467,800	
Float Adjusted Market Capitalisation (Rs.)	2,659,781,316		2,859,231,850	

Note: As the float adjusted market capitalisation is over Rs. 2.5 Bn, the Company has complied with option 4 of the listing rules 7.13.1 (a).

TWENTY LARGEST SHAREHOLDERS OF THE COMPANY

Name of Shareholder	*As at 31st March 2018*		*As at 31st March 2017*	
	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	69,872,369	4.80	71,622,800	4.92
Mercantile Investments PLC	13,000,000	0.89	13,000,000	0.89
Mr. D.J.M. Blackler	6,514,760	0.45	6,514,760	0.45
National Savings Bank	5,541,205	0.38	5,541,205	0.38
Mercantile Fortunes (Private) Ltd.	3,800,000	0.26	3,800,000	0.26
Seylan Bank PLC - A/C No. 3	3,326,811	0.23	3,326,811	0.23
Mr. D.G. Wijemanna	3,000,000	0.21	3,000,000	0.21
Phoenix Ventures Ltd.	2,801,000	0.19	2,801,000	0.19
Bank of Ceylon - No. 2 A/C	2,725,266	0.19	2,725,266	0.19
Mr. R.T. Jinasena	2,516,765	0.17	2,516,765	0.17
Mr. T.R. Jinasena	2,351,568	0.16	2,351,568	0.16
Mr. U.G. Madanayake	2,000,000	0.14	2,000,000	0.14
Merrill J Fernando & Sons (Pvt) Ltd.	1,911,573	0.13	1,911,573	0.13
E.W. Balasuriya & Co. (Pvt) Ltd.	1,851,626	0.13	1,851,626	0.13
Mrs. N.Weerasinghe	1,556,706	0.11	1,556,706	0.11
Mr. K.D.A Perera	1,552,246	0.11	837,948	0.06
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
	1,375,216,506	94.44	1,376,252,639	94.51
Shares held by balance shareholders	80,930,274	5.56	79,894,141	5.49
Total	1,456,146,780	100.00	1,456,146,780	100.00

LIFESTYLE

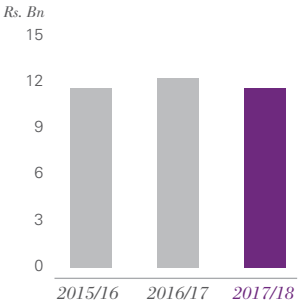
"Our strategy is directed towards generating above average returns and remaining resilient through the business cycles."

FINANCIAL INFORMATION

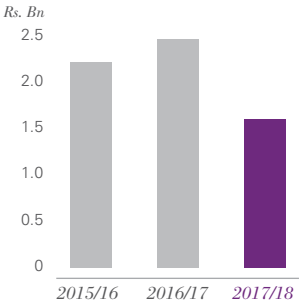
Financial Calendar

Year ended 31st March	2018	2017
Audited Financial Statements signed on	28 May 2018	29 May 2017
39th Annual General meeting	28 June 2018	29 June 2017
Interim Financial Statements		
1st Quarter Interim Results released on	28 July 2017	25 July 2016
2nd Quarter Interim Results released on	31 October 2017	26 October 2016
3rd Quarter Interim Results released on	06 February 2018	27 January 2017
4th Quarter Interim Results released on	30 May 2018	30 May 2017

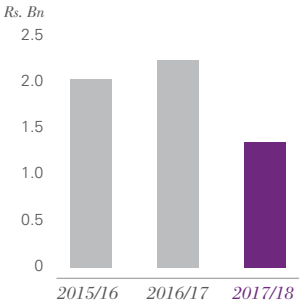
REVENUE



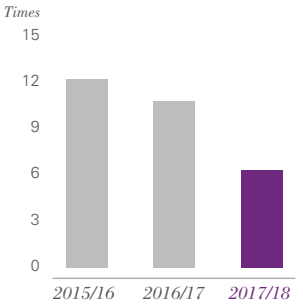
EARNINGS BEFORE INTEREST AND TAX (EBIT)



PROFIT BEFORE TAX



INTEREST COVER



Annual Report of the Board of Directors

The Directors have pleasure in presenting their 39th Annual Report of the 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 2018.

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

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

CORPORATE GOVERNANCE

Directors' Declarations

The Directors declare that;

a) the Company complied with all applicable laws and regulations in conducting its business.

b) they have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.

c) the Company has made all endeavours to ensure the equitable treatment of shareholders.

d) the business is a going concern with supporting assumptions or qualification as necessary, and

e) they have conducted a review of internal control covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

f) The Company being listed on the Colombo Stock Exchange (CSE) is compliant with the rules on Corporate Governance under the Listing Rules of the CSE with regard to the composition of the Board and its Sub-Committees

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

The Corporate Governance practices of the Company are described on pages 124 to 143 of this Report.

HUMAN RESOURCES

The Company continued to implement appropriate human resource management policies to develop employees and optimize their contribution towards the achievement of corporate objectives. The policies and procedures ensure the equitable treatment of all employees. Some of the processes and procedures adopted in this regard are mentioned on pages 80 to 92 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 139 of this Report. The Audit Committee receives and acts upon reports on the results of internal control reviews carried out by independent external auditors.

RISK MANAGEMENT

The Board confirms that there is an ongoing process for identifying, evaluating, managing and mitigating any significant risks faced by the Company, that financial, operational and compliance controls have been reviewed. Risk assessment and evaluation for the Company takes place as an integral part of the business and the Board Audit Committee reviews the principal risks and mitigating actions in place regularly. The Board, through the involvement of the Group Risk and Control Review Division takes steps to gain assurance on the effectiveness of control systems in place. The

Head of the Group Business Process Review Division has direct access to the Chairman of the Audit Committee. Foreseeable risks that may materially impact the business are disclosed in the Chairman's Review on pages 28 to 31 and Risk Management practices on pages 146 to 154 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 Securities and Exchange Commission of Sri Lanka and Institute of Chartered Accountants of Sri Lanka, have a reasonable expectation that the Company, its subsidiaries and joint ventures possess adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the Financial Statements.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements so that they present a true and fair view of the state of affairs of the Company. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance (2013) issued jointly by the Securities & Exchange Commission of Sri Lanka and Institute of Chartered Accountants of Sri Lanka. The Statement of Directors' Responsibility for financial reporting is given on page 167 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. 11,614 Mn (2016/17 - Rs. 12,312 Mn). Revenue contribution to the Group from different geographical segments is provided in Note 7 to the Financial Statements.

FINANCIAL RESULTS

The Company recorded a profit after tax of Rs. 1,444.5 Mn (2016/17 – Rs. 1,245.5 Mn), while the Group recorded a consolidated net profit after tax of Rs. 1,130.6 Mn (2016/17 – Rs. 1,863.5 Mn) for the year under review. A synopsis of the Company's consolidated performance is presented below.

As at 31st March In Rs. '000s	*Group*		*Company*	
	2018	2017	2018	2017
After making provision for doubtful debts, all known liabilities and depreciation on property, plant, equipment the profit earned before interest was	1,606,233	2,463,916	1,483,587	1,271,032
Interest paid during the year was	(255,519)	(227,788)	(2)	-
Profit before tax was	1,350,714	2,236,128	1,483,585	1,271,032
From which was deducted the provision for taxation, including deferred taxation of	(220,116)	(372,620)	(39,092)	(25,483)
Leaving a net profit after tax of	1,130,598	1,863,508	1,444,493	1,245,549
The profit attributable to the non-controlling interest was	(11,647)	(17,378)	-	-
The amount attributable to the Company and the Group was therefore	1,118,951	1,846,130	1,444,493	1,245,549
When the balance brought forward from the previous year was added	8,531,777	7,278,122	2,202,014	1,538,924
The amount available for appropriation was	9,650,728	9,124,252	3,646,507	2,784,473
Other adjustments	7,291	(10,016)	-	-
Dividend paid during the year	(582,459)	(582,459)	(582,459)	(582,459)
Leaving a balance to be carried forward to the next year of	9,075,560	8,531,777	3,064,048	2,202,014

DIVIDENDS

An interim dividend of Rs. 0.40 per share for the quarter ended 30th June 2017 was paid on 15th August 2017.

As required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors confirmed that the Company satisfied the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007 and has obtained a certificate from the Auditors, prior to recommending the interim dividends mentioned above, for the financial year ended 31st March 2018

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 169 of the Annual Report.

PROPERTY, PLANT & EQUIPMENT

The book value of property, plant and equipment as at the reporting date amounted to Rs. 14,084 Mn (2016/17 –Rs. 14,355 Mn) for the Group. Capital expenditure for the Group amounted to Rs. 1,526 Mn (2016/17 – Rs.784 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 March 2018. Details of property valuations, including the valuation method and effective date of these valuations are provided in Notes 21 and 23 to the Financial Statements.

INVESTMENTS

The details of investments held by the Company and the Group as at 31st March 2018, 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 investments. Based on the assessment the investment made by the Company and its subsidiaries do not warrant any impairment in the year 2017/18 (2016/17 - Nil) .

STATED CAPITAL

The total Stated Capital of the Company as at 31st March 2018 stood at Rs. 9,500.2 Mn (2017 – Rs. 9,500.2 Mn) divided into 1,456,146,780 Ordinary Shares (2017 - 1,456,146,780 Ordinary Shares).

RESERVES

The movement of Other Components of Equity and Revenue Reserves of the Company, its Subsidiaries and Joint Ventures are shown in the Statement of Changes in Equity on page 176 of this Report.

SEGMENT REPORTING

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

SHARE INFORMATION AND SHAREHOLDINGS

The market value of an Ordinary Share of the Company as at 31st March 2018 was Rs. 9.30 (31st March 2017 – Rs. 10). Information relating to earnings, dividends, net assets and market value per share is given in page 26 of this Report. The number of shareholders as at 31st March 2018 was 6,527 (31st March 2017 - 6,528). An analysis of shareholders based on shares held, the distribution of ownership and details of share transactions during the year are provided on pages 155 to 157 of this report. The list of top twenty shareholders of the Company as at 31st March 2018 is also provided on page 157 of this Report.

DIRECTORS

The Board of Directors of the Company as at 31st March 2018 and their brief profiles are given on pages 34 to 36 of this Report.

Mr. J E P Kehelpannala and Mr. K N J Balendra who retire by rotation in terms of Article 84 of the Articles of Association of the Company and being eligible for re-election are recommended by the Board for re-election. Brief

profiles of Mr. J E P Kehelpannala and Mr. K N J Balendra are contained on pages 34 and 35 of the Annual Report.

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

Mr. J G A Cooray and Mr. J. R. Gunaratne retire in terms of the Article 90 of the Article of Association of the Company and being eligible are recommended by the Board for re-election. A brief profile of Mr. J G A Cooray and Mr. J. R. Gunaratne are contained on pages 34 and 35 of the Annual Report.

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

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

The following members serve on the Board of Audit Committee:

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

The Audit Committee reviewed the type and quantum of non-audit services provided by the external auditors to the Group to ensure that their independence as auditors has not been impaired. The Report of the Audit Committee is given on pages 144 and 145 of this Report.

HUMAN RESOURCES AND COMPENSATION COMMITTEE

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

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

The Report of the Human Resources and Compensation Committee and the remuneration policy of the Company is detailed in the Corporate Governance Report on Page 126 of the Annual Report.

NOMINATIONS COMMITTEE

The mandate and the scope of the Nominations Committee is set out in Page 127 of this Annual Report.

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

Mr. M A Omar - Chairman
Mr. S C Ratnayake
Ms. M P Perera
Dr. S S H Wijayasuriya

RELATED PARTY TRANSACTION REVIEW COMMITTEE

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

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

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

The report, mandate and the scope of the Related Party Transaction Review Committee is set out on Page 127 of this Annual Report.

INTERESTS REGISTER

The Company has maintained an Interests Register as contemplated by the Companies Act No. 7 of 2007. In compliance with the requirements of the Companies Act No. 7 of 2007, this Annual Report also contains particulars of entries made in the interest registers of subsidiaries and joint ventures which are Public Companies or Private Companies which have not dispensed with the requirement to maintain an 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 Directors' and their spouses in the Company and its Subsidiaries as at 31st March 2018 are as follows:

	31st March 2018	*31st March 2017*
Directors		
Mr. S C Ratnayake	142,877	142,877
Mr. A D Gunewardene (Resigned w.e.f. 31.12.2017)	N/A	Nill
Spouses		
Mrs. M V Ratnayake	407,434	407,434
Mrs. C A Gunewardene	N/A	74,806
Total	550,311	625,117
International Tourists & 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 and joint ventures are set out on page 211 of this Report. 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. J R Gunaratne and Mr. J G A Cooray were appointed as Non-Executive Directors of John Keells Hotels PLC from 01st January 2018 at the standard Non-Executive Fees recommended by the Human Resources and Compensation Committee of John Keells Holdings PLC, 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 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 128.

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 80 to 96. The number of persons employed by the Group as at 31st March 2018 was 2,286 (2017 – 2,590).

STATUTORY PAYMENTS

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

OUTSTANDING LITIGATION

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

SUPPLIER POLICY

The Company applies an overall policy of agreeing and clearly communicating terms of payment as part of the commercial agreements negotiated with suppliers and endeavours to pay for all items properly charged in accordance

with these agreed terms. As at 31st March 2018, the trade and other payable of the Group amounted to Rs. 723 Mn (2017 – Rs. 718 Mn) and for the Company amounted to Rs. 14.8 Mn (2017 - Rs. 13.6 Mn).

SUSTAINABILITY REPORTING

The Group is conscious of the impact, direct and indirect, on the environment due to its business activities. Every endeavour is made to minimize the adverse effects on the environment to ensure sustainable continuity of our natural resources. The activities undertaken by the Group in recognition of its responsibility as a corporate citizen are disclosed more fully on pages 104 to 115 of this Report.

DONATIONS

Total donations made by the Group during the year amounted to Rs. 10.7 Mn (2016/17 – Rs.12.1 Mn). The amount includes contributions on account of Corporate Social Responsibility (CSR) initiatives for which the Group donated Rs. 6,562,523/- (2016/17 – Rs.9,461,187/-) 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. 320,017/- (2016/17 - Rs. 1,185,535/-), Habarana Lodge Ltd - Rs. 673,545/- (2016/17 - Rs. 1,634,763/-) Habarana Walk Inn Ltd - Rs. 749,649/- (2016/17 - Rs. 902,452/-), Kandy Walk Inn Ltd. - Rs. 1,018,262/- (2016/17- Rs. 1,713,296/-), Trinco Holiday Resorts (Pvt) Ltd – Rs. 582,766/- (2016/17– Rs. 773,024/-), Hikkaduwa Holiday Resorts (Pvt) Ltd – Rs. 1,242,743/- (2016/17 – Rs 1,416,706/-), Yala Village (Pvt) Ltd - Rs. 1,528,121/- (2016/17 - Rs. 1,723,646/-), Beruwala Holiday Resorts (Pvt) Ltd, - Rs. 1,229,900/- (2016/17 - Rs. 1,892,161/-), Travel Club (Pte) Ltd, - Rs. 995,120/- (2016/17 - Rs. 123,315/-), Fantasea World Investments (Pte) Ltd - Rs. 1,135,913/- (2016/17 - Rs. 452,277/-) Tranquility (Pte) Ltd – Rs 1,221,216/- (2016/17 - Rs. 295,358/-), John Keells Maldivian Resorts (Pte) Ltd – Nil (2016/17 – 36,995l). The CSR initiatives, including completed and on-going projects, are detailed in the sustainability report on pages 98.

AUDITORS

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

Messrs. Ernst & Young, Chartered Accountants have indicated their willingness to continue as Auditors of the Company, accordingly, a resolution proposing their reappointment as Auditors will be proposed at the Annual General Meeting. Details of the Audit Fees paid to the Auditors are set out in Page 211 of this Report. Further details on the work of the Auditor and the Audit Committee are set out in the Audit Committee Report on pages 144 and 145.

ANNUAL REPORT

The audited consolidated Financial Statements were approved for issue by the Board of Directors on 28th May 2018. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board on 4th June 2018.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02, on the 28th of June 2018 at 3.30 pm. The Notice of the Annual General Meeting appears on page 274. 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

28th May 2018

Statement of Directors' Responsibility

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

THE FINANCIAL STATEMENTS COMPRISE OF:

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

As per the provisions of the Companies Act No. 7 of 2007 (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 2018 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.

Statement of Directors' Responsibility

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

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

By Order of the Board

Keells Consultants (Private) Limited
Secretaries

28th May 2018

Independent Auditors' Report

Building a better working world

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 Jayesinghe 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

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Valuation of Land and Buildings As at reporting date 31 March 2018, Land and Buildings carried at fair value, classified as Property, Plant & Equipment and Investment Property amounted to Rs. 11.8 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.	Our audit procedures focused on the valuations performed by the external valuers engaged by the Group, and included the following; • 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 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 technique and estimates used by the external valuers.

Other Information Included in the Group's 2018 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 SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional 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.

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 it 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.

28th May 2018
Colombo

Income Statement

For the year ended 31st March In Rs. '000s	Note	*Group*		*Company*	
		2018	2017	2018	2017
Revenue	13	11,614,376	12,311,664	-	-
Cost of sales		(4,020,790)	(3,907,360)	-	-
Gross profit		7,593,586	8,404,304	-	-
Dividend income	14	-	-	1,371,046	1,205,710
Other operating income	15.1	103,865	115,276	1,981	9,206
Administrative expenses		(4,768,996)	(4,626,295)	(26,883)	(25,633)
Distribution expenses		(386,029)	(302,846)	-	-
Other operating expenses	15.2	(1,218,806)	(1,342,786)	(536)	(821)
Results from operating activities		1,323,620	2,247,653	1,345,608	1,188,462
Finance expenses	16	(255,519)	(227,788)	(2)	-
Finance income	16	283,494	217,267	137,979	82,570
Net finance income/(expenses)		27,975	(10,521)	137,977	82,570
Share of results of equity accounted investees	26.3	(881)	(1,004)	-	-
Profit before tax	17	1,350,714	2,236,128	1,483,585	1,271,032
Tax expense	18.1	(220,116)	(372,620)	(39,092)	(25,483)
Profit for the year		1,130,598	1,863,508	1,444,493	1,245,549
Attributable to :					
Equity holders of the parent		1,118,951	1,846,130		
Non-controlling interests		11,647	17,378		
		1,130,598	1,863,508		

	Note	Rs.	Rs.
Earnings per share - Basic/Diluted	19	0.77	1.27
Dividend per share	20	0.40	0.40

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 180 to 252 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31st March In Rs. '000s	Note	*Group*		*Company*	
		2018	2017	2018	2017
Profit for the year		1,130,598	1,863,508	1,444,493	1,245,549
Other comprehensive income					
Other comprehensive income to be re-classified to income statement in subsequent periods					
Currency translation of foreign operations		306,933	331,657	-	-
Net gain/(loss) on available-for-sale financials assets		(1)	(2)	(1)	(2)
Net other comprehensive income to be re-classified to income statement in subsequent periods		306,932	331,655	(1)	(2)
Other comprehensive income not to be re-classified to income statement in subsequent periods					
Revaluation of land and buildings	21.1	951,480	298,329	-	-
Share of other comprehensive income of equity accounted investees		4,010	3,100	-	-
Re-measurement gain/(loss) on defined benefit plans	37	1,770	(12,210)	-	-
Net other comprehensive income not to be re-classified to income statement in subsequent periods		957,260	289,219	-	-
Tax on other comprehensive income	18.2	(386,143)	4,473	-	-
Other comprehensive income for the year, net of tax		878,049	625,347	(1)	(2)
Total comprehensive income for the year, net of tax		2,008,647	2,488,855	1,444,492	1,245,547
Attributable to:					
Equity holders of the parent		1,992,198	2,469,215		
Non-controlling interests		16,449	19,640		
		2,008,647	2,488,855		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 180 to 252 form an integral part of these financial statements.

Statement of Financial Position

As at 31st March In Rs. '000s	Note	*Group*		*Company*	
		2018	2017	2018	2017
ASSETS					
Non-Current Assets					
Property, plant and equipment	21	14,083,594	14,354,695	-	-
Lease rentals paid in advance	22	10,587,355	10,714,231	-	-
Investment property	23	1,573,798	-	-	-
Intangible assets	24	670,407	670,407	-	-
Investments in subsidiaries	25	-	-	11,438,036	10,665,499
Investments in equity accounted investees	26	75,077	70,336	66,237	64,625
Non-current financial assets	27	185,632	184,724	9	10
Deferred tax assets	18.5	93,833	76,804	-	-
Other non-current assets	28	1,213	577	-	-
		27,270,909	26,071,774	11,504,282	10,730,134
Current Assets					
Inventories	29	170,268	190,266	-	-
Trade and other receivables	30	959,581	895,925	-	-
Amounts due from related parties	41	100,072	165,352	647	1,901
Other current assets	31	347,342	445,954	15,356	12,554
Income tax recoverable	18.3	221,757	139,046	5,175	8,276
Short term investments	32	3,225,312	3,021,672	1,055,378	986,926
Cash in hand and at bank		940,599	1,153,473	51,790	43,901
		5,964,931	6,011,688	1,128,346	1,053,558
Total Assets		33,235,840	32,083,462	12,632,628	11,783,692
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		9,075,560	8,531,777	3,064,048	2,202,014
Other components of equity	34	7,633,178	6,749,432	(4)	(3)
		26,208,985	24,781,456	12,564,291	11,702,258
Non-controlling interests		144,503	139,392	-	-
Total Equity		26,353,488	24,920,848	12,564,291	11,702,258

As at 31st March In Rs. '000s	Note	*Group*		*Company*	
		2018	2017	2018	2017
Non-Current Liabilities					
Interest bearing borrowings	36	2,764,218	1,083,408	-	-
Deferred tax liabilities	18.5	659,227	262,936	-	-
Employee benefit liability	37	191,449	187,798	-	-
Other deferred liabilities	38	154,622	120,007	-	-
		3,769,516	1,654,149	-	-
Current Liabilities					
Trade and other payables	39	722,525	718,019	14,818	13,584
Amounts due to related parties	41	128,412	139,316	2,069	2,592
Other current liabilities	40	499,555	455,924	-	-
Income tax liabilities	18.4	282,416	109,218	51,437	37,657
Interest bearing borrowings	36	1,220,753	2,573,150	-	-
Bank overdrafts		259,175	1,512,838	13	27,601
		3,112,836	5,508,465	68,337	81,434
Total Equity and Liabilities		33,235,840	32,083,462	12,632,628	11,783,692

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,

S C Ratnayake
Chairman

J G A Cooray
Director

The accounting policies and notes as set out in pages 180 to 252 form an integral part of these financial statements.

28 May 2018

Statement of Changes in Equity

Group	Attributable to Equity Holders of the Parent								
In Rs. '000s	Stated Capital	Revaluation Reserve	Foreign Currency Translation Reserve	Employee share option Plan Reserve	Available for Sale Reserve	Revenue Reserve	Total	Non-Controlling Interest	Total Equity
As at 1st April 2016	9,500,247	3,544,144	2,539,286	23,015	(1)	7,278,122	22,884,813	132,952	23,017,765
Profit for the year	-	-	-	-	-	1,846,130	1,846,130	17,378	1,863,508
Other comprehensive income	-	301,655	331,657	-	(2)	(10,225)	623,085	2,262	625,347
Total comprehensive income	-	301,655	331,657	-	(2)	1,835,905	2,469,215	19,640	2,488,855
Share based payment	-	-	-	9,678	-	-	9,678	87	9,765
Acquisition, disposal and changes in non-controlling interest	-	-	-	-	-	209	209	-	209
Interim dividend paid - 2016/17	-	-	-	-	-	(582,459)	(582,459)	-	(582,459)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	-	(13,287)	(13,287)
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

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 180 to 252 form an integral part of these financial statements.

Company In Rs. '000s	Stated Capital	Available For Sale Reserve	Revenue Reserve	Total Equity
As at 1st April 2016	9,500,247	(1)	1,538,924	11,039,170
Profit for the year	-	-	1,245,549	1,245,549
Other comprehensive income	-	(2)	-	(2)
Total comprehensive income	-	(2)	1,245,549	1,245,547
Interim dividend paid - 2016/17	-	-	(582,459)	(582,459)
As at 31st March 2017	9,500,247	(3)	2,202,014	11,702,258
Profit for the year	-	-	1,444,493	1,444,493
Other comprehensive income	-	(1)	-	(1)
Total comprehensive income	-	(1)	1,444,493	1,444,492
Interim dividend paid - 2017/18	-	-	(582,459)	(582,459)
As at 31st March 2018	9,500,247	(4)	3,064,048	12,564,291

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 180 to 252 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31st March In Rs. '000s	Note	*Group*		*Company*	
		2018	2017	2018	2017
Cash flows From Operating Activities					
Profit before taxation		1,350,714	2,236,128	1,483,585	1,271,032
Adjustments for;					
Depreciation of property, plant and equipment	21.1	1,131,849	1,004,745	-	-
Provision for employee benefit costs	37	38,199	35,453	-	-
Share based payment expense		11,422	9,765	-	-
Amortisation of lease rentals paid in advance	22.1	401,474	556,836	-	-
Finance expense		255,519	227,788	2	-
Amortisation of grant received		(1,469)	(762)	-	-
Dividend received		-	-	(1,371,046)	(1,205,710)
Finance income		(283,494)	(217,267)	(137,979)	(82,570)
Loss on disposal of property, plant and equipment		(48,024)	43,475	-	-
Share of results of equity accounted investees		881	1,004	-	-
Provision/(Reversal) for slow moving inventories		1,147	1,257	-	-
Provision for impairment losses	30.1	50,714	2,677	-	-
Provision for deferred liabilities		36,084	34,271	-	-
Unrealised (gain) / loss on foreign exchange (net)		(8,686)	29,459	-	-
Operating profit/(loss) before working capital changes		2,936,330	3,964,829	(25,438)	(17,248)
(Increase)/decrease in inventories		18,851	(8,452)	-	-
(Increase)/decrease in trade and other receivables		(17,253)	150,310	-	-
(Increase)/decrease in current other assets		103,106	(113,765)	(2,802)	(5,456)
(Increase)/decrease in amounts due from related parties		65,280	(473)	1,254	(901)
Increase/(decrease) in amounts due to related parties		(10,904)	(20,554)	(523)	563
Increase/(decrease) in other current liabilities		41,415	(132,333)	-	-
Increase/(decrease) in trade and other payables		4,506	51,331	1,234	(1,827)
Cash Generated from/(used in) Operations		3,141,331	3,890,893	(26,275)	(24,869)
Finance expenses paid		(255,519)	(227,788)	(2)	-
Finance income received		283,494	217,267	137,979	82,570
Tax paid		(139,424)	(632,629)	(22,211)	(2,225)
Dividend received		-	-	1,371,046	1,205,710
Gratuity paid/transfers		(32,778)	(15,942)	-	-
Net Cash Flows from/(used in) Operating Activities		2,997,104	3,231,801	1,460,537	1,261,186

For the year ended 31st March In Rs. '000s	Note	*Group*		*Company*	
		2018	2017	2018	2017
Cash Flows from Investing Activities					
Purchase and construction of property, plant and equipment	21.1	(1,525,967)	(783,614)	-	-
Proceeds from sale of property, plant and equipment		109,416	22,465	-	-
(Investment)/withdrawal in short term investments (net)		851,412	133,722	100,446	(100,446)
Purchase of lease rights		-	(2,479,950)	-	-
(Purchase)/disposal of non-current financial assets (net)		(909)	750	-	-
Increase in interest in subsidiaries and joint ventures		(1,612)	(1,026)	(774,149)	(42,686)
Disposal of subsidiary		-	109		109
Grant received for investing activities		-	2,097	-	-
Net Cash Flows from/(used) in Investing Activities		(567,660)	(3,105,447)	(673,703)	(143,023)
Cash Flows from Financing Activities					
Dividend paid to equity holders of parent		(582,459)	(582,459)	(582,459)	(582,459)
Repayments of long term borrowings	36.1	(2,581,145)	(1,347,443)	-	-
Proceeds from borrowings	36.1	2,834,971	1,894,090	-	-
Changes in non controlling interest		223	-	-	-
Dividend paid to shareholders with non-controlling interest		(5,193)	(13,287)	-	-
Net Cash Flows from/(used in) Financing Activities		(333,603)	(49,099)	(582,459)	(582,459)
Net Increase/(decrease) in Cash and Cash Equivalents		2,095,841	77,255	204,375	535,704
Cash and Cash Equivalents at the beginning of the year		1,203,858	1,126,603	902,780	367,076
Cash and Cash Equivalents at the end of the year		3,299,699	1,203,858	1,107,155	902,780
ANALYSIS OF CASH & CASH EQUIVALENTS					
Short term investments	32	2,618,275	1,563,223	1,055,378	886,480
Cash in hand and at bank		940,599	1,153,473	51,790	43,901
Bank overdrafts		(259,175)	(1,512,838)	(13)	(27,601)
		3,299,699	1,203,858	1,107,155	902,780

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 180 to 252 form an integral part of these financial statements.

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Notes to the Financial Statements

CORPORATE AND GROUP INFORMATION

1 CORPORATE INFORMATION

Reporting Entity

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

In the Director's opinion, the Company's 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 31 March 2018, comprise "the Company" referring to John Keells Hotels PLC as the holding Company and "the Group" referring to the companies whose accounts have been consolidated therein.

Approval of Financial Statements

The Financial statements for the year ended 31 March 2018 were authorised for issue by the Directors on 28 May 2018.

Principal Activities and Nature of Operations

Holding Company

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

Responsibility for Financial Statements

The responsibility of the Directors in relation to the financial statements is set out in 'The Statement of Director's Responsibility on Page 167 in the Annual report.

Statement of Compliance

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

2 GROUP INFORMATION

Subsidiaries and Joint Ventures

The Companies within the Group are shown in the Group Structure on pages 12 and 13. The subsidiaries and the joint venture are involved in the business of hoteliering.

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

BASIS OF PREPARATION & OTHER SIGNIFICANT ACCOUNTING POLICIES

3 BASIS OF PREPARATION

Bases of Measurement

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention, other than land and buildings and available-for-sale (AFS) financial assets 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. '000) 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.

The indicative US Dollar Financial Statements on pages 255 to 257 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.

There have been no changes in the accounting policy adopted by the Group during the year under review.

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 is considered current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Foreign Currency Translation, Foreign Currency Transactions and Balances

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

The functional currency is the currency of the primary economic environment in which the entities of the Group 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 Lankan 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	
	2018	2017	2018	2017
US Dollar	155.90	151.90	153.56	147.98

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, estimates and assumptions are as follows;

a) Revaluation of property, plant and equipment
b) Impairment of non-financial assets
c) Share based payments
d) Taxes
e) Employee benefit liability
f) Fair value of financial instruments

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

Amendments to Sri Lanka Accounting Standard - LKAS 7 Statement of Cash flows, effective on or after 1 January 2017, require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group has provided the information for both the current and the comparative period along with relevant note.

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

Accounting Standard	Summary of the Requirements	Effective Date	Possible Impact on Consolidated Financial Statements
SLFRS 9 - Financial Instruments	SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Classification and Measurement, impairment and hedge accounting. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.	On or after 1 January 2018 (early adoption permitted)	The Group has adopted the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a high-level impact assessment of all three aspects of SLFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its financial position and equity. Group will implement changes in classification of certain financial instruments.

Accounting Standard	Summary of the Requirements	Effective Date	Possible Impact on Consolidated Financial Statements
			Classification and Measurement The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of SLFRS 9. It expects to continue measuring all financial assets currently held at fair value. Debt Securities are expected to be measured at fair value through OCI under SLFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. The Equity Shares in Listed and Non-Listed Companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI and therefore, the application of SLFRS 9 will not have a significant impact. Loans as well as Trade Receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely; payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under SLFRS 9. Therefore, reclassification for these instruments is not required.

Accounting Standard	Summary of the Requirements	Effective Date	Possible Impact on Consolidated Financial Statements
			Impairment SLFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. **Hedge Accounting** The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under SLFRS 9. As SLFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of SLFRS 9 will not have a significant impact on Group's financial statements. **Other Adjustments** In addition to the adjustments described above, on adoption of SLFRS 9, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them, will be adjusted as necessary.
SLFRS 15 - Revenue from Contracts with Customers	SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes	On or after 1 January 2018 (early adoption permitted)	SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group plans to adopt the new standard on the required effective date using the modified retrospective method. The Group completed the diagnostic phase of SLFRS 15 adaptation in financial year 2016/17 with the assistance of external consultants, which was continued with a more detailed analysis completed in financial year 2017/18.

Accounting Standard	Summary of the Requirements	Effective Date	Possible Impact on Consolidated Financial Statements
			(a) Rendering of Services Currently, the Group recognises service revenue by reference to the stage of completion. Under SLFRS 15, the Group shall determine at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the Group shall recognise the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.
SLFRS 16 - Leases	SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for the users of financial statements to assess the effect that leases have on the financial position.	On or after 1 January 2019 (early adoption permitted)	The Group completed diagnostic phase of SLFRS 16 adaptation in financial year 2017/18 with the assistance of external consultants. In 2018/19, the Group will continue to assess the potential effect of SLFRS 16 on its consolidated financial statements.

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

- IFRIC 15 - Agreements for the construction on real state
- Income Taxes (Amendments to LKAS 12)
- Long-term Interests in Associates (Amendments to LKAS 28)
- Insurance Contracts (Amendments to SLFRS 4)
- Share Based Payment (Amendments to SLFRS 2)
- Annual Improvements Cycle - 2014-2016
- Disclosure of Interests in Other Entities (Amendments to SLFRS 12)

7 OPERATING SEGMENT INFORMATION

Accounting Policy

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

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

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

For the year ended 31st March	*Sri Lanka*		*Maldives*		*Group*	
In Rs. '000s	2018	2017	2018	2017	2018	2017
Total Revenue	5,481,095	5,936,892	6,249,470	6,491,658	11,730,565	12,428,550
Less: inter segment revenue	(12,406)	(16,870)	(103,783)	(100,016)	(116,189)	(116,886)
Segment revenue	5,468,689	5,920,022	6,145,687	6,391,642	11,614,376	12,311,664
Segment operating profit	507,345	1,021,038	712,410	1,111,339	1,219,755	2,132,377
Other operating income	119,021	11,174	(15,156)	104,102	103,865	115,276
Finance expenses	(133,295)	(177,260)	(122,224)	(50,528)	(255,519)	(227,788)
Finance income	261,700	182,015	21,794	35,252	283,494	217,267
Share of results of equity accounted investees	(881)	(1,004)	-	-	(881)	(1,004)
Profit before taxation	753,890	1,035,963	596,824	1,200,165	1,350,714	2,236,128
Tax expense	(146,011)	(201,844)	(74,105)	(170,776)	(220,116)	(372,620)
Profit for the year	607,879	834,119	522,719	1,029,389	1,130,598	1,863,508
Assets						
Segment assets	16,897,786	15,504,629	15,667,647	15,908,426	32,565,433	31,413,055
Goodwill					670,407	670,407
Total assets					33,235,840	32,083,462
Liabilities						
Segment liabilities	3,042,800	3,394,400	3,839,552	3,768,214	6,882,352	7,162,614

For the year ended 31st March In Rs. '000s	*Sri Lanka* 2018	2017	*Maldives* 2018	2017	*Group* 2018	2017
Total liabilities					6,882,352	7,162,614
Other Information						
Purchase and construction of property, plant and equipment	458,025	322,414	1,067,942	461,200	1,525,967	783,614
Depreciation of property, plant and equipment	766,198	623,968	365,651	380,777	1,131,849	1,004,745
Amortisation of lease rentals paid in advance	3,093	3,094	398,381	553,742	401,474	556,836
Provision for employee benefit costs	38,199	35,453	-	-	38,199	35,453

In addition to segment results, information such as finance costs/ income and 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 2018. 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 31 March, using consistent accounting policies.

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

Loss of Control

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

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

Non-Controlling Interest (NCI)

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

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

9 BUSINESS COMBINATIONS & GOODWILL

Accounting Policy

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

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

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

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

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

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

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

10 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

10.1 Credit Risk

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

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

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents and available-for-sale financial investments, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure that the counterparties 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. Following table shows the maximum risk positions of the Group.

As at 31st March In Rs. '000s	Note	2018 Non-current Financial Assets	Cash in Hand and at Bank	Trade and Other Receivables	Short Term Investments	Amounts Due from Related Parties	Total
Deposits with bank	10.1.3	-	-	-	3,225,312	-	3,225,312
Trade and other receivables	10.1.4	-	-	959,581	-	-	959,581
Amounts due from related parties	10.1.5	-	-	-	-	100,072	100,072
Loans to executives	10.1.6	5,869	-	-	-	-	5,869
Cash in hand and at bank	10.1.3	-	940,599	-	-	-	940,599
Total credit risk exposure		5,869	940,599	959,581	3,225,312	100,072	5,231,433
Available-for-sale investments		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

As at 31st March In Rs. '000s	Note	2017 Non-current Financial Assets	Cash in Hand and at Bank	Trade and Other Receivables	Short Term Investments	Amounts due from Related Parties	Total
Government securities	10.1.2	-	-	-	459,016	-	459,016
Deposits with bank	10.1.3	-	-	-	2,562,656	-	2,562,656
Trade and other receivables	10.1.4	-	-	895,925	-	-	895,925
Amounts due from related parties	10.1.5	-	-	-	-	165,352	165,352
Loans to executives	10.1.6	4,960	-	-	-	-	4,960
Cash in hand and at bank	10.1.3	-	1,153,473	-	-	-	1,153,473
Total credit risk exposure		4,960	1,153,473	895,925	3,021,672	165,352	5,241,382
Available-for-sale investments		179,764	-	-	-	-	179,764
Total equity risk exposure		179,764	-	-	-	-	179,764
Total		184,724	1,153,473	895,925	3,021,672	165,352	5,421,146

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 In Rs. '000s	Note	2018 Non-Current Financial Assets	Cash in Hand And at Bank	Short Term Investments	Amounts Due from Related Parties	Total
Deposits with bank	10.1.3	-	-	1,055,378	-	1,055,378
Amounts due from related parties	10.1.5	-	-	-	647	647
Cash in hand and at bank	10.1.3	-	51,790	-	-	51,790
Total credit risk exposure		-	51,790	1,055,378	647	1,107,815
Available-for-sale investments		9	-	-	-	9
Total equity risk exposure		9	-	-	-	9
Total		9	51,790	1,055,378	647	1,107,824

As at 31st March In Rs. '000s	Note	2017 Non-Current Financial Assets	Cash in Hand And at Bank	Short Term Investments	Amounts Due from Related Parties	Total
Deposits with bank	10.1.3	-	-	986,926	-	986,926
Amounts due from related parties	10.1.5	-	-	-	1,901	1,901
Cash in hand and at bank	10.1.3	-	43,901	-	-	43,901
Total credit risk exposure		-	43,901	986,926	1,901	1,032,728
Available-for-sale investments		10	-	-	-	10
Total equity risk exposure		10	-	-	-	10
Total		10	43,901	986,926	1,901	1,032,738

10.1.2 Government Securities

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

10.1.3 Credit Risk Relating to Cash and Cash Equivalents

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

The Group held cash and cash equivalents including short term investments of Rs. 4,166 Mn at 31 March 2018 (2017 - Rs.4,175 Mn).

Deposits with Banks and Credit Rating of the Banks

		2018			2017		
Bank	Instrument	Credit Rating for 2018	Investment Rs. 000'	Rating % of total	Credit Rating for 2017	Investment Rs. 000'	Rating % of total
Group							
People's Bank	Fixed Deposits	AA+	2,463,804	76%	AA+	551,207	22%
Sampath Bank PLC	Fixed Deposits	A+	147,685	5%	A+	792,380	31%
Hatton National Bank PLC	Fixed Deposits	AA-	465,778	14%	AA-	144,446	6%
Commercial Bank PLC	Fixed Deposits	AA	-	0%	AA	6,838	0%
Deutsche Bank A.G	Fixed Deposits	A-	-	0%	AAA	83,463	3%
Nations Trust Bank PLC	Fixed Deposits	A	-	0%	A	5,930	0%
Commercial Bank PLC	Re purchase Agreements	AA	82,134	3%	AA	961,525	37%
Deutsche Bank A.G	Re purchase Agreements	A-	763	0%	AAA	-	0%
Nations Trust Bank PLC	Re purchase Agreements	A	65,148	2%	A	16,867	1%
			3,225,312	100%		2,562,656	100%
Company							
Peoples Bank	Fixed Deposits	AA+	1,004,068	95%		-	-
Deutsche Bank A.G	Fixed Deposits	A-	-	0%	AAA	83,463	8%
Deutsche Bank A.G	Re purchase Agreements	A-	763	0%	AAA	-	0%
Nations Trust Bank PLC	Re purchase Agreements	A	4,450	0%	A	-	0%
Commercial Bank PLC	Re purchase Agreements	AA	46,097	5%	AA	903,463	92%
			1,055,378	100%		986,926	100%

10.1.4 Trade and Other Receivables

	Group	
	2018	2017
Neither past due nor impaired	739,560	592,308
Past due but not impaired		
31–60 days	178,679	201,222
61–90 days	39,661	43,698
> 91 days	1,681	58,697
Impaired	95,428	44,714
Gross carrying value	1,055,009	940,639
Less: impairment provision		
Individually assessed impairment provision	(95,428)	(44,714)
Total	959,581	895,925

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

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

10.1.5 Amounts Due from Related Parties

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

10.1.6 Loans to Executives

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

10.2 Liquidity Risk

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

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

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

10.2.1 Net (Debt) / Cash

As at 31st March In Rs. '000s	*Group* 2018	*Group* 2017	*Company* 2018	*Company* 2017
Short term investments	3,225,312	3,021,672	1,055,378	986,926
Cash in hand and at bank	940,599	1,153,473	51,790	43,901
Total liquid Assets	4,165,911	4,175,145	1,107,168	1,030,827
Bank borrowings	3,984,971	3,656,558	-	-
Bank overdrafts	259,175	1,512,838	13	27,601
Total liabilities	4,244,146	5,169,396	13	27,601
Net (debt)/cash	(78,235)	(994,251)	1,107,155	1,003,226

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 31 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

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2017 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	2,573,150	742,141	224,950	109,317	7,000	-	3,656,558
Trade and other payables	718,019	-	-	-	-		718,019
Amounts due to related parties	139,316	-	-	-	-		139,316
Bank overdrafts	1,512,838	-	-	-	-		1,512,838
	4,943,323	742,141	224,950	109,317	7,000	-	6,026,731

Maturity analysis - *Company*

The table below summarises the maturity profile of the company's financial liabilities at 31 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

The table below summarises the maturity profile of the company's financial liabilities at 31 March 2017 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	13,584	-	-	-	-	-	13,584
Amounts due to related parties	2,592	-	-	-	-	-	2,592
Bank overdrafts	27,601	-	-	-	-	-	27,601
	43,777	-	-	-	-	-	43,777

10.3 Market risk

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

Market prices comprise of the following risks:

* Interest rate risk
* Currency risk

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

The sensitivity analysis in the following sections relate to the position as at 31 March 2018 and 2017.

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 as at 31 March 2018 and 2017.

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).

	Increase/ (Decrease) in Basis Points		Effect on Profit Before Tax
	Rupee Borrowings	Other Currency Borrowings	*Group*
2018	+ 63 basis points	+ 104 basis points	(29,478)
	- 63 basis points	- 104 basis points	29,478
2017	+ 220 basis points	+ 50 basis points	(36,740)
	- 220 basis points	- 50 basis points	36,740

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.

	Increase / (Decrease) in Base Point USD	Effect on profit before tax Rs. 000's	
		Group	*Company*
2018	2.91%	(14,704)	-
	-2.91%	14,704	-
2017	3.87%	45,209	-
	-3.87%	(45,209)	-

Assumptions

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

10.3.4 Effects of currency transaction and translation

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

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

	Increase / (Decrease) in Base Point USD	*Group*	
		Effect on Profit Before tax Rs. 000's	Effect on Equity Rs. 000's
2018	2.91%	(51,327)	345,762
	-2.91%	51,327	(345,762)
2017	3.87%	(68,174)	471,558
	-3.87%	68,174	(471,558)

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.

As at 31st March In Rs. '000s	*Group*		*Company*	
	2018	2017	2018	2017
Debt / Equity	0.16	0.21	-	-

11 FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

Fair value measurement

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

- Disclosures for valuation methods, significant estimates and assumptions - notes 11.4, 12.5
- Quantitative disclosures of fair value measurement hierarchy - note 11.1
- Investment in unquoted equity shares - note 24, 25, 26
- Property, plant and equipment under revaluation model - note 21.2
- Financial instruments (including those carried at amortised cost) - note 12.5
- 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 unquoted AFS financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operations.

External valuers are involved for valuation of significant assets, such as land and buildings. Involvement of external valuers is decided upon annually by the Group after discussion with and approval by the Company's Audit Committee. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the external valuers, which valuation techniques and inputs to use for individual assets and liabilities.

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

FAIR VALUE HIERARCHY

11.1 Financial Assets and Liabilities by Fair Value Hierarchy - *Group*

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

Financial Assets

As at 31st March	Level 1		Level 2		Level 3	
In Rs. '000s	2018	2017	2018	2017	2018	2017
Available for sale	9	10	-	-	179,754	179,754
Foreign exchange forward contracts	-	-	4,652	-	-	-
Total	9	10	4,652	-	179,754	179,754

Financial Liabilities

As at 31st March	Level 1		Level 2		Level 3	
In Rs. '000s	2018	2017	2018	2017	2018	2017
Fair value through income statement						
Non-current financial liabilities						
Foreign exchange forward contracts	-	-	-	1,882	-	-
Total	-	-	-	1,882	-	-

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

As at 31st March In Rs. '000s	Level 1		Level 2		Level 3	
	2018	2017	2018	2017	2018	2017
Available for sale	9	10	-	-	-	-
Total	9	10	-	-	-	-

During the reporting periods 31 March 2018 and 2017, 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 available-for-sale financial instruments classified as Level 3 within the fair value hierarchy.

A reconciliation of the beginning and closing balances including movements is summarised below:

In Rs. '000s	Available-For-Sale Financial Assets *Group*
As at 1 April 2017	179,754
New investment	-
Total gains and losses recognised in OCI	-
As at 31 March 2018	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. '000s	Level 1		Level 2		Level 3	
	2018	2017	2018	2017	2018	2017
Assets measured at fair value						
Land and buildings	-	-	-	-	6,738,274	7,509,981
Buildings on leasehold land	-	-	-	-	5,054,947	4,463,628
Investment property	-	-	-	-	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 redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

12 FINANCIAL INSTRUMENTS AND RELATED POLICIES

Accounting Policy

Financial Instruments — Initial Recognition and Subsequent Measurement

12.1 Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

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

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Available-For-Sale Financial Investments

Available-for-sale financial investments include equity investments. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been

recognised in equity is amortised to the income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

12.2 Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's

original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Available-For-Sale Financial Investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognised directly in other comprehensive income.

12.3 Financial Liabilities

Initial Recognition and Measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, other non-current financial liabilities and financial guarantee contracts.

Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the Effective Interest Rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an

existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

12.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

12.5 Derivative Financial Instruments - 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 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.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Income Statement.

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.

12.6 Financial Assets and Liabilities by Categories

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

Financial Assets by Categories

As at 31st March In Rs. '000s	*Group*				*Company*			
	Loans and Receivables		Available-For-Sale Financial Assets		Loans and Receivables		Available-For-Sale Financial Assets	
	2018	2017	2018	2017	2018	2017	2018	2017
Financial instruments in non-current assets								
Non-current financial assets	5,869	4,960	179,763	179,764	-	-	9	10
Financial instruments in current assets								
Trade receivables	959,581	895,925	-	-	-	-	-	-
Amounts due from related parties	100,072	165,352	-	-	647	1,901	-	-
Short term investments	3,225,312	3,021,672	-	-	1,055,378	986,926	-	-
Cash in hand and at bank	940,599	1,153,473	-	-	51,790	43,901	-	-
Total	5,231,433	5,241,382	179,763	179,764	1,107,815	1,032,728	9	10

Both carrying amount and fair value are equal of available-for-sale financial assets.
The fair value of loans and receivables does not significantly vary from the value based on the amortised cost methodology.

Financial Liabilities by Categories

As at 31st March In Rs. '000s	*Group*				*Company*			
	Financial Liabilities at Fair Value Through Income Statement		Financial Liabilities Measured at Amortised Cost		Financial Liabilities at Fair Value Through Income Statement		Financial Liabilities Measured at Amortised Cost	
	2018	2017	2018	2017	2018	2017	2018	2017
Financial instruments in non-current liabilities								
Borrowings	-	-	2,764,218	1,083,408	-	-	-	-
Financial instruments in current liabilities								
Trade payables	-	-	722,525	718,019	-	-	14,818	13,584
Amounts due to related parties	-	-	128,412	139,316	-	-	2,069	2,592
Borrowings	-	-	1,220,753	2,573,150	-	-	-	-
Bank overdrafts	-	-	259,175	1,512,838	-	-	13	27,601
Total	-	-	5,095,083	6,026,731	-	-	16,900	43,777

The fair value of financial liabilities does not significantly vary from the value based on the amortised cost methodology.

The management assessed that the fair value of cash and short-term investments, trade and other receivables, trade and other payables and bank overdrafts approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

Fair value of quoted equities and bonds is based on price quotations in an active market at the reporting date.

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of the unquoted ordinary shares has been estimated using a Discounted Cash Flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

Accounting judgements, estimates and assumptions

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived

from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

13 REVENUE

Accounting Policy

Revenue Recognition

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

The following specific criteria are used for recognition of revenue:

Rendering of Services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale.

Turnover Based Taxes

Companies in the Group pay turnover based taxes including value added tax and goods and services tax in accordance with the respective statutes.

13.1 Revenue

For the Year Ended 31st March In Rs. '000s	*Group* 2018	2017
Gross revenue	11,816,982	12,522,432
Less: Green tax	(202,606)	(210,768)
Net revenue	11,614,376	12,311,664

Value Added Tax and Goods & Services Tax of Rs. 1,666 Mn (2017 - Rs. 1,586 Mn) have been deducted in arriving at the gross revenue.

13.2 Revenue Analysis of the Group by Geographical Segment

For the Year Ended 31st March In Rs. '000s	*Group* 2018	2017
Sri Lankan resorts	5,468,689	5,920,022
Maldivian resorts	6,145,687	6,391,642
	11,614,376	12,311,664

14 DIVIDEND INCOME

Accounting Policy

Dividend

Dividend income is recognised when the Group's right to receive the payment is established.

For the Year Ended 31st March In Rs. '000s	*Group* 2018	2017
Income from investments in subsidiaries	1,371,046	1,205,710
	1,371,046	1,205,710

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	*Group* 2018	2017	*Company* 2018	2017
Sundry income	29,913	114,514	1,981	9,206
Amortisation of grant received	1,469	762	-	-
Profit on sale of property, plant and equipment	48,024	-	-	-
Exchange gain	24,459	-	-	-
	103,865	115,276	1,981	9,206

15.2 Other operating expenses

For the Year Ended 31st March In Rs. '000s	*Group* 2018	*Group* 2017	*Company* 2018	*Company* 2017
Power and Energy	479,411	460,484	-	-
Maintenance and repair cost	239,212	278,782	-	-
Nation Building Tax	120,257	129,131	-	-
Operating fees	298,721	335,179	-	-
Loss on sale of property, plant and equipment	-	43,475	-	-
Exchange loss	-	18,969	-	-
Other overheads	81,205	76,766	536	821
	1,218,806	1,342,786	536	821

16 NET FINANCE INCOME / EXPENSE

Accounting Policy

Finance Income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets.

Interest income is recorded as it accrues using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of available for-sale financial assets, impairment losses recognised on financial assets (other than trade receivables) that are recognised in the income statement.

Interest expense is recorded as it accrues using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

For the Year Ended 31st March In Rs. '000s	*Group*		*Company*	
	2018	2017	2018	2017
Finance Income				
Interest income	283,494	217,267	137,979	82,570
	283,494	217,267	137,979	82,570
Finance expense				
Interest expenses on borrowings	255,519	227,788	2	-
	255,519	227,788	2	-
Net finance income / (expense)	27,975	(10,521)	137,977	82,570

17 PROFIT BEFORE TAX

Expenditure recognition

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

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

Profit before tax is stated after charging all expenses including the following;

For the Year Ended 31st March In Rs. '000s	*Group*		*Company*	
	2018	2017	2018	2017
Remuneration to Executive Directors	16,794	14,400	-	-
Remuneration to Non-Executive Directors	8,330	7,680	8,330	7,680
Auditors' remuneration				
Audit	13,089	12,371	1,250	1,174
Non-audit	6,438	6,951	549	840
Cost of defined employee benefits				
Defined benefit plan cost	38,198	35,453	-	-
Defined contribution plan cost (EPF and ETF)	77,264	79,739	-	-
Staff expenses	1,979,066	1,907,231	-	-
Depreciation of property, plant and equipment	1,131,849	1,004,745	-	-
Donations	10,697	12,150	-	-
Amortisation of lease rentals paid in advance	401,474	556,836	-	-
(Reversal) / Impairment of bad and doubtful debts	50,714	2,677	-	-
(Reversal) / Provision for slow moving inventories	1,147	1,257	-	-
(Profit)/Loss on disposal of property, plant and equipment	(48,024)	43,475	-	-
Operating lease payments	292,977	285,511	-	-
Business expansion expenses	1,181	2,777	1,181	2,777

18 TAXES

Accounting Policy

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognized in other comprehensive income shall be recognised in other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Management has used its 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 utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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.

BOI tax holiday Companies - Deferred tax liability has been recognised on assets that will have a written down value as at the end of 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.

18.1 Tax expense

For the Year Ended 31st March In Rs. '000s	Note	*Group*		*Company*	
		2018	2017	2018	2017
Current income tax					
Current tax charge	18.6	218,528	281,776	39,189	24,510
Under/(over) provision of current tax in respect of previous years		(16,916)	427	(97)	973
Irrecoverable Economic Service Charge		-	199	-	-
10% withholding tax on inter company dividends		23,648	62,591	-	-
Deferred income tax					
Relating to origination and reversal of temporary differences	18.2	(5,144)	27,627	-	-
Tax expense reported		220,116	372,620	39,092	25,483

18.2 Deferred Tax Expense

For the Year Ended 31st March In Rs. '000s	*Group*	
	2018	2017
Income statement		
Deferred tax arising from		
Accelerated depreciation for tax purposes	28,379	1,698
Benefit/ (reversal) arising from tax losses	(30,793)	27,795
Employee benefits liability	(2,730)	(1,866)
	(5,144)	27,627
Other comprehensive income		
Deferred tax arising from		
Employee benefits liability	102	(1,777)
Revaluation of land and building to fair value	386,041	(2,696)
	386,143	(4,473)
Total deferred tax charge	380,999	23,154

Deferred Tax has been computed at the following rates :

Subsidiary companies in Sri Lanka engaged in promotion of tourism - 14%.
Yala Village and subsidiary companies in Maldives - 15%.
Others - 28%

18.3 Income Tax Recoverable

As at 31st March In Rs. '000s	*Group*		*Company*	
	2018	2017	2018	2017
Balance at the beginning of the year	139,046	44,174	8,276	8,276
Arising during the year/ (utilised)	82,711	94,872	(3,101)	-
Balance at the end of the year	221,757	139,046	5,175	8,276

18.4 Income Tax Liabilities

As at 31st March In Rs. '000s	*Group* 2018	*Group* 2017	*Company* 2018	*Company* 2017
Balance at the beginning of the year	109,218	254,642	37,657	14,399
Charge for the year	218,528	281,776	39,189	24,510
Effect of movements in exchange rates	2,282	9,216	-	-
Payments, set off against refunds and tax credits	(47,612)	(436,416)	(25,409)	(1,252)
Balance at the end of the year	282,416	109,218	51,437	37,657

18.5 Deferred Tax Assets and Liabilities

As at 31st March In Rs. '000s	*Group* Assets 2018	*Group* Assets 2017	*Group* Liabilities 2018	*Group* Liabilities 2017
Balance at the beginning of the year	76,804	71,888	262,936	236,468
Transferred from/to deferred tax liabilities	119	-	119	-
Effect of movements in exchange rates	2,247	2,131	510	529
Charge/(release)	14,663	2,785	395,662	25,939
Balance at the end of the year	93,833	76,804	659,227	262,936
The closing deferred tax asset balance relates to the following:				
Accelerated depreciation for tax purposes	87,241	76,804	294,637	278,382
Impact on revaluation of property, plant and equipment	-	-	483,896	97,855
Employee benefits liability	-	-	(20,787)	(20,358)
Losses available for off-set against future taxable income	6,592	-	(98,519)	(92,943)
	93,833	76,804	659,227	262,936

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 relating to subsidiaries that have a history of losses that do not expire and may not be used to offset other tax liabilities and where the subsidiaries have no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

18.6 Reconciliation Between Current Tax Charge and the Accounting Profit

As at 31st March In Rs. '000s	*Group*		*Company*	
	2018	2017	2018	2017
Profit before tax	1,350,714	2,236,128	1,483,585	1,271,032
Dividend income from Group companies	1,371,046	1,205,710	-	-
Share of results of equity accounted investees	(881)	(1,004)	-	-
Other consolidation adjustments	4,952	2,462	-	-
Profit after adjustments	2,725,831	3,443,296	1,483,585	1,271,032
Dividends not subjected to income tax	(1,371,046)	(1,205,710)	(1,371,046)	(1,205,710)
Income exempt from income tax	(163,499)	(195,600)	-	-
Adjusted accounting profit/(loss) chargeable to income taxes	1,191,286	2,041,986	112,539	65,322
Disallowable expenses	2,003,628	1,885,612	-	-
Allowable expenses	(1,874,025)	(1,930,696)	-	-
Utilisation of tax losses	(150,238)	(160,063)	-	-
Qualifying payment deductions and tax free allowances	-	(4,798)	-	-
Tax losses not utilised in the current financial year	201,592	27,633	27,422	22,213
Taxable income	1,372,243	1,859,674	139,961	87,535
Current tax charged at				
Standard rate of 28% (2017-28%)	54,122	36,587	39,189	24,510
Income tax charged at 15% (2017-15%)	103,326	188,376	-	-
Concessionary rate of 12% (2017-12%)	61,080	56,813	-	-
Current tax charge	218,528	281,776	39,189	24,510

18.7 Reconciliation Between Tax Expense and the Product of Accounting Profit

As at 31st March In Rs. '000s	*Group*		*Company*	
	2018	2017	2018	2017
Adjusted accounting profit/(loss) chargeable to income tax	1,191,286	2,041,986	112,539	65,322
Tax effect on chargeable profits	202,292	311,629	31,511	18,290
Tax effect on non deductible expenses	17,561	5,000	-	-
Tax effect on deductions claimed	(42,224)	(17,048)	-	-
Net tax effect of unrecognised deferred tax assets for the year	8,768	7,169	7,678	6,220
Net tax effect of deferred tax assets in respect of previous year	-	1,593	-	-
Tax effect of transfers	(6)	1,060	-	-
Deferred tax due to rate differentials	23,220		-	-
Deferred tax on assets with WDV as at the end of the tax holiday period	3,773		-	-
Under / (over) provisions of current tax in respect of prior years	(16,916)	427	(97)	973
Other income based taxes				
Irrecoverable Economic Service Charge	-	199	-	-
10% withholding tax on inter company dividends	23,648	62,591	-	-
Total tax expense	220,116	372,620	39,092	25,483

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*		*Company*	
	2018	2017	2018	2017
Tax losses brought forward	2,036,071	2,247,215	-	27,010
Adjustments on finalisation of liability	(18,064)	(54,451)	-	(27,010)
Tax losses arising during the year	11,438	3,370		
Utilisation of tax losses	(150,237)	(160,063)	-	-
	1,879,208	2,036,071	-	-

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 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).

I Yala Village (Pvt) Ltd is taxed at a concessionary rate of 15% for a period of 15 years commencing from September 2003.

II Profits and income of Trinco Holiday Resorts (Pvt) Ltd are exempt from tax for a period of 10 years 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.

III 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

I 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*	
	2018	2017
Profit attributable to equity holders of the parent (In Rs. '000s)	1,118,951	1,846,130
Weighted average number of ordinary shares (In '000s)	1,456,147	1,456,147
Basic / diluted earnings per share (Rs.)	0.77	1.27

20 DIVIDENDS PER SHARE

For the Year Ended 31st March	*Group*	
	2018	2017
Equity dividend on ordinary shares declared and paid during the year (In Rs. '000s)	582,459	582,459
Weighted average number of ordinary shares (In '000s)	1,456,147	1,456,147
Dividend per share (Rs.)	0.40	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.

Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Group has adopted a guideline of revaluing assets by a professional valuer at least once in every five years.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Derecognition

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

Depreciation

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The estimated useful life of assets is as follows:

Assets	Years
Buildings on leasehold land	Estimated lease period
Buildings freehold land	up to 60
Plant and machinery	03 - 10
Equipment	05 - 08
Furniture and fittings	05 - 08
Motor vehicles	05
Computer equipment	05
Cutlery, crockery, 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.

21.1 Property, Plant and Equipment

As at 31st March In Rs. '000s	Land and Buildings	Buildings on Leasehold Land	Plant and Machinery	Equipment	Furniture and Fittings
Group					
Cost or valuation					
At the beginning of the year	7,645,094	5,817,923	1,513,953	1,792,675	1,193,549
Additions	82,454	86,369	63,585	190,927	52,206
Disposals	(613)	(35,329)	(105,385)	(169,622)	(216,038)
Revaluations	790,199	161,281	-	-	-
Transfers	-	730,135	202	38,663	153,519
Effect of movements in exchange rates	-	92,875	13,240	1,525	(26,435)
Transfer to investment properties	(1,573,798)	-	-	-	-
Transfers on revaluation	(68,678)	(119,581)	-	-	-
At the end of the year	6,874,658	6,733,673	1,485,595	1,854,168	1,156,801
Accumulated depreciation					
At the beginning of the year	135,113	1,354,295	812,794	1,036,652	825,088
Charge for the year	70,022	390,082	148,366	253,579	142,502
Disposals	(73)	(13,596)	(80,272)	(183,291)	(212,981)
Transfers	-	-	(131)	(1,096)	1,227
Effect of movements in exchange rates	-	67,526	16,082	4,825	(27,960)
Transfers on revaluation	(68,678)	(119,581)	-	-	-
At the end of the year	136,384	1,678,726	896,839	1,110,669	727,876
Carrying value					
As at 31 March 2018	6,738,274	5,054,947	588,756	743,499	428,925
As at 31 March 2017	7,509,981	4,463,628	701,159	756,023	368,461
Carrying value of assets					
At cost					
At valuation					
Carrying value of land and buildings					
At cost					
At valuation					

	Motor Vehicles	Computer Equipment	Cutlery, Crockery Glassware and Linen	Capital Work In Progress	Total 2018	Total 2017
	120,289	237,319	286,866	270,905	18,878,573	18,247,774
	5,727	16,607	45,076	983,016	1,525,967	783,614
	(8,191)	(32,220)	(107,197)	-	(674,595)	(376,324)
	-	-	-	-	951,480	298,329
	-	-	-	(922,519)	-	-
	1,797	320	152	(689)	82,785	137,605
	-	-	-	-	(1,573,798)	-
	-	-	-	-	(188,259)	(212,425)
	119,622	222,026	224,897	330,713	19,002,153	18,878,573
	64,933	141,171	153,832	-	4,523,878	3,974,900
	15,881	37,308	74,109	-	1,131,849	1,004,745
	(6,117)	(32,007)	(84,866)	-	(613,203)	(310,384)
	-	-	-	-	-	-
	1,866	1,018	937		64,294	67,042
	-	-	-	-	(188,259)	(212,425)
	76,563	147,490	144,012	-	4,918,559	4,523,878
	43,059	74,536	80,885	330,713	14,083,594	
	55,356	96,148	133,034	270,905		14,354,695
					4,662,473	4,128,694
					9,421,121	10,226,001
					14,083,594	14,354,695
					2,372,100	1,747,608
					9,421,121	10,226,001
					11,793,221	11,973,609

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 minimizing the use of unobservable inputs. The date of the most recent revaluation was on 31 March 2018.

The changes in fair value recognised in other comprehensive income and in the statement of equity. The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

The Details of Property, Plant & Equipment of the Group which are Stated at Valuation are Indicated Below.

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	31 March 2018	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated occupancy rate 70% and estimated price per perch Rs. 450,000	Positively correlated sensitivity
Land and Buildings of					
Beruwala Holiday Resorts (Pvt) Ltd	Depreciated replacement cost method / Direct capital comparison method	31 March 2018	Mr. P.B. Kalugalagedara Consultant Valuer & Assessor	Estimated price per perch Rs. 550,000 - 850,000 and per square feet Rs.3,000 - 10,500	Positively correlated sensitivity
Kandy Walk Inn Ltd	Depreciated replacement cost method / Open market value method	31 March 2018	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated price per perch Rs. 10,000 - 1,100,000 and per square feet Rs.1,000 - 10,000	Positively correlated sensitivity
Trinco Holiday Resorts (Pvt) Ltd	Depreciated replacement cost method / Direct capital comparison method	31 March 2018	Mr. P.B. Kalugalagedara Consultant Valuer & Assessor	Estimated price per perch Rs. 250,000 and per square feet Rs.1,000 - 6,500	Positively correlated sensitivity

Property	Method of Valuation	Effective date of valuation	Property Valuer	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
Land and Buildings on Leasehold Land of					
Ceylon Holiday Resorts Ltd	Depreciated replacement cost method / Open market value method	31 March 2018	Mr. P.B. Kalugalagedara Consultant Valuer & Assessor	Estimated price per perch Rs. 775,000 and per square feet Rs.2,000 - 3,500	Positively correlated sensitivity
Habarana Lodge Ltd	Depreciated replacement cost method	31 March 2018	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated price per square feet Rs.500 - 10,250	Positively correlated sensitivity
Habarana Walk Inn Ltd	Depreciated replacement cost method	31 March 2018	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated price per square feet Rs.2,500 - 8,000	Positively correlated sensitivity
Hikkaduwa Holiday Resorts (Pvt) Ltd	Depreciated replacement cost method / Direct capital comparison method	31 March 2018	Mr. P.B. Kalugalagedara Consultant Valuer & Assessor	Estimated price per perch Rs. 675,000 and per square feet Rs.1,750 - 5,400	Positively correlated sensitivity
Yala Village (Pvt) Ltd	Depreciated replacement cost method	31 March 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 optimization.

Direct Capital Comparison Method

This method may be adopted when the rental value is not available from the property concerned, but there are evidences of sale price of properties as a whole. In such cases, the 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*	
	2018	2017
Cost	6,437,308	5,538,350
Accumulated depreciation and impairment	(945,656)	(838,368)
Carrying value	5,491,652	4,699,982

21.4 Segmental Analysis of Net Book Value of Property, Plant and Equipment

As at 31st March In Rs. '000s	*Group*	
	2018	2017
Sri Lanka	10,690,903	11,650,233
Maldives	3,392,691	2,704,462
	14,083,594	14,354,695

21.5 Group land and buildings with a carrying value of Rs. 4.8 Bn (2017 - Rs. 4.4 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. 873 Mn (2017 - Rs. 920 Mn) have been fully depreciated and continue to be in use by the Group.

21.7 Properties amounting to Rs. 1,574 Mn transferred to investment properties at the year end due to the change in intended future use.

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 1 April 2011, the date of inception is deemed to be 1 April 2012 in accordance with the SLFRS 1.

Lease Rentals Paid in Advance

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term and assessed for impairment whenever there is an indication that the asset may be impaired.

22.1 Lease Rentals Paid in Advance

As at 31st March In Rs. '000s	*Group* 2018	2017
Lease rentals paid in advance		
Balance at the beginning of the year	10,714,231	8,537,247
Payments made during the year	-	2,479,950
Amortisation during the year	(401,474)	(556,836)
Effect of movements in exchange rates	274,598	253,870
Balance at the end of the year	10,587,355	10,714,231

22.2 Details of Lease Rentals Paid in Advance

As at 31st March Property	Land Extent (in Acres)	Lease Period	*Group* 2018	2017
Yala Village (Pvt) Ltd				
Cinnamon Wild Yala	11.25	30 years from 27 November 2006	55,638	58,631
Hikkaduwa Holiday Resorts (Pvt) Ltd				
Hikka Tranz by Cinnamon	4.36	10 years from 01 January 2012	400	500
Tranquility (Pte) Ltd				
Cinnamon Dhonveli Maldives	17.16	35 years from 26 August 2010	9,027,806	9,121,221
Travel Club (Pte) Ltd				
Ellaidhoo Maldives by Cinnamon	13.80	24 years from 04 August 2006	1,179,785	1,207,738
Fantasea World Investments (Pte) Ltd				
Cinnamon Hakuraa Huraa Maldives	18.90	25 years lease extension from 27 August 2022	323,726	326,141
			10,587,355	10,714,231

These lease rentals paid have been classified as prepaid lease rentals under non-current assets and are amortised over the lease term.

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 derecognised 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*	
	2018	2017
Carrying value		
At the beginning of the year	-	-
Transfer from property, plant & equipment	1,573,798	-
Change in fair value during the year	-	-
At the end of the year	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 akin 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 recognised in the income statement. The determined fair values of investment properties, using investment method, are most sensitive to the estimated yield as well as the long term occupancy rate.

Description of Valuation Techniques used and Key Inputs to valuation on Investment Properties:

Property	Method of Valuation	Effective date of valuation	Property Valuer	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
Land of					
Ahungalla Holiday Resorts (Pvt) Ltd	Direct capital comparison method	31 March 2018	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated price per perch Rs. 300,000 - 375,000	Positively correlated sensitivity
Resort Hotels Ltd	Direct capital comparison method	31 March 2018	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated price per perch Rs. 130,000	Positively correlated sensitivity
Trinco Walk Inn Ltd	Direct capital comparison method	31 March 2018	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated price per perch Rs. 150,000	Positively correlated sensitivity
Wirawila Walk Inn Ltd	Direct capital comparison method	31 March 2018	Mr. Sunil Fernando Consultant Valuer & Assessor	Estimated price per perch Rs. 21,563	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 capitalized 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 (CGU) 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* 2018	2017
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 2018	2017
Cinnamon resorts	670,407	670,407
	670,407	670,407

The recoverable amount of all CGUs have been determined based on the Fair Value Less Cost to Sell or Value In Use (VIU) calculation.

Accounting Judgements, Estimates and Assumptions

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

Gross Margins

The basis used to determine the value assigned to the budgeted gross margins, is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation is the inflation rate based on projected economic conditions.

Discount Rate

The discount rate used is the risk free pre-tax discount rate, adjusted by the addition of an appropriate risk premium.

Volume Growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of the two years immediately preceding the budgeted year and future industry growth rates.

Cash flows beyond the five year period has been extrapolated using a zero growth rate.

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 In Rs. '000s	Note	*Group* 2018	*Group* 2017	*Company* 2018	*Company* 2017
Investments in subsidiaries - Unquoted	25.2	-	-	11,438,036	10,665,499
		-	-	11,438,036	10,665,499

25.2 Investments in Subsidiaries - Unquoted

As at 31st March	*Group* Holding 2018	*Group* Holding 2017	*Company* Holding 2018	*Company* Holding 2017	*Company* Cost (Rs. '000) 2018	*Company* Cost (Rs. '000) 2017
Ceylon Holiday Resorts Ltd *	99.09%	98.65%	99.09%	98.65%	1,869,016	1,052,011
Habarana Lodge Ltd	98.35%	98.35%	98.35%	98.35%	695,084	695,084
International Tourists and Hoteliers Ltd	99.33%	99.33%	99.33%	99.33%	2,094,401	2,094,401
Kandy Walk Inn Ltd	98.39%	98.39%	98.39%	98.39%	408,998	408,998
Habarana Walk Inn Ltd	98.77%	98.77%	98.77%	98.77%	311,851	311,851
John Keells Maldivian Resorts (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%	35,112	34,862
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%	26,159	25,559
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%	133,150	132,750
Nuwara Eliya Holiday Resorts (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	320,344	316,062
Cinnamon Holidays (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	200	200
Resort Hotels Ltd	99.33%	98.65%	16.54%	23.56%	250	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	99.33%	98.65%	-	-	-	-
15% Cumulative preference shares						
Yala Village (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	50,000	100,000
Total investments in subsidiaries					11,438,036	10,665,499

* The Company increased its shareholdings in Ceylon Holiday Resorts Ltd from 98.65% to 99.09% with an investment of Rs. 817 Mn by subscribing to the rights issue in November 2017.

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 ventures entered into by the Group, which have been accounted for using the equity method, is

Name	Country of Incorporation
Sentinel Realty Pvt Ltd	Sri Lanka

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The Income statement reflects the Group's share of the results of operations of the joint venture. Any change in Other Comprehensive Income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The share of profit or loss of a joint venture is shown on the face of income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the income statement.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

Investments in Equity Accounted Investees

26.1 Carrying Value

As at 31st March In Rs. '000s	Note	*Group* 2018	 2017	*Company* 2018	 2017
Investments in joint venture - Unquoted	26.2	75,077	70,336	66,237	64,625
		75,077	70,336	66,237	64,625

26.2 Investments in Joint Venture - Unquoted

As at 31st March In Rs. '000s	*Holding*		*Company*	
	2018	2017	2018	2017
Sentinel Realty (Pvt) Ltd	50.00%	50.00%	66,237	64,625
Total investments in joint venture			66,237	64,625

26.3 Summarised Financial Information of Joint Venture

As at 31st March In Rs. '000s	As per Joint Venture		Group Share of	
	2018	2017	2018	2017
Group share of;				
Revenue	30	-	15	-
Administrative expenses	(1,792)	(2,008)	(896)	(1,004)
Loss for the year	(1,762)	(2,008)	(881)	(1,004)
Group share of;				
Total assets	151,842	143,910	75,921	71,955
Total liabilities	(1,688)	(3,238)	(844)	(1,619)
Net assets	150,154	140,672	75,077	70,336

The Group and the Company have neither contingent liabilities nor capital and other commitments in respect of its joint venture.

27 NON-CURRENT FINANCIAL ASSETS

As at 31st March In Rs. '000s	Note	*Group*		*Company*	
		2018	2017	2018	2017
Outside Investments					
Quoted					
Ceylon Hotels Corporation PLC		9	10	9	10
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	5,869	4,960	-	-
Total other non current financial assets		185,632	184,724	9	10

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 phase.

27.1 Loans to Executives

As at 31st March In Rs. '000s	*Group* 2018	2017
At the beginning of the year	6,387	7,250
Loans granted / transfers	3,873	1,777
Recoveries	(2,594)	(2,640)
At the end of the year	7,666	6,387
Receivable within one year	1,797	1,427
Receivable between one and five years	5,869	4,960
	7,666	6,387

28 OTHER NON-CURRENT ASSETS

As at 31st March In Rs. '000s	*Group* 2018	2017
Prepaid staff loans	1,213	577
	1,213	577

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* 2018	2017
Food and beverage	90,916	104,096
House keeping and maintenance	82,648	83,912
Others	3,629	8,036
	177,193	196,044
Less : Provision for slow moving inventories	(6,925)	(5,778)
	170,268	190,266

There were no inventories pledged as security for borrowings as at 31st March 2018. (as at 31st March 2017- nil)

30 TRADE AND OTHER RECEIVABLES

As at 31st March In Rs. '000s	Note	*Group* 2018	2017
Trade receivables		985,699	852,570
Provision for bad and doubtful debts	30.1	(95,428)	(44,714)
Other receivables		67,513	86,642
Loans to executives	27.1	1,797	1,427
		959,581	895,925

Refer credit risk note (Note 10.1.4) for age analysis of trade and other receivables.

30.1 Movement of Provision for Bad and Doubtful Debts

As at 31st March In Rs. '000s	*Group* Individually Impaired	Total
As at 1 April 2016	42,037	42,037
Charge for the year	2,677	2,677
As at 31 March 2017	44,714	44,714
Charge for the year	50,714	50,714
As at 31 March 2018	95,428	95,428

31 OTHER CURRENT ASSETS

As at 31st March In Rs. '000s	*Group* 2018	2017	*Company* 2018	2017
Prepayments and non-cash receivables	185,738	363,389	1,558	2,675
Tax recoverable	161,604	82,565	13,798	9,879
	347,342	445,954	15,356	12,554

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 cashflow 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* 2018	*Group* 2017	*Company* 2018	*Company* 2017
Bank deposits (Less than 3 months) reported for cash flow	2,618,275	1,563,223	1,055,378	886,480
Bank deposits (more than 3 months and less than 1 year)	607,037	1,458,449	-	100,446
Total	3,225,312	3,021,672	1,055,378	986,926

33 STATED CAPITAL AND OTHER COMPONENTS OF EQUITY

Accounting Policy

The ordinary shares of John Keells Hotels PLC are quoted in the Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are eligible for one vote per share at General Meetings of the Company. The Group has in place an Employee Share Option Plan. Please refer note 35 for further details

As at 31st March	2018 Number of Shares '000s	2018 Value of Shares in Rs. '000s	2017 Number of Shares '000s	2017 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

34 OTHER COMPONENTS OF EQUITY

As at 31st March In Rs. '000s	Note	*Group* 2018	*Group* 2017	*Company* 2018	*Company* 2017
Revaluation reserve	34.1	4,411,240	3,845,799	-	-
Foreign currency translation reserve	34.2	3,177,876	2,870,943	-	-
Available for sale reserve	34.3	(4)	(3)	(4)	(3)
Employee share option plan reserve	34.4	44,066	32,693	-	-
		7,633,178	6,749,432	(4)	(3)

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 Available for sale reserve includes changes of fair value of financial instruments designated as available for sale financial assets.

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*	
	2018	2017
Expense arising from equity-settled share-based payment transactions	11,422	9,765
Total expense arising from share-based payment transactions	11,422	9,765

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*			
	2018		2017	
	No.	WAEP	No.	WAEP
Outstanding at 1 April	659,101	160.87	486,664	196.00
Granted during the year	212,224	173.25	265,405	142.83
Transfer in / (out)	29,733	161.59	(119,451)	164.87
Forfeited during the year	(22,877)	145.88	(31,522)	171.78
Adjustment during the year	-	-	58,005	177.95
Expired during the year	-	-	-	-
Outstanding at 31 March	878,181	163.96	659,101	160.87
Exercisable at 31 March	388,078	169.20	215,200	174.89

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 grated.

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.

36 INTEREST BEARING BORROWINGS

36.1 Movement

As at 31st March In Rs. '000s	*Group* 2018	2017
Balance at the beginning of the year	3,656,558	3,003,776
Cash Movement		
Loans obtained during the year	2,834,971	1,894,090
Repayments during the year	(2,581,145)	(1,347,443)
Non Cash Movement		
Currency translation difference	74,587	106,135
Balance at the end of the year	3,984,971	3,656,558
Analysed by repayment period		
Repayable within one year	1,220,753	2,573,150
Repayable after one year		
Repayable between one and five years	2,635,600	1,083,408
Repayable after five years	128,618	-
	2,764,218	1,083,408
	3,984,971	3,656,558

36.2 Security and Repayment Terms of Borrowings

In Rs. '000s	Lending Institution	Nominal Interest Rate	Repayment Terms	Carrying Value of Collaterals	2018	2017
John Keells Maldivian Resorts (Pvt) Ltd	Sampath Bank PLC	6 months LIBOR based plus margin	The loan is payable within 90 days	Fixed deposits of USD 4.3 Mn	-	1,477,455
Tranquility (Pte) Ltd	HSBC Bank	3 months LIBOR based plus margin	20 quarterly instalments commencing from July 2018	Leasehold right on the Island of Kanuoiy Huraa in Kaafu (Male')	2,572,350	-
Travel Club (Pte) Ltd	HSBC Bank	1 months LIBOR based plus margin	12 quarterly instalments commencing from September 2017	-	233,850	303,800
Trinco Holiday Resorts (Pvt) Ltd	Sampath Bank PLC	6 months LIBOR based plus margin	20 quarterly instalments commencing from April 2014	Corporate guarantee of John Keells Hotels PLC for the LKR equivalent of USD 1.158 Mn	36,107	70,360
	Sampath Bank PLC	AWPLR based plus margin	83 monthly instalments commencing from July 2014	Letter of comfort of John Keells Hotels PLC	188,000	205,000
	HSBC Bank	1 months LIBOR based plus margin	6 quarterly instalments commencing from May 2018	-	54,097	-
Habarana Lodge Ltd	Sampath Bank PLC	6 months LIBOR based plus margin	20 quarterly instalments commencing from July 2013	Corporate guarantee of John Keells Hotels PLC of USD 2 Mn	15,590	75,950
	HSBC Bank	1 months LIBOR based plus margin	8 quarterly instalments commencing from May 2018	-	46,770	-
	Habib Bank Ltd	1 month LIBOR based plus margin	48 monthly instalments commencing from July 2013	Corporate guarantee of John Keells Hotels PLC of USD 0.9 Mn	-	6,076
Kandy Walk Inn Ltd	HSBC Bank	1 month LIBOR based plus margin	48 monthly instalments commencing from October 2013 with one year grace period	-	-	91,840

In Rs. '000s	Lending Institution	Nominal Interest Rate	Repayment Terms	Carrying Value of Collaterals	2018	2017
Yala Village (Pvt) Ltd	Sampath Bank PLC	6 months LIBOR based plus margin	20 quarterly instalments commencing from July 2013	Corporate guarantee of John Keells Hotels PLC of USD 1.5 Mn	11,691	56,962
	Habib Bank Ltd	AWPLR based minus margin	48 monthly instalments commencing from August 2014	-	11,667	39,667
Beruwala Holiday Resorts (Pvt) Ltd	Hatton National Bank PLC	1 month SLIBOR based plus margin	74 monthly instalments commencing from April 2013	Rs. 3,650 Mn primary floating mortgage bond over hotel property	309,684	439,683
	Sampath Bank PLC	6 months LIBOR based plus margin	20 quarterly instalments commencing from July 2013	Corporate guarantee of John Keells Hotels PLC of USD 4 Mn	15,590	75,950
	HSBC Bank	1 month LIBOR based plus margin	20 quarterly instalments commencing from March 2018	-	169,346	-
	HSBC Bank	1 month COF based plus margin	20 quarterly instalments	-	49,375	
	Standard Chartered Bank	1 months LIBOR based plus margin	16 quarterly instalments commencing from February 2014	Corporate guarantee of John Keells Hotels PLC for the LKR equivalent of USD 2 Mn	-	243,040
Hikkaduwa Holiday Resorts (Pvt) Ltd	DFCC Bank PLC	AWPLR	66 monthly instalments commencing from November 2013	Primary mortgage over lease rights of LKR 940 Mn and LKR 60 Mn over movable property and plant and equipment	208,494	388,495
	Sampath Bank PLC	6 months LIBOR based plus margin	20 quarterly instalments commencing from October 2013	Corporate guarantee of John Keells Hotels PLC for the LKR equivalent of USD 4 Mn	62,360	182,280
					3,984,971	3,656,558

37 EMPLOYEE BENEFIT LIABILITY

Accounting Policy

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

Employee Defined Benefit Plan - Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in the other comprehensive income this was previously recognized in income statement.

As at 31st March In Rs. '000s	*Group*	
	2018	2017
Balance at the beginning of the year	187,798	156,077
Current service cost	18,488	19,072
Interest cost	19,711	16,381
Payments made during the year	(34,938)	(15,930)
Transfers	2,160	(12)
Gain arising from changes in the assumptions or due to over provision in the previous year	(1,770)	12,210
Balance at the end of the year	191,449	187,798
The expenses recognised in the following line items in the income statement		
Cost of sales	15,471	13,754
Administrative expenses	21,193	20,559
Distribution expenses	1,535	1,140
	38,199	35,453

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:

	2018	2017
Discount rate	10%	10.5%
Future salary increases	10%	10%

37.1 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	
	2018	2017	2018	2017
Effect on the defined benefit obligation liability				
Increase by one percentage point	(7,178)	(7,592)	7,547	8,467
Decrease by one percentage point	7,497	8,299	(7,344)	(7,882)

37.2 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*	
	2018	2017
Within the next 12 months	12,581	14,860
Between 1 and 2 years	9,887	20,307
Between 2 and 5 years	102,204	62,877
Between 5 and 10 years	66,777	89,754
Total expected payments	191,449	187,798

The Group weighted average duration of the defined benefit plan obligation is 5.22 (2017 - 5.94) years.

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 to the costs, that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

Deferred Sublease Payment

Lease payment under operating lease recognise as an expense on 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* 2018	2017
Grant	38.1	2,875	4,344
Deferred sublease payment	38.2	151,747	115,663
		154,622	120,007

38.1

As at 31st March In Rs. '000s	*Group* 2018	2017
Balance at the beginning of the year	4,344	3,009
Grant received during the year	-	2,097
Amortisation during the year	(1,469)	(762)
Balance at the end of the year	2,875	4,344

Basis of amortisation - 10% p.a.

This represents the grant received by Yala Village (Pvt) Ltd from The Ceylon Chamber of Commerce for the garbage disposal project with regard to the Promotion of Eco-efficient Productivity (PEP) and the grant received by Fantasea World Investments (Pvt) Ltd from Ministry of Tourism of Maldives to develop a bio gas plant.

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. Trade and other payables are normally non-interesting bearing and settled within one year.

As at 31st March In Rs. '000s	*Group* 2018	2017	*Company* 2018	2017
Trade and other payables				
Trade payables	311,641	333,618	-	-
Other payables	253,827	242,942	8,873	6,889
Accrued expenses	157,057	141,459	5,945	6,695
	722,525	718,019	14,818	13,584

40 OTHER CURRENT LIABILITIES

Accounting Policy

Group classifies all non financial current liabilities under other current liabilities.

These include non refundable deposits and other tax payables. These liabilities are recorded at amounts expected to be set-off at the reporting date.

As at 31st March In Rs. '000s	*Group* 2018	2017
Non-refundable deposits	343,289	277,462
Other tax payables	156,266	178,462
	499,555	455,924

41 RELATED PARTY TRANSACTIONS

Terms and Conditions of Transactions with Related Parties

The Group and Company carried out transactions in the ordinary course of business at arm's length price with the following related entities. The list of Directors at each of the subsidiary and joint venture companies have been disclosed in the Group directory under the Supplementary Information section of the Annual Report.

Outstanding current account balances at the year end are unsecured, interest free and settlements occur in cash. Loans are given at pre-agreed terms and interest rates.

Non-Recurrent Related Party Transactions

There were no any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 March 2017 audited financial statements, which required additional disclosures

in the 2017/18 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 31 March 2017 audited financial Statements, which required additional disclosures in the 2017/18 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	*Group*		*Company*	
In Rs. '000s	2018	2017	2018	2017
Ultimate parent				
John Keells Holdings PLC	468	128	-	-
Companies under common control				
Walkers Tours Ltd	90,382	145,654	-	-
Whittall Boustead (Travel) Ltd.	5,366	16,696	-	-
Cinnamon Hotel Management Ltd	2,794	2,820	30	-
Ceylon Cold Stores PLC	-	54	-	-
Waterfront Properties (Pvt) Ltd	60	-	-	-
Rajawella Holdings Ltd	405	-	-	-
Saffron Aviation (Pvt) Ltd	102	-	-	-
Union Assurance PLC	483	-	-	-
InfoMate (Pvt) Ltd	12	-	-	-
Nuwara Eliya Holiday Resorts (Pvt) Ltd	-	-	-	1,553
Ceylon Holiday Resorts Ltd	-	-	560	-
Habarana Lodge Ltd	-	-	6	35
Yala Village (Pvt) Ltd	-	-	5	24
Beruwala Holiday Resorts (Pvt) Ltd	-	-	6	136
Hikkaduwa Holiday Resorts (Pvt) Ltd	-	-	26	77
Trinco Holiday Resorts (Pvt) Ltd	-	-	14	30
Wirawila Walk Inn Ltd	-	-	-	44
Resort Hotels Ltd	-	-	-	2
	99,604	165,224	647	1,901
	100,072	165,352	647	1,901

41.2 Amounts Due to Related Parties

As at 31st March In Rs. '000s	*Group*		*Company*	
	2018	2017	2018	2017
Ultimate parent				
John Keells Holdings PLC	8,769	6,986	1,115	487
Companies under common control				
Cinnamon Hotel Management Ltd	107,577	118,522	693	1,712
InfoMate (Pvt) Ltd	3,049	2,951	36	31
Keells Food Products PLC	1,949	4,377	-	-
John Keells International (Pvt) Ltd	1,809	1,709	-	-
John Keells Office Automation Ltd	390	1,639	-	-
Ceylon Cold Stores PLC	97	571	-	-
Walkers Tours Ltd	914	913	-	-
Jaykay Marketing Services (Pvt) Ltd	59	74	-	-
Keells Consultants (Pvt) Ltd	271	331	126	97
Saffron Aviation (Pvt) Ltd	38	-	-	
Mackinnons Travel (Pvt) Ltd	2,018	37	-	-
Wirawila Walk Inn Ltd	-	-	17	-
Trinco Holiday Resorts (Pvt) Ltd	-	-	-	160
Mack Air Services Maldives (Pvt) Ltd	851	258	-	-
Yala Village (Pvt) Ltd	-	-	16	16
Trans Asia Hotels PLC	-	48	-	-
Resort Hotels Ltd	-	-	26	-
Hikkaduwa Holiday Resorts (Pvt) Limited	-	-	-	61
Habarana Walk Inn Limited	-	-	29	27
Rajawella Hotels Company Ltd	-	-	11	1
Mackinnons Keells Limited	-	579	-	-
John Keells Logistics (Pvt) Ltd	-	66	-	-
Sancity Hotels & Properties Ltd	621	255	-	-
	119,643	132,330	954	2,105
	128,412	139,316	2,069	2,592

41.3 Transactions with Related Parties

For the year ended 31st March In Rs. '000s	Note	*Group*		*Company*	
		2018	2017	2018	2017
Ultimate parent					
Receiving of services		(67,035)	(62,202)	(5,662)	(3,354)
Directors fees paid		(21,524)	(18,480)	(4,730)	(4,080)
Companies Under Common Control					
Purchase of goods	41.4	(55,661)	(79,777)	-	-
Rendering of services	41.5	364,794	572,761	-	-
Receiving of services	41.6	(895,921)	(1,000,015)	(523)	(2,797)
Sale of lease rights		-	-		
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		3,472	3,806	-	-

41.4 Transactions with Related Parties - Companies under Common Control

For the year ended 31st March In Rs. '000s	Group 2018	Group 2017	Company 2018	Company 2017
Purchase of goods				
Ceylon Cold Stores PLC	(3,793)	(15,879)	-	-
Jaykay Marketing Services (Pvt) Ltd	(471)	(1,449)	-	-
John Keells Office Automation (Pvt) Ltd	(9,659)	(7,801)	-	-
Keells Food Products PLC	(41,738)	(54,648)	-	-
	(55,661)	(79,777)	-	-

41.5 Transactions with Related Parties - Companies under Common Control

For the year ended 31st March In Rs. '000s	Group 2018	Group 2017	Company 2018	Company 2017
Rendering of services				
Walkers Tours Ltd	337,246	512,867	-	-
Whittall Boustead (Travels) Ltd	27,498	51,228	-	-
Cinnamon Hotel Management Ltd	-	6,627	-	-
John Keells Office Automation (Pvt) Ltd	-	891	-	-
Other related parties	50	1,148	-	-
	364,794	572,761	-	-

41.6 Transactions with Related Parties - Companies under Common Control

For the year ended 31st March In Rs. '000s	Group 2018	Group 2017	Company 2018	Company 2017
Receiving of services				
Infomate (Pvt) Ltd	(34,712)	(29,421)	(74)	(328)
Keells Consultants (Pvt) Ltd	(2,065)	(2,987)	(449)	(1,044)
John Keells International (Pvt) Ltd	(22,155)	(16,040)		-
John Keells Office Automation (Pvt) Ltd	(1,203)	(75)		-
Cinnamon Hotel Management Ltd	(810,157)	(928,870)		(1,425)
Mackinnons Travels (Pvt) Ltd	(14,745)	(9,097)		-
Walkers Tours Ltd	(875)	(2,077)		-
Mack Air Services Maldives (Pvt) Ltd	(9,787)	(11,058)		-
Other related parties	(222)	(390)		-
	(895,921)	(1,000,015)	(523)	(2,797)

41.7 Compensation of Key Management Personnel

For the year ended 31st March In Rs. '000s	*Group* 2018	*Group* 2017	*Company* 2018	*Company* 2017
Short term employee benefits	25,124	22,080	8,330	7,680
Post employment benefits	-	-	-	-
Other long term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	25,124	22,080	8,330	7,680

Key management personnel include members of the Board of Directors of John Keells Hotels PLC, its subsidiaries and John Keells Holdings PLC.

42 COMMITMENTS

42.1 Capital and Other Commitments

Capital commitments contracted but not incurred in relation to Bentota Beach Hotel project and the Hakuraa Huraa refurbishment project in Maldives as at 31 March 2018 amounts to Rs. 4.76 Bn and US$ 1.2 Mn respectively.

Capital commitments approved but not contracted for the Nuwara Eliya Hotel project and Hakuraa Huraa refurbishment project in Maldives, as at 31 March 2018, amounts to Rs. 3.72 Bn and US$ 1.6 Mn respectively.

Cinnamon Hakuraa Huraa Maldives was temporarily closed for refurbishment from 01 May 2018.

Commitment of the Company as at the reporting date on account of guarantees issued on behalf of subsidiary companies amounted to Rs. 247 Mn. (2017 - Rs. 710 Mn.)

42.2 Lease Commitments

For the year ended 31st March In Rs. '000s	*Group* 2018	*Group* 2017
Lease rentals due on non-cancellable operating leases;		
Within one year	547,617	502,762
Between one and five years	2,336,491	2,116,758
After five years	7,908,065	7,327,085
	10,792,173	9,946,605

42.3 Details of Leasehold Land

Company	Land Extent Acres	Lessor	Leased Properties
Ceylon Holiday Resorts Ltd	11.02	Ceylon Tourist Board	Land occupied
Hikkaduwa Holiday Resorts (Pvt) Ltd	4.36	Ceylon Tourist Board	Land occupied
Habarana Walk Inn Ltd	9.34	Kekirawa Divisional Secretariat	Land occupied
Habarana Lodge Ltd	25.48	Kekirawa Divisional Secretariat	Land occupied
Yala Village (Pvt) Ltd	11.25	Ceylon Tourist Board	Land occupied
Fantasea World Investments (Pte) Ltd	18.90	Government of Maldives	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

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 (LKAS 18)

Contingent assets are disclosed, where inflow of economic benefit is probable.

There were no significant contingent liabilities as at the reporting date except for the following:

Ceylon Holiday Resorts Ltd

Income tax assessments relating to years of assessments 2012/13, 2013/2014 and 2014/2015

Assessments were raised disallowing a part of the operating fee claimed by the company. The Company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2018 is estimated at Rs. 11.1 Mn.

Beruwala Holiday Resorts (Pvt) Ltd

Income tax assessments relating to years of assessments 2012/13, 2013/2014 and 2014/2015

Assessments were raised disallowing the tax losses and interest expenses under Sec 32. The Company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2018 is estimated at Rs. 3.9 Mn.

Habarana Walk Inn Ltd

Income tax assessments relating to years of assessments 2012/13 and 2013/2014

Assessments were raised disallowing a part of the operating fee claimed by the company. The Company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2018 is estimated at Rs. 0.78 Mn.

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

45 EVENTS SUBSEQUENT TO THE REPORTING DATE

The Board of Directors of the Company has resolved to increase its investment in Ceylon Holiday Resorts Ltd by Rs. 817 Mn subscribing to the rights issue.

There has been no other material events occurring after the reporting date that requires adjustment to or disclosure in the financial statements.

Quarterly Information
Income Statement - Group

For the three months ended	2017/2018				
In Rs. '000s	June 30th	September 30th	December 31st	March 31st	For the year ended
Revenue	2,383,899	2,514,301	2,940,985	3,775,191	11,614,376
Cost of sales	(910,579)	(969,313)	(1,068,045)	(1,072,853)	(4,020,790)
Gross profit	1,473,320	1,544,988	1,872,940	2,702,338	7,593,586
Other operating income	4,416	105,820	(13,748)	7,377	103,865
Administrative expenses	(1,318,138)	(1,162,043)	(1,105,313)	(1,183,502)	(4,768,996)
Distribution expenses	(78,044)	(65,418)	(104,803)	(137,764)	(386,029)
Other operating expenses	(300,790)	(273,846)	(322,609)	(321,561)	(1,218,806)
Finance expenses	(79,329)	(63,301)	(61,462)	(51,427)	(255,519)
Finance income	71,393	88,155	56,002	67,944	283,494
Share of results of equity accounted investees	(166)	(158)	(235)	(322)	(881)
Profit before tax	(227,338)	174,197	320,772	1,083,083	1,350,714
Tax expense	(6,599)	(70,311)	(115,084)	(28,122)	(220,116)
Profit for the year	(233,937)	103,886	205,688	1,054,961	1,130,598
Attributable to:					
Equity holders of the parent	(230,942)	100,682	203,562	1,045,649	1,118,951
Non-controlling interests	(2,995)	3,204	2,126	9,312	11,647
	(233,937)	103,886	205,688	1,054,961	1,130,598

Quarterly Information
Statement of Financial Position - Group

As at In Rs. '000s	2017/2018 June 30th	September 30th	December 31st	March 31st
Assets				
Non current assets	25,948,536	26,104,499	26,202,900	27,270,909
Current assets	6,103,198	4,977,290	5,466,449	5,964,931
Total Assets	32,051,734	31,081,789	31,669,349	33,235,840
Equity and Liabilities				
Equity	24,670,395	24,160,640	24,377,739	26,208,985
Non controlling interest	136,426	134,448	130,232	144,503
Total Equity	24,806,821	24,295,088	24,507,971	26,353,488
Non current liabilities	3,960,325	3,721,890	3,596,375	3,769,516
Current liabilities	3,284,588	3,064,811	3,565,003	3,112,836
Total Liabilities	7,244,913	6,786,701	7,161,378	6,882,352
Total Equity and Liabilities	32,051,734	31,081,789	31,669,349	33,235,840
Share Information				
Earnings per share	(0.16)	0.07	0.14	0.72
Net assets per share	16.94	16.59	16.74	18.00
Market price per share				
Highest	11.90	11.50	10.00	10.10
Lowest	10.10	9.20	8.40	8.30
Last traded price	10.80	9.70	8.80	9.30

Indicative US Dollar Financial Statements

Income Statement

For the year ended 31st March In Rs. '000s	*Group*		*Company*	
	2018	2017	2018	2017
Revenue	75,633	83,199	-	-
Cost of sales	(26,184)	(26,404)	-	-
Gross profit	49,449	56,795	-	-
Dividend income	-	-	8,928	8,148
Other operating income	676	779	13	62
Administrative expenses	(31,056)	(31,263)	(175)	(173)
Distribution expenses	(2,514)	(2,047)	-	-
Other operating expenses	(7,937)	(9,074)	(3)	(6)
Results from operating activities	8,618	15,190	8,763	8,031
Finance expenses	(1,664)	(1,539)	-	-
Finance income	1,846	1,468	899	558
Net finance income/(expenses)	182	(71)	899	558
Share of results of equity accounted investees	(6)	(7)	-	-
Profit before tax	8,794	15,112	9,662	8,589
Tax expense	(1,433)	(2,518)	(255)	(172)
Profit for the year	7,361	12,594	9,407	8,417
Attributable to :				
Equity holders of the parent	7,286	12,477		
Non-controlling interests	75	117		
	7,361	12,594		
Exchange Rate (SL Rs.)	153.56	147.98	153.56	147.98

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.

Indicative US Dollar Financial Statements

Statement of Financial Position

As at 31st March In Rs. '000s	*Group*		*Company*	
	2018	2017	2018	2017
ASSETS				
Non-Current Assets				
Property, plant and equipment	90,337	94,501	-	-
Lease rentals paid in advance	67,911	70,534	-	-
Investment property	10,095	-	-	-
Intangible assets	4,300	4,413	-	-
Investments in subsidiaries	-	-	73,368	70,214
Investments in equity accounted investees	482	463	425	425
Non-current financial assets	1,191	1,216	-	-
Deferred tax assets	602	506	-	-
Other non-current assets	8	4	-	-
	174,926	171,637	73,793	70,639
Current Assets				
Inventories	1,092	1,253	-	-
Trade and other receivables	6,155	5,898	-	-
Other current assets	2,228	2,936	98	83
Amounts due from related parties	642	1,089	4	13
Income tax recoverable	1,422	915	33	54
Short term investments	20,688	19,892	6,770	6,497
Cash in hand and at bank	6,033	7,594	332	289
	38,260	39,577	7,237	6,936
Total Assets	213,186	211,214	81,030	77,575
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Stated capital	60,938	62,543	60,938	62,543
Other components of equity	48,962	44,433	-	-
Revenue reserve	58,214	56,167	19,654	14,496
	168,114	163,143	80,592	77,039
Non controlling interests	927	918	-	-
Total Equity	169,041	164,061	80,592	77,039

As at 31st March In Rs. '000s	*Group*		*Company*	
	2018	2017	2018	2017
Non-Current Liabilities				
Interest bearing borrowings	17,731	7,132	-	-
Deferred tax liabilities	4,229	1,731	-	-
Employee benefit liability	1,228	1,236	-	-
Other deferred liabilities	992	790	-	-
Non-current financial liabilities	-	-	-	-
	24,180	10,889	-	-
Current Liabilities				
Trade and other payables	4,633	4,727	95	89
Other current liabilities	3,204	3,001	-	-
Amounts due to related parties	824	917	13	17
Income tax liabilities	1,812	719	330	248
Interest bearing borrowings	7,830	16,941	-	-
Bank overdrafts	1,662	9,959	-	182
	19,965	36,264	438	536
Total Equity and Liabilities	213,186	211,214	81,030	77,575
Exchange Rate (SL Rs.)	155.90	151.90	155.90	151.90

Decade at a Glance - Group

31st March In Rs.000s	2018	2017	2016	2015
OPERATING RESULTS				
Revenue	11,614,376	12,311,664	11,631,973	11,444,150
Cost of sales	(4,020,790)	(3,907,360)	(3,436,976)	(3,290,496)
Gross profit	7,593,586	8,404,304	8,194,997	8,153,654
Earnings before interest and tax	1,606,233	2,463,916	2,217,246	2,455,788
Finance expenses	(255,519)	(227,788)	(182,025)	(265,101)
Profit/(loss) before tax	1,350,714	2,236,128	2,035,221	2,190,687
Tax expense	(220,116)	(372,620)	(286,422)	(322,923)
Loss after tax for the year from discontinued operations	-	-	-	-
Profit/(Loss) for the year	1,130,598	1,863,508	1,748,799	1,867,764
Attributable to:				
Equity holders of the parent	1,118,951	1,846,130	1,734,543	1,853,724
Non controlling interests	11,647	17,378	14,256	14,040
	1,130,598	1,863,508	1,748,799	1,867,764
ASSETS				
Non current assets				
Property, plant and equipment (PPE)	14,083,594	14,354,695	14,272,874	13,560,033
Lease rentals paid in advance (LRPA)	10,587,355	10,714,231	8,537,247	7,861,533
Investment property (IP)	1,573,798	-	-	-
Intangible assets (IA)	670,407	670,407	670,407	670,407
Non current assets other than PPE, LRPA IP and IA	355,755	332,441	325,068	137,841
	27,270,909	26,071,774	23,805,596	22,229,814
Current assets				
Short term investments and cash in hand and bank (STI and C&B)	4,165,911	4,175,145	3,440,751	2,893,304
Current assets other than STI and C&B	1,799,020	1,836,543	1,653,253	1,626,251
	5,964,931	6,011,688	5,094,004	4,519,555
Total assets	33,235,840	32,083,462	28,899,600	26,749,369
EQUITY & LIABILITIES				
Equity attributable to equity holders of the parent				
Stated capital	9,500,247	9,500,247	9,500,247	9,500,247
Other components of equity	7,633,178	6,749,432	6,106,444	4,637,612
Revenue reserves	9,075,560	8,531,777	7,278,122	6,189,643
	26,208,985	24,781,456	22,884,813	20,327,502
Non-controlling interests	144,503	139,392	132,952	118,187
Total equity	26,353,488	24,920,848	23,017,765	20,445,689

	2014	2013	2012	2011	2010	2009
	10,966,381	9,341,581	7,388,158	5,691,186	5,187,129	5,114,000
	(3,590,914)	(3,004,424)	(2,310,988)	(1,735,846)	(1,567,127)	(1,653,083)
	7,375,467	6,337,157	5,077,170	3,955,340	3,620,002	3,460,917
	2,427,116	1,819,992	1,640,782	1,104,756	825,250	70,534
	(533,877)	(537,096)	(264,628)	(271,603)	(318,986)	(292,013)
	1,893,239	1,282,896	1,376,154	833,153	506,264	(221,479)
	(318,313)	(161,877)	(265,354)	(80,423)	(2,989)	503
	-	-	-	(226,747)	(298,117)	-
	1,574,926	1,121,019	1,110,800	525,983	205,158	(220,976)
	1,565,846	1,116,779	1,105,271	523,944	204,960	(211,498)
	9,080	4,240	5,529	2,039	198	(9,478)
	1,574,926	1,121,019	1,110,800	525,983	205,158	(220,976)
	13,152,921	13,471,801	9,918,258	6,585,581	8,718,964	8,685,256
	8,235,508	8,639,214	9,386,494	8,605,476	3,653,846	3,839,086
	-	-	-	-	-	-
	670,407	670,407	670,407	670,407	670,963	666,068
	121,392	79,289	59,206	72,114	66,407	47,396
	22,180,228	22,860,711	20,034,365	15,933,578	13,110,180	13,237,806
	2,729,432	910,125	1,687,270	325,367	3,572,296	504,494
	1,557,862	1,493,302	1,638,314	1,638,520	1,245,912	1,005,993
	4,287,294	2,403,427	3,325,584	1,963,887	4,818,208	1,510,487
	26,467,522	25,264,138	23,359,949	17,897,465	17,928,388	14,748,293
	9,500,247	9,500,247	9,500,247	9,500,247	9,500,247	5,859,880
	3,886,925	3,628,684	1,791,313	761,197	772,879	620,791
	4,708,642	3,165,257	2,482,461	1,379,022	870,373	695,953
	18,095,814	16,294,188	13,774,021	11,640,466	11,143,499	7,176,624
	100,442	92,623	67,725	63,689	56,269	47,111
	18,196,256	16,386,811	13,841,746	11,704,155	11,199,768	7,223,735

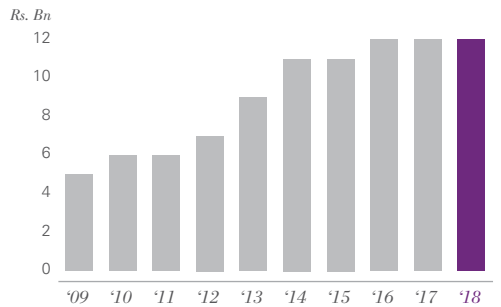
Decade at a Glance - Group

31st March In Rs.000s	2018	2017	2016	2015
Non current liabilities				
Non current liabilities other than borrowings	1,005,298	570,741	555,364	465,709
Borrowings	2,764,218	1,083,408	1,852,851	2,900,658
	3,769,516	1,654,149	2,408,215	3,366,367
Current liabilities				
Current liabilities other than borrowings and OD	1,632,908	1,422,477	1,600,718	1,524,144
Current portion of borrowings and bank overdraft	1,479,928	4,085,988	1,872,902	1,413,169
	3,112,836	5,508,465	3,473,620	2,937,313
Total equity and liabilities	33,235,840	32,083,462	28,899,600	26,749,369
CASH FLOWS				
Net cash flows from/(used in) operating activities	2,997,104	3,231,801	3,615,758	3,542,296
Net cash flows from/(used) in investing activities	(567,660)	(3,105,447)	(2,364,080)	(1,408,306)
Net cash flows from/(used in) financing activities	(333,603)	(49,099)	(1,962,069)	(2,324,195)
Net Increase/(decrease) in Cash and Cash Equivalents	2,095,841	77,255	(710,391)	(190,205)
KEY INDICATORS				
Basic earnings per share (EPS) (Rs.)	0.77	1.27	1.19	1.27
EPS growth (%)	(39.4)	6.7	(6.3)	17.6
Dividend per share (Rs.)	0.40	0.40	0.40	0.25
Dividend payout (%)	52.05	31.55	33.58	19.64
Dividend yield (%)	4.30	4.00	3.33	1.75
Interest cover (no. of times)	6.3	10.8	12.2	9.3
Return on equity (%)	4.4	7.8	8.0	9.7
Pre-tax ROCE (%)	5.3	8.7	8.7	10.0
No. of shares in issue ('000)	1,456,147	1,456,147	1,456,147	1,456,147
Net assets per share (Rs.)	18.00	17.02	15.72	13.96
Debt/Equity (no. of times)	0.16	0.21	0.16	0.21
Debt/Total assets (%)	12.77	16.11	12.89	16.13
Market price of share as at 31st March (Rs.)	9.30	10.00	12.00	14.30
Market capitalisation (Rs. '000)	13,542,165	14,561,468	17,473,761	20,822,899
Price earnings ratio (no. of times)	12.08	7.87	10.08	11.26
Assets turnover (no. of times)	0.35	0.38	0.40	0.43
Current ratio (no. of times)	1.92	1.09	1.47	1.54
USD closing rate	155.90	151.90	147.65	133.45
USD average rate	153.56	147.98	139.18	131.24

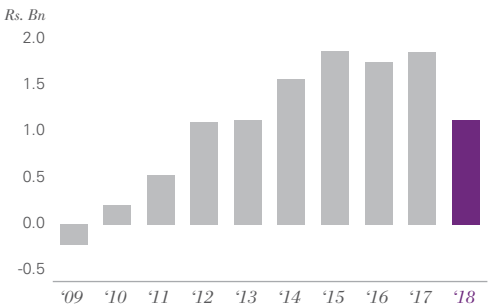
	2014	2013	2012	2011	2010	2009
	390,375	297,181	193,329	163,347	117,068	192,226
	4,245,400	5,571,060	5,809,814	2,615,273	3,006,492	3,184,228
	4,635,775	5,868,241	6,003,143	2,778,620	3,123,560	3,376,454
	1,520,160	1,463,010	1,496,896	803,074	1,383,999	1,073,113
	2,115,331	1,546,076	2,018,164	2,611,616	2,221,061	3,074,991
	3,635,491	3,009,086	3,515,060	3,414,690	3,605,060	4,148,104
	26,467,522	25,264,138	23,359,949	17,897,465	17,928,388	14,748,293
	3,229,473	2,640,675	2,481,857	494,403	989,108	916,481
	(910,612)	(2,329,157)	(3,273,604)	(2,312,965)	(473,600)	(1,032,180)
	(938,729)	(338,777)	2,930,882	(1,870,223)	3,623,564	(515,482)
	1,380,132	(27,259)	2,139,135	(3,688,785)	4,139,072	(631,181)
	1.08	0.77	0.76	0.36	0.14	(0.19)
	40.2	1.0	111.0	155.6	(172.7)	244.8
	-	0.30	-	-	-	-
	-	39.12	-	-	-	-
	-	2.27	-	-	-	-
	4.5	3.4	6.2	4.1	2.6	0.2
	9.2	7.5	8.7	4.6	2.2	(3.1)
	10.1	8.1	8.5	6.6	5.5	0.5
	1,456,147	1,456,147	1,456,147	1,456,147	1,456,147	1,092,110
	12.43	11.19	9.46	7.99	7.65	6.57
	0.35	0.44	0.57	0.45	0.47	0.87
	24.03	28.17	33.51	29.20	29.16	42.44
	12.50	13.20	12.60	17.20	18.25	6.50
	18,201,835	19,221,137	18,347,449	25,045,725	26,574,679	7,098,715
	11.62	17.21	16.60	47.80	129.66	(33.56)
	0.41	0.37	0.32	0.32	0.29	0.35
	1.18	0.80	0.95	0.58	1.34	0.36
	130.70	126.75	128.10	110.40	114.00	115.53
	130.09	139.91	112.56	112.13	115.02	109.83

Decade at a Glance - Group

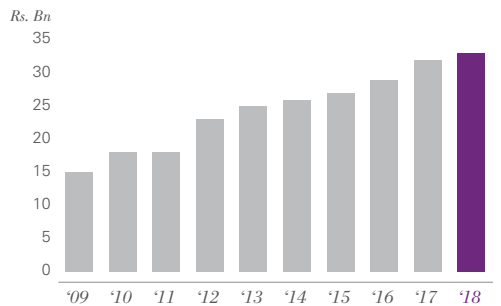
REVENUE



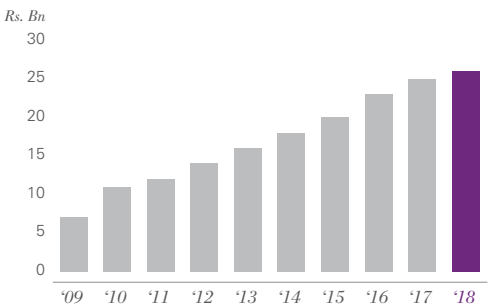
PROFIT AFTER TAX



TOTAL ASSETS



NET ASSETS



Group Real Estate Portfolio

Owning Company and Location	Buildings (Sq Ft)		Land in acres				Net book value	
			Freehold Property		Leasehold Property		Rs.'000	Rs.'000
	2018	2017	2018	2017	2018	2017	2018	2017
PROPERTIES - SRI LANKA								
Beruwala Holiday Resorts (Pvt) Ltd								
Cinnamon Bey Beruwala	425,684	425,684	11.39	11.39	-	-	3,677,121	3,433,098
Ceylon Holiday Resorts Ltd								
Bentota Beach by Cinnamon	11,476	236,524	2.32	2.32	11.02	11.02	181,295	291,174
Hikkaduwa Holiday Resorts (Pvt) Ltd								
Hikka Tranz by Cinnamon	233,965	233,965	0.29	0.29	4.36	4.36	1,176,903	1,141,311
Habarana Lodge Ltd								
Cinnamon Lodge Habarana	202,999	202,999	-	-	25.48	25.48	742,912	713,801
Habarana Walk Inn Ltd								
Habarana Village by Cinnamon	121,767	121,767	-	-	9.34	9.34	359,466	346,645
Kandy Walk Inn Ltd								
Cinnamon Citadel Kandy	173,900	173,900	6.57	6.39	-	-	1,616,915	1,438,299
Resort Hotels Ltd								
Nilaveli	4,485	4,485	41.73	41.73	-	-	867,900	834,500
Trinco Holiday Resorts (Pvt) Ltd								
Trinco Blu by Cinnamon	120,910	120,910	13.24	13.24		-	913,322	799,329
Trinco Walk Inn Ltd								
Trincomalee	-	-	14.64	14.64		-	339,548	283,000
Wirawila Walk Inn Ltd								
Wirawila	-	-	25.15	25.15	-	-	86,887	86,883
Yala Village (Pvt) Ltd								
Cinnamon Wild Yala	113,509	111,529	-	-	11.25	11.25	495,601	473,395

Group Real Estate Portfolio

Owning Company and Location	Buildings (Sq Ft)		Land in acres				Net book value	
			Freehold Property		Leasehold Property		Rs.'000	Rs.'000
	2018	2017	2018	2017	2018	2017	2018	2017
Ahungalla Holiday Resorts (Pvt) Ltd								
Ahungalla	-	-	6.51	6.51	-	-	279,600	152,790
Nuwara Eliya Holiday Resorts (Pvt) Ltd								
Nuwara Eliya	-	-	3.35	3.35	-	-	313,900	290,911
PROPERTIES - MALDIVES								
Tranquility (Pte) Ltd								
Cinnamon Dhonveli Maldives	246,358	246,358	-	-	17.16	17.16	9,977,690	9,690,056
Travel Club (Pte) Ltd								
Ellaidhoo Maldives by Cinnamon	170,877	170,877	-	-	13.80	13.80	1,759,031	1,529,258
Fantasea World Investments (Pte) Ltd								
Cinnamon Hakuraa Huraa Maldives	150,412	150,412	-	-	18.90	18.90	1,166,697	1,183,394
Total	1,976,342	2,199,410	125.19	125.01	111.31	111.31	23,954,788	22,687,844

Directors of Subsidiary Companies

SRI LANKA

CEYLON HOLIDAY RESORTS LIMITED

(PB 40) - 99.09%
Owner of Bentota Beach by Cinnamon
Incorporated in - 1966
Company operating address - Bentota Beach by Cinnamon,
Galle Road, Bentota
Registered office address - 117, Sir Chittampalam
A Gardiner Mawatha, Colombo 02
Stated Capital - Rs. 1,561.7 Mn
Contact No. - 034-2275176/7
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr B J S M Senanayake
Mr A D Gunewardene (resigned 31/12/2017)

HABARANA LODGE LIMITED

(PB 38) - 98.35%
Owner of Cinnamon Lodge Habarana
Incorporated in - 2007
Company operating address - Cinnamon Lodge Habarana
P.O Box 02, Habarana.
Registered office address - 117, Sir Chittampalam
A Gardiner Mawatha, Colombo 02
Stated Capital - Rs. 341.5 Mn
Contact No. - 066-2270011/2
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr B J S M Senanayake
Mr A D Gunewardene (resigned 31/12/2017)

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 S C Ratnayake - Chairman
Mr J R Gunaratne
Mr B J S M Senanayake
Mr A D Gunewardene (resigned 31/12/2017)

INTERNATIONAL TOURISTS AND HOTELIERS LIMITED

(PB 17) - 99.33%
Incorporated in - 1973
Registered office address - 117, Sir Chittampalam
A Gardiner Mawatha, Colombo 02
Stated Capital - Rs. 1,939.7 Mn
Contact No. - 011-2306000
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr B J S M Senanayake
Mr A D Gunewardene (resigned 31/12/2017)

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.115.1 Mn
Contact No. - 081-2234365/6
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr B J S M Senanayake
Mr A D Gunewardene (resigned 31/12/2017)

Directors of Subsidiary Companies

RAJAWELLA HOTELS COMPANY LIMITED

(PB 92) - 100%
Incorporated in - 1992
Registered office address - 117, Sir Chittampalam
A Gardiner Mawatha, Colombo 02
Stated Capital - Rs. 35.1 Mn
Contact No. - 011-2306000
Directors - Mr S C Ratnayake - Chairman
Ms D C Alagaratnam
Mr J R Gunaratne
Mr A D Gunewardene (resigned 31/12/2017)

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. - 011-2306000
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr B J S M Senanayake
Mr A D Gunewardene (resigned 31/12/2017)

RESORT HOTELS LIMITED

(PB 193) - 100%
Owner of real estate in Nilaveli
Incorporated in - 2008
Registered office address - 117, Sir Chittampalam
A Gardiner Mawatha, Colombo 02
Stated Capital - Rs. 7.8 Mn
Contact No. - 011-2306000
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr A D Gunewardene (resigned 31/12/2017)

WIRAWILA WALK INN LIMITED

(PB 89) - 100%
Owner of real estate in Wirawila
Incorporated in - 1994
Registered office address - 117, Sir Chittampalam
A Gardiner Mawatha, Colombo 02
Stated Capital - Rs.19.2 Mn
Contact No. - 011-2306000
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr B J S M Senanayake
Mr A D Gunewardene (resigned 31/12/2017)

YALA VILLAGE (PRIVATE) LIMITED

(PV 2868) - 93.78%
Owner of Cinnamon Wild Yala
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 02
Stated Capital - Rs. 369.4 Mn
Contact No. - 047- 2239449/52
Directors - Mr M A Perera - Chairman
Mr S C Ratnayake - Deputy Chairman
Mr J G A Cooray
Mr J R Gunaratne
Mr J A Davis
Mr B J S M Senanayake
Mr A D Gunewardene (resigned 31/12/2017)

BERUWALA HOLIDAY RESORTS (PRIVATE) LIMITED

(PV 69678) - 100%
Owner of Cinnamon Bey Beruwala
Incorporated in - 2009
Company operating address - Cinnamon Bey Beruwala
Moragolla, Beruwala
Registered office address - 117, Sir Chittampalam
A Gardiner Mawatha, Colombo 02
Stated Capital - Rs. 2,338.1 Mn

Contact No. - 034-2297000
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr B J S M Senanayake
Mr A D Gunewardene (resigned 31/12/2017)

TRINCO HOLIDAY RESORTS (PRIVATE) LIMITED

(PV 69908) - 100%
Owner of Trinco Blu by Cinnamon
Incorporated in - 2009
Company operating address - Trinco Blu by Cinnamon
Sambativu, Uppuvelli, Trincomalee
Registered office address - 117, Sir Chittampalam
A Gardiner Mawatha, Colombo 02
Stated Capital - Rs.357 Mn
Contact No. - 026-2222307
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr B J S M Senanayake
Mr A D Gunewardene (resigned 31/12/2017)

HIKKADUWA HOLIDAY RESORTS (PRIVATE) LIMITED

(PV 71747) - 100%
Owner of Hikka Tranz by Cinnamon
Incorporated in - 2010
Company operating address - Hikka Tranz by Cinnamon
No.01, Galle Road, Hikkaduwa
Registered office address - 117, Sir Chittampalam
A Gardiner Mawatha, Colombo 02
Stated Capital - Rs. 1,062.6 Mn
Contact No. - 091-2277023
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr B J S M Senanayake
Mr A D Gunewardene (resigned 31/12/2017)

AHUNGALLA HOLIDAY RESORTS (PRIVATE) LIMITED

(PV 85046) - 100%
Owner of real estate in Ahungalla
Incorporated in - 2012
Registered office address - 117, Sir Chittampalam
A Gardiner Mawatha, Colombo 02
Stated Capital - Rs. 133.1 Mn
Contact No. - 011-2306000
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr B J S M Senanayake
Mr A D Gunewardene (resigned 31/12/2017)

NUWARA ELIYA HOLIDAY RESORTS (PRIVATE) 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. 320.3 Mn
Contact No. - 011-2306000
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr B J S M Senanayake
Mr A D Gunewardene (resigned 31/12/2017)

CINNAMON HOLIDAYS (PRIVATE) 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. - 011-2306000
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr A D Gunewardene (resigned 31/12/2017)

Directors of Subsidiary Companies

MALDIVES

JOHN KEELLS MALDIVIAN RESORTS (PTE) LIMITED

(C-208/96) - 100%
Incorporated in - 1996
Registered office address - 2nd Floor, H.Maizan Building, Sosun Magu, Male, Republic of Maldives
Stated Capital - US$ 39 Mn
Contact No. - 011-2306000
Directors - Mr S C Ratnayake - Chairman
Mr K N J Balendra
Mr J R Gunaratne
Mr B J S M Senanayake
Mr J E P Kehelpannala
Mr A D Gunewardene (resigned 31/12/2017)

TRAVEL CLUB (PTE) LIMITED

(C-121/92) - 100%
Owner of Ellaidhoo Maldives by Cinnamon
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, Male, Republic of Maldives
Stated Capital - US$ 2.5 Mn
Contact No. - 011-2306000
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr B J S M Senanayake
Mr J E P Kehelpannala
Mr A D Gunewardene (resigned 31/12/2017)

FANTASEA WORLD INVESTMENTS (PTE) LIMITED

(C-143/97) - 100%
Owner of Cinnamon Hakuraa Huraa Maldives
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, Male, Republic of Maldives.
Stated Capital - US$ 0.6 Mn
Contact No. - 011-2306000
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr B J S M Senanayake
Mr J E P Kehelpannala
Mr A D Gunewardene (resigned 31/12/2017)

TRANQUILITY (PTE) LIMITED

(C344/2004) - 100%
Owner of Cinnamon Dhonveli Maldives
Incorporated in - 2004
Company operating address - Cinnamon Dhonveli Maldives, North Male Atoll, Republic of Maldives
Registered office address - 2nd Floor, H.Maizan Building, Sosun Magu, Male, Republic of Maldives
Stated Capital - US$ 5 Mn
Contact No. - 011-2306000
Directors - Mr S C Ratnayake - Chairman
Mr J R Gunaratne
Mr B J S M Senanayake
Mr J E P Kehelpannala
Mr A D Gunewardene (resigned 31/12/2017)

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 recognized because:

1. The obligation is crystallised by the occurrence or non-occurrence of one or more future events or,
2. A probable outflow of economic 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 gains 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.

EBITDA

Earnings before interest, tax, depreciation and amortisation.

Glossary of Financial Terms

EFFECTIVE TAX RATE

Tax expense divided by profit before tax.

EPS GROWTH

Percentage of the increase in the EPS over the previous year.

EQUITY METHOD

The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition changes in the investors' share of net assets of the investee. The income statement of the investor includes the investor's share of the profit or loss of the investee.

FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCE LEASE

A contract whereby a lessor conveys to the lessee the right to use an asset 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.

Notes

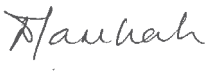
Notice of Meeting

Notice is hereby given that the Thirty Ninth Annual General Meeting of John Keells Hotels PLC will be held on 28th June 2018 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 2018 with the Report of the Auditors thereon.
3. To re-elect as Director, Mr. J E P Kehelpannala, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. J E P Kehelpannala is contained in Page 35 of the Annual Report
4. To re-elect as Director, Mr. K N J Balendra, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. K N J Balendra is contained in Page 34 of the Annual Report
5. To re-elect as Director, Mr. J G A Cooray who retires in terms of Article 90 of the Articles of Association of the Company. A brief profile of Mr. J G A Cooray is contained in Page 34 of the Annual Report.
6. To re-elect as Director, Mr. J R Gunaratne who retires in terms of Article 90 of the Articles of Association of the Company. A brief profile of Mr. J R Gunaratne is contained in Page 35 of the Annual Report.
7. To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors and to authorise the Directors to determine their remuneration.
8. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

By Order of the Board,



Keells Consultants (Private) Limited
Secretaries

Colombo
04th June 2018

Notes:

- A member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.
- A Proxy need not be a member of the Company.
- A member wishing to vote by Proxy at the Meeting may use the Proxy Form enclosed.
- In order to be valid, the completed Proxy Form must be lodged at the Registered Office of the Company not later than 48 hours before the meeting.
- If a poll is demanded, a vote can be taken on a show of hand or by a poll. Each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual member and his proxy holder are both present at the meeting, only the member's vote is counted. If proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.

Form of Proxy

I/We..... of

..... being a member/s of John Keells Hotels PLC hereby appoint

..... of ..... or failing him/her

Mr. Susantha Chaminda Ratnayake	or failing him
Mr. 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. Balapuwaduge Justus Sunimal Mendis Senanayake	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 Thirty Ninth Annual General Meeting of the Company to be held on the 28th June 2018 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. J E P Kehelpannala, who retires in terms of Article 84 of the Articles of Association of the Company.	☐	☐
To re-elect as Director, Mr. K N J Balendra, who retires in terms of Article 84 of the Articles of Association of the Company.	☐	☐
To re-elect as Director, Mr. J G A Cooray, who retires in terms of Article 90 of the Articles of Association of the Company.	☐	☐
To re-elect as Director, Mr. J R Gunaratne, who retires in terms of Article 90 of the Articles of Association of the Company.	☐	☐
To re-appoint Messrs. Ernst & Young Chartered Accountants, as Auditors and to authorise the Directors to determine their remuneration.	☐	☐

Signed this .....day of ..... Two Thousand and Eighteen.

.....
Signature/s of shareholder/s

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

Form of Proxy

INSTRUCTIONS AS TO COMPLETION OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02, not later than 48 hours before the time appointed for the holding of the Meeting.

3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

4. If the appointor is a Company or Corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the Company or Corporation in accordance with its Articles of Association or Constitution.

5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name : .....

Address : .....

.....

.....

Jointly with : .....

Share Folio No. : .....

Corporate Information

NAME OF COMPANY

John Keells Hotels PLC

LEGAL FORM

Public Limited Liability Company incorporated in Sri Lanka on 1st October 1979

STOCK EXCHANGE LISTING

The issued shares of John Keells Hotels PLC are listed on the Colombo Stock Exchange

COMPANY REGISTRATION NO.

PQ 8

DIRECTORS

S C Ratnayake – Chairman
K N J Balendra
J G A Cooray (Appointed w.e.f. 01st January 2018)
J R Guneratne (Appointed w.e.f. 01st January 2018)
J E P Kehelpannala
B J S M Senanayake
N B Weerasekera
T L F W Jayasekera
A K Moonesinghe

SECRETARIES AND REGISTRARS

Keells Consultants (Pvt) Ltd
117, Sir Chittampalam A. Gardiner Mawatha
Colombo 2

AUDITORS

Ernst & Young
Chartered Accountants
P.O. Box 101
Colombo

BANKERS

Bank of Ceylon
Deutsche Bank A.G
Hongkong and Shanghai Banking Corporation
Nations Trust Bank
Hatton National Bank
Habib Bank
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) 2421101-15, (94-11) 2306000
Facsimile : (94-11) 2439046
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
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HOTELS & RESORTS

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