

GREATNESS
COMPASSION
INCLUSIVITY
WELLBEING
CURIOSITY
T R U S T
A G I L I T Y

John Keells Hotels PLC | Annual Report 2022/23

Cinnamon
HOTELS & RESORTS

OUR PURPOSE

We curate emotional experiences to inspire stories that connect

At John Keells Hotels PLC, we are guided by our core values driven by a common purpose of curating emotional experiences for our guests, inspiring unforgettable stories which they will cherish and helping them make connections which will last a lifetime.

Whilst maintaining a foundation of shared behaviours that will forge our identity and beliefs, we are defined by the values that will shape our future. That's why we embrace our corporate values of Greatness, Compassion, Inclusivity, Wellbeing, Curiosity, Trust and Agility to inspire our purpose of creating value for our honoured stakeholders.



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ABOUT OUR REPORT

John Keells Hotels PLC (Company) and its subsidiaries (hereinafter referred to as “Hotels Group”) present herewith its 8th Integrated Annual Report. This Report and the supplementary Sustainability Report (available on our website <https://www.cinnamonhotels.com/cinnamon-csr-sustainability>) provide a concise view of our operations and performance during the year. The supplementary Sustainability Report is in line with the Global Reporting Initiative (GRI) Standards.

Reporting Boundary

This Report and the supplementary Sustainability Report cover the Sri Lankan and Maldivian operations of the Hotels Group for the period 1 April 2022 to 31 March 2023 and build on the Group’s previous annual reporting cycle for the period ending 31 March 2022. The financial and non-financial information presented herein represents consolidated figures for the Hotels Group unless otherwise stated. The information related to the previous period has not been reinstated during this period unless otherwise stated. Forward-looking statements included in this report discuss the possible future financial position and results of the Hotels Group’s operations. These statements, however, involve an element of risk and uncertainty. We do not undertake to update or revise these statements publicly in the event of a change of circumstances.

External Assurance

An assurance on the Financial Statements and the Sustainability Report has been obtained from Messrs. Ernst & Young, Chartered Accountants.

REPORTING FRAMEWORKS ADOPTED

Financial Reporting

- Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange
- Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021, including directives and circulars

Non-financial Reporting





- Integrated Reporting Framework of the International Integrated Reporting Council
- Global Reporting Initiative (GRI) Standards
- Guidance on Environmental, Social and Governance (ESG) Reporting issued by Colombo Stock Exchange.
- Gender Parity Reporting Framework published by CA Sri Lanka
- Code of Best Practice on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017), to the extent of business exigency and as required by the Group
- Task-force on Climate related Financial disclosures

STATEMENT BY THE BOARD

The Board acknowledges its responsibility to ensure the integrity of the Annual Report and is of the opinion that the Report addresses all material issues that it believes to have a bearing on the Company’s capacity to create value over the short, medium and long-term.

Navigating our Report

The following icons have been used throughout the Report for better integration.

The Capitals	Stakeholders	Strategy
 <p>Financial Capital</p>	 <p>Customers and Guests</p>	 <p>GROW with Intent</p>
 <p>Human Capital</p>	 <p>Employees</p>	 <p>OPERATE with Excellence</p>
 <p>Intellectual Capital</p>	 <p>Suppliers and Business Partners</p>	 <p>CULTIVATE the best people and evolve the culture</p>
 <p>Social & Relationship Capital</p>	 <p>Government & Regulators</p>	 <p>DRIVE Guest & Customer Personalisation</p>
 <p>Manufactured Capital</p>	 <p>Communities</p>	
 <p>Natural Capital</p>	 <p>Investors</p>	



We encourage your comments and feedback and invite you to direct your comments and queries to:

Rasika Pushpakumara
 Vice President, Finance – Cinnamon Hotels & Resorts,
 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02.
 E-mail: rasikapu@cinnamonhotels.com



Scan to view the supplementary Sustainability Report.
 Visit <https://www.cinnamonhotels.com/cinnamon-csr-sustainability>

OUR PURPOSE

Our purpose is to curate emotional experiences to inspire stories that connect «

At our core, the experiences we create have the power to touch people's lives in meaningful ways. We strive to inspire and connect with our guests to build relationships beyond a simple transaction.

When people feel truly seen and heard, it cultivates unwavering loyalty and trust in our brand, resulting in a stronger revenue base and a more lasting impact on the lives' of our valued guests.

Cinnamon Dhonveli Maldives is a renowned resort known for its beautiful beaches and luxurious offerings. The resort's goal extends beyond providing a pleasant vacation, as it seeks to create emotional experiences that inspire stories and foster connections among its guests.

The team recently had the opportunity to do just that for one of their guests. The guest, a medical consultant, had stayed at Cinnamon Dhonveli Maldives with her family for a much-needed getaway. But shortly after returning home, she fell ill and was hospitalised.

Despite the physical distance, the team at Cinnamon Dhonveli Maldives reached out to offer support and well wishes through social media. This small gesture held a significant meaning for the guest and her family, and she featured their story in a book titled 'Tiny Noticeable Things,' a book written by Adrian Webster from the UK, featuring stories of small but meaningful acts of kindness that significantly impact people's lives.

Being featured in the book served as a proud moment for the resort, reaffirming its commitment to positively impacting people's lives. The team firmly believes in their purpose of creating emotional experiences and connections through their offerings. They continued to show care and concern for the guest even after her stay, consistently sending messages and checking on her well-being. The guest expressed profound gratitude for the team's genuine compassion, stating that they made her feel supported and loved despite the physical distance. The team remains dedicated to its purpose and endeavours to make a difference in people's lives by curating emotional experiences and strengthening the bond between guests and the resort.



Team Cinnamon Dhonveli Maldives

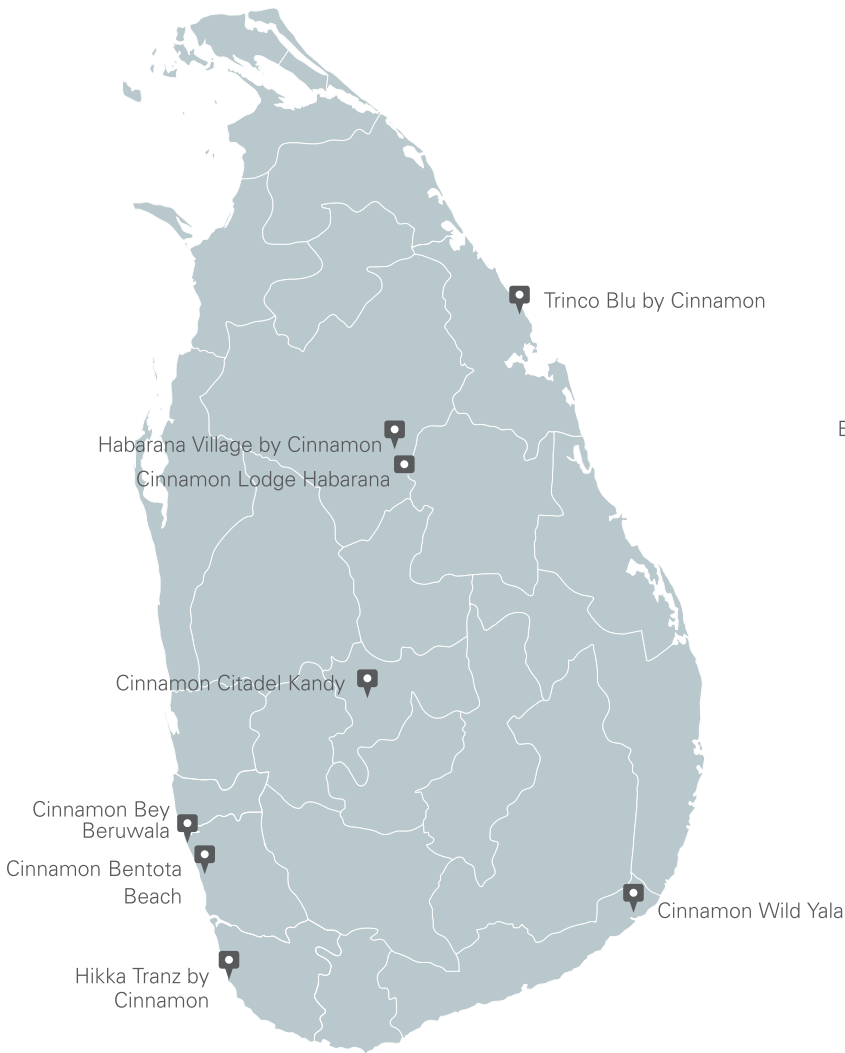
OUR PRESENCE

FOOTPRINT

John Keells Hotels PLC, one of the largest hotel operators in Sri Lanka, operates under our hospitality brand, "Cinnamon Hotels & Resorts". With 12 iconic properties in prime tourist destinations across Sri Lanka and the Maldives, our brand offers guests unparalleled experiences and memories.

Locations in Sri Lanka

Locations in Maldives



8
Resorts in Sri Lanka



1,022
Room inventory



4
Resorts in Maldives



454
Room inventory

OUR PRESENCE

SRI LANKA

Cinnamon Bentota Beach



An iconic property originally designed by the renowned Sri Lankan architect Geoffrey Bawa.

Cinnamon Bey Beruwala



A beachfront resort located in Beruwala.

Cinnamon Lodge Habarana



Located in Habarana, surrounded by over 2,000 trees providing natural habitat to a variety of wildlife.

Cinnamon Wild Yala



A wildlife resort located in close proximity to Yala National Park, one of Sri Lanka's most popular national parks.

Cinnamon Citadel Kandy



A premium resort located on the banks of the Mahaweli River.

Habarana Village by Cinnamon



A nature resort nestled on a sprawling 9-acre estate surrounded by lush greenery.

Hikka Tranz by Cinnamon



A beachside resort located on the southern coast of Sri Lanka, renowned for its beaches and coral reefs.

Trinco Blu by Cinnamon



A beachfront property located in the town of Trincomalee on the east coast of Sri Lanka.

MALDIVES

Cinnamon Velifushi Maldives



A luxurious island getaway situated in the Vaavu Atoll in Maldives.

Cinnamon Hakuraa Huraa Maldives



A premium resort situated in the Meemu Atoll surrounded by one of the largest shallow lagoons in the Maldives.

Ellaidhoo Maldives by Cinnamon



An island paradise located at the edge of the largest of 22 natural atolls in the Maldives.

Cinnamon Dhonveli Maldives



A beautiful tropical island resort offering exclusive access to the classic Pasta Point surf break.

Expanding our Footprint Cinnamon Red Kandy

Our latest property, “Cinnamon Red Kandy,” is under construction. This 216-room lean luxury hotel will cater to contemporary travellers. Notably, it is set to become the first hotel in Kandy to receive Leed Gold certification. The project is a joint venture initiative.



OUR PRESENCE

GROUP STRUCTURE



JOHN KEELLS HOLDINGS PLC
(Ultimate Parent Company)



John Keells Hotels PLC
80.32%



**International
Tourists &
Hoteliers Ltd**

99.33%

**Wirawila
Walk Inn Ltd**

100%

25.15 acres of
land in
Wirawila

**Trinco Walk
Inn Ltd**

100%

14.15 acres
of land in
Trincomalee

**Ahungalla
Holiday
Resorts
(Pvt) Ltd**

100%

6.51 acres
of land in
Ahungalla

**Indra Hotels
& Resorts
Kandy (Pvt)
Ltd**

40%

Associate

Cinnamon Red
Kandy
(under
construction)

**Sentinel
Realty (Pvt)
Ltd**

**50%
Joint venture**

33.69 acres
of land in
Vaakarai &
Kallarawa

**Cinnamon
Holidays
(Pvt) Ltd**

100%

Inbound &
outbound
tour operator

**John Keells
Maldivian
Resorts
(Pte) Ltd**

100%

**Travel Club
(Pte) Ltd**

100%

Ellaidhoo
Maldives by
Cinnamon

**Fantasea
World
Investments
(Pte) Ltd**

100%

Cinnamon
Hakuraa
Huraa
Maldives

**Tranquility
(Pte) Ltd**

100%

Cinnamon
Dhonveli
Maldives

Cinnamon
Velifushi
Maldives

**Beruwala
Holiday
Resorts
(Pvt) Ltd**

100%

Cinnamon
Bey Beruwala

STRATEGY SCORECARD



Prosperity

KPI-Group	Measure	FY 2022/23	FY 2021/22
Revenue measures and financial performances			
Group net revenue	Rs.'000	28,835,400	13,354,724
Revenue per available room (RevPar) growth			
Sri Lanka	%	83	233
Maldives	%	10	164
Occupancy growth			
Sri Lanka	% Pts	9	16
Maldives	% Pts	13	48
EBITDA	Rs.'000	7,485,579	3,424,518
EBIT	Rs.'000	2,214,969	70,729
Loss before tax	Rs.'000	(604,033)	(1,297,872)
Loss after tax	Rs.'000	(332,544)	(1,216,932)
Finance position			
Total assets	Rs.'000	87,096,334	83,522,588
Net debt (excluding lease liabilities)	Rs.'000	23,757,638	24,855,643
Net debt (including lease liabilities)	Rs.'000	46,565,520	47,463,282
Total shareholders' funds	Rs.'000	32,598,402	30,140,389
Net cash flows from operating activities	Rs.'000	6,151,335	330,239
Profitability margin			
Gross profit margin	%	63	63
EBITDA margin	%	26	25
Debt to equity ratio			
Interest-bearing debt (excluding lease liabilities)/equity	Times	0.54	0.67
Data per issued share			
Earnings/(loss) per share	Rs.	(0.22)	(0.83)
Net assets per share	Rs.	22.32	20.63
Market/shareholder information			
Number of ordinary shares outstanding	Number	1,456,146,780	1,456,146,780
Market price of share as at 31 March	Rs.	18.90	11.70
Market capitalisation	Rs.'000	27,521,174	17,036,917



People

KPI-Group	Measure	FY 2022/23	FY 2021/22
Female participation in the workforce	%	11	13
Female representation in leadership	%	13	11
Investment in training	Rs. Mn	76	41
Total training hours	Hours	164,099	108,749
Average training hours/employee	Hours	66	46
Workplace injuries	No.	45	19
Community youth representation in the cadre	%	7	4



Planet

KPI-Group	Measure	FY 2022/23	FY 2021/22
Carbon footprint	tCO2e	26,493	19,083
Carbon footprint per EarthCheck guest night	KgCO2e	20.17	18.18
Water withdrawn	m3	680,067	610,435
Water withdrawn per EarthCheck guest night	Litres	473	582
Total waste	MT	2,260	1,799
Waste disposed per EarthCheck guest night	Kg	0.32	0.22

YEAR AT A GLANCE



Our Maldivian resorts have successfully reduced total single-use plastic consumption (guest-facing) by **86%**, indicating our commitment towards environmentally sustainable practices.

Our “Cinnamon Rainforest Project” has been recognised as the **Asia-Pacific Nature-Based Initiative of the Year** at the Sustainable Company Awards 2022 by Environmental Finance, highlighting our efforts towards environmental sustainability.



We have installed **16 ocean temperature data loggers**

at various depths in the oceans surrounding our resorts in the Maldives. These loggers will collect important ocean data such as temperature, conductivity, and salinity levels to help us better understand and monitor the ocean environment.



John Keells Hotels PLC won the **ACCA Sri Lanka Sustainability Reporting Awards 2022** in the Leisure and Connected Services category, recognising our commitment to sustainable practices in our business operations.

The initiation of an **apprenticeship academy** has provided an opportunity for young individuals interested in pursuing a career in the hospitality industry.

Launch of project **“Aloka”** for recruiting female employees into non-traditional job roles in the hospitality industry



The **“Cinnamon Rainforest”** restoration project successfully replanted 15,315 native plants in the buffer zone of the Sinharaja forest reserve.



Over **13,300 training hours**

were completed through Cinnamon Online Academy (COA), covering **2,450 employees**.



Formulation of ecological maps through Geographical Information System (GIS) as a part of biodiversity conservation efforts for all Maldivian resorts.



‘Live and Let Live’ project, a community-driven initiative in collaboration with the Center for Conservation and Research (CCR) and the TUI Foundation Germany to construct a state-of-the-art elephant barrier in Habarana

Transparency International Sri Lanka (TISL) has ranked John Keells Hotels PLC **10th** place in the Transparency in Corporate Reporting Assessment (TRAC) 2022, reflecting our commitment to transparency and accountability.

Over 1,600 children fed through the **“Pasal Deriya”** school meal programme

26 farmers

equipped on sustainable agricultural practices through the **GAP** (Good Agricultural Practices) farmer project



Over 1,060 home gardens

were established through the **“Sara Midula”** home gardening initiative

Launch of our new purpose and seven corporate values **“Cinnamantra”**

Hosted the 7th edition of the **Treasure Hunt** event, which brought together sixty-five travel agents from France. The event was aimed at promoting Sri Lanka as a preferred destination in South Asia for French travellers.

Expanding the **Global Sales Offices (GSO)** network of Cinnamon Hotels & Resorts into UK, France, Germany, China and India



Won three awards (one in the Gold category and two in the Silver category) at the **South Asian Travel Awards (SATA) 2022**



“Greatness is not a function of what you have. It is a function of what you do with what you have.”

- Ryan Holiday



greatness

At John Keells Hotels PLC, our culture of hospitality ensures that we are committed to excellence. Our people are passionate to make a significant impact, and go the extra mile to be the best that they can be.

OUR STRATEGIC DIRECTION

CHAIRPERSON'S REVIEW

Dear Stakeholder,

I am pleased to present to you, on behalf of the Board, the highlights of the Integrated Annual Report and Financial Statements of John Keells Hotels PLC for the year ended 31 March 2023.

A challenging operating environment Global

Despite headwinds such as the emergence of the Omicron variant of COVID-19 at the beginning of the year, the start of the Russia-Ukraine conflict and a challenging global economic environment, international tourism witnessed stronger than expected recovery in 2022. According to UNWTO estimates, tourist arrivals in CY 2022 more than doubled as compared to CY 2021 though it still remained 37 per cent below pre-pandemic levels. While all regions witnessed significant increases in tourism related activity in 2022 over the previous year, Asia and the Pacific region lagged behind in terms of momentum of recovery due to stronger pandemic-related restrictions in the region, with arrivals reaching only 23 per cent of pre-pandemic levels. Asia, which was the destination for 25 per cent of the world's international tourists in 2019, saw a significant slowdown, accounting for only 9 per cent of global tourist travel in 2022, mainly due to the closure of borders in China as a curtailment measure against the resurgence of COVID-19 in the country.

Sri Lanka

Tourist arrivals to Sri Lanka continued to be subdued, impacted by macroeconomic, political and social disruptions during the year. Having witnessed encouraging growth from the end of 2021, arrivals started tapering off from April 2022, due to the scarcity of fuel and food, civil unrest and the resultant travel advisories. Further, the slowdown in global recovery on the back of inflationary pressures coupled with the high cost of fuel and the impact of these on cost of air travel exerted pressure on outbound travel to destinations such as Sri Lanka. However, a slow pickup on tourist arrivals is being seen from October 2022 onwards and with some acceleration during the first three months of 2023. The highest tourist arrivals to Sri Lanka were from India, Russia and the UK.

Maldives

The Maldivian tourism industry continued to outperform its regional counterparts attracting over 1.6Mn tourists in 2022. This growth momentum continued during the first three months of 2023 with monthly arrivals surpassing pre-pandemic levels. Arrivals from Russia, India and Italy emerged as the top three source markets for the Maldives during the year.

A Resilient Performance

Sri Lankan resorts occupancy levels were subdued since March 2022 due to the social unrest caused by economic and political instability in the country and its impact on both domestic and inbound tourism. Consequently, occupancy levels during the first and second quarters of FY 2022/23 averaged around 32 per cent compared to an occupancy rate of 57 per cent enjoyed during the last quarter of FY 2021/22.

The Value Added Tax (VAT) rate for the industry was increased to the standard rate and Social Security Contribution Levy (SSCL) was introduced during the 1st and 3rd quarters of the year respectively, which had an adverse impact on the rates offered to customers. The significant increase in personal income tax rates in the 4th quarter also contributed to a reduction in discretionary customer spending, affecting the domestic business to the resorts. Further, record high inflation which persisted during the year exerted cost pressures and impacted margins. This together with import restrictions also impacted customer sentiment and demand for leisure offerings. Additionally, borrowings obtained to navigate the unprecedented challenges encountered by the industry since April 2019, together with the impact of high interest rates exerted pressure on funding costs.

Occupancy levels of the Sri Lankan resorts recovered gradually from the 4th quarter onwards with the easing of the ground situation in the country since August 2022, together with the removal of travel advisories in main source markets and the increase in frequency of flights by major airlines.

Maldivian resorts continued to witness a strong recovery in the tourism industry. Occupancy levels in the Maldivian resorts which reached pre-pandemic levels by the 3rd quarter of FY 2021/22, remained strong throughout FY 2022/23 averaging at 88 per cent during the year. Meanwhile, Room Revenue per Available Room (RevPAR) recorded a 10 per cent growth compared to FY 2021/22 reflecting the higher demand for the destination and offerings. Despite the strong rebound in arrivals, inflationary pressures due to rising commodity prices continued to be a key concern during the year. Meanwhile, the minimum wage regulation which came into effect from January 2022 also had an impact on wage costs across the board. Further, the increase in United States Dollar (USD) interest rates also adversely impacted the Maldivian resorts performance due to funding costs.

Despite all the challenges faced, the Group recorded a commendable performance during the year, primarily due to the performance in the Maldivian resorts, reporting a revenue of Rs. 28.8Bn in FY 2022/23 compared to Rs. 13.4Bn during the previous year and an EBITDA of Rs. 7,486Mn in FY 2022/23 compared to Rs. 3,425Mn in FY 2021/22 which represented a 119 per cent YoY growth.

Striving for Greatness

As we look towards a new phase of growth in a recalibrated post pandemic world, we have re-evaluated our priorities and developed a clear strategic direction for our operation. A summary of the progress achieved in each of our strategic priority areas are given below.

Cultivating the best people and evolving our culture

Attracting and retaining skilled talent within the industry remains a key challenge amidst rising levels of migration from the country. We therefore continued to focus on enhancing our own employee value proposition while also actively leading industry initiatives aimed at attracting more youth into the industry. During the year we carried out a comprehensive designation levelling and salary band realignment exercise to align ourselves with benchmarked international players. The exercise will not only enhance the prospects of our existing employees but also support our recruitment efforts in the long term. Employee development remains a key focus and we continued to expand our training and development models during the year to ensure that every employee has a clear path of development within the organisation. As a leading player in the industry, we see it as our prerogative to drive efforts to create a pipeline of talent for the industry. During the year we initiated a dedicated Apprenticeship Academy for youth interested in entering the industry. We also entered into a partnership with the Vocational Training Authority (VTA) in addition to signing a MoU with the Australian Government-funded Skills for Inclusive Growth Program (S4IG) to promote the hospitality industry among youth. John Keells Group's, diversity, equity and inclusion (DE&I) initiative - "ONE JKH", aims to create a diverse, equal and inclusive workplace. In alignment with this, we continue to encourage female participation in the traditionally male dominated hospitality industry through targeted recruitment programmes, awareness campaigns, vocational training opportunities as well as by continuing to identify and promote non-traditional roles for women within the company. Our female participation stood at 11 per cent and are working towards achieving our 2025 gender target of 24 per cent. Further, 100 days of equal parental leave at the birth or adoption of a child was introduced.

Understanding the financial constraints faced by our employees amidst rising living costs in Sri Lanka, an ex-gratia payment was made to all employees in April 2022. Continuing this support, we also implemented a temporary crisis allowance from January 2023.

Driving Guest and Customer Personalisation

Customer and guest personalisation is a powerful differentiator for hotels in the post-COVID era as travellers

increasingly seek out unique, personalised travel experiences. We therefore continue to fine-tune our product offerings, distribution strategies and communication strategies to offer our guests curated experiences that set us apart from our competition. Data analytics has been a key enabler in this process; and we continued to enhance our Artificial Intelligence (AI) and data analytics capabilities during the year with the deployment of state-of the art business intelligence tools across our resorts. We also strengthened our direct distribution channels by setting up Global Sales Offices in key markets and establishing a Global Contact Center for guests to directly communicate with us from any part of the world. As customer engagement through digital channels continues to grow; we are increasingly leveraging digital mediums to directly connect with our customers and guests. During the year we established our own in-house content design agency which has enabled us to create customer data driven content to better communicate our value proposition to customers.

Driving Operational Excellence

We continue to leverage technology as well as our global and local expertise to create a more agile, efficient and productive business model. A key focus during the last two years has been to enhance our revenue management capabilities and to streamline our commercial operation. Ongoing investments in data analytics tools and property management systems continue to provide invaluable customer and operational insights.

Growing with Intent

During the year we expanded our network by establishing Global Sales Offices in key source markets which includes UK, Germany, France, India and China. Meanwhile, we continue to pursue an asset light growth strategy in expanding the 'Cinnamon' footprint. To this end, 'Cinnamon Red Kandy' our joint venture project is currently under development and is expected to be completed in FY 2024/25.

Delivering on our ESG commitments

Achieving a key milestone in our renewed strategic direction, "Cinnamantra" our new purpose and seven corporate values were rolled out during the year through a series of employee engagement activities that culminated in the official values launch on the 21 of March 2023. Our seven-core values Greatness, Compassion, Agility, Wellbeing, Inclusivity, Trust and Curiosity will be the foundation on which we base our future journey of growth.

Caring for our people, communities and planet is an integral part of our brand ethos. Environmental, social and governance considerations are therefore embedded into all aspects of our operation through a comprehensive sustainability policy and specific, measurable ESG goals and targets for the Group.

CHAIRPERSON'S REVIEW

Climate action is a key priority within our environmental agenda, and we continue to focus on minimising our carbon footprint by increasing our dependence on renewable energy and enhancing energy efficiency across our operations. During the year we collaborated with PROMISE (EU switched Asia, National Cleaner Production Center) to conduct energy assessments at several of our resorts to identify potential renewable energy projects and demand side intervention to improve energy interventions. The identified interventions will be operationalised in FY 2023/24. Another key initiative during the year was the Temperature Data Loggers and GIS Mapping Project in the Maldives to capture ocean data that would support coral conservation efforts. In Sri Lanka we launched the 'Live and Let Live' project. Carried out as a collaborative effort between Cinnamon Nature Trails, the Centre for Conservation and Research (CCR) and TUI Germany, the project is a community driven initiative to develop best practices in managing the growing Human-Elephant Conflict in Sri Lanka. We remain committed to reducing single use plastic consumption in our properties and continue to lead the way in introducing innovative alternatives for single-use guest facing plastic. Such initiatives have resulted in an 86 per cent decrease in total single use plastic consumption at our Maldivian resorts.

Our social agenda revolves around empowering communities and driving socio-economic growth in the country. We continue to support our surrounding communities by sourcing locally wherever possible and by providing meaningful employment opportunities for community youth. Meanwhile, as part of the John Keells Group's Accelerated Crisis Response Program, we continued to support communities impacted by the economic crisis through CSR projects such as "Pasal Deriya" school meal programme where four school kitchens were established, "Sara Midula" community home gardening initiative, GAP (Good Agricultural Practices) farmer project and the higher education scholarship scheme.

Recognition

Our ongoing commitment to creating a sustainable brand continues to garner recognition locally and abroad. During the year we received the award for Sustainability Reporting in the Leisure and Connected Services presented by the Association of Chartered Certified Accountants (ACCA) Sri Lanka. The "Cinnamon Rainforest project" launched in 2021 in collaboration with the Forest Department and Ruk Rakaganno was the proud recipient of the Asia-Pacific Nature-based initiative of the year award at the Environmental Finance's Sustainable Company Awards 2022.

Corporate Governance

I am pleased to state that there were no departures from any of the provisions of the Code of Business Conduct and Ethics

of the Code of Best Practice of Corporate Governance, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. I also wish to affirm our commitment to upholding Group policies, where emphasis is placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace.

Integrated Reporting

This Report has been prepared in conformance with the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). The Board of Directors are responsible for ensuring the accuracy and integrity of this Annual Report. We confirm, to the best of our knowledge, the credibility, reliability and integrity of the information presented, and in this regard, external assurance has also been sought from independent auditors, as applicable.

Outlook

Global

The United Nations World Tourism Organisation (UNWTO) projects the outlook for tourism based on two scenarios. UNWTO forecasts international tourist arrivals for CY 2023 to range between 80 per cent to 95 per cent of pre-pandemic levels. Similarly, the World Travel and Tourism Council (WTTC) estimates the sector to recover more than 95 per cent of CY 2019 arrivals.

The notable increase in airfares in comparison to rates pre-pandemic, exerts additional pressure on the travel and hospitality industry. However, the strong 'pent-up' demand for travel and tourism that is continuing, sustained recovery of air connectivity, and recent uplifting of border restriction in China, coupled with improved sentiment is envisaged to off-set these impacts.

Sri Lanka

The Government and the Central Bank of Sri Lanka (CBSL) have implemented a multitude of much required reforms to stabilise the macroeconomy and the overall operating landscape, which has proved fruitful, thus far, in stabilising the economy through effectively managing demand pressures, curbing the rapid rise in inflation and easing the pressure on the external sector. Such policy measures coupled with the IMF Extended Fund Facility (EFF) arrangement, which is aimed at restoring macroeconomic stability, debt sustainability, safeguarding financial system stability and strengthening governance, are envisaged to provide a strong foundation for the economy's sustained recovery. Against this backdrop, the CBSL projects the economy to contain its contraction to 2.0 per cent in CY 2023, as opposed to the 7.8 per cent contraction in CY 2022 and rebounding thereafter to a growth of 3.3 per cent. Sri Lanka received approval from the

Executive Board of the IMF for the EFF arrangement in March 2023 with the aim of restoring macroeconomic stability and debt sustainability.

Tourism Development Authority aims to attract 2Mn visitors in 2023. Although arrivals are still significantly below pre-pandemic levels, it is encouraging to witness the month-on-month pick-up in inquiries and forward bookings. The recovery trend in arrivals is expected to continue with growth across all major source markets. The opening of the Chinese borders for international travel in January 2023 after a period of three years and the increase in frequencies of flights by a few major airlines is envisaged to augur well for the destination.

Sri Lanka continues to remain attractive as a tourist destination given our diverse landscape and unique offerings, with the added competitive advantage from a pricing perspective due to the significant depreciation of the Rupee in March 2022.

Whilst driving demand, Sri Lankan resorts will execute a comprehensive rate strategy. The rate strategy will also take into consideration the planned increase in tourist arrivals over the ensuing months against the inventory of rooms in Sri Lanka which largely remains unchanged. Whilst this is unlikely to have a material impact on occupancy, this is envisaged to translate to better top-line performance of the businesses and aid revenue growth whilst also ensuring optimised yields.

Whilst we remain confident that the prospects for tourism in the medium to long-term remain extremely positive, Sri Lanka's potential in the tourism sector remains largely untapped, considering that the country received only 2.3Mn tourists prior to the Easter Sunday attacks in 2019, while regional tourism has experienced significant growth over the past decade.

Concentrated marketing campaigns, improving connectivity into the country at competitive rates, addressing capacity constraints both in terms of airport capacity constraints and tourism infrastructure is expected to be a significant catalyst to attract tourism into Sri Lanka.

The Bandaranaike International Airport (BIA) expansion project Phase A, which entails the construction of a new passenger terminal building, has unfortunately been suspended with the final date of opening uncertain at this time. It is hoped that the authorities will re-commence the project and fast track this important aspect of infrastructure to support the tourism industry.

Given the socio-economic environment of the country it is expected that the current trend of labour migration will continue resulting in a significant reduction in skilled employees at resorts. As discussed above, the group has already put in place several initiatives to attract, retain and develop talent within the group.

Maldives

For 2023, the Government has announced a target of 1.8Mn arrivals. Tourism in the Maldives is expected to be driven by organic growth in global tourism post adjusting for impacts from the Russia-Ukraine crisis. Increased capacity due to the impending completion of the Velana International Airport expansion and a rebound in Chinese arrivals, which was the single largest source market into the Maldives prior to the pandemic will aid growth. Potential downside risks include a slower recovery in tourism than envisaged due to the slowing down of world economy.

The performance of the Maldivian resorts segment is expected to continue its upward trajectory, given ongoing infrastructure developments and the Government's focus on developing the tourism industry. The Group remains confident of the ability to capitalise on the envisaged growth in tourism in the medium to long-term given the full complement of all four of its properties in full operation.

Acknowledgements

I take this opportunity to thank my colleagues on the Board for their invaluable guidance and support. I would also like to convey my appreciation to our management team and staff for their untiring effort, commitment and drive and holding steadfast in very challenging circumstances. The Board and I, wish to express our appreciation to T L F W Jayasekara and J E P Kehelpannala who retired from the Board in June 2022 and December 2022 respectively, for their invaluable contribution and wish them the very best in all their future endeavours. We also welcome H Premaratne who joined the Board during the year under review.

Finally, I wish to convey my sincere appreciation to all our stakeholders including our tour operator partners, guests and shareholders for their continued support.



K N J Balendra

Chairperson

23 May 2023


OUR STRATEGY

OUR VISION

To align with the changing times, we revitalised our vision, presenting it as: To bring the best of Sri Lanka to the world with style and elegance.

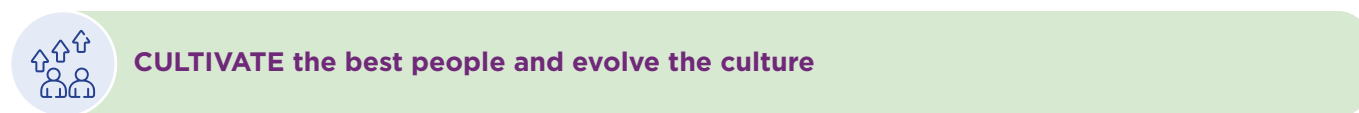
OUR STRATEGIC IMPERATIVES

Our Vision is being brought to life through the implementation of four key strategic imperatives.



The image shows four strategic imperatives arranged in a 2x2 grid. Each imperative is represented by a circular icon and a text label. The icons are: 1. Cultivate: Three stylized human figures with upward arrows above them. 2. Drive: A hand pointing towards a target. 3. Operate: A gear with a checkmark inside. 4. Grow: A bar chart with an upward arrow.

- CULTIVATE** the best people and evolve the culture
- DRIVE** Guest & Customer Personalisation
- OPERATE** with Excellence
- GROW** with Intent



A green rounded rectangular banner containing the icon of three stylized human figures with upward arrows and the text: **CULTIVATE the best people and evolve the culture**

Our people are the backbone of our business. They are guided by our core values and driven by a common purpose of curating emotional experiences for our guests.

We foster an open and inclusive culture that attracts the best global and local talent and supports them by equipping them with the skills and capabilities required to thrive in a rapidly evolving environment. Nurturing our employees is crucial to our success, and we are committed to providing ongoing opportunities for growth and development.

Focus Areas

For a more detailed discussion of our HR initiatives, please refer to “People” section of our Sustainability Report.

Building a Strong Pipeline of Talent

Amidst the rising challenge of attracting and retaining skilled talent within the hospitality sector, we are committed to building a solid pipeline of talent that will support our growth objectives. During the year, we focused on improving our Employee Value Proposition to attract and retain the best local and global talent by aligning our roles and pay structures with international standards. We also enhanced our training and development models to ensure every employee has a streamlined development path within the organisation. Meanwhile, we continued to explore innovative recruitment and work models to attract new talent into the industry.

Creating a Cohesive Culture

As we look towards a new growth phase in a recalibrated post-pandemic world, our purpose and values play an increasingly important role in our future direction. Creating a cohesive culture where all our employees understand and believe in our values and purpose is a key priority, as we seek to build a stronger, more engaged team. As the first phase of this culture transformation project, we launched our purpose and seven values during the year through employee engagement activities. The value launch serves as the stepping stone for our new strategic framework.



Capital Trade off



Investments in training and development enhance our intellectual capital by building a base of industry expertise within the organisation and strengthening our leadership pipeline for the future.



Fostering a cohesive culture prioritising employee wellbeing ensures greater engagement, directly contributing to productivity levels and employee satisfaction.



More productive and engaged employees contribute to improved financial performance



What we achieved in FY 2022/23

Roll out of new designation structure

A new standardised designation structure was introduced based on a detailed analysis of job roles and mapping against benchmarked international players.

Implementation of new compensation and benefits structure

The salary and benefits bands were recently revised across the board based on the findings of a comprehensive salary survey conducted by Messrs. Ernst & Young.

Values rollout

“Cinnamantra” our new purpose and seven corporate values were rolled out during the year.

Expanded leadership training across levels

Several new programs including APEX (General Manager Development Program), MMAP (Middle Management Acceleration Program) and STEP (Supervisory Talent Enhancement Program) were launched with the aim of strengthening the leadership pipeline across levels. We also revamped our Management Trainee program LEAD with a practical training component.

Strategic partnerships to enhance training quality

During the year we entered into partnerships with several leading global hospitality training bodies to enhance the standard of training provided to employees.

Rollout of pilot ANAGRAM wellness program

Our holistic mental wellbeing programme was launched as a pilot programme within the commercial division.

Resources allocated

Training Spend

Rs. 76Mn

OUR STRATEGY



DRIVE Guest & Customer Personalisation

As travellers increasingly seek out more unique and individual travel experiences, guest and customer personalisation will be key factors driving customer satisfaction, loyalty, and revenue growth. Therefore, guest and customer personalisation is a strategic priority as we strive to differentiate our offering and improve average rates.



Focus Areas

Increased focus on data analytics

We strengthened our data analytics capabilities during the year by deploying state-of-the-art business intelligence tools IDEAS and FORNOVA. Further to deploying this software in our Maldivian resorts in 2022, we are also rolling them out in our Sri Lankan resorts. Meanwhile, tools such as OTA Insights, STR and HOTSTATS have enabled us to collect and analyse customer data to understand their preferences, behaviours and needs better. We will continue to strengthen data analytics capabilities through ongoing investments in technology and training to anticipate and personalise customer offerings. The use of digital channels and data analytics has also increased the importance of data security. In addition to having all required security controls in place, we also have a comprehensive customer privacy policy available on our website. As a result, there were no substantiated complaints concerning breaches of customer privacy, or loss of customer data reported during the year.

Focus on Experiential Brand Marketing

As customer engagement through digital channels continues to increase, we have shifted our content focus to communicating experiences through storytelling, which we believe enhances the connection between guests and the brand. Cinnamon Hotels and Resorts now has its own dedicated in-house content and design team which operates as a shared service across Sri Lanka and Maldivian resorts. Insourcing the content and design function has enabled us to customise better our digital content while also assuring the quality of the content. Several social media and testimonial campaigns were conducted during the year to engage and attract specific travel audiences. We are also enhancing the look and feel of our corporate website to improve usability and attractiveness. We ensure that all our communications are accurate, non-offensive and easily accessible. There was no non-compliance regarding product and service information, labelling or marketing communications during the year.

Social Media Engagement



227,966 Followers



4,844 Followers



4,880 Subscribers



41,300 Followers



16,089 Followers

Rethinking our Distribution Strategy

We continue to adapt our distribution strategies to respond to evolving market dynamics. We strengthened our direct distribution channel during the year by establishing Global Sales offices in key markets and driving sales through our global contact centre. We also commenced implementing a customised booking engine on our brand website, which is expected to increase the number of direct bookings.

Crafting Curated Experiences

Cinnamon Hotels and Resorts curated experiences are designed to offer guests personalised and unique travel experiences that showcase our destination's natural beauty, cultural heritage, and way of life. By offering a range of experiences that cater to different interests and preferences, Cinnamon Hotels and Resorts can provide guests with memorable and satisfying travel experiences beyond the traditional hotel stay.



Cinnamon Nature Trails



Beach Dining



Cinnamon Wellness

Capital Trade off



Investments in business intelligence tools enhance the organisational intellectual capital by providing insights into industry trends, customer preferences and industry information



Personalisation of guest relationships strengthens relationships with guests and customers, further enhancing our social and relationship capital.



Curated and customised offerings contribute to a higher ARR, which drives revenue growth.

What we achieved in FY 2022/23

Deployment of business intelligence tools

Business intelligence tools such as OTA Insights, STR and HOTSTATS are being leveraged extensively to gain customer insights.

Establishment of a dedicated in-house content and design agency

The new unit is tasked with developing customised digital content and promotional campaigns

OUR STRATEGY



OPERATE with Excellence

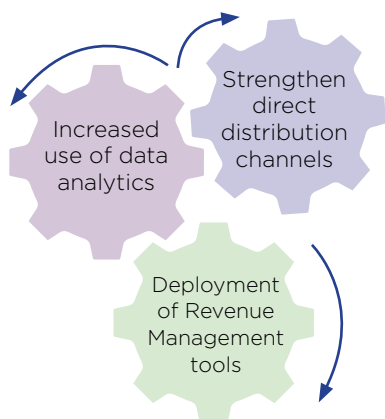
As competition intensifies, margins are narrowed, customer expectations evolve, and economic uncertainty prevails, our top priority is to achieve operational excellence. We aim to achieve operational resilience in every aspect of our operations while simultaneously creating a digital advantage and implementing sustainability practices that promote operational efficiency. Furthermore, by leveraging our industry expertise, both global and local, and utilising technology, we strive to ensure operational excellence across all aspects of our operations.



Focus Areas

Ramping up Revenue Management

Revenue management is a key focus as we aim to optimise revenue and profitability in an increasingly competitive operating environment. Deploying revenue management tools such as IDEAS and FORNOVA has enabled us to use data-driven insights in pricing decisions and maintain rate parity across our distribution channels. In addition, the recently established Global Contact Center has also delivered significant benefits in terms of higher conversion rates and improved customer satisfaction levels.



Strengthening our Commercial Capabilities

We have enhanced our commercial capabilities by leveraging global expertise and optimising our commercial operations. Following the restructuring of our commercial operations in 2022, each cluster now has a distinct commercial function that covers marketing, revenue management, sales, and communication. This market-oriented approach enables us to gain a more specialised and nuanced understanding of the supply-demand dynamics in each of the markets where we operate.

Global Contact Centre

The global contact centre serves as a central point of contact for guests who have questions, concerns, or issues related to any one of our Cinnamon properties.

Booking Conversion Rate

14%

Ensuring a Sustainable Operation

For a more detailed discussion of our sustainability initiatives, please refer to our Sustainability Report.

We strive to incorporate environmental and social best practices into our operation to create long-term value for stakeholders. Cognisant of the significant impacts of climate change on our operation and the wider community, we have established clear goals and targets for reducing our carbon footprint, plastic consumption, water consumption and waste management. We strive to achieve these goals by incorporating sustainable environmental practices across our operations. Biodiversity conservation efforts also are a key priority, and we continue to pioneer conservation efforts in biologically sensitive areas. Our sustainability agenda extends to our communities, and we remain committed to empowering our local communities through our value chain and meaningful CSR initiatives.

Commitment to Excellence

We are committed to adopting global best practices in all aspects of our operation and comply with various accreditations and certifications relating to health and safety, food safety, environmental management and sustainable tourism. As a result, there were no reported incidents of non-compliance concerning the health and safety impacts of products and services during the year

	Food Safety	Occupational Health and Safety	Environmental Management	Sustainable Tourism
	ISO 22000:2018	ISO 45001:2018	ISO 14001:2015	LEED Certification Travelife Gold Certification
Cinnamon Bentota Beach	☑	☑	☑	Platinum Status ☑
Habarana Village by Cinnamon	☑	☑	☑	☑
Cinnamon Lodge Habarana	☑	☑	☑	☑
Cinnamon Citadel Kandy	☑	☑	☑	
Cinnamon Bey Beruwala	☑	☑	☑	Gold Status ☑
Cinnamon Wild Yala	☑	☑	☑	
Hikka Tranz by Cinnamon	☑	☑	☑	
Trinco Blu by Cinnamon	☑	☑	☑	
Ellaidhoo Maldives by Cinnamon	☑	☑	☑	
Cinnamon Dhonveli Maldives	☑	☑	☑	
Cinnamon Hakuraa Huraa Maldives	☑	☑	☑	
Cinnamon Velifushi Maldives	☑	☑	☑	

What we achieved in FY 2022/23

Deployment of Revenue Management Tools

IDEAS and FORNOVA systems were deployed in Maldivian resorts and are currently being rolled out at the Sri Lankan resorts.

Establishment of Global Contact Center

The Global Contact Center was launched during the year to centralise the reservation and customer management functions of our 12 resorts.

Strengthened ESG Governance Framework

Introduction of Center Sustainability Team comprising of vice president and sustainability committees with compliance officers at hotel level.

Energy Assessment

Energy assessments were carried out by PROMISE (EU switched Asia, National Cleaner Production Center) at Cinnamon Bey Beruwala, Hikka Tranz by Cinnamon and Cinnamon Bentota Beach to identify areas where energy efficiency could be improved. A technical analysis for renewable energy projects and demand side management interventions is also currently being carried out in collaboration with USAID.

OUR STRATEGY

Reduction of guest facing plastic consumption

Single-use plastic elimination initiatives were carried out extensively across all our Maldivian and Sri Lankan resorts with a 86% reduction in single use plastic consumption in our Maldivian resorts.

Launch of “Live and let Live” Project

The project was launched as a collaborative effort between Cinnamon Nature Trails, the Centre for Conservation and Research (CCR) and TUI Germany to develop best practices in managing the Human-Elephant Conflict in Sri Lanka.

Launch of Temperature Data Loggers and GIS Mapping Project in the Maldives

16 data loggers were installed in the oceans surrounding our Maldivian resorts to support national ocean data collection efforts.

Accelerated Crisis Response Programme

Rs. 6.1Mn was allocated for CSR projects such as “Pasal Deriya” School Meal Programme, Community Home Gardening Initiative, GAP (Good Agricultural Practices) Farmer Project and Higher Education Scholarship Scheme carried out as part of John Keells Group’s Accelerated Crisis Response Programme.

Resources allocated

CSR Spend

Rs. 6.1Mn

Capital Trade off



Better revenue management facilitates revenue growth and cost efficiencies, directly impacting the company’s financial performance.



Efficient resource consumption minimises the negative impact on the environment, while our conservation efforts have a positive long-term effect on the environment.



Process efficiencies, higher levels of service and responsible behaviour strengthen our relationships with guests, business partners and the community.



Cinnamon Citadel



GROW with Intent

Businesses that pursued growth in a strategic and sustainable manner demonstrated greater resilience when faced with unforeseen difficulties, as evidenced by our own performance during this period. As a result, we continue to be dedicated to pursuing purposeful and value-driven growth that aligns with our long-term vision and ensures the sustainability of our business model.



Focus Areas

Diversifying our Source Markets

As tourism grows globally, we increasingly seek to diversify our source markets. During the year, we expanded the network of tour operators in new markets. Meanwhile, a series of source market activations were carried out to support the promotion of Sri Lanka as a tourist destination. We also increased our focus on the Indian market in response to the significant increase in tourist arrivals from India.

Pursuing an asset-light growth strategy

We continue to focus on asset-light investment models as a part of the strategy to enhance the 'Cinnamon' footprint in Sri Lanka and the Maldives.



Ellaidhoo Maldives by Cinnamon

What we achieved in FY 2022/23

Establishment of Global Sales Offices in Key Markets

5 new global sales offices were established in key source markets including UK, Germany, France, India and China.

Expanded network of tour operators in emerging markets

The new unit is tasked with developing customised digital content and promotional campaigns

“Cinnamon Red Kandy”

The proposed lean luxury hotel is positioned to cater to the demands of the new age traveller

Resources allocated

Investment in Cinnamon Red Kandy

Rs. 697Mn

Capital Trade off



Stronger financial performance and position in the long term due to prudent management of risks.



Purposeful growth enhances brand equity and reputation since the company's purpose and values drive it.



Cinnamon Velifushi Maldives

OUR STRATEGY

OUR VALUES

Our seven core values Greatness, Trust, Compassion, Agility, Curiosity, Wellbeing, and Inclusivity will be the foundation on which we base our future journey of growth.



Greatness

At Cinnamon Hotels and Resorts, we have a steadfast dedication to achieving greatness in every facet of our operations. Through a persistent pursuit of excellence, an acceptance of failures as learning opportunities, and a willingness to push boundaries, we can create emotional experiences that inspire stories and bring people together.

Guiding principles	Behaviours
Be committed to excellence	Challenge people to stretch themselves
Be open to failing and learning	Train continuously to excel
Be willing to push boundaries, go one step further	Hire for attitude, skill and passion



Trust

We place a strong emphasis on fulfilling our commitments, upholding ethical standards, and fostering open communication. We recognise that trust is established through our conduct and actions, and we strive to cultivate a workplace where individuals feel empowered to voice their opinions, share their concerns, and provide feedback.

Guiding principles	Behaviours
Be transparent	Deliver on promises
Be consistent	Do the right thing, even when no one else is watching
Be sincere, and take ownership	Encourage open dialogue
Be ethical and act with integrity	



Compassion

We are dedicated to creating an environment where individuals feel valued, appreciated, and cared for.

Guiding principles	Behaviours
Be generous	Show interest in others
Be kind	Listen actively
Be caring	Encourage random acts of kindness



Agility

Our dedication lies in establishing an environment where individuals are empowered to take swift and resolute action.

Guiding principles	Behaviours
Be flexible	Consider all angles
Be open to change	Think fast, act fast
Be decisive and responsive	Always leave meetings with clear decisions



Curiosity

We strive to foster an environment that empowers individuals to inquire, cultivate innovation and creativity, and challenge the status quo.

Guiding principles	Behaviours
Be interested	Ask questions
Be inquisitive	Encourage innovation and creativity
Be willing to leave your comfort zone	Challenge the status quo



Wellbeing

We believe that our actions and behaviours build wellbeing, and we are dedicated to creating an environment where individuals feel supported and empowered to prioritise their own wellbeing.

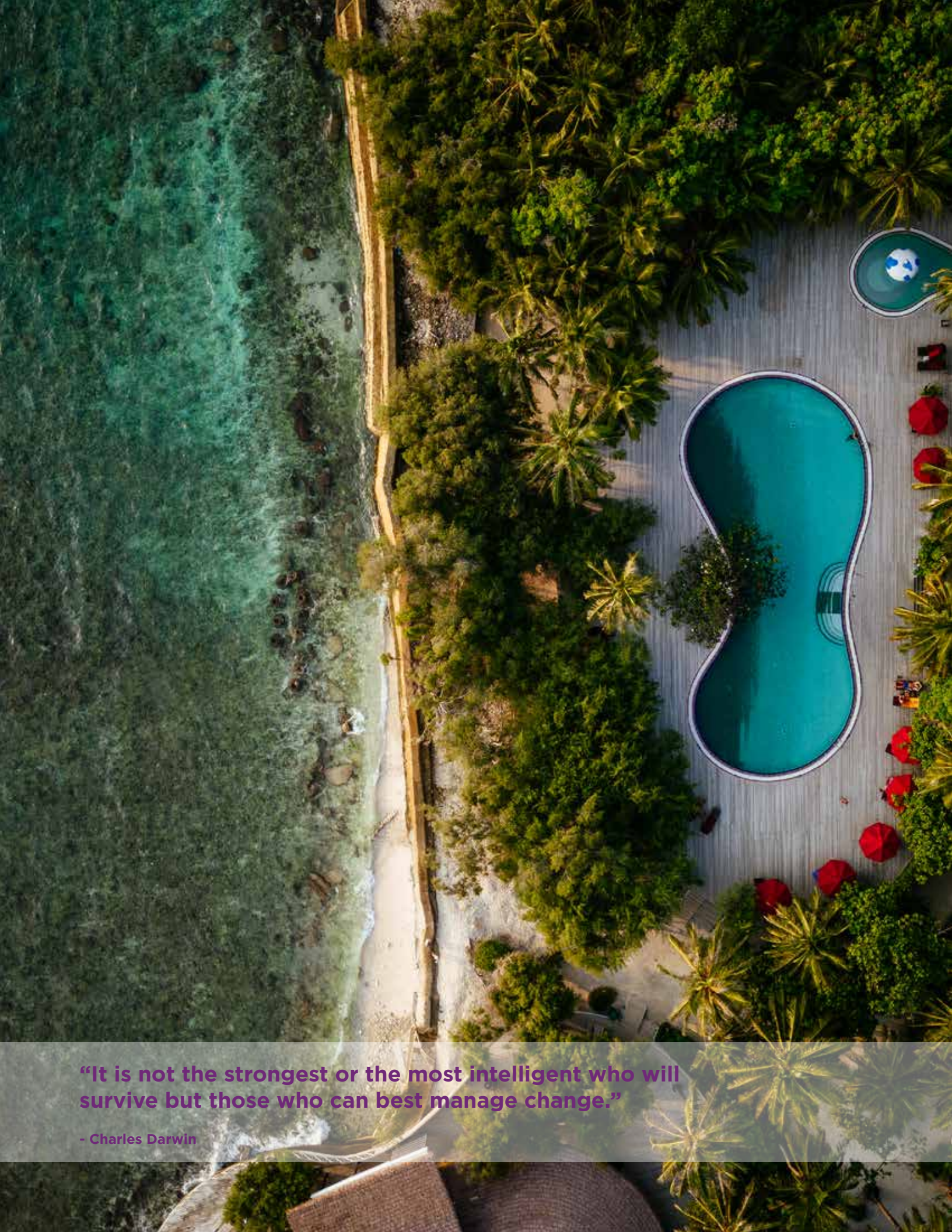
Guiding principles	Behaviours
Be your own priority	Respect boundaries
Be authentic	Express yourself
Be energising	Make time for yourself



Inclusivity

At Cinnamon Hotels and Resorts, inclusivity is a core value. Through embracing diversity, showing respect to all, and giving people a platform to voice their thoughts, we can establish a workplace where everyone feels appreciated and part of the team.

Guiding principles	Behaviours
Be open to diversity	Listen and understand before judging
Be respectful to all	Remain impartial
Be willing to let people have a voice	Examine your assumptions



“It is not the strongest or the most intelligent who will survive but those who can best manage change.”

- Charles Darwin



agility

In an uncertain environment, our flexibility, proactivity, and openness to change has enabled us to think and act fast in a sphere where our guests' needs and preferences are constantly evolving.

OUR BUSINESS

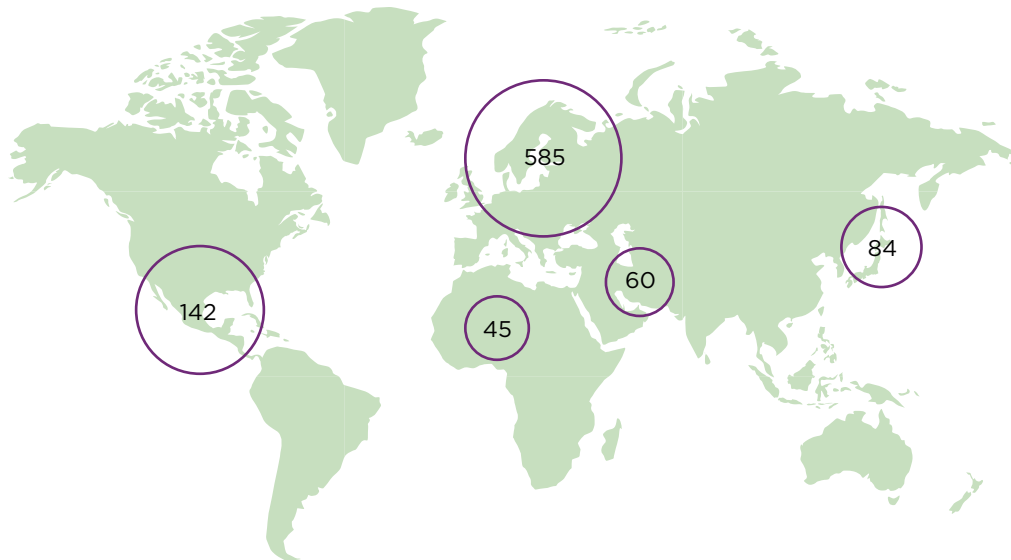
MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

Recovery of International Tourism

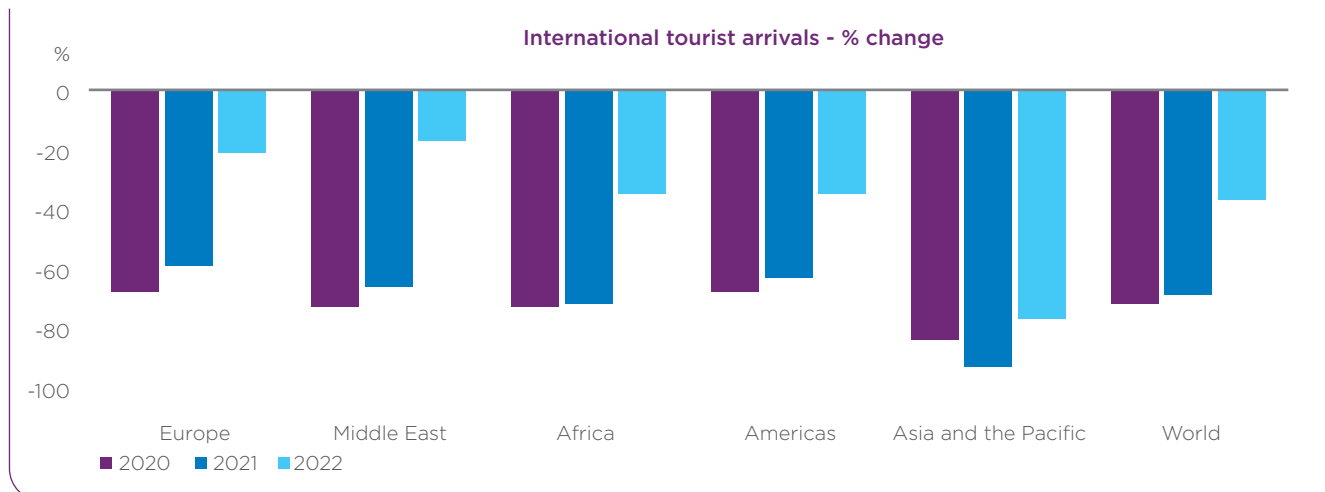
In 2022, the international tourism industry made a remarkable recovery, fuelled by pent-up demand and the relaxation of travel restrictions in most feeder markets. As a result, the total number of arrivals in 2022 amounted to 916Mn tourists, which is twice the number of arrivals in 2021, and 63% of the pre-pandemic levels. The surge in tourism is a positive sign for the industry and indicates growing confidence among travellers to resume their travel plans.

2022 tourist arrivals by region (Mn)



Source: UNWTO

The Middle East and Europe led the recovery in 2022 and reached 83 % and 80 % respectively of pre-pandemic levels. Africa and the Americas both recovered about 65% of their pre-pandemic visitors. However, Asia and the Pacific region lagged behind, with arrivals reaching only 23% of the pre-pandemic levels due to stronger regional pandemic-related restrictions.



Global economic outlook

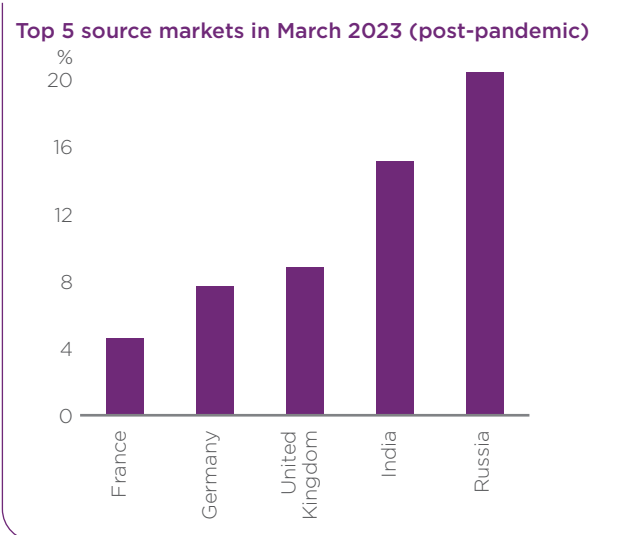
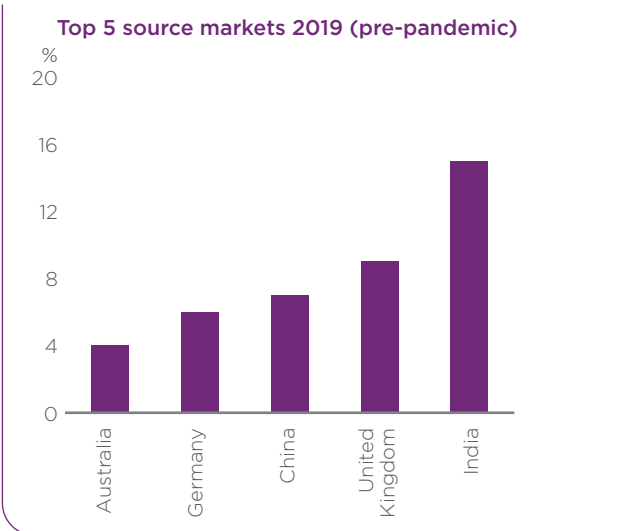
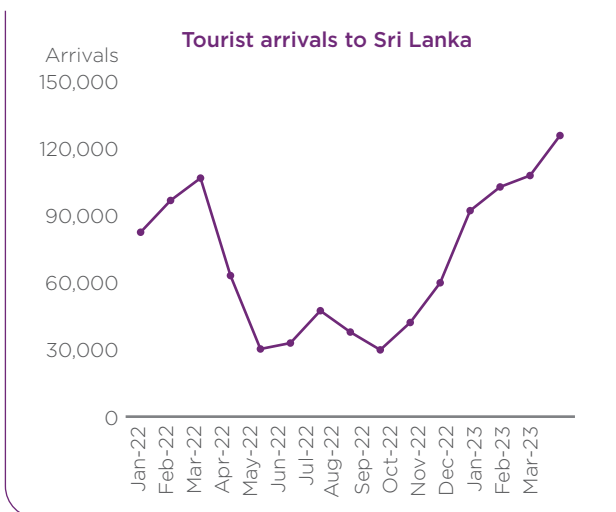
The global economy faces several significant challenges, including higher inflation, tightening financial conditions, adverse spillover effects of geopolitical tensions, persistent effects of the COVID-19 pandemic, and emerging concerns about a possible global recession and food insecurity. According to the IMF, global growth is expected to decline from 6.0% in 2021 to 3.4% in 2022 and 2.8% in 2023.

Outlook for global tourism

Based on UNWTO’s forward-looking scenarios for 2023, international tourist arrivals are expected to reach 80% to 95% of the pre-pandemic levels in 2023. The recent lifting of COVID-19 related travel restrictions in China and several other Asian source markets and destinations is expected to galvanise regional arrivals, which have been lagging. Meanwhile, strong travel demand from the United States, backed by a strong US Dollar, is expected to benefit destinations in the region and beyond. Significant downside risks, however, also exist. Continued uncertainty caused by the Russian-Ukraine conflict and other mounting geopolitical tensions is a concern. Meanwhile, the extent of the global slowdown and persisting COVID-19 health challenges will also impact the extent of the global recovery.

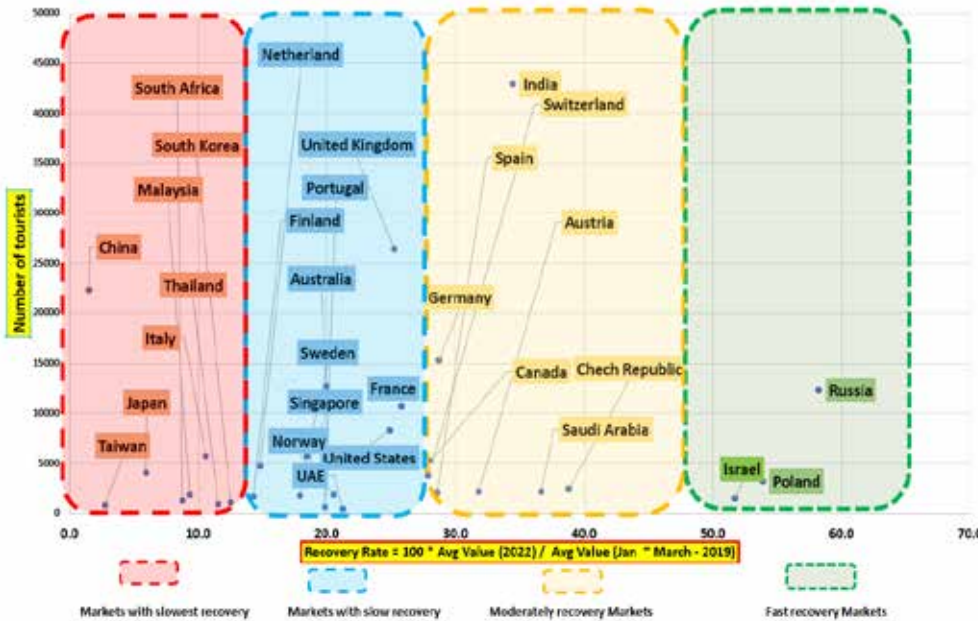
Sri Lanka tourism industry performance

Tourist arrivals witnessed significant growth towards the end of 2021 and peaked in March 2022. However, this growth was impeded by elevated social tensions, fuel shortages and power outages from March 2022, resulting in major source markets issuing travel advisories. As ground conditions normalised, arrivals started picking up again from October 2022 onwards and continued to show steady growth momentum through the first three months of 2023. Total arrivals to Sri Lanka in 2022 amounted to 719,978 compared to 194,495 arrivals in 2021. While this is a significant YoY improvement, arrivals to Sri Lanka in 2022 were still 62% below pre-pandemic levels and well below the global average of 37%. Monthly arrivals, however, have steadily increased during the first three months of 2023, with total arrivals from January to March 2023 amounting to 335,679 compared to 285,334 arrivals during the same period in 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

Recovery volumes of Sri Lanka's primary and potential source markets, 2022



A greater focus on the Russian market saw Russia emerging as a top source market for Sri Lanka, accounting for almost 20.4% of arrivals in March 2023. India remained a key market although its relative position dropped due to Russia gaining prominence. Arrivals from China, a key source market pre-pandemic, were impacted by travel and border restrictions that continued till January 2023.

Extracted from SLTDA "Year in Review 2022" publication

Industry Headwinds	Industry Tailwinds
<ul style="list-style-type: none"> • Heightened social tensions in the country • Fuel shortages and power outages • Travel advisories from major source markets • Negative perception of the country's situation • Scarcity of key imported food items • Steady rise in inflation to historically high levels • Outward travel ban in China • Shortage of skilled labour due to rising labour migration • Increase in indirect and direct taxes • Dearth of liquidity in the domestic foreign exchange market 	<ul style="list-style-type: none"> • Pickup in global tourism • Increased air connectivity with the resumption of flights • Tourism promotion campaigns that marketed Sri Lanka as an attractive travel destination

Outlook for Sri Lanka

Economy

The Sri Lankan economy is expected to regain stability in the near term from the notable slowdown and worsened economic vulnerabilities associated with the historically high inflation levels coupled with the lowest growth levels recorded since post-independence. As per the outlook by IMF, the economy is expected to contract by 3% in 2023 and to grow by 1.5% in 2024.

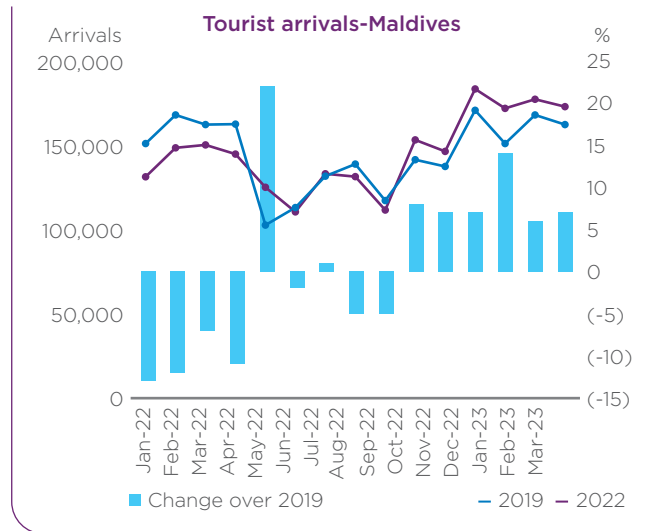
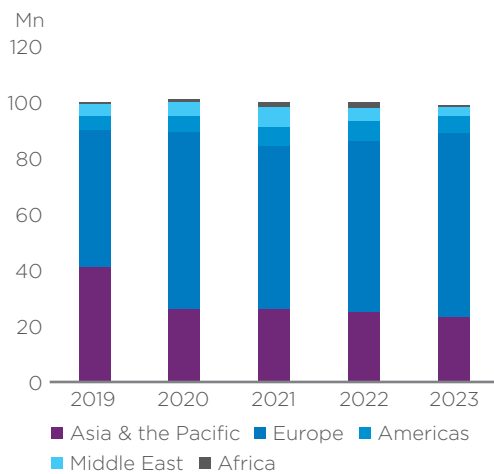
Tourism Industry

Sri Lanka has revised its 2023 tourist arrivals forecast to 2Mn tourists, up from 1.55Mn, based on strong arrivals from key source markets during the first three months of 2023. However, industry prospects will be impacted by ongoing economic concerns, including inflationary pressure, exchange rate volatility and higher interest rates.

Maldives Tourism Industry Performance

The golden jubilee year of tourism 2022, was celebrated to mark 50 years of the Maldivian tourism industry. The celebration led to a strong pickup in tourism. Tourist arrivals to the Maldives in 2022 reached 1.68Mn, just 1.6% lower than the pre-pandemic high of 1.7Mn and 27% more than the last year. The monthly arrivals surpassed pre-pandemic levels in October 2022 and have consistently been above pre-pandemic levels since then. On the 11 of February 2023, the Maldives welcomed 8,028 tourists, setting the record for the most tourist arrivals in a day.

Source market movement by region (2019 to 2022)



Source: www.tourism.gov.mv

Europe remained the key source market for the Maldives in 2022 and the first quarter of 2023. Asia and the Pacific region continued to lose market share due to lower Chinese arrivals as a result of the travel restrictions and relatively stronger border controls. Russia, India and the United Kingdom are the top three source markets as of March 2023, with Russia displacing India as the top source market since January 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the strong rebound in arrivals, the industry was impacted by the inflationary pressures due to rising commodity prices.

Industry Headwinds	Industry Tailwinds
<ul style="list-style-type: none"> • Increase in tourism GST from 12% to 16% • Soaring energy prices 	<ul style="list-style-type: none"> • Pickup in global tourism • Resumption of Chinese flights to Maldives • Targeted tourism promotional campaigns

Outlook for Maldives

Economy

The economy grew by 12.3% in 2022 and is projected to grow by 7.2% in 2023, with tourism expected to play a significant role in driving the country’s economy.

Commodity price volatility and increased Goods and Services Tax (GST) rates, however, is expected to drive costs up while exerting pressure on fiscal and external balances.

Tourism industry

Maldives continues to outperform its regional peers in tourist arrivals and this growth momentum is expected to continue through 2023.



TRENDS SHAPING OUR INDUSTRY

The hospitality industry constantly evolves due to technological advancements, changing consumer preferences and global events. Some of the key trends shaping our industry are discussed below.



Rising demand for personalisation

Personalisation is becoming increasingly important to consumers, with many travellers seeking personalised recommendations, offers, and experiences. Hospitality businesses must leverage technology to collect and analyse guest data in order to offer personalised experiences and tailored recommendations.



Growing interest in sustainable and responsible tourism.

Consumers are increasingly aware of the impact of their travel on the environment and local communities and seek out experiences that minimise negative impacts and contribute positively to the places they visit. This has led to the development of eco-tourism, community-based tourism, and other forms of responsible travel.



Increase in domestic and regional travel

The COVID-19 pandemic has increased demand for domestic and regional travel. With international travel restrictions, health concerns and economic challenges, many people have sought out local and regional destinations as a safer and more accessible alternatives.



Shift towards direct booking

Customers increasingly book directly through websites or other direct channels. This shift towards direct booking requires hospitality businesses to invest in technology, marketing, and distribution systems that offer greater convenience and value to customers.



Growing demand for health and wellness experiences

The pandemic has heightened awareness of the importance of health and wellness, and as travel restrictions ease, there has been an increased demand for wellness-focused travel experiences. In a post-COVID world, travellers are likely to prioritise health and wellness in their travel decisions, with a greater emphasis on cleanliness, hygiene, and social distancing.



MANAGEMENT DISCUSSION AND ANALYSIS

TOURISM INDUSTRY AT THE FOREFRONT OF SRI LANKA'S ECONOMIC RECOVERY

At the height of the economic crisis, the Government, on 12 April 2022, announced a temporary suspension of selected foreign debt service payments after considering the impending large foreign debt service payments and the inadequacy of liquid foreign reserves to honour such payments amidst the lack of forex liquidity in the domestic foreign exchange market. With the pre-emptive default of selected foreign debt service obligations, international sovereign credit rating agencies continued to downgrade the sovereign credit ratings of Sri Lanka during the first half of 2022.

Standard and Poor's Global Ratings downgraded Sri Lanka's sovereign credit rating to the lowest rating of 'SD' (Selective Default) on 25 April 2022. Fitch Ratings also downgraded the country's sovereign credit rating to 'RD' (Restricted Default) on 19 May 2022.

As the country is emerging from the ashes of the pandemic and its economic crisis, the government is

placing great emphasis on reviving the tourism industry by promoting Sri Lanka as one of the world's foremost choices and destinations for tourism.

This includes exploring new drivers of tourism, greater use of digital technology, implementing measures to ensure the safety of tourists, and understanding the changing needs of the traveller.

Sri Lanka's tourism industry is a vital component of the country's economy, contributing significantly to its GDP and providing employment to a large number of people. Tourism remained the third largest source of foreign currency earnings between 2014 to 2019.

However, the industry has been severely impacted since the Easter Sunday attacks in 2019, followed by the COVID-19 pandemic and the economic crisis.

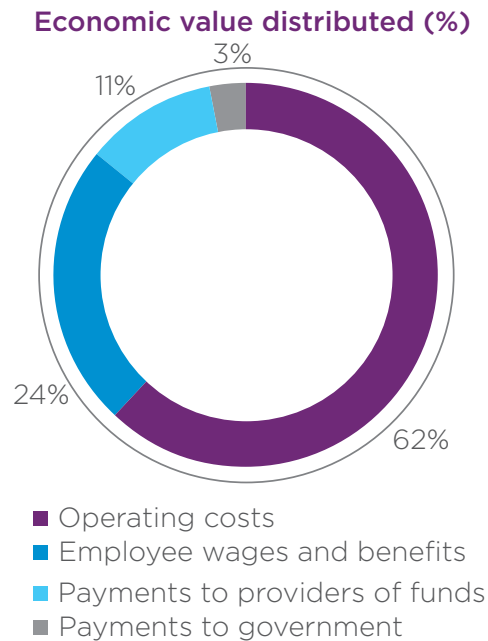
	2015	2016	2017	2018	2019	2020
Tourist arrivals (No)	1,798,380	2,050,832	2,116,407	2,333,796	1,913,702	507,704
Tourism receipts to the government (USD Mn)	2,981	3,519	3,925	4,381	3,607	683

It is expected that the tourism sector will provide an impetus for the post-pandemic recovery of the Sri Lankan economy despite the impact of geo-political tensions and the challenging domestic socio-political environment.

John Keells Hotels PLC, as one of the largest hoteliers in the country, is poised to play a significant role in promoting Sri Lankan tourism. Faced with an unprecedented crisis, John Keells Hotels PLC managed to resist, assist, and bounce back. Our Sri Lankan resorts cluster EBITDA which was a loss of Rs. 194Mn last year, turned positive to Rs. 164Mn this year.

OUR ECONOMIC CONTRIBUTION

As the country emerges from its economic crisis, we continue to play a vital role in the economic revival efforts by attracting much-needed foreign currency into the country, contributing to tax revenue, generating employment opportunities and through meaningful investments in our communities.



Employment Generation

1,594

Direct employment opportunities

125

New jobs created during the year

Support to Rural Communities

Rs. 3,403Mn

Payments to local suppliers

Rs. 3.9Mn

Investment in communities through CSR initiatives

MANAGEMENT DISCUSSION AND ANALYSIS

MALDIVIAN RESORTS CLUSTER

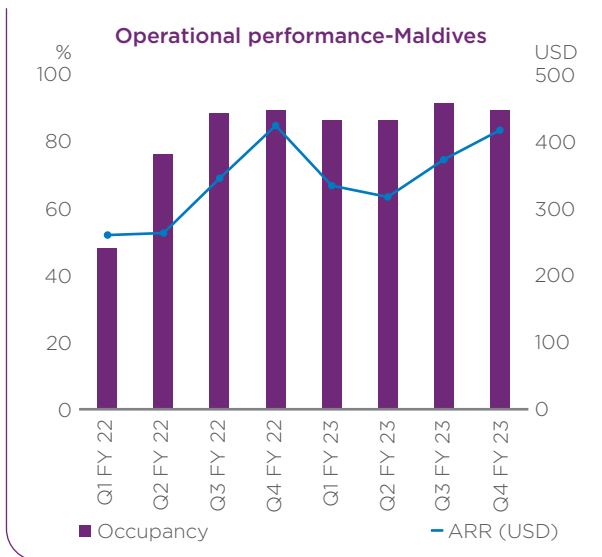
Operating environment FY 2022/23

Key Challenges	Opportunities
Continued inflationary pressures due to rising global commodity prices, high energy prices, increase in bank borrowing rates and the impact of the minimum wage regulation for the entire year.	The Maldivian tourism industry continued to outperform its regional counterparts attracting over 1.68Mn tourists in 2022. This growth momentum continued during the first three months of 2023 with monthly arrivals surpassing pre-pandemic levels.

	FY2021	FY2022	FY2023
Occupancy (%)	27%	75%	88%
RevPAR (USD)	94	250	316

Performance during the year

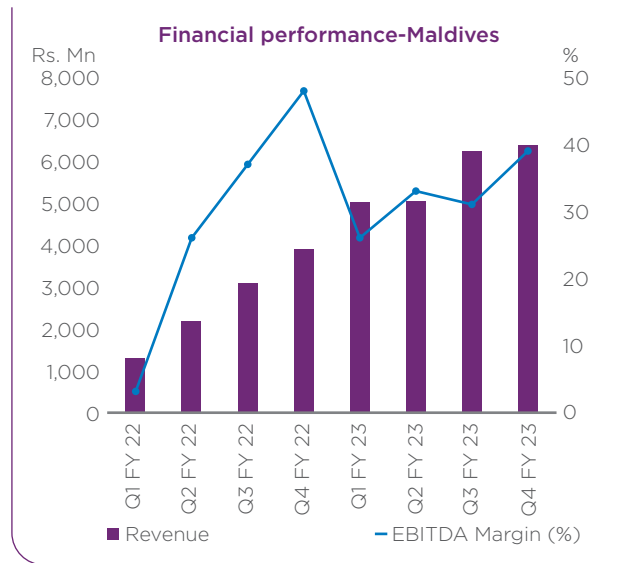
The Maldivian cluster recorded a strong performance with revenue recording a growth of 116% to Rs. 22.6Bn and PBT recording a growth of 333% to Rs. 1.017Bn. Occupancy levels which reached pre-pandemic levels by the 4th quarter of FY 2022, remained strong throughout FY 2023 averaging at 88% during the year. Average Room Rates (ARR) meanwhile recorded an 8% growth compared to FY 2022 reflecting the stronger demand conditions and ability of our resorts to attract guests at higher rates. The cluster recorded a RevPAR of USD 316 in FY2023 which is well above the last year average of USD 250.



Key Achievements in FY 2022/23

86% Reduction in Guest facing plastic consumption across resorts

Despite strong revenue growth, recorded margins continued to be impacted by higher operational costs. The minimum wage regulation which came into effect from January 2022 resulted in an increase in the wage bill while rising energy prices continued to impact margins as well. Notwithstanding this, EBITDA for the period increased by 102% to Rs. 7.3Bn. Finance costs also witnessed a 139% increase as a result of higher interest rates being charged by banks. Consequently PBT for the period amounted to Rs. 1.07Bn compared to Rs. 236Mn in FY 2022.



Strategic focus and key initiatives 2022/23



Refining our pricing and inventory strategies

Rate positioning remained a key focus for the cluster as we looked to reposition our brand and drive margin growth. During the year we completed the deployment of the IDEAS Revenue Management System in all of the cluster's resorts. This together with the cloud-based property management system FORNOVA implemented last year and other business intelligence tools, such as OTA insights, STR and HOTSTATS have enabled us to further refine our pricing strategy and room inventory strategies.



Diversifying our markets

With China, one of our largest source markets, remaining closed for much of 2022, we shifted our focus to other emerging source markets such as India, Middle East and Russia. Meanwhile, we continued to strengthen our distribution channels in our other significant source markets such as UK, France and Germany. The setting up of Global Sales Offices in these markets was a key initiative in these efforts.



Closer direct engagement with customers and guests

We increased our direct engagement levels with our guests and customers through our global sales offices and brand website in order to offer a more personalised service. Meanwhile, we continued to refine our value proposition to meet the evolving needs of guests by leveraging data analytics to better understand our customer requirements.



Addressing climate change

During the year we embarked on a pioneering effort to install 16 temperature data loggers in the ocean surrounding our properties and entered into an MoU with the Ministry of Tourism Maldives to share data captured on a periodic basis. We also achieved significant progress in reducing guest facing plastic consumption in our resorts by rolling several initiatives to replace plastic with more sustainable material.

Outlook

Key Risks

- The increase in the tourism sector GST rate from 12% to 16% with effect from January 2023 will add further cost pressures on the sector
- Macro economic pressures stemming from the sharp decline in foreign-exchange buffers of the country

Key Opportunities

- Easing of Chinese travel restrictions is expected to drive up tourist arrivals
- Continued growth in travel from short haul markets such as India and the Middle East



Future Focus

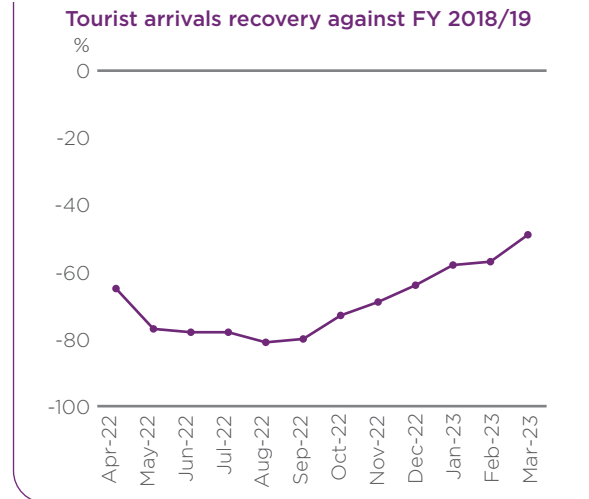
We remain optimistic of our prospects for the cluster for FY 2023/24 given the encouraging level of forward bookings at our resorts. However, with margin pressure expected to continue amidst growing macroeconomic pressures, we remain focused on rate improvement through effective revenue management.

MANAGEMENT DISCUSSION AND ANALYSIS

SRI LANKAN RESORTS CLUSTER

Operating Environment FY 2022/23

The Sri Lankan tourism industry has been significantly impacted by the economic crisis in the country, particularly in the wake of the pandemic. However, despite these challenges, the industry has shown resilience and made impressive strides towards recovery. During Q4 of FY 2022/23, the sector grew strongly, with tourist arrivals reaching 50% of pre-Easter attack levels. This positive development is a testament to the resilience of the industry and the allure of Sri Lanka's rich culture, stunning landscapes, and warm hospitality.



Key achievements in FY 2022/23

- **SATA awards**
 - Gold award - Leading riverfront hotel/resort - Cinnamon Citadel Kandy
 - Silver award - Leading Wildlife Lodge - Cinnamon Wild Yala
 - Silver award - Leading Beach front resort - Cinnamon Bey Beruwala
- **Travelife - Gold award 2022 for Accommodation Sustainability - Cinnamon Lodge Habarana**

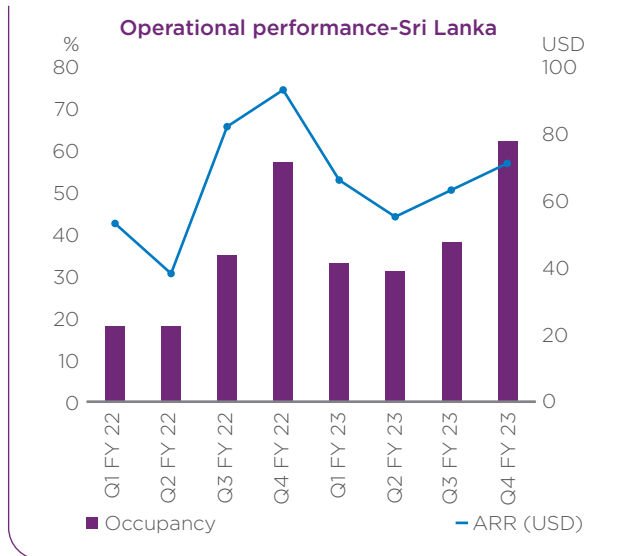
Key Challenges

- The country's economic, political and social turmoil impacted tourist arrivals during the first two quarters of FY 2022-23. Although some degree of normalcy was achieved towards Q3, negative perceptions and lack of awareness continued to impact arrivals to the country.
- Fuel shortages and power outages.
- Scarcity of key imported raw materials and other essentials.
- Sharp upward adjustment of interest rates.
- Increase in direct and indirect taxes.
- Travel advisories issued by feeder markets.
- Dearth of foreign exchange liquidity.
- Inflation reaching historically high levels owing to supply-side disruptions both locally and globally.
- Rising levels of labour migration due to the deteriorating socio-economic conditions in the country exacerbated skilled labour shortages in the industry.

Opportunities

- Competitive advantage from a pricing perspective due to the sharp depreciation of the Rupee during the year.
- Continuous influx of travellers from Russia.

	FY2021	FY2022	FY2023
Occupancy growth (% pts)	(45%)	16%	9%
EBITDA (Rs. Mn)	(1,350)	(194)	164



Industry performance

In FY 2022/23, Sri Lanka experienced a YoY growth of 63% in tourist arrivals, welcoming 770,323 visitors (compared to 470,110 in FY 2021/22). The leading source market was Russia, with 133,446 arrivals, accounting for 17% of all arrivals to the country. India followed as the second-largest feeder market with 121,725 arrivals, representing 16% of total arrivals, while the UK and German markets also contributed significantly.

Performance of Cinnamon Resorts in Sri Lanka

Our resorts achieved YoY occupancy growth of 8 percentage points and RevPAR growth of 83%. Resort occupancy was impacted by the slowdown in tourist arrivals from March 2022 onwards due to the social unrest caused by economic and political instability in the country. Consequently, occupancy levels during the first and second quarters of FY 2022-23 averaged around 32%. However, occupancy levels witnessed strong recovery momentum towards the last quarter of FY 2022, reporting an occupancy rate of 62%.

The foreign markets dominated the overall resort occupancy, representing 60% of the occupancy. The local market accounted for 40% of the occupancy, while the Russian market accounted for 24%. The UK and German markets represented 10% of the occupancy.

Beach Resorts - Our beach-front properties, which accounted for 56% of room inventory, reported YoY revenue per available room (RevPAR) growth, primarily due to the influx of Russian tourists. Hikka Tranz by Cinnamon, in particular, has gained popularity among Russian tourists and achieved 66% occupancy from this market segment.

Round-trip Resorts - Our round-trip properties, which accounted for 44% of the inventory, primarily depended on the local and traditional European markets, which started recovering towards the latter part of the year.

Cinnamon Holidays - We expanded our local nature-based tours throughout the year, with exciting new offerings at both Yala and Wilpattu National Parks. In March 2023, we kicked off our outbound travel program with a carefully curated tiger-spotting safari to Tadoba National Park in India, which proved to be a great success.

In addition to our land-based adventures, our whale-watching operation in Trincomalee proved to be a major attraction, drawing in a large and enthusiastic clientele.

We also had the pleasure of hosting three foreign film crews, including teams from BBC and Warner Brothers, who were eager to capture the natural beauty and unique culture of Sri Lanka on film.

MANAGEMENT DISCUSSION AND ANALYSIS

SRI LANKAN RESORTS CLUSTER

Segment results

In Rs. Mn	2022/23	2021/22	Change %
Net revenue	6,189	2,891	114%
Operating loss	(1,040)	(1,165)	11%
EBITDA	164	(194)	185%
Total assets	24,570	21,618	14%
Total liabilities	11,977	9,683	24%

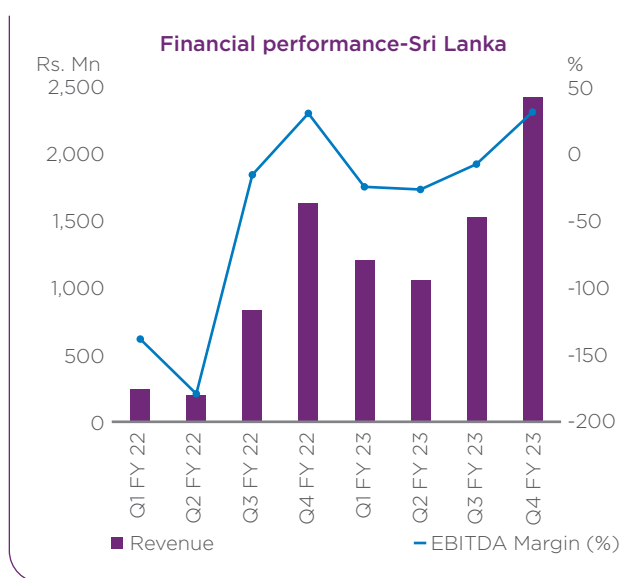
The hotel industry in Sri Lanka experienced intense competition during the year, primarily due to limited international tourist arrivals. Hence, targeted promotional campaigns were carried out throughout the year to maximise our revenue per available room. Our primary sales and distribution channel was selling via distributors, travel agencies and Online Travel Agents (OTAs). In addition, our direct sales channels and walk-ins also accounted for much of the business.

Key competitive advantages:

- Service excellence.
- Prime locations in key tourist destinations of the country
- Long-standing experience in the hotel business
- High standards of our brand
- Strong relationship with our partners

The recovery in the Sri Lanka cluster has been slower than anticipated, mainly due to persisting negative perceptions about the ground situation, which resulted in a slower than expected recovery of tourist arrivals to the country.

Despite significant challenges during the year, the Sri Lankan cluster reported revenue growth of 114% to Rs. 6.19Bn. EBITDA also improved to Rs. 164Mn compared to a loss of Rs. 194Mn in FY 2022.



Strategic focus and key initiatives-2022/23



Investing in our commercial capabilities

We continued to invest in our commercial capabilities amidst increasing margin pressure and slower-than-expected occupancy growth. We commenced the IDEAS revenue management software rollout in our Sri Lankan resorts in December 2022 and have made significant progress in this journey. The global contact centre was also established during the year to improve our sales management process further, while a dedicated in-house content and design agency was formed to improve the quality and effectiveness of our marketing communications. The segregation of the commercial function by cluster has also brought about greater flexibility and agility to respond to market-specific dynamics.



Economic crisis response

Conscious of the significant socio-economic impact of the ongoing economic crisis, we continued to extend our support to our employees and communities. During the year, we offered our employees an ex-gratia payment in April 2022 and implemented a temporary crisis allowance from January 2023. We also continued to offer flexible work options, including part-time work, to support employees while focusing on our employees’ mental wellbeing. Meanwhile, several groupwide initiatives such as the “Pasal Deriya” school meal program, community home gardening initiative, GAP (Good Agricultural Practices) farmer project and higher education scholarship scheme were carried out in addition to resort specific projects to support those most impacted by the crisis.



Creating a pipeline of talent

Creating a talent pipeline remains a key priority as the industry grapples with the growing challenge of skilled labour migration and labour shortages. We continued to enhance our training value proposition during the year, entering into partnerships with leading hospitality training providers to offer employee training and development opportunities. We also expanded our leadership development programs by introducing several new programs, including the APEX- General Manager Development Program, MMAP- Middle Management Acceleration Program and STEP- Supervisory Talent Enhancement Program. While building talent within our organisation, we also embarked on several initiatives to attract youth into the industry. Among these was establishing an Apprentice Academy to provide vocational training opportunities through our hotel network. We also continue working closely with the Vocational Training Authority (VTA) and Skills for Inclusive Growth (S4IG) program to support vocational training.



Redefining our Purpose and Values

One of the significant initiatives undertaken during the year was the official launch of “Cinnamantra,” our new purpose, and seven core values. This launch is a crucial step towards implementing our new strategic framework, which aims to foster a unified culture that aligns with our future direction.

Outlook

Key Risks

- Macroeconomic pressures interest rate volatility and inflationary pressures
- Loss of skilled labour due to high migration levels



Future Focus

We are optimistic that 2023 will be a year of recovery for the tourism industry in Sri Lanka. Investments made during the last two years to strengthen our commercial capabilities, develop our people and transform our operation into a more agile and flexible process place us on a firmer footing to take advantage of these opportunities.

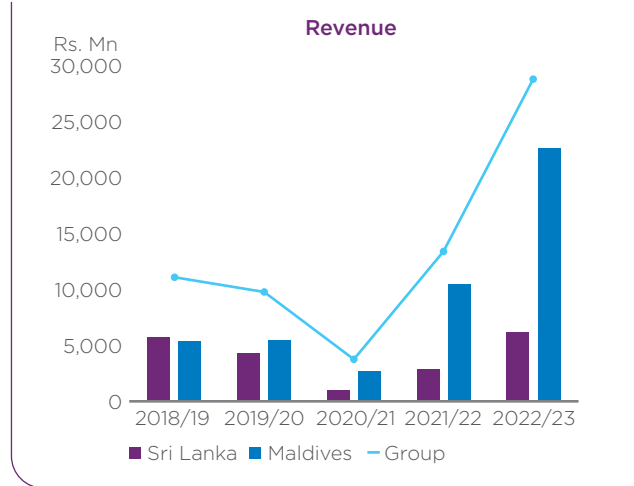
Key Opportunities

- Strong recovery from key source markets such as Russia, India and Europe
- Easing of China’s travel restrictions

FINANCE REVIEW

Highlights for the year ended 31 March 2023

- Our Maldivian resorts cluster reported EBITDA of Rs. 7,322Mn, an increase of 102% in comparison to last year.
- Sri Lankan resorts cluster EBITDA was Rs. 164Mn, turning positive YoY from an EBITDA loss of Rs. 194Mn.
- The debt moratorium given to the tourism sector in Sri Lanka ended in June 2022, and our resorts began servicing in term debts, including those denominated in US Dollars. Despite the challenges posed by the Easter attack in 2019, the COVID-19 pandemic, and the resultant economic crisis, our diligent cash flow planning has enabled us to navigate these crises successfully.



Challenges presented by the economic crisis in Sri Lanka and how we responded

Challenge	Our response
The Central Bank of Sri Lanka tightened the monetary policy significantly during 2022	Our resorts had access to unutilised overdraft facilities. The overdraft position of the Sri Lankan resorts sector increased from Rs. 975Mn as of 31.03.2022 to Rs 2,376Mn as of 31.03.2023.
The dearth of foreign exchange liquidity in Sri Lanka	We have successfully captured the emerging Russian market for our beach properties, resulting in an increase in US Dollar inflow.
The debt moratorium granted to the tourism sector ended on 30.06.2022	After reviewing the cash flow projections, we re-negotiated the terms with our banking partners and have commenced servicing our debt payments, which include loans denominated in US Dollars.
Prolonged fuel shortage and power outage	Our resorts were able to secure a supply of diesel by making payments in US Dollars, which allowed us to continue operating our diesel power generators and maintain an uninterrupted electricity supply. In response to the fuel shortage in the market, we introduced special packages for local travellers who were affected by the situation.
Historically high inflation in Sri Lanka	Implementation of cost rationalisation and cost reduction programmes.
The government introduced significant tax reforms during the year - Increase of VAT and Income Tax rate - Introduction of Social Security Contribution Levy	We have revised our pricing strategy
Regular upward adjustment of electricity tariff	We are focused on achieving energy efficiency
New regulations on foreign exchange	We have maintained 100% compliance with all new regulations.

Revenue

The Group reported consolidated revenue of Rs. 28,835Mn in FY 2022/23, a 116% growth compared to FY 2021/22. Revenue growth was supported by a strong performance by the Maldivian resorts as well as the gradual recovery in the Sri Lankan resorts towards the latter part of FY 2022/23.

Revenue	2022/23	2021/22	Change %
Sri Lanka	6,189	2,891	114%
Maldives	22,646	10,464	116%
Total	28,835	13,355	116%

Occupancy in the Maldives remained above the pre-COVID-19 level since the first quarter of 2022/23. Although reopening of other destinations has provided travellers with more choices when compared with previous year when Maldives was one of the few destinations operating amidst COVID-19, Maldivian resorts continued to show sequential growth in occupancies.

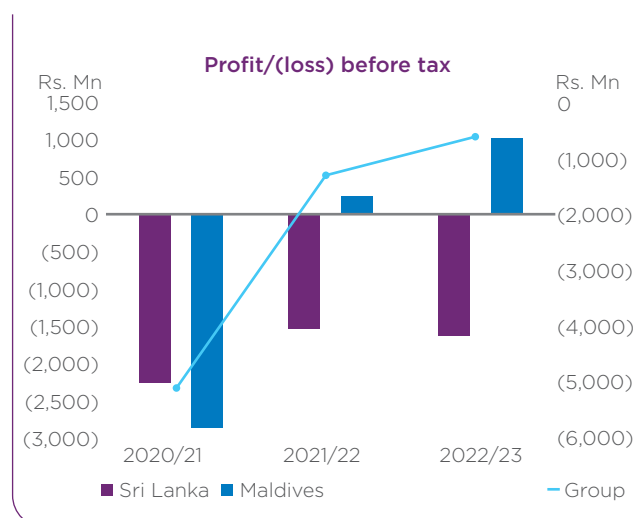
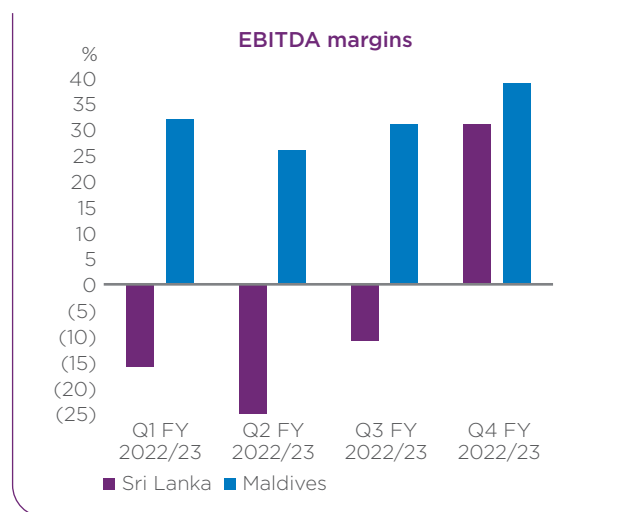
Occupancy levels in the Sri Lankan resorts witnessed strong recovery momentum towards the last quarter of FY 2022/23. The average occupancy rate surged to 66% during Q4. The removal of travel advisories in main source markets and the increase in frequencies of flights by major airlines also supported an increase in tourist arrivals which positively impacted occupancy levels from FY Q3 onwards.

EBITDA

The Group reported an EBITDA of Rs. 7,486Mn in FY 2022/23 compared to an EBITDA of Rs. 3,425Mn in FY 2021/22. The EBITDA of the Maldivian resorts cluster surged by 102% to Rs. 7,322Mn (2021/22 - Rs. 3,618Mn) primarily due to strong RevPAR growth. In Sri Lanka, EBITDA turned positive from a loss of Rs. 194Mn to a profit of LKR 164Mn this year, due to strong RevPAR growth, higher revenue flow, and continuous cost minimisation programmes. Consequently, EBITDA margin improved to 26% in 2022/23 (2021/22 - 25%).

Despite the soaring inflation locally and globally, the gross profit margin at Group level remained in line with the previous year's margin of 63%, mainly due to the revised pricing strategy and the depreciation of the Rupee.

The Group's operating expenses increased by 90% YoY and reported Rs. 16,502Mn (2021/22 - Rs. 8,664Mn). The increase in operating expenses is mainly attributable to the mounting energy prices in Sri Lanka and the Maldives. Additionally, the Group payroll cost reported a significant YoY increase. This was mainly owing to the full operation of resorts in Sri Lanka and additional support extended to Associates during the economic crisis. In the Maldives, the full impact of minimum wage regulation is reflected during the year.



FINANCE REVIEW

Finance Costs

During the year, the Group reported finance costs of Rs. 2,702Mn, which was Rs. 1,467Mn higher than the previous year. In Sri Lanka, finance costs increased by 88% year-on-year due to several factors, including increased utilisation of overdraft facilities, a rise in lending rates, and an upward adjustment of the interest rate of the Saubagya loan scheme. In the Maldives, the increase in the LIBOR/SOFR rate on term loan facilities contributed to higher interest costs. Furthermore, the depreciation of the Rupee against the US Dollar led to an increase in interest expenses on loans denominated in US Dollars.

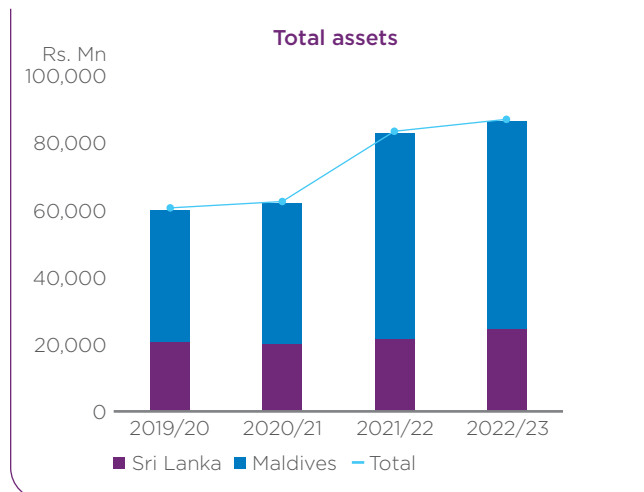
Taxation

The effective tax rate of the Group stood at 45% (2021/22 - 6%). The Sri Lankan and the Maldivian cluster have a higher effective tax rate than their respective corporate tax rate of 30% and 15%. The primary reason for the high effective tax rate in the Sri Lanka cluster is the recent increase in the corporate tax rate from 14% to 30%, which came into effect on 1 October 2022. This change resulted in the re-statement of the opening deferred tax balances from 14% to 30% and had a net deferred tax reversal impact of Rs 257Mn in the income statement.

The Maldives cluster's effective tax rate was impacted by restrictions on claiming capital allowances and tax losses.

Financial Position and Cash Flow Assets

The Group's total assets amounted to Rs. 87,096Mn, an increase from Rs. 83,523Mn at the end of FY 2021/22. The growth in assets was mainly driven by gains from the revaluation of land and building amounting to Rs 2,664Mn, remeasurement of investment properties to fair value amounting to Rs. 201Mn and gains from foreign operations translations. Additionally, the Group invested Rs. 1,063Mn in property, plant, and equipment, with the majority of the investment being made in the Maldives. The Maldivian cluster accounted for 71% of the Group's total assets, a slight decrease from 73% in 2021/22.

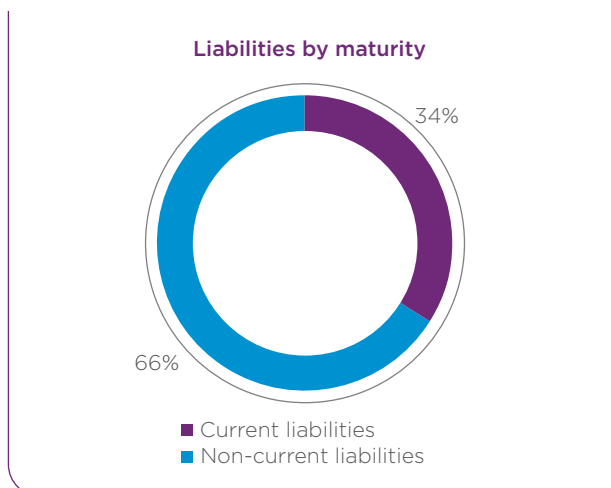
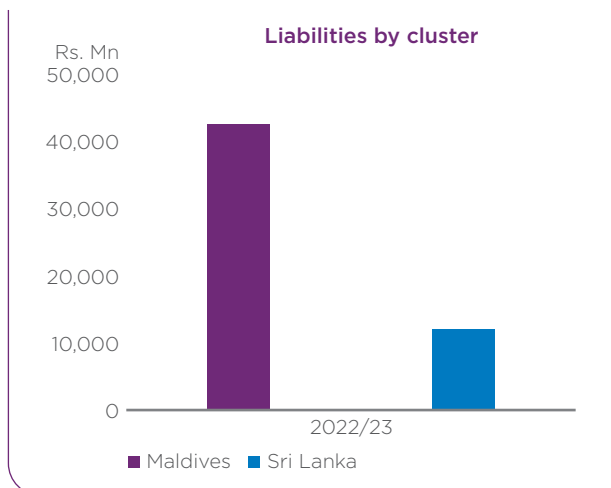
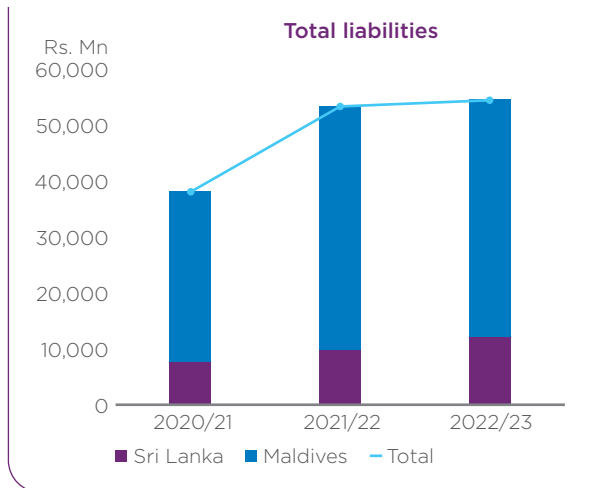


Liabilities

The Group reported total liabilities of Rs. 54,497.9Mn at the end of 2022/23, an increase of Rs. 1,115.2Mn from Rs. 53,382.1Mn at the end of 2021/22. The primary drivers of this increase were the greater utilisation of overdraft facilities and the impact of exchange rates on overseas operations, partially offset by debt service payments. The Maldives sector, which represented 78% (2021/22- 82%) of total liabilities at the end of FY 2022/23, experienced a decrease in total liabilities due to debt service payments. Meanwhile, the Sri Lankan sector's total liabilities increased by approximately Rs. 2,294Mn due to the use of overdraft facilities.

Shareholder's funds

Shareholders' funds increased by Rs. 2,458Mn from Rs. 30,140Mn at the end of 2022 to Rs. 32,598Mn at the end of 2023, owing mainly from gain on revaluation of land and buildings and exchange difference on the translation of foreign operations.



Cash flows

The Group was able to manage the impact of COVID-19 and the resultant economic crisis without the need to raise new equity, primarily due to:

- a) protecting cash flow by prudent use of capital expenditure and reducing costs
- b) strong performance on working capital, targeted approaches to cash collections and management of cash outflow.

During the year, the Group generated positive cash flows from operations of Rs. 5,571Mn, an increase of Rs. 5,604Mn YoY supported by improved operations in Sri Lanka and Maldives.

The cash flow used in investing activities was Rs. 1,314Mn in 2022/23, primarily due to investments made in purchasing property, plant and equipment. The Group reported net cash used for financing activities of Rs. 6,051Mn in 2022/23, due to repayment of lease liabilities of Rs. 1,177Mn and repayment of long-term borrowings of Rs. 4,374Mn.

Outlook

The global economy faces prospects of a recession stemming from persisting geopolitical tensions and its spillover effects on commodity prices, rising inflationary pressures and an overall tightening of monetary policy by major central banks across the globe. Based on UNWTO's forward-looking scenario, international tourist arrivals are expected to reach 80% to 95% of pre-pandemic levels by 2023.

Maldives - GDP is forecasted to grow by 8.1% during the course of 2023 and 2024, with tourism expected to play a significant role in driving the country's economic activity. Our resorts have forecasted to maintain pre-pandemic level occupancy.

Sri Lanka - The recent increase in tourist arrivals to the country is a positive sign, and we anticipate that India will continue to be a significant driver of tourism, with the Russian and traditional European markets also being important source markets. The lifting of travel restrictions in China is also a positive development.

RISK MANAGEMENT



As the Hotels Group navigates through a constantly shifting risk landscape, we continue to evolve in the face of geopolitical unrest, a sluggish global economy, and persistent macroeconomic hurdles in our domestic markets. In addition, social and environmental concerns, such as rising labour migration rates and the impact of climate change, present ever-increasing risks to our operations. We are committed to closely monitoring these developments and taking a proactive approach to identify both risks and opportunities. Through effective risk management strategies and responses, we aim to build resilience and create sustainable value for all our stakeholders. ‹‹

Enterprise Risk Management

Enterprise Risk Management is an ongoing process where the Group identifies events that would affect the entity, assess them and respond accordingly to provide a reasonable assurance in achieving its objectives. In assessing the risks, the Hotels Group considers the existing and emerging risk factors that may impact the business. The risks are evaluated thereafter in terms of likelihood and impact, after which appropriate risk treatments are decided upon. Effective risk management is crucial to enhance value creation via sustainable business operations. A solid risk management framework ensures that the Board discharges its responsibilities in identifying, assessing and responding to the identified risks efficiently and effectively across its portfolio of hotels and resorts.

Risk Governance

The Board assumes the ultimate responsibility for managing risk. The Board is assisted by the Audit Committee, which oversees risk and internal control matters. The John Keells Group Business Process Review (BPR) Division and the outsourced Internal Auditors support the Audit Committee in performing its role of assurance through regular reviews and recommendations

on the robustness of the internal control systems. In addition, the sector risk management team is responsible for the effective execution of the risk management framework.

Risk Management Process

Enterprise risk management is integral to strategy formulation and applied across all functions. Risk management is governed by a standard framework designed by the Group, ensuring that risk management practices are standardised across the Hotels Group. In addition, ongoing review, assessment and guidance by the John Keells Group Sustainability and Enterprise Risk Management (ERM) division ensures alignment with John Keells Holdings PLC (Parent) Risk Management policies. The risk management process is carried out through an online Enterprise Risk, Audit, and Incident Management platform that maintains a live and dynamic risk register for the Hotels Group. The system provides real-time and comprehensive assessment of the Hotel Group's risk profile, delivering metrics that support the identification and management of material issues and principal risks faster and more proactively.

Risk Management Framework



The ERM Framework adopted by the John Keells Group and implemented by the Hotels Group involves the following:

1. Identification of types of risk

Risk Event- Any event with a degree of uncertainty which, if it occurs, may result in the organisation or Business Unit failing to meet its stated objectives.

Core Sustainability Risks - Core Sustainability Risks are those risks that have a catastrophic impact on and from the organisation. Still, they may have a very low or nil probability of occurrence.

2. We have established a Risk Register that includes the likelihood of occurrence and the potential severity of impact. We used Group guidelines to create a risk grid specifically for the Hotels Group. Every risk is analysed in terms of the likelihood of occurrence and severity of impact and assigned a score ranging from 1 (low probability/impact) to 5 (high probability/ impact) to signify the probability of occurrence and the level of impact on the organisation.
3. Use the matrix below to establish risk levels based on the values assigned for each risk.

RISK MANAGEMENT

Risk Matrix

Table 1 - Guideline for Rating Risk

Impact / Severity	5	Catastrophic/Extreme Impact	5	10	15	20	25
	4	Major/Very High Impact	4	8	12	16	20
	3	Moderate/High Impact	3	6	9	12	15
	2	Minor Impact	2	4	6	8	10
	1	Low/Insignificant Impact	1	2	3	4	5
			Rare/Remote to Occur 1	Unlikely to Occur 2	Possible to Occur 3	Likely to Occur 4	Almost Certain to Occur 5
			Occurrence/ Likelihood				

The Colour Matrix implies the following;

Priority level	5	4	3	2	1
Colour code	Ultra High	High	Medium	Low	Insignificant
Score	13-25	10-12	7-9	3-6	1-2

Risk Management Strategy




The Hotels Group follows a holistic approach to identify and manage risks where the risk management function is closely intertwined with its sustainability management framework and Corporate Social Responsibility (CSR) functions. Risk Management, therefore, extends beyond managing the operational and financial risks faced by the Company to incorporate broader environmental, community, employee, value chain and other non-financial risks related to Environmental, Social and Governance (ESG) considerations of the Company.

High-level risks or core risks are reviewed by the Sector Risk Management Team headed by the Industry Group President to validate the risk process at the Business Unit level. The significant risk areas that impact the achievement of the strategic business objectives of the Company and the measures taken to address these risks are discussed below.




Key Risks		Risk Rating
Operating Environment	Geo-political developments	High
	Macro-economic and political environment	Ultra-High
	Threat from terrorism and civil unrest	High
	Change in consumer booking behaviour	High
	Inflation risk	High
Financial Risks	Liquidity risk	Low
	Financial covenant breach	High
	Interest rate risk	High
	Credit risk	Low
	Exchange rate risk	High
Operational Risks	Talent attraction and retention	High
	Fuel prices and electricity tariffs risk	High
	Occupational health and safety	Medium
	Operational resilience to incidents or disruption or control breakdown	Medium
	Fraud and anti-corruption	Low
	Brand reputation impact	Medium
	Technology and data risk	Low
Environment Risks	Climate change risk	Low







Impact Key

Ultra High	High	Medium	Low	Insignificant
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Operating Environment		
Risk description	Impacted strategic imperative	Risk responses
<p>Geo-political developments</p> <p>Geo-political developments, including the conflict between Russia and Ukraine and the low levels of economic growth in key feeder markets</p>	<p>GROW with Intent</p> 	<ul style="list-style-type: none"> Proactively implement marketing strategies to pursue other key feeder markets Expanding geographical coverage The company will continue to put efforts into enhancing revenue in all sales channels Preparing contingency plans
<p>Macro-economic and political environment</p> <p>Macro-economic instability in the domestic economy impacts both demand and supply factors</p>	<p>OPERATE with Excellence</p>  <p>GROW with Intent</p> 	<ul style="list-style-type: none"> Scenario testing and proactively identifying action plans to mitigate risks The senior management of our Hotels Group actively participates in the development and promotion of economic policies by engaging in consultative committees, trade associations, and policy-making bodies



RISK MANAGEMENT

Operating Environment		
Risk description	Impacted strategic imperative	Risk responses
<p>Threat from terrorism and civil unrest</p> <p>Possible attacks on civilians and economic targets by terrorists may lead to civil unrest and imposition of travel advisories against Sri Lanka</p>	<p>OPERATE with Excellence</p> 	<ul style="list-style-type: none"> Establishment of protocols as per the Business Continuity Plans (BCP) on action to be taken in such an event Appointment of vigilance officers at each location and establishment of reporting protocols Establishment of direct links with local intelligence for information on potential risks Review/Implementation of Emergency Response Plans for armed intrusions/hostage handling/isolation/bomb threat Establishment of a Central Emergency Response Command Centre to oversee and supervise chainwide response
<p>Change in consumer booking behaviour</p> <p>Traveller needs are evolving rapidly in response to technological and socio-economic developments. Not responding to these changes impacts customer satisfaction levels</p>	<p>GROW with Intent</p> 	<ul style="list-style-type: none"> Greater focus on revenue management to predict customer behaviour Product and rate positioning was refined to correspond with the value proposition of each hotel/resort High level of guest engagement through satisfaction surveys, social media platforms and face-to-face interactions, including positioning staff with multilingual skills in guest interface areas Reassure employees and existing and potential guests of the Hotels Group's commitment to safety and well-being, through a dedicated page on the Hotels Group website Reviewing and innovating our experiential offerings to cater to evolving requirements
<p>Inflation Risk</p> <p>Inflationary pressures can have a significant impact on our business and operational results</p>	<p>OPERATE with Excellence</p> 	<ul style="list-style-type: none"> Supply chain management <ul style="list-style-type: none"> Lock in short-term, medium-term, and long-term supplier contracts Expanding supplier base Build up stocks Menu re-engineering Cost-saving strategies

Financial Risks		
Risk description	Impacted strategic imperative	Risk responses
<p>Liquidity risk</p> <p>Uncertainty about the effects of geopolitical uncertainty has adversely affected the Hotels Group financial results and growth. Hence, the immediate priority is to preserve cash flow and maintain its cash position and unutilised credit facilities to ensure sufficient liquidity going forward</p>	<p>OPERATE with Excellence</p> 	<ul style="list-style-type: none"> • Preserving cash flow by reducing cash burn • Pursue long-term funding options and minimise capital expenditure
<p>Financial covenant breach</p> <p>Possibility of breaching financial covenants imposed by Banks due to financial constraints</p>	<p>OPERATE with Excellence</p> 	<p>The Company and Hotels Group endeavours to maintain a strong financial position ensuring all covenants are complied with through the following measures:</p> <ul style="list-style-type: none"> • Close monitoring and forecasting of possible covenant breaches and informing financial institutions of potential breaches • Take precautionary measures to seek waivers from banks • Pursue covenant amendments from banks
<p>Interest rate risk</p> <p>Impact of interest rate fluctuations on investments and borrowing costs</p>	<p>OPERATE with Excellence</p>  <p>GROW with Intent</p> 	<ul style="list-style-type: none"> • Prudent management of financial assets • Closely monitoring interest rate movements in the market • Continuous negotiations with financial institutions • Diversifying the sources and tenors of debt
<p>Credit risk</p> <p>Risk of customers defaulting on payments</p>	<p>OPERATE with Excellence</p> 	<ul style="list-style-type: none"> • Stringent credit policy in place • Evaluation of customer creditworthiness. • Obtaining periodic confirmation of outstanding balances • Regular follow-up on debtors • Weekly debtors meeting with Management
<p>Exchange rate risk</p> <p>Devaluation of the Rupee is likely to increase operating cost base and finance cost of Dollar borrowings</p>	<p>OPERATE with Excellence</p> 	<ul style="list-style-type: none"> • Regular monitoring of fluctuations in exchange rates and hedging the exposure by matching foreign currency earnings and payments • Inclusion of terms in third party agreements to mitigate foreign currency exposure

RISK MANAGEMENT

Operational Risks		
Risk description	Impacted strategic imperative	Risk responses
<p>Talent attraction and retention</p> <p>Attraction and retention of skilled employees is an ongoing challenge in the hospitality industry due to rising migration levels in the country</p>	<p>OPERATE with Excellence</p> 	<ul style="list-style-type: none"> • Explore innovative recruitment and employment models such as part-time work and flexible work options to attract and retain non-traditional cohorts • Communicating Employer Brand Value proposition more effectively to attract and retain new employees • Ongoing investment in talent and competency development • Strengthening rewards and benefits schemes through global benchmarking and levelling exercises • Talent management and succession planning programmes for critical positions
<p>Fuel prices and electricity tariff risk</p> <p>Energy cost is a significant component of our operational costs. Rising fuel and energy prices, therefore, impact the margins and financial performance of the Hotels Group</p>	<p>OPERATE with Excellence</p> 	<ul style="list-style-type: none"> • Monitoring market prices of fuel and exchange rates and planning in advance • Evaluating alternative renewable energy sources • Engagement of energy experts to improve the energy efficiency
<p>Occupational health and safety</p> <p>Non-compliance with health and safety standards can disrupt operations and seriously impact brand reputation</p>	<p>OPERATE with Excellence</p> 	<ul style="list-style-type: none"> • The Hotels Group has set environmental, health and safety policies and standards • Conducting periodic audits and addressing of gaps identified through training
<p>Operational resilience to incidents or disruption or control breakdown</p> <p>The nature of our business continues to expose us to significant inherent operational risks, including factors related to safety, security, dependency on equipment, and operational finance controls</p>	<p>OPERATE with Excellence</p> 	<ul style="list-style-type: none"> • Comprehensive schedule of preventive maintenance programmes • Valid service provider agreements with local spare part suppliers • Additional provisions for backup generators and identified generator providers in each resort location • Outsourced internal audits • Special investigations
<p>Fraud and anti-corruption</p> <p>Possibility for fraud and engaging in corruption can lead to financial losses as well as reputational damages to the entity</p>	<p>OPERATE with Excellence</p> 	<ul style="list-style-type: none"> • Data driven analytics • Internal audits • Special investigations

Operational Risks		
Risk description	Impacted strategic imperative	Risk responses
<p>Brand reputation impact</p> <p>Events that could negatively affect the reputation and relationships with key stakeholders</p>	<p>OPERATE with Excellence</p> 	<ul style="list-style-type: none"> • Training and development of staff • Carrying out compliance audits/brand audits • Brand positioning, development, and marketing • Establishment of a Crisis Communication Plan/Team and Spokesperson
<p>Technology and data risk</p> <p>By its nature, our business involves managing large volumes of guests' data locally and globally</p> <p>Increased dependence on remote technology, including digital sales channels, remote working and online marketing, have increased the risk of cyber threats, making cyber security a priority to ensure no adverse impact on business operations and Hotel's reputation</p>	<p>OPERATE with Excellence</p> 	<ul style="list-style-type: none"> • Well-defined cyber security incident response process addressing the pillars of device, information and user • Training employees and creating staff awareness on the importance of maintaining information security and handling sensitive information • Implementation and regular testing and verification of network protection technology • Pursuing opportunities with cloud-based applications

Environment Risks		
Risk description	Impacted strategic imperative	Risk responses
<p>Climate change impact</p> <p>Group's footprint in Sri Lanka and Maldives exposes its businesses to current and emerging climate-related risks, including natural disasters, deforestation, droughts, global warming, and coral bleaching</p>	<p>OPERATE with Excellence</p> 	<ul style="list-style-type: none"> • Hotels Group recognises sustainability as an operational priority and has set long-term environmental goals, which include a reduction in greenhouse gas emissions and a reduction in single-use plastics • Promoting biodiversity conservation • Hotels Group's commitment to establishing long-term goals focusing on efficient resource utilisation and reducing emissions • Setting up standards, training and monitoring a range of environmental indicators, including water, energy, waste, and carbon footprint • Consider long-term climate change. Impacts in evaluating expansion plans • Promoting awareness among key stakeholders on sustainable operations • Business Continuity Plans including alternate working arrangements and emergency response plans in the event of natural disasters

INVESTOR INFORMATION

Distribution of Shareholders

There were 6,546 registered shareholders as at 31 March 2023 (6,564 as at 31 March 2022) distributed as follows:

No. of shares held	As at 31 March 2023				As at 31 March 2022			
	No. of Shareholders	%	No. of Shares held	%	No. of Shareholders	%	No. of Shares held	%
1 to 1,000	3,829	58.49	1,331,291	0.09	3,743	57.02	1,341,739	0.09
1,001 to 10,000	1,872	28.60	7,358,019	0.51	1,924	29.31	7,600,648	0.52
10,001 to 100,000	678	10.36	21,323,474	1.46	723	11.01	22,297,645	1.53
100,001 to 1,000,000	138	2.11	41,118,111	2.82	143	2.18	39,284,436	2.70
Over 1,000,000	29	0.44	1,385,015,885	95.12	31	0.48	1,385,622,312	95.16
Total	6,546	100.00	1,456,146,780	100.00	6,564	100.00	1,456,146,780	100.00

Composition of Shareholders

No. of shares held	As at 31 March 2023			As at 31 March 2022		
	No. of Shareholders	No. of Shares held	%	No. of Shareholders	No. of Shares held	%
John Keells Holdings PLC	1	1,169,598,478	80.32	1	1,169,598,478	80.32
Public - Resident						
Institutions	249	186,486,003	12.81	250	186,440,988	12.80
Individuals	6,227	66,457,356	4.56	6,245	68,085,379	4.68
Public - Non-Resident						
Institutions	7	25,112,617	1.72	7	23,008,520	1.58
Individuals	62	8,492,326	0.58	61	9,013,415	0.62
Total	6,546	1,456,146,780	100.00	6,564	1,456,146,780	100.00

The percentage of the shares of the Company held by the Public as at 31 March 2023 was 19.68% (31 March 2022 - 19.68%).

Directors and Spouses Shareholdings

As at 31 March	No. of shares held	
	2023	2022
K N J Balendra - Chairperson	Nil	Nil
J G A Cooray	Nil	Nil
S Rajendra	Nil	Nil
M R Svensson	Nil	Nil
J E P Kehelpannala***	N/A	Nil
M H Singhawansa	Nil	Nil
H Premaratne*	Nil	N/A
T L F W Jayasekara**	N/A	Nil
A K Moonesinghe	Nil	Nil
K A Gunasekera	Nil	Nil

* Appointed w.e.f 07.07.2022

** Resigned w.e.f 22.06.2022

***Resigned w.e.f 31.12.2022

Market Information on Ordinary Shares of the Company

	2022/23	Date	2021/22	Date
SHARE INFORMATION				
Highest price (Rs.)	20.90	15-09-2022	17.50	20-01-2022
Lowest price (Rs.)	9.30	04-05-2022	8.90	31-05-2021
As at period end (Rs.)	18.90	31-03-2023	11.70	31-03-2022
TRADING STATISTICS				
Number of transactions	8,757		18,017	
Number of shares traded	52,407,613		90,810,292	
Shares traded as a % of total shares in issue	3.60		6.24	
Value of all shares traded (Rs.)	864,154,496		1,173,335,620	
Average daily turnover (Rs.)	3,692,968		4,868,613	
Market capitalisation (Rs.)	27,521,174,142		17,036,917,326	
Float Adjusted Market Capitalisation (Rs.)	5,415,762,908		3,352,615,133	

Top Twenty-Five Shareholders of the Company

Name of the shareholder	31 March 2023		31 March 2022	
	No. of Shares	%	No. of Shares	%
John Keells Holdings PLC	1,169,598,478	80.32	1,169,598,478	80.32
Employees Provident Fund	78,474,454	5.39	78,474,454	5.39
Sri Lanka Insurance Corporation Ltd. - Life Fund	53,655,250	3.68	53,655,250	3.68
Citi Bank New York S/A Norges Bank account 2	22,602,232	1.55	20,468,135	1.41
Mrs. J. M. Blackler	6,514,760	0.45	6,514,760	0.45
Rubber Investment Trust Ltd	5,036,213	0.35	-	-
People's Leasing & Finance PLC/L.P.Hapangama	4,809,148	0.33	4,772,438	0.33
Mercantile Fortunes (Pvt) Ltd	3,800,000	0.26	3,800,000	0.26
Union Assurance PLC-Universal Life Fund	3,643,192	0.25	2,385,251	0.16
Mr. K.D.H. Perera	3,126,058	0.21	2,151,155	0.15
Deutsche Bank AG as trustee to Capital Alliance Quantitative Equity	2,883,754	0.20	-	-
Mr. R. T. Jinasena	2,516,765	0.17	2,516,765	0.17
Mr. T. R. Jinasena	2,351,568	0.16	2,351,568	0.16
Mr. K. D. A. Perera	2,195,027	0.15	2,195,027	0.15
Mr. S. R. Perera	2,087,676	0.14	2,015,720	0.14
DFCC Bank PLC /J N Lanka Holdings Company (Pvt) Ltd	2,000,000	0.14	5,061,011	0.35
Mr. U.G. Madanayake	2,000,000	0.14	2,000,000	0.14
Guardian Fund Management Limited/The Aitken Spence and Associated Companies Executive Staff Provident Fund	1,986,255	0.14	-	-
Merrill J Fernando & Sons (Pvt) Ltd	1,911,573	0.13	1,911,573	0.13
E.W. Balasuriya & Co. (Pvt) Ltd	1,851,626	0.13	1,851,626	0.13
Bank of Ceylon - (BOC PTF)	1,660,983	0.11	1,660,983	0.11
Union Assurance PLC-Traditional Life Participating Fund	1,596,057	0.11	57,295	0.00
People's Leasing & Finance PLC/Dr. H S D Soysa & Mrs. G Soysa	1,577,864	0.11	1,531,864	0.11
Mr. A.N. Esufally	1,310,983	0.09	1,586,223	0.11
Mr. A.A.V. Amerasinghe	1,287,800	0.09	1,287,800	0.09
Total	1,380,477,716	94.80	1,353,381,626	93.75



“The best way to find out if you can trust somebody is to trust them.”

- Ernest Hemingway



trust

Transparency, consistency, and being sincere, are significant values embodied by our Group. We encourage open dialogue, believe in doing the right thing, and always deliver on our promises.

DELIVERING ON OUR COMMITMENT

CORPORATE GOVERNANCE



BOARD GOVERNANCE HIGHLIGHTS - 2022/23

- Continued to regularly review the impact and risks to the organisation arising from the lingering impact of the COVID-19 pandemic and the economic crisis faced in Sri Lanka.
- During the year under review, John Keells Hotels PLC was ranked 10th in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) with an 86% score for transparency in disclosure practices. This ranking is based on an assessment of corporate disclosure practices among the top 100 companies listed on the Colombo Stock Exchange, under four different thematic areas crucial to fighting and preventing corruption:
 - reporting on anti-corruption programmes,
 - transparency in company holdings,
 - disclosure of key financial information in domestic operations and
 - disclosure of gender and non-discrimination policies.
- John Keells Hotels PLC achieved hundred per cent under organisational transparency, domestic financial reporting, country-by-country reporting and reporting on Gender and Non-Discrimination assessment by TISL.

Highlights of the 43rd Annual General Meeting held on 22 June 2022

- M H Singhawansa, who retired in terms of Article 83 of the Articles of Association of the Company was re-elected as a Non-Executive Non-Independent Director of the Company.
- J G A Cooray, who retired in terms of Article 83 of the Articles of Association of the Company, was re-elected as Non-Executive Non-Independent Director of the Company.
- Messrs. Ernst & Young (E&Y) were re-appointed as the External Auditors of the Company and the Directors were authorised to determine their remuneration.

Compliance Summary

Standard / Principle / Code	Adherence
The Companies Act No.7 of 2007 (Companies Act)	Mandatory provisions - Fully Compliant
Listing Rules of the Colombo Stock Exchange (CSE)	
Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including directives and circulars	
Code of Best Practices on Related Party Transactions (2013) advocated by the SEC	Voluntary provisions - Fully Compliant
Code of Best Practice on Corporate Governance (2013) jointly issued by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka	Voluntary provisions - Compliant with the majority of the Code, to the extent of business exigency and as required by the Company and the Hotels Group

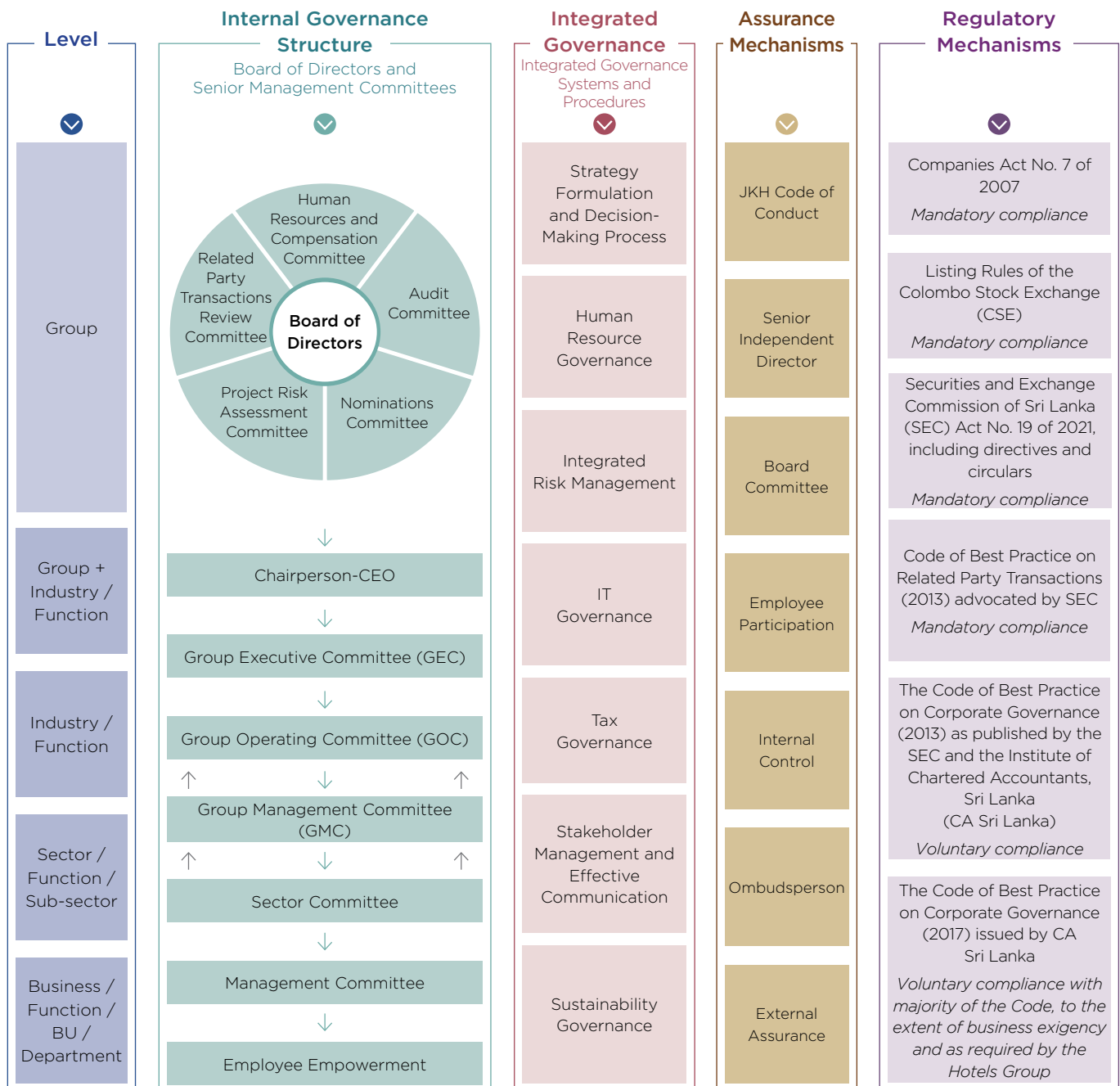
Key Internal Policies	
• Articles of Association of the Company	• Policy on communications and ethical advertising
• Recruitment and selection policy	• Ombudsperson policy
• Learning and development policy	• Group accounting procedures and policies
• Policies on equal opportunities, non-discrimination, career management and promotions	• Policies on enterprise risk management
• Rewards and recognition policy	• Policies on fund management and forex risk mitigation
• Leave, flexi-hours, teleworking and agile working policies including health and safety enhancements and protocols	• IT policies and procedures, including data protection, classification and security
• Code of Conduct which includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information	• Group environmental and economic policies
• Policies on diversity, equity and inclusion, including gender	• Whistle-blower policy
• Policy against sexual harassment	• Policies on energy, emissions, water and waste management
• Disciplinary procedure	• Policies on products and services
• Policy on grievance handling	• Policy on bidding for contracts, including government contracts
• Policies on forced, compulsory and child labour and child protection	
• Policies on anti-fraud, anti-corruption, anti-money laundering and countering the financing of terrorism	

Above policies of the John Keells Group are adopted by the Company and followed by all employees of the Company and the Hotels Group.

CORPORATE GOVERNANCE

THE CORPORATE GOVERNANCE SYSTEM

The governance structures and policies of the Company conform to those of our parent company, John Keells Holdings PLC (JKH). The diagram below depicts the governance system consisting of the internal governance structure of JKH, the governance systems and procedures, assurance mechanisms and the various regulatory frameworks which we abide by, from a governance standpoint. The framework is regularly reviewed and updated to reflect global best practices, evolving regulations, and dynamic stakeholder needs, while maintaining its foundational principles of accountability, participation, integrity and transparency.



*The Related Party Transactions Review Committee, Human Resources and Compensation Committee, Project Risk Assessment Committee and Nominations Committee of JKH act as the sub-committees of the Company as permitted by the Listing Rules of the Colombo Stock Exchange.

BOARD OF DIRECTORS

Roles and Responsibilities

The Board has overall responsibility for formulating strategy, setting risk appetite, ensuring consistency of workforce policies with Company values, and monitoring achievement of goals and objectives while balancing stakeholder interests. Integrated thinking at the Board level ensures that Environmental, Social and Governance (ESG) perspectives are incorporated into policy and strategy across the Company.



In carrying out its responsibilities, the Board promotes a culture of openness, productive dialogue and constructive dissent, ensuring an environment which facilitates employee empowerment and engagement and creates value to all stakeholders. The Board's key responsibilities include:

- Providing direction and guidance to the Company in the formulation of sustainable, high-level, medium, and long-term strategies which are aimed at promoting the long-term success of the Company.
- Tracking actual progress against plans.
- Ensuring business is conducted with due consideration of ESG factors.

- Reviewing HR processes with emphasis on senior management succession planning, including the diversity, equity and inclusion (DE&I) strategy.
- Ensuring operations are carried within the scope of the Enterprise Risk Management framework.
- Reviewing the performance of the senior management.
- Monitoring systems of governance and compliance, including concerns on ethics, bribery and corruption.
- Overseeing systems of internal control, risk management and establishing whistle-blowing conduits.
- Determining any changes to the discretions/authorities delegated from the Board to the executive levels.

Chairperson

The Chairperson of JKH, serves as the Chairperson of the Company as well. Key roles and responsibilities include:

- Providing leadership to the Board whilst inculcating good governance and ensuring effectiveness of the Board
- Ensuring that, constructive working relations are maintained between the members of the Board
- Ensuring the assistance of the Board Secretary that:
 - Board procedures are followed
 - Information is disseminated in a timely manner to the Board

The Board is of the view that the Chairperson's other commitments do not interfere with the discharge of his responsibilities to the Company. The Board is satisfied that the Chairperson allocates sufficient time to serve the Company effectively.

President – Leisure, JKH and Chief Executive Officer - Cinnamon Hotels & Resorts

While the Company does not have a Chief Executive Officer, the President – Leisure, JKH and Chief Executive Officer (CEO) Cinnamon Hotels & Resorts, who are Non-Executive Directors of the Company, undertake the following responsibilities:

President – Leisure, JKH: Provides leadership pertaining to business portfolio decisions, strategy and planning of the Company and the Hotels Group.

CORPORATE GOVERNANCE



CEO - Cinnamon Hotels & Resorts: Executes strategies and policies of the Board, in consultation with the President - Leisure, JKH and ensures:

- The efficient management of all businesses of the Hotels Group
- That the operating model is aligned with the short and long-term strategies of the Hotels Group
- Succession planning in respect of the senior management levels of the Hotels Group.

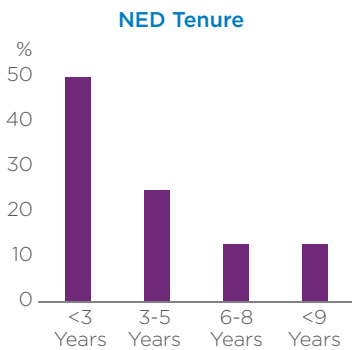
Regular reporting on key matters by the President - Leisure, JKH and CEO -Cinnamon Hotels & Resorts to the Board, enables effective oversight by the Board.

Board Composition

The Board is diverse in its skills, experience, age and tenure contributing varied perspectives to boardroom deliberations and exercising independent judgement to bear on matters set before them. Board composition is regularly reviewed to ensure adequate diversity and that the skills representation aligns with the current and future strategic needs of the Company. Profiles of the Board members are set out on pages 104 to 105. 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.

Board Composition		Diversity of Board	
Independent, Non-Executive Directors		By Gender	
Non-Independent, Non-Executive Directors (including the Chairperson)*		Male	7
		Female	1
		By Age	
		<40	1
		<50	5
		<60	2
		Skills and Experience	
		Collectively, the Board brings in a wealth of diverse exposure in the fields of management, business administration, banking, finance, economics, marketing and human resources. All Directors possess the skills, expertise and knowledge complemented with a high sense of integrity and independent judgement. Further details of their qualifications and experience are provided under the Board Profiles section of the Annual Report	

*Non-Independent, Non-Executive Directors are nominees of the parent company, JKH.



Appointment, re-election and resignation

The Nominations Committee of JKH which acts as the Nominations Committee of the Company recommends the appointment of Non-Executive Independent Directors based on an assessment of the strategic demands of the company and required skills and competencies. Non-Executive Independent Directors who are appointed by the shareholders for a 3-year term, are eligible for re-appointment thereafter. Non-Executive Independent Directors have a maximum of 3 successive terms unless an extended tenure is necessitated by the exigencies of the Company at the time. Casual vacancies are filled by the Board based on the recommendations of the Nominations Committee in accordance with the Articles of Association of the Company.

Resignations and appointments during the year

T L F W Jayasekara - Non-Executive Independent Director of the Company retired from the Company following the AGM w.e.f. 22.06.2022.

H Premaratne was appointed as an Independent Non-Executive Director- w.e.f. 07.07.2022.

J E P Kehelpannala - Non-Executive Director of the company resigned w.e.f. 31.12.2022 consequent to his retirement from the John Keells Group.

As prescribed by the Articles of Association of the Company, one-third of the Directors of the Company, except, the Chairperson, retires by rotation. Directors retiring by rotation are those who have been longest in office since their appointment/re-appointment. In addition, any new Director who was appointed to the Board during the year is required to stand for re-election at the next Annual General Meeting in terms of the Articles of Association of the Company

The proposal for the re-election of Directors is set out in the Annual Report of the Board of Directors on page 116 of this Report.

Details of new Directors are disclosed to shareholders at the time of their appointment through a public announcement. Details of such appointments are also carried in the relevant Interim Releases and the Annual Reports. Directors are required to report any substantial change in their professional responsibilities and business associations to the Nominations Committee, which will examine the facts and circumstances and make recommendations to the Board accordingly.

Induction and training for Directors

All newly appointed Directors undergo a formal induction process which includes knowledge sharing sessions on Company values and culture, governance framework, policies and processes, JKH Group Code of Conduct & Ethics adopted by the company, sector business model, strategy and Directors' responsibilities. Board members are also given insights into regulatory changes that may impact the industry at Board meetings.

Further, newly appointed Directors are granted access to relevant parts of the business and are given the opportunity to meet with key management personnel and other key third-party service providers such as External Auditors and Risk Consultants. Directors recognise the need for continuous training and expansion of their knowledge and skills to effectively discharge their duties and regularly participate in industry forums and other personal development training to expand their knowledge and skills.

Board Meetings

Regularity of Meetings

Board meetings are held on a quarterly basis with the flexibility to increase the number of meetings based on the requirement. Given the conditions in the country, the Board adopted a hybrid model during the year. The attendance at Board meetings held during the financial year 2022/23 is given below:

CORPORATE GOVERNANCE

Name of Director	Status	Meeting Date				Eligibility	Attended
		12.05.2022	20.07.2022	31.10.2022	27.01.2023		
K N J Balendra	NED	✓	✓	✓	✓	4	4
J G A Cooray	NED	✓	✓	✓	✓	4	4
J E P Kehelpannala (Resigned w.e.f. 31.12.2022)	NED	✓	✓	Excused	N/A	3	2
T L F W Jayasekara (Resigned w.e.f. 22.06.2022)	INED	✓	N/A	N/A	N/A	1	1
A K Moonesinghe	INED	Excused	Excused	✓	Excused	4	1
M H Singhawansa	NED	✓	✓	✓	✓	4	4
K A Gunasekera	INED	✓	✓	✓	✓	4	4
S Rajendra	NED	Excused	✓	✓	✓	4	3
M R Svensson	NED	✓	✓	✓	✓	4	4
H Premaratne (Appointed w.e.f. 07.07.2022)	INED	N/A	✓	✓	✓	3	3

NED-Non-Independent Non-Executive Director INED-Independent Non-Executive Director

Access to information and resources

Directors receive their Board packs seven days prior to the meetings. Directors have unrestricted access to the management and organisation information, as well as the resources required to clarify matters and carry out their duties and responsibilities effectively. Executive Management makes presentations on matters including business performance against operating plans, strategy, investment proposals, risk management, compliance and regulatory changes. Access to independent professional advice, co-ordinated through the Company Secretaries, is available to Directors at the Company's expense.

Board Agenda

The Chairperson ensures that all Board proceedings are conducted smoothly and efficiently, approving the agenda for each meeting prepared by the Board Secretary. The typical Board agenda entailed confirmation of previous minutes, ratification of circular resolutions, ratification of the use of the Company seal and share certificates issued, discussion of matters arising from the previous minutes, submission of Board Sub-Committee reports, status updates of projects, review of performance, strategy formulation, approval of quarterly and annual financial statements, review of risks, sustainability and corporate social responsibility related aspects, ratification of capital expenditure, amongst others. Added emphasis was also placed on business performance considering the challenges stemming from the challenging macroeconomic environment.

Board Secretary

Secretarial services to the Board are provided by Keells Consultants (Private) Limited. The Secretaries and the Management apprise the Board of new and potential laws, revisions, regulations and requirements which are relevant to them as individual Directors and collectively to the Board. The Secretaries maintain minutes of Board meetings, which are open for inspection by any Director at any time.

All Directors have access to the advice and services of the Secretaries, as necessary. The shareholders can also contact the Company secretaries, during office hours, on 011-2306245 for any Company related information requirements. Appointment and removal of the Company Secretaries is a matter for the Board.

Time dedicated by Non-Executive Directors

The Board has dedicated adequate time for the fulfilment and discharge of their duties as Directors of the Company. It must be recognised that Directors have to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification, and after a meeting to follow up on issues consequent to the meeting. This should be supplemented by a time allocation for familiarisation with business changes, operations, risks and controls.

In addition to attending Board meetings, the Directors attend the relevant Sub-Committee meetings and have also contributed to decision making via Circular Resolutions and one-on-one meetings with key management personnel, when necessary.

Maintaining Board Independence and Managing Conflicts of Interest

Stringent nominating procedures, the use of systematic and comprehensive board evaluation processes and independent director led engagement emphasise Board independence. All Directors are experienced leaders in their respective fields and exercise independent and unfettered judgement, promoting constructive Board deliberations and objective evaluation of matters set before them.

Each Director holds a continuous responsibility to identify potential or actual conflicts of interest or biases arising from external associations, interests or personal relationships in material matters and to disclose the same to the Board.

Directors make a general disclosure of interests, as illustrated below, at appointment, at the beginning of every financial year and during the year as required. Potential conflicts are reviewed by the Board from time to time to ensure integrity and Board independence. Details of companies in which Board members hold Board or Board Committee membership are available with the Company Secretary for inspection by shareholders, on request.

Prior to Appointment	Once Appointed	During Board Meetings
<ul style="list-style-type: none"> Nominees are requested to make known their various interests that could potentially conflict with the interest of the Company 	<ul style="list-style-type: none"> Directors obtain Board clearance prior to; <ul style="list-style-type: none"> Accepting a new position Engaging in any transaction that could create or potentially create a conflict of interest All NEDs are required to notify the Chairperson-CEO of any changes to their current Board representations or interests and a new declaration is made annually. 	<ul style="list-style-type: none"> Directors who have an interest in a matter under discussion; <ul style="list-style-type: none"> Excuse themselves from deliberations on the subject matter Abstain from voting on the subject matter (abstention from decisions are duly minuted)

The independence of all its Independent Non-Executive Directors was reviewed against the criteria summarised below:

Criteria for defining Independence	Status of conformity of INED
None of the INEDs have Shareholding carrying not less than 10 per cent of voting rights	Compliant
None of the INEDs is a Director of another company*	Compliant
None of the INEDs have Income/non-cash benefit equivalent to 20 per cent of the Director's annual income	Compliant
None of the INEDs have employment at JKH and/or material business relationship with JKH, currently or in the two years immediately preceding appointment as Director	Compliant
None of the INEDs have close family member who is a Director, CEO or a Key Management Personnel	Compliant
None of the INEDs have served on the Board continuously for a period exceeding nine years from the date of the first appointment	Compliant
None of the INEDs are employed or has a material business relationship and/or significant shareholding in other companies*. Entails other companies that have significant shareholding in JKH and/or JKH has a business connection with	Compliant

* Other companies in which a majority of the other Directors of the listed company are employed or are Directors or have a significant shareholding or have a material business relationship.

CORPORATE GOVERNANCE

The Related Party Transactions Review Committee of the parent acts as the Related Party Transactions Review Committee of the Company and, considers all transactions that require approval, in line with the Company's Related Party Transactions Policy and in compliance with the applicable rules and regulations. The related party transactions are disclosed in note 40 to the financial statements. No Non-Executive Independent Director has a conflict of interest as per the criteria for independence outlined above.

The following table illustrates the total number of Board seats (excluding Group Board seats) held in other listed and unlisted companies (outside the Group) by each Director as at 31 March 2023.

Name of Director	Directorship Status	No. of Board seats held in Listed Companies		No. of Board seats held in unlisted Companies	
		Executive capacity	Non - Executive capacity	Executive capacity	Non - Executive capacity
K N J Balendra	NED	Nil	Nil	Nil	Nil
J G A Cooray	NED	Nil	Nil	Nil	Nil
J E P Kehelpannala (Resigned w.e.f. 31.12.2022)	NED	Nil	Nil	Nil	Nil
T L F W Jayasekara (Resigned w.e.f. 22.06.2022)	INED	Nil	Nil	1	1
A K Moonesinghe	INED	Nil	1	Nil	3
M H Singhawansa	NED	Nil	Nil	Nil	Nil
K A Gunasekera	INED	Nil	Nil	Nil	Nil
S Rajendra	NED	Nil	Nil	Nil	Nil
M R Svensson	NED	Nil	Nil	Nil	Nil
H Premaratne (Appointed w.e.f. 07.07.2022)	INED	Nil	1	8	10

Director Remuneration

Due care is taken to ensure that the remuneration paid to Board members commensurate with their skills, knowledge, competencies and involvement in Board activities. Director remuneration is determined in reference to that of other comparable companies and additional fees are paid to Directors for either chairing or being a member of a Board Sub-Committee. Such remuneration is reviewed and adjusted as deemed necessary in keeping with the complexity of the business of the Company. Director fees for nominee Directors of JKH are paid to JKH and not to individual Directors. The aggregate remuneration paid to NEDs in FY 2022/23 is Rs. 9.8Mn. There are no Executive Directors employed by the Company.

Board Evaluation

Board performance evaluations are conducted annually in line with good Corporate Governance practices. The process involves each Director self-appraising the performance of the Board against identified criteria. The results are analysed to give the Board an indication of its effectiveness as well as areas that require addressing and/or strengthening.

The Board conducted its annual Board performance appraisal for the financial year 2022/23 and accordingly the Board is seen as effective in discharging its role and responsibilities.

BOARD SUB-COMMITTEES

The Board has delegated certain functions to five Board Sub-Committees, while retaining final decision rights. Members of these Sub-Committees focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise. As permitted by the listing rules of the CSE, the Human Resources and Compensation Committee and Related Party Transactions Review Committee of the parent company functions as the Human Resources and Compensation Committee and Related Party Transactions Review Committee of the Company. Additionally, the Project Risk Assessment Committee and Nominations Committee of the parent company also functions as the Project Risk Assessment Committee and Nominations Committee of the Company.

John Keells Holdings PLC (Parent Company)

Human Resources and Compensation Committee
Nominations Committee
Related Party Transactions Review Committee
Project Risk Assessment Committee

John Keells Hotels PLC

Audit Committee

The Board Sub-Committees comprise predominantly of Independent Non-Executive Directors. The membership of the five Board Sub-Committees as of 31 March 2023 is as follows.

	Audit Committee	Human Resources and Compensation Committee (JKH)	Nominations Committee (JKH)	Related Party Transactions Review Committee (JKH)	Project Risk Assessment Committee (JKH)
Non-Independent, Non-Executive					
K N J Balendra - Chairperson -CEO			Committee Member		Committee Member
J G A Cooray - Deputy Chairperson / Group Finance Director					Committee Member
Senior Independent, Non-Executive					
A N Fonseka - JKH		Committee Member		Committee Member	
Independent Non-Executive					
T L F W Jayasekara***					
K A Gunasekera	Committee Member				
A K Moonesinghe	Committee Member				
H Premaratne***	Committee Chair				
D A Cabraal - JKH		Committee Chair	Committee Chair	Committee Member	
M A Omar - JKH*					
S S H Wijayasuriya - JKH		Committee Member	Committee Member		Committee Chair
M P Perera - JKH			Committee Member	Committee Chair	Committee Member
S Cooray - JKH**					

CORPORATE GOVERNANCE

* Chairperson of the Nomination Committee and Member of Human Resources and Compensation Committee until his retirement from the Board - w.e.f 27 June 2022.

** S Coorey was appointed to the JKH Board with effect from 1 January 2023 as an Independent, Non-Executive Director.

*** Chairperson of the Audit Committee until his retirement from the Board - Following T L F W Jayasekara's retirement w.e.f 22 June 2022, S Rajendra, a member of a professional accounting body, was appointed as an Audit Committee Member and the Audit Committee Chairperson on 23 June 2022.

H Premaratne was appointed to the Board on 7 July 2022. Thereafter, he was appointed as a member and chairperson of the Audit Committee on 15 July 2022 to replace S Rajendra who relinquished his duties as a member and chairperson of the Audit Committee w.e.f 15 July 2022.

Composition and Scope of Board Sub-Committees

Audit Committee (John Keells Hotels PLC)						
Composition	Scope					
<ul style="list-style-type: none"> All members to be NEDs, a majority of whom should be independent. The Chairperson or one member of the committee should be a member of a recognised professional accounting body The Vice President, Finance - Cinnamon Hotels & Resorts is the Secretary of the Committee. 	<ul style="list-style-type: none"> i. Overseeing the preparation and presentation and reviewing of the quarterly and annual financial statements, including the quality, transparency, integrity, accuracy and compliance with accounting standards, laws and regulations. ii. Assess the adequacy and effectiveness of the internal control environment in the Company and ensure appropriate action is taken on the recommendation of the internal auditors. iii. Evaluate the competence and effectiveness of the risk management systems of the Company and ensure the robustness and effectiveness in monitoring and controlling risks. iv. Review the adequacy and effectiveness of the internal audit arrangements. v. Recommend the appointment, re-appointment and removal of the External Auditors including their remuneration and terms of engagement by assessing qualifications, expertise, resources and independence. 					
Meeting dates and attendance						
	12/05/2022	20/07/2022	31/10/2022	26/01/2023	Eligibility to Attend	Attended
H Premaratne - Chairperson*	N/A	✓	✓	✓	3	3
T L F W Jayasekara - Chairperson**	✓	N/A	N/A	N/A	1	1
K A Gunasekera	✓	✓	✓	✓	4	4
A K Moonesinghe	✓	✓	✓	✓	4	4
By Invitation						
C L P Gunawardane - CFO***	✓	✓	✓	✓	4	4
M R Svensson - CEO Cinnamon Hotels & Resorts***	✓	Excused	✓	✓	4	3
J E P Kehelpannala****	✓	✓	Excused	N/A	3	2
M H Singhawansa***	✓	✓	✓	✓	4	4
<p>* Appointed w.e.f 15.07.2022</p> <p>** Resigned w.e.f 22.06.2022</p> <p>*** Permanent invitees for all Committee meetings</p> <p>**** Resigned w.e.f 31.12.2022</p> <p>Note:- The Audit Committee Meetings were held quarterly</p>						

Refer page 106 for the Audit Committee Report

Human Resources and Compensation Committee (JKH)

Role: Determines Remuneration Policy and reviews implementation of the same, determines the remuneration of the Executive Directors of the Company, as applicable, in terms of the methodology set out by the Board, determines remuneration of Board and GEC members having reviewed their performance evaluations by the Chairperson.

Composition

- Committee to comprise exclusively of NEDs, a majority of whom shall be independent.
- The Chairperson of the Committee must be a NED.
- The Chairperson-CEO of JKH and Deputy Chairperson /Group Finance Director of JKH are invited to all Committee meetings unless their respective remuneration is under discussion
- The Deputy Chairperson /Group Finance Director is the Secretary of the Committee.

Secretary to the sub-committee: Deputy Chairperson/Group Finance Director
Committee Meeting dates and attendance thus far:

Meeting dates and attendance

	01/07/ 2022	12/12/ 2022*	Eligible to Attend	Attended
D A Cabraal	✓	✓	2	2
S S H Wijayasuriya	✓	✓	2	2
M A Omar**	N/A	N/A	N/A	N/A
A N Fonseka***	✓	✓	2	2
By Invitation				
K N J Balendra	✓	✓	2	2
J G A Cooray	✓	✓	2	2
M P Perera	N/A	✓	1	1

*Directors of John Keells Holdings PLC who were not sub-committee members of the Human Resources and Compensation Committee were requested to attend via invitation.

**Retired from the JKH Board and the sub-committee on 27 June 2022.

***Appointed to the sub-committee on 27 June 2022, upon the retirement of M A Omar.

Scope

- Review and recommend the overall remuneration philosophy, strategy, policies and practice and, performance-based pay plans for the Company
- Determine and agree with the Board a framework for remuneration of Chairperson, Deputy Chairperson of JKH and the Executive Directors of the John Keells Group of Companies based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration
- Succession planning of Key Management Personnel

* *Determining compensation of Non-Executive Directors will not be under the scope of this Committee*

Refer page 108 for the Human Resources and Compensation Committee Report.

CORPORATE GOVERNANCE

Nominations Committee (JKH)

Role: Defines and establishes nomination process for Directors, leads the process and makes recommendations to the Board on the appointments to the Board.

Composition

- Majority of the members shall be NEDs together with the Chairperson - CEO
- The Chairperson shall be an Independent NED.
- The Secretary to the JKH Board is the Secretary of the Committee.

Secretary to the sub-committee: President – Legal, Secretarial, and Corporate Social Responsibility.

Meeting dates and attendance

	23/05/ 2022	06/12/ 2022	Eligible to Attend	Attended
M A Omar*	✓	N/A	1	1
K N J Balendra	✓	✓	2	2
S S H Wijayasuriya	✓	✓	2	2
M P Perera	✓	✓	2	2
D A Cabraal**	N/A	✓	1	1

*Retired from the JKH Board and the sub-committee on 27 June 2022. Chairperson of the Sub-Committee prior to the appointment of D A Cabraal as the Chairperson.

**Appointed to the Committee and as Chairperson of the Committee w.e.f 27 June 2022 upon the retirement of M A Omar.

Scope

- Assess skills required on the Board given the needs of the businesses
- From time to time assess the extent to which required skills are represented on Board
- Prepare a clear description of the role and capabilities required for appointment
- Identify and recommend suitable candidates for appointments to the Board.
- Ensure that on appointment to the Board, Non- Executive Directors receive a formal letter of appointment specifying clearly, the expectation in terms of time commitment, involvement outside of the formal Board meetings, participation in Committees, amongst others.
- Ensure that every appointee undergoes an induction to the Group
- The appointment of the Chairperson and Executive Directors, as relevant, is a collective decision of the Board.

Refer page 109 for the Nominations Committee Report.

Related Party Transactions Review Committee (JKH)

Role: Ensures on behalf of the Board of the Company, that all related party transactions of the Company are consistent with the Code of Best Practices on Related Party Transactions issued by the SEC and with the Listing Rules of the CSE.

Composition

- Chairperson should be an Independent Non-Executive Director.
- Committee comprise a combination of NEDs, Independent NEDs and may also include at least one Executive Director.
- The composition may include Executive Directors at the option of the Listed Entity.

Secretary to the sub-committee: Head of Group Business Process Review

Meeting dates and attendance

	19/05/ 2022	25/07/ 2022	03/11/ 2022	30/01/ 2023	Eligible to Attend	Attended
M P Perera	✓	✓	✓	✓	4	4
A N Fonseka	✓	✓	✓	✓	4	4
D A Cabraal	✓	✓	✓	✓	4	4
By Invitation						
K N J Balendra	✓	✓	✓	✓	4	4
J G A Cooray	✓	✓	✓	✓	4	4

Note:- The Related Party Transactions Review Committee Meetings were held quarterly.

Scope

- The Group has broadened the scope of the Committee to include senior decision makers in the list of key management personnel, whose transactions with Group companies also get reviewed by the Committee, in addition to the requirements of the CSE.
- Develop and recommend for adoption by the Board of Directors of JKH and its listed subsidiaries, a Related Party Transactions Policy which is consistent with the Operating Model and the Delegated Decision Rights of the Group.
- Update the Board of Directors of the parent Company on the related party transactions of each of the listed companies of the Group on a quarterly basis.
- Define and establish the threshold values for each of the subject listed companies in setting a benchmark for related party transactions, related party transactions which have to be pre-approved by the Board, related party transactions which are required to be reviewed annually and similar issues relating to listed companies.

Refer page 110 for the Related Party Transactions Review Committee Report.

CORPORATE GOVERNANCE

Project Risk Assessment Committee (JKH)

Role: Evaluates and assesses risks associated with significant new investments at the initial stages of formulation and in any event prior to making any long-term contractual commitments.

Composition	Scope
<ul style="list-style-type: none"> Should comprise a minimum of four Directors. Must include the Chairperson - CEO and Group Finance Director of JKH. Must include two Non-Executive Directors. The Chairperson must be a Non-Executive Director. <p>Chairperson - S S H Wijayasuriya</p> <p>Committee Members - K N J Balendra M P Perera J G A Cooray</p> <ul style="list-style-type: none"> No meetings were held during the period. 	<ul style="list-style-type: none"> Review and assess risks associated with large-scale investments and the mitigatory plans thereto, if mitigation is possible, and identify risks that cannot be mitigated. Ensure stakeholder interests are aligned, as applicable, in making investment decisions. Where appropriate, obtain specialised expertise from external sources to evaluate risks, in consultation with the Group Finance Director. Recommend to the Board, the necessary action required, to mitigate risks that are identified in the course of evaluating a project in order to ensure that those risks are captured by the Group Risk Matrix for monitoring and mitigation. <p>The Committee shall convene only when there is a need to transact in business as per the terms of its mandate.</p>

Refer page 111 for the Project Risk Assessment Committee Report.

INTEGRATED GOVERNANCE SYSTEMS AND PROCEDURES

Listed below are the main governance systems and procedures of the JKH Group, adopted by the Company and the Hotels Group. These systems and procedures strengthen the elements of the company's Internal Governance Structure and are benchmarked against industry best practice.

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

a. Strategy formulation and decision-making processes

Strategy Mapping

Strategy mapping exercises, concentrating on the short, medium and long-term aspirations of each business, are conducted annually and reviewed, at a minimum, quarterly/half-yearly or as and when a situation so demands.

This exercise entails the following key aspects, among others.

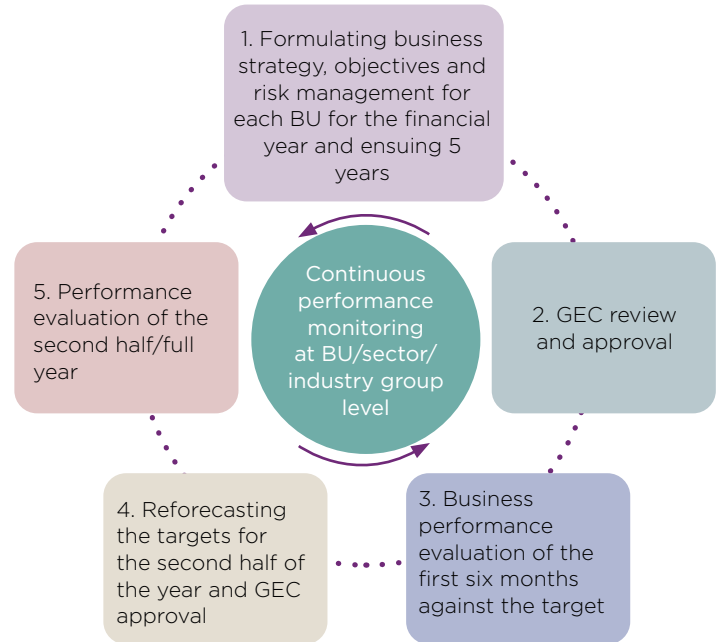
- Progress and deviation report of the strategies formed.
- Competitor analysis and competitive positioning.
- Analysis of key risks and opportunities.
- Management of stakeholders such as suppliers and customers.
- Value enhancement through initiatives centred on the various forms of capital under an integrated reporting framework.

The strategies of the various business units, operating in diverse industries and markets, will always revolve around the JKH group strategy, while considering their domain specific factors. The prime focus always is to enhance value for all stakeholders. The Group's investment appraisal methodology and decision-making process ensures the involvement of all key stakeholders that are relevant to the evaluation of the decision.

In this manner:

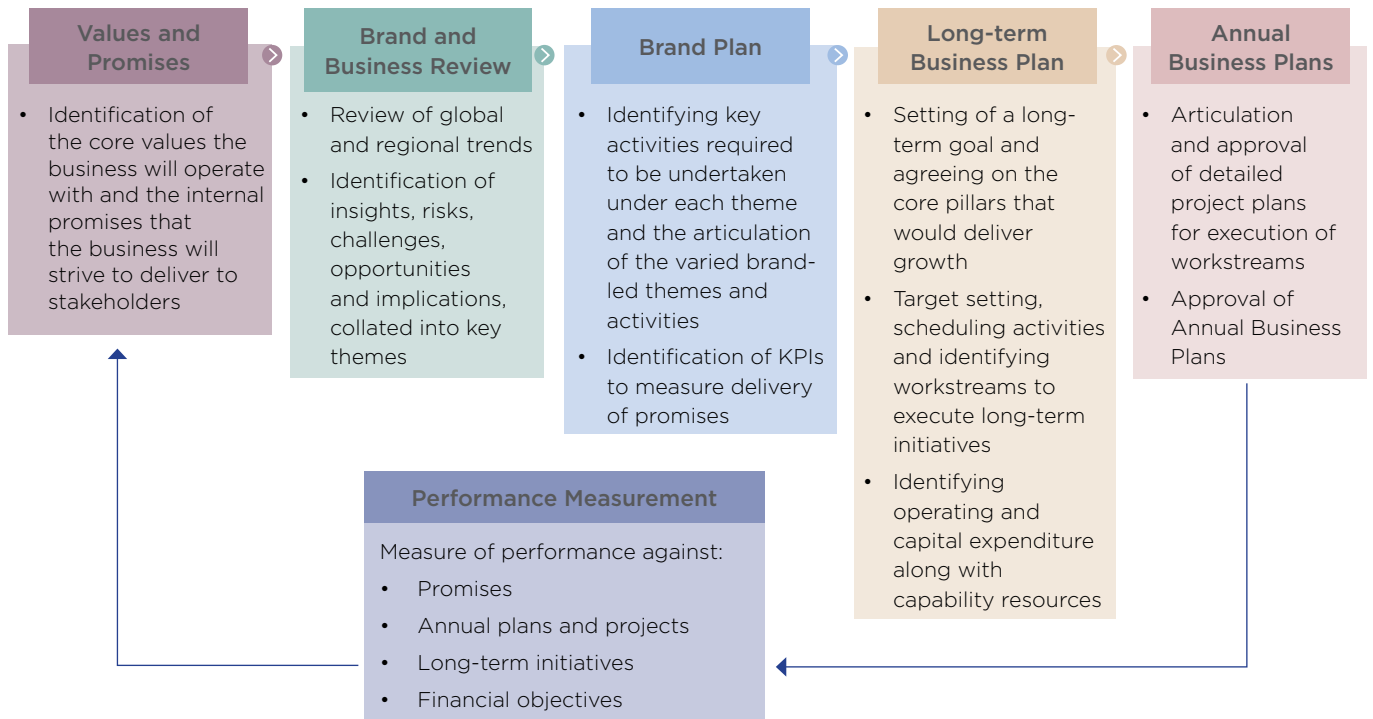
- Several views, opinions and advice are obtained prior to making an investment decision including carrying out sensitivity analysis
- A holistic view is taken on the commercial viability and potential of any project, including operational, financial, funding, legal, risk, sustainability, and tax implications.
- All investment decisions are consensual in nature, made through the afore-discussed management committee structure where no single individual has unfettered decision making powers over investment decisions.
- The ultimate responsibility accountability of the investment decision rests with the Chairperson -CEO.

The following section further elaborates on the Group's strategy formulation and planning process.



Medium-term Strategy

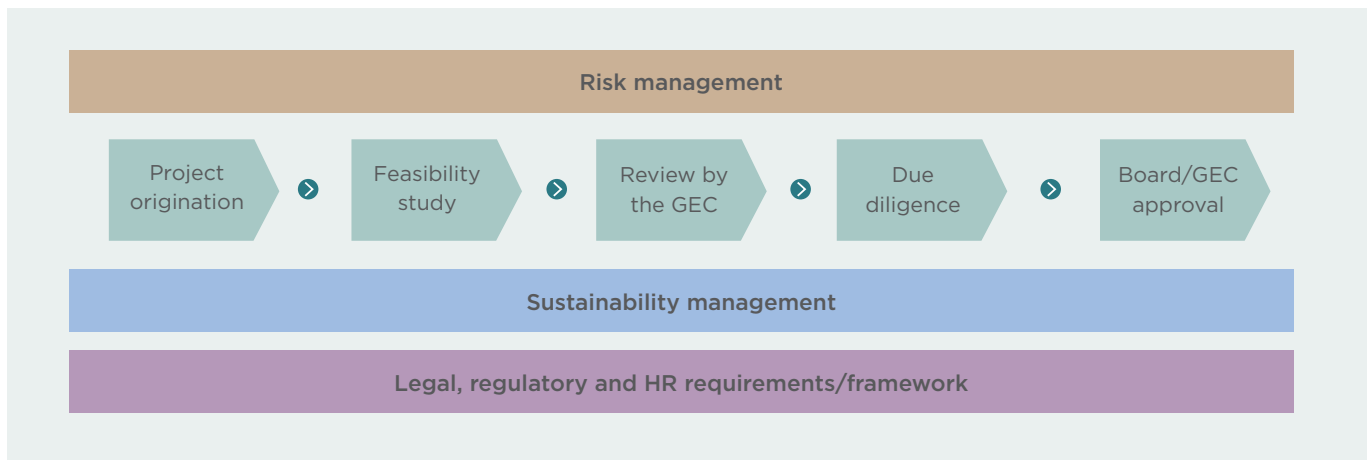
The ensuing section illustrates the comprehensive process followed by each business in developing the business's strategy for the medium term.



CORPORATE GOVERNANCE

Project Approval Process

New projects follow a detailed feasibility report covering key business considerations under multiple scenarios within a sustainability framework. The feasibility stage is not restricted to financial feasibility and encompasses a wider scope of work covering risk management, sustainable development, economic, social governance and human resources considerations. Project appraisal and capital investment decisions are processed through a committee structure which safeguards against one individual having unfettered decision-making powers in such decisions.



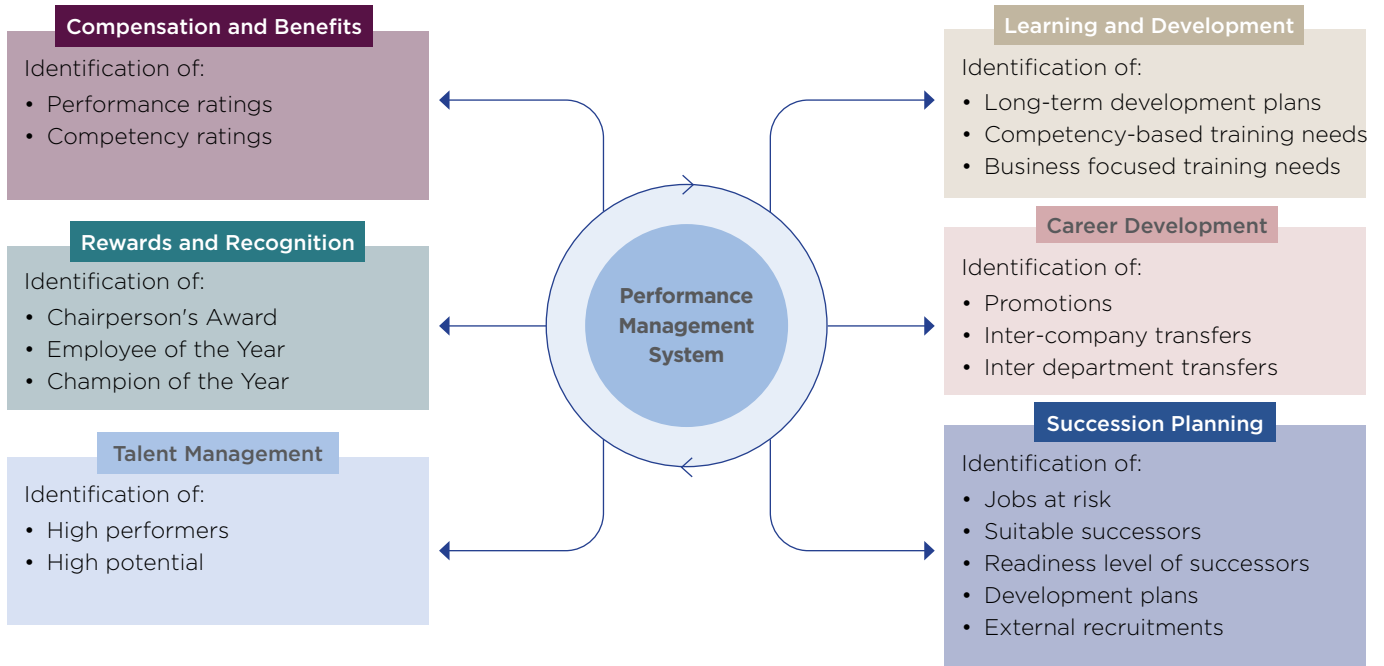
b. Human Resource Governance

The JKH human resource governance framework is designed in a manner that enables high accessibility by any employee to every level of management. Constant dialogue and facilitation are also maintained ranging from work related issues to matters pertaining to general interest that could affect employees and their families. The Company and the Hotels Group follows an open-door policy for its employees and this is promoted at all levels of the Company and the Hotels Group.

The Human Resource Information System (HRIS) manages the entire lifecycle of the employee from onboarding to performance management, succession planning, compensation, learning and development, through to offboarding.

Performance Management

The Performance Management System, as illustrated below, is at the heart of supporting human resource management processes such as learning and development, career development, succession planning, talent management, rewards/recognition and compensation/benefits.



Performance based Compensation Policy

The Hotels Group Compensation Policy is as follows:

<p>Performance Management</p> <p>'Pay for performance' Greater prominence is given to the incentive component of the total target compensation.</p>	<p>Satisfaction</p> <p>'More than just a workplace' Continuously focuses on creating a sound work environment covering all aspects of employee satisfaction.</p>
<p>Compensation Policy</p> <ul style="list-style-type: none"> • Compensation comprises of fixed (base) payments, short-term incentives and long-term incentives. • Higher the authority levels within the Group, higher the incentive component as a percentage of total pay. • Greater the decision influencing capability of a role, higher the weight given to organisational performance as opposed to individual performance. • Long-term incentives are in the form of Employee Share Options and cash payments. 	
<p>Internal Equity</p> <ul style="list-style-type: none"> • Remuneration policy is built upon the premise of ensuring equal pay for equal roles. • Manager and above level roles are banded using the Mercer methodology for job evaluation, on the basis of the relative worth of jobs. 	<p>External Equity</p> <ul style="list-style-type: none"> • Fixed compensation is set at competitive levels using the median, 65th percentile and 75th percentile of the best comparator set of companies (from Sri Lanka and the region, as relevant) as a guide. • Regular surveys are done to ensure that employees are not under/over compensated.

CORPORATE GOVERNANCE

During the year a comprehensive designation levelling and salary band realignment exercise was carried out to align ourselves with bench-marked international players. This is in line with our policy of ensuring internal and external equity.

Employee Share Option Plan

JKH Employee Share Option Plans are offered at defined career levels based on pre-determined criteria which are uniformly applied across the eligible levels and performance levels. These long-term incentives have been significantly instrumental in inculcating a deep sense of ownership in the recipients and is seen to be a key driver of performance driven rewards. Share options are awarded to individuals based on their immediate performance and potential importance of their contribution to the Group's future plans.

c. Integrated Risk Management

JKH's Group-wide risk management programme focuses on wider sustainability development, to identify, evaluate and manage significant Group risks and to stress test various risk scenarios, including a review of materiality. The programme ensures that a multitude of risks, arising as a result of the Group's diverse operations, are effectively managed in creating and preserving stakeholder wealth. The Group manages its enterprise risk, audit and incident management processes through an automated risk management platform that enables the maintenance of live, dynamic and virtual risk registers which are linked to business goals and responsible personnel. Features such as the provision of timely alerts on action plans and escalation processes for risks, where action plans are overdue, ensure maintenance of live risk grids.

Continuous steps taken towards promoting the Group's integrated risk management process are:

- Integrating and aligning activities and processes related to planning, policies/ procedures, culture, competency, internal audit, financial management, monitoring and reporting with risk management.

- Supporting executives/managers in moving the organisation forward in a cohesive integrated and aligned manner to improve performance, while operating effectively, efficiently, ethically and legally within the established limits for risk taking. The risk management programmes have allowed greater visibility and understanding of risk appetites. Enabled by the automated risk management platform, key management personnel have virtual visibility of the risks, as relevant, while the Board has visibility of all Group risks.

The Board, GEC and Group Management Committees, oversee risk management across the Group to ensure that risks are brought within tolerance, managed and/or mitigated. Please refer the Risk Management Report on page 52 and Notes to the financial statements.

d. Information Technology (IT) Governance

IT governance stewardship roles are governed through layered and nested committees, cascading from the GEC to the Group IT Steering Committee to the Group IT Operation Committee with well-defined roles and responsibilities at a Group, industry group as well as business unit level.

The Group's IT governance framework focuses on five broader segments, namely strategic alignment, value delivery, performance management, risk management, and resource management. Additionally, the IT governance framework used within the JKH Group leverages best practice and industry leading models such as CoBIT (Control Objectives for Information and Related Technology), ISO 35800, ISO27001, ISO 9001:2015, COSO (Committee of Sponsoring Organisations of the Treadway Commission)/BCP (Business Continuity Planning), ITIL (Information Technology Infrastructure Library), CMMI (Capability Maturity Model Integration), NIST (National Institute of Standards and Technology), FAIR (Factor Analysis of Information Risk), among others, in formulating a state-of-the-art framework for IT governance, risk and compliance management across the Group. The key focus areas of the governance framework are as follows:



The Group continually focusses on enhancing the IT governance framework in line with its business and IT strategies with a focused shift towards a zero-trust model built on a mobile-first, internet-first, cloud-first and AI-first strategy.

Digital Oversight and Cyber Security

The rapidly advancing nature of technology and the continual integration of the Group’s operations with technological progress has resulted in increased vulnerability for the Group from a digital standpoint. As a result, the Board places significant emphasis on ensuring that the Group’s soft and hard infrastructure is designed in a manner, and is adequate, to deal with a potential breach. Data protection and cyber security are regularly addressed during the Risk Management and Audit Committee meetings and periodically discussed at a Board level.

CORPORATE GOVERNANCE

Data Protection, Information Management and Adoption

The presence of continuously evolving IT infrastructure and platforms to meet requirements of day-to-day business, augured well for the Group, particularly given restrictions in movement and social distancing measures due to the COVID-19 pandemic. The Group witnessed an acceleration of digitisation and better user adoption. Despite this, adoption of such systems and features remain at a relatively early stage across the Group and is a key focus area for the Group. Given the emergence of regulations such as European Union General Data Protection Regulation (GDPR) and the Data Protection Act of No. 09 of 2022 of Sri Lanka, data security, integrity and information management will be pivotal. In addition to this, the Group's initiatives on advanced data analytics also necessitate an established governance framework to manage the flow of data.

To this end, the Group will continue to strengthen its data governance structure to ensure ownership and accountability of clearly articulated data governance policies and processes and Group-wide data quality standards.

e. Tax Governance

The JKH Group's tax governance framework and tax strategy adopted by the Company and Hotels Group is guided by the overarching principles of compliance, transparency and accountability, and acknowledges JKH's duty in fulfilling its tax obligations as per fiscal legislation, while preserving value for other stakeholders, particularly investors.

Governance Structure

1. Voluntary compliance and efficient tax management are key aspect of the Group's overall tax strategy.
2. This is enabled through a decentralised tax structure where expertise is built at each industry group level.
3. The Head of Tax of each industry group, reporting functionally to the Group Head of Tax, ensures compliance and implements Group tax strategy across all businesses.

Policy and Strategy

Ensure:

1. Integrity of all reported tax disclosures.

2. Robust controls and processes to manage tax risk.
3. Openness, honesty and transparency in all dealings.
4. Presence of legitimate business transactions underpinning any tax planning or structuring decision/opportunity.
5. Contribute to fiscal policy decisions constructively in the interest of all stakeholders.

Role

1. Implement and maintain strong compliance processes.
2. Analyse and disseminate business impact from change in tax legislation.
3. Provide clear, timely, and relevant business focused advice across all aspects of tax.
4. Ensure availability of strong and well documented technical support for all tax positions.
5. Obtain independent/external opinions where the law is unclear or subject to interpretation.
6. Foster healthy professional relationships with all regulatory authorities

Review and Monitoring

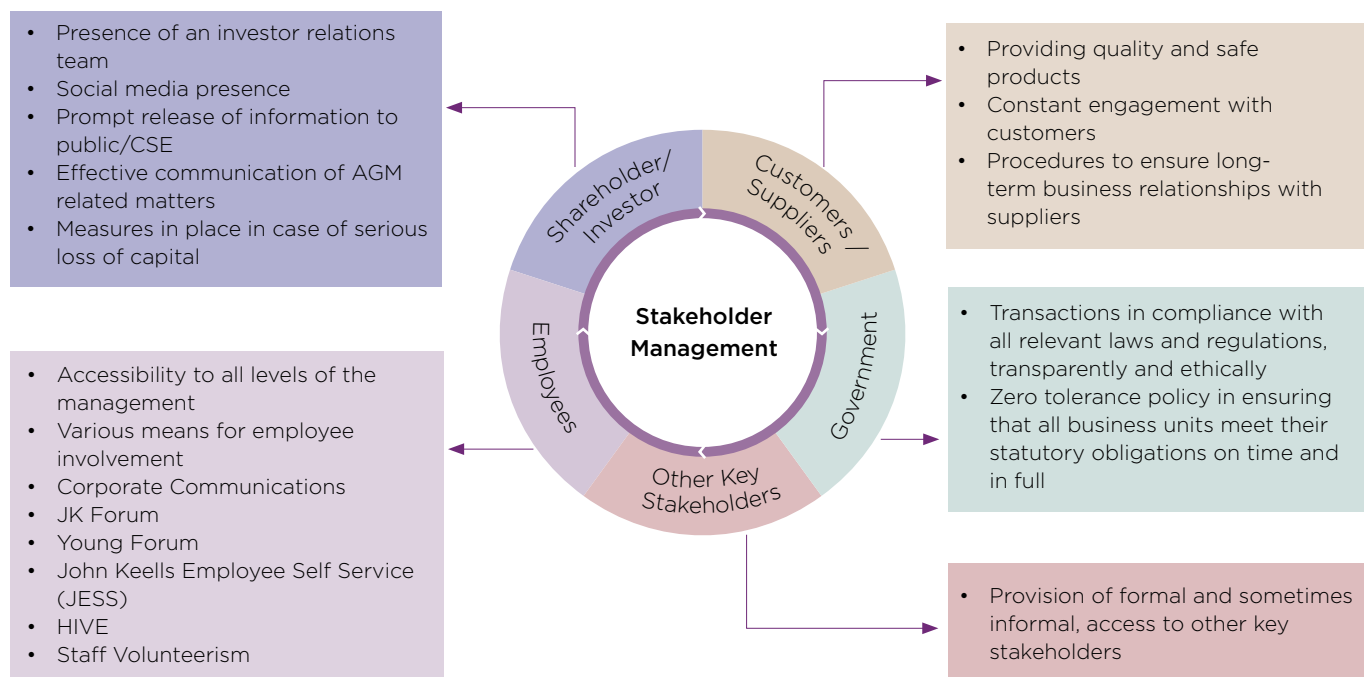
1. Leverage on digital platforms to support, record and report on tax compliance status across the Group.
2. Periodic updates to the Board of Directors on various tax matters (quarterly at minimum).

The JKH approach to tax governance is directly linked to the sustainability of business operations. The presence of a well-structured tax governance framework ensures the following:

- Ability to manage tax efficiently by reducing the tax burden on the Group, within the ambit of applicable laws.
- Manage tax risks and implications on Group reputation through adequate policies, proactive communication and defence.
- Facilitate healthy relationships amongst stakeholders, Government and tax authorities.
- Ensuring integrity of reported numbers and timely compliance.

f. Stakeholder management and effective communications

The JKH Group's key stakeholder management methodologies adopted by the Hotels Group is shown below.



Communication with Shareholders

The Company encourages effective communication with shareholders who are engaged through multiple channels of communication, including the AGM (detailed below), Annual Report, Interim Financial Statements, press releases, social media platforms and announcements to the CSE. The Board recognises its responsibility to present a balanced and understandable assessment of the Company's financial position, performance and prospects and is committed to fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided so as not to create a false market.

Shareholders may also, at any time, direct queries and concerns to Directors or Management of the Company through the Company Secretaries - Keells Consultants (Pvt) Ltd. The Company Secretaries maintain a record of all correspondence received and keeps the Board apprised of issues raised by the shareholders to ensure that they are addressed in an appropriate manner. Matters raised in writing are responded to in writing directly by the Company Secretaries, as relevant.

Release of Information to the Public and CSE

The Board of Directors, in conjunction with the Audit Committee where applicable, is responsible for ensuring the accuracy and timeliness of published information and for presenting a true and fair view, and a balanced assessment of results in the quarterly and annual financial statements. Accordingly, the Company has reported a true and fair view of its financial position and performance for the year ended 31 March 2023 and at the end of each quarter of the financial year 2022/23.

All other material and price sensitive information about the Company is promptly communicated to the CSE and such information is also released to employees, the press and shareholders.

Constructive use of the Annual General Meeting (AGM)

The AGM is the main mechanism for the Board to interact with and account to shareholders and affords an opportunity for shareholders' views to be heard. At the AGM, the Board provides an update to shareholders on the Company's performance and shareholders may ask questions clarifying matters prior to voting on

CORPORATE GOVERNANCE

resolutions. It is the key forum for shareholders to engage in decision making matters reserved for the shareholders which include proposals to adopt the Annual Report and Accounts, appoint Directors and Auditors and other matters requiring special resolutions as defined in the Articles of Association or the Companies Act. The Chairperson ensures the Chairperson of the Audit Committee, Board members, key management personnel and External Auditors, are present to respond to queries that may be raised by the shareholders.

All shareholders are encouraged to participate at the AGM and exercise their voting rights. Notice of the AGM, the Annual Report and Financial Statements and any other resolutions to be taken up at the AGM together with the corresponding information, are circulated to shareholders not later than 15 working days prior to the AGM. The Company has an effective mechanism to record and count all proxy votes lodged for each resolution.

Serious Loss of Capital

In the unlikely event that the net assets of the Company fall below half of its stated capital, shareholders will be notified, and the requisite resolutions would be passed on outlining the proposed way forward.

g. Sustainability Governance

The Company and Hotels Group places significant emphasis on sustainable development and value creation. The JKH Group's Sustainability Management Framework ensures specific policies and procedures are established for social and environmental governance in each business unit, ensuring an agreed level of compliance within the Hotels Group. As such, sustainability principles are embedded in the Company business strategy and endorsed throughout its operations.

Activities undertaken in recognition of its responsibility as a corporate citizen are presented throughout the Integrated Annual Report

The integration of sustainability goals into our operation is supported by a robust governance framework that ensures accountability, participation and transparency. During the year we further strengthened our environmental, social and governance (ESG) framework with the establishment of a Center Sustainability Team comprising of a vice president to drive the Group's sustainability agenda.

In addition, ESG Compliance Executives were recruited at each of our resorts to drive sustainability initiatives at business unit level. Industry leading ESG measurement and management platforms meanwhile ensure that progress is continuously measured and monitored.

Human Rights

The Company and the Hotels Group is committed to upholding universal human rights of all its stakeholders whilst maintaining the highest ethical standards in all its operations.

John Keells Group's diversity, equity and inclusion (DE&I) policy

John Keells Group's DE&I policy is followed by all employees of the Company and the Hotels Group. The Hotels Group recognises that organisations that constitute diverse and inclusive workforces are best placed to innovate, retain talent and deliver better overall results, and firmly believes that it can achieve its highest potential through bringing together diverse perspectives and backgrounds. The Hotels Group is committed to advancing a culture of equitable inclusion amongst its workforce and value chain and ensuring that the dignity and diversity of all employees and value chain partners are respected.

The DE&I policy is based on the key principles of:

- Empowerment and inclusion
- Zero tolerance for discrimination
- Equal opportunity
- Equal participation
- Diverse value chains

The following key initiatives and targets were rolled-out, in furtherance of the Group's emphasis on creating an inclusive, diverse and equitable work environment;

- The Group introduced 100 days of equal parental leave at the birth or adoption of a child. In this regard, while the Group will continue to offer 100 days of maternity leave on the birth or adoption of a child, the five-days of paternity leave was enhanced to 100 days, ensuring equity, and recognising the importance of both parents' roles in early childcare.

- The Group also adopted gender-neutral terminology with the objective of avoiding word choices which may be interpreted as biased, discriminatory or demeaning and with the intention of being inclusive of gender non-binary persons.
- As a first step to developing a focused strategy around increasing career opportunities for persons with disabilities (PWDs), a tri-lingual survey to understand the needs and perceptions of PWDs was launched. This was one aspect of a structured phased-out roadmap, which includes identifying roles across the Group that can provide opportunities for PWDs with reasonable accommodation, the appointment of supported employment officers, and conducting job mapping and awareness sessions by industry experts.

John Keells Group's Anti-Corruption Policy

JKH Group Policy on Anti-Corruption is followed by all employees of the Company and the Hotels Group.

JKH places the highest value on ethical practices and has promulgated a zero-tolerance policy towards corruption and bribery in all its transactions. JKH strives to maintain a culture of honesty and opposition to fraud and corruption. Based on this commitment, the Code of Conduct, anti-fraud, fraud prevention, anti-corruption, anti-bribery, validation and audit policies of JKH outline the principles to which we are committed in relation to preventing, reporting and managing fraud and corruption. It covers inter alia, theft, embezzlement, overriding controls, giving or receiving kickbacks, bribery, allowing oneself to be placed in situations of conflict of interest and statements (financial or non-financial) dishonestly and recklessly made contrary to the factual position. The Company also has a process to ensure compliance with the laws and regulations of the countries it operates in, including anti-corruption and anti-bribery laws. The evaluation of the risk of corruption as part of its risk management process has been put in place and mitigation measures to reduce such risks has been addressed in the Risk Management report on page 52 of the Annual Report.

JKH seeks to ensure that ethical business practices are the norm from the business unit level, down to the individual employee. Its transparent control and prevention mechanisms also extend to its value chain, to its customers, suppliers and business partners. At the employee level, every employee and director are required to comply with Company policies, including the Code of

Policies

Policies on forced, compulsory and child labour and child protection - JKH employs stringent checks during its recruitment process to ensure that its minimum age requirements are met and ensures that all employees are educated on key aspects of forced and compulsory labour.

Policies on equal opportunities, non-discrimination, career management and promotions - JKH remains committed to maintaining a workplace that is free from discrimination and is committed to hiring, developing and promoting individuals who best meet the requirements of available positions.

Gender policy - JKH is committed to striving for gender equity through empowerment & inclusion, equal opportunity and equal participation.

Policy against sexual harassment - A zero tolerance for physical, verbal or non-verbal harassment based on gender, race, religion, nationality, age, social origin, disability, sexual orientation, gender identity, political affiliations or opinion is in place.

HIV & AIDS workplace policy - JKH does not discriminate in the workplace against employees on the basis of real or perceived HIV status.

Policies on anti-fraud, anti-corruption and anti- money laundering and countering the financing of terrorism - All functions are required to include and analyse the risk of corruption as a part of their risk management process.

Supplier Code of Conduct - All significant suppliers of JKH shall be in compliance with applicable laws and regulations with regard to labour, human rights, environment and ethical business practices.

Policy for bidding on contracts and tenders - This entails a standardised set of guidelines for bidding, including to those of local and foreign governments and related bodies. The companies are required to adhere to local statutory provisions and Government procurement guidelines and meet the requirements stipulated in the request for proposal/guidance notes specified in the contracts/tenders.

CORPORATE GOVERNANCE

Conduct. The Company and Hotel Group's Leadership spearheads the implementation of the Code. Further, Directors and all employees of the Hotels Group are given training on JKH Group Policy on Anti- Corruption.

John Keells Group's policy for bidding on contracts and tenders

In November 2022, the Group introduced the Policy for bidding on contracts and tenders, which entails a standardised set of guidelines for bidding, including to those of local and foreign governments and related bodies. The Policy for bidding on contracts and tenders, is a step towards promoting organisational transparency and consistent organisational behaviour. Whilst Group companies are required to adhere to local statutory provisions and Government procurement guidelines and meet the requirements stipulated in the request for proposal/guidance notes specified in the contracts/ tenders, the policy also requires the bidding entity within the Group to adhere to all Group policies including the Code of Conduct, anti-corruption, anti-bribery and anti-money laundering and gift policies.

This policy applies to the Company, the Hotels Group and, as applicable, to consultants, agents, representatives, and supply chain partners.

ASSURANCE MECHANISMS Code of Conduct

The Company and the Hotels Group abides by the JKH Group Code of Conduct. To drive cohesive growth across the Group, the Board has established common guidelines including a code of conduct aligned to a strong set of corporate values. The Code applies to all employees including Directors and is inculcated at all levels through structured communication, with the objective of enhancing awareness and driving reinforcement. The code fosters an ethical culture and promotes compliance with relevant laws and legislation which is an imperative to retaining the trust of stakeholders.

The Code of Conduct also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information. Policies on anti-fraud, anti-corruption and anti-money laundering and countering the financing of terrorism and JKH's Code of Conduct also encompass:

- anti-bribery controls to prevent payments and contributions being made with the aim of obtaining an improper business benefit from any party including, but not limited to clients, service providers, customers, business associates and political parties; and
- controls on gifting and favours. The giving or accepting gifts or favours in whatsoever form, including from clients, service providers, customers, business associates and political parties and any other stakeholder we engage with in the course of carrying out duties in our professional capacity, is prohibited if it was possible on the part of a "reasonable person" to conclude that the giving/ acceptance of such gifts or favours could directly or indirectly affect one's independence in decision making and conduct as an employee and/or if it could be seen by others as a consideration for an official or business favour. The 'reasonable person' test should also be applied in respect of charitable donations and sponsorships (financial or in-kind) that are made.

Gifts or benefit of a threshold of above USD 50 per gift, either given or received based on business exigencies, are monitored to ensure conformance with the Group's policies, including policies on gifts and entertainment. Such exceptions are required to be reported to the respective Finance Head of the business (Chief Financial Officer or Sector Financial Controller), where in turn, these are collated and monitored centrally.

The Board leads by example setting the ethical tone for the Company. Employees are assessed, recognised and rewarded for conformance with Corporate Values and adherence to the Code of Conduct as an element of their annual performance appraisal. The Chairperson of the Board affirms that there has not been any material violation of any of the provisions of the Code of Conduct. In instances where violations did take place, they were investigated and handled through well established procedures.

JKH Group Code of Conduct

- Allegiance to the Company and the Group that ensures the Group will “do the right thing”, by going further than the letter of any contract, the law and our written policies.
- Compliance with rules and regulations applying in the territories that the Group operates in
- Conduct all businesses in an ethical manner at all times in keeping with acceptable business practice
- Exercising of professionalism and integrity in all business and ‘public’ personal transactions

Employee Communication Channels

- Skip level meetings
- Exit interviews, Young Forum meetings
- 360-degree evaluation
- Employee surveys
- Monthly staff meetings
- Ombudsperson
- Access to Senior Independent Director
- Continuous reiteration and the practice of the “Open-Door” policy

Corporate Values

“Cinnamantra” our new purpose and seven corporate values were rolled out during the year. Our seven core values Greatness, Compassion, Agility, Wellbeing, Inclusivity, Trust and Curiosity will be the foundation on which we base our future journey of growth. A series of programs are being carried out to create awareness about the Hotels Group’s new purpose and values.

Employee Participation in Assurance

Employee engagement is encouraged at all levels and the Company and Hotels Group continues to work towards introducing innovative and effective ways of employee communication and employee awareness. Whilst employees have many opportunities to interact with senior management, the Company and Hotels Group has created the ensuing formal channels for such communication through feedback, without the risk of reprisal. Further, any of the communication channels mentioned here are available to any of the employees of the Hotels Group through which employees can report suspected acts of corruption or breaches of anti-corruption policies. Such communication and feedback received from the employees by the management are recorded, irrespective of the level of anonymity, and subsequently discussed and followed up. The respective outcomes are duly recorded.

Internal Controls

The Board has taken necessary steps to ensure the integrity of the Company’s accounting and financial reporting systems and that internal control systems remain robust and effective via the review and monitoring of such systems on a periodic basis.

This also entails automated monitoring and workflow based escalation in order to facilitate timely clearing of all transactional entries including complete reconciliation, unreconciled and open entries being flagged and periodically scrutinised, and formal disclosure being made to the relevant Audit Committees, efficient management and tracking of cash and cheque deposits, in line with international best practice and continual streamlining and optimisation of the Internal Audit function via identification of focus areas, improvement opportunities and feedback reporting in order to reinforce governance and assurance.

Ombudsperson & Grievance Mechanisms

An Ombudsperson is available to report any complaints from employees of alleged violations of the published Code of Conduct if the complainant feels that the alleged violation has not been addressed satisfactorily by the internally available mechanisms.

The findings and the recommendations of the Ombudsperson, subsequent to an independent inquiry, are confidentially communicated to the Chairperson-CEO or to the Senior Independent Director upon which the involvement of the Ombudsperson ceases.

CORPORATE GOVERNANCE

On matters referred to him by the Ombudsperson, the Chairperson-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 Chairperson-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 Chairperson-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.

The current Ombudsperson is an attorney-at-law by profession.

Mandate and Role

For purposes of easy reference, the Ombudsperson's mandate and role is set out below:

- (a) legal and ethical violations of the Code of Conduct for employees, but in an appellate capacity, when a satisfactory outcome using existing procedures and processes has not resulted or when the matter has been inadequately dealt with;
- (b) violations referred to above by individuals at the Executive Vice President, President and Executive Director levels, including that of the Chairperson-CEO, in which case the complainant has the option of either complaining to the Ombudsperson in the first instance, or first exhausting the internal remedies;
- (c) sexual harassment, in which event the complainant has the option of either complaining to the Ombudsperson in the first instance or first exhausting the internal remedies.

The mandate excludes disciplinary issues from the Ombudsperson's responsibilities. The right to take disciplinary action is vested exclusively in the Chairperson-CEO and those to whom this authority has been delegated.

Whistle-blower Policy

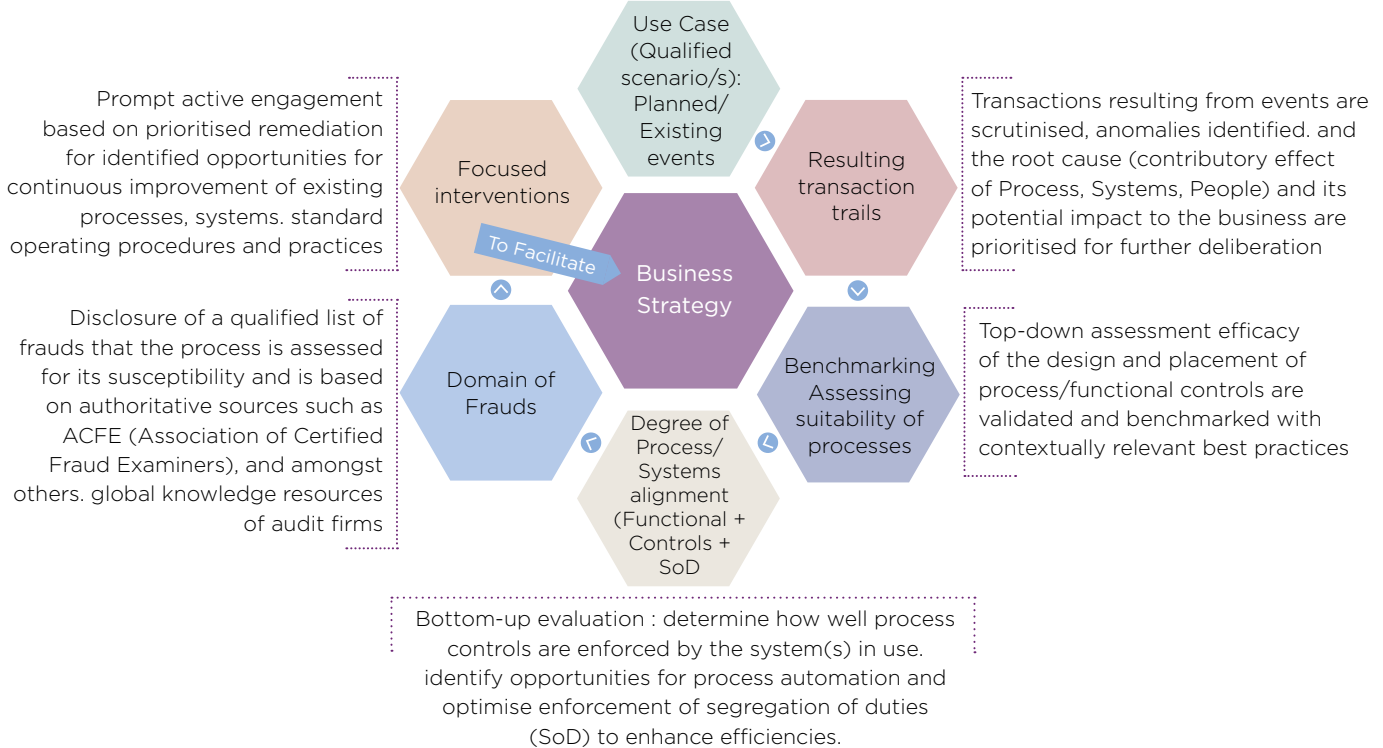
Independence of the Group's whistle-blower channels was maintained by the appointment of the Ombudsperson effective 1 December 2020. The Group has witnessed an increased level of communication flow from employees. Such communication and feedback received from the employees by the management are recorded, irrespective of the level of anonymity, and subsequently discussed and followed up. The respective outcomes are duly recorded.

Internal Audit

The internal audit process of the Company and the Hotels Group is conducted by outsourced parties at regular intervals, coordinated by the Group Business Process Review function (GBPR) of the Group. GBPR ensures that the internal audit plan adequately covers the significant risks of the Company and the Hotels Group and reviews the important internal audit findings and follow-up procedures. Whilst there are merits and demerits associated with outsourcing an internal audit, the Company and the Hotels Group is of the view that having an external based internal auditor is more advantageous. However, there are certain industries where the domain is very operationally specific and requires an internal auditor in addition to the external auditor.

The new Internal Audit approach: Continuous emphasis on context

Auditor determines how geared the factors of process, systems, and standard operating procedures are aligned and are ready to facilitate predominant use cases [specific scenario(s)] that stem from events occurring, consequent to the current business strategy



External Audit

The External Auditor is appointed subject to the provisions of the Companies Act. The Audit Committee makes recommendations to the Board for the appointment, re-appointment or removal of the External Auditor in-line with professional and ethical standards and regulatory requirements. It monitors and reviews the External Auditor's independence, objectivity and effectiveness of the audit process considering relevant professional and regulatory requirements.

In assignment of non-audit services to External Auditors, the Audit Committee ensures the External Auditor has the necessary skills and experience for the assignment and ascertains that independence and objectivity in carrying out his duties and responsibilities will not be impaired.

On the recommendation of the Board, the shareholders approved the reappointment of Messrs. Ernst & Young as the External Auditor for 2022/23 at the last AGM.

Compliance

The Directors are conscious of their duty to comply with the laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business of the Hotels Group. The Board receives Compliance Statements from the President - Leisure confirming compliance with regulatory requirements each quarter in accordance with its commitment to regulatory compliance. The Hotels Group is compliant with all relevant legal and statutory requirements. Any litigations currently pending if any, have been disclosed under the Annual Report of the Board of Directors on page 116 of this Report.

CORPORATE GOVERNANCE

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

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Complied	Reference (within the Report)
(i) Names of persons who during the financial year were Directors of the Entity	Yes	Board of Directors
(ii) Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	Management Discussion and Analysis
(iii) The names and the number of shares held by the 20 largest holders of voting and non-voting shares denominated in Rs. or any other class of shares denominated in foreign currency and the percentage of such shares held	Yes	Investor Information
(iv) The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement	Yes	
(v) A statement of each Director's holding in each class of shares of the entity denominated in Rs. and in foreign currency (as applicable)	Yes	Annual Report of the Board of Directors'
(vi) Information pertaining to material foreseeable risk factors of the entity	Yes	Risk Management
(vii) Details of material issues pertaining to employees and industrial relations of the entity	Yes	Supplementary Sustainability Report
(viii) Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Yes	Note 20 and 22 - to the Financial Statements
(ix) Number of shares representing the entity's stated capital	Yes	Investor Information
(x) A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes	
(xi) Financial ratios and market price information.	Yes	Investor Information and Decade at a Glance
(xii) Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Yes	Note 20 to the Financial Statements
(xiii) If during the financial year the entity has raised funds either through a public issue, rights issue or private placement: a. a statement as to the manner in which the proceeds of such issue has been utilised b. if any shares or debentures have been issued, the number, class and consideration received and the reason for the issue; and c. any material change in the use of funds raised through an issue of Securities	N/A	Investor Information
(xiv) Information in respect of Employee Share Ownership or Stock Option Schemes	Yes	
(xv) Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Yes	Corporate Governance
(xvi) Related Party Transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the entity as per audited financial statements, whichever is lower	Yes	Note 40 to the Financial Statements

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

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule No.	Subject	Requirement	Complied	Action / Reference (within the Report)
7.10 Compliance				
7.10 (a - c)	Compliance	The Company is in compliance with the Corporate Governance Rules and any deviations are explained where applicable	Yes	Corporate Governance
7.10.1 Non-Executive Directors (NED)				
7.10.1(a-c)	Non-Executive Directors (NED)	At least 2 or 1/3 of the total number of Directors on the Board whichever is higher should be NEDs	Yes	Board Composition
7.10.2 Independent Directors				
7.10.2(a)	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent	Yes	Board Composition
7.10.2(b)	Independent Directors (ID)	Each NED should submit a signed and dated declaration of his/her independence or non-independence	Yes	Independence of the Directors has been determined in accordance with CSE Listing Rules and the 3 Independent NEDs have submitted signed confirmation of their independence.
7.10.3 Disclosures relating to Directors				
7.10.3(a, b)	Disclosure relating to Directors	<ul style="list-style-type: none"> The Board shall annually determine the independence or otherwise of the NEDs, and Names of each IDs should be disclosed in the Annual Report (AR) 	Yes	Maintaining Board Independence and Managing Conflicts of Interest and Board Profiles
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	Yes	Board of Directors
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE for dissemination to the public	Yes	Board of Directors
7.10.4 Criteria for defining independence				
7.10.4 (a-h)	Criteria for defining Independence	Requirements for meeting criteria to be an Independent Director	Yes	Corporate Governance

CORPORATE GOVERNANCE

Rule No.	Subject	Requirement	Complied	Action / Reference (within the Report)
7.10.5 Remuneration Committee				
7.10.5	Remuneration Committee (RC)	The Human Resources and Compensation Committee (equivalent of the RC with a wider scope) of the listed parent company may function as the RC	Yes	Committees - The Human Resources and Compensation Committee (HRCC) (equivalent to the RC with a wider scope) of the listed Parent Company, JKH functions as the RC
7.10.5.(a)	Composition of Remuneration Committee	RC shall comprise of NEDs, a majority of whom will be independent One NED shall be appointed as Chairperson of the committee by the Board of Directors	Yes	Board Sub-Committees -HRCC
7.10.5.(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of Executive Directors	Yes	Board Sub-Committees -HRCC
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	<ul style="list-style-type: none"> Names of Directors comprising the RC Statement of Remuneration Policy Aggregated remuneration paid to Executive and Non-Executive Directors should be included in the Annual Report 	Yes	Board Sub-Committees -HRCC Note 16 to the Financial Statements
7.10.6 Audit Committee				
7.10.6	Audit Committee (AC)	The Company shall have an AC	Yes	Audit Committee Report
7.10.6.(a)	Composition of Audit Committee	<ul style="list-style-type: none"> AC shall comprise of NEDs a majority of whom shall be Independent. A NED shall be appointed as the Chairperson of the Committee Chief Executive Officer (CEO) and Chief Financial Officer (CFO) should attend AC meetings The Chairperson of the AC or one member should be a member of a professional accounting body 	Yes	Audit Committee Report

Rule No.	Subject	Requirement	Complied	Action / Reference (within the Report)
7.10.6(b)	Audit Committee Functions	<p>Overseeing of the -</p> <ul style="list-style-type: none"> • Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) • Compliance with financial reporting requirements, information requirements as per laws and other relevant financial reporting related regulations and requirements • Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards (SLFRS/LKAS) • Assessment of the independence and performance of the External Auditors • Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the external auditor 	Yes	Audit Committee Report
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	<p>The Annual Report shall contain</p> <ul style="list-style-type: none"> • Names of Directors comprising the AC • The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination • Report of the AC setting out the manner of compliance with their functions during the financial year 	Yes	Audit Committee Report

CORPORATE GOVERNANCE

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

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Requirement	Complied	Action / Reference (within the Report)
(a)	Details pertaining to Non-Recurrent Related Party Transactions	Yes	Report of the Related Party Transactions Review Committee
(b)	Details pertaining to Recurrent Related Party Transactions (RPT)	Yes	Note 40 to the Financial Statements
(c)	Report of the Related Party Transactions Review Committee	Yes	Report of the Related Party Transactions Review Committee
(d)	Declaration by the Board of Directors in the Annual Report as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Yes	Annual Report of the Board of Directors

Appendix IV: Statement of Compliance pertaining to Companies Act No. 7 of 2007

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Requirement	Complied	Action / Reference (within the Report)
168 (1) (a)	The nature of the business of the Company or of its subsidiaries or classes of business in which it has an interest together with any change thereof	Yes	Our Presence
168 (1) (b)	Signed financial statements of the Group and the Company	Yes	Financial Statements
168 (1) (c)	Appointed Auditors' Report on financial statements of the Company and any Group Financial Statements	Yes	Independent Auditors' Report
168 (1) (d)	Accounting policies and any changes during the accounting period	Yes	Notes to the Financial Statements
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Yes	Annual Report of the Board of Directors
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period.	Yes	Note 17 to the Financial Statements
168 (1) (g)	Corporate donations made by the Company during the accounting period	Yes	Note 17 to the Financial Statements
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period.	Yes	Group Directory
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Note 17 to the Financial Statements
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	Audit Committee Report/ Financial Statements
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	Financial Statements/ Annual Report of the Board of Directors

Statement of Compliance with applicable Codes of Best Practice – Voluntary Compliance

The Company is also compliant with the Code of Best Practices on Related Party Transactions (2013) advocated by the SEC (mandatory), the Code of Best Practice on Corporate Governance (2013) jointly advocated by the SEC and CA Sri Lanka (voluntary) and almost all the provisions of the Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka to the extent of business exigency and as required by the Company.

Code of Best Practice of Corporate Governance (2013) 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
A. Directors				
A.1 The Board				
A.1	The Board	Company to be headed by an effective Board to direct and control the Company		✓
A.1.1	Frequency of Board Meetings	Board should meet regularly, at least once in every quarter of a financial year, in order to effectively execute Board's responsibilities, while providing information to the Board on a structured and regular basis.		✓
A.1.2	Responsibilities of the Board	<p>The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. In performing its role, the Board should be responsible for matters including:</p> <ul style="list-style-type: none"> ensuring the formulation and implementation of a sound business strategy; ensuring that the management team possess the skills, experience and knowledge to implement the strategy; ensuring the adoption of an effective Key Management Personnel succession strategy; ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management; ensuring compliance with laws, regulations and ethical standards; ensuring all stakeholder interests are considered in corporate decisions; recognising sustainable business development in Corporate Strategy, decisions and activities; ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations; <p>and</p> <ul style="list-style-type: none"> fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned. 		✓
A.1.3	Act in accordance with laws of the Country and access to professional advice	Procedure to obtain independent professional advice when deemed necessary at the Company's expense		✓

CORPORATE GOVERNANCE

Code Ref.	Subject	Applicable Requirement Status	Compliance
A.1.4	Access to advice and services of the Company Secretary	Ensure adherence to Board procedures and applicable rules and regulations	✓
A.1.5	Independent Judgement	Directors should exercise independent judgement on issues of strategy, resources, performance (including key appointments) and standards of business judgement	✓
A.1.6	Dedication of adequate time and effort by Directors	Every Director should dedicate adequate time and effort to matters of the Board and the Company, to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged.	✓
A.1.7	Board induction and training for Directors	Directors should receive appropriate induction, training, hone skills and expand knowledge to more effectively perform duties	✓
A.2 Chairperson and Chief Executive Officer			
A.2.1	Justification for combining the roles of the Chairperson and the CEO	A balance of power and authority to be maintained by separating responsibility for conducting Board business from that of executive decision making	N/A
A.3 Chairperson's Role			
A.3.1	Ensure good corporate governance	<p>Chairperson to preserve order and facilitate effective discharge of Board functions by proper conduct of Board proceedings and meetings including ensuring:</p> <p>The effective participation of both EDs and NEDs;</p> <ul style="list-style-type: none"> • all Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company; • a balance of power between EDs and NEDs is maintained ; • the views of Directors on issues under consideration are ascertained; and • the Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders. 	✓
A.4 Financial Acumen			
A.4.1	Possession of adequate financial acumen	Board to ensure adequacy of financial acumen and knowledge within the Board	✓
A.5 Board Balance			
A.5.1	Composition of Board	The Board should include a sufficient number of NEDs	✓
A.5.2	Proportion of Independent Directors	Two or one-third of the NEDs should be independent	✓
A.5.3	Definition of Independence	Independent Directors should be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement	✓
A.5.4	Declaration of Independence	NEDs should submit a signed and dated declaration of their independence/ non-independence annually	✓

Code Ref.	Subject	Applicable Requirement Status	Compliance
A.5.5	Annual determination of criteria of independence/ non-independence and declaration of same by Board	The Board should annually determine and disclose the names of Directors deemed to be Independent	✓
A.5.6	Appointment of an alternate Director	If an alternate Director is appointed by a NED, such alternate Director should not be an executive of the Company If an alternate Director is appointed by an ID, such alternate Director should meet the criteria of independence.	N/A
A.5.7	Appointment of Senior Independent Director (SID)	If the roles of Chairperson/CEO are combined, a Non-Executive Director should be appointed as a Senior Independent Director	N/A
A.5.8	Availability of Senior Independent Director to other Directors	If warranted, the SID should be available to the other Directors for confidential discussions	N/A
A.5.9	Interaction between Chairperson and Non-Executive, Independent Directors	The Chairperson should meet the NED/IDs at least once a year without the other Directors being present.	✓
A.5.10	Directors' concerns to be recorded	When matters are not unanimously resolved, Directors to ensure their concerns are recorded in Board minutes	✓
A.6 Supply of Information			
A.6.1	Provision of adequate information to Board	Management to ensure the Board is provided with timely and appropriate information	✓
A.6.2	Adequacy of notice and formal agenda to be discussed at Board meetings	Board minutes, agenda and papers should be circulated at least seven days before the Board meeting	✓
A.7 Appointment to the Board			
A.7	Appointments to the Board	Formal and transparent procedure for Board appointments	✓
A.7.1	Nomination Committee	Nomination committee of the ultimate Parent Company may function as such for the Company and make recommendations to the Board on new Board appointments	✓
A.7.2	Annual assessment of Board composition	Nomination committee of Board should annually assess the composition of Board	✓
A.7.3	Disclosure of new Board appointments	Profiles of new Board appointments to be communicated to Shareholders	✓
A.8 Re-election			
A.8.1	Appointment of Non-Executive Directors	Appointment of NEDs should be for specified terms and re-election should not be automatic	✓

CORPORATE GOVERNANCE

Code Ref.	Subject	Applicable Requirement Status	Compliance
A.8.2	Shareholders' approval of appointment of all Directors	The appointment of all Directors should be subject to election by Shareholders at the first opportunity after such appointment	✓
A.9 Appraisal of Board Performance			
A.9.1	Annual appraisal of Board performance	The Board should annually appraise how effectively it has discharged its key responsibilities	✓
A.9.2	Self evaluation of Board and Board Committee	The Board should evaluate its performance and that of its committees annually	✓
A.9.3	Declaration of basis of performance evaluation	The Board should disclose how performance evaluations have been carried out in the Annual Report.	✓
A.10 Disclosure of Information in respect of Directors			
A.10.1	Biographical Profiles and relevant details of Directors to be disclosed	Annual Report should disclose the biographical details of Directors and attendance at Board/ Sub-Committee meetings	✓
A.11 Appraisal of the CEO			
A.11.1	Short, medium and long term, financial and non-financial objectives to be set	At the commencement of every fiscal year, the Board in consultation with the CEO, should set, in line with the short, medium and long-term objectives of the Company, reasonable financial and non-financial targets that should be met by the CEO during the year.	✓
A.11.2	Evaluation of CEO performance	The performance of the CEO should be evaluated by the Board at the end of the year	N/A
B. Directors Remuneration			
B.1 Remuneration Procedure			
B.1.1	Appointment of Remuneration Committee	The Board of Directors should set up a Remuneration Committee to make recommendations to the Board, within agreed terms of reference, on the Company's framework of remunerating executive directors.	✓
B.1.2	Composition of Remuneration Committee	Remuneration Committee should consist of NEDs	✓
B.1.3	Disclosure of members of Remuneration Committee	The Annual Report should disclose the Chairperson and Directors who serve on the Remuneration Committee	✓
B.1.4	Remuneration of Non-Executive Directors	Board to determine the level of remuneration of NEDs	✓
B.1.5	Consult Chairperson and/or CEO on proposals on remuneration	Remuneration Committee should consult the Chairperson about its proposals relating to the remuneration of other Executive Directors and should have access to professional advice in order to determine appropriate remuneration for Executive Directors	✓

Code Ref.	Subject	Applicable Requirement Status	Compliance
B.2 Level and Make up of Remuneration			
B.2.1 to B.2.4	Performance related elements in pay structure and alignment to industry practices	<ul style="list-style-type: none"> • Packages should be structured to attract, retain and motivate EDs • Packages should be comparable and relative to that of other companies as well as the relative performance of the Company • When determining annual increases remuneration committee should be sensitive to that of other John Keells Group companies • Performance related elements of remuneration should be aligned with interests of Company 	✓
B.2.5	Share options	Employees share options should not be offered at a discount	✓
B.2.6 to B.2.9	Remuneration packages for Non-Executive Directors	In designing schemes of performance-related remuneration, Remuneration Committee has complied with the relevant provisions and have reflected time, commitment and responsibilities of role and in line with existing market practice	✓
B.3 Disclosure of Remuneration			
B.3.1	Disclosure of details of remuneration	The Annual Report should set out the names of Directors (or persons in the parent company's committee in the case of a Group company) comprising the remuneration committee, contain a statement of remuneration policy and set out the aggregate remuneration paid to the EDs and NEDs	✓
C. Relations with Shareholders			
C.1 Constructive Use and Conduct of Annual General Meeting (AGM)			
C.1.1	Proxy votes to be counted	The Company should count and indicate the level of proxies lodged for and against in respect of each resolution	✓
C.1.2	Separate resolutions	Separate resolutions should be proposed for substantially separate issues	✓
C.1.3	Availability of Chairperson's of Committees at AGM	The Chairperson of Board should arrange for the Chairperson of Audit, Remuneration and Nomination Committees to be available to answer any queries at AGM	✓
C.1.4	Notice of AGM	15 working days notice to be given to shareholders	✓
C.1.5	Procedure for voting at meetings	Company to circulate the procedure for voting with Notice of Meeting	✓
C.2 Communication with Shareholders			
C.2.1	Channel of Communication	Channel to reach all shareholders to disseminate timely information	✓
C.2.2 C.2.7	Policy and Methodology of Communication	Policy and methodology of communication with shareholders and implementation of it, according to the Code.	✓
C.3 Major and Material Transactions			
C.3.1	Disclosure of Major Transactions	Disclosure of all material facts involving all material transactions including related party transactions	✓

CORPORATE GOVERNANCE

Code Ref.	Subject	Applicable Requirement Status	Compliance
D. Accountability and Audit			
D.1 Financial Reporting			
D.1.1	Presentation of Public Reports	Should be balanced, understandable and comply with statutory and regulatory requirements	✓
D.1.2	Directors' Report	The Directors' Report should be included in the Annual Report and confirm that, <ul style="list-style-type: none"> • The Company has not contravened laws or regulations in conducting its activities • Material interests in contracts have been declared by Directors • The Company has endeavoured to ensure equitable treatment of shareholders • That there is reasonable assurance of the effectiveness of the existing business systems following a review of the internal controls covering financial, operational and compliance • That the business is a "going concern" 	✓
D.1.3	Respective responsibilities of Directors and Auditors	The Annual Report should contain separate statements setting out the responsibilities of the Directors for the preparation and presentation of the Financial Statements and the reporting responsibilities of the Auditors	✓
D.1.4	Management Discussion and Analysis	Annual report to include section on Management Discussion and Analysis	✓
D.1.5	Going Concern	Directors to substantiate and report that the business is a going concern or qualify accordingly	✓
D.1.6	Serious Loss of Capital	Directors to summon an Extraordinary General Meeting in the event that the net assets of the Company are less than half of its stated capital	✓
D.1.7	Related Party Transactions	Disclosure of Related Party Transactions	✓
D.2 Internal Control			
D.2.1	Effectiveness of system of internal controls	Directors to annually conduct a review of the effectiveness of the system of internal controls. This responsibility may be delegated to the Audit Committee	✓
D.2.2	Internal Audit Function	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	✓
D.2.3	Continuity of Internal controls	Maintaining a sound system of internal control according to the provisions of the code.	✓
D.2.4			
D.3 Audit Committee			
D.3.1	Chairperson and Composition of Audit Committee	<ul style="list-style-type: none"> • Should comprise a minimum of two NED/IDs. Audit Committee Chairperson should be appointed by the Board 	✓

Code Ref.	Subject	Applicable Requirement Status	Compliance
D.3.2	Duties of Audit Committee	<ul style="list-style-type: none"> Audit Committee should include keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors. Where the Auditors also supply a substantial volume of non-audit services to the Company, the Committee should keep the nature and extent of such services under review, seeking to balance objectivity, independence and value for money. 	✓
D.3.3	Terms of Reference / Charter	<ul style="list-style-type: none"> The Audit Committee should have a written Terms of Reference which define the purpose of the Committee and its duties and responsibilities 	✓
D.3.4	Disclosure	<ul style="list-style-type: none"> The Annual Report should disclose the names of Directors serving on the Audit Committee The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination The Annual Report should contain a report by the Audit Committee setting out the manner of the compliance of the Company during the period to which the report relates 	✓
D.4 Code of Business Conduct and Ethics			
D.4.1	Adoption of Code of Business Conduct and Ethics	The Company must adopt a Code of Business Conduct and Ethics for Directors and members of the senior management team and promptly disclose any violation of the Code	✓
D.4.2	Chairperson's affirmation	The Annual Report must include an affirmation by the Chairperson that he is not aware of any violation of the provision of the Code of Conduct	✓
D.5 Corporate Governance Disclosures			
D.5.1	Corporate Governance Report	The Annual Report should include a report setting out the manner and extent to which the Company has adopted the principals and provisions of the Code of Best Practice on Corporate Governance	✓
E. Institutional Investors			
E.1 Structured Dialogue			
E.1.1	Structured Dialogue with Shareholders	A regular and structured dialogue should be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairperson	✓
E.2	Evaluation of Governance Disclosure by Institutional Investors	Institutional investors should be encouraged to consider the relevant factors drawn to their attention with regard to Board structure and composition	✓
F. Other Investors			
F.1	Individual Investors	Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment/divestment decisions	✓
F.2	Shareholder Voting	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	✓
G. Sustainability Reporting			
G.1- G.1.7	Sustainability Reporting	Disclosure on adherence to sustainability principles	✓

BOARD OF DIRECTORS

Krishan Balendra

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

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

Suresh Rajendra

Appointed to the Board of John Keells Hotels PLC in 2021 as a Non-Independent Non-Executive Director.

Suresh Rajendra has over 30 years of experience in finance, travel and tourism, hotel management, property development, real estate management, and business development both in Sri Lanka and overseas. Before joining the JKH 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. He is a Fellow member of the Chartered Institute of Management Accountants, UK. He is a member of the Group Executive Committee of the John Keells Group. He is the President of the Leisure industry group and is also responsible for Union Assurance PLC, John Keells Information Technology (Private) Limited and John Keells Stockbrokers (Pvt) Ltd. In addition, he serves as a Director of Asian Hotels & Properties PLC, Union Assurance PLC, Trans Asia Hotels PLC and also in many of the unlisted companies of the John Keells Group.

Gihan Cooray

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

Gihan Cooray is the Deputy Chairperson/Group Finance Director and has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology and Corporate Communications functions. He was the Chairman of Nations Trust Bank PLC till 30 April 2023. Gihan holds an MBA from Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is a Fellow member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK. He serves as a committee member of The Ceylon Chamber of Commerce.

Mikael Svensson

Appointed to the Board of John Keells Hotels PLC in 2021 as a Non-Independent Non-Executive Director.

Mikael Svensson is the Chief Executive Officer at Cinnamon Hotels & Resorts, part of the Leisure industry group of John Keells Holdings PLC (JKH). He overlooks Cinnamon's entire portfolio of hotels and resorts in Sri Lanka and the Maldives, including developing the much-anticipated mixed-development project Cinnamon Life Integrated Resort. He brings extensive international senior leadership experience in managing and operating large-scale luxury hotels across Asia, the Middle East and Australia, of which over 20 years was with the Hyatt Group. He was the opening General Manager of the landmark luxury hotel on the trunk of the Palm Jumeirah, the Viceroy Palm Jumeirah, Dubai and the Grand Hyatt Mumbai, India. He was also the General Manager of the Park Hyatt Canberra, Australia and Hyatt Regency Hua Hin, Thailand. Before joining the John Keells Group, he was the Senior Vice President of Louis T Collection, a Singapore-based hospitality management and building solutions company that owns a portfolio of hotels across Asia and Australia.

Hishan Singhawansa

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

Hishan Singhawansa is the Deputy Chief Executive Officer and Chief Operating Officer at Cinnamon Hotels & Resorts, part of the Leisure industry group of the John Keells Group. He overlooks operations of Cinnamon's entire portfolio of hotels and resorts in Sri Lanka and the Maldives, including the development of the much-anticipated mixed-development project Cinnamon Life Integrated Resort. He joined the JKH in 2008 and started his career in the Supermarket business of the Group, where he was part of Category Management and headed the Supply Chain before moving into the Leisure industry group in 2017. He holds a BSc in Engineering (Hons) Degree from the University of Moratuwa, Sri Lanka, and an MBA from the University of Wales.

Anarkali Moonesinghe

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

Anarkali Moonesinghe serves on the Board of Directors of hSenid Business Solutions PLC, WealthTrust Securities Limited, and the Lankan Angel Network. She has over 20 years of Investment Banking experience in Europe and Asia, particularly Asian Emerging Markets. She was the CEO of CIMB Investment Bank Sri Lanka. Partner- Amura Consulting, a Singapore-based financial advisory services boutique focused on small to mid-cap transactions in frontier markets, including private equity, mergers & acquisitions, and financial structuring. She started her career with Merrill Lynch in Mergers & Acquisitions. She received a Bachelor of Arts (Hons) in Politics, Philosophy and Economics from Christchurch College, University of Oxford.

Hasitha Premaratne

Appointed to the Board of John Keells Hotels PLC in 2022 as an Independent Non-Executive Director

Hasitha Premaratne serves as Chairperson of the Audit Committee. Hasitha is the Managing Director of the Brandix Group and drives the company's overall strategy and transformation journey in Sri Lanka and overseas. He is also the Managing Director of Brandix India Apparel City. He serves on the Boards of InQube, Teejay Lanka PLC, and Best Pacific Lanka Ltd. Before taking up the post of Managing Director, Hasitha served as Group Finance Director and Chief Strategy Officer of the Brandix Group and sits as a Director on its subsidiaries and integrated ventures. In addition, Hasitha was the Head of Research at HNB Stockbrokers (Pvt) Ltd. He served on the Board of CIMA Sri Lanka and the Sri Lanka Accounting and Auditing Standards Monitoring Board. He was a Committee Member at the Ceylon Chamber of Commerce. Hasitha was also a Director at Bank of Ceylon, Sri Lanka's largest state-owned bank, chairing the Board Risk and Nominations Committees. He brings a wealth of experience, including over a decade of service as a CIMA (UK) lecturer, where he won 'Tutor of the Year' at the CIMA Global Financial Management Awards in 2009. Hasitha was also engaged with the ACCA (UK) in Sri Lanka, India, Singapore, and the Philippines.

Dr. Kumudu Gunasekera

Appointed to the Board of John Keells Hotels PLC in 2019 as an Independent Non-Executive Director

Dr. Kumudu Gunasekera is an analytical and conceptual thinker who effectively partners with senior managers to assess opportunities, facilitate strategic decisions, and drive successful implementations. He has over 20 years of experience leading engagements in helping investors/corporates effectively deploy capital across multiple geographies. A proven problem-solver, his insights and perspectives have been published in numerous peer-reviewed journals and industry magazines. He is currently the Managing Director of Stax LLC. He was an Adjunct Professor at Boston University, a Principal Economist at Parsons Brinckerhoff, now WSP (Washington DC), the Past President of the American Chamber of Commerce (Sri Lanka), and the Co-Founder of Sri Lanka@100.

AUDIT COMMITTEE REPORT

The Audit Committee, as of 31 March 2023, consisted of the following members:

H Premaratne
A K Moonesinghe
K A Gunasekera

Terms of reference, principal focus and medium of reporting

The Audit Committee Charter governs the responsibilities of the Audit Committee, which is approved, and adopted by the Board.

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

Committee composition, meetings held and attendance

The Audit Committee consists of three members. The Chairperson of the Audit Committee is a Fellow of the Chartered Institute of Management Accountants (UK). The other two members bring different areas of expertise to the Committee. One member specialises in investment banking, particularly in cross-border transactions across Asia, while the other holds a PhD in Economic Geography.

All Non-Executive Directors satisfy the criteria for independence as specified in the Standards on Corporate Governance for Listed Companies, issued by the Securities & Exchange Commission of Sri Lanka. The Audit Committee reports directly to the Board. The individual and collective financial and hotel industry-specific knowledge, business experience and the independence of members are brought to bear on all matters which fall within the committee's purview. In addition, the Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Vice President- Finance of Cinnamon Hotels & Resorts and Head of Group Business Process Review

of John Keells Holdings PLC attend Audit Committee meetings by invitation.

Outsourced Internal Auditors and Independent External Auditors are required to attend meetings on a regular basis. The Committee met four times during the financial year ended 31 March 2023 (information on the attendance at these meetings by the members of the Committee is given on page 74). In addition, the Chairperson of the Committee met the Outsourced Internal and External Auditors and in-house personnel, as necessary, to strengthen guidance and oversight related to audit matters.

Activities performed

Financial reporting

- Reviewed the activities and financial affairs of the Company and its subsidiaries and underlying hotel entities. They also reviewed the financial reporting system adopted in the preparation of quarterly and annual Financial Statements to ensure the reliability of the process, appropriateness and consistency of accounting policies and methods adopted and compliance with the requirements of the Sri Lanka Accounting Standards (SLFRS/LKAS), the Companies Act No. 7 of 2007 and other relevant statutory and regulatory requirements.
- Reviewed the quarterly and year-end Financial Statements and recommended their adoption to the Board of Directors. The External Auditors were engaged in conducting a limited review of the Company's interim financial statements and agreed upon procedures on consolidated financial statements for the nine months ended 31 December 2022. The results of this review were discussed with the External Auditors prior to publication of these statements.

Internal audit, risks and controls

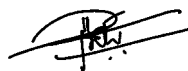
- Met the outsourced Internal Auditors to consider their reports, management responses and matters requiring follow-up on the effectiveness of internal financial controls that have been designed to provide reasonable but not absolute assurance to the Directors that assets are safeguarded, and that the financial reporting system can be relied upon in the preparation and presentation of the Financial Statements. Their scope of work and approach, the timeliness of their reports, and cooperation with External Auditors were also addressed.

- Reviewed the Business Risk Management processes and procedures adopted by the Company to manage and mitigate the impact of such risks and observed that risk analysis exercises had been conducted across the different hotels, key risks that could impact operations had been identified to the extent possible, measures were taken to minimise the impact and likelihood of such risks. It was noted that with the integration of Sustainability within the Leisure Group, further measures to mitigate the core sustainability risks were identified, and risk mitigation measures were designed and implemented.
- Conducted special review of processes, content and the effectiveness of feeders to the deliberations of the Audit Committee, such as in-house accounting and record keeping, Group Business Process Review, and the Sustainability and Enterprise Risk Management division.
- Participated in discussions with management to evaluate compliance with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and CA Sri Lanka in the year 2013 in relation to auditor appointments.
- The Senior management of the Company followed a formal assessment process to evaluate the performance of External Auditors, and the Committee has recommended to the Board of Directors that Messrs. Ernst & Young be re-appointed as Auditors for the financial year ending 31 March 2024, subject to the approval of the shareholders at the next Annual General Meeting.

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

External audit

- Met with the External Auditors before the commencement of the external audit to ascertain the nature, scope and approach of the audit and reviewed their audit plans.
- Met with External Auditors to discuss interim audit issues and management responses and to affect any corrective action where necessary.
- Met with External Auditors at the end of the annual audit to review the Financial Statements and the reports and respond as necessary to such reports.
- Had closed-door discussions with the External and Outsourced Internal Auditors where necessary.
- Reviewed the type and quantum of non-audit services provided by the External Auditors to the Company to ensure that their independence as auditors has not been impaired.
- Appraised the independence and performance of the outsourced Internal Auditors whose services are coordinated by the Group Business Process Review Division.
- Reviewed the Company's compliance framework to determine that it provides reasonable assurance that all relevant laws, rules and regulations have been complied with.



H Premaratne
Chairperson of the Audit Committee

23 May 2023

REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Human Resource and Compensation Committee forms a key part of the governance framework of the Group and carries the mandate to oversee the compensation and benefits policies adopted by the Group, and in doing so, review and recommend overall remuneration philosophy, strategy, policies and practice and performance-based pay plans. Furthermore, it reviews performance, compensation and benefits of the Chief Executive Officer (CEO), the other Executive Directors, and key executives who support and implement decisions at an apex level, the overall business strategy and make recommendation thereon to the Board of Directors. The Committee also reviews and monitors the performance of the Group's top talent for purposes of organisational growth and succession planning, with particular emphasis on succession at key executive levels.

In performing this role, the Committee is conscious of the need to ensure that stakeholder interests are aligned, and the Group is able to attract, motivate and retain talent and ensure their loyalty that the integrity of the Group's compensation and benefits programme is maintained and importantly, that the compensation policy and schemes are compliant with applicable laws and regulations.

In this context, the Committee determined the remuneration of the Executive Directors including the Chairperson-CEO in terms of the methodology set out by the Board, upon an evaluation of their performance by the Non-Executive Directors. The evaluation of the members of the Group Executive Committee (GEC) was considered by the Committee and remuneration was determined based on performance, market comparators for similar positions and in accordance with the Company's Compensation and Benefits policy.

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

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



D A Cabraal

Chairperson of the Human Resources and Compensation Committee

22 May 2023

REPORT OF THE NOMINATIONS COMMITTEE

The Nominations Committee as at 31 March 2023, consisted of the following members:

- D A Cabraal (Chairperson)
- K N J Balendra
- N P Perera
- S S H Wijayasuriya

Note: A Omar resigned as the Chairperson of the Nominations Committee consequent to his resignation from the Board of John Keells Holdings PLC (JKH) on 27 June 2022.

The Nominations Committee reaffirmed its mandate to:

- Recommend to the Board the process of selecting the Chairperson and Deputy Chairperson.
- Assess the skills required for each business, based on the strategic demands to be met by JKH and other listed companies of the Group.
- Identify suitable persons to be appointed as Non-Executive Directors to the Board of JKH and make recommendations to other listed companies in the Group.
- Review the structure, size, composition and skills of each Board.
- Ensure that every appointee undergoes an induction.
- Make recommendations on matters referred to it by the Board.

During the reporting period, the following appointments were made consequent to the recommendation of the Committee:

John Keells Hotels PLC

- K A Gunasekera (renewal)
- A K Moonesinghe (renewal)
- H Premaratne (new appointment)

The Committee reports its activities at each Board Meeting.

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



D A Cabraal
Chairperson of the Nominations Committee

22 May 2023

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Composition

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

M P Perera
A N Fonseka
D A Cabraal

The Chairperson-CEO, Deputy Chairperson/Group Finance Director, and Group Financial Controller attended meetings by invitation. The Head of Group Business Process Review served as the Secretary to the Committee. The Committee held four meetings during the financial year, which were held on a quarterly basis. Information on the attendance at these meetings by the members of the Committee is given alongside.

Objective and Governing Policies

The objective of the Committee is to exercise oversight on behalf of the Board of John Keells Holdings PLC and its listed subsidiaries, to ensure compliance with all applicable rules and regulations, namely the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ('The Code') and the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and ensures that transactions are in line with the Groups' internal governance framework and associated policies.

Procedure

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

- there is compliance with 'The Code' and the Listing Rules of the CSE
- shareholder interests are protected; and
- fairness and transparency are maintained.

Non-recurrent Related Party Transactions (RPTs) of listed entities:

The Committee advocated the Management to implement appropriate procedures to ensure that all non-recurrent RPTs of the Group's listed entities are submitted to the Committee, for pre-approval. Accordingly, the Committee

reviewed and pre-approved all proposed non-recurrent Related Party Transactions (RPTs) of the parent, John Keells Holdings PLC, and all its listed subsidiaries including John Keells Hotels PLC.

Recurrent RPTs of listed entities:

The Committee has endorsed guidelines to facilitate disclosures and assurances to be provided by the senior management of listed entities in the Group so as to validate compliance with sec 9.5(a) of the Listing Rules and thus exclusion from the mandate for review and pre-approval of such transactions by the Committee.


Accordingly, Recurrent RPTs as well as the aforesaid disclosures and assurances were reviewed annually by the Committee.

Other significant transactions of non-listed subsidiaries:

Material transactions of non-listed subsidiaries in the Group were presented to the Committee for information.

The Group continued to adopt a broader scope in defining key management personnel including therein all senior decision makers. Accordingly, in addition to the Directors, all Presidents, Executive Vice Presidents, Chief Executive Officers, Chief Financial Officers and Financial Controllers of respective companies/sectors have been designated as KMPs in order to increase transparency and enhance good governance. Annual disclosures from all KMPs setting out any RPTs they were associated with, if any, were obtained and reviewed by the Committee.

The 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 meetings.



M P Perera

Chairperson of the Related Party Transactions Review Committee

22 May 2023

REPORT OF THE PROJECT RISK ASSESSMENT COMMITTEE

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

S S H Wijayasuriya

K N J Balendra

J G A Cooray

M P Perera

The Project Risk Assessment Committee was established with the purpose of further augmenting the Group's Investment Evaluation Framework. The Committee provides the Board with enhanced illumination of Risk perspectives with respect to large scale new investments, and also assists the Board in assessing the potential impact of risks associated with such investments. Investments which are referred to the Committee are those which exceed a board-agreed threshold in terms of quantum of investment and/or potential impact to the Group. The Committee accordingly provides early-stage recommendations to the Board with respect to the extent of risk and adequacy of mitigation strategies.

Given the extenuating impact of Sri Lanka's macroeconomic crisis on Group businesses and the trailing impacts of the pandemic on specific sectors, Board discussions took place at a higher frequency, affording the opportunity for matters pertaining to Group investments and risk assessments to be deliberated by the full Board.



S S H Wijayasuriya

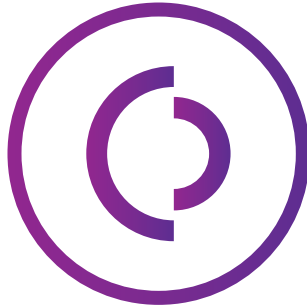
Chairperson of the Project Risk Assessment Committee

22 May 2023



“The best way to find out if you can trust somebody is to trust them.”

- Ernest Hemingway



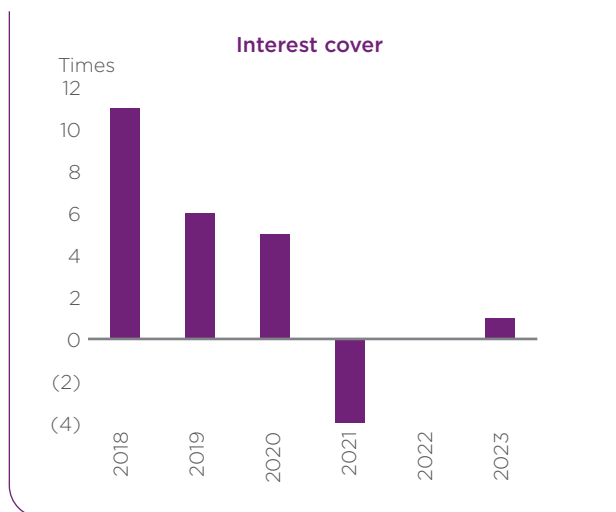
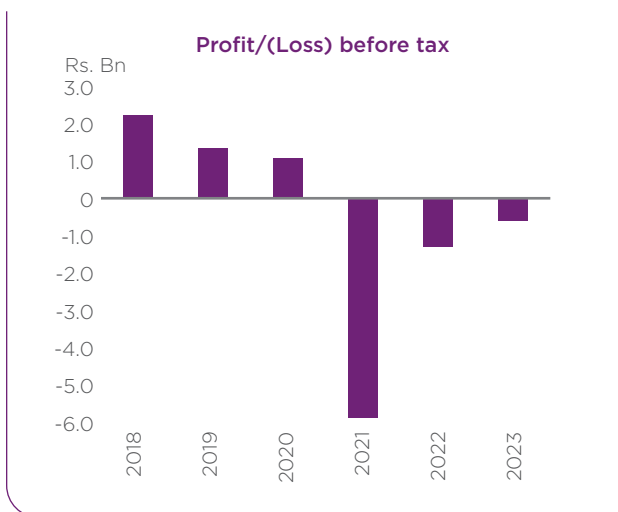
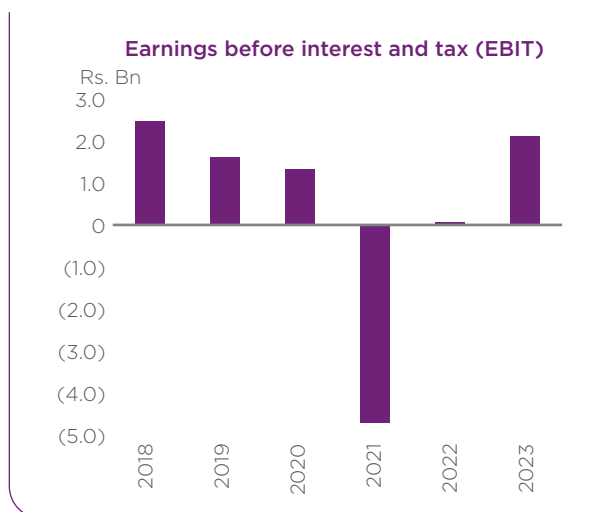
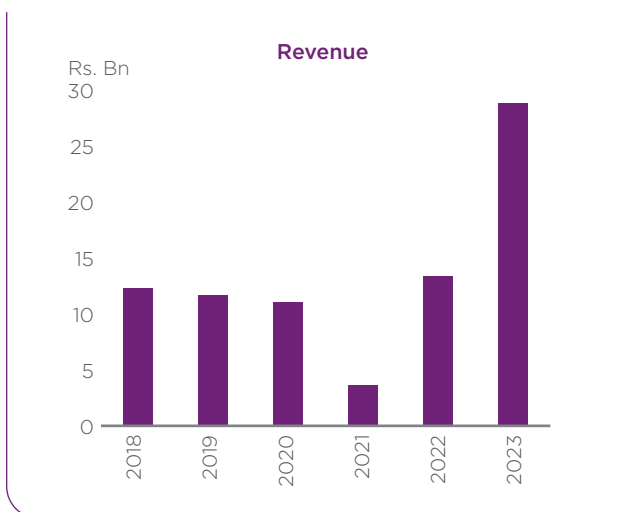
trust

Transparency, consistency, and being sincere, are significant values embodied by our Group. We encourage open dialogue, believe in doing the right thing, and always deliver on our promises.

TRANSPARENT PERFORMANCE

FINANCIAL CALENDAR

Year ended 31 March	2023	2022
Audited financial statements signed on	23 May 2023	20 May 2022
Annual General Meeting	27 June 2023	22 June 2022
Interim financial statements		
1st Quarter interim results released on	20 July 2022	21 July 2021
2nd Quarter interim results released on	2 November 2022	29 October 2021
3rd Quarter interim results released on	27 January 2023	24 January 2022
4th Quarter interim results released on	23 May 2023	20 May 2022



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ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 44th Annual Report (8th Integrated Annual report) of John Keells Hotels PLC (“Company”) together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of John Keells Hotels PLC and its subsidiaries (“Hotels Group”) for the year ended 31 March 2023.

The Company was incorporated as a Limited Liability Company in 1979 and listed on the Colombo Stock Exchange (CSE) in 2004. Pursuant to the requirements of the Companies Act, the Company was re-registered and obtained a new Company number PQ 8 in 2007.

CORPORATE CONDUCT AND THE VISION OF THE COMPANY

The business activities of the Company and the Hotels Group are conducted in accordance with the highest levels of ethical standards to achieve the vision - “To bring the best of Sri Lanka to the world with style and elegance”.

PRINCIPAL ACTIVITIES

The principal activity of the Company, which is investment, remained unchanged. The principal activities of its subsidiaries, among which hospitality takes a key role, remains unchanged.

ULTIMATE PARENT

The Company’s ultimate Parent and controlling entity is John Keells Holdings PLC (JKH), a company incorporated in Sri Lanka and listed on the CSE.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The financial and operational performance, during the year ended 31 March 2023 and future business development of the Company and Hotels Group, is provided in the Chairperson’s Review and The Management Discussion and Analysis of Operations sections of the Annual Report.

These reports, which form an integral part of this Annual Report of the Board of Directors, together with the Audited Financial Statements, reflect the state of affairs of the Company and the Hotels Group.

CORPORATE GOVERNANCE Chairperson’s declaration

The Chairperson declares that there were no departures from any of the provisions of the Code of Business Conduct and Ethics.

Directors’ declarations

The Directors declare that;

- a) the Company and the Hotels Group have complied with all applicable laws and regulations in conducting its business has not engaged in any activity, which contravenes applicable laws and regulations.
- b) they have declared all material interests in contracts involving the Company and its subsidiaries and refrained from voting on matters in which they were materially interested.
- c) the Company has made all endeavours to ensure the equitable treatment of shareholders.
- d) the business is a going concern with supporting assumptions or qualification as necessary.
- e) they have conducted a review of internal control covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.
- f) the Company has adopted a Code of Business Conduct and Ethics for Directors and members of the senior management team and that all Directors and members of the senior management team have complied with this Code.
- g) The Company being listed on the 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.
- h) The Company is fully compliant with the Code of Best Practice on Corporate Governance (2013) jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Company is compliant with almost the full 2017 Code of Best Practice on Corporate Governance issued by CA Sri Lanka, to the extent of business exigency and as required by the Company, the Hotels Group and the John Keells Group.

Board Evaluation

The Board conducted its annual Board performance appraisal for the financial year 2022/23. 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 are collated by an Independent Director, and the results are analysed to give the Board an indication of its effectiveness as well as areas that require addressing and/or strengthening. Despite the anonymity of the remarks, the open and frank discussions that follow include some Directors identifying themselves as the person making the remark, reflecting the openness of the Board. This process has led to an improvement in Board dynamics and its effectiveness.

The Corporate Governance practices of the Company are described on pages 64 to 103 of this Annual Report.

HUMAN RESOURCES

The Company continued to implement appropriate human resource management policies to develop employees and optimise their contribution towards the achievement of corporate objectives. The policies and procedures ensure the equitable treatment of all employees. There were no material issues pertaining to employees and industrial relations during the year under review.

SYSTEM OF INTERNAL CONTROL

The Board has acknowledged their responsibility for the system of internal controls of the Company and its subsidiaries and has implemented an effective and comprehensive system of internal controls, which provide reasonable but not absolute assurance that assets are safeguarded, and that the financial reporting system may be relied upon in the preparation of the Financial Statements. The Audit Committee receives and acts upon the results of internal control reviews carried out by Outsourced Internal Auditors.

RISK MANAGEMENT

The Board confirms that there is an ongoing process for identifying, evaluating, managing, and mitigating any significant risks faced by the Company, that financial, operational and compliance controls have been reviewed. Risk assessment and evaluation for the Company takes place as an integral part of the business and the Board Audit Committee reviews the principal risks and mitigating actions in place regularly. The Board, through

the involvement of the Group Business Process Review (GBPR) Division of John Keells Holdings PLC takes steps to gain assurance on the effectiveness of control systems in place. The Head of the GBPR Division has direct access to the Chairperson of the Audit Committee. Foreseeable risks that may materially impact the business are disclosed in the Chairperson's Review on pages 18 to 21 and Risk Management practices on pages 52 to 59 of this Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

GOING CONCERN

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements so that they present a true and fair view of the state of affairs of the Company and the Hotels Group. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRS/LKAS), the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Listing Rules of the CSE and the Code of Best Practice on Corporate Governance (2013) issued jointly by the SEC and CA Sri Lanka. The Statement of Directors' Responsibility for financial reporting is given on page 124 and forms an integral part of this Annual Report of the Board of Directors.

REVENUE

The revenue of the Hotels Group from its operations amounted to Rs. 28,835 Mn (2021/22 - Rs. 13,355Mn). The Segment-wise contribution to Hotels Group revenue, results, assets and liabilities are provided in Note 7.1 to the Financial Statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

FINANCIAL RESULTS

The Company recorded a profit after tax of Rs. 68.2Mn (2021/22 - loss of Rs. 49.6Mn), while the Group recorded a consolidated net loss after tax of Rs. 332.5Mn (2021/22 - Rs. 1,216.9Mn) for the year under review. A synopsis of the Company's and Hotels Group's performance is presented below:

In Rs. '000s	Group		Company	
	2023	2022	2023	2022
After making provision for doubtful debts, all known liabilities and depreciation on property, plant and equipment, the profit/(loss) earned before interest was	2,097,971	(62,859)	164,632	22,012
Finance costs during the year was	(2,702,004)	(1,235,013)	(96,389)	(86,056)
Profit/(loss) before tax was	(604,033)	(1,297,872)	68,243	(64,044)
From which was reversed the provision for taxation, including the deferred taxation of	271,489	80,940	-	14,413
Leaving a net profit/(loss) after tax of	(332,544)	(1,216,932)	68,243	(49,631)
The loss attributable to the non-controlling interest was	(11,620)	(14,156)	-	-
The profit/(loss) attributable to the Company and the Group was therefore	(320,924)	(1,202,776)	68,243	(49,631)
Balance brought forward from the previous year	2,296,282	3,427,168	3,245,753	3,295,384
The amount available for appropriation was	1,975,358	2,224,392	3,313,996	3,245,753
Other adjustments	(7,313)	71,890	-	-
Dividend paid during the year	-	-	-	-
Leaving a balance to be carried forward to the next year of	1,968,045	2,296,282	3,313,996	3,245,753

DIVIDENDS

There was no dividend paid for the financial year ended 31 March 2023.

However, if a dividend is declared, it will be preceded by a confirmation from the Board of Directors that the Company satisfies the requirements of Section 56 (2) of the Companies Act No. 7 of 2007 and the solvency test, in accordance with Section 57 of the Companies Act No. 7 of 2007. The Board will also obtain a certificate from the Auditors, prior to recommending a dividend.

PROVISION FOR TAXATION

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

INDEPENDENT AUDITORS' REPORT

The Independent Auditors' Report on the Financial Statements is given on page 126 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

The book value of property, plant, and equipment as at the reporting date amounted to Rs. 34,822Mn (2021/22 - Rs. 32,322Mn) for the Hotels Group. Capital expenditure for the Hotels Group amounted to Rs. 1,063Mn (2021/22 - Rs. 541Mn). Details of property, plant and equipment and their movements are given in Note 20 to the Financial Statements.

MARKET VALUE OF PROPERTIES

Freehold land and buildings of the Hotels Group are subject to routine revaluation by independent qualified valuers. The most recent valuation in respect of the Hotels Group was carried out as at 31 December 2022. Details of property valuations, including the valuation method and effective date of these valuations are provided in Note 20.2 and Note 22.1 to the Financial Statements.

INVESTMENTS

The details of investments held by the Company and the Hotels Group as at 31 March 2023, are given in Notes 24, 25, and 26 to the Financial Statements.

IMPAIRMENT ASSESSMENT

The Board of Directors has evaluated impairment in relation to property, plant, and equipment, intangible assets, and investments. Based on the assessment the investment made by the Company and the Hotels Group do not warrant any impairment in the year 2022/23 (2021/22- Nil).

STATED CAPITAL

The total Stated Capital of the Company as at 31 March 2023 stood at Rs.9,500.2Mn (2022 - Rs. 9,500.2Mn) divided into 1,456,146,780 Ordinary Shares (2022- 1,456,146,780 Ordinary Shares).

RESERVES

The movement in Other Components of Equity and Revenue Reserve of the Company, its subsidiaries, joint ventures, and associates are shown in the Statement of Changes in Equity on page 133 of this Report.

SEGMENT REPORTING

Geographical segment-wise contribution to the Hotels Group revenue, segment results, assets, and liabilities is provided in Note 7.1 to the Financial Statements.

SHARE INFORMATION AND SHAREHOLDINGS

The market value of an Ordinary Share of the Company as at 31 March 2023 was Rs. 18.90 (31 March 2022 - Rs. 11.70). Information relating to earnings, net assets, and market value per share is given in page 12 of this Report. The number of shareholders as at 31 March 2023 was 6,546 (31 March 2022 - 6,564). An analysis of shareholders based on shares held, the distribution of ownership and details of

share transactions during the year are provided on pages 60 and 61 of this Annual Report. The list of top twenty-five shareholders of the Company as at 31 March 2023 is also provided on page 61 of this Annual Report.

FLOAT ADJUSTED MARKET CAPITALISATION

As at 31 March 2023, Company had a float adjusted market capitalisation of Rs. 5,416Mn and 6,546 public shareholders (19.68% public shareholdings). Therefore, the Company is compliant under option 01 of the minimum threshold requirements for the Diri Savi Board of the CSE, and as required under section 7.14.1 (i) (b) of the Listing Rules of the CSE.

EQUITABLE TREATMENT TO ALL SHAREHOLDERS

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

INFORMATION TO SHAREHOLDERS

The Board strives to be transparent and provide accurate information to shareholders in all published material. The quarterly financial information during the year has been sent to the CSE in a timely manner.

DIRECTORS

The Board of Directors of the Company as at 31 March 2023 and their brief profiles are given on pages 104 to 105 of this Report. The Board of the Company is comprised of Non-Executive Directors, three of whom are independent. The Board has conducted an annual determination of the independence of the Independent Non- Executive Directors.

T L F W Jayasekara retired from the Board of Directors with effect from 22 June 2022 and J E P Kehelpannala retired from the Board of Directors with effect from 31 December 2022 consequent to his retirement from the John Keells Group.

H Premaratne, who was appointed to the Board of the Company with effect from 7 July 2022, retires in terms of Article 90 of the Articles of Association of the Company and, being eligible, offers himself up for re-election at the Annual General Meeting.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

K A Gunasekera and M R Svensson retire by rotation in terms of Article 83 of the Articles of Association of the Company, and being eligible offer themselves up for re-election at the Annual General Meeting.

RESPONSIBILITIES OF THE BOARD

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

BOARD SUB-COMMITTEES

Audit Committee

The following Independent Non-Executive Directors of the Board served on the Audit Committee during the financial year ended 31 March 2023:

H Premaratne – Chairperson*
K A Gunasekera
A K Moonesinghe
T L F W Jayasekara**

*Appointed w.e.f 07.07.2022 and a member of a professional accounting body.

**Resigned w.e.f 22.06.2022

It is to be noted that T L F W Jayasekara retired as the Chairperson of the Audit Committee consequent to his retirement from the Board of Directors on 22 June 2022. S Rajendra was appointed as a member and Chairperson of the Audit Committee with effect from 23 June 2022 and relinquished his role on 15 July 2022.

The Audit Committee reviewed the type and quantum of services provided by the external Auditors to the Company and the Hotels Group to ensure that their independence as Auditors has not been impaired. The Report of the Audit Committee is given on page 106 of this Annual Report.

Human Resources and Compensation Committee

As permitted by the Listing Rules of the CSE, the Human Resources and Compensation Committee of John Keells Holdings PLC (JKH), the Parent Company, functions as the Human Resources and Compensation Committee of the Company.

The Human Resources and Compensation Committee of JKH comprises of three Independent Non-Executive Directors:

D A Cabraal - Chairperson
A N Fonseka*
S S H Wijayasuriya
M A Omar**

*Appointed w.e.f. 27.06.2022

**Resigned w.e.f. 27.06.2022

The Report of the Human Resources and Compensation Committee and the remuneration policy of the Company are detailed in the Corporate Governance Report on page 64 to 103 of this Annual Report.

The aggregate remuneration paid to the Non-Executive Directors is contained in Note 17 to the Financial Statements.

Nominations Committee

Nominations Committee of the Parent Company, JKH functions as the Nominations Committee of the Company.

The Report, mandate and the scope of the Nominations Committee is set out on page 76 and page 109 of this Annual Report.

The Nominations Committee members of JKH are as follows;

D A Cabraal* – Chairperson
M P Perera
S S H Wijayasuriya
K N J Balendra
M A Omar**

*Appointed w.e.f. 27.06.2022

**Resigned w.e.f. 27.06.2022

Related Party Transactions Review Committee

Related Party Transactions Review Committee of the Parent Company JKH, as permitted by the listing rules of the CSE, functions as Related Party Transactions Review Committee of the Company and conforms to the requirements of the Listing Rules of the CSE.

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

M P Perera – Chairperson
A N Fonseka
D A Cabraal

The Report, mandate and the scope of the Related Party Transactions Review Committee is set out on page 77 and page 110 of this Annual Report. Disclosures pertaining to Related Party transactions are contained on page 198 of this Annual Report.

Project Risk Assessment Committee

The Project Risk Assessment Committee of the parent company, JKH, functions as the Project Risk Assessment Committee of the Company and the Hotels Group.

The Project Risk Assessment Committee members of JKH are as follows;

S S H Wijayasuriya - Chairperson
K N J Balendra
J G A Cooray
M P Perera

The Report, mandate and the scope of the Project Risk Assessment Committee is set out on page 78 and page 111 of this Annual Report.

DIRECTORS' SHAREHOLDINGS

The shares held by Directors and their spouses in the Company as at 31 March 2023 and 2022 are as follows:

	31 March 2023	31 March 2022
K N J Balendra - Chairperson	Nil	Nil
J G A Cooray	Nil	Nil
S Rajendra	Nil	Nil
M R Svensson	Nil	Nil
J E P Kehelpannala*	N/A	Nil
M H Singhawansa	Nil	Nil
H Premaratne**	Nil	N/A
T L F W Jayasekara***	N/A	Nil
A K Moonesinghe	Nil	Nil
K A Gunasekera	Nil	Nil

* J E P Kehelpannala retired from the Board of Directors with effect from 31 December 2022.

** H Premaratne was appointed to the Board of Directors with effect from 7 July 2022.

*** T L F W Jayasekara retired from the Board of Directors with effect from 22 June 2022.

The shares held by Directors and their spouses in the Hotels Group companies as at 31 March 2023 and 2022 are as follows:

	31 March 2023	31 March 2022
International Tourists & Hoteliers Ltd		
J E P Kehelpannala	N/A	150

INTERESTS REGISTER

The Company has maintained an Interests Register as contemplated by the Companies Act No. 7 of 2007. In compliance with the requirements of the Companies Act No. 7 of 2007, this Annual Report also contains particulars of entries made in the interest registers of subsidiaries and joint ventures which are Public Companies or Private Companies and have not dispensed with the requirement to maintain an interest register as permitted by Section 30 of the Companies Act No. 7 of 2007. The Interest Register is available at the Registered office of the Company, in keeping with the requirement of the Section 119 (1) (d) of the Companies Act No. 07 of 2007.

Particulars of entries in the Interests Register for the Financial Year 2022/23 are as follows.

a. Directors Interests in Contracts

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

b. Share Dealings

There have been no disclosures of share dealings during the financial year ended 31 March 2023.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

c. Indemnities and Directors' Remuneration

Details of the remuneration and other benefits received by the Directors of the Company, its subsidiaries and joint ventures are set out in Note 17 to the Financial Statements. While any Executive Director's remuneration is determined by the Human Resources and Compensation Committee of JKH, the parent company, the remuneration of the Non-Executive Directors are determined according to scales of payment decided upon by the Board. The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness to the Company.

The Board approved the payment of revised Director fees and Board Sub Committee fees to the Non-Executive Directors of the Company, namely, K N J Balendra, J G A Cooray, S Rajendra, M R Svensson, J E P Kehelpannala, M H Singhawansa, A K Moonesinghe, K A Gunasekera and H. Premaratne which fees are commensurate with the market and complexities of the business of the Company, with effect from 1st July 2022. The fees payable to Directors nominated by John Keells Holdings PLC were remitted to John Keells Holdings PLC rather than to individual Directors.

The contracts of the following Non-Executive Directors were renewed by the Board : K A Gunasekera and A K Moonesinghe.

H Premaratne was appointed as an Independent Non-Executive Director of the Company with effect from 7th July 2022 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.

T L F W Jayasekera, Non-Executive Independent Director of the Company retired from the Board of Directors of the Company with effect from 22nd June 2022.

J E P Kehelpannala, Non-Executive Non Independent Director of the Company resigned from the Board of Directors of the Company with effect from 31st December 2022 consequent to his retirement from the John Keells Group.

DIRECTORS MEETINGS

Details of the meetings of the Directors are given on page 70.

EMPLOYMENT

The Company has an equal opportunity policy, and these principles are adhered in specific selection, training, development, and promotion policies, ensuring that all decisions are based on merit. The Hotels Group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status, or physical disability. There were no material issues pertaining to employees and industrial relations in the year under review. The number of persons employed by the Hotels Group as at 31 March 2023 was 2,309 (2022 - 2,358).

EMPLOYEE SHARE OPTION SCHEME (ESOP)

The Company does not offer its shares under an ESOP Scheme. The ESOP Scheme made available to the Senior Executives of the Company is from the parent company, JKH. The Company has not directly or indirectly provided funds to its employees to purchase shares under ESOP Scheme.

STATUTORY PAYMENTS

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

OUTSTANDING LITIGATION

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

SUPPLIER POLICY

The Company applies an overall policy of agreeing and clearly communicating terms of payment as part of the commercial agreements negotiated with suppliers and endeavours to pay for all items properly charged in accordance with these agreed terms. As at 31 March 2023, the trade and other payable of the Hotels Group amounted to Rs. 2,060Mn (2022 - Rs. 1,652Mn) and for the Company amounted to Rs. 6.6Mn (2022 - Rs. 11Mn).

SUSTAINABILITY REPORTING

The Hotels Group is conscious of the impact, direct and indirect, on the environment due to its business activities. Every endeavour is made to minimise the adverse effects on the environment to ensure sustainable continuity of our natural resources.

DONATIONS

Total donations made by the Hotels Group during the year amounted to Rs. 6.1Mn (2021/22- Rs. 2.9Mn). Donations made by Subsidiaries of the Company were as follows: Ceylon Holiday Resorts Ltd - Rs. 506,041/- (2021/22 - Rs. 26,041/-), Habarana Lodge Ltd - Rs. 403,810/- (2021/22 - Rs. 9,325/-), Habarana Walk Inn Ltd - Rs. 66,166/- (2021/22 - Rs. 72,875/-), Kandy Walk Inn Ltd - Rs. 455,973/- (2021/22 - Rs. 19,502/-), Trinco Holiday Resorts (Pvt) Ltd - Rs. 1,054,976/- (2021/22 - 55,218/-), Hikkaduwa Holiday Resorts (Pvt) Ltd - Rs. 131,140/- (2021/22 - Rs. 218,497/-), Yala Village (Pvt) Ltd - Rs. 705,793/- (2021/22 - Rs. 21,283/-), Beruwala Holiday Resorts (Pvt) Ltd - Rs. 551,037/- (2021/22 - Rs. 160,086/-), Cinnamon Holidays Pvt Ltd - Nil (2021/22 - Rs. 62,967/-), Travel Club (Pte) Ltd -Rs. 705,557/- (2021/22 - Rs. 411,630/-), Fantasea World Investments (Pte) Ltd - Rs. 373,272/- (2021/22-Rs. 911,068/-) and Tranquility (Pte) Ltd - Rs. 1,189,769 (2021/22 - Rs. 905,559/-).

AUDITORS

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

Messrs. Ernst & Young, Chartered Accountants have indicated their willingness to continue as Auditors of the Company, accordingly, a resolution proposing their reappointment as Auditors will be proposed at the Annual General Meeting. Details of the Audit Fees paid to the Auditors are set out in Note 17 of the Financial Statements. Further details of the work of the Auditor and the Audit Committee are set out in the Audit Committee Report on pages 106 and 107.

ANNUAL REPORT

The audited consolidated Financial Statements for the financial year ended 31 March 2023 were approved for issue by the Board of Directors on 23 May 2023. The appropriate number of copies of this Report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board as required.

ANNUAL GENERAL MEETING

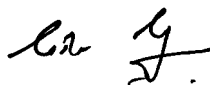
The Annual General Meeting will be held as a virtual meeting on 27 June 2023, details of which are found on the Notice of Meeting.

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



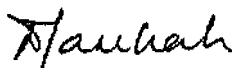
K N J Balendra

Chairperson



J G A Cooray

Director



By Order of the Board

Keells Consultants Pvt Ltd

Secretaries

23 May 2023

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Section D.1.5 of the 'Code of Best Practice on Corporate Governance 2017' (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors presents a Responsibility Statement on the preparation and presentation of Financial Statements in the Annual Report together with a statement by the Auditors about their reporting responsibilities.

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

As per the provisions of the Companies Act No. 07 of 2007 (Companies Act), the Directors are required to prepare, for each financial year and place before a general meeting, financial statements which comprise of:

- The Income statement and Statement of comprehensive income of the Company and its subsidiaries, which present a true and fair view of the financial performance of the Company and its subsidiaries for the financial year; and
- a Statement of financial position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries at the end of the financial year.

The Directors have ensured that the financial statements of the Company and the subsidiaries for the year ended 31 March 2023, presented in the Report, have been prepared:

- using appropriate accounting policies which have been selected and applied consistently, and material departures, if any, have been disclosed and explained.
- Companies Act No. 07 of 2007,
- in accordance with the Sri Lanka Accounting and Auditing Standards (Act No. 15 of 1995); and that reasonable and prudent judgements 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, the Listing Rules of the Colombo Stock Exchange (CSE), the Code of Best Practice on Corporate Governance (2013) issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC) and the Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka.

The Directors have ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Additionally, the Board of 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 the Hotels Group; and
- take all reasonable steps to safeguard the assets of the Company and of its subsidiaries and, in this regard to give proper consideration to the establishment of appropriate internal control systems to prevent and detect fraud and other irregularities

The Board of Directors have taken all reasonable steps to ensure that the Company and its subsidiaries maintain adequate and accurate accounting books of record, which reflect the transparency of transactions and provide a reasonable accuracy of the financial position of the Company and its subsidiaries.

Further in the event of a dividend distribution, as required by Section 56(2) of the Companies Act, and based on the information available, the Board of Directors will ensure that the Company has satisfied the solvency test immediately after the distribution of any dividends in accordance with Section 57 of the Companies Act with a certificate from the Auditors being obtained prior to declaring such dividend.

The Board of Directors is required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate to enable them to give an independent Auditors' Report.

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

The Board of Directors approved this Annual Report on 23 May 2023. The appropriate number of copies will be submitted to the Colombo Stock Exchange and the Sri Lanka Accounting and Auditing Standards Monitoring Board, as required.

COMPLIANCE REPORT

The Directors confirm that, to the best of their knowledge, all taxes and levies payable by the Company and the subsidiaries, and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory obligations as were due and payable by the Company and its subsidiaries as at the reporting date, have been paid or provided for, except as specified in Note 43 to the Financial Statements covering Contingent Liabilities. The Board of Directors confirms that the Company and its subsidiaries have complied with Paragraph 23 of the LKAS 24, and that all related party transactions are carried out at an “arm’s length” basis.

By Order of the Board
John Keells Hotels PLC



Keells Consultants (Pvt) Ltd
Secretaries

23 May 2023

INDEPENDENT AUDITORS' REPORT



Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF JOHN KEELLS HOTELS PLC

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of John Keells Hotels PLC (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 March 2023, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and Group give a true and fair view of the financial position of the Company and Group as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group

in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming the auditors' opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
01. Assessment of fair value of land and buildings	
<p>Property, Plant and Equipment and Investment Property include land and buildings carried at fair value. The fair values of land and buildings were determined by an external valuer engaged by the Group.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> Materiality of the reported land & buildings balances, which amounted to Rs. 32,456Mn and represents 37% of the total assets. The degree of assumptions, judgements and estimation uncertainties associated with fair valuation of land and buildings. <p>Key areas of significant judgements, estimates and assumptions used in the valuation of the land and buildings included the following:</p> <ul style="list-style-type: none"> Estimate of per perch value of the land Estimate of the per square foot value of the buildings 	<p>Our audit procedures were based on the best available information as at the date of our report and focused on the valuations performed by the external valuer engaged by the Group. Our procedures included the following.</p> <ul style="list-style-type: none"> Assessed the competency, capability and objectivity of the external valuer engaged by the Group. Read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each property. Assessed the reasonableness of the significant judgements made by the valuer and valuation techniques, per perch price and value per square foot used by the valuer in the valuation of each property. We have also assessed the adequacy of the disclosures made in notes 20 and 22 to the financial statements relating to the significant judgements, valuation techniques and estimates used by the external valuer.
02. Compliance with interest bearing loan covenants	
<p>As of the reporting date, the Group reported total interest-bearing borrowings of Rs. 17,566Mn, of which Rs. 4,605Mn is reported under current liabilities and the amount of Rs. 12,961Mn is reported under non-current liabilities.</p> <p>The interest-bearing borrowings was a key audit matter due to ;</p> <ul style="list-style-type: none"> The magnitude of the interest-bearing borrowings and its significance to the overall financial statements (32% of the total liabilities) The existence of numerous financial and non-financial covenants, the breach of which could impact the current, non-current classification of the loans. 	<p>Our audit procedures included amongst others the following:</p> <ul style="list-style-type: none"> Obtained an understanding of the terms and conditions attached to external borrowings by perusing the loan agreements. Reviewed the Management's statements of compliance with loan covenants and timely reporting and monitoring on covenant compliances in relation to interest bearing borrowings and timely payment of the loan instalments during the year. Obtained confirmation from the Banks on the loans outstanding as at 31 March 2023 and where required waivers of loan covenants by the Bank. Assessed the adequacy and appropriateness of the disclosures made in note 34 to the financial statements relating to interest bearing borrowings.

INDEPENDENT AUDITORS' REPORT

Other information included in the Group's 2022/23 Annual Report

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

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

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

Responsibilities of management and those charged with governance

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

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

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

Auditors' responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

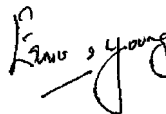
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditors' report is 2097.



23 May 2023
Colombo

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

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudlan ACMA, D L B Karunathilake ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

INCOME STATEMENT

For the year ended 31 March		Group		Company	
In Rs. '000s	Note	2023	2022	2023	2022
Revenue from contracts with customers	13	28,835,400	13,354,724	-	-
Cost of sales		(10,768,969)	(4,997,121)	-	-
Gross profit		18,066,431	8,357,603	-	-
Dividend income	14	-	-	76,655	-
Other operating income	15.1	178,148	116,201	23,758	21,717
Selling and distribution expenses		(1,322,278)	(584,392)	-	-
Administrative expenses		(12,001,063)	(6,894,569)	(21,733)	(18,673)
Other operating expenses	15.2	(3,178,801)	(1,185,195)	(818)	(322)
Results from operating activities		1,742,437	(190,352)	77,862	2,722
Finance costs	16	(2,702,004)	(1,235,013)	(96,389)	(86,056)
Finance income	16	148,166	20,769	86,770	19,290
Net gain from fair value remeasurement of investment properties	22.1	201,400	104,950	-	-
Share of results of equity accounted investees (net of tax)	25.1	5,968	1,774	-	-
Profit/(loss) before tax	17	(604,033)	(1,297,872)	68,243	(64,044)
Tax reversal	18.1	271,489	80,940	-	14,413
Profit/(loss) for the year		(332,544)	(1,216,932)	68,243	(49,631)
Attributable to :					
Equity holders of the parent		(320,924)	(1,202,776)		
Non-controlling interests		(11,620)	(14,156)		
		(332,544)	(1,216,932)		
		Rs.	Rs.	Rs.	Rs.
Earnings/(Loss) per share - Basic/Diluted	19	(0.22)	(0.83)	0.05	(0.03)

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 136 to 205 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March		Group		Company	
In Rs. '000s	Note	2023	2022	2023	2022
Profit/(loss) for the year		(332,544)	(1,216,932)	68,243	(49,631)
Other comprehensive income					
Other comprehensive income to be reclassified to income statement in subsequent periods					
Exchange differences on translation of foreign operations		1,372,872	6,019,111	-	-
Net other comprehensive income to be reclassified to income statement in subsequent periods		1,372,872	6,019,111	-	-
Other comprehensive income not to be reclassified to income statement in subsequent periods					
Revaluation of land and buildings	20.1	2,664,366	1,056,421	-	-
Net gain/(loss) on equity instruments at fair value through other comprehensive income		7	(4,739)	7	(1)
Re-measurement loss on defined benefit plans	35.1	(7,397)	(9,176)	-	-
Net other comprehensive income not to be reclassified to income statement in subsequent periods		2,656,976	1,042,506	7	(1)
Tax on other comprehensive income	18.2	(1,239,057)	(135,464)	-	-
Other comprehensive income for the year, net of tax		2,790,791	6,926,153	7	(1)
Total comprehensive income for the year, net of tax		2,458,247	5,709,221	68,250	(49,632)
Attributable to:					
Equity holders of the parent		2,457,802	5,714,379		
Non-controlling interests		445	(5,158)		
		2,458,247	5,709,221		

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 136 to 205 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March In Rs. '000s	Note	Group		Company	
		2023	2022	2023	2022
ASSETS					
Non-current assets					
Property, plant and equipment	20.1	34,821,838	32,322,034	-	-
Right-of-use assets	21.1.1	41,443,969	40,683,891	-	-
Investment properties	22.1	1,970,300	1,768,900	-	-
Intangible assets and goodwill	23.1	670,407	670,407	-	-
Investment in subsidiaries	24.1	-	-	12,690,759	12,688,540
Investment in equity accounted investees	25	782,923	775,935	767,842	766,822
Non-current financial assets	26	174,254	173,800	12	5
Deferred tax assets	18.5.1	1,351,203	1,375,526	10,368	10,368
Other non-current assets	27	2,711	527	-	-
		81,217,605	77,771,020	13,468,981	13,465,735
Current assets					
Inventories	28.1	600,342	418,753	-	-
Trade and other receivables	29	2,902,325	2,676,221	-	-
Amounts due from related parties	40.1	74,626	63,597	3,552	3,525
Other current assets	30	505,794	860,318	5,180	-
Short-term investments	31	576,683	54,987	108,569	672
Cash in hand and at bank		1,218,959	1,677,692	445,912	405,044
		5,878,729	5,751,568	563,213	409,241
Total assets		87,096,334	83,522,588	14,032,194	13,874,976
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	32.1	9,500,247	9,500,247	9,500,247	9,500,247
Revenue reserve		1,968,045	2,296,282	3,313,996	3,245,753
Other components of equity	32.2	21,030,791	18,244,432	(1)	(8)
		32,499,083	30,040,961	12,814,242	12,745,992
Non-controlling interests		99,319	99,428	-	-
Total equity		32,598,402	30,140,389	12,814,242	12,745,992
Non-current liabilities					
Interest-bearing loans and borrowings	34.1	12,961,265	16,466,986	938,394	1,104,926
Lease liabilities	21.1.2	21,125,639	19,659,970	-	-
Deferred tax liabilities	18.5.2	1,394,026	687,782	-	-
Employee benefit liabilities	35	262,928	239,945	-	-
Other deferred liabilities	36	23,803	50,484	-	-
Non-current financial liabilities	37	158,640	73,760	-	-
		35,926,301	37,178,927	938,394	1,104,926
Current liabilities					
Trade and other payables	38	2,059,784	1,652,430	6,553	10,993
Amounts due to related parties	40.2	347,262	259,788	1,275	1,276
Other current liabilities	39	1,802,241	1,100,161	-	-
Income tax liabilities	18.4	88,086	121,888	10,368	10,368
Interest-bearing loans and borrowings	34.1	4,604,427	3,710,639	261,362	1,421
Lease liabilities	21.1.2	1,682,243	2,947,669	-	-
Bank overdrafts		7,987,588	6,410,697	-	-
		18,571,631	16,203,272	279,558	24,058
Total equity and liabilities		87,096,334	83,522,588	14,032,194	13,874,976

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

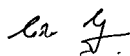


C L P Gunawardane
Chief Financial Officer

The Board of Directors is responsible for these financial statements.



K N J Balendra
Chairperson



J G A Cooray
Director

The accounting policies and notes as set out on pages 136 to 205 form an integral part of these financial statements.

23 May 2023
Colombo

STATEMENT OF CHANGES IN EQUITY

GROUP	Attributable to equity holders of the parent									
	Stated capital	Revaluation reserve	Foreign currency translation reserve	Employee Share Option Plan reserve	Fair value reserve of financial assets at FVOCI*	Revenue reserve	Total	Non-controlling interests	Total equity	
In Rs. '000s										
As at 1 April 2021	9,500,247	5,039,079	6,305,289	59,042	(4,686)	3,427,168	24,326,139	104,587	24,430,726	
Loss for the year	-	-	-	-	-	(1,202,776)	(1,202,776)	(14,156)	(1,216,932)	
Other comprehensive income	-	910,468	6,019,111	-	(4,681)	(7,743)	6,917,155	8,998	6,926,153	
Total comprehensive income	-	910,468	6,019,111	-	(4,681)	(1,210,519)	5,714,379	(5,158)	5,709,221	
Share-based payments	-	-	-	443	-	-	443	(1)	442	
Transfer to revenue reserve	-	(79,633)	-	-	-	79,633	-	-	-	
As at 31 March 2022	9,500,247	5,869,914	12,324,400	59,485	(9,367)	2,296,282	30,040,961	99,428	30,140,389	
Adjustment for surcharge tax	-	-	-	-	-	(1,083)	(1,083)	(2)	(1,085)	
As at 1 April 2022 (Adjusted)	9,500,247	5,869,914	12,324,400	59,485	(9,367)	2,295,199	30,039,878	99,426	30,139,304	
Loss for the year	-	-	-	-	-	(320,924)	(320,924)	(11,620)	(332,544)	
Other comprehensive income	-	1,412,634	1,372,872	-	7	(6,787)	2,778,726	12,065	2,790,791	
Total comprehensive income	-	1,412,634	1,372,872	-	7	(327,711)	2,457,802	445	2,458,247	
Share-based payments	-	-	-	846	-	-	846	5	851	
Subsidiary dividend to non-controlling interests	-	-	-	-	-	557	557	(557)	-	
As at 31 March 2023	9,500,247	7,282,548	13,697,272	60,331	(9,360)	1,968,045	32,499,083	99,319	32,598,402	
COMPANY										
In Rs. '000s										
As at 1 April 2021	9,500,247	-	-	-	-	-	(7)	3,295,384	12,795,624	
Loss for the year	-	-	-	-	-	-	-	(49,631)	(49,631)	
Other comprehensive income	-	-	-	-	-	-	(1)	-	(1)	
Total comprehensive income	-	-	-	-	-	-	(1)	(49,631)	(49,632)	
As at 31 March 2022	9,500,247	-	-	-	-	-	(8)	3,245,753	12,745,992	
Profit for the year	-	-	-	-	-	-	-	68,243	68,243	
Other comprehensive income	-	-	-	-	-	-	7	-	7	
Total comprehensive income	-	-	-	-	-	-	7	68,243	68,250	
As at 31 March 2023	9,500,247	-	-	-	-	-	(1)	3,313,996	12,814,242	

*Fair value through other comprehensive income
Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 136 to 205 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March		Group		Company	
In Rs. '000s	Note	2023	2022	2023	2022
OPERATING ACTIVITIES					
Operating profit before working capital changes	A	7,214,291	3,309,219	1,438	2,953
Increase in inventories		(202,445)	(158,640)	-	-
Increase in trade and other receivables		(1,074,265)	(3,419,655)	-	-
(Increase)/decrease in other current assets		336,498	(21,636)	(5,180)	-
(Increase)/decrease in amounts due from related parties		(13,829)	(54,961)	(27)	1,005
Increase/(decrease) in amounts due to related parties		71,765	161,118	(1)	(1,845)
Increase in other current liabilities		699,261	692,644	-	-
Increase/(decrease) in trade and other payables		287,844	519,210	(4,440)	537
Cash generated from/(used in) operations		7,319,120	837,299	(8,210)	2,650
Finance costs paid		(1,756,975)	(858,885)	(1,790)	(89)
Finance income received		148,166	20,769	86,770	19,290
Tax paid		(110,063)	(10,203)	-	-
Surcharge tax paid		(1,085)	-	-	-
Dividend received		-	-	76,655	-
Gratuity paid		(27,744)	(21,777)	-	-
Net cash flows from/(used in) operating activities		5,571,419	(32,797)	153,425	21,851
INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment		(1,063,365)	(541,187)	-	-
Proceeds from sale of property, plant and equipment		30,691	374,191	-	-
(Investment)/withdrawal in short-term investments (net)		(280,223)	39,384	-	-
(Purchase)/disposal of non-current financial assets (net)		(447)	1,495	-	-
Increase in interest in subsidiaries		-	-	(2,219)	(5,857)
Increase in interest in equity accounted investees		(1,020)	(750)	(1,020)	(750)
Net cash flows used in investing activities		(1,314,364)	(126,867)	(3,239)	(6,607)
FINANCING ACTIVITIES					
Repayment of loans given to related parties		-	-	-	250,000
Loans granted to related parties		-	-	-	(250,000)
Repayments of bank borrowings	34.1	(4,373,744)	(2,603,751)	(1,421)	(3,005)
Payment of principal portion of lease liabilities		(1,777,462)	(1,222,512)	-	-
Proceeds from borrowings	34.1	100,000	2,066,850	-	-
Net cash flows used in financing activities		(6,051,206)	(1,759,413)	(1,421)	(3,005)
Net increase/(decrease) in cash and cash equivalents		(1,794,151)	(1,919,077)	148,765	12,239
Cash and cash equivalents at the beginning of the year		(4,703,400)	(2,784,323)	405,716	393,477
Cash and cash equivalents at the end of the year		(6,497,551)	(4,703,400)	554,481	405,716
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Short-term investments (less than 3 months)	31	271,078	29,605	108,569	672
Cash in hand and at bank		1,218,959	1,677,692	445,912	405,044
Unfavourable balances					
Bank overdrafts		(7,987,588)	(6,410,697)	-	-
Total cash and cash equivalents		(6,497,551)	(4,703,400)	554,481	405,716

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 136 to 205 form an integral part of these financial statements.

For the year ended 31 March		Group		Company	
In Rs. '000s	Note	2023	2022	2023	2022
A Operating profit before working capital changes					
Profit/(loss) before tax		(604,033)	(1,297,872)	68,243	(64,044)
Adjustments for;					
Depreciation of property, plant and equipment	20.1	2,511,790	1,732,381	-	-
Provision for employee benefit costs		43,331	32,980	-	-
Share-based payment expense	33	851	443	-	-
Depreciation of right-of-use assets	21.1	2,758,820	1,621,408	-	-
Finance costs	16	2,702,004	1,235,013	96,389	86,056
Amortisation of transaction cost on interest-bearing borrowings	34.1	959	4,468	231	231
Dividend received		-	-	(76,655)	-
Finance income	16	(148,166)	(20,769)	(86,770)	(19,290)
(Gain)/loss on disposal of property, plant and equipment	15	22,945	(77,757)	-	-
Share of results of equity accounted investees	25.1	(5,968)	(1,774)	-	-
Reversal for slow moving inventories		(51)	(2,108)	-	-
Provision/(reversal) for impairment losses		(4,123)	8,291	-	-
Net gain from fair value remeasurement of investment properties	22.1	(201,400)	(104,950)	-	-
Unrealised loss on foreign exchange (net)		137,332	179,465	-	-
Operating profit before working capital changes		7,214,291	3,309,219	1,438	2,953

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 136 to 205 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CORPORATE AND GROUP INFORMATION

1 CORPORATE INFORMATION

Reporting entity

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

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

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

Consolidated financial statements

The financial statements for the year ended 31 March 2023, comprised of "the Company" refers to John Keells Hotels PLC as the holding Company and "the Group" referring to the companies whose accounts have been consolidated therein.

Approval of financial statements

The financial statements for the year ended 31 March 2023 were authorised for issue by the Directors on 23 May 2023.

Principal activities and nature of operations of the holding Company

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

Responsibility for financial statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility on Page 124 of the Annual report.

Statement of compliance

The financial statements, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and

notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the Companies Act No. 7 of 2007.

2 GROUP INFORMATION

Subsidiaries, associate and joint ventures

The Companies within the Group are shown in the Group structure on pages 10 -11.

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

BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

3 BASIS OF PREPARATION

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

Offsetting

Assets and liabilities, income and expenses are not offset unless required or permitted by Sri Lanka Accounting Standards.

Going concern

The Group has prepared the financial statements for the year ended 31 March 2023 on the basis that it will continue to operate as a going concern. In determining the basis for preparing the financial statements for the year ended 31 March 2023, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Group companies and the appropriateness of the use of the going concern basis.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. The management has formed judgement that the Company, its subsidiaries,

associates and joint ventures have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group.

In determining the above, significant management judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including exchange rate volatilities, supply chain disruptions, foreign exchange market limitations and interest rate volatilities have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

Presentation and functional currency

The consolidated financial statements are presented in Sri Lankan Rupees, which is the primary economic environment in which the holding company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

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

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

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

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

The significant accounting policies are discussed with relevant individual notes.

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

The indicative US Dollar financial statements on pages 209 to 211 do not form part of the financial statements prepared in accordance with SLFRS/LKAS.

Comparative information

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

Provision for taxation

The tax liability arising from the Surcharge Tax Act No. 14 of 2022 has been accounted as recommended by the (Addendum to) Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the note 18 on Taxes.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies has been disclosed along with the relevant individual notes in the subsequent pages.

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

Other significant accounting policies not covered with individual notes

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

Current versus non-current classification

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

NOTES TO THE FINANCIAL STATEMENTS

An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Foreign currency translation, foreign currency transactions and balances

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

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

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

Monetary assets and liabilities denominated in foreign currency are translated into functional currency equivalents at the spot exchange rate prevailing at the reporting date.

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

Foreign operations

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

The exchange rates applicable during the year were as follows:

	Closing rate		Average rate	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
US Dollar	329.50	305.00	360.36	208.34

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

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

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

- a) Valuation of property, plant and equipment and investment properties
- b) Impairment of non-financial assets
- c) Share-based payments
- d) Taxes
- e) Employee benefit liabilities
- f) Allowance for expected credit losses of trade receivables and contract assets
- g) Leases - Estimating the incremental borrowing rate
- h) Going concern basis

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Amendments to LKAS 1 : Classification of liabilities as current or non-current.

Amendments to LKAS 1 : Disclosure of accounting policies.

Amendments to LKAS 8 : Definition of accounting estimates.

Amendments to LKAS 12 : Deferred tax related to assets and liabilities arising from a single transaction.

GROUP BUSINESS, OPERATIONS AND MANAGEMENT

7 OPERATING SEGMENT INFORMATION Accounting policy

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

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

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

No operating segments have been aggregated to form reportable operating segments. An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Board of Directors. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions

NOTES TO THE FINANCIAL STATEMENTS

about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the operating segments' information, is measured differently from operating profit or loss in the consolidated financial statements. Transfer prices between operating segments are carried out in the ordinary course of business.

7.1 Business segments

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

For the year ended 31 March In Rs. '000s	Sri Lanka		Maldives		Group	
	2023	2022	2023	2022	2023	2022
Disaggregation of revenue - Timing of revenue recognition						
Services transferred over time	6,301,373	2,921,384	22,972,071	10,734,712	29,273,444	13,656,096
Less: inter segment revenue	(112,274)	(30,501)	(325,770)	(270,871)	(438,044)	(301,372)
Net segment revenue from contracts with customers	6,189,099	2,890,883	22,646,301	10,463,841	28,835,400	13,354,724
Segment results	(1,045,551)	(1,246,609)	2,609,840	940,056	1,564,289	(306,553)
Other operating income	5,384	81,622	172,764	34,579	178,148	116,201
Finance costs	(936,502)	(495,919)	(1,765,502)	(739,094)	(2,702,004)	(1,235,013)
Finance income	148,166	20,769	-	-	148,166	20,769
Net gain from fair value remeasurement of investment properties	201,400	104,950	-	-	201,400	104,950
Share of results of equity accounted investees	5,968	1,774	-	-	5,968	1,774
Profit/(loss) before tax	(1,621,135)	(1,533,413)	1,017,102	235,541	(604,033)	(1,297,872)
Tax reversal/(expense)	853,831	138,226	(582,342)	(57,286)	271,489	80,940
Profit/(loss) for the year	(767,304)	(1,395,187)	434,760	178,255	(332,544)	(1,216,932)
Assets						
Segment assets	24,569,705	21,617,874	61,856,222	61,234,307	86,425,927	82,852,181
Goodwill					670,407	670,407
Total assets					87,096,334	83,522,588
Liabilities						
Segment liabilities	11,976,640	9,682,905	42,521,292	43,699,294	54,497,932	53,382,199
Total liabilities					54,497,932	53,382,199
Other Information						
Purchase and construction of property, plant and equipment	247,000	311,267	782,748	203,304	1,029,748	514,571
Depreciation of property, plant and equipment	702,253	663,187	1,809,537	1,069,194	2,511,790	1,732,381
Additions to right-of-use assets	14,041	-	40,573	-	54,614	-
Depreciation of right-of-use assets	26,482	45,464	2,732,338	1,575,944	2,758,820	1,621,408
Lease liabilities	444,211	446,244	22,363,671	22,161,395	22,807,882	22,607,639
Interest-bearing loans and borrowings	5,918,526	6,353,195	11,647,166	13,824,430	17,565,692	20,177,625
Provision for employee benefit costs	43,331	32,980	-	-	43,331	32,980

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

8 BASIS OF CONSOLIDATION

Accounting policy

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2023. Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Control over an investee

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

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

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

Transactions eliminated on consolidation

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

Subsidiaries

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

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

Income statement and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to

the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, which is 12 months ending 31 March, using consistent accounting policies.

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

Loss of control

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

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

Non-controlling interests (NCI)

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

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

9 BUSINESS COMBINATIONS AND GOODWILL

Accounting policy

Business combinations are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount

NOTES TO THE FINANCIAL STATEMENTS

(generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

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

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

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

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

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

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

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

Impairment of goodwill

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

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

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

10 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

10.1 Credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

10.1.1 Credit risk exposure - Group

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

As at 31 March		2023					
In Rs. '000s	Note	Non-current financial assets	Cash in hand and at bank	Trade and other receivables	Short-term investments	Amounts due from related parties	Total
Deposits with bank	10.1.2	-	-	-	576,683	-	576,683
Trade and other receivables	10.1.3	-	-	2,902,325	-	-	2,902,325
Amounts due from related parties	10.1.4	-	-	-	-	74,626	74,626
Loans to executives	10.1.5	4,014	-	-	-	-	4,014
Cash in hand and at bank	10.1.2	-	1,218,959	-	-	-	1,218,959
Total credit risk exposure		4,014	1,218,959	2,902,325	576,683	74,626	4,776,607
Financial assets at fair value through OCI	10.1.6	170,240	-	-	-	-	170,240
Total equity risk exposure		170,240	-	-	-	-	170,240
Total		174,254	1,218,959	2,902,325	576,683	74,626	4,946,847

As at 31 March		2022					
In Rs. '000s	Note	Non-current financial assets	Cash in hand and at bank	Trade and other receivables	Short-term investments	Amounts due from related parties	Total
Deposits with bank	10.1.2	-	-	-	54,987	-	54,987
Trade and other receivables	10.1.3	-	-	2,676,221	-	-	2,676,221
Amounts due from related parties	10.1.4	-	-	-	-	63,597	63,597
Loans to executives	10.1.5	3,517	-	-	-	-	3,517
Cash in hand and at bank	10.1.2	-	1,677,692	-	-	-	1,677,692
Total credit risk exposure		3,517	1,677,692	2,676,221	54,987	63,597	4,476,014
Financial assets at fair value through OCI	10.1.6	170,283	-	-	-	-	170,283
Total equity risk exposure		170,283	-	-	-	-	170,283
Total		173,800	1,677,692	2,676,221	54,987	63,597	4,646,297

Credit risk exposure - Company

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

As at 31 March		2023				
In Rs. '000s	Note	Non-current financial assets	Cash in hand and at bank	Short-term investments	Amounts due from related parties	Total
Deposits with bank	10.1.2	-	-	108,569	-	108,569
Amounts due from related parties	10.1.4	-	-	-	3,552	3,552
Cash in hand and at bank	10.1.2	-	445,912	-	-	445,912
Total credit risk exposure		-	445,912	108,569	3,552	558,033
Financial assets at fair value through OCI	10.1.6	12	-	-	-	12
Total equity risk exposure		12	-	-	-	12
Total		12	445,912	108,569	3,552	558,045

As at 31 March		2022				
In Rs. '000s	Note	Non-current financial assets	Cash in hand and at bank	Short-term investments	Amounts due from related parties	Total
Deposits with bank	10.1.2	-	-	672	-	672
Amounts due from related parties	10.1.4	-	-	-	3,525	3,525
Cash in hand and at bank	10.1.2	-	405,044	-	-	405,044
Total credit risk exposure		-	405,044	672	3,525	409,241
Financial assets at fair value through OCI	10.1.6	5	-	-	-	5
Total equity risk exposure		5	-	-	-	5
Total		5	405,044	672	3,525	409,246

NOTES TO THE FINANCIAL STATEMENTS

10.1.2 Credit risk relating to cash and cash equivalents

In order to mitigate settlement and operational risks related to cash and cash equivalents, the Group and Company use several banks with acceptable ratings for its deposits.

Deposits with bank mainly consist of fixed and call deposits. As at 31 March 2023, 100% of the fixed and call deposits (2022 - 100%) of the Group was rated "A-" or better.

Deposits with banks and credit rating of the banks

As at 31 March	Group				Company			
	2023		2022		2023		2022	
	In Rs. '000s	%	In Rs. '000s	%	In Rs. '000s	%	In Rs. '000s	%
AA-	-	-	29,330	53%	-	-	-	-
A	196,396	34%	25,657	47%	64,769	60%	672	100%
A-	380,287	66%	-	-	43,800	40%	-	-
	576,683	100%	54,987	100%	108,569	100%	672	100%

10.1.3 Trade and other receivables

As at 31 March	Group	
	2023	2022
In Rs. '000s		
Neither past due nor impaired	1,824,503	1,558,155
Past due but not impaired		
31-60 days	686,298	720,855
61-90 days	292,620	238,718
> 91 days	98,904	158,493
Impaired	162,248	159,565
Gross carrying value	3,064,573	2,835,786
Less: allowance for expected credit losses	(162,248)	(159,565)
Total	2,902,325	2,676,221

The Group has obtained customer deposits from major customers by reviewing their past performance and credit worthiness, as collateral. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers and uses a provision matrix to calculate Expected Credit Loss (ECL) for the balance. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix was initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group considers a financial asset including trade and receivable in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

10.1.4 Amounts due from related parties

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

10.1.5 Loans to executives

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

10.1.6 Financial assets at fair value through OCI

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

10.2 Liquidity risk

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

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

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

10.2.1 Net debt

As at 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Short-term investments	576,683	54,987	108,569	672
Cash in hand and at bank	1,218,959	1,677,692	445,912	405,044
Total liquid assets	1,795,642	1,732,679	554,481	405,716
Bank borrowings	17,565,692	20,177,625	1,199,756	1,106,347
Bank overdrafts	7,987,588	6,410,697	-	-
Total liabilities	25,553,280	26,588,322	1,199,756	1,106,347
Net debt	23,757,638	24,855,643	645,275	700,631

NOTES TO THE FINANCIAL STATEMENTS

10.2.2 Liquidity risk management

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

The Group continued to place emphasis on ensuring that cash and undrawn committed facilities are sufficient to meet the short, medium and long-term funding requirements, unforeseen obligations as well as unanticipated opportunities. Constant dialogue between Group companies and banks regarding financing requirements, ensures that availability within each single borrower limit is optimised by efficiently reallocating under-utilised facilities within the Group. The daily cash management processes at the business units include active cash flow forecasts and matching the duration and profiles of assets and liabilities, thereby ensuring a prudent balance between liquidity and earnings. The Group is also confident on the support which can be extended by its parent company in managing funding requirements should there be a need.

Maturity analysis - Group

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2023 based on contractual undiscounted payments.

As at 31 March In Rs. '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest-bearing loans and borrowings	4,604,427	6,672,472	3,430,325	945,950	757,518	1,155,000	17,565,692
Lease liabilities	2,088,258	3,813,259	2,404,123	2,486,710	1,745,370	21,994,759	34,532,479
Trade and other payables	2,059,784	-	-	-	-	-	2,059,784
Amounts due to related parties	347,262	-	-	-	-	-	347,262
Bank overdrafts	7,987,588	-	-	-	-	-	7,987,588
	17,087,319	10,485,731	5,834,448	3,432,660	2,502,888	23,149,759	62,492,805

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2022 based on contractual undiscounted payments.

As at 31 March In Rs. '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest-bearing loans and borrowings	3,710,639	4,113,206	6,058,054	3,127,800	1,292,864	1,875,062	20,177,625
Lease liabilities	1,718,743	1,793,898	3,393,254	2,092,868	2,169,346	20,201,334	31,369,443
Trade and other payables	1,652,430	-	-	-	-	-	1,652,430
Amounts due to related parties	259,788	-	-	-	-	-	259,788
Bank overdrafts	6,410,697	-	-	-	-	-	6,410,697
	13,752,297	5,907,104	9,451,308	5,220,668	3,462,210	22,076,396	59,869,983

Maturity analysis - Company

The table below summarises the maturity profile of the company's financial liabilities at 31 March 2023 based on contractual undiscounted payments.

As at 31 March In Rs. '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest-bearing loans and borrowings	261,362	236,000	236,000	236,000	230,394	-	1,199,756
Trade and other payables	6,553	-	-	-	-	-	6,553
Amounts due to related parties	1,275	-	-	-	-	-	1,275
	269,190	236,000	236,000	236,000	230,394	-	1,207,584

The table below summarises the maturity profile of the company's financial liabilities at 31 March 2022 based on contractual undiscounted payments.

As at 31 March In Rs. '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest-bearing loans and borrowings	1,421	236,000	236,000	236,000	236,000	160,926	1,106,347
Trade and other payables	10,993	-	-	-	-	-	10,993
Amounts due to related parties	1,276	-	-	-	-	-	1,276
	13,690	236,000	236,000	236,000	236,000	160,926	1,118,616

10.3 Market risk

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

Market prices comprise of the following risks:

- Interest rate risk
- Foreign currency 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.

The sensitivity analysis in the following sections relate to the position as at 31 March in 2023 and 2022.

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

- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks.
- This is based on the financial assets and financial liabilities held at 31 March 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

10.3.1 Interest rate risk

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

The Central Bank of Sri Lanka (CBSL) continued the tightening of monetary policy stance during current financial year, resulting in a sharp upward trend in the first half of the financial year, particularly with the uncertainty of a domestic debt restructuring being factored in to secondary market yields on Government Securities. The shortage of liquidity in the first half of the financial year further put pressure on market interest rates. There was a decrease in interest rates in the last three months of the financial year on account of the reduced Government debt financing requirements and improved liquidity position in the country. The Group had mitigated the risk of increasing interest rates by balancing its portfolio of borrowings and moving a sizeable portion of its Sri Lankan Rupee (Rs.) borrowings on a long-term basis prior to the sharp upward movement in interest rates. Similarly, where relevant and possible, a majority of the Rupee long-term facilities were on a fixed rate basis over the tenor of the loan.

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

	Increase/ (decrease) in basis points		Group Effect on profit/(loss) before tax Rs. '000s
	Rupee borrowings	Other currency borrowings	
2023	+ 1,576 basis points	+ 451 basis points	1,220,856
	- 1,576 basis points	- 451 basis points	(1,220,856)
2022	+ 138 basis points	+ 58 basis points	(142,249)
	- 138 basis points	- 58 basis points	142,249

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market.

10.3.2 Foreign currency risk

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

10.3.2.1 Effects of currency transaction and translation

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

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

	Increase (decrease) in exchange rate	Effect on profit/(loss) before tax	Effect on equity
	USD	Rs. '000s	Rs. '000s
2023	12.64%	(2,654,440)	3,342,775
	-12.64%	2,654,440	(3,342,775)
2022	52.05%	(8,486,558)	12,416,158
	-52.05%	8,486,558	(12,416,158)

Assumptions

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

The Sri Lankan Rupee depreciated significantly in the first two quarters of the financial year and witnessed significant volatility during certain periods of the financial year. The foreign exchange markets were largely inactive and liquid during the first half of the financial year amidst significant foreign exchange shortages and macroeconomic uncertainty. However, from the second half of the financial year, the foreign exchange liquidity improved on the back of a trade surplus given the sharp contraction of imports due to the fiscal and monetary policy measures adopted in the country and the continuation of import restrictions at the time. The Rupee appreciated during the final quarter with the improving foreign exchange liquidity situation in the country and the impending New Extended Fund Facility (EFF) from the International Monetary Fund (IMF), at the time.

The Group adopted prudent measures, as and when required, to manage the financial impacts arising from the liquidity constraints and currency fluctuations by matching liabilities with corresponding inflows. At a Group level, the translation risk on foreign currency debt is largely hedged "naturally" as a result of the conscious strategy of maintaining US Dollar cash balances at the holding company whilst also ensuring obligations can be managed through US Dollar denominated revenue streams. The Group was able to navigate the liquidity challenges through matching its obligations with foreign currency inflows, as far as possible and permissible, while also using the strength of the Group financial position to manage the situation.

10.4 Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. All unquoted equity investments are made after obtaining approval of the Group Executive Committee.

10.5 Capital management

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

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

As at 31 March	Group		Company	
	2023	2022	2023	2022
Debt/Equity	79%	89%	9%	9%

NOTES TO THE FINANCIAL STATEMENTS

11 FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

Fair value measurement

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

- Investment in unquoted equity shares - Note 24, 25, 26
- Property, plant and equipment under revaluation model - Note 20.2
- Financial instruments (including those carried at amortised cost) - Note 12.4
- Investment properties - Note 22

Accounting policy

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

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

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

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

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

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

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

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

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

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted equity instruments, and for non-recurring measurement, such as assets held for sale in discontinued operations.

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

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

11.1 Financial assets and liabilities by fair value hierarchy - Group

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

Financial Assets

As at 31 March In Rs. '000s	Level 1		Level 2		Level 3	
	2023	2022	2023	2022	2023	2022
Listed equity investments	12	5	-	-	-	-
Non-listed equity investments	-	-	-	-	170,228	170,278
Total	12	5	-	-	170,228	170,278

11.2 Financial assets and liabilities by fair value hierarchy - Company

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

Financial Assets

As at 31 March In Rs. '000s	Level 1		Level 2		Level 3	
	2023	2022	2023	2022	2023	2022
Listed equity investments	12	5	-	-	-	-
Total	12	5	-	-	-	-

During the reporting periods 31 March 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

11.3 Reconciliation of fair value measurements of Level 3 financial instruments

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

In Rs. '000s	Group
As at 1 April 2022	170,278
Adjustment through OCI	(50)
As at 31 March 2023	170,228

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

NOTES TO THE FINANCIAL STATEMENTS

11.4 Non-financial assets - Group

As at 31 March	Level 1		Level 2		Level 3	
In Rs. '000s	2023	2022	2023	2022	2023	2022
Assets measured at fair value						
Land and buildings	-	-	-	-	8,967,419	7,596,812
Buildings on leasehold land	-	-	-	-	21,518,203	20,256,072
Investment properties	-	-	-	-	1,970,300	1,768,900

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

12 FINANCIAL INSTRUMENTS AND RELATED POLICIES

Accounting policy

12.1 Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

Debt instruments

Financial assets at amortised cost

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

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

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

The Group's financial assets at amortised cost includes trade receivables and Short-term investments and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

Financial assets at fair value through OCI

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

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

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

Equity Instruments

Financial assets designated at fair value through OCI

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Financial assets at fair value through profit or loss

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

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

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the income statement when the right of payment has been established.

De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the Group's effective interest rate.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

12.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the Income statement.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

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

De-recognition

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

12.3 Offsetting of financial instruments

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

12.4 Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9

Financial assets by categories

As at 31 March	Group				Company			
	Financial assets at amortised cost		Financial assets at fair value through OCI		Financial assets at amortised cost		Financial assets at fair value through OCI	
	2023	2022	2023	2022	2023	2022	2023	2022
In Rs. '000s								
Financial instruments in non-current assets								
Non-current financial assets	4,014	3,517	170,240	170,283	-	-	12	5
Financial instruments in current assets								
Trade receivables	2,902,325	2,676,221	-	-	-	-	-	-
Amounts due from related parties	74,626	63,597	-	-	3,552	3,525	-	-
Short-term investments	576,683	54,987	-	-	108,569	672	-	-
Cash in hand and at bank	1,218,959	1,677,692	-	-	445,912	405,044	-	-
Total	4,776,607	4,476,014	170,240	170,283	558,033	409,241	12	5

NOTES TO THE FINANCIAL STATEMENTS

Both carrying amount and fair value are equal of financial assets at fair value through OCI. The fair value of loans and receivables does not significantly vary from the value based on the amortised cost methodology.

Financial liabilities by categories

As at 31 March	Group		Company	
	Financial liabilities measured at amortised cost		Financial liabilities measured at amortised cost	
In Rs. '000s	2023	2022	2023	2022
Financial instruments in non-current liabilities				
Bank borrowings	12,961,265	16,466,986	938,394	1,104,926
Financial instruments in current liabilities				
Trade payables	2,059,784	1,652,430	6,553	10,993
Amounts due to related parties	347,262	259,788	1,275	1,276
Bank borrowings	4,604,427	3,710,639	261,362	1,421
Bank overdrafts	7,987,588	6,410,697	-	-
Total	27,960,326	28,500,540	1,207,584	1,118,616

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

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

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

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

- Fair value of quoted equities and bonds is based on price quotations in an active market at the reporting date.
- The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair value of the unquoted ordinary shares has been estimated using a Discounted Cash Flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

Accounting judgements, estimates and assumptions

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

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

NOTES TO THE INCOME STATEMENT, STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

13 REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting policy

13.1 Contracts with customers

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

Services transferred over time

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

13.2 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

For the year ended 31 March In Rs. '000s	Group	
	2023	2022
Timing of revenue recognition		
Services transferred over time	28,835,400	13,354,724
Total revenue from contracts with customers	28,835,400	13,354,724
Geographical markets		
Sri Lanka	2,046,012	1,532,713
Asia (excluding Sri Lanka)	1,150,687	561,518
Europe	19,566,380	8,392,048
Others	6,072,321	2,868,445
Total revenue from contracts with customers	28,835,400	13,354,724
Type of services		
Provision of accommodation	17,616,497	9,297,027
Provision of food and beverages	7,766,788	2,398,371
Others	3,452,115	1,659,326
Total revenue from contracts with customers	28,835,400	13,354,724

Direct taxes of Rs. 665Mn (2022 - Rs. 329Mn) have been deducted in arriving at the gross revenue.

13.3 Reconciliation of revenue

Reconciliation between Revenue from contracts with customers and revenue information that is disclosed for each reportable segment has been provided in the operating segment information section.

NOTES TO THE FINANCIAL STATEMENTS

13.4 Contract balances

Contract liabilities

Contract liabilities are Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services and short-term advances received to render certain services.

For the year ended 31 March In Rs. '000s		Group	
		2023	2022
Other current liabilities	39	1,203,987	773,577
Contract liabilities		1,203,987	773,577

Set out below is the amount of revenue recognised from:

Amounts included in contract liabilities at the beginning of the year		773,577	272,548
Performance obligations satisfied		772,080	272,423

13.5 Performance obligations and significant judgements

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

Revenue from hotel operations consists of room sales, food and beverage sales and revenue from auxiliary activities which is recognised when the service is rendered, and presented net of sales taxes and discounts.

Provision of accommodation

The revenue for providing accommodations are recognised over the period of stay on a straight-line basis. The entity identifies the services under each contract as one performance obligation.

Provision of food and beverages

Revenue generated by providing the meals according to the meal plan which is part and parcel of the customer contract. Revenue from sales of foods and beverages is recognised upon delivery and service rendered, and presented net of sales taxes and discounts.

Others

Other revenue represents revenue from other value added services provided by the business, including SPA services, laundry services, excursions and water sports. Revenue is recognised at the time of provision of service and invoice is raised at the time of service is consumed.

The Group applies the practical expedient and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the year ended 31 March 2023.

14 DIVIDEND INCOME

Accounting policy

Dividend

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

For the year ended 31 March In Rs. '000s	Company	
	2023	2022
Dividend income from investment in subsidiaries	76,655	-
	76,655	-

15 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

Accounting policy

Gains and losses

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

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

Other income and expenses

Other income and expenses are recognised on an accrual basis.

15.1 Other operating income

For the year ended 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Sundry income	178,148	38,444	23,758	21,717
Net gain on disposal of property, plant and equipment	-	77,757	-	-
	178,148	116,201	23,758	21,717

15.2 Other operating expenses

For the year ended 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Power and energy cost	2,201,673	692,153	-	-
Maintenance and repair cost	642,372	275,563	-	-
Net loss on disposal of property, plant and equipment	22,945	-	-	-
Exchange losses	116,998	133,588	-	-
Other overheads	194,813	83,891	818	322
	3,178,801	1,185,195	818	322

16 FINANCE INCOME AND FINANCE COSTS

Accounting policy

Finance income

Finance income comprises interest income on funds invested, gains on the disposal of fair value through OCI financial assets.

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

NOTES TO THE FINANCIAL STATEMENTS

Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of fair value through OCI financial assets, impairment losses recognised on financial assets (other than trade receivables) that are recognised in the income statement.

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

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

For the year ended 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Finance income and finance costs				
Finance income				
Interest income	148,166	20,769	86,770	19,290
	148,166	20,769	86,770	19,290
Finance costs				
Interest expense on bank borrowings	2,122,087	871,977	96,389	86,056
Finance charge on lease liabilities	579,917	363,036	-	-
	2,702,004	1,235,013	96,389	86,056
Net finance costs	(2,553,838)	(1,214,244)	(9,619)	(66,766)

17 PROFIT/(LOSS) BEFORE TAX

Expenditure recognition

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

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

For the year ended 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Profit/(loss) before tax is stated after charging all expenses including the following;				
Remuneration to non-executive directors	9,808	6,480	9,808	6,480
Auditors' remuneration				
Audit	29,651	13,688	1,543	1,258
Non-audit	5,041	826	935	826
Cost of defined employee benefits				
Defined benefit plan cost	41,185	35,683	-	-
Defined contribution plan cost (EPF and ETF)	114,325	85,674	-	-
Other long term employee benefits cost	2,145	(2,703)	-	-
Staff expenses	5,151,205	2,579,497	-	-
Share-based payments/(reversals)	851	442	-	-
Depreciation of property, plant and equipment and ROU assets	5,270,610	3,353,789	-	-
Donations	6,144	2,874	-	-
Impairment of bad and doubtful debts	2,683	35,287	-	-
Reversal of provision for slow moving inventories	(51)	(2,108)	-	-
Net (gain)/loss on disposal of property, plant and equipment	22,945	(77,757)	-	-

18 TAXES

Accounting policy

Current tax

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

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

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

Management has used its judgement on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.

The Group has complied with the arm's length principles relating to transfer pricing as prescribed in the Inland Revenue Act, and has complied with the related Gazette notification issued by Ministry of Finance.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits, tax losses and other credits carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised except:

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

No deferred tax asset or liability has been recognised in the companies which are enjoying the Board of Investment (BOI) tax holiday period, if there are no qualifying assets or liabilities beyond the tax holiday period.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of an assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Surcharge tax

Surcharge tax Act No. 14 of 2022 was enacted on 8 April 2022 and is applicable to the John Keells Group as the collective taxable income of companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds Rs. 2,000Mn, for the year of assessment 2020/2021. The liability is computed at the rate of 25 per cent on the taxable income of the individual Group companies, net of dividends from subsidiaries and deemed to be an expenditure in the financial statements in the year of assessment which commenced on 1 April 2020.

Total surcharge tax liability of Rs.1,085 Mn has been recognised for the Group as an opening adjustment to the 1 April 2022 retained earnings in the statement of Changes in Equity as per the Addendum to the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

IFRIC 23 interpretation: uncertainty over income tax treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex environment, it assessed whether the interpretation had an impact on its consolidated financial statements. Group determined that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

18.1 Tax reversal

For the year ended 31 March		Group		Company	
In Rs. '000s	Note	2023	2022	2023	2022
Income statement					
Current tax charge	18.6	73,468	67,686	-	2,690
Under/(over) provision of current tax in respect of previous years		67	(11,181)	-	(6,735)
Irrecoverable Economic Service Charge	18.3	149	25,899	-	-
Withholding tax on inter-company dividends		22,608	-	-	-
Deferred tax reversal					
Relating to origination and reversal of temporary differences	18.2	(367,781)	(163,344)	-	(10,368)
		(271,489)	(80,940)	-	(14,413)
Other comprehensive income					
Deferred tax charge					
Relating to origination and reversal of temporary differences		1,239,057	135,464	-	-
		1,239,057	135,464	-	-

Current tax and deferred tax have been provided as per the new rates legislated by the Inland Revenue (Amendment) Act No. 45 of 2022. The deferred tax reversal in the Income Statement includes Rs. 257.6Mn for the Group relating to the tax rate differential. The deferred tax charge in the Other Comprehensive Income statement includes Rs. 613.6Mn for the Group relating to the tax rate differential.

NOTES TO THE FINANCIAL STATEMENTS

18.2 Deferred tax expense/(reversal)

For the year ended 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Income statement				
Deferred tax arising from				
Accelerated depreciation for tax purposes	372,024	120,451	-	-
Revaluation of investment properties to fair value	99,441	10,495	-	-
Benefit arising from tax losses	(663,903)	(266,735)	-	(10,368)
Retirement benefit obligations	(36,798)	(3,000)	-	-
Others	(138,545)	(24,555)	-	-
Deferred tax credited directly to income statement	(367,781)	(163,344)	-	(10,368)
Other comprehensive income				
Deferred tax arising from				
Employee benefits liabilities	(511)	(1,285)	-	-
Revaluation of land and building to fair value	1,239,568	136,749	-	-
Deferred tax charged directly to OCI	1,239,057	135,464	-	-
Total deferred tax charge/(reversal) for the year	871,276	(27,880)	-	(10,368)

Deferred tax has been computed at the following rates :

Sri Lanka

- Subsidiary companies in Sri Lanka engaged in promotion of tourism - 14% upto 30 September 2022 and 30% thereafter. Beruwala Holiday Resorts (Pvt) Ltd enjoys concessionary tax rate of 15% from 1 April 2022 on completion of the tax holiday period.
- Subsidiary companies with gain or loss on investment properties - 10% upto 30 September 2022 and 30% thereafter.
- Others - 24% upto 30 September 2022 and 30% thereafter.

Maldives

- Subsidiary companies in Maldives - 15%.

18.3 Economic service charge (ESC)

For the year ended 31 March In Rs. '000s	Group	
	2023	2022
Irrecoverable Economic Service Charge (ESC)	149	25,899
	149	25,899

18.4 Income tax liabilities

As at 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Balance at the beginning of the year	121,888	69,176	10,368	14,413
Charge for the year	73,468	67,686	-	2,690
Effect of movements in exchange rates	3,058	10,335	-	-
Payments, set off against refunds and tax credits	(110,328)	(25,309)	-	(6,735)
Balance at the end of the year	88,086	121,888	10,368	10,368

18.5 Deferred tax assets and liabilities

18.5.1 Deferred tax assets

As at 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Balance at the beginning of the year	1,375,526	909,050	10,368	-
Transfers	40,116	1,302	-	-
Effect of movements in exchange rates	140,709	408,362	-	-
Charge/(release)	(205,148)	56,812	-	10,368
Balance at the end of the year	1,351,203	1,375,526	10,368	10,368

The closing deferred tax asset balance relates to the following:

Accelerated depreciation for tax purposes	(62,037)	132,020	-	-
Revaluation of land and building to fair value	(336,573)	(72,535)	-	-
Employee benefits liabilities	21,039	7,763	-	-
Losses and other credits available for off-set against future taxable income	1,478,489	1,168,383	10,368	10,368
Others	250,285	139,895	-	-
	1,351,203	1,375,526	10,368	10,368

The geographical break up of deferred tax recognised in respect of tax losses, is as follows:

As at 31 March In Rs. '000s	Group	
	2023	2022
Sri Lanka	1,119,432	373,240
Maldives	359,057	795,143
	1,478,489	1,168,383

NOTES TO THE FINANCIAL STATEMENTS

18.5.2 Deferred tax liabilities

As at 31 March In Rs. '000s	Group	
	2023	2022
Balance at the beginning of the year	687,782	657,548
Transfers	40,116	1,302
Charge	666,128	28,932
Balance at the end of the year	1,394,026	687,782

The closing deferred tax liability balance relates to the following:

Accelerated depreciation for tax purposes	434,305	230,881
Revaluation of land and building to fair value	1,649,510	674,281
Revaluation of investment properties to fair value	118,951	19,510
Employee benefits liabilities	(54,122)	(25,723)
Losses and other credits available for off-set against future taxable income	(699,196)	(195,155)
Others	(55,422)	(16,012)
	1,394,026	687,782

The geographical break up of deferred tax recognised in respect of tax losses, is as follows:

As at 31 March In Rs. '000s	Group	
	2023	2022
Sri Lanka	(699,196)	(195,155)
Maldives	-	-
	(699,196)	(195,155)

Accounting judgements, estimates and assumptions

The Group is subject to income tax and other taxes including VAT/GST. Significant judgement was required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

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

The Group has contingent liabilities amounting to Rs. 3.2Mn (2022 - Rs. 3.3Mn). These have been arrived at after discussing with independent and legal tax experts and based on information available. All assumptions are revisited as at the reporting date.

Further details on contingent liabilities are disclosed in Note 43 to the financial statements.

18.6 Reconciliation between current tax charge and the accounting profit/(loss)

For the year ended 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Profit/(loss) before tax	(604,033)	(1,297,872)	68,243	(64,044)
Dividend income from Group companies	168,112	-	-	-
Share of results of equity accounted investees	(5,968)	1,774	-	-
Other consolidation adjustments	(153)	(3,757)	-	-
Profit/(loss) after adjustments	(442,042)	(1,299,855)	68,243	(64,044)
Exempt profits/(losses)	-	216,027	(36,655)	-
Resident dividend	(128,112)	-	-	-
Adjusted accounting profit/(loss) chargeable to income taxes	(570,154)	(1,083,828)	31,588	(64,044)
Disallowable expenses	5,755,785	3,126,844	-	-
Allowable expenses	(5,314,077)	(3,086,888)	-	-
Utilisation of tax losses	(1,272,791)	(311,671)	(31,588)	(447)
Tax losses not utilised in the current financial year	1,824,497	1,699,094	-	75,701
Taxable income	423,260	343,551	-	11,210
Current tax charged at				
Standard rate of 24% and 30% (2022-24%)	21,981	43,075	-	2,690
Standard rate of 15% (2022 -15%)	51,487	24,611	-	-
Current tax charge	73,468	67,686	-	2,690

NOTES TO THE FINANCIAL STATEMENTS

18.7 Reconciliation between tax expense and the product of accounting profit/(loss)

For the year ended 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Adjusted accounting Profit/(loss) chargeable to income tax	(570,154)	(1,083,828)	31,588	(64,044)
Tax effect on chargeable profits	(289,582)	(135,392)	9,476	(15,370)
Tax effect on non deductible expenses	35,637	1,107	-	-
Tax effect on deductions claimed	(2,341)	(1,055)	-	-
Net tax effect of unrecognised deferred tax assets for the year	250,720	9,813	(12,839)	7,692
Net tax effect of deferred tax assets in respect of previous year	(31,120)	43,694	3,363	-
Deferred tax due to rate differentials	(257,627)	(13,825)	-	-
Under/(over) provisions of current tax in respect of prior years	67	(11,181)	-	(6,735)
Irrecoverable Economic Service Charge	149	25,899	-	-
Withholding tax on inter-company dividends	22,608	-	-	-
Total tax reversal	(271,489)	(80,940)	-	(14,413)

The Group tax is based on the taxable profit of individual companies within the Group. Present tax laws of Sri Lanka and Maldives do not provide for Group taxation.

18.8 Tax losses carried forward

As at 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Balance at the beginning of the year	10,721,808	7,344,858	128,434	52,246
Adjustments on finalisation of liability	85,533	171,070	(11,210)	934
Tax losses arising during the year	1,824,497	1,699,094	-	75,701
Utilisation of tax losses	(1,272,791)	(311,671)	(31,588)	(447)
Effect of movements in exchange rates	511,920	1,818,457	-	-
Balance at the end of the year	11,870,967	10,721,808	85,636	128,434

18.9 Applicable rates of income tax

Income tax rates of Sri Lankan companies

Subsidiary companies engaged in promotion of tourism were taxed at 14% upto 30 September 2022 and 30% thereafter. Beruwala Holiday Resorts (Pvt) Ltd enjoys concessionary tax rate of 15% from 1 April 2022 on completion of the tax holiday period. Subsidiary companies with gain or loss on investment properties were taxed at 10% upto 30 September 2022 and 30% thereafter. All other companies which were taxed at 24% upto 30 September 2022 are taxed at 30% thereafter.

Income tax rates of off-shore companies

The following subsidiaries based in the Republic of Maldives, are subject to income tax at 15%.

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

19 EARNINGS/(LOSS) PER SHARE

Accounting policy

Basic Earnings/(Loss) Per Share (EPS) is calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit/(loss) attributable to ordinary equity holders of the parent (after adjusting outstanding share option scheme and warrants) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the year/previous year.

For the year ended 31 March	Group		Company	
	2023	2022	2023	2022
Profit/(loss) attributable to equity holders of the parent (In Rs. '000s)	(320,924)	(1,202,776)	68,243	(49,631)
Weighted average number of ordinary shares (In '000s)	1,456,147	1,456,147	1,456,147	1,456,147
Basic/diluted earnings/(loss) per share (Rs.)	(0.22)	(0.83)	0.05	(0.03)

NOTES TO THE FINANCIAL STATEMENTS

20 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Basis of recognition

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

Basis of measurement

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criterias are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group de-recognises the replaced part, and recognises the new part with its own associated useful life and depreciation. All other repair and maintenance costs are recognised in the income statement as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Group has adopted a guideline of revaluing assets by a professional valuer at least once in every five years.

De-recognition

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

Depreciation

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

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

The estimated useful life of assets is as follows:

Assets	Years
Buildings on leasehold land	Over the remaining lease period
Buildings freehold land	up to 60
Plant and machinery	up to 10
Equipment	up to 08
Furniture and fittings	up to 08
Motor vehicles	up to 05
Computer equipment	up to 05
Cutlery, crockery, glassware and linen	up to 03

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

Borrowing costs

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

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve through the statement of other comprehensive income to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Businesses continued to respond with specific plans to enable smooth and uninterrupted functioning of businesses and operations, despite some of the immediate term challenges due to constraints on supply chains and electricity and fuel disruptions, whilst maintaining strict adherence to Government directives and health and safety considerations. The Group managed to circumvent these issues without a significant impact on output. As such, the Group has not determined impairment as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

20.1 Property, Plant and Equipment

As at 31 March	Land and buildings	Buildings on leasehold land	Plant and machinery	Equipment	Furniture and fittings	Motor vehicles	Computer equipment	Cutlery, crockery, glassware and linen	Capital work in progress	Total	Total
In Rs. '000s										2023	2022
Group											
Cost or valuation											
At the beginning of the year	7,752,324	26,098,388	2,948,175	3,604,321	3,095,327	272,742	397,440	453,991	485	44,623,193	35,343,985
Additions	7,937	158,352	250,032	279,977	120,007	59,038	44,520	104,552	5,333	1,029,748	514,571
Disposals	-	(13,723)	(24,363)	(117,470)	(37,399)	(9,921)	(25,670)	(74,319)	-	(302,865)	(512,399)
Revaluations	1,465,344	1,199,022	-	-	-	-	-	-	-	2,664,366	1,056,421
Transfers	-	1,474	-	994	-	-	587	-	(3,055)	-	-
Effect of movements in exchange rates	-	1,529,638	68,912	30,059	113,276	4,485	(5,174)	(12,091)	69	1,729,174	8,625,445
Transfers on revaluation	(76,147)	(97,110)	-	-	-	-	-	-	-	(173,257)	(404,830)
At the end of the year	9,149,458	28,876,041	3,242,756	3,797,881	3,291,211	326,344	411,703	472,133	2,832	49,570,359	44,623,193
Accumulated depreciation											
At the beginning of the year	155,512	5,842,316	1,672,843	2,284,500	1,549,303	169,279	306,800	320,606	-	12,301,159	8,235,370
Charge for the year	85,293	1,276,314	268,061	381,030	331,015	370,59	40,363	92,655	-	2,511,790	1,732,381
Disposals	-	(8,620)	(17,786)	(10,4197)	(30,296)	(5,684)	(24,900)	(57,746)	-	(249,229)	(215,965)
Effect of movements in exchange rates	-	362,243	2,447	(27,482)	47,850	(2,596)	(10,509)	(13,895)	-	358,058	2,954,203
Transfers on revaluation	(76,147)	(97,110)	-	-	-	-	-	-	-	(173,257)	(404,830)
At the end of the year	164,658	7,375,143	1,925,565	2,533,851	1,897,872	198,058	311,754	341,620	-	14,748,521	12,301,159
Carrying value											
As at 31 March 2023	8,984,800	21,500,898	1,317,191	1,264,030	1,393,339	128,286	99,949	130,513	2,832	34,821,838	
As at 31 March 2022	7,596,812	20,256,072	1,275,332	1,319,821	1,546,024	103,463	90,640	133,385	485		32,322,034
Carrying value of assets											
At cost										21,800,725	21,792,030
At valuation										13,021,113	10,530,004
Carrying value of land and buildings										34,821,838	32,322,034
At cost										17,464,585	17,322,880
At valuation										13,021,113	10,530,004
										30,485,698	27,852,884

20.2 Revaluation of Land and Buildings

Accounting judgements, estimates and assumptions

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties.

Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The date of the most recent revaluation was on 31 December 2022.

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

The details of Property, Plant and Equipment of the Group which are stated at valuation are indicated below.

Property	Method of Valuation	Effective date of valuation	Name of the Chartered Valuation Surveyor	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
Land and buildings of					
Beruwala Holiday Resorts (Pvt) Ltd	Direct capital comparison method	31 December 2022	P B Kalugalagedara	Estimated price per perch Rs.1,000,000 - 1,250,000 and per square foot Rs.2,000 - 8,000	Positively correlated sensitivity
Kandy Walk Inn Ltd	Profit based valuation method	31 December 2022	S Fernando	Estimated price per perch Rs. 13,000 - 1,350,000 and per square foot Rs.1,250 - 9,000	Positively correlated sensitivity
Trinco Holiday Resorts (Pvt) Ltd	Direct capital comparison method	31 December 2022	P B Kalugalagedara	Estimated price per perch Rs. 450,000 and per square foot Rs.1,000 - 8,500	Positively correlated sensitivity

NOTES TO THE FINANCIAL STATEMENTS

Property	Method of Valuation	Effective date of valuation	Name of the Chartered Valuation Surveyor	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
Land, Buildings and Buildings on leasehold land of					
Ceylon Holiday Resorts Ltd	Direct Capital Comparison method/ Open market value method	31 December 2022	P B Kalugalagedara	Estimated price per perch Rs. 250,000- 1,300,000 and per square foot Rs.9,000 - 17000	Positively correlated sensitivity
Habarana Lodge Ltd	Profit based valuation method	31 December 2022	S Fernando	Estimated price per square foot Rs.1,000 - 11,000	Positively correlated sensitivity
Habarana Walk Inn Ltd	Profit based valuation method	31 December 2022	S Fernando	Estimated price per square foot Rs.2,300 - 9,250	Positively correlated sensitivity
Hikkaduwa Holiday Resorts (Pvt) Ltd	Direct capital comparison method/ Open market value method	31 December 2022	P B Kalugalagedara	Estimated price per perch Rs. 1,100,000 - 1,400,000 and per square foot Rs.1,750 - 8,500	Positively correlated sensitivity
Yala Village (Pvt) Ltd	Direct capital comparison method	31 December 2022	P B Kalugalagedara	Estimated price per square foot Rs.2,500 -9,000	Positively correlated sensitivity

Summary description of valuation methodologies**Open market value method**

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

Profit based valuation method

This method is adopted when enough comparable information is unavailable or unsuitable to reliably determine the value of a commercial property. To be able to use the profits method however, the property itself must have an operational business currently running from within it.

Direct capital comparison method

This method may be adopted when the rental value is not available from the property concerned, but there are evidences of sale price of properties as a whole. In such cases, the capitalised value of the property is fixed by direct comparison with capitalised value of similar property in the locality.

20.3 The carrying amounts of fair valued land and buildings if they were carried at cost less depreciation, would be as follows.

As at 31 March In Rs. '000s	Group	
	2023	2022
Cost	17,865,448	17,711,408
Accumulated depreciation	(2,199,235)	(1,901,478)
Carrying value	15,666,213	15,809,930

20.4 Segmental analysis of net book value of property, plant and equipment

As at 31 March In Rs. '000s	Group	
	2023	2022
Sri Lanka	18,095,197	15,894,732
Maldives	16,726,641	16,427,302
	34,821,838	32,322,034

20.5 No assets have been pledged as security for term loans obtained (2022 - Nil).

20.6 Group property, plant and equipment with a cost of Rs. 4,146Mn (2022 - Rs.3,362Mn) have been fully depreciated but continue to be used by the Group.

20.7 No borrowing costs has been capitalised during the year ended 31 March 2023 (2022- Rs. 14Mn) by the Group.

21 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Accounting policy

Set out below are the new accounting policies of the Group upon adoption of SLFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets when the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

21.1 Amounts recognised in the statement of financial position and income statement

Set out below, are the carrying amounts of the Group's right-of-use assets and the movements for the period ended 31 March 2023 and 31 March 2022.

21.1.1 Right-of-use assets

As at 31 March In Rs. '000s	Group			
	Leasehold properties	Motor vehicles	Total 2023	Total 2022
Cost				
At the beginning of the year	45,013,637	103,897	45,117,534	31,244,272
Additions	40,573	14,041	54,614	-
Disposals	-	(25,657)	(25,657)	(55,794)
Exchange differences	3,466,354	-	3,466,354	13,873,262
At the end of the year	48,520,564	92,281	48,612,845	45,061,740
Accumulated depreciation				
At the beginning of the year	4,342,433	91,210	4,433,643	2,812,235
Depreciation	2,751,511	7,309	2,758,820	1,621,408
Disposals	-	(23,587)	(23,587)	(55,794)
At the end of the year	7,093,944	74,932	7,168,876	4,377,849
Carrying value	41,426,620	17,349	41,443,969	40,683,891

21.1.2 Lease liabilities

Set out below, are the carrying amounts of the Group's lease liabilities and the movement for the year ended 31 March 2023 and 31 March 2022.

As at 31 March In Rs. '000s	Group	
	2023	2022
At the beginning of the year	22,607,639	16,115,664
Cash movement		
Payments	(2,357,378)	(1,585,548)
Non cash movement		
Additions	54,614	-
Disposals	(2,539)	-
Finance charge on lease liabilities	579,917	363,036
Exchange differences	1,925,629	7,714,487
At the end of the year	22,807,882	22,607,639
Current	1,682,243	2,947,669
Non-current	21,125,639	19,659,970
At the end of the year	22,807,882	22,607,639

The maturity analysis of lease liabilities are disclosed in Note 10.2.2

Following are the amounts recognised in the income statement.

For the year ended 31 March	Group	
	2023	2022
In Rs. '000s		
Depreciation of right-of-use assets	2,758,820	1,621,408
Finance charges on lease liabilities	579,917	363,036
Total amount recognised in income statement	3,338,737	1,984,444

Expenses relating to short term leases and leases of low value assets, amounting to 32Mn (2022 - 3Mn) has been recognised in the income statement .

The Group had total cash outflows from leases amounting to Rs. 2,357Mn in 2023 (2022 - 1,586Mn).

The Group uses 6 months AWPLR plus margin, LIBOR/SOFR plus margin when calculating the incremental borrowing rate which reflects the average rate of borrowings in the Group.

22 INVESTMENT PROPERTIES

Accounting policy

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day to- day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Fair values are evaluated at least every 3 years by an accredited external, independent valuer. The most recent revaluation was carried out on 31 December 2022.

Investment properties are de-recognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use for a transfer from investment property to owner occupied property. The deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted using Group accounting policy for property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

22.1 Investment properties

As at 31 March In Rs. '000s	Group	
	2023	2022
At the beginning of the year	1,768,900	1,663,950
Net gain from fair value remeasurement	201,400	104,950
At the end of the year	1,970,300	1,768,900
Freehold properties	1,970,300	1,768,900
	1,970,300	1,768,900
Rental income earned	-	-
Direct operating expenses that did not generate rental income	(7,191)	(4,653)

Fair value of the investment property is ascertained by independent valuations carried out by chartered valuation surveyors, who have recent experience in valuing properties of akin location and category. Investment property is appraised in accordance with LKAS 40, SLFRS 13 and the 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC) by the independent valuers. In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

The changes in fair value recognised in the income statement. The determined fair values of investment properties, using investment method, are most sensitive to the estimated yield as well as the long term occupancy rate.

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in the valuer's considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

Property	Method of valuation	Effective date of valuation	Name of the chartered valuation surveyor	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
Land of					
Ahungalla Holiday Resorts (Pvt) Ltd	Direct capital comparison method	31 December 2022	S Fernando	Estimated price per perch Rs. 275,000 - 440,000	Positively correlated sensitivity
Resort Hotels Ltd	Direct capital comparison method	31 December 2022	S Fernando	Estimated price per perch Rs. 125,000 - 285,000	Positively correlated sensitivity
Trinco Walk Inn Ltd	Direct capital comparison method	31 December 2022	S Fernando	Estimated price per perch Rs. 150,000 - 385,000	Positively correlated sensitivity
Wirawila Walk Inn Ltd	Direct capital comparison method	31 December 2022	S Fernando	Estimated price per perch Rs. 25,000	Positively correlated sensitivity

23 INTANGIBLE ASSETS AND GOODWILL

Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged to income statement in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives such as goodwill are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

23.1 Intangible assets and goodwill

As at 31 March In Rs. '000s	Group	
	2023	2022
At the beginning of the year	670,407	670,407
At the end of the year	670,407	670,407

As at 31 March In Rs. '000s	Net carrying value of goodwill	
	2023	2022
Cinnamon resorts	670,407	670,407
	670,407	670,407

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

Gross Margins

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

Inflation

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

NOTES TO THE FINANCIAL STATEMENTS

Discount Rate

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

Volume Growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on industry growth rates. Cash flows beyond the five year period has been extrapolated using a zero growth rate.

24 INVESTMENT IN SUBSIDIARIES

Accounting policy

Investment in subsidiaries are initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries are immediately recognised in the income statement. Following initial recognition, Investment In subsidiaries are carried at cost less any accumulated impairment losses.

24.1 Carrying value

As at 31 March		Group		Company	
In Rs. '000s	Note	2023	2022	2023	2022
Investment in subsidiaries - Unquoted	24.2	-	-	12,690,759	12,688,540
		-	-	12,690,759	12,688,540

24.2 Investment in subsidiaries - Unquoted

As at 31 March	Group		Company		Cost (Rs. '000s)	
	Effective holding	Effective holding	Effective holding	Effective holding	2023	2022
	2023	2022	2023	2022		
Ceylon Holiday Resorts Ltd	99.39%	99.39%	99.39%	99.39%	3,152,248	3,152,248
Habarana Lodge Ltd	98.35%	98.35%	98.35%	98.35%	695,084	695,084
International Tourists and Hoteliers Ltd	99.33%	99.33%	99.33%	99.33%	2,094,401	2,094,401
Kandy Walk Inn Ltd	98.39%	98.39%	98.39%	98.39%	408,998	408,998
Habarana Walk Inn Ltd	98.77%	98.77%	98.77%	98.77%	311,851	311,851
John Keells Maldivian Resorts (Pte) Ltd	100.00%	100.00%	100.00%	100.00%	4,739,853	4,739,853
Rajawella Hotels Co. Ltd	100.00%	100.00%	100.00%	100.00%	37,003	36,448
Trinco Walk Inn Ltd	100.00%	100.00%	100.00%	100.00%	95,940	95,940
Wirawila Walk Inn Ltd	100.00%	100.00%	100.00%	100.00%	29,821	29,064
Yala Village (Pvt) Ltd	93.78%	93.78%	93.78%	93.78%	300,678	300,678
Trinco Holiday Resorts (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	357,000	357,000
Ahungalla Holiday Resorts (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	136,445	135,538
Nuwara Eliya Holiday Resorts (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	331,237	331,237
Cinnamon Holidays (Pvt) Ltd	100.00%	100.00%	100.00%	100.00%	200	200
Resort Hotels Ltd	99.39%	99.39%	-	-	-	-
Tranquility (Pte) Ltd	100.00%	100.00%	-	-	-	-
Travel Club (Pte) Ltd	100.00%	100.00%	-	-	-	-
Fantasea World Investments (Pte) Ltd	100.00%	100.00%	-	-	-	-
Beruwala Holiday Resorts (Pvt) Ltd	99.33%	99.33%	-	-	-	-
Hikkaduwa Holiday Resorts (Pvt) Ltd	99.39%	99.39%	-	-	-	-
Total investment in subsidiaries					12,690,759	12,688,540

24.3 Material partly-owned subsidiaries

The Group has concluded that non-controlling interest is not material in aggregate and individually for disclosure purpose.

25 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

Accounting policy

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

Name	Country of incorporation
Sentinel Realty Pvt Ltd	Sri Lanka

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Associate company incorporated in Sri Lanka which has been accounted for under the equity method of accounting is:

Name	Country of incorporation
Indra Hotels & Resorts Kandy (Pvt) Ltd	Sri Lanka

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

The accounting policies of associate companies and joint ventures conform to those used for similar transactions of the Group.

Equity method of accounting has been applied for associates and joint ventures using their corresponding/ matching 12 month financial period.

Nature of the entity's relationship, principal place of business and the country of incorporation is disclosed in group directory.

As at 31 March In Rs. '000s	Effective Holding	Group		Company	
		2023	2022	2023	2022
Investments in joint venture - Unquoted					
Sentinel Realty (Pvt) Ltd	50%	82,803	75,692	71,282	70,262
Investments in associate - Unquoted					
Indra Hotels & Resorts Kandy (Pvt) Ltd	40%	700,120	700,243	696,560	696,560
Carrying value		782,923	775,935	767,842	766,822

25.1 Summarised financial information of equity accounted investees

For the year ended 31 March In Rs. '000s	Sentinel Realty (Pvt) Ltd		Indra Hotels & Resorts Kandy (Pvt) Ltd		Total	
	2023	2022	2023	2022	2023	2022
Group share of;						
Revenue	-	-	-	-	-	-
Operating (expenses)/income	(1,055)	825	(123)	(135)	(1,178)	690
Net finance income	-	-	-	268	-	268
Gain from fair value remeasurement of investment properties	10,350	862	-	-	10,350	862
Tax charge	(3,204)	(14)	-	(32)	(3,204)	(46)
Share of results of equity accounted investees	6,091	1,673	(123)	101	5,968	1,774
Other comprehensive income						
Total comprehensive income	6,091	1,673	(123)	101	5,968	1,774

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

As at 31 March	Sentinel Realty (Pvt) Ltd		Indra Hotels & Resorts Kandy (Pvt) Ltd		Total	
	2023	2022	2023	2022	2023	2022
In Rs. '000s						
Group share of;						
Non-current assets	86,191	75,898	1,735,262	869,718	1,821,453	945,616
Current assets	206	28	397,264	109,106	397,470	109,134
Total assets	86,397	75,926	2,132,526	978,824	2,218,923	1,054,750
Non-current liabilities	(3,254)	(50)	(1,346,686)	(227,011)	(1,349,940)	(227,061)
Current liabilities	(340)	(184)	(85,720)	(51,570)	(86,060)	(51,754)
Total liabilities	(3,594)	(234)	(1,432,406)	(278,581)	(1,436,000)	(278,815)
Net assets	82,803	75,692	700,120	700,243	782,923	775,935
Cash Flows						
Operating activities	(818)	(1,064)	(168,102)	63,160	(168,920)	62,096
Investing activities	(25)	-	(865,544)	(284,962)	(865,569)	(284,962)
Financing activities	1,020	750	1,119,674	187,011	1,120,694	187,761

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

26 NON-CURRENT FINANCIAL ASSETS

As at 31 March	Group		Company	
	2023	2022	2023	2022
In Rs. '000s				
Quoted				
Ceylon Hotels Corporation PLC	12	5	12	5
Unquoted				
Rainforest Ecolodge (Pvt) Ltd	8,871	8,871	-	-
Sri Lanka Hotel Tourism Training Institute Ltd	-	50	-	-
Rajawella Holdings Ltd	161,357	161,357	-	-
	170,228	170,278	-	-
Loans to executives	4,014	3,517	-	-
Total other non-current financial assets	174,254	173,800	12	5

NOTES TO THE FINANCIAL STATEMENTS

The fair values of the quoted investments are based on the market price at the reporting date. The fair values of the non-listed equity investments have been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments.

26.1 Loans to executives

As at 31 March In Rs. '000s	Group	
	2023	2022
At the beginning of the year	4,775	6,711
Loans granted/transferred	6,000	502
Recoveries	(6,081)	(2,438)
At the end of the year	4,694	4,775
Receivable within one year	680	1,258
Receivable between one and five years	4,014	3,517
	4,694	4,775

27 OTHER NON-CURRENT ASSETS

As at 31 March In Rs. '000s	Group	
	2023	2022
Prepaid staff loans	2,711	527
	2,711	527

28 INVENTORIES

Accounting policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

Food and Beverage	- On a weighted average basis
Housekeeping and Maintenance	- On a weighted average basis
Other inventories	- At actual cost

28.1 Inventories

As at 31 March In Rs. '000s	Group	
	2023	2022
Food and beverage	299,682	227,700
Housekeeping and maintenance	287,581	186,512
Others	15,345	6,858
	602,608	421,070
Less : Provision for slow moving inventories	(2,266)	(2,317)
	600,342	418,753

There were no inventories pledged as security for borrowings as at 31 March 2023 (as at 31 March 2022- Nil).

29 TRADE AND OTHER RECEIVABLES

Receivables represent the Group's right to an amount of consideration that is unconditional. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

The Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

As at 31 March In Rs. '000s	Note	Group	
		2023	2022
Trade receivables		2,862,912	2,655,430
Allowance for expected credit loss	29.1	(162,248)	(159,565)
Other receivables		200,981	179,098
Loans to executives	26.1	680	1,258
		2,902,325	2,676,221

Refer Note 10.1.3 for age analysis of trade and other receivables.

29.1 Movement of allowance for expected credit loss

	Group In Rs. '000s
As at 1 April 2022	159,565
Charge for the year	2,683
As at 31 March 2023	162,248

30 OTHER CURRENT ASSETS

As at 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Prepayments and non-cash receivables	247,868	297,799	4,985	-
Tax recoverable	257,926	562,519	195	-
	505,794	860,318	5,180	-

NOTES TO THE FINANCIAL STATEMENTS

31 SHORT-TERM INVESTMENTS

Accounting policy

Short-term investments are liquid assets or cash, which are being held for a short period of time, with the primary purpose of controlling the tactical asset allocation.

Cash and cash equivalents in the statement of cash flows comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the cashflow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

As at 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Bank deposits (Less than 3 months) reported for cash flow	271,078	29,605	108,569	672
Bank deposits (more than 3 months and less than 1 year)	305,605	25,382	-	-
Total short-term investments	576,683	54,987	108,569	672
Reported in statement of cash flows	271,078	29,605	108,569	672

32 STATED CAPITAL AND OTHER COMPONENTS OF EQUITY

Accounting policy

The ordinary shares of John Keells Hotels PLC are quoted on the Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are eligible for one vote per share at General Meetings of the Company. The Group has in place an Employee Share Option Plan. Please refer Note 33 for further details.

32.1 Stated Capital

As at 31 March	2023		2022	
	Number of shares '000s	Value of shares in Rs. '000s	Number of shares '000s	Value of shares in Rs. '000s
Fully paid ordinary shares				
At the beginning of the year	1,456,147	9,500,247	1,456,147	9,500,247
At the end of the year	1,456,147	9,500,247	1,456,147	9,500,247

32.2 Other components of equity

As at 31 March		Group		Company	
In Rs. '000s	Note	2023	2022	2023	2022
Revaluation reserve	32.2.1	7,282,548	5,869,914	-	-
Foreign currency translation reserve	32.2.2	13,697,272	12,324,400	-	-
Fair value reserve of financial assets at FVOCI	32.2.3	(9,360)	(9,367)	(1)	(8)
Employee share option plan reserve	32.2.4	60,331	59,485	-	-
		21,030,791	18,244,432	(1)	(8)

32.2.1 Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment.

32.2.2 Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of foreign operation into Sri Lankan Rupees.

32.2.3 Fair value reserve of financial assets at FVOCI includes changes of fair value of equity instruments.

32.2.4 Employee share option plan reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

33 SHARE-BASED PAYMENT PLANS

Accounting policy

Employee share option plan

Employees of the company and its subsidiaries are eligible to participate in employee share option schemes of John Keells Holdings PLC (ultimate parent). Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transaction).

The Group applies SLFRS 2 Share-based Payments in accounting for employee remuneration in the form of shares from financial year 2013/14 onwards.

Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

NOTES TO THE FINANCIAL STATEMENTS

Employee share option scheme

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

The contractual term for each option granted is five years. There are no cash settlement alternatives.

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

For the year ended 31 March In Rs. '000s	Group	
	2023	2022
Share-based payments expense during the year	851	442
Total share-based payments expense during the year	851	442

Movements during the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in share options during the year:

As at 31 March	Group			
	2023		2022	
	No.	WAEP (Rs.)	No.	WAEP (Rs.)
Outstanding at 1 April	272,561	163.17	489,076	156.58
Granted during the year	81,900	137.86	-	-
Transfer in	988	154.10	-	-
Forfeited during the year	(188,862)	169.52	(216,515)	143.93
Outstanding at 31 March	166,587	148.33	272,561	163.17
Exercisable at 31 March	84,687	154.10	236,901	164.16

Accounting judgements, estimates and assumptions

Estimating fair value for share-based payment transactions require determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The John Keells Holdings Group measures the cost of equity settled transactions with employees relevant to the entire Group by reference to the fair value of the equity instruments on the date at which they are granted. The same assumptions have been used by the John Keells Hotels Group. The expected life of the share options is based on the historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

The following information were used and results were generated using binomial model for ESOP.

As at 31 March	2023	2022	2021	2020	2019
	Plan No 11 award 1	Plan No 10 award 3	Plan No 10 award 2	Plan No 1 award 1	Plan No 9 award 3
Dividend yield (%)	2.90	3.28	3.87	3.62	3.76
Expected volatility (%)	24.15	22.37	21.35	17.47	17.77
Risk free interest rate (%)	23.10	8.87	6.44	9.83	10.09
Expected life of share options (Years)	5	5	5	5	5
Weighted average share price at the grant date (Rs.)	119.85	132.63	134.74	138.70	154.10
Weighted average remaining contractual life for the share options outstanding (Years)	3	3	3	3	3
Weighted average fair value of options granted during the year (Rs.)	39.95	44.21	44.91	46.23	51.37
Exercise price for options outstanding at the end of the year (Rs.)	121.91	136.64	132.86	136.97	154.10
Exercise price for options outstanding at the end of the year (Rs.)	121.91	136.34	132.86	136.97	154.14

34 INTEREST-BEARING LOANS AND BORROWINGS

34.1 Bank borrowings

As at 31 March	Group		Company	
	2023	2022	2023	2022
In Rs. '000s				
Balance at the beginning of the year	20,177,625	15,163,095	1,106,347	1,023,154
Cash movement				
Loans obtained during the year	100,000	2,066,850	-	-
Repayments during the year	(4,373,744)	(2,603,751)	(1,421)	(3,005)
Non cash movement				
Accrued interest	945,497	376,128	94,599	85,967
Amortisation of transaction cost	959	4,468	231	231
Exchange differences	715,355	5,170,835	-	-
Balance at the end of the year	17,565,692	20,177,625	1,199,756	1,106,347
Analysed by repayment period				
Repayable within one year	4,604,427	3,710,639	261,362	1,421
Repayable after one year	12,961,265	16,466,986	938,394	1,104,926
	17,565,692	20,177,625	1,199,756	1,106,347

NOTES TO THE FINANCIAL STATEMENTS

34.2 Security and repayment terms of borrowings

As at 31 March In Rs. '000s	Nominal interest rate	Repayment terms	Assets pledged and collaterals	Group 2023	Group 2022
Ceylon Holiday Resorts Ltd	Fixed	48 monthly instalments after a grace period of 12 months commencing from Jan 2023	Letter of Comfort from John Keells Holdings PLC	591,120	602,349
	Fixed for the first 5 years and 1 month AWPLR plus margin for the next 5 years	102 monthly instalments after a grace period of 18 months, commencing from August 2022	Corporate Guarantee from John Keells Hotels PLC	3,033,912	3,083,889
Beruwala Holiday Resorts (Pvt) Ltd	1 month SOFR based plus margin	23 monthly instalments commencing from August 2022	-	208,022	334,294
Habarana Lodge Ltd	1 month SOFR based plus margin	23 monthly instalments commencing from August 2022	-	40,180	59,085
	Fixed	18 monthly instalments after a grace period of 6 months and debt moratorium, commencing from July 2022	Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	17,838	39,966
Hikkaduwa Holiday Resorts (Pvt) Ltd	1 month SOFR based plus margin	23 monthly instalments commencing from August 2022	-	109,013	249,659
	Fixed	18 monthly instalments after a grace period of 6 months and debt moratorium, commencing from July 2022	Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	8,892	19,921
	Fixed	72 monthly instalments after a grace period of 12 months and moratorium period, commencing from July 2022	Corporate Guarantee from John Keells Hotels PLC	534,118	560,359
Trinco Holiday Resorts (Pvt) Ltd	AWPLR based plus margin	13 monthly instalments after a grace period of 12 months and debt moratorium, commencing from July 2022	Letter of comfort from John Keells Hotels PLC	61,267	100,328
	1 month SOFR based plus margin	23 monthly instalments commencing from August 2022	-	47,036	69,172

As at 31 March In Rs. '000s	Nominal interest rate	Repayment terms	Assets pledged and collaterals	Group	
				2023	2022
	Fixed	18 monthly instalments after a grace period of 6 months and debt moratorium, commencing from July 2022	Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	8,686	19,504
Yala Village (Pvt) Ltd	1 month SOFR based plus margin	23 monthly instalments commencing from August 2022	-	10,070	22,567
	Fixed	18 monthly instalments after a grace period of 6 months and debt moratorium, commencing from July 2022	Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	30,123	44,326
Habarana Walk Inn Ltd	Fixed	18 monthly instalments after a grace period of 6 months and debt moratorium, commencing from July 2022	Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	5,966	13,365
Kandy Walk Inn Ltd	Fixed	18 monthly instalments after a grace period of 6 months commencing from July 2022	Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	12,509	28,064
John Keells Hotels PLC	Fixed	15 monthly instalments after a grace period of 9 months commencing from June 2021	Letter of undertaking from John Keells Holdings PLC	-	1,421
	Fixed for the first 3 years and 1 month AWPLR plus margin for the next 4 years	10 bi-annual instalments after a grace period of 24 months commencing from June 2023	Letter of Comfort from John Keells Holdings PLC	1,199,756	1,104,926
Tranquility (Pte) Ltd	3 month SOFR based plus margin	16 quarterly instalments after 12 months grace period commencing from September 2019 and moratorium period of 12 months from March 2020 to February 2021	Leasehold right on the Island of Kanuoiy Huraa in Kaafu (Male')	6,597,249	8,084,940
Fantasea World Investments (Pte) Ltd	3 month SOFR based plus margin	22 quarterly instalments after 18 months grace period commencing from December 2018 and moratorium period of 12 months from March 2020 to February 2021	Leasehold rights of Island of Hakuraa Huraa.	5,049,935	5,739,490
				17,565,692	20,177,625

NOTES TO THE FINANCIAL STATEMENTS

35 EMPLOYEE BENEFIT LIABILITIES

Accounting policy

Employee contribution plans - EPF/ETF

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

Employee defined benefit plan - gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in the other comprehensive income.

Other long term employee benefits

A new Long-Term Incentive Plan (LTI) has been launched in 2018/19 for senior employees of the Group. The overall incentive will be paid in cash as a lump sum payment upon achievement of key performance indicators linked to the five-year strategic plan in place. The liability recognised in respect other long term employee benefits are measured as the present value of the estimated future cash outflows expected to be made by the Group in relation to the performance and the services of the relevant employees, up to the reporting date. The management has decided to cease the LTI plan due to failure in achieving overall key performance indicators linked to the five-year strategic plan. Therefore, the total provision has been reversed in the current financial year.

Under the Payment of Gratuity Act No. 12 of 1972, the liability to an employee arises only on completion of 5 years of continued service.

The obligation is not externally funded.

As at 31 March In Rs. '000s	Note	Group	
		2023	2022
Employee defined benefit plan - gratuity	35.1	256,052	234,568
Other long term employee benefits	35.2	6,876	5,377
Balance at the end of the year		262,928	239,945

35.1 Employee defined benefit plan - gratuity

As at 31 March In Rs. '000s	Group	
	2023	2022
Balance at the beginning of the year	234,568	209,344
Current service cost	21,212	18,182
Interest cost on benefit obligation	20,611	16,825
Payments	(27,098)	(19,635)
Transfers	(638)	676
Loss arising from changes in assumptions	7,397	9,176
Balance at the end of the year	256,052	234,568

The expenses are recognised in the following line items in the income statement

Cost of sales	17,719	15,706
Administrative expenses	22,121	17,403
Selling and distribution expenses	1,983	1,898
	41,823	35,007

Accounting judgements, estimates and assumptions

The employee benefits liability of the Group is based on the actuarial valuation carried out by an independent actuarial specialist. The actuarial valuations involve making assumptions about discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions.

All assumptions are reviewed at each reporting date.

The employee benefit liability of the Group is based on the actuarial valuations carried out by Smiles Global (Pvt) Ltd., actuaries.

The principal assumptions used in determining the cost of employee benefits were:

	2023	2022
Discount rate	20%	9%
Future salary increases	15%	8%

35.1.1 Sensitivity of assumptions used

If a one percentage point change is assumed in the discount rate and salary increment rate, it would have the following effects:

As at 31 March	Group			
	Discount rate		Salary increment	
In Rs. '000s	2023	2022	2023	2022
Effect on the defined benefit obligation liabilities				
1% increase	(9,029)	(8,252)	10,224	9,357
1% decrease	9,249	8,904	(9,634)	(8,824)

35.1.2 Maturity analysis of the payments

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

As at 31 March	Group	
	2023	2022
In Rs. '000s		
Within the next 12 months	5,875	97
Between 1 and 2 years	11,608	17,150
Between 2 and 5 years	116,645	194,618
Between 5 and 10 years	121,924	22,703
Total expected payments	256,052	234,568

The Group weighted average duration of the defined benefit plan obligation is 5.87 (2022 - 5.35) years.

NOTES TO THE FINANCIAL STATEMENTS

35.2 Other long term employee benefits

As at 31 March In Rs. '000s	Group	
	2023	2022
Balance at the beginning of the year	5,377	10,222
Current service cost	2,145	(2,703)
Payments	(646)	(2,142)
Balance at the end of the year	6,876	5,377

36 OTHER DEFERRED LIABILITIES

As at 31 March In Rs. '000s	Group	
	2023	2022
Balance at the beginning of the year	50,484	58,632
Non-cash movement		
Exchange differences	6,936	18,468
Cash movement		
Payments	(33,617)	(26,616)
Balance at the end of the year	23,803	50,484

The above balance represents amounts due to Ooredoo Maldives PLC for providing a total ICT Infrastructure solution to Tranquility (Pte) Ltd. Payment will be made on a pre-agreed 5-year instalment plan.

37 NON-CURRENT FINANCIAL LIABILITIES

As at 31 March In Rs. '000s	Group	
	2023	2022
Non-refundable deposits		
Balance at the beginning of the year	73,760	53,205
Cash movement		
Additions	124,248	-
Non-cash movement		
Exchange differences	(6,231)	24,812
Amortised during the year	(33,137)	(4,257)
Balance at the end of the year	158,640	73,760

The above represents non-refundable deposits received from dive base and a water sport operator at Tranquility (Pte) Ltd and from Spa operator at Tranquility (Pte) Ltd and Fantasea World Investments (Pte) Ltd. These refundable deposits are amortised over the contracted period of operation.

38 TRADE AND OTHER PAYABLES

Accounting policy

Trade payables are the aggregate amount of obligations to pay for goods or services, that have been acquired in the ordinary course of business.

Trade payables are classified as current liabilities if payment is due within one year.

As at 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Trade payables	1,112,862	825,557	-	-
Other payables	527,518	500,175	5,589	8,427
Accrued expenses	419,404	326,698	964	2,566
	2,059,784	1,652,430	6,553	10,993

Trade and other payables are normally non-interest bearing and settled within one year. For further explanation on the Group's liquidity risk management process refer Note 10.2.

39 OTHER CURRENT LIABILITIES

Accounting policy

Group classifies all non-financial current liabilities under other current liabilities.

These include non-refundable deposits, advances and other tax payables.

As at 31 March In Rs. '000s	Group	
	2023	2022
Contract liabilities	1,203,987	773,577
Non-refundable deposits	57,846	38,770
Other tax payables	540,408	287,814
	1,802,241	1,100,161

NOTES TO THE FINANCIAL STATEMENTS

40 RELATED PARTY TRANSACTIONS

Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of business at arm's length price with the following related entities. Governance structure, nature of the entity's relationships, principal place of business and the country of incorporation have been disclosed in the "Report of the Related Party Transactions Review Committee" and Group directory. The list of Directors at each of the subsidiary and joint venture companies have been disclosed in the Group directory under the Supplementary Information section of the Annual Report.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

Outstanding current account balances at the year end are unsecured, interest free and settlements occur in cash. Loans are given at pre-agreed terms and interest rates.

Non-recurrent related party transactions

There were no non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 March 2022 audited financial statements, which required additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2022 audited financial statements, which required additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

40.1 Amounts due from related parties

As at 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Ultimate parent				
John Keells Holdings PLC	291	79	-	-
	291	79	-	-
Companies under common control				
Asian Hotels & Properties PLC	647	101	-	-
Ceylon Cold Stores PLC	-	465	-	-
Ceylon Holiday Resorts Ltd	-	-	2,703	2,930
Cinnamon Holidays (Pvt) Ltd	-	-	29	-
Cinnamon Hotel Management Ltd	3,243	8,305	-	-
Cinnamon Hotel Management International (Pvt) Ltd	37,656	-	-	-
Habarana Lodge Ltd	-	-	8	17
Habarana Walk Inn Ltd	-	-	3	6
Hikkaduwa Holiday Resorts (Pvt) Ltd	-	-	250	252
John Keells Foundation	-	12	-	-
John Keells Maldivian Resorts (Pte) Ltd	-	-	-	242
John Keells Office Automation (Pvt) Ltd	-	2,153	-	-
Kandy Walk Inn Ltd	-	-	5	12
Keells Food Products PLC	-	60	-	-
Mackinnons Travels Pvt Ltd	-	153	-	-
Nuwara Eliya Holiday Resorts (Pvt) Ltd	-	-	93	-
Rajawella Holdings Ltd	-	415	-	-
Sancity Hotels & Properties Ltd	161	6	-	-
South Asia Gateway Terminals (Pvt) Ltd	1,398	1,265	-	-
Trans Asia Hotels PLC	290	121	-	-
Trinco Holiday Resorts (Pvt) Ltd	-	-	4	8
Trinco Walk Inn Ltd	-	-	114	5
Walkers Tours Ltd	27,273	42,724	-	-
Whittall Boustead (Travel) Ltd	3,120	7,409	-	-
Yala Village (Pvt) Ltd	-	-	4	10
	73,788	63,189	3,213	3,482
Equity accounted investees				
Sentinel Realty (Pvt) Ltd	547	306	339	21
Indra Hotels & Resorts Kandy (Pvt) Ltd	-	23	-	22
	547	329	339	43
	74,626	63,597	3,552	3,525

NOTES TO THE FINANCIAL STATEMENTS

40.2 Amounts due to related parties

As at 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Ultimate parent				
John Keells Holdings PLC	17,485	11,635	584	533
	17,485	11,635	584	533
Companies under common control				
Cinnamon Hotel Management Ltd	164,438	110,984	190	181
Cinnamon Hotel Management International (Pvt) Ltd	130,197	127,501	-	-
InfoMate (Pvt) Ltd	7,438	5,644	195	147
Keells Food Products PLC	6,068	-	-	-
Mackinnons Travels (Pvt) Ltd	324	818	-	-
John Keells International (Pvt) Ltd	306	254	-	-
John Keells Information Technology (Pvt) Ltd	284	-	-	-
Walkers Tours Ltd	2,536	958	-	-
Sancity Hotels & Properties Ltd	198	120	-	-
Trans Asia Hotels PLC	137	114	-	-
Asian Hotels & Properties PLC	334	14	-	-
Keells Consultants (Pvt) Ltd	697	811	306	356
John Keells Office Automation (Pvt) Ltd	1,709	923	-	-
Ceylon Cold Stores PLC	1,188	-	-	-
Jaykay Marketing Services (Pvt) Ltd	13,122	12	-	-
The Colombo Ice Company (Pvt) Ltd	705	-	-	-
Fairfirst Insurance Ltd	96	-	-	-
Yala Village (Pvt) Ltd	-	-	-	59
	329,777	248,153	691	743
	347,262	259,788	1,275	1,276

40.3 Transactions with related parties

For the year ended 31 March		Group		Company	
In Rs. '000s	Note	2023	2022	2023	2022
Ultimate parent					
Receiving of services		(183,756)	(136,979)	(5,778)	(5,680)
Rendering of services		226	5	-	-
Companies under common control					
Purchase of goods	40.4	(248,912)	(686)	-	-
Rendering of services	40.4	223,080	95,088	-	-
Receiving of services	40.4	(2,326,815)	(983,395)	(993)	(849)
Subsidiaries					
Guarantee income received	40.5	-	-	20,758	21,701
Transfers under finance agreement	40.5	-	-	-	258,364
Settlement under finance agreement	40.5	-	-	-	(250,000)
Key management personnel (KMP)					
Close family members of KMP					
Companies controlled/ jointly controlled/ significantly influenced by KMP and their close family members					
Post employment benefit plan					
Post employment benefit plan		(1,982)	(1,582)	-	-

NOTES TO THE FINANCIAL STATEMENTS

40.4 Transactions with companies under common control

For the year ended 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Purchase of goods				
Ceylon Cold Stores PLC	(8,709)	-	-	-
Jaykay Marketing Services (Pvt) Ltd	(96,710)	(198)	-	-
John Keells Office Automation (Pvt) Ltd	(1,007)	(450)	-	-
Lanka Marine Services (Pvt) Ltd	(116,726)	-	-	-
Keells Food Products PLC	(25,760)	(38)	-	-
	(248,912)	(686)	-	-
Rendering of services				
Ceylon Cold Stores PLC	3,678	-	-	-
Keells Food Products PLC	4,107	-	-	-
Walkers Tours Ltd	149,085	71,450	-	-
Whittall Boustead (Travel) Ltd	9,270	3,502	-	-
Cinnamon Hotel Management Ltd	11,225	13,714	-	-
Cinnamon Hotel Management International (Pvt) Ltd	41,662	-	-	-
Mackinnons Travels (Pvt) Ltd	-	512	-	-
John Keells Office Automation (Pvt) Ltd	336	2,894	-	-
South Asia Gateway Terminals (Pvt) Ltd	-	1,217	-	-
Other related parties	3,717	1,799	-	-
	223,080	95,088	-	-
Receiving of services				
Infomate (Pvt) Ltd	(77,621)	(46,188)	(302)	(173)
Keells Consultants (Pvt) Ltd	(4,029)	(3,871)	(691)	(676)
John Keells International (Pvt) Ltd	(3,724)	(2,875)	-	-
John Keells Office Automation (Pvt) Ltd	(7,303)	(3,435)	-	-
Cinnamon Hotel Management Ltd	(780,612)	(645,046)	-	-
Cinnamon Hotel Management International (Pvt) Ltd	(1,388,187)	(274,600)	-	-
Mackinnons Travels (Pvt) Ltd	(3,266)	(3,267)	-	-
Walkers Tours Ltd	(8,236)	(2,385)	-	-
South Asia Gateway Terminals (Pvt) Ltd	(17,431)	-	-	-
Fairfirst Insurance Ltd	(32,606)	-	-	-
Other related parties	(3,800)	(1,728)	-	-
	(2,326,815)	(983,395)	(993)	(849)

40.5 Transactions with subsidiaries

For the year ended 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Guarantee income received				
Ceylon Holiday Resorts Ltd	-	-	16,821	16,012
Kandy Walk Inn Ltd	-	-	105	138
Habarana Lodge Ltd	-	-	151	196
Habarana Walk Inn Ltd	-	-	50	66
Yala Village (Pvt) Ltd	-	-	85	111
Trinco Holiday Resorts (Pvt) Ltd	-	-	74	95
Hikkaduwa Holiday Resorts (Pvt) Ltd	-	-	2,996	2,233
John Keells Maldivian Resorts (Pte) Ltd	-	-	476	2,850
	-	-	20,758	21,701
Transfers under finance agreement				
Ceylon Holiday Resorts Ltd	-	-	-	258,364
	-	-	-	258,364
Settlement under finance agreement				
Ceylon Holiday Resorts Ltd	-	-	-	(250,000)
	-	-	-	(250,000)

40.6 Compensation of Key Management Personnel

For the year ended 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Short term employee benefits	9,808	6,480	9,808	6,480
Post employment benefits	-	-	-	-
Other long term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	9,808	6,480	9,808	6,480

Key management personnel include members of the Board of Directors of John Keells Hotels PLC, its subsidiaries and John Keells Holdings PLC.

NOTES TO THE FINANCIAL STATEMENTS

OTHER DISCLOSURES

41 COMMITMENTS

Capital Commitments

As at 31 March In Rs. '000s	Group		Company	
	2023	2022	2023	2022
Guarantees committed	6,208,807	4,606,776	6,205,778	4,600,129
	6,208,807	4,606,776	6,205,778	4,600,129

42 ASSETS PLEDGED

Assets pledged for facilities obtained is given in Note 34.2 to the financial statements.

43 CONTINGENT LIABILITIES

Accounting policy

Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of:

- The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or
- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (SLFRS 15).

Contingent assets are disclosed, where inflow of economic benefit is probable.

There were no significant contingent liabilities as at the reporting date except for the following:

Yala Village (Pvt) Ltd

Income tax assessments relating to years of assessment 2016/2017 and 2017/2018

The company has lodged appeals against the assessments and is contesting these under appellate procedure. Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2023 is estimated at Rs. 2,263,628/-.

John Keells Hotels PLC

Income tax assessment relating to year of assessment 2018/2019

The company has lodged appeal against the assessment and is contesting it under appellate procedure. Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2023 is estimated at Rs. 973,074/-.

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

44 EVENTS SUBSEQUENT TO THE REPORTING DATE

There have been no events subsequent to the reporting date, which require disclosure in the financial statements.



“I have no special talent. I am only passionately curious.”

- Albert Einstein





curiosity

By encouraging a culture of innovation, creativity, and exploration, and by being willing to leave our comfort zone, we contribute to new and exciting guest experiences. Challenging the status quo and pushing boundaries can help drive growth and success in our quest to bring the best of Sri Lanka to the world with style and elegance.

SUPPLEMENTARY INFORMATION

QUARTERLY INFORMATION

Income Statement - Group

For the period ended In Rs. '000s	2022/23				
	June 30th	September 30th	December 31st	March 31st	For the year ended
Revenue from contracts with customers	6,204,506	6,094,545	7,751,268	8,785,081	28,835,400
Cost of sales	(2,294,620)	(2,386,822)	(3,117,309)	(2,970,218)	(10,768,969)
Gross profit	3,909,886	3,707,723	4,633,959	5,814,863	18,066,431
Other operating income	29,409	30,332	27,285	91,122	178,148
Selling and distribution expenses	(309,493)	(360,111)	(422,526)	(230,148)	(1,322,278)
Administrative expenses	(2,901,486)	(2,963,723)	(3,007,989)	(3,127,865)	(12,001,063)
Other operating expenses	(737,733)	(740,803)	(856,455)	(843,810)	(3,178,801)
Finance costs	(533,585)	(661,051)	(732,302)	(775,066)	(2,702,004)
Finance income	19,445	23,107	56,453	49,161	148,166
Net gain from fair value remeasurement of investment properties	-	-	-	201,400	201,400
Share of results of equity accounted investees	(227)	(144)	(291)	6,630	5,968
Profit/(loss) before tax	(523,784)	(964,670)	(301,866)	1,186,287	(604,033)
Tax reversal/(expense)	59,596	146,742	543,260	(478,109)	271,489
Profit/(loss) for the period	(464,188)	(817,928)	241,394	708,178	(332,544)
Attributable to:					
Equity holders of the parent	(457,949)	(810,339)	242,077	705,287	(320,924)
Non-controlling interests	(6,239)	(7,589)	(683)	2,891	(11,620)
	(464,188)	(817,928)	241,394	708,178	(332,544)

Statement of Financial Position - Group

As at In Rs. '000s	2022/23			
	June 30th	September 30th	December 31st	March 31st
Assets				
Non-current assets	87,533,442	87,368,413	87,058,960	81,217,605
Current assets	5,559,465	5,668,184	6,138,923	5,878,729
Total Assets	93,092,907	93,036,597	93,197,883	87,096,334
Equity and Liabilities				
Equity	34,240,810	32,338,446	32,094,425	32,499,083
Non-controlling interest	93,186	85,601	76,748	99,319
Total Equity	34,333,996	32,424,047	32,171,173	32,598,402
Non-current liabilities	41,701,347	39,437,159	40,706,054	35,926,301
Current liabilities	17,057,564	21,175,391	20,320,656	18,571,631
Total Liabilities	58,758,911	60,612,550	61,026,710	54,497,932
Total Equity and Liabilities	93,092,907	93,036,597	93,197,883	87,096,334
SHARE INFORMATION				
Earnings/(loss) per share	(0.31)	(0.56)	0.17	0.48
Net assets per share	23.51	22.21	22.04	22.32
Market price per share				
Highest	13.00	20.90	18.50	19.10
Lowest	9.30	9.70	14.60	15.90
Last traded price	10.00	18.00	16.50	18.90

INDICATIVE US DOLLAR FINANCIAL STATEMENTS

Income Statement

For the year ended 31 March In USD '000s	Group		Company	
	2023	2022	2023	2022
Revenue from contracts with customers	80,019	64,101	-	-
Cost of sales	(29,884)	(23,985)	-	-
Gross profit	50,135	40,116	-	-
Dividend income	-	-	213	-
Other operating income	494	558	66	104
Selling and distribution expenses	(3,669)	(2,805)	-	-
Administrative expenses	(33,303)	(33,093)	(60)	(90)
Other operating expenses	(8,821)	(5,689)	(2)	(2)
Results from operating activities	4,836	(913)	217	12
Finance costs	(7,498)	(5,928)	(267)	(413)
Finance income	411	100	241	93
Net gain from fair value remeasurement of investment properties	559	504	-	-
Share of results of equity accounted investees (net of tax)	17	9	-	-
Profit/(loss) before tax	(1,675)	(6,228)	191	(308)
Tax reversal	753	388	-	69
Profit/(loss) for the year	(922)	(5,840)	191	(239)
Attributable to :				
Equity holders of the parent	(890)	(5,772)		
Non-controlling interests	(32)	(68)		
	(922)	(5,840)		
Exchange Rate (Rs.)	360.36	208.34	360.36	208.34

Indicative consolidated accounts have been published in USD equivalents for information purposes only.

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. These financial statements should be read together with the auditors opinion and note to the financial statements.

The exchange rates prevailing at each year end have been used for the conversion of the consolidated income statement and the statement of financial position.

INDICATIVE US DOLLAR FINANCIAL STATEMENTS

Statement of financial position

As at 31 March In USD '000s	Group		Company	
	2023	2022	2023	2022
ASSETS				
Non-current assets				
Property, plant and equipment	105,681	105,974	-	-
Right-of-use assets	125,778	133,390	-	-
Investment properties	5,980	5,800	-	-
Intangible assets and goodwill	2,035	2,198	-	-
Investment in subsidiaries	-	-	38,515	41,602
Investment in equity accounted investees	2,376	2,544	2,330	2,514
Non-current financial assets	529	570	-	-
Deferred tax assets	4,101	4,510	31	34
Other non-current assets	8	2	-	-
	246,488	254,988	40,876	44,150
Current assets				
Inventories	1,822	1,373	-	-
Trade and other receivables	8,808	8,774	-	-
Amounts due from related parties	226	209	11	12
Other current assets	1,535	2,821	16	-
Short-term investments	1,750	180	329	2
Cash in hand and at bank	3,699	5,501	1,353	1,328
	17,840	18,858	1,709	1,342
Total assets	264,328	273,846	42,585	45,492
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Stated capital	28,832	31,148	28,832	31,148
Revenue reserve	5,973	7,529	10,058	10,642
Other components of equity	63,826	59,818	-	-
	98,631	98,495	38,890	41,790
Non-controlling interests	301	326	-	-
Total equity	98,932	98,821	38,890	41,790

As at 31 March In USD '000s	Group		Company	
	2023	2022	2023	2022
Non-current liabilities				
Interest-bearing loans and borrowings	39,336	53,990	2,848	3,623
Lease liabilities	64,114	64,459	-	-
Deferred tax liabilities	4,231	2,255	-	-
Employee benefit liabilities	798	787	-	-
Other deferred liabilities	72	166	-	-
Non-current financial liabilities	481	242	-	-
	109,032	121,899	2,848	3,623
Current liabilities				
Trade and other payables	6,252	5,418	19	36
Amounts due to related parties	1,054	852	4	4
Other current liabilities	5,470	3,607	-	-
Income tax liabilities	267	400	31	34
Interest-bearing loans and borrowings	13,974	12,166	793	5
Lease liabilities	5,105	9,664	-	-
Bank overdrafts	24,242	21,019	-	-
	56,364	53,126	847	79
Total equity and liabilities	264,328	273,846	42,585	45,492
Exchange Rate (SL Rs.)	329.50	305.00	329.50	305.00

DECADE AT A GLANCE - GROUP

In Rs. '000s	2023	2022	2021	2020
OPERATING RESULTS				
Revenue	28,835,400	13,354,724	3,660,539	9,711,741
Cost of sales	(10,768,969)	(4,997,121)	(2,130,666)	(3,496,474)
Gross profit	18,066,431	8,357,603	1,529,873	6,215,267
Earnings before interest and tax (EBIT)	2,214,969	70,729	(4,712,323)	(633,000)
Finance costs	(2,702,004)	(1,235,013)	(1,124,063)	(653,104)
Profit/(loss) before tax	(604,033)	(1,297,872)	(5,854,557)	(1,306,957)
Tax (charge)/reversal	271,489	80,940	734,749	105,565
Profit/(loss) for the year	(332,544)	(1,216,932)	(5,119,808)	(1,201,392)
Attributable to :				
Equity holders of the parent	(320,924)	(1,202,776)	(5,096,181)	(1,200,568)
Non-controlling interests	(11,620)	(14,156)	(23,627)	(824)
	(332,544)	(1,216,932)	(5,119,808)	(1,201,392)
ASSETS				
Non-current assets				
Property, plant and equipment (PPE)	34,821,838	32,322,034	27,108,615	26,692,178
Right-of-use assets (ROU)	41,443,969	40,683,891	28,432,037	26,115,233
Lease rentals paid in advance (LRPA)	-	-	-	-
Investment properties (IP)	1,970,300	1,768,900	1,663,950	1,647,700
Intangible assets and goodwill (IA)	670,407	670,407	670,407	670,407
Non-current assets other than PPE, ROU, LRPA and IA	2,311,091	2,325,788	1,863,367	1,126,923
	81,217,605	77,771,020	59,738,376	56,252,441
Current assets				
Short-term investments (STI) and Cash in hand and Bank (C&B)	1,795,642	1,732,679	1,328,341	1,461,154
Current assets other than STI and C&B	4,083,087	4,018,889	1,408,752	2,862,489
	5,878,729	5,751,568	2,737,093	4,323,643
Total assets	87,096,334	83,522,588	62,475,469	60,576,084
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Stated capital	9,500,247	9,500,247	9,500,247	9,500,247
Revenue reserve	1,968,045	2,296,282	3,427,168	8,523,704
Other components of equity	21,030,791	18,244,432	11,398,724	10,721,124
	32,499,083	30,040,961	24,326,139	28,745,075
Non-controlling interests	99,319	99,428	104,587	127,318
Total equity	32,598,402	30,140,389	24,430,726	28,872,393

	2019	2018	2017	2016	2015	2014
	11,032,715	11,614,376	12,311,664	11,631,973	11,444,150	10,966,381
	(3,439,138)	(4,020,790)	(3,907,360)	(3,436,976)	(3,290,496)	(3,590,914)
	7,593,577	7,593,586	8,404,304	8,194,997	8,153,654	7,375,467
	1,428,010	1,581,774	2,482,885	2,305,863	2,370,163	2,307,822
	(251,103)	(255,519)	(227,788)	(182,025)	(265,101)	(533,877)
	1,079,785	1,350,714	2,236,128	2,035,221	2,190,687	1,893,239
	(248,090)	(220,116)	(372,620)	(286,422)	(322,923)	(318,313)
	831,695	1,130,598	1,863,508	1,748,799	1,867,764	1,574,926
	816,810	1,118,951	1,846,130	1,734,543	1,853,724	1,565,846
	14,885	11,647	17,378	14,256	14,040	9,080
	831,695	1,130,598	1,863,508	1,748,799	1,867,764	1,574,926
	17,563,154	14,083,594	14,354,695	14,272,874	13,560,033	13,152,921
	-	-	-	-	-	-
	11,449,766	10,587,355	10,714,231	8,537,247	7,861,533	8,235,508
	1,626,196	1,573,798	-	-	-	-
	670,407	670,407	670,407	670,407	670,407	670,407
	822,176	355,755	332,441	325,068	137,841	121,392
	32,131,699	27,270,909	26,071,774	23,805,596	22,229,814	22,180,228
	2,253,324	4,165,911	4,175,145	3,440,751	2,893,304	2,729,432
	2,865,444	1,799,020	1,836,543	1,653,253	1,626,251	1,557,862
	5,118,768	5,964,931	6,011,688	5,094,004	4,519,555	4,287,294
	37,250,467	33,235,840	32,083,462	28,899,600	26,749,369	26,467,522
	9,500,247	9,500,247	9,500,247	9,500,247	9,500,247	9,500,247
	9,695,525	9,075,560	8,531,777	7,278,122	6,189,643	4,708,642
	9,564,193	7,633,178	6,749,432	6,106,444	4,637,612	3,886,925
	28,759,965	26,208,985	24,781,456	22,884,813	20,327,502	18,095,814
	136,602	144,503	139,392	132,952	118,187	100,442
	28,896,567	26,353,488	24,920,848	23,017,765	20,445,689	18,196,256

DECADE AT A GLANCE - GROUP

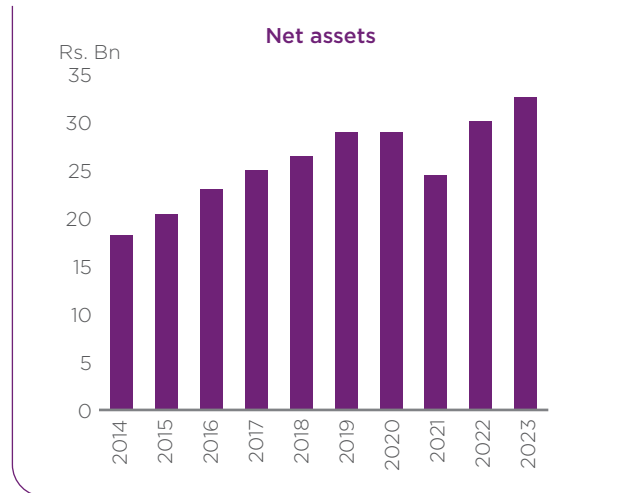
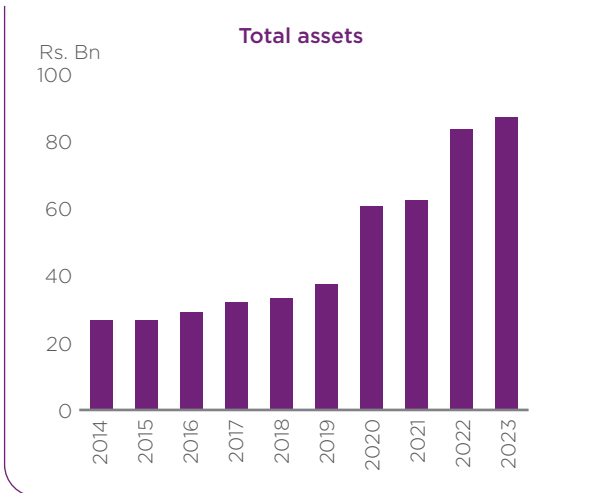
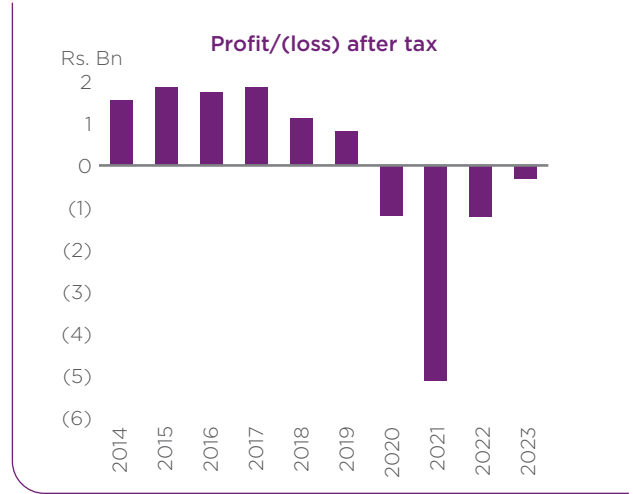
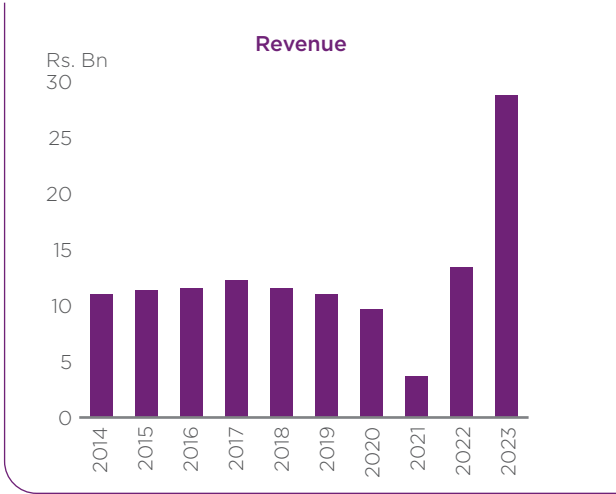
In Rs. '000s	2023	2022	2021	2020
Non-current liabilities				
Non-current liabilities other than lease liabilities and IBB	1,839,397	1,051,971	988,951	1,071,538
Lease liabilities	21,125,639	19,659,970	14,983,915	12,318,477
Interest-bearing loans and borrowings (IBB)	12,961,265	16,466,986	13,240,350	10,749,189
	35,926,301	37,178,927	29,213,216	24,139,204
Current liabilities				
Current liabilities other than borrowings, OD and lease liabilities	4,297,373	3,134,267	1,729,135	2,022,604
Current portion of lease liabilities	1,682,243	2,947,669	1,131,749	1,103,057
Current portion of borrowings and bank overdraft	12,592,015	10,121,336	5,970,643	4,438,826
	18,571,631	16,203,272	8,831,527	7,564,487
Total equity and liabilities	87,096,334	83,522,588	62,475,469	60,576,084
CASH FLOWS				
Net cash flows from/(used in) operating activities	6,151,335	330,239	(997,530)	1,947,185
Net cash flows from/(used in) investing activities	(1,314,364)	(126,867)	(1,522,983)	(11,016,763)
Net cash flows from/(used in) financing activities	(6,631,122)	(2,122,449)	1,776,082	6,197,212
Net increase/(decrease) in cash and cash equivalents	(1,794,151)	(1,919,077)	(744,431)	(2,872,366)
KEY INDICATORS				
Basic earnings/(loss) per share (EPS) (Rs.)	(0.22)	(0.83)	(3.50)	(0.82)
EPS growth / (de-growth) (%)	(73.49)	(76.29)	326.83	(246.43)
EBIT Margin (%)	7.68	0.53	(128.73)	(6.52)
Dividend per share (Rs.)	-	-	-	-
Dividend pay-out (%)	-	-	-	-
Dividend yield (%)	-	-	-	-
Interest cover (no. of times)	0.78	0.06	(4.19)	(0.97)
Return on equity (%)	(1.06)	(4.48)	(19.29)	(4.18)
Pre-tax ROCE (%)	2.62	0.10	(8.05)	(1.38)
No. of shares in issue ('000s)	1,456,147	1,456,147	1,456,147	1,456,147
Net assets per share (Rs.)	22.32	20.63	16.71	19.74
Debt/Equity (%)	79	89	79	53
Debt/Total assets (%)	55.53	58.90	56.54	47.23
Market price of share as at 31 March (Rs.)	18.90	11.70	9.50	6.70
Market capitalisation (Rs. '000s)	27,521,174	17,036,917	13,833,394	9,756,183
Price earnings ratio (no. of times)	(85.91)	(14.10)	(2.71)	(8.17)
Assets turnover (no. of times)	0.33	0.16	0.06	0.16
Current ratio (no. of times)	0.32	0.35	0.31	0.57
USD closing rate	329.50	305.00	200.30	189.63
USD average rate	360.36	208.34	189.02	179.42

* The figures are derived from financial statements prepared in accordance with SLFRS/LKAS.

Figures for the remaining periods are derived from financial statements prepared in accordance with previous SLASs.

	2019	2018	2017	2016	2015	2014
	1,184,700	1,005,298	570,741	555,364	465,709	390,375
	-	-	-	-	-	-
	3,207,504	2,764,218	1,083,408	1,852,851	2,900,658	4,245,400
	4,392,204	3,769,516	1,654,149	2,408,215	3,366,367	4,635,775
	1,713,985	1,632,908	1,422,477	1,600,718	1,524,144	1,520,160
	-	-	-	-	-	-
	2,247,711	1,479,928	4,085,988	1,872,902	1,413,169	2,115,331
	3,961,696	3,112,836	5,508,465	3,473,620	2,937,313	3,635,491
	37,250,467	33,235,840	32,083,462	28,899,600	26,749,369	26,467,522
	1,704,850	2,997,104	3,231,801	3,615,758	3,542,296	3,229,473
	(3,791,262)	(567,660)	(3,105,447)	(2,364,080)	(1,408,306)	(910,612)
	(380,813)	(333,603)	(49,099)	(1,962,069)	(2,324,195)	(938,729)
	(2,467,225)	2,095,841	77,255	(710,391)	(190,205)	1,380,132
	0.56	0.77	1.27	1.19	1.27	1.08
	(27.27)	(39.37)	6.72	(6.30)	17.59	40.26
	12.94	13.62	20.17	19.82	20.71	21.04
	0.15	0.40	0.40	0.40	0.25	-
	26.79	52.05	31.55	33.58	19.64	-
	2.00	4.30	4.00	3.33	1.75	-
	5.69	6.19	10.90	12.67	8.94	4.32
	3.03	4.43	7.82	8.09	9.72	9.16
	4.42	5.24	8.78	9.00	9.65	9.64
	1,456,147	1,456,147	1,456,147	1,456,147	1,456,147	1,456,147
	19.75	18.00	17.02	15.72	13.96	12.43
	19	16	21	16	21	35
	14.64	12.77	16.11	12.89	16.13	24.03
	7.50	9.30	10.00	12.00	14.30	12.50
	10,921,101	13,542,165	14,561,468	17,473,761	20,822,899	18,201,835
	13.39	12.08	7.87	10.08	11.26	11.62
	0.30	0.35	0.38	0.40	0.43	0.41
	1.29	1.92	1.09	1.47	1.54	1.18
	175.45	155.90	151.90	147.65	133.45	130.70
	168.58	153.56	147.98	139.18	131.24	130.09

DECADE AT A GLANCE - GROUP GRAPHICAL REVIEW



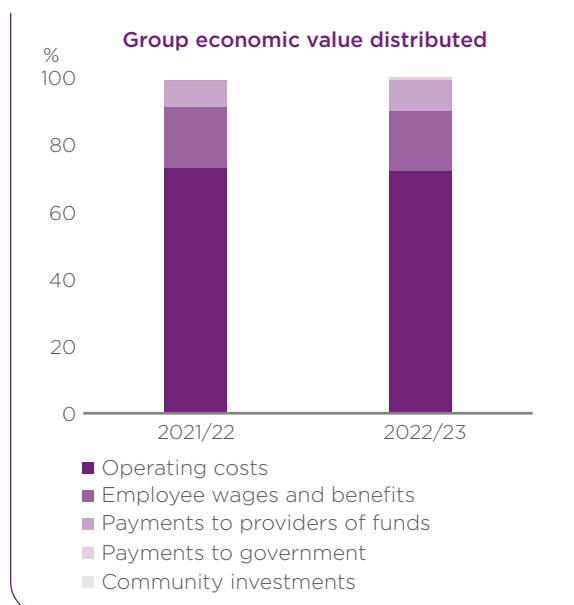
GROUP REAL ESTATE PORTFOLIO

Owning company and location	Buildings				Land in acres				Net book value	
	Numbers		Square feet		Freehold property		Leasehold property		Rs.'000	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
PROPERTIES - SRI LANKA										
Beruwala Holiday Resorts (Pvt) Ltd										
Cinnamon Bey Beruwala	9	9	453,136	453,136	10.82	10.82	-	-	5,229,002	4,124,910
Ceylon Holiday Resorts Ltd										
Cinnamon Bentota Beach	8	8	308,658	308,658	2.02	2.02	11.92	11.92	4,765,424	4,361,148
Hikkaduwa Holiday Resorts (Pvt) Ltd										
Hikka Tranz by Cinnamon	5	5	218,362	218,362	0.29	0.29	4.43	4.43	1,901,925	1,680,134
Habarana Lodge Ltd										
Cinnamon Lodge Habarana	79	79	101,162	101,162	-	-	34.00	34.00	861,065	745,921
Habarana Walk Inn Ltd										
Habarana Village by Cinnamon	84	84	91,369	91,369	-	-	9.34	9.34	408,837	311,555
Kandy Walk Inn Ltd										
Cinnamon Citadel Kandy	6	6	128,302	128,302	6.29	6.58	-	-	1,811,231	1,739,638
Resort Hotels Ltd										
Nilaveli	1	1	4,485	4,485	41.73	41.73	-	-	1,066,000	961,700
Trinco Holiday Resorts (Pvt) Ltd										
Trinco Blu by Cinnamon	9	9	94,931	94,931	13.24	13.24	-	-	1,463,190	1,268,268
Trinco Walk Inn Ltd										
Trincomalee	-	-	-	-	14.15	14.15	-	-	467,500	392,500
Wirawila Walk Inn Ltd										
Wirawila	-	-	-	-	25.15	25.15	-	-	100,600	95,600
Yala Village (Pvt) Ltd										
Cinnamon Wild Yala	78	78	81,909	81,109	-	-	9.34	9.34	616,988	489,158
Ahungalla Holiday Resorts (Pvt) Ltd										
Ahungalla	-	-	-	-	6.51	6.51	-	-	336,200	319,100
PROPERTIES - MALDIVES										
Tranquility (Pte) Ltd										
Cinnamon Dhonveli Maldives	146	146	261,327	261,327	-	-	17.16	17.16	27,636,127	26,066,495
Cinnamon Velifushi Maldives	145	145	263,512	263,512	-	-	13.22	13.22	8,072,854	8,615,382
Travel Club (Pte) Ltd										
Ellaidhoo Maldives by Cinnamon	115	115	178,294	178,294	-	-	13.80	13.80	6,513,657	6,895,766
Fantasea World Investments (Pte) Ltd										
Cinnamon Hakuraa Huraa Maldives	163	163	236,730	236,730	-	-	18.90	18.90	12,631,942	12,225,713
Total	848	848	2,422,177	2,421,377	120.20	120.49	132.11	132.11	73,882,542	70,292,988

CONSOLIDATED ECONOMIC VALUE-ADDED STATEMENT

For the year ended 31 March In Rs. '000s	Sri Lanka		Maldives		Group	
	2023	2022	2023	2022	2023	2022
Direct economic value generated						
Revenue	6,189,099	2,890,883	22,646,301	10,463,841	28,835,400	13,354,724
Finance income	148,166	20,769	-	-	148,166	20,769
Net gain from fair value remeasurement of investment properties	201,400	104,950	-	-	201,400	104,950
Share of results of equity accounted investees (net of tax)	5,968	1,774	-	-	5,968	1,774
Proceeds from sale of property, plant and equipment	7,404	364,849	23,287	9,342	30,691	374,191
	6,552,037	3,383,225	22,669,588	10,473,183	29,221,625	13,856,408
Economic value distributed						
Operating costs	5,194,156	2,992,969	16,768,095	7,970,157	21,962,251	10,963,126
Employee wages and benefits	2,040,494	1,144,524	3,268,366	1,553,627	5,308,860	2,698,151
Payments to providers of funds	936,502	495,919	1,765,502	739,094	2,702,004	1,235,013
Payments to government						
Sri Lanka	261,310	30,511	-	-	261,310	30,511
Maldives	-	-	57,925	6,454	57,925	6,454
Community investments	3,875	646	2,269	2,228	6,144	2,874
	8,436,337	4,664,569	21,862,157	10,271,560	30,298,494	14,936,129
Net economic value retained/(distributed)	(1,884,300)	(1,281,344)	807,431	201,623	(1,076,869)	(1,079,721)

Above data has been derived from the audited Financial Statements that were prepared based on Sri Lanka Accounting Standards (SLFRS/LKAS).



GLOSSARY OF FINANCIAL TERMS

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices an enterprise adopts in preparing and presenting Financial Statements.

ACCRUAL BASIS

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed.

ASSET TURNOVER

Revenue divided by average total assets.

AVERAGE DAILY RATE

Room revenue divided by the number of room nights sold.

CAPITAL EMPLOYED

Shareholders' funds plus non-controlling interests and debt including lease liabilities.

CONTINGENT LIABILITIES

A condition or situation existing as of the date of the report due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non-occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability.

CURRENT RATIO

Current assets divided by current liabilities.

DEBT/EQUITY RATIO

Debt excluding lease liabilities, as a percentage of shareholders' funds and non-controlling interest.

DIVIDEND PAYOUT RATIO

Dividend paid as a percentage of Company profits, adjusted for non-cash gain items.

DIVIDEND YIELD

Dividends adjusted for changes in the number of shares in issue as a percentage of the share price (diluted) at the end of the period.

EARNINGS PER SHARE (BASIC)

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

EBIT

Earnings before interest expense and tax (includes other operating income). Note that EBIT includes interest income, fair value gains and losses on investment property, depreciation and amortisation, and share of results of equity accounted investees, but excludes exchange gains or losses.

EBIT MARGIN

EBIT divided by turnover inclusive of share of results of equity accounted investees.

EBITDA

Earnings before interest expense, tax, depreciation and amortisation (includes other operating income). Note that EBITDA includes interest income, fair value gains and losses on investment property and share of results of equity accounted investees, but excludes exchange.

EFFECTIVE TAX RATE

Tax expense divided by profit before tax.

ENTERPRISE VALUE (EV)

Market capitalisation plus net debt/(net cash).

EPS GROWTH

Percentage of the increase in the EPS over the previous financial year.

EQUITY METHOD

A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investors' share of net assets of the investee. The income statement of the investor includes the investor's share of the profit or loss of the investee.

INTEREST COVER

Consolidated profit before interest and tax, over finance costs.

GLOSSARY OF FINANCIAL TERMS

NET ASSETS

Total assets minus current liabilities, long-term liabilities and non-controlling interests.

NET ASSETS PER SHARE

Net assets as at a particular financial year end divided by the number of shares in issue as at the end of the financial year .

NET DEBT/(CASH)

Total debt minus cash in hand and at bank and short-term investments.

OCCUPANCY RATE

Rooms occupied by hotel guests expressed as a percentage of available rooms.

PRE-TAX RETURN ON CAPITAL EMPLOYED

Consolidated profit before interest and tax as a percentage of average capital employed at financial year-end.

PRICE-EARNINGS RATIO

Market price per share (diluted) over diluted earnings per share.

QUICK RATIO

Cash plus short-term investments plus receivables, divided by current liabilities.

RETURN ON ASSETS

Profit after tax divided by the average total assets.

RETURN ON EQUITY (ROE)

Profit attributable to shareholders as a percentage of the average shareholders' funds.

REVENUE MANAGEMENT

The employment of pricing and segment strategies to optimise the revenue generated from the sale of room nights.

REVPAR OR REVENUE PER AVAILABLE ROOM

Room revenue divided by the number of room nights that are available (can be mathematically derived from occupancy rate multiplied by average daily rate).

SHAREHOLDERS' FUNDS

Total of stated capital, other components of equity and revenue reserve.

TOTAL DEBT

Long and short-term loans, including overdrafts, but excluding lease liabilities. Instances where total debt includes lease liabilities are explicitly mentioned.

TOTAL EQUITY

Shareholders' funds plus non-controlling interest.

WORKING CAPITAL

Current assets minus current liabilities.

GROUP DIRECTORY

SRI LANKA

CEYLON HOLIDAY RESORTS LTD

(PB 40)	- 99.39%
Owner of Cinnamon Bentota Beach	
Incorporated in	- 1966
Company operating address	- Cinnamon Bentota Beach, Galle Road, Bentota
Registered office address	- No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 2
Stated Capital	- Rs. 2,845.4 Mn
Contact No.	- 034-2275176/7
Directors	- S Rajendra M R Svensson M H Singhawansa C L P Gunawardane

HABARANA LODGE LTD

(PB 38)	- 98.35%
Owner of Cinnamon Lodge Habarana	
Incorporated in	- 1978
Company operating address	- Cinnamon Lodge Habarana, P.O. Box 02, Habarana
Registered office address	- No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02
Stated Capital	- Rs. 341.5 Mn
Contact No.	- 066-2270011/2
Directors	- S Rajendra M R Svensson M H Singhawansa C L P Gunawardane

HABARANA WALK INN LTD

(PB 33)	- 98.77%
Owner of Habarana Village by Cinnamon	
Incorporated in	- 1973
Company operating address	- Habarana Village by Cinnamon, P.O. Box 01, Habarana
Registered office address	- No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02
Stated Capital	- Rs. 126.3 Mn
Contact No.	- 066-2270046/7
Directors	- M R Svensson K C Subasinghe M H Singhawansa C L P Gunawardane

INTERNATIONAL TOURISTS AND HOTELIERS LTD

(PB 17)	- 99.33%
Parent of Beruwala Holiday Resorts (Pvt) Ltd	
Incorporated in	- 1973
Registered office address	- No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 2
Stated Capital	- Rs. 1,939.7 Mn
Contact No.	- 011-2306000
Directors	- M R Svensson K C Subasinghe M H Singhawansa C L P Gunawardane

KANDY WALK INN LTD

(PB 395)	- 98.39%
Owner of Cinnamon Citadel Kandy	
Incorporated in	- 1979
Company operating address	- Cinnamon Citadel Kandy, 124, Srimath Kuda Ratwatte Mawatha, Kandy
Registered office address	- No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02
Stated Capital	- Rs.115.2 Mn
Contact No.	- 081-2234365/6
Directors	- M R Svensson K C Subasinghe M H Singhawansa C L P Gunawardane

RAJAWELLA HOTELS COMPANY LTD

(PB 92)	- 100%
Incorporated in	- 1992
Registered office address	- No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02
Stated Capital	- Rs. 37 Mn
Contact No.	- 011-2306000
Directors	- M R Svensson K C Subasinghe M H Singhawansa C L P Gunawardane

GROUP DIRECTORY

TRINCO WALK INN LTD

(PB 168) - 100%
Owner of real estate in Trincomalee
Incorporated in - 1984
Registered office address - No. 117, Sir Chittampalam A
Gardiner Mawatha,
Colombo 02
Stated Capital - Rs. 119.8 Mn
Contact No. - 011-2306000
Directors - M R Svensson
K C Subasinghe
M H Singhawansa
C L P Gunawardane

RESORT HOTELS LTD

(PB 193) - 99.39%
Owner of real estate in Nilaveli
Incorporated in - 1978
Registered office address - No.117, Sir Chittampalam
A Gardiner Mawatha,
Colombo 2
Stated Capital - Rs. 14.2 Mn
Contact No. - 011-2306000
Directors - M R Svensson
K C Subasinghe
M H Singhawansa
C L P Gunawardane

WIRAWILA WALK INN LTD

(PB 89) - 100%
Owner of real estate in Wirawila
Incorporated in - 1994
Registered office address - No. 117, Sir Chittampalam A
Gardiner Mawatha,
Colombo 2
Stated Capital - Rs. 22.9 Mn
Contact No. - 011-2306000
Directors - K C Subasinghe
M H Singhawansa
C L P Gunawardane

YALA VILLAGE (PVT) LTD

(PV 2868) - 93.78%
Owner of Cinnamon Wild Yala
Incorporated in - 1999
Company operating address - Cinnamon Wild Yala,
P.O. Box 01,
Kirinda Tissamaharama
Registered office address - No. 117, Sir Chittampalam A
Gardiner Mawatha,
Colombo 2
Stated Capital - Rs. 319.4 Mn
Contact No. - 047- 2239449/52
Directors - M A Perera -
Chairperson
S Rajendra
M R Svensson
M H Singhawansa
C L P Gunawardane
J A Davis
N W Tambiah

BERUWALA HOLIDAY RESORTS (PVT) LTD

(PV 69678) - 99.33%
Owner of Cinnamon Bey Beruwala
Incorporated in - 2009
Company operating address - Cinnamon Bey Beruwala,
Moragalla, Beruwala
Registered office address - No. 117, Sir Chittampalam A
Gardiner Mawatha,
Colombo 2
Stated Capital - Rs. 2,338.1 Mn
Contact No. - 034-2297000
Directors - M R Svensson
K C Subasinghe
M H Singhawansa
C L P Gunawardane

TRINCO HOLIDAY RESORTS (PVT) LTD

(PV 69908) - 100%
Owner of Trinco Blu by Cinnamon
Incorporated in - 2009
Company operating address - Trinco Blu by Cinnamon,
Sambativu, Uppuveli,
Trincomalee
Registered office address - No. 117, Sir Chittampalam A
Gardiner Mawatha,
Colombo 02
Stated Capital - Rs. 357 Mn
Contact No. - 026-2222307
Directors - M R Svensson
K C Subasinghe
M H Singhawansa
C L P Gunawardane

HIKKADUWA HOLIDAY RESORTS (PVT) LTD

(PV 71747) - 99.39%
Owner of Hikka Tranz by Cinnamon
Incorporated in - 2010
Company operating address - Hikka Tranz by Cinnamon,
No. 01, Galle Road,
Hikkaduwa
Registered office address - No. 117, Sir Chittampalam
A Gardiner Mawatha,
Colombo 2
Stated Capital - Rs. 1,062.6 Mn
Contact No. - 091-2277023
Directors - M R Svensson
K C Subasinghe
M H Singhawansa
C L P Gunawardane

AHUNGALLA HOLIDAY RESORTS (PVT) LTD

(PV 85046) - 100%
Owner of real estate in Ahungalla
Incorporated in - 2012
Registered office address - No. 117, Sir Chittampalam
A Gardiner Mawatha,
Colombo 02
Stated Capital - Rs. 136.4 Mn
Contact No. - 011-2306000
Directors - M R Svensson
K C Subasinghe
M H Singhawansa
C L P Gunawardane

NUWARA ELIYA HOLIDAY RESORTS (PVT) LTD

(PV 98357) - 100%
Incorporated in - 2014
Registered office address - No. 117, Sir Chittampalam
A Gardiner Mawatha,
Colombo 02
Stated Capital - Rs. 331.2 Mn
Contact No. - 011-2306000
Directors - M R Svensson
K C Subasinghe
M H Singhawansa
C L P Gunawardane

CINNAMON HOLIDAYS (PVT) LTD

(PV 107427) - 100%
Inbound and Outbound Tour Operator
Incorporated in - 2015
Registered office address - No. 117, Sir Chittampalam
A Gardiner Mawatha,
Colombo 02
Stated Capital - Rs. 0.2 Mn
Contact No. - 011-2306000
Directors - M R Svensson
K C Subasinghe
M H Singhawansa
C L P Gunawardane

SENTINEL REALTY (PVT) LTD

(PV 80706) - 50%
Owner of real estate in Vaakarai and Kallarawa
Incorporated in - 2011
Registered office address - No. 117, Sir Chittampalam
A Gardiner Mawatha,
Colombo 02
Stated Capital - Rs. 142.3 Mn
Contact No. - 011-2306000
Directors - B A B Goonetilleke -
Chairperson
N N Mawilmada
K Balasundaram
C L P Gunawardane

GROUP DIRECTORY

INDRA HOTELS & RESORTS KANDY (PVT) LTD

(PV 124247)	- 40%
Owner of Cinnamon Red Kandy (under construction)	
Incorporated in	- 2017
Registered office address	- No. 273, Katugastota Road, Kandy
Stated Capital	- Rs. 1,741.4 Mn
Contact No.	- 081-2234346
Directors	- Y S H I K Silva - Chairperson Y S H R S Silva Y S H H K Silva S Rajendra C L P Gunawardane

MALDIVES

JOHN KEELLS MALDIVIAN RESORTS (PTE) LTD

(C-208/96)	- 100%
Incorporated in	- 1996
Registered office address	- 2nd Floor, H. Maizan Building, Sosun Magu, Malé, Republic of Maldives
Stated Capital	- USD 38.9 Mn
Contact No.	- +9603336000
Directors	- S Rajendra M R Svensson M H Singhawansa C L P Gunawardane

TRAVEL CLUB (PTE) LTD

(C-121/92)	- 100%
Owner of Ellaidhoo Maldives by Cinnamon	
Incorporated in	- 1992
Company operating address	- Ellaidhoo Maldives by Cinnamon North Ari Atoll, Republic of Maldives
Registered office address	- 2nd Floor, H. Maizan Building, Sosun Magu, Malé, Republic of Maldives
Stated Capital	- USD 2.5 Mn
Contact No.	- +9603336000
Directors	- S Rajendra M R Svensson M H Singhawansa C L P Gunawardane

TRANQUILITY (PTE) LTD

(C-344/2004)	- 100%
Owner of Cinnamon Dhonveli Maldives and Cinnamon Velifushi Maldives	
Incorporated in	- 2004
Company operating address	- Cinnamon Dhonveli Maldives, North Malé Atoll, Republic of Maldives Cinnamon Velifushi Maldives, Vaavu Atoll, Republic of Maldives
Registered office address	- 2nd Floor, H. Maizan Building, Sosun Magu, Malé, Republic of Maldives
Stated Capital	- USD 5 Mn
Contact No.	- +9603336000
Directors	- S Rajendra M R Svensson M H Singhawansa C L P Gunawardane

FANTASEA WORLD INVESTMENTS (PTE) LTD

(C-143/97)	- 100%
Owner of Cinnamon Hakuraa Huraa Maldives	
Incorporated in	- 1997
Company operating address	- Cinnamon Hakuraa Huraa Maldives, Meemu Atoll, Republic of Maldives
Registered office address	- 2nd Floor, H. Maizan Building, Sosun Magu, Malé, Republic of Maldives
Stated Capital	- USD 5 Mn
Contact No.	- +9603336000
Directors	- S Rajendra M R Svensson M H Singhawansa C L P Gunawardane

NOTICE OF MEETING

Notice is hereby given that the Forty Fourth Annual General Meeting (“Meeting”) of John Keells Hotels PLC will be held as a virtual meeting on 27 June 2023 at 9.00 am via Microsoft Teams. The business to be brought before the meeting will be:

1. To read the Notice convening the Meeting.
2. To receive and consider the Annual Report and Financial Statements of the Company for the Financial Year ended 31 March 2023 with the Report of the Auditors thereon.
3. To re-elect as a Director, K A Gunasekera, who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of K A Gunasekera is contained in Page 105 of the Annual Report.
4. To re-elect as a Director, M R Svensson, who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of M R Svensson is contained in Page 104 of the Annual Report.
5. To re-elect as a Director, H Premaratne, who retires in terms of Article 90 of the Articles of Association of the Company. A brief profile of H Premaratne is contained in Page 105 of the Annual Report
6. To re-appoint Auditors, Messrs. Ernst & Young, Chartered Accountants and to authorise the Directors to determine their remuneration.
7. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

This Annual Report and Financial Statements of the Company are available on the:

- (1) Corporate website of the Company - <https://www.cinnamonhotels.com/media-accolades> and
- (2) The Colombo Stock Exchange website - <https://www.cse.lk/home/company-info/KHL.N0000/financial>

Members may also access the Annual Report and Financial Statements on their electronic devices by scanning the following QR code.

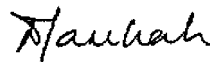


For clarifications on how to download and/or access the Annual Report and Financial Statements, please contact Rasika Pushpakumara on 011-2306666 during normal office hours (8.30 a.m. to 4.30 p.m.) or email rasikapu@cinnamonhotels.com

Should Members wish to obtain a hard copy of the Annual Report, they may send a written request to the registered office of the Company or email to rasikapu@cinnamonhotels.com by filling the request form attached to the Form of Proxy. A printed copy of the Annual Report will be forwarded by the Company within eight (8) market days from the date of receipt of the request.

By Order of the Board,

JOHN KEELLS HOTELS PLC



KEELLS CONSULTANTS (PRIVATE) LIMITED

Secretaries

Colombo

23 May 2023

Note:

- A Member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.
- A Proxy need not be a Member of the Company.
- A Member wishing to vote by Proxy at the Meeting may use the Form of Proxy enclosed herein.
- Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the Meeting in the Form of Proxy.
- In order to be valid, the completed Form of Proxy must be lodged at the Registered Office of the Company or forwarded to the email address: keellsconsultants@keells.com or Fax No.011 2439037 not later than 48 hours before the Meeting.
- A vote can be taken on a show of hands or by poll. If a poll is demanded, 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 appointor has indicated the manner of voting, only the appointor's indication of the manner of vote will be used.

FORM OF PROXY

I/We.....of
being
 a Member/s of John Keells Hotels PLC hereby appoint
 of
 or failing him/her

Krishan Niraj Jayasekara Balendra	or failing him
Joseph Gihan Adisha Cooray	or failing him
Suresh Rajendra	or failing him
Mikael Roland Svensson	or failing him
Mohomed Hishan Singhawansa	or failing him
Anarkali Kumari Moonesinghe	or failing her
Kumudu Abeywickrama Gunasekera	or failing him
Hasitha Premaratne	

as my/our proxy to represent me/us and vote on my/our behalf at the Forty Fourth Annual General Meeting of the Company to be held on 27 June 2023 at 9.00 am and at any postponement or adjournment thereof and at every poll which may be taken in consequence thereof.

I/ We, the undersigned, hereby direct my/ our proxy to vote for me/ us and on my/ our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

	FOR	AGAINST
To re-elect as a Director, K A Gunasekera, who retires in terms of Article 83 of the Articles of Association of the Company;		
To re-elect as a Director, M R Svensson who retires in terms of Article 83 of the Articles of Association of the Company;		
To re-elect as a Director, H Premaratne who retires in terms of Article 90 of the Articles of Association of the Company;		
To re-appoint Auditors Messrs. Ernst & Young, Chartered Accountants and to authorise the Directors to determine their remuneration.		

Signed on thisday of Two Thousand and Twenty Three.

.....
 Signature/s of shareholder/s

Note: INSTRUCTIONS AS TO COMPLETION OF PROXY FORM ARE NOTED ON THE REVERSE.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02, or forwarded to the email address: keellsconsultants@keells.com or Fax No. 011 2439037, no later than 48 hours before the time appointed for the holding of the Meeting.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the appointor is a Company or Corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the Company or Corporation in accordance with its Articles of Association or Constitution.
5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name	:
Address	:
Jointly with	:
Share Folio No./CDS account no.	:
National Identity Card No./	:

CORPORATE INFORMATION

NAME OF THE COMPANY

John Keells Hotels PLC

LEGAL FORM

Public Limited Liability Company incorporated in Sri Lanka on 1 October 1979

STOCK EXCHANGE LISTING

The issued shares of John Keells Hotels PLC are listed on the Colombo Stock Exchange

COMPANY REGISTRATION NO.

PQ 8

DIRECTORS

K N J Balendra - Chairperson
J G A Cooray
S Rajendra
M R Svensson
M H Singhawansa
H Premaratne
A K Moonesinghe
K A Gunasekera (Dr.)

SECRETARIES AND REGISTRARS

Keells Consultants (Private) Limited
117, Sir Chittampalam A. Gardiner Mawatha
Colombo 2

AUDITORS

Ernst & Young
Chartered Accountants
201, De Saram Place
Colombo 10

BANKERS

Bank of Ceylon
Citi Bank N.A.
Commercial Bank of Ceylon
Deutsche Bank A.G
DFCC Bank
Hatton National Bank
Hongkong and Shanghai Banking Corporation
National Development Bank
Nations Trust Bank
People's Bank
Sampath Bank

HEAD OFFICE & REGISTERED OFFICE OF THE COMPANY

117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2
Telephone : (94-11) 2421101-15, (94-11) 2306000,
(94-11) 2306666
Facsimile: (94-11) 2439046
E-mail : htlres@keells.com
Web : www.cinnamonhotels.com

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