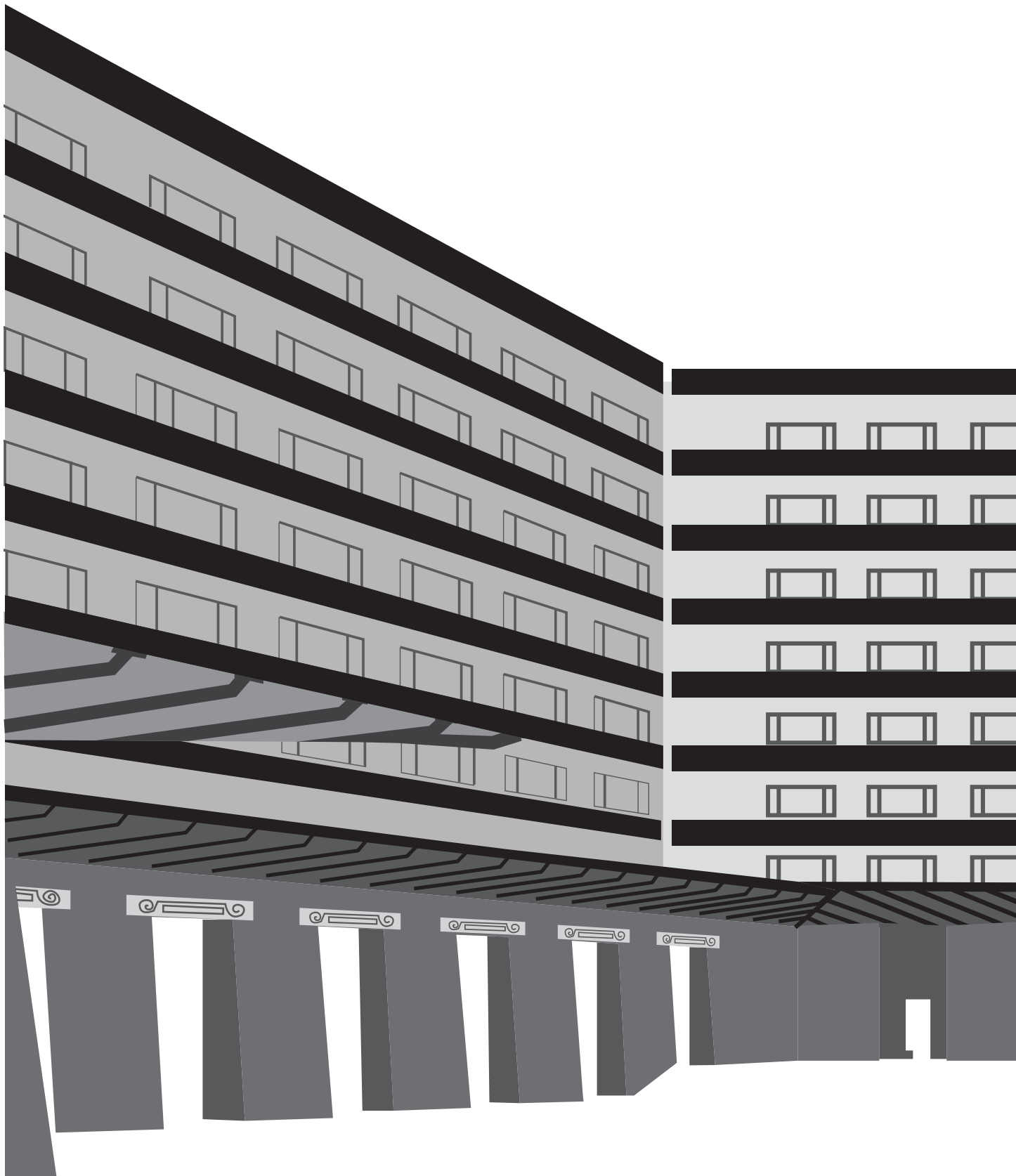


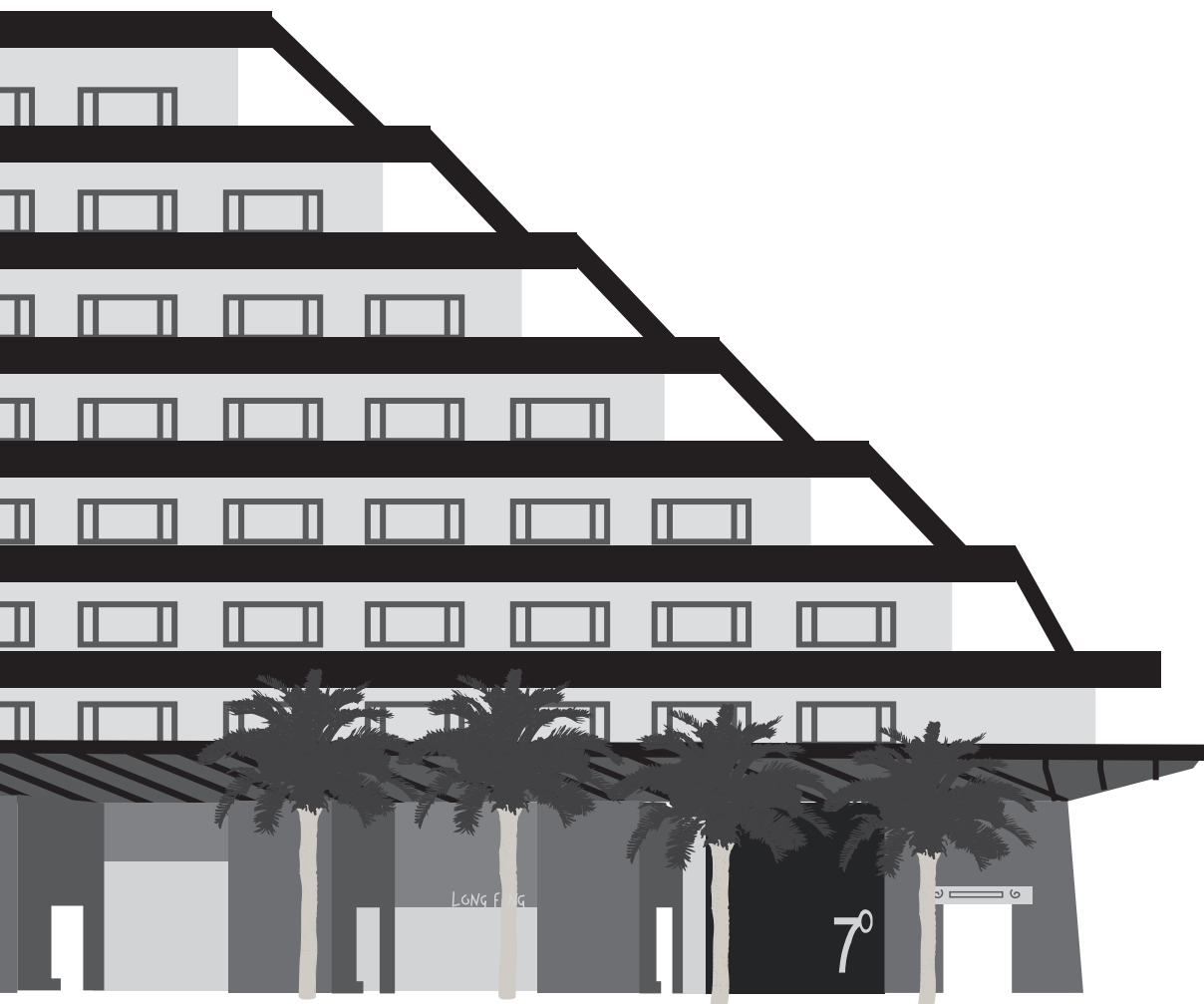
WHERE ELSE...

Trans Asia Hotels PLC - Annual Report 2018/19



A resort that is firmly entrenched
in the absolute spirit of Sri Lankan hospitality.
A name that has stood the test of time
in transforming the leisure industry.
A place that keeps time on hold
as it delivers on unique experiences
found nowhere else...

Where else would you rather be?



Inside this Report...

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About this Report

This is our second Annual Integrated Report, prepared in accordance with the guidelines of the International Integrated Reporting <IR> framework published by the International Integrated Reporting Council. Our aim has been on communicating the value we have created during the year in a concise manner, covering all material aspects and providing a balanced overview of our strategy, governance, performance and prospects, in the context of the external environment we operate in.

SCOPE AND BOUNDARY GRI 102-50, 102-52, 102-53, 102-54, 102-56

This Report covers the operations of Trans Asia Hotels PLC (the Company) for the period 1st April 2018 to 31st March 2019. Material events occurring after this date up to the date of sign off by the Board of Directors on 22nd May 2019 have been included in this Report.

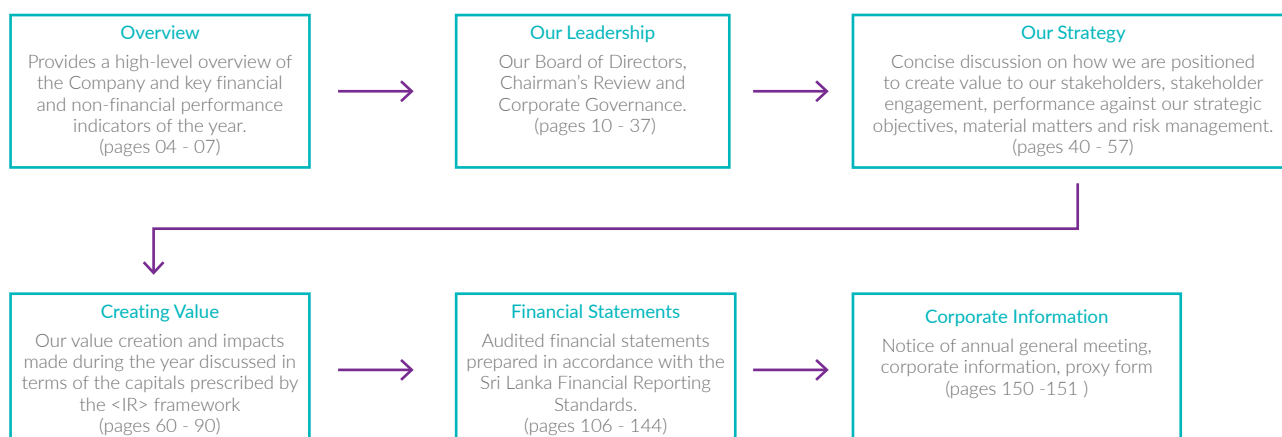
Financial and non-financial information presented adheres to the reporting requirements of the respective regulatory bodies.

	Reporting Framework	Assurance
Statutory	Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	The financial statements of Trans Asia Hotels PLC have been audited by Messrs. KPMG, Chartered Accountants
	Companies Act No. 7 of 2007 and its subsequent amendments	
	Listing rules of the Colombo Stock Exchange (CSE)	
Voluntary	International <IR> framework of the IIRC	The Board acknowledges its responsibility to ensure the integrity of the Integrated Report and believes that it addresses all material issues and presents fairly the integrated performance of Cinnamon Lakeside in accordance with the principles set out in the <IR> framework
	In accordance' - Core of Global Reporting Initiative (GRI) Standards; Sustainability Reporting guidelines	
	Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC)	
	Environmental, social and governance (ESG) guidelines issued by the CSE	

FEEDBACK

We hope this Annual Report incorporating the principles of <IR> gives you a better understanding of our business. Integrated Reporting is a journey of continuous improvement and we welcome your comments and queries which will be helpful in improving our Integrated Report. Please direct your feedback to, Mr. Ruvindra Angunawela on +94 11 249 1077 during normal office hours or email ruvindra@cinnamonhotels.com.

NAVIGATING OUR REPORT



OVERVIEW

About Us



In the midst of the bustle in Colombo, stands Cinnamon Lakeside, an urban resort exuding a serene and calming ambience. Catering to both leisure and business travellers, Cinnamon Lakeside is a five star luxury hotel with an array of dining choices, delectable cuisine and world class service standards.

Cinnamon Hotels & Resorts is Sri Lanka's premier hospitality provider; operating a chain of 14 hotels and 2,471 rooms in Sri Lanka and Maldives. Uniquely Sri Lankan, the Cinnamon brand has redefined hospitality industry standards in the country.

Cinnamon

HOTELS & RESORTS



Stay in luxurious comfort. Our rooms and elegant suites, with views of the city and the Beira Lake, has been designed for comfort and includes amenities that deliver superior customer experience.

346
Five Star
Rooms

20 Suites

29 Executive

106 Premium

191 Superior

Dine in one of our 8 award-winning specialty restaurants; some of the best dining experiences in the city.

Royal Thai - possibly the best Thai restaurant in Colombo

Long Feng - serving traditional Chinese cuisine

7° North - specialising in Mediterranean fare complete with Colombo's only aqua lounge

The 'Library' - our exclusive bar for members only



Relax by taking a dip in the largest pool in the city or a treatment at our therapeutic Balinese Spa, Azmaara. Tennis and Squash courts and the Powerdrome gym are available for the sports and fitness enthusiasts.



Host an event or meeting at one of our many venues along with the exceptional support services that we are renowned for. Dream weddings become a reality with Cinnamon Lakeside. The Waterside Lawn, our beautiful garden with the Beira Lake as a backdrop, and our floating venue 8° On the Lake, provide an alternative to traditional ballrooms that few other five-star city hotels can offer.



Service excellence is attested by numerous guest accolades and industry recognition. Our team of 660 employees, that goes above and beyond, to meet and surpass guest expectations has always been and continues to be one of our most valuable assets.



Our commitment to the environment remains strong. We have continued in our endeavours to reduce and control consumption of energy and water, materials use and waste disposal. This includes the use of alternative energy, water conservation and creating awareness of sustainable practices among hotel staff, guests and visitors.

Our Journey

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

OVERVIEW

Performance Highlights

Financial and Operational Highlights

		2019	2018	2017	2016	2015
--	--	------	------	------	------	------

Key Financial Ratios -Statement of Profit and Loss and Other Comprehensive Income

Net revenue	Rs.000	2,825,425	3,198,851	3,251,041	2,483,689	2,786,072
Gross profit margin	%	59%	58%	61%	57%	61%
EBIT (Earnings Before Interest and Tax)	Rs.000	582,185	1,015,971	1,045,069	404,647	664,439
EBIT	%	21%	32%	32%	16%	24%
Profit for the year (PAT)	Rs.000	471,423	883,188	907,765	320,795	585,000
EPS (Earning Per Share)	Rs.	2.36	4.42	4.54	1.60	2.92
ROE (Return on Equity)	%	7%	14%	16%	5%	10%
ROCE (Return on Capital Employed)	%	9%	15%	17%	7%	11%
Interest cover	Times	10	39	36	9	3,488

Key Financial Ratios-Statement of Financial Position

Total assets	Rs.000	7,813,703	7,677,470	7,494,800	7,174,473	6,908,000
Net assets	Rs.000	6,444,171	6,183,120	6,007,640	5,703,137	5,987,762
Interest bearing loans	Rs.000	165,479	292,312	370,256	442,950	N/A
Debt/equity ratio	%	4%	5%	6%	8%	N/A
Equity asset ratio	%	82%	81%	80%	79%	87%
Net assets per share	Rs.	32.22	30.92	30.04	28.52	29.94
Current ratio	Times	0.92	0.81	1.19	1.07	1.91
Quick asset ratio	Times	0.87	0.76	1.14	1.01	1.84
No. of shares in issue	'000	200,000	200,000	200,000	200,000	200,000

Market/Shareholder information

Market value per share	Rs.	76	95	75	80	94
Market capitalization	Rs.000	15,280,000	19,000,000	15,020,000	15,980,000	18,800,000
Dividend per share	Rs.	1.00	3.50	3.00	2.00	3.50
Price earnings ratio	Times	32	22	17	50	32
Dividend cover	Times	2.36	1.26	1.51	0.80	0.84
Dividend yield	%	1.3%	3.7%	4.0%	2.5%	3.7%
Dividend payout ratio	%	42%	79%	66%	125%	120%

Key operational ratios

Occupancy	%	49%	63%	64%	43%	51%
RevPAR	Rs.	10,559	12,170	12,322	7,954	9,391
Average room rate	Rs.	21,607	19,339	19,121	18,569	18,267

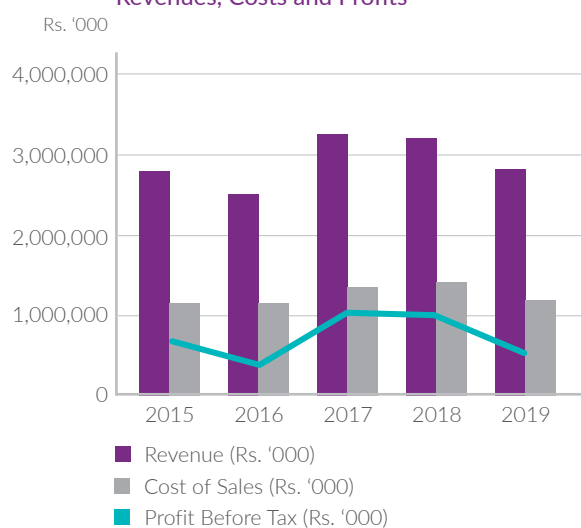
Economic performance

Value generated by the Company	Rs.000	1,887,310	2,263,000	2,039,548	1,412,880	1,774,000
<i>Value distributed to:</i>						
Employees as wages and benefits	Rs.000	673,721	657,784	589,626	552,147	529,192
Payment to government	Rs.000	477,354	487,000	485,406	270,493	434,024
Community investments	Rs.000	3,131	1,728	8,265	4,103	10,843
Providers of funds	Rs.000	257,864	726,000	629,000	447,074	700,190
Value retained within the business	Rs.000	475,240	390,000	327,000	139,063	99,751

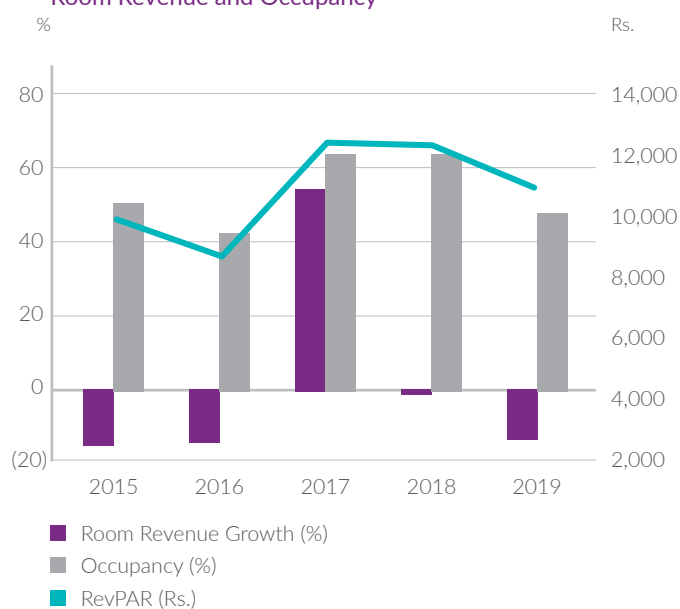
Social and Environmental Highlights

		2019	2018	2017	2016	2015
Human capital						
Total Employees	Nos.	660	750	771	781	826
Retention rate	%	89	82	84	86	89
Investment in training	Rs.000	3,582	2,120	1,977	1,588	2,410
Total training hours	Hours	43,310	47,718	53,200	59,073	71,492
Work place injuries	Nos.	14	30	27	13	16
Social and relationship capital						
Total guests	Nos.	130,723	144,959	149,208	98,394	103,506
Investment in CSR activities	Rs.000	3,131	1,728	8,265	4,103	10,843
Nature capital						
Carbon footprint	MT	5,508	5,864	6,449	6,277	6,317
Carbon footprint per guest night	MT	42.14	39.81	67.95	63.80	61.03
Water usage per guest night	Litres	1,021	854	1,583	1,495	1,406
Waste disposed per guest night	Kg	4.10	3.97	5.86	5.29	3.75

Revenues, Costs and Profits



Room Revenue and Occupancy





WHERE ELSE...

**Would you float on five-star
luxury on the Beira?**



Chairman's Review

“The Company is a frequent recipient of both local and international awards and accolades, and during the year, Cinnamon Lakeside won the coveted Best Five Star City Hotel in Sri Lanka at the Sri Lanka Tourism Awards 2018”

On behalf of the Board, I am pleased to present to you the Integrated Annual Report and Financial Statements of Trans Asia Hotels PLC (Cinnamon Lakeside Colombo) for the year ending 31st March 2019.

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

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

Operating Environment

Globally an expansion in consumer spending, a consolidation of the recovery in key destinations, enhanced connectivity and increased visa facilitation continued to drive growth in the global Travel and Tourism Sector which expanded by 3.9% in 2018 outpacing global economic growth for the 8th consecutive year. International tourist arrivals increased by 6% to 1.4 billion in 2018¹ driven by arrivals to the Middle East (+10%) and Africa (+7%) together with supported by

Asia Pacific and Europe. Meanwhile, China maintained its position as the world's largest tourism spender while the Russian Federation (+16%), France (+10%) and Australia (+9%) recorded strong growth in tourism expenditure.

The year under review was a challenging one for Sri Lanka's tourism sector with the moderate growth in tourist arrivals and the benefit afforded by a depreciating Rupee countered by intense price competition, political unrest and changing traveller demographics. Tourist arrivals increased by 10.3% to 2.33 million in 2018 (compared to the subdued growth of 3.0% in 2017), although falling short of the Government's target of 2.5 million for the year. The Asia Pacific region maintained its position as Sri Lanka's largest source market and grew by 3.1% in 2018, while arrivals from Europe-our second largest source market recorded healthy growth of 18.8% during the year. Meanwhile the increase in the city's graded room inventory by 7 % and growth in the informal sectors have led to intense price competition among operators resulting in downward pressure on occupancy rates of graded establishments for the second consecutive year. The negative impact was further magnified due to the decrease in business travellers from 3.5 % in 2017 to 3.03 % in 2018.

Our Performance

Profit After Tax
Rs. 471 Mn

Profit Before Tax
Rs. 524 Mn

¹ UNWTO Tourism Barometer 2019

Against this backdrop, the Company's performance moderated during the year under review. Total revenue decreased by 12% to Rs. 2.83 billion reflecting broad-based declines in room revenue (-13%), F&B restaurant revenue (-14%) and banquet revenue (-11%). The increase in room inventory over a short period of time in the city of Colombo together with a drop in business travellers to Colombo resulted in a decline in the average occupancy. This had a cascading impact on the F&B revenues, further compounded by the increased availability of alternative dining options in Colombo. The decline in banquet revenues reflects increased competition in this segment and the relatively lower number of pax per event compared to previous years.

The decline in revenue compelled us to direct strategic focus on driving cost efficiencies and productivity improvements resulting in the Gross Profit margin widening to 59% compared to 58% the year before. Sales and distribution costs increased by 6% as we strengthened marketing and promotional efforts in response to intensifying competition. The pre-tax profit for the year (including valuation gains arising from the revaluation of investment property) recorded a decline of 47% to Rs.524.3 million reflecting the subdued operational performance as well as the decline in the valuation gain compared to last year. The pre-tax profit excluding the revaluation gain amounted to Rs. 357.7 million a decline of 40% compared to last year.

Achievements

Despite the challenging operating environment, we remain committed to driving excellence in all aspects of our operations and consistently enhancing the authenticity of our customer experience. The Company is a frequent recipient of both local and international awards and accolades, and during the year, Cinnamon Lakeside won the coveted Best Five Star City Hotel in Sri Lanka at the Sri Lanka Tourism Awards 2018, and also earned top honors at the Chefs' Guild Culinary Art Food Expo 2018 where we were named Overall Winner- Sri Lanka Hotel Culinary Championship 2018, receiving a total of 6 gold, 3 silver and 1 bronze awards. The Hotel was also recently ranked among the Top 25 properties in Sri Lanka by the TripAdvisor Traveler's Choice Awards 2019- the only city hotel to receive this recognition during the year.

Creating stakeholder value

The industry continues to be challenged by the shortage of skilled labour and in response to this challenge the Company continued its focus on driving organisation-wide productivity and efficiency improvements. Strategic emphasis was placed on optimising our human capital to ensure effective deployment of resources. We strengthened

employee engagement by launching the Cinnamon Employee Survey enabling us to understand and effectively respond to employee concerns in a timely manner. Focus was also placed on enhancing the performance management framework and learning and development proposition.

Creating unique customer experiences is a key attribute of our brand offering and we continued to invest in numerous customer engagement initiatives. The hotel hosted a range of events, including Sri Lanka's first wedding venue show and several leading corporate events, demonstrating its unique positioning as a destination which combines the convenience of urban life in tranquil and natural surroundings.

Sustainability

We also maintained focus on our sustainability objectives and our key environmental priorities include enhancing energy and water efficiency and the responsible disposal of waste. The Hotel's carbon footprint declined by 6% during the year under review, reflecting reduced operational activity as well as ongoing focus on driving energy efficiency initiatives. We also engage customers in our sustainability initiatives and during the year launched the 'last straw' campaign which resulted in a 60% decline in straw usage.

Outlook

The Easter Sunday terrorist attacks across the country, including at one of our sister hotels will undoubtedly exert some short-term pressure on the growth prospects of Sri Lanka's tourism sector. Other popular travel destinations that have experienced similar events have usually recovered to pre-incident levels over a 12 to 18-month period. We believe it is our responsibility as a Group to remain resilient and continue to contribute towards creating a robust National economy. Our human capital has been our most valuable asset and we will make every endeavor to invest in retaining and developing our talent.

It is encouraging that several policy measures were initiated and numerous promotional campaigns were implemented in 2018 to harness the still untapped potential of Sri Lanka's tourism industry. The implementation of the new Tourism Strategic Plan (TSP) 2017-2020, which was introduced in 2017, continued in 2018 and the Sri Lanka Tourism Promotion Bureau (SLTPB) carried out country specific promotional activities in 34 identified markets in 2018, including participation in trade fairs, road shows, and consumer and food festivals. In addition the launch of a new brand identity "So Sri Lanka" in November, will further help in presenting our value proposition as a tourist destination. Post

Chairman's Review (contd.)

the Easter Sunday attacks, the Government has also initiated plans to implement a public relations campaign to curtail the negative global media coverage whilst also working towards the removal of adverse travel advisories for key tourist markets. The Government, commendably, has also announced a range of concessions to help the revival of the leisure industry, including a moratorium on loans taken by the tourism related businesses.

Acknowledgements

On behalf of the Board of Directors, I extend my gratitude to our guests for their continued patronage, our team for their unstinted support in these difficult times and our business partners for their continued support. The Board joins me in extending our sincere appreciation to our former Chairman Mr. Susantha Ratnayake, who resigned from the Board of Trans Asia Hotels PLC in December 2018.

I thank my colleagues on the Board for their vision and valuable guidance during the year.

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



Krishan Balendra
Chairman

22nd May 2019

LEADERSHIP

Board of Directors

Krishan Balendra

Chairman

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

Gihan Cooray

Director

Gihan Cooray is the Deputy Chairman/Group Finance Director and has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology functions (including John Keells IT) and John Keells Research. He is the Chairman of Nations Trust Bank PLC. Gihan holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is an Associate member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK. He serves as a committee member of The Ceylon Chamber of Commerce.

Jitendra Gunaratne

Director

Jitendra Gunaratne is responsible for the Leisure and Plantation Sectors. Prior to his appointment at Leisure, he was the President of the Consumer Foods Sector. His 39 years of Management experience in the Group also covers property and Retail. He is currently a member of the Council of the Employer's Federation of Ceylon.

Rohan Karunarahaj

Director

Rohan Karunarahaj is Head of Brand Development for Cinnamon Hotels & Resorts, and Sector Head of Cinnamon's City Hotels, overseeing "Cinnamon Grand", "Cinnamon Lakeside" and "Cinnamon Red". A career hotelier counting over three decades, both in the local and international hospitality industry; he held the position of General Manager in several hotels in the United Kingdom, lastly being the Marriott Marble Arch, London. He is a Director of Asian Hotels and Properties PLC and Sancity Hotels and Properties Limited. He read for his Masters in Hospitality and Business Studies from the Thames Valley University, London.

Cholmondeley Pinto

Director*

Cholmondeley Pinto was appointed as a non-Executive Director and as the Chairman of the Board Audit Committee of Trans Asia Hotels PLC in July 2011. He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka with 47 years of post-qualified experience, in the profession and in industry. He returned to Sri Lanka in 2006 after a spell of 32 years abroad. He last worked for 23 years for SABMiller Plc, the world's second largest multinational breweries group, holding CFO positions in its listed subsidiaries in several countries. He is currently retired. He is also a Non-Executive Director of Asian Hotels and Properties PLC.

Eranjith Wijenaike

Director*

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

Jhansi Ponniah

Director*

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

Navin Gooneratne

Director*

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

**Independent Director*



WHERE ELSE...

**Would you enjoy a relaxed drink
amidst an eclectic collection of books?**



Corporate Governance

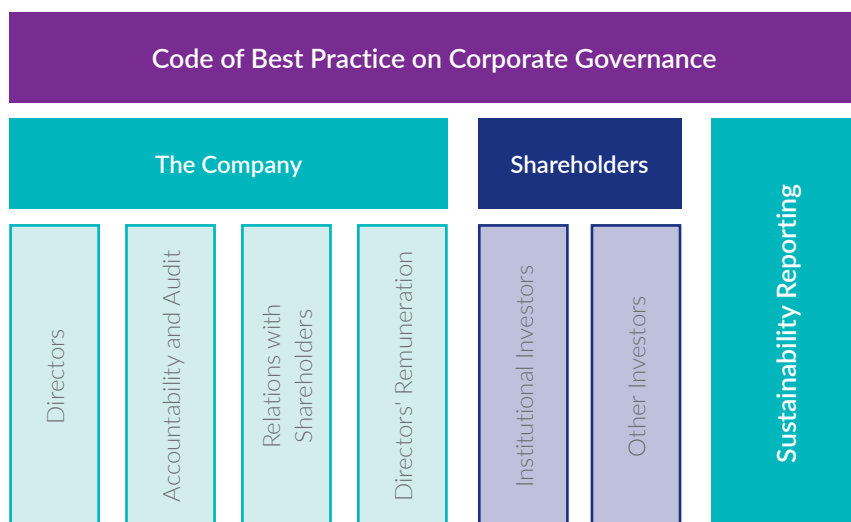
Robust corporate governance practices are the bedrock of sustainable value creation at Trans Asia Hotels PLC (Company), with the Board setting the tone at the top and guiding strategy while clearly defined governance structures and comprehensive policy frameworks ensure compliance. As part of the John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

External instruments	Internal standards and principles	Governance mechanisms
Companies Act No. 7 of 2007	Articles of Association of the Company	Stakeholder engagement
Securities and Exchange Commission of Sri Lanka Act No 36 of 1987 including directives and circulars	John Keells Group Code of Conduct	
Continuing listing requirements of the Colombo Stock Exchange (CSE)	The Board and Board Sub-Committees Charter	People management
Code of Best Practice on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)*	John Keells Group Code of Conduct	Quality management
John Keells Group governance structures and policies	Comprehensive policy framework	IT Governance
Code of Best Practices on Corporate Governance (2017) issued by CA Sri Lanka**	John Keells Group Code of Conduct	Investor relations

* The Company is fully compliant with the 2013 Code of Best Practice on Corporate Governance issued jointly by the SEC and the ICASL Sri Lanka.

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

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



An Effective Board

The Board of Directors provides leadership to the Company and is responsible for setting strategic direction, building and enhancing stakeholder relationships, determining risk appetite, reviewing performance against objectives and appointing key management personnel. The Board has delegated its executive authority to the President of the Leisure Industry Group. The Board comprises 08 directors who combine diverse skills and industry experience, thereby enriching Board discussions and decision making.

Board Composition

The Board's composition ensures a healthy balance of executive authority and independent judgement. Composition of the Board is graphically depicted alongside. The Board has determined that, although Mr. N L Gooneratne has been a member of the Board for a period exceeding 9 years and does not satisfy the "number of years on the Board" criteria to be considered independent set out in the Listing Rules of CSE, given the circumstances, in the opinion of the Board he satisfies the qualifying criteria to be deemed independent. The Board has also determined that although Mr. C J L. Pinto is a Director of Asian Hotels & Properties PLC, in the opinion of the Board he satisfies the other qualifying criteria of independence. Having considered the declarations made by the Directors and all relevant factors, the Board has also determined that Ms. J C Ponniah and Mr. E H Wijenaiké are Independent. The Board remains cognisant of the need to continuously refresh its composition over time.

Board Sub-committees

As permitted by the Listing Rules, the Board has delegated some of its functions to Board Sub-Committees, while retaining final decision rights. Members of these Sub-Committees focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise. The Board of Directors are collectively responsible for the decisions taken by these Sub Committees. Certain Board Committees of the parent and ultimate parent Company, John Keells Holdings PLC (JKH) function as the Board sub Committees of the Company. The Nominations Committee of the Asian Hotels and Properties PLC (AHPL) functions as the Company's Nominations Committee while the Related Party Transactions Review Committee and the Human Resources and Compensations Committee of JKH provide key inputs in relation to its areas of responsibility. The Board has appointed an Audit Committee. The composition and roles of the four Board Sub-Committees are summarised below.



Board Sub-Committee & Composition	Mandate	Scope
Audit Committee (Trans Asia Hotels PLC)		
Comprises three independent Directors and the Chairman is a Chartered Accountant. Current members are: - Mr. C J L Pinto - Chairman - Mr. E H Wijenaiké - Ms. J C Ponniah	Monitor and supervise management's financial reporting process, internal controls, risk reviews and the audit function 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 100 for Audit Committee Report

Corporate Governance (contd.)

Board Sub-Committee & Composition	Mandate	Scope
Human Resources and Compensation Committee (John Keells Holdings PLC)		
Comprises three independent Directors. The Chairman 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. Consider targets, and benchmark principles for any performance related pay schemes iii. Within the terms of agreed framework, determine total remuneration package of each Director keeping in view; • Performance • Industry trends • Past remuneration iv. Succession planning of key Management
Nominations Committee (Asian Hotels and Properties PLC)		
Comprises two Independent Directors and one Non Independent Director. Current members are: • Mr. J Durairatnam** - Chairman • Mr. A S De Zoysa** • Mr. K N J Balendra* • Mr. S C Ratnayeke *** • Mr. S K G Senanayake**** • Ms. S A Jayasekara****	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 Transactions Review Committee (John Keells Holdings PLC)		
Comprises three Independent Directors and one Non Independent Director. The Chairperson is a Non-Executive Director. Current members are: • Ms. M P Perera – Chairperson • Mr. D A Cabraal • Mr. A N Fonseka • Mr. K N J Balendra * • Mr. S C Ratnayeke ***	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.

*Appointed to the Committee on 1st January 2019

** Appointed to the Committee on 8th September 2018

*** Resigned from the Board on 31st December 2018

**** Resigned from the Board on 7th September 2018

Tenure, Retirement and Re-election

All Non-Executive Directors are appointed for a period of three years and are eligible for re-election by the shareholders. As prescribed by the Articles of Association of the Company, one-third of the Directors of the Company except the Chairman and Managing Director shall retire from office. A Director retiring by rotation is eligible for re-election.

Non-Executive Directors are allowed to serve up to a maximum of three successive terms unless an extended Board tenure is necessitated by the requirements of the Group, which is also subject to the age limit set by statute at the time of reappointment following the end of a term. One third of the Directors except for the Chairman, retire by rotation on the basis prescribed in the Articles of Association of the Company. The proposal for the re-election of Directors is set out in the Directors Report as well as the Notice of Meeting on page 150 of this Report.

Name of Director / Capacity	Shareholding (i)	Management / Director (ii)	Material Business Relationship (iii)	Employee of Company (iv)	Family Member a Director or GM (v)	Continuous Service for nine years (vi)
Non Executive, Non Independent Director (NED/NID)						
Mr. K N J Balendra	No	Yes	No	No	No	N/A**
Mr J G A Cooray	Yes	Yes	No	No	No	N/A*
Mr. J R Gunaratne	No	Yes	No	No	No	N/A*
Mr. S C Ratnayake (Resigned w.e.f 31 December 2018)	Yes	Yes	No	No	No	N/A
Non Executive, Independent Director (NED/ID)						
Mr. N L Gooneratne	Yes	No	No	No	No	Yes***
Mr. C J L Pinto	Yes	No	No	No	No	No****
Mr. E H Wijenaike	No	No	No	No	No	No*****
Ms. J C Ponniah	No	No	No	No	No	No*****
Executive, Non Independent Director (ED/NID)						
Mr. R J Karunarajah	Yes	Yes	No	No	No	No*****

Definitions

- (i) Shareholding in the Company
- (ii) Director of a listed Company in which they are employed, or having a significant shareholding or have a material business relationship
- (iii) Income/Non cash benefits derived from the Company is equivalent to 20 per cent of the director's annual income
- (iv) Director is employed by the Company two years immediately preceding appointment
- (v) Immediate family member who is a director or General Manager
- (vi) Has served the Board for a continuous period exceeding 9 years

- * Appointed to the Board in January 2018
- ** Appointed to the Board in April 2016
- *** Appointed to the Board in October 1984
- **** Appointed to the Board in July 2011
- ***** Appointed to the Board in June 2012
- ***** Appointed to the Board in October 2013
- ***** Appointed to the Board in May 2015

Corporate Governance (contd.)

Meetings and attendance

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

Name of Director		23.04.18	24.07.18	02.11.18	29.01.19	Meetings Attended
Mr. K N J Balendara	NI/NED	✓	✓	✓	✓	4/4
Mr. S C Ratnayake (Resigned w.e.f. 31 December 2018)	NI/NED	✓	✓	✓	N/A	3/3
Mr. J G A Cooray	NI/NED	✓	✓	✓	✓	4/4
Mr. J R Gunaratne	NI/NED	✓	✓	✓	✓	4/4
Mr. N L Gooneratne	I/NED	--	✓	✓	✓	3/4
Mr. C J L Pinto	I/NED	✓	--	✓	✓	3/4
Mr. E H Wijenaike	I/NED	✓	✓	✓	✓	4/4
Ms. J C Ponniah	I/NED	✓	--	✓	✓	3/4
Mr. R J Karunarajah	NI/ED	✓	✓	✓	✓	4/4

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

Name of Members	20.04.18	20.07.18	01.11.18	25.01.19	Total
Mr. C J L Pinto	✓	--	✓	✓	3/4
Mr. E H Wijenaike	✓	✓	✓	✓	4/4
Ms. J C Ponniah	✓	✓	✓	✓	4/4

The Human Resources and Compensation Committee met on three occasions during the year and the attendance was as follows:

Name of Members	Eligible to Attend	Attended	Total
Mr. D A Cabraal	3	3	3/3
Mr. M A Omar	3	3	3/3
Dr. S S H Wijayasuriya	3	2	2/3
By Invitation			
Mr. S C Ratnayake*	2	2	2/2
Mr. K N J Balendra	3	3	3/3
Mr. J G A Cooray	3	3	3/3

* Resigned from the Board on 31 December 2018

The Related Party Transactions Review Committee met on four occasions during the year and the attendance was as follows:

Name of Members	Eligible to Attend	Attended	Total
Mr. D A Cabraal	4	4	4/4
Mr. A N Fonseka	4	4	4/4
Ms. M P Perera	4	4	4/4
Mr. S C Ratnayake*	3	3	3/3
Mr. K N J Balendra**	4	4	4/4
By Invitation			
Mr. J G A Cooray	4	4	4/4

*Retired from the Board on 31 December 2018

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

Role of Chairman

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

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

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

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

The General Manager is appointed by the Board with inputs from the Nominations Committee of AHPL. He is responsible for implementing the Company's strategic plans, guiding the senior management team, ensuring that the Company's operating model is aligned to the strategic aspirations of the ultimate parent and ensuring effective succession planning at senior management level. The Board receives quarterly statements from the General Manager confirming compliance with regulatory requirements.

Corporate Governance (contd.)

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.

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.

Board appraisal

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

Remuneration

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

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

Directors fees applicable to Non-Executive, Non Independent Directors (NED/NIDs) nominated by JKH are paid directly to JKH and not to individuals. The aggregate remuneration paid to Directors is disclosed on page 122 of this report.

Shareholder Relations

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

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

Company Secretary

The Company Secretary is responsible for inducting new Directors, assisting the Chairman and the Board of Directors in determining the annual Board Plan, guiding the Board and the individual Directors in the proper discharge of their responsibilities and acting as a central source of guidance on matters of ethics and governance. In addition to the many duties, the Company Secretary is responsible for making necessary disclosures on related party transactions required by law and regulations and also acts as a channel of communication with shareholders to ensure good shareholder relations. The shareholders can contact M/s. Keells Consultants (Private) Limited, the Company secretaries on 011-2306245 for any Company related information requirements.

Assurance

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

Whistle-blower Policy

'The Chairman Direct' line allows employees to raise concerns about any unethical behaviour or violation of group values could be reported by employees to the Chairman of John Keells Holdings PLC. Employees reporting such incidents are ensured of complete confidentiality and such complaints are investigated and addressed via a selected committee under the direction of the Chairman.

Ombudsperson and Grievance mechanism

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

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

Additionally, skip level meetings, exit interviews, 360 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.

Code of Conduct

All employees and the Board of Directors are bound by the John Keells Group Code of Conduct which clearly defines the behaviour expected of employees in performing their duties and stakeholder interactions. The Chairman of the Board affirms that there were no material violations of any of the provisions of the Code of Conduct during the year. In the instances where violations did take place, or were alleged to have taken place, those were investigated and handled through the Company's established procedures.

IT Governance

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

The John Keells Group has progressively improved service quality and mitigated IT risks by implementing prudent internal controls based on the Information Security Management guidelines outlined in ISO27001 within the Committee of Sponsoring Organizations of the Tread way Commission (COSO) framework which covers both risk and business continuity management. The Company has also been successful in mitigating IT risks through internally developed IT policy guidelines, stringent internal and external audits and compliance requirements which are conducted annually based on the Group's information security management guidelines. The IT Governance Framework of the Company is reviewed at the Board Audit Committee on a periodic basis

Risk Management and Internal Controls

The Board holds ultimate responsibility for formulating and implementing an effective and proactive risk management framework. The Company's risk management framework ensures that existing and emerging risks arising from the external and internal operating landscapes are effectively managed in creating and preserving stakeholder value. (Please refer to page 51 of this Annual Report for an overview of the Company's key risk exposures and how they were mitigated during the year). The Board Audit Committee ensures the sufficiency and effectiveness of the Company's internal control systems.

Corporate Governance (contd.)

Internal Controls

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

- Clearly defined formal policies and procedures which include the documentation of key systems and rules relating to delegation of financial authority. This restricts the unauthorised use of the Company's assets and ensures the monitoring of controls.
- The annual budgets are approved by the Board after detailed management review.
- The Enterprise resource planning system (SAP) has ensured that monthly management accounts are prepared promptly providing relevant, reliable and up-to-date financial and other information.
- Capital Expenditure is subject to formal authorisation procedures.
- Experienced and suitably qualified staff takes responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- To further strengthen internal control and have independent assurance, the Company has enlisted the services of Messrs. PricewaterhouseCoopers (PwC), an internationally reputed firm of Chartered Accountants monitors and reports on the adequacy of the financial and operational systems.

John Keells Group Code of Conduct

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

Investment Appraisal

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

Sustainability

As an operation with sizable social and environmental impacts, the Company strives to embed the principles of Sustainability to its operations and consistently monitors the opportunities and risks presented to it by economic, environmental and social developments in the operating context. The Company has a systematic process in place for identifying and responding to stakeholder concerns as enumerated on page 42 of this Report

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

The main Sustainability disclosures prescribed by the Code of best Practice are as follows:

Disclosure	Page Reference	Compliance
Economic Performance	Pages 61 - 63	Adopted
The Environment	Pages 78 - 80	Adopted
Labour Practice	Pages 69 - 72	Adopted
Society	Pages 73 - 77	Adopted
Product Service and Responsibility	Pages 73 - 77	Adopted
Stakeholder identification, engagement and effective communication	Pages 42 - 44	Adopted
Sustainable Reporting and Disclosure	Pages 69 - 80	Adopted

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

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

Corporate Governance (contd.)

Compliance Summary

Statement of Compliance under Section 7.6 of the Rules of the CSE on Corporate Governance

CSE Rule 7.6		Compliance status	Reference in the Annual Report 2018/19
(i)	Names of persons who were Directors of the Entity during the financial year	Complied	Board of Directors
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Complied	Annual Report of the Board of Directors
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Complied	Share Information and Shareholding
(iv)	The float adjusted market capitalisation, public holding percentage and number of public shareholders	Complied	Share Information and Shareholding
(v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	Complied	Share Information and Shareholding
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	Risk Management
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	During the year 2018/19, there were no material issues pertaining to employees and industrial relations of the Company	
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Complied	Notes to the financial statements
(ix)	Number of shares representing the Entity's stated capital	Complied	Share Information and Shareholding
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied	Share Information and Shareholding
(xi)	Financial ratios and market price information	Complied	Performance Highlights
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Complied	Notes to the Financial Statements
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Complied	Notes to the Financial Statements
(xiv)	Information in respect of Employee share purchase or share option schemes	Complied	Notes to the Financial Statements
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Complied	Corporate Governance
(xvi)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower	Complied	Corporate Governance

Statement of compliances under Rule 7.10 of the Rules of the CSE on Corporate Governance

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10 Compliance				
a./b./c.	Compliance with Corporate Governance Rules	The Company is in compliance with the Corporate Governance Rules and any deviations are explained where applicable	✓	Corporate Governance
7.10.1 Non Executive Directors				
a./b./c.	Non Executive Directors (NED)	At least two or one third of the total number of Directors, whichever is higher, should be NEDs	✓	Corporate Governance
7.10.2 Independent Directors				
a.	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent	✓	Corporate Governance
b.	Independent Directors	Each NED should submit a signed and dated declaration of his/her independence or non-independence	✓	The independent NEDs have submitted signed confirmations of their independence, which are available with the Secretaries for review
7.10.3 Disclosures relating to Directors				
a./b.	Disclosure relating to Directors	i. The Board annually determines the independence or otherwise of the NEDs ii. Names of IDs should be disclosed in the Annual Report (AR)	✓	Corporate Governance
c.	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	✓	Board of Directors (profile) section in the Annual Report
d.	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board along with details	✓	Board of Directors (profile) section in the Annual Report
7.10.4 Criteria for defining independence				
(a-h)	Determination of Independence	Requirements for meeting criteria to be an Independent Director	✓	Corporate Governance
7.10.5 Remuneration Committee				
7.10.5	Remuneration Committee (RC)	The RC of the listed Parent Company may function as the RC	✓	Corporate Governance
a.	Composition of Remuneration Committee	Shall comprise of NEDs, a majority of whom will be independent	✓	Corporate Governance
b.	Functions of Remuneration Committee	The RC shall recommend the remuneration of the General Manager (GM) and Executive Directors	✓	Corporate Governance
c.	Disclosure in the Annual Report relating to Remuneration Committee	i. Names of Directors comprising the RC ii. A statement of remuneration policy iii. The aggregate remuneration paid to Executive and Non-Executive Directors	✓	Corporate Governance, Corporate Governance of Holding Company and Notes to the Financials

Corporate Governance (contd.)

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.6 Audit Committee				
a.	Composition of Audit Committee (AC)	i. Shall comprise of NEDs a majority of whom should be Independent ii. A NED shall be appointed as the Chairman of the Committee iii. GM and Director Finance should attend AC meetings iv. The Chairman of the AC or one member should be a member of a recognised professional accounting body	✓	Corporate Governance and the Board Committee Reports
b.	Audit Committee Functions	i. Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) ii. Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements iii. Overseeing the process to ensuring the internal controls and risk management are adequate to meet the requirements of the SLFRS/LKAS iv. Assessment of the independence and performance of the external auditors v. Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditor	✓	Corporate Governance and the Board Committee Reports
c.	Disclosure in Annual Report relating to Audit Committee	i. Names of Directors comprising the AC ii. The AC shall make a determination of the independence of the External Auditors and disclose the basis for such determination iii. The AR shall contain a Report on the manner in which the AC carried out its functions	✓	Corporate Governance and the Board Committee Reports

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

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

Statement of Compliance under Code of Best Practice of Corporate Governance (2013) jointly issued by the SEC and CA Sri Lanka

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

Corporate Governance (contd.)

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A. 5 DIRECTORS – Board Balance				
A.5.1	Composition of Board	The Board should include a sufficient number of non-executive, independent Directors	✓	Corporate Governance
A.5.2	Proportion of Independent Directors	Two or one third of the Non-Executive Directors should be independent	✓	Corporate Governance
A.5.3	Definition of independence	Independent Directors should be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement	✓	Corporate Governance
A.5.4	Declaration of independence	Non-Executive Directors should submit a signed and dated declaration of their independence / non-independence	✓	Corporate Governance
A.5.5	Annual determination of criteria of independence / non-independence and declaration of same by Board	The Board should annually determine and disclose the names of directors deemed to be independent	✓	Corporate Governance
A.5.6	Appointment of an Alternate Director	If an alternate Director is appointed by a Non-Executive Director, such Alternate Director should not be an executive of the Company	N/A	N/A
A.5.7	Appointment of Senior Independent Director (SID)	If the roles of Chairman / CEO are combined, a non-executive Director should be appointed as a Senior Independent Director	N/A	N/A
A.5.8	Availability of Senior Independent Director to other Directors	If warranted, the SID should be available to the other Directors for confidential discussions.	N/A	N/A
A.5.9	Interaction between Chairman and non-executive, independent Directors	The Chairman should meet the Non-Executive, Independent Directors at least once a year without the Executive Directors being present	✓	Corporate Governance
A.5.10	Directors concerns to be recorded	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, Directors to ensure their concerns are recorded in Board minutes	N/A	N/A
A.6 DIRECTORS - Supply of Information				
A.6.1	Provision of adequate information to Board	Management to ensure that the Board is provided with timely and appropriate information	✓	Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.6.2	Adequacy of Notice and formal agenda to be discussed at Board meetings	Board minutes, agenda and papers should be circulated at least seven days before the Board meeting	✓	Corporate Governance
A.7 DIRECTORS - Appointments to the Board				
A.7	Appointments to the Board	Formal & transparent procedure for Board appointments	✓	Corporate Governance
A.7.1	Nomination Committee	Nomination committee of the Asian Hotels & Properties PLC function as the Nomination Committee of the Company and make recommendations to the Board on new Board appointments	✓	Corporate Governance
A.7.2	Annual assessment of Board composition	Nomination committee or Board should annually assess the composition of Board	✓	Corporate Governance
A.7.3	Disclosure of new Board appointments	Profiles of new Board appointments to be communicated to Shareholders	✓	Corporate Governance Notice of Meeting
A.8 DIRECTORS – Re-election				
A.8.1	Appointment of Non-Executive Directors	Appointment of Non-Executive Directors should be for a specified terms and re-election should not be automatic	✓	Corporate Governance / AR of the Board of Director
A.8.2	Re-election of Directors by Shareholders	The appointment of all Directors should be subject to re-election by shareholders at the first opportunity after such appointment	✓	Corporate Governance / Notice of Meeting/ AR of the Board of Director
A.9 DIRECTORS - Appraisal of Board Performance				
A.9.1	Annual appraisal of Board performance	The Board should annually appraise how effectively it has discharged its key responsibilities	✓	Corporate Governance
A.9.2	Self evaluation of Board and Board Committees	The Board should evaluate its performance and that of its committees annually	✓	Corporate Governance / Audit Committee Report
A.9.2	Declaration of basis of performance evaluation	The Board should disclose how performance evaluations have been carried out in the Annual Report	✓	Corporate Governance

Corporate Governance (contd.)

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.10 DIRECTORS - Disclosure of information in respect of Directors				
A.10.1	Biographical profiles and relevant details of Directors to be disclosed	Annual Report should disclose the biographical details of Directors and attendance at Board/Committee meetings	✓	Board of Directors / Corporate Governance / Audit Committee Report
A.11 DIRECTORS - Appraisal of Chief Executive Officer				
A.11.1	Short, medium and long term objectives, financial and non-financial objectives to be set	The Board should set out the short, medium and long term objectives, financial and non-financial objectives at the commencement of each year	✓	Corporate Governance
B.1 DIRECTORS REMUNERATION - Remuneration Procedure				
B.1.1	Appointment of Remuneration Committee	Remuneration Committee of the ultimate Parent Company may function as such for the Company to make recommendations on directors remuneration	✓	Corporate Governance
B.1.2	Composition of Remuneration Committee	Board to appoint only Non-Executive Directors to serve on Remuneration Committee	✓	Corporate Governance
B.1.3	Disclosure of members of Remuneration Committee	The Annual Report should disclose the Chairman and Directors who serve on the Remuneration Committee	✓	Corporate Governance
B.1.4	Remuneration of Non-Executive Directors	Board to determine the level of remuneration of Non-Executive Directors	✓	Corporate Governance
B.1.5	Access to professional advice	Remuneration Committee should have access to professional advice in order to determine appropriate remuneration for Executive Directors	✓	Corporate Governance
B.2 DIRECTORS REMUNERATION - Level and Make up of Remuneration				
B.2.1	Remuneration packages for Executive Directors	Packages should be structured to attract, retain and motivate Executive Directors	✓	Corporate Governance
B.2.2	Remuneration packages to be appropriately positioned	Packages should be comparable and relative to that of other companies as well as the relative performance of the Company	✓	Corporate Governance

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
B.2.3	Appropriateness of remuneration and conditions in relation to other Group companies	When determining annual increases remuneration committee should be sensitive to that of other Group companies	✓	Corporate Governance
B.2.4	Performance related elements of remuneration	Performance related elements of remuneration should be aligned with interests of Company	✓	Corporate Governance
B.2.5	Share options	Executive share options should not be offered at a discount	✓	Corporate Governance
B.2.6	Remuneration packages for Non-Executive Directors	Should reflect time commitment and responsibilities of role and in line with existing market practice	✓	Corporate Governance
B.3 DIRECTORS REMUNERATION - Disclosure of Remuneration				
B.3.1	Disclosure of details of remuneration	The Annual Report should disclose the remuneration paid to Directors	✓	Financial Statements - Note 9
C.1 RELATIONS WITH SHAREHOLDERS – Constructive use and conduct of Annual General Meeting (AGM)				
C.1.1	Proxy votes to be counted	The Company should count and indicate the level of proxies lodged for and against in respect of each resolution	✓	Corporate Governance
C.1.2	Separate resolutions	Separate resolutions should be proposed for substantially separate issues	✓	Corporate Governance Notice of Meeting
C.1.3	Availability of Committee Chairmen at AGM	The Chairmen of Board committees should be available to answer any queries at AGM	✓	Corporate Governance
C.1.4	Notice of AGM	15 working days notice to be given to shareholders	✓	Notice of Meeting
C.1.5	Procedure for voting at meetings	Company to circulate the procedure for voting with Notice of Meeting	✓	Notice of Meeting
C.2 COMMUNICATION WITH SHAREHOLDERS				
C.2.1	Channel of Communication	Channel to reach all shareholders to disseminate timely information	✓	Corporate Governance
C.2.2 – C.2.7	Policy and Methodology of Communication	Policy and Methodology of communication with shareholders and implementation	✓	Corporate Governance
C.3 MAJOR AND MATERIAL TRANSACTIONS INCLUDING MAJOR RELATED PARTY TRANSACTIONS				
C.3.1	Disclosure of Material Major Transactions	Disclosure of all material facts involving all material transactions including related party transactions	✓	Notes to Financial Statements

Corporate Governance (contd.)

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.1 ACCOUNTABILITY AND AUDIT - Financial Reporting				
D.1.1	Presentation of public reports	Should be balanced, understandable and comply with statutory and regulatory requirements	✓	Creating Value Corporate Governance Risk Management Financial Statements
D.1.2	Directors Report	The Director's Report should be included in the Annual Report and confirm that - the Company has not contravened laws or regulations in conducting its activities - Material interests in contracts have been declared by Directors - the Company has endeavoured to ensure equitable treatment of shareholders - that the business is a "going concern" - that there is reasonable assurance of the effectiveness of the existing business systems following a review of the internal controls covering financial, operational and compliance	✓	Audit Committee Report Annual Report of the Board of Directors Financial Statements Corporate Governance Risk Management
D.1.3	Respective responsibilities of Directors and Auditors	The Annual Report should contain separate statements setting out the responsibilities of the Directors for the preparation and presentation of the financial statements and the reporting responsibilities of the Auditors	✓	Statement of Directors Responsibilities
D.1.4	Management Discussion and Analysis	Annual Report to include section on Management Discussion and Analysis	✓	Throughout the Annual Report
D.1.5	Going Concern	Directors to substantiate and report that the business is a going concern or qualify accordingly	✓	Annual Report of the Board of Directors
D.1.6	Serious Loss of Capital	Directors to summon an Extraordinary General Meeting in the event that the net assets of the Company falls below 50% of the value of Shareholders Funds	N/A	N/A
D.1.7	Related Party Transactions	Disclosure of Related Party Transactions	✓	Notes to the Financial Statements

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.2 ACCOUNTABILITY AND AUDIT - Internal Control				
D.2.1	Effectiveness of system of internal controls	Directors to annually conduct a review of the effectiveness of the system of internal controls. This responsibility may be delegated to the Audit Committee	✓	Audit Committee Report Risk Management
D.2.2	Functionality	Internal Audit Function	✓	Corporate Governance
D.2.3 / D.2.4	Continuity of Internal control	Maintaining a sound system of internal control	✓	Corporate Governance
D.3 AUDIT COMMITTEE				
D.3.1	Chairman and Composition of Audit Committee	- Should comprise of a minimum of two independent, non-executive directors - Audit Committee Chairman should be appointed by the Board	✓	Audit Committee Report
D.3.2	Duties of Audit Committee	Should include - Review of scope and results of audit and its effectiveness - Independence and objectivity of the Auditors	✓	Corporate Governance
D.3.3	Terms of Reference / Charter	The Audit Committee should have a written Term of Reference which define the purpose of the Committee and its duties and responsibilities	✓	Corporate Governance
D.3.4	Disclosures	- The Annual Report should disclose the names of directors serving on the Audit Committee - The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination - The Annual Report should contain a report by the Audit Committee setting out the manner of the compliance of the Company during the period to which the Report relates	✓	Corporate Governance Audit Committee Report
D.4 CODE OF BUSINESS CONDUCT AND ETHICS				
D.4.1	Adoption of Code of Business Conduct and Ethics	The Company must adopt a Code of Business Conduct and Ethics for Directors and members of the senior management team and promptly disclose any violation of the Code	✓	Corporate Governance

Corporate Governance (contd.)

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.4.2	Chairman's affirmation	The Annual Report must include an affirmation by the Chairman that he is not aware of any violation of the Code of Business Conduct and Ethics	✓	Chairman's Review/ Annual Report of the Board of Director's
D.5 CORPORATE GOVERNANCE DISCLOSURES				
D.5.1	Corporate Governance Report	The Annual Report should include a report setting out the manner and extent to which the Company has adopted the principles and provisions of the Code of Best Practice on Corporate Governance	✓	Corporate Governance
E. INSTITUTIONAL INVESTORS				
E.1 Shareholder Voting				
E.1.1	Structured Dialogue with Shareholders	A regular and structured dialogue should be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman	✓	Corporate Governance
E.2	Evaluation of Governance Disclosures by Institutional Investors	Institutional investors should be encouraged to consider the relevant factors drawn to their attention with regard to Board structure and composition	✓	Corporate Governance
F. OTHER INVESTORS – Investing Divesting Decisions				
F.1.	Individual Investors	Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment/divestment decisions	✓	Corporate Governance
F.2	Shareholder Voting	Individual shareholders should be encouraged to participate and exercise their voting rights	✓	Corporate Governance / Form of Proxy
G. SUSTAINABILITY REPORTING				
G.1 – G.1.7	Sustainability Reporting	Disclosure on adherence to sustainability principles	✓	Annual Report GRI index

Statement of compliances under Companies Act No.7 of 2007

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

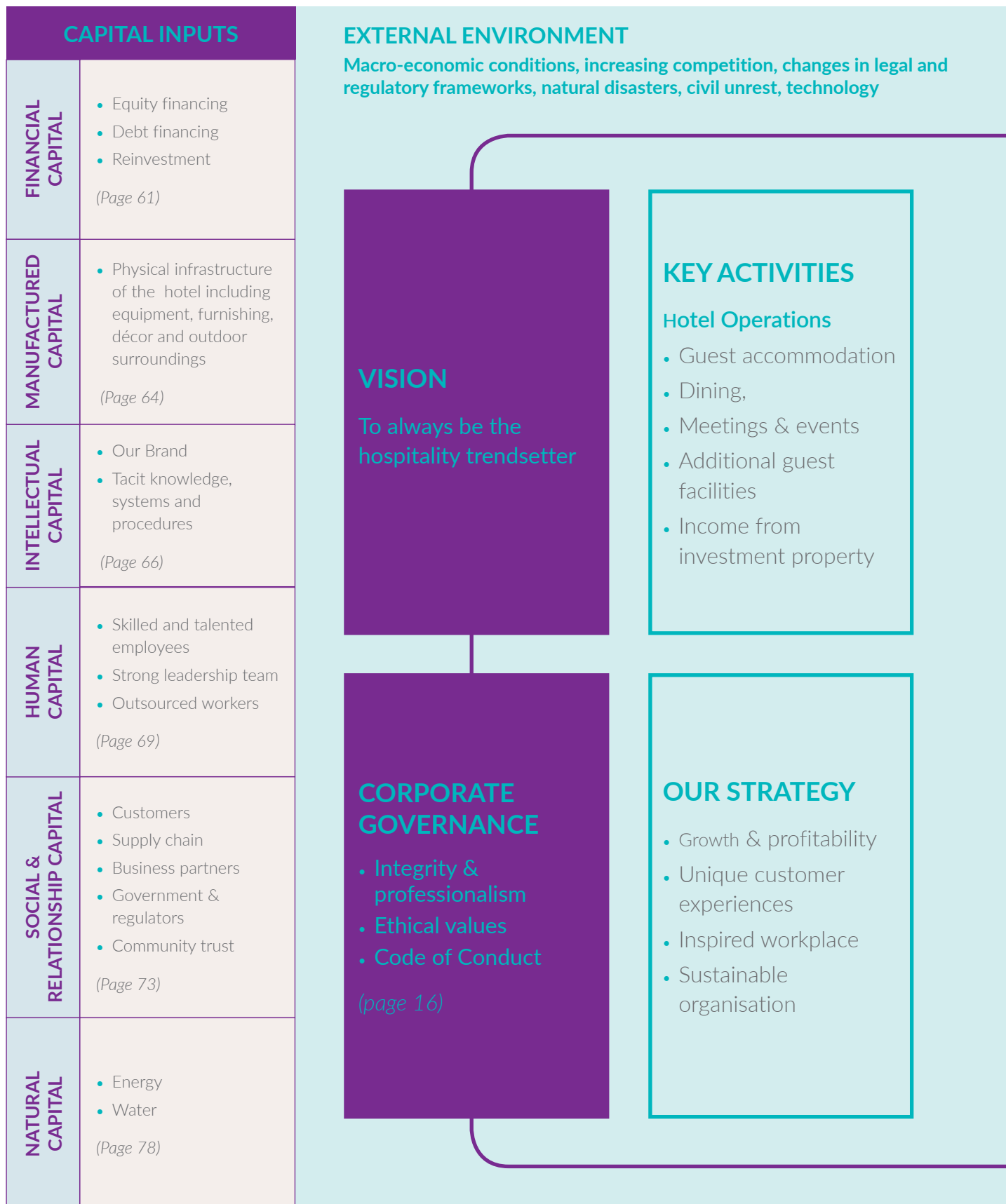




WHERE ELSE...

**Would you enjoy the luxurious
pool of a resort while in the city?**

Value Creation Model



OUR PLEDGE

I will:

- Get it right the first time...all the time
- Care
- Stand out wherever I am
- Empower
- Be green

RISK MANAGEMENT

A comprehensive process for identifying, evaluating and managing significant risks that endanger the achievement of the Cinnamon Lakeside's objectives

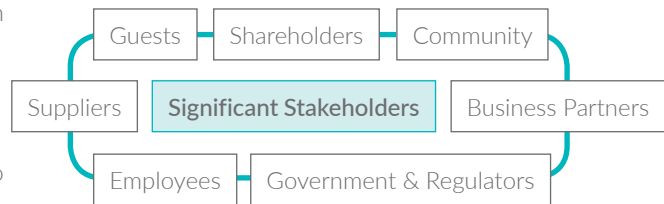
(page 51)

OUTPUTS	OUTCOMES	
• Revenue Rs. 2,825 Mn • PBT Rs. 524 Mn	• Generating returns and cash flows that meets expectations of financial capital providers	Financial Performance (page 61)
• Guest nights: 130,723 • Event numbers: 1,383 • Dining pax: 358,669	• Our five star city resort	Our City Resort (page 64)
• Quality certifications • Brand recognition	• Service innovation • Enables to build confidence with external parties regarding quality and standards	Intangibles (page 66)
• Payments to employees: Rs. 674 Mn • Retention rate 89% • Investment in training & development Rs. 4 Mn • Training hours 43,310 • Average tenure of employees 10 years	• A skilled, engaged and motivated team that is productive and efficient	Skilled, Engaged and Motivated Team (page 69)
• Guest satisfaction rate 90% • Investment in CSR Rs. 3 Mn • No of suppliers 3,800 • No regulatory fines or breaches during the year	• Loyal and satisfied stakeholders • A key voice in the industry • Responsible corporate citizen	Fostering Relationships & Contribution to Society (page 73)
Impacts • Waste generated: 539,822kg • Waste recycled 92.8% • Carbon footprint: 5,508 MT	• Successfully reduced our environmental footprint in our quest for sustainability	Commitment to the Environment (page 78)

Stakeholder Engagement

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

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



Stakeholder	Importance of engagement	Engagement mechanism and frequency	Key topics and concerns raised	Response Strategies
Shareholders The Company's major shareholders are John Keells Holdings PLC (48.64%) and Asian Hotels and Properties PLC (43.41%). The remaining shares are held by 6.01% institutional investors and 1.94% individual investors.	Shareholders provide funding for future growth plans	- AGM (annual) - Interim financial statements (quarterly) - Annual report - Corporate website (ongoing) - Announcements made to the Colombo Stock Exchange (As and when required)	- Return on Investment - Sustainable growth - Corporate Governance and ethics - Risk Management - Growth opportunities and future outlook	- Drive occupancy - Drive customer footfall - F&B customer retention - Increased online presence
Guests The hotel caters to both local and international guests	Guest satisfaction is critical to draw new customers and ensure loyalty of existing ones	- Electronic guest satisfaction surveys on check out - Feedback on travel websites and social media platforms (ongoing) - Face to face interactions (as required)	- Service efficiency - Recognition/ personalised service - Comfortable stay - Safety – food & premises - Choices available	- VIP programme for repeat guests - Negative guest ratings addressed immediately and action taken to ensure non-repetition - Staff training - Nationalities of tourists considered when providing services

Stakeholder	Importance of engagement	Engagement mechanism and frequency	Key topics and concerns raised	Response Strategies
Employees Our team comprises 660 employees who are among the most sought after in the industry and are a key source of competitive edge.	Employees are the face of the hospitality industry and are key in ensuring a satisfied guest experience	• Structured 'Skip level' meetings (as required) • 360 degree surveys and 'Voice of Employee' survey (annually) • Great Place to Work Survey (once in 4 years) • Ombudsperson appointed by the ultimate parent Company (as required) • 'Chairman Direct' – a link to raise concerns about unethical behaviour / violation of group values to the chairman of the ultimate parent Company (as required) • Performance appraisals (mid year/ annually)	• Competitive remuneration package • Opportunities for career progression • Training and development	• Strengthened remuneration and recognition programmes for key and high performing employees • Structured learning and development opportunities for high performing employees • Recognition of high performing employees and teams every quarter
Supply Chain We procure raw materials and other inputs from a range of large, SME and individual suppliers.	An uninterrupted supply chain is important to ensure hotel operations are not disrupted / Reasonable supply costs / Quality of supplies	• Review and audit of suppliers (ongoing) • Awareness programmes conducted for suppliers by Cinnamon Lakeside (as required)	• Reasonable pricing • Timing of supply of goods	• Monthly meetings to determine supplier prices • Supplier prices revisited when there is a marked increase in market prices • Suppliers clearly instructed on timelines for deliveries

Stakeholder Engagement (contd.)

Stakeholder	Importance of engagement	Engagement mechanism and frequency	Key topics and concerns raised	Response Strategies
Business Partners Local and international tour operators, travel agents and destination management companies	Ability to promote Cinnamon Lakeside and generate additional business	- Multi layered relationship management (ongoing) - Visiting and entertaining (ongoing) - Trade exhibitions and fairs (as required) - Quality and performance reviews (ongoing)	- Satisfaction of guests - Pricing - Relationship with Hotel - Ease of transacting	- Group bookings – liaising with the guests in advance to identify their needs and preferences - Be in constant touch/ similar understanding with business partners
Government/Regulatory Authorities Our regulatory authorities include the Sri Lanka Tourism Development Authority, the Inland Revenue Department and Local councils among others.	Compliance with laws and regulations and to be an active and significant voice in industry concerns	- Direct engagement with government officials and regulators at various levels (ongoing) - Membership in industry associations and participating in industry forums (ongoing)	- Compliance with laws and regulations - Contribute to the development of the hospitality industry	- To be updated on all laws and regulations and ensure compliance - Be actively involved in industry forums
Community Communities adjacent to our operating sites	Be a responsible corporate citizen	Philanthropic and other projects that impact the community in the long run (ongoing)	- Environmental footprint - Contributing to the community	- Initiatives taken for sustainable operations - Community development projects/philanthropic projects are initiated each year

Strategic Framework

The long-term strategic priorities of the Company remain unchanged during the year. We regularly factor in changes to the external environment and stakeholder expectations so that we review our strategic drivers to enable us to generate sustainable value to our stakeholders in line with our strategic priorities. A high-level overview of our strategic priorities, the external drivers which impacted our performance, resources allocated to drive our performance and our KPIs are given below.

Our Vision

We will always be the
hospitality trendsetter

Our Pledge

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

Enablers



PRIORITY 1: GROWTH AND PROFITABILITY

Strategic Drivers	KPIs
• Occupancy • Customer footfall • F&B customer retention • Online presence	• Revenue decline of 12% • Profit decline of 47% • > 99,514 followers on Facebook • >2,481 followers on LinkedIn • > 2,994 followers on Instagram • > 1,607 followers on twitter
External Impacts	Resources Allocated
• Growth in global tourism (+) • Growth in local tourist arrivals (+) • Subdued economic growth (-) • Intense competition among Colombo city hotels (-) • Alternative dining options in Colombo (-)	• Strong marketing team • Investments in online presence • Partnerships with tour operators and travel agents

Strategic Framework (contd.)

PRIORITY 2: CREATING UNIQUE CUSTOMER EXPERIENCES

Strategic Drivers	KPIs
- Service excellence - Brand development - Product offering - Customer health and safety	- Cinnamon was ranked as the country's No. 1 hospitality brand (LMD) - Trip Advisor Travellers Choice Awards 2019 – ranked 11th (only city hotel) in the top 25 properties in Sri Lanka - Sri Lanka Tourism Awards 2018 – Best five-star city hotel
External Impacts	Resources Allocated
- Customer sophistication (+) - Customers' social media engagement (+) - Intense competition among Colombo city hotels (-)	- World-class restaurants - Skilled and trained employees

PRIORITY 3: INSPIRED WORKPLACE

Strategic Drivers	KPIs
- Training and development - Performance management - Retention of high-performing employees - Driving productivity improvements	- Staff retention rate: 89% - Promotions: 54
External Impacts	Resources Allocated
- Increasing competition for skilled labour (-) - Difficulties in staff attraction and retention (-)	- Investment in training - Payments to employees

PRIORITY 4: A SUSTAINABLE ORGANISATION

Strategic Drivers	KPIs
- Nurturing long-term relationships with suppliers - Minimising our environmental footprint - Meaningful relationships with our communities	Carbon footprint declined by 6%
External Impacts	Resources Allocated
- Opportunities in renewable energy (+) - Implications of climate change (-) - Rising energy costs (-)	- Investments in environmentally friendly initiatives - Investment in CSR

Material Matters

GRI 102-46, 102-47

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

Our materiality determination process is as follows:



We have identified the following matters to be the most material to the Company. These matters are elaborated throughout the report.

No.	Material topic	Corresponding GRI topic	Why it is material to us	Further Information
1	Increasing competition in the industry	-	Capacity increases in both the formal and informal sector have led to severe price undercutting and competition for labour	Page 50
2	Guest satisfaction and service excellence	-	Service excellence leads to guest satisfaction. Positive reviews of the facilities and services of the hotel through various means – travel websites, travel agents, family & friends - results in increasing business	Page 73
3	Exchange rate fluctuations	-	Fluctuations in exchange rate has both an effect on revenue priced in foreign currency and costs of imports	Page 49
4	Technological disruption	-	Increasing connectivity and mobile penetration has transformed how customers share their travel experiences and interact with hotels	Page 74, 76
5	Food safety	GRI 416: Customer Health and Safety	Direct and immediate effect on the health and safety of guests that impacts the reputation of the Company	Page 75
6	Attracting and retaining talented employees	GRI 401: Employment GRI 404: Training and education	As a service organisation, the experience of our customers depends largely on the quality of our human capital.	Page 69
7	Civil unrest/acts of terrorism	-	Leads to avoidance of destination by tourists leading to lower occupancy, damage to property & equipment and affects safety of guests and employees	Page 61

Material Matters (contd.)

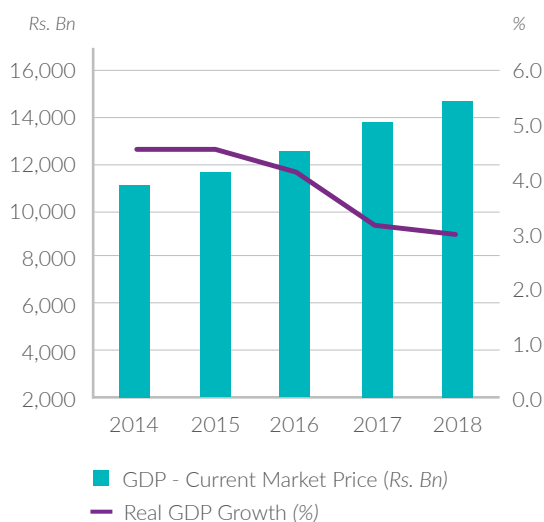
No.	Material topic	Corresponding GRI topic	Why it is material to us	Further Information
8	Customer privacy and data protection	GRI 418: Customer privacy	Misuse of data by employees and possible cyber threats that can affect the integrity of data can have an effect on the reputation of the Company and breach regulatory requirements	Page 76
9	Customer health and safety	GRI 416: Customer health and safety	Incidents that can impact the health and safety of guests within our premises would impact the Hotel's reputation and can lead to legal liability	Page 75
10	Environmental footprint	GRI 302: Energy GRI 306: Effluents and waste GRI 303: Water GRI 305: Emissions	As a responsible corporate citizen, we strive to minimise the environmental footprint of our operations and at the same time contributing to combating climate change.	Page 78
11	Uninterrupted supply chain	GRI 204: Procurement practices	An interrupted supply chain is critical for ensuring continuity of operations and the procurement of good quality raw materials	Page 77
12	Government policy	GRI 307: Environmental compliance GRI 419: Socioeconomic compliance	Non-compliance to regulations could impact the Group's financial performance, reputation and social license to operate.	Page 80
13	Contribution to the community	GRI 201: Economic performance GRI 413: Local communities	Nurturing mutually beneficial and meaningful relationships with our communities is important in preserving our social license to operate	Page 77

Operating Environment

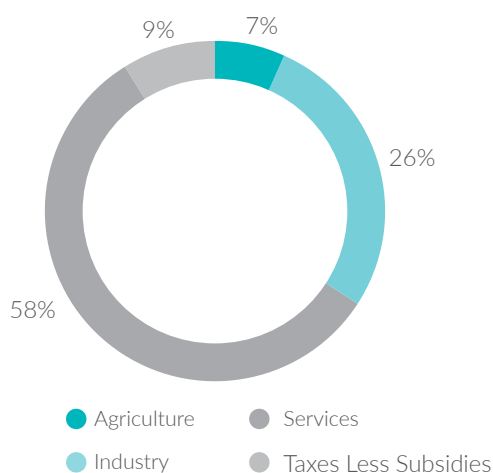
Economic Environment

The economy expanded modestly in 2018, recording a real GDP growth of 3.2% (2017: 3.4%). The growth was supported by services activities that expanded by 4.7%, agriculture activities that expanded by 4.8% on the back of a recovery, and a slowdown in industry activities that expanded only by 0.9%.

GDP Growth



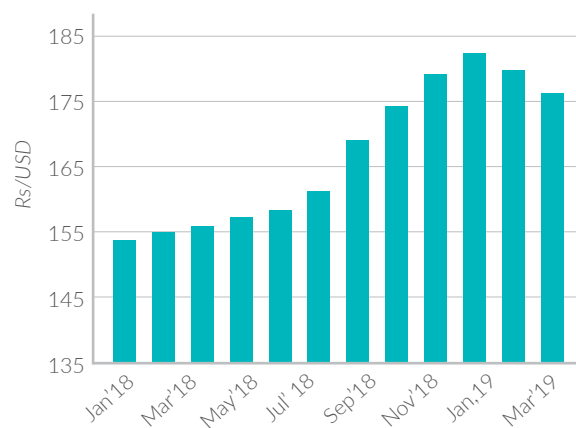
GDP by Economic Activity



Both global and domestic factors affected the external sector of the economy. Tightening financial conditions, especially in the USA resulted in capital outflows from emerging markets causing pressure on the exchange rate of twin deficit economies. Sri Lanka too experienced a sharp depreciation of the rupee from April 2018 which was further exacerbated following the political uncertainties during the latter part of 2018 and the downgrade in the country's sovereign rating that followed. The rupee depreciated 19.56% during the calendar year 2018 to end at Rs.182.75 by December 2018.

Although exports reached a record high the growth in imports outpaced export earnings resulting in a trade deficit that surpassed US\$10 billion for the first time. The surplus in the services account increased mainly due to earnings from tourism backed by transport and computer services. The current account deficit increased to 3.2% of GDP in 2018 from 2.6% the previous year due to the widened trade deficit and a decrease of workers remittances. Policy measures to curtail non-essential imports helped to strengthen and ease pressure on the external sector in early 2019 resulting in an appreciation of the rupee by end March 2019 to Rs.176.13.

Rs./USD Exchange Rates - 2018/19



Global Tourism Industry

As a significant contributor to economic activity around the world, the travel and tourism industry in 2018 contributed 10.8% to global GDP and generated employment of 3.8%¹. The Travel and Tourism Sector expanded by 3.9% in 2018 outpacing global economic growth for the 8th consecutive year. International tourist arrivals increased by 6% to 1.4 billion in 2018² led by healthy growth in global consumer spending and a persistently widening base of middle-class households. Arrivals to Middle East and Africa led growth, supported by Asia Pacific and Europe. Meanwhile, China maintained its position as the world's largest tourism spender while the Russian Federation, France and Australia recorded strong growth in tourism expenditure.

¹ World Travel and Tourism Council-Travel & Tourism, Economic Impact 2019.

² UNWTO Tourism Barometer 2019.

Operating Environment (contd.)

Sri Lankan Tourism

It was a year of mixed fortunes for the tourism industry in Sri Lanka. Tourist arrivals increased 10.3%, reaching 2,333,796 tourists, the highest recorded during a year. However, intensifying price competition between operators, rising costs, changing traveller demographics and political instability towards the latter part of the year contributed to dampened earnings in the industry.

Western Europe continued to be the largest source market for Sri Lankan tourists and grew by 23.5% followed by South Asia, the second largest. India was the largest individual source market with China being the second largest although recording a marginal decline. The UK, Germany and Australia were the other top markets for tourists and the top 5 accounted for 52% of tourist arrivals. Earnings from tourism increased 11.6% to US\$4.4 billion (2017: US\$ 3.9 billion) in 2018 with an average spend per tourist of US\$173.8 (2017: US\$170.1). The average stay of a tourist however declined marginally to 10.8 days (2017: 10.9 days).

TRAVEL AND TOURISM - 2018

12.5%

Total Contribution
to GDP

12.1%

Total Employment
1Mn Employment

Earnings

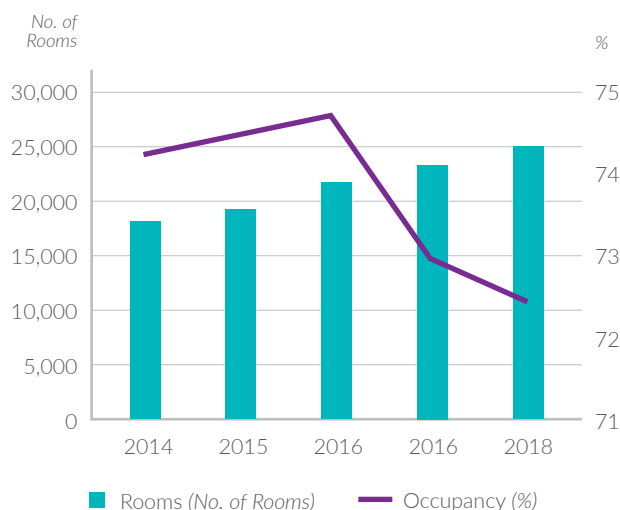
US\$4.4Bn

3rd largest foreign exchange earner in Sri Lanka

Source: WTTC, Central Bank of Sri Lanka

The rapid increase in the country's room inventory in some areas, including Colombo, in recent years has led to intense competition among operators. This has been exacerbated by the growth of the informal sector which has exerted severe pressure on traditional hotel operators particularly given guest preference towards more authentic experiences such as home-stays. In 2018 the graded establishment's occupancy rate declined to 72.8%, compared to 73.3% in 2017.

Rooms and Occupancy of Graded Establishments



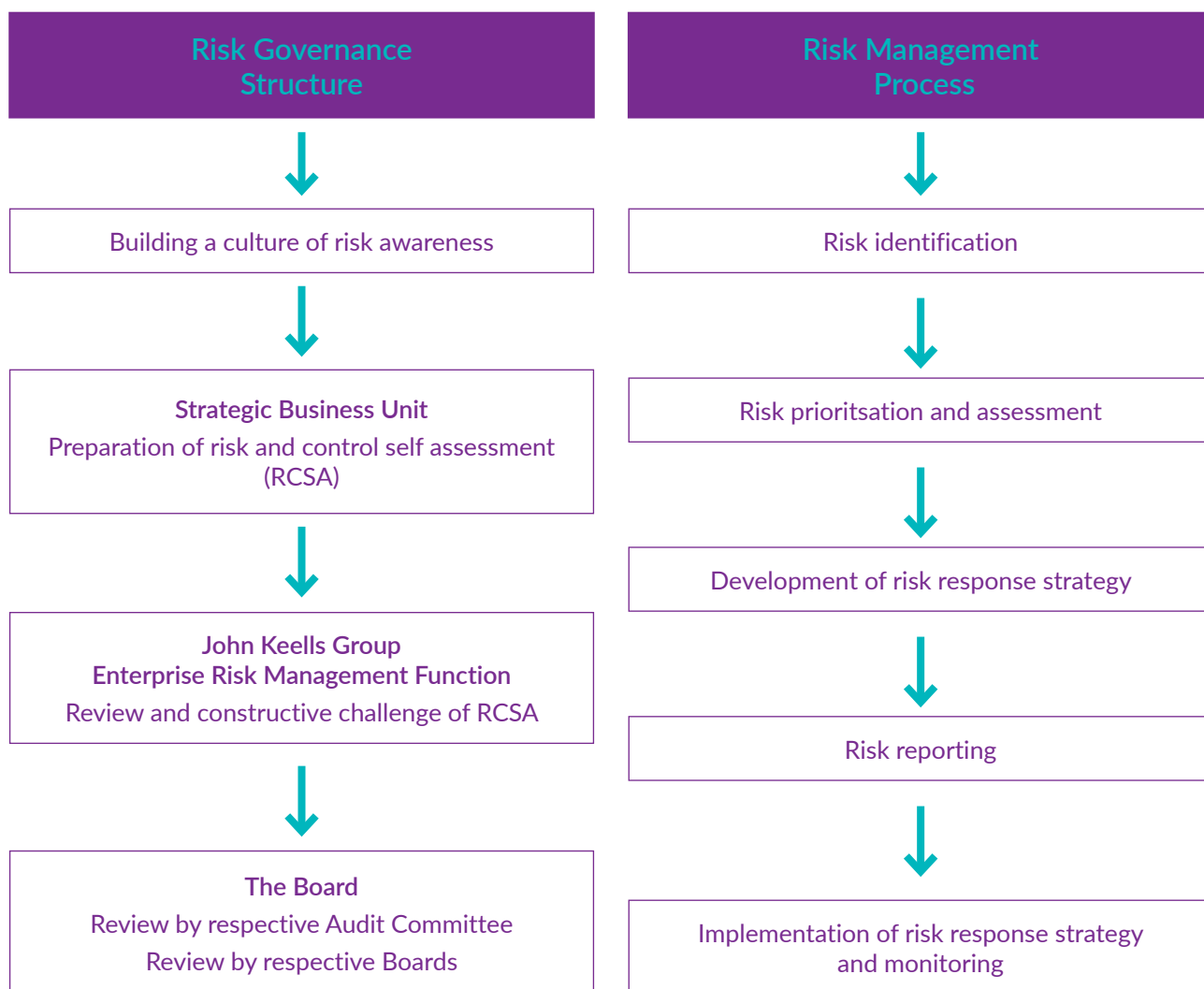
The country's room inventory is expected to increase by at least another 8,500 rooms over the medium-term. During 2018, the SLTDA had received proposals for 141 hotel projects of which 35 projects have commenced operations in 2018 adding 1,125 rooms. The persistent increase in room inventory underscores the need for a cohesive national strategy in driving tourist arrivals in order to achieve Sri Lanka's full potential as a leading tourist destination.

Outlook

The Easter Sunday terrorist attacks that targeted three churches and three of Colombo's most popular five star hotels have devastated the nation. The economy will undoubtedly be pressured in the immediate aftermath of the attacks. Swift action taken to bring the perpetrators to justice and increased security measures taken will help restore the confidence of visitors, investors and residents. It is still premature to assess the long term impact on the economy as well as the tourism industry. However, the industry will benefit from government assistance to be extended to help navigate through the lull in tourism in the short term.

Risk Management

Trans Asia Hotels PLC is an organisation exposed to a multitude of risks arising from the global and domestic fronts. Anticipating and proactively responding to these risks enables the Company to strengthen its sustainable business practices whilst enhancing stakeholder value. A formalised framework of risk management policies ensure that standardised tools and techniques are used for risk identification, prioritising, management and reporting. Meanwhile, the John Keells Group Sustainability and Enterprise Risk Management (ERM division) ensures that the policy framework of the Company is aligned to that of the parent, John Keells Group, through ongoing review, assessment and guidance on implementation. A graphical presentation of our risk management structure and processes, a description of our most significant risks, and how we manage them to ensure achievement of our strategic goals, follows.



Risk Management Process

We not only consider financial and operational risks faced by the Company, but also consider risks that may impact the environment, employees and community due to its operations. The risk management team identifies risks through various means, including intelligence gathering, quality audits, safety audits, internal audits and customer feedback and incidents. Identified risks are evaluated in terms of likelihood of occurrence, impact to Company, impact from Company and velocity. Based on the impact and likelihood ratings, each risk is rated on a scale of insignificant to 'ultrahigh'. This enables the Company to identify risks that require the most urgent attention and plan out appropriate response strategies. Each risk is assigned to a risk owner based on their field of expertise. The risk owner is then accountable for the implementation and reporting of the mitigation strategy for the relevant risk. Risks are reviewed on a quarterly basis by the Risk Committee.

Risk Management (contd.)

Risk Governance and Responsibilities

The Company's risk management framework includes clearly defined responsibilities for risk identification, prioritisation, management and reporting. Responsibility for overall risk management lies with the General Manager who is the head of the business unit. The risk management team comprises of the General Manager, Heads of Departments and Manager - Compliance Health and Safety Quality Certifications. The team is guided by the framework established by the Group Enterprise Risk Management (ERM) Division whilst the robustness of the internal controls and mitigation plans are reviewed by the Group Business Process Review Division.

Principal Risks in 2018/19

Risk	Mitigating Measures	Current Assessment & Trend
Business Risk Room inventory in the country and the city have grown rapidly with competitive pressures stemming from both the formal and informal sectors. This could have a long-term impact on our ability to attract guests and impact our profit margins	• Preventive measures implemented include refurbishments, upgrades, enhancing service standards and guest value propositions in our hotel, retention of key talent and training & development of staff • Detective measures include gathering business intelligence on market developments • Control measures implemented include monitoring of guest reviews and rankings, increased marketing efforts including social media strategies and internal reviews of pricing strategies	Impact: High Likelihood of occurrence: High Velocity: High Trend: 
Country Risk Vulnerability to acts of terrorism leads to avoidance of the destination by tourists resulting in lower occupancy. Acts of terrorism can cause damage to property and equipment and impact the safety of guests and staff	• Preventive measures include additional security covers including military personnel and CCTV, continuous lobbying with the Government agencies and industry personnel • Detective measures include installation of baggage x-ray machines, walk through metal detectors and vehicle checks • Corrective measures include Business Continuity Plans, signage and evacuation plans and adequate insurance covers	Impact: High Likelihood of occurrence: High Velocity: High Trend: 
Exchange Rate Fluctuations Services priced in foreign currency are impacted by the fluctuations in currency appreciation which affects profitability as the reporting currency is the SLR.	• Preventive measures include consistent monitoring of market movements and trends • Detective measures include ongoing engagement with Group Treasury • Corrective measures include natural hedging by invoicing and accepting payments in the same currency as debt and engaging proactively with banks to obtain the best possible rates	Impact: High Likelihood of occurrence: High Velocity: High Trend: 

Risk	Mitigating Measures	Current Assessment & Trend
Negative Propaganda on Social Media The Cinnamon brand has been nurtured through decades of commitment to ensure high standards in hospitality. Social media has become the primary platform for guests to share their experiences. In order to preserve our brand reputation, it is therefore imperative that we ensure that our reputation on social media is robust, as it directly affects our ability to attract guests.	• Preventive measures taken are maintaining brand standards, health and safety standards and ensuring high levels of customer satisfaction • Detective measures include continuous monitoring of social media platforms • Corrective measures taken are responding immediately to guest concerns and addressing any areas of weakness	Impact: High Likelihood of occurrence: Low Velocity: Low Trend: ➔
Food Safety This has a direct and immediate impact on the health and safety of guests impacting their experiences and our reputation. F&B accounted for 42% of the total hotel revenue in the reporting year making it a critical area of focus.	• Preventive measures taken include ISO 22000 food safety management certification in place supported by Associate training on basic food hygiene and establishing systematic waste disposal methods • Detective measures include regular audits and third party microbiological testing, regular medical checks for food handlers, cleaning, regular sanitisation and pest control schedules • Corrective measures taken will typically include public relations handling by duty managers and offer of commensurate compensation	Impact: High Likelihood of occurrence: Low Velocity: Low Trend: ➔
Implications of Climate Change and Natural Disasters The impact on business operations, business continuity, critical data and health and safety of both guests and associates from decline of the eco-system, increases in temperature, decline in bio-diversity and increased natural disasters	• Preventive measures include signage, evacuation plans and back up plans for data • Detective measures include fire drills twice a year • Corrective measures taken include Business Continuity Plan reviewed quarterly and insurance	Impact: Moderate Likelihood of occurrence: Low Velocity: Low Trend: ➔

Risk Management (contd.)

Risk	Mitigating Measures	Current Assessment & Trend
Customer Privacy & Data Protection Safeguarding the privacy of customer data collected to facilitate smooth operations and complying with regulatory requirement is vital	• Preventive measures have been implemented through compliance with the John Keells Group IT policy which set out the expected behavior of employees in handling data and IT systems, back up servers, updating of firewalls, service contracts and storage in alternate locations • Detective measures include monitoring of potential threats through regular internal audits and implementation of cybersecurity framework • Corrective measures include review of reports, investigation of unusual activity and initiating appropriate action and disaster recovery plans	Impact: High Likelihood of occurrence: Low Velocity: Low Trend: ➔
Financial Risk: Credit and Liquidity Risk Credit risks arise primarily from debtor defaults while liquidity risks represent the Company's inability to meet financial commitments on the due dates.	• Preventive measures include stringent credit management, reviewing of credit limits on a regular basis and planning of capital investments in a manner that would not adversely impact the Company's cash flow or gearing status • Detective measures are ongoing monitoring against collection targets, and regular review mechanisms to monitor the Company's performance against budgets • Corrective measures include regular internal audits	Impact: Moderate Likelihood of occurrence: Low Velocity: Low Trend: ➔
Interest Rate Risk Arises from fluctuations in interest rates which can lead to changes in the fair value or future cash flows of a financial asset as well as higher interest costs on borrowings.	• Preventive measures include ongoing monitoring of domestic and international macro-economic trends • Detective measures include carrying out sensitivity analyses to identify potential impacts on profitability • Corrective measures include maximizing interest income with the support of the JKH Group Treasury and leveraging on rate differences	Impact: Low Likelihood of occurrence: Low Velocity: Low Trend: ➔
Customer Health & Safety Health and safety of our guests within our premises is of paramount importance as incidents in this regard can negatively impact the guest experience, our reputation and brand	• Preventive measures implemented include the OHSAS 18001 certification, signage, adequate lighting, railings, lifeguards, on call/ visiting doctor and a full time nurse during working hours etc. • Detective measures include monitoring of potential threats through regular internal audits and monitoring of incidents • Corrective measures include Investigation and review of process, training and insurance	Impact: Moderate Likelihood of occurrence: Low Velocity: Low Trend: ➔

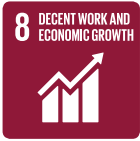
Risk	Mitigating Measures	Current Assessment & Trend
Supply Chain Inability of our suppliers to deliver our requirements in terms of quality, and price can lead to negative impacts on service quality and margin pressure. Short supplies of raw materials could result in disruptions to operations	• Preventive measures implemented include continuously reviewing supplier standards, maintenance of agreements, supplier forums and continuous monitoring and engagement of suppliers • Detective measures include supplier audit through checklist and regular third party assessment of Top 20 suppliers • Corrective measures include robust supplier engagement, capacity building on food safety and insurance, identification of alternative suppliers and modifying the menus and ordering process accordingly	Impact: Moderate Likelihood of occurrence: Low Velocity: Low Trend: ➔
Civil Unrest The impact on business operations, business continuity, critical data and health and safety of both guests and associates due to civil unrest	• Preventive measures include conducting annual evacuation drills, establishment of emergency preparedness plans • Detective measures include continuous monitoring of the political environment • Corrective measures encompass business continuity plans and insurance	Impact: High Likelihood of occurrence: Low Velocity: Low Trend: ➔
Equipment/Machinery Breakdowns Breakdowns in equipment and machinery can disrupt our services adversely impacting operations and guest experiences	• Preventive maintenance is carried out on a regular basis according to a predetermined schedule • Detective measures include regular inspections and monthly maintenance • Corrective maintenance is done on an as needed basis upon identification of issues from detective measures or breakdown incidents	Impact: High Likelihood of occurrence: Low Velocity: Low Trend: ➔

➔ Unchanged

⬆ Increasing

Contribution to Sustainable Development Goals

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

SDG	SDG Targets	Our Contribution
 3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all ages	• Providing necessities such as linen for elderly patients at Dr. Neville Fernando Teaching Hospital • Educating Cinnamon Lakeside's associates on HIV – 624.5 training hours • Educating Cinnamon Lakeside's associates on health and safety practices – 2,581 training hours
 4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong opportunities for all	• Supporting the 'Neighbourhood Schools Development Programme' by developing and maintaining infrastructure facilities of five disadvantaged Government schools in Colombo 2 and 3 representing a student population of all communities and religions. The objective of this endeavour is to create a more conducive environment for learning and enhance the quality of education. • English language training programs conducted to enhance associate's English language skills – 1,523.4 training hours
 6 CLEAN WATER AND SANITATION	Ensure availability and sustainable management of water and sanitation for all	• Water consumption reduced by 6%
 7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all	• Electricity saved 10% • Electricity generated from renewable sources 58,032Kwh
 8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all 8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products	• Total jobs created directly by the Hotel – 660 employees • Supported the Youth Empowerment Programme which helps to enhance the employability of school leavers and youth of the respective areas, equipping them with the skills required to seek career opportunities in the hospitality or related industries. • Ongoing investment in employee training and development with the objective of enhancing technical and vocational skills

SDG	SDG Targets	Our Contribution
	Reduce inequality within and among countries	Trans Asia Hotels contributed towards the construction of AYATI's (a national center of excellence for children with disabilities) Supported Employment Unit focused on steering the employment/vocation related goals of children with disabilities.
	Make cities and human settlements inclusive, safe, resilient and sustainable	Contributed towards the construction of a Community Centre at De Mel Park
	Ensure sustainable consumption and production patterns 12.b Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products	- Sorting of dry garbage as bio-degradable and non-bio degradable. Total waste segregated amounted 151,200 kgs 92.8% of waste has been recycled by the Hotel. Page 78 – Commitment to the Environment: Waste and Effluents - In an effort to reduce harm to marine life and the overall usage of single-use plastic, Cinnamon's city hotels have implemented their "Last Straw" campaign beginning in the month of November - Please refer SDG 8



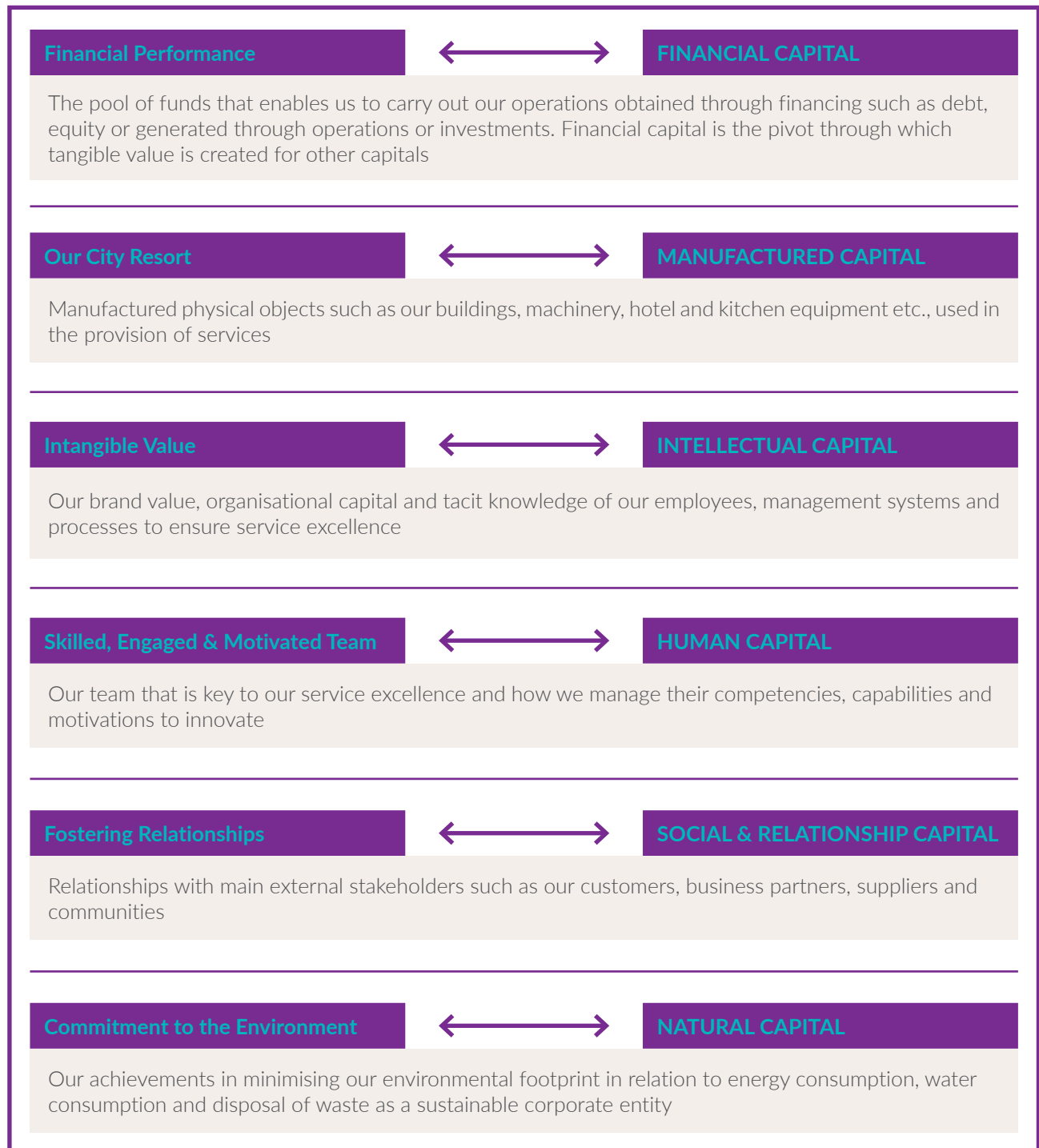
WHERE ELSE...

Would you have a view
worthy of a Head of State?



Our Capitals

Capitals are stocks of value that are increased, decreased or transformed through the activities of Cinnamon Lakeside, resulting in creating value. We have categorized our capitals as follows.



Financial Performance

FINANCIAL CAPITAL

Revenue and Costs

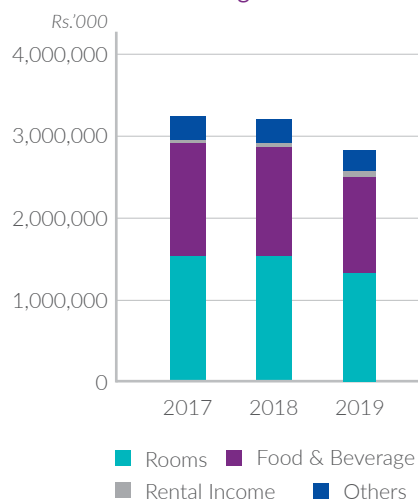
The Company's performance for 2018/19 was reflective of the broader industry performance. Total revenue of the Company decreased by 12% to Rs.2.83Bn. A decline in overall occupancy that saw the occupancy rate plunge from 63% (2017/18) to 49% resulted in room revenue decreasing by 13% to Rs.1.33Bn. Civil unrest at the beginning of the year and political turmoil at the end of the year had a significant negative impact on corporate and leisure segment room occupancy throughout the year. This was not helped by travel warnings issued by many countries in connection with these events. The intense rate competition among the Colombo city hotels during the year also contributed to declining occupancy rates. Corporate segment room nights were the worst affected with room nights declining by 10,612 that saw a sharp drop in online and local corporate sales. The leisure & crew and MICE segments room nights decreased by 6,944 and 205 room nights respectively.

Food and Beverage revenue decreased 11% to Rs.1.18Bn. In-house covers of restaurants decreased as occupancy rates declined. The adverse country events and an increase in alternative dining options led to a decrease in outside covers. This resulted in restaurants recording a 14% drop in total covers during the year.

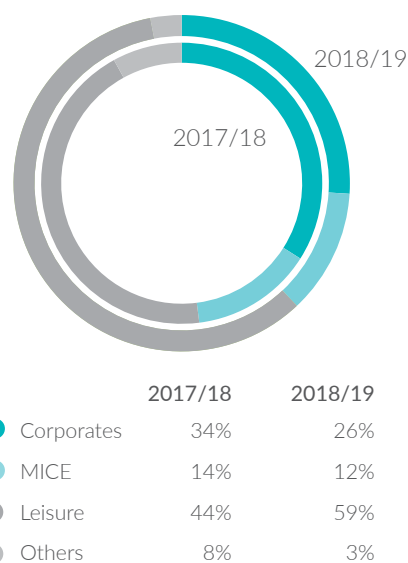
Banquet revenue also decreased by 11%. Last minute cancellations, postponements of events due to country situation and personal reasons of clients together with a lower number of pax per event contributed towards the negative variance. Other revenue streams declined 7% to Rs.0.31Bn.

Cost of sales decreased 13% to Rs.1.17Bn. Despite the many challenges posed by the external environment, the Company steadily focused on implementing cost saving initiatives without compromising on service quality, resulting in improving the Gross Profit margin from 58% (2017/18) to 59% this year. Marketing and promotional activities intensified during the year as the Company strived to mitigate negative country perceptions among its guests and business partners and stay ahead of increasing competition in the City. As a result, sales and distribution costs increased by 6%.

Revenue Segments



Revenue - Customer Segments



Financial Performance (contd.)

Profitability

Profit from operations decreased 32% to Rs.414Mn supported by the decrease in revenue and the increase in sales and marketing expenses. The revenue drop added pressure on the Company's cash flows impacting the net finance cost which increased 333% to Rs.56 Mn this year. The interest cost incurred on the temporary over draft facility obtained during the year led to the increase in net finance costs. The revaluation surplus in 2018/19 on investment property amounted to only Rs.166.6Mn compared to the previous year surplus of Rs.397.6Mn. The impact of both the finance costs and revaluation surplus saw the Company's profit before tax decline by 47% to Rs.524.3Mn. With a 10% effective tax rate (2017/18: 11%), the Company ended the year with a profit after tax of Rs.471.4Mn, a decrease of 47% compared to 2017/18.

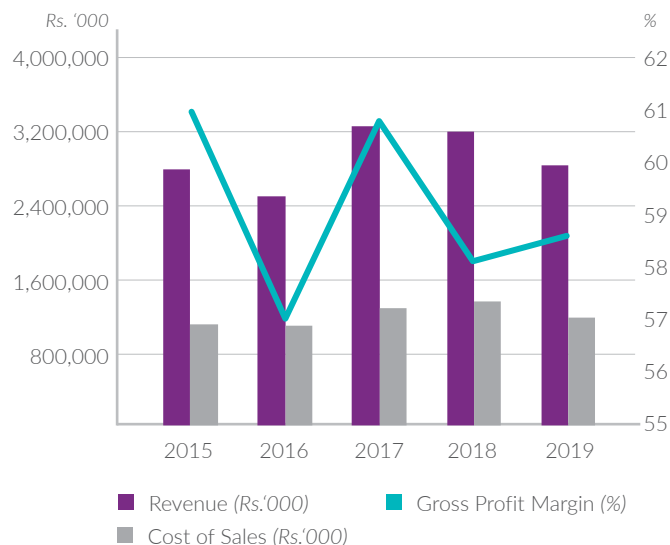
Financial Position

The Company's financial position remained strong. Shareholder's funds grew by 4% to Rs.6.4Bn. Debt to Equity ratio improved to 4% (2017/18: 5%). The Company continued to invest in upgrading its property, plant and equipment, an essential spend to maintain Cinnamon Lakeside's facilities and façade, in the face of fierce competition in the city hotel landscape. Investment in property, plant and equipment during the year amounted to Rs.113.8Mn. The current asset ratio improved from 0.81 times (2017/18) to 0.92 times this year due to stronger working capital management and a decrease of the current portion of interest-bearing borrowings due to repayments.

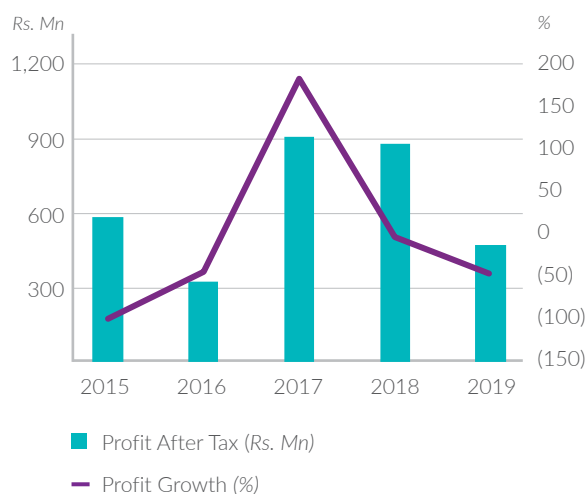
Cash Flows

Decreasing revenues had a cascading negative impact on the Company's cash flows. Cash generated from operations declined 21% to Rs.536.3Mn. During the year, the Company paid dividends amounting to Rs.200Mn.

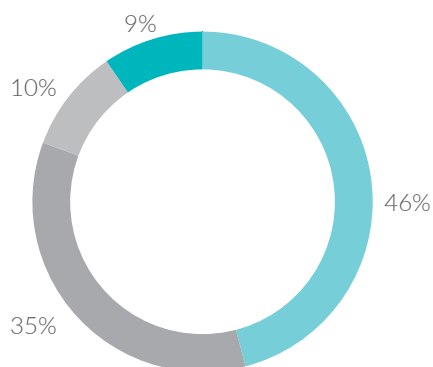
Revenue, Costs & Gross Profit Margin



Profit Trends

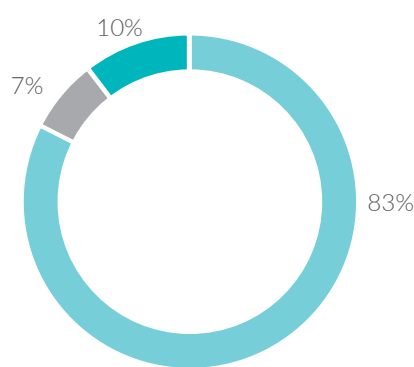


Total Assets - As at March 31, 2019



- Property Plant and Equipment
- Investment Property
- Other Non-current Assets
- Other Non-current Assets

Total Equity & Liabilities As at March 31, 2019



- Current liabilities
- Equity
- Non-current liabilities

Value Created for Shareholders

Despite the challenges in the operating environment, the Company continued to produce sustainable returns to its shareholders.

As proposed in the previous year financial statements, the Company declared a final dividend of Rs.1 per share for the financial year ended 31st March 2018 which was paid on 13th of June 2018.

	2018/19	2017/18	Variance %
Earnings per share (Rs.)	2.36	4.42	(46.6)
Net assets per share (Rs.)	32.22	30.92	4.2
Share price (closing) (Rs.)	76.40	95.00	(19.6)
Market capitalization (Rs. Mn)	15,280	19,000	(19.6)
P/E Ratio (Times)	32	22	45.45
Dividend payout	42%	79%	(37.0)

Our City Resort

Located in the midst of the busy city of Colombo, overlooking the tranquil Beira Lake, Cinnamon Lakeside exudes an ambience of calm and serenity. Luxurious rooms, award winning restaurants, magnificent ballrooms, facilities for conference and business events and additional guest facilities culminates in our city resort.

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

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

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

Extensive upkeep and maintenance with periodical refurbishment as well as investments in new equipment, furniture, kitchen equipment and soft furnishing among others is essential in delivering our brand promise and maintaining our competitive edge. Our investment in Property, Plant & Equipment (PP&E) – that together makes up our city resort of Cinnamon Lakeside – was Rs.114 Mn during the year ended 31st March 2019.



**346
Rooms**



**8 Specialty
Restaurants**



2 Ballrooms



**3 Conference
Venues**

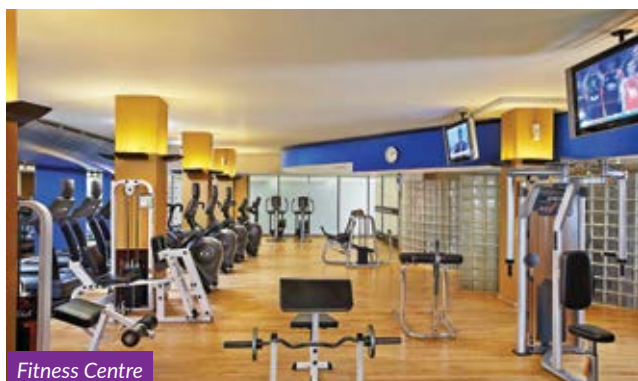


3 Boardrooms



**8° on the Lake
Floating
Venue**





	At cost (Rs. Mn)			
	31.03.2019	%	31.03.2018	%
Buildings	2,684	52	2,982	55
Plant & Machinery	629	12	597	11
Computer Equipment	120	2	109	2
Furniture, Fixtures & Fittings	400	8	390	7
Kitchen & Laundry Equipment	274	5	268	5
Hotel Equipment	101	2	96	2
Motor Vehicles	67	1	67	1
Soft Furnishings	732	14	705	13
Circulating Assets	190	4	179	3
WIP	-	0	24	1
Total	5,197	100	5,418	100
<i>Investment Property</i>	<i>2,713</i>		<i>2,546</i>	

Our Company is continually focusing on rigorous maintenance and upkeep of property, plant and equipment. The Commercial Centre Building, which is our investment property, increased in value by Rs.167 Mn as per the last valuation done on 31st December 2018.

Intangible Value

The 'Cinnamon' brand and our organisational capital together are key in sustaining our market position and competitive edge. The systems and processes supported by certifications that enhanced the quality of our service offerings, and the tacit knowledge of our employees that made innovation possible, have enabled us to stay ahead of our competition.

The Cinnamon Brand

Cinnamon Hotels & Resorts, the hospitality trendsetter in Sri Lanka, has embraced tropical modernism, offering a lifestyle brand for enjoying life's best moments in line with its promise of inspired living. Cinnamon is a chain of 14 hotels with each individual hotel or resort having its own ambience and personality. Guests are able to experience and enjoy this uniqueness, underpinned by the service excellence of the Cinnamon brand. Frequently featured among the country's top brands, Cinnamon was ranked the No. 1 hospitality brand by Brand Finance in 2019.

Cinnamon
HOTELS & RESORTS

Our Brand

Sri Lanka's No. 1
hospitality brand.

Systems and processes

The strength and effectiveness of our systems and processes have been validated through quality accreditations received on food safety, sustainability, occupational health and safety. These serve to provide assurance to our stakeholders on our commitment to operational excellence.



Systems and Processes

Numerous international
quality certifications and
accreditations.

Tacit Knowledge

We strive to nurture innovation into our organisational culture through mentoring, sharing of ideas, employment engagement initiatives aimed at encouraging creativeness and innovation and recognition. The experience of our employees represents collectively the sum of experiences gained in over 16 years of hospitality as a premier city hotel. Our employees are among the most sought after in the industry and our experience has been enriched by our guests and events hosted as we stretched our capabilities to new limits to deliver customised experiences to a discerning clientele. We have received many industry awards during the year, a testament to our employees – their creativeness, skill and dedication.



Tacit Knowledge

Our organisational capital
defines who we are and how
we interact with our guests
and other stakeholders.

An Innovative Culture

Art of Mixology

Boosting the F&B talents in the art of mixology Associates came up with their own innovative cocktail and were judged on style, confidence, arrangement and presentation, bartending techniques, timing and of course, the taste of the cocktail. High performers will represent Cinnamon Lakeside at national level competitions.



Art of Mixology



Regional Champion - National Room Stylist Challenge 2018

Winning style - sailing and ocean themed bedroom. Provides hotels an opportunity to showcase the talents of their staff.



National Room Stylist Challenge

Most Outstanding Dessert Presentation and Buffet Set Up - Chefs Guild Culinary Art Food Expo - 2018

The most comprehensive food and beverage exhibition in Sri Lanka. The three-day competition saw over 2000 participants battling it out for honours under various categories such as practical live, static display and beverages.



Chef's Guild Culinary Art Food Expo



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



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



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



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

Intangible Value (contd.)

Awards Received During the Year

Best Five Star City Hotel – ‘Pinnacle of Excellence’, Sri Lanka Tourism Awards 2018

The highest recognition in the tourism, travel and hospitality industries, the Sri Lanka Tourism Awards honour the best performers under 11 award categories. Organisations and individuals are recognised and rewarded for their contribution towards the strengthening and empowerment of Sri Lanka's tourism industry by promoting and enhancing the delivery of service standards.



Best Five Star City Hotel - Sri Lanka Tourism Awards 2018

Winner - Sri Lanka Hotel Culinary Championship 2018

The Culinary Art Food Expo is an opportunity for chefs, who work tirelessly behind the scenes every day of the year, and a chance to shine on a wider scale. This competition is looked upon as an ideal platform for talented personnel to hone their skills and also helps to strengthen the fact that hotels are the masters in the field.



Winner - Sri Lanka Culinary Championship 2018

Distinguished Restaurant Award by Rocheston

The Distinguished Restaurant Awards recognise industry experts who are part of the diverse restaurant industry and acknowledge outstanding dining experiences based on the choice of menu, ambiance and presentation of food. The Distinguished Restaurant Awards are presented globally.



Distinguished Restaurant Award by Rocheston

Ranked 11th, Top 25 Properties in Sri Lanka – Trip Advisor, Travellers Choice Awards 2019

TripAdvisor's 2019 Travellers' Choice awards for hotels, now in their 17th year, honours hotels across categories. Rankings are determined based on millions of reviews and opinions collected globally on TripAdvisor over the previous year. Both the quality and quantity of reviews were considered for each category. Each winner delivered "remarkable service, quality, and value". Cinnamon Lakeside was the only city hotel in the rankings.



Ranked 11th - Trip Advisor Travelers Choice Awards 2019

Skilled, Engaged and Motivated Team

Service excellence is what we strive for. This drives guest satisfaction and sets us apart from the competition. Our dedicated team is the conduit through which we deliver service excellence ensuring our guests are satisfied – be it an inhouse guest, host or participant of an event, outside diner or a casual visitor. We in turn have continued to invest in our team creating value by enhancing their skills through training and providing structured development opportunities supported by a conducive work environment.

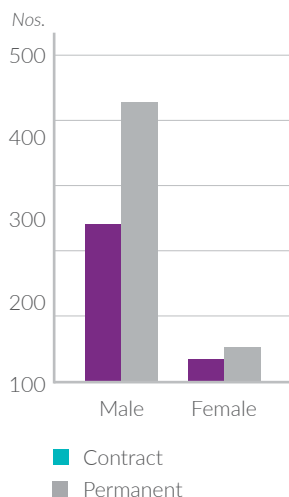
Our Talent Pool

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

Our team consists of 660 employees (2017/18 – 750), encompassing all departments such as food and beverage, kitchen, housekeeping, front office, and administration. In an industry which is defined by customer experience, each employee, irrespective of grade or department has a contributory role to play in ensuring service excellence. Our employees are among the most sought after in the industry and our excellent guest ratings are testimony to the service, skills and attitudes displayed by our team. As an equal opportunity employer and do not discriminate based on gender, age, ethnicity or any other form of diversity.

Employees by Employment Type and Gender 2018/19

GRI 102-8



660

Total Employees
2018: 750

Rs. 3.6 Mn

Investment in Training
2018: Rs.2.1 Mn

43,310

Training Hours
2018: 47,718

Rs. 674 Mn

Payments to Employees
2018: Rs.658 Mn

14

Workplace Injuries
2018: 30

Rs. 4 Mn

Revenue per Employee
2018: Rs.4 Mn

Skilled, Engaged and Motivated Team (contd.)

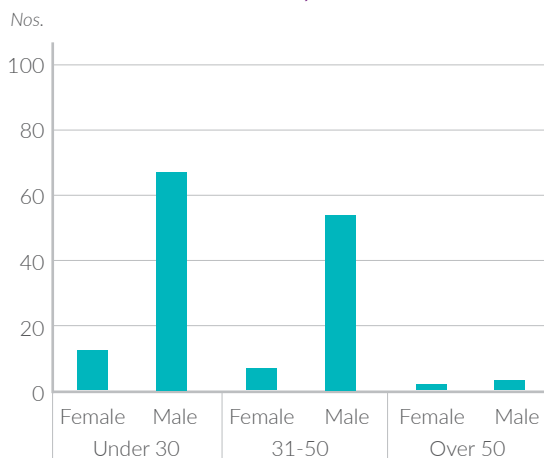
Talent Attraction and Retention

With competition intensifying in the industry for available talent, we continued to refine our value proposition to ensure that we attract and retain the industry's best talent. The challenge has been on the attraction and retention of skilled professionals such as chefs, Front Office staff, Housekeeping staff and food and beverage staff. This has exacerbated with several international chains entering the local market, and employees preferring international exposure. Entry level positions have been relatively less challenging due to the availability of the Hotel's trainee pool who are drawn from hotel schools. During the year we added 33 new recruits to our team, while 82 employees left employment during the year. The overall turnover rate was 10.59%.

New Hires - 2018/19 GRI 401-1



Attrition Numbers 2018/19



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

GRI 401-3

	Male	Female
Number of employees entitled to parental leave by gender	595	65
Number of employees that took parental leave by gender	12	01
Number of employees that returned to work after parental leave by gender	12	01
Number of employees who were still employed 12 months after returning to work after parental leave by gender	12	01
Return to work and retention rates of employees who took parental leave by gender (within the first year after returning to work)	100%	100%

Rewards and Recognition GRI 404-3

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





30 Year award recipients at the Long Service Awards 2018

Multiple mechanisms are in place to recognise high performing employees; for instance, the Associate and Team of the quarter is recognised and rewarded on a quarterly basis. The annual Long Service awards were also held in November 2018, where 93 staff members were honored and rewarded. 31 Associates were recognised for five years of service, 27 for ten years, 20 for fifteen years, 14 for twenty years, 5 for twenty-five years and 10 for thirty years of service. This was a glittering event, with a buffet, music and entertainment for both the Associates and their families.

Training and Development GRI 401-1,2

In the face of intensifying competitive pressure we have been compelled to strengthen our brand to nurture customer loyalty through providing excellent service on par with international chains. Accordingly, we placed strategic focus on capability development, with training programmes geared specially towards equipping employees with soft skills, language skills and service skills.

During the year increased emphasis was placed on training through our online learning portal. Access to the computer lab at the Learning and Development department was made available for all employees to proceed with learning activities either during working hours or at their flexibility. Online courses from Lobster Inc., were available for operational departments while executives had access to courses conducted by Coursera.

Having identified employees need for defined career progression together with the need for the Company to strengthen succession planning, we have taken steps to identify a key talent pool. Individual development plans, discussions on progress, suitable training programmes and involvement in projects to enhance exposure are features of the overall programme to develop these individuals. We also have a structured development programme for Assistant Managers.

During the year our investment in training initiatives amounted to approximately Rs.3.6 Mn and the total training hours amounted to 43,310. This translated to an average of 65.62 training hours per employee.

Training Hours 2018/19

Executive	3,243
Non-executive	40,067

Employee Engagement

We understand the importance of identifying and effectively responding to employee concerns and maintain a high level of engagement with them to facilitate open communication. Staff satisfaction surveys, skip level meetings, an open-door policy and exit interviews are some of the methods that we have used to gauge employee engagement. The Cinnamon Employee Survey, an online survey, was conducted on a quarterly basis this year, with the participation of both executive and non-executive employees. All employees participate in this survey and 25% of employees were covered each quarter.

The staff of Cinnamon Lakeside participated in many sports activities. Inter-department/Company volleyball, swimming, netball, cricket, rugby and badminton tournaments were held during the year. The “One team, One dream” Cinnamon Lakeside’s cycle rally was organised to enhance team spirit, observe discipline on the road, and to promote the importance of maintaining a healthy lifestyle. A special event for the female employees of Cinnamon Lakeside was held on International Women’s Day, that included inspiring speeches, a raffle draw and entertainment provided by the male employees, while drawing attention to the immense contributions made by Sri Lankan women to different industries and professions around the world.



“One team, One dream” Cinnamon Lakeside's Cycle Rally

Skilled, Engaged and Motivated Team (contd.)



Travel Trade Badminton Championship



International Women's day Celebrations



Inter Departmental Cricket Tournament

Health and Safety GRI 403-2

We are committed to creating an injury and hazard-free working environment for all our employees. The Hotel is an OHSAS 18001 – Occupational Health and Safety Management – certified organisation. This certification ensures that a rigorous health and safety policy is in place which protects employees against possible occupational risks and reduces the likelihood of accidents in the workplace. Any accidents that do take place are initially recorded in an accident register, followed by an initial accident investigative report and a final accident analysis report. The injury rate for the year was 0.12% with the lost day rate being 1.27%.

Type of injury	Female	Male
Due to Falling	01	05
Harmful Substances	-	04
Cuts	02	01
Moving objects	-	-
Burns	-	01
Total Injuries	03	11

Fostering Relationships

By developing trust and being willing to engage, we have formed mutually beneficial relationships with our key stakeholders. These relationships are important to us as it helps to build customer loyalty, results in business referrals, ensures a reliable supply chain and the willing support of the community.

SATISFIED CUSTOMERS

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

The Customer Experience

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

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

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

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

90%

Guest Satisfaction
2018: 89%

130,723

Total Guests
2018: 144,959

56

Supplier Audits
Conducted
2018: 50

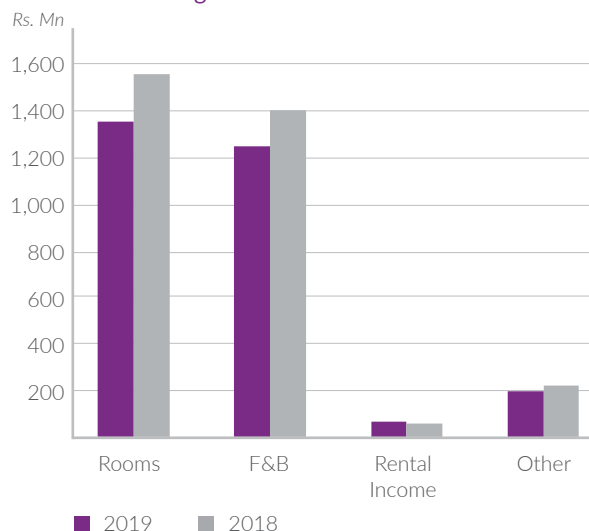
Rs. 3.1 Mn

Investment in CSR
2018: Rs. 1.7 Mn

79

Suppliers Screened
for Environmental &
Social Criteria
2018: 80

Revenue Segments



Fostering Relationships (contd.)

Guest satisfaction is measured at check out and through review of social media and travel websites. Travel websites are monitored on an hourly basis and negative reviews are discussed at morning meetings and departmental meetings. Negative reviews are addressed by responding to the relevant guests.

Booking.com

Booking.com Rating

8.4/10


tripadvisor®
4.5/5 stars



Guest
Satisfaction
Rate

90%

Cinnamon City Weddings

Cinnamon City Weddings, your journey to 'I Do', was a never-before-seen wedding event presented by two of Cinnamon's city hotels – Cinnamon Grand and Cinnamon Lakeside – that showcased everything you would need and more, when preparing for your big day.

The 9 venues were decorated and designed by leaders in the business, high-end fashion designers and salons showcased trending themes in wedding wear, a shuttle service was provided between the two hotels and Cinnamon Hotels & Resorts offered honeymoon packages at a range of their properties. Wedding ceremonies, hen parties and bachelor parties were also showcased.

Irresistible offers were there on offer, for bridal couples or even those intending on getting married in the next two years. A venue booked for the wedding reception at either of the two hotels on the day was half the price. Added on was a 15% discount by the 22 top end participating suppliers.



Customer Health and Safety GRI 416-1,2

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

Please refer page 66 for further information on Quality Accreditations.

Initiatives for Guest Safety

- Day time operation of the clinic with nurse on duty for any emergencies
- Doctor visits twice a day once during the morning and once during the evening and is 24 hours on call
- Registered ambulance service to respond during an emergency
- Monthly audits are conducted on fire and emergency evacuation, swimming pool safety and food hygiene
- We also follow H and S standards established by international travel agencies. Our checklists are based on these standards
- Fire and evacuation drills are conducted bi-annually
- There is a page in the room compendium on what the guest should do in-case of an emergency
- Facilities are provided for disable guests, such as rooms, public area toilets, ramps, hand rails etc
- 24 hours CCTV surveillance, with a dedicated associate monitoring them at the command room
- Each shift has a trained fireman on duty to respond for an emergency
- Associates from selected departments are trained and certified on First Aid
- Security associates are trained on how to respond in case of a fire
- Food sample testing, water testing (Drinking and Swimming pool) etc is carried out periodically
- All staff are trained on responding to fire related emergencies

Guest Engagement

A year-round calendar of unique and exciting events ensure that we maintain a high level of engagement with our guests. These events highlighted the culture of Sri Lanka and the cuisine of the signature restaurants at Cinnamon Lakeside. We also had several internationally recognised personalities visit us at our invitation and engaging with guests at several events. A brief overview of these events are given below;



Sinhala & Tamil New Year Celebrations

Celebrations at the hotel lobby with customary rituals and traditions, as well as a scrumptious breakfast buffet featuring traditional milk rice and sweetmeats.



Vesak Celebrations

The hotel premises were lit up yet again and provided many photo opportunities for guests and passers-by, with decorations for Vesak. 170 lanterns adorned the front gardens of the property, all lit up by LED bulbs.

Fostering Relationships (contd.)



Brunch & Conversation with Nigella

Celebrity cook and food writer Nigella Lawson shared insights into her career, her culinary achievements and inspirations with participants over brunch at Cinnamon Lakeside, Kings Court.



Thai Food Festival

The 11-day event featured over 80 authentic Thai dishes, celebrating the true taste of Thailand. Guests were able to witness Thai Master Chef Baongkot Sabpong create her masterpieces and signature dishes



Piano Melodies - Jazz pianist Mehroom Wahab

Pure Piano Melodies of Christmas at the Poolside Terrace. Proceeds of the even were donated to the Cancer Hospital and the Lady Ridgeway Children's ward at the National Hospital.



Chinese Food Festival

The Chinese Food Festival was a celebration of the Chinese New Year with a buffet at the Terrace, overlooking the pool and Beira Lake.

Technology and increasing connectivity have transformed how hospitality providers engage with their guests. The Hotel has an active social media presence, with large followings on several popular social media platforms.

Social Media Engagement



Over
99,514
followers



2,994
followers



1,607
followers



2,481
followers

Customer Privacy

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

OUR BUSINESS PARTNERS

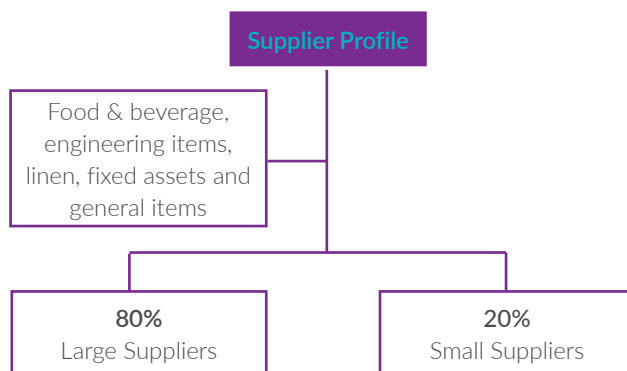
Our business partners are a vital link in our supply chain, engaging potential guests and directing them to our hotel. They include tour operators, aggregators and corporate customers who facilitate booking for guests and provide information about experiences at Cinnamon Lakeside. A dedicated sales team nurture these key relationships with regular interactions with the Corporate Management.

Our presence at trade shows and travel conferences strengthen existing relationships and enable acquisition of new relationships, enhancing our social and relationship capital. Experiential tours and visits also serve to strengthen ties with these key business partners. We receive regular feedback from our business partners who represent the voice of our guests and prompt action is taken to address their concerns.

A RELIABLE SUPPLY CHAIN GRI 308-1, 414-1

In the hospitality industry an uninterrupted and reliable supply chain is vital in ensuring the smooth continuity of operations. Supplier selection at Cinnamon Lakeside is a rigorous and proactive process. Supplier screening is carried out by two independent partners who conduct site visits and audits and provide recommendations. Key selection criteria includes product quality, reliability of supply, timely delivery and the financial background are some of the criteria that is considered for selection. An assessment is also made on the suppliers' social and environmental policies. All suppliers are continuously evaluated with surprise audits being conducted and sustainability, including social and environmental criteria, assessed annually through a questionnaire that is reviewed by Cinnamon Lakeside's ultimate parent Company. During the year, 79 suppliers were screened using social and environmental criteria.

To minimise supply chain issues and supply shortages, we constantly monitor emerging dynamics in our supply chain, and ensure we have sufficient alternatives in place. We also conduct supplier audits and awareness forums, thereby contributing towards capacity building of our suppliers. During the year we conducted 56 audits and engaged suppliers in an awareness forum.



The main challenges facing Cinnamon Lakeside from its supply chain during the year was higher costs of supplies due to exchange rate fluctuations, managing the shortage of quality supply due to the increase in Hotel capacity in Colombo and limiting purchasing supplies from only audited suppliers.

COMMUNITY ENGAGEMENT (CSR) GRI 413-1

Cinnamon Lakeside's corporate social responsibility activities are targeted towards nurturing meaningful relationships within the communities we operate. Our community engagement targets not only corporate philanthropy but projects which create long-term and holistic value to communities. Despite our relatively subdued performance we invested Rs.3.1 Mn in community engagement initiatives during the year (Rs.1.7Mn – 2017/18).

	2018/19	2017/18
Contribution to Society – as a % of Profit After Tax	0.7%	0.2%

Cinnamon Lakeside supported the John Keells Foundation (the 'Foundation') in several of its projects during the year as follows:

Neighbourhood Schools Development Programme

Development and maintenance of infrastructure facilities of five disadvantaged Government schools in Colombo 2 and 3, catering to a mixed student population representing all communities and religions. The objective of this endeavour is to create a more conducive environment for learning and enhance the quality of education. During the year, initiatives under infrastructure and facility development, skills development and career guidance and vocational training were undertaken.

Construction of a Community Centre

Having identified challenges arising from the lack of a suitable location for community activities to be carried out in Wekanda, Cinnamon Lakeside contributed towards the construction of a Community Centre at De Mel Park,

Construction of AYATI's Supported Employment Unit

AYATI is a national center of excellence for children with disabilities located at the Faculty of Medicine of the University of Kelaniya based in Ragama. The Supported Employment Unit focused on steering the employment/vocation related goals of children with disabilities.

Cinnamon Youth Empowerment Programme

This is a programme to enhance the employability of school leavers and youth of several areas, equipping them with the skills required to seek career opportunities in the hospitality or related industries.

Commitment to the Environment

We are committed to minimising the environmental impacts of our operations through increasing the efficiency of our natural input usage and engaging in responsible disposal of waste. With Sri Lanka ranked second in the Global Climate Risk Index 2019, as a country most affected by extreme weather events, our responsibility for sustainable operations becomes a *sine qua non*.

Our Approach to Environmental Management

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

Environmental Impact per Guest Night (against Earthcheck benchmark) GRI 302-3, 305-4

	ECG	2018/19	2017/18
Carbon footprint (kg)	11.7	19.14	16.82
Energy Usage (GJ)	0.12	0.13	0.11
Water Usage (Liters)	625	463.7	360.6
Waste (kg)	0.23	0.17	0.20

Energy GRI 302-1, 4

Almost all the energy requirements of Cinnamon Lakeside are fulfilled through the national grid. Solar energy amounts to approximately 1% of our total consumption. During the year the electricity consumption of Cinnamon Lakeside decreased by 11% reflecting ongoing focus on energy efficiencies. This brings the Company nearer to its target of reducing energy consumption by 11% during the period from 2015/16 to 2020. As of the end of the year the reduction in energy consumption from the 2015/16 baseline was 22%. We have continued with our energy saving initiatives from previous years with savings resulting from the investment in the Building Management System (BMS) materialising this year. Areas of significant energy savings are as below.



Energy Consumption

10% ↓



Water Consumption

6% ↑



Waste Generated

10% ↓



Waste Recycled

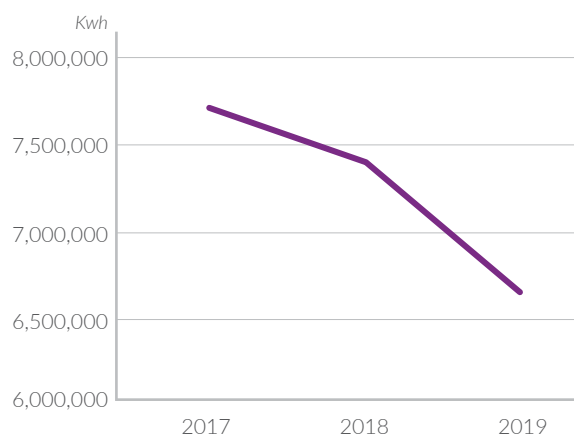
92.8%



Carbon Footprint

6% ↓

Energy Consumption





Earth Hour

Cinnamon Lakeside observed Earth Hour, a worldwide event held annually encouraging individuals, communities, and businesses to turn off non-essential electric lights for one hour in March, as a symbol of commitment to the planet and to raise awareness for energy consumption and its effects on the environment.

Savings for the Year (KwH)	
Exhaust fans of 27 toilets were connected to run with the BMS	48,000
Rescheduling air handling units' 'on' and 'off' times to save energy during off peak hours	12,000
Optimising the performance of the magnetic bearing chiller	120,000

Water GRI 303-1

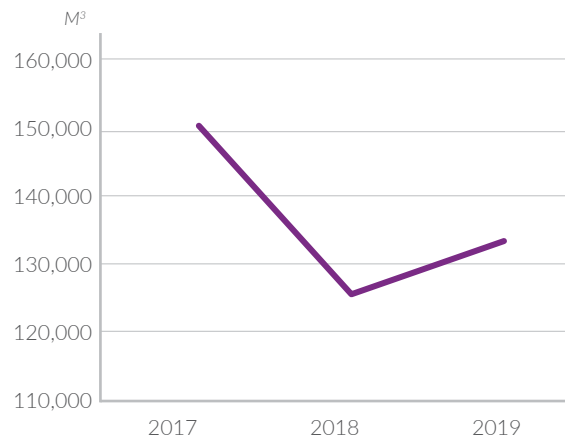
Cinnamon Lakeside has made tremendous strides in achieving its target of reducing water consumption by 1% from 2015/16 usage by 2020. As of the end of the year the reduction in water consumption from the 2015/16 baseline was 19%. Water Consumption during the year increased by 6% due to Cinnamon Lakeside commencing the laundry operation again which was outsourced during the last financial year. Cinnamon Lakeside continues to encourage its guests to help conserve water by go green options such as re-using linen, towels and bed sheets. The Company uses municipal water supplies for all its operations other than for the garden.

Waste and Effluents GRI 306-2

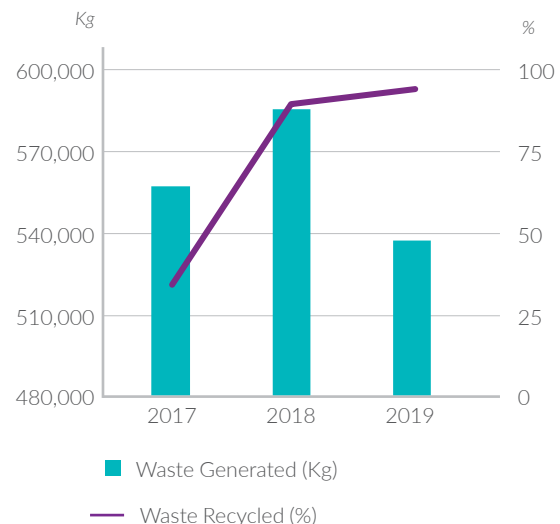
Waste is segregated and recycled to ensure responsible disposal. Paper, metal and plastic bottles are recycled and wet garbage is given to piggeries. Cinnamon Lakeside also cultivates an organic garden in its premises and uses leaves as compost to fertilize the vegetables grown. During the year, several initiatives were taken to reduce waste generation and create awareness of responsible consumption.

- Fine tuning of the steam boiler resulted in 11,500 litres of furnace oil savings.
- The 'last straw' campaign began at Cinnamon Lakeside in November. All restaurants and bars displayed awareness posters and tent cards informing guests that plastic straws will be provided only on request. The objective was to

Water Consumption



Waste



The 'last straw' campaign

Commitment to the Environment (contd.)

encourage guests to refrain from asking for straws and help in the long-term goals of reducing single-use plastics. The campaign helped to reduce the Hotels' usage of single-use plastic and created awareness of the destruction caused to the environment and threats to marine life, among both guests and Hotel staff. Cinnamon Lakeside reduced 71.85% of plastic straws from November 2018 to March 31, 2019.

- A training programme was conducted to educate employees on managing waste in their workplaces and homes.
- Waste generated decreased by 10% during the year and 92.8% of this waste was recycled

How We Recycle Waste

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

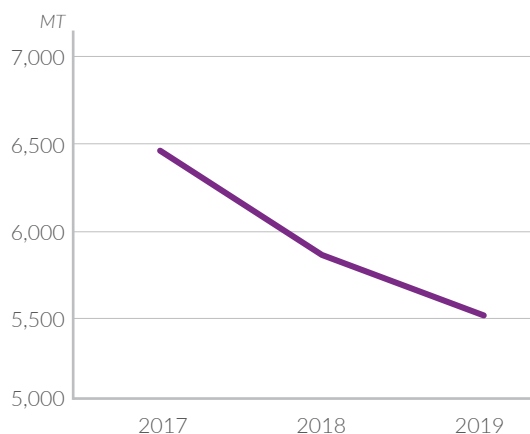
The Hotel's effluents are treated and discharged to the municipality sewerage lines. Quality of discharge is monitored consistently to ensure that they conform to regulatory requirements.

Emissions **GRI 302-1, 305-1, 2, 5**

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

- Scope 1 - GHG emissions occurring directly from sources that are owned or controlled by the Organisation
- Scope 2 - Direct emissions generated in the production of electricity consumed
- Scope 3 - GHG emissions that occur outside of the organisation, including both upstream and downstream emissions

Emissions (Scope 1 & 2)



Cinnamon Lakeside's carbon footprint (scope 1 & 2) reduced by 6% during the year, resulting from its concerted efforts to reduce energy consumption. Scope 3 emissions are few but has increased from 7.4 MT in 2017/18 to 1.8 MT in 2018/19.

Environmental Compliance **GRI 307-1**

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

GRI Content Index

GRI Standard	Disclosure	Page number	Omission
GRI 101: Foundation 2016 (does not include any disclosures)			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	03	
	102-2 Activities, brands, products and services	04-05	
	102-3 Location of headquarters	111	
	102-4 Location of operations	111	
	102-5 Ownership and legal form	111	
	102-6 Markets served	73	
	102-7 Scale of the organisation	06	
	102-8 Information on employees and other workers	69	
	102-9 Supply chain	77	
	102-10 Significant changes to the organisation and supply chain	-	N/A
	102-11 Precautionary principle	53	
	102-12 External initiatives	03	
	102-13 Membership of associations	76	
	102-14 Statement from senior decision maker	10	
	102-16 Values, principles, norms and standards of behaviour	23	
	102-18 Governance Structure	16	
	102-40 List of stakeholder groups	42	
	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	-	N/A
	102-46 Defining report content and topic boundary	47	
	102-47 Material topics	47-48	
	102-48 Restatements of information	-	N/A
	102-49 Changes in reporting	-	N/A

GRI Content Index (contd.)

GRI Standard	Disclosure	Page number	Omission
GRI 102: General Disclosures 2016 (contd.)	102-50 Reporting period	03	
	102-51 Date of most recent report	03	
	102-52 Reporting cycle	03	
	102-53 Contact point for questions regarding Report	03	
	102-54 Claims of reporting in accordance with GRI Standards	03	
	102-55 GRI context index	81	
	102-56 External assurance	-	External assurance not sought
Material topics			
Economic Performance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	47	
	103-2 Evaluation of the Management Approach	47	
GRI 201: Economic Performance 2016	201-1- Direct economic value generated and distributed	06	
	201-3 Defined benefit plan obligations and other retirement plans	133	
Indirect economic impacts			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	76	
	103-2 Evaluation of the Management Approach	76	
GRI 203: Indirect economic impacts	203-2 Significant indirect economic impacts	77	
Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	78	
	103-2 Evaluation of the Management Approach	78	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	78	
	302-4 Reduction of energy consumption	78	

GRI Standard	Disclosure	Page number	Omission
Water			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	79	
	103-2 Evaluation of the Management Approach	79	
GRI 303: Water 2016	303-1 Water withdrawal by source	79	
Emissions			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	80	
	103-2 Evaluation of the Management Approach	80	
GRI 305: Emissions: 2016	305-1 Direct greenhouse gas (GHG) emissions	80	
	305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	80	
	305-5 Reduction of greenhouse gas emissions	80	
Effluents and Waste			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	79	
	103-2 Evaluation of the Management Approach	79	
GRI 306: Effluents and Waste	306-2 Waste by type and disposal method	79	
Environmental Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	80	
	103-2 Evaluation of the Management Approach	80	
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	80	

GRI Content Index (contd.)

GRI Standard	Disclosure	Page number	Omission
Supplier Environmental Assessment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	77	
	103-2 Evaluation of the Management Approach	77	
GRI 308: Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	77	
Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	70	
	103-2 Evaluation of the Management Approach	70	
GRI 401: Employment 2016	401-1 Employee hires and turnover	70	
	401-3 Parental leave	70	
Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	72	
	103-2 Evaluation of the Management Approach	72	
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	72	
Training and education			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	71	
	103-2 Evaluation of the Management Approach	71	
GRI 404: Training and education	404-1 Average hours of training per year per employee	71	
	404-2 Programs for upgrading skills and transition assistance programmes	71	
	404-3 Percentage of employees receiving regular performance and career development reviews	71	

GRI Standard	Disclosure	Page number	Omission
Local Communities			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	77	
	103-2 Evaluation of the Management Approach	77	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	77	
Supplier Social Assessment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	77	
	103-2 Evaluation of the Management Approach	77	
GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	77	
Customer Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	75	
	103-2 Evaluation of the Management Approach	75	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	75	
	416-2 Incidences of non-compliance concerning the health and safety aspects of products	75	



WHERE ELSE...

Would you indulge in a
meal fit for royalty?



Share Information and Shareholding

2018/19 Financial Calendar

Meeting	
38th Annual General Meeting	21st June 2019
Interim Financial Statements	
1st Quarter ended 30th June 2018	Released on 24th July 2018
2nd Quarter ended 30th September 2018	Released on 02nd November 2018
3rd Quarter ended 31st December 2018	Released on 29th January 2019
4th Quarter ended 31st March 2019	Released on 28th May 2019

1. Directors' Shareholding

	As at 31.03.2019	As at 31.03.2018
Mr. K. N. J. Balendra - Chairman	Nil	Nil
Mr. J. G. A. Cooray	1,200	1,200
Mr. N. L. Gooneratne	589,281	589,281
Mr. J. R. Gunaratne	Nil	Nil
Mr. C. J. L. Pinto (Joint account with Mrs. M. R. C. Pinto)	7,400	7,400
Mr. E. H. Wijenaik	Nil	Nil
Ms. J. C. Ponniah	Nil	Nil
Mr. R. J. Karunarajah	400	400
Mr. S. C. Ratnayake - Chairman (Resigned on 31st December 2018)	N/A	400

2. The Company's Issued Ordinary Share Capital of 200,000,000 Shares were held by 1,376 Shareholders as at 31st March 2019 (1,374 Shareholders as at 31st March 2018)

2.1 Share Distribution as at 31st March 2019

	Number of shareholders	Percentage of shareholding	Total number of shares
Less than or equal to 1,000	1,146	0.10%	192,622
1,001 to 10,000	176	0.34%	677,333
10,001 to 100,000	40	0.50%	1,013,236
100,001 to 1,000,000	10	2.14%	4,280,182
Over 1,000,001	4	96.92%	193,836,627
Grand total	1,376	100.00%	200,000,000

2.2 The Twenty Largest Shareholders

		Shareholding as at 31.03.2019	%	Shareholding as at 31.03.2018	%
01	John Keells Holdings PLC	97,284,256	48.64	97,284,256	48.64
02	Asian Hotels and Properties PLC	86,823,028	43.41	86,823,028	43.41
03	Bank of Ceylon A/C Ceybank Unit Trust	5,433,143	2.72	5,423,248	2.71
04	Employees Provident Fund	4,296,200	2.15	4,296,200	2.15
05	Prof. D. N. L. Alwis	600,107	0.30	600,107	0.30
06	Mr. N. L. Gooneratne	589,281	0.29	589,281	0.29
07	Mr. A. N. G. Wijeyekoon	572,960	0.29	572,960	0.29
08	Employees Trust Fund Board	571,941	0.29	571,941	0.29
09	Bank of Ceylon A/C Ceybank Century Growth Fund	552,950	0.28	547,549	0.27
10	Bank of Ceylon No. 1 Account	477,200	0.24	477,200	0.24
11	Ellawala Exports (Pvt) Ltd.	358,400	0.18	358,400	0.18
12	Mr. G. L. A. Ondaatjie	250,199	0.13	250,199	0.13
13	Mr. D. Gonsalkorale	161,200	0.08	161,200	0.08
14	Mrs. B. J. E. Severin	72,800	0.04	72,800	0.04
15	Mr. R. D. Ranatunga	50,112	0.03	50,112	0.03
16	Mr. N. P. Tippala Gamage	49,500	0.02	49,500	0.02
17	Mr. G. P. Gunawardena	48,468	0.02	48,468	0.02
18	Mrs. M. I. A. Wijekoon	40,000	0.02	40,000	0.02
19	Mr. H. A. Van Starrex	34,616	0.02	35,598	0.02
20	Mr. G. M. T. Gunaratne	33,652	0.02	33,652	0.02
		198,300,013	99.15	198,285,699	99.14

2.3 Composition of Shareholders

	As at 31st March 2019			As at 31st March 2018		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
Directors and Spouses	4	598,281	0.30	5	598,681	0.30
Public non-resident						
Institutions				-	-	-
Individuals	15	92,503	0.05	14	84,073	0.04
Public resident						
Institutions	49	196,128,665	98.06	49	196,117,949	98.06
Individuals	1,308	3,180,551	1.59	1,306	3,199,297	1.60
	1,376	200,000,000	100.00	1,374	200,000,000	100.00

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

Share Information and Shareholding (contd.)

3. Market Information on Ordinary Shares of the Company

	2018/2019	Q4	Q3	Q2	Q1	2017/2018
High (Rs.)	88.10	88.10	88.90	89.00	95.00	97.00
Low (Rs.)	67.50	67.50	72.50	70.20	70.20	76.10
Close (Rs.)	76.40	76.40	87.80	89.00	86.90	95.00
Dividend paid (per share) (Rs.)	1.00	-	-	-	1.00	3.50
Trading Statistics						
Number of transactions	282	72	81	44	85	400
Number of shares traded ('000)	29	11	8	2	8	103
% of total shares in issue	0.0144	0.0055	0.0038	0.0011	0.0040	0.0516
Value of all shares traded (Rs. Mn)	2.28	0.82	0.60	0.18	0.68	8.21
Average daily turnover (Rs. '000)	28.19	32.94	37.56	9.98	30.88	89.24
Market capitalization (Rs. Mn)	15,280	15,280	17,560	17,800	17,380	19,000

4. Dividends Since 2004/05

Year ended 31st March	Dividend paid per share (Rs.)	Dividend paid (Rs.'000)
2004/05	3.50	175,000
2005/06	5.35	267,500
2006/07	2.40	120,000
2007/08	0.75	37,500
2008/09	1.50	75,000
2009/10	1.00	50,000
2010/11	2.00	100,000
2011/12	3.00	300,000
2012/13	3.00	600,000
2013/14	3.50	700,000
2014/15	3.50	700,000
2015/16	2.00	400,000
2016/17	3.00	600,000
2017/18	3.50	700,000
2018/19	1.00	200,000

5. Share Capital Since 2004/05

Year ended 31st March	Number of shares in Issue ('000)
2004/05	50,000
2005/06	50,000
2006/07	50,000
2007/08	50,000
2008/09	50,000
2009/10	50,000
2010/11	50,000
2011/12**	100,000
2012/13**	200,000
2013/14	200,000
2014/15	200,000
2015/16	200,000
2016/17	200,000
2017/18	200,000
2018/19	200,000

** Sub division of shares

FINANCIALS...

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Annual Report of the Board of Directors

The Directors have pleasure in presenting the 38th Annual Report of your Company together with the Audited Financial Statements for the year ended 31st March 2019.

General

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

Principal Activity

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

Review of the Business and Future Developments

The financial and operational performance during the year ended 31st March 2019 and future business developments of the Company are provided in the Chairman's Statement on pages 10 to 12. These reports which form an integral part of Annual Report of Board of the Directors' Report together with the audited financial statements reflect the state of affairs of the Company.

Financial Statements and Auditor's Report

The Financial Statements of the Company duly signed by the Directors and the Auditor's Report on the Financial Statements are provided on pages 103 to 144.

Corporate Governance

The Corporate Governance principles and practices of the Company are described from pages 16 to 37 of this report. The Directors confirm that the Company is in compliance with the continuing listing rules of the Colombo Stock Exchange (CSE) and has adopted the relevant Rules on Corporate Governance (2013) jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL). The Company is fully compliant with the 2013 Code of Best Practice on Corporate Governance issued jointly by the SEC and the ICASL. The Company is compliant with almost the full 2017 Code of Best Practice on Corporate Governance issued by the ICASL to the extent of business exigency and as required by the John Keells Group.

System of Internal Control and Risk Management

The Board has implemented an effective and comprehensive system of internal controls which provide reasonable but not absolute assurance that assets are safeguarded and that the financial reporting system may be relied upon in the preparation of the financial statements. The Audit Committee receives and acts upon reports on the results of internal control reviews carried out by independent external auditors. The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Company and that financial, operational and compliance controls have been reviewed. Risk assessment and evaluation for the Company takes place as an integral part of the business and the principal risks and mitigating actions in place are reviewed regularly by the Board Audit Committee. The Board, through the involvement of the ultimate parent Company John Keells Holdings PLC (JKH), Group Business Process Review and Control Division takes steps to gain assurance on the effectiveness of control systems in place. The Head of the Group Business Process Review Division has direct access to the Chairman of the Audit Committee. Foreseeable risks that may materially impact business are disclosed in the Risk Management Statement on pages 51 to 55 of this Report and notes to the financial statements on pages 111 to 144.

Going Concern

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

Accounting Policies

Respective Responsibilities of Directors and Auditors for the Financial Statements

Details of accounting policies have been discussed in Notes 1 to 39 to the financial statements. There have been no changes in the accounting policies adopted by the Company during the year under review.

Annual Report of the Board of Directors (contd.)

The Directors are responsible for the preparation of the Financial Statements so that they present a true and fair view of the state of affairs of the Company. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRS), Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Continuing Listing Rules of the (CSE).

Revenue

Revenue generated by the Company as at 31st March 2019 amounted to Rs.2,825 million (2018 Rs.3,199 million)

Results & Appropriations

The Profit After Tax of the Company and the profit attributable to the equity holders for the year was Rs.471 million (2018 – Rs.883 million). The synopsis of the Company's performance is presented in the following table:-

For the year ended 31st March	In Rs. 000's 2019	In Rs. 000's 2018
After providing for all known liabilities bad and doubtful debts and depreciation on property, plant and equipment, the profit earned before interest was	413,980	605,095
Interest paid during the year was	(57,864)	(26,251)
Interest earned during the year was	1,605	13,275
Changing fair value of Investment Property	166,600	397,600
Profit Before Tax was	524,321	989,719
From which was deducted the Provision for taxation including deferred taxation of	(52,898)	(106,531)
Leaving a net Profit After Tax of	471,423	883,188
Deferred tax effect on actuarial loss	458	982
Gain/Loss on defined benefit plans	(3,275)	(5,615)
The amount transferred from Revaluation Reserve was	25,134	25,134
When the balance brought forward from the previous year was added	3,309,347	3,005,658
The amount available for appropriation was	3,803,088	3,909,347
Interim dividend of Rs.2.00 per share 2017/18	N/A	(400,000)
Final dividend paid Rs. 1.00 per share 2017/18	N/A	(200,000)
Leaving a balance to be carried forward next year of	3,803,088	3,309,347

Dividends

A final dividend of Rs. 1.00 per share for the Financial Year ended 2017/18 was paid during the current financial year, resulting in a cash payout for the financial year ended 31st March 2019 amounting to Rs. 200 million (Rs. 700 million paid in 2017/18).

Property, Plant & Equipment

The book value of property, plant and equipment as at the balance sheet date amounted to Rs.3,589 million (2018 - Rs.3,685 million) for the Company.

Capital expenditure for the year amounted to Rs.114 million (2018 - Rs.230 million).

Details of property, plant and equipment and their movements are given in note 14 to the financial statements on page 124 of this report.

Market Value of Properties

All buildings owned by the Company were revalued as at 31st December 2018 and the carrying value amounted to Rs.2,672 million (2018-Rs.2,730 million). All information related to the revaluation is given in Note 14 to the Financial Statements.

All properties classified as investment property were valued as at 31st December 2018 in accordance with the requirements of LKAS 40. This valuation too was carried out by M/s. P B Kalugalagedara, Chartered Valuation Surveyor. The carrying value of investment property of Company amounted to Rs.2,713 million (2018 - Rs 2,546 million). The Directors have decided to retain the fair value of investment property recognised as at 31st March 2019.

Details of valuation of property, plant and equipment and investment property are provided in notes 14 and 16 of the financial statements on pages 124 to 129 of this report.

Investment Properties

In accordance with LKAS 40, Investment Property, the net book value of properties held to earn rental income and properties held for capital appreciation have been classified as investment properties. The details of the investment properties are explained in note 16 of the notes to the financial statements on pages 128 to 129.

Stated Capital

The total stated capital of the Company as at 31st March 2019 was Rs.1,113 million (2018 - Rs.1,113 million). The Stated Capital of the Company comprises of 200 million Ordinary Shares fully paid up.

Reserves

Total reserves as at 31st March 2019 for the Company amounted to Rs. 5,331 million (2018 - Rs. 5,070 million). The movement of reserves during the year is disclosed in the Statement of Changes in Equity on page 109.

Segment Reporting

Segment wise contribution to Company revenue, results, assets and liabilities is provided in Note 35 of the Financial Statements on page 143.

Contingent Liabilities & Capital Commitments

Commitments made for capital expenditure as at 31st March 2019 and the contingent Liabilities as at that date are given in Note 37 to the financial statements on page 144.

Events Subsequent to the Balance Sheet Date

There have been no events subsequent to the balance sheet date, which would have any material effect on the Company other than those disclosed in Note 38 to the Financial Statements on page 144.

Share Information & Shareholding

The market value of an ordinary share of the Company as at 31st March 2019 was Rs.76.40 (2018 - Rs.95.00). The number of shareholders as at 31st March 2019 was 1,376 (31st March 2018 - 1,374). An analysis of shareholders based on shares held, percentage of public holding, the distribution of ownership and details of share transactions during the year are provided on pages 88 and 90 of this report. The list of Top Twenty Shareholders of the Company as at 31st March 2019 is also provided on page 89 of this report.

Directors

The Board of Directors of the Company as at 31st March 2019 and their brief profiles are given on page 13 of this report.

Retirement and Re-Election of Directors

In accordance with Article 83 of the Articles of Association of the Company, Mr. J R Gunaratne and Mr. E H Wijenaikewho retire by rotation and being eligible offer themselves for re-election. Brief profiles of Mr. J R Gunaratne and Mr. E H Wijenaikewho are contained on page 13 of the Annual Report.

Mr. S C Ratnayake resigned from the Board on 31st December 2018.

The Company has recommended the re-election of Mr. N L Gooneratne who is over 70 years old and retires in term of Section 210 of the Companies Act No. 7 of 2007. The resolution proposes that the age limit stipulated in Section 210 of the Companies Act shall not apply to Mr. N L Gooneratne who is 76 years old and that he be re-elected a Director of the Company.

Annual Report of the Board of Directors (contd.)

Board Committees

Board Audit Committee

The following members serve on the Board Audit Committee:

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

The Audit Committee reviewed the type and quantum of non-audit services provided by the external auditors to the Company to ensure that their independence as auditors has not been impaired.

The report of the Audit Committee is given on pages 100 to 102 of this report.

Human Resources and Compensation Committee
As permitted by the listing rules of the CSE, the Human Resources and Compensation Committee of JKH, the ultimate parent company of Trans Asia Hotels PLC functions as the Human Resources and Remuneration Committee of the Company. The Human Resources and Compensation Committee of John Keells Holdings PLC comprises three independent Directors :

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

Nominations Committee

The Nomination Committee of Asian Hotels & Properties PLC functions as the Nominations Committee of the Company with effect from 01st December 2015. The Nomination Committee of Asian Hotels & Properties PLC comprises of two independent Directors and one non-independent Director namely:

The Nominations Committee of Asian Hotels & Properties PLC comprises of following 02 Independent Directors and 01 Non-Independent Director as at 31st March 2019.

Mr. J Durairatnam - Chairman
Mr. A S De Zoysa
Mr. K N J Balendra

Mr. J Durairatnam and Mr. A S De Zoysa were appointed to the Committee with effect from 08th September 2018 and Mr. K N J Balendra was appointed to the Committee with effect from 01st January 2019.

Mr. S K G Senanayake, Mrs. S A Jayasekara and Mr. S C Ratnayake, who were members of the committee during the financial year, resigned from of Asian Hotels & Properties PLC. Mr. S K G Senanayake and Mrs. S A Jayasekara resigned with effect from 07th September 2018 and Mr. S C Ratnayake resigned with effect from 31st December 2018 respectively.

Related Party Transactions Review Committee

As permitted by the listing rules of the CSE, the Related Party Transactions Review Committee of JKH, the ultimate parent company of Trans Asia Hotels PLC functions as the Related Party Transactions Review Committee of the Company. The Related Party Transactions Review Committee of JKH comprises four independent Directors and one Non Independent Director:

Ms. M P Perera – Chairman
Mr. A N Fonseka
Mr. D A Cabraal
Mr. K N J Balendra (Appointed to the Committee on 01/01/2019)
Mr. S C Ratnayake (resigned from the Company on 31st December 2018)

Interests Register

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

- a) **Interests in Contracts** The Directors have all made a General Disclosure to the Board of Directors as provided for by Section 192(2) of the Companies Act No. 7 of 2007 and no additional interests have been disclosed by any Director.
- b) **Indemnities and Remuneration** The Remuneration Committee of John Keells Holdings PLC (being the holding company of Trans Asia Hotels PLC) has not recommended an increment in fees to the Non-Executive Directors of the Trans Asia Hotels PLC during the year. The fees payable to Non-Executive nominees of John Keells Holdings PLC are paid to the Company and not to individual directors.

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

Directors Shareholding in the Company

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

	2019	2018
Mr. K N J Balendra	Nil	Nil
Mr. S C Ratnayake (Resigned w.e.f. 31.12.2018)	N/A	400
Mr. N L Gooneratne	589,281	589,281
Mr. C J L Pinto (Joint account with Mrs. M R C Pinto)	7,400	7,400
Mr. E H Wijenaike	Nil	Nil
Ms. J C Ponniah	Nil	Nil
Mr. R J Karunarahah	400	400
Mr. J G A Cooray	1,200	1,200
Mr. J R Gunaratne	Nil	Nil

Directors' Remuneration

Details of the remuneration and other benefits received by the Directors are set out in page 122 of the Financial Statements.

Employee Share Option Plan (ESOP)

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

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

Employment

The Company has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability.

Details of the Company's Human Resource initiatives are detailed on pages 69 to 72. The number of persons employed by the Company as at 31st March 2019 was 660 (2018 - 750).

There were no material issues pertaining to employees and industrial relations during the Financial Year.

Statutory Payments

The Directors to the best of their knowledge are satisfied that all statutory payments in relation to the Government, other regulatory institutions and the employees have been either duly paid or appropriately provided for in the Financial Statements. The tax position of the Company is disclosed in Note 11, 27 and 31 to the Financial Statements.

Supplier Policy

The Company applies an overall policy of agreeing and clearly communicating terms of payment as part of the commercial agreements negotiated with suppliers, and endeavors to pay for all items properly charged in accordance with these agreed terms. As at 31st March 2019, the trade and other payables of the Company amounted to Rs.296 million (2018 - Rs.256 million).

Sustainability Reporting

The Company is conscious of the impact, direct and indirect, on the environment due to its business activities. Every endeavour is made to minimise the adverse effects on the environment to ensure sustainable continuity of our natural resources. The activities undertaken by the Company in recognition of its responsibility as a corporate citizen are disclosed more fully on pages 56 to 57 of this Report.

Related Party Transactions

There were no related party transactions required to be disclosed under the Listing Rules of the Colombo Stock Exchange other than as disclosed under Note 32 of the financial statements.

Annual Report of the Board of Directors (contd.)

Donations

Total donations made by the Company during the year amounted to Rs.3 million (2018 – Rs.2 million) on account of Corporate Social Responsibility (CSR) initiatives. The John Keells Foundation, which operates with funds contributed by each of the companies in the John Keells Group, handles most of the Group's CSR initiatives and activities. The Foundation manages a range of programmes that underpin its key principle of acting responsibly in all areas of business to bring about sustainable development. The CSR initiatives, including completed and on-going projects, are detailed in the Sustainability Report on pages 56 to 57.

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

Auditors

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

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

Details of the Audit Fees paid to the Auditors are set out in page 122 of the Financial Statements.

Further details on the work of the Auditor and the Audit Committee are set out in the Audit Committee Report on page 100.

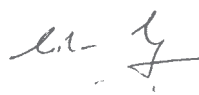
Annual Report

The Board of Directors approved the audited financial statements for issue on 22nd May 2019. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board on 28th May 2019.

Annual General Meeting

The Annual General Meeting will be held at the Ceylon Chamber of Commerce Auditorium, No. 50, Nawam Mawatha, Colombo 02 on Friday, 21st June 2019 at 3.30 pm. The Notice of the Annual General Meeting appears on page 150.

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



Director



Director



Keells Consultants (Private) Limited
Secretaries

22nd May 2019

Statement of Directors' Responsibility

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

The Financial Statements comprise of:

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

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

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

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

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

The Directors are required to prepare the Financial Statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

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

Compliance Report

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

By Order of the Board



Keells Consultants (Private) Limited
Secretaries

Colombo
22nd May 2019

Audit Committee Report

Introduction

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

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

This report focuses on the activities of the Audit Committee for the year under review. A more general description of the Committee's functions is also given under Corporate Governance Report on pages 16 to 37.

Role of the Board Audit Committee

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

Ensuring the integrity of the financial statements of the company and that good financial reporting systems are in place and is managed in order to give accurate, appropriate and timely information to the management, regulatory authorities and shareholders in accordance to the financial reporting standards of The Institute of Chartered Accountants of Sri Lanka, Companies Act No.7 of 2007, the Sri Lanka Accounting and Auditing Standards and the continuing Listing Rules of the Colombo Stock Exchange.

Assessing the independence and monitoring the performance of external auditors and external internal auditors

Ensuring the company's internal control and risk management process is efficient and effective

Ensure compliance with applicable laws, regulations, and policies of the group and company

Assess the company's ability to continue as a going concern in the foreseen future.

Composition of the Board Audit Committee and Meetings

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

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

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

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

*Independent Non-Executive Director

Whilst a detailed profile of the Board of Directors is given on page 13 a brief description of each Member of the Board Audit Committee is given below:

Mr C J L Pinto serves as the Chairman of the Board Audit Committee since July 2011. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and has 47 years of post-qualifying experience in the profession and in the industry, both locally and overseas. He also serves as an Independent Director and the Chairman of the Board Audit Committee of Asian Hotels Properties PLC.

Mr. E H Wijenaike was appointed to the Board and as a member of the Audit Committee in June 2012. He is the Managing Director of Central Finance Company PLC, a leading non-banking Financial Institution in the country. Mr. Wijenaike is a Director of several other quoted companies within and outside the Central Finance Group and counts over 33 years of management experience. He holds a Bachelor's Degree in Commerce and a Post Graduate Diploma in Finance and Banking.

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

Meetings of the Board Audit Committee

The Audit Committee held four meetings during the financial year 2018/2019. The attendance of the Committee members at these meetings were as follows:

Name of Members	20th April '18	20th July '18	01st November '18	25th January '19	Total
Mr. C J L Pinto	✓	--	✓	✓	3/4
Mr. E H Wijenaike	✓	✓	✓	✓	4/4
Ms. J C Ponniah	✓	✓	✓	✓	4/4

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

Financial Reporting

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

Internal Audit & Control Assessment

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

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

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

Risk Assessment

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

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

External Audit

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

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

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

Audit Committee Report (contd.)

The performance of the External Auditors has been evaluated and discussed with the senior management of the Company, and the Committee has recommended to the Board that Messrs. KPMG be re-appointed as the External Auditors of Trans Asia Hotels PLC for the financial year ending 31st March 2020, subject to approval by the shareholders at the Annual General Meeting.

Information Technology Risk Assessment

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

Insurance Assessment

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

Whistle blowing Assessment

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

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

Compliance with code of Best Practice on Corporate Governance

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

Compliance with Corporate Governance Rules as per section 7.10 of the listing Rules of the Colombo Stock Exchange.

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

Evaluation of the Board Audit Committee

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

Conclusion

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



C J L Pinto

Chairman of the Audit Committee

22nd May 2019

Members:

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

Independent Auditor's Report



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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Trans Asia Hotels PLC ("the Company"), which comprise the statement of financial position as at March 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial Statements, including a summary of significant accounting policies and other explanatory notes set out on pages 106 to 144.

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

Basis for Opinion

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

Key Audit Matters

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

Valuation of Investment Property

Risk Description	Our Response
Refer to note 16 in the financial statements. Management has estimated the fair value of the Company's investment property to be Rs. 2,712.6 million as at March 31, 2019 with a gain on fair value change for the year ended March 31, 2019 recorded in the statement of profit or loss amounting to Rs. 166.6 million. This investment property, which is stated at fair value, is significant to the Company in terms of its value.	Our procedures included; Discussions with the external valuer and comparison of the key assumptions used against externally published market comparable or industry data available and challenging the reasonableness of key assumptions based on our knowledge of the business and industry.

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

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

Independent Auditors' Report (contd.)



Risk Description	Our Response
Management's assessment of the fair value of investment property is based on valuation performed by external property valuer in accordance with recognized industry standards. Estimating the fair value is a complex process involving a significant degree of judgement and estimates in respect of capitalization rates, fair market rents and diversity of locations and nature of the investment property. We identified assessing the valuation of investment property owned by the Company as a key audit matter because of the complexity of the valuation, significant judgements and estimation required.	- Assessing the objectivity, independence, competence and qualifications of the external valuer. - Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditors' Report (contd.)



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG

Colombo, Sri Lanka

22nd May 2019

FINANCIAL STATEMENTS

Statement of Profit or Loss and Other Comprehensive Income

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

For the year ended 31st March	Note	2019	2018
Revenue from contracts with customers	6	2,825,425	3,198,851
Cost of sales		(1,168,856)	(1,340,174)
Gross profit		1,656,569	1,858,677
Other operating income	7	11,212	8,866
Administrative expenses		(692,036)	(705,260)
Sales and marketing expenses		(292,611)	(275,952)
Other operating expenses	8	(269,154)	(281,236)
Profit from operations	9	413,980	605,095
Finance income		1,605	13,275
Finance cost		(57,864)	(26,251)
Net finance cost	10	(56,259)	(12,976)
Change in fair value of investment property	16	166,600	397,600
Profit before taxation		524,321	989,719
Income tax expense	11	(52,898)	(106,531)
Profit for the year		471,423	883,188
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation loss on buildings	14	(13,516)	-
Re-measurement loss on defined benefit obligation	26	(3,275)	(4,633)
Other comprehensive income that will not be reclassified to profit or loss in subsequent years		(16,791)	(4,633)
Tax effect on other comprehensive income	11.2	2,351	(7,993)
Other comprehensive income for the year, net of tax		(14,440)	(12,626)
Total comprehensive income for the year, net of tax		456,983	870,562
		Rs.	Rs.
Dividend per share	13	1.00	2.00
Earnings per share	12	2.36	4.42

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

FINANCIAL STATEMENTS

Statement of Financial Position

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

As at 31st March		2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	14	3,588,941	3,685,300
Lease rental paid in advance	15	756,644	769,048
Investment property	16	2,712,600	2,546,000
Intangible assets	17	1,261	1,125
Non current financial assets		7,227	8,564
Other non-current assets		1,682	1,624
Total non current assets		7,068,355	7,011,661
Current assets			
Inventories	18	36,253	37,968
Trade and other receivables	19	495,575	461,476
Other current assets	20	65,217	49,874
Amounts due from related parties	21	97,503	35,033
Cash in hand and at bank		50,800	81,458
Total current assets		745,348	665,809
Total assets		7,813,703	7,677,470
EQUITY AND LIABILITIES			
Stated capital	22	1,112,880	1,112,880
Revenue reserves		3,803,088	3,509,347
Other components of equity	23	1,528,203	1,560,892
Total equity		6,444,171	6,183,119
Non-current liabilities			
Interest bearing loans and borrowings	24	32,897	146,156
Employees benefits	26	141,854	137,080
Deferred tax liability	27	380,713	384,269
Total non-current liabilities		555,464	667,505
Current liabilities			
Trade and other payables	28	295,820	256,474
Other current liabilities	29	160,221	147,120
Amounts due to related parties	30	65,640	30,484
Current tax liability	31	55,880	37,486
Interest bearing loans and borrowings	24	132,582	146,156
Bank overdrafts		103,925	209,126
Total current liabilities		814,068	826,846
Total liabilities		1,369,532	1,494,351
Total equity and liabilities		7,813,703	7,677,470
		Rs.	Rs.
Net assets per share		32.22	30.92

Note - The notes to the Financial Statements form an integral part of these Financial Statements

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

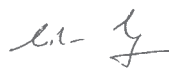


C L P Gunawardane
Chief Financial Officer

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



K N J Balendra
Chairman



J G A Cooray
Director

22nd May 2019

FINANCIAL STATEMENTS

Statement of Cash Flows

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

For the year ended 31st March	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	524,321	989,719
Adjustments for:		
Finance income	(1,605)	(13,275)
Finance expenses	27,862	18,011
Depreciation of property, plant and equipment	191,048	194,055
Profit on disposal of property, plant and equipment	(3,750)	(4,234)
Amortization of lease rental paid in advance	12,404	12,404
Amortization of intangible assets	364	394
Gratuity provision and related costs	24,779	23,817
Exchange loss interest bearing loans borrowings	30,002	8,240
Change in fair value of investment property	(166,600)	(397,600)
Provision made on slow moving inventory	(1,124)	254
Provision/(reversal) for impairment of trade receivables	6,409	(69)
Share based payment expenses	4,069	4,917
Operating profit before working capital changes	648,180	836,633
Decrease in inventories	2,839	887
(Increase) in trade and other receivables	(60,147)	(57,277)
(Increase)/decrease in other current assets	(77,813)	78,577
Decrease/(increase) in other non-current assets	1,279	(268)
Increase/(decrease) in trade and other payables	40,142	(5,154)
Increase/(decrease) in other current liabilities	56,261	(14,672)
Cash generated from operations	610,741	838,726
Finance income received	1,605	13,275
Finance expenses paid	(27,862)	(18,011)
Tax paid	(24,867)	(133,570)
Gratuity paid	(23,281)	(21,476)
Net cash generated from operating activities	536,336	678,944
Cash flows from investing activities		
Purchase and construction of property, plant and equipment	(113,827)	(229,669)
Purchases of intangible assets	(500)	(715)
Proceeds from disposal of Property, plant and equipment	9,369	8,534
Net cash used in investing activities	(104,958)	(221,850)
Cash flows from financing activities		
Dividend paid	(200,000)	(700,000)
Repayment of long term borrowing	(156,835)	(86,184)
Net cash used in financing activities	(356,835)	(786,184)
Net increase/(decrease) in cash and cash equivalents	74,543	(329,090)
Cash and cash equivalents at the beginning of the year	(127,668)	201,422
Cash and cash equivalents at the end of the year	(53,125)	(127,668)
Analysis of cash and cash equivalents		
Short term investments	-	-
Cash in hand and at bank	50,800	81,458
Bank overdrafts	(103,925)	(209,126)
	(53,125)	(127,668)

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

FINANCIAL STATEMENTS

Statement of Changes in Equity

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

	Stated Capital	Other Components of Equity Other Capital Reserve	Revaluation Reserve	Revenue Reserve	Total Equity
Balance as at 1st April 2017	1,112,880	9,941	1,579,161	3,305,658	6,007,640
Total comprehensive income for the year					
Profit for the year	-	-	-	883,188	883,188
Other comprehensive income	-	-	(7,993)	(4,633)	(12,626)
Total comprehensive income for the year	-	-	(7,993)	878,555	870,562
Transferred to revenue reserve (Note a)	-	-	(25,134)	25,134	-
Share based payments (Note 25)	-	4,917	-	-	4,917
Transactions with owners of the company					
Final dividend paid - 2016/2017	-	-	-	(300,000)	(300,000)
Interim dividend paid - 2017/18	-	-	-	(400,000)	(400,000)
Balance as at 31st March 2018	1,112,880	14,858	1,546,034	3,509,347	6,183,119
Balance as at 1st April 2018	1,112,880	14,858	1,546,034	3,509,347	6,183,119
Total comprehensive income for the year					
Profit for the year	-	-	-	471,423	471,423
Other comprehensive income for the year net of tax	-	-	(11,624)	(2,816)	(14,440)
Total comprehensive income for the year	-	-	(11,624)	468,607	456,983
Transferred to revenue reserve (Note a)	-	-	(25,134)	25,134	-
Share based payments (Note 25)	-	4,069	-	-	4,069
Transaction with owners of the company					
Final dividend paid - 2017/2018	-	-	-	(200,000)	(200,000)
Balance as at 31st March 2019	1,112,880	18,927	1,509,276	3,803,088	6,444,171

Note (a)

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

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

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Notes to the Financial Statements

1. CORPORATE INFORMATION

Reporting entity

"Trans Asia Hotels PLC (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and principal place of business of the Company is located at 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.

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

The number of persons employed by the Company as at 31st March 2019 was 660 (2018 - 750).

Approval of financial statements

The financial statements for the year ended 31 March 2019 were authorized for issue by the Board of Directors on 22nd May 2019.

Principal activities and nature of operations of the Company

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

Responsibility for financial statements

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

Statements of compliance

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

2. BASIS OF ACCOUNTING

Basis of preparation

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

Basis of measurement

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

- Buildings are measured at cost at the time of acquisition and subsequently recognized at revalued amounts which are fair values at the date of revaluation less accumulated depreciation and impairment losses if any,
- Investment properties are stated at fair values.
- Defined benefit obligations are measured at its present value, based on an actuarial valuation as explained in Note 26.

Presentation of functional currency

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

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

Going concern

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

Comparative information

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

Notes to the Financial Statements (contd.)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2019 is included in the following notes:

- Determining the fair value of investment property;
- Measurement of defined benefit obligations: Key actuarial assumptions;
- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Provision for expected credit losses of trade receivables and contract assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The company has initially applied SLFRS 15 and SLFRS 9 from 1st April 2018. But they do not have a material effect on the company's financial statements.

Except for the above, those accounting policies presented with each note, have been applied consistently by the Company.

Other significant accounting policies not covered with individual notes.

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

(a) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

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

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

(b) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets

Company Policy applicable from 1 April 2018

Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) - debt investment; fair value through other comprehensive income (FVOCI) - equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Company's financial assets classified and measured at amortized cost are limited to its trade debtors, related party receivables, short term investments and cash & cash equivalents.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Company's investment in equity investments are classified as Fair Value through OCI.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

Notes to the Financial Statements (contd.)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method.

The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial Assets

Policy applicable before 1 April 2018

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVPL, and within this category as:
 - held for trading;
 - derivative hedging instruments or
 - designated as at FVTPL

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL

Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.

Held-to-maturity financial assets

Measured at amortized cost using the effective interest method.

Loans and receivables

Measured at amortized cost using the effective interest method.

Available for sale financial assets

Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial Liabilities

Classification, subsequent measurement and gain and losses
Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

(ii) De-recognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Impairment

Policy applicable from 1 April 2018

Financial instruments and contract assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Notes to the Financial Statements (contd.)

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECL for trade debtors

Given the nature of the trade debtors of the group, management can identify key drivers behind the changes in credit risk for each debtor on individual basis. Accordingly the life time ECL will be assessed on an individual basis for trade debtors.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial re-organisation;
- the disappearance of an active market or a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

(v) Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 360 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

Policy applicable before 1 April 2018

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost. The Company considered a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortized cost

The Company considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by Companying together assets with similar risk characteristics.

In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Available-for-sale financial assets Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

(vi) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(d) Fair Value measurement

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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.

Notes to the Financial Statements (contd.)

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

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

External valuers are involved for valuation of significant assets, such as land and building and investment properties. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the external valuers, which valuation techniques and inputs to use for individual assets and liabilities.

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

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

· Property, plant and equipment under revaluation model	Note 14
· Investment properties	Note 16

5. CHANGES IN ACCOUNTING STANDARDS

5.1 Changes in Accounting policy

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

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company adopted SLFRS 15 using the full retrospective method of adoption.

Based on the assessment performed the Company concluded that SLFRS 15 does not have a material impact on Company financial statement.

SLFRS 9 Financial Instruments

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

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

	Original classification under LKAS 39	New classification under SLFRS 9	Original carrying amount under LKAS 39	New carrying amount under SLFRS 9
Financial Assets				
Trade Receivables	Loans and Receivables	Amortized Cost	495,575	495,575
Cash and cash equivalents	Loans and Receivables	Amortized Cost	50,800	50,800
Non-current financial assets	Loans and Receivables	Amortized Cost	8,909	8,909
Amounts due from related parties	Loans and Receivables	Amortized Cost	97,504	97,504
Total financial assets			652,788	652,788
Financial liabilities				
Trade payables	Other Financial Liabilities	Other Financial Liabilities	185,416	185,416
Bank overdraft	Other Financial Liabilities	Other Financial Liabilities	103,925	103,925
Interest bearing loans borrowings	Other Financial Liabilities	Other Financial Liabilities	165,479	165,479
Amounts due to related parties	Other Financial Liabilities	Other Financial Liabilities	65,640	65,640
Total financial liabilities			520,460	520,460

5.2 Standards issued but not yet effective

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

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

New or Amended Standards	Summary of the requirement	Possible impact on Financial Statements
SLFRS 16, Leases (Effective date - on or after 1st January 2019)	“SLFRS 16 eliminates the current dual accounting model for leases which distinguishes between on-balance sheet finance leases and off - balance operating leases. Instead there will be a single on balance sheet accounting model that is similar to the current finance lease accounting. The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.	The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

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

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

Notes to the Financial Statements (contd.)

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

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting policy

The Company has initially applied SLFRS 15 – “Revenue from contracts with customers” from 1 April 2018.

Performance obligations and revenue recognition policies

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

Contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company's performance obligations and significant judgements are summarised below:

The revenue for providing the services are usually recognised at or after the guests' departure, over the period of stay or at the point of arrival of guests. The entity identifies the services under each contract as one performance obligation. The revenue is accounted based on the output method. Since revenue will be based on the final good or service provided, the output method will provide a faithful depiction in recognising revenue. Accordingly, revenue is recognised on the rooms occupied on daily basis and food and beverages and hotel related sales are accounted for at the time of sale and rental income is recognised on an accrual basis. When obtaining desination management service (travel agents), the entity acts as the principal. Customer receives and consumes the benefits of the entity's performance, as and when the service is performed. Therefore, revenue is recognized at gross over the period, based on the output method. The timing and the amount of cashflow will vary according to the agreements. Transaction price shall comprise of supplier fee and company mark-up, summing up to be the Gross Service fee. The advance payments are recognized as a liability. Upon provision of the services, the liability is set off and revenue is recognized over the period.

For the year ended 31st March	2019	2018
Room	1,333,450	1,536,985
Food	1,044,878	1,173,681
Beverage	135,823	151,916
Food and beverage - Other	51,675	53,119
Power drome revenue	27,428	32,297
Rental Income from investment property	63,815	61,331
Others	168,356	189,522
Total revenue from contracts with customers	2,825,425	3,198,851

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

7. OTHER OPERATING INCOME

Accounting policy

Other income is recognized on an accrual basis.

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the Statement of Profit or Loss, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

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

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

For the year ended 31st March	2019	2018
Profit on disposal of property, plant and equipment	3,750	4,234
Gain on exchange	2,987	2,770
Sundry income	3,956	904
Unclaimed dividend written back	519	958
	11,212	8,866

8. OTHER OPERATING EXPENSES

Accounting policy

Expenses recognition

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

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

For the year ended 31st March	2019	2018
Repairs and maintenance expenses	52,292	51,842
Heat ,light and power expenses	151,340	154,703
Bank charges	1,470	1,225
Other	2,306	3,780
Nation building tax	61,746	69,686
	269,154	281,236

FINANCIAL STATEMENTS

Notes to the Financial Statements (contd.)

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

9. PROFIT FROM OPERATIONS

Profit from operations is stated after charging all expenses including the following.

For the year ended 31st March	2019	2018
Directors fees	6,225	6,300
Audit fee	700	675
Audit related services and expenses	211	133
Donations / CSR	3,131	1,728
Depreciation/amortization	203,816	206,855
Provision for impairment-trade receivables	7,134	211
Trade receivables impairment provision reversal during the year	(726)	(280)
(Reversal)/provision for slow moving inventory	(1,124)	254
Legal fees	3,406	3,345
Foreign exchange (gain)	(2,987)	(2,770)
Staff cost (includes the following)	673,721	657,784
Defined benefit plan costs - employees benefit	24,779	23,817
Defined contribution plan costs - EPF and ETF	56,502	56,287

10. NET FINANCE COST

Accounting policy

Finance income

Finance income comprises interest income derived on funds invested as fixed deposits . 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.

Borrowing cost

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

Finance costs

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

For the year ended 31st March	2019	2018
Finance income		
Interest income on staff loan	1,301	1,203
Interest income other	279	491
Interest income on short term investments	25	11,581
	1,605	13,275
Finance expenses		
Interest expense on interest bearing loans and borrowings	(14,922)	(17,274)
Exchange loss on Interest bearing loans and borrowings	(30,002)	(8,241)
Interest expenses on bank over-draft	(12,940)	(736)
	(57,864)	(26,251)
Net finance cost	(56,259)	(12,976)

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

11. INCOME TAX EXPENSE

Accounting policy

Income tax expenses comprise of Income tax and deferred tax.

Current taxation

The company is liable for taxation at the rate of 14% (2018-12%) as per the first schedule of the Inland Revenue Act, No 24 of 2017, on its profits derived predominantly from "promotion of tourism". Income Tax for any other income is computed at 28%.

For the year ended 31st March	2019	2018
Current tax charge (Note 11.1)	54,740	75,565
(Over)/Under provision Income tax on previous year	(637)	5
Deferred tax expense (Note 11.2)	(1,205)	30,961
	52,898	106,531

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

For the year ended 31st march	2019	2018
Profit before tax	524,321	989,719
Income not liable for income tax	(1,820)	(2,161)
Adjusted accounting profit chargeable to income taxes	522,501	987,558
Disallowable expenses	257,795	251,883
Allowable expenses	(389,296)	(697,319)
Taxable income	391,000	542,122
Income tax charged at		
Standard rate - 28%	7,814	18,393
Concessionary rate of 14%	46,926	57,172
Current tax charge	54,740	75,565
Under/(over) provision on income tax previous year	(637)	5
Net deferred tax (reversal)/charge (11.2)	(1,205)	30,961
Total income tax expense	52,898	106,531
Tax effect on chargeable profits	73,150	129,017
Tax effect on non deductible expenses	5,101	2,889
Tax effect on deductions claimed	(24,136)	(55,692)
Rate differentials	216	60,544
Over provision of deferred tax	-	(30,339)
Under/(over) provision for previous years	(637)	5
Tax Effect of transfers	(796)	105
Total income tax expense	52,898	106,531

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Notes to the Financial Statements (contd.)

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

11.2 Deferred Tax Expense

For the year ended 31st march	2019	2018
Net deferred tax (charge)/Reversal arising from;		
Accelerated depreciation for tax purposes	(455)	32,060
Change in fair value of investment property	(540)	-
Employee benefit liability	(210)	(1,099)
Deferred tax charge/(reversal) recognised in the profit or loss	(1,205)	30,961
Deferred tax recognised in other comprehensive income		
Impact of actuarial adjustment on gratuity	(459)	7,011
Revaluation loss on buildings	(1,892)	-
	(2,351)	7,011
Total deferred tax charge/(reversal)	(3,556)	37,972

Deferred tax liability has been computed taking into consideration the tax rate of 14% applicable for the tourism industry as per the new inland revenue act No 24 of 2017 and capital gain tax at 10% on investment assets.

12. EARNINGS PER SHARE

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

For the year ended 31st March	2019	2018
Profit attributable to ordinary shareholders of the company (Rs. '000)	471,423	883,188
Weighted average number of ordinary shares ('000)	200,000	200,000
Earnings per share (Rs.)	2.36	4.42

13. DIVIDENDS PER SHARE

For the year ended 31st March	2019	2018
Final dividend paid 2017/2018	200,000	-
Final dividend per share 2017 / 18 (Rs.)	1.00	-
Final dividend paid 2016/2017	-	300,000
Final dividend per share 2016 / 17 (Rs.)	-	1.50
Interim dividend Paid 2017 / 18	-	400,000
Interim dividend per share 2017 / 18 (Rs.)	-	2.00

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

14. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Basis of recognition

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

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

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

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

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

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

Subsequent measurement

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

Derecognition

An item of property, plant and equipment are derecognized upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the Statement of Profit or Loss in the year the asset is derecognized.

Depreciation

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

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

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

Buildings are depreciated using the straight line method over the remaining lease period of 61 years.

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

Capital work - in - progress

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

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Notes to the Financial Statements (contd.)

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

Figures in brackets indicate deductions.

Property, Plant and Equipment

Cost / valuation	Buildings Rs.	Plant and Machinery Rs.	Computer Equipment Rs.	Furniture Fixtures and Fittings Rs.	Kitchen and Laundry Equipment Rs.	Hotel Equipment Rs.	Motor Vehicles Rs.	Soft Furnishing Base Stock Rs.	Circulating Assets Rs.	Work In Progress Rs.	Total 2019 Rs.	Total 2018 Rs.
Balance as at 1st April 2018	2,982,474	596,946	109,143	390,247	268,466	95,623	67,155	705,300	179,008	23,938	5,418,300	5,236,754
Additions	5,801	8,629	19,935	12,763	5,561	5,522	-	33,231	22,385	-	113,827	229,669
Transfers from WIP	-	23,938	-	-	-	-	-	-	-	(23,938)	-	-
Disposals	-	(58)	(8,705)	(3,336)	(237)	-	(417)	(6,914)	(11,240)	-	(30,907)	(48,118)
Transferred to revaluation	(290,832)	-	-	-	-	-	-	-	-	-	(290,832)	-
Revaluation	(13,516)	-	-	-	-	-	-	-	-	-	(13,516)	-
Balance as at 31st March 2019	2,683,927	629,455	120,373	399,674	273,790	101,145	66,738	731,617	190,153	-	5,196,872	5,418,305
Accumulated depreciation												
Balance as at 1st April 2018	252,875	278,736	91,368	193,972	165,697	24,583	30,549	552,983	142,242	-	1,733,005	1,582,767
Charge for the year	50,225	28,476	7,372	23,972	13,569	6,611	4,850	33,585	22,381	-	191,041	194,055
Disposals	-	(40)	(8,705)	(3,063)	(216)	-	(416)	(2,887)	(9,956)	-	(25,283)	(43,817)
Transferred to revaluation	(290,832)	-	-	-	-	-	-	-	-	-	(290,832)	-
Balance as at 31st March 2019	12,268	307,172	90,035	214,881	179,050	31,194	34,983	583,681	154,667	-	1,607,931	1,733,005
Carrying Amount												
As at 31st March 2019	2,671,659	322,283	30,338	184,793	94,740	69,951	31,755	147,936	35,486	-	3,588,941	
As at 31st March 2018	2,729,599	318,210	17,775	196,275	102,769	71,040	36,606	152,317	36,766	23,938		3,685,300

14.1 Valuation of Property, Plant and Equipment

The Company uses the revaluation model of measurement for buildings. The Company engaged P. B. Kalugalagedera & Associates, an accredited independent valuer, to determine the fair value of its buildings. Fair value is determined by reference to market-based evidence. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent valuation was 31st December 2018. As per the valuer's opinion, there is no significant change in the fair value as at 31st March 2019.

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

Property	Method of valuation	Effective date of valuation	Property valuer
Buildings (Extent - 316,063 sq. ft.) No 115, Sir Chittampalam A Gardiner Mawatha Colombo 02	Summation method based on depreciated current cost approach	31st December 2018	P B Kalugalagedera & Associates Chartered Valuation Surveyor

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

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

Type of Asset	Fair value as at 31.12.2018 Rs.	Valuation technique	Significant unobservable inputs	Estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Building on lease hold land	2,682,300,000	Summation method based on depreciated current cost approach	Estimated price per square feet	Rs.7,600/- per sq. ft. Rs.3,500/- per sq. ft. Rs.6,125/- per sq. ft. Rs.900/- per sq. ft.	Positively correlated sensitivity
			Capitalisation rate	6% & 3% for 61 years	Negatively correlated sensitivity

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

As at 31st March	2019	2018
Cost	2,168,796	2,162,995
Accumulated depreciation	(556,063)	(505,838)
Disposals	(26,821)	(26,821)
Carrying value	1,585,912	1,630,336

15. LEASE RENTAL PAID IN ADVANCE

Accounting policy

Basis of recognition

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

Amortization

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

As at 31st March	2019	2018
Cost		
Balance at the beginning of the year	945,161	945,161
Balance at the end of the year	945,161	945,161
Accumulated amortization		
Balance at the beginning of the year	176,113	163,709
Charge for the year	12,404	12,404
Balance at the end of the year	188,517	176,113
Carrying amount	756,644	769,048

FINANCIAL STATEMENTS

Notes to the Financial Statements (contd.)

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

16. INVESTMENT PROPERTY

Accounting policy

Basis of recognition and measurement

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

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

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

As at 31st March	2019	2018
Balance at the beginning of the year	2,546,000	2,148,400
Change in fair value during the year (Note 16.1)	166,600	397,600
Balance at the end of the year	2,712,600	2,546,000

16.1 Valuation Details of Investment Property

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

In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuer has considered the property location and size.

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

The Commercial Centre was revalued in 31st December 2018 by qualified valuers and the surplus arising from the valuation was transferred to the statement of profit or loss.

As per the valuer's opinion, there is no significant change in the fair value as at 31st March 2019.

As at 31 March

Property	Method of Valuation	2019	2018
Leasehold property			
Commercial Centre Building (Extent - A 01 - R02 - P30.0) Building extent - 55,548 sq.ft.) No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02	Direct Capital Comparison Method	2,712,600	2,546,000

Rental income earned from Investment Property by the Company amounted to Rs. 63,815/- (2018 - Rs. 61,331/-) and direct operating expenses incurred by the Company amounted to Rs. 8,001/- (2018 - Rs. 7,713/-).

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

16.2 Description of Valuation Techniques Used, Key Inputs and Assumptions Used for Valuation

	Valuation technique	Significant unobservable Inputs	Estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Commercial Centre building	Direct capital comparison method	Capitalisation rate	6% & 3% for 61 years	Negatively correlated sensitivity
		Cost per Square foot of the building land perch per building square feet	Rs. 3,900/-	Positively correlated sensitivity
		Price per perch of land	Rs. 13.5 Mn	Positively correlated sensitivity

17. INTANGIBLE ASSETS

Accounting policy

Recognition and Measurement

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

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

Computer Software

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

Amortization

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

FINANCIAL STATEMENTS

Notes to the Financial Statements (contd.)

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

De-recognition

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

As at 31st March	2019	2018
Computer software		
Cost		
Balance at the beginning of the year	26,177	25,462
Additions	500	715
Balance at the end of the year	26,677	26,177
Accumulated amortization		
Balance at the beginning of the year	25,052	24,658
Amortization for the year	364	394
Balance at the end of the year	25,416	25,052
Carrying amount	1,261	1,125

18. INVENTORIES

Accounting policy

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

As at 31st March	2019	2018
Food	13,676	15,716
Beverage	14,039	15,339
Engineering spares	8,009	7,876
Guest supplies	2,327	2,785
Others	6,742	5,916
Provision for slow moving inventory	(8,540)	(9,664)
	36,253	37,968

19. TRADE AND OTHER RECEIVABLES

See Note 4(b) for the accounting policy of financial instrument

Trade receivables	470,712	426,770
Provision for impairment (Note 19.1)	(9,927)	(3,519)
	460,785	423,251
Advances and deposits	32,343	35,932
Staff loans recoverable within one year	2,447	2,293
	34,790	38,225
	495,575	461,476

19.1 Provision for Impairment of Trade Receivables

Balance at the beginning of the year	3,519	3,588
Reversal during the year	(726)	(280)
Provision charged during the year	7,134	211
Balance at the end of the year	9,927	3,519

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

As at 31st March	2019	2018
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20. OTHER CURRENT ASSETS

Advances to other creditors	9,187	3,284
Prepayments	33,911	27,589
WHT recoverable	6,576	1,386
ESC recoverable	15,543	17,615
	65,217	49,874

21. AMOUNTS DUE FROM RELATED PARTIES

See Note 4(b) for the accounting policy of financial instrument

Ultimate parent - John Keells Holdings PLC (JKH PLC)	6,952	3,916
Parent - Asian Hotels and Properties PLC	65	510
Companies under common control of JKH PLC (Note 21.1)	90,486	30,607
	97,503	35,033

21.1 Companies under common control of JKH PLC

Walkers Tours Limited	82,953	26,465
Cinnamon Hotel Management Ltd	3,613	2,924
Others	3,920	1,218
	90,486	30,607

22. STATED CAPITAL

Issued and fully paid 200,000,000 ordinary shares	1,112,880	1,112,880
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23. OTHER COMPONENTS OF EQUITY

Balance at the beginning of the year	1,560,892	1,589,102
Transferred to revenue reserve	(25,134)	(25,134)
Share based payments - (Note 25)	4,069	4,917
Revaluation loss on Building net of tax	(11,624)	-
Tax effect on Other comprehensive income	-	(7,993)
Balance at the end of the year	1,528,203	1,560,892

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Notes to the Financial Statements (contd.)

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

24. INTEREST-BEARING LOANS AND BORROWINGS

See Note 4(b) for the accounting policy of financial instrument

As at 31st March	2019	2018
Balance at the beginning of the year	292,312	370,256
Cash Changes		
Repayments	(156,835)	(86,184)
Non Cash Changes		
Exchange difference	30,002	8,240
At the end of the year	165,479	292,312
Repayable within one year	132,582	146,156
Repayable after one year	32,897	146,156
	165,479	292,312

Security and repayment terms

Nature of facility	Interest rate	Repayment terms	Collaterals	2019		2018	
				Face value	Carrying value	Face value	Carrying value
Term Loan (USD)	Current Rate 6.35% (LIBOR+2.6%)	Capital repayment in 16 equal quarterly installments of USD 187,500 after initial grace period of one year. Interest to be serviced monthly. Interest to be serviced in the grace period as well	None	165,479	165,479	292,312	292,312

25. SHARE-BASED PAYMENT PLANS

Accounting policy

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

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

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

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

Employee share option scheme

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

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

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

	2019	2018
Expense arising from equity-settled share-based payment transactions	4,069	4,917
Total expense arising from share-based payment transactions	4,069	4,917

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:

	2019		2018	
	No.	WAEP	No.	WAEP
Outstanding at 1 April	333,987	164.15	231,923	158.60
Granted during the year	60,286	154.10	120,443	173.25
Forfeited during the year	(71,527)	174.28	(18,379)	155.19
Adjustment during the year	-	-	-	-
Outstanding at 31 March	322,746	160.02	333,987	164.15
Exercisable at 31 March	167,700	160.65	134,063	167.93

Fair value of the share option and assumptions

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

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

26. EMPLOYEE BENEFITS

Accounting policy

Defined contribution plans

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

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

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

Defined benefit plans

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

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

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

As at 31st March	2019	2018
Balance at the beginning of the year	137,080	129,229
Current service cost	11,071	10,248
Interest cost	13,708	13,569
Transfer in	1,146	-
Transfer out	(350)	(105)
Payments made during the year	(24,076)	(21,476)
Actuarial loss arising from changes in the assumptions in the previous years	3,275	5,615
Balance at the end of the year	141,854	137,080

The employee benefit liability of the Company is based on the actuarial valuation carried out by Mr. Poopalanathan AIA, Messrs. Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries as at 31st March 2019. The principal assumptions used in determining the cost of employee benefits were:

	2019	2018
Discount rate	10%	10%
Future salary increases	10%	10%

Sensitivity of assumptions used

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

	2019		2018	
	Discount rate	Salary increment	Discount rate	Salary increment
Effect on the defined benefit obligation liability				
Increase by one percentage point	(5,233)	7,289	(5,614)	6,324
Decrease by one percentage point	7,034	(5,573)	6,100	(5,923)

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

Maturity analysis of the payments

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

Future working life time	Defined Benefit Obligation	
	2019	2018
Within the next 12 months	21,140	25,058
Between 1 and 2 years	34,277	33,450
Between 2 and 5 years	45,162	34,190
Between 5 and 10 years	32,174	35,505
Beyond 10 years	9,101	8,878
Total expected payments	141,854	137,080

The average duration of the defined benefit plan obligation at the end of the reporting period is 4.69 years.

27. DEFERRED TAX LIABILITY

Accounting policy

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

As at 31st March	2019	2018
Balance at the beginning of the year	384,269	346,297
(Reversal)/Charge for the year (Note 11.2)	(3,556)	37,972
Balance at the end of the year	380,713	384,269
The net deferred tax liability relates to the following		
Revaluation of buildings to fair value	54,062	55,953
Accelerated depreciation for tax purposes	347,051	347,507
Employee benefit liability	(19,860)	(19,191)
Revaluation of Investment property	(540)	-
	380,713	384,269

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

As at 31st March	2019	2018
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28. TRADE AND OTHER PAYABLES

Trade payables	77,135	60,565
Contract Liabilities	12,550	11,978
Advances and deposits received	34,565	32,360
Accruals and other payables	138,480	116,096
Staff payables	33,090	35,475
	295,820	256,474

29. OTHER CURRENT LIABILITIES

Contract Liabilities (Banquet Advance)	122,417	74,642
Other advances	6,543	6,140
Other taxes payable	31,261	66,338
	160,221	147,120

30. AMOUNTS DUE TO RELATED PARTIES

See Note 4 (b) for the accounting policy of financial instrument

Ultimate parent - John Keells Holdings PLC	6,438	3,075
Parent-Asian Hotels and Properties PLC	6,346	4,553
Companies under the common control of John Keells Holdings PLC	52,856	22,856
	65,640	30,484

31. CURRENT TAX LIABILITY

Balance at the beginning of the year	37,486	115,408
Charge for the year	54,740	75,565
Payments	(24,867)	(133,570)
Set-off against tax credits and adjustments	(19,639)	(19,922)
Transferred to income tax overpaid	8,160	-
Under provision of the income tax in the previous year	-	5
Balance at the end of the year	55,880	37,486

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

32. RELATED PARTY TRANSACTIONS

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

The parent entity of the company is Asian hotels and properties PLC. In the opinion of the directors, the ultimate parent undertaking and controlling entity is John Keells Holdings PLC which is incorporated in Sri Lanka.

32.1 Transactions with Related Companies

For the year ended 31st March	2019	2018
Ultimate Parent John Keells Holdings PLC		
Rendering of Services	7,914	4,573
Receiving of Services	(35,948)	(29,721)
Rent Received	29,596	28,298
Parent Asian Hotels and Properties PLC		
Rendering of services	59	7
Receiving of services	(4,612)	(3,075)
Transactions with Companies under common control of John Keells Holdings PLC		
Sale of Goods		
Purchase of Goods	(747)	(14,802)
Rendering of services	181,016	170,636
Receiving of services	(270,108)	(227,886)
Rent Received	45,282	43,671
Equity accounted investees of Jhon Keells Holdings PLC		
Rendering of services	7,677	8,082
Receiving of services	(6,898)	-
Transaction with Key Management Personnel (KMP)		
According to 'Sri Lanka Accounting Standards (LKAS 24) Key Management Personnel are those having authority and responsibility for planning and controlling activities of the entity. Accordingly, the Directors of the Company (including Executive and Non Executive Directors) have been classified as KMP of the Company.		
Compensation of key management personnel		
Short term employee benefits	6,225	6,300
Key management personnel		
Rendering services	1,399	1,153

FINANCIAL STATEMENTS

Notes to the Financial Statements (contd.)

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

33. FINANCIAL INSTRUMENTS

33.1 Financial Assets and Liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 09.

Financial assets and liabilities by categories As at 31 st March	Financial assets by categories Amortized Cost		Financial liabilities by categories Other financial liabilities	
	2019	2018	2019	2018
Financial instruments in non-current assets/(liabilities)				
Other non-current assets	1,682	1,624	-	-
Non current financial assets	7,227	8,564	-	-
Interest bearing loans and borrowings	-	-	(32,897)	(146,156)
Financial instruments in current assets/(liabilities)				
Trade and other receivables / payables	495,575	461,476	(185,416)	(168,853)
Amounts due from / due to related parties	97,503	35,033	(65,640)	(30,484)
Cash in hand and at bank	50,800	81,458	-	-
Bank overdrafts	-	-	(103,925)	(209,126)
Current portion of interest bearing loans and borrowings	-	-	(132,582)	(146,156)
Total	652,787	588,155	(520,460)	(700,775)

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

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

33.2 Financial risk management objectives and policies

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

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

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

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

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

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

33.2.1 Credit risk

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

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

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

33.2.2 Credit risk exposure

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

As at 31st March	Notes	Other non current financial assets	2019 Cash at bank	Trade and other receivables	Amounts due from related parties	Total	% of allocation
Loans to executives	33.2.3	8,909	-	2,447	-	11,356	2%
Trade and other receivables	33.2.4	-	-	460,785	-	460,785	75%
Amounts due from related parties	33.2.5	-	-	-	97,503	97,503	16%
Bank balances	33.2.6	-	48,552	-	-	48,552	8%
Total credit risk exposure		8,909	48,552	463,232	97,503	618,196	100%

As at 31st March	Notes	Other non current financial assets	2018 Cash at bank	Trade and other receivables	Amounts due from related parties	Total	% of allocation
Loans to executives	33.2.3	10,188	-	2,293	-	12,481	2%
Trade and other receivables	33.2.4	-	-	423,251	-	423,251	77%
Amounts due from related parties	33.2.5	-	-	-	35,033	35,033	6%
Bank balances	33.2.6	-	79,144	-	-	79,144	14%
Total credit risk exposure		10,188	79,144	425,544	35,033	549,909	100%

33.2.3 Loans to executives

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

FINANCIAL STATEMENTS

Notes to the Financial Statements (contd.)

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

33.2.4 Trade receivables

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

As at 31st March	Company	
	2019	2018
Neither past due nor impaired	6,226	32,051
Past due but not impaired		
< 30 days	123,441	186,220
31 - 60 days	184,788	73,668
61 - 90 days	100,350	9,646
91 - 120 days	35,263	65,838
121 - 180 days	10,785	56,258
> 180 days	9,859	3,089
Gross carrying value	470,712	426,770
Less: impairment provision		
Individually assessed impairment provision	(9,927)	(3,519)
Total	460,785	423,251

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

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

33.2.5 Amounts due from related parties

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

33.2.6 Cash and cash equivalents

In order to mitigate settlement and operational risks related to cash and cash equivalents, the Company uses several banks with acceptable rating for its deposits. The Company held cash in hand and at bank of Rs. 50.8 Million excluding bank overdrafts as at 31 March 2019 (2018 Rs. 81.4 Million).

33.3 Liquidity risk

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

Company monitors the level of expected cash inflows on trade and other receivable together with expected cash outflows on trade and other payables as at 31st March 2019, the expected cash flow from trade and other receivables maturing within two months were Rs.357 Million (2018 - Rs. 574 Million).

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

Company has approved and unused overdraft facility amounting to Rs. 270 Million - as at 31st March 2019

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

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

As at 31st March	Carrying Amount	Total	2 Months or less	2.-12 Months	1-2 Year	2-5 Year	More than 5 years
Contractual cash flows - 2019							
Trade payables	77,135	77,135	77,135	-	-	-	-
Staff payables	33,090	33,090	33,090	-	-	-	-
Amount due to related parties	65,640	65,640	65,640	-	-	-	-
Loans and borrowings	165,479	165,479	-	132,582	32,897	-	-
Contractual cash flows - 2018							
Trade payables	60,565	60,565	60,565	-	-	-	-
Staff payables	35,475	35,475	35,475	-	-	-	-
Amount due to related parties	30,484	30,484	30,484	-	-	-	-
Loans and borrowings	292,312	292,312	29,231	116,925	116,925	29,231	-

Management of Liquidity risk

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

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

33.4 Market risk

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

33.4.1 Currency risk

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

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

The bank loan obtained in US Dollar terms are matched with US Dollar receipts from customers. The annual repayment of the US dollar loan for the current financial year is USD 931,831. The annual average US Dollar receipts of the Company is USD 1,366,461 approximately.

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

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

FINANCIAL STATEMENTS

Notes to the Financial Statements (contd.)

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

INTEREST RATE RISK

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

34. FAIR VALUE MEASUREMENT

	Amortized cost	Other financial liabilities	Total carrying amount
Fair values vs carrying amounts			
31st March 2019			
Cash in hand and at bank	50,800	-	50,800
Trade and other receivables	495,575	-	495,575
Amounts due from related parties	97,503	-	97,503
	643,878	-	643,878
Trade and other payables	-	185,416	185,416
Amounts due to related parties	-	65,640	65,640
Loans and borrowings	-	165,479	165,479
Bank overdrafts	-	103,925	103,925
	-	520,460	520,460
Fair values vs carrying amounts			
31st March 2018			
Cash in hand and at bank	81,458	-	81,458
Trade and other receivables	461,476	-	461,476
Amounts due from related parties	35,033	-	35,033
	577,967	-	577,967
Trade and other payables	-	168,853	168,853
Amounts due to related parties	-	30,484	30,484
Loans and borrowings	-	292,312	292,312
Bank overdrafts	-	209,126	209,126
	-	700,775	700,775

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

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

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

35. SEGMENTAL INFORMATION

Accounting policy

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

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

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

For the year ended 31st March	Hotel		Investment Property		Total	
	2019	2018	2019	2018	2019	2018
Revenue from contracts with customers	2,761,610	3,137,520	63,815	61,331	2,825,425	3,198,851
Other operating income	11,212	8,866	-	-	11,212	8,866
Expenses	(2,414,656)	(2,594,909)	(8,001)	(7,713)	(2,422,657)	(2,602,622)
Net finance income cost	(56,259)	(12,976)	-	-	(56,259)	(12,976)
Change in fair value of investment property	-	-	166,600	397,600	166,600	397,600
Profit before taxation	301,907	538,501	222,414	451,218	524,321	989,719
Segment assets	5,101,103	5,131,470	2,712,600	2,546,000	7,813,703	7,677,470
Segment liabilities	1,369,532	1,494,351	-	-	1,369,532	1,494,351

36. CAPITAL MANAGEMENT

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

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

As at 31st March	2019	2018
Total liabilities	1,369,532	1,494,351
Less: cash and short term deposits	50,800	81,458
Adjusted net debt	1,318,732	1,412,893
Total equity	6,444,171	6,183,119
Adjusted net debt to adjusted equity ratio	20%	23%

FINANCIAL STATEMENTS

Notes to the Financial Statements (contd.)

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

37. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Accounting policy

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities

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

Income Tax Assessments

The Department of Inland Revenue has raised Income tax assessments relating to years of assessments 2012/13, 2013/2014, 2014/2015 and 2015/2016. The company has lodged valid appeals against the assessments and is contesting these under the appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2019 is estimated at LKR. 41.1 Mn.

CMC Tax Matter

In the year 2009, Colombo Municipal Council (CMC) imposed a trade tax on the hotel revenue for all the hotels within the city limits with subsequent gazetted amendments. However, the hoteliers together with Tourist Hotels Association of Sri Lanka (THASL) are in the process of negotiations with CMC through court, for which the resolution is still pending. Accordingly, the Company has made a provision in the financial statements amounting to Rs. 3 million per year based on the guidelines issued by THASL.

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

The Capital commitments of the Company as at the reporting date as follows.

Bank guarantees

Guarantee	Amount	Purpose
Tax appeals commission	8,582,102	Tax Appeal
Airport and Aviation Services	2,337,720	Security Deposit for the rental
Sri Lanka Ports Authority	2,087,915	Security deposit for rental
Dynacom Engineering Limited	152,000	Equipment guarantee on hand held portable radios

38. EVENTS OCCURRING AFTER THE REPORTING DATE

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

39. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is responsible for the preparation and presentation of the Financial Statements. Please refer to the page 99 for the statement of Directors' Responsibility for Financial Reporting.

SUPPLEMENTARY INFORMATION

Quarterly Financial Data for the Financial Year Ended 31st March 2019

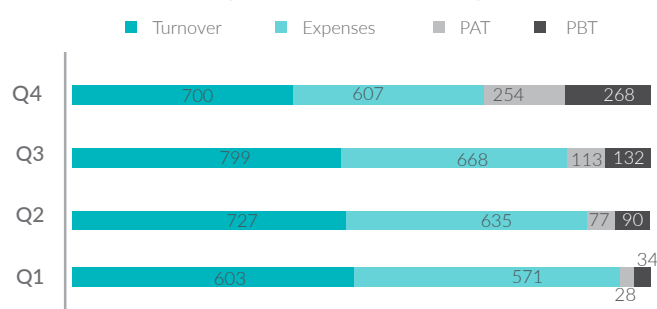
Income Statement

For the Quarter ended	30 Jun '18	30 Sep'18	31 Dec '18	31 Mar '19	Total for the Year
Turnover	602,920	723,798	798,734	699,973	2,825,425
Cost of Sales	(274,513)	(294,218)	(310,089)	(290,036)	(1,168,856)
Gross Profit	328,407	429,580	488,645	409,937	1,656,569
Other Operating Income	1,002	1,359	968	7,883	11,212
Administrative Expenses	(164,541)	(174,111)	(180,772)	(172,612)	(692,036)
Sales and Marketing Expenses	(53,230)	(76,471)	(82,165)	(80,745)	(292,611)
Other Operating Expenses	(70,674)	(82,451)	(87,478)	(28,551)	(269,154)
Profit from Operating Activities	40,964	97,906	139,198	135,912	413,980
Finance Cost	(7,553)	(8,133)	(7,601)	(34,577)	(57,864)
Finance Income	375	392	414	424	1,605
Change in Fair Value of Investment Property	-	-	-	166,600	166,600
Profit before Taxation	33,786	90,165	132,011	268,359	524,321
Taxation	(5,619)	(13,648)	(19,385)	(14,246)	(52,898)
Profit after Taxation	28,167	76,517	112,626	254,114	471,424
Earning Per Share for the period					2.36

Balance Sheet

As at	30 Jun '18	30 Sep'18	31 Dec '18	31 Mar '19
Net Assets				
Property, Plant & Equipment	6,979,339	6,961,251	6,929,369	7,058,185
Other Non Current Assets	10,642	12,217	11,375	10,170
Net Current Assets	(340,706)	(271,741)	(152,579)	(68,720)
	6,649,275	6,701,727	6,788,165	6,999,635
Less : Non Current Liabilities	636,804	611,778	584,628	555,464
	6,012,471	6,089,949	6,203,537	6,444,171
Shareholders' Funds				
Stated capital and revenue reserves	1,112,880	1,112,880	1,112,880	1,112,880
Other components of equity	4,899,591	4,977,069	5,090,657	5,331,291
	6,012,471	6,089,949	6,203,537	6,444,171
Net Assets Per Share	30.06	30.45	31.02	32.22

Quarterly Revenue & Profitability (Rs. Mn)



Five Year Financial Summary and Key Indicators

	18/19 Rs.'000	17/18 Rs.'000	16/17 Rs.'000	15/16 Rs.'000	14/15 Rs.'000
Operating Results					
Total Revenue	2,825,425	3,198,851	3,251,041	2,483,6892	2,786,072
Sales Growth (%)	(11.67)	(1.61)	30.89	(10.85)	(5.22)
Profit from Operating Activities	413,980	605,095	776,841	537,027	841,130
Finance Expenses	57,864	26,251	29,197	47,074	190
Rates, Insurance, Depreciation & Amortisation	235,192	237,190	250,386	246,343	242,254
Net Profit Before Taxation	524,321	989,719	1,015,871	357,572	664,248
SHAREHOLDER'S FUNDS					
Stated Capital	1,112,880	1,112,880	1,112,880	1,112,880	1,112,880
Other components of equity	1,528,203	1,560,892	1,589,102	1,611,112	1,639,692
Revenue reserves	3,803,088	3,509,347	3,305,658	2,979,145	3,235,190
Total equity	6,444,171	6,183,119	6,007,640	5,703,137	5,987,762
Assets Employed					
Property, Plant and Equipment	3,588,941	3,685,300	3,653,984	3,775,142	3,419,394
Leasehold Property	756,644	769,048	781,452	793,856	806,260
Investment Property	2,712,600	2,546,000	2,148,400	1,905,000	1,778,900
Other Non Current Assets	10,170	11,313	10,724	9,161	6,531
Net Current Assets	(68,720)	(161,037)	144,937	43,200	427,739
	6,999,635	6,850,624	6,739,497	6,526,359	6,438,823
Less					
Long Term Liabilities					-
Employee Benefits	141,854	137,080	129,229	118,603	109,999
Deferred Tax Liability	380,713	384,269	346,297	344,722	341,062
Loans and Borrowings	32,897	146,156	256,331	359,897	-
Net Assets	6,444,171	6,183,119	6,007,640	5,703,137	5,987,762
Key Indicators					
Current Ratio (Times)	0.92	0.81	1.19	1.07	1.91
Net Asset per Share (Rs.)	32.22	30.92	30.04	28.52	29.94
Market Price per Share (Rs.)	76.40	95.00	75.10	79.90	94.00
Earnings per Share (Rs.)	2.36	4.42	4.54	1.60	2.92
Statistical Summary					
Occupancy (%)	49	63	64	43	51
No. of Rooms Occupied	61,714	79,475	81,387	54,246	64,923
Average Daily Rate (Rs.)	21,607	19,339	19,121	18,569	18,267

	18/19 Rs.'000	17/18 Rs.'000	16/17 Rs.'000	15/16 Rs.'000	14/15 Rs.'000
Revenue					
Rooms	1,333,449	1,536,986	1,556,182	1,007,293	1,185,959
Food	1,044,878	1,173,681	1,189,097	1,023,937	1,129,314
Beverages	135,822	151,916	151,537	122,028	145,303
Food & Beverage Others	51,675	53,119	47,918	44,764	41,016
Investment Property Income	63,816	61,331	61,331	61,331	61,331
Other	195,785	221,819	244,223	223,646	221,334
Total Revenue	2,825,425	3,198,851	3,251,041	2,483,689	2,786,072
Direct Expenses					
Rooms	291,394	338,816	324,841	229,966	224,433
Food Cost	384,526	449,173	464,452	391,220	433,489
Beverage Cost	44,344	50,537	52,355	40,596	44,158
Food & Beverage	418,816	455,680	379,300	361,088	349,367
Investment Property Cost	633	441	1,615	1,011	551
Others	90,889	115,212	117,723	107,136	99,524
Total Direct Expenses	1,230,602	1,409,859	1,343,847	1,134,174	1,154,872
Gross Operating Income	1,594,823	1,788,990	1,907,194	1,349,515	1,631,200
Other Expenses					
Administration & General	265,846	250,395	239,527	216,161	221,149
Advertising & Sales	279,004	260,267	213,214	183,076	117,778
Heat, Light & Power	151,340	154,703	147,266	169,251	182,621
Repairs & Maintenance	106,823	106,829	105,135	110,869	107,572
Operating Fee	140,244	163,915	174,241	122,454	148,848
Marketing Expenses	13,607	15,684	15,879	10,278	12,102
Total Deductions	956,863	951,792	895,262	812,488	790,070
Gross Operating Profit	637,960	837,198	1,011,932	537,027	841,130
Other Income	12,817	18,361	40,122	12,427	44,912
Assets Write-off	-	-	-	(24,564)	-
Change in fair value of investment properties	166,600	397,600	243,400	126,100	20,650
	817,377	1,253,159	1,295,454	650,990	906,692
Finance Expenses	57,864	26,251	29,197	47,074	190
Insurance & Rates	31,376	30,335	31,097	28,075	27,106
Depreciation & Amortisation	203,816	206,855	219,289	218,268	215,147
	293,056	263,440	279,583	293,417	242,444
Net Profit Before Taxation	524,321	989,719	1,015,872	357,572	664,248

Glossary of Financial Terms

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

Accrual Basis

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

Amortisation

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

Average Room Rate

Hotel revenue divided by the number of rooms sold.

Booking Engine

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

Capital Employed

Shareholders' funds plus debt.

Cash Equivalents

Short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Contingencies

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

Current Ratio

Current assets divided by current liabilities.

Capital Reserves

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

Capital Expenditure

The total additions to property, plant and equipment.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of an entity, the supervision of executive actions and accountability to owners and others.

Debt/Equity Ratio

Debt as a percentage of shareholders' funds.

Deferred Tax

Sum set aside in the financial statements for taxation that may become payable in a financial year other than the current financial year.

Dividend Yield

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

Dividend Cover

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

Dividend Per Share

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

Dividend Payout Ratio

The percentage of earnings paid to a shareholder as dividends.

Earnings Per Share (EPS)

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

EBIT

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

EBITDA

Earnings before interest, tax, depreciation and amortisation

Economic Value Added (EVA)

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

Effective Tax Rate

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

Staff Attrition Rate

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

EPS Growth

Percentage increase in the EPS over the previous year.

Equity Assets Ratio

Total assets divided by shareholder's equity.

Fair Value

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

Gross Profit Margin

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

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Intangible Asset

An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Cover

Profit before interest and tax over finance expenses.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

Market Value Added (MVA)

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

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of financial statements.

Market Value Per Share

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

Market Capitalisation

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

Net Assets

Total assets minus current liabilities minus long term liabilities.

Net Assets Per Share

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

Occupancy

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

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Pre-Tax Return on Capital Employed

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

Price Earnings Ratio

Market price per share over Earnings per Share.

Prudence

Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Quick Asset Ratio

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

Quick Asset Ratio = (current assets - inventories) / current liabilities

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Return on Assets

Profit after tax as a percentage of average total assets.

Return on Equity

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

Return on Average Assets (ROA)

Profit after tax divided by the average assets.

Room Night

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

Room Sales Per Employee

Room sales in relation to the number of employees.

Shareholders' Funds

Stated capital plus capital and revenue reserves.

Total Carbon Foot Print

Total greenhouse gas emissions caused by the hotel.

Total Debt

Long term loans plus short term loans and overdrafts.

Total Shareholder Return

$(P1 - P0 + D) / P0 \times 100$

P1 = Market price at the end of the year
P0 = Market price at the beginning of the financial year

D = Dividend for the year

Total Value Added

The wealth created by the operations of the hotel. The value is distributed among the stakeholders and the balance is retained within the business.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Thirty Eighth Annual General Meeting of Trans Asia Hotels PLC will be held on 21st June 2019 at 3.30 pm at the Ceylon Chamber of Commerce Auditorium, No. 50, Nawam Mawatha, Colombo 02.

The business to be brought before the meeting will be:

1. To read the notice convening the meeting.
2. To receive and consider the Annual Report and Audited Financial Statements of the Company for the year ended 31st March 2019 together with the Report of the Auditors thereon.
3. To re-elect as Director Mr. J R Gunaratne who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Mr. J R Gunaratne is contained in the Board of Directors section of the Annual Report.
4. To re- elect as Director Mr. E H Wijenaike who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Mr. E H Wijenaike is contained in the Board of Directors section of the Annual Report.
5. To re-elect as Director Mr. N L Gooneratne who is over the age of 70 years and who retires in terms of Section 210 of the Companies Act No. 7 of 2007, for which the passing of the following ordinary resolution is recommended by the Company:

“THAT the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. N L Gooneratne, who is 76 years and that he be re-elected a Director of the Company.”

6. To re-appoint Auditors, Messrs. KPMG, Chartered Accountants, and to authorize the Directors to determine their remuneration.
7. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

By Order of the Board
TRANS ASIA HOTELS PLC



KEELLS CONSULTANTS (PRIVATE) LIMITED

Secretaries

Colombo,
28th May 2019

Notes:

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

Form of Proxy

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

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

as my/our proxy to represent me/us and to vote on my/our behalf at the Thirty Eighth Annual General Meeting of the Company to be held on 21st June 2019 at 3.30pm and at any adjournment thereof, and at any poll which may be taken in consequence thereof.

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

	FOR	AGAINST
1. To re-elect as Director Mr. J R Gunaratne who retires in terms of Article 83 of the Articles of Association of the Company	☐	☐
2. To re-elect as Director Mr. E H Wijenaik who retires in terms of Article 83 of the Articles of Association of the Company	☐	☐
3. To re-elect as Director Mr. N L Gooneratne who is over the age of 70 years and who retires in terms of Section 210 of the Companies Act No. 7 of 2007	☐	☐
4. To re-appoint Auditors, KPMG, Chartered Accountants, and to Authorise the Directors to determine their remuneration.	☐	☐

Signed on this day of Two Thousand and Nineteen

.....
 Signature/s of Shareholder/s

Notes:

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

INSTRUCTIONS AS TO COMPLETION OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 115, Sir Chittampalam A Gardiner Mawatha, Colombo 2, not later than 48 hours before the time appointed for the holding of the Meeting.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the appointer is a Company or Corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the Company or Corporation in accordance with its Articles of Association or Constitution.
5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name :

Address :

Jointly with :

Share Folio No. :

Corporate Information

NAME OF THE COMPANY

Trans Asia Hotels PLC

LEGAL FORM

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

COMPANY REGISTRATION NUMBER

PQ 5

REGISTERED OFFICE

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

Tel: 2491000

Fax: 2449184

E-mail: lakeside@cinnamonhotels.com

Website: <http://www.cinnamonhotels.com/cinnamonlakeside.htm>

BOARD OF DIRECTORS

Mr. Krishan Niraj Jayasekara Balendra - Chairman

Mr. Joseph Gihan Adisha Cooray

Mr. Jitendra Romesh Gunaratne

Mr. Navindra Lal Gooneratne

Mr. Cholmondeley John Lloyd Pinto

Mr. Eranjith Harendra Wijenaik

Ms. Jhansi Carryl Ponniah

Mr. Rohan Jebashanthan Karunarajah

AUDIT COMMITTEE

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

Mr. E. H. Wijenaik

Ms. J. C. Ponniah

COMPANY SECRETARIES AND REGISTRARS

Keells Consultants (Private) Limited

117 Sir Chittampalam A Gardiner Mawatha

Colombo 02

AUDITORS

Messrs. KPMG

Chartered Accountants

32A, Sir Mohamed Macan Markar Mawatha,

Colombo 03

BANKERS

Citibank NA

Deutsche Bank AG

Sampath Bank PLC

The Hongkong and Shanghai Banking Corporation Ltd

Nations Trust Bank PLC

People's Bank PLC

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

DFCC Bank

COMPANY RELATED INFORMATION REQUIREMENTS

Shareholders can contact Keells Consultants (Private)

Limited on 011-2306245 for any Company related information requirements.

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Cinnamon
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Colombo