

JOHN KEELLS HOTELS PLC
Interim Condensed Financial Statements
Six months ended 30th September 2018



John Keells Hotels PLC - Interim Financial Statements

CONSOLIDATED INCOME STATEMENT

| | Quarter ended 30th September | | | Six months ended 30th September | | |
|--|------------------------------|------------------|-------------|---------------------------------|------------------|--------------|
| | 2018 | 2017 | % change | 2018 | 2017 | % change |
| Revenue from contracts with customers | 2,383,436 | 2,514,301 | (5) | 4,513,322 | 4,898,200 | (8) |
| Cost of sales | (798,193) | (969,313) | 18 | (1,613,120) | (1,879,892) | 14 |
| Gross profit | 1,585,243 | 1,544,988 | (3) | 2,900,202 | 3,018,308 | (4) |
| Other operating income | 6,576 | 105,820 | (94) | 10,141 | 110,236 | (91) |
| Administrative expenses | (1,118,878) | (1,162,043) | 4 | (2,218,984) | (2,480,181) | 11 |
| Distribution expenses | (78,780) | (65,418) | (20) | (146,271) | (143,462) | (2) |
| Other operating expenses (Note 07) | (341,617) | (273,846) | (25) | (771,930) | (574,636) | (34) |
| Results from operating activities | 52,544 | 149,501 | (65) | (226,842) | (69,735) | (225) |
| Finance expenses | (58,761) | (63,301) | 7 | (118,574) | (142,630) | 17 |
| Finance income | 56,315 | 88,155 | (36) | 104,818 | 159,548 | (34) |
| Net finance income/(expenses) | (2,446) | 24,854 | (110) | (13,756) | 16,918 | (181) |
| Share of results of equity accounted investees | (189) | (158) | (20) | (357) | (324) | (10) |
| Profit/(Loss) before tax | 49,909 | 174,197 | (71) | (240,955) | (53,141) | (353) |
| Tax expense | (46,832) | (70,311) | 33 | (19,447) | (76,910) | 75 |
| Profit/(Loss) for the period | 3,077 | 103,886 | (97) | (260,402) | (130,051) | (100) |
| Attributable to: | | | | | | |
| Equity holders of the parent | 850 | 100,682 | (99) | (262,092) | (130,260) | (101) |
| Non-controlling interests | 2,227 | 3,204 | (30) | 1,690 | 209 | 709 |
| | 3,077 | 103,886 | (97) | (260,402) | (130,051) | (100) |
| | Rs. | Rs. | | Rs. | Rs. | |
| Earnings per share | 0.00 | 0.07 | | (0.18) | (0.09) | |
| Dividend per share | - | 0.40 | | - | 0.40 | |

Note: All values are in Rupees thousands, unless otherwise stated.
 Figures in brackets indicate deductions.
 The above figures are not audited.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Quarter ended 30th September | | | Six months ended 30th September | | |
|--|------------------------------|-----------------|----------|---------------------------------|-----------------|----------|
| | 2018 | 2017 | % change | 2018 | 2017 | % change |
| Profit/(Loss) for the period | 3,077 | 103,886 | (97) | (260,402) | (130,051) | (100) |
| Other comprehensive income | | | | | | |
| Other comprehensive income to be reclassified to income statement in subsequent periods | | | | | | |
| Currency translation of foreign operations | 814,439 | (28,965) | 2,912 | 995,682 | 89,018 | 1,019 |
| Net gain/(loss) on fair value through other comprehensive income financial assets | (3) | 1 | (400) | (3) | 1 | (400) |
| Other comprehensive income not to be reclassified to income statement in subsequent periods | | | | | | |
| Tax on other comprehensive income | - | (1,865) | 100 | - | (2,703) | 100 |
| Other comprehensive income for the period, net of tax | 814,436 | <u>(30,829)</u> | 2,742 | 995,679 | <u>86,316</u> | 1,054 |
| Total comprehensive income for the period, net of tax | 817,513 | <u>73,057</u> | 1,019 | 735,277 | <u>(43,735)</u> | 1,781 |
| Attributable to: | | | | | | |
| Equity holders of the parent | 815,286 | 69,853 | 1,067 | 733,587 | (43,944) | 1,769 |
| Non-controlling interests | 2,227 | 3,204 | (30) | 1,690 | 209 | 709 |
| | 817,513 | <u>73,057</u> | 1,019 | 735,277 | <u>(43,735)</u> | 1,781 |

Note: All values are in Rupees thousands, unless otherwise stated.
Figures in brackets indicate deductions.
The above figures are not audited.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| As at | 30.09.2018 | 30.09.2017 | 31.03.2018 |
|--|-------------------|-------------------|-------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14,768,927 | 14,466,469 | 14,083,594 |
| Lease rentals paid in advance | 11,268,107 | 10,591,417 | 10,587,355 |
| Investment property | 1,573,798 | - | 1,573,798 |
| Intangible assets | 670,407 | 670,407 | 670,407 |
| Investments in equity accounted investees | 74,720 | 70,012 | 75,077 |
| Non-current financial assets | 185,452 | 184,752 | 185,632 |
| Deferred tax assets | 144,343 | 120,482 | 93,833 |
| Other non-current assets | 1,426 | 960 | 1,213 |
| | 28,687,180 | 26,104,499 | 27,270,909 |
| Current assets | | | |
| Inventories | 185,432 | 191,551 | 170,268 |
| Trade and other receivables | 495,470 | 574,894 | 959,581 |
| Amounts due from related parties | 64,671 | 46,293 | 100,072 |
| Other current assets | 1,660,449 | 555,282 | 347,342 |
| Income tax recoverable | 171,245 | 222,478 | 221,757 |
| Short term investments | 2,272,927 | 2,815,169 | 3,225,312 |
| Cash in hand and at bank | 626,732 | 571,623 | 940,599 |
| | 5,476,926 | 4,977,290 | 5,964,931 |
| Total assets | 34,164,106 | 31,081,789 | 33,235,840 |
| Equity and liabilities | | | |
| Equity attributable to equity holders of the parent | | | |
| Stated capital | 9,500,247 | 9,500,247 | 9,500,247 |
| Revenue reserve | 8,825,302 | 7,819,058 | 9,075,560 |
| Other components of equity | 8,642,243 | 6,841,335 | 7,633,178 |
| | 26,967,792 | 24,160,640 | 26,208,985 |
| Non-controlling interests | 120,648 | 134,448 | 144,503 |
| Total equity | 27,088,440 | 24,295,088 | 26,353,488 |
| Non-current liabilities | | | |
| Interest bearing borrowings | 2,585,740 | 3,108,470 | 2,764,218 |
| Deferred tax liabilities | 652,849 | 291,502 | 659,227 |
| Employee benefit liability | 199,700 | 185,622 | 191,449 |
| Other deferred liabilities | 185,102 | 136,296 | 154,622 |
| | 3,623,391 | 3,721,890 | 3,769,516 |
| Current liabilities | | | |
| Trade and other payables | 682,234 | 720,833 | 722,525 |
| Amounts due to related parties | 103,354 | 93,380 | 128,412 |
| Other current liabilities | 511,091 | 437,042 | 499,555 |
| Income tax liabilities | 177,201 | 216,685 | 282,416 |
| Interest bearing borrowings | 1,179,166 | 1,025,001 | 1,220,753 |
| Bank overdrafts | 799,229 | 571,870 | 259,175 |
| | 3,452,275 | 3,064,811 | 3,112,836 |
| Total equity and liabilities | 34,164,106 | 31,081,789 | 33,235,840 |
| | Rs. | Rs. | Rs. |
| Net assets per share | 18.52 | 16.59 | 18.00 |

Note: All values are in Rupees thousands, unless stated otherwise.

The above figures are not audited.

I certify that the financial statements comply with the requirements of the Companies Act No. 07 of 2007.

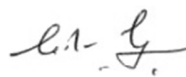


C L P Gunawardane
Chief Financial Officer

The Board of Directors is responsible for these financial statements.



K N J Balendra
Director



J G A Cooray
Director

26-Oct-18

John Keells Hotels PLC - Interim Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to Equity Holders of the Parent | | | | | | | | Total Equity |
|---|--|---------------------|-------------------------------|---|---------------|------------------|-------------------|--------------------------|-------------------|
| | Stated Capital | Revaluation Reserve | Exchange Equalisation Reserve | Fair Value Reserve of Financial Assets at FVOCI | ESOP Reserve | Revenue Reserves | Total | Non-controlling Interest | |
| As at 1st April 2017 | 9,500,247 | 3,845,799 | 2,870,943 | (3) | 32,693 | 8,531,777 | 24,781,456 | 139,392 | 24,920,848 |
| Profit/(Loss) for the period | - | - | - | - | - | (130,260) | (130,260) | 209 | (130,051) |
| Other comprehensive income | - | (2,703) | 89,018 | 1 | - | - | 86,316 | - | 86,316 |
| Total comprehensive income | - | (2,703) | 89,018 | 1 | - | (130,260) | (43,944) | 209 | (43,735) |
| Share based payment | - | - | - | - | 5,587 | - | 5,587 | 40 | 5,627 |
| Subsidiary dividend to non-controlling interest | - | - | - | - | - | - | - | (5,193) | (5,193) |
| Interim dividend paid - 2017/18 | - | - | - | - | - | (582,459) | (582,459) | - | (582,459) |
| As at 30th September 2017 | 9,500,247 | 3,843,096 | 2,959,961 | (2) | 38,280 | 7,819,058 | 24,160,640 | 134,448 | 24,295,088 |
| As at 1st April 2018 | 9,500,247 | 4,411,240 | 3,177,876 | (4) | 44,066 | 9,075,560 | 26,208,985 | 144,503 | 26,353,488 |
| Profit/(Loss) for the period | - | - | - | - | - | (262,092) | (262,092) | 1,690 | (260,402) |
| Other comprehensive income | - | - | 995,682 | (3) | - | - | 995,679 | - | 995,679 |
| Total comprehensive income | - | - | 995,682 | (3) | - | (262,092) | 733,587 | 1,690 | 735,277 |
| Share based payment | - | - | - | - | 4,746 | - | 4,746 | 7 | 4,753 |
| Subsidiary dividend to non-controlling interest | - | - | - | - | - | - | - | (5,400) | (5,400) |
| Acquisition, disposal and changes in non controlling interest | - | 8,622 | - | - | 18 | 11,834 | 20,474 | (20,152) | 322 |
| As at 30th September 2018 | 9,500,247 | 4,419,862 | 4,173,558 | (7) | 48,830 | 8,825,302 | 26,967,792 | 120,648 | 27,088,440 |

Note: All values are in Rupees thousands, unless otherwise stated.
 Figures in brackets indicate deductions.
 The above figures are not audited.

CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30th September

| | 2018 | 2017 |
|---|--------------------|--------------------|
| Cash flows from operating activities | | |
| Profit/(Loss) before tax | (240,955) | (53,141) |
| Adjustments for | | |
| Depreciation of property, plant and equipment | 476,714 | 660,998 |
| Provision for employee benefit costs | 19,697 | 20,132 |
| Share based payment expense | 4,753 | 5,627 |
| Amortisation of lease rentals paid in advance | 208,491 | 199,967 |
| Finance expenses | 118,574 | 142,630 |
| Amortisation of grant received | (447) | (760) |
| Finance income | (104,818) | (159,548) |
| (Profit)/Loss on disposal of property, plant and equipment | 177,035 | (106,313) |
| Share of results of equity accounted investees | 357 | 324 |
| Provision for deferred liabilities | 30,927 | 17,049 |
| Unrealised (gain) / loss on foreign exchange (net) | 7,400 | (3,066) |
| Operating profit before working capital changes | 697,728 | 723,899 |
| (Increase)/decrease in inventories | (15,164) | (1,285) |
| (Increase)/decrease in trade and other receivables | 494,267 | 364,683 |
| (Increase)/decrease in other assets | (1,305,671) | (84,166) |
| (Increase)/decrease in amounts due from related parties | 35,401 | 119,059 |
| Increase/(decrease) in amounts due to related parties | (25,058) | (45,936) |
| Increase/(decrease) in other liabilities | 9,532 | (23,360) |
| Increase/(decrease) in trade and other payables | (40,291) | 2,657 |
| Cash generated from operations | (149,256) | 1,055,551 |
| Finance expenses paid | (118,574) | (142,630) |
| Finance income received | 104,818 | 159,548 |
| Tax paid | (136,683) | (91,602) |
| Gratuity paid/transfers | (11,446) | (22,308) |
| Net cash from/(used in) operating activities | (311,141) | 958,559 |
| Cash flows from/(used in) investing activities | | |
| Purchase and construction of property, plant and equipment | (1,100,636) | (791,555) |
| Proceeds from sale of property, plant and equipment | 29,563 | 114,970 |
| (Investment)/withdrawal in short term investments (net) | 45,372 | (327,517) |
| (Purchase) / disposal of non-current financial assets (net) | 177 | (27) |
| Net cash flows from/(used in) investing activities | (1,025,524) | (1,004,129) |
| Cash flows from/(used in) financing activities | | |
| Dividend paid to equity holders of parent | - | (582,459) |
| Repayment of borrowings | (627,501) | (2,056,280) |
| Proceeds from borrowings | 208,310 | 2,514,600 |
| Changes in non controlling interest | 322 | - |
| Subsidiary dividend to non-controlling interest | (5,400) | (5,193) |
| Net cash flows from/(used in) financing activities | (424,269) | (129,332) |
| Net increase/(decrease) in cash and cash equivalents | (1,760,934) | (174,902) |
| Cash and cash equivalents at the beginning of the period | 3,299,699 | 1,203,858 |
| Cash and cash equivalents at the end of the period | 1,538,765 | 1,028,956 |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Short term investments | 1,711,262 | 1,029,203 |
| Cash in hand and at bank | 626,732 | 571,623 |
| Bank overdrafts | (799,229) | (571,870) |
| Total cash and cash equivalents | 1,538,765 | 1,028,956 |

Note: All values are in Rupees thousands, unless stated otherwise.

Figures in brackets indicate deductions.

The above figures are not audited.

John Keells Hotels PLC - Interim Financial Statements

COMPANY INCOME STATEMENT

| | Quarter ended 30th September | | | Six months ended 30th September | | |
|---------------------------------------|------------------------------|----------|----------|---------------------------------|-----------|----------|
| | 2018 | 2017 | % Change | 2018 | 2017 | % Change |
| Revenue from contracts with customers | - | - | - | - | - | - |
| Cost of sales | - | - | - | - | - | - |
| Gross profit | - | - | - | - | - | - |
| Dividend income | 305,535 | 212,397 | 44 | 305,535 | 1,360,797 | (78) |
| Other operating income | 1 | 578 | (100) | 47 | 1,351 | (97) |
| Administrative expenses | (10,422) | (9,688) | (8) | (20,800) | (18,574) | (12) |
| Other operating expenses | (33) | (26) | (27) | (59) | (415) | 86 |
| Results from operating activities | 295,081 | 203,261 | 45 | 284,723 | 1,343,159 | (79) |
| Finance expenses | (1) | (1) | - | (1) | (2) | 50 |
| Finance income | 8,002 | 53,829 | (85) | 21,378 | 81,589 | (74) |
| Net finance income / (expense) | 8,001 | 53,828 | (85) | 21,377 | 81,587 | (74) |
| Profit before tax | 303,082 | 257,089 | 18 | 306,100 | 1,424,746 | (79) |
| Tax expense | 687 | (15,234) | 105 | (158) | (23,223) | 99 |
| Profit for the period | 303,769 | 241,855 | 26 | 305,942 | 1,401,523 | (78) |

Note: All values are in Rupees thousands, unless otherwise stated.
 Figures in brackets indicate deductions.
 The above figures are not audited.

John Keells Hotels PLC - Interim Financial Statements

COMPANY STATEMENT OF COMPREHENSIVE INCOME

| | Quarter ended 30th September | | | Six months ended 30th September | | |
|--|------------------------------|----------------|----------|---------------------------------|------------------|----------|
| | 2018 | 2017 | % change | 2018 | 2017 | % change |
| Profit for the period | 303,769 | 241,855 | 26 | 305,942 | 1,401,523 | (78) |
| Other comprehensive income | | | | | | |
| Other comprehensive income to be reclassified to income statement in subsequent periods | | | | | | |
| Net gain/(loss) on fair value through other comprehensive income financials assets | (3) | 1 | (400) | (3) | 1 | (400) |
| Other comprehensive income for the period, net of tax | (3) | <u>1</u> | (400) | (3) | <u>1</u> | (400) |
| Total comprehensive income for the period, net of tax | 303,766 | <u>241,856</u> | 26 | 305,939 | <u>1,401,524</u> | (78) |

Note: All values are in Rupees thousands, unless otherwise stated.
 Figures in brackets indicate deductions.
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COMPANY STATEMENT OF FINANCIAL POSITION

| As at | 30.09.2018 | 30.09.2017 | 31.03.2018 |
|--|-------------------|-------------------|-------------------|
| Assets | | | |
| Non-current assets | | | |
| Investments in subsidiaries | 12,254,942 | 10,665,499 | 11,438,036 |
| Investments in equity accounted investees | 66,237 | 64,625 | 66,237 |
| Non-current financial assets | 6 | 11 | 9 |
| | 12,321,185 | 10,730,135 | 11,504,282 |
| Current assets | | | |
| Amounts due from related parties | 3,842 | 3,924 | 647 |
| Other current assets | 49,375 | 19,291 | 15,356 |
| Income tax recoverable | 5,175 | 8,276 | 5,175 |
| Short term investments | 554,900 | 1,769,404 | 1,055,378 |
| Cash in hand and at bank | 13,968 | 59,346 | 51,790 |
| | 627,260 | 1,860,241 | 1,128,346 |
| Total assets | 12,948,445 | 12,590,376 | 12,632,628 |
| Equity and liabilities | | | |
| Equity attributable to equity holders of the parent | | | |
| Stated capital | 9,500,247 | 9,500,247 | 9,500,247 |
| Revenue reserve | 3,369,990 | 3,021,078 | 3,064,048 |
| Other components of equity | (7) | (2) | (4) |
| Total equity | 12,870,230 | 12,521,323 | 12,564,291 |
| Current liabilities | | | |
| Trade and other payables | 20,171 | 15,728 | 14,818 |
| Amounts due to related parties | 2,387 | 2,284 | 2,069 |
| Income tax liabilities | 44,077 | 48,547 | 51,437 |
| Bank overdrafts | 11,580 | 2,494 | 13 |
| | 78,215 | 69,053 | 68,337 |
| Total equity and liabilities | 12,948,445 | 12,590,376 | 12,632,628 |

| | | | |
|-----------------------------|-------------|-------------|-------------|
| | Rs. | Rs. | Rs. |
| Net assets per share | 8.84 | 8.60 | 8.63 |

Note: All values are in Rupees thousands, unless stated otherwise.
The above figures are not audited.

I certify that the financial statements comply with the requirements of the Companies Act No. 07 of 2007.

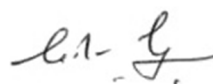


C L P Gunawardane
Chief Financial Officer

The Board of Directors is responsible for these financial statements.



K N J Balendra
Director



J G A Cooray
Director

26-Oct-18

John Keells Hotels PLC - Interim Financial Statements

COMPANY STATEMENT OF CHANGES IN EQUITY

| | Stated Capital | Fair Value Reserve of Financial Assets at FVOCI | Revenue Reserves | Total Equity |
|----------------------------------|-------------------|--|---------------------|-------------------|
| As at 1st April 2017 | 9,500,247 | (3) | 2,202,014 | 11,702,258 |
| Profit for the period | - | - | 1,401,523 | 1,401,523 |
| Other comprehensive income | - | 1 | - | 1 |
| Total comprehensive income | - | 1 | 1,401,523 | 1,401,524 |
| Interim dividend paid - 2017/18 | - | - | (582,459) | (582,459) |
| As at 30th September 2017 | 9,500,247 | (2) | 3,021,078 | 12,521,323 |
| As at 1st April 2018 | 9,500,247 | (4) | 3,064,048 | 12,564,291 |
| Profit for the period | - | - | 305,942 | 305,942 |
| Other comprehensive income | - | (3) | - | (3) |
| Total comprehensive income | - | (3) | 305,942 | 305,939 |
| Interim dividend paid - 2018/19 | - | - | - | - |
| As at 30th September 2018 | 9,500,247 | (7) | 3,369,990 | 12,870,230 |

Note: All values are in Rupees thousands, unless otherwise stated.

Figures in brackets indicate deductions.

The above figures are not audited.

John Keells Hotels PLC - Interim Financial Statements

COMPANY STATEMENT OF CASH FLOWS

Six months ended 30th September

Cash flows from operating activities

Profit before tax

Adjustments for

Finance expense

Dividend received

Finance income

Operating loss before working capital changes

(Increase)/decrease in other current assets

(Increase)/decrease in amounts due from related parties

Increase/(decrease) in amounts due to related parties

Increase/(decrease) in trade and other payables

Cash generated from/(used in) operations

Finance expenses paid

Tax paid

Finance income received

Dividend received

Net cash from/(used in) operating activities

Cash flows from/(used in) investing activities

(Investment)/withdrawal in short term investments (net)

Increase in interest in subsidiaries and joint venture

Net cash flows from/(used in) investing activities

Cash flows from/(used in) financing activities

Dividend paid to equity holders of parent

Net cash flows from/(used in) financing activities

Net increase/(decrease) in cash and cash equivalents

Cash and cash equivalents at the beginning of the period

Cash and cash equivalents at the end of the period

ANALYSIS OF CASH AND CASH EQUIVALENTS

Short term investments

Cash in hand and at bank

Bank overdrafts

Total cash and cash equivalents

| | 2018 | 2017 |
|---|------------------|--------------------|
| Cash flows from operating activities | | |
| Profit before tax | 306,100 | 1,424,746 |
| <i>Adjustments for</i> | | |
| Finance expense | 1 | 2 |
| Dividend received | (305,535) | (1,360,797) |
| Finance income | (21,378) | (81,589) |
| Operating loss before working capital changes | (20,812) | (17,638) |
| (Increase)/decrease in other current assets | (34,019) | (6,737) |
| (Increase)/decrease in amounts due from related parties | (3,195) | (2,023) |
| Increase/(decrease) in amounts due to related parties | 318 | (308) |
| Increase/(decrease) in trade and other payables | 5,353 | 2,144 |
| Cash generated from/(used in) operations | (52,355) | (24,562) |
| Finance expenses paid | (1) | (2) |
| Tax paid | (7,518) | (12,333) |
| Finance income received | 21,378 | 81,589 |
| Dividend received | 305,535 | 1,360,797 |
| Net cash from/(used in) operating activities | 267,039 | 1,405,489 |
| Cash flows from/(used in) investing activities | | |
| (Investment)/withdrawal in short term investments (net) | - | (1,083,827) |
| Increase in interest in subsidiaries and joint venture | (816,906) | - |
| Net cash flows from/(used in) investing activities | (816,906) | (1,083,827) |
| Cash flows from/(used in) financing activities | | |
| Dividend paid to equity holders of parent | - | (582,459) |
| Net cash flows from/(used in) financing activities | - | (582,459) |
| Net increase/(decrease) in cash and cash equivalents | (549,867) | (260,797) |
| Cash and cash equivalents at the beginning of the period | 1,107,155 | 902,780 |
| Cash and cash equivalents at the end of the period | 557,288 | 641,983 |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Short term investments | 554,900 | 585,131 |
| Cash in hand and at bank | 13,968 | 59,346 |
| Bank overdrafts | (11,580) | (2,494) |
| Total cash and cash equivalents | 557,288 | 641,983 |

Note: All values are in Rupees thousands, unless stated otherwise.

Figures in brackets indicate deductions.

The above figures are not audited.

John Keells Hotels PLC - Interim Financial Statements

OPERATING SEGMENTS

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

| Quarter ended 30th September | Sri Lanka | | Maldives | | Group Total | |
|--|------------------|-----------|------------------|-----------|------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Total revenue from contracts with customers | | | | | | |
| Services transferred over time | 1,404,075 | 1,372,843 | 1,007,132 | 1,173,888 | 2,411,207 | 2,546,731 |
| Less: inter segment revenue | (482) | (6,537) | (27,289) | (25,893) | (27,771) | (32,430) |
| Net revenue from contracts with customers | 1,403,593 | 1,366,306 | 979,843 | 1,147,995 | 2,383,436 | 2,514,301 |
| Segment operating profit/(loss) | 125,025 | 118,198 | (79,057) | (74,517) | 45,968 | 43,681 |
| Other operating income | 775 | 106,237 | 5,801 | (417) | 6,576 | 105,820 |
| Finance expenses | (21,129) | (35,605) | (37,632) | (27,696) | (58,761) | (63,301) |
| Finance income | 53,428 | 81,374 | 2,887 | 6,781 | 56,315 | 88,155 |
| Share of results of equity accounted investees | (189) | (158) | - | - | (189) | (158) |
| Profit/(loss) before tax | 157,910 | 270,046 | (108,001) | (95,849) | 49,909 | 174,197 |
| Tax expense | (62,563) | (83,276) | 15,731 | 12,965 | (46,832) | (70,311) |
| Profit/(loss) for the period | 95,347 | 186,770 | (92,270) | (82,884) | 3,077 | 103,886 |
| Other Information | | | | | | |
| Purchase and construction of property, plant and equipment | 238,332 | 89,848 | 523,097 | 420,328 | 761,429 | 510,176 |
| Depreciation of property, plant and equipment | 137,741 | 140,989 | 98,074 | 85,780 | 235,815 | 226,769 |
| Amortisation of lease rentals paid in advance | 789 | 774 | 104,404 | 99,372 | 105,193 | 100,146 |
| Provision for employee benefit costs | 11,338 | 10,266 | - | - | 11,338 | 10,266 |

Note: All values are in Rupees thousands, unless otherwise stated.

Figures in brackets indicate deductions.

The above figures are not audited.

In addition to Segment revenue/segment result, other segment data is disclosed for better presentation.

John Keells Hotels PLC - Interim Financial Statements

OPERATING SEGMENTS

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

| Six months ended 30th September | Sri Lanka | | Maldives | | Group Total | |
|--|------------------|------------------|------------------|------------------|-------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Total revenue from contracts with customers | | | | | | |
| Services transferred over time | 2,436,484 | 2,501,047 | 2,132,830 | 2,456,767 | 4,569,314 | 4,957,814 |
| Less: inter segment revenue | (2,048) | (7,912) | (53,944) | (51,702) | (55,992) | (59,614) |
| Net revenue from contracts with customers | 2,434,436 | 2,493,135 | 2,078,886 | 2,405,065 | 4,513,322 | 4,898,200 |
| Segment operating profit/(loss) | 46,534 | (131,211) | (283,517) | (48,760) | (236,983) | (179,971) |
| Other operating income | 929 | 112,587 | 9,212 | (2,351) | 10,141 | 110,236 |
| Finance expenses | (46,710) | (73,659) | (71,864) | (68,971) | (118,574) | (142,630) |
| Finance income | 97,401 | 136,309 | 7,417 | 23,239 | 104,818 | 159,548 |
| Share of results of equity accounted investees | (357) | (324) | - | - | (357) | (324) |
| Profit/(loss) before tax | 97,797 | 43,702 | (338,752) | (96,843) | (240,955) | (53,141) |
| Tax expense | (61,797) | (88,656) | 42,350 | 11,746 | (19,447) | (76,910) |
| Profit/(loss) for the period | 36,000 | (44,954) | (296,402) | (85,097) | (260,402) | (130,051) |
| Assets | | | | | | |
| Segment assets | 16,696,958 | 15,361,175 | 16,796,741 | 15,050,207 | 33,493,699 | 30,411,382 |
| Goodwill | | | | | 670,407 | 670,407 |
| Total assets | | | | | 34,164,106 | 31,081,789 |
| Liabilities | | | | | | |
| Segment liabilities | 2,818,837 | 2,735,872 | 4,256,829 | 4,050,829 | 7,075,666 | 6,786,701 |
| Total liabilities | | | | | 7,075,666 | 6,786,701 |
| Other Information | | | | | | |
| Purchase and construction of property, plant and equipment | 351,717 | 154,303 | 748,919 | 637,252 | 1,100,636 | 791,555 |
| Depreciation of property, plant and equipment | 277,861 | 490,632 | 198,853 | 170,366 | 476,714 | 660,998 |
| Amortisation of lease rentals paid in advance | 1,562 | 1,547 | 206,929 | 198,420 | 208,491 | 199,967 |
| Provision for employee benefit costs | 19,697 | 20,132 | - | - | 19,697 | 20,132 |

Note: All values are in Rupees thousands, unless stated otherwise.

Figures in brackets indicate deductions.

The above figures are not audited.

In addition to Segment revenue/segment result, other segment data is disclosed for better presentation.

NOTES TO THE FINANCIAL STATEMENTS

1 Corporate Information

John Keells Hotels PLC, is a public limited company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and the principal place of business of the Company is located at 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.

2 Interim Condensed Financial Statements

The financial statements for the period ended 30th September 2018, includes “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.

3 Approval of Financial Statements

The interim condensed financial statements of the Group and the Company for the six months ended 30th September 2018 were authorised for issue by the Board of Directors on 26th October 2018.

4 Basis of Preparation and Changes to the Group's Accounting Policies

4.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30th September 2018 have been prepared in accordance with LKAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31st March 2018.

There was no liability to management fees or any other similar expenditure not provided for in the interim financial statements.

The interim condensed financial statements are presented in Sri Lankan Rupees and all values are rounded to the nearest thousand except when otherwise indicated.

4.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st March 2018, except for the adoption of new standards effective as of 1st April 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, SLFRS 15 Revenue from Contracts with Customers and SLFRS 9 Financial Instruments that require restatement of previous financial statements. As required by LKAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted SLFRS 15 using the full retrospective method of adoption. Based on the assessment performed the Group concluded that SLFRS 15 does not have a material impact on Group's consolidated financial statements.

Rendering of services

Under SLFRS 15, the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1st April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied SLFRS 9 retrospectively, with the initial application date of 1st April 2018. The Group has taken an exception not to restate comparative information for prior periods with respect to classification and measurement requirements.

NOTES TO THE FINANCIAL STATEMENTS

4.2 New standards, interpretations and amendments adopted by the Group (contd.)

Classification and measurement

Except for certain trade receivables, under SLFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under SLFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The new classification and measurement of the Group's debt financial assets are, as follows:

Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables, and Loans included under Other non-current financial assets.

Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under LKAS 39, the Group's quoted debt instruments were classified as available-for-sale (AFS) financial assets.

Other financial assets are classified and subsequently measured, as follows:

Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under SLFRS 9. Under LKAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.

Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under LKAS 39, the Group's quoted equity securities were classified as AFS financial assets. Upon transition the AFS reserve relating to quoted equity securities, which had been previously recognised under accumulated OCI, was reclassified to Retained earnings.

The assessment of the Group's business models was made as of the date of initial application, 1st April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1st April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under LKAS 39. Similar to the requirements of LKAS 39, SLFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the Income Statement.

Impairment

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

SLFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses.

Hedge accounting

The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of SLFRS 9 had no significant impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

5 Operating Segment

The Group's internal organisation and management is structured based on the Group's geographical spread of operations. Sri Lanka and Maldives are the two reportable operating segments for the Group.

6 Related Party Transactions

| Six months ended 30th September In Rs. '000 | Group | | Company | |
|--|-----------|-----------|---------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Ultimate parent | | | | |
| Receiving of services | (40,229) | (33,662) | (2,008) | (3,175) |
| Directors fees paid | (8,324) | (11,549) | (2,456) | (2,365) |
| Companies Under Common Control | | | | |
| Purchase of goods | (18,466) | (27,611) | - | - |
| Rendering of services | 125,599 | 175,530 | - | - |
| Receiving of services | (338,256) | (352,897) | (797) | (909) |
| Equity accounted investees | | | | |
| Joint ventures | | | | |
| (Receiving) / Rendering of services | - | - | - | - |
| Key management personnel (KMP) | | | | |
| (Purchase)/sale of goods | - | - | - | - |
| Close family members of KMP | | | | |
| (Purchase)/sale of goods | - | - | - | - |
| Post employment benefit plan | | | | |
| Contributions to the provident fund | 1,344 | 2,008 | - | - |

7 Other operating expenses

Other operating expenses for the six months ended 30th September 2018 include the effect of non-recurring expense amounting to Rs. 175 million arising from impairment loss of non-financial assets due to the closure of Cinnamon Hakuraa Huraa Maldives for refurbishment, with effect from 1st May 2018.

NOTES TO THE FINANCIAL STATEMENTS

8 Share Information

8.1 Public shareholdings

The percentage of the shares held by the public as at 30th September 2018 was 19.64% (30th June 2018 - 19.64%).

The number of public shareholders as at 30th September 2018 was 6,510 (30th June 2018 - 6,489).

The float adjusted market capitalisation as at 30th September 2018 was Rs. 2,202,184,531 (30th June 2018 - Rs. 2,345,183,526) with reference to the rule 7.6 (iv) of the Listing Rules of the Colombo Stock Exchange. Accordingly, as at 30th September 2018, the Company was not in compliance with the float adjusted market capitalisation requirement of Listing Rules 7.13.1(a).

8.2 Directors shareholdings

The number of shares held by the Board of Directors and spouses are as follows:

| | 30.09.2018 | 30.06.2018 |
|---|-------------------|------------|
| 1 S. C. Ratnayake - Chairman | 550,311 | 550,311 |
| 2 K. N. J. Balendra | Nil | Nil |
| 3 J. G. A. Cooray | Nil | Nil |
| 4 J. R. Gunaratne | Nil | Nil |
| 5 J. E. P. Kehelpannala | Nil | Nil |
| 6 B. J. S. M. Senanayake (resigned w.e.f. 30th June 2018) | N/A | Nil |
| 7 M H Singhawansa (appointed w.e.f 1st July 2018) | Nil | N/A |
| 8 T. L. F. W. Jayasekera | Nil | Nil |
| 9 N. B. Weerasekera | Nil | Nil |
| 10 A. K. Moonesinghe | Nil | Nil |

8.3 Twenty largest shareholders of the Company are as follows.

As at

| | 30.09.2018 | | 30.06.2018 | |
|--|----------------------|---------------|---------------|--------|
| | No. of Shares | % | No. of Shares | % |
| 1 John Keells Holdings PLC | 1,169,598,478 | 80.32% | 1,169,598,478 | 80.32% |
| 2 Employees Provident Fund | 78,474,454 | 5.39% | 78,474,454 | 5.39% |
| 3 Sri Lanka Insurance Corporation Ltd. - Life Fund | 67,055,250 | 4.60% | 69,872,369 | 4.80% |
| 4 Mercantile Investments PLC | 13,000,000 | 0.89% | 13,000,000 | 0.89% |
| 5 Mr. D. J. M. Blackler | 6,514,760 | 0.45% | 6,514,760 | 0.45% |
| 6 National Savings Bank | 5,541,205 | 0.38% | 5,541,205 | 0.38% |
| 7 Mercantile Fortunes (Pvt) Ltd | 3,800,000 | 0.26% | 3,800,000 | 0.26% |
| 8 Seylan Bank PLC - A/C No. 3 | 3,326,811 | 0.23% | 3,326,811 | 0.23% |
| 9 Mr. D. G. Wijemanna | 3,000,000 | 0.21% | 3,000,000 | 0.21% |
| 10 Phoenix Ventures (Pvt) Ltd | 2,801,000 | 0.19% | 2,801,000 | 0.19% |
| 11 Bank of Ceylon - No. 2 A/C | 2,725,266 | 0.19% | 2,725,266 | 0.19% |
| 12 Mr. R. T. Jinasena | 2,516,765 | 0.17% | 2,516,765 | 0.17% |
| 13 Mr. T. R. Jinasena | 2,351,568 | 0.16% | 2,351,568 | 0.16% |
| 14 Mr. K. D. A. Perera | 2,044,600 | 0.14% | 2,044,600 | 0.14% |
| 15 Seylan Bank PLC - W.D.N.H. Perera | 2,000,000 | 0.14% | - | 0.00% |
| 16 Mr. U. G. Madanayake | 2,000,000 | 0.14% | 2,000,000 | 0.14% |
| 17 Merrill J Fernando & Sons (Pvt) Ltd | 1,911,573 | 0.13% | 1,911,573 | 0.13% |
| 18 E. W. Balasuriya & Co. (Pvt) Ltd | 1,851,626 | 0.13% | 1,851,626 | 0.13% |
| 19 Mrs N. Weerasinghe | 1,556,706 | 0.11% | 1,556,706 | 0.11% |
| 20 People's Leasing & Finance PLC - L.P. Hapangama | 1,533,879 | 0.11% | 1,533,879 | 0.11% |

8.4 Stated capital

Stated capital is represented by number of shares in issue as given below:

| As at | 30.09.2018 | 30.06.2018 |
|-----------------|----------------------|---------------|
| Ordinary shares | 1,456,146,780 | 1,456,146,780 |

8.5 Net assets per share

Net assets per share has been calculated, for all periods, based on the number of shares in issue as at 30th September 2018.

8.6 Market price per share

| For the quarter ended 30th September | 2018 | 2017 |
|---|-------------|-------|
| | Rs. | Rs. |
| Highest price (for the period) | 8.60 | 11.50 |
| Lowest price (for the period) | 7.70 | 9.20 |
| Last traded price (for the period) | 7.70 | 9.70 |

NOTES TO THE FINANCIAL STATEMENTS

9 Redevelopment and refurbishments

9.1 Closure of Cinnamon Hakuraa Huraa Maldives hotel owned by Fantasea World Investments (Pte) Ltd

Cinnamon Hakuraa Huraa Maldives was temporarily closed for refurbishment from 1st May 2018.

9.2 Partial closure of Ellaidhoo Maldives by Cinnamon owned by Travel Club (Pte) Ltd

Ellaidhoo Maldives by Cinnamon was partially closed for refurbishment from June 2018 and the refurbishment project was completed on 20th October 2018.

10 Investment in Bentota Beach by Cinnamon hotel owned by Ceylon Holiday Resorts Ltd

The Company increased its shareholdings in Ceylon Holiday Resorts Ltd from 99.09% to 99.31% with an investment of Rs. 817 million by subscribing to the rights issue in May 2018.

11 Contingencies, capital and other commitments

Capital commitments contracted but not incurred in relation to Bentota Beach by Cinnamon Hotel project, Cinnamon Hakuraa Huraa Maldives refurbishment project in Maldives and the Ellaidhoo Maldives by Cinnamon refurbishment project as at 30th September 2018, amounts to Rs. 3.08 billion, US\$ 14.3 million and US\$ 0.23 million respectively.

Capital commitments approved but not contracted for the Nuwara Eliya Hotel project and the Ellaidhoo Maldives by Cinnamon refurbishment project as at 30th September 2018, amounts to Rs. 3.72 billion and US\$ 0.5 million respectively.

The Company does not have any commitment as at 30th September 2018 on account of guarantees issued on behalf of subsidiary companies.

There has been no other significant change in the nature of the contingencies and commitments, which were disclosed in the annual report for the year ended 31st March 2018.

12 Events after the reporting period

Yala Village (Pvt) Ltd redeemed entirety of its cumulative preference shares amounting to Rs. 50 million on 09th October 2018.

There have been no other events occurring after the reporting date that require adjustment to or disclosure in the financial statements.

**INTERIM FINANCIAL STATEMENTS
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

J R Gunaratne

J E P Kehelpannala

B J S M Senanayake (resigned w.e.f. 30th June 2018)

M H Singhawansa (appointed w.e.f 1st July 2018)

T L F W Jayasekera

N B Weerasekera

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

Citi Bank N.A

Deutsche Bank A.G

Hongkong and Shanghai Banking Corporation

Nations Trust Bank

Hatton National Bank

Habib Bank

DFCC Bank

People's Bank

Commercial Bank of Ceylon

Sampath Bank

Head Office & Registered Office of the Company

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