

# BUZZ- WORTHY

## MISSION

To generate long-term, sustainable, shareholder wealth by developing the capacity to add value to land, buildings and related investments and combine them uniquely so that they complement and reinforce each other.

## VALUES

To provide a return on investment above the risk-free investment rate to shareholders. To increase productivity of the workforce and provide training in order to improve their knowledge, skills and attitudes and to optimise the use of available resources. To adhere to the highest levels of integrity, transparency and ethical conduct.

## Contents

Group Financial Highlights of 2016/17	2
Chairman's Message	5
Directors' Profiles	8
Management Discussion and Analysis	11
Awards and Certifications	19
Stakeholder Mapping and Engagement Process	20
Guest Engagement	25
Employee Engagement	28
Training and Development	32
Sustainable Business	35
Corporate Social Responsibility	40
Risk Management	44
Corporate Governance Commentary	50
Annual Report of the Board of Directors	73
Report of the Audit Committee	82
Statement of Directors' Responsibility	84
Independent Auditors' Report	85

Income Statement	86
Statement of Profit or Loss and Other Comprehensive Income	87
Statement of Financial Position	88
Statement of Changes in Equity - Group	89
Statement of Changes in Equity - Company	90
Statement of Cash Flows	91
Notes to the Financial Statements	92
Consolidated Value Added Statement	135
Information to Shareholders & Investors	136
5 Year Financial Review of the Group	138
5 Year Financial Summary Property Development Division	138
5 Year Financial Summary Cinnamon Grand Hotel	139
Notice of Meeting	140
Notes	141
Form of Proxy	143

# BUZZ- WORTHY

**Bringing luxury and excitement to the fore, Cinnamon Grand has always encapsulated the dynamic lifestyle of Colombo. From diverse dining to breathtaking splendour, the property gives you the best of all worlds, with the kind of energy that cannot be replicated elsewhere. There's nowhere else you'd rather be.**

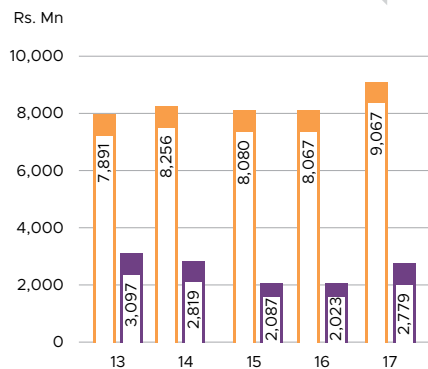
**Enigmatic, vibrant and buzz-worthy? It's Cinnamon Grand.**

	2016/17	2015/16	Change %
<b>Financial Performance (Rs '000')</b>			
Total Revenue	9,066,959	8,066,693	12.40%
Gross Profit	5,314,424	4,642,556	14.47%
Finance Income	221,817	156,710	41.55%
Change in Fair Value of Investment Property	399,161	224,665	77.67%
Profit Before Taxation	3,086,103	2,231,460	38.30%
Income Tax	306,987	208,789	47.03%
Profit After Taxation	2,779,116	2,022,671	37.40%
<b>Financial Position (Rs'000')</b>			
Shareholders' Funds	33,108,797	23,309,235	42.04%
Market Capitalisation	24,574,029	21,164,659	16.11%
Net Cash Flow from Operating Activities	3,079,625	2,074,426	48.46%
Cash & Cash Equivalents	2,059,244	1,527,336	34.83%
Total Non-Current Assets	35,786,694	26,281,198	36.17%
Current Assets	3,405,078	2,822,210	20.65%
Current Liabilities	1,774,608	1,587,999	11.75%
<b>Information Per Ordinary Share (Rs.)</b>			
Earnings	5.12	4.16	23.04%
Dividend	4.00	5.50	(27.27%)
Market Price	55.50	47.80	16.11%
Highest Market Price	63.00	69.50	(9.35%)
Lowest Market Price	46.50	44.50	4.50%
Net Assets	74.78	52.64	42.05%
<b>Key Performance Indicators</b>			
Group Occupancy (%)	69%	62%	7%
P/E Ratio (Times)	10.85	11.50	(5.65%)
Dividend Pay-out ratio (Times)	0.78	1.32	(40.90%)
Current Ratio (Times)	1.92	1.78	7.85%

# GROUP FINANCIAL HIGHLIGHTS OF 2016/17

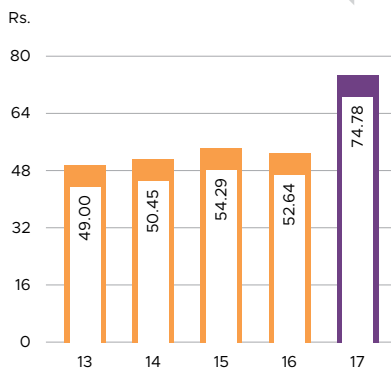
**3** | Asian Hotels and Properties PLC  
Annual Report 2016/17

## Group Revenue & Profitability

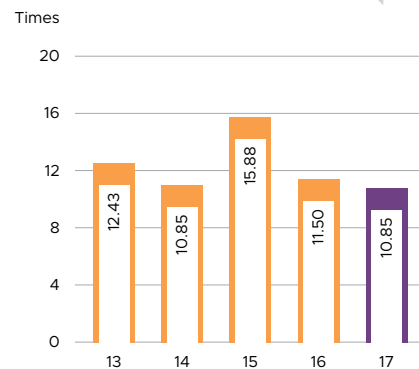


Group Revenue  
Profit After Taxation

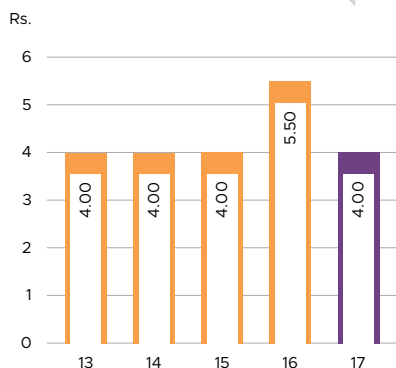
## Net Asset Per Share



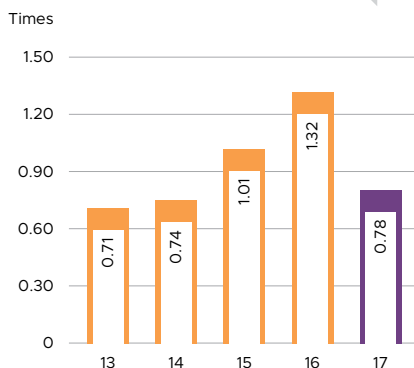
## P/E Ratio



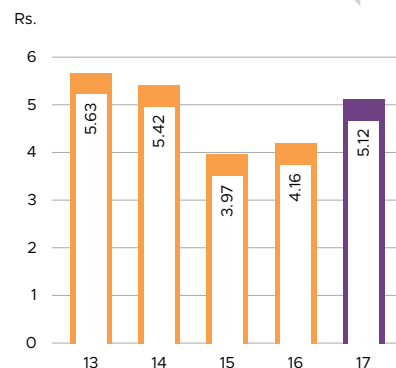
## Dividend Per Share



## Dividend Payout Ratio



## Earnings Per Share



## EARNINGS PER SHARE

**Rs. 5.12**

## DIVIDEND PER SHARE

**Rs. 4.00**

## NET ASSETS PER SHARE

**Rs. 74.78**

## GROUP REVENUE

**Rs. 9.06 BN**

## PROFIT AFTER TAX

**Rs. 2.77 BN**

## ROOMS MARKET SHARE

**50%**



CAMERA-WORTHY...

---

“Group profit before tax, including gains in fair value of investment property of Rs. 399 Mn, increased by 38 per cent to Rs. 3.08 Bn (2015/16 Rs. 2.2 Bn). The effective tax rate of the Group was 9.9 per cent for the year under review as against 9.4 per cent of last year. Net profit attributable to equity holders increased by 22 per cent to Rs. 2.2 Bn as against the Rs. 1.8 Bn recorded last year.”

---

Dear Stakeholder,  
On behalf of the Board, I am pleased to present the Annual Report and Financial Statements of Asian Hotels & Properties PLC, for the year ended 31st March 2017.

### GLOBAL TOURISM

According to initial estimates released by United Nations World Tourism Organisation (UNWTO) in January 2017, International tourist arrivals reached 1.235 billion in 2016, which constitutes a year-on-year growth of 3.9 per cent. Asia Pacific and Africa recorded a growth of 9 per cent and 8 per cent respectively, whilst arrivals to the Americas and Europe grew by 4 per cent and 2 per cent respectively. Results from the latest UNWTO survey predicts that international tourist arrivals worldwide will grow at a range of 3 to 4 per cent in 2017.

### SRI LANKA TOURISM

The country achieved 2,050,832 tourist arrivals during the year, recording a year-on-year growth of 14 per cent. Western Europe continued to be the largest regional contributor with 643,333 arrivals, which was a growth of 16.5 per cent over the previous calendar year. India and China continued to be the two largest single source markets recording 356,729 and 271,577 arrivals respectively.

According to the Central Bank of Sri Lanka, earnings from tourism during 2016 stood at USD 3.4 Bn, up by 14 per cent from the USD 2.98 Bn recorded a year ago.

### GROUP PERFORMANCE

The Group retained its leadership position in the five-star city hotels category, with a market share of over 50 per cent in the year under review, despite a significant rise in room

inventory in the three-star and four-star categories which resulted in greater competitive pressures on average room rates for the five-star category.

Group revenue grew by 12 per cent to Rs. 9.06 Bn from Rs. 8.06 Bn in the previous year. This stemmed from growth in room and food and beverage revenue as well as Cinnamon Lakeside being fully operational during the year. Room revenue increased by 17 per cent to Rs. 4.23 Bn from Rs. 3.62 Bn recorded in the previous year with the Group's signature restaurants and banquet venues performing well, generating incremental revenue of Rs. 337 Mn over last year. This collectively contributed to an increase in Group gross profits from Rs. 4.64 Bn to Rs. 5.31 Bn during the year.

Cost management initiatives launched during the year yielded positive results with group expenses rising by a modest 3 per cent compared to last year. This was primarily on account of energy saving initiatives which resulted in a 19 per cent decline in operating expenses for the year, while administration and distribution expenses increased by 8 per cent each.

During the year under review, Group profit before tax, excluding revaluation gains on investment property, recorded an increase of 34 per cent amounting to Rs. 2.6 Bn (2015/16 Rs. 2.0 Bn). Group profit before tax, including gains in fair value of investment property of Rs. 399 Mn, increased by 38 per cent to Rs. 3.08 Bn (2015/16 Rs. 2.2 Bn). The effective tax rate of the Group was 9.9 per cent for the year under review as against 9.4 per cent of last year. Net profit attributable to equity holders increased by 23 per cent to Rs. 2.2 Bn as against the Rs. 1.8 Bn recorded last year.



---

“Affirming its position as the city’s premier shopping destination, the Crescat Boulevard recorded revenue of Rs. 350Mn, which amounted to an increase of 5.7 per cent over last year.”

---

## CINNAMON GRAND COLOMBO

Cinnamon Grand remained the leading city hotel in Sri Lanka, maintaining its market share of 31 per cent during the year under review. The hotel achieved an average year round occupancy of 72 per cent, generating room revenue of Rs. 2.67 Bn. The signature dining options, lounges, bars and banquet choices were the largest contributors to the total food and beverage revenue of Rs. 2.52 Bn. Total revenue increased by 4 per cent to Rs. 5.46Bn this year (2015/16 Rs. 5.25 Bn). Cinnamon Grand recorded a 12 per cent growth in profit before tax and profit after tax to Rs. 1.9 Bn and Rs. 1.7 Bn respectively.

## CINNAMON LAKESIDE COLOMBO

As stated earlier, Cinnamon Lakeside Colombo was fully operational in the year under review whereas the hotel was partially operational during the previous year on account of a refurbishment. Revenue for the year amounted to Rs. 3.25 Bn with banquets and restaurants contributing Rs. 633 Mn and Rs. 707 Mn respectively and room revenue contributing Rs. 1.56 Bn. Cinnamon Lakeside recorded a profit before tax of Rs. 1.02 Bn for the year under review including an increase in fair value of its investment property amounting to Rs. 243 Mn. Hotel also recorded a PAT of Rs. 0.91 Bn for the year.

## PROPERTY DEVELOPMENT

Affirming its position as the city’s premier shopping destination, the Crescat Boulevard recorded revenue of Rs. 350Mn, which amounted to an increase of 5.7 per cent over last year.

The gross profit for the year from the property development segment increased marginally from Rs. 233 Mn to Rs. 236 Mn, while the growth in fair

value of investment property increased from Rs. 99 Mn to Rs. 156 Mn, which collectively resulted in a 26 per cent rise in profit before tax to Rs. 356 Mn as against Rs. 282 Mn recorded last year.

## NEW INITIATIVES

Forging ahead under the operational strategies developed within ‘Cinnamonization’ and the concept of ‘Inspired Living’, Cinnamon Grand and Cinnamon Lakeside unveiled an eclectic range of curated experiences, designed and integrated into the product and service offerings of the two hotels.

Cinnamon Grand and Cinnamon Lakeside continued to present customers with unique dining experiences, with the launch of a series of promotions in addition to events organised for its associates in appreciation of the innovative mindset and timeless commitment infused into delivering Cinnamon experiences to guests.

## ACCOLADES AND AWARDS

In the financial year under review, Cinnamon Grand was awarded the Agoda Gold Circle award while both Cinnamon Grand and Cinnamon Lakeside were awarded the Booking.com Guest Review Award. Cinnamon Grand sustainability ethos was also recognised with the Bronze award at the National Energy Efficiency Awards. Your Company received a Bronze Award for Diversified Holdings (up to ten subsidiaries) at the Annual Report Awards of Excellence 2016 organised by the Institute of Chartered Accountants of Sri Lanka for the Group’s Annual Report.

Cinnamon Grand and Cinnamon Lakeside successfully obtained re-certification of international standard



certifications. These include re-certifications for OHSAS 18001, ISO 14001 and ISO 22000.

## OUTLOOK FOR THE FUTURE

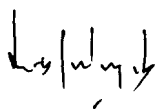
The Group is looking at a future that is likely to be increasingly competitive considering the expected increase in room inventory. However, overall growth in tourism and increased business activity are likely to augur well for the future. While competition will indeed become more intense in the hotel sector in the immediate future, we believe that our Hotels, with its new and uniquely differentiated brand proposition is equipped to surmount these challenges.

In the new financial year, the Group will continue to focus on marketing and promotions, and on enhancing its value proposition. The Hotels will also concentrate on the significant markets such as India and China and will continue to introduce initiatives that would appeal to these travellers. In addition, greater emphasis will be placed on digital marketing, targeting key European markets, such as the United Kingdom, France and Germany. In this backdrop, we are confident of sustained growth under the strategic impetus of Cinnamonization, which is already demonstrating tangible returns in terms of brand differentiation and enhanced shareholder value.

## CONCLUSION

I take this opportunity to thank our shareholders for their continued confidence in the Group. As always, I am appreciative of the expertise and insight shared by the Board in guiding the Company. Our associates are the heart of our business and I fully acknowledge their contribution towards our success. I thank our valued business partners for their continued support and

contributions during the year. To our guests, I extend our gratitude for their continued patronage and look forward to making their Cinnamon experiences the most memorable.



**Susantha Ratnayake**

*Chairman*

Asian Hotels and Properties PLC

26th May 2017

## SUSANTHA RATNAYAKE

### Chairman

Susantha Ratnayake was appointed as the Chairman and CEO of John Keells Holdings PLC (JKH) in January 2006 and has served on the JKH Board since 1992/1993. He has 38 years of management experience, all of which is within the John Keells Group. He is a past Chairman of the Sri Lanka Tea Board, Ceylon Chamber of Commerce, and the Employers' Federation of Ceylon.

## AJIT GUNewardENE

### Director

Ajit Gunewardene is the Deputy Chairman of John Keells Holdings PLC and has been a member of the Board for over 24 years. He is a Director of several companies in the John Keells Group and is the Chairman of Union Assurance PLC. He is a member of the Board of SLINTEC, a company established for the development of nano technology in Sri Lanka under the auspices of the Ministry of Science and Technology. He is also a member of the Tourism Advisory Committee appointed by the Minister of Tourism Development. He has also served as the Chairman of the Colombo Stock Exchange and Nations Trust Bank PLC. Ajit has a degree in Economics and brings over 34 years of management experience.

## RONNIE PEIRIS

### Director

Appointed to the John Keells Holdings PLC Board during 2002/03, Ronnie, as Group Finance Director, has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance, Treasury, and the Information Technology functions. He is also a Director of several companies in the

John Keells Group. He was previously the Managing Director of Anglo American Corporation (Central Africa) Limited in Zambia.

He has over 40 years of finance and general management experience in Sri Lanka and abroad. He is a Fellow of the Chartered Institute of Management Accountants, UK, Association of Chartered Certified Accountants, UK, and the Society of Certified Management Accountants, Sri Lanka and holds an MBA from the University of Cape Town, South Africa. Previously, the Chairman of the Sri Lanka Institute of Directors, he is currently a member of the Committee of the Ceylon Chamber of Commerce.

## KRISHAN BALENDRA

### Director

Krishan Balendra was appointed as a Director of Asian Hotels and Properties PLC in April 2016. He is an Executive Director of John Keells Holdings PLC with responsibility for the Leisure Group and John Keells Stock Brokers. He also serves as the Chairman of Nations Trust Bank PLC and is the Hon. Consul General of the Republic of Poland in Sri Lanka. He is a former Chairman of the Colombo Stock Exchange. He started his professional career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. After a four year stint in Hong Kong, he continued his career in corporate finance at Aitken Spence & Company PLC, Sri Lanka prior to joining JKH. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.

## CHOLMONDELEY PINTO

### Director

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

## SHIRANI JAYASEKARA

### Director

Shirani Jayasekara was appointed as a Director in September 2009. She has over 35 years of experience combining; Finance, IT, Audit and Risk Management in Sri Lanka, Zambia and Bahrain. She has also been responsible for regional audit assignments in Bangladesh with British American Tobacco and in Indonesia with Carsons Cumberbatch PLC.

She has been selected to serve on various committees of the Institute of Chartered Accountants of Sri Lanka such as the Annual Report awards Committee (Sustainability Reporting) and Audit Committee of the Institute. She is also an external Independent Director at LB Finance. She is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Chartered Institute of Management Accountants UK.

## SANJIVA SENANAYAKE

### Director

Sanjiva Senanayake joined the International Finance Corp (IFC) - the World Bank's private sector financing arm in June 1998 and held the position of Country Manager for Sri Lanka and Maldives until April 2006 when he was appointed as the Senior Investment Officer overseeing Financial Markets Investments in West Africa. He held this position until his retirement in April 2009. Prior to joining IFC he served as the Assistant General Manager, Treasury and Investment Banking at National Development Bank of Sri Lanka and as Consultant, Treasury and Business Development at Commercial Bank of Ceylon.

Prior to that, he held several key positions in the Citibank group in Sri Lanka and overseas. Senanayake holds a BSc degree in Electronic and Electrical Engineering from King's College, University of London and an MSc in Communication Engineering from the Imperial College of Science and Technology, University of London. He is also a Director of Sampath Bank PLC and Hemas Pharmaceuticals Ltd.

the United Kingdom, lastly being the Marriott Marble Arch, London. He is also a Director of Trans Asia Hotels PLC. He read for his Masters in Hospitality and Business Studies from the Thames Valley University, London.

## SURESH RAJENDRA

### Director

Suresh Rajendra is the President of the Property Group of John Keells Holdings PLC. He also serves as a Director in many companies of the John Keells Group. He has over 23 years of experience in the fields of finance, travel and tourism, and business development acquired both in Sri Lanka and overseas. Prior to joining the Group, he was the Head of Commercial and Business Development for NRMA Motoring and Services in Sydney, Australia and Director/General Manager of Aitken Spence Hotel Managements (Pvt) Ltd, Sri Lanka. Suresh is a Fellow of the Chartered Institute of Management Accountants, UK.

## ROHAN KARUNARAJAH

### Director

Rohan Karunarajah was appointed as a Director of Asian Hotels and Properties PLC in March 2005. He is an Executive Vice President of the John Keells Group and is the Sector Head of the Cinnamon city hotels, overlooking the management of Cinnamon Grand, Cinnamon Lakeside and Cinnamon Red. A career hotelier counting over three decades both in the local and international hospitality industry, he has held the position of General Manager in several hotels in



In an intensely competitive environment, remaining in leadership is not easy. Nor is it easy to etch out pioneering paths in such a context. For Asian Hotels & Properties PLC, trailblazing and innovative leadership is an integral part of our DNA making us 'Buzz-Worthy'. It is this combination that creates and sustains a buzz in the industries in which we operate, endorsed by our stake holders and amply attested by the accolades we continue to receive.

## THE GLOBAL ECONOMY

In its April 2017 update on the world economy, the International Monetary Fund (IMF) reported that world economy had gathered momentum in the last quarter of 2016 and revised its growth estimate for 2016 to 3.1 percent. Global activity indicators tracked by the IMF have noted a pickup in growth in the United States during the second half of 2016 due to greater confidence in future demand while the United Kingdom too posted growth despite the referendum in favour of leaving the European Union (Brexit). An improvement in net exports in Japan and strong domestic demand in Germany and Spain enhanced the outlook. Among the emerging markets and developing economies, economic performance was mixed. Continued policy support in China contributed to strong growth; however, growth in India slowed due to the currency exchange strategy and in Brazil due to the deep recession. Economic activity slowed in parts of the Middle East and in Turkey due to geopolitical factors.

As the momentum gained in 2016 is expected to persist in 2017, the IMF raised its estimate for world economic growth to 3.5 per cent in 2017, followed by growth of 3.6 per cent in 2018. While stronger activity, expectations of more robust global demand, reduced deflationary pressures and optimistic

financial markets are factors that would boost growth, it remains vulnerable to a range of interconnected risks which need to be mitigated to sustain the economic recovery. Key among these are fiscal policy choices, which will be crucial in shaping the outlook and reducing risks.

## SRI LANKAN ECONOMY

Following a period of uncertainty, the Sri Lankan economy showed early signs of stabilisation during the year 2016 in response to corrective actions adopted by the Government and the Central Bank. Unfavourable weather conditions and sluggish global economic recovery caused the economy to grow at a slower rate of 4.4 per cent in 2016 in real terms, in comparison to 4.8 per cent in the previous year. The value addition in agriculture, forestry and fishing related activities recorded an overall decline of 4.2 per cent in 2016 compared to the growth of 4.8 per cent observed in the previous year. As a result, the GDP share of this sector reduced further to 7.1 per cent in 2016 from 7.8 per cent in 2015. The contraction in the sector was particularly due to adverse weather patterns experienced during the year. The value addition in industry related activities changed course to a higher growth trajectory, expanding by 6.7 per cent in 2016 compared to 2.1 per cent in the previous year. The value

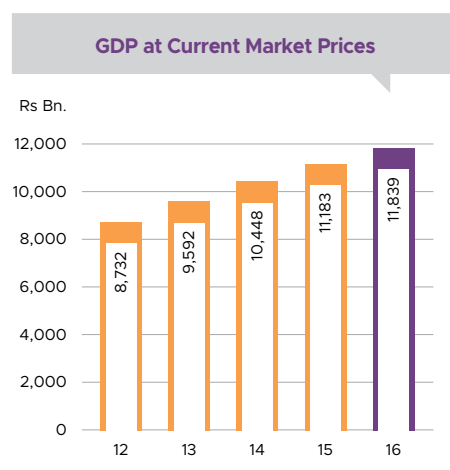
addition in services related activities grew by 4.2 per cent in 2016 compared to 5.7 per cent in 2015. All service activities, except for the professional services subsector, grew in 2016.

The services account continued to record a surplus during the year led by the increased earnings from tourism; followed by the export of transport, telecommunications, computer and information services. In addition to the rise in tourist arrivals, the increase in the estimated average spending per day and the improvement in the estimated average duration of stay by tourists, led to an 18 per cent growth in earnings, amounting to USD 3,518 Mn during the year for tourism. Tourist arrivals may pick up with high economic growth in Europe, China, India and Russia, which are Sri Lanka's major sources of tourism.

## GLOBAL TOURISM INDUSTRY OVERVIEW

According to the latest UNWTO World Tourism Barometer, 2016 was the seventh successive year of growth following the economic and financial crisis in 2009. A similar period of growth was first observed in the 1960's. International tourist arrivals increased by 3.9 per cent to reach 1,235 Mn with 47 Mn more tourists travelling the world in 2016. This was in line with the projections made by the UNWTO in early 2016.

Although travel patterns during the year remained the same as in 2015, a higher number of tourists travelled during the summer season. In terms of regions, Asia and the Pacific recorded the strongest growth (9 per cent) followed by Africa (8 per cent), the Americas (4 per cent) and Europe (2 per cent). However, arrivals in the Middle Eastern region declined by 4 per cent mainly due to the sharp decline in Egypt (-42 per cent), once the most popular destination in the region.





Based on a scenario of a modest recovery in the world economy, the growing middle class with higher disposable income in emerging markets, more affordable airfares and improved air connectivity, the UNWTO forecasts that international tourist arrivals worldwide will grow between 3 to 4 per cent in 2017.

## SRI LANKAN TOURISM INDUSTRY

The tourism sector has thrived in post-conflict Sri Lanka, annually attracting over 2 Mn tourists and earnings over USD 3.4 Bn by 2016. As a travel destination, Sri Lanka is unique in its offerings with iconic cultural and historic sites, wildlife sanctuaries, pristine beaches and picturesque landscapes.

In 2016, tourist arrivals to the island surpassed the 2 Mn mark for the first time. According to SLTDA figures, Sri Lanka's tourist arrivals in 2016 rose by 14 per cent with the arrival of 2,050,832 tourists, compared to the 1,798,380 tourists who arrived in 2015. This was due in no small measure to the efforts of the Sri Lanka Tourism Promotion Board (SLTPB), which extended its country and event specific promotional campaigns during 2016, in addition to launching several web-based promotional activities aimed at attracting the high-end tourist.

The majority of the tourist arrivals were from Western Europe, with 643,333 tourists visiting in 2016 recording a 16.5 per cent increase year-on-year. The UK led arrivals from this region with 188,159 visitors, followed by Germany (133,275), and France (96,440).

Arrivals from North America rose by 15.8 per cent with 98,376 visiting the country in 2016. Tourist arrivals from Eastern Europe increased in 2016 by 8.6 per cent with the arrival of 161,171 visitors, although arrivals from Russia declined by 5.9 per cent. Arrivals from the Middle East increased by 6.5 per cent with the arrival of 107,635 visitors. The East Asian region generated 425,161 arrivals in 2016, representing an increase of 17.2 per cent of which, Chinese tourists (271,577) were the highest increasing by 26.4 per cent year-on-year.

The South Asian region, produced the second highest arrivals (513,536) an increase of 11.8 per cent. With a 12.8 per cent increase, Indian tourists made up the majority with 356,729 Indians visiting the country.

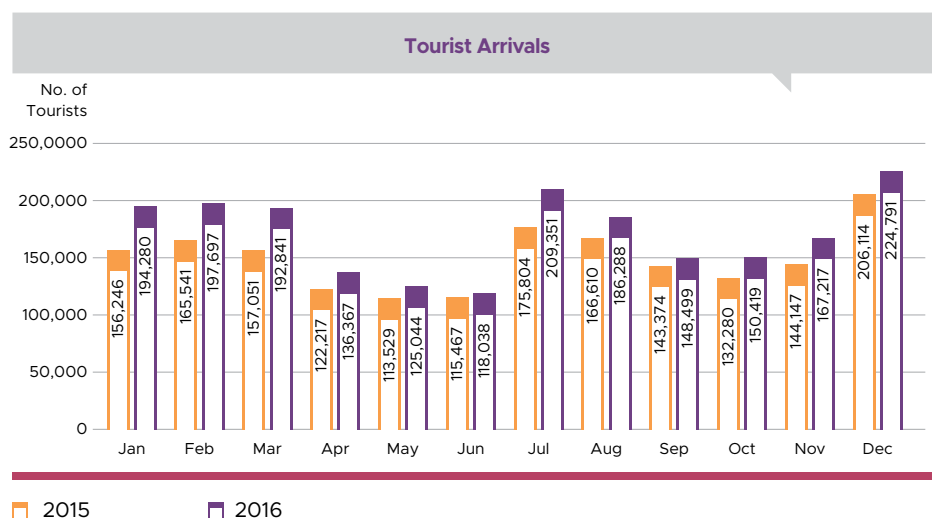
During the first quarter of 2017, (the last quarter of the financial year) there was an interruption in the upward growth

trend due to the partial closure of the airport for repairs, with arrivals declining by 0.1 per cent and 2.5 per cent in February and March 2017.

Meanwhile, the room occupancy rate in graded hotel establishments approved by the Sri Lanka Tourism Development Authority (SLTDA) grew marginally to 74.8 per cent in 2016 in comparison to 74.5 per cent reported in 2015.

The healthy growth in tourist arrivals was the main contributor to the 14 per cent increase in tourism earnings which amounted to USD 3.4 Bn for the year against the USD 2.9 Bn last year. Marginal improvements in the average spend per day by a tourist and the average duration of stay also contributed to this growth. Tourism earnings remained the third largest source of foreign exchange for the country in 2016.

The tax framework in the Budget 2017 proposed an increase of corporate tax rates from 12 to 28 per cent on the registered service providers in the leisure industry, which will have an impact on the profitability of the Sri Lankan hotels. The increases in the value added tax (VAT) rate to 15 per cent and in corporate tax rates, amongst others tax increases, will affect Sri Lanka's competitiveness in the region, where Sri Lanka is already priced on par with several key tourism related competitors. Being identified as one of the key thrust areas of the Sri Lankan economy and given the industry's growth trajectory, it is imperative that Sri Lanka remains competitive regionally whilst also ensuring that investment in expanding inventory is not discouraged due to higher taxes. An amendment in the corporate tax rate is yet to be enacted (however, as at 23rd May 2017, indications are that the corporate tax rate may change to 14 per cent).



## Cinnamonization – Inspiring Change

Conceptualised by Cinnamon Hotels and Resorts, the Cinnamonization initiative, with its fresh and inspired approach, is now poised to change traditional tourism in Sri Lanka and create unforgettable experiences for guests.

During the previous financial year, a strategy designed to take Cinnamon Hotels and Resorts to the next level was unveiled to the global and domestic travel and tourism markets. The ‘Cinnamonization’ strategy was rolled out across the Cinnamon Hotels, based on a brand strategy conceptualised for the new Asia. The contemporary look and feel of the new identity vignettes were created to elaborate the theme of ‘Inspired Living’ in the context of Asia being the fastest growing tourism region in the world.

Fueled by this strategic vision, during the current financial year, the Cinnamon Hotels and Resorts were positioned as the catalyst in promoting the enjoyment of life’s best moments in one of the most sought after travel destinations, while redefining the best of contemporary Sri Lankan culture, entertainment and hospitality. The process of enhancing value at all eight touch points were continued during the year as well as inculcating the Cinnamonization strategy to all associates of the company covering diverse operational aspects.

The implementation of the Cinnamonization strategy in its different levels and spaces received an outstanding reception during the current financial year. It is indicative of the burgeoning potential it holds in the mid to long term as the concept of ‘Inspired Living’ captures the attention of discerning travellers. Great strides were made during the year towards instilling Cinnamonization as a mind-set amongst

the leisure and travel sector not only within Sri Lankan shores but beyond its horizons.

## GROUP FINANCIAL HIGHLIGHTS

At year end, group revenue, which comprises revenue from all three properties, namely Cinnamon Grand, Cinnamon Lakeside and Crescat Boulevard posted a robust 12 per cent increase to Rs. 9.06 Bn from the Rs. 8.06 Bn achieved in 2015/16 .

All three companies registered commendable profit growth for the financial year, despite challenges in the operating environment. Cinnamon Lakeside which was closed for refurbishment during much of the previous financial year made an impressive come-back, regaining lost ground, boosting group revenue and almost doubling its return on capital employed (ROCE) from 7 per cent to 13 per cent. The return on equity (ROE) of Cinnamon Lakeside grew from 5 per cent to 12 per cent excluding fair value gain on investment property, while the ROE of Cinnamon Grand which is operating with no major refurbishments, declined slightly from 9 per cent to 8 per cent

excluding fair value gain on investment property.

Meanwhile, driven by greater demand, revenues from Crescat Boulevard which are primarily generated on rentals from the shopping mall, too showed a marked improvement.

Cinnamon Grand retained its market leadership stature within the city hotel sector and continued to drive revenues upwards. Group room revenue increased from Rs. 3.62 Bn to Rs. 4.23 Bn supported by a better yield, while growing demand for their specialty outlets, promotions and banquets contributed to the increase Food and Beverage (F&B) revenue from Rs. 3.57 Bn to Rs. 3.90 Bn. Other revenue too, increased from Rs. 878 Mn to Rs. 926 Mn.

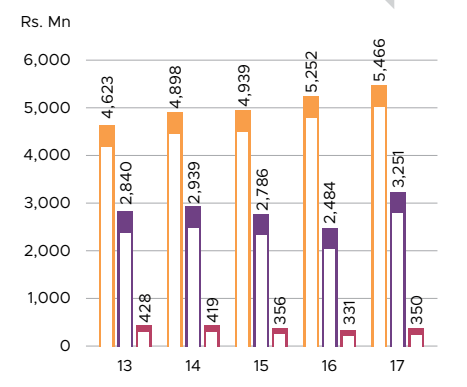
Competition within the city hotel sector intensified during the year exacerbated by the availability of more dining options and banqueting venues. The performance of the two hotels against this backdrop demonstrates the buzz created by the strength of the Cinnamon brand.

Market Share



■ Cinnamon Grand 31%  
■ Cinnamon Lakeside 19%  
■ Other Five Star City Hotels 50%

Contribution to Group Revenue



■ Cinnamon Grand  
■ Cinnamon Lakeside  
■ Property Division



Cinnamon Grand saw a slight decline in room occupancy this year, from 76 per cent to 72 per cent, primarily due to escalating competition from the new and refurbished three and four-star hotels. Nevertheless, room revenue increased marginally due to better yield management. However, Cinnamon Lakeside achieved strong growth, albeit on a lower base in 2015/16, ending the year with an average of 64 per cent. This performance was augmented by an improved yield, a reflection of the premium facilities and special ambiance, peculiar to Cinnamon Lakeside, which returned to the market with a world class aura following upgrades and refurbishments in keeping with global standards.

Cinnamon Grand continued to deliver an unparalleled food and beverage experience which is well reflected in the Rs. 2.52 Bn F&B income generated by the Hotel during the year. Cinnamon Lakeside too enhanced its dining and banquet contributions to Group revenues from Rs. 1.12 Bn to Rs. 1.39 Bn.

The gross profit margin of the Hotels increased to 59 per cent due to tight cost controls and better tariffs. The operation of Cinnamon Lakeside at full strength led to the year-on-year increase which indicated mostly overhead expenses. The decrease in operating expenses is attributed to the comparatively lower expenditure on maintenance at Lakeside following its recent renovation.

Profit before tax increased to Rs. 3.09 Bn, up from Rs. 2.23 Bn last year.

Group Finance Income was Rs. 220.56 Mn, up from Rs. 156.71 Mn. This was primarily due to the higher finance income from Cinnamon Grand, which increased by Rs. 38.26 Mn, Cinnamon Lakeside which increased by Rs. 17.40

Mn and from Crescat which increased by Rs 7.44 Mn. Group finance expense totalled Rs. 17.74 Mn leaving a net Group finance income of Rs. 202.82 Mn against Rs. 151.18 Mn in the previous year.

Fair value of the investment properties in the property division and Cinnamon Lakeside increased from Rs. 225 Mn to Rs. 407 Mn, with the Crescat Shopping Mall's fair value increasing from Rs. 99 Mn to Rs. 156 Mn. Cinnamon Lakeside's investment property also increased from Rs. 126.1 Mn to Rs. 251 Mn.

The increase in tax outflows to Rs. 307 Mn from Rs. 208 Mn last year is primarily due to the higher component of interest income which is taxed at a higher rate. This resulted in a profit after tax of Rs. 2.8 Bn compared with the Rs. 2.0 Bn posted last year.

## Cinnamon Grand Colombo

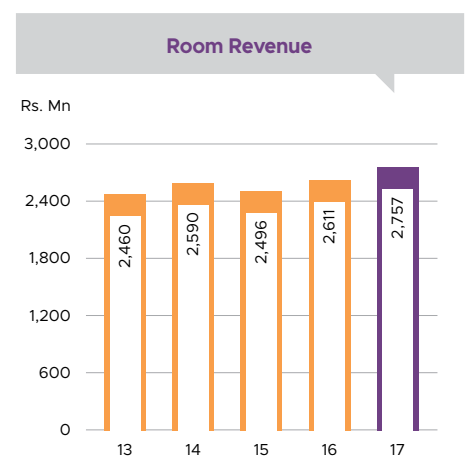
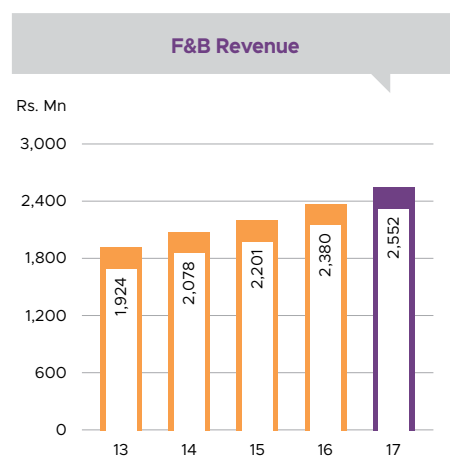
Cinnamon Grand, undeniably Colombo's 'Buzz-Worthy' city hotel, synonymous with the concept of luxury, maintained its premium brand positioning during the current financial year, despite intense competition from new and emerging brands. Bringing luxury and excitement to the fore, the Hotel has always encapsulated the dynamic lifestyle of Colombo. This is even more evident now

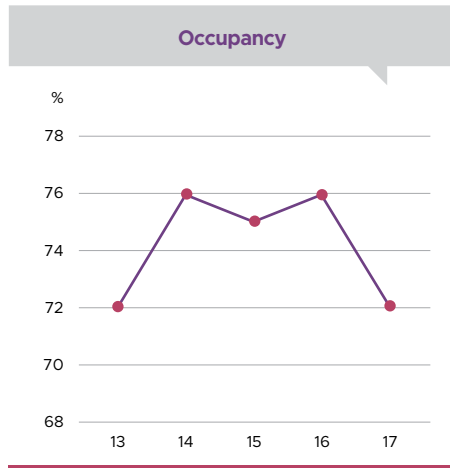
as it represents the essence of 'Inspired Living' through the strategic vision of Cinnamonization. From diverse dining to luxurious hospitality, Cinnamon Grand is an experience that is conceptualised to give its guests the best of all worlds, a brand promise unparalleled by any other competitor brand.

Having built its reputation as a pioneer in the industry and gaining numerous accolades, Cinnamon Grand's stance on uncompromising excellence reiterates its pioneering persona. This is well evidenced in the host of best in class events, spearheading initiatives and constant focus on standards of superiority that are constructed on a strong foundation of sustainability.

Being the largest city hotel with its 501 room portfolio including a range of luxurious suites, and the largest number of dining options in a single hotel in the city, Cinnamon Grand maintained an above average occupancy of 72 per cent for the year, totalling 131,481 room nights returning a market share of 31 per cent, despite new entrants crowding the city market.

The Hotel has been consistent in its growth and thus posted a profit before





tax of Rs. 1.9 Bn and profit after tax of Rs. 1.7 Bn, which is a 12 per cent growth over the last year. This increase in profitability is mainly attributable to the increase in revenue from Rs. 5.25 Bn to Rs. 5.46 Bn, as well as Management's constant efforts to contain the operational costs. Total expenses increased by 5 per cent, with cost of

sales increasing by 5 per cent, distribution expenses decreased by 6 per cent and administrative expenses increased by 6 per cent, compared to last year.

From an F&B perspective, the Grand's restaurants, lounges and bars continued to have overwhelming responses due to the extensive product offerings and unparalleled service levels. Supported by innovative promotional events, total F&B revenue increased to Rs. 2.52 Bn from Rs 2.39 Bn last year.

Cinnamon Grand also continued to be the preferred choice for banquets and weddings in the city. Throughout the year, modernisations to dining and banqueting spaces, and creative food and beverage concepts continued. The Hotel constantly maintained its track record of hosting an impressive share of repeat clientele, corporate functions, high profile and international MICE

gatherings, as well as celebrity events during the year.

Hosting heads of state and international celebrities is the norm at Cinnamon Grand. International VVIPs hosted at Cinnamon Grand during the year included the South Korean Foreign Minister Yun Byung-se and his team of diplomats and the Australian Cricket team during their tour in Sri Lanka, demonstrating the confidence high-end travellers place upon the quality and security offered.

In wooing emerging tourism markets and in defining various strategies for visibility, the Hotel hosted the International Travel Bloggers Conference 2016, also known as TBC Asia 2016. Held for the second time, the conference hosted speakers of the ilk of Nat Geo Travel Senior Producer Sarah Polger, PATA Director of International Partnerships



29th LAWASIA Conference



Sri Lanka Economic Summit at the Oak Room



Sri Lanka Economic Summit at the Oak Room



South Korean Prime Minister Yun Byung-se upon his arrival at Cinnamon Grand with Chief Butler Mario Gibson (L) and Manager Security Clifford Amunugama (R)



Beatlemania wooing the crowd



PLATINUM ABBA performing at Cinnamon Grand NYE Party

Halona Padiachy, Revinate Director of Sales-Asia Vijesh Yoganthan, TravelClick Inc and Regional Vice President-India and Subcontinent Joy Ghosh. Following the conference, the first-ever Cinnamon Travel Bloggers Awards were held, recognising the role played by travel bloggers in developing and revolutionising the industry.

In another international showcase event, the 29th LAWASIA Conference 2016, the Hotel hosted President Maithripala Sirisena, Prime Minister Ranil Wickremesinghe and other legal luminaries from the Asia-Pacific region. The Hotel was also the chosen venue for the country's leading business forum held for the 17th year, the Sri Lanka Economic Summit 2016, organised by the Ceylon Chamber of Commerce was held with nearly 300 delegates with President Maithripala Sirisena as Chief Guest.

In an unprecedented industry landmark, for the first time, Cinnamon Grand attracted two UK based bands, PLATINUM ABBA and Beatlemania, on a single stage in Sri Lanka for its New Year's Eve Gala Event.

Continually improving and setting industry benchmarks, in the current financial year, Cinnamon Grand made a buzz with a new lifestyle offering of a brand new fleet of 2016 Audi vehicles as its chauffeur fleet. The fleet includes nine

Audi A3 sedans, 14 Audi Q3 crossover SUVs, two of the flagship Audi A6 sedans and 14 Audi A4 sedans of the 2016 launch model, the first of its kind in Sri Lanka, epitomising the theme of 'Inspired Living' and enhancing the image of Cinnamon Grand.

In keeping with Cinnamonization and the Hotel's vision for its associates, Cinnamon Grand's associate cafeteria 'Grand Café' was reopened with a restaurant look and feel, reflecting the lifestyle work experience of the Hotel staff; the backbone and the force behind the product and service excellence presented to its guests.

## Cinnamon Lakeside Colombo

Following months of partial closure in the previous financial year, Cinnamon Lakeside returned to business in October 2015, rejuvenated and empowered by the Cinnamonization strategy to regain its niche in the City tourism market.

Cinnamon Lakeside leverages its unique locality and surroundings to become a specially designed oasis of relaxation within the hustle and bustle of the ever-dynamic city of Colombo. With its unique resort feel, this hotel combines the convenience of being situated in the heart of the town, while offering a tranquil escape, demonstrating the concept of 'Inspired Living' as a practical and attainable reality. The performance

of the Hotel in the current financial year is clear evidence that Cinnamon Lakeside has achieved the subtle balancing act, realising its brand vision of making serenity a destination.

In keeping with its positioning in the Cinnamonization strategy, the Hotel focused on attracting Chinese tourism by having a dedicated Chinese floor complete with Mandarin speaking Guest Relations Officers and Front Office associates, and augmented by specialised F&B offerings.

The two burgeoning markets of China and India were the focus of Cinnamon Lakeside's promotional strategies this year.

Amplly demonstrating the success of these focus, Cinnamon Lakeside's room revenue grew by Rs. 549 Mn which is an increase of 54 per cent against the previous year. With its full complement of rooms in operation through the year, annual occupancy expanded from 43 per cent in the previous year to 64 per cent in the period under review. The depreciation of the Rupee against the USD by 6 per cent also contributed towards the higher room revenue, although the annual average room rate in US Dollar terms dipped by USD 4 from USD 132 achieved in the previous year. The total F&B revenue also increased over the previous year due to revenue



Special Chinese rooms at Cinnamon Lakeside



The Chinese Floor rooms are equipped with Chinese-translated collateral and signage



Bangladesh Commerce Minister Hon. Tofail Ahmed at Cinnamon Lakeside

growth in both F&B outlets and Banquets which grew by Rs. 133 Mn and Rs. 61 Mn respectively. The F&B outlets recorded a 23 per cent improvement in the number of covers served, whilst Banquets notched an 8 per cent increase against the previous year.

The cost of sales grew by 18 per cent, due to the higher operational volume. The gross profit (GP) margin rose from 57 per cent to 61 per cent contributing to the GP of Rs. 570 Mn. The disposal of assets pertaining to the renovations resulted in other operating income growing by 166 per cent to Rs. 9.5 Mn.

The conversion loss on exchange due to the depreciation of the Sri Lankan Rupee against the USD, on the USD 3 Mn borrowing obtained for the renovation during previous year, declined from Rs. 42 Mn to Rs. 11 Mn for the year under review. The interest cost for the year was higher mainly because of the interest cost capitalisation during the renovation period last year. However, this was negated by the increase in interest income through investment of excess cash yielding a higher return. This reduced the net finance cost by 89 per cent to Rs. 4.3 Mn from Rs. 40.4 Mn last year. Change in fair value of investment property saw a 93 per cent growth due to fair value gain on commercial centre valuation to Rs. 243 Mn. Profit before tax for the year under review was Rs. 1.0 Bn compared to previous years' profit before tax of Rs. 357 Mn. A fair value gain on investment property amounting to Rs. 243 Mn was recorded during 2016/17, whilst during the previous year fair value gain on investment property amounted to Rs. 126 Mn.

The effective tax rate increased marginally to 10.6 per cent during the year under review compared to 10.3 per cent previous year. This was mainly due

to the increase in interest income which is taxed at a higher rate.

With the significant improvement in operations, profit after tax increased by 183 per cent to Rs. 907 Mn.

As part of the Chinese Market Strategy aimed at increasing the Chinese tourist base in the Cinnamon's city hotels, Chinese language classes were initiated for Front Office and F&B associates. These classes were supported by a 'Let's Learn Chinese' booklet developed by the City Marketing Communications team with the support of Learning and Development department. Cinnamon Lakeside's Long Feng restaurant celebrated the Chinese New Year by hosting a Chinese New Year Food Promotion featuring over 50 popular Cantonese items. The Long Feng restaurant also introduced an All-You-Can-Eat Dim Sum Lunch Buffet promotion.

With its newly refurbished facilities, Cinnamon Lakeside was ideally positioned to host international VVIPs during the current year and hosted the Commerce Minister of Bangladesh Hon. Tofail Ahmed, and was the proud host of the Miss Intercontinental 2016 pageant, a first in Sri Lanka, in October.

Linking up globally, the Cinnamon Lakeside's Earls Court was the venue for a seminar organised by John Keells under the theme of 'Connect to opportunity November', where the LinkedIn Marketing Solutions Director, Virginia Sharma, highlighting the digitisation quotient within an organisation, touched on the reasons of becoming a data driven organisation.

## Property Division

Crescat Boulevard, the iconic shopping and lifestyle locale within the Cinnamon brand umbrella continued to draw

local and foreign visitors in unmatched numbers during the year, affirming its stand as the premier shopping mall in Colombo. Located within the heart of Colombo city, reiterating its premium retail-outlet status with world famous brands and popular Sri Lankan brands within its milieu.

Continued promotional and marketing campaigns, especially during festive seasons have been instrumental in increasing footfall, as have the various retail tenants showcasing leading local and international brands. The supermarket, which has now taken over a majority of the basement which it shares with the Food Court, is the preferred option among those seeking a complete lifestyle shopping experience in the city. With an expansive range of high-end, local and imported fare, it has endeared itself to a loyal expatriate customer base as well.

AHP PLC no longer leases apartments and thus does not gain any rental revenue from the adjacent apartment complexes. However, rental income from Crescat Boulevard continued to increase year-on-year, posting a growth from Rs. 331 Mn to Rs. 350 Mn. Profit before tax for the division stood at Rs. 356 Mn, which included a gain on fair value of investment property of Rs. 156 Mn. Further, the finance income increased by 49 per cent. Profit after tax was Rs. 341 Mn which was 26 per cent higher than the last year's Rs. 271 Mn.

## Shareholder Value

The astute roll-out of the Cinnamonization strategy has already commenced increasing shareholder returns, with earnings per share rising to Rs. 5.12 from Rs. 4.16 per share last year. The Group ethos of delivering consistent value to shareholders saw the Group continue that commitment with a

dividend per share of Rs. 4 representing a dividend payout ratio of 0.8.

## Future Direction

We are confident that the Cinnamon brand will strengthen and gain market share as the Cinnamonization strategy's concept of 'Inspired Living' gains traction and market recognition. Competition within the hotel sector and in particular, within the city hotels sub segment is set to escalate in the short to medium term. The hotel pipeline indicates that there will be an increase in five-star, three-star and four-star city hotels, albeit at a slower pace in the former.

We believe the current year's performance demonstrates the potential and appeal of the 'Inspired Living' concept. The Cinnamonization process which is now well absorbed into the Hotels' way of life, will give both properties considerable edge in luring the discerning global traveller. The benefits of this strategy will be fully observed in next year's financial review from a quantitative perspective.

In the F&B space, both Hotels are constantly innovating product and service offerings, making a buzz by keeping the excitement and anticipation of newer F&B options always on the cards. This will include the Cinnamonization strategy of discovering gourmet journeys via constantly updated menus, banqueting and dining experiences, food festivals and the visits of international celebrities. An envisaged 20 per cent growth is expected for the two Hotels in F&B over the next year, given that most of their restaurants are forecast to run at full capacity.

The steps ahead will focus on organic growth, infusing strategies that will

maximise on the Group's synergies, asserting its position of being a benchmarked leader in the city hospitality space. The Hotels are also committed to further enhance the strategy of 'Creating a Greener Mindset', all the while increasing Group revenues by enhancing productivity, efficiency, innovation, quality and service. This will revolve around the Cinnamonization foundation of optimising on the opportunities emerging in the region to entice the contemporary new age Asian traveller.



## AWARDS AND CERTIFICATIONS

### AHPPLC

Being a benchmarked leader in the hospitality and real estate industries, AHPPLC has a proven track record of continually raising the bar. Coupled with an innovation driven mind-set, AHPPLC has remained focused on governance and ethics, quality and standards, leadership and service excellence, green conscience and contribution to the industry and to the country. In this process, the Group has been crowned with many a laurel and presented with many a commendation for its unrelenting focus on being the best.

Evidencing the commitment the Group has to transparency, accountability, governance and ethics, its stringent adherence to absolute compliance was rewarded by the Institute of Chartered Accountants of Sri Lanka at its Annual Report Awards, which presented AHPPLC with a Bronze Award in the category of Diversified Holdings (upto ten subsidiaries).

### CINNAMON GRAND

In terms of a global buzz, Cinnamon Grand remained the unchallenged leader in the current financial year with the Hotel receiving the Guest Review Award by Booking.com for the Hotel's 8.3 rating on the site. Booking.com

is a leading accommodation booking website and e-commerce company of the world. The award is considered a symbol of excellence as a best guest experience provider among some 800,000 properties on the Booking.com site. In another prestigious accolade, Cinnamon Grand was awarded the Agoda Gold Circle Awards, given to accommodation partners around the world that embody the best qualities of the online booking travel experience. The selection criteria to determine award recipients include consistently glowing customer reviews, competitive pricing in the marketplace, diligent utilisation of Agoda's custom-built YCS (Yield Control System) and a willingness to work with Agoda to create faster, easier bookings worldwide. Agoda Gold Circle award winners demonstrate an outstanding commitment to deliver the best online booking travel experience for their customers. This year, it is noted that less than 1 per cent of the 1 Mn plus properties on Agoda qualified for the award. The honour was received by only 1,208 accommodation partners worldwide, placing Cinnamon Grand among the crème de la crème within the global leisure industry.

Sustainable growth has been the foundation of AHPPLC progress over the years and in recognition of this growth drive, Cinnamon Grand was acknowledged at the prestigious Sri Lanka Energy Efficiency National Award (SLEENA) with a Bronze award in the Hotel Sector- Large scale category. Cinnamon Grand was the only hotel lauded this year.

### CINNAMON LAKESIDE

This green consciousness and sustainability ethos is a strong characteristic at Cinnamon Lakeside too. It was re-certified for OHSAS 18001 and ISO 22000 standards reflecting the Hotel's meticulous dedication to infusing international best practices. Continuing to be recognised internationally for its service standards, Cinnamon Lakeside was awarded the Booking.com Guest Review Award this year as well.



Cinnamon Hotel & Resorts-City Hotel Assistant Revenue Manager Irshad Mohideen collecting the Agoda Gold Circle Awards for Cinnamon Grand



Booking.com Guest Review Award for Cinnamon Grand



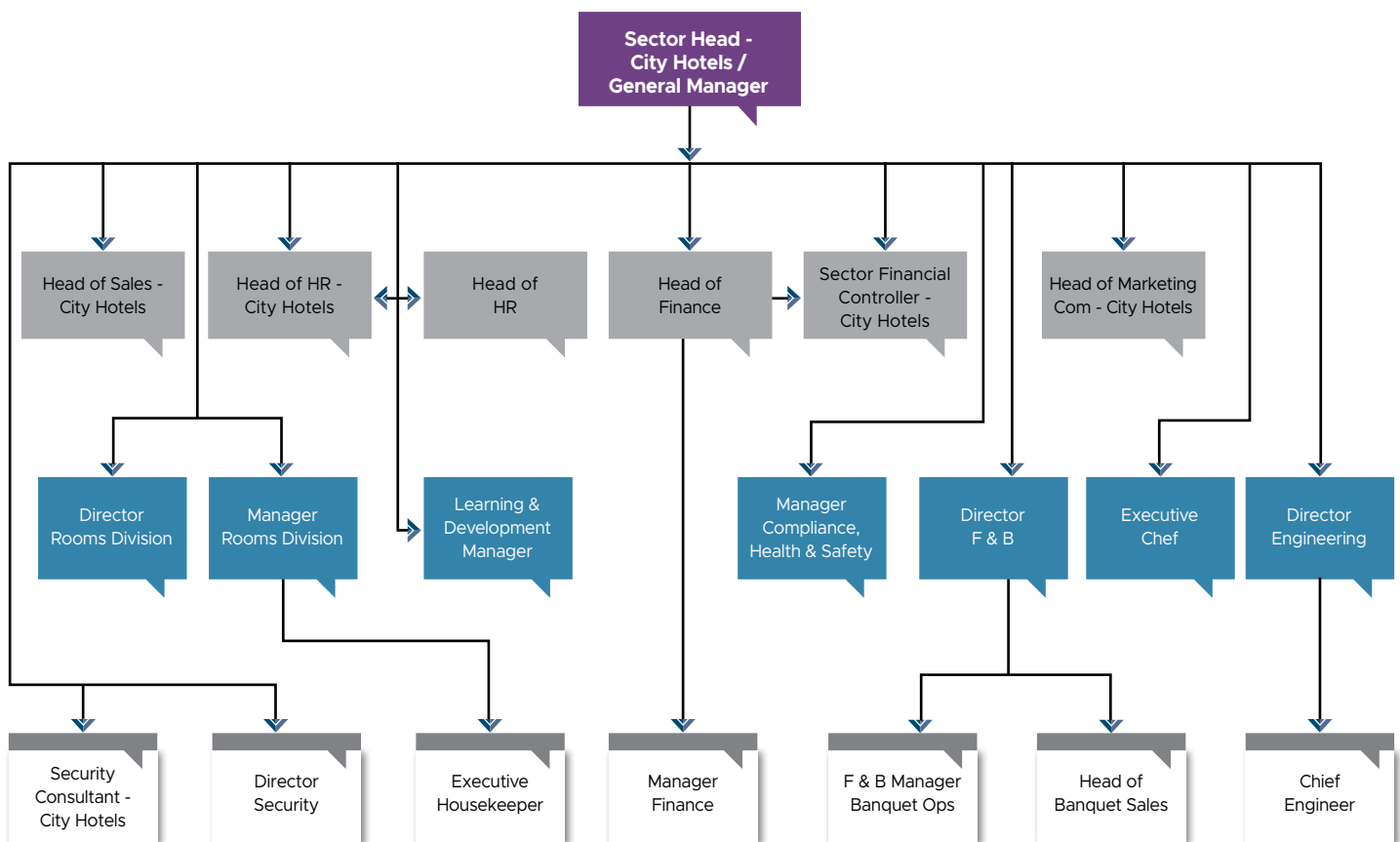
Cinnamon Grand Engineering team receiving the National Energy Efficiency Award (SLEENA) - bronze in the Hotel Sector category from Minister of Power and Renewable Energy Ranjith Siyambalapitiya

## STAKEHOLDER MAPPING AND ENGAGEMENT PROCESS

Retaining leadership position in an increasingly competitive and highly service driven industry requires extensive and in depth knowledge of preferences and expectations of key stakeholder groups. This objective can only be attained by maintaining constant engagement with stakeholders, given that this is a definite pathway to map expectations, paradigms and even future visions, to create and maintain an ongoing sustainable business. The Company believes in forging and nurturing long term relationships. This premise has created a strong foundation of loyalty, commitment and confidence which is well evident in the positive feedback we continue to receive from stakeholders who are now firm proponents of our brand of service excellence.

As AHPPLC continues to make headway with its unique Cinnamonization strategy, stakeholder engagement will be central in guiding the Group in its future journey. In order to achieve this objective, the Company has instituted a comprehensive and inclusive stakeholder engagement process, built on openness, transparency, responsiveness and accountability.

### MANAGEMENT STRUCTURE OF CINNAMON GRAND





## STAKEHOLDER MAPPING AND ENGAGEMENT PROCESS

### MEETING STAKEHOLDER EXPECTATIONS

Going forward, AHPPLC is cognisant of enhanced importance in catering to stakeholder aspirations to retain and expand clientele in the face of rapid market changes. We also engage continually with the media, industry leaders and regulators, NGOs, opinion makers, cause champions and regional counterparts as a vital component in running an ongoing business, given the influence they have on the industry and the inspiration they can permeate to the Company in mapping future business strategy.

As a tourism services provider, our stakeholders encompass a wide demography, all of who expect the Company to deliver on its platform of excellence, inculcating the coherent values of the business – which as a corporate steward is expected of us. Taking these aspirations into consideration, we are attuned to these expectations and are enthusiastic on delivering on them, as this form a blueprint for the future sustainability of the business. We will continually drive ourselves to set benchmarks that are higher, quality that is better and service that is unparalleled. Our guests therefore will always gain experiences beyond compare.

The Company is continually raising the bar in product and service offerings and the Cinnamonization experience will undoubtedly intensify this even further. While delighting the customer extensively, we are also keen on creating a mind-set that is socially and environmentally conscious through numerous proactive initiatives. This is based on our belief that our guests are our partners in instilling a better life on and for our planet.

It is our associates who have taken this Company into the realms of absolute leadership and work hard to affirm this status. We have created a team that is dedicated, committed and loyal. Our work ethic is, 'Getting it right the first time, all the time', which has held in good stead, given the encouraging feedback we have received from other stakeholders and the awards and accolades we continue to amass.

Being a responsible corporate citizen and a conscientious employer, we conform to all applicable industry regulations and also international conventions including ILO and regulatory diktats. This includes being a non-discriminatory employer whether in age, gender, physical ability, culture, religion, ethnicity and in shunning child labour in any form, including among our valued business partners and suppliers. All HR policies and strategies are aligned to the Group policy.

We value our business partners as 'partners in our progress'; and as such treat them with respect and fairness in all dealings whatever the magnitude.

A transparent procuring process aligned with Group policy enables the Company to have a clear focus on uncompromising levels of excellence. The open and cordial relationships we have nurtured with our valued business partners have given us an edge as the preferred partner to do business. Our focus on ensuring fair trade, open dialogue, transparent processes and emphasis on quality driven relationships have contributed towards upgrading and developing the standards of our suppliers as well as enhancing their businesses. The high standards expected of them have encouraged our business partners to practice a culture of continuous improvement within their

businesses, which extends from micro and SME entrepreneurs who supply the Company with local produce, to large entities, multinationals and global brands which inculcate best practices based on international standards.

We believe that sustainability is achieved through cordial coexistence with society and environments in which we operate; and we treat our communities as an integral to the sustainability of our business. By bringing them into partnerships with us, we are uplifting and developing communities' populations that contribute both quantitatively and qualitatively to the larger national canvas. Emphasising a culture of employee and even guest volunteerism, the Company has succeeded in instilling a socially-conscious mind-set for better engagement and hence, better results.

## STAKEHOLDER MAPPING AND ENGAGEMENT PROCESS

Stakeholder	Stakeholder Sub Category	Current Method of Engagement and Frequency	Materiality of Stakeholder Issues
Customers	Adults	<p><b>Method of Engagement:</b> Awareness campaigns through press releases, posters, social media, fund raising for the Field Ornithology Group and Cancer Hospital, donations for social groups, participation of international environmental/tourism events, end-user surveys, booking surveys</p> <p><b>Frequency of Engagement:</b></p> <ul style="list-style-type: none"> <li>Face-to-face feedback</li> <li>Guest Comment Cards in rooms and restaurants</li> <li>Feedback and reviews on TripAdvisor</li> <li>Duty Manager's Log</li> <li>Restaurant log books</li> <li>Bi-annual personal meetings</li> <li>Awareness through press releases, posters and social media</li> <li>Annual fundraising for Cancer Hospital, participation in international environmental events</li> <li>Media events</li> <li>Daily sales visits</li> <li>Entertainment of clients and patrons</li> </ul>	<ol style="list-style-type: none"> <li>Rate fixing</li> <li>Ethical products</li> <li>Carbon footprint</li> <li>Ethical marketing</li> <li>Corporate community engagement</li> <li>Health and safety</li> </ol>
	Children	<p><b>Method of Engagement:</b> Awareness and education through print media and cultural education through site visits</p> <p><b>Frequency of Engagement:</b></p> <ul style="list-style-type: none"> <li>School Visits</li> <li>Event Feedback Form</li> </ul>	
Associates	Managers Executives and Non-Executives	<p><b>Method of Engagement:</b> Participation in green forums, direct reporting, open door policy, annual events, training and development activities, sustainability awareness sessions, celebrations of international environmental dates, employee satisfaction surveys, intranet communication, competitions and Quarterly Associate Meetings</p> <p><b>Frequency of Engagement:</b></p> <ul style="list-style-type: none"> <li>Weekly Meetings</li> <li>Updates on Sustainability Notice Board</li> <li>Social Media Posts</li> <li>Monthly poster campaigns, initiative and educational sessions</li> <li>Monthly management meetings</li> <li>Associates Quarterly Meetings</li> <li>Mid-year Review</li> <li>Annual Performance Review</li> <li>Annual gatherings, parties and sports events</li> <li>Custom-made training programmes and development activities according to sustainability guidelines</li> <li>Voice of Employee survey (VOE)</li> <li>Great Place To Work survey (GPTW)</li> </ul>	<ol style="list-style-type: none"> <li>Accommodation</li> <li>Basic salary</li> <li>Employee awareness and training</li> <li>Employee rewards and remuneration</li> <li>Occupational health and safety</li> <li>Emissions, effluences and waste</li> <li>Mutually beneficial relationship with supplier</li> </ol>

## STAKEHOLDER MAPPING AND ENGAGEMENT PROCESS

Stakeholder	Stakeholder Sub Category	Current Method of Engagement and Frequency	Materiality of Stakeholder Issues
Business Partners	Hotel School Inbound/ Destination Travels Agents	<p><b>Method of Engagement:</b> Questionnaires and surveys, one-on-one meetings, e-mail correspondence, circulars, membership in industry associations</p> <p><b>Frequency of Engagement:</b></p> <ul style="list-style-type: none"> <li>Annual contract renegotiations ongoing through conference calls, e-mails and circulars</li> <li>Business travel</li> <li>Trade shows</li> <li>Experiential tours</li> <li>Daily sales visits</li> </ul>	<p>14. Health and safety</p> <p>15. Product diversity</p> <p>16. Adhering to international standards</p> <p>17. Best practices</p> <p>18. Community engagement and Carbon footprint</p> <p>19. Confidentiality</p>
Community	Local communities (schools monasteries, preschools, hospitality related educational institutions, home for elders and conservation groups)	<p><b>Method of Engagement:</b> Awareness through posters, paintings, environmental videos and education programmes, donations and community development projects</p> <p><b>Frequency of Engagement:</b></p> <ul style="list-style-type: none"> <li>Engagement with the community is done prior to initiating projects in the respective areas of focus</li> <li>Bi-annual discussions for community development projects</li> <li>Annual supplier sustainability awareness sessions</li> <li>Awareness campaigns in key areas where suppliers congregate</li> <li>Sponsorships of educational and social events</li> <li>Arts and cultural activities</li> <li>Familiarisation visits, training programmes and specific hospitality</li> <li>Career related training</li> </ul>	<p>20. Infrastructure development</p> <p>21. Creating awareness for youth</p>
Suppliers		<p><b>Method of Engagement:</b> One-on-one meetings, group meetings, awareness sessions, collateral, education programmes, donations and community development projects, ethical purchasing policy, flexibility of credit period, review of pricing, child labour remediation policy, membership in industry associations.</p> <p><b>Frequency of Engagement:</b></p> <ul style="list-style-type: none"> <li>Promoting responsible tourism/products through community-related awareness activities in which the Hotel participates</li> <li>Monthly review meetings</li> <li>Awareness session on quality</li> <li>Monthly price review meeting</li> <li>Annual contract renegotiations</li> </ul>	<p>22. Environmentally-friendly packaging</p> <p>23. Resources scarcity</p> <p>24. Awareness on environmental issues</p> <p>25. Ethical production</p> <p>26. Child Labour Remediation Policy</p>

## STAKEHOLDER MAPPING AND ENGAGEMENT PROCESS

Stakeholder	Stakeholder Sub Category	Current Method of Engagement and Frequency	Materiality of Stakeholder Issues
Government	Sri Lanka Tourist Board, Sri Lanka Institute of Tourism and Hotel Management, Central Environmental Authority, National Cleaner Production Centre, Ceylon Electricity Board, National Water Supply and Drainage Board, National Ozone Unit, National Institute for Occupational Safety and Health, National Cancer Hospital, National Cancer Control Programme, Colombo Municipal Council, Labour Department and Sustainable Energy Authority	<p><b>Method of Engagement:</b> Meetings, discussions, phone calls, presentations and briefings, advisory meetings, Sri Lanka Tourist Board membership, Sri Lanka Hotel School training programme membership, awareness workshops on tourism/sustainability-related issues are ongoing processes with tourism related Government agencies.</p> <p><b>Frequency of Engagement:</b></p> <ul style="list-style-type: none"> <li>Engagement with these Government bodies is an ongoing process through monthly newsletters, e-mails, circulars, quarterly briefings, websites, etc.</li> <li>The Senior Management is on the Advisory Board of the Sri Lanka Institute of Tourism and Hotel Management and are visiting lecturers on a quarterly basis</li> </ul>	27. Compliances/ regulatory restrictions
Society Pressure Groups/ Media	NGO, Media, Opinion Leaders, Conservation Organisations, Trade Associations, Tourism Associations, National Cancer Control Programme	<p><b>Method of Engagement:</b> Websites, press releases, media briefings, correspondence, discussions, participation at NGO forums</p> <p><b>Frequency of Engagement:</b></p> <ul style="list-style-type: none"> <li>Engagement with stakeholders is carried out on an ongoing basis, through correspondence, websites, media briefings and press releases</li> </ul>	28. Ethical business practices

## GUEST ENGAGEMENT

Within the Cinnamonization strategy, the customer is always at the helm and all business activities are centred on their expectations. Therefore, the guest engagement process is central to the growth strategies of the Company and is a key source of determining market trends in terms of customer expectations. Therefore, guest engagement initiatives are designed to be continuous and multi-faceted, targeting different interaction points. These are further strengthened through targeted feedback collection mechanisms for guest perceptions on accommodation, products and services. These include guest comment cards in rooms, feedback forms on ipads at restaurants to ascertain guests' dining experiences which are collected and analysed daily with solutions being immediate or worked on through the appropriate channels. Social networking sites including TripAdvisor, Booking.com, Facebook and Twitter are dynamic sources of customer feedback that the Company monitors on a regular basis in understanding the modern, travel savvy customer of the 21st century.

### CINNAMON'S CITY ART

Cinnamon's City Art initiative, launched under Cinnamon's city hotels, is a platform that allows properties to showcase their dynamic art spaces, installed in line with Cinnamonization. Under this initiative, Cinnamon Grand

launched the 'Symbiosis' contemporary art collection featuring two pieces of art, created in partnership with the Collective of Contemporary Artists (CoCA) and the Hotel's talented Engineering and Garden teams.

The installations can be viewed at Cheers Pub entrance and the Tea Lounge garden. The Cheers Pub installation has been titled 'Illusionist' and comprises a steel structure housing bicycle wheels that work together when interacted, depicting a chain reaction.

The second piece, 'Absence and Presence' is an inspired garden seat produced with grass and scrap metal creating a space for guests to relax and fantasise. The thought-provoking piece with a clock emphasising on being in the 'now', hopes to inspire the need to embrace the present moment, despite being constantly distracted with daily life. A social media competition was launched in July, requesting guests to name the artwork using the hashtag #CGrandArt, for which the winner received a dinner voucher for four.

A Cinnamon's city hotels art blog was also launched to create awareness among art enthusiast and guests on the efforts taken by the properties to encourage and showcase local talent. The blog site can be found at [www.cinnamoncityart.tumblr.com](http://www.cinnamoncityart.tumblr.com) and showcases a broad range of artistic installations in diverse genres through all three properties.

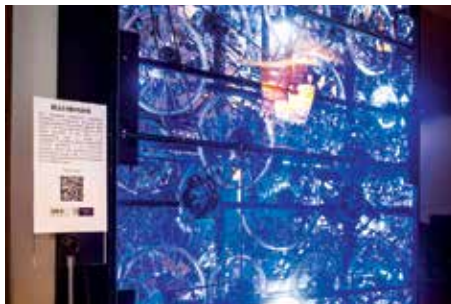
### LAUNCH COCKTAILS FOR COLOMBO ART BIENNALE 2016

A cocktail to mark the launch of Colombo Art Biennale 2016, themed 'Conceiving Space' was held at the Village in the City, Nuga Gama. Colombo Art Biennale (CAB), the largest and most significant contemporary art manifestation in Sri Lanka, established in 2009, showcases contemporary art with an emphasis on Sri Lanka and the South Asian region. Over 45 artists from around the world attended the event.

### CINNAMON'S CITY HOTELS #CSNAPCOLOMBO COMPETITION

In an innovative new approach to promote city tourism, Cinnamon's city hotels which Cinnamon Grand is part of, launched the unique #CSnapColombo Photography Competition on the Instagram social media platform.

Organised to coincide with World Tourism Day 2016, the competition aimed at highlighting and rediscovering the city's hidden gems through artful capture of places, art, culture and cuisine. Luring modern travellers through the sights and sounds of Colombo, the vivid photographs captured by local and foreigners alike will encourage longer stays, thereby increasing revenue for city hotels. Over 500 photographs were submitted for the competition, of which the winners received attractive prizes from the three properties.



Art piece of Symbiosis collection 'Illusionist' at the entrance to Cheers Pub



A part of 'Absence and Presence' art piece



#CSnap Colombo



## GUEST ENGAGEMENT

### JAFFNA FESTIVAL

Celebrating the rich culture and heritage of Yaalpanam, Cinnamon Grand held its debut Jaffna Festival in January at Nuga Gama with over 70 authentic Jaffna dishes prepared by women from Jaffna, who were brought down for the event specifically. Cultural shows featuring indigenous dance forms performed by a fourth generation dance troupe and a display of palmyrah handicrafts produced by women-headed small businesses

from Pungudutivu added lustre to the Festival which was inaugurated by the Tourism Development Minister and Sri Lanka Tourism Development Authority Chairman. 4,000 guests enjoyed the festivities making this one of the most successful promotions run by a hotel in the city.

### AUSTRALIAN BUSHMEAT PROMOTION

Catering to the distinctive taste of connoisseurs, fine dining restaurant The London Grill launched the exotic

Australian Bushmeat Promotion with wild boar ragout, bush frogs, ostrich scaloppini, bush black angus tenderloin, venison ragout, bush deer medallion and pheasant legs, showcasing Cinnamon Grand's attempts to present diverse F&B experiences that are continually exciting and novel.

### HOSTING THE WORLD FILM REPORT

A crew from The World Film Report, a Chinese Television Programme produced by Shinework aired on CCTV Channel 6,



The entrance to the Jaffna Festival at Nuga Gama



Minister Amaratunga with Sector Head-City Hotels Rohan Karr at the Jaffna Festival



Minister Amaratunga, Sector Head-City Hotels Rohan Karr and John Keells Leisure Group President Krishan Balendra at the Jaffna Festival



A cultural performance by 'Nakkappu Gramiya Kalai Kulu'



Jaffna Palmyrah Handicraft (Guarantee) Ltd Company stall



Ladies from Jaffna cooking the feast



The F&B team with Director F&B Travis Casather



Guests enjoying the authentic Jaffna fare



Guests queuing up to enjoy traditional Jaffna Kool

## GUEST ENGAGEMENT

chose Nuga Gama as its location to shoot Sri Lankan food for a programme featuring Sri Lanka. With over 1 Bn views, CCTV Channel 6 is renowned in China as being among its top 100 television programmes. The programme aired 20 minute episodes highlighting Sri Lanka, featuring the ambiance, nuances and cuisine of rural Sri Lanka.

### MSC LIRICA DOCKS AT CINNAMON GRAND

Over 400 international passengers of the MSC Lirica luxury cruise enjoyed a lavish buffet spread instilling the diversity of guest offering and imparting indulgent guest experiences in Sri Lanka.

### TBC ASIA 2016

Travel Bloggers Conference 2016 also known as TBC Asia 2016 held at the Hotel's Oak Room saw over 60 influential travel bloggers from around the world alongside industry leaders.

### SUPPORTING EARTH HOUR

Cinnamon Grand continued to show its support to sustainable energy conservation by paying tribute to Earth Hour, dimming all lights in public areas for one hour. A candle lighting ceremony highlighted the ethos of Earth Hour and had the buy-in of associates and guests alike.

### THE GRAND CHRISTMAS

The Grand Christmas celebrations during the financial year unveiled breathtaking

pink and silver themed festivities, placing the Hotel as the best decorated in the country. The Hotel's sustainable ethos was brought to the fore with the 3R concept being at the heart of its décor, when the Christmas angels manufactured from chicken mesh and iron rods were sold to a leading event management company for use of its clients in the future, at the end of the season.

During the month of December, Cinnamon Grand hosted a plethora of seasonal events such as Goodie Hut with unsurpassed array of Christmas treats, the Christmas Market with over 100 festive items from Europe reminiscent of what makes Christmas special, the Christmas Carnival by the poolside which was a hive of games, prizes, food and fun; and rounded off with the Hotel's annual Moods of Christmas featuring the award-winning all-female choir Soul Sounds.

For the first time ever, the Hotel's Village in the City, Nuga Gama, opened for Christmas Eve and Day, offering guests an opportunity to savour a host of dishes that were customarily prepared in households during celebratory days in the yesteryear. This Village in the City took on hues of a traditional Christmas displaying a large crib, tree and apt decor. Over 150 diners experienced this unique concept at each meal.

### NEW YEAR'S EVE AT CINNAMON GRAND

As always, Cinnamon hosted the biggest New Year's Eve party in the city, but this time by bringing down the internationally-acclaimed PLATINUM - The Live Abba Tribute Show and Beatlemania - The Ultimate Beatles Concert Experience. This was the first time two UK-based bands performed on one stage in Sri Lanka. While the Oak Room was a buzz with PLATINUM and Beatlemania, the Hotel served over 5,000 guests at its multiple venues, all of which had gastronomically amazing cuisine fitting of an indulgent New Year's Eve and prizes that were beyond expectation.

### CULTURAL AND RELIGIOUS CELEBRATIONS

As a truly local hospitality brand, Cinnamon Grand also partook in the cultural celebrations of Sri Lanka with special programmes for guests. The much-anticipated Sinhala and Tamil New Year was celebrated at the Hotel's Village in the City, Nuga Gama following auspicious timings and traditional rituals, hosting games and serving seasonal fare for guests.

During the Vesak season, the Hotel was lit up with beautiful sustainable decorations created by the talented Engineering team. Nuga Gama also hosted a two-day saruwath dansala where over 700 cups were served for the seventh consecutive year.



Lobby lit up with candles during Earth Hour celebrations



The beautiful angel decor lighting up the driveway to the Hotel



Guests enjoying the traditional fare table at the Avurudu celebrations at Nuga Gama



## EMPLOYEE ENGAGEMENT

Being our most valuable asset and the reason for the Hotel continuing to be a benchmarked as a leader in the industry, our associates remain at the heart of everything we do. It is they who give us a 'Buzz-Worthy' status. Engaging with them continually is an essential function to maintain a happy and cooperative work environment and we nurture our associates and their skills in order to optimise on their contribution towards sustaining our business. All efforts are made to create a fair and non-discriminatory working environment with remuneration and benefits that are above par in the industry.

We believe strongly that Sri Lankans have the apt talent and competencies that can be honed to make a winning team. Cinnamon Grand follow a stringent policy of recruiting associates from within the country; and this premise has proven to be the right application. To-date, the Hotel employs a total of 1,211 Sri Lankans with just 0.7 per cent foreign expertise.

The open door policy approach has been adopted to ensure workplace satisfaction. Regular meeting and discussion forums, constant initiatives designed to improve competencies and capabilities and numerous platforms of engagement that propose mutually beneficial ideas have been introduced to help nurture a strong and loyal team

who are brimming with propositions for a win-win formula. The numerous initiatives Cinnamon Grand has introduced to ensure a motivating, inspiring and rewarding environment is constant and has enabled attrition rates to be contained to 13.8 per cent annually.

We are proud to have honed a team that has become the most sought after in the country, but at the same time are aware of the intensity of the competition which require highly-skilled professionals for the emerging and existing properties in the city hotels milieu. This makes us very conscious of the need to ensure that our associates know that they are valued, appreciated and recognised.

Innovative approaches are constantly being experimented with to optimise engagement with our associates. A number of initiatives have proved to be extremely successful in founding a pool of excellent ideas and grounds for open and frank discussion. This includes 'Tell GM', a communication box that encourages associates to input their grievances, opinions and suggestions to the General Manager, to which solutions are posted on an adjacent notice board.

Industrial harmony is essential for business continuity and as such, the Cinnamon Grand maintains cordial and transparent relationships with trade unions. Cinnamon Grand has three trade

unions, namely the Sri Lanka Nidahas Sevaka Sangamaya, Jathika Sevaka Sangamaya and the Inter-Company Employees' Union. The JSS and ICEU encompass less than 10 per cent of our workforce.

The fact that the Hotel has faced no employee strikes, labour unrest or lost a workday due to labour relations is the best evidence of the expert management of industrial relations. This is doubly significant as there are no collective bargaining agreements in effect with any of these unions.

### GRAND CAFÉ OPENING

Cinnamon Grand associates' cafeteria the Grand Café, reopened with a brand new restaurant concept keeping to the lifestyle theme of the Cinnamon brand. Bright and colourful with splashes of orange, green and blue, the new cafeteria includes a separate café with pastries and cakes at nominal rates for employees. Giving a completely new experience, the upgraded menu has an additional segment of salads and healthy food, a pasta corner and a buffet with a variety of vegetables, a choice of meats and dessert. Grand Café staff too are now attired in comfortable yet trendy outfits aligned to the theme.



Cinnamon Grand General Manager Rohan Karr with Director F&B Travis Casather at the opening of the refurbished Grand Café



The team behind the new Grand Café Opening with General Manager Rohan Karr



The new and improved associate cafeteria

## EMPLOYEE ENGAGEMENT

### NEW UNIFORMS FOR FEMALE SENIOR EXECUTIVES

In keeping with the lifestyle brand of 'Inspired Living', Cinnamon Grand designed new uniforms for female Senior Executives. Moving on from the formal uniform which was in place, the new uniform is more contemporary and has the addition of a purple-blue tie-dye effect scarf and nude-hued heeled shoes. The uniform was designed and developed by internationally-acclaimed designer Yoland Aluwihare and acclaimed retail store Dilly & Carlo.

### ASSOCIATES' QUARTERLY MEETINGS

Cinnamon Grand's Associates' Quarterly Meetings are interactive communication platforms where the Sector Head discusses the Hotel's financial performance and the future outlook. Held on a quarterly basis, the ceremony also recognises associates who have shown exemplary performance by going beyond

their call of duty. Held under the theme of 'Grand stars and superstars' to recognise outstanding performers in the Hotel's team, the 'Grand Stars' nominated by each Department Head and selected on a vote basis were presented with cash prizes, dinner for two vouchers, a bottle of sparkling wine and a letter of recognition from the Sector Head - City Hotels.

### SERVICE AWARDS 2016

Cinnamon Grand held its annual Service Awards to acknowledge and reward the long term commitment of its associates. 116 of the team who have completed 5, 10, 15, 20, 25 and 30 years of service were honoured. They each received a gold sovereign based on their years of service. The gala event featured an extensive buffet and entertainment by leading local musicians and comedians to give associates and their families a memorable night in true Grand style.

### STAFF APPRECIATION WEEK

In commemoration of Cinnamon Grand's 11th year anniversary, the Management organised a Staff Appreciation Week heralding numerous events to celebrate and recognise team members. Free BMI tests, cookery lessons, a food plating competition, a seminar on financial management, a healthy life awareness session and departmental recognitions were part of the celebrations.

### INTER-DEPARTMENT VESAK LANTERN COMPETITION

14 departments of Cinnamon Grand, despite their busy schedules took part in an internal Vesak lantern competition in the month of May. The creation by the Kitchen team depicting a stupa, flowers as offerings and miniature lanterns in the backdrop made out of recycled paper and boxes won the competition.



Cinnamon Grand General Manager Rohan Karr flanked by the Q4 Grand Super Stars and Stars at the Associates' Quarterly Meeting



Recipients of the 30 Years of Service Awards with Cinnamon Grand General Manager Rohan Karr



Recipients of the 25 years of Service Awards with Cinnamon Grand General Manager Rohan Karr



Assistant Manager L&D Dilshan Perera conducting a seminar on following a healthy lifestyle as part of the Staff Appreciation Week activities



Staff Appreciation Week cookery demonstrations by the Hotel's top chefs to associates



Inter-department Vesak Lantern Competition's winning entry by the Kitchen team

## EMPLOYEE ENGAGEMENT

### WELFARE SOCIETY

Cinnamon Grand's Welfare Society is constantly geared vigilant towards meeting associates needs in times of distress and unexpected emergencies. The society extends numerous monetary and support benefits at various milestones and other occurrences. From presenting a gift on a marriage or the birth of a baby, to allowances for critical illness or no-pay allowance for those on approved no-pay leave due to medical reasons, welfare loans and even death donations, the wellbeing and interests of associates are fulfilled promoting better lifestyles among associates.

### SUPPORT FOR VICTIMS OF NATURAL DISASTERS

Due to flooding and landslides owing to continuous torrential rain and the number of families that were affected and had to abandon their homes, Cinnamon Grand associates volunteered to help their colleagues under the guidance of the Management. Packets of lunch and dry rations were distributed to 60 impacted associates, some of who had to be reached by boat. Associates travelled to Welampitiya, Kolonnawa, IDH, Kohilawaththa, Angoda, Malabe, Biyagama, Karathotha, Kandana and Ja-ela to reach our associates who were impacted by the floods. This was followed by a collection point at the Hotel which saw large amounts of dry

rations, clothing and other essential items being donated by associates for the affected team members and their families.

### HOUSING SUPPORT

A team of 16 volunteers from Cinnamon Grand travelled to Malimboda Estate to repair the house of late David Rajendran who worked in Recreation a few years ago, following a request made by his wife citing the poor condition of the house they live in. Rs. 100,000 was invested in this volunteer project.

### WORK-LIFE BALANCE

Work-life balance is essential for a healthy and motivated team and is the secret to the success of any business. We strongly believe that happy contented people form the nucleus for a productive and motivated workforce, which extends not just to the workplace, but beyond. Team spirit, friendship and harmony is compulsory, as is peace of mind at work and at home, which naturally then extends to a better work-life balance and higher productivity. To foster better work-life balance, the Hotel organised varied programmes for the associates, further driving its promise to be an employer who truly cares for its team.

### GRAND BEACH CARNIVAL

1,693 associates and their families including 600 children enjoyed a day of fun and frolic at the Grand Beach Carnival organised to reward the backbone of the success of Cinnamon Grand. Held at the Mount Lavinia Hotel private beach, a full day of entertainment featuring popular local artistes, games, circus acts and comedy shows were hosted during the event. In addition, an array of food and beverages given complimentary to all present made the day an unforgettable one for our associates and their families.

### GRAND CAFÉ OPENING ACOUSTIC JAM

At the relaunch of the Grand Café after its refurbishment, associates who are musically-inclined were given the opportunity to showcase their talents at an Acoustic Jam Session.

### ASSOCIATE WELLNESS

Workplace health and safety regulations are observed at all times at our Hotel to ensure the health and wellbeing of not only our employees but also our guests. Cinnamon Grand has a host of projects that have been introduced to ensure preventive health and wellbeing. These include an annual medical check-up for all associates over forty, all senior executives and food handlers, a 24-hour in-house clinic with a visiting doctor, trained first aid personnel and the conduct of regular eye clinics.



One of the four volunteer teams who distributed lunch packets during the floods



The team of volunteers repairing the house of late David Rajendran



Grand associates and families enjoying a circus act at the Grand Beach Festival



## EMPLOYEE ENGAGEMENT

### SPORTS FOR TEAM BUILDING

Cinnamon Grand encourages sports as a skill tool for not only holistic wellbeing but also as a team building initiative that encourages camaraderie, unity and networking.

Below are some extracurricular sporting activities that associates and teams participated and excelled in:

**Cup Runners Up at the John Keells Inter-Company Rugby 7's 2016:** The spirited Cinnamon Grand rugby team emerged Cup Runners Up at the John Keells Inter-Company Rugby 7's 2016, cheered on by over 400 associates. Keeping to the 'Caribbean' theme, which was embraced by all city hotel associates, Cinnamon Grand staff came dressed to impress, adding colour and vibrancy to the overall set up.

**John Keells Inter Company Badminton Championship:** Cinnamon Grand's skilled badminton players ensured that the Hotel was placed First Runners Up during the highly-competitive tournament.



JK Rugby 7's Runners Up - Cinnamon Grand rugby team

**Joint-Champions at the Travel Trade Hardball Cricket Sixes:** The Hotel's talented cricket team became joint champions at the 34th Travel Trade Hardball Cricket Sixes competing against 10 teams.

**Travel Trade 5-A-Side Beach Tag Rugby Tournament:** The Grand 'A' team and 'B' team won the Plate Championship and Bowl Championship respectively at the Travel Trade 5-A-Side Beach Tag Rugby Tournament with the Hotel's star player Mekalanka Pramodha wearing the crown as the Best Try Scorer of the Tournament.

**Travel Trade Badminton Tournament:** Cinnamon Grand 'B' team emerged Runners Up in the Travel Trade Badminton Tournament competing against 19 teams from across the industry, while the Cinnamon Grand 'A' team came into the semi-finals.

**Travel Trade Swimming Championship:** Cinnamon's city hotels presenting a united front at the Championship emerged Runners Up at this event.



Cinnamon Grand associates at the JK Rugby 7's

**Cinnamon's City Premier League Cricket Encounter 2016:** Cinnamon's city hotels held its debut Premier League Cricket Encounter with Cinnamon Grand emerging tournament winners. The objective of the tournament was to heighten team spirit between associates of the three city properties – Cinnamon Grand, Cinnamon Lakeside and Cinnamon Red. Collectively over 600 associates enjoyed a fun-filled day.

**Inter-Department Badminton Championship 2016:** Cinnamon Grand's debut Inter-Departmental Badminton Championship was held with 20 teams competing. The team from Security won the Championship with Finance being placed Runners Up.

**Inter-Departmental Swimming Meet:** Over 50 swimmers from various departments participated in Cinnamon Grand's Inter-Departmental Swimming Meet in which the Kitchen Team won 12 Gold, 4 Silver and 4 Bronze medals, winning the overall cup.



Travel Trade Badminton Tournament winners - Cinnamon Grand 'B' team



Cinnamon's City Premier League Champions - Cinnamon Grand



Inter-Department Badminton Winners - Security team with (then) Resident Manager Chris Quyn, Security Director Clifford Amunugama and Security Consultant Jayantha Jayasinghe



Inter-Departmental Swimming Meet champs with their trophies

## TRAINING AND DEVELOPMENT

Training and development is no longer a choice but an imperative as increasingly discerning customers and other stakeholders demand continuous enhancement in service and product quality standards. By ingraining a knowledge-gaining and knowledge-sharing culture, we have made learning and development a way of life that is passed on across different operational level teams. We treat each day as one of continuous learning, of knowledge gain and of skill enhancement. We pride ourselves on having some of the best talent and skill the country possesses. As we gain even more momentum in our 'Buzz-Worthy' journey, we have made it a priority to invest in continually building these talents and competencies. Through a professionally structured and multi-dimensional training and development curriculum, the Company has ensured that its associates collate an immense amount of industry relevant knowledge that has been instrumental in

ensuring that Cinnamon Grand remains the industry spearhead.

Our holistic Training Needs Analysis forms the framework for the annual training curriculum within the Hotel to formulate a comprehensive training and development blueprint that encapsulates Company vision with individual aspirations. We are equipped to provide advanced quality in-house training and development initiatives in almost all aspects of hotel management, administration and operations. Skill development is imparted by the Learning and Development team in collaboration with TAD Trainers (Train, Assess and Develop) from the departments, whose dynamic approach to enhancing and expanding knowledge and skill has been the panacea in seeing Cinnamon Grand associates emerge as the most sought-after industry professionals and experts. The training and development curriculum includes both internal and external training where necessary.

A special focus on converting our associates to multi-skilled individuals has ensured that Cinnamon Grand is ready to meet the operational challenges of the future. We strive to ensure that the most up-to-date skills are transferred to our teams which further drives our standards higher as desired by modern travellers from all parts of the globe.

During the current financial year, a wide range of in-house training programmes were conducted encompassing 62 classroom training programmes. In addition, our associates were exposed to continuous on-the-job training and identified external curricular as well. Cinnamon Grand conducted a total of 79,189 hours of training and development programmes during the financial year, which benefited 1,373 associates of different categories.

In-house Training	Staff per Programme
Cinnamon Grand Induction	682
Cinnamon Magic	166
TAD Train the Trainer Programme	260
Soft Skills for Security	104
Fire Awareness Training	1133
First Aid Ambassador Training	28
Preparing for the Season – all Front Line staff	250
Professional Presence for Chauffeurs	52
Customer Service - Security	34
Project WAVE	263
Introduction to Basic Food Hygiene	344
Cinnamon Competencies	184
Menu Book Club	9
General Awareness of Food Allergies	461
F&B Basics - Beverage	185
F&B Basics for New recruits	83
The First 30 Seconds - Creating an Impact	44

In-house Training	Staff per Programme
Be Blind to the Challenges in Life	87
How to's Policy workshop - Housekeepers	36
How to's Policy workshop - Front Office	46
How to's Policy workshop - F&B	62
Equal Ground Awareness	1106
Meet, Talk and Share - the Cinnamon Grand Family	103
F&B Customer Service workshop	19
Guest Service Level One	24
Food Safety Awareness - Microbiology Component	58
New HR System Training	238
Security Induction	44
Caddy and Trolley Briefing - Housekeepers	55
Front Office Briefing	19
Curator Training Programme	89
Housekeeping Fundamentals	33
Cashier Training	21

## TRAINING AND DEVELOPMENT

In-house Training	Staff per Programme
Tea Sommelier	13
F&B Curator Refresher Programme	33
Front Office Customer Service Workshop	32
Telephone Operators Training	16
Bartenders Workshop	30
Banquet Operations	9
Upselling Beverage for all F&B Staff	80
Business Continuity Plan - Front Office	27
Business Continuity Plan - HouseKeepers	23
F&B Seasonal Casuals - Do's and Don'ts	12
Banquet seasonal casuals - Do's and Don'ts	27
Chemical Safety and Awareness	72
Must Know Facts - Seasonal Programme	24
Optimising Restaurants Covers	8
F&B TAD Briefing	16

In-house Training	Staff per Programme
Lifesaving Programme	17
Better Housekeeping at CG	14
Buffet Etiquette Training	18
Induction Refresher	425
Hospitality and Attention to Detail	62
Chinese Language for All Front Line Associates	182
Grooming and Makeup	16
Professional Presence for Chauffeurs	142
Do's and Don't's Session	54
F&B Beverage Knowledge	198
Objective Setting for Senior Executives	80
On the Job Training - Focused F&B, HouseKeepers, Front Office	75

### TOTAL TRAINING STATISTICS FOR THE YEAR

Category	Q1	Q2	Q3	Q4	Total No of Hours	No of Staff	Average Hours
Number of hours of training: AVP and above	48		24	24	96	7	14
Number of hours of training: Manager	24	24		16	64	7	9
Number of hours of training: Assistant Manager	24			60	84	20	4
Number of hours of training: Executives	623	620	272	280	1795	130	14
Number of hours of training: Non Executives	19766	22403	16785	18196	77150	1209	64
Number of hours of training for male employees by category: AVP and above	40		24	24	88	6	15
Number of hours of training for male employees by category: Manager	24	24		16	64	7	9
Number of hours of training for male employees by category: Assistant Manager	24			28	52	15	3
Number of hours of training for male employees by category: Executives	560	579	266	273	1615	117	14
Number of hours of training for male employees by category: Non Executives	17790	20162	15106	16376	69434	1088	64
Number of hours of training for female employees by category: AVP and above	8				8	1	8
Number of hours of training for female employees by category: Manager	N/A	N/A	N/A	N/A	0	N/A	N/A

## TRAINING AND DEVELOPMENT

Category	Q1	Q2	Q3	Q4	Total No of Hours	No of Staff	Average Hours
Number of hours of training for female employees by category: Assistant Manager	N/A	N/A	N/A	32	32	5	6
Number of hours of training for female employees by category: Executives	63	64	29	30	180	13	14
Number of hours of training for female employees by category: Non-Executives	1976	2241	1679	1820	7716	121	64
Total					79189	1373	58

The broad spectrum of training exposes our associates to the diversity of modern lifestyles and hence promotes, enhancement of not only their knowledge but also their appearance and their attitude towards others. A case in point would be associates attending practical classes on professional presence to improve their appearance which translates into a more pleasant guest experience. Equally important, associates learned concepts of social equity through training sessions on Working Against Violence through Education (WAVE) and the rights of the LGBTQ community, as well as a special motivational speech on the challenges faced by the visually impaired in Sri Lanka. This wide-ranging exposure has contributed towards changing attitudes and behaviours, sensitising people to create a more inclusive society.

### TRAINING ON HEALTH AND SAFETY

As an integral part of our Occupancy, Health and Safety Policy, all associates undergo fire awareness and emergency evacuation training, with special emphasis on basic fire extinguishing and evacuation methods, while also describing preventive action and detailed teaching on fire extinguishers.

Additionally, a cross functional team of associates have been trained and certified as first aiders who are equipped to handle emergency situations which could impact an associate or a guest. Relevant department specific health and safety programmes have also been carried out to ensure that Cinnamon Grand is a safe place to work for all.



Cinnamon Grand Manager Rajitha Amarasinghe conducting a Basic Food Hygiene training for associates



Associates taking part in a First 30 Seconds activity during training



A F&B Basics training by L&D Assistant Manager Promoda Fernando



## SUSTAINABLE BUSINESS

### PRODUCT RESPONSIBILITY

Sustainability in its application to a business refers to the ability of an enterprise to balance its financial growth with its impacts on the overall economy, environment and society, through pertinent engagements with all material stakeholders. A sustainable business model is constructed through this process of strategic harmonisation of financial gains with non-financial aspects; where the impact on the bottom line remains positive over the long term to ensure good returns for all stakeholders.

Cinnamon Grand, through its focus on stakeholder engagement and sustainable business ethos, has achieved this delicate balance. Constantly guided by a sustainable coexistence philosophy in all its business activities and engagements, the Hotel has ingrained this thought process among its associates.

Being aware of not only the tangible, quantifiable features of growth and expansion, but also the intangible qualitative aspects of our business, there is a philosophy of excellence interwoven into the everyday working fabric of the Hotel. It is an uncompromising stance that reiterates the Hotel's commitment to be a responsible corporate entity, to ensure that all actions and the impact of those actions are aligned to the brand promise.

The holistic attitude towards product responsibility is embedded in this philosophy of harmony with all other externalities within the operating framework. As a sustainable business, all processes, products and manufacturing activities are assessed to determine whether they adequately address current environmental concerns while supporting the bottom line. The process thus becomes active from the inception of product and service design

to implementation and thereafter, in ensuring adequate capturing of guest and other stakeholder feedback.

The importance of product responsibility extends to our entire value chain and is relevant to procurement and sourcing as well. Combined with our motto of being the best in everything we do, Cinnamon Grand has continually invested in raising the bar in quality and standards to ensure that the products offered to stakeholders are true to the values espoused. This dedication to excellence has also driven Cinnamon Grand to imbue industry best practices. These have now become the norm across the hospitality industry. It is this unwavering need for the highest quality that has emphasised the importance for compliance with international best practices; thereby assuring the safety and wellbeing of all guests, associates and valued business partners; and in a larger sense, the community, industry and environment.

Cinnamon Grand is the first hotel in Sri Lanka to be certified with the three most important standard certifications in the hospitality industry and the only hotel maintaining these certifications uninterrupted for 10 years. These quality certifications include ISO 14001 for Environmental Management Systems, OHSAS 18001 for Health & Safety Management Systems and ISO 22000 for Food Safety Management Systems. Coupled with these certifications, the Hotel maintains a stringent system of audits and procedural internal controls to ensure that the delivered product is uncompromisingly responsible in all aspects – from sourcing, to preparation and final delivery. The product is constructed on the vital components of economic, social and environmental consciousness.

Cinnamon Grand prides itself on being an indigenous brand that reflects traditional Sri Lankan values and norms that have contributed towards a unique identity, distinct from international competition. As a reflection of these principles and ethics, the Hotel is dedicated towards promoting local suppliers whenever possible. Cinnamon Grand's supplier portfolio includes a wide and diverse range of micro entrepreneurs and SMEs who supply goods and services including local fruit, vegetables, craft and other products based on rigorous quality controls and standards ingrained with the Hotel's systems and process that demand extremely high quality within niche product portfolios. The entire process in the food value chain is subject to stringent quality checks aligned, and most often, beyond the requirements of the standard certifications.

### ISO 22000:2005 FOR FOOD SAFETY MANAGEMENT SYSTEMS RECERTIFICATION

Food safety is paramount in our business, not only for the uncompromising quality standards we espouse, but also for mitigating reputational risk that could arise as a benchmarked leader. Cinnamon Grand has proactively implemented food safety policy and standards to help identify and control dangers from the multiple sources it gets its supplies from, whether local producers of international products, SMEs or micro suppliers.

Cinnamon Grand is very proud to reiterate that the Hotel is the first five-star hotel in Sri Lanka to have been recertified with the ISO Food Safety Management Certificate uninterrupted for 10 years. The Hotel has faced and successfully passed the stringent audits conducted by SGS Lanka, amply demonstrating the uncompromising safety in the food chain, compliance

## SUSTAINABLE BUSINESS

with applicable statutory and regulatory food safety requirements and effectively communicating food safety issues with stakeholders in the food value chain, while conforming rigorously to its Food Safety Policy. Internal controls and monitoring on a continuous basis are essential to ensure consistency and correct application of any quality standard.

Therefore, during the year, 16 hours of internal audit training on ISO standards was conducted by SGS Lanka, while other food health related educational programmes were also held for associates. Over 696 hours of training on basic food hygiene, 922 hours of awareness exposure on introduction to food allergies, 87 hours of educational briefings on microbiological contamination and general food safety by a Consultant Microbiologist of the Australian Government, special training on HACCP standards for 208 hours was conducted for Chefs, Restaurant and Banquet Managers by SGS Lanka. The commitment towards maintaining unwavering standards and the impeccable application of food health practices was acknowledged with Cinnamon Grand being awarded an A\* (Star) food grading for Excellence in Food Safety and Hygiene by the Colombo Municipal Council.

### SPECIAL AUDIT BY A FOREIGN TOUR OPERATOR

Cinnamon Grand's reputation as Sri Lanka's foremost five-star city hotel has not been obtained merely through marketing and promotional activities, but also through its ability to meet the exacting and discerning quality standards specified by major global travel and tourism companies. Cinnamon Grand's valued business relationships include international giants in the hospitality and leisure industry, given

the high-end clientele calibre it attracts. Regular external audits are conducted by various foreign tour operators to ensure that quality standards are of international expectations and in the current year too, Cinnamon Grand surpassed one of such inspections with ease, consolidating its position as the premier city hotel in Sri Lanka.

### SUPPLIER AUDITS

As part of the prestigious JKH Group, Cinnamon Grand comes within the scope and boundary of the ultimate parent company's policies, which are followed diligently to reflect industry best practices upon which the policies are built. These standard guidelines are applied to overall operations, in addition to those practiced by the Hotel as well. Parent company requirements are communicated to all Cinnamon Grand business partners at the inception of the relationship to ensure full understanding of the obligations and rights of all parties. In addition, all suppliers are subjected to periodic audits which enable both sides to review and evaluate any gaps and weaknesses, as well as identify room for improvement. Non-conformance penalties are detailed in the initial procurement agreement signed by each supplier. As a regular quality management process, suppliers are audited for compliance to standards.

### SUPPLIER TRAINING ON FOOD SAFETY

In addition to internal quality controls on food safety within the Hotel's food chain and kitchens, suppliers too are exposed to specialised training on food health and hygiene. This is to ensure that standards are permeating across the supply chain and the entire network is safeguarded from potential hazards. During the current financial year, a training programme on basic food safety was conducted for 26 ready-to-eat food suppliers for 76 training hours by the Colombo Public Health Department.

### OCCUPATIONAL HEALTH AND SAFETY

Cinnamon Grand is equipped with an advanced health and safety policy that have been structured by incorporating the latest industry best practices, conforming to all international hoteliers standards. The policy acts as the guiding charter on identifying and establishing Occupational Health and Safety standards (OH&S) of the Company. Fully cognisant that the health and safety of the Company's associates remains integral to stakeholder relationships, all efforts are made to build a safe and healthy work environment.

The uncompromising commitment to OH&S has created a work environment that protects not just our associates but stakeholders who visit, stay and operate within the workplace. While the Hotel itself conforms and upholds international best practices in OH&S, embedding principles and practices that form the blueprint for a comprehensive health and safety policy, each associate is also equipped with knowledge and skills in hygiene and safety areas, to ensure that OH&S is ingrained into the way of life at Cinnamon Grand. This is evidenced by the recertification of the stringent requirements of OHSAS 18001.

Given the focus placed on OH&S at Cinnamon Grand, this specialised field is helmed by the Department of Compliance, Health and Safety, the apex body for health and safety at Cinnamon Grand, which oversees other germane committees to ensure the bridging of all gaps in this milieu. In addition, an Accident Committee and an Evaluation and Prevention Committee which is dedicated towards proactively supporting the standards, principles and practices of the department has been established to monitor, review and report daily adherence measures. As the primary recipients of OH&S, associates are continually educated on the relevant requirements.

## SUSTAINABLE BUSINESS

The importance of cascading the principles of health and safety is constantly shared among associates through targeted training and awareness programmes. Health and safety emphasis goes beyond the fundamentals and into the philosophy of 'Safety First at all Times', inculcating a mind-set of identification and prevention of any potential accidents. Associates are trained to be proactive in emergencies and accidents, where the safety of associates, guests and other stakeholders are paramount and possess the knowledge to be reactive in the face of disaster to avert avoidable disasters.

As part of the all-encompassing interpretation of the concept of OH&S, all measures have been taken to ensure that public spaces and walkways have inbuilt security measures including clearly demarcated areas for walkways, loading and unloading bays for suppliers, well accessible fire extinguishers, wheelchairs and other implements required to handle health and safety issues. Kitchens have strict security features including food safety handling as well.

As emergency situations may occur at any moment, being prepared is imperative. Therefore, associates are equipped with added skills to handle any contingencies, given that the Hotel hosts heads of state and other VVIPs, some of who require exacting security measures which the Hotel has in place. This includes training in handling VVIP security and safety, measures to be implemented in the face of emergencies or security threats, and handling times of panic with calm and ease.

### PREVENTING OCCUPATIONAL INJURIES

Occupational injuries can cause fatalities and also loss of productivity due to the

unavoidable consequence of associates being unable to perform their assigned duties. The objective at Cinnamon Grand is to achieve a 'Zero Lost Workday Case' environment. By applying a preventive policy, the Hotel is striving towards this goal of reducing the possibility of the occurrence of accidents and breakdowns that may also lead to injuries and loss of productive time. By practicing a policy of prevention at all times, associates are encouraged to take the initiative in avoiding accidents, either by informing the relevant Head of Department on duty or taking immediate measures to avert the onset of an accident and thereby injury. All associates are trained and encouraged to inform of any issues that could cause an accident or injury. By going well beyond expected levels of compliance in OH&S, it is crucial that the structured work environment must to be one that is proactive towards safety issues at individual level.

As the knowledge of first aid can save lives, 448 hours of first aid training in life support and nursing care was invested in this year. To avoid possible fatalities in the swimming pools which are popular destinations for both children and adults, over 208 hours of training was provided on life saving for Cinnamon Grand Pool Attendants by the Life Saving Association of Sri Lanka. In addition, 2,360 hours of training was conducted for associates on fire awareness and emergency evacuation to ensure the safety of guests and associates.

As part of their daily duties, associates are exposed to various chemicals, which if not handled correctly could result in serious injury and even fatalities. As a preventive measure against possible accidents, 73 hours of training was imparted on chemical handling and safety for Kitchen Stewards, and Housekeepers were exposed to another

75 hours of awareness on chemical handling and safety. Assistant Managers were also educated on chemical safety training for 16 hours by the EFC.

### ENVIRONMENTAL SUSTAINABILITY

Climate change impacts are being felt across the globe and also in our own country. Cinnamon Grand has once more taken the initiative to be the spearhead corporate steward by pioneering innovative green concepts. By introducing more environmentally friendly business practices, it has been setting industry benchmarks to be emulated and aspired to by industry players. Cinnamon Grand achieved an unparalleled target by accomplishing its Green Vision of being the 'Best Five-Star Sustainable City Hotel' in 2015, with the implementation of the Building Management System (BMS) which also made the Hotel the most intelligent building in Sri Lanka. The visionary stance in reducing carbon footprint was well evidenced not just for Sri Lanka but for the region, when it also became the first hotel in South Asia with a total Building Management Energy System, which has prompted best results in reducing carbon footprint by any hotel in the country.

During the financial year under review, Cinnamon Grand was awarded the Bronze award at Sri Lanka National Energy Efficiency Awards 2017 in the Hotel Sector-Large Scale category. Cinnamon Grand was the only hotel to receive an award in this category in the financial year under review.

Believing strongly that responsible interaction with the environment defines long-term sustainability which ensures long-term environment quality, Cinnamon Grand's philosophy is to impact the people of today positively without jeopardising the needs of future

## SUSTAINABLE BUSINESS

generations. As a hospitality leader, it is tasked with the responsibility of making certain that the resources used must be utilised responsibly and whenever possible, prompt rejuvenation to sustain long-term viability.

Globally, environmental responsibility is being rapidly adopted by the hospitality industry as the world faces the emerging threats of climate change and global warming. With rising consumer awareness of the impacts of business on environment and climate change, companies are voluntarily taking active measure to safeguard both social and environmental resources. As an organisation intricately linked with the global consumer and industry trends, Cinnamon Grand is fully aware of the farsightedness in investing in sustainable solutions that are both environmentally and socially responsible.

The green journey at Cinnamon Grand is a holistic process where associates are encouraged to inculcate an environmentally conscious mindset and have converged on a single platform to make this conservation journey. This process has been ingrained through numerous activities that involve the active participation of associates, thereby making them stakeholders in the greening process. Similarly, by celebrating events such as Earth Hour

with a series of interactive events, enabling associates, guests and valued business partners to join in, Cinnamon Grand encourages the permeation of an eco friendly mentality to a wider scope. Cinnamon Grand focuses on four key areas in its sustainability journey – judicious use of energy, wise use of water, astute waste management and creating awareness to instil a green consciousness. This has been well entrenched with the global standards that govern the Hotel's environmental outlook.

Cinnamon Grand's commitment is further endorsed by its constant focus on environmental audits and certifications, which also enables it to identify areas for improvement. Certified with the ISO 14001 Environmental Management Standard, for the 10th consecutive year, the repeated certification process has enabled gradual improvements in line with international changes in environmental management. This has also enabled the Hotel to achieve the intended outcomes from its EMS, vouching for the Hotel's consistency with its environmental policies.

### HERB GARDEN

Cinnamon Grand's Kitchen team now has their own herb garden, having planted sweet basil, rosemary, thyme, oregano, lemongrass, spring onions and

aloe vera, using organic practices on the plot of land behind the Breeze Bar. Noted as 'must haves' in the kitchen, these herbs were planted by the Kitchen team to enhance the flavour of the food prepared for guests at the Hotel. It adds not only the dimension of volunteerism in the Hotel's green philosophy but also promotes organic features into the Hotel's cuisine, devoid of the use of chemicals and artificial fertiliser.

### SUSTAINABLE VESAK DECORATIONS

As the most sustainable hotel in Sri Lanka, Cinnamon Grand commemorated the Vesak festival by connecting recycling with vibrant designs, creating Vesak lanterns with used water bottles. Led by Chief Engineer Panduka Wijewardane, the engineering team utilised 13,200 bottles used by Hotel's guests for this endeavour.

### CARBON FOOTPRINT

The Company is increasingly committed towards environmental sustainability, and the best evidence lies in how effectively it has been able to contain its carbon footprint, which reflects Cinnamon Grand's environmental impact as a whole. It is a matter of pride that over the years the Hotel has been successful in consistently reducing its carbon footprint through continued investments into more efficient equipment, technologies and processes.



Executive Chef Dirk Heinen inspecting the Hotels Herb Garden



The Hotel lit up with Vesak decorations made out of recycled material



The Produce at the Herb Garden

## SUSTAINABLE BUSINESS

The investment into green initiatives has been immense, showcasing absolute commitment to environmentally-friendly goals. By reducing the quantity of greenhouse gases emitted by the Hotel which is usually expressed in equivalent tons of carbon dioxide (CO<sub>2</sub>), the Hotel has continued to be a role model for the industry, encouraging the hospitality industry to follow suit and practice the principles of sustainable tourism without compromise.

### WATER CONSERVATION

Water is an increasingly scarce resource globally and its conservation is a primary focus of the green movements in all parts of the world. The Hotel and leisure industry is a major consumer of water due to large-scale operational use of water on a daily basis. However, Cinnamon Grand has been developing methods of water conservation to reduce waste and consumption of this precious resource. Water conservation is a holistic process at the Hotel, not only in encouraging associates to conserve this resource, but also in encouraging guests to be conscious in the prudent use of it.

This year, the Hotel introduced various water saving measures into its facilities and amenities, including:

- Collection of rainwater for reuse in cooling towers, with 729 m<sup>3</sup> of water being saved through the use of rain water
- Upgrading of steam traps which saved 1500 litres of water per month,
- Installation of three sensor taps at the female washroom, saving on average three litres of water per minute
- Reuse of leftover drinking water and ice from the restaurants for the fish pond adjacent to The Lagoon
- Replacing 500 ml drinking water bottles distributed to officers with water filters

### ENERGY CONSERVATION

The country has experienced continually rising energy costs in the face of escalating energy demand, making Sri Lanka one of the most expensive countries in the region in terms of energy, which also impacts business bottom lines. In this scenario, Cinnamon Grand was quick to identify energy conservation as a priority and the Hotel investigated multiple methods of energy conservation to mitigate wastage. The investment in the BMS has undeniably brought in rapid rewards in energy management, while also spurring interest among associates to observe tangible results in the reduction of energy usage. Through multiple awareness channels, guests and valued business partners are encouraged to practice better conservation practices.

Besides the advantages infused through the BMS, Cinnamon Grand initiates and implements numerous energy conservation methods, some of which are ideas and suggestions communicated by associates. During the current financial year, energy savings continued to gain ground with initiatives that included:

- Replacing the crew lounge lights with 5W LEDs saving 8679.7 kWh per year
- Replacing halogen lights in the Premium Wing rooms that consumed 35W with lower 5W LEDs generating a saving of 181791.9 kWh per year
- Installing four 12W LEDs in the pastry wash up area which was previously using fluorescent lights consuming 40 W to save 981 kWh per year
- Fluorescent tube light in the fish room (40W) replaced with eight LEDs of 12W to conserve 1,962 kWh per year
- New condenser water line laid from the CTs to the chillers saved 109,500 kWh per year.

### WASTE MANAGEMENT

Waste management is integral to health and hygiene. The waste management process of Cinnamon Grand encompasses holistic systems and methodologies from the point of inception of waste, right up to the point of disposal. Meticulous and hygienic waste management is crucial to ensure that the Hotel upholds its reputation as a sustainability champion which ensures absolute safety for all its stakeholders. Being the city's largest five-star property housing 501 rooms and 14 restaurants, waste management however can be a challenging process but is astutely managed in conformity with international industry best practices.

Guided by various global standard certifications and by instilling a constant learning culture from regional and global counterparts in prevalent waste management methodologies, Cinnamon Grand has employed a number of waste management techniques. This includes the 3R precept of Reuse, Reduce, Recycle to make waste management a way of life in daily operations.

Given the very nature of its business, the main waste product is wet garbage comprising food waste accounting for 85 per cent of total waste output. Plastic, paper and glass bottle waste accounts for 7 per cent. Recycling initiatives include e-waste being contracted to an accredited recycling company for disposal and CFL bulbs given to Orange Electric for recycling. Also, all plastic, paper, glass and metal are given to certified collectors of the CEA and all food waste is given to the piggery.



## CORPORATE SOCIAL RESPONSIBILITY

The John Keells Foundation is the dedicated charitable arm of the JKH Group. CSR activities of the JKH Group are conducted in collaboration with the Foundation to ensure strategic alignment to the Group's CSR policies and to confirm maximum impact through multiple contributions from different companies of the diversified Group. Through the combined efforts of the Foundation and the companies under the JKH umbrella, the Group has made unparalleled contributions towards social causes, serving underserved communities in the country. Ranging from astute donations to long-term projects focusing on public welfare, these programmes also contribute towards inculcating a social consciousness among our stakeholders, thereby contributing to a more inclusive and tolerant society.

### COMMUNITY INITIATIVES

As a hospitality services provider, Cinnamon Grand's business involves community participation and social acceptance at all levels which in turn prompts a safe, peaceful and enjoyable experience for the Hotel's guests. This involves public engagement across diverse segments and building relationships through trust and credibility, generating activities including social welfare activities that support communities in attaining their growth and development objectives.

The Hotel has always maintained that a sustainable business can only be operated if the triple bottom line is focused on unwaveringly; which means, ensuring that our communities are constantly developed to spur better lives and lifestyles. In creating wealth, there is also an underlying responsibility to distribute that wealth, quantitatively or qualitatively where communities are uplifted, while in tandem advantages to these communities are optimised due to our presence in that locality. Therefore, while remaining aligned to the JKH Policy of Sustainability and CSR, Cinnamon Grand has over the years continued to lend its support primarily to the areas of education, health and wellbeing of young children, believing strongly that it is they who will become future leaders and must be given the correct foundation and support to achieve their goals.

The development of local arts and crafts is a method of generating income for the community as a collective and empowering families. Cinnamon Grand promotes this with great enthusiasm through the Nuga Gama Kadé, where products are sourced from local craftsmen, who obtain an income for their craft.

### SUPPORTING LOCAL CULTURE

On a constant quest to seek and uplift local culture and traditions, Cinnamon

Grand held an 11-day Jaffna Festival, the very first time that the northern city of Jaffna has been showcased in such large scale not only with its authentic cuisine but rich cultural heritage in Colombo.

Amalgamating this with the Hotel's social commitment to uplift livelihoods and create a culture of sustainability and shared responsibilities, Cinnamon Grand empowered and supported livelihoods of a number of people from Jaffna during the festival.

Five ladies were transported to Colombo to prepare authentic Yaal cuisine, following traditional recipes acquired through generations. Two cultural troupes – Nakkapu Gramiya Kalai Kulu and Sarvothayam – were also sourced from Jaffna to perform several dance acts intrinsic to Yaalpanam, while some members of a community of artisans from the Jaffna Palmyrah Handicrafts (Guarantee) Ltd Company and spice makers from Pungudutivu Food Manufactures also showcased their wares. The latter groups are from the island of Pungudutivu and represent two small-scale businesses set up by a female entrepreneur who has, like the others, overcome much peril in the past.

These entrepreneurs' palmyrah handicrafts and spices, flour and other products of high nutritional



Pungudutivu Food Manufactures stall



The Katpaham stall at Nuga Gama during Jaffna Festival



Dance Troupe from Jaffna enthraling the crowd

## CORPORATE SOCIAL RESPONSIBILITY

value made with the minimum use of machinery supports some 200 persons. These groups were given stalls to showcase and sell their products to the innumerable guests who visited the Festival each night to Nuga Gama, with no commissions taken by the Hotel. The success of these initiatives can be gauged by the fact that several retail companies have invited the palmyrah artisans to display and sell their products in outlets in Colombo and one of the dance troupes, Nakkapu Gramiya Kalai Kulu – whose history dates back to four generations of dancers – receiving an invitation to travel abroad for a performance. Jaffna sweets and titbits were also sold at the village kadai, of which the profits were directly sent to the supplier.

Cinnamon Grand also supported the Yaal agri and fishery business, as the Hotel purchased all ingredients and produce required for the Jaffna cuisine from producers from the area. The Hotel worked with identified organic farmers and other key suppliers from the Jaffna Market and Seafood Market.

Katpaham, the sales and marketing arm of the Palmyrah Development Board, also joined in as cultural partners, with the key aim of popularising and promote palmyrah products created by designated centres in Jaffna.

### DEVELOPING CORE CAPITALS THROUGH CSR

AHPPLC, through its two hotels Cinnamon Grand and Cinnamon Lakeside, has created a formidable CSR presence. This has been further sharpened and honed in line with the United Nations Sustainable Development Goals through initiatives aimed at attaining one or more of the goals, while aligning with the concept of developing human, social and relationship,

manufactured, natural and intellectual capitals.

Given below are community related projects that are directly aligned to some of the SDGs, which have also been aligned to the improvement and development of human as well as social and relationship capital.

### DEVELOPING HUMAN CAPITAL

In developing human capital, the Company contributed towards the goals of No Poverty, Zero Hunger, Quality Education and Gender Equality through its CSR activities. By adhering to all conventions and regulatory diktats on developing human capital, AHPPLC ascribes to the goal of decent work and economic growth through the transmission of skills/competencies, which are viewed in terms of value or cost and measured through tangible outcomes such as employee attrition, diversity and training.

The Company supported the goal of Zero Hunger by distributing over 100 packets of lunch to displaced families affected by floods in May 2016 for a period of one week.

The goal of Quality Education was given a fillip by providing Kelaniya University students with the opportunity to be exposed to hotel procedures at the country's leading city hotel, Cinnamon Grand.

Gender Equality was inculcated within the Cinnamon Grand team by exposing 1,106 team members to concepts of equality via LGBTQ Training. And in imbuing the concept of gender equality further, Cinnamon Lakeside participated in the John Keells Foundation initiative Project Wave to Eliminate Violence Against Women which is aimed at creating awareness among all associates

to build a workplace and society free of all forms of discrimination and violence including sexual harassment and contribute positively towards the complete eradication of violence against women. White ribbons were pinned on all Senior Managers while associates pledged their support to the initiative by signing a board on display at the Staff Link Restaurant.

### SOCIAL AND RELATIONSHIP CAPITAL

The Company defines this capital as the relationships between stakeholders. The impacts of this resource is measured through the engagement between the organisation and customers, suppliers and other stakeholders. In supporting the goal of Reduced Inequalities during the current financial year, the Company contributed to a number of homes and charities to support the disadvantaged.

In an ongoing monthly event, the Dias Home in Wellampitiya for disadvantaged senior citizens was provided with Rs. 91,655.00, while the Sisters of Charity in Colombo 05 was gifted with linen of Rs. 594,200.00 and the senior citizens at St. Nicholas Home Kalubowila, Dehiwala also received donations.

Special needs children benefited from donations of linen to the Deaf Welfare Association in Weyangoda for Avurudu, as did the special needs children in Nawala. The Hotel donated new clothing, bathroom amenities, books and cleaning items to 63 families who were impacted by the floods. Cinnamon Grand employees also contributed time and labour to renovate the house of an employee in Malimboda, Bogawanthalawa, whose death left his four member family bereft and requiring support.

The Cinnamon Grand team entertained 49 boys from Don Bosco Boys' Home

## CORPORATE SOCIAL RESPONSIBILITY

for their annual Christmas treat. Starting the day with a dip in the pool, the boys had a line-up of activities with fun games and quizzes planned out for their enjoyment at Breeze Bar. After a fabulous lunch spread at The Courtyard and a movie, the boys were taken to Excel World for three hours of fun. On their return, the Ivy Room was decorated for their Christmas party and a fun photo booth where Santa Claus greeted them with gifts ended with an evening of dancing to music by a DJ. A special guest appearance was made by former cricketer Muttiah Muralitharan, a hero in the boys' eyes.

Aligned with SDG 3 for Good Health and Well Being, commemorating World AIDS Day, Cinnamon Lakeside ceremonially pinned red ribbons on all associates, augmented with a raffle draw aimed at raising awareness. An HIV/AIDS awareness programme was also held, while an awareness programme on diabetes, titled Control Diabetes in Future, was conducted by the National Diabetes Centre.

In meeting the goal of Sustainable Cities and Communities, Cinnamon Grand initiated an ongoing project to educate the public with environmental wisdom card sales. This comprises 12 inspiring cards, with spectacular images of the over 200 year old Banyan tree at the

Village in the City, Nuga Gama, as a tribute to environmental wisdom passed down through the years. Captured by the world renowned Los Angeles photographer Steve Cohn, the images are accompanied with thought provoking and informative environmental quotes that establish an understanding of our symbiotic relationship with nature. The cards, printed on recycled paper and accompanying envelopes, are beautifully boxed, so as to make for an elegant gift or even a souvenir of a guest's visit to the Hotel.

With the objective of responding to the goal of Responsible Consumption & Production, the Hotel donated 160 white chair covers to the Wijayaba Anonyadara Subasadana Samithiya, while it must be noted that the city hotels imbue a stringent policy of responsible sourcing, supply and delivery.

### SUPPORTING TRAIL SRI LANKA

As Trail Sri Lanka reached its Colombo milestone on its 670 km walk around Sri Lanka to raise USD 5 Mn to establish a new cancer treatment facility in Galle, Cinnamon Grand associates gathered at the Hotel's entrance to support those who began their walk from Galle Face Green.



University Students During a Hotel Visit to Gain Exposure on Hotel Operations



Kids from Don Bosco Boys' Home with Grand associates at the end of a fun-filled festive day



Grand associates supporting Trail Sri Lanka



NOTE-WORTHY ...



## OVERVIEW

Risk Management is an integral part of the organisational process of Asian Hotels and Properties PLC and a key factor in ensuring the Company's success through sustainable growth whilst enhancing stakeholder value. The Company is aware that it operates in a dynamic industry that is subject to frequent change. Therefore, risk management is incorporated with the Hotel's strategic planning process and also considered as an integral component of the Company's Corporate Governance Framework. Hence risk identification, prioritisation and assessment, development of risk response strategy, risk reporting, implementation of risk mitigation strategy and monitoring of controls are

woven into the fabric of the Company's operating model.

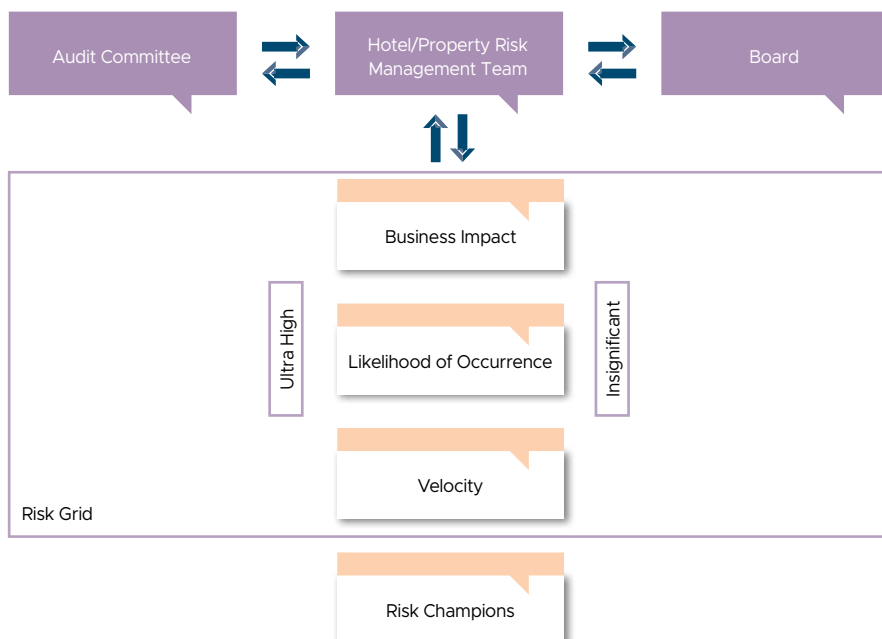
The Board of Directors retains ultimate responsibility for ensuring the adequacy and effectiveness of the Group's risk management framework. The Audit Committee supports the Board in fulfilling these duties by providing objective and independent reviews on risk identification and mitigation processes, financial reporting, internal control systems and compliance. The Company has recognised the risk management process as an essential component of the investment management process to safe and high quality products, as well as to maintain sustainable business operations for all stakeholders. Enhancements

were continuously made to the Risk Management Framework throughout 2016/17 based on the guiding principles of the Enterprise Risk Management (ERM) process recommended by the John Keells Group Sustainability and Enterprise Risk Management Division. The Enterprise Risk Management cycle begins during the second quarter with an annual risk review by the John Keells Group's Enterprise Risk Management division which assists heads of business units and their respective Heads of Departments to comprehensively assess, rate and set mitigation plans for any structural, operational, financial and strategic risks relevant to each company, based on past information and horizon scanning.

## RISK MANAGEMENT FRAMEWORK



## RISK MANAGEMENT STRUCTURE





## RISK MANAGEMENT PROCESS

While individual business units are the ultimate owner of its risks and are responsible for reviewing their risk control self-assessment forms on a quarterly basis, the annual risk management cycles discusses and identifies risks, impacts and mitigation plans in conjunction with the JKH ERM division. Following the Group Risk Review, the Company carries out quarterly risk reviews to identify risk events and rank, and prioritise each risk by assigning a risk rating. This is rated by assessing the likelihood of occurrence (probability) and the level of impact to the Company. The velocity of risk is also a factor when assessing risks in order to ascertain the speed at which risks would impact the Company. The product of the risk assessment are tabulated in a risk grid that rates the risks on a scale of 'Ultra High' to 'Insignificant', which enables the company to prioritise the risks and plan out risk mitigation strategies.

The Management Committee of each business unit was apprised of the high level risks and core sustainability risks that emerged during the risk review process. Based on the score derived by each identified risk, the Committee decides on the appropriate risk response strategies which are categorised into three broad areas – namely preventive, detective and corrective. Based on the field of expertise, risks are assigned to a Risk Owner who is responsible for the implementation and reporting of the strategy. The Risk Owner is responsible for ensuring that all required resources to effectively implement the strategy are included in the capital expenditure or operational expenditure budget of the Company. Subsequent to the resource planning, the Risk Owner is responsible for the implementation of the strategy

within the agreed date plan and to update the Committee accordingly.

The Company does understand that in a dynamic environment, the risk does not stay constant and continuous monitoring of the environment and the assessed risks ensure that the Company identifies and is able to stay abreast of such changes proactively.

The Company follows a well-structured risk reporting mechanism where the risk grid is reviewed on a quarterly basis by the Risk Committee. The team signs off on a compliance statement on a quarterly basis. The responsibility of maintaining an effective system of internal control and risk management lies with The Board and the consolidated financial and operational compliance report is received by the Audit Committee from the President of the Leisure Group. The Audit Committee has also included a risk review on the agenda of the Audit Committee Meeting; and the Audit Committee on behalf of the Board reviews the risk management process adopted by the Company.

The risk exposure and profile of the Company did not change significantly during the last year. A review of the key risks that could materially affect Asian Hotels and Properties PLC along with control measures and action plans implemented to mitigate them are set out on the next page.

Risk Category and Description	Potential Impact	Control Measures and Action Plans to Mitigate Risks
<b>Strategic Risks</b>		
<p><b>BUSINESS RISK</b></p> <p>The performance of the Company could be adversely affected due to intense competition, unfavourable economic conditions and new entrants</p>	<p>Reduction in fair share of market and loss of revenue</p> <p>Adverse impact on planned profitability and cash flow</p>	<p><b>Risk Rating – High</b></p> <ul style="list-style-type: none"> <li>• The Company closely monitors competitor activities and strategies. This process includes the reviewing of competitors' market share and performance. Where necessary, new strategies are formulated or existing strategies are revised to counter the actions of competitors</li> <li>• Ongoing and timely investments to upgrade properties and facilities</li> <li>• Exceeding customer expectations by careful analysis of guest feedback and tailoring appropriate and prompt responses to issues identified</li> <li>• Providing value for money by enhancing services, improving service delivery and focusing on consistent quality</li> <li>• Growing web-generated business</li> </ul>
<p><b>BRAND IMAGE AND REPUTATION RISK</b></p> <p>The Company's success depends on the continued strength and recognition of the brand on a local and regional basis</p> <p>The 'Cinnamon' name is primary to its business as well as to the implementation of its strategy for expanding its businesses. This will depend largely on the success of its ability to provide high-quality products and services to all its clients</p>	<p>Decline in customer base, loss of market share, market penetration and ability to develop the business</p> <p>Inability to maintain room rate differentiation and competitive advantage</p> <p>Erosion in confidence may damage sustainability of Group business</p> <p>Negative propaganda on social media</p>	<p><b>Risk Rating - Low</b></p> <ul style="list-style-type: none"> <li>• Although some factors are beyond its control, the group adopts the following approaches to mitigate this risk:</li> <li>• Regular brand audits of the 'Cinnamon' brand are carried out</li> <li>• Both the Hotel Division and the Property Division ensure that they secure the most sought after and qualified staff to hold high Managerial positions (in different hierarchies)</li> <li>• Continuous attention is focused on the environment and health and safety concerns by complying with HACCP and other quality certifications</li> <li>• The brand of 'Cinnamon' with emphasis on maintaining minimum quality standards and standards of performance carries out ongoing reviews of guest comments in order to exceed customer expectations</li> <li>• Encouraging and nurturing responsible corporate citizenship through CSR initiatives</li> <li>• Continuous monitoring and reviewing of online customer reviews and rating</li> </ul>

Risk Category and Description	Potential Impact	Control Measures and Action Plans to Mitigate Risks
<b>UNCERTAINTY IN REGULATORY ENVIRONMENT RISK</b> Changes in legal and regulatory framework requires significant changes to operating process	Potential exposure to litigation	<b>Risk Rating – High</b> <ul style="list-style-type: none"> <li>Creating awareness about legal &amp; statutory obligations at all levels</li> <li>Internal auditors carrying out specific reviews and checks to ensure that operations and services remain in compliance with regulations</li> <li>Tax/regulatory returns submitted by the company being subjected to regular monitoring and scrutiny by the Tax Division of the Leisure Group</li> <li>The Legal Division of John Keells Group provides guidance and direction to safeguard the company against any losses or loss of reputation that could arise from any legal consequences of transactions it enters into</li> </ul>
<b>Operational Risks</b>		
<b>RISKS FROM NATURAL OR MAN-MADE DISASTERS</b> Loss of property and equipment resulting in significant losses	Injuries to staff and guests, damage to property and cost implication	<b>Risk Rating – High</b> <ul style="list-style-type: none"> <li>Documented business continuity and disaster recovery plans are in place and appropriate signage is in place</li> <li>A process to communicate awareness of such incidents is in place</li> <li>Fire fighting systems, trained staff and procedures are in place</li> <li>Relevant insurance policies are in place and the adequacy of such cover is subject to regular review</li> </ul>
<b>HUMAN RESOURCE RISK</b> The Company's human resources are the backbone of the business, holding the Company together. The growth of the Company is heavily dependent on the talents and efforts of the highly skilled individuals that the Company is able to attract and retain. The recruitment and retention of employees is a constant challenge	Inability to maintain quality standards and meet guest expectations  Higher operational costs and loss of business  Adverse impact on the company's brand image	<b>Risk Rating – Low</b> <ul style="list-style-type: none"> <li>As part of the performance appraisal process carried out in the Company, a clear vision has been set out on career development and succession plans, enabling the Company to retain its employees</li> <li>Regular training both locally and overseas is carried out in order to infuse motivation, commitment and empowerment among staff</li> <li>Recruitment of high calibre staff, effective induction to the Group's corporate culture, transparency in management actions and effective communication lines are developed in the Company's culture to foster good employee relationships</li> <li>Developing a spirit of unity by organising associate gatherings to celebrate staff birthdays, outings, sports activities, family get-togethers and religious activities</li> </ul>

Risk Category and Description	Potential Impact	Control Measures and Action Plans to Mitigate Risks
<b>TECHNOLOGY AND DATA PROTECTION RISK</b> Failure to keep pace with developments in the technology sphere could impair our competitive position and operation  Risk of cyber attacks	Adverse impact on efficiency of operations, guest satisfaction and loss of competitive advantage  Data theft	<b>Risk Rating – High</b> <ul style="list-style-type: none"> <li>Reservation, property management, material management and financial information systems were upgraded for greater alignment with business needs, making it easier to respond to change in business strategy</li> <li>The IT division of the sector and the John Keells Group have implemented procedures to safeguard the computer installations of the Company to ensure continuity of operations</li> <li>Commissioning an audit of all websites by an IT Governance, Risk and Compliance professional to safeguard against cyber-attacks</li> <li>While the Group's operations are reliant on Information Technology, stringent security measures, disaster recovery procedures and business continuity plans are implemented.</li> <li>There are group-wide measures to ensure the mitigation of significant information technology risks.</li> <li>Clearly-defined IT policy, which is communicated to all associates</li> </ul>
<b>SUPPLY CHAIN RISKS</b> Short supply of goods and raw material resulting in disruptions to operations	Cost overruns, reputational loss	<b>Risk Rating – Low</b> <ul style="list-style-type: none"> <li>Alternate suppliers have been identified</li> <li>Maintain good business relationships with supply chain, rotating contracts when economically possible</li> <li>Identification of local supplier base</li> </ul>
<b>INTERNAL OPERATIONAL PROCESSES</b> The risk of financial loss and disruption to the business due to breakdown in internal controls	Disruption of operations, loss of profits and ineffective use of assets and resources	<b>Risk Rating – Low</b> <ul style="list-style-type: none"> <li>Clearly-defined systems and procedures are in place to ensure compliance with internal controls, which are monitored and reviewed for their continued efficiency and effectiveness</li> <li>An outsourced internal audit firm reviews and provides assurance on the adequacy of the Group's financial and operational systems on a quarterly basis</li> <li>Quarterly confirmation of compliance with financial, operational and sustainability procedures and requirements which include any incidence of fraud</li> <li>A formal process is in place to review and monitor all audit findings</li> </ul>

Risk Category and Description	Potential Impact	Control Measures and Action Plans to Mitigate Risks
<b>Financial Risk</b>		
<b>LIQUIDITY AND CREDIT RISK</b> The economic instability, high inflation rates, adverse foreign currency fluctuations and the global monetary crisis could affect the Company in recovering the cash from clients of the hotel and tenants of the mall  Exposure and losses due to default of settlement by debtors	Reduced cash flow and profitability  Probable penalty charges and adverse credit terms for future business	<div>Risk Rating – Low</div> Regular review mechanisms are in place to monitor the performance of the Company against approved budget targets and achieve a balance between liquidity and profitability <ul style="list-style-type: none"> <li>• The Company actively carries out trade debtor balance reviews with review meetings held on a consistent and continuous basis</li> <li>• Credit policy and stringent controls are in place to mitigate the impact of default</li> <li>• Credit limits are reviewed on a regular basis</li> <li>• Capital investments are planned so as not adversely impact on cash flows and gearing of the Company</li> </ul>
<b>INTEREST RATE RISK</b> Drop in interest rates will lead to a lower interest income as a result of which, the Company would have an impact on its Other Income	Reduced income and profitability	<div>Risk Rating – Low</div> <ul style="list-style-type: none"> <li>• The Company has taken measures to maximise the interest income with the assistance and guidance of the JKH Group Treasury Department</li> <li>• Keeping abreast of global as well as local interest rate activities</li> </ul>
<b>FOREIGN EXCHANGE RISK</b>	Reduced revenue and profitability	<div>Risk Rating – Low</div> <ul style="list-style-type: none"> <li>• Transacting revenue in strong currencies</li> <li>• Matching payments to collection of the same currency</li> <li>• Continuous monitoring of the exchange rate and updating the conversion rates accordingly</li> </ul>

The Board confirms that a process for identifying, evaluating and managing significant risks that endanger the achievement of the strategic objectives of Asian Hotels and Properties PLC has been in place throughout the year in accordance with the guidelines set out by the Institute of Chartered Accountants of Sri Lanka and industry best practices. The Audit Committee has reviewed the business risk management process adopted by the Company and has noted that the risk management exercises had been conducted.



## INTRODUCTION

The Asian Hotels & Properties PLC corporate governance philosophy is founded on a culture of performance, within a framework of compliance and conformance. This is also in line with John Keells Group's corporate governance philosophy which has been institutionalised at all levels in the Company through a strong set of corporate values and the written Code of Conduct.

All employees, senior management and the Board of Directors are required to embrace this philosophy in the performance of their official duties and in other situations to uphold both the Hotel's & Group's image and reputation. The emphasis placed on the Group's values is exemplified through the principle that requires all nominees to the Group's recognition scheme to live the JKH values.

The Hotels "progressive" stance on Corporate Governance philosophy goes beyond mere conformance with regulations, towards performance enhancement, in enabling sustainable value creation. Towards this end, Asian Hotels & Properties PLC has established an integrated governance mechanism which spans across the entire organisation structure in the form of strategic planning, resource allocation, accountability and assurance.

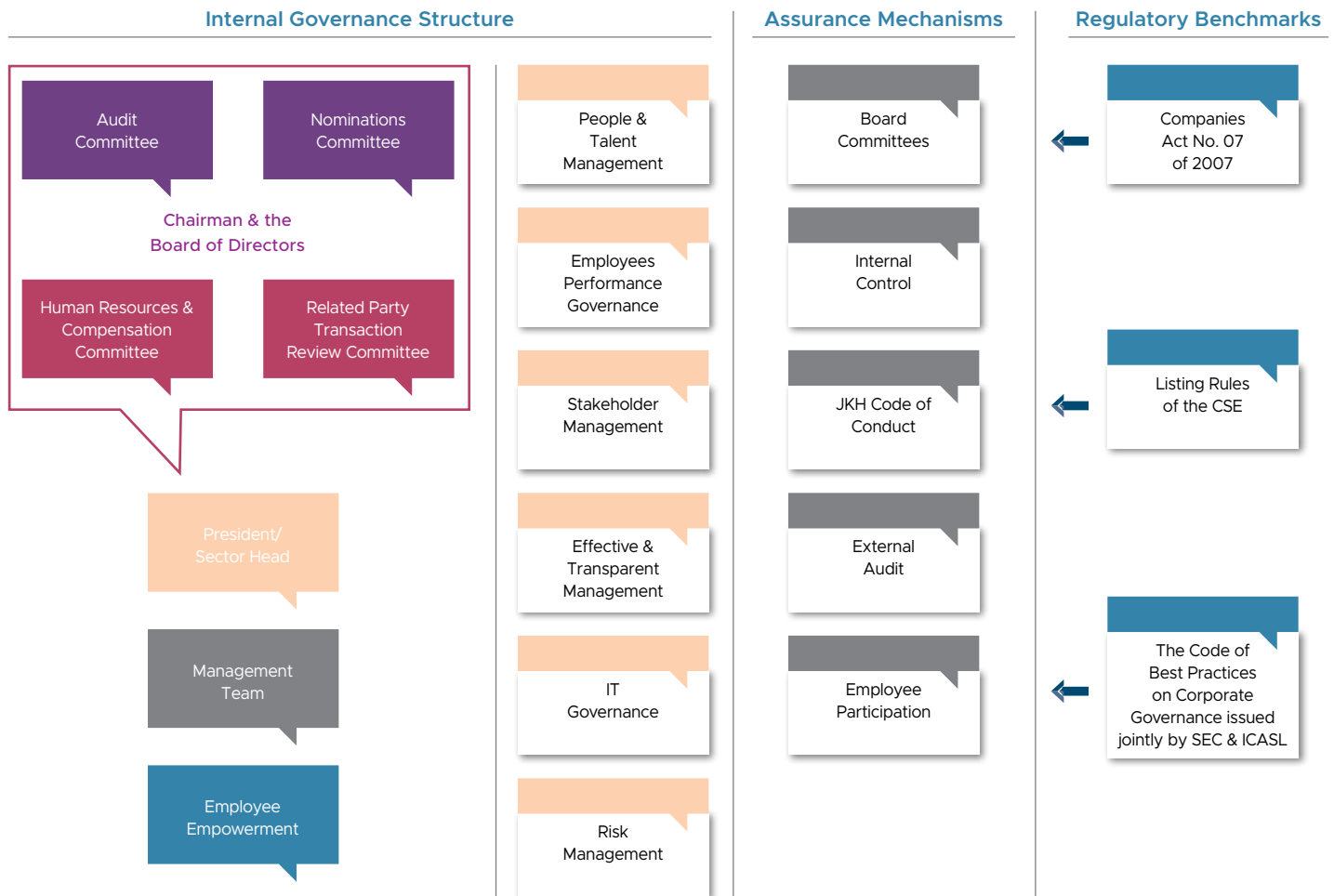
The Company holds itself accountable to the highest standards of Corporate Governance and transparency that enhances the public's access to information about our Company. Effective Corporate Governance in line with the highest international standards is an important part of our identity. Our

system of Corporate Governance lays the basis for responsible performance-oriented management and control, which is geared towards sustainable value creation. Most importantly, our efforts go hand-in-hand with an unwavering commitment to the accurate and clear communication of our performance and the facts of our business.

We are pleased to present this report which sets out the corporate governance philosophy that is practiced by the Company. We are in compliance with the following statutes, rules and regulations and where necessary, any deviations permitted by same, have been duly explained.

- Companies Act No. 7 of 2007 -  
**Mandatory compliance**
- The Continuing Listing Rules of the Colombo Stock Exchange (CSE) -  
**Mandatory compliance**
- The Recommendations of the Code of Best Practice on Governance issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL) to the extent that they are practicable -  
**Voluntary compliance**

## CORPORATE GOVERNANCE SYSTEM WITHIN A SUSTAINABILITY DEVELOPMENT FRAMEWORK



The Corporate Governance framework is founded on the following principles:

- (i) Allegiance to John Keells Holdings PLC (JKH) and the John Keells Group, and upholding of Group values
- (ii) Compliance with the laws and Company rules and regulations applying to the territories that the John Keells Group operates in
- (iii) Conduct of business in an ethical manner at all times, in line with acceptable business practices
- (iv) Exercise of professionalism and integrity in all business and 'public' personal transactions
- (v) Ensure that no one person has unfettered powers of decision making
- (vi) Opting for the early adoption of accounting standards and best practices in governance regulation when practical
- (vii) Encourage proactive discussions with the relevant regulatory bodies to facilitate the implementation of matters of governance and other business reforms in Sri Lanka
- (viii) Make business decisions and resource allocations, in an efficient and timely manner, within a framework that ensures transparent and ethical dealings which adhere to the laws of the country and the standards of governance that stakeholders expect from the Company

### INTERNAL GOVERNANCE STRUCTURE

This comprises of committees which formulate, execute and monitor Company-related strategies, initiatives, processes and procedures which support are woven into the fabric of these committees, enabling them to perform their roles effectively.

### ASSURANCE MECHANISMS

This comprises 'bodies and mechanisms' which are employed in enabling regular review of progress against objectives with a view to highlight deviations, quick redress and in providing assurance that actual outcomes are in-line with expectations.

## REGULATORY BENCHMARKS

This comprises regulations which govern, in the main, all our corporate activities from the Companies Act No. 07 of 2007 to Listing Rules of the CSE, Rules of the SEC and the benchmarks we have set for ourselves in working towards local and global best practices.

What follows is a more detailed account, including where relevant and applicable components of the Company's Corporate Governance System.

## INTERNAL GOVERNANCE STRUCTURE

- The internal governance structure encompasses;
- The Board of Directors,
- Board Sub-committees, and
- Senior Management Committees

Strengthened and complemented by internal policies, processes and procedures, the key components being:

- Strategy formulation and decision making
- Human resource governance
- Integrated risk management
- IT governance and
- Stakeholder management and effective communication

The components of the internal governance structure are designed in such a way that the executive authority is well devolved and delegated through a committee structure ensuring that the Presidents, Sector Head and the Senior Management Team are accountable for the total Company functions and sub-functions respectively. Clear definitions of authority limits, responsibilities and accountabilities are set and agreed upon in advance to achieve greater operating efficiency, expediency, healthy debate and freedom of decision making.

## ROLE OF CHAIRMAN

The Chairman conducts Board Meetings and ensures that the participation and contribution of Executive and Non-Executive Directors are encouraged and their views on matters under consideration are determined. The Chairman maintains contact with all Directors and has informal discussions with the Non-Executive Directors as necessary.

The Chairman is responsible for:

- Ensuring that the principles and processes of the Board are maintained, including the provision of accurate, timely and clear information
- Encouraging debate and constructive criticism
- Setting agendas for meetings of the Board, in conjunction with the Senior Managers and Group Company Secretary, that focus on the strategic direction and performance of our business
- Leading the Board and individual Director performance assessments
- Speaking and acting for the Board and representing the Board to shareholders
- Presenting shareholders' views to the Board
- Facilitating the relationship between the Board and the Management

The Board considers that none of the Chairman's other commitments interfere with the discharge of his responsibilities to the Company. The Board is satisfied that he makes sufficient time available to serve the Company effectively.

## CHAIRMAN APPRAISAL

The Human Resources and Compensation Committee of the ultimate parent Company, John Keells Holdings PLC appraises the performance of the Chairman on an organisational and individual basis as approved by the Board.

## BOARD OF DIRECTORS

The Board of Directors is the ultimate governing body of the Company. It is responsible for the ultimate supervision of the Company. In all actions taken by the Board, the Directors are expected to exercise their business judgment in what they reasonably believe to be the best interests of the Company. In discharging that obligation, Directors may rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors.

## COMPOSITION OF THE BOARD AND DIRECTORS' INDEPENDENCE

As at 31st March 2017, the Board consisted of 9 Directors comprising:

- 2 Executive Directors (ED/NID)
- 4 Non-Executive Non-Independent Directors (NED/NID)
- 3 Non-Executive Independent Directors (NED/ID)

Mr. K. N. J. Balendra was appointed to the Board on 01st April 2016 as Non-Executive, Non Independent Director.

Independence of the Directors have been determined in accordance with the Continuing Listing Rules of the CSE and all three Independent, Non-Executive Board members have submitted signed confirmations of their independence.

The Board members have a wide range of expertise as well as significant experience in diverse fields enabling them to discharge their governance duties in an effective manner.

Name of Director/ Capacity	Share Holding (1)	Material Business Relationship (2)	Employee of Company (3)	Family Member a Director or CEO (4)	Continuous service for nine years (5)
<b>Non-Executive, Non-Independent Directors (NED/NID)</b>					
Mr. S.C. Ratnayake	Yes	No	No	No	N/A
Mr. A.D. Gunewardene	No	No	No	No	N/A
Mr. J.R.F. Peiris	No	No	No	No	N/A
Mr. K. N. J. Balendra*	No	No	No	No	N/A
<b>Executive, Non-Independent Directors (ED/NID)</b>					
Mr. R.J. Karunarahaj	Yes	No	No	No	N/A
Mr. S. Rajendra	No	No	No	No	N/A
<b>Non-Executive, Independent Directors (NED/ID)</b>					
Mr. C.J.L. Pinto	Yes	No	No	No	No
Mr. S.K.G. Senanayake	No	No	No	No	No
Mrs. S.A. Jayasekara	No	No	No	No	No
<b>Definitions</b> <ol style="list-style-type: none"> <li>1. Have shares in the Company</li> <li>2. Income/non-cash benefits derived from the Company equivalent to 20 per cent of the Directors' annual income</li> <li>3. Director was employed by the company two years immediately preceding appointment</li> <li>4. Close family member who is a Director or CEO</li> <li>5. Has served on the Board continuously for a period exceeding nine years</li> </ol> <p>* Appointed to the Board on 01st April 2016</p>					

The Board is of the view that its present composition ensures a right balance between executive expediency and independent judgment.

Directors that make up the Company Board participate in defining goals, vision, strategies and business targets. All Directors are able to and willingly add value and independent opinion on the decision-making process, which is of immense benefit to the effective functioning of the Board. The details of the current Board of Directors along with a brief resume of each Director is found from page 8 and 9 of the Report.

Transactions or events that have a material bearing on the Company are disclosed by way of circulars to shareholders, announcements to the CSE and media/press releases. The Board is ready to answer questions raised by

shareholders at general meetings and maintains an appropriate dialogue with them.

The presence of Independent Directors ensures the equal benefits of all shareholders with independent views and opinions. Directors will update the Board with any new information in relation to interests or relationships relevant to independence.

The Board has developed a policy that it uses to determine the independence of its Directors. This determination is carried out annually or at any other time where the circumstances of a Director change such as to warrant reconsideration.

The Board is aware of the other commitments of its Directors and is satisfied that these do not conflict with

their duties as Directors of the Company.

All Non-Executive Directors are required to notify the Chairman of changes in their outside Board appointments and the Chairman carries out a review of all such appointments in consultation with the other Directors where necessary to ascertain any possible conflicts of interest.

## BOARD RESPONSIBILITIES AND DECISION RIGHTS

At Asian Hotels and Properties PLC, the businesses are conducted by its employees, managers and officers, under the direction of the Executive Directors and the oversight of the Board, to enhance the long-term value of the Company for its shareholders.

The Board aims to fulfil its responsibilities by creating value for all stakeholders

that is sustainable and beneficial. Stakeholders include shareholders, employees, customers, the community and the environment. Without limiting the Board's function, its specific responsibilities include:

- ⊙ Approving objectives, strategies and financial plans and monitoring the Company's performance against these plans
- ⊙ Monitoring compliance with the regulatory requirements and ensuring all Company employees act with integrity and diligence in the interests of the Company and stakeholders
- ⊙ Reviewing and approving all significant policies and procedures
- ⊙ Exercising objective judgment on all corporate matters independent from the Executive Management
- ⊙ Formulating short and long term strategies as a basis for the operational plans of the Company
- ⊙ Determining and recommending interim and final dividends for the approval of shareholders
- ⊙ Identifying the principal risks of the business and periodically reviewing the risk management systems in place
- ⊙ Preparation and presentation of financial statements, together with a statement by the auditors pertaining to their reporting responsibilities

## DELEGATION OF AUTHORITY

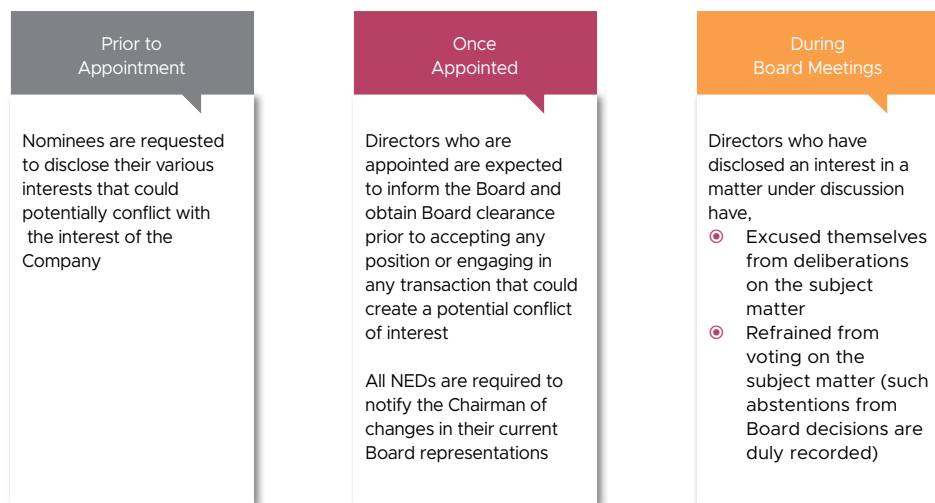
The Board has delegated some of its functions to the Audit Committee while retaining the final right to accept the recommendations made by the Committee. The Audit Committee is chaired by an Independent Director appointed by the Board.

## CONFLICTS OF INTEREST AND INDEPENDENCE

Each Director holds continuous responsibility to determine whether he

or she has a potential or actual conflict of interest arising from external associations, interests or personal relationships in material matters which are considered by the Board from time to time.

In order to mitigate any potential or actual conflict of interest or independence of Directors throughout the term of their membership on the Board, the Company has adopted the following processes:



Details of companies in which Board members hold Board or Board Committee membership is available with the Company for inspection by shareholders on request.

## BOARD MEETINGS, AGENDA AND ATTENDANCE

There were four (4) Board meetings during the financial year 2016/2017. During the meetings, the Chairman of the Board appropriately allocated time for Directors to carefully review and discuss all relative information. There were also written minutes that were made available for verification and approved by the Board. All Directors have access to Keells Consultants [Private] Limited who act as Company Secretaries for advice on relevant matters. The Chairman ensured that all Board proceedings were conducted in a proper manner, approving the agenda for each meeting prepared by the Board Secretary. The typical Board agenda in 2016/2017 was;

- ⊙ Confirmation of previous minutes
- ⊙ Matters arising from the previous minutes
- ⊙ Board Sub-Committee reports and other matters exclusive to the Board
- ⊙ Status updates of major projects
- ⊙ Review of performance – in summary and in detail, including high-level commentary on actuals and outlook
- ⊙ Approval of quarterly and annual financial statements
- ⊙ Ratification of capital expenditure and donations
- ⊙ Ratification of the use of the Company seal
- ⊙ Ratification of Circular resolutions
- ⊙ New resolutions
- ⊙ Any other business



The Board of Asian Hotels and Properties PLC met once every quarter and the Directors' attendance is shown in the table given below:

Attendance at Board Meetings					
Name of Director	26-04-2016	29-07-2016	28-10-2016	30-01-2017	Meetings Attended
Mr. S.C. Ratnayake	√	√	√	√	4/4
Mr. A.D. Gunewardene	√	√	√	√	4/4
Mr. J.R.F. Peiris	√	√	√	√	4/4
Mr. R.J. Karunarajah	√	√	√	√	4/4
Mr. S. Rajendra	√	√	√	√	4/4
Mr. C.J.L. Pinto	√	√	-	√	3/4
Mr. S.K.G. Senanayake	√	√	√	√	4/4
Mrs. S.A. Jayasekara	√	√	√	√	4/4
Mr. K. N. J. Balendra (appointed on 01st April 2016)	√	√	√	√	4/4

## FINANCIAL GUIDANCE

The Board of Directors consists of four senior qualified Accountants with significant experience in the corporate sector, who possess the necessary knowledge to offer the Board guidance on matters of finance. These Directors add substantial value and independent judgment on the decision making of the Board on matters concerning finance and investments.

## TIMELY SUPPLY OF INFORMATION

All Directors are fully briefed on important developments in the various business activities of the Company. The Directors have access to;

- External and internal auditors
- Experts and other external professional advisory services
- Senior managers under a structured arrangement
- Information as is necessary to carry out their duties and responsibilities effectively and efficiently
- Periodic performance reports

- Information updates from Management on topical matters, new regulations and best practices as relevant to the Company's businesses
- The services of the Company Secretary

## BOARD EVALUATION

The Board conducted its annual Board performance appraisal for the financial year 2016/17. This formalised process of individual appraisal enabled each member to self-appraise on an anonymous basis, the performance of the Board under the areas of:

- Role clarity and effective discharge of responsibilities
- People mix and structures
- Systems and procedures
- Quality of participation
- Board image

The scoring and open comments were collated by the Independent Director, and the results were analysed to give the Board an indication of its effectiveness as well as areas that required addressing and/or strengthening.

## BOARD SECRETARY

Keells Consultants (Private) Limited functions as the Secretaries and Registrars of the Company and provide the Secretarial input for the Board proceedings in addition to maintaining Board minutes and Board records.

## TENURE, RETIREMENT AND RE-ELECTION OF DIRECTORS

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

The tenure of office for Non-Independent Directors is limited by their prescribed Company retirement age.

Independent Directors, on the other hand, can be appointed to office for three consecutive terms of three years, which however, is subjected to the age limit set by statute at the time of re-appointment following the end of a term.

The proposal for the re-appointment of Directors is set out in the Directors Report as well as the Notice of Meeting on page 158 of this Report.

## BOARD SUB-COMMITTEES

The Board has delegated some of its functions to sub-committees, while retaining final decision rights. Members of these sub-committees are able to focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise.

Of the four committees mentioned below, other than the Audit Committee and Nomination Committee, the Board sub-committees of the ultimate Parent Company, John Keells Holding PLC (JKH), functions as the sub-committees

of the Company and its subsidiaries as permitted by the listing rules of the CSE.

1. Audit Committee
2. Nominations Committee
3. Human Resources and Compensation Committee
4. Related Party Transaction Review Committee

### AUDIT COMMITTEE

#### Role of the Committee

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities for the integrity of the Financial Statements of the Company, the internal control and risk management systems of the Company and its compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence, and the adequacy and performance of the internal audit function, which at the parent company (JKH) is termed Group Business Process Review Division (Group BPR). This is detailed in the terms of reference of the Committee which has been approved by the Board and is reviewed annually.

The effectiveness of the Committee is evaluated annually by each member of the Committee and the results are communicated to the Board.

### COMPOSITION OF THE COMMITTEE AND MEETINGS

The Audit Committee comprises of three Independent Non-Executive Directors. As prescribed in the Listing Rules of CSE. The Chairman of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka with several years of experience in financial auditing and accounting.

Four (4) meetings were held during the year. The Executive Directors and Senior Management of Cinnamon Grand

Colombo and Crescat Property Division attend the Audit Committee meetings by invitation. Further the representatives of the Internal Auditors (Messrs. PricewaterhouseCoopers (Private) Limited), John Keells Group Business Process Review Division and the External Auditors Messrs. KPMG, Chartered Accountants also attend the Audit Committee meetings by invitation. The Audit Committee performs an important monitoring function in the overall governance of the Company.

The Committee reviews the following;

- Procedures for identifying business risks and controlling their financial impact on the Group and the operational effectiveness of the policies and procedures related to risk and control

- The appointment, remuneration, qualifications, independence and performance of the External Auditor and the integrity of the audit process as a whole
- Budgeting and forecasting systems, financial reporting systems and controls
- Procedures for ensuring compliance with relevant regulatory and legal requirements
- Arrangements for protecting intellectual property and other non-physical assets
- Overseeing the adequacy of the internal controls and allocation of responsibilities for monitoring internal financial controls
- Policies, information systems and procedures for preparation and dissemination of information to shareholders, stock exchanges and the financial community.

### ATTENDANCE AT BOARD AUDIT COMMITTEE MEETINGS

Name of Director	25-04-2016	26-07-2016	26-10-2016	26-01-2017	Meetings Attended
Mr. C.J.L. Pinto	√	√	√	√	4/4
Mr. S.K.G. Senanayake	√	√	√	√	4/4
Mrs. S.A. Jayasekara	√	√	√	√	4/4

### NOMINATIONS COMMITTEE

The Parent Company, John Keells Holdings PLC (JKH) functioned as the Nomination Committee of Asian Hotels and Properties PLC and its Subsidiary until Asian Hotels and Properties PLC formed its Nominations Committee for the Company with effect from the 01st December 2015.

The Nominations Committee is a sub-committee of the Board of Directors. The Committee is accountable to the Board of Directors, to whom it makes its recommendations for approval. The Committee will undertake an annual self-review of its objectives and responsibilities. Such objectives and responsibilities will also be reviewed by the Board of Director and any other person the Board considers appropriate

The Nominations Committee of the Company comprised of two Independent Directors and one Non-Independent Director, namely:

- Mr. S.K.G. Senanayake - Chairman
- Mr. S.C. Ratnayake - (Non-Independent)
- Mrs. S.A. Jayasekara

**ROLE AND PURPOSE**

The objectives of the Nominations Committee are:

- ◉ To regularly review the skills composition of the AHPL Board against the current and emerging needs and make recommendations to the Parent (JKH PLC) Nominations Committee regarding any changes to the status quo
- ◉ To ratify the appointments made by the Parent (JKH PLC) Nominations Committee to the AHPL Board
- ◉ To define and establish a nomination process of non-executives directors to the Boards of its subsidiaries
- ◉ To make recommendations to the Board in respect of all new Board appointments (and re-election of those retiring in terms of the Articles) to its subsidiaries

**SCOPE**

- ◉ Regularly review the structure, size, composition and competencies, including the skills, knowledge and experience), of the Board and make recommendations to the Board with regard to any changes;
- ◉ Ensure that on appointment to the Board, directors receive a formal letter of appointment
- ◉ Ensure that every appointee undergoes an induction to the organisation
- ◉ Appointment of the chairperson and Executive Directors shall be the collective decision of the Board.
- ◉ The Committee is authorised by the Board to seek appropriate professional advice from within and outside the Company as and when it considers necessary
- ◉ Assess the skills required by the subject subsidiary Boards, given the current and emerging needs of the business;

- ◉ Consider the making of any appointments or re-appointment to the Boards of its subsidiaries;
- ◉ Provide advice and recommendations to the Board or the Chairman (as the case may be) on any such appointment;

**OPERATING PRACTICES**

- ◉ Any two Non-Executive Directors of whom one shall be independent, shall constitute a quorum and be competent to transact the affairs of the Committee
- ◉ The Committee may adopt such rules and regulations as it deems appropriate for the conduct of its affairs, provided that they are not inconsistent with this Charter as approved by the Board. Meetings shall be summoned under the name of the Chairman, or if he is incapacitated or unavailable, by any other Committee member
- ◉ The Committee shall meet when there is a perceived need to transact business in terms of its mandate.

Notwithstanding the same, the Committee should meet at least twice a year. "Telephonic" presence, and presence facilitated by other technology, at a Committee meeting is considered equivalent to physical presence

- ◉ The Committee shall keep minutes of its proceedings and those minutes shall be tabled at the next Board meeting
- ◉ The Chairman of the Committee shall report to the Board, every quarter, the discussions had and decisions taken. The tabling of the minutes of the Committee Meeting, where appropriate, will be sufficient compliance with this requirement
- ◉ The Chairman of the Committee will present an annual report to the Board of Directors summarising the Committee's activities during the year and any related results and findings
- ◉ A member of the Nominations Committee should not participate in decisions relating to his/her own appointment

Nominations Committee attendance during the subject period was;

With effect from 1st December 2015

Name of Director	28-07-2016	Meeting Attended
Mr. S. K. G. Senanayake	√	1/1
Mr. S. C. Ratnayake	√	1/1
Mrs. S. A. Jayasekara	√	1/1

## HUMAN RESOURCES AND COMPENSATION COMMITTEE

As permitted by the Listing Rules of the CSE, the Human Resources and Compensation Committee of JKH, the Parent Company of Asian Hotels and Properties PLC functions as the Human Resources and Compensation Committee of the Company and its Subsidiary. The Human Resources and Compensation Committee of JKH comprise of three Non-Executive Independent Directors.

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

The remuneration policy adopted by the Company as recommended by the Human Resources and Compensation Committee of its Parent Company, JKH is formulated to attract and retain high calibre executives and motivate them to develop and implement the business strategy in order to optimise long-term shareholder value creation. The customised “pay for performance scheme” continues to apply for all Company employees based on the pillars of individual performance and organisational performance. The remuneration package for all employees at Assistant Manager level and above is based on organisational performance and individual performance. However, in respect of the Executive level and below, the employees scheme operates purely on the basis of individual performance.

## RELATED PARTY TRANSACTION REVIEW COMMITTEE

As required by the SEC under its Code of Best Practice for Listed Companies, the Related Party Transaction Review Committee was formed at the Parent Company level with effect from the 01st April 2014. The Parent Company Level Committee will act on behalf of the Company, as permitted by the

Listing Rules of the Colombo Stock Exchange, with the intention of ensuring, on behalf of the Board, that all related party transactions of JKH and its listed subsidiaries are consistent with the Code of Best Practices on Related Party Transactions issued by the SEC.

In very broad terms, the scope of this sub-committee is:

- (i) Developing and recommending for adoption by the Board of Directors of JKH and its listed subsidiaries, a Related Party Transaction Policy consistent with that proposed by the SEC and is in synchronisation with the Operating Model and the delegated Decision Rights of the Group.
- (ii) Updating the Board of Directors on the related party transaction of each of the listed companies of the Group on a quarterly basis.

This committee of JKH comprises three Non-Executive Independent Directors and one Executive Non-Independent Director. The Head of Group Business Process Review will operate as the secretary to this committee.

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

## BOARD REMUNERATION

### Remuneration for Non-Executive, Non-Independent Directors

Compensation for Non-Executive Directors, Non-Independent Directors [NED/NIDs] is determined by reference to fees paid to other NED/NIDs of comparable companies. Director fees applicable to Non-Executive Directors nominated by JKH are paid directly to the Company and not to individuals.

### Remuneration for Non-Executive, Independent Directors

Compensation for Non-Executive, Independent Directors (NED/IDs) is determined by reference to fees paid to other NED/IDs of comparable companies. NED/IDs receive a fee for devoting time and expertise for the benefit of the Company. Nevertheless, NED/IDs fees are not time bound or defined by a maximum/minimum number of hours committed to the Group per annum and hence is not subject to additional/lower fees for additional/lower time devoted. NED/IDs do not receive any performance/incentive payments.

The Company does not have an employee share option scheme. However Employee Share Option Plans of the parent company, JKH are offered at defined career levels based on pre-determined criteria which are uniformly applied across the eligible levels and performance levels.

Total aggregate of Non-Executive Director Remuneration for the year was Rs. 5,400,000.

### Remuneration for Executive and Non-Independent Directors

The remuneration of Executive Directors is determined as per the remuneration principles of the JKH Group. The Human Resources and Compensation Committee conducted a market survey of Executive Director Remuneration with a view to assessing the appropriateness of compensation with market benchmarks. Having taken into account the complexities associated with the Group, it was established that the compensation is in-line with the market.

The Executive Directors, like other eligible employees, have received



employee shares option based on role responsibility and actual performance. Accordingly the number of options so awarded was recommended to the Board by Human Resources and Compensation Committee.

Total aggregate Executive Director Remuneration for the year was Rs. 57,182,484.

## ACCOUNTABILITY AND ASSURANCE

### System of Internal Controls

The Board has overall responsibility for the system of internal control. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Company continues to stress on the importance of strong internal control throughout the organisation. Written responsibilities, authority delegation and management controls have been adopted to create transparency for utilisation of the Company's resources and to distinguish the duties of staff and controllers in order to ensure that proper verification and monitoring processes are in place.

The Company further maintains a system of internal controls, which is designed to safeguard its assets from identified risks, while ensuring that all transactions are duly authorised, recorded and reported. Key systems and rules relating to delegation of authority are formalised and documented.

As a member of the John Keells Group, the Company is now part of a comprehensive planning and monitoring process. The Annual Plans and Budgets are developed by the Company along with a reforecast after six months. Strategic priorities and key drivers are pre-identified and tracked on a monthly basis.

During the financial year under review, following tasks were performed by the Group Business Process Review Division and outsourced internal auditors to ensuring the existence of effective internal controls;

- Group-wide initiative to strengthen the existing Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP). All Heads of Department were encouraged to re-visit their BCPs in confirming that such plans were up-to-date and relevant to the current working environment
- New methods of data analytics were carried out using sophisticated tools where the entire data population was analysed (as opposed to analysing a sample) in identifying exceptions and irregularities
- Implemented across the Group, process improvements stemming from the findings of internal audits
- The existing SAP SOX processes were reviewed and updated to ensure compliance with Sarbanes Oxley Act of 2002 – Section 404
- Strengthened the management reporting on internal controls to facilitate better decision making.
- Carried out frequent surprise cash counts across the Group

## RISK REVIEW

The Board is responsible for the formulation of the appropriate systems of internal controls for the Group and ensuring its effectiveness. The Board is fully conscious that any internal control system contains inherent limitations and no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human errors, losses, fraud or other irregularities. The Board has therefore taken appropriate action to minimise such situations.

There is a continuous process for identifying, evaluating and managing the significant risks faced by the Company which has been in place during the financial year and up to the date of approval of the Annual Report and Accounts. The Board regularly reviews this process.

Certain aspects of its business operation may expose the Company to both internal and external risks. The Company recognises the importance of controlling these risks and minimising the possibility of any negative impact to the Company. The Company is using the Business Risk Management (BRM) process which is established by JKH to identify both financial and operational risks. It endeavours to ensure the control systems designed to safeguard the Company's assets and maintain proper accounting records that facilitate the production and availability of reliable information are in place and are functioning as planned.

## Investment Appraisal Process and Investment Decisions

Over the years, the Company has refined the process of investment appraisal which ensures the involvement of the relevant persons when capital investment decisions are made. In this manner, several views, opinions and advices 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 most of the time culminated a good result. All investment decisions are routed through a committee structure which safeguards against one individual having unfettered decision-making powers in such decisions.

## Operations, Planning, Monitoring and Decision Rights

The responsibility for monitoring plans has been entrusted to the Managing Agents. The achievement of annual plans as well as ensuring compliance with Group policies and guidelines rests with the President, Sector Head/General Manager and functional department heads of the respective business units to whom appropriate decision rights have been granted in order to execute operational and financial decisions within their purview.

## MONITORING OF FINANCIAL AND OPERATIONAL DATA

- Financial results and key operational performance indicators are evaluated against the Annual Plan and subsequent reforecast on a monthly basis at all levels of management
- The Board reviews the financial results on a quarterly basis
- The IT systems in place facilitate the online display of information relevant to the needs of hotel managers and functional heads pertinent to their areas of responsibility

## INFORMATION TECHNOLOGY GOVERNANCE

The Company Information Technology (IT) Governance Policy has evolved in line with the Group's IT Governance Policy in the last year to deliver and embrace new technologies which have aligned with the overall business objective of the Group. This evolution occurred as the Company discerned the competitive advantage gained and the enhancement of business value which came about through the skillful alignment of IT with its business objectives and the prudent management of its IT resources. The Company has always been a step ahead in embracing emerging technologies and systems, consistently investing in developing its IT infrastructure. Continuous focus on

cutting-edge technology has ensured greater reliability of IT systems and has shortened information delivery times to both internal and external stakeholders.

The IT governance system, in particular, was closely reviewed during the year towards ensuring the following:

- Leverage IT as a strategic asset
- Ensure agility, in view of the fast changing technology
- Establish the right balance between business needs and IT enablement
- Ensure that all IT investments have a quantifiable (or visible) business return
- Ensure a strong IT governance and regulatory framework through a coherent set of policies, processes and adoption of best practices in line with world class organisations, but always keeping in mind business returns
- Ensure that e-enabled platforms are regularly reviewed for 'internal control effectiveness' through SOX methodology of process flow analysis

## HUMAN RESOURCE GOVERNANCE (PERFORMANCE MANAGEMENT)

The Performance Management System (PMS) continued to evolve positively in catering to, and fashioning, employee empowerment in meeting current and emerging needs.

Following linkages of PMS were further strengthened:

- Learning and development
- Career development
- Succession planning
- Talent management
- Reward and recognition
- Compensation and benefits

## MANAGEMENT COMMITTEE

The Hotel and Property divisions of Asian Hotels and Properties PLC have two separate Management Committees

consisting of Sector Head of the City Hotel, President of the Property Division and other key managers of divisions in order to discuss matters pertaining to strategy and operations.

Strategic risks and opportunities arising from changes in our business environment are regularly reviewed by the Group Management Committee (GMC) of the Hotel and Property divisions at the meetings held monthly. The role of the GMC is to provide the necessary guidance and direction to the Company on matters that are strategic and long-term in nature or have the potential to significantly impact the division's performance and reputation and to make decisions on key business-wide policies, including operational policies, internal controls, the Human Resources Strategy and the Risk Management Policy.

## INTERNAL AUDITORS

Quarterly Audits are conducted by the Company's Internal Auditors, Messrs. PricewaterhouseCoopers (Private) Limited, a firm of Chartered Accountants. The role of the internal audit team is to determine whether risk management, control and governance processes are adequate and functioning. The Internal Audit function is independent of the External Auditor.

The reports arising out of such audits are, in the first instance, considered and discussed at the business/functional unit levels and after review by the respective President/CEO of the Company and the Subsidiary are forwarded to the Audit Committee on a regular basis. Further, the Audit Committee also assesses the effectiveness of the risk review process and systems of internal control on a regular basis. Follow-ups on internal audits are done on a structured basis.

Relevant risks and vulnerabilities of the Company are identified and promptly brought to the attention of the Management, facilitating corrective and preventive measures to be taken in a timely manner.

Additionally, a technically strong Management Audit function aligned with the Company's strategies adds value in a variety of ways, including –

- Providing an independent opinion on the integrity, reliability and relevance of management information
- Assessing the adequacy of controls over the protection of assets and management of liabilities
- Reviewing compliance with corporate policies and external regulations
- Reducing the risk of fraud

## GOING CONCERN AND FINANCIAL REPORTING

The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future. In the unlikely event that the net assets of the Company fall below a half of shareholders' funds, shareholders would be notified and an extraordinary resolution passed on the proposed way forward.

The going concern principle has been adopted in preparing the Financial Statements. All statutory and material declarations are highlighted in the Annual Report of the Board of Directors. Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLAS), including all the new standards introduced during the financial year and comply with the requirements of the Companies Act No. 07 of 2007.

Information in the Financial Statements of the Annual Report are supplemented by a detailed 'Management Discussion

and Analysis' from pages 11 to 42 which explains to shareholders the strategic, operational, investment and risk related aspects of the Company that have translated into the reported financial performance and are likely to influence future results.

The Statement of Directors' Responsibilities in relation to financial reporting is given on page 84 of the Annual Report. The Directors' interests in contracts of the Company are addressed on page 76 of the Annual Report.

The Directors have taken all reasonable steps in ensuring the accuracy and timeliness of published information and in presenting an honest and balanced assessment of results in the quarterly and annual Financial Statements. Price sensitive information has been disclosed to the Colombo Stock Exchange, shareholders and the press in a timely manner and in keeping with the regulations.

## SRI LANKA FINANCIAL REPORTING STANDARDS (SLFRS)

Living by the Company's philosophy of good governance and reporting, the Financial Statements for year 2016/17 have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

## COMPLIANCE WITH LEGAL REQUIREMENTS

Compliance with legal requirements and Group-internal rules are significant elements of Corporate Governance for the management of Asian Hotels and Properties PLC. The Board of Directors to the best of their knowledge and

belief are satisfied that the Company has not engaged in any activity which contravenes laws and regulations and all financial obligations due to the Government and to the employees have been either duly paid or adequately provided for in the Financial Statements.

## SECURITIES TRADING POLICY

JKH's Securities Trading Policy prohibits all employees and agents engaged by Asian Hotels and Properties PLC who are aware of unpublished price sensitive information from trading in Asian Hotels and Properties PLC shares or the shares of other companies in which the Company presently has business interests.

## EXTERNAL AUDIT

Messrs. KPMG serves as the external auditors of the Company.

The audit fees paid by the Company and Group to Messrs. KPMG are separately classified on page 98 in the Notes to the Financial Statements of the Annual Report.

The Auditors' Report on the Financial Statements of the Company for the year under review is found on page 85 of the Annual Report.

The Company has attempted always to separate the internal auditors from the external auditors in order to maintain external auditor independence.

The appointment/re-appointment of these auditors were recommended by the Audit Committees to the Board of Directors.

## EMPLOYEE PARTICIPATION IN ASSURANCE

The following meetings, interviews, evaluations and surveys were conducted during the year:

- ⦿ Skip Level meetings
- ⦿ Exit interviews
- ⦿ Young forum meetings
- ⦿ 360 degree evaluation
- ⦿ Great Place to Work survey
- ⦿ Voice of Employee survey

## WHISTLEBLOWER POLICY

Through a communication link named 'Chairman Direct', concerns about unethical behaviour and any violation of Group values could be reported by any employee of the Company to the Chairman of JKH. Employees reporting such incidents are guaranteed complete confidentiality and such complaints are investigated and addressed via a select committee under the direction of the Chairman.

## OMBUDSPERSON

In order to deal with a situation in which an employee or group of employees feel that an alleged violation has not been addressed satisfactorily using the available/existing procedures and processes, an Ombudsperson has been appointed by JKH being the ultimate Parent Company to entertain such concerns.

The findings and the recommendations of the Ombudsperson arising subsequent to an independent inquiry is confidentially communicated to the Chairman/CEO or to the Senior Independent Director upon which the involvement duty of the Ombudsperson ceases.

On matters referred to him by the Ombudsperson, the Chairman/CEO or the Senior Independent Director, as the case may be, will place before the Board:

- i. the decision and the recommendations
- ii. action taken based on the recommendations

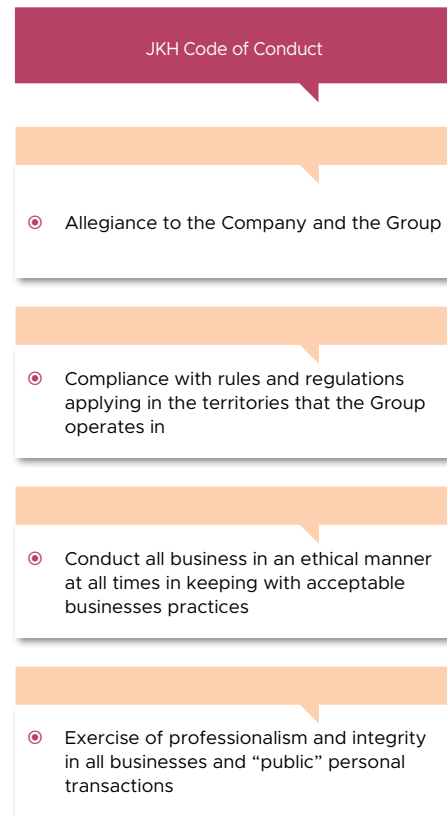
- iii. where the Chairman/CEO or the Senior Independent Director disagrees with any or all of the findings and or the recommendations thereon, the areas of disagreement and the reasons therefore.

In situation (iii) the Board is required to consider the areas of disagreement and decide on the way forward. The Chairman-CEO or the Senior Independent Director is expected to take such steps as are necessary to ensure that the complainant is not victimised, in any manner, for having invoked this process.

These open door policies facilitate constant dialogue, communication, transparency and ultimately boost employee confidence, which would help retain existing talent whilst attracting new.

## THE CODE OF CONDUCT

The written Code of Conduct to which all employees at all levels and the Board of Directors are bound by engraves the desired behaviour of JKH staff at executive level and above. This is being constantly and rigorously monitored. The objectives of the Code of Conduct were further affirmed by a strong set of corporate values which were well institutionalised at all levels within the Group and thus the Company through structured communication. The degree of employee conformance with corporate values and their degree of adherence to the JKH Code of Conduct were the key elements of reward and recognition schemes.



The Chairman of the Board affirms that there have not been any material violations of any of the provisions of the Code of Conduct. In the instances where violations did take place, or were alleged to have taken place, they were investigated and handled through the Company's established procedures.

## SHAREHOLDER RELATIONS

The Company shareholders exercise their rights at the Annual General Meeting. Each resolution brought before the shareholders at the Annual General Meeting is voted on separately by the shareholders.

The notice of the Annual General Meeting and the relevant documents required are published and sent to the shareholders within the statutory periods. The Company circulates the agenda for the meeting and shareholders vote on each issue separately.

All shareholders are invited and encouraged to be present, actively participate and vote at the Annual General Meeting. The Annual General Meeting provides an opportunity for Shareholders to seek and obtain clarifications and information on the performance of the Company and to informally meet the Directors after the Annual General Meeting. The External Auditors and the Company's lawyers are invited too and are present at the Annual General Meeting to render any professional assistance that may be requested. Shareholders who are not in a position to attend the Annual General Meeting in person are entitled to have their voting rights exercised by a proxy of their own choice.

## ROLES OF STAKEHOLDERS

The Company realises the importance of ensuring that all stakeholders' rights are properly observed. Pertinent procedures are carried out in line with the rules and regulations of the CSE, as well as the related laws.

**Shareholders:** The Company is committed to create long-term growth and returns to the shareholders and to conduct its business in a transparent manner.

**Customers:** The Company is committed to continuously develop better quality of goods and services for the benefit and satisfaction of its customers.

**Partners:** The Company treats all partners fairly in order to achieve mutual benefits.

**Creditors:** The Company observes all of its obligations to creditors.

**Competitors:** The Company abides by the framework of fair competition

and will not destroy the reputation of competitors through false accusations.

**Employees:** The Company considers its employees, valuable assets and treats them fairly in regard to work opportunities, remuneration and quality of working environment. The Company also provides all its employees professional and career development training.

**Society and Environment:** The Company is committed to conduct businesses that benefits the economy, society and quality of environment. The Parent Company of Asian Hotels and Properties PLC has established the Corporate Social Responsibility (CSR) Department to promote to the Company's staff the importance of the CSR objectives to achieve balanced benefits relating to society, the environment and all stakeholders in harmony with the Company's sustainable growth objectives.

## MAJOR TRANSACTIONS

The Directors ensure that any corporate transaction that would materially affect the net asset base of the Company are communicated to shareholders. There were no major transactions as defined under Section 185 of the Companies Act No. 07 of 2007 during the year under review.

## GOING FORWARD

The Board is committed to the highest standards of Corporate Governance in order that the Company shall achieve its long term sustainable growth objectives. The Board is accountable to the Company's shareholders for good governance in its management of the affairs of the Company. The Board confirms that the Company was fully compliant throughout the year ended

31st March 2017 with all the principles and provisions of the good Corporate Governance and the Code of Business Conduct and Ethics.

The Company's approach to Corporate Governance enables it to understand the expectations of stakeholders, forecast trends in social, environmental and ethical requirements and to manage the Company's performance in an appropriate manner.

While the Board is satisfied with its level of compliance with the governance requirements, it recognises that practices and procedures can always be improved, and there is merit in continuously reviewing its own standards. The Board's programme of review will continue throughout the year ahead.

## REGULATORY BENCHMARKS

The Board of Directors has taken all reasonable steps to ensure that all Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by ICASL and the requirements of the CSE and other applicable authorities.

The Company and its subsidiary are fully compliant with all the mandatory rules and regulations stipulated by the Corporate Governance Listing Rules published by the CSE and also by the Companies Act No. 07 of 2007. The Group has also given due consideration to the Best Practice on Corporate Governance Reporting guidelines jointly set out by ICASL and the SEC and has voluntarily adopted the relevant provisions as far as is practicable.



Statement of Compliance under Section 7.10 of the Rules of the Colombo Stock Exchange (CSE) on Corporate Governance  
(Mandatory provisions – fully complied)

Compliant ✓ Non-Compliant ✕

CSE Rule No.	Subject	Compliance Requirement	Compliance Status	Applicable Section in the Annual Report
7.10 (a-c)	Compliance	<ul style="list-style-type: none"> <li>The Group is in compliance with the Corporate Governance Rules and any deviations are explained where applicable</li> </ul>	✓	Corporate Governance
7.10.1 (a-c)	Non-Executive Directors	<ul style="list-style-type: none"> <li>Two or at least one-third of the total number of Directors should be Non-Executive Directors, whichever is higher</li> </ul>	✓	Corporate Governance
7.10.2(a)	Independent Directors	<ul style="list-style-type: none"> <li>Two or one-third of Non-Executive Directors, whichever is higher, should be independent</li> </ul>	✓	Corporate Governance
7.10.2(b)	Independent Directors	<ul style="list-style-type: none"> <li>Each Non-Executive Director should submit a declaration of independence/Non-Independence in the prescribed format</li> </ul>	✓	Available with the Secretaries for review
7.10.3(a)	Disclosure relating to Directors	<ul style="list-style-type: none"> <li>The Board shall annually determine the independence or otherwise of the Non-Executive Directors</li> <li>Names of the Independent Directors should be disclosed in the Annual Report</li> </ul>	✓	Corporate Governance
7.10.3(b)	Disclosure relating to Directors	<ul style="list-style-type: none"> <li>The basis for the Board's determination of Independent Director, if criteria specified for Independence is not met</li> </ul>	✓	Corporate Governance
7.10.3(c)	Disclosure relating to Directors	<ul style="list-style-type: none"> <li>A brief resumé of each Director should be included in the Annual Report and should include the Directors areas of expertise</li> </ul>	✓	Board of Directors (profile) section in the Annual Report
7.10.3(d)	Disclosure relating to Directors	<ul style="list-style-type: none"> <li>Provide a brief resumé of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Colombo Stock Exchange</li> </ul>	✓	Corporate Governance
7.10.4 (a-h)	Criteria for defining Independence	<ul style="list-style-type: none"> <li>Requirements for meeting criteria to be Independent</li> </ul>	✓	Corporate Governance
7.10.5	Human Resources and Compensation Committee	<ul style="list-style-type: none"> <li>A listed Company shall have a Remuneration Committee. The Remuneration Committee of the listed Parent Company may function as the Remuneration Committee</li> </ul>	✓	Corporate Governance
7.10.5(a)	Composition of Human Resources and Compensation Committee	<ul style="list-style-type: none"> <li>Shall comprise of Non-Executive Directors, a majority of whom will be Independent</li> </ul>	✓	Corporate Governance
7.10.5.(b)	Functions of Human Resources and Compensation Committee	<ul style="list-style-type: none"> <li>The Human Resources and Compensation Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors</li> </ul>	✓	Corporate Governance

CSE Rule No.	Subject	Compliance Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.5.(c)	Disclosure in the Annual Report relating to Human Resources and Compensation Committee	<ul style="list-style-type: none"> <li>Names of Directors comprising the Human Resources and Compensation Committee</li> <li>Statement of Remuneration Policy</li> <li>Aggregated remuneration paid to Executive and Non-Executive Directors</li> </ul>	<div>✓</div> <div>✓</div>	Corporate Governance and the Board of Directors Reports
7.10.6	Audit Committee	<ul style="list-style-type: none"> <li>The Company shall have an Audit Committee</li> </ul>	✓	Corporate Governance
7.10.6(a)	Composition of Audit Committee	<ul style="list-style-type: none"> <li>Shall comprise of Non-Executive Directors a majority of whom will be Independent</li> <li>A Non-Executive Director shall be appointed as the Chairman of the Committee</li> <li>General Manager, President and Financial Controller should attend Audit Committee Meetings</li> <li>The Chairman of the Audit Committee or one member should be a member of a professional accounting body</li> </ul>	<div>✓</div> <div>✓</div> <div>✓</div> <div>✓</div>	Corporate Governance and the Board of Directors Reports
7.10.6(b)	Audit Committee Functions	<p>Overseeing of the</p> <ul style="list-style-type: none"> <li>Preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS)</li> <li>Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements</li> <li>Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards</li> <li>Assessment of the independence and performance of the external auditors</li> <li>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</li> </ul>	<div>✓</div> <div>✓</div> <div>✓</div> <div>✓</div> <div>✓</div>	Corporate Governance and the Board of Directors Reports
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	<ul style="list-style-type: none"> <li>Names of Directors comprising the Audit Committee</li> <li>The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination</li> <li>The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions</li> </ul>	<div>✓</div> <div>✓</div> <div>✓</div>	Corporate Governance and the Audit Committee Report

Code of Best Practice of Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA-Sri Lanka)

Compliant ✓ Non-Compliant ✕

Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
<b>A. Directors</b>				
<b>A.1 The Board</b>				
A.1	The Board	<ul style="list-style-type: none"> <li>Company to be headed by an effective Board to direct and control the Company</li> </ul>	✓	Corporate Governance
A.1.1	Frequency of Board Meetings	<ul style="list-style-type: none"> <li>Board should meet regularly, at least once in every quarter</li> </ul>	✓	Corporate Governance/ Annual Report of the Board of Directors
A.1.2	Responsibilities of the Board	<ul style="list-style-type: none"> <li>Formulation and implementation of strategy</li> <li>Skill adequacy of management and succession</li> <li>Integrity of information, internal controls and risk management</li> <li>Compliance with laws, regulations and ethical standards</li> <li>Code of conduct</li> <li>Adoption of appropriate accounting policies</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> </ul>	Corporate Governance
A.1.3	Act in accordance with laws of the country and access to professional advice	<ul style="list-style-type: none"> <li>Procedure to obtain independent professional advice when deemed necessary</li> </ul>	✓	Corporate Governance
A.1.4	Company Secretary	<ul style="list-style-type: none"> <li>Ensure adherence to Board procedures and applicable rules and regulations</li> <li>Procedure for Directors to access services and advice of Company Secretary</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> </ul>	Corporate Governance
A.1.5	Independent Judgment	<ul style="list-style-type: none"> <li>Directors should exercise independent judgment on issues of strategy, resources, performance and standards of business judgment</li> </ul>	✓	Corporate Governance
A.1.6	Dedication of adequate time and effort by Directors	<ul style="list-style-type: none"> <li>Directors should devote adequate time and effort to discharge their responsibilities to the Company satisfactorily</li> </ul>	✓	Corporate Governance
A.1.7	Board and training	<ul style="list-style-type: none"> <li>Directors should receive appropriate induction, training, hone skills and expand knowledge to more effectively perform duties</li> </ul>	✓	Corporate Governance
<b>A.2 Chairman and Chief Executive Officer</b>				
A.2.1	Justification for combining the roles of the Chairman and the CEO	<ul style="list-style-type: none"> <li>A balance of power and authority to be maintained by separating responsibility for conducting Board business from that of executive decision making</li> </ul>	✓	Corporate Governance
<b>A.3 Chairman's Role</b>				
A.3.1	Ensure good corporate governance	<ul style="list-style-type: none"> <li>Chairman to preserve order and facilitate effective discharge of Board functions by proper conduct of Board meetings</li> </ul>	✓	Corporate Governance

Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
<b>A.4 Financial Acumen</b>				
A.4.1	Possession of adequate financial acumen	<ul style="list-style-type: none"> <li>Board to ensure adequacy of financial acumen and knowledge within the Board</li> </ul>	✓	Corporate Governance
<b>A.5 Board Balance</b>				
A.5.1	Composition of Board	<ul style="list-style-type: none"> <li>The Board should include a sufficient number of Non-Executive Independent Directors</li> </ul>	✓	Corporate Governance
A.5.2	Proportion of Independent Directors	<ul style="list-style-type: none"> <li>Two or one-third of the Non-Executive Directors should be independent</li> </ul>	✓	Corporate Governance
A.5.3	Definition of Independence	<ul style="list-style-type: none"> <li>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 judgment</li> </ul>	✓	Corporate Governance
A.5.4	Declaration of Independence	<ul style="list-style-type: none"> <li>Non-Executive Directors should submit a signed and dated declaration of their independence/non-independence</li> </ul>	✓	Corporate Governance/ Annual Report of the Board of Directors
A.5.5	Annual determination of criteria of independence/non-independence and declaration of same by Board	<ul style="list-style-type: none"> <li>The Board should annually determine and disclose the names of Directors deemed to be Independent</li> </ul>	✓	Corporate Governance
A.5.6	Appointment of an alternate Director	<ul style="list-style-type: none"> <li>If an alternate Director is appointed by a Non-Executive Director, such alternate Director should not be an executive of the company</li> </ul>	N/A	
A.5.7	Appointment of Senior Independent Director (SID)	<ul style="list-style-type: none"> <li>If the roles of Chairman/CEO are combined, a Non-Executive Director should be appointed as a Senior Independent Director</li> </ul>	N/A	
A.5.8	Availability of Senior Independent Director to other Directors	<ul style="list-style-type: none"> <li>If warranted, the SID should be available to the other Directors for confidential discussions</li> </ul>	N/A	
A.5.9	Interaction between Chairman and Non-Executive, Independent Directors	<ul style="list-style-type: none"> <li>The Chairman should meet the Non-Executive Independent Directors at least once a year</li> </ul>	✓	Corporate Governance
A.5.10	Directors concerns to be recorded	<ul style="list-style-type: none"> <li>When matters are not unanimously resolved, Directors to ensure their concerns are recorded in Board minutes</li> </ul>	N/A	
<b>A.6 Supply of Information</b>				
A.6.1	Provision of adequate information to Board	<ul style="list-style-type: none"> <li>Management to ensure the Board is provided with timely and appropriate information</li> </ul>	✓	Corporate Governance
A.6.2	Adequacy of notice and formal agenda to be discussed at Board meetings	<ul style="list-style-type: none"> <li>Board minutes, agenda and papers should be circulated at least seven days before the Board meeting</li> </ul>	✓	Corporate Governance

Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
<b>A.7 Appointment to the Board</b>				
A.7	Appointments to the Board	<ul style="list-style-type: none"> <li>Formal and transparent procedure for Board appointments</li> </ul>	✓	Corporate Governance
A.7.1	Nomination Committee	<ul style="list-style-type: none"> <li>Nomination committee of the ultimate Parent Company may function as such for the Company and make recommendations to the Board on new Board appointments</li> </ul>	✓	Corporate Governance
A.7.2	Annual assessment of Board composition	<ul style="list-style-type: none"> <li>Nomination committee of Board should annually assess the composition of Board</li> </ul>	✓	Corporate Governance
A.7.3	Disclosure of new Board appointments	<ul style="list-style-type: none"> <li>Profiles of new Board appointments to be communicated to shareholders</li> </ul>	✓	Corporate Governance/ Notice of Meeting
<b>A.8 Re-election</b>				
A.8.1	Appointment of Non-Executive Directors	<ul style="list-style-type: none"> <li>Appointment of Non-Executive Directors should be for specified terms and re-election should not be automatic</li> </ul>	✓	Corporate Governance/ Annual Report of the Board of Directors
A.8.2	Shareholders' approval of appointment of all Directors	<ul style="list-style-type: none"> <li>The appointment of all Directors should be subject to election by shareholders at the first opportunity</li> </ul>	✓	Corporate Governance/ Annual Report of the Board of Directors/ Notice of Meeting
<b>A.9 Appraisal of Board Performance</b>				
A.9.1	Annual appraisal of Board performance	<ul style="list-style-type: none"> <li>The Board should annually appraise how effectively it has discharged its key responsibilities</li> </ul>	✓	Corporate Governance
A.9.1 & A.9.2	Self-evaluation of Board and Board Committee	<ul style="list-style-type: none"> <li>The Board should evaluate its performance and that of its committees annually</li> </ul>	✓	Corporate Governance/ Audit Committee Report
A.9.3	Declaration of basis of performance evaluation	<ul style="list-style-type: none"> <li>The Board should disclose how performance evaluations have been carried out</li> </ul>	✓	Corporate Governance
<b>A.10 Disclosure of Information in respect of Directors</b>				
A.10.1	Biographical Profiles and relevant details of Directors to be disclosed	<ul style="list-style-type: none"> <li>Annual Report should disclose the biographical details of Directors and attendance at Board/Committee meetings</li> </ul>	✓	Board of Directors profiles section/ Corporate Governance/ Audit Committee Report
<b>A.11 Appraisal of Chief Executive Officer</b>				
A.11.1	Short, medium and long term, financial and non-financial objectives to be set	<ul style="list-style-type: none"> <li>The Board should set out the short, medium and long-term financial and non-financial objectives at the commencement of each year</li> </ul>	✓	Corporate Governance
A.11.2	Evaluation of CEO performance	<ul style="list-style-type: none"> <li>The performance of the CEO should be evaluated by the Board at the end of the year</li> </ul>	✓	Corporate Governance
<b>B. Directors Remuneration</b>				
<b>B.1 Remuneration Procedure</b>				
B.1.1	Appointment of Remuneration Committee	<ul style="list-style-type: none"> <li>Remuneration Committee of the ultimate Parent Company may function as such for the Company to make recommendations on Director's remuneration</li> </ul>	✓	Corporate Governance



Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
B.1.2	Composition of Remuneration Committee	<ul style="list-style-type: none"> <li>Remuneration Committee should consist exclusively of Non-Executive Directors</li> </ul>	✓	Corporate Governance
B.1.3	Disclosure of members of Remuneration Committee	<ul style="list-style-type: none"> <li>The Annual Report should disclose the Chairman and Directors who serve on the Remuneration Committee</li> </ul>	✓	Corporate Governance
B.1.4	Remuneration of Non-Executive Directors	<ul style="list-style-type: none"> <li>Board to determine the level of remuneration of Non-Executive Directors</li> </ul>	✓	Corporate Governance
B.1.5	Access to professional advice	<ul style="list-style-type: none"> <li>Remuneration Committee should have access to professional advice in order to determine appropriate remuneration for Executive Directors</li> </ul>	✓	Corporate Governance
<b>B.2 Level and Make up of Remuneration</b>				
B.2.1 to B.2.4	Performance related elements in pay structure and alignment to industry practices	<ul style="list-style-type: none"> <li>Packages should be structured to attract, retain and motivate Executive Directors</li> <li>Packages should be comparable and relative to that of other companies as well as the relative performance of the company</li> <li>When determining annual increases remuneration committee should be sensitive to that of other Group companies</li> <li>Performance-related elements of remuneration should be aligned with interests of Company</li> </ul>	✓ ✓ ✓ ✓	Corporate Governance
B.2.5	Share options	<ul style="list-style-type: none"> <li>Executive share options should not be offered at a discount</li> </ul>	✓	Corporate Governance
B.2.6 to B.2.9	Remuneration packages for Non-Executive Directors	<ul style="list-style-type: none"> <li>Should reflect time, commitment and responsibilities of role and in line with existing market practice</li> </ul>	✓	Corporate Governance
<b>B.3 Disclosure of Remuneration</b>				
B.3.1	Disclosure of remuneration policy and aggregate remuneration	<ul style="list-style-type: none"> <li>The Annual Report should disclose the remuneration paid to Directors</li> </ul>	✓	Financial Statements
<b>C. Relations with Shareholders</b>				
<b>C.1 Constructive Use and Conduct of Annual General Meeting (AGM)</b>				
C.1.1	Proxy votes to be counted	<ul style="list-style-type: none"> <li>The Company should count and indicate the level of proxies lodged for and against in respect of each resolution</li> </ul>	✓	Corporate Governance
C.1.2	Separate resolutions	<ul style="list-style-type: none"> <li>Separate resolutions should be proposed for substantially separate issues</li> </ul>	✓	Corporate Governance/ Notice of Meeting
C.1.3	Availability of Chairman's of Committees at AGM	<ul style="list-style-type: none"> <li>The Chairman of Board Committee should be available to answer any queries at AGM</li> </ul>	✓	Corporate Governance
C.1.4	Notice of AGM	<ul style="list-style-type: none"> <li>15 working days notice to be given to shareholders</li> </ul>	✓	Notice of Meeting
C.1.5	Procedure for voting at meetings	<ul style="list-style-type: none"> <li>Company to circulate the procedure for voting with Notice of Meeting</li> </ul>	✓	Notice of Meeting

Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
<b>C.2 Communication with Shareholders</b>				
C.2.1	Channel of Communication	<ul style="list-style-type: none"> <li>Channel to reach all shareholders to disseminate timely information</li> </ul>	✓	Corporate Governance
C.2.2 – C.2.7	Policy and Methodology of Communication	<ul style="list-style-type: none"> <li>Policy and Methodology of communication with shareholders and implementation</li> </ul>	✓	Corporate Governance
<b>C.3 Major and Material Transactions</b>				
C.3.1	Disclosure of Major Transactions	<ul style="list-style-type: none"> <li>Disclosure for all material facts involving all material transactions including related party transactions</li> </ul>	✓	Notes to the Financial Statements
<b>D. Accountability and Audit</b>				
<b>D.1 Financial Reporting</b>				
D.1.1	Presentation of Public Reports	<ul style="list-style-type: none"> <li>Should be balanced, understandable and comply with statutory and regulatory requirements</li> </ul>	✓	Corporate Governance/ Risk Management/ Financial Statements
D.1.2	Directors' Report	<p>The Directors' Report should be included in the Annual Report and confirm that ,</p> <ul style="list-style-type: none"> <li>The Company has not contravened laws or regulations in conducting its activities</li> <li>Material interests in contracts have been declared by Directors</li> <li>The Company has endeavoured to ensure equitable treatment of shareholders</li> <li>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</li> <li>That the business is a "going concern"</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> </ul>	<p>Annual Report of the Board of Directors</p> <p>Audit Committee Report</p> <p>Annual Report of the Board of Directors</p> <p>Corporate Governance</p> <p>Audit Committee Report/Risk Management</p> <p>Annual Report of the Board of Directors</p>
D.1.3	Respective responsibilities of Directors and Auditors	<ul style="list-style-type: none"> <li>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</li> </ul>	✓	Respective responsibilities of the Directors and Auditors
D.1.4	Management Discussion and Analysis	<ul style="list-style-type: none"> <li>Annual report to include section on Management Discussion and Analysis</li> </ul>	✓	Management Discussion
D.1.5	Going Concern	<ul style="list-style-type: none"> <li>Directors to substantiate and report that the business is a going concern or qualify accordingly</li> </ul>	✓	Annual Report of the Board of Directors
D.1.6	Serious Loss of Capital	<ul style="list-style-type: none"> <li>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</li> </ul>	N/A	

Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
D.1.7	Related Party Transactions	<ul style="list-style-type: none"> <li>Disclosure of Related Party Transactions</li> </ul>	✓	Notes to the Financial Statements
<b>D.2 Internal Control</b>				
D.2.1	Effectiveness of system of internal controls	<ul style="list-style-type: none"> <li>Directors to annually conduct a review of the effectiveness of the system of internal controls. This responsibility may be delegated to the Audit Committee</li> </ul>	✓	Audit Committee Report/Risk Management
D.2.2	Internal Audit Function	<ul style="list-style-type: none"> <li>The internal audit function in Group companies is not outsourced to the external auditor of that company in a further attempt to ensure external auditor independence</li> </ul>	✓	Corporate Governance
D.2.3-D.2.4	Continuity of Internal control	<ul style="list-style-type: none"> <li>Maintaining a sound system of internal control</li> </ul>	✓	Corporate Governance
<b>D.3 Audit Committee</b>				
D.3.1	Chairman and Composition of Audit Committee	<ul style="list-style-type: none"> <li>Should comprise a minimum of two independent, Non-Executive Directors</li> <li>Audit Committee Chairman should be appointed by the Board</li> </ul>	✓ ✓	Audit Committee Report
D.3.2	Duties of Audit Committee	Should include <ul style="list-style-type: none"> <li>Review of scope and results of audit and its effectiveness</li> <li>Independence and objectivity of the Auditors</li> </ul>	✓ ✓	Corporate Governance
D.3.3	Terms of Reference/ Charter	<ul style="list-style-type: none"> <li>The Audit Committee should have a written Terms of Reference which define the purpose of the Committee and its duties and responsibilities</li> </ul>	✓	Corporate Governance
D.3.4	Disclosure	<ul style="list-style-type: none"> <li>The Annual Report should disclose the names of Directors serving on the Audit Committee</li> <li>The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination</li> <li>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</li> </ul>	✓ ✓ ✓	Corporate Governance/ Audit Committee Report  Corporate Governance  Audit Committee
<b>D.4 Code of Business Conduct and Ethics</b>				
D.4.1	Adoption of Code of Business Conduct and Ethics	<ul style="list-style-type: none"> <li>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</li> </ul>	✓	Corporate Governance
D.4.2	Chairman's affirmation	<ul style="list-style-type: none"> <li>The Annual Report must include an affirmation by the Chairman that he is not aware of any violation of the provision of the Code of Conduct</li> </ul>	✓	Chairman's Statement/ Director's Report

Code Ref.	Subject	Applicable Requirement Status	Compliance	Applicable Section in the Annual Report
<b>D.5 Corporate Governance Disclosures</b>				
D.5.1	Corporate Governance Report	<ul style="list-style-type: none"> <li>The Annual Report should include a report setting out the manner and extent to which the Company has adopted the principals and provisions of the Code of Best Practice on Corporate Governance</li> </ul>	✓	Corporate Governance
<b>E. Institutional Investors</b>				
<b>E.1 Structured Dialogue</b>				
E.1.1	Structured Dialogue with Shareholders	<ul style="list-style-type: none"> <li>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</li> </ul>	✓	Corporate Governance
E.2	Evaluation of Governance Disclosure by Institutional Investors	<ul style="list-style-type: none"> <li>Institutional investors should be encouraged to consider the relevant factors drawn to their attention with regard to Board structure and composition</li> </ul>	✓	Corporate Governance
<b>F. Other Investors</b>				
F.1	Individual Investors	<ul style="list-style-type: none"> <li>Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment/divestment decisions</li> </ul>	✓	Corporate Governance
F.2	Shareholder Voting	<ul style="list-style-type: none"> <li>Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.</li> </ul>	✓	Corporate Governance/ Form of Proxy
<b>G. Sustainability Reporting</b>				
G.1-G.1.7	Sustainability Reporting	<ul style="list-style-type: none"> <li>Disclosure on adherence to sustainability principles</li> </ul>	✓	Annual Report - Management Discussion

The Board of Directors have pleasure in presenting the 23rd Annual Report of your Company which covers the Audited Financial Statements, Chairman's Message, Corporate Governance Commentary, Sustainability Integration, Risk Management, Corporate Social Responsibility and all the other relevant information for the year ended 31st March 2017.

### PRINCIPAL ACTIVITIES

The Company is engaged in Hoteliering and Property Development/Management. Trans Asia Hotels PLC (the owner and operator of Cinnamon Lakeside Hotel) is a subsidiary of the Company and its principal activity is Hoteliering. There has been no material change in the activities of the Company or of the subsidiary during the period under review.

### REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The financial and operational performance, during the year ended 31st March 2017 and future business development of the Company and Group, is provided in the Chairman's Statement, the Management Discussion and Analysis in this Annual Report. These reports, which form an integral part of Annual Report of the Board of Directors, together with the Audited Financial Statements, reflect the state of affairs of the Company and Group.

### FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Financial Statements, duly signed by the Directors, is provided from pages 86 to 134 and the Auditors' Report on the Financial Statements is provided on page 85 of this Annual Report.

### SEGMENT REPORTING

A review of the financial and operational and future business development of the Group and its business units are described in the Management Discussion and Analysis section of the Annual Report. These reports, together with the audited Financial Statements, reflect the state of affairs of the Company and the Group Segment-wise contribution to Group revenue, results, assets and liabilities are provided in Note 37 to the Financial Statements.

### REVENUE

Revenue generated by the Company amounted to Rs. 5,816 Mn (Rs. 5,583 Mn in 2016), whilst Group revenue amounted to Rs. 9,067 Mn (Rs. 8,067 Mn in 2016). Contribution to Group revenue, from the different business segments are provided in Note 5 to the Financial Statements.

### RESULTS AND APPROPRIATIONS

The Profit After Tax of the Company was Rs. 2,132 Mn (Rs. 1,876 Mn in 2016) whilst the Group profit attributable to the equity holders of the Parent Company for the year was Rs. 2,265 Mn (Rs. 1,841 Mn in 2016). A detailed description of the Group results and appropriations are given below.

	2016/17 Rs. '000	2015/16 Rs. '000
Net Profit for the year after providing for expenses including depreciation on Property, Plant and Equipment was:	3,086,103	2,231,460
From which Income Tax has been deducted of:	(306,987)	(208,789)
Leaving thereafter a Net Profit After Tax of:	2,779,116	2,022,671
The amount attributable to Minority Interest which has been deducted is:	(513,704)	(181,538)
Leaving a Profit Available to the Group of:	2,265,412	1,841,133
The Brought Forward Profit is:	7,139,930	7,883,065
Transferred to Revenue Reserve of:	10,911	10,911
Other Comprehensive Income:	(20,860)	(10,428)
Charge relating to Super Gains Tax	-	(149,487)
Final Dividend paid:	(885,551)	(1,328,326)
Interim Dividend paid:	(885,551)	(1,106,938)
Leaving an un-appropriated balance to be Carried Forward of:	7,624,291	7,139,930

\* In accordance with the LKAS 10, events after the reporting period, the final dividend has not been recognised as a liability in the Financial Statements.

### ACCOUNTING POLICIES

The Financial Statements, which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Statement of Cash Flow, 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 (ICASL) and the requirement of the Companies Act No. 7 of 2007. The changes to accounting policies have been applied consistently to all financial periods presented in these Financial Statements, unless otherwise indicated. The accounting policies adopted in preparation of the Financial Statements are given from pages 97 to 134 of this Report.

#### DIVIDEND

An Interim Dividend of Rs. 2.50 per share for the year ended 31st March 2016, amounting to Rs. 1,107 Mn was paid on 31st March 2016. A Final Dividend of Rs. 2 per share for the financial year ended 31st March 2016, was paid during the current financial year on 13th June 2016 to those shareholders in the register as of 3rd June 2016, resulting in a total cash payout amounting to Rs. 885 Mn.

An Interim Dividend of Rs. 2 per share for the year ended 31st March 2017, amounting to Rs. 885 Mn was paid on 31st March 2017.

The Board of Directors has declared a Final Dividend of Rs. 2/- per share for the financial year ended 31st March 2017. The Final Dividend will be paid on 16th June 2017 to those shareholders on the register as at 6th June 2017.

As required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors has confirmed that the Company satisfies the Solvency Test in accordance with Section 57 of the Companies Act No. 7 of 2007 and has obtained a certificate from the Auditors, prior to declaring the above dividends.

#### PROPERTY, PLANT AND EQUIPMENT

The book value of Property, Plant and Equipment as at the balance sheet date amounted to Rs. 26,742 Mn (2016 – Rs. 17,516 Mn) and Rs. 30,396 Mn (2016 – Rs. 21,291 Mn) for the Company and Group respectively.

Capital expenditure for the Company and Group amounted to Rs. 255 Mn (2016 – Rs. 548 Mn) and Rs. 355 Mn (2016 – Rs. 1,136 Mn) respectively.

Total Freehold Land available – Asian Hotels and Properties PLC A8. R00. P05.08 Total Leasehold Land available – Trans Asia Hotels PLC A05. R02. P34.28.

Details of Land and Buildings with net book values including details of Property, Plant and Equipment of the Group and their movements are given in Note 14.1 to the Financial Statements on page 104.

#### MARKET VALUE OF PROPERTIES

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

2017. Valuation was carried out by M/s P.B. Kalugalagedara and Associates, Chartered Valuation Surveyor.

All properties classified as investment property were also revalued as at 31st March 2017 in accordance with the requirements of LKAS 40. This valuation too was carried out by M/s P.B. Kalugalagedara and Associates.

Details of property valuations, including the valuation methods are provided in Note 14.3 to the Financial Statement on page 107 of this report.

#### INVESTMENT PROPERTIES

In accordance with SLAS 40-Investment Property (2005), 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 Investment Properties are explained in Note 16 to the Financial Statements on page 108.

#### Investment in Subsidiary

Company	No. of Shares	% Holding
Trans Asia Hotels PLC (Quoted)	86,823,028	43.41

#### STATED CAPITAL

The Stated Capital of the Company as at 31st March 2017 is Rs. 3,345 Mn (2016 – Rs. 3,345 Mn) comprising of 442,775,300 Ordinary Shares.

#### SHARE INFORMATION

The market value of an Ordinary Share of the Company as at 31st March 2017 was Rs. 55.50 (31st March 2016 – Rs. 47.80).

The distribution and composition of shareholders and the information relating to earnings, dividend, net assets, and market value per share is given in the Share Information and Five (5) Year Financial Review section of the Annual Report.

The Company has made every endeavour to ensure the equitable treatment of all shareholders and has adopted adequate measures to prevent information asymmetry.

## MAJOR SHAREHOLDERS

Details of the 20 largest shareholders of the Company and the percentage shareholding held by the public are disclosed in the Share Information section of the Annual Report from page 136 and 137.

## RESERVES

Total reserves as at 31st March 2017 for the Company and Group amounted to Rs. 27,816 Mn (2016 – Rs. 18,148 Mn) and Rs. 29,764 Mn (2016 – Rs. 19,964 Mn), respectively.

The movements and composition of the Capital Reserves and Revenue Reserves during the year are disclosed in the Statement of Changes in Equity.

## DIRECTORS

The Board of Directors of the Company as at 31st March 2017 and brief profiles of each Director are given in the Board of Directors section of the Annual Report.

The Directors of the Company who held office during the year under review are set out below.

Mr. S.C. Ratnayake - Chairman  
Mr. A.D. Gunewardene  
Mr. J. R. F. Peiris  
Mr. K. N. J. Balendra  
Mr. R.J. Karunarajah  
Mr. S. Rajendra  
Mr. C.J.L. Pinto  
Mr. S.K.G. Senanayake  
Mrs. S.A. Jayasekara

Mr. K. N. J. Balendra was appointed to the Board on 01st April 2016 as Non-Executive, Non Independent Director.

Therefore the Board now consists of nine (9) Directors comprising of four Non-Executive Non-Independent Directors (NED/NID), three Non-Executive Independent Directors (NED/

ID) and two Executive Non-Independent Directors (ED/NID).

In accordance with the criteria for 'Independence' specified by Rule 7.10.4 of the listing rules of the Colombo Stock Exchange (CSE) and as identified by the Code of Best Practice, the Board affirms that the aforesaid four Non-Executive Independent Directors satisfy the criteria for independence and have satisfied the requirements under CSE Rule 7.10.2 (b).

Mr. R.J. Karunarajah and Mr. S. Rajendra retire by rotation in terms of Article 84 of the Articles of Association of the Company and being eligible for re-election are recommended by the Board for re-election. Brief profiles of Mr. R.J. Karunarajah and Mr. S. Rajendra are found on page 9.

The Directors of Trans Asia Hotels PLC [Subsidiary] who held office during the year under review are set out below:

Mr. S.C. Ratnayake - Chairman  
Mr. A.D. Gunewardene  
Mr. J.R.F. Peiris  
Mr. K. N. J. Balendra  
Mr. N.L. Gooneratne  
Mr. C.J.L. Pinto  
Mr. E.H. Wijenaike  
Mrs. J.C. Ponniah  
Mr. R.J. Karunarajah

Mr. K.N.J. Balendra was appointed to the Board of Trans Asia Hotels PLC with effect from 01st April 2016

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

## BOARD COMMITTEES

### Board Audit Committee

The following members serve on the Board Audit Committee.

Mr. C.J. L. Pinto - Chairman  
Mr. S.K.G. Senanayake  
Mrs. S.A. Jayasekara

The Report of the Audit Committee is given on page 82 and 83 of this Report.

### Nominations Committee

The Nominations Committee of the Company was formed with effect from 01st December 2015.

The Nominations Committee comprises two Independent Directors and one Non Independent Director as at 31st March 2017:

Mr. S.K.G. Senanayake - Chairman  
Mr. S.C. Ratnayake (Non-Independent)  
Mrs. S.A. Jayasekara

The Report of the Nominations Committee is given in the Corporate Governance section of the Annual Report.

### Human Resources and Compensation Committee

As permitted by the listing rules of the Colombo Stock Exchange, the Human Resources and Compensation Committee of the Parent Company, John Keells Holdings PLC (JKH), functions as the Human Resources and Compensation Committee of the Company.

The following members serve on the Human Resources and Compensation Committee:

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

The Report of the Human Resources and Compensation Committee and the remuneration policy is given in the Corporate Governance section of the Annual Report.

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transaction Review Committee of the Parent Company John Keells Holdings PLC (JKH) functions as the Related Party Transactions Review Committee of the Company was formed with effect from 01st April 2014.

The Related Party Transactions Review Committee comprises three Independent Directors and one Non Independent Director as at 31st March 2017:

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

The Related Party Transactions Review Committee is given in the Corporate Governance section of the Annual Report.

## INTERESTS REGISTER

The Company has maintained an Interests Register as contemplated by the Companies Act No. 7 of 2007. In compliance with the requirements of the Companies Act No. 7 of 2007, this Annual Report also contains particulars of entries made in the Interests Register as well as the particulars of the entries made in the Interests Register of the Subsidiary which is a Public Limited Company.

## DIRECTORS' INTERESTS IN CONTRACTS

The Directors of the Company have made general declarations as required by Section 192 (2) of the Companies Act

No. 7 of 2007 and no additional interests have been disclosed by any Director.

## DIRECTORS' REMUNERATION

Directors' remuneration is established within a framework approved by the Human Resources and Compensation Committee. The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company.

Details of the remuneration and other benefits received by the Directors of the Company and the Group are set out in Note 8 of the Financial Statements.

## INDEMNITIES AND REMUNERATION

1. The Board approved the payment to Messrs. R J Karunaratna and S Rajendra, executive directors of Asian Hotels & Properties PLC, a remuneration comprising of:
  - ⦿ An increment from 1st July 2016 based on the individual performance rating obtained by the executive directors in terms of the performance management system of the John Keells Group;
  - ⦿ A short-term variable incentive based on individual performance, organisation performance and role responsibility based on the results of the financial year 2015/2016; and
  - ⦿ Long-term Incentive Plan in the form of an Employee Share Options at John Keells Holdings PLC.

As recommended by the Human Resource and Compensation Committee of John Keells Holdings PLC the holding company of Asian Hotels & Properties PLC in keeping with the John Keells group remuneration policy.

2. Mr. K.N.J. Balendra was appointed as a Non-Executive Director of Asian Hotels & Properties PLC from 01st April 2016 at the standard Non-Executive Fees approved by the Board for Non-Executive Directors, which fees are commensurate with the market complexities of the Company.

The fees payable to Non-Executive nominee Directors of John Keells Holdings PLC are paid to John Keells Holding PLC and not to individual Directors.

## PARTICULARS OF ENTRIES IN THE INTERESTS REGISTER OF THE SUBSIDIARY

Trans Asia Hotels PLC.

There have been no changes to the remuneration of the Directors of Trans Asia Hotels PLC for the financial year ended 31st March 2017.

- ⦿ Mr. K.N.J. Balendra was appointed as a Non-Executive Director of Trans Asia Hotels PLC from 01st April 2016 at the standard Non-Executive fees approved by the Board for Non-Executive Directors, which fees are commensurate with the market complexities of the Company
- ⦿ Ms. J.C. Ponniah'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' SHAREHOLDINGS**

The shares held by Directors' and their spouses in the Company as at 31st March 2017 are as follows;

Director	Shareholding as at 31.03.2017	Shareholding as at 31.03.2016
Mr. S.C. Ratnayake	20,000	20,000
Mr. A.D. Gunewardene	NIL	NIL
Mr. J.R.F. Peiris	NIL	NIL
Mr. K.N.J. Balendra	NIL	NIL
Mr. R.J. Karunaratna	200	200
Mr. S. Rajendra	NIL	NIL
Mr. S.K.G. Senanayake	NIL	NIL
Mrs. S.A. Jayasekara	NIL	NIL
Mr. C.J.L. Pinto (Joint account with Mrs. M.R.C. Pinto)	7,800	7,800

**EMPLOYEE SHARE OPTION PLAN (ESOP)**

Employees of the Company receive remuneration in the form of share-based payment under the John Keells Group's Employees Share Option Scheme (ESOP), share options of the parent are granted to senior executives of the Company, 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 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 Asian Hotels and Properties PLC is recognised in the income statement of the Company. This transaction does not result in a cash outflow to the Company and expense

recognised is met with a corresponding equity reserve increase, thus having no impact on the Statement of Financial Position (SOFP). 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.

**CORPORATE GOVERNANCE**  
**Directors' Declarations**

The Directors declare that;

- The Company has complied with all applicable laws and regulations in conducting its business
- The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested
- The Company has made all endeavours to ensure the equitable treatment of shareholders

- The business is a going concern with supporting assumptions or qualification as necessary
- Have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurances of their effectiveness and successful adherence herewith
- The Company being listed on the Colombo Stock Exchange (CSE) is compliant with the rules on Corporate Governance under the Listing Rules of the CSE with regard to the composition of the Board and its Sub-Committees
- The Company is in compliance with the Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL)

A comprehensive report on Corporate Governance practices and principles with respect to the management and operations of the Company are set out from pages 50 to 72 of this Report.

**SUSTAINABILITY**

The Company is conscious of the need to preserve the environment and its natural resources and has taken specific steps, particularly in ensuring the conservation of its natural resources and environment as well as addressing material issues highlighted by its stakeholders. Every endeavour has been made to minimise adverse effects on the environment to ensure sustainable continuity of natural resources. The Company's sustainable practices are detailed from pages 35 to 39.

## EMPLOYMENT

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

The number of persons employed by the Company and Group as at 31st March 2017, was 1,222 (2016-1224) and 1986 (2016-2005), respectively.

There have been no material issues pertaining to employees and industrial relations of the Company and the Group during the Financial Year.

## SUPPLIER POLICY

The Company, in line with the Group's policies, applies an overall policy of agreeing and clearly communicating terms of payment as part of the commercial agreements negotiated with suppliers and endeavours to pay for all items properly charged in accordance with these agreed terms. As at 31st March 2017, the trade and other payables of the Company and Group amounted to Rs. 469 Mn (2016 – Rs. 453 Mn) and Rs. 731 Mn (2016 – Rs. 769 Mn), respectively.

## ENVIRONMENTAL PROTECTION

The Company is in compliance with the relevant environmental laws, regulations and endeavours to comply with best practices applicable in the country. A summary of selected Group activities in the above area is contained in the Management Discussion and Analysis. The Company has not engaged in any activity that is harmful to the environment.

## STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiary, all contributions, levies and taxes payable on behalf of, and in respect of the employees of the Company and its Subsidiary, and all other known statutory dues that were due and payable by the Company and its Subsidiary as at the Balance Sheet date have been paid or, where relevant provided for, except as specified in Note 38 to the Financial Statements, covering Contingent Liabilities.

## ENTERPRISE RISK MANAGEMENT

The Board confirms that there is an ongoing process of identifying, evaluating and managing any significant risks faced by the Company, where annual risk reviews are carried out by the Enterprise Risk Management Division and the risks are further reviewed each quarter by each business unit. The headline risks are presented to the Board Audit Committee for review by the respective business units.

The details of the Risk Report and Risk Management Process are set out from pages 44 to 49 of this Report.

## INTERNAL CONTROL

The Board, through the involvement of the Group Business Process Review (Group BPR) Division, takes steps to gain assurance on the effectiveness of control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal controls in the Company. These include compliance with laws, regulations and established policies and procedures of the Company.

The Head of Group BPR Division has direct access to the Chairman of the Audit Committee. Reports of the

outsourced Internal Auditors are also reviewed by the Committee on matters pertaining to the Company.

The Directors acknowledge their responsibility for the Company's systems of internal controls. The statements of Corporate Governance from pages 50 to 72 sets out in detail the Company's system of internal controls.

## RELATED PARTY TRANSACTIONS

There were no related party transactions required to be disclosed under the Listing Rules of the CSE other than as disclosed under Note 34 to the Financial Statements.

## DONATIONS

Total donations made by the Company during the year amounted to Rs. 18.80 Mn and donations made by the Group amounted to Rs. 27.06 Mn (31st March 2016 – Company Rs. 23.56 Mn/Group Rs. 27.67 Mn).

## EVENTS SUBSEQUENT TO THE BALANCE SHEET

Date Except for the matters disclosed in Note 40 to the Financial Statements on page 134 there were no material events which require adjustments or disclosure in the Financial Statements.

## GOING CONCERN

The Board of Directors, after considering the financial position, operating conditions, regulatory and other factors, and such matters required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka, has a reasonable expectation that the Company and its Subsidiary possess adequate resources to continue in operation for the foreseeable future. For this reason, the Board continues



to adopt the Going Concern basis in preparing the Financial Statements.

## AUDITORS

The retiring Auditors Messrs. KPMG, Chartered Accountants, have expressed their willingness to continue in office. The Audit Committee at a meeting held on 25th April 2017 recommended that they be re-appointed as Auditors. A Resolution to re-appoint them as auditors and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The Independent Auditors' Report to the shareholders on the Financial Statements is given on page 85.

The Audit Committee reviews the appointment of the Auditor, its effectiveness, independence and its relationship with the Company, including the level of audit and non-audit fees paid to the Auditor.

Based on the declaration of Messrs. KPMG and as far as the Directors are aware, the Auditors do not have any relationship [except in so far as an Auditor] or interest in the Company or its Subsidiary.

## ANNUAL REPORT

The Board of Directors approved the Consolidated Financial Statements on 26th May 2017. 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 30th May 2017.

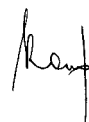
## ANNUAL GENERAL MEETING

The 23rd Annual General Meeting of the Company will be held at the Auditorium of Ceylon Chamber of Commerce, at No. 50, Navam Mawatha, Colombo 2, on 22nd June 2017 at 10.30 a.m. The Notice of Annual General Meeting appears on page 140 of the Annual Report.

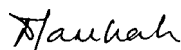
This Annual Report is signed for and on behalf of the Board of Directors by;



Director  
By Order of the Board



Director



**KEELLS CONSULTANTS (PRIVATE) LIMITED**  
*Secretaries*

Colombo  
26th May 2017



**STYLE-WORTHY..**

# FINANCIAL STATEMENTS

Report of the Audit Committee	82
Statement of Directors' Responsibility	84
Independent Auditors' Report	85
Income Statement	86
Statement of Profit or Loss and Other Comprehensive Income	87
Statement of Financial Position	88
Statement of Changes in Equity - Group	89
Statement of Changes in Equity - Company	90
Statement of Cash Flows	91
Notes to the Financial Statements	92

Financial Calendar	
<b>Interim Reports</b>	
1st Quarter	29th July 2016
2nd Quarter	28th October 2016
3rd Quarter	30th January 2017
4th Quarter	26th May 2017
<b>Annual Reports</b>	
2015/16	25th May 2016
2016/17	26th May 2017
<b>Meetings</b>	
22nd Annual General Meeting	20th June 2016
23rd Annual General Meeting	22nd June 2017
<b>Dividend</b>	
Final dividend of Rs. 2 per share for the year 2015/16 was paid on 13.06.2016	
Interim dividend of Rs. 2 per share for the year 2016/17 was paid on 31.03.2017	

## INTRODUCTION

The Board Audit Committee of Asian Hotels and Properties PLC is formally constituted as a Sub-Committee of the Main Board, to which it is accountable. Charter of the Committee clearly defines the terms of reference of the Audit Committee. It demonstrates that activities of the Audit Committee are in-line with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The effectiveness of the Committee is evaluated annually by each member of the Committee and the results are communicated to the Board.

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 Commentary on pages 50 and 72.

## ROLE OF THE COMMITTEE

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities for the integrity of the Financial Statements of the Company and the Group, the internal control and risk management systems of the Group and its compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence, and the adequacy and performance of the internal audit function, which at John Keells Holding PLC is termed Group Business Process Review Division (Group BPR). This is detailed in the terms of reference of the Committee which has been approved by the Board and is reviewed annually.

## COMPOSITION OF THE COMMITTEE AND MEETINGS

The Audit Committee comprised of three Non-Executive Independent Directors. Mr. C.J.L. Pinto serves as the Chairman of the Audit Committee since 2011. He is a Fellow of the Institute of Chartered Accountancy of Sri Lanka and has 44 years of post qualifying experience in the profession. He also serves as the Chairman of the Audit Committee of Trans Asia Hotels PLC. Other members of the Committee are Chartered Accountants, whilst one member of the Committee has a specialist financial background. All Non-Executive Directors satisfy the criteria for independence as specified in the Standards on Corporate Governance for listed Companies issued by the Securities and Exchange Commission of Sri Lanka. The Audit Committee reports directly to the Board. The individual and collective financial and hotel industry specific knowledge, business experience and independence of members are brought to bear on all matters, which fall within the committee's purview. The Director Finance of the Cinnamon's city hotels sector served as the Secretary to the Audit Committee.

The President of the Property Group of John Keells Holdings, Sector Head of Cinnamon's city hotels, Sector Financial Controllers of Property and Hotels Sectors together with the Head of Group Business Process Review of John Keells Holdings PLC, attend Audit Committee meetings by invitation. Other officials are invited to attend on a need-basis. Outsourced Internal Auditors, PricewaterhouseCoopers (Pvt) Ltd., and Independent External Auditors KPMG are required to attend meetings on a regular basis.

The Audit Committee held four (4) meetings during the financial year. Information on the attendance at these meetings is given under Corporate Governance on page 55. In addition, the Chairman of the Committee met the Internal and External Auditors and in-house personnel, as necessary, to strengthen guidance and oversight related to Audit Committee matters.

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

## FINANCIAL REPORTING

The Audit Committee has reviewed and discussed the Group'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, the appropriateness of its accounting policies and material judgmental matters. The Committee has also regularly discussed the operations of the Company and its future prospects with the Management and is satisfied that all relevant matters have been taken into account in the preparation of the Financial Statements. The Committee also discussed with the External Auditors and Management the matters communicated to the Committee by the External Auditors in their reports on the audit for the year.

## INTERNAL AUDIT, RISKS AND CONTROLS

PricewaterhouseCoopers (Pvt) Ltd continued to serve as the Outsourced Internal Auditors of the Company, and the audit plans and scope of work were formulated in consultation with the John Keells Group Business Process Review (Group BPR) Division 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. Reports from the Outsourced Internal Auditors on the operations of the Company were also reviewed by the Committee.

During the year, reports were received by the Committee from the Outsourced Internal Auditors, which were reviewed and discussed with the Management, Outsourced Internal Auditors and the John Keells Group BPR Division. The recommendations of the Internal Auditors are implemented as required, and are confirmed by the auditors, in subsequent follow-up audits.

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 the Management and the John Keells Group Sustainability and Enterprise Risk Management division.

Formal confirmations and assurances have been received from senior management on a quarterly basis regarding the efficacy and status of the internal control systems and risk management systems, and compliance with applicable laws and regulations. The Committee reviewed the whistle blowing arrangements for the Company which is in-line with the Group arrangements and had direct access to the Ombudsman for the Group.

The effectiveness and resource requirements of the Group BPR division was reviewed and discussed with management.

## 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. Before the conclusion of the audit, the Committee met with the External Auditors to discuss all audit issues and agree on their treatment. This included the discussion of formal reports from the External Auditors to the Committee. The Committee also met the External Auditors, without the Management being present, prior to the finalisation of the Financial Statements.

The External Auditors' final management reports on the audit of the Company and Group Financial Statements for the year 2016/17, together with Management's responses, were discussed with Management and the Auditors.

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

The performance of the External Auditors has been evaluated and discussed with the senior management of the Company, and the Committee has recommended to the Board that KPMG be re-appointed as the External Auditors of Asian Hotels and Properties PLC for the financial year ending 31st March 2018, subject to approval by the shareholders at the Annual General Meeting.

## CONCLUSION

Based on the reports submitted by the External Auditors and the Outsourced Internal Auditors of the Company, the assurances and certifications provided by the senior management, and the discussions with the 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*

26th May 2017



The responsibility of the Directors in relation to the Financial Statements 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. 7 of 2007, is set out in the Report of the Auditors.

The Financial Statements comprise of:

- Income Statement and Statement of Comprehensive Income of the Company and of the Group, which present a true and fair view of the profit and loss of the Company and of the Group for the respective financial year.
- A Statement of the Financial Position, which presents a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year; and

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

- 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
- Presented in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- Provide the information required by and otherwise comply with the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

Furthermore, 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 and of the Group.

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

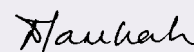
The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

Further, as required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the Auditors, prior to declaring a Final Dividend of Rs. 2/- per share for the year ended 31st March 2017, to be paid on 16th June 2017.

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

## COMPLIANCE REPORT

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company and the Group, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and the Group, and all other known statutory dues as were due and payable by the Company and the Group as at the Balance Sheet date have been paid and/ or provided for, except as specified in Note 38 to the Financial Statements covering Contingent Liabilities.



By Order of the Board  
**Keells Consultants (Private) Limited**  
Secretaries

26th May 2017



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
Internet : www.kpmg.com/lk

## TO THE SHAREHOLDERS OF ASAIN HOTELS AND PROPERTIES PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Asain Hotels and Properties PLC, (the "Company"), and the consolidated financial statements of the Company and its subsidiary (the "Group"), which comprise the statement of financial position as at 31st March 2017, and income statement, 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 a summary of significant accounting policies and other explanatory notes set out on pages 86 to 134.

### Board's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance

about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- The basis of opinion and scope and limitations of the audit are as stated above.
- In our opinion;
  - 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,
  - The financial statements of the Company give a true and fair view of its financial position as at 31st March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - The financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

**Chartered Accountants**

Colombo.

26th May 2017

For the year ended 31st March In Rs.'000s	Page No.	Note	Group		Company	
			2017	2016	2017	2016
<b>Revenue</b>	97	5	<b>9,066,959</b>	8,066,693	<b>5,815,918</b>	5,583,004
Cost of Sales			<b>(3,752,535)</b>	(3,424,137)	<b>(2,408,688)</b>	(2,291,195)
<b>Gross Profit</b>			<b>5,314,424</b>	4,642,556	<b>3,407,230</b>	3,291,809
Dividend Income	97	6	-	-	<b>234,422</b>	156,281
Other Operating Income	97	7	<b>83,267</b>	76,739	<b>67,973</b>	70,984
Distribution Expenses			<b>(354,612)</b>	(326,979)	<b>(125,518)</b>	(133,226)
Administrative Expenses			<b>(2,077,584)</b>	(1,915,898)	<b>(1,366,959)</b>	(1,284,173)
Other Operating Expenses			<b>(471,173)</b>	(579,259)	<b>(265,245)</b>	(320,109)
<b>Results from operating activities</b>	98	8	<b>2,494,322</b>	1,897,159	<b>1,951,903</b>	1,781,566
Finance Cost	99	9	<b>(29,197)</b>	(47,074)	-	-
Finance Income	99	10	<b>221,817</b>	156,710	<b>196,990</b>	150,038
Net Finance Income			<b>192,620</b>	109,636	<b>196,990</b>	150,038
Change in Fair Value of Investment Property	108	16	<b>399,161</b>	224,665	<b>155,761</b>	98,565
<b>Profit Before Tax</b>			<b>3,086,103</b>	2,231,460	<b>2,304,654</b>	2,030,169
Income Tax Expense	100	11	<b>(306,987)</b>	(208,789)	<b>(172,834)</b>	(154,647)
<b>Profit for the Year</b>			<b>2,779,116</b>	2,022,671	<b>2,131,820</b>	1,875,522
<b>Attributable to:</b>						
Owners of the Company			<b>2,265,412</b>	1,841,133	<b>2,131,820</b>	1,875,522
Non-Controlling Interest			<b>513,704</b>	181,538	-	-
			<b>2,779,116</b>	2,022,671	<b>2,131,820</b>	1,875,522
			Rs.	Rs.	Rs.	Rs.
<b>Earnings Per Share</b>	102	12	<b>5.12</b>	4.16	<b>4.81</b>	4.24

Figures in brackets indicate deductions

The accounting policies and notes as set out in pages 92 to 134 form an integral part of these Financial Statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March In Rs.'000s	Note	Group		Company	
		2017	2016	2017	2016
Profit for the Year		2,779,116	2,022,671	2,131,820	1,875,522
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Revaluation of Land and Buildings	14	9,301,192	-	9,301,192	-
Re-measurement Gain/(Loss) on Defined Benefit Plans	30	(25,344)	(13,108)	(18,087)	(8,771)
Differed Tax Effect on Actuarial Valuation Gain	11.2	871	520	-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>9,276,719</b>	<b>(12,588)</b>	<b>9,283,105</b>	<b>(8,771)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>12,055,835</b>	<b>2,010,083</b>	<b>11,414,925</b>	<b>1,866,751</b>
<b>Attributable to :</b>					
Owners of the Company		11,545,744	1,830,705	11,414,925	1,866,751
Non-controlling Interests		510,091	179,378	-	-
		<b>12,055,835</b>	<b>2,010,083</b>	<b>11,414,925</b>	<b>1,866,751</b>

Figures in brackets indicate deductions

The accounting policies and notes as set out in pages 92 to 134 form an integral part of these Financial Statements.

# STATEMENT OF FINANCIAL POSITION

As at 31st March In Rs.'000s	Page No.	Note	Group		Company	
			2017	2016	2017	2016
<b>ASSETS</b>						
<b>Non Current Assets</b>						
Property, Plant and Equipment	103	14	30,396,326	21,291,020	26,742,342	17,515,878
Lease Hold Property	107	15	781,452	793,856	-	-
Investment Property	108	16	4,564,650	4,165,000	2,416,250	2,260,000
Intangible Assets	110	17	1,998	2,897	1,197	1,524
Investment in Subsidiary	111	18	-	-	660,045	660,045
Non Current Financial Assets	112	20	35,624	24,590	27,051	17,833
Other Non Current Assets	113	21	6,643	3,835	5,296	2,806
<b>Total Non current Assets</b>			<b>35,786,693</b>	<b>26,281,198</b>	<b>29,852,181</b>	<b>20,458,086</b>
<b>Current Assets</b>						
Inventories	113	22	148,796	125,566	109,687	86,828
Trade and Other Receivables	113	23	756,932	782,657	327,842	366,803
Amounts Due from Related Parties	121	34.2	107,749	87,901	27,211	27,822
Other Current Assets	114	24	171,816	122,021	102,462	75,948
Short Term Investments	114	25	1,583,907	1,198,681	1,435,726	1,198,681
Cash In Hand and at Bank			635,878	505,384	510,464	379,738
<b>Total Current Assets</b>			<b>3,405,078</b>	<b>2,822,210</b>	<b>2,513,392</b>	<b>2,135,820</b>
<b>Total Assets</b>			<b>39,191,771</b>	<b>29,103,408</b>	<b>32,365,573</b>	<b>22,593,906</b>
<b>EQUITY &amp; LIABILITIES</b>						
<b>Equity attributable to owners of the company</b>						
Stated Capital	114	26	3,345,117	3,345,117	3,345,117	3,345,117
Revenue Reserves			7,624,291	7,139,930	6,145,308	5,802,677
Other Components of Equity	114	27	22,139,389	12,824,188	21,670,555	12,345,799
			33,108,797	23,309,235	31,160,980	21,493,593
Non-Controlling Interest			3,399,724	3,227,406	-	-
<b>Total Equity</b>			<b>36,508,521</b>	<b>26,536,641</b>	<b>31,160,980</b>	<b>21,493,593</b>
<b>Non Current Liabilities</b>						
Interest Bearing Borrowings	117	28	256,331	359,897	-	-
Deferred Tax Liabilities	118	29	346,297	344,722	-	-
Employee Benefit Liabilities	119	30	306,014	274,150	176,784	155,546
<b>Total Non Current Liabilities</b>			<b>908,642</b>	<b>978,769</b>	<b>176,784</b>	<b>155,546</b>
<b>Current Liabilities</b>						
Trade and Other Payables	120	31	731,011	768,822	469,490	453,027
Amounts Due to Related Parties	121	34.3	93,619	112,788	65,634	80,523
Income Tax Liabilities	121	32	205,136	62,859	89,728	51,406
Current Portion of Borrowings	117	28	113,925	83,053	-	-
Other Current Liabilities	121	33	470,375	383,743	314,588	266,649
Bank Overdrafts			160,542	176,733	88,369	93,162
<b>Total Current Liabilities</b>			<b>1,774,608</b>	<b>1,587,998</b>	<b>1,027,809</b>	<b>944,767</b>
<b>Total Liabilities</b>			<b>2,683,250</b>	<b>2,566,767</b>	<b>1,204,593</b>	<b>1,100,313</b>
<b>Total Equity and Liabilities</b>			<b>39,191,771</b>	<b>29,103,408</b>	<b>32,365,573</b>	<b>22,593,906</b>

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



**D.A.R.C. Perera**  
Chief Financial Officer

The Board of directors is responsible for the preparation and presentation of these financial statements.



**A.D. Gunewardene**  
Director



**J.R.F. Peiris**  
Director

The accounting policies and notes as set out in pages 92 to 134 form an integral part of these financial statements.

26th May, 2017



# STATEMENT OF CHANGES IN EQUITY

GROUP		Attributable to Owners of the Company					
		Stated Capital	Revaluation Reserve	Other Capital Reserve	Retained Earnings	Total	Non controlling interest
In Rs.'000s	Note						Total Equity
<b>As at 1st April 2015</b>		<b>3,345,117</b>	<b>12,764,765</b>	<b>43,991</b>	<b>7,883,065</b>	<b>24,036,938</b>	<b>3,388,477</b>
Charge relating to Super Gain Tax Note (a)		-	-	-	(149,487)	(149,487)	(114,566)
<b>Total comprehensive income</b>							
Profit for the year		-	-	-	1,841,133	1,841,133	181,538
Other Comprehensive Income		-	-	-	(10,428)	(10,428)	(2,160)
<b>Total Comprehensive Income</b>		-	-	-	1,830,705	1,830,705	179,378
<b>Transactions with Owners of the Company</b>							
Transferred to revenue reserve (Note b)		-	(10,911)	-	10,911	-	-
Share based payments	27.2	-	-	26,343	-	26,343	477
Final dividend paid- 2014/2015	13	-	-	-	(1,328,326)	(1,328,326)	-
Interim dividend paid-2015/2016	13	-	-	-	(1,106,938)	(1,106,938)	-
Subsidiary dividend to Non-controlling Interest -2014/2015		-	-	-	-	-	(226,360)
<b>As at 31st March 2016</b>		<b>3,345,117</b>	<b>12,753,854</b>	<b>70,334</b>	<b>7,139,930</b>	<b>23,309,235</b>	<b>3,227,406</b>
<b>As at 1st April 2016</b>		<b>3,345,117</b>	<b>12,753,854</b>	<b>70,334</b>	<b>7,139,930</b>	<b>23,309,235</b>	<b>3,227,406</b>
<b>Total comprehensive income</b>							
Profit for the year		-	-	-	2,265,412	2,265,412	513,704
Other Comprehensive Income		-	9,301,192	-	(20,860)	9,280,332	(3,614)
<b>Total Comprehensive Income</b>		-	9,301,192	-	2,244,552	11,545,744	510,090
<b>Transactions with Owners of the Company</b>							
Transferred to revenue reserve (Note b)		-	(10,911)	-	10,911	-	-
Share based payments	27.2	-	-	24,920	-	24,920	1,768
Final dividend paid - 2015/2016	13	-	-	-	(885,551)	(885,551)	-
Interim dividend paid-2016/2017	13	-	-	-	(885,551)	(885,551)	-
Subsidiary dividend to Non-controlling Interest -2015/2016		-	-	-	-	-	(113,180)
Subsidiary dividend to Non-controlling Interest -2016/2017		-	-	-	-	-	(226,360)
<b>As at 31st March 2017</b>		<b>3,345,117</b>	<b>22,044,135</b>	<b>95,254</b>	<b>7,624,291</b>	<b>33,108,797</b>	<b>3,399,724</b>

Note (a) - As per the provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on 30th October 2015, the Group is liable for Super Gain tax of Rs. 264.05 Million. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015.

Note (b) According to the Sri Lanka Accounting Standard - 16 "Property, Plant and Equipment", when the revalued asset is used by an entity, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the assets' original cost is transferred from revaluation surplus to retained earnings amounting Rs. 10.91 Mn. (Rs. 10.91 Mn in 2016)

Figures in brackets indicate deductions

The Notes to the Financial Statements from Pages 92 to 134 form an integral part of these Financial Statements.

Company

		Stated Capital	Revaluation Reserve	Other Capital Reserve	Retained Earnings	Total Equity
In Rs.'000s	Note					
<b>As at 1st April 2015</b>		<b>3,345,117</b>	<b>12,278,424</b>	<b>41,399</b>	<b>6,432,793</b>	<b>22,097,733</b>
Charge relating to Super Gain Tax Note (a)		-	-	-	(61,603)	(61,603)
<b>Total comprehensive income</b>						
Profit for the year		-	-	-	1,875,522	1,875,522
Other Comprehensive Income		-	-	-	(8,771)	(8,771)
Total Comprehensive Income		-	-	-	1,866,751	1,866,751
<b>Transactions with Owners of the Company</b>						
Share based payments	27.2	-	-	25,976	-	25,976
Final dividend paid- 2014/2015	13	-	-	-	(1,328,326)	(1,328,326)
Interim dividend paid-2015/2016	13	-	-	-	(1,106,938)	(1,106,938)
<b>As at 31st March 2016</b>		<b>3,345,117</b>	<b>12,278,424</b>	<b>67,375</b>	<b>5,802,677</b>	<b>21,493,593</b>
<b>As at 1st April 2016</b>		<b>3,345,117</b>	<b>12,278,424</b>	<b>67,375</b>	<b>5,802,677</b>	<b>21,493,593</b>
<b>Total comprehensive income</b>						
Profit for the year		-	-	-	2,131,820	2,131,820
Other Comprehensive Income		-	9,301,192	-	(18,087)	9,283,105
Total Comprehensive Income		-	9,301,192	-	2,113,733	11,414,925
<b>Transactions with Owners of the Company</b>						
Share based payments	27.2	-	-	23,564	-	23,564
Final dividend paid - 2015/2016	13	-	-	-	(885,551)	(885,551)
Interim dividend paid-2016/2017	13	-	-	-	(885,551)	(885,551)
<b>As at 31st March 2017</b>		<b>3,345,117</b>	<b>21,579,616</b>	<b>90,939</b>	<b>6,145,308</b>	<b>31,160,980</b>

Note (a) - As per the provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on 30th October 2015, the Company is liable for Super Gain tax of Rs. 61.60 Million. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015.

Figures in brackets indicate deductions

The accounting policies and notes as set out in pages 92 to 134 form an integral part of these Financial Statements.

# STATEMENT OF CASH FLOWS

For the Year Ended 31st March In Rs.'000s	Note	Group		Company	
		2017	2016	2017	2016
<b>Operating Profit Before Working Capital Changes</b>					
Profit before Tax		3,086,103	2,231,460	2,304,654	2,030,169
<b>Adjustments for:</b>					
Finance Income	10	(221,817)	(156,710)	(196,990)	(150,038)
Dividend Income	6	-	-	(234,422)	(156,281)
Finance Cost	9	17,741	5,524	-	-
Change in Fair Value of Investment Property	16	(399,161)	(224,665)	(155,761)	(98,565)
Depreciation of Property, Plant and Equipment	14	531,940	512,585	325,627	307,741
(Profit) / Loss on Disposal of Property, Plant & Equipment	7	(431)	1,686	2,824	5,223
(Profit) / Loss on Disposal of Intangible Assets	8	593	-	593	-
Amortisation of Leasehold Properties	15	12,404	12,404	-	-
Amortisation of Intangible Assets	17	1,003	1,359	432	340
Provision /(Reversal) for Doubtful Debts	23	241	(6,280)	(4,029)	(6,436)
Gratuity Charge and Related Costs	30	54,458	47,429	32,536	27,762
Share Based Payment Expenses	27	26,688	26,820	23,564	25,976
Provision made on slow moving Inventory	22	575	790	-	-
Unrealised gain/loss on Foreign Exchange	9	11,456	41,550	-	-
Written off of Capital Work In Progress		2,273	24,564	-	-
		3,124,066	2,518,516	2,099,028	1,985,891
<b>Cash Flows from Operating Activities</b>					
Operating Profit Before Working Capital Changes		3,124,066	2,518,516	2,099,028	1,985,891
(Increase) / Decrease in Inventories		(23,805)	(6,020)	(22,859)	(416)
(Increase) / Decrease in Trade and Other Receivables		25,484	(137,349)	42,991	(38,140)
(Increase) / Decrease Amounts Due from Related Parties		(19,848)	(21,417)	611	3,979
(Increase) / Decrease Other Current Assets		(49,795)	2,960	(26,514)	8,283
Increase / (Decrease) Trade and Other Payables		(37,811)	86,492	16,463	18,897
Increase / (Decrease) Amounts Due to Related Parties		(19,170)	1,318	(14,885)	(5,448)
Increase / (Decrease) Other Current Liabilities		86,632	50,984	47,939	45,091
<b>Cash Generated from Operations</b>		3,085,753	2,495,484	2,142,774	2,018,137
Finance Income Received	10	221,817	156,710	196,990	150,038
Finance Cost Paid	9	(17,741)	(5,524)	-	-
Dividend Received	6	-	-	234,422	156,281
Super Gain Tax Paid	-	-	(264,053)	-	(61,603)
Tax Paid		(162,263)	(279,119)	(134,518)	(215,740)
Gratuity Paid	30	(47,938)	(29,076)	(29,385)	(12,861)
Net Cash Flow from Operating Activities		3,079,628	2,074,422	2,410,283	2,034,252
<b>Cash Flows from/(used in) Investing Activities</b>					
Purchase / Transfers and Construction of Property, Plant and Equipment	14.1	(355,361)	(1,136,392)	(255,194)	(548,244)
Addition to Investment Property	16	(489)	(4,827)	(489)	(4,827)
Addition to Intangible Assets	17	(697)	(1,398)	(697)	(1,155)
Proceeds from Sale of Property, Plant & Equipment		17,464	10,456	1,471	3,929
Net Proceeds from Other Assets		(13,842)	(13,608)	(11,708)	(10,201)
Net Cash flow used in Investing Activities		(352,925)	(1,145,769)	(266,617)	(560,498)
<b>Cash Flows from / (used in) Financing Activities</b>					
Dividend Paid to Equity Holders of Parent	13	(1,771,102)	(2,435,264)	(1,771,102)	(2,435,264)
Dividend Paid to shareholders with non-controlling interest		(339,540)	(226,360)	-	-
Repayment of Long Term Borrowings	28	(84,150)	401,400	-	-
Net Cash Flow used in Financing Activities		(2,194,792)	(2,260,224)	(1,771,102)	(2,435,264)
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		531,911	(1,331,571)	372,564	(961,510)
<b>Cash and Cash Equivalents at the beginning of the year</b>		1,527,332	2,858,903	1,485,257	2,446,767
<b>Cash and Cash Equivalents at the end of the year</b>		2,059,243	1,527,332	1,857,821	1,485,257
<b>Analysis of Cash and Cash Equivalents</b>					
<b>Favourable Balances</b>					
Cash and Bank		635,878	505,384	510,464	379,738
Short Term Investments		1,583,907	1,198,681	1,435,726	1,198,681
<b>Unfavourable Balances</b>					
Bank Overdrafts		(160,542)	(176,733)	(88,369)	(93,162)
<b>Total Cash and Cash Equivalents</b>		2,059,243	1,527,332	1,857,821	1,485,257

Figures in brackets indicate deductions

The accounting policies and notes as set out in pages 92 to 134 form an integral part of these Financial Statements.

## 1. REPORTING ENTITY

Asian Hotels and Properties PLC is a public limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and principal place of business of the company is located at No.77, Galle Road, Colombo 03. The consolidated financial statements of the Company as at and for the year ended 31st March 2017 comprise the financial information of the Company and its subsidiary; Trans Asia Hotels PLC (together referred to as the 'Group' and individually as 'Group entities').

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

The Group had 1,986 (2016 – 2,005) employees and the Company had 1,222 (2016- 1,224) employees as at the Reporting date.

## 2. BASIS OF PREPARATION

### (a) Statement of Compliance

The Financial Statements of the Company and the Group comprise the statements of financial position, income, profit or loss and other comprehensive income, changes in equity and cash flows together with the notes to the financial statements. The consolidated Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of Companies Act No. 7 of 2007.

The consolidated Financial Statements were authorised for issue by the Board of Directors on 26th May 2017.

### (b) Basis of Measurement

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

- Freehold Land and Buildings which are measured at cost, at the time of acquisition are subsequently recognised at revalued amounts which are the fair values at the date of revaluation less accumulated depreciation and impairment cost if any.
- Investment properties which are stated at fair values.
- Defined benefit obligations are measured at its present value, based on an actuarial valuation as explained in Note 30.

### (c) Presentation and Functional Currency

The Financial Statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency, which is the currency of the primary economic environment in which the Holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency. All values are rounded to the nearest Sri Lankan Rupees thousand (Rs.'000) unless otherwise indicated.

### (d) Use of Estimates and Judgments

The preparation of the Financial Statements, management has made judgments, Estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

### i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Consolidation: whether the Group has de facto control over an investee - Note 18

### ii) Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31st March 2017 is included in the following notes:

- Measurement of Defined Benefit Plans - key actuarial assumptions - Note 30
- Impairment test: key assumptions underlying recoverable amounts - Note 23
- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources - Note 38

### (e) Measurement of Fair Values:

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, Group assesses the evidence obtained from the third parties to

support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group's Audit Committee. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

**I. Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**II. Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**III. Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

#### **(f) Going Concern**

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's/Company's ability to continue as a going concern.

Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

#### **(g) Comparative Information**

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

#### **Other significant accounting policies not covered with individual notes**

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

#### **3.1 Basis of Consolidation**

##### **(i) Business Combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as

to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

##### **(ii) Non-Controlling Interests**

NCI are measured at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

##### **(iii) Subsidiaries**

Subsidiaries are those enterprises controlled by the group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

##### **(iv) Loss of Control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### **(v) Transactions Eliminated on Consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.



## 3.2 Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities that are measured at fair value in a 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 cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

## 3.3 Non Financial Assets Impairment

The carrying amounts of the Group/ Company's non - financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash

inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or Cash Generating Unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 3.4 Financial Instruments

### i) Non-Derivative Financial Assets *Initial recognition and measurement*

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in

an effective hedge, as appropriate. The Company and the Group determine the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company and the Group commit to purchase or sell the asset. However, as at each reporting date, the Company and the Group hold on only the financial assets categorised as 'loans and receivables'.

The Company and the Group initially recognise such loans and receivables on the date that they are originated.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when the Company and the Group have a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### *Subsequent Measurement*

The subsequent measurement of financial assets depends on their classification and the Company and the Group only hold financial assets categorised as loans and receivables.

### *Loans and Receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. Amortised cost is calculated

by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

## **De-recognition**

A financial asset is de-recognised when:

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

When the Company and the Group have transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company and the Group's continuing involvement in it. In that case, the Company and the Group also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company and the Group have retained.

## **ii) Non-Derivative Financial Liabilities**

### **Initial recognition and measurement**

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

When a financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of financial liability. The Company and the Group classify financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs.

### **Subsequent Measurement**

The measurement of financial liabilities depends on their classification and the Company and the Group only hold financial liabilities categorised as other financial liabilities.

### **Other Liabilities**

After initial recognition, other liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

## **De-recognition**

A financial liability is de-recognised when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

## **Amortised Cost Measurement**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments and any impairment and plus/minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount.

## **iii) Impairment**

### **a) Impairment of Non-derivative Financial Assets**

Financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the company on terms that the Company and the Group would not consider otherwise, indications that

a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

## **b) Impairment Losses on Financial Assets Carried at Amortised Cost**

The Company and the Group consider evidence of impairment for financial assets measured at amortised cost (loans and receivables) at specific asset level. All individually significant assets are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

## **4. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of new standards and amendments to the standards were issued but they were not effective as at the year-end. Accordingly, the Group/Company has not applied the following new or amended standards in preparing these Consolidated Financial Statements:

New or Amended Standards	Summary of the Requirement	Possible Impact on Financial Instruments
SLFRS 9 - Financial Instruments	SLFRS 9, published in July 2014, replace the existing guidance in LKAS 39 - 'Financial Instruments: Recognition and Measurement'. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of the financial instruments from LKAS 39. SLFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.	The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 9
SLFRS 15, Revenue from Contracts with Customers	"SLFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised.  It replaces existing revenue recognition, guidance, including LKAS 18 - 'Revenue', LKAS 11 - 'Construction Contracts' and IFRIC 13 - 'Customer Loyalty Programmes'. SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted."	The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 15
SLFRS 16, Leases	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 Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

## 5. REVENUE

### Accounting Policy

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

#### (i) Income from Hotel/Restaurants

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.

#### (ii) Rental Income

Rental income is recognised on an accrual basis.

	Group		Company	
For the year ended 31st March	2017	2016	2017	2016
In Rs.'000s				
Room	4,233,386	3,618,022	2,677,204	2,610,729
Food & Beverage	3,859,710	3,525,551	2,519,076	2,379,586
Rental Income form Investment property	411,203	392,364	349,872	331,033
Other Revenue	562,660	530,756	269,766	261,656
Net Revenue	9,066,959	8,066,693	5,815,918	5,583,004

## 6. DIVIDEND INCOME

	Group		Company	
For the year ended 31st March	2017	2016	2017	2016
In Rs.'000s				
Dividend from Subsidiary (Trans Asia Hotels PLC)	-	-	234,422	156,281
	-	-	234,422	156,281

## 7. OTHER OPERATING INCOME

### Accounting Policy

Other income is recognised on an accrual basis. Net gains and losses of a revenue nature arising from the disposal of property, and equipment and other non current assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses. Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

For the year ended 31st March In Rs.'000s	Group		Company	
	2017	2016	2017	2016
Exchange Gain	13,617	11,862	4,001	10,062
Profit/(Loss) on Disposal of Property, Plant & Equipment	431	(1,686)	(2,824)	(5,223)
Car Park Income	21,894	21,396	21,894	21,396
Promotional Income	24,488	19,662	24,488	19,662
Taxi Line Commission	10,426	8,295	10,426	8,295
Sundry Income	12,411	17,210	9,988	16,792
	83,267	76,739	67,973	70,984

## 8. PROFIT FROM OPERATIONS

### Accounting Policy

#### Expenditure Recognition

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

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

**Profit from Operations is stated after charging all expenses including the following;**

For the year ended 31st March In Rs.'000s	Note	Group		Company	
		2017	2016	2017	2016
Remuneration to Executive Directors		63,482	71,133	57,182	58,569
Remuneration to Non Executive Directors		11,700	11,700	5,400	5,400
Remuneration to Auditors					
Audit		1,650	1,595	1,000	1,000
Audit related service - fee		425	169	348	169
Defined benefit plan cost	30	54,457	47,429	32,535	27,762
Defined contribution plan cost - EPF and ETF		140,718	134,180	97,725	91,448
Staff Expenses		1,425,279	1,364,341	905,568	858,986
Depreciation of Property, Plant and Equipment	14	531,940	512,585	325,627	307,741
Amortisation of Lease Hold Property	15	12,404	12,404	-	-
Donations		27,060	27,667	18,795	23,564
Amortisation of Intangible Assets	17	1,003	1,359	432	340
Loss on Disposal of Intangible Assets	17	593	-	593	-
Impairment losses on Trade and other receivables	23	241	(6,280)	(4,029)	(6,436)
Trade and other receivables written off during the year	23	12,585	-	-	-



## 9. FINANCE COST

### Accounting Policy

Finance costs comprise interest expense on borrowings and exchange loss on borrowings. Interest expenses are recognised using the effective interest method.

### Borrowing Cost

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

	Group		Company	
For the year ended 31st March	2017	2016	2017	2016
In Rs.'000s				
Interest expense on long term borrowings	17,635	5,234	-	-
Exchange Loss on long term borrowings	11,456	41,550	-	-
Interest expense on Bank Overdraft	106	290	-	-
	29,197	47,074	-	-

## 10. FINANCE INCOME

### Accounting Policy

### Finance Income

Finance income comprises interest income derived on funds invested as Treasury bills, repurchase agreements (REPO) and Fixed Deposits. Interest income is recorded as it accrues using the effective interest rate (EIR).

	Group		Company	
For the year ended 31st March	2017	2016	2017	2016
In Rs.'000s				
Interest income on a loan to employees	3,920	1,818	3,020	1,818
Income from short term investments	217,897	154,892	193,970	148,220
	221,817	156,710	196,990	150,038

## 11. INCOME TAX EXPENSE

### Accounting Policy

Income tax expenses comprise of current and deferred tax. It is recognised in profit or loss except items recognised directly in equity or in OCI.

### Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

The subsidiary company is liable for taxation at a rate of 12% in terms of Section 46(1) of the Inland Revenue Act No.10 of 2006 and amendments thereto, on its profits derived from "promotion of tourism". In accordance with BOI agreement dated 11th March 1994 the profits and income of the company were exempt from taxation until 2014 and at the expiry of said period the following options were available for the Company.

- (a) Income tax payable for the year of assessment shall be computed at 2% of the turnover of the Company or
- (b) To adapt the provisions of the Inland Revenue Laws for the time being imposed.

The Board of the Company resolved to compute the income tax payable at 2% of the turnover of the company with effective from 01st April 2014. The Group is liable for Income Tax on any other income at 28%.

	Group		Company	
For the year ended 31st March	2017	2016	2017	2016
In Rs.'000s				
<b>Current income tax</b>				
Current tax charge (Note 11.1)	278,494	187,244	172,834	154,647
Provision for Deferred tax (Note 11.2)	2,446	4,180	-	-
10% Withholding tax on inter company dividends	26,047	17,365	-	-
	<b>306,987</b>	<b>208,789</b>	<b>172,834</b>	<b>154,647</b>

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

For the year ended 31st March In Rs.'000s	2017	2016
<b>COMPANY</b>		
Taxable Revenue	5,876,924	5,649,153
Income Tax charged at		
Standard rate 28%	55,296	41,716
Concessionary rate of 2%	117,538	112,983
Under or Over provision on Income tax for previous years	-	(52)
Current income tax charge	172,834	154,647
<b>SUBSIDIARY</b>		
Profit Before Tax	1,015,871	357,572
Exempt Profits	(1,379)	(893)
Accounting profit chargeable to income taxes	1,014,492	356,679
Income tax on accounting profit at applicable rates	134,860	52,820
Tax effect on disallowable expenses	3,484	2,425
Tax effect on aggregate Allowable expenses	(30,113)	(18,468)
Under or over provision on Income tax previous year	-	-
Tax effect on adjustment to opening deferred tax liability	(125)	-
Total Income tax expenses	108,106	36,777
Income Tax charged at		
Standard rate 28%	21,377	17,532
Concessionary rate of 12%	84,283	15,065
Under or Over provision on Income tax for previous years	-	-
Current income tax charge	105,660	32,597
<b>GROUP</b>		
Company	172,834	154,647
Subsidiary	105,660	32,597
Group current Income tax charge	278,494	187,244

## 11.2 Provision for Deferred Tax

	Group		Company	
For the year ended 31st March	2017	2016	2017	2016
In Rs.'000s				
<b>Deferred Tax arising from</b>				
Accelerated Depreciation for tax purposes	3,721	5,212	-	-
Employment Benefits	(1,275)	(1,032)	-	-
Total Deferred Tax Charge	2,446	4,180	-	-
Impact of Actuarial adjustment on gratuity	(871)	(520)	-	-
<b>Total Deferred Tax Charge</b>	<b>1,575</b>	<b>3,660</b>	<b>-</b>	<b>-</b>

Deferred tax liability has been computed taking into consideration the tax rate of 12% applicable for the tourism industry. No deferred tax is applicable to the AHP PLC as Company is paying tax as a percentage of total revenue.

## 12. EARNINGS PER SHARE

### Accounting policy

Basic EPS is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The Basic Earnings Per Share is based on the profit attributable to Asian Hotels & Properties PLC.

	Group		Company	
For the year ended 31st March	2017	2016	2017	2016
In Rs.'000s				
Net Profit for the Year	2,265,412	1,841,133	2,131,820	1,875,522
Number of Ordinary Shares	442,775	442,775	442,775	442,775
Basic Earnings per Share (Rs.)	5.12	4.16	4.81	4.24

## 13 DIVIDEND PER SHARE

	GROUP		COMPANY	
For the year ended 31st March	2017	2016	2017	2016
In Rs.'000s				
Final dividend paid - 2014/2015	-	1,328,326	-	1,328,326
Interim dividend paid-2015/2016	-	1,106,938	-	1,106,938
Final dividend paid - 2015/2016	885,551	-	885,551	-
Interim dividend paid-2016/2017	885,551	-	885,551	-
Total Dividends	1,771,102	2,435,264	1,771,102	2,435,264
<b>Dividend Per Share (Rs.)</b>	<b>4.00</b>	<b>5.50</b>	<b>4.00</b>	<b>5.50</b>

## 14. PROPERTY, PLANT AND EQUIPMENT

### Accounting Policy

#### *Basis of Recognition*

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the company and the cost of the asset can be reliably measured.

#### *Basis of Measurement*

All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued at fair value. The Group applies cost model to property, plant and equipment except for land and buildings and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses. The carrying values of property plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The Group applies the re-valuation model to land and buildings. The Group has adopted a policy of revaluing assets every five years.

When an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognised.

#### *De-recognition*

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

#### *Depreciation*

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

Assets	Years
Buildings	75
Plant and Machinery	10-20
Motor Vehicles	4-10
Vessel of Floating Restaurant	18
Furniture, Furnishings Equipment	5-15
Computers	5
Base Stock/Circulating Assets	3-10
Outdoor Car Park Development	10

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

Buildings of the subsidiary are depreciated using Straight Line method in order to depreciate over the balance lease period of 63 years.

Depreciation of an assets ceases at the earlier of the date that the asset is classified as held for sale and the date that asset is de-recognised.

## 14.1 Group

As at 31st March In Rs. '000s	Freehold Land	Buildings	Outdoor Carpark Development	Plant & Machinery	Base Stock & Circulating	Furniture, Fittings & equipment	Motor Vehicles	Capital Work In Progress	Total 2017	Total 2016
<b>Cost or Valuation</b>										
At the Beginning of the Year	11,231,270	7,712,050	11,783	1,463,216	1,501,349	2,057,214	80,706	109,819	24,167,407	23,250,850
Additions	-	48,114	-	30,244	133,740	124,686	1,426	17,151	355,361	1,136,392
Disposals	-	(7,766)	-	(15,660)	(49,060)	(47,168)	-	-	(119,654)	(219,834)
Revaluations Gain	8,987,690	313,502	-	-	-	-	-	-	9,301,192	-
Depreciation adjustment on Revaluation	-	(170,377)	-	-	-	-	-	-	(170,377)	-
Write-Off WIP assets	-	-	-	-	-	-	-	(2,273)	(2,273)	-
Transfers from work in progress	-	8,012	-	1,064	1,709	1,762	-	(12,548)	-	-
At the end of the Year	20,218,960	7,903,535	11,783	1,478,864	1,587,738	2,136,494	82,132	112,149	33,531,656	24,167,408

## Accumulated Depreciation

At the Beginning of the Year	-	211,721	6,677	650,615	1,000,675	972,756	33,944	-	2,876,388	2,546,931
Charge for the Year	-	153,422	1,178	61,149	168,234	141,878	6,079	-	531,940	512,585
Disposals	-	-	-	(15,332)	(43,541)	(43,748)	-	-	(102,621)	(183,128)
Depreciation adjustment on Revaluation	-	(170,377)	-	-	-	-	-	-	(170,377)	-
At the end of the Year	-	194,766	7,855	696,432	1,125,368	1,070,886	40,023	-	3,135,330	2,876,388

## Carrying Value

<b>As at 31st March 2017</b>	20,218,960	7,708,769	3,928	782,432	462,370	1,065,608	42,109	112,149	30,396,326	-
As at 31st March 2016	11,231,270	7,500,329	5,106	812,601	500,674	1,084,458	46,762	109,819	-	21,291,020

## Note-14.1. a

Freehold Land and Buildings of the Group were valued by M/s. P.B. Kalugalagedara & Associates, an independent Chartered Valuer as at 31st March 2017, and the book values were written up to correspond with the valuation.

Had the revalued Buildings of the Group been included at cost, the carrying value of the said asset would amount to Rs. 5,249 Mn. (Rs. 4,945 Mn in 2016)  
Had the revalued Land of Group been included at cost, the carrying value of the said asset would amount to Rs. 470 Mn. (Rs. 470 Mn in 2016)  
(Details of the fair Value hierarchy is given in note 14.3)



**Note-14.1. b**

Details of Group's Land and Building stated at valuation are indicated below

	Property	Land /Building Extent	Location
<b>Free hold Land and Building</b>			
Company	Land 1	A08 - R0- P05.08	No 77, Galle Road, Colombo 03
	Building- Stage(1)	348,818 Sq Ft	No 77, Galle Road, Colombo 03
	Building- Stage (11) & (111)	299,975 Sq Ft	No 77, Galle Road, Colombo 03
	Life style Building	49,280 Sq.Ft	No 77, Galle Road, Colombo 03
	Associate Life Style Building	36,859 Sq. Ft	No 77, Galle Road, Colombo 03
<b>Investment Properties</b>			
Company	Building 1	145,196 Sq Ft	No 89, Galle Road, Colombo 03
Subsidiary	Building 1	55,548 Sq Ft	No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.
	Land	A01 - R02- P30.0	No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.
<b>Lease hold Properties</b>			
Subsidiary	Building 1	316,067 Sq Ft	No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.
	Land	A05 - R02- P34.28	No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.

**Note-14.1. c** The Vessel of floating restaurant of the Subsidiary has been classified under Motor Vehicles.

**Note-14.1.d** The cost of the fully depreciated assets in the Group which are still in use of the Company amounting Rs. 984 Mn.(in 2016 Rs. 950 Mn).

**Note-14.1.e** There are no assets pledged that required to disclose in the Group.

## 14.2 Company

As at 31 st March In Rs. '000s	Freehold Land	Buildings	Outdoor Car park Development	Plant & Machinery	Base Stock & Circulating equipment	Furniture, Fittings & equipment	Motor Vehicles	Capital Work In Progress	Total 2017	Total 2016
<b>Cost or Valuation</b>										
At the Beginning of the Year	11,231,270	4,748,572	11,783	922,541	693,275	1,257,911	14,888	90,765	18,971,005	18,536,664
Additions	-	43,535	-	21,823	87,107	86,248	-	16,481	255,194	548,244
Disposals	-	-	-	(9,893)	(34,520)	(17,695)	-	-	(62,108)	(113,903)
Revaluation Gain	8,987,690	313,502	-	-	-	-	-	-	9,301,192	-
Depreciation adjustment on Revaluation	-	(170,377)	-	-	-	-	-	-	(170,377)	-
Transfers from work in progress	-	969	-	1,064	837	916	-	(3,787)	-	-
At the end of the Year	20,218,960	4,936,201	11,783	935,535	746,699	1,327,380	14,888	103,459	28,294,906	18,971,005
<b>Accumulated Depreciation</b>										
At the Beginning of the Year	-	74,795	6,677	388,572	404,887	565,964	14,232	-	1,455,127	1,252,137
Charge for the Year	-	95,582	1,178	37,542	97,151	93,704	470	-	325,627	307,741
Disposals	-	-	-	(9,893)	(32,542)	(15,378)	-	-	(57,813)	(104,751)
Depreciation adjustment on Revaluation	-	(170,377)	-	-	-	-	-	-	(170,377)	-
At the end of the Year	-	-	7,855	416,221	469,496	644,290	14,702	-	1,552,564	1,455,127
<b>Carrying Value</b>										
As at 31st March 2017	20,218,960	4,936,201	3,928	519,314	277,203	683,090	186	103,459	26,742,342	-
As at 31st March 2016	11,231,270	4,673,777	5,106	533,969	288,388	691,947	656	90,765	-	17,515,878

### Note-14.2.a

Freehold Land and Buildings of Asian Hotels and Properties PLC were valued by M/s. P.B. Kalugalagedara & Associates, an independent Chartered Valuer as at 31st March 2017, and the book values were written up to correspond with the valuation. Valuation Method used is Direct Capital Comparison Method.

### Note-14.2.b

Had the revalued Buildings of the company been included at cost, the carrying value of the said asset would amount to Rs. 3,576 Mn. (Rs. 3,587 Mn in 2016) Had the revalued Land been included at cost, the carrying value of the said asset would amount to Rs. 470 Mn. (Rs. 470 Mn in 2016).

### Note-14.2.c

The cost of the fully depreciated assets which are still in use of the Company amounting Rs. 551 Mn. (in 2016 Rs. 517 Mn).

### Note-14.2.d

There are no assets pledged that required to disclose in the Company.

## 14.3 Details of Group's Land, Building and Other properties stated at valuation are indicated below;

	Method of valuation	Effective date of valuation	Property valuer
Buildings on leasehold land of Trans Asia Hotels PLC.	Summation method based on depreciated current cost approach	31-Mar-13	P B Kalugalagedara, Chartered Valuation Surveyor
Land and building of Asian Hotels and Properties PLC.	Summation method based on depreciated current cost approach	31-Mar-17	P B Kalugalagedara, Chartered Valuation Surveyor

### (i) Fair Value Hierarchy

The fair value of property was determined by external independent property values having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for all of properties has been categorised as level 03 fair value based on the input to the valuation technique used.

### (ii) Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used:

Valuation Technique	Significant Unobservable Inputs	Interrelationship
Summation method based on depreciated current cost approach;	Estimated open market price per square feet	Positive correlated sensitivity

## 15. LEASEHOLD PROPERTY

### Accounting Policy

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Leasehold property comprising of land use rights and stated at valuation, are amortised on a straight line basis over the remaining lease term. The impairment loss if any is recognised in the Statement of Profit or Loss.

	Group	
As at 31st March	2017	2016
In Rs.'000s		
At the beginning of the year	793,856	806,260
Amortisation for the year	(12,404)	(12,404)
At the end of the year	781,452	793,856

Leasehold property is the land which the hotel (Trans Asia Hotels) is located. The leasehold land is on a 99 years long term lease agreement entered with the Urban Development Authority, Sri Lanka, which commenced from 7th August 1981 and is being amortised on a straight line basis over a period of 94 years which commenced from 1st April 1986.

Property	Land extent	Lease period	Group	
In Rs. '000s	(in acres)		2017	2016
<b>15.1 Details of leasehold Property</b>				
Trans Asia Hotels PLC, Colombo	7.65	99 years from 07-08-1981	<b>781,452</b>	793,856
			<b>781,452</b>	793,856

## 16. INVESTMENT PROPERTY

### Accounting Policy

#### Basis of Recognition and Measurement

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

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

Any gains or losses on retirement or disposal are recognised in profit or loss in the year of retirement or disposal. Transfers are made to and from investment property only when there is a change in use in accordance with the criteria listed in Sri Lanka Accounting Standard 40 "Investment Property" (LKAS 40).

As at 31st March In Rs.'000s	Group		Company	
	2017	2016	2017	2016
At the beginning of the year	<b>4,165,000</b>	3,935,508	<b>2,260,000</b>	2,156,608
Additions	<b>489</b>	4,827	<b>489</b>	4,827
Change in fair value during the year	<b>399,161</b>	224,665	<b>155,761</b>	98,565
At the end of the year	<b>4,564,650</b>	4,165,000	<b>2,416,250</b>	2,260,000

### 16.1 Valuation Details of Investment Property

Investment properties of the Group were valued by a qualified professional valuer as at 31st March 2017, Details of which are as follows;

In order to adopt the Fair Value model on Investment Property, as per Sri Lanka Accounting Standard 40 "Investment Property" the Land & Building classified as Investment Property of Asian Hotels and Properties PLC which includes Crescat Boulevard was valued by Mr. P.B. Kalugalagedera, a Chartered Valuation Surveyor using Investment/Income method of valuation on 31st March 2017.

The Commercial Centre of Trans Asia Hotels PLC was valued by Mr. P.B. Kalugalagedera, a Chartered Valuation Surveyor using the Open Market Value based on annual rent Method on 31st March 2017.

Changes in the values are recognised as gains in profit or loss. All gains are unrealised.

Rental Income earned from Investment Property by the Company and Group amounted to Rs. 350 Mn (2016 Rs. 331 Mn) and Rs. 411 Mn (2016 Rs. 392 Mn) respectively. Direct Operating Expenses incurred by the Company and Group amounted to Rs. 106 Mn (2016 Rs. 98 Mn) and Rs. 115 Mn (2016 Rs. 105 Mn) respectively.

The significant assumptions used by the valuer in the years 2016 and 2017 are as follows;

As at 31st March	
Property	Method of Valuation
Asian Hotels and Properties PLC. Crescat Boulevard, Colombo 3	Investment/Income capitalisation approach
Trans Asia Hotels PLC. Commercial Centre, Colombo 2	Open market value based on annual rent

## 16.2

### (i) Fair Value Hierarchy

The fair value of property was determined by external independent property valuer having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value measurement for all of properties has been categorised as level 03 fair value based on the input to the valuation technique used.

### (ii) Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used:

Valuation Technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Investment/Income method	Income capitalisation rate	Positively correlated sensitivity
Open market value based on annual rent	Estimated market rental rate Discount rate at 6%	Positively correlated sensitivity

## 17. INTANGIBLE ASSETS

### Accounting policy

#### Basis of Recognition

An intangible asset is an identifiable non monetary asset without physical substance held for use in the production or supply goods or other services, rental to others or for administrative purposes. An intangible asset is initially recognised at cost, if it is probable that future economic benefit will flow to the enterprise, and the cost of the asset can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

#### (i) Computer software

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

#### (ii) Amortisation

Intangible assets with finite lives are amortised over the estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets are amortised on a straight line basis in the Income Statement 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 5 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Amortisation shall cease at the earlier of the date that the asset is classified as held for sale or the date that asset is de-recognised.

#### (iii) De-recognition

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

	Group		Company	
As at 31st March	2017	2016	2017	2016
In Rs.'000s				
<b>Computer Software</b>				
<b>Cost</b>				
At the Beginning of the Year	32,887	31,950	7,425	6,731
Additions	697	1,398	697	1,155
Disposals	(1,404)	(461)	(1,404)	(461)
At the End of the Year	32,180	32,887	6,718	7,425
<b>Accumulated Amortisation</b>				
At the Beginning of the Year	29,990	29,092	5,900	6,021
Amortisation	1,003	1,359	432	340
Disposals	(811)	(461)	(811)	(461)
At the End of the Year	30,182	29,990	5,521	5,900
<b>Carrying value</b>				
As at 31st March	1,998	2,897	1,197	1,524



## 18. INVESTMENTS IN SUBSIDIARIES

As at 31st March In Rs.'000s	Company	
	2017	2016
<b>Carrying value</b>		
Investments in subsidiaries	660,045	660,045
	<b>660,045</b>	<b>660,045</b>

2017	Number of shares	Effective holding %	Cost of Investment	Market Value
Trans Asia Hotels PLC At Cost (Quoted)	86,823,028	43.41%	660,045	6,520,409

2016	Number of shares	Effective holding %	Cost of Investment	Market Value
Trans Asia Hotels PLC. At Cost (Quoted)	86,823,028	43.41%	660,045	6,937,160

### **Power and exposure, or rights, to variable returns**

Asian Hotels & Properties PLC (AHP) consider Trans Asia Hotels PLC (TAH) as a subsidiary since the AHP has power and exposure, right to variable return and ability to use its powers over TAH, based on the factors mention below even through it has only 43.41% ownership.

- It is AHP that strategies the marketing, positioning and sales of TAH, thereby, affecting the operating return, in addition to the Dividend. This duly approved Operating Model established for AHP and TAH is driven by AHP as the lead.
- AHP is exposed to variable returns from its involvement with TAH as a result of its performance. In addition AHP has quantitative, and qualitative, returns that are not available to other interest holders, due to its ability to use TAH's assets in combination with its own to achieve economies of scale, cost savings and other synergies in their mutual interest.
- In addition to having the lead of the Operating Model, AHP also has the right to nominate directors to the TAH board. JKH had now assigned the power to AHP in order to nominate Directors to TAH.

## NCI in Subsidiary

The following table summarises the information relating to the Group's subsidiary, Trans Asia Hotels PLC that has NCI.

As at 31st March In Rs.'000s	2017	2016
<b>NCI percentage</b>	<b>56.59%</b>	<b>56.59%</b>
Non current assets	3,731,862	3,668,820
Current assets	509,446	391,216
Non current liabilities	(414,158)	(465,861)
Current liabilities	(427,426)	(366,769)
<b>Net assets</b>	<b>3,399,725</b>	<b>3,227,406</b>
<b>Carrying amount of NCI</b>	<b>3,399,725</b>	<b>3,227,406</b>
Revenue	1,839,764	1,405,520
Profit	513,704	181,537
Other comprehensive income	(3,614)	(2,160)
<b>Total Comprehensive income allocated to NCI</b>	<b>510,090</b>	<b>179,377</b>
Cash flow from operating activities	524,970	119,069
Cash flow from investing activities	(47,635)	(329,277)
Cash flow from financing activities	(387,160)	792
<b>Net increase in cash and cash equivalents</b>	<b>90,175</b>	<b>(209,416)</b>

## 19 LONG TERM INVESTMENTS

	Group		Company	
As at 31st March In Rs.'000s	2017	2016	2017	2016
Sri Lanka Hotel & Tourism	100	100	100	100
(-) Fall in value of the Investment	(100)	(100)	(100)	(100)
	-	-	-	-

The Company has fully provided for the above investment during the year 2009/2010, due to the non recoverability of the same.

## 20. OTHER NON CURRENT FINANCIAL ASSETS

### 20.1 Loans to Executives

	Group		Company	
As at 31st March In Rs.'000s	2017	2016	2017	2016
At the beginning of the year	28,425	15,797	20,639	11,424
Loans granted / (transfers)	23,994	26,451	21,860	16,751
Recoveries	(10,152)	(13,823)	(10,152)	(7,536)
<b>At the end of the year</b>	<b>42,267</b>	<b>28,425</b>	<b>32,347</b>	<b>20,639</b>
Receivable within one year	6,643	3,835	5,296	2,806
Receivable between one and five years	35,624	24,590	27,051	17,833
	42,267	28,425	32,347	20,639

## 21. OTHER NON CURRENT ASSETS

	Group		Company	
As at 31st March	2017	2016	2017	2016
In Rs.'000s				
Prepaid Cost of Staff Motor Vehicle Loan	6,643	3,835	5,296	2,806

## 22. INVENTORIES

### Accounting Policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

	Group		Company	
As at 31st March	2017	2016	2017	2016
In Rs.'000s				
Food & Beverage	115,253	85,624	84,070	55,271
General	6,434	12,302	3,336	9,916
Diesel/ Furnace/ Gas Stock	16,229	14,231	10,277	7,837
Engineering Stock	20,290	22,244	12,004	13,804
Inventory Slow moving Provision	(9,410)	(8,835)	-	-
Amount at the End of the Year	148,796	125,566	109,687	86,828

## 23. TRADE AND OTHER RECEIVABLES

	Group		Company	
As at 31st March	2017	2016	2017	2016
In Rs.'000s				
Trade receivables	660,922	698,840	262,781	308,454
Other receivables	106,009	106,160	71,471	68,788
Less: Impairment	(9,999)	(22,343)	(6,410)	(10,439)
	756,932	782,657	327,842	366,803

### Impairment

At the beginning of the year	22,343	28,623	10,439	16,875
Provision/(Reversal) for the year	241	(6,280)	(4,029)	(6,436)
Written off during the year	(12,585)	-	-	-
At the end of the year	9,999	22,343	6,410	10,439

## 24. OTHER CURRENT ASSETS

As at 31st March In Rs.'000s	Group		Company	
	2017	2016	2017	2016
Prepayments and non cash receivables	73,051	57,262	43,022	26,848
WHT Recoverable	18,500	16,497	16,486	14,793
ESC Recoverable	49,497	-	31,590	-
Advance to Creditors	30,768	48,262	11,364	34,307
	171,816	122,021	102,462	75,948

## 25. SHORT TERM INVESTMENTS

As at 31st March In Rs.'000s	Group		Company	
	2017	2016	2017	2016
Fixed & Call deposits	1,583,907	1,198,681	1,435,726	1,198,681
	1,583,907	1,198,681	1,435,726	1,198,681

## 26. STATED CAPITAL

As at 31st March In '000s	Group				Company			
	2017	2016	2017	2016	2017	2016	2017	2016
	Number of shares	Value of shares Rs.	Number of shares	Value of shares Rs.	Number of shares	Value of shares Rs.	Number of shares	Value of shares Rs.
	442,775	3,345,117	442,775	3,345,117	442,775	3,345,117	442,775	3,345,117

## 27. OTHER COMPONENTS OF EQUITY

As at 31st March In Rs.'000s	Note	Group		Company	
		2017	2016	2017	2016
Revaluation reserve	27.1	22,044,135	12,753,854	21,579,616	12,278,424
Share based payments	27.2	95,254	70,334	90,939	67,375
		22,139,389	12,824,188	21,670,555	12,345,799

## 27.1 Revaluation reserve

	Group		Company	
As at 31st March	2017	2016	2017	2016
In Rs.'000s				
At the Beginning of the Year	12,753,854	12,764,765	12,278,424	12,278,424
Transferred to Revenue Reserve	(10,911)	(10,911)	-	-
Revaluation gain on Freehold Land & Buildings	9,301,192	-	9,301,192	-
At the End of the Year	22,044,135	12,753,854	21,579,616	12,278,424

## 27.2 Share-based Payment Plans -Group

### Accounting Policy

In accounting for employee remuneration in the form of shares, SLFRS 2 – Share based payments, is effective for the Company's parents entity John Keells Holdings PLC, from the financial year beginning 2013/14.

Employees of the company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments of the Parent entity John Keells Holdings PLC (equity settled transactions). The cost of the employee services received in respect of the shares or share options granted is recognised in the income statements 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 John Keells Holdings PLC's share option scheme to the employees of Asian Hotels and Properties PLC is recognised in the income statement of the company. This transaction does not result in a cash outflow to the company and expense recognised is met with a corresponding equity reserve increase, thus having no impact on the Statement of Financial Position (SOFPP). The fair value of the options granted is determined by the John Keells Holdings PLC using an option valuation model and the relevant details are communicated by the John Keells Holdings PLC to all applicable subsidiary companies.

### Employee Share Option Scheme

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

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

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

## 27.2 Share-based payment plans -Group (contd.)

In Rs.'000s	2017	2016
At the Beginning of the Year	74,190	47,370
Expense arising from equity-settled share-based payment transactions	26,688	26,820
Total expense arising from share-based payment transactions	26,688	26,820
At the End of the year with non- controlling interest	100,878	74,190
Non-controlling interest at the end of the year	(5,624)	(3,856)
At the End of the year	95,254	70,334

### 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:

	2017		2016	
	No.	WAEP	No.	WAEP
Outstanding at 1st April	1,667,804	198.67	1,016,128	253.16
Granted during the year	565,248	142.83	447,197	171.25
Lapses/Forfeited during the year	(278,882)	165.60	(34,143)	122.01
Adjusted - sub division during the year	231,517	169.70	208,543	197.28
Adjusted - Warrents during the year	10,036	190.96	23,763	219.03
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Transfers	78,748	160.57	6,316	140.58
Outstanding at 31st March	2,274,471	158.60	1,667,804	197.16
Exercisable at 31st March	884,590	176.56	432,166	212.51

### 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.

## 27.3 Share-based Payment Plans - Company

### Employee Share Option Scheme

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

In Rs.'000s	2017	2016
At the Beginning of the Year	67,375	41,399
Expense arising from equity-settled share-based payment transactions	23,564	25,976
Total expense arising from share-based payment transactions	23,564	25,976
At the End of the year	90,939	67,375



## 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:

	2017		2016	
	No.	WAEP	No.	WAEP
Outstanding at 1st April	1,517,862	198.67	945,184	253.16
Granted during the year	462,247	142.83	386,647	171.25
Lapses/Forfeited during the year	(235,671)	172.16	(5,600)	85.63
Adjusted - sub division during the year	210,106	175.09	187,663	199.11
Adjusted - Warrants during the year	9,256	190.96	22,055	219.03
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Transfers	78,748	160.57	(18,087)	105.44
Outstanding at 31st March	2,042,548	198.67	1,517,862	198.67
Exercisable at 31st March	820,226	181.15	400,141	212.63

## 28. INTEREST BEARING BORROWINGS

### Accounting Policy

Borrowings are initially recognised at fair value less any directly attributable transaction costs. Subsequently, they are stated at amortised cost, any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in Profit or Loss over the period of the loan using effective interest method.

	Group	
	2017	2016
<b>As at 31st March</b>		
<b>In Rs.'000s</b>		
At the Beginning of the Year	442,950	-
Loans obtained	-	401,400
Repayments	(84,150)	-
Translation /Exchange difference	11,456	41,550
	<b>370,256</b>	<b>442,950</b>
<b>Repayable within one year</b>	<b>113,925</b>	<b>83,053</b>
<b>Repayable after one year</b>		
Repayable between one and five years	<b>256,331</b>	<b>359,897</b>
Repayable after five years	-	-
	<b>370,256</b>	<b>442,950</b>

## Security and repayment terms

Lending institution	Nature of facility	Interest rate	Repayment terms	Security	2017		2016	
					Rs.'000 Face value	Rs.'000 carrying value	Rs.'000 Face value	Rs.'000 carrying value
Hatton National Bank PLC	Term Loan (USD)	2.87% fixed for first year and pricing to be reviewed annually	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	370,256	370,256	442,950	442,950

## 29. DEFERRED TAXATION

### Accounting Policy

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

As at 31st March In Rs.'000s	Note	Group	
		2017	2016
At the Beginning of the Year		344,722	341,062
Charge for the year	11.2	1,575	3,660
At the End of the year		346,297	344,722

The closing Deferred Tax liability relates to the followings

As at 31st March In Rs.'000s	Group	
	2017	2016
Revaluation of Land and buildings to Fair value	47,960	47,960
Accelerated depreciation for tax purposes	313,844	310,994
Employee Benefit Liability	(15,507)	(14,232)
	346,297	344,722

In accordance with the BOI agreement dated 11th March 1994 the profits and income of the Company were exempt from taxation till year 2014, and at the expiry of said period the following options were available for the Company.

- (a) Income tax payable for the year of assessment shall be computed at 2% of the Turnover of the Company or;
- (b) The provisions of the Inland Revenue Laws for the time being imposed shall apply.

Since Company elected option (a) no Deferred Tax liability will arise even after the expiry of the tax exemption period.

### 30. EMPLOYEE BENEFIT LIABILITIES

#### Accounting Policy

##### (i) Defined Contribution Plans

Employees' Provident Fund and Employees' Trust Fund (EPF & ETF) are recognised as incurred. Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations.

The Company and the Group contribute 3% of gross emoluments of employees to the Employees' Trust Fund.  
Company contributes 15% and subsidiary contributes 12% of gross emoluments of employees to Employees' Provident Fund.

##### (ii) Defined Benefit Plans

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

The Company and the Group are liable to pay retirement benefits under the Payment of Gratuity Act, No. 12 of 1983.

The liability recognised in the statement of financial position is the present value of the defined benefit obligation as at 31st March 2017.

The defined benefit obligation is calculated by a qualified actuary as at 31st March 2017 using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. Such actuarial valuations will be carried out every year.

The liability is not externally funded. All Actuarial gains or losses are recognised immediately in the other comprehensive income. Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five-years of continued service.

		Group		Company	
As at 31st March	Note	2017	2016	2017	2016
In Rs.'000s					
At the beginning of the year		274,150	241,873	155,546	131,873
Current service cost		25,670	23,242	16,203	14,575
Interest cost on benefit obligation		28,787	24,187	16,332	13,187
Payments		(49,386)	(29,076)	(30,579)	(12,860)
(Gain)/Loss arising from changes in assumptions		25,344	13,108	18,087	8,771
Transfers		1,449	816	1,195	-
At the end of the year		306,014	274,150	176,784	155,546

The employee benefit liability of the Company and Group is based on the actuarial valuations carried out as at 31st March 2017 by Mr. M. Poopalanathan, AIA, Messers. Actuarial & Management Consultant (Pvt) Ltd; a firm of professional actuaries.

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

### 30. EMPLOYEE BENEFIT LIABILITIES (CONTD.)

As at 31st March In Rs.'000s	Group		Company	
	2017	2016	2017	2016
Discount rate	10.50%	10.50%	10.50%	10.50%
Future salary increases	10.00%	9.00%	10.00%	9.00%

#### 30.1 Sensitivity of Assumptions Used

If one percentage point change in the assumed discount rate would have the following effects:

	Discount rate 2017		Salary increment 2017	
	Group	Company	Group	Company
Increase by one percentage point	(10,870)	(5,614)	13,021	7,058
Decrease by one percentage point	12,416	6,694	(11,632)	(6,061)

#### 30.2 Maturity Analysis of the Payments

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

	2017		2016	
	Group	Company	Group	Company
Within the next 12 months	73,820	49,719	43,132	25,246
Between 1-2years	82,385	49,370	66,873	34,302
Between 2-5years	70,202	38,085	66,416	39,346
Between 5-10 years	59,799	28,420	71,160	41,425
Beyond 10 years	19,808	11,190	26,569	15,227
Total	306,014	176,784	274,150	155,546

### 31. TRADE AND OTHER PAYABLES

#### Accounting policy

Trade payables are the aggregate amount of obligations to pay for goods or services, that have been acquired in the ordinary course of business. Trade payable are classified as current liabilities if payment is due within one year and initially recognised at Fair Value and subsequently measured at amortised cost using the effective interest method.

As at 31st March In Rs.'000s	Group		Company	
	2017	2016	2017	2016
Trade Payables	200,148	194,594	143,976	125,663
Retention on Construction	22,408	32,571	22,408	32,571
Accrued Expenses	142,132	195,405	40,407	30,517
Other Creditors	366,323	346,252	262,699	264,276
	731,011	768,822	469,490	453,027

## 32. INCOME TAX LIABILITIES

	Group		Company	
As at 31st March	2017	2016	2017	2016
In Rs.'000s				
At the beginning of the year	62,859	144,236	51,406	117,099
Charge for the year	278,494	187,244	172,834	154,647
Payments and set off against refunds and credits	(136,217)	(268,621)	(134,512)	(220,340)
At the end of the year	205,136	62,859	89,728	51,406

## 33. OTHER CURRENT LIABILITIES

	Group		Company	
As at 31st March	2017	2016	2017	2016
In Rs.'000s				
Other tax payables	187,566	79,274	115,773	56,905
Banquet Advanced	189,217	208,667	111,797	122,895
Other Advanced	93,592	95,802	87,018	86,849
	470,375	383,743	314,588	266,649

## 34. RELATED PARTY DISCLOSURES

Group carried out transactions in the ordinary course of its business on an arm's length basis with parties who are defined as related parties as per LKAS 24 "Related Party Disclosure".

### 34.1 Parent and Ultimate Controlling Party

The Company's Ultimate Parent Undertaking and controlling party is John Keells Holding PLC.

The amounts receivable from or payable to related parties as at 31st March 2017, are below,

	Group		Company	
As at 31st March	2017	2016	2017	2016
In Rs.'000s				
<b>34.2 Amounts due from Related Parties</b>				
Parent-John Keells Holdings PLC	4,910	5,662	460	768
Subsidiary-Trans Asia Hotels PLC	-	-	8,324	4,604
Companies under common control of JKH PLC	102,839	82,239	18,427	22,450
	107,749	87,901	27,211	27,822

### 34.3 Amounts due to Related Parties

Parent-John Keells Holdings PLC	5,858	6,795	3,585	4,106
Subsidiary-Trans Asia Hotels PLC	-	-	229	319
Companies under common control of JKH PLC	87,761	105,993	61,820	76,098
	93,619	112,788	65,634	80,523

## 34.4 Transactions with Related Parties

The Group and Company carried out transactions with the following related entities.

	Group		Company	
For the year ended 31st March	2017	2016	2017	2016
In Rs.'000s				
<b>(a) Transactions with Parent Company</b>				
<b>The company's parent is John Keells Holdings PLC</b>				
Rendering /(Receiving) of services	(48,778)	(42,601)	(29,032)	(27,350)
Rent Received / (Paid)	27,953	25,142	-	-
<b>(b) Transactions with Subsidiary Company</b>				
(Receiving) / Rendering of services	-	-	6,616	3,909
Rent received / (paid)	-	-	-	-
Sales/(Purchases) of goods	-	-	-	-
<b>(c) Transaction with companies Under common control of JKH PLC</b>				
Rendering /(Receiving) of services	(394,354)	(391,468)	(363,366)	(327,796)
Rent received / (paid)	88,511	81,283	45,538	43,843
Sales / (Purchases) of goods	(50,309)	(13,713)	(28,368)	(5,800)

## 34.5 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS) 24 - Related Party Disclosure, "Key Management Personnel" are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors) have been classified as KMP of the Company.

As the John Keells Holding PLC is the Parent of the Company and the Board of Directors of the Parent Company has the authority and responsibility of planning, directing and controlling the activities of the Company, the Directors of the parent Company have also been identified as Key Management Personnel of the Company.

	Group		Company	
For the year ended 31st March	2017	2016	2017	2016
In Rs.'000s				
<b>(i) Compensation of Key Management Personnel</b>				
Short-term employee benefits	63,482	71,133	57,182	58,569
Contributions to the provident fund	3,053	3,742	3,053	3,742
Share based payment	16,276	17,129	16,276	17,129

In addition to their salaries the Company provides non-cash benefits to the Key Management Personnel and contributes to a post-employment defined benefit plan on their behalf. Directors' emoluments are disclosed in Note 8 to the Financial Statements.



## 35 FINANCIAL INSTRUMENTS - ACCOUNTS CLASSIFICATION AND FAIR VALUES OF THE GROUP

### 35.1 Financial Assets and Liabilities by Categories - Group

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

As at 31 st March In Rs. '000s	Note	Financial assets by categories				Financial liabilities by categories			
		Loans and receivables	Financial assets at fair value through profit or loss	Available for-sale financial assets	Held-to- maturity investments	Total	Financial liabilities measured at amortised cost	2016	2017
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Financial instruments in non-current assets/non-current liabilities</b>									
Other non-current financial assets	20.1	35,624	24,590	-	-	-	35,624	24,590	-
Interest bearing borrowings	28	-	-	-	-	-	-	256,331	359,897
<b>Financial instruments in current assets/current liabilities</b>									
Trade and other receivables / Payable	23-31	756,932	782,657	-	-	-	756,932	782,657	731,011
Amounts due from / due to related parties	34.2-34.3	107,749	87,901	-	-	-	107,749	87,901	93,619
Current portion of borrowings	28	-	-	-	-	-	-	-	113,925
Short term investments	25	1,583,907	1,198,681	-	-	-	1,583,907	1,198,681	-
Cash in hand and at bank		635,878	505,384	-	-	-	635,878	505,384	-
Bank overdrafts		-	-	-	-	-	-	-	176,733
<b>Total</b>		<b>3,120,090</b>	<b>2,599,212</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,120,090</b>	<b>2,599,212</b>	<b>1,501,294</b>

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

## 35.2 Financial Assets and Liabilities by Categories - Company

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

As at 31 st March	Rs. '000s	Note	Financial assets by categories				Financial liabilities by categories			
			Loans and receivables	Financial assets at fair value through profit or loss	Available for-sale financial assets	Held-to-maturity investments	Total	Financial liabilities measured at amortised cost		
Financial instruments in non-current assets										
Other non-current financial assets	20.1		27,051	17,833	-	-	-	27,051	17,833	-
Financial instruments in current assets										
Trade and other receivables / payables	23-31		327,842	366,804	-	-	-	327,842	366,804	453,027
Amounts due from / due to related parties	34.2-34.3		27,211	27,822	-	-	-	27,211	27,822	80,523
Short term investments	25		1,435,726	1,198,681	-	-	-	1,435,726	1,198,681	-
Cash in hand and at bank			510,464	379,738	-	-	-	510,464	379,738	-
Bank overdrafts			-	-	-	-	-	-	-	93,162
Total			2,328,294	1,990,878	-	-	-	2,328,294	1,990,878	626,712
								623,496		

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

### 36. FINANCIAL RISK MANAGEMENT

#### Objectives and Policies

Financial instruments held by the Group, principally comprise of cash at bank, short-term deposits, other non current assets, amounts due from/due to related parties, trade receivables, trade payables, bank overdrafts and borrowings. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Group.

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

The Audit Committee of John Keells Holdings PLC, the parent Company, oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

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.

#### 36.1 Credit Risk

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

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

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

## 36.1.1 Risk exposure

Credit risk is the risk of financial loss to the Group, if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and placements in deposits with banking institutions and in government securities.

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.

		2017						
		Other non Current Financial assets	Cash at Bank	Trade and other Receivables	Short term Investments	Amounts due from related parties	Total	% of allocation
Rs. '000s	Notes							
Risk exposure Group								
Deposits with bank	36.1.2	-	-	-	1,583,907	-	1,583,907	51%
Loans to executives	36.1.3	35,624	-	4,718	-	-	40,342	1%
Trade and other receivables	36.1.4	-	-	752,214	-	-	752,214	24%
Amounts due from related parties	36.1.5	-	-	-	-	107,749	107,749	3%
Cash at Bank	36.1.6	-	625,567	-	-	-	625,567	20%
Total credit risk exposure		35,624	625,567	756,932	1,583,907	107,749	3,109,779	100%
Risk exposure Company								
Deposits with bank	36.1.2	-	-	-	1,435,726	-	1,435,726	62%
Loans to executives	36.1.3	27,051	-	4,718	-	-	31,769	1%
Trade and other receivables	36.1.4	-	-	323,124	-	-	323,124	14%
Amounts due from related parties	36.1.5	-	-	-	-	27,211	27,211	1%
Cash at Bank	36.1.6	-	500,153	-	-	-	500,153	22%
Total credit risk exposure		27,051	500,153	327,842	1,435,726	27,211	2,317,983	100%

2016						
Other non Current financial assets	Cash at Bank	Trade and other receivables	Short term Investments	Amounts due from related parties	Total	% of allocation
-	-	-	1,198,681	-	1,198,681	46%
24,590	-	5,208	-	-	29,797	1%
-	-	777,449	-	-	777,449	30%
-	-	-	-	87,901	87,901	3%
-	492,608	-	-	-	492,608	19%
24,590	492,608	782,657	1,198,681	87,901	2,586,436	100%
-	-	-	1,198,681	-	1,198,681	60%
17,833	-	3,670	-	-	21,502	1%
-	-	363,135	-	-	363,135	18%
-	-	-	-	27,822	27,822	1%
-	366,962	-	-	-	366,962	19%
17,833	366,962	366,804	1,198,681	27,822	1,978,102	100%

## 36.1.2 Deposits with Bank

Deposits with bank mainly consist of Fixed Deposits, Call Deposits and Savings deposits .

As at 31st March 2017, Fixed and Call Deposits comprise 100% both the group and company were rated “A” or better.

As at 31st March	Group				Company			
	2017		2016		2017		2016	
	In Rs. '000s	Rating % of total	In Rs. '000s	Rating % of total	In Rs. '000s	Rating % of total	In Rs. '000s	Rating % of total
AAA	-	-	-	-	-	-	-	-
AA+	-	-	-	-	-	-	-	-
AA	148,181	9%	1,038,573	87%	-	-	1,038,573	87%
AA-	759,090	48%	160,108	13%	759,090	53%	160,108	13%
A+	-	-	-	-	-	-	-	-
A	676,636	43%	-	-	676,636	47%	-	-
<b>Total</b>	<b>1,583,907</b>	<b>100%</b>	<b>1,198,681</b>	<b>100%</b>	<b>1,435,726</b>	<b>100%</b>	<b>1,198,681</b>	<b>100%</b>

## 36.1.3 Loans to Executives

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

## 36.1.4 Trade and other Receivables

	Group		Company	
	2017 In Rs. '000s	2016 In Rs. '000s	2017 In Rs. '000s	2016 In Rs. '000s
<b>Neither past due nor impaired</b>	<b>130,018</b>	<b>148,128</b>	<b>79,179</b>	<b>100,486</b>
<b>Past due but not impaired</b>				
0-30 days	397,661	381,264	143,567	186,258
31-60 days	175,404	167,124	84,123	50,293
61-90 days	29,965	53,845	10,377	13,124
91-120 days	8,382	11,079	6,683	2,538
121-180 days	7,155	3,970	-	-
> 181 days	18,346	39,590	10,323	24,543
<b>Gross carrying value</b>	<b>766,931</b>	<b>805,000</b>	<b>334,252</b>	<b>377,242</b>
Less: Impairment provision				
Individually assessed impairment provision	(9,999)	(22,343)	(6,410)	(10,439)
<b>Total</b>	<b>756,932</b>	<b>782,657</b>	<b>327,842</b>	<b>366,803</b>

The Group has obtained customer deposit from major customers by reviewing their past performance and credit worthiness. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers.



## 36.1.5 Amounts due from Related Parties

The Group's amounts due from related party mainly consists from Parent, Subsidiary and other related entities.

## 36.1.6 Credit Risk Relating to Cash and Cash Equivalents

In order to mitigate settlement and operational risks related to cash and cash equivalents, the Company uses several banks with acceptable rating for its deposits.

## 36.2 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.

Group 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 2017, the expected cash flow from trade and other receivables maturing within two months were Rs. 345 Mn (2016 - Rs. 299 Mn).

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

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

### 36.2.1 Net Debt/(Cash)

	Group		Company	
	2017	2016	2017	2016
Short term investments	1,583,907	1,198,681	1,435,726	1,198,681
Cash in hand and at bank	635,878	505,384	510,464	379,738
Total liquid assets	2,219,785	1,704,065	1,946,190	1,578,419
Non-current portion of borrowings	256,331	359,897	-	-
Current portion of borrowings	113,925	83,053	-	-
Bank overdrafts	160,542	176,733	88,369	93,162
<b>Total liabilities</b>	<b>530,798</b>	<b>619,683</b>	<b>88,369</b>	<b>93,162</b>
<b>Net debt (cash)</b>	<b>(1,688,988)</b>	<b>(1,084,382)</b>	<b>(1,857,822)</b>	<b>(1,485,257)</b>

### 36.2.2 Liquidity Risk Management

The Group'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 top's reputation.

Group maintains a portion of its assets in highly liquid form in order to meet its contractual obligations during the normal course of its operations.

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

## 36.2.2 Liquidity Risk Management (contd.)

### Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31st March 2017 based on contractual undiscounted payments.

Group	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total 2017
Interest bearing borrowings	113,925	64,083	64,083	64,083	64,083	-	370,256
Trade and other payables	731,011	-	-	-	-	-	731,011
Amounts due to related parties	93,619	-	-	-	-	-	93,619
Bank overdrafts	160,542	-	-	-	-	-	160,542
	1,099,097	64,083	64,083	64,083	64,083	-	1,355,428

The table below summarises the maturity profile of the Group's financial liabilities at 31st March 2016 based on contractual undiscounted payments.

Group	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total 2016
Interest bearing borrowings	83,053	89,974	89,974	89,974	89,974	-	442,950
Trade and other payables	768,822	-	-	-	-	-	768,822
Amounts due to related parties	112,789	-	-	-	-	-	112,789
Bank overdrafts	176,733	-	-	-	-	-	176,733
	1,141,397	89,974	89,974	89,974	89,974	-	1,501,294

### Maturity analysis

The table below summarises the maturity profile of the Company financial liabilities at 31st March 2017 based on contractual undiscounted payments.

Company	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total 2017
Interest bearing borrowings	-	-	-	-	-	-	-
Trade and other payables	469,490	-	-	-	-	-	469,490
Amounts due to related parties	65,638	-	-	-	-	-	65,638
Bank overdrafts	88,369	-	-	-	-	-	88,369
	623,497	-	-	-	-	-	623,497

The table below summarises the maturity profile of the Company financial liabilities at 31st March 2016 based on contractual undiscounted payments.

Company	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total 2016
Interest bearing borrowings	-	-	-	-	-	-	-
Trade and other payables	453,027	-	-	-	-	-	453,027
Amounts due to related parties	80,523	-	-	-	-	-	80,523
Bank overdrafts	93,162	-	-	-	-	-	93,162
	626,712	-	-	-	-	-	626,712

### 36.3 Market Risk

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

Market prices comprise four types of risk:

- ⦿ Interest rate risk
- ⦿ Currency risk
- ⦿ Commodity price risk
- ⦿ Equity price risk

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

#### 36.3.1 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 following financial year is USD 750,000. The annual average US Dollar receipts of the Company is USD 1,730,089 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.

#### 36.3.2 Interest Rate Risk

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

The Group is exposed to interest rate risk for USD loan obtained from HNB. However ,management monitors the sensitivities on regular basis and ensure risks are managed on a timely manner.

## 36.4 Capital Management

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

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

	Group		Company	
	2017	2016	2017	2016
Total liabilities	2,683,249	2,566,768	1,204,594	1,100,313
Less: cash and cash equivalents	2,219,785	1,704,065	1,946,190	1,578,419
Adjusted net debt	463,464	862,703	(741,596)	(478,106)
Total equity	36,508,522	26,536,641	31,160,980	21,493,593
Adjusted net debt to adjusted equity ratio	1.27%	3.25%	(2.38%)	(2.22%)

## 37. OPERATING SEGMENT INFORMATION

### Accounting Policy

A segment is a distinguishable component of the Company and the Group 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 of subsidiary which is categorised as Investment Property is shown separately.

The Group has the following two strategic divisions, which are its reportable segments.

Reportable Segments	Operations
Hotel	Provide hoteling services to local and foreign tours
Property	Property Development and rent out premises

The following summary describes the operations of each reportable segment.

	Hotels		Property		Group Total	
For the year ended 31st March	2017	2016	2017	2016	2017	2016
In Rs. '000s						
External Revenue	8,717,087	7,735,661	349,872	331,033	9,066,959	8,066,694
Inter Segment Revenue	(61,331)	(61,331)	61,331	61,331	-	-
Total Segment Revenue	8,655,756	7,674,330	411,203	392,364	9,066,959	8,066,694
Segment Operating Profits Before						
Finance Expenses	2,750,655	1,846,041	199,905	364,109	2,950,560	2,210,150
Inter Company Dividend	(234,422)	(156,281)	-	-	(234,422)	(156,281)
Finance Expenses	(29,197)	(47,074)	-	-	(29,197)	(47,074)
Change in Fair Value of						
Investment Properties						
Company	-	-	155,761	98,565	155,761	98,565
Commercial Centre of Subsidiary	-	-	243,400	126,100	243,400	126,100
Profit Before Taxation	2,487,036	1,642,686	599,066	588,774	3,086,102	2,231,460
Income Tax Expense	(266,445)	(179,721)	(14,495)	(11,703)	(280,940)	(191,424)
Eliminations	(26,047)	(17,365)	-	-	(26,047)	(17,365)
Profit After Taxation	2,194,544	1,445,600	584,571	577,071	2,779,115	2,022,671
Minority Interest	(375,964)	(8,261)	(137,740)	(173,277)	(513,704)	(181,538)
Net Profit for the Year	1,818,580	1,437,339	446,831	403,794	2,265,411	1,841,133

## 37. OPERATING SEGMENT INFORMATION (CONTD.)

	Hotels		Property		Group Total	
As at 31st March	2017	2016	2017	2016	2017	2016
In Rs. '000s						
<b>Assets</b>						
Segment Assets	32,390,203	22,825,644	7,469,937	7,101,349	39,860,140	29,926,993
Elimination					(668,369)	(823,585)
<b>Total Assets</b>	<b>32,390,203</b>	<b>22,825,644</b>	<b>7,469,937</b>	<b>7,101,349</b>	<b>39,191,772</b>	<b>29,103,408</b>
<b>Liabilities</b>						
Segment Liabilities	2,683,249	2,558,663	195,020	171,680	2,878,269	2,730,343
Elimination					(8,324)	(163,577)
<b>Total Liabilities</b>	<b>2,683,249</b>	<b>2,558,663</b>	<b>195,020</b>	<b>171,680</b>	<b>2,869,945</b>	<b>2,566,766</b>

## 38. CONTINGENT LIABILITIES

### Accounting Policy

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of:

- The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or
- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (LKAS 18).

The Department of Inland Revenue has issued income tax assessments for the years 2012/13 and 2013/14 to Trans Asia hotels PLC. The subsidiary has filed valid appeals against these assessments and the appeals have not been heard as at the reporting date. Having discussed with independent legal tax experts and based on information available, the contingent liability as at 31st March 2017 is estimated at Rs. 37Mn.

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.

Except for the above there were no other contingent liabilities which requires disclosure.

## 39. CAPITAL COMMITMENTS

The Asian Hotels & Properties PLC Group had capital Expenditure contracted for Rs. 38.7 Mn as at 31st March 2017, which were not provided for in the consolidated financial statements.

## 40. EVENTS SUBSEQUENT TO THE REPORTING DATE

### Accounting Policy

All material events after the reporting date have been considered and appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements.

The Board of Directors of the Company has declared a Final Dividend of Rs. 2/- per share for the financial year ended 31st March 2017.

As required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company satisfies the Solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from Auditors, prior to declaring a Final Dividend.

In accordance with Sri Lanka Accounting Standard (LKAS) 10, Events after Balance Sheet date, the proposed final Dividend has not been recognised as a liability in the Financial Statements as at 31st March 2017.

Except for the above there were no other events subsequent to the balance sheet date which needs to be disclosed.

## 41. DIRECTORS' RESPONSIBILITY STATEMENT

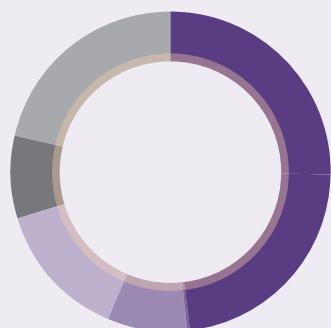
The Board of Directors is responsible for the preparation and presentation of these Financial Statements.  
Please refer to the page 84 for the Statement of Directors Responsibility for Financial Reporting.



In Rs. '000s	2017	2016
Revenue	9,066,959	8,066,693
Adjustment for Change in Fair Value of Investment Property	399,161	224,665
Adjustment for Finance Income	221,817	156,710
Adjustment for Other Income	83,267	76,739
	9,771,204	8,524,807
Less : Cost of Materials & Services purchased from external sources	3,394,003	3,103,367
Value Added	6,377,202	5,421,440

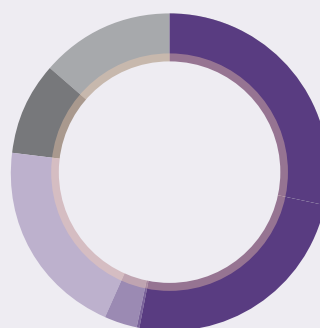
In Rs. '000s	2017		2016	
<b>Distributed as follows:</b>				
To Employees as Remuneration	1,620,455	25%	1,545,950	29%
To the Government as Taxes	1,447,807	23%	1,343,778	25%
To the Providers of Capital				
as Interest on Loans	17,741	0%	5,524	0%
as Minority Interest	513,704	8%	181,538	3%
To Shareholders as Dividends	885,551	14%	1,106,938	20%
Retained within the business				
as Depreciation	532,942	8%	513,944	9%
as Reserves	1,359,001	21%	723,767	13%
	6,377,202	100%	5,421,440	100%

2016/17



■ To Employees as Remuneration	25.4%
■ To the Government as Taxes	22.7%
■ as Interest on Loans	0.3%
■ as Minority Interest	8.1%
■ To Shareholders as Dividends	13.9%
■ as Depreciation	8.4%
■ as Reserves	21.3%

2015/16



■ To Employees as Remuneration	28.5%
■ To the Government as Taxes	24.8%
■ as Interest on Loans	0.1%
■ as Minority Interest	3.3%
■ To Shareholders as Dividends	20.4%
■ as Depreciation	9.5%
■ as Reserves	13.4%

## STOCK EXCHANGE LISTING

The Issued Ordinary Shares of Asian Hotels and Properties PLC are listed with the Colombo Stock Exchange of Sri Lanka. The Audited Financial Statements of the Company and the Consolidated Financial Statements for the year ended 31st March 2017 have been submitted to the Colombo Stock Exchange.

## DISTRIBUTION OF SHAREHOLDINGS

	31.03.2017			31.03.2016		
	Number of Share Holdings	Total Share Holdings	Percentage of Share Holdings	Number of Share Holdings	Total Share Holdings	Percentage of Share Holdings
1 - 1,000	2,189	572,247	0.1	2,206	598,168	0.1
1,001 - 10,000	717	2,464,617	0.6	757	2,623,991	0.6
10,001 -100,000	170	4,729,137	1.1	168	4,778,719	1.1
100,001 -1,000,000	25	5,977,725	1.4	22	5,226,759	1.2
1,000,001 and above	12	429,031,574	96.8	13	429,547,663	97.0
	3,113	442,775,300	100.0	3,166	442,775,300	100.0

## ANALYSIS OF SHAREHOLDERS

### Categories of Shareholders

	31.03.2017		31.03.2016	
	Holdings Number	%	Holdings Number	%
Individual	14,247,856	3.22	14,038,169	3.17
Institutions	428,527,444	96.78	428,737,131	96.83
	442,775,300	100.00	442,775,300	100.00
Resident	434,868,644	98.28	433,011,852	97.79
Non Resident	7,606,656	1.72	9,763,448	2.21
	442,475,300	100.00	442,775,300	100.00
Public	94,923,108	21.44	94,923,108	21.44
Non Public*	347,852,192	78.56	347,852,192	78.56
	442,775,300	100.00	442,775,300	100.00

\*Includes shareholdings of Parent Company, Directors & Spouses.

For the year ended 31st March		2017	2016
<b>Market Value</b>			
Highest Market Price per share	Rs.	63.00	69.50
Lowest Market Price per share	Rs.	46.50	44.50
Last Traded Market Price per share as at	Rs.	55.50	47.80
<b>Dividend Payments</b>			
Interim Dividend per Share	Rs.	2.00	2.50
Final Dividend per Share	Rs.	2.00	3.00

## TOP TWENTY SHAREHOLDERS

	31.03.2017		31.03.2016	
	Share Holdings	%	Share Holdings	%
John Keells Holdings PLC	347,824,192	78.56	347,824,192	78.56
Employees Provident Fund	45,249,798	10.22	43,552,236	9.84
Sri Lanka Insurance Corporation Ltd-Life Fund	10,055,900	2.27	10,055,900	2.27
Bank of Ceylon A/C Ceybank Unit Trust	9,917,073	2.24	9,688,818	2.19
Dr. S. Yaddehige	3,415,200	0.77	3,415,200	0.77
Bank of Ceylon-No. 2 A/C	2,583,400	0.58	2,583,400	0.58
Bank of Ceylon-No. 1 Account	2,367,741	0.53	2,367,741	0.53
Mr. M.J. Fernando	2,018,000	0.46	2,018,000	0.46
RBC Investor Services Bank-Alquity Sicav-Alquity Asia Fund	1,722,774	0.39	1,024,860	0.23
National Savings Bank	1,366,132	0.31	1,366,132	0.31
HSBC International Nominees Limited-MSNY-Bay Pond Partners L.P.	1,326,395	0.30	3,102,883	0.70
Bank of Ceylon A/C Ceybank Century Growth Fund	1,184,969	0.27	1,190,269	0.27
Employee Trust Fund Board	767,478	0.17	767,478	0.17
Mr. M. Mannawarajan	650,016	0.15	650,016	0.15
HSBC International Nominees Limited-MSNY-Bay Pond Investors (Bermuda) L.P	649,688	0.15	1,358,032	0.31
Richard Pieris & Co Ltd - Account No. 01	639,400	0.14	639,400	0.14
Merrill J Fernando & Sons (Pvt) Limited	220,000	0.05	220,000	0.05
Hatton National Bank PLC A/C No.05 (Trading Portfolio)	207,476	0.05	207,476	0.05
Dr. (Mrs.) V. Bandaranayake	200,051	0.05	200,051	0.05
Mr. C. Ramachandran	200,000	0.05	200,000	0.05
	432,565,683	97.69	432,432,084	97.66

	2016/17 Rs '000	2015/16 Rs '000	2014/15 Rs '000	2013/14 Rs '000	2012/13 Rs '000
Revenue	9,066,959	8,066,693	8,080,152	8,256,149	7,890,978
Profit After Taxation	2,779,116	2,022,671	2,087,457	2,818,511	3,097,386
<b>Share Capital &amp; Reserves</b>					
Stated Capital	3,345,117	3,345,117	3,345,117	3,345,117	3,345,117
Other Components of Equity	22,139,389	12,824,188	12,808,756	11,110,871	11,110,290
Revenue reserves	7,624,291	7,139,930	7,883,065	7,880,071	7,242,061
Shareholders' Funds	33,108,797	23,309,235	24,036,938	22,336,059	21,697,468
Minority Interest	3,399,725	3,227,406	3,388,477	3,451,487	3,425,691
	36,508,522	26,536,641	27,425,415	25,787,546	25,123,159
<b>Assets &amp; (Liabilities)</b>					
Current Assets	3,405,078	2,822,210	3,932,511	4,358,004	3,986,497
Current Liabilities	(1,774,608)	(1,587,999)	(1,387,524)	(1,273,455)	(1,128,402)
Net Current Assets	1,630,470	1,234,211	2,544,987	3,084,549	2,858,095
Non Current Assets	35,786,694	26,281,198	25,463,360	23,261,641	22,789,889
Non Current Liabilities	(908,642)	(978,767)	(582,935)	(558,645)	(524,826)
	36,508,523	26,536,642	27,425,412	25,787,545	25,123,158
	2017	2016	2015	2014	2013
<b>Ratio Analysis</b>					
Earnings per Share (Rs)*	5.12	4.16	3.97	5.42	5.63
Net Assets per Share (Rs)	74.78	52.64	54.29	50.45	49.00
Current Ratio (Times)	1.92	1.78	2.83	3.42	3.53
After Tax Return on Net Assets	6.84%	7.90%	7.31%	10.74%	11.50%
Dividend Per Share*	4.00	5.50	4.00	4.00	4.00
P/E Ratio	10.85	11.50	15.88	10.85	12.43
Dividend Payout Ratio	0.78	1.32	1.01	0.74	0.71

\* The increased number of ordinary shares of 442,775,300 has been considered for the previous Year's comparative figures.

## 5 YEAR FINANCIAL SUMMARY PROPERTY DEVELOPMENT DIVISION

	2016/17 Rs '000	2015/16 Rs '000	2014/15 Rs '000	2013/14 Rs '000	2012/13 Rs '000
Revenue	349,872	331,033	355,527	419,119	428,062
Cost of Sales	114,056	98,141	191,677	234,571	265,101
Gross Profit	235,816	232,891	163,851	184,548	162,961
Administration & Other Overheads	110,682	111,002	104,700	117,701	121,012
Finance and Other Income	74,771	62,122	81,510	106,759	134,559
Change in Fair Value of Investment Property	155,761	98,565	8,142	268,564	228,500
Net Profit Before Tax	355,666	282,576	148,803	442,170	405,008

# 5 YEAR FINANCIAL SUMMARY CINNAMON GRAND HOTEL

	2016/17 Rs '000	2015/16 Rs '000	2014/15 Rs '000	2013/14 Rs '000	2012/13 Rs '000
<b>Revenue</b>					
Rooms	2,677,204	2,610,729	2,495,720	2,589,915	2,460,356
Food	2,161,764	2,030,676	1,884,175	1,779,373	1,638,767
Beverage	357,311	348,910	316,647	298,787	284,989
Food & Beverage Others	21,084	17,573	17,386	16,467	19,488
Telephone	2,023	2,736	3,401	4,827	4,914
Rental Income	22,532	20,400	18,360	16,668	15,289
Other Operating Income	224,127	220,947	202,862	191,530	198,890
<b>Total Revenue</b>	<b>5,466,046</b>	<b>5,251,972</b>	<b>4,938,552</b>	<b>4,897,567</b>	<b>4,622,693</b>
<b>Expenses</b>					
Room	458,653	430,593	380,079	343,617	301,195
Food Cost	820,476	797,165	748,639	696,668	658,271
Beverage Cost	130,376	125,311	104,407	90,929	87,993
Food & Beverage Other	696,180	651,684	600,315	548,926	511,554
Telephone	4,855	5,874	5,548	5,289	5,021
Other	184,091	182,427	171,191	167,622	157,042
<b>Total Expenses</b>	<b>2,294,632</b>	<b>2,193,054</b>	<b>2,010,179</b>	<b>1,853,051</b>	<b>1,721,076</b>
<b>Gross Operating Income</b>	<b>3,171,414</b>	<b>3,058,918</b>	<b>2,928,373</b>	<b>3,044,516</b>	<b>2,901,618</b>
<b>Expenses</b>					
Administration & General	415,982	357,623	323,849	262,603	241,584
Advertising & Sales Promotion	116,048	124,584	103,407	111,808	86,428
Heat, Light & Power	263,709	318,894	359,804	376,177	324,795
Repair & Maintenance	170,916	178,994	156,589	173,579	138,856
<b>Total Deductions</b>	<b>966,655</b>	<b>980,095</b>	<b>943,650</b>	<b>924,167</b>	<b>791,663</b>
<b>Gross Operating Profit</b>	<b>2,204,759</b>	<b>2,078,823</b>	<b>1,984,723</b>	<b>2,120,349</b>	<b>2,109,955</b>
Interest Income	174,425	134,912	135,294	188,746	153,787
Dividend Income	234,422	156,281	273,493	273,493	234,422
Sundry Income	15,765	23,988	18,765	16,538	17,915
	<b>2,629,371</b>	<b>2,394,004</b>	<b>2,412,276</b>	<b>2,599,127</b>	<b>2,516,079</b>
Insurance	11,262	12,595	11,778	13,436	17,897
Interest Expenses	-	-	-	3,249	84
Rates	12,939	11,658	11,658	11,796	11,660
Management/ Marketing Fee	333,126	317,699	300,752	304,917	294,239
Depreciation	323,058	304,629	276,989	259,662	237,830
	<b>680,386</b>	<b>646,581</b>	<b>601,176</b>	<b>593,060</b>	<b>561,709</b>
<b>Net Profit Before Tax</b>	<b>1,949,153</b>	<b>1,747,591</b>	<b>1,811,095</b>	<b>2,006,067</b>	<b>1,954,369</b>

NOTICE IS HEREBY GIVEN that the Twenty Third Annual General Meeting of Asian Hotels and Properties PLC will be held at the Auditorium of the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 2, on 22nd June 2017 at 10.30 a.m.

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 2017 together with the Report of the Auditors thereon.
3. To re-elect as Director Mr. R J Karunarajah who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. R J Karunarajah is contained in Page 9 of the Annual Report.
4. To re-elect as Director Mr. S Rajendra who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. S Rajendra is contained in Page 9 of the Annual Report.
5. To re-appoint Auditors, Messrs. KPMG, Chartered Accountants, and to authorise the Directors to determine their remuneration.
6. 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  
ASIAN HOTELS AND PROPERTIES PLC



**Keells Consultants (Private) Limited**  
Secretaries

Colombo,  
30th May 2017

**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 hand or by 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 proxy holder's appointer has indicated the manner of voting, only the appointer's indication of the manner of vote will be used.



Area for handwritten notes, consisting of horizontal dotted lines.

Area for handwritten notes, consisting of horizontal dotted lines.

I/We .....  
of .....  
being a member/members of Asian Hotels and Properties PLC hereby appoint .....of .....  
.....or failing him/her

Mr. S C Ratnayake	failing whom
Mr. A D Gunewardene	failing whom
Mr. J R F Peiris	failing whom
Mr. R J Karunarajah	failing whom
Mr. S Rajendra	failing whom
Mr. C J L Pinto	failing whom
Mr. S K G Senanayake	failing whom
Mrs. S A Jayasekera	failing whom
Mr. K N J Balendra	

as my/our proxy to represent me/us and vote on my/our behalf at the 23rd Annual General Meeting of the Company, to be held on the 22nd day of June 2017 at 10.30 a.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

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

	FOR	AGAINST
1. To re-elect as Director Mr. R J Karunarajah who retires in terms of Article 84 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as Director Mr. S Rajendra who retires in terms of Article 84 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Auditors, Messrs. KPMG, Chartered Accountants, and to Authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this .....day of ..... Two Thousand and Seventeen

.....  
Signature of Shareholder

## Notes:

INSTRUCTIONS AS TO COMPLETION OF THE PROXY FORM ARE NOTED ON THE REVERSE.

## INSTRUCTIONS AS TO COMPLETION

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. 77, Galle Road, Colombo 03, 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 COMPANY

Asian Hotels and Properties PLC

## LEGAL FORM

A Public Limited Liability Company incorporated in Sri Lanka in 1993 and registered with the Board of Investment of Sri Lanka under Section 17 of the Board of Investment Law No. 4 of 1978

The Company was re-registered as per the New Companies Act No. 7 of 2007 on 15th June 2007

## STOCK EXCHANGE LISTING

The issued Ordinary shares of the Company are listed on the Main Board of the Colombo Stock Exchange of Sri Lanka

## COMPANY REGISTRATION NO.

PQ 2

## BOARD OF DIRECTORS

Mr. Susantha Chaminda Ratnayake - Chairman  
Mr. Ajit Damon Gunewardene - Managing Director  
Mr. James Ronnie Felitus Peiris  
Mr. Rohan Jebashantham Karunarajah  
Mr. Suresh Rajendra  
Mr. Sanjiva Kanishka Gamini Senanayake  
Ms. Shirani Anoja Jayasekara  
Mr. Cholmondeley John Lloyd Pinto  
Mr. Krishan Niraj Jayasekara Balendra

## COMPANY SECRETARIES

Keells Consultants (Private) Limited  
117, Sir Chittampalam A .Gardiner Mawatha, Colombo 2.

## REGISTERED OFFICE

No.77, Galle Road, Colombo 03  
Tel: +94 11 2497205 Fax: +94 11 5547555  
E-mail: grand@cinnamonhotels.com

## AUDITORS

KPMG  
Chartered Accountants  
32A, Sir Mohamed Macan Marker Mawatha  
Colombo 03.

## BANKERS

Deutsche Bank AG - Colombo  
Seylan Bank Ltd - Millennium Branch, Colombo  
Hongkong & Shanghai Banking Corp. Ltd. - Colombo  
Nations Trust Bank PLC - Union Place, Colombo  
DFCC Vardhana Bank Ltd. - W.A.D. Ramanayake Mw, Colombo.  
CITI Bank N.A - Colombo  
Bank of Ceylon - Colombo  
Commercial Bank of Ceylon PLC - Colombo  
Hatton Ntional Bank - City Office, Colombo

**Asian Hotels and Properties PLC**

No. 77, Galle Road, Colombo 03, Sri Lanka.

T : 0094 -11 2437437 F : 0094 -11 5547555