

# A CONSTANTLY REINFORCED COMMITMENT



**Cinnamon**  
HOTELS & RESORTS

John Keells Hotels PLC | Integrated Report 2023/24



# A CONSTANTLY REINFORCED COMMITMENT

Tourism, as one of the biggest sectors in the global economy and the countries where we operate, has great power to bridge cultures, generate new opportunities, and promote sustainable development.

At John Keells Hotels PLC, we understand that every choice we make can influence our immediate surroundings and the fabric of our shared future. This is why we unwaveringly uphold our commitment to fostering a sustainable future amid turbulent times and constant crises.

Through a steadfast emphasis on transparency in governance and sustainable practices, we have deliberately taken steps to transform our organisation into an emblem of responsible hospitality.

This commitment extends to the core of our destinations, where we recognise our role as custodians of the ecosystems we touch. From implementing sustainable practices to launching numerous initiatives aimed at eradicating single-use plastic items in the guest experience, we have ensured that every decision aligns with a purposeful approach to hospitality.



# COMMITMENT TO GROWING OUR HANDPRINT

## CINNAMON RAINFOREST PROJECT

### Asia-Pacific Nature-Based Initiative of the Year at the Sustainable Company Awards 2022 by Environmental Finance

Nestled within the verdant landscapes of Sri Lanka's wet zone, Suduwelipotha hosts the Cinnamon Rainforest Restoration Project, dedicated to revitalising the region's biodiversity.

Our primary objective is to restore 59 acres of forested land in the wet zone, enhancing native flora and fauna while establishing crucial habitats for endangered species. As we mark our milestone anniversary, this initiative underscores the profound impact of collaborative conservation efforts in protecting biodiversity.

Launched on March 8, 2022, this initiative nurtures a fostering sanctuary for the indigenous flora and fauna unique to the area. Amidst human-altered landscapes such as low-country tea lands, this successful restoration endeavour is poised to attract biodiversity from adjacent disturbed regions.

The project employs assisted natural regeneration to expedite plant growth and foster succession. Its core mission is to restore wet zone forest cover, providing havens for endemic species and shelter for wildlife. Reforestation efforts also protect water resources and mitigate soil erosion and landslides in the area.

The increased biodiversity at the site, including the discovery of 36 previously undocumented plant species, underscores the project's success. The project continues to thrive with an impressive survival rate of 85-90% for planted trees, which is attributed to ongoing invasive species control, diligent plant care, and favourable rainfall conditions.

The graphical representation below illustrates the comparison of biodiversity between the reference site, Sinharaja, and the project site. The project's primary objective is to restore the biodiversity at the site to at least 50% of the species diversity found at Sinharaja within a 10-year timeframe following the completion of restoration activities.

The ecological assessment indicates that significant progress has been made within two years, surpassing initial expectations. As a result, the project team is optimistic about exceeding the targeted ecological restoration goals well ahead of the projected 5-year timeline.

Beyond ecological enhancements, the project has engaged 832 volunteers over 19 months, offering them opportunities to visit the site, participate in tree-planting activities, and gain insights into forest restoration efforts.



#### What we have achieved so far

Over **20,000** native trees were planted as of January 2024.

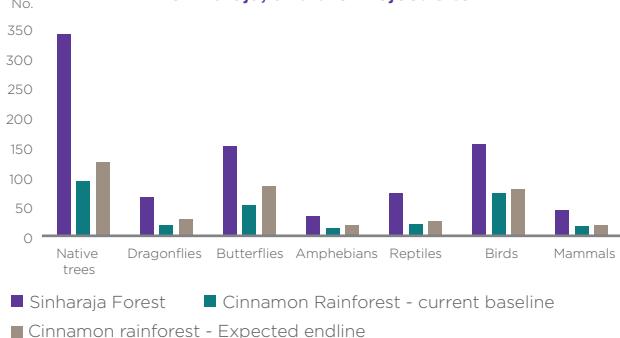
#### Short-term goal

Targeting **25,000** native trees to be planted by December 2024.

#### Long term goal

By 2045, it is expected to absorb around **600,000 kilograms** of carbon annually and generate **12 million litres** of oxygen per hour.

Comparison of Biodiversity Between the Reference Site, Sinharaja, and the Project Site



# CONTENTS

## OPERATING WITH COMMITMENT

|                                      |    |
|--------------------------------------|----|
| Our Purpose, Vision and Values       | 5  |
| About Our Report                     | 6  |
| Chairperson's Message                | 8  |
| Cinnamon Hotels & Resorts in 2023/24 | 12 |
| - Strategy Scorecard                 | 12 |
| - Awards & Accolades                 | 14 |

## OUR STRATEGIC DIRECTION

|   |    |
|---|----|
| How We Create Value                                   | 16 |
| Global Macroeconomic Outlook and the Travel Industry  | 18 |
| Tourism Industry at the Forefront of Sri Lanka's      | 20 |
| Economic Recovery                                     | 21 |
| Our Strategy  | 25 |
| Business Model  | 26 |
| - Our Business Model                                  | 27 |
| - Group Structure                                     | 28 |
| - Our Presence  | 29 |
| - Brand Architecture                                  | 30 |
| - Sustainable Attributes                              | 31 |
| - Digital Transformation                              | 32 |
| Management Discussion And Analysis                    | 33 |
| - Sri Lankan Resorts Cluster                          | 35 |
| - Maldivian Resorts Cluster                           | 36 |
| Our Environment, Social and Governance (ESG) Strategy | 38 |
| Key ESG Highlights - FY 2023/24                       | 42 |
| Tracking ESG Goals                                    | 44 |
| ESG Risks and Opportunities                           | 45 |
| Delivering on the Recommendations of TCFD             | 47 |
| UN Sustainable Development Goals at the               | 49 |
| Core of our Business                                  | 53 |
| Engaging with our Stakeholders                        | 60 |
| Materiality Assessment                                | 62 |

## YEAR IN REVIEW - RESPONSIBLE PERFORMANCES

|   |  |
|---|--|
| People  |  |
| a) Diversity and Equal Opportunity              |  |
| b) Human Rights                                 |  |
| c) Gender Parity                                |  |
| d) Learning and Development                     |  |
| e) Talent Attraction and Retention              |  |
| f) Health and Safety                            |  |
| Planet  |  |
| a) Reduction of Single-Use Guest-Facing Plastic |  |
| b) Preserving Biodiversity                      |  |
| c) Energy and Emissions                         |  |
| d) Waste Management                             |  |
| e) Water Management                             |  |
| f) Planet Performance                           |  |
| Prosperity                                      |  |
| a) Finance Review                               |  |
| b) Investor Information                         |  |
| c) Community Empowerment                        |  |
| d) Sustainable Supply Chain                     |  |

|            |     |
|------------|-----|
| Governance | 116 |
|------------|-----|

|  |     |
|--|-----|
| a) Codes, policies, and Processes                  | 116 |
| b) Grievance Mechanisms and Communication Channels | 124 |
| c) Privacy and Data Security                       | 126 |
| d) Governance performance                          | 127 |
| e) External framework guidance                     | 128 |

## DELIVERING ON OUR COMMITMENT

|   |     |
|---|-----|
| Corporate Governance  | 140 |
| - Corporate governance Policy/Framework                                     | 140 |
| - Corporate Governance activities   | 142 |
| - Board of Directors  | 148 |
| - Corporate Governance Structure  | 150 |
| - Board Committees  | 151 |
| - Reports of the Independent Committees                                     |     |
| - Audit Committee Report  | 156 |
| - Report of the Human Resources and Compensation Committee                  | 158 |
| - Report of the Nominations Committee                                       | 159 |
| - Report of the Related Party Transactions                                  |     |
| - Review Committee  | 160 |
| - Project Risk Assessment Committee Report                                  | 161 |
| - Stakeholder Management and Effective Communication                        | 162 |
| - Assurance Mechanisms  | 162 |
| - Compliance  | 165 |
| - Mandatory compliance with listing rules                                   | 166 |
| - Statement of Compliance pertaining to Companies Act No. 7 of 2007         | 172 |
| - Code of Best Practice of Corporate Governance 2017 Issued by CA Sri Lanka | 173 |
| Enterprise Risk Management  | 175 |

## TRANSPARENT PERFORMANCE

|   |     |
|---|-----|
| Financial Calendar                      | 186 |
| Index to Financial Information          | 187 |
| Annual Report of the Board of Directors | 188 |
| Statement of Directors' Responsibility  | 195 |
| Independent Auditors' Report            | 196 |
| Income Statement                        | 200 |
| Statement of Comprehensive Income       | 201 |
| Statement of Financial Position         | 202 |
| Statement of Changes in Equity          | 203 |
| Statement of Cash Flows                 | 204 |
| Notes to the Financial Statements       | 206 |

## SUPPLEMENTARY INFORMATION

|   |     |
|---|-----|
| Quarterly Information                       | 274 |
| Indicative US Dollar Financial Statements   | 275 |
| Decade at a Glance-Group                    | 278 |
| Group Real Estate Portfolio                 | 282 |
| Consolidated Economic Value-Added Statement | 283 |
| Glossary of Financial Terms                 | 284 |
| Group Directory                             | 286 |

## **OUR PURPOSE**

Curate emotional experiences to inspire stories that connect.

## **OUR VISION**

To bring the best of Sri Lanka to the world with style and elegance

## **OUR VALUES**

Greatness | Trust | Compassion | Inclusivity  
Curiosity | Wellbeing | Agility



# ABOUT OUR REPORT

John Keells Hotels PLC (the Company) and its subsidiaries (the Hotels Group) are pleased to present their 9th Integrated Annual Report for the period 01 April 2023 to 31 March 2024, which documents an authentic account of its operations. Its primary intention is to present the information required by the Shareholders while giving an account of the many aspects of our operations to our other stakeholders. All entities are included in both financial and sustainability reporting, aligning with our standard annual reporting cycle for both reports.

## Standards and Frameworks Applied

In addition to the reporting requirements we have followed, the regulatory universe has changed significantly.

- Launch of IFRS Sustainability Standards by the International Sustainability Standards Board in June 2023
- A new Listing Rule #9 of Corporate Governance was issued in August 2023 by the Colombo Stock Exchange
- Launch of Code of Best Practice on Corporate Governance by the Institute of Chartered Accountants of Sri Lanka in December 2023.

## Financial Reporting

- Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- The 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
- Integrated Reporting Framework of the International Integrated Reporting Council

## Non-Financial Reporting

- 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
- Taskforce on Climate-related Financial Declaration
- SASB standard for hotels and lodging Carbon footprint benchmarks - EarthCheck Pte Ltd - Australia
- Carbon footprint benchmarks - EarthCheck Pte Ltd - Australia

## The Report Includes

The Sustainability Report and the many projects we implemented in 2023/24.

The SASB Standards applicable to Hotel Operations identifying the industry guidelines and sustainability risks and opportunities.

The tagging of all GRI and SASB requirements for easy search and identification.

UN Sustainability Goals

Code of Best Practices on Corporate Governance 2023

## Guiding Principles

The following principles were applied in preparing the Report to provide a credible review of our performance and operations.

- Reliability – Current internal controls and processes deliver reliability of financial and non-financial information.
- Conciseness – We have covered all critical matters completely and concisely.
- Authentic presentation – A balanced view, based on positive or negative outcomes, is reported in a faithful manner.
- Materiality – Material matters are identified and reported responsibly.
- Ensuring Integrated Reporting – Icons are used to integrate the variety of topics that are reported, giving connectivity of information.
- Inclusion of International Standards in Reporting – GRI tagging, SASB and TCFD are used to ensure compliance with the required international standards.



### Scope and Boundary

Unless otherwise stated, the financial and non-financial information presented represent consolidated figures for the Hotels Group, which comprises Sri Lanka and Maldives Hotels and Resorts.

### Restatement of Information

There were no changes in reporting or restatements to the previously reported environmental and social information.

### Forward-Looking Statements

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 due to external and possible internal reasons that cannot be accurately predicted now. We do not undertake to update or revise these statements publicly in the event of a change of circumstances.

### Assurance

An assurance on the Financial Statements and the Sustainability Report has been obtained from Messrs. Ernst & Young, Chartered Accountants. Guided by the Cinnamon's sustainability framework and the Cinnamon Executive Committee, the responsibility for the sustainability practices and disclosures in this report lies with the Chief Executive Officer, Deputy Chief Executive Officer, and other members of the corporate management. They actively collaborated with external assurance providers to ensure the credibility of the report's content. The external auditors, Messrs. Ernst & Young, have provided assurance for the financial statements, integrated annual report and sustainability reporting criteria presented in the integrated annual report for 2023-24. The Board of Directors and the management have no other relationship with Messrs. Ernst & Young, aside from their engagement as an independent assurance service provider for the group.

| External assurances obtained   |  |  |
|--|--|--|
| Internal controls  | Financial statements   | Sustainability reporting   |
| Independent assurance report on the Directors' statement on internal control | External auditors, Messrs. Ernst & Young have assured the Group's financial statements | Messrs. Ernst & Young have assured the sustainability reporting criteria presented in the integrated annual report |
| Sri Lanka standard on assurance engagements SLSAE 3050 (Revised)             | Sri Lanka auditing standards   | Sri Lanka standard on assurance engagements SLSAE 3000 (Revised)   |
| Pages 156 - 161  | Pages 196 to 198   | Pages 137 to 138   |

Published date: 21 May 2024



We encourage your comments, feedback, and queries  
and invite you to direct them 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 Annual Report.

Visit:

<https://www.cinnamonhotels.com/esg/reports-policies>



# CHAIRPERSON'S MESSAGE

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 2024. John Keells Hotels PLC's strong performance is driven by our core values, is guided by clear direction and people-centric leadership and reflects commitment to our strategy as it reinforces our focus on fostering long-term sustainable growth.

## Operating Environment

### Global

The 2023 United Nations World Tourism Organisation (UNWTO) World Tourism Barometer indicates a significant rebound in international tourism with destinations worldwide welcoming global travellers and reaching 88 per cent of pre-pandemic levels. In 2023, Asia and the Pacific recorded arrivals of 65 per cent of pre-pandemic levels, with South Asia and Northeast Asia recording arrivals at 87 per cent and 55 per cent respectively. By October 2023, international air capacity and passenger demand had recovered to 90 per cent of pre-pandemic levels, with global occupancy rates reaching 65 per cent by November 2023. Preliminary estimates indicate that international tourism receipts totalled USD 1.4 trillion in 2023, representing 93 per cent of the USD 1.5 trillion earned in 2019. The pent-up demand for global travel, improved air connectivity, and a stronger rebound in Asian markets are expected to drive global tourism to full recovery by the end of 2024.

### Sri Lanka

The Sri Lankan economy recorded a gradual recovery during the latter part of calendar year 2023, marking the end of a prolonged period of economic contraction spanning six consecutive quarters. The relative stabilisation of the economic, social, and political environment aided by the improved air connectivity, resulted in a resurgence in tourist arrivals close to 1.5 million in 2023, a 107 per cent growth from approximately 720,000 arrivals recorded in 2022. Arrivals for the month of December 2023 crossed 200,000 for the first time since 2019 and the momentum was sustained in the first quarter of CY 2024. This underscores the industry's resilience and the enduring allure of Sri Lanka's culture, scenery, and renowned hospitality. India emerged as the top source market with over 300,000 arrivals, recording a 146 per cent year-on-year increase and constituting 20.3 per cent of total arrivals. Russia closely followed with approximately 200,000 arrivals, comprising 13.3 per cent of total arrivals. Additionally, the United Kingdom and Germany also made significant contributions.

### Maldives

The Maldivian tourism industry attracted over 1.87 million tourists in 2023. Arrivals from Russia, India and China emerged as the top three source markets for the Maldives during the year. Occupancy levels of the Maldivian Resorts segment were lower in comparison to the previous year given a change in the mix of the overall arrivals to the Maldives, where arrivals from source markets with higher yields were lower. The increase in alternative accommodation channels such as guest houses, which cater to budget conscious travellers and therefore are at a more affordable price point relative to the typical premium resort destination, also impacted the Maldivian Resort segment.

### A Robust Delivery

The tourism industry in Sri Lanka demonstrated steady progress during the year. Against this backdrop, all Sri Lankan resort properties recorded year-on-year increases in occupancy as well as in Average Room Rates (ARR). However, while this had a positive impact on profitability, it was somewhat countered by the rise in electricity tariffs and increase in staff costs. Additionally, increased borrowings, stemming from greater utilisation of overdraft facilities, led to higher interest expenses year-on-year.

The performance of the Maldivian Resorts witnessed a slight decline, largely attributable to the translation effect of the Sri Lankan Rupee's appreciation by approximately 11 per cent on average during 2023/24. This, coupled with higher energy prices and the rise in the interest costs on account of an increase in borrowing costs, impacted the profitability of the sector.

The Group achieved commendable results for the year, reporting revenue of Rs. 30.7 billion in 2023/24, compared to Rs. 28.8 billion recorded in the previous year. Additionally, the Group recorded an EBITDA of Rs. 7,753 million in 2023/24, marking a 3.6 per cent improvement year-on-year.

### Unlocking human potential through an empowering culture

The wellbeing of our people being a key priority, we implemented several initiatives to create an inclusive working environment. In our commitment to empowerment, we rolled out projects to encourage female participation in non-traditional roles and leadership positions. Ensuring the safety and security of our employees, guests and suppliers remains a top priority, with robust health and safety measures implemented across our properties. Our dedication to Learning and Development (L&D) continues to be at the heart of our service delivery as we cultivate a future-ready workforce. The introduction of the Cinnamon Online Academy

underscores our dedication to continuous learning within our 'Cinnamon' family. This tailored platform caters to diverse educational needs, offering unparalleled flexibility and accessibility. Since its inception, the Academy has provided over 100 courses, nurturing personal and professional growth. Looking ahead, we are poised to unveil 70 additional courses, reaffirming our commitment to equipping our employees with the necessary skills to successfully thrive in a dynamic business environment.

### **Driving Operational Excellence**

Throughout the reporting period, our Group remained committed to leveraging technology in addition to our diverse global and local expertise to cultivate a more flexible, streamlined, and productive business model. An investment was made to implement the Opera Cloud PMS system across three Maldivian properties that supports the properties in overseeing all areas of operations, encompassing both guest-facing and internal functions such as rate management, and reporting. With its seamless integration with various applications, Opera Cloud facilitates the utilisation of third-party platforms to elevate the guest experience from pre-arrival to post-checkout. Looking ahead, Opera Cloud is scheduled for implementation at Sri Lanka Resorts and 'Ellaithoo Maldives by Cinnamon' in 2024/25.

### **Nurturing the Planet**

As we operationalise our business model focusing on long-term success, we recognise our responsibility to ensure that our business operations contribute positively to the environment and conservation of the earth's ecosystem. In 2023/24, we continued our focus on the Rainforest Restoration project, replanting 20,000 native plants in the buffer zone of the Sinharaja Forest. Our team of biodiversity specialists and naturalists led this project, including implementing initiatives aimed at protecting endangered species of wildlife and marine life. In the Maldives, 323 artificial reef cubes were placed in Alifu Alifu Atoll to foster marine habitat and promote biodiversity. Conserving and preserving the biodiversity of the planet whilst maintaining a balanced ecosystem amidst several climate risks is a formidable challenge. Nevertheless, we remain steadfast in our commitment to utilising environmental resources optimally to uphold essential ecological balance for long-term sustainability. In this respect, we are aligned with the United Nations Sustainable Development Goals (UN SDGs) which advocate for sustainable tourism development, where our focus ranges from preserving biodiversity to eliminating plastic pollution and safeguarding the treasures of the ocean, such as coral reefs. Our efforts are documented in detail in the Sustainability Report.

### **Recognition**

Our ongoing commitment to creating a sustainable brand continues to garner recognition both locally and internationally. During the past year, we received the award for Sustainability Reporting in the Leisure and Connected Services category presented by the Association of Chartered Certified Accountants (ACCA) Sri Lanka. Additionally, the 2022/23 Annual Report of John Keells Hotels PLC was awarded Silver in the Hotel Companies category at the TAGS Awards 2023 conducted by the Institute of Chartered Accountants of Sri Lanka. Further, John Keells Hotels PLC was ranked sixth in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL), with a 97 per cent score for transparency in disclosure practices. Cinnamon Citadel Kandy received the sector award at the National Occupational Safety and Health Excellence Awards, showcasing the safety standards upheld in the Cinnamon Resorts chain. Our commitment to excellence in hospitality was further affirmed with awards such as, Gold for Cinnamon Wild Yala under the category of Leading Wildlife Lodge/Tented Camp , Silver for Cinnamon Citadel Kandy under the category of Best River Front Hotel and Gold for Cinnamon Dhonveli Maldives received for 'Leading Surf Hotel/Resort' at South Asian Travel Awards (SATA) 2023. Cinnamon Lodge Habarana was awarded 'Sri Lanka's Leading Resort, at the World Travel Awards. Ellaithoo Maldives by Cinnamon was awarded the 'Most Popular Hotels Worldwide Award 2024' by Holiday Check. Cinnamon Hakuraa Huraa Maldives was also awarded the 'Top 100 Hotels 2024' at TUI Global Hotel Awards. Further, all resorts were awarded the Gold certification by Travelife, recognised by the Global Sustainable Tourism Council.

### **Corporate Governance**

I am pleased to state that there were no reported violations of the Group Code of Conduct and Code of Business Conduct and Ethics of the Code of Best Practice of Corporate Governance 2017, issued by 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 and any work-related situations.

### **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,

# CHAIRPERSON'S MESSAGE

the credibility, reliability, and integrity of the information presented, and in this regard, external assurance has also been sought from independent auditors, as applicable.

## Future Focus

### Global Tourism

The UNWTO projects a full recovery to pre-pandemic levels in CY2024, estimating a 2 per cent growth above CY2019 levels, underpinned by the release of the residual pent-up demand, improved air connectivity and the robust rebound of the Asian markets. Similarly, the World Travel and Tourism Council (WTTC) has projected a record-breaking year for travel and leisure, with tourism estimated to contribute an all-time high of USD 11.1 trillion to the global economy in CY2024.

Potential headwinds to the outlook primarily stem from the global economy, including persistent inflation, high interest rates, volatile oil prices and disruptions to trade. Geopolitical conflicts between Russia-Ukraine and Israel-Palestine may continue to weigh in on confidence and on overall recovery of the industry globally.

As per UNWTO, global travel trends for CY2024 are expected to be centered around value-conscious travel options and travel closer to home. Sustainable practices and adaptability are envisaged to become pivotal factors influencing consumer decisions. However, a significant challenge persists in the form of staff shortages, as most destinations are expected to be impacted with a shortage of labour to manage the surge in demand.

### Sri Lanka Tourism

The Sri Lanka Tourism Development Authority (SLTDA) aims to attract 2.3Mn visitors in CY2024. Although arrivals are still 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 strong economic growth in India and the resultant increase in travel in India is a significant opportunity for Sri Lanka, particularly considering the proximity to key Indian cities. Increased flight frequencies, particularly from India and China, is envisaged to augur well for the destination.

Tourism will continue to be a key catalyst in driving the recovery and growth of the economy, particularly in the context of the positive impact it will have on foreign exchange earnings. In December 2023, Sri Lanka launched its first global marketing campaign in 15 years titled 'You'll come back for more', which is planned to be launched in three stages. Whilst the launch of a campaign after a considerable period of time is positive, these marketing efforts should be continued on a sustained basis with a strategic focus, in order to reap the full benefits of such campaigns.

In terms of portfolio expansion, the 215-key hotel in Kandy, jointly developed by John Keells Hotels PLC (KHL) and Indra Traders (Private) Limited, is currently under development. The capital deployed for the project will be based on an asset-light investment model and the Group will maintain a 40 per cent minority equity stake in line with this strategy. The hotel is expected to commence operations in the third quarter of 2024/25.

The Group remains confident that the prospects for tourism in the medium to long-term remain extremely positive. This optimism is based on the diverse range of offerings and the potential for regional tourism, supported by the availability of a comprehensive portfolio of hotels to accommodate the expected surge in demand. Sri Lanka's potential in the tourism sector remains largely untapped, considering that the country received only 2.3 million tourists prior to the Easter Sunday attacks in CY2019, while regional tourism has experienced significant growth over the past decade.

The Bandaranaike International Airport (BIA) expansion project is a two-phase project - Phase A, which entails the construction of a new passenger terminal building was suspended in CY2022. The Government has intimated that the funding for Phase A will recommence once the debt restructure is finalised. Post completion of Phase A, the terminal will have the ability to handle 15 million passengers annually. It is imperative that these airport capacity constraints as well as tourism infrastructure are addressed swiftly to allow the country to fully capitalise on the expected boom in tourism. As an interim stop-gap measure to cater to the increasing number of tourists, the Government is in the process of awarding a contract to build a temporary terminal at the BIA.

Given the increasing traction Sri Lanka has received as a holiday destination and the unparalleled cultural and natural landscape of the country, the prospects for the Sri Lankan Resorts segment remain positive in the medium to long-term. The Group will continue its investments to expand the 'Cinnamon' footprint across the island, although primarily in line with the Group's asset-light investment strategy.

### Maldives Tourism

The Government of Maldives announced a target of 2 million arrivals for CY2024. Tourism in the Maldives is expected to be driven by growth in global tourism post adjusting for the impacts of geopolitical crises. 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, adverse oil prices stemming from inflationary pressures affecting long-haul travel from source markets. However, these are likely to be offset through organic growth in global tourism.

It is encouraging that the rebound in tourism into the Maldives has been primarily driven by traditional source markets, while alternate markets have also contributed significantly, demonstrating the 'pent-up' demand and the potential for arrivals. The recent rise in alternative accommodation channels of guest houses which are at a more affordable price point to the typical premium destination, has also resulted in the attraction of budget-conscious travellers, which is envisaged to continue going forward, contributing to a change in the mix of overall arrivals. This may present a challenge for the hotels and resorts across the industry, which will also exert pressure on the Group's Maldivian properties.

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. The segment will continue to work closely with key tourist market operators to better position and market its refurbished room inventory, whilst growing direct bookings through online platforms.

### **Acknowledgements**

I take this opportunity to thank my colleagues on the Board for their invaluable guidance and constant support. I also wish to convey my appreciation to our management team and staff for their untiring effort, commitment and drive. 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

21st May 2024

# CINNAMON HOTELS & RESORTS IN 2023/24

## STRATEGY SCORECARD - GROUP



### Prosperity

| KPI-Group  | Measure    | FY 2023/24 | FY 2022/23 |
|--|------------|------------|------------|
| <b>Revenue measures and financial performances</b>         |            |            |            |
| Group net revenue  | Rs.'000    | 30,739,251 | 28,835,400 |
| <b>Revenue Per Available Room (RevPAR) growth</b>          |            |            |            |
| Sri Lanka  | %          | 103        | 83         |
| Maldives   | %          | 6          | 10         |
| EBITDA   | Rs.'000    | 7,753,145  | 7,485,579  |
| EBIT   | Rs.'000    | 2,816,942  | 2,097,971  |
| Loss before tax  | Rs.'000    | (65,195)   | (604,033)  |
| Loss after tax   | Rs.'000    | (439,005)  | (332,544)  |
| <b>Finance position</b>                                    |            |            |            |
| Total assets   | Rs.'000    | 79,899,540 | 87,096,334 |
| Net debt (excluding lease liabilities)                     | Rs.'000    | 21,182,861 | 23,757,638 |
| Net debt (including lease liabilities)                     | Rs.'000    | 40,572,101 | 46,565,520 |
| Total shareholders' funds                                  | Rs.'000    | 31,284,532 | 32,598,402 |
| Net cash flows from operating activities                   | Rs.'000    | 6,067,989  | 5,570,841  |
| <b>Profitability margin</b>                                |            |            |            |
| Gross profit margin  | %          | 62         | 63         |
| EBITDA margin  | %          | 25         | 26         |
| <b>Debt to equity ratio</b>                                |            |            |            |
| Interest-bearing debt (excluding lease liabilities)/equity | Times      | 0.72       | 0.54       |
| <b>Data per issued share</b>                               |            |            |            |
| Earnings/(loss) per share                                  | Rs.        | (0.30)     | (0.22)     |
| Net assets per share                                       | Rs.        | 21.41      | 22.32      |
| <b>Market/shareholder information</b>                      |            |            |            |
| Number of ordinary shares outstanding                      | Number'000 | 1,456,147  | 1,456,147  |
| Market price of share as at 31 March                       | Rs.        | 18.60      | 18.90      |
| Market capitalisation                                      | Rs.'000    | 27,084,334 | 27,521,178 |



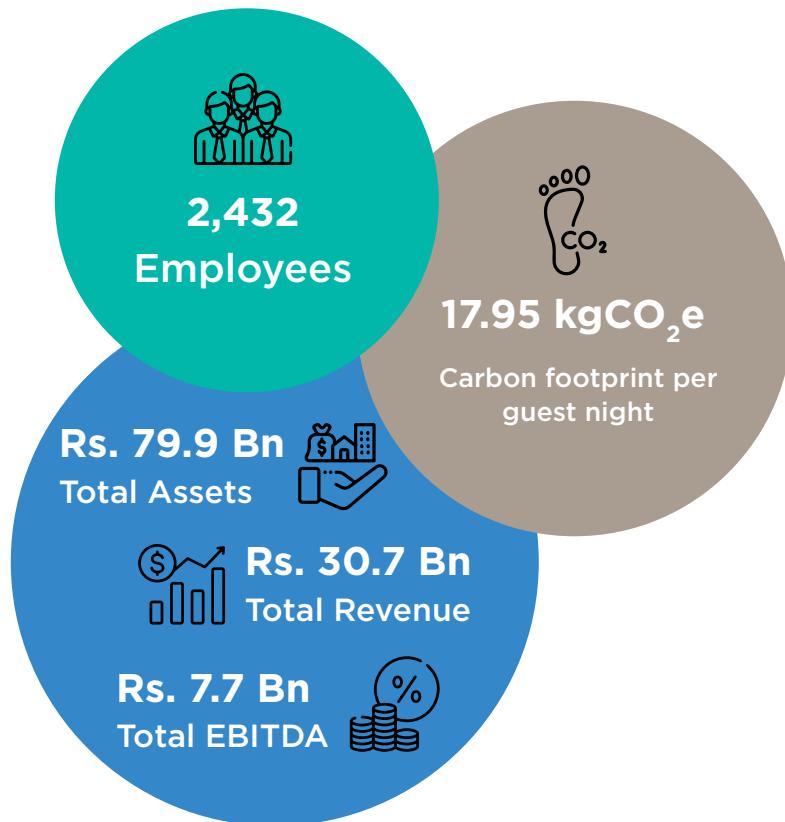
## People

| KPI-Group                             | Measure | FY 2023/24 | FY 2022/23 |
|---------------------------------------|---------|------------|------------|
| Female participation in the workforce | %       | 14         | 11         |
| Female representation in leadership   | %       | 16         | 13         |
| Investment in training                | Rs. Mn  | 52         | 76         |
| Total training hours                  | Hours   | 162,864    | 164,099    |
| Average training hours/employee       | Hours   | 63         | 66         |
| Workplace injuries                    | No.     | 59         | 45         |



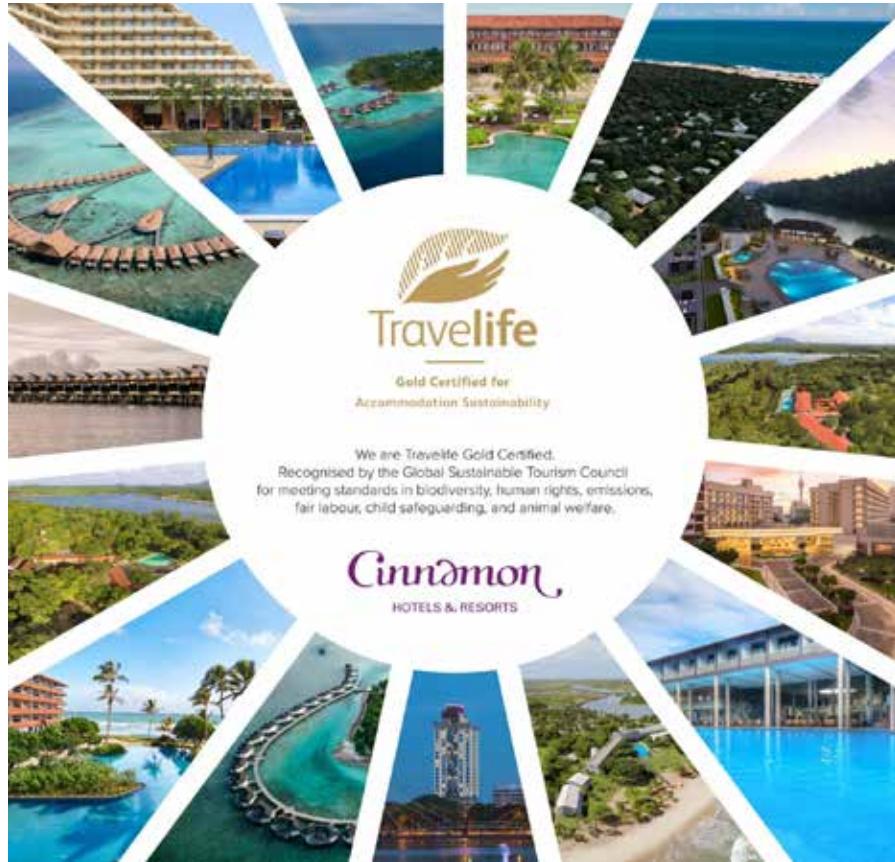
## Planet

| KPI-Group                        | Measure             | FY 2023/24 | FY 2022/23 |
|----------------------------------|---------------------|------------|------------|
| Carbon footprint                 | kgCO <sub>2</sub> e | 16,640     | 26,493     |
| Carbon footprint per guest night | kgCO <sub>2</sub> e | 17.95      | 20.17      |
| Water withdrawn                  | m <sup>3</sup>      | 720,545    | 680,067    |
| Water withdrawn per guest night  | Litres              | 470        | 473        |
| Total waste                      | MT                  | 2,311      | 2,260      |
| Waste disposed per guest night   | Kg                  | 0.26       | 0.32       |



# CINNAMON HOTELS & RESORTS IN 2023/24

## AWARDS AND ACCOLADES



Travelife Certification for all Sri Lankan Resorts and the Maldives Resorts



SLIM DIGIS 2.3 Bronze Award for Digital Communication in the Hospitality, Leisure, Travel & Tourism Category for the Maldives Resorts Go Premium (Part II) Campaign



Silver Award in the Influencer Marketing Category for the Influencing Perception Change in India Campaign.



Cinnamon Citadel Kandy won the National Occupational Safety and Health (NIOSH) excellence award under Tourism & Hotels sector



### SATA Awards -

Gold - Leading Wildlife Lodge, Tented camp - Cinnamon Wild Yala

Gold - Leading Surf Hotel/Resort - Cinnamon Dhonveli Maldives

Silver - Leading Riverfront Hotel/Resort - Cinnamon Citadel Kandy



ACCA Sri Lanka Awards for Sustainability Reporting 22/23 Winner - Leisure and Connected Services for Sustainability Reporting (For the 2nd consecutive year)

John Keells Hotels PLC was ranked 6th in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) with a 97% score for transparency in disclosure practices. This ranking is based on an assessment of corporate disclosure practices among the top 125 companies listed on the Colombo Stock Exchange

# OUR STRATEGIC DIRECTION

Our purpose of curating emotional experiences to inspire stories that connect remains at the heart of our brand and culture and is, therefore, unchanged.

To make it happen, we have fine-tuned our strategic pillars to sharpen our mindset for success and accelerate our growth by capitalising on what we have built. Over the long term, with disciplined execution, our strategy drives the growth of our brand in the markets that we operate.

Our strategy is designed to create value for all our stakeholders, fostering sustained growth in cash flows and profits, a testament to our unwavering commitment to our partners.



# HOW WE CREATE VALUE

## INPUT We Employ

### Natural Capital

**33,585,294.84 GJ** energy consumed

**156,894.03 L** water consumed

**16,740 tCO<sub>2</sub>e** equivalent Scope 1 & 2 emissions

### Materials

The direct purchase value of **Rs. 22,853 Mn**

### Human Capital

**1,726** colleagues in Sri Lanka

**706** colleagues in the Maldives

### Knowledge

Training and development – 66% training coverage

### Infrastructure

**454** keys in the Maldives

**1,022** keys in Sri Lanka

Central Purchasing office in Colombo

Corporate headquarters in Colombo

**120** Acres of freehold land

**132** Acres of leasehold land

### Technology and Digital

Cinnamon Hotels & Resorts brand page

Implementation of Opera Cloud property management system

### Financials

Strong track Record

An optimised balance sheet

Liquid share

### Brand

Global recognition

## We curate emotional experiences to inspire stories that connect

### Operate with Excellence

We operate eight resorts in Sri Lanka and 4 resorts in the Maldives

### Drive Guest Satisfaction

We produced **484,183** guest nights in Sri Lanka and **280,425** guest nights in the Maldives



### Hotel Operation

- Cinnamon brand standards
- Standardised processes
- Focus on revenue management

### Sales Management

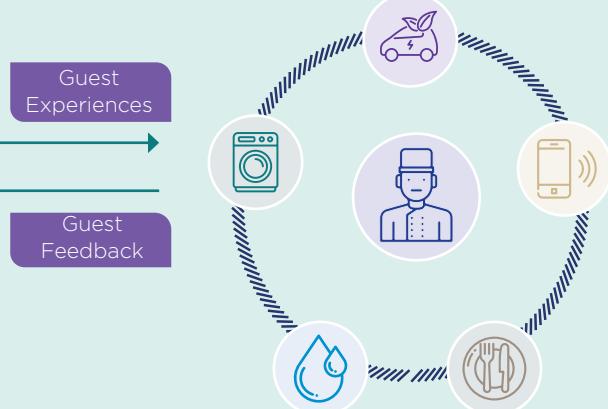
- Global network of sales offices
- Focus on data analytics

## Cinnamon Hotels & Resorts

Cinnamon resorts is committed to drive positive change and create sustainable business by establishing long-term and sustainable partnerships with our key upstream and downstream stakeholders, suppliers, business partners, and guests. These strong relationships with our key stakeholders are crucial to the sustainable growth and competitiveness of Cinnamon.

### Responsible Business

As being a champion in responsible tourism, we are embodying a commitment to social responsibility. We are dedicated to work to increase diversity, equity, and inclusion in our company, increase worker engagement, and ensure we uphold and promote human rights in our company and in the value chain.



### Stakeholders

- Transparency in governance
- Data security

## OUTPUT We Create

Guest - curate emotional experiences to inspire stories that connect

Overall Net Promoter Score (NPS) - **76.27**

Overall Global Review index (GRI)- **94.73%**

## People

**A safe and inspiring workforce** - The wellbeing and professional development of our employees.

**Diversity, Equity and Inclusion (D,E & I)** - Focus on increasing female participation in the workforce and providing career opportunities for persons with disabilities.

## Planet

**Elimination of single use plastic from guest experience**  
Demonstrates commitment to sustainable tourism and responsible business practices.

### Minimisation of carbon footprint

Continuous monitoring of the carbon footprint generated by operations and implementation of demand-side management strategies.

### Positive impact on destinations

Positive impact on the economic and social development of destinations and the industries that form part of the value chain.

### Biodiversity management

Responsible management of natural resources, measuring the impact that Cinnamon Hotels & Resorts' activities may have on ecosystems and biodiversity.

## Prosperity

Total revenue of **Rs. 30,739 Mn**

EBITDA of **Rs. 7,753 Mn**

# GLOBAL MACROECONOMIC OUTLOOK AND THE TRAVEL INDUSTRY

## The era of unprecedented challenges and a rapidly changing business landscape

The global economy showed signs of resilience in 2023 and is expected to recover from a multitude of economic woes including the COVID-19 pandemic, Russia's invasion of Ukraine, and the cost-of-living crisis. Inflation is declining more rapidly than anticipated from its 2022 peak, causing less impact on employment and economic activity than expected. This improvement is due to favourable supply-side changes and central banks' tightening of monetary policy measures, which have successfully anchored inflation expectations. At the same time, high interest rates aimed at fighting inflation and a withdrawal of fiscal support amid high debt are expected to weigh on growth in 2024.

### Growth Outlook

Global growth, forecasted at 3.1 per cent in 2023, is anticipated to maintain this rate in 2024 before seeing a slight increase to 3.2 per cent in 2025. The projected global growth for 2024 and 2025 falls below the historical annual average of 3.8 per cent (2000-19), attributed to restrictive monetary policies, reduced fiscal support, and sluggish underlying productivity growth. Advanced economies are predicted to witness a slight growth slowdown in 2024, followed by a recovery in 2025, with the euro area bouncing back from subdued growth in 2023 and a moderation in U.S. growth. Emerging markets and developing economies are expected to sustain stable growth throughout 2024 and 2025, albeit with regional disparities.

### Inflation Outlook

Global headline inflation is forecasted to decrease from an estimated 6.8 per cent in 2023 (annual average) to 5.8 per cent in 2024 and further down to 4.4 per cent in 2025. Advanced economies are anticipated to experience a quicker disinflation, with inflation dropping by 2.0 percentage points in 2024 to 2.6 per cent, compared to emerging market and developing economies, where inflation is projected to decrease by only 0.3 percentage points to 8.1 per cent. Overall, approximately 80 per cent of the world's economies are expected to observe lower annual average headline and core inflation in 2024.



### Projected GDP growth of main feeder markets

| Country | Projected real GDP growth |       | % share of tourist arrivals to Sri Lanka in 2023** | % share of tourist arrivals to the Maldives in 2023** |
|---------|---------------------------|-------|--|---|
|         | 2024*                     | 2025* |  |   |
| India   | 6.5                       | 6.5   | 20   | 11  |
| Russia  | 2.6                       | 1.1   | 13   | 11  |
| China   | 4.6                       | 4.1   | 5  | 10  |
| Germany | 0.5                       | 1.6   | 7  | 7   |
| France  | 1.0                       | 1.7   | 3  | 3   |
| UK      | 0.6                       | 1.6   | 8  | 8   |

\*Source – IMF

\*\* source – SLTDA

\*\*\* source – Tourism ministry, Maldives

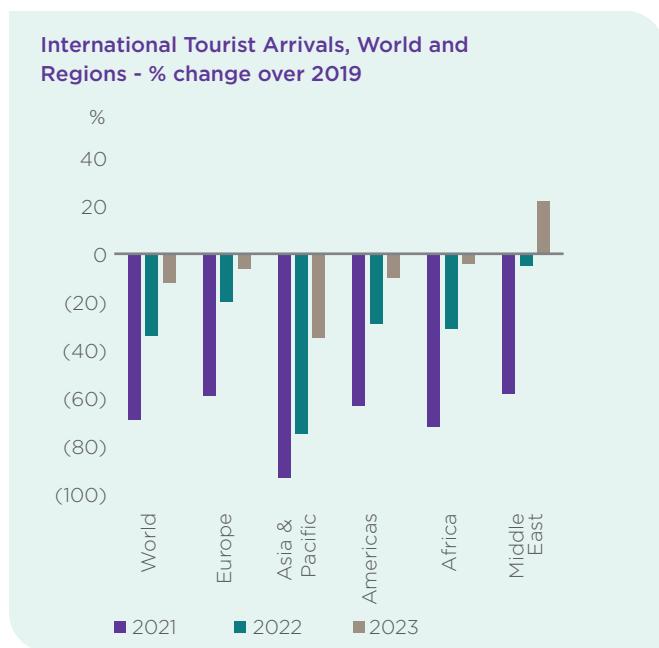
In 2023, international tourism staged a remarkable recovery, reaching 88% of pre-pandemic levels, buoyed by robust pent-up demand. This resurgence is anticipated to culminate in a full pre-pandemic recovery by 2024.

### Key Highlights Include:

- Worldwide, an estimated 1.286 billion international tourists (overnight visitors) were tallied in 2023, marking a notable 34% increase from 2022, equivalent to 325 million more tourists.
- The Middle East spearheaded the recovery among regions, surpassing pre-pandemic level arrivals by 22%, making it the sole region to achieve such a feat.
- Europe achieved 94% of its pre-pandemic tourism levels in 2023, while Africa and the Americas reached 96% and 90%, respectively.
- Asia and the Pacific made strides, reaching 65% of pre-pandemic levels, and a gradual recovery has been observed since the beginning of 2023.
- Noteworthy subregions such as North Africa, Central America (both +5%), Southern Mediterranean Europe, and the Caribbean (both +1%) exceeded pre-pandemic levels in 2023.
- Total export revenues from tourism, including passenger transport, approached USD 1.6 trillion in 2023, nearly 95% of the USD 1.7 trillion recorded in 2019.
- Preliminary figures for tourism direct gross domestic product (TDGDP) indicate USD 3.3 trillion in 2023, constituting 3% of global GDP, on par with 2019 levels, propelled by both domestic and international travel.

Looking ahead, international tourism is poised to fully bounce back to pre-pandemic levels in 2024, with initial projections forecasting a 2% growth over 2019 levels in international tourist arrivals.

Despite these positive indicators, economic and geopolitical hurdles persist, posing significant challenges to the sustained recovery and confidence levels within the international tourism sector.



### Megatrends Shaping Our Industry

The global tourism industry is undergoing profound changes.



#### Climate Change

The looming climate crisis is poised to exert pressure on the ecosystems of the destinations in which we operate. With mounting expectations for concrete climate action and the reduction of greenhouse gas emissions, there's a growing imperative to respond proactively.



#### Digitalisation

Digital innovation and technological transformation are fundamentally changing strategies and practices in decision-making, personalised guest experiences, and staying ahead of the competition.



#### Dietary shifts

Consumers are increasingly driving diets towards healthier, sustainable choices with more plant-based nutrition.



#### Zero Waste and Circular Economy

Resource scarcity, growing sustainability awareness, and increased consumer pressure are pushing towards a more circular economy. This is driving increased interest in recycling single-use plastics and minimising waste from our operations.



#### Increasing Focus on Sustainability

Cinnamon Hotels & Resorts ensures the balance between the three pillars of sustainability (planet, people, and community) is at the core of our business. We are committed to providing a high standard of hospitality and related services in a manner that ensures a safe and healthy workplace for our employees while minimising our potential impact on the environment and neighbouring communities.



#### Blended Travel

The rebound in business travel has reignited another trend – blended travel, where business and leisure are combined into one stay by either taking the time to explore the local destination during a business or work trip or by adding a holiday onto the beginning or end of a business trip or conference.



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

Following the most profound economic upheaval in recent memory, the Sri Lankan economy persists in its journey towards recovery and stabilisation, notwithstanding ongoing challenges. A notable turning point emerged in the third quarter of 2023, signifying a pivotal moment for Sri Lanka's economic landscape. After enduring six consecutive quarters of decline, real GDP growth rebounded strongly, recording a positive growth rate of 1.6%. This resurgence can be attributed to the swift implementation of significant policy interventions by both the Government and the Central Bank of Sri Lanka, alongside a strong resurgence of the tourism industry and increased worker remittance to the country. These measures played a crucial role in averting further exacerbation of the existing economic crisis and restoring much-needed macroeconomic stability.

The economic reform initiatives undertaken by Sri Lankan authorities are demonstrating their initial indicators of success and recovery. It is imperative that the authorities remain committed to the economic reform agenda to uphold economic stability and foster growth, which will contribute to sustained, long-term economic recovery. The sustained recovery of the economy will alleviate the strain on both individuals and businesses that have endured the repercussions of the crisis.

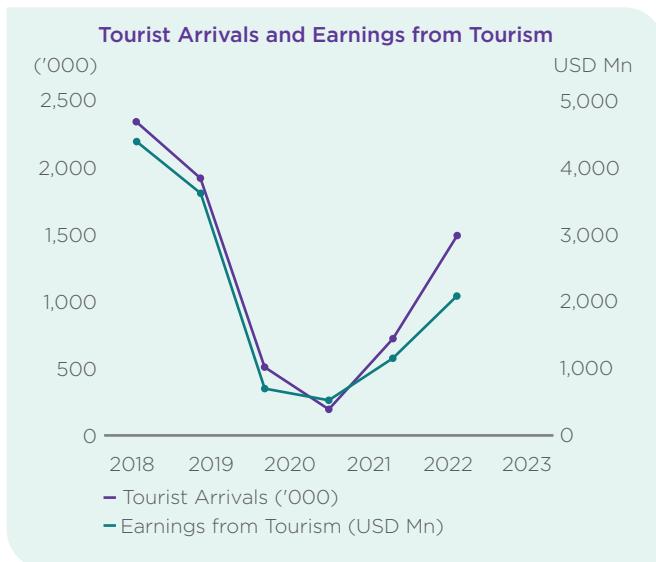
## 2024, A DECISIVE YEAR FOR THE TOURISM INDUSTRY

2024 is expected to consolidate the long-awaited recovery of tourism in Sri Lanka. The industry has faced significant challenges since the Easter Sunday attack in 2019 and the subsequent COVID-19 pandemic. Just as the threat of COVID-19 seemed to be receding, the country was hit by its worst economic crisis.

The government of Sri Lanka 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 tourism drivers, making greater use of digital technology, implementing measures to ensure tourists' safety, and understanding travellers' changing needs.

Sri Lanka's tourism industry is a vital component of the country's economy, contributing significantly to its GDP and providing employment to many people.

The tourism sector is expected to provide an impetus for the post-pandemic recovery of the country's economy despite the impact of geopolitical tensions and the challenging domestic sociopolitical environment.



John Keells Hotels PLC, one of the country's largest hoteliers, 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 reported a robust financial result for 2023/24 posting EBITDA of Rs. 1,420Mn, a surge of 862% from last year.



# OUR STRATEGY

With last year's integrated report, we launched our overarching ambition to "Bring the best of Sri Lanka to the World with Style and Elegance." We have moved further during 2023/24 to put these into action.



**WHAT WE DO**  
Curate emotional experiences to inspire stories that connect

**WHY WE DO IT**  
To bring the best of Sri Lanka to the world with style and elegance

**HOW WE MAKE IT HAPPEN**

- CULTIVATE** the best people and evolve the culture
- DRIVE** Guest and Customer Personalisations
- OPERATE** with Excellence
- GROW** with intent

## Our Values



Greatness



Trust



Compassion



Agility



Curiosity



Wellbeing



Inclusivity

Our purpose is to curate emotional experiences to inspire stories that connect and remain at the core of our brand.

Our strategy is based on four imperatives that help us live out our Vision, which is to bring the best of Sri Lanka to the world with style and elegance. They represent the most material action areas we will focus on overtime to operationalise our vision.

# OUR STRATEGY



## CULTIVATE the Best People and Evolve the Culture

People interaction is the core of our business. To deliver a superior guest experience, we need to attract and cultivate a highly skilled, trained, motivated, and rewarded team.

From the outset of carefully selecting talent to inculcate the Cinnamon culture and immerse them in structured training and development with opportunities to climb the career ladder, we invest in our people significantly.

### Focus Areas



- Increase female participation in the workforce
- Increase female representation in leadership
- Improve participation of differently-abled persons in the workforce
- Introduce equal parental leave scheme
- Prioritising the wellbeing of our colleagues
- Human rights protection
- Empowerment through employment

Please refer pages 68 to 79, "Our People"



## DRIVE Guest & Customer Personalisation

As tourist traffic to the country continues to rise, meeting the expectations of a discerning traveller segment is paramount to securing returning customers. To achieve this, we have revamped our digital platforms to seamlessly integrate the services we offer. OPERA Cloud merges various service delivery platforms to craft an exceptional guest experience while empowering our employees to uphold superior standards of customer service. Further, there was no non-compliance regarding product and service information, labelling or marketing communications during the year.

### Managing our Customer Journey

Cinnamon Hotels and Resorts have implemented vigorous quality assurance framework. The entire guest experience is governed through policies, procedures, standard operating procedures (SOPs) and product standards. This financial year, the governing documents have been subjected to a review process to ensure excellence in the customer experience.

A fully fledged online customer review management tool has been implemented across all Cinnamon Hotels and Resorts ensuring that our guests have every opportunity to respond with their compliments and complaints. Net Promoter Score (NPS), Global Review Index (GRI), ranking against our competitors are the main KPIs that are implemented and measured on a periodic basis. Cinnamon Hotels & Resorts have maintained an excellent Net Promotor score of 73.94 and a Global Review Index of 94.1% in 2023/2024 financial year. Additionally a robust quality control system of mystery audits with Coyle hospitality and periodic brand audits have been implemented across all hotels.

## Focus Areas

### Digital Transformation



For a seamless customer experience, we further invested in upgrading our digital platforms. OPERA Cloud, Symphony and IDEAS platforms provided an integrated customer experience from pre-booking to post-stay follow-up.

### Sustainability Attributes

We aim for our customers to recognise and value our dedication to sustainability as an integral part of their experience.



**233,222** Followers



**4,868** Followers



**5,510** Subscribers



**42,589** Followers



**16,000** Followers



**87,409** Followers

Please refer pages 33 to 34, "Digital Transformation"



## OPERATE with Excellence

As competition intensifies, margins narrow, customer expectations evolve, and economic uncertainty prevails, our top priority is 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



We focused on sourcing over 70% of our supply requirements from local vendors, ensuring quality and timely delivery.

We focused on conserving and protecting biodiversity in our surroundings to enhance the value of the environment and add value to the properties.

Please refer to page 32 "Sustainable attributes"

## Commitment to Excellence

Our commitment to excellence and adoption of best global practices complied with the required accreditations and certifications, permeating all relevant aspects of sustainable tourism management. There were no reports of non-compliance in any critical area of health and safety for our guests.

## OUR STRATEGY

All our properties hold certifications for the following standards: ISO 45001:2018 for Occupational Health and Safety Management System, ISO 22000:2018 for Food Safety Management System, ISO 14001:2015 for Environment Management System, and Travelife Gold Certification for Accommodation Sustainability.

| The Property                    | 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<br>✓ | ✓                            |
| Habarana Village by Cinnamon    | ✓              | ✓                              | ✓                        |                      | ✓                            |
| Cinnamon Lodge Habarana         | ✓              | ✓                              | ✓                        |                      | ✓                            |
| Cinnamon Citadel Kandy          | ✓              | ✓                              | ✓                        |                      | ✓                            |
| Cinnamon Bey Beruwala           | ✓              | ✓                              | ✓                        | Gold status<br>✓     | ✓                            |
| Cinnamon Wild Yala              | ✓              | ✓                              | ✓                        |                      | ✓                            |
| Hikka Tranz by Cinnamon         | ✓              | ✓                              | ✓                        |                      | ✓                            |
| Trinco Blu by Cinnamon          | ✓              | ✓                              | ✓                        |                      | ✓                            |
| Ellaaidhoo Maldives by Cinnamon | ✓              | ✓                              | ✓                        |                      | ✓                            |
| Cinnamon Dhonveli Maldives      | ✓              | ✓                              | ✓                        |                      | ✓                            |
| Cinnamon Hakuraa Huraa Maldives | ✓              | ✓                              | ✓                        |                      | ✓                            |
| Cinnamon Velifushi Maldives     | ✓              | ✓                              | ✓                        |                      | ✓                            |



### GROW with Intent

Businesses that strategically pursued growth while prioritising sustainability showed heightened resilience in the face of unexpected challenges, as exemplified by our own performance during this timeframe. Consequently, we remain committed to pursuing purposeful and value-driven growth that harmonises with our long-term vision and safeguards the sustainability of our business model.

#### Focus Areas

##### Diversifying our Source Markets



Strategic focus on key feeder markets - grow our customer base by offering a value-added customer proposition based on a strong brand.

##### Pursuing an Asset-Light Growth Strategy

The upcoming property in Kandy is designed to meet the needs of modern travellers. Strategically situated in Mahaiyawa, bordering Katugastota, it enjoys a prime location at the heart of the city and serves as a major entry point to Kandy. Set to launch in the third quarter of the financial year, it will boast the city's largest room inventory, offering 215 rooms. Guests can indulge in the experience of a rooftop bar boasting breathtaking views, capable of hosting up to 120 patrons, alongside a dining area accommodating up to 400 guests, and a conveniently located coffee lounge on the ground floor.

# BUSINESS MODEL

## OUR PURPOSE: WE CURATE EMOTIONAL EXPERIENCES TO INSPIRE STORIES THAT CONNECT

Hospitality transcends mere business; it's an ethos ingrained in one's heart and attitude towards life. That is why we care as much about our customers' experience as we do about the excellence of our management.



### OUR VALUES

Our values translate our corporate slogan into tangible actions, showcasing the seamless fusion of heartfelt hospitality and meticulous management excellence.

Greatness

Trust

Compassion

Agility

Curiosity

Wellbeing

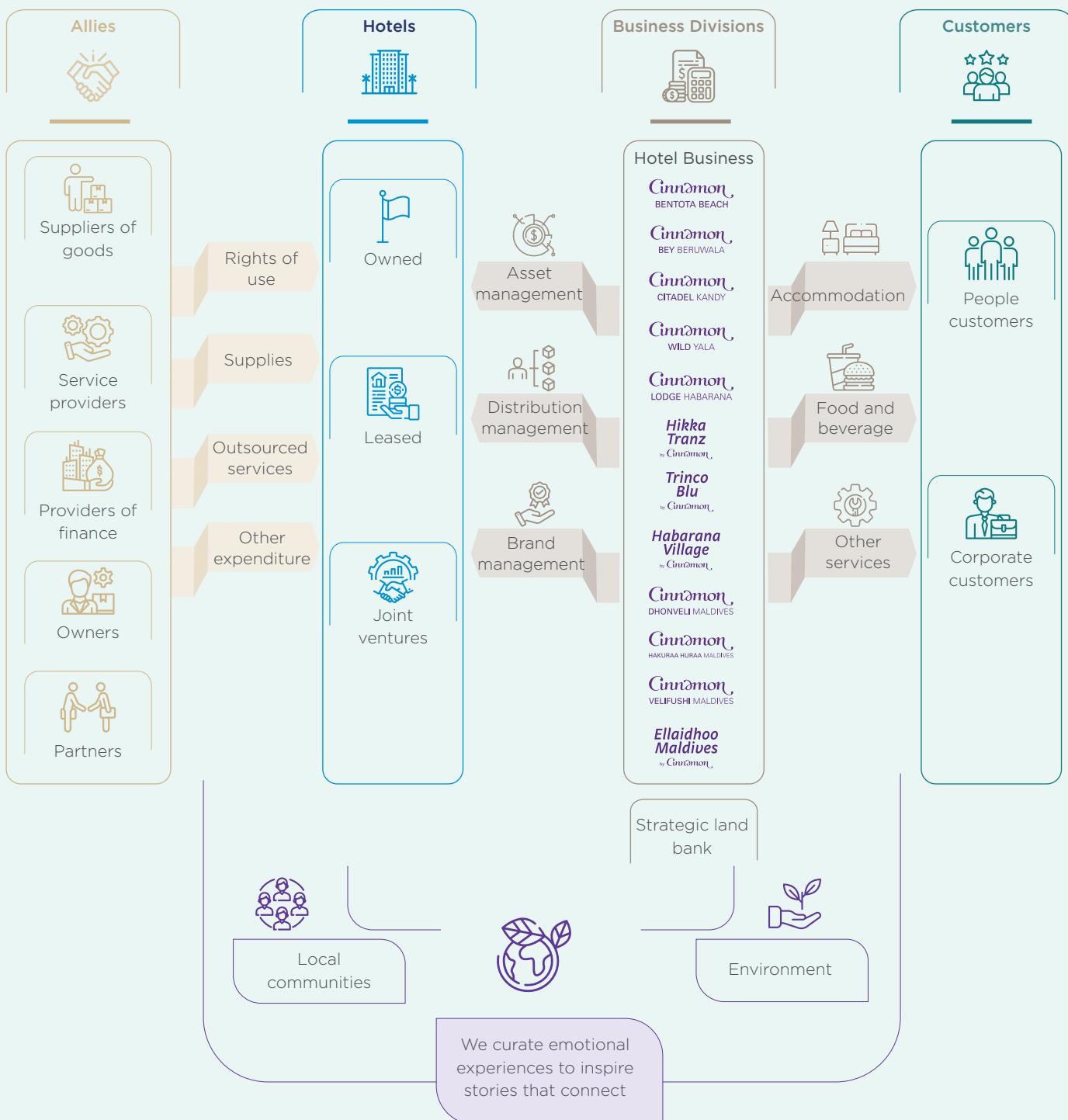
Inclusivity



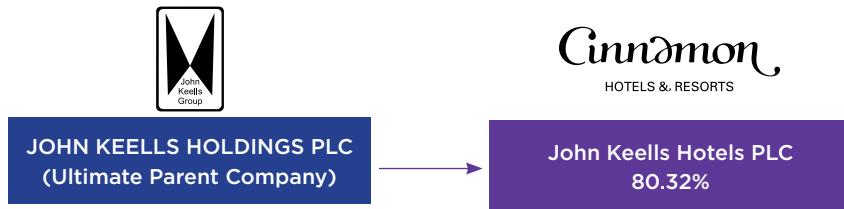
All of them come to life through the behaviour that we encourage among all of us who form part of this large family.

# BUSINESS MODEL

## OUR BUSINESS MODEL



## GROUP STRUCTURE



| Company Name  | Effective Holding                          |     |
|---|--|-----|
| <b>Fully Owned Subsidiaries</b>   |  |     |
| Trinco Holiday Resorts (Pvt) Ltd  | 100%                                       |     |
| John Keells Maldivian Resorts (Pte) Ltd   | 100%                                       |     |
| Travel Club (Pte) Ltd<br>(100% by John Keells Maldivian Resorts (Pte) Ltd)                | 100%                                       |     |
| Fantasea World Investments (Pte) Ltd<br>(100% by John Keells Maldivian Resorts (Pte) Ltd) | 100%                                       |     |
| Tranquility (Pte) Ltd<br>(100% by John Keells Maldivian Resorts (Pte) Ltd)                | 100%                                       |     |
| Cinnamon Holidays (Pvt) Ltd   | 100%                                       |     |
| Rajawella Hotels Company Ltd  | 100%                                       |     |
| Nuwara Eliya Holiday Resorts (Pvt) Ltd  | 100%                                       |     |
| Wirawila Walk Inn Ltd   | 100%                                       |     |
| Trinco Walk Inn Ltd   | 100%                                       |     |
| Ahungalla Holiday Resorts (Pvt) Ltd   | 100%                                       |     |
| <b>Partially Owned Subsidiaries</b>   |  |     |
| Ceylon Holiday Resorts Ltd  | 99.39%                                     |     |
| Hikkaduwa Holiday Resorts (Pvt) Ltd<br>(99.39% by Ceylon Holiday Resorts Ltd)             | 99.39%                                     |     |
| Resort Hotels Ltd<br>(99.39% by Ceylon Holiday Resorts Ltd)                               | 99.39%                                     |     |
| International Tourists & Hoteliers Ltd  | 99.33%                                     |     |
| Beruwala Holiday Resorts (Pvt) Ltd<br>(99.33% by International Tourists & Hoteliers Ltd)  | 99.33%                                     |     |
| Habarana Walk Inn Ltd   | 98.77%                                     |     |
| Habarana Lodge Ltd  | 98.35%                                     |     |
| Kandy Walk Inn Ltd  | 98.39%                                     |     |
| Yala Village (Pvt) Ltd  | 93.78%                                     |     |
| <b>Joint Venture</b>  |  |     |
| Sentinal Realty (Pvt) Ltd   | Commercial Land                            | 50% |
| <b>Associates</b>   |  |     |
| Indra Hotels & Resorts Kandy (Pvt) Ltd  | New property in Kandy - Under Construction | 40% |

# BUSINESS MODEL

## OUR PRESENCE

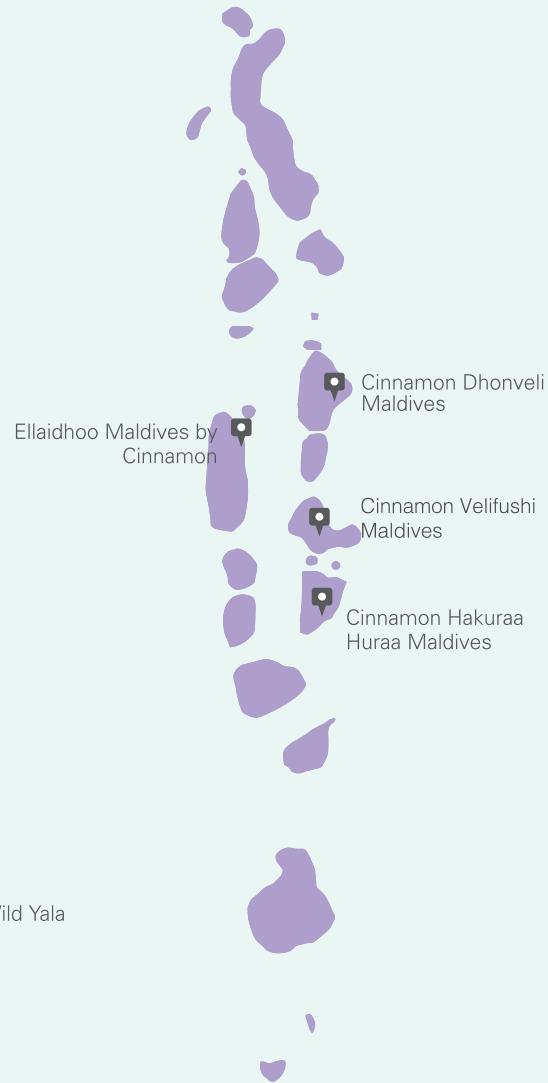
### FOOTPRINT

John Keells Hotels PLC, one of the largest hotel operators in Sri Lanka, operates under the 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 by offering range of luxurious accommodations, dining experiences, and leisure activities.

### Locations in Sri Lanka



### Locations in Maldives



 **8**  
Resorts in Sri Lanka

 **1,022**  
Room inventory

 **4**  
Resorts in Maldives

 **454**  
Room inventory

The Corporate Headquarters of Cinnamon Hotels & Resorts is situated at Level 28, The Offices at Cinnamon Life, 05 Justice Akbar Mawatha, Colombo 02, Sri Lanka.

## 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.

## BUSINESS MODEL

### 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.

Ellaaidhoo 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.

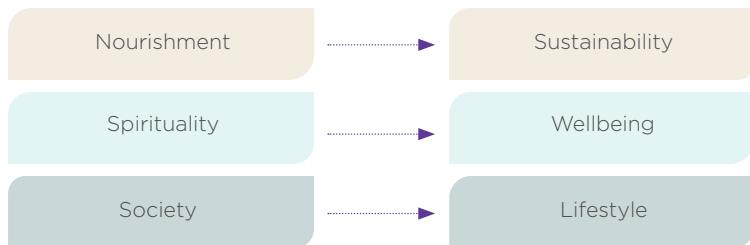
### Expanding our Footprint

Our latest property, in Kandy, is under construction. This 215 - room hotel will cater to contemporary travellers. Notably, it is set to become the first hotel in Kandy to receive Leed Gold certification.



## BRAND ARCHITECTURE

We are a Sri Lankan brand intending to grow our presence globally. Our portfolio aims to respond to the needs of different customer profiles, whether they are travellers committed to sustainability, lovers of responsible luxury or fans of truly unique experiences. Below are the elements that make up our brand.



Just as our customers evolve, so does our industry. With the objective of positioning the company among the leading hotel groups in the world, we have been working on a comprehensive plan that allows us to enhance the perception and positioning of our brands. To achieve this, we have designed a strategy with an eye on the future, which combines the change in our vision of the future of travel with our traditional focus on placing the customer at the heart of the business.

We have a strong focus on improving our positioning and creating a longer path into the future for our hotels.

### Brand Positioning

**“We are the HEART of every destination we live in.”**

We know every nook and corner that must be explored in every place we call home.

We celebrate the cuisine, culture and creativity of each locale we occupy.

We empower and uplift the communities we reside in.

We are the source of experience, education, entertainment, and enlightenment on wherever we exist.

# BUSINESS MODEL

## SUSTAINABLE ATTRIBUTES



At Cinnamon Resorts our environment, our people and our communities are important to us and we strive to engage our guests in our environmental, social and governance initiatives so that they are able to be a part of our sustainability journey.



## DIGITAL TRANSFORMATION

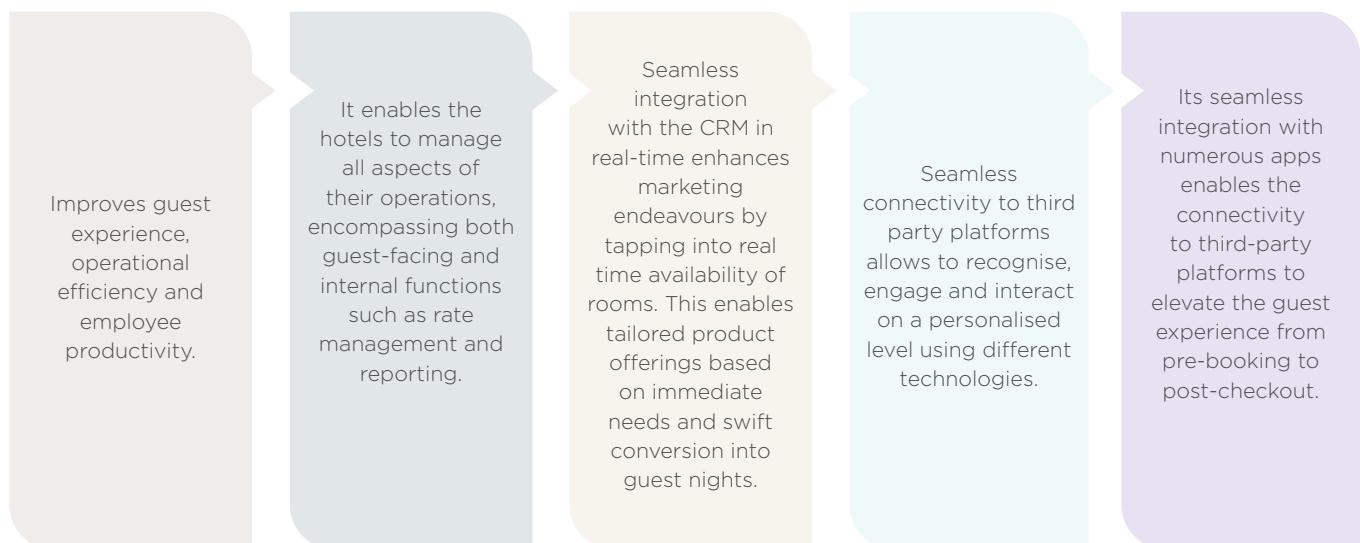
Digitalisation is no longer just an option, having become an obligation for businesses, and even more so after the pandemic. At Cinnamon Hotels & Resorts, we aim to be an active player in this paradigm shift by supporting innovation and process re-engineering with the clear objective of becoming more efficient and productive.

In 2023, we invested in Opera Cloud, the new PMS, and Ideas, the new Revenue Management System. Additionally, a new internet payment gateway was launched during the year. The brand site is being revamped, and its launch is expected by 2024.



### Opera Cloud Property Management System (PMS)

The implementation of a single, centralised Property Management System (PMS) continues as planned. This will further standardise and enhance the management of hotel data and significantly boost operational and quality analytics based on standardised data.

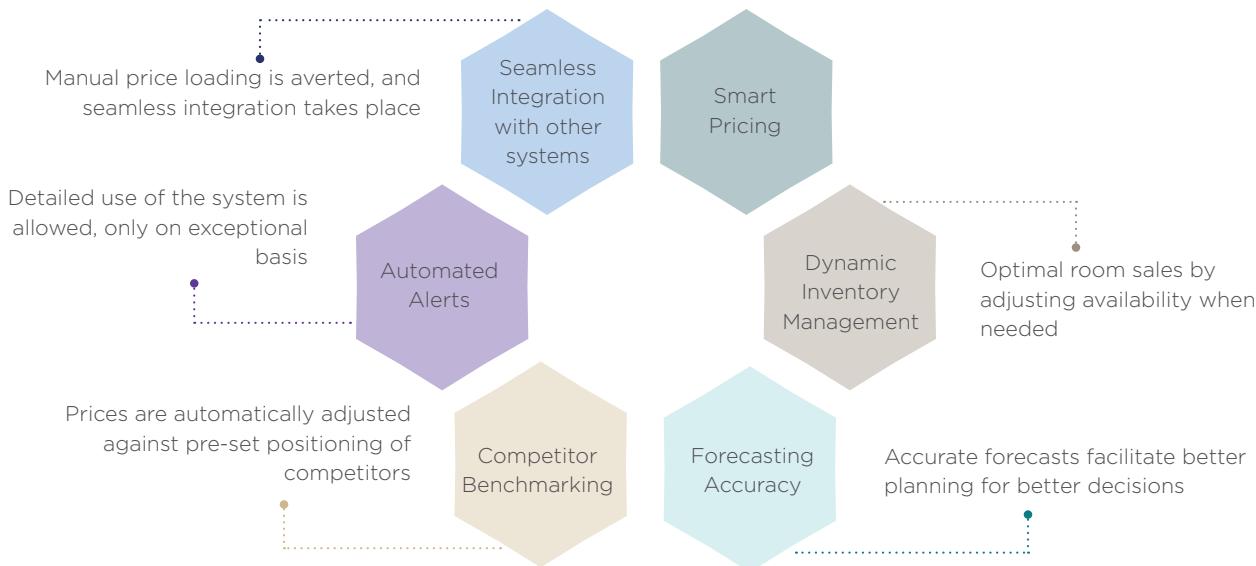


Opera Cloud PMS is currently implemented in 3 of our properties in the Maldives and we plan to roll out for all the properties in Sri Lanka and 1 property in the Maldives during the next financial year.

# BUSINESS MODEL

## IDEAS Revenue Management System

Ideas is an automated revenue management tool. Currently, all the properties have deployed the revenue management system.



## Advanced Analytics (AA)

Commenced in 2023, AA uses complex machine-learning techniques to derive data insights. It uses predictive modelling, machine learning algorithms, deep learning, business process automation, and other statistical methods to analyse business information from a variety of data sources. This helps us make timely data-driven decisions and be first to the market when change occurs.

We use data science to go beyond traditional business intelligence to predict patterns, estimate the likelihood of events happening and find insights in data that experts might miss.

Four distinct areas of analytics :



## Benefits of Advanced Analytics

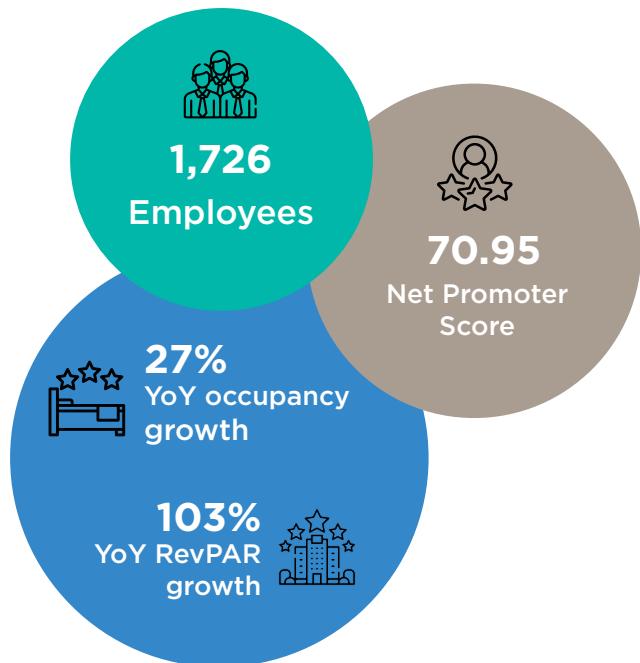
- It helps curate emotional experiences for the guests, identify customers at a personal level, and help curate their experience at Cinnamon. Personalisation is one of the key benefits that analytics can provide.
- Gives an edge over the competition as data insights help us to adapt to rapid changes in the market
- Helps the Centre Sustainability Team on energy consumption waste management and enables them to make informed decisions

# MANAGEMENT DISCUSSION AND ANALYSIS

## SRI LANKA RESORT CLUSTER REVIEW

### Macroeconomic Development

The Sri Lankan economy entered a path towards recovery in 2023 following its deepest economic catastrophe encountered in the preceding year. This recovery was supported by rapid disinflation, improved external resilience, stronger fiscal balances, and maintained financial system stability. The swift and coordinated implementation of various policy measures by the Government and the Central Bank, along with a structural reform agenda and the International Monetary Fund's Extended Fund Facility (IMF-EFF) arrangement, enhanced overall macroeconomic stability. As stability was restored, the economy started transitioning to a growth phase. Following six consecutive quarters of contraction, the economy expanded in the second half of 2023, mitigating the annual economic contraction for the year. The notable growth in tourism receipts contributed to a surplus in the current account for the first time in many years.

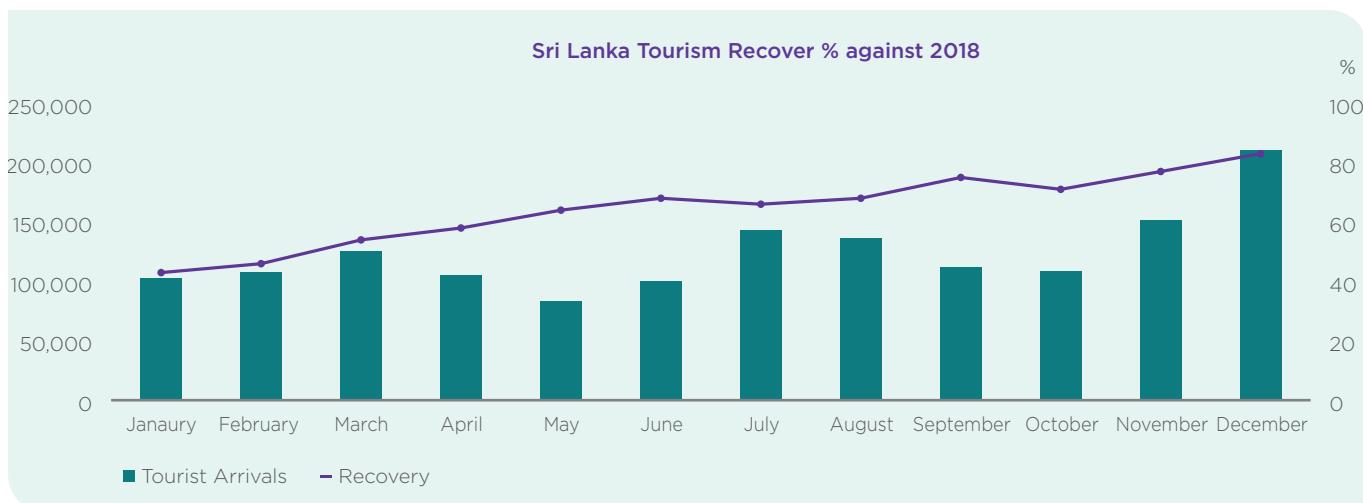


### Tourism Industry

The tourism sector demonstrated remarkable resilience in 2023, with 1,487,303 arrivals, more than double the number recorded in 2022. Consequently, earnings from tourism surged to USD 2,068 million in 2023, compared to USD 1,136 million in 2022. Particularly noteworthy was the tourism sector's performance from May 2023 onwards, with a year-on-year increase of over 100%, peaking in December 2023 with 210,352 arrivals. Despite the challenges posed by the pandemic, Sri Lanka's tourism industry managed to achieve 63.7% of the total tourist arrivals recorded in 2018, a testament to the enduring allure of Sri Lanka's culture, landscapes, and hospitality.

India led as the primary source market with 302,844 arrivals, making up 20.3% of total arrivals, marking a 146% year-on-year increase. Russia followed closely with 197,498 arrivals, accounting for 13.27% of total arrivals. The UK and German markets also made substantial contributions.

Overall, arrivals remain lower than pre-pandemic levels, except for Russia, where arrivals surpassed pre-pandemic tourist arrivals. Though there is a YoY increase in tourist arrivals from the Indian market, arrivals still trail below pre-pandemic levels. Similarly, there's a notable decline in arrivals from China, influenced by border closures. There is a slow recovery in outbound travel from China.



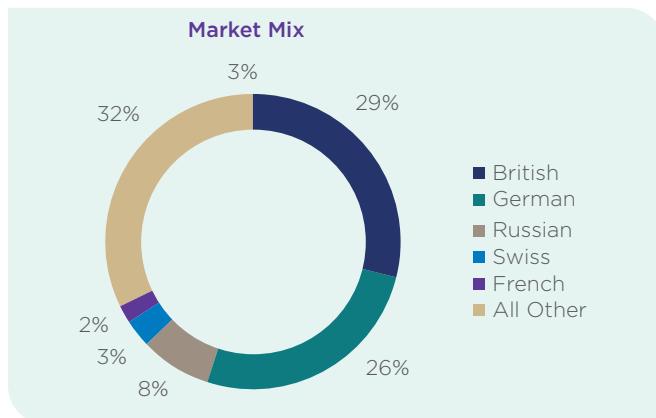
# MANAGEMENT DISCUSSION AND ANALYSIS

## Sri Lankan Resorts Cluster Performance

Our resorts saw remarkable year-on-year occupancy growth of 27 percentage points and RevPAR growth of 103%. Occupancy levels continued to recover strongly from the last quarter of FY 2022, extending into FY23. Russia was the primary market source market for SL Resorts, followed by the British and Indian source markets.

Sri Lankan sector occupancy was dominated by the Sri Lankan, Russian and German Markets, accounting for 21%, 20% and 10% of the total revenue rooms for FY 23/24.

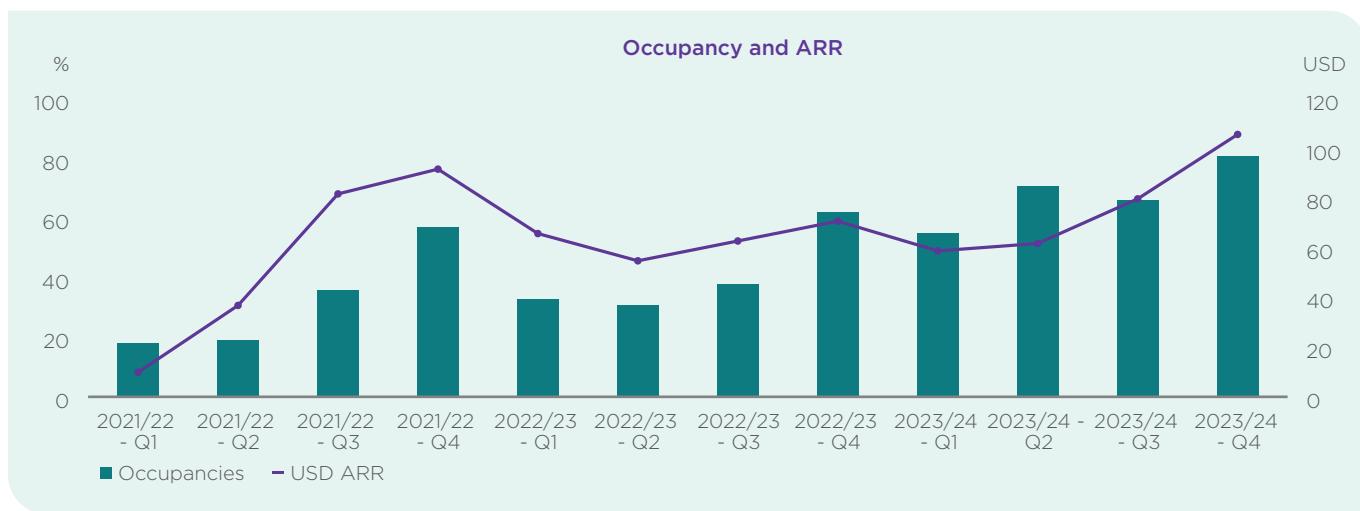
The SL Resorts cluster achieved a significant improvement in performance this year. With a GP margin of 57.5% (compared to last year's 50.7%) and an EBITDA of Rs. 1.5Bn, representing a 815% YoY increase, thereby demonstrating a notable growth. The increase in YoY tourist arrivals, in the backdrop of stabilising the economic and political environment in the country, played a decisive role in this recovery. Additionally, our proactive sales and marketing efforts, including the promotion of destination weddings and the focus on enhancing revenue from travel agents, Online Travel Agents (OTAs) and direct channel sales, further bolstered the recovery of the SL Resorts cluster.



| In Rs. Mn               | 2023/24 | 2022/23 | Change % |
|-------------------------|---------|---------|----------|
| Net revenue             | 10,310  | 6,189   | 67%      |
| Operating profit/(loss) | 490     | (1,040) | 147%     |
| EBITDA                  | 1,501   | 164     | 816%     |
| Total assets            | 26,443  | 24,984  | 6%       |
| Total liabilities       | 12,921  | 11,977  | 8%       |

## Performance of Beach Resorts

Beachfront properties particularly excelled, with occupancy rising YoY by 23 percentage points to 69%. The Russian market was the main driver of this growth. These properties generated 66% of total revenue and 84% of EBITDA for SL Resorts Cluster.



## Performance of Round-trip Resorts

The occupancy of round-trip properties grew by 33 percentage points YoY to 67%. British and German tourists were the primary contributors to occupancy in these properties. Total revenue from round-trip resorts accounted for 33% of total revenue and 16% of the SL Resorts Cluster EBITDA.

## Awards

- ‘Cinnamon Lodge Habarana’ was awarded ‘Sri Lanka’s Leading Resort’ at the World Travel Awards
- South Asian Travel Awards (SATA) 2023:
  - ‘Cinnamon Wild Yala’ received Gold for ‘Leading Wildlife Lodge – Tented Camp’.
  - ‘Cinnamon Citadel Kandy’ received Silver for ‘Leading Riverfront Hotel/Resort’.

## Portfolio Expansion:

In terms of portfolio expansion, the 215-key hotel in Kandy, jointly developed by John Keells Hotels PLC (KHL) and Indra Traders (Private) Limited, is currently under development. The capital deployed for the project will be based on an asset-light investment model, and the Group will maintain a 40% minority equity stake in line with this strategy. The management of the hotel will fall under the purview of the Hotel Management sector. The hotel is expected to commence operations in the third quarter of 2024/25 and will feature amenities such as an expansive rooftop bar and a swimming pool, amongst others.

## Outlook

Expected tourist arrivals for Sri Lanka in FY 24/25 are approximately 2.3Mn, with India and China leading the way, followed by traditional European markets. However, arrivals from the Russian and CIS markets are projected to decline compared to the previous financial year (FY 23/24).

Despite market intense competition in the market, the SL Resorts cluster remains dedicated to maximising revenue. With positive global sentiments towards Sri Lanka's tourism industry, strong performance in room revenue and food and beverage is expected. The sector will remain vigilant to market shifts, seizing opportunities throughout the fiscal year.

Furthermore, we will continue to place a great focus on optimising direct and other operational expenses to maximise profitability while ensuring the utmost attention and care given to all our stakeholders.

In Addition, there is a heightened focus on digital transformation this year. The implementation of Opera Cloud, a centralised Property Management System (PMS), is underway as planned. This investment aims to standardise and enhance hotel data management, improving operational efficiency and analytical capabilities.

## Risk

- Sri Lanka is still recovering from an economic crisis where certain imports are still restricted. This may impact the service delivery to a discerning and demanding customer base.
- Energy prices are at an all-time high, pushing up costs
- Mass talent and labour migration seeking greener pastures is exponentially high, most being the youth that is the future industry workforce
- Though stable, political uncertainty still lingers in the background
- Geopolitical conflicts impacting air transportation or shipping routes

## Opportunities

- Global tourism is on the increase, and Sri Lanka will get her share
- Sri Lanka's unique attractions are varied and offer a mix-basket for holidaymakers
- Agro tourism is on the increase and is attractive
- India and China are leading the way as sources of markets from the Asian region
- Lower borrowing rates available

# MANAGEMENT DISCUSSION AND ANALYSIS

## MALDIVIAN RESORTS CLUSTER

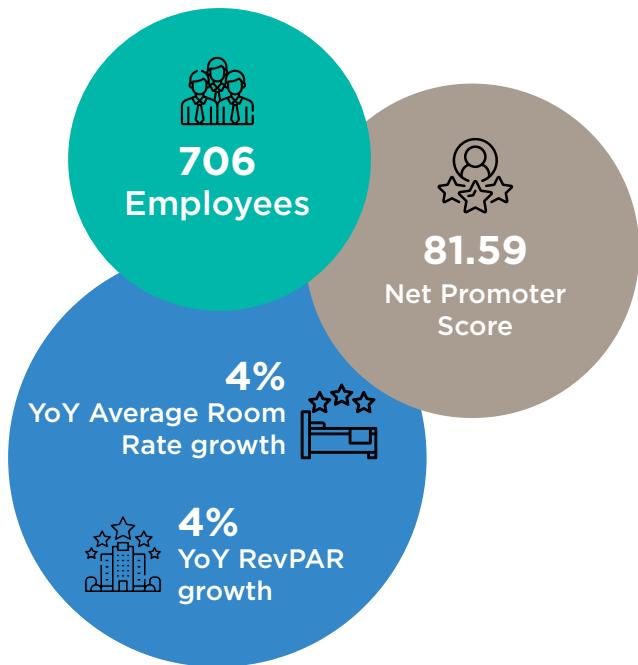
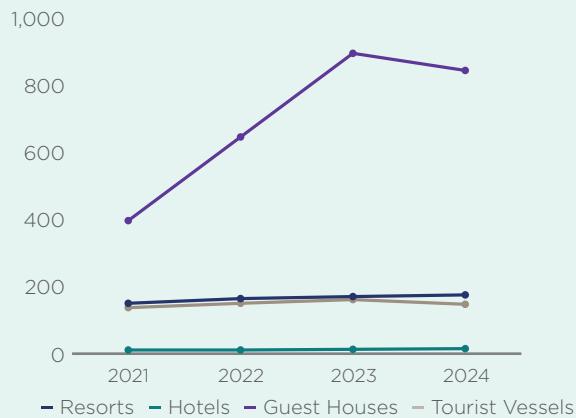
### A Resilient Performance with Global Tourism Acceleration

With global tourism picking up at an accelerated pace, Maldivian resorts fared well during 2023/24. Although the first half of the year was sluggish, the momentum picked up in the second half, culminating in a strong performance, albeit at a lesser pace than expected.

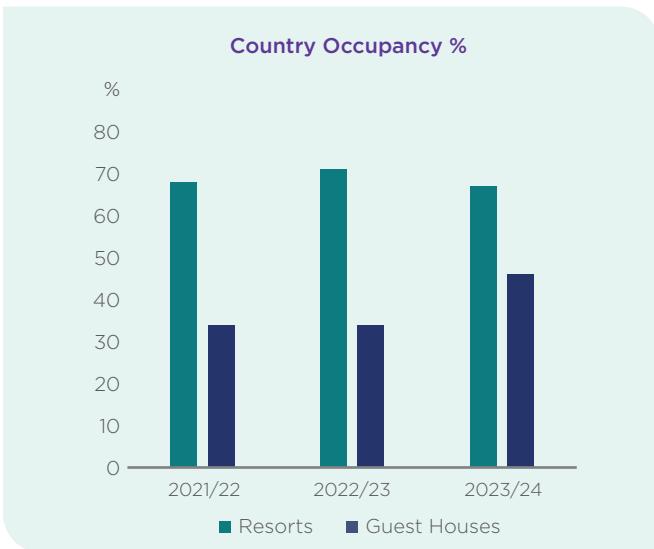
The year saw a diverse range of experiences catering to various interests, from eco-friendly resorts promoting sustainability initiatives to adventurous water sports activities. The Maldives continued to attract honeymooners, luxury travellers, and eco-conscious tourists alike, offering a blend of opulent accommodations and untouched natural beauty.

In the Maldives, accommodation options cater to various preferences, namely Resorts, City Hotels, Guest Houses, & Tourist vessels, which cater to the diverse preferences of travellers visiting the Maldives, ranging from luxury seekers to budget-conscious adventurers. Each option provides a distinct experience, reflecting the unique charm and beauty of the Maldivian archipelago. The rise of guesthouses highlights changing consumer preferences towards more authentic and immersive travel experiences. While resorts offer luxurious amenities and secluded settings, guesthouses provide opportunities for cultural immersion, interaction with locals, and a glimpse into everyday Maldivian life. However, this has created immense pressure on the resort sector in the Maldives, forcing a price reduction to hold on to the market share which resorts traditionally used to dominate. As such, we experienced a decrease in the resorts' market share in the Maldives in 2023/24.

Number of Establishments In Operation



Country Occupancy %



The Chinese market dominated country arrivals for the Maldives, which gained its first position for the first time after the COVID-19 pandemic. Russia, India, the United Kingdom, Germany, and Italy followed, accounting for 55% of the arrivals in total.

Maldives resorts cluster reported an occupancy of 86%, with a net turnover of USD 64 million, during the financial year. The occupancy was sluggish during the first two quarters. However, the sector gained momentum in the last two quarters, overtaking last year's numbers during the last quarter.

Sector occupancies were dominated by the British and German markets, accounting for 55% of total revenue rooms for 2023/24.

The Maldives cluster recorded an EBITDA of USD 19.5Mn, which was 30% of total revenue. This was achieved by adopting efficient and innovative cost management practices.

### Awards

#### 'Cinnamon Dhonveli Maldives'

- Awarded 'Quality Hotel' at TUI Global Hotel Awards 2024.
- 'Most Popular Hotels Worldwide Award 2024' by Holiday Check.
- Received gold for 'Leading Surf Hotel/Resort' at South Asian Travel Awards (SATA) 2023.

#### 'Ellaidhoo Maldives by Cinnamon'

- Awarded 'Quality Hotel' at TUI Global Hotel Awards 2024.
- 'Most Popular Hotels Worldwide Award 2024' by Holiday Check.
- Received the 'Red Star Quality Award 2023' Red Star by DER Touristik Deutschland.

#### 'Cinnamon Hakuraa Huraa Maldives'

- Received 'Tripadvisor Travellers' Choice 2023' award.
- 'Top 100 Hotels 2024' at TUI Global Hotel Awards.
- 'Top 100 World Best Hotels 2023' at Starway Tourism Awards by Coraltravel.

#### 'Cinnamon Velifushi Maldives'

- Awarded 'Quality Hotel' at TUI Global Hotel Awards 2023.

#### International Endorsements for the Maldives

- Ranked the "World's Leading Destination" at the World Travel Awards for the last four consecutive years (2020-2023)
- Winner of the "Global Tourism Resilience Award" at the World Travel Awards 2023
- Named 'Favourite Island in Asia' at the Travel + Leisure World's Best Awards 2023
- Ranked #3 for "Best Country" at the Telegraph Travel Awards in 2023

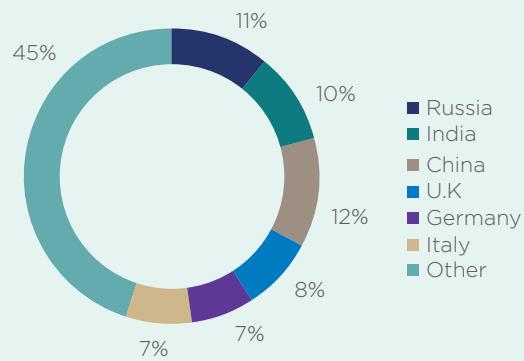
**Maldives Cluster Occupancies**



### Key Risks

- Geopolitical conflicts pose uncertainties regarding air transportation and import of essential items as the island is dependent on imports for food security
- A shift in guest spending patterns that seek cheaper accommodation and the island's ability to offer such accommodation is a concern.
- 8 new resorts were opened in 2023, and a considerable number of new resorts are planned to open in 2024, posing higher competition.
- Cost of borrowing is on the rise.

**Country Arrivals**



# MANAGEMENT DISCUSSION AND ANALYSIS

## Opportunities

- UNWTO predicts that global travel will either par or surpass pre-pandemic levels.
- Maldives is confident of attracting 2.4 million tourists in 2024, and in the first quarter, over 600,000 have arrived, indicating the trend is on the rise.
- Almost 50% of the island's GDP is earned through tourism. As such, promotional campaigns by the private sector and the government are high, promoting it as a destination.

## Outlook

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 its ability to capitalise on the envisaged growth in tourism in the medium to long term.

The segment will continue to work closely with key tourist market operators to better position and market its room inventory whilst growing direct bookings through online platforms.

## Memberships

Membership in industry associations, other membership associations, national and international advocacy organisations plays a significant role in our operations. In the past year, our resorts have established collaborations with a variety of esteemed membership associations, including the following:

- Employer's Federation of Ceylon (EFC)
- Chef Guild Association
- Ceylon Chamber of Commerce
- Sri Lanka Institute of Tourism and Hotel Management
- Sri Lanka Tourism Development Authority
- Travel Trade Sports Club
- The Hotels Association of Sri Lanka (THASL)
- Ceylon Hotel School Graduates Association



# OUR ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) STRATEGY

Sustainability has always been integral to Cinnamon Hotels & Resorts' brand ethos. Our Environmental, Social, and Governance (ESG) approach is based on three fundamental pillars: protecting the wellbeing of our planet, supporting the wellbeing of our people and communities, and empowering all for sustainable development by promoting responsible business conduct.

## **Environmental Sustainability:**

- Implementation of energy-efficient practices to significantly reduce our carbon footprint
- Conservation of water resources through effective management and utilisation practices
- Minimisation of waste generation by enhancing recycling percentage and initiatives to reduce plastic waste
- Advocacy for biodiversity conservation and protection of natural habitats

## **Social Responsibility:**

- Promotion of employee welfare and well-being through fair labour practices and inclusive workplace policies
- Engagement with local communities, including local artisans, suppliers, individuals with disabilities, and women, through community development projects
- Support for education, health, and livelihood development programmes in neighbouring areas
- Commitment to fostering diversity, equity, and inclusion across our hotel chain and operations

## **Governance and Ethics:**

- Adherence to high standards of corporate governance and transparency in all business operations
- Upholding ethical business practices and integrity in every interaction
- Compliance with pertinent laws, regulations, industry standards, and best practices
- Engagement with stakeholders, such as investors, guests, and partners, to ensure accountability and responsible business conduct

Our ESG strategy's core components showcase our steadfast commitment to sustainability, community empowerment, and ethical conduct, establishing Cinnamon Hotels & Resorts as a trendsetter in responsible hospitality industry.

In 2021, we introduced a well-defined sustainability strategy outlining specific objectives to be accomplished by 2025. This strategic initiative is designed to drive tangible environmental, social and governance advancements within our operations. Our 2025 targets are supported by clear benchmarks and are in harmony with the principles of the United Nations Global Compact (UNGC), the United Nations Sustainable Development Goals (UNSDGs), and the priorities of our nation.

## **Our Governance Structure**

We worked towards achieving our sustainability goals for 2025 through a clearly defined strategy. Our commitment to include, implement, and monitor the progress of our ESG framework through a Sustainability Committee which has been established to strengthen governance across all business operational units and Compliance Executives have been introduced to focus on ESG matters at the resort level.



→ **ESG Policy Framework** → **Monitoring and Assurance Mechanisms of ESG Key Performance Indicators** → **Setting up Sustainability Benchmarks in Collaboration with EarthCheck**

|                               |   |   |
|-------------------------------|---|---|
| <b>Environmental Policies</b> | The key ESG focus areas are continuously monitored through monthly data collection utilising an internal system within each hotel. Subsequently, the Centre Team compiles reports to oversee the progress of Key Performance Indicators (KPIs) and disseminates them to management for review.  | Cinnamon Resorts has implemented benchmarks to evaluate its carbon footprint, water withdrawal, and landfill waste. These benchmarks were established following an in-depth analysis by EarthCheck Pte Ltd. The analysis included comparing these metrics with similar regional hotels to facilitate a meaningful assessment. These benchmarks play a crucial role in monitoring the consumption patterns of our resorts. |
| <b>Social Policies</b>        | The monthly sustainability KPI monitoring encompasses the evaluation of the carbon footprint per guest night (kg/GN), water withdrawn amount per guest night (L/GN), landfill waste per guest night (kg/GN), single-use guest-facing plastic amount per guest night (kg/GN), and volunteer hours per month.   | In 2023, EarthCheck was commissioned to update the benchmarks. This initiative resulted in the development of 10 new benchmarks, which will be instrumental in monitoring our ESG performances starting in the financial year 2024/25.  |
| <b>Governance Policies</b>    | <p>Sustainability data is collected quarterly through the Goodera online platform. The JKH centre sustainability team then leverages this critical data to produce quarterly comprehensive sustainability assurance reports.</p> <p>Furthermore, the JKH centre sustainability team conducts annual sustainability assurance audits at each hotel and third-party audits for verification purposes.</p> |    |

# KEY ESG HIGHLIGHTS - FY 2023/24

|   |   |  |
|---|---|--|
| <p><b>'Good Water'</b> project launched in collaboration with JKH Centre Sustainability and the MAS Foundation in Bentota and Hikkaduwa. Collected <b>360kg</b> of plastic waste for the 23/24 financial year</p> | <p><b>Replanted 20,000 native plants</b> in the buffer zone of the Sinharaja Forest Reserve under the <b>"Cinnamon Rainforest Restoration Project"</b></p>  | <p><b>Single use PET plastic bottles</b> eliminated at Cinnamon Bentota Beach through the introduction of a <b>NORDAQ</b> glass water bottling facility</p>  |
| <p>Clinched top spot in Leisure &amp; Connected Services Category at <b>ACCA Sri Lanka Awards</b> for Sustainability Reporting 2022/23 for the second consecutive year</p>  | <p>Launched <b>"Bees that Sustain Lives"</b> programme at Cinnamon Lodge Habarana and Cinnamon Citadel Kandy empowering <b>45 female</b> beneficiaries</p>  | <p>Cinnamon Citadel Kandy won the Occupational Safety and Health (OSH) award under Tourism &amp; Hotels sector category at the <b>National Occupational Safety and Health Excellence Awards</b>.</p> |
| <p>Collaborated with The Open University of Sri Lanka, to conduct <b>biodiversity assessments</b> in four Sri Lankan resorts</p>  | <p>Secured <b>SATA Gold award</b> for Leading Wildlife Lodge, Tented camp - Cinnamon Wild Yala</p>  | <p>Ellaidhoo Maldives by Cinnamon placed over <b>323 artificial reef cubes</b> in <b>"Alifu Alifu"</b> Atoll.</p>  |
| <p><b>14%</b> Female participation in the workforce<br/><br/><b>16%</b> Female representation in leadership</p>   | <p>Launched <b>Junior Naturalist Development</b> programme at Cinnamon Wild Yala</p>  | <p><b>14,500 volunteer hours</b> completed</p>   |
| <p>Provided over <b>18 scholarships</b> and <b>213 English language</b> scholarship placements through a through a higher education scholarship scheme</p>  | <p>All resorts are now <b>Travelife gold certified</b> (Global Sustainable Tourism Council recognised)</p>  | <p>Over <b>14,014.7</b> training hours completed through Cinnamon Online Academy (COA) covering <b>66%</b> of employees</p>  |
| <p>Collaborated with <b>EarthCheck</b> to revamp <b>sustainability benchmarks</b> and introduce 10 new benchmarks</p>   |   |  |
| <p>John Keells Hotels PLC was ranked 6th in the Corporate Reporting Assessment by <b>Transparency International Sri Lanka</b></p>   | <p>Overall <b>Net Promoter Score (NPS)</b> of 76.27: Sri Lanka Resorts is at 70.95 and Maldives Resorts at 81.59. <b>Global Review Index (GRI)</b> of 94.73%: Sri Lanka Resorts is at 93.1% and Maldives Resorts at 96.4%</p> | <p><b>200 colleagues</b> reached through the <b>Mental Wellbeing programme</b></p>   |
| <p><b>183,679 meals</b> served through <b>"Pasal Diriya"</b> school meal programme</p>  | <p>A total of <b>55 community projects</b> completed</p>  | <p>Hikka Tranz by Cinnamon released <b>10,123 turtle hatchlings</b></p>  |

# TRACKING ESG GOALS

## Metrics and Targets

| Goals   | 2025 Targets  | Progress                              | More information |
|---|---|---------------------------------------|------------------|
| <strong>Environmental Impact</strong>                                     |   |                                       |                  |
| Biodiversity management plans   | Execution of biodiversity action plan at each resort in Sri Lanka and Maldives  | <span style="color: orange;">●</span> | Page 85          |
| Biodiversity conservation projects  | Implementation of one biodiversity conservation plan per resort   | <span style="color: orange;">●</span> | Pages 85 - 89    |
|   | Implementation of one mid-scale conservation project per year   |                                       |                  |
| Reduce carbon footprint   | Reduce carbon footprint by 1,300 tCO <sub>2</sub> e (scope 1 and 2) - base year 2018                                    | <span style="color: orange;">●</span> | Page 91          |
| Increase dependence on renewable energy                                   | 15% of energy requirements to be met by renewable energy  | <span style="color: red;">●</span>    | Pages 91 - 92    |
| Water stewardship   | Reduce water consumption by 10 litres per guest night - base year 2018  | <span style="color: green;">●</span>  | Page 96          |
| Reduce single-use plastic consumption                                     | 50% reduction in single-use plastic (guest-facing) - base year 2021   | <span style="color: green;">●</span>  | Pages 80 - 84    |
| Zero waste to landfill  | 100% of the generated waste is diverted away from landfills   | <span style="color: orange;">●</span> | Page 93          |
| <strong>Social Impact</strong>  |   |                                       |                  |
| Create awareness of responsible plastic consumption                       | Single-use plastic reduction awareness sessions for the community   | <span style="color: orange;">●</span> | Page 83          |
| Increase female participation in the workforce                            | Increase female participation in the workforce to 24%   | <span style="color: orange;">●</span> | Page 69          |
| Increase female representation in leadership                              | Increase female representation in leadership to 25%   | <span style="color: orange;">●</span> | Page 71          |
| Improve participation of People With Disabilities (PWDs) in the workforce | Increase People With Disabilities (PWDs) participation in the workforce to 1%   | <span style="color: orange;">●</span> | Page 71          |
| Human rights protection   | All employees are to be trained in child protection   | <span style="color: orange;">●</span> | Page 111         |
|   | Child protection awareness sessions for the community (New)   |                                       |                  |
| Empowerment through employment  | 7.5% of the approved cadre to be filled through community youth development programmes                                  | <span style="color: green;">●</span>  | Page 77          |
| Increase local supplier base  | 50% of the supplier base to be local and community-based  | <span style="color: green;">●</span>  | Page 114         |
| Assess the social and environmental impact of the supply chain            | Supplier impact assessments are to be carried out for all suppliers in the top 6 purchase categories                    | <span style="color: orange;">●</span> | Page 114         |
| Volunteer hours for the community   | Contribute 2,000 volunteer hours by 2025  | <span style="color: orange;">●</span> | Page 108         |
| The impact created through CSR activities                                 | Impact 1000 beneficiaries (direct & indirect) aligning to the six pillars of our CSR community engagement model by 2025 | <span style="color: orange;">●</span> | Pages 108 - 113  |

● Behind the schedule    ● On track    ● Ahead of schedule

## TRACKING ESG GOALS

| Goals                               | 2025 Targets   | Progress                              | More information |
|-------------------------------------|--|---------------------------------------|------------------|
| <b>Governance Impact</b>            |  |                                       |                  |
| Adoption of industry best practices | All resorts to comply with the Global Sustainable Tourism Council (GSTC) certification scheme, Travelife | <span style="color: green;">●</span>  | Page 98          |
| Data privacy and security           | All resorts should align with the Sri Lanka Personal Data Protection Act 2022.                           | <span style="color: green;">●</span>  | Page 126         |
| Risk management                     | All resorts should conduct Business Continuity Plan (BCP) critical risk event simulations by 2025        | <span style="color: green;">●</span>  | Pages 176 - 183  |
| Corporate governance                | Establish a Group ESG committee for oversight and control by 2025  | <span style="color: orange;">●</span> | Page 141         |
| Business conduct and ethics         | Implement code of conduct compliance process by 2024   | <span style="color: green;">●</span>  | Page 126         |

● Behind the schedule    ● On track    ● Ahead of schedule

# ESG RISKS AND OPPORTUNITIES

| Environmental Risks  |   |  |
|--|---|--|
| Theme  | Risks / Opportunities   | Sustainability commitments   |
| <b>Climate change</b><br>     | <p>Cinnamon Resorts in coastal areas risk flooding and erosion due to rising sea levels caused by climate change.</p> <p>Climate change can lead to changes in precipitation patterns, resulting in water scarcity in some regions where our resorts are located.</p> <p>Climate change can threaten local ecosystems and biodiversity, impacting the natural beauty and attractions that Cinnamon Resorts rely on.</p>   | <p>Energy Efficiency: Implementing energy-efficient practices such as using LED lighting, energy-efficient appliances, and HVAC systems to reduce energy consumption.</p> <p>Robust carbon footprint monitoring mechanism - monthly, quarterly and yearly based analysis and comparison with derived benchmarks.</p> <p>Renewable energy drive - electricity generation through solar power.</p> |
| <b>Sustainable food</b><br>   | <p>The production of sustainable food for Cinnamon Resorts may contribute to deforestation if land is cleared for agriculture.</p> <p>A mismatch between hotel food offerings, regulatory requirements and expectations of stakeholders.</p> <p>The societal shift towards healthier food behaviours and more respect for the planet.</p>   | <p>Promotion of healthy and sustainable food</p> <p>Partnering with local food suppliers and farmers to support ethical and environmentally friendly practices</p>   |
| <b>Circular economy</b><br> | <p>Implementing circular economy practices in our resorts may require additional energy for recycling, reusing, and refurbishing materials.</p> <p>Implementing circular economy practices may require changes in the supply chain, leading to challenges in sourcing sustainable materials.</p> <p>Fault in management of waste generated by hotels.</p> <p>Societal shift to behaviours more respectful of the planet and greater awareness of plastic pollution.</p> | <p>Devising of food waste minimisation strategy and continuous monitoring.</p> <p>Reduction of single use plastic consumption in guest facing areas through introduction of alternative products</p> <p>Minimisation of solid waste generation, enhance waste recycling percentage, and implementation of waste up cycling programmes.</p>   |

| Social Risks   |  |   |
|--|--|---|
| Theme  | Risks / Opportunities  | Sustainability commitments  |
| <b>Talent attraction</b><br>                          | Decrease in hospitality industry attractiveness and increase in competition, leading to manpower shortage and increased recruiting costs.  | Partnering with higher education institutes for career fairs and recruitment drives for attracting young talent.  |
| <b>Diversity, Equity and Inclusion (DE&amp;I)</b><br> | <p>Difficulties reaching diversity and gender balance objectives for hotel management positions and in head offices</p> <p>Factor of appeal and employee loyalty for companies promoting diversity</p> | <p>Creating an inclusive culture</p> <p>Increase female participation in the workforce to 24%</p> <p>Increase female representation in leadership to 25%</p> <p>Increase differently abled persons participation in the workforce to 1%</p> |

# ESG RISKS AND OPPORTUNITIES

| Social Risks  |  |   |
|---|--|---|
| Theme   | Risks / Opportunities  | Sustainability commitments  |
| <b>Health and Safety</b><br>                     | <p>Health and safety violations leading to fines or legal action.</p> <p>Accidents or injuries to guests or staff.</p>   | <p>Implementing strict hygiene protocols and food safety measures to ensure the health and safety of guests during their stay.</p> <p>Creating a supportive and inclusive environment that prioritises the wellbeing of both guests and employees.</p>  |
| Governance Risks  |  |   |
| Theme   | Risks / Opportunities  | Sustainability commitments  |
| <b>Personal data protection and security</b><br> | <p>Cinnamon Resorts may face the risk of data breaches, in which sensitive customer information such as personal details, credit card information, and booking history could be compromised.</p> <p>The resorts are vulnerable to cyber attacks such as ransomware, malware, and phishing scams that could lead to data theft, system disruption, and financial loss. The Sri Lanka Data Protection Act (PDPA) 2022 will come into full effect by March 2025.</p>  | <p>Implementing data protection policies and procedures to ensure compliance with relevant regulations such as GDPR.</p> <p>Conducting regular security assessments and audits to identify and address vulnerabilities in the hotel's systems.</p> <p>Providing training to staff on data protection best practices and security protocols.</p> <p>Implementing encryption and access controls to protect sensitive guest information.</p> <p>Appointment of a Data Protection Officer responsible for the implementation of a data protection management programme</p> |
| <b>Protection of human rights</b><br>          | <p>Ensuring fair labour practices and working conditions for hotel staff</p> <p>Preventing discrimination based on race, gender, religion, or other factors in hiring and service provision</p> <p>Protecting the rights of local communities in areas where the hotel operates</p> <p>Promoting inclusivity and accessibility for guests with disabilities</p>  | <p>Implementing a comprehensive human rights policy that aligns with international standards</p> <p>Conducting regular human rights impact assessments to identify and address potential risks</p> <p>Providing human rights training for all staff members to ensure awareness and compliance</p> <p>Establishing grievance mechanisms for employees and guests to report human rights violations</p>  |
| <b>Supplier chain controls</b><br>             | <p>Disruptions in the supply chain due to natural disasters, pandemics, or political unrest can impact the availability of essential goods and services for resorts.</p> <p>Ensuring the quality of products and services from suppliers can be challenging and, if not managed effectively, can lead to customer dissatisfaction.</p> <p>Fluctuations in the prices of raw materials and services can affect resorts' profitability and ability to maintain competitive pricing.</p> <p>Stronger relations with selected suppliers and stronger local roots with the development of local procurement</p> | <p>Developing strategic partnerships with local suppliers for fresh and sustainable produce</p> <p>Implementing sustainable practices in the supply chain to reduce environmental impact</p> <p>Conducting regular supplier audits to ensure quality and compliance with standards</p> <p>Exploring opportunities for vertical integration to reduce costs and improve control over the supply chain</p>  |

# DELIVERING ON THE RECOMMENDATIONS OF TCFD

We have reported against the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) within our 2023, as referenced in the table below. We will continue to work towards enhancing our disclosure by integrating our climate-related risks and opportunities into our business.

| TCFD Section   | Summary of recommended disclosures  | Update on TCFD recommendation   |
|--|---|---|
| <b>Governance</b><br> | Describe the board's oversight of climate-related risks and opportunities.  | The board's oversight of climate-related risks and opportunities related to our resorts involves monitoring and evaluating the potential impacts of climate change on the sector. This includes assessing the vulnerability of hotel properties to extreme weather events, sea-level rise, and other climate-related hazards. The board also considers regulatory and market trends related to climate change, such as reductions in carbon emissions and guest preferences for sustainable practices.  |
|  | Describe management's role in assessing and managing risks and opportunities.   | Assessment of climate related risks that the hotel sector faces, such as extreme weather events, changing guest preferences for sustainable practices, or regulatory changes related to carbon emissions.<br><br>Identify opportunities that arise from climate change, such as implementing energy efficient practices, offering ecofriendly services for hotels<br><br>Integrate climate related risks and opportunities into the overall business strategy of the hotels<br><br>Engage with various stakeholders, including investors, guests, employees, and local communities, to communicate the hotel's approach to climate change and gather feedback on ESG initiatives.<br><br>Establish monitoring mechanisms to track the hotel's progress towards its climate-related goals and regularly report on its performance.   |
| <b>Strategy</b><br> | Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. | <p><b>Short term:</b></p> <p><b>Risks:</b></p> Increased frequency and intensity of extreme weather events leading to property damage and disruption of operations.<br>Fluctuations in tourist demand due to unpredictable weather patterns. <p><b>Opportunities:</b></p> Implementation of environmental best practices to reduce operational costs.<br>Promotion of sustainable tourism practices to attract environmentally conscious guests. <p><b>Medium-term:</b></p> <p><b>Risks:</b></p> Regulatory changes require investments in climate adaptation and mitigation measures.<br><br>Rising insurance costs due to increased climate-related risks. <p><b>Opportunities:</b></p> Diversification of offerings to cater to changing guest preferences for eco-friendly accommodations.<br>Collaboration with local communities and authorities on climate resilience projects. <p><b>Long term:</b></p> <p><b>Risks:</b></p> Physical risks from sea-level rise and coastal erosion threaten property assets.<br><br>Reputational risks from negative publicity related to environmental impacts. |

## DELIVERING ON THE RECOMMENDATIONS OF TCFD

| TCFD Section | Summary of recommended disclosures  | Update on TCFD recommendation   |
|--------------|---|---|
|              | <p>Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.</p>         | <p><b>Opportunities:</b><br/>Investing in renewable energy sources to reduce carbon footprint and energy costs.<br/>Developing long-term climate adaptation strategies to ensure business continuity in changing climate conditions.</p> <p><b>Impact on Strategy:</b><br/>Cinnamon Hotels &amp; Resorts have incorporated sustainability and climate resilience to its strategy and have set targets for reducing carbon emissions, investing in green technologies, and engaging with stakeholders on climate related issues.<br/><br/>The hotels must also differentiate their brand by highlighting their commitment to sustainability and eco friendliness. This can help attract guests who prioritise environmental responsibility.</p> <p><b>Financial Planning:</b><br/>Climate related risks should be factored into the financial planning of Cinnamon Hotels. This involves conducting risk assessments, developing contingency plans for extreme weather events, and setting aside funds for potential climate related damages.<br/><br/>Investing in climate resilience measures may require upfront costs but can lead to long term financial benefits such as cost savings, increased revenue from eco conscious guests, and improved brand reputation.</p>   |
|              | <p>Describe the resilience of the organisation's strategy, considering different climate related scenarios, including 2°C or lower scenarios.</p> | <p>The resilience of the strategy in the hotel sector will depend on its ability to proactively address climate related challenges, seize opportunities for innovation and growth, and build a sustainable business model that can thrive in a 2°C or lower scenario. By integrating climate considerations into strategic planning and decision making, Cinnamon Hotels &amp; Resorts can enhance their resilience and long-term competitiveness in a changing climate landscape.</p> <p>Factors that needed to be considered;</p> <ul style="list-style-type: none"> <li>• Mitigation and adaptation measures: Evaluate the hotel's efforts to reduce greenhouse gas emissions, increase energy efficiency, and implement climate resilient infrastructure.</li> <li>• Risk assessment and management: Assess the hotel's ability to identify and mitigate climate related risks, such as extreme weather events, sea level rise, and changing guest preferences.</li> <li>• Stakeholder engagement model: Consider how Cinnamon engages with stakeholders, including guests, investors, employees, and local communities, on climate related issues.</li> <li>• Regulatory compliance: Evaluate Cinnamon Hotels &amp; Resorts' compliance with climate related regulations and standards, such as emissions reporting requirements and energy efficiency targets.</li> </ul> |

| TCFD Section  | Summary of recommended disclosures   | Update on TCFD recommendation  |
|---|--|--|
| <b>Risk management</b><br>       | Describe the organisation's processes for identifying and assessing climate-related risks.   | <p>The Cinnamon Hotels processes for identifying and assessing climate-related risks involve the following steps:</p> <ul style="list-style-type: none"> <li>• Risk identification</li> <li>• Stakeholder engagement</li> <li>• Data collection and analysis</li> <li>• Scenario analysis – Scenario analysis was not conducted due to the unavailability of expertise in the countries where operations are being carried out.</li> <li>• Risk assessment</li> <li>• Mitigation strategies</li> <li>• Monitoring and review</li> </ul>  |
|   | Describe the organisation's processes for managing climate-related risks   | <p>Risk Assessment: Identifying and assessing potential climate-related risks that could impact their properties, such as extreme weather events, sea level rise, or changes in temperature patterns.</p> <p>Vulnerability Assessment: Evaluating the vulnerability of their properties to these identified risks, considering factors such as location, building design, and infrastructure.</p> <p>Mitigation Strategies: Developing and implementing strategies to mitigate the identified risks, such as improving building resilience, implementing water conservation measures, or diversifying energy sources.</p> <p>Emergency Preparedness: Establishing protocols and procedures for responding to climate-related emergencies, such as evacuation plans for extreme weather events or backup power systems in case of outages. Continuous drills</p> <p>Quarterly review of risk grids - updating the hotel's risk management strategies as needed.</p> |
| <b>Metrics and targets</b><br> | Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.  | Climate-related risks were not incorporated into the comprehensive risk management framework.  |
|   | Disclose the organisation's metrics for assessing climate-related risks and opportunities in accordance with its strategy and risk management process. | We are currently not utilising metrics to evaluate climate-related risks and opportunities.  |

## DELIVERING ON THE RECOMMENDATIONS OF TCFD

| TCFD Section | Summary of recommended disclosures   | Update on TCFD recommendation   |
|--------------|--|---|
|              | Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.          | <p>The risk associated with GHG emissions</p> <ul style="list-style-type: none"> <li>Regulatory risks: Increasing regulations and carbon pricing mechanisms may impact operating costs for hotels with high emissions.</li> <li>Reputational risks: Consumers are becoming more environmentally conscious and may prefer hotels with lower carbon footprints, impacting the brand image and customer loyalty.</li> <li>Physical risks: Climate change impacts, such as extreme weather events, can directly affect hotel operations and infrastructure.</li> <li>Financial risks: Rising energy costs increase operational expenses for hotels with high emissions, affecting profitability.</li> </ul> <p>To mitigate these risks, our resorts have taken following steps:</p> <ul style="list-style-type: none"> <li>Implement energy efficiency measures to reduce both Scope 1 and Scope 2 emissions.</li> <li>Invest in renewable energy sources to lower carbon intensity.</li> <li>Monitor and report GHG emissions to track progress and demonstrate commitment to sustainability.</li> <li>Engage with stakeholders, including guests, investors, and regulators, to showcase efforts in emissions reduction.</li> </ul> |
|              | Describe the organisation's targets to manage climate-related risks and opportunities and performance against targets. | Cinnamon Hotels and Resorts did not conduct this process during FY 2023/24.   |

# UN SUSTAINABLE DEVELOPMENT GOALS AT THE CORE OF OUR BUSINESS

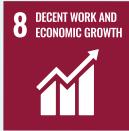
Cinnamon Hotels & Resorts believes the private sector has a great responsibility to deliver on the Sustainable Development Goals (SDGs). We have embedded and integrated sustainability into our strategy, creating shared value, and the SDGs were a natural benchmark for identifying societal impact.

We firmly believe that our knowledge and purpose give us a competitive advantage in a market that values sustainable development. While we see all 17 SDGs as relevant to Cinnamon Hotels & Resorts, we have highlighted the ones where we believe is the greatest potential to enhance positive and mitigate negative impacts on society.

| SDG / Relevance to Cinnamon Hotels & Resorts   | Highlights in 2023/24                               | Metrics   | Material topics  |
|--|---|---|--|
|  <b>1 NO POVERTY</b>    | <b>Relevance to Cinnamon Hotels &amp; Resorts :</b> | <ul style="list-style-type: none"> <li>As one of the world's largest and fastest-growing economic sectors, tourism is well-positioned to foster economic growth and development at all levels and provide income through job creation.</li> </ul>   | <ul style="list-style-type: none"> <li>Good Agricultural Practices (GAP) farmer project</li> <li>Higher education scholarship programme and English language scholarship programme</li> <li>“Sara Midula” home gardening programme</li> <li>“Bees that Sustain Lives” programme at Cinnamon Citadel Kandy and Cinnamon Lodge Habarana</li> <li>“Hikka Batik” programme at Hikka Tranz by Cinnamon</li> <li>Local artisans development programme at Cinnamon Bentota Beach, Cinnamon Bey Beruwela, and Hikka Tranz by Cinnamon</li> <li>Local employment opportunities -hopper ladies and traditional sweet makers</li> </ul> |
|  <b>2 ZERO HUNGER</b> | <b>Relevance to Cinnamon Hotels &amp; Resorts :</b> | <ul style="list-style-type: none"> <li>We envision a world without hunger. Sustainable tourism development and its impact at the community level can be linked with national poverty reduction goals related to promoting entrepreneurship and small businesses and empowering less favoured groups, particularly youth and women.</li> </ul> | <ul style="list-style-type: none"> <li>“Pasal Deriya” school meal programme</li> <li>Good Agricultural Practices (GAP) farmer project</li> <li>“Sara Midula” home gardening programme</li> </ul>   |

# UN SUSTAINABLE DEVELOPMENT GOALS AT THE CORE OF OUR BUSINESS

| SDG / Relevance to Cinnamon Hotels & Resorts  | Highlights in 2023/24                               | Metrics   | Material topics   |
|---|---|---|---|
|  <b>3 GOOD HEALTH AND WELL-BEING</b> | <b>Relevance to Cinnamon Hotels &amp; Resorts :</b> | <ul style="list-style-type: none"> <li>Periodic health checkups for food handers</li> <li>ISO 45001:2018 and ISO 22000: 2018 certifications for hotels</li> <li>HIV AIDS awareness sessions and breast cancer awareness for employees</li> <li>Mental well-being programmes for employees</li> </ul>  | <ul style="list-style-type: none"> <li>Number of employees who have undergone health checkups</li> <li>Availability of valid certificates and number of audits carried out, including follow-ups</li> <li>Number of employees who participated in awareness sessions</li> <li>Number of employees who participated in mental well-being awareness sessions</li> </ul> |
|  <b>4 QUALITY EDUCATION</b>         | <b>Relevance to Cinnamon Hotels &amp; Resorts :</b> | <ul style="list-style-type: none"> <li>We promote inclusiveness. A skilful workforce is crucial for tourism to prosper. The tourism sector provides opportunities for direct and indirect jobs for youth, women, and those with special needs, who should benefit through educational means.</li> </ul>                                       | <ul style="list-style-type: none"> <li>Higher education and English language scholarships for community</li> <li>Cinnamon LEAD programme</li> <li>Cinnamon Online Academy (COA)</li> <li>Opportunity for employees to pursue an MBA from NSBM Green University</li> </ul>   |
|  <b>5 GENDER EQUALITY</b>          | <b>Relevance to Cinnamon Hotels &amp; Resorts :</b> | <ul style="list-style-type: none"> <li>Tourism can empower women, mainly through the provision of direct jobs and income generation from Small and Medium Enterprises (SMEs) in tourism and hospitality-related enterprises.</li> <li>Tourism can be a tool for women to become fully engaged and lead in every aspect of society.</li> </ul> | <ul style="list-style-type: none"> <li>Launch of the Cinnamon Employee Value Proposition (EVP) "Your Great Journey Starts Here"</li> <li>"Empowher" programme and project "Aloka" for absorbing women and retaining them within the sector</li> <li>Introduction of parental leaves for employees</li> </ul>  |

| SDG / Relevance to Cinnamon Hotels & Resorts  | Highlights in 2023/24  | Metrics   | Material topics   |  |
|---|--|---|---|--|
| <br><b>6 CLEAN WATER AND SANITATION</b>        | <p><b>Relevance to Cinnamon Hotels &amp; Resorts:</b></p> <p>The efficient use of water in tourism, pollution control, and technology efficiency can be vital to safeguarding our most precious resource.</p>        | <ul style="list-style-type: none"> <li>Water efficient technologies               <ul style="list-style-type: none"> <li>Installation of low-flow faucets, showerheads, and toilets, as well as cistern tanks with dual flush options.</li> </ul> </li> <li>Wastewater management               <ul style="list-style-type: none"> <li>Deployment of Effluent Treatment Plants (ETP) equipped with aerobic and anaerobic treatment facilities.</li> </ul> </li> <li>Rainwater harvesting               <ul style="list-style-type: none"> <li>integrated rainwater harvesting systems to efficiently capture and store rainwater for non-potable purposes, notably irrigation.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Water withdrawn (liters) per guest night</li> <li>Amount of water recycled</li> <li>Amount of rainwater captured and percentage of freshwater consumption</li> </ul>   | <ul style="list-style-type: none"> <li>Water management</li> </ul>   |
| <br><b>7 AFFORDABLE CLEAN ENERGY</b>          | <p><b>Relevance to Cinnamon Hotels &amp; Resorts :</b></p> <p>Cinnamon Hotels &amp; Resorts is part of an energy-intensive industry.</p>   | <ul style="list-style-type: none"> <li>Demand-side energy management – Inverter air conditioned systems, energy efficient lighting systems, photocell lighting systems, motion sensors, and magnetic bearing chiller</li> <li>Emission management through the introduction of electric Tuk Tuks and buggy carts – Cinnamon Bentota Beach</li> </ul>   | <ul style="list-style-type: none"> <li>Carbon footprint (kg) per guest night</li> <li>Energy intensity</li> <li>Carbon footprint (kg) per guest night</li> </ul>  | <ul style="list-style-type: none"> <li>GHG emissions and energy management</li> </ul>  |
| <br><b>8 DECENT WORK AND ECONOMIC GROWTH</b> | <p><b>Relevance to Cinnamon Hotels &amp; Resorts :</b></p> <p>Cinnamon Hotels &amp; Resorts operates in two countries and strives to be an attractive employer that ensures decent work, fair pay, and benefits.</p> | <ul style="list-style-type: none"> <li>Launch of the Cinnamon Employee Value Proposition (EVP) "Your Great Journey Starts Here"</li> <li>Performance appraisal system</li> <li>Robust training and development process, including online learning platform (Cinnamon Online Academy)</li> <li>"Empowher" programme and project "Aloka" for absorbing women and retaining them within the sector</li> <li>Supplier impact assessment process (environmental &amp; social)</li> <li>HR policies and procedures, including governance mechanisms</li> </ul>  | <ul style="list-style-type: none"> <li>Employee retention level</li> <li>Number of performance appraisals, coverage and feedback given</li> <li>Number of training hours and investment in training</li> <li>Percentage of women representation in leadership positions and carder</li> <li>Number of supplier impact assessments conducted</li> <li>Number of complaints handled related to employees</li> <li>Employee surveys</li> </ul> | <ul style="list-style-type: none"> <li>Human rights</li> <li>Talent attraction and retention</li> <li>Business conduct and ethics</li> <li>Privacy and data security</li> <li>Corporate governance</li> <li>Supply chain management</li> </ul> |

# UN SUSTAINABLE DEVELOPMENT GOALS AT THE CORE OF OUR BUSINESS

| SDG / Relevance to Cinnamon Hotels & Resorts   | Highlights in 2023/24   | Metrics  | Material topics   |
|--|---|--|---|
|  <p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b></p> <p><b>Relevance to Cinnamon Hotels &amp; Resorts :</b></p> <p>Tourism can influence public policy for infrastructure upgrades and retrofits, making them more sustainable, innovative, and resource-efficient and moving towards low carbon growth.</p>            | <ul style="list-style-type: none"> <li>Infrastructure development – LEED-certified buildings (Cinnamon Bey Beruwela and Cinnamon Bentota Beach)</li> <li>Promoting sustainable tourism – Local artisans development, cultural heritage preservation, excursions based on sustainable tourism</li> <li>Partnerships and collaborations – collaborate with universities (University of Peradeniya, The Open University of Sri Lanka), MAS foundation, and other NGOs (Ruk Rakaganno, Zero Plastic Movement) to promote innovations related to sustainability</li> </ul> | <ul style="list-style-type: none"> <li>LEED certification status</li> <li>Number of local artisans developed, number of cultural sites preserved, and number of excursions</li> <li>Number of successful projects</li> </ul>   | <ul style="list-style-type: none"> <li>Sustainable tourism</li> <li>Stakeholder relationship management</li> <li>Opportunities in clean tech</li> </ul> |
|  <p><b>10 REDUCED INEQUALITIES</b></p> <p><b>Relevance to Cinnamon Hotels &amp; Resorts :</b></p> <p>A diverse and inclusive work environment in which employees feel valued for their unique contributions and feel safe speaking up benefits our business and innovation and supports social and economic equality.</p> | <ul style="list-style-type: none"> <li>Inclusive employment practices – hiring employees from diverse backgrounds and providing equal opportunities for employees</li> <li>Recruitment of people with disabilities into the carder</li> <li>Gender equality – diversity, equity, and inclusion policies and initiatives and “One JKH” related programmes</li> <li>DE&amp;I related training sessions for employees</li> </ul>   | <ul style="list-style-type: none"> <li>Recruitment and equal opportunity policies and execution</li> <li>Percentage of PWDs in the carder</li> <li>One JKH guidelines and programmes</li> <li>Number of trainings focused on gender based violence and policies</li> </ul> | <ul style="list-style-type: none"> <li>Diversity and equal opportunity</li> <li>Human rights</li> </ul>   |

| SDG / Relevance to Cinnamon Hotels & Resorts  | Highlights in 2023/24   | Metrics  | Material topics   |
|---|---|--|---|
| <br><b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> | <b>Relevance to Cinnamon Hotels &amp; Resorts :</b><br>The tourism sector needs to adopt Sustainable Consumption and Production (SCP) modes, accelerating the shift towards sustainability. Tools to monitor sustainable operations.  | <ul style="list-style-type: none"> <li>Initiatives related to the reduction of single-use plastic consumption - NORDAQ glass water bottle plant implementation for Cinnamon Bentota Beach, the introduction of ceramic amenity bottles for guest rooms, single-use plastic KPI analysis (grams per guest night)</li> <li>Exploring alternatives for plastic products - collaborated with Plasticycle for the development of plant-based cling wrap and bento boxes (entrepreneurship development)</li> <li>Repurposing of waste - conversion of discarded umbrella materials into tote bags, conversion of discarded plastic barrels into waste bins</li> <li>Water efficient technologies - installation of low-flow faucets, showerheads, and toilets, as well as cistern tanks with dual flush options</li> <li>Local supplier development and assessment of social and environmental impacts of the suppliers</li> </ul> | <ul style="list-style-type: none"> <li>Single-use plastic KPI measurements (g/guest night)</li> <li>Number of evaluations for suppliers who are providing alternative products and continuous progress reports of product development</li> <li>Number of tote bags and waste bins created through an upcycling process</li> <li>Number of evaluations conducted for suppliers</li> <li>Number of local suppliers on board during the year</li> </ul>                                    |
| <br><b>13 CLIMATE ACTION</b>                       | <b>Relevance to Cinnamon Hotels &amp; Resorts :</b><br>Tourism contributes to and is affected by climate change. Tourism stakeholders should lead in the global response to climate change. By reducing its carbon footprint in the transport and accommodation sector, tourism can benefit from low carbon growth and help tackle one of the most pressing challenges of our time. | <ul style="list-style-type: none"> <li>Demand side energy management - Introduction of inverter type air conditioned systems, adequate lighting systems, installation of sensor lights and photocells, magnetic bearing chiller unit at Cinnamon Bentota Beach</li> <li>Renewable energy drive - Introduction of solar street lights at Cinnamon Hakuraa Huraa</li> <li>Emissions management: Introducing electric Tuk Tuks for Cinnamon Bentota Beach, preventive maintenance of generators, and continuous testing for flue gas emissions.</li> </ul>  | <ul style="list-style-type: none"> <li>Carbon footprint calculations (kg per guest night)</li> <li>Energy intensity measurements</li> <li>Achievement of ESG action plan</li> <li>Flue gas test reports (compliance status), reduction of mobile fuel usage</li> </ul> <ul style="list-style-type: none"> <li>GHG emissions and energy management</li> <li>Water management</li> <li>Waste management</li> <li>Supply chain management</li> <li>Opportunities for clean tech</li> </ul> |

# UN SUSTAINABLE DEVELOPMENT GOALS AT THE CORE OF OUR BUSINESS

| SDG / Relevance to Cinnamon Hotels & Resorts   | Highlights in 2023/24  | Metrics   | Material topics  |
|--|--|---|--|
|  <p><b>Relevance to Cinnamon Hotels &amp; Resorts :</b><br/>Coastal and maritime tourism rely on healthy marine ecosystems. Tourism development must be a part of integrated coastal zone Management to help conserve and preserve fragile marine ecosystems and serve as a vehicle to promote a blue economy, contributing to the sustainable use of marine resources.</p> | <ul style="list-style-type: none"> <li>Installation of ocean strainers in selected channels in the Hikkaduwa and Bentota areas to minimise marine plastic pollution.</li> <li>Installation of 16 ocean data loggers in Maldives sea for capturing the data related to temperature changes and salinity level of water</li> <li>Coral propagation projects - Cinnamon Dhonveli Maldives, Cinnamon Hakuraa Huraa Maldives and Ellaaidhoo Maldives by Cinnamon</li> <li>Sea turtle conservation projects - protection of hatchlings at Cinnamon Hakuraa Huraa Maldives and Hikka Tranz by Cinnamon</li> </ul>                             | <ul style="list-style-type: none"> <li>Kilogrammes of plastic waste captured through ocean strainers</li> <li>Data analysis – sea water temperature and salinity level and their impact towards coral bleaching</li> <li>Number of viable corals and number of reef cubes placed inside the seawater</li> <li>Number of turtle hatchlings released</li> </ul>       | <ul style="list-style-type: none"> <li>Waste management</li> <li>Biodiversity</li> <li>Water management</li> </ul> |
|  <p><b>Relevance to Cinnamon Hotels &amp; Resorts :</b><br/>Rich biodiversity and natural heritage are often the main reasons tourists visit a destination. Tourism can play a significant role if sustainably managed in fragile zones, conserving and preserving biodiversity and generating revenue as an alternative livelihood to local communities.</p>             | <ul style="list-style-type: none"> <li>Regular beach cleanups near our coastal properties</li> <li>Conduct biodiversity assessments in all our resorts while collaborating with the Open University of Sri Lanka</li> <li>“Live and Let Live” project in “Bandi Wewa” – Installation of solar-powered electric fence around the village, allowing elephants to roam freely in the area</li> <li>New leopards recorded in the Yala National Park by our Cinnamon Nature Trails team</li> <li>Cinnamon Rainforest Restoration Project – progress towards the planting of native trees and continuous biodiversity assessments</li> </ul> | <ul style="list-style-type: none"> <li>Kilogrammes of waste collected through beach cleanups.</li> <li>Number of endemic flora and fauna species recorded</li> <li>Number of invasive species recorded</li> <li>Number of direct and indirect beneficiaries</li> <li>Reduction of elephant and man conflict cases</li> <li>Number of leopards documented</li> </ul> | <ul style="list-style-type: none"> <li>Biodiversity</li> <li>Sustainable tourism</li> </ul>                        |

| SDG / Relevance to Cinnamon<br>Hotels & Resorts  | Highlights in 2023/24  | Metrics   | Material topics   |
|--|--|---|---|
|  <p><b>Relevance to Cinnamon Hotels &amp; Resorts :</b><br/>We are aware of our concerns and limitations. We cannot solve global challenges in isolation and strongly advocate for more cross-sectoral and innovative partnerships.</p> | <ul style="list-style-type: none"> <li>Collaborate with EarthCheck to revamp our sustainability-related benchmarks</li> <li>Collaborate with Travelife to audit our resorts against Travelife gold certification requirements</li> <li>Connected with the “Zero Plastic Movement” to create awareness about the reduction of plastic consumption for both employees and communities</li> <li>Partnered with Open University, Sri Lanka and the University of Peradeniya for scientific interventions</li> <li>Partnered with the NSBM Green University to pursue masters and diplomas for our employees</li> </ul> | <ul style="list-style-type: none"> <li>Number of sustainability benchmarks revised</li> <li>Number of properties certified with Travelife gold certification</li> <li>Number of awareness sessions conducted for employees and community</li> <li>Number of collaborative projects with government universities</li> <li>Number of employees enrolled for education programmes with NSBM Green University.</li> </ul> | <ul style="list-style-type: none"> <li>Stakeholder relationship management</li> </ul> |

# ENGAGEMENT WITH STAKEHOLDERS

We engage with stakeholders globally and locally to build trusting relationships and bring better business intelligence that can spur ideas for our services. Stakeholder engagement is a continuous process at Cinnamon Hotels & Resorts, both at a strategic and local level. Our stakeholder management procedure provides a structured approach to consulting, involving, and collaborating with stakeholders.



| Key Stakeholder Groups  | How We Engage  | Key Topics   | Link to Material Matters   |
|-------------------------|--|--|--|
| <b>Shareholders</b><br> | Stock exchange and press releases<br>Quarterly and annual reports<br>Annual general meeting<br>Website | Sustainable returns on investment<br>Adequate liquidity management<br>Sustainable growth and business continuity<br>Risk and crisis management<br>Compliance<br>Corporate governance and ethics<br>Transparency and credibility of disclosures | Ethical business practices and regulatory compliance<br>Disaster preparedness and response |

| Key Stakeholder Groups   | How We Engage  | Key Topics   | Link to Material Matters  |
|--|--|--|---|
| <b>Employees</b><br>                          | Monthly staff meetings (town halls)<br>Staff engagement activities<br>Performance management system<br>Frequent employee surveys<br>Regular engagement with unions<br>Newsletters                                    | Competitive compensation and benefits<br>Job security<br>Health & Safety considerations<br>Opportunities for skill development and career progression<br>Employee engagement opportunities<br>Diversity and equal opportunity<br>Recognition at work | Employee and guest health, safety and security<br>Diversity, equity, and inclusion<br>Employee development and wellbeing                |
| <b>Customers</b><br>                          | Global contact centre<br>Global sales offices<br>Social media platforms<br>Channel partners<br>Guest feedback programme<br>Face to face interactions<br>Customer relationship management<br>Brand surveys and audits | Unique guest experiences<br>Efficient and caring customer service<br>Availability of information<br>Environmental and social sustainability<br>Value for money<br>Privacy of customer information  | Healthy, safe, and sustainable food<br>Responsible sourcing of goods and services   |
| <b>Business partners and suppliers</b><br>  | Regular, direct dialogue and evaluation meetings<br>Site visits<br>Procurement process<br>Supplier forum   | ESG practices and ethical conduct<br>Future business needs and deliveries<br>Accuracy in orders and timely payments<br>Circularity and sustainable packaging<br>Use of third parties and sub contractors   | Responsible sourcing of goods and services  |
| <b>Government and regulatory bodies</b><br> | Engagement in policy making processes<br>Engagement through industry associations<br>Direct dialogue<br>Regulatory reporting   | Recovery of tourism industry<br>Recovery of the economy<br>Compliance with laws and regulations<br>Environmental conservation  | Ethical business practices and regulatory compliance<br>Community engagement and empowerment<br>Disaster preparedness and response      |
| <b>Community &amp; Environment</b><br>      | CSR programmes<br>Dialogue with the community  | Community development and empowerment<br>Reducing negative impact on the environment<br>Responsible consumption of Resources<br>Biodiversity conservation<br>Community support<br>Preservation of local culture                                      | Biodiversity<br>Climate action<br>Waste management and circular assessment<br>Water Stewardship<br>Community engagement and empowerment |

# MATERIALITY ASSESSMENT

The materiality analysis process serves as a strategic endeavour enabling the Group to pinpoint and prioritise significant triple bottom line issues pertinent to both the business and its stakeholders across short, medium, and long-term horizons. At the JKH Group level, a comprehensive materiality assessment is conducted every five years for the leisure sector, complemented by annual reviews of critical issues to maintain alignment with the pressing concerns of the hospitality sector and stakeholders.

This method, characterised by a consultative approach and sustained engagement with a range of stakeholders, was meticulously adhered to in the recent materiality assessment for the leisure sector of JKH carried out in the financial year 2023/24.

## Methodology

### Stakeholder Engagement

We engage with key stakeholder groups, including employees, customers, suppliers, local communities, governments, creditors, and investors through surveys, interviews and regular multi-stakeholder forums to understand their views of Cinnamon Hotels & Resorts' most pressing sustainability impacts and dependencies.

We also conduct in-depth value chain sustainability assessments and supplier audits, review peers and sector trends, and monitor global sustainability standards to guide our analysis further.

Internal stakeholder feedback is sourced from employees, senior management, and the Board of Directors. Material issues are presented for assessment of material risks and opportunities, as well as the scope and scale of potential impacts, including financial, reputational, and business relationships. A total of 715 stakeholders engaged in the assessment conducted for the 23/24 financial year.

### Issues Prioritisation

An impact ranking was done based on stakeholders' inputs and survey results.

### Validation:

The outcome of this assessment, along with consideration for international norms and trends, are tabulated to form Cinnamon Hotels & Resorts' material topics.

### Stakeholder-driven approach is seen as a balanced and well rounded methodology

#### STEP 1: Identify "shortlist"

- Shortlisted internal stakeholders
  - Board & senior management
  - Employees
- Shortlisted external stakeholders
  - Investors
  - Customers
  - Community partners
  - Suppliers
- Shortlisted material topics
  - 20 Material topics identified
  - Standards and frameworks such as DJSI, MSCI, and SASE were considered
  - Industry insights were taken from peer matrices

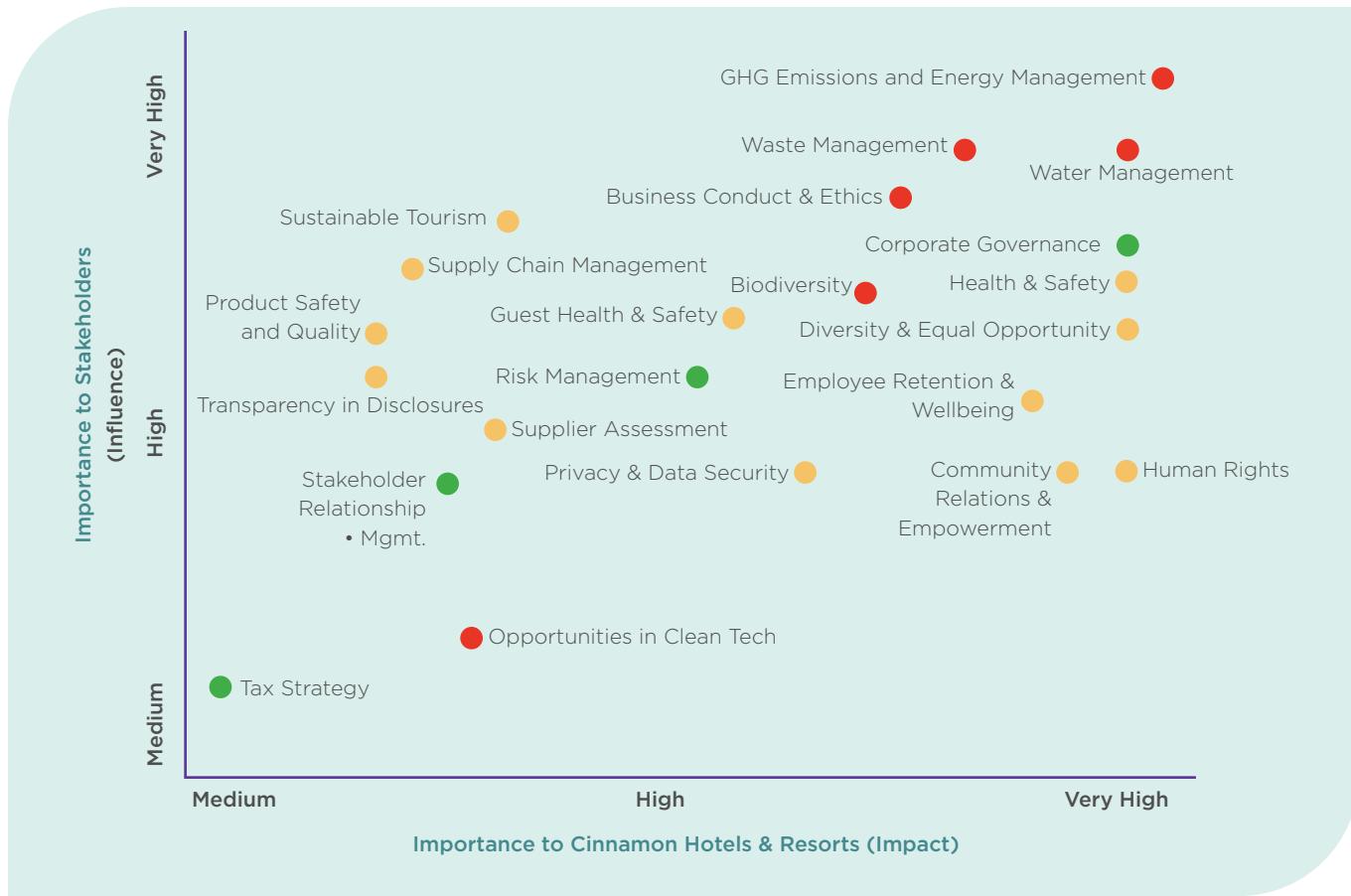
#### STEP 2: Prioritise

- Curated customised questionnaires for all stakeholder groups
- Conducted online surveys to understand stakeholder preferences

#### STEP 3: Validate and Review

- Assigned weights to each topic as per global frameworks and peers
- Incorporated individual stakeholder insights
- Applied scaling factor to each material topic based on the weighted average of stakeholders' responses
- Ranked material topics based on the average of both internal and external stakeholders
- Developed Materiality Matrix

## ESG Priorities – Cinnamon Hotels & Resorts



● Environment   ● Social   ● Governance

| Material Topic in FY 2023/24   | Impact Level | Relevant GRI/ SASB Standard (if applicable)     | Change in Materiality (compared to last year) |
|--|--------------|---|---|
| <b>GHG emissions and energy management</b><br>Taking steps to reduce air pollution using less electricity and maximising renewable energy usage                                    | ●            | GRI 305: Emissions<br>SV-HL-130a1, SV-HL-160a.2 | Increase                                      |
| <b>Water management</b><br>Utilising less water and reusing wastewater for other purposes like gardening   | ●            | GRI 303: Water<br>SV-HL-140a1, SV-HL-160a.2     | Increase                                      |
| <b>Waste management</b><br>Preventing waste by reducing, reusing and recycling   | ●            | GRI 306: Effluents and Waste                    | Increase                                      |
| <b>Biodiversity</b><br>Protecting plant and animal species and preserving nature   | ●            | GRI 304: Biodiversity                           | No change                                     |
| <b>Human rights</b><br>Ensuring that humans are treated with dignity (E.g., no discrimination, no child labour or forced labour, freedom of association and collective bargaining) | ●            | GRI 406: Non-Discrimination<br>SV-HL-310a.4     | Increase                                      |

● Very high   ● High   ● Medium

# MATERIALITY ASSESSMENT

| Material Topic in FY 2023/24   | Impact Level | Relevant GRI/ SASB Standard (if applicable)   | Change in Materiality (compared to last year) |
|--|--------------|---|---|
| <b>Health and Safety</b><br>Ensuring a safe and healthy workplace for employees (e.g., zero accidents, safety training,  | ●            | GRI 403: Occupational Health and Safety   | No change                                     |
| <b>Diversity and equal opportunity</b><br>Being inclusive, diverse and providing equal opportunities in the workforce irrespective of gender, age or religion  | ●            | GRI 405: Diversity and Equal Opportunity  | No change                                     |
| <b>Talent attraction and retention</b><br>Making the workplace an attractive environment and Upskilling and reskilling employees to achieve career and personal growth                                 | ●            | GRI 103: Management Approach  | Increase                                      |
| <b>Community relations and empowerment</b><br>Building strong relationships with the local community in which the company operates   | ●            | GRI 413: Local Communities  | Increase                                      |
| <b>Privacy and data security</b><br>Ensuring zero leakage of customer, employee or supplier data   | ●            | GRI 418: Customer Privacy   | New addition                                  |
| <b>Business conduct and ethics</b><br>Ensuring all internal or external stakeholders comply with company policies and procedures.  | ●            | GRI 205: Anti-Corruption<br><br>GRI 408 - Child labour<br><br>GRI 417 - Marketing and labelling<br>SV-HL-310a.3 | No change                                     |
| <b>Corporate governance</b><br>Ensuring a diverse, effective and ethical board of directors committed to preserving shareholder value  | ●            | GRI 418: Customer Privacy<br><br>GRI 201 – Direct economic impacts  | No change                                     |
| <b>Sustainable tourism</b><br>Tourism activities are carried out in a way that preserves the destination's natural resources, culture, and heritage for future generations.                            | ●            | GRI - 203 Indirect Economic Impacts   | New addition                                  |
| <b>Guest health and safety</b><br>Measures and protocols are implemented to ensure the well-being and protection of guests who visit a particular hotel or destination.                                | ●            | GRI - 416<br><br>Customer health and safety   | Same  |
| <b>Risk management</b><br>Identifying, assessing, and prioritising potential risks or uncertainties related to a hotel and implementing strategies to mitigate or manage those risks effectively.      | ●            | GRI - 403 Risk management   | New addition                                  |
| <b>Supply chain management</b><br>Coordinating and integrating various functions within and across companies to ensure the smooth flow of materials and information throughout the supply chain.       | ●            | GRI 204: Procurement Practices  | Increase                                      |
| <b>Product safety and quality</b><br>Material used in food production meets specified standards and regulations to ensure that the final food products are safe for guests to use and of high quality. | ●            | GRI 416: Customer Health and Safety   | Same  |

● Very high    ● High    ● Medium

| Material Topic in FY 2023/24   | Impact Level | Relevant GRI/ SASB Standard (if applicable)                    | Change in Materiality (compared to last year) |
|--|--------------|--|---|
| <b>Transparency in disclosures</b><br>Provide clear, accurate, and relevant information that enables stakeholders to understand the organisation's performance, risks, and opportunities.                    | ●            |  | New addition                                  |
| <b>Supplier assessment</b><br>Review various aspects such as quality, reliability, sustainability, cost-effectiveness, and compliance with regulations.  | ●            | GRI 308: Supplier Environmental Assessment                     | Increase                                      |
| <b>Stakeholder relationship management</b><br>Systematic identification, analysis, and engagement of key stakeholders who are impacted by or have an interest in the organisation                            | ●            | GRI 102: General Disclosures<br><br>GRI 413: Local Communities | New addition                                  |
| <b>Opportunities in clean tech</b><br>Products, services, and processes that use renewable materials and energy sources reduce emissions and waste and are environmentally friendly.                         | ●            | GRI 301: Materials<br><br>GRI 302: Energy                      | New addition                                  |
| <b>Tax strategy</b><br>Approach or plan adopted by an organisation to manage its tax obligations in a way that is considered significant or material to its overall financial performance and sustainability | ●            | GRI 207: Tax   | New addition                                  |

● Very high    ● High    ● Medium



# RESPONSIBLE PERFORMANCES

As Cinnamon Hotels & Resorts expands its businesses, we remain committed to reducing our environmental footprint and increasing our handprint. We recognise that climate change and biodiversity loss directly threaten our business operations through increased extreme weather events, rising temperatures, disrupted supply chains, and shifts in customers' travel patterns.

While we have made strides with sustainability initiatives across all our business units, we recognise the necessity for ongoing improvement. We commit to transparently reporting our sustainability efforts and progress to address these critical issues, ensuring that we balance growth with environmental stewardship and strengthen our long-term resilience against climate-related challenges.



# PEOPLE

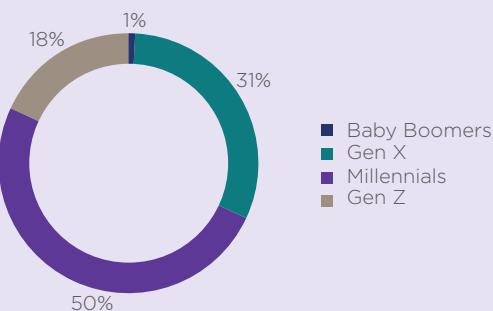


Cinnamon Hotels & Resorts (CH&R) places a high priority on fostering sustainable workforce development. This includes a focus on employee growth, ensuring health and well-being, mitigating human rights risks, and implementing preventive measures in line with global standards. Additionally, we actively engage our employees in initiatives that contribute positively to the communities around us, fostering a culture of social responsibility throughout our organisation.

## Diversity, Equity and Inclusion

Diversity is not merely a goal for us; it's ingrained in our essence. We are not just a workplace; we are a vibrant community where each voice matters, every skill is appreciated, and every person is enabled to flourish. Whether through programmes for career growth or involvement in local communities, we are dedicated to fostering an inclusive environment where everyone feels a sense of belonging and achieves their potential.

## Diversity Based on Generation



## Diversity, Equity, and Inclusion

### EmpowHer Champions

Empowher teams, established at each property, embody our commitment to diversity and empowerment. With annual targets, each unit develops event plans throughout the year to foster diversity within the property and community. These teams champion diversity and inclusion, particularly driving initiatives that empower women within and outside our organisation. Monthly corporate and Business Unit (BU) EmpowerHer Champions meetings aim to identify areas for improvement areas and share best practices. These efforts have increased levels of confidence and professional skills among women. Moving forward, we're dedicated to building on this success and maintaining an inclusive workplace for all.



### 'Inclusivity' as a Value

In 2023, Cinnamon overhauled its company values, proudly emphasising inclusivity as a cornerstone. Embracing diversity, showing respect, and ensuring everyone has a voice are its guiding principles.

### Leadership's Commitment

Cinnamon's commitment to DE&I begins at the highest levels, with our senior leaders leading the charge. Fostering diversity, equity, and inclusion is a core leadership responsibility within our organisation. Our leaders, at every level, are expected to share stories and create awareness that aligns with these values at every opportunity. The responsibility of DE&I goals is passed down from the Cinnamon Executive Committee (CEC) to leaders across all business units. With diversity inculcated into Cinnamon, there have not been any reported incidents of discrimination during the year. Furthermore, we have a proper grievance handling procedure and a robust monitoring mechanism in place to address concerns related to discrimination.



## EmpowHer Trainings

The Empower Her Initiative is making significant strides in empowering women in the workplace, with notable progress achieved. In 2023, CH&R implemented the Empower Her training programme for all female colleagues at Sri Lankan Resorts. This programme was widely embraced across properties, covering topics such as female professional presence, Sri Lankan legal regulations concerning workplace harassment, achieving work-life balance, and parenting. Additionally, sensitivity training for all colleagues is underway, starting with executive teams in each business unit. The goal is to cultivate an ethical and secure working environment for current and future female colleagues.

Properties covered **8**

Colleague participation **248** (100% of Sri Lankan resorts female population)



## Awareness Campaigns

We initiated focused open days at properties in Sri Lanka to showcase opportunities for women and highlight the achievements of female professionals driving the company's success, providing a window into our ethos. These events offered firsthand insights into organisational culture, recent projects, and future plans, allowing potential candidates to engage directly. Accomplished female colleagues within the organisation shared their journeys, inspiring attendees. Through these open days, candidates could explore the company's values and culture, fostering mutual alignment between candidates and the organisation.

Moreover, Sri Lanka Resorts teams conducted awareness sessions for the local community, demonstrating the company's broader commitment to community-level diversity, equity, inclusivity and social responsibility. These sessions included educational workshops and presentations aimed at raising awareness and promoting positive engagement within the local community, particularly among youth in nearby schools and institutes.

## Parental Leave

In line with the John Keells Group's introduction to equal maternity and paternity leave days as Parental Leave in 2022, Cinnamon Hotels & Resorts continues to offer this benefit to its colleagues. While the Group maintains 100 days of maternity leave on the birth or adoption of a child, it has enhanced the paternity leave from 5 days to 100 days, emphasising equity and recognising the crucial roles of both parents in early childcare. Moreover, acknowledging the unique circumstances of each family, the company offers flexibility in how employees can utilise the 100 days of Parental Leave during the birth of their child or children.

During 2023/24, 105 colleagues across Cinnamon Resorts took parental leave. Out of those who have taken parental leave since its inception, 72% of colleagues have returned to work after parental leave and 40% of colleagues have remained with the company after 12 months, indicating that this policy benefits colleagues and fosters loyalty within the organisation.

|  | Male | Female | Total |
|--|------|--------|-------|
| Employees that took parental leave                                     | 97   | 8      | 105   |
| Employees that returned to work during the period after parental leave | 88   | 4      | 92    |

## Parenthood Celebration

At Cinnamon, we embraced a new approach by celebrating parenthood. While celebrating mother's day and father's day as well at our properties, corporate office introduced this innovative initiative which was met with enthusiasm and resonance from our colleagues, offering a refreshing perspective that resonated with everyone. By celebrating parenthood, we not only recognised the diverse roles and contributions of parents but also fostered a sense of inclusivity within our workplace. This inclusive celebration not only brought our colleagues closer but also connected their families with the Cinnamon family, reinforcing the bond between our team members and their loved ones.



## Improving Heart-of-the-House Standards

In addition to its initiatives aimed at enhancing female representation within the workforce, Cinnamon is prioritising the improvement of colleague living standards. This comprehensive approach encompasses various aspects, including accommodation, transportation arrangements, and ensuring every colleague receives a nutritious meal daily.

CH&R is deeply committed to providing comfortable and safe accommodation for all its colleagues. We are actively working to improve our accommodation facilities, creating an environment that promotes rest, relaxation, and overall well-being after work hours.

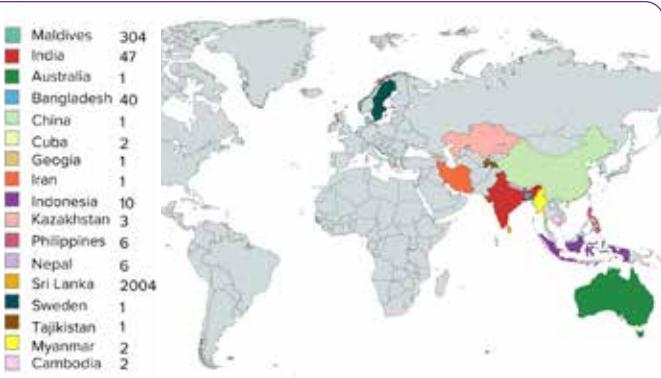
Furthermore, CH&R understands the importance of nutrition in maintaining the health and productivity of its workforce. As part of its commitment to colleague well-being, the company ensures that every colleague has access to a nutritious meal every day. This may involve offering diverse menu options, catering to various dietary preferences and requirements, and maintaining high standards of food quality and hygiene.

## Diverse Workforce

Cinnamon takes pride in embracing and cherishing a diverse workforce fuelling its success.

### Female representation by employee level

|                    |     |
|--------------------|-----|
| Board of Directors | 14% |
| Senior Management  | 6%  |
| Executive          | 18% |
| Non-executive      | 13% |
| Total              | 14% |



## DE&I 2025 Goal

**Overall female representation to be improved to 24%**

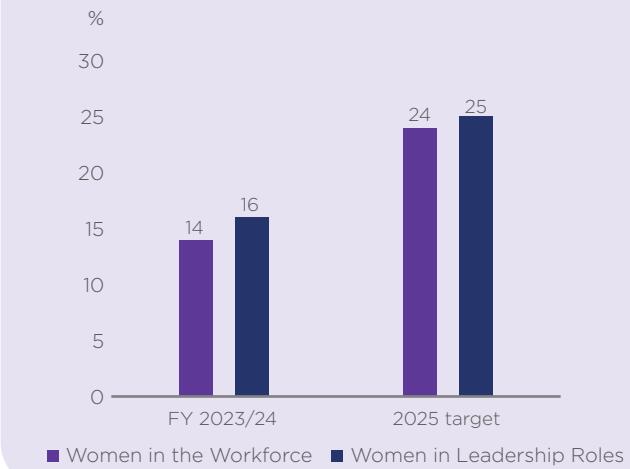
**Female representation at leadership to be improved to 25%**

**PWD colleagues % in the workforce to be increased to 1%**

We are making progress in achieving the 2025 targets through various initiatives and strategies to promote empowerment internally and in attracting talent.



### Female Participation 2025 Goal

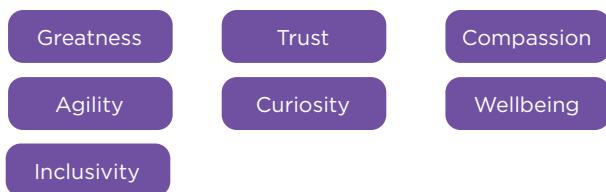


# PEOPLE

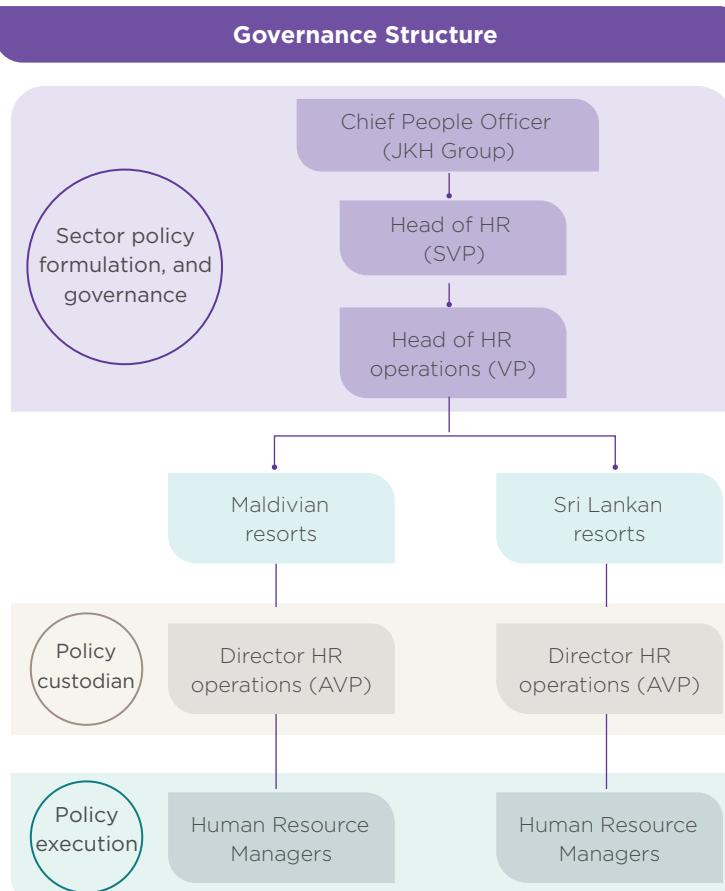
## Caring for our people

At CH&R, our dedication to cultivating a vibrant and future-ready workforce transcends the boundaries of our operations. We are steadfast in our mission to cultivate a steady stream of skilled professionals for the hospitality industry. To achieve this, we take the lead in driving industry-wide initiatives that inspire and engage the next generation of talent. Concurrently, we place great emphasis on enriching our employee value proposition to attract and retain the finest talent within our organisation. Recognising the pivotal role of investing in our people, we ensure they are equipped with the requisite skills, knowledge, and resources to thrive in their roles and contribute to the industry's advancement.

## Our values



## Management Approach



## Our Employee Profile

|                      | Sri Lanka | Maldives | Total |
|----------------------|-----------|----------|-------|
| <b>By gender</b>     |           |          |       |
| Male                 | 1,523     | 579      | 2,102 |
| Female               | 203       | 127      | 330   |
| <b>By contract</b>   |           |          |       |
| Permanent            | 886       | 0        | 886   |
| Temporary (contract) | 840       | 706      | 1,546 |
| <b>By age</b>        |           |          |       |
| 18-30 years          | 555       | 185      | 740   |
| 30-55 years          | 1,133     | 488      | 1,621 |
| Above 56 years       | 38        | 33       | 71    |

## Policies and Procedures

Aligned with those of the JKH Group, our policies, procedures and frameworks also exceeds legal mandates to reflect global industry best practices.

### HR Policy Framework

- Policy on ombudsperson
- Policy on support network
- Recruitment and selection policy
- Performance management policy
- Reward and recognition policy
- Leave policy
- Flexi-hours policy
- Teleworking policy
- Compensation and benefits policy
- Code of conduct
- Policy against sexual harassment
- Diversity, Equity and Inclusion related policies
- Gender policy
- HIV AIDS workplace policy
- Policy on equal opportunity and non-discrimination
- Anti-fraud policy
- Grievance handling policy
- Disciplinary procedure
- Whistle blowing policy
- Part Time work policy

## Prioritising Colleague Wellbeing

### Improving colleague workplace space and heart of the house improvements

In our continuous endeavour to foster a safe and productive work environment, we have invested considerable effort in enhancing our office spaces. In the coming year we plan to extend these enhancements to our properties' "heart of the house" areas in the upcoming financial year. These upgrades will enhance colleague satisfaction and drive productivity. We aim to create environments that inspire and empower our team members to achieve their best work.

### Engagement Activities

We are committed to providing our employees with opportunities to reconnect with colleagues and engage across our sector and group. To foster a sense of community and camaraderie, each business unit is equipped with an annual engagement calendar designed to celebrate cultural and company-wide events creatively. Additionally, we ensure that there are opportunities for colleagues to interact across sectors at least once a year.

In 2023, we organised a Cricket Carnival that brought together colleagues from across the Cinnamon group, promoting teamwork and friendly competition. At the group level, our colleagues participate in a range of intercompany and mercantile sports tournaments, talent shows, CSR activities, debating tournaments, and various other extracurricular activities.

These initiatives not only promote teamwork and collaboration but also contribute to a positive work environment where colleagues feel valued, connected, and engaged. We believe that fostering these connections strengthens our organisational culture and contributes to the overall success of our company.



## The Whistleblowing Policy

The Whistleblowing Policy serves as a vital framework for upholding ethical standards and protecting colleagues who report unauthorised or unethical behaviour within the organisation. This policy provides clear guidelines and procedures for colleagues to raise concerns or complaints, ensuring their protection against any form of retaliation or harassment. By encouraging transparency and accountability, the policy facilitates the early detection and resolution of issues, thereby safeguarding the company's reputation and preventing potential risks. It underscores the organisation's commitment to ethical conduct, compliance with legal requirements, and the fostering of a culture of trust and responsibility. While group-level whistleblowing incidents are managed through an independent ombudsman, which also applies to Cinnamon colleagues, at Cinnamon, we maintain an appointed committee led by senior management. This committee ensures thorough investigation of reported incidents and takes appropriate actions to address them, all while preserving the anonymity of whistleblowers. Furthermore, it guarantees that progress and outcomes will be communicated to the complainant/whistleblower. The policy extends its protection to colleagues, consultants, interns, third-party contractors, freelancers, and agents, thereby demonstrating the company's commitment to upholding integrity and ethical business practices across all levels.

## Managing Performance

Our dynamic performance management process fosters continuous growth and development among employees. Based on the JKH group appraisal system, our performance evaluation at Cinnamon employs a balanced scorecard approach. Individual Key Performance Indicators (KPIs) are aligned with business objectives and specific competencies for each employee level. At the beginning of each year, all executive employees and supervisors mutually agree on the objectives and set them in the system using SMART concept. Evaluations take place bi-annually involving self assessment and supervisor review. Annual performance ratings are validation by a career committee comprising top management representatives and an independent member. Regular performance appraisals are conducted with opportunities to have skip level meetings and 360 feedback, while a customised system was introduced for non-executive staff, streamlining their performance management through automation. All employees (100%) were required to undergo the appraisal process in the last year, regardless of their gender or organisational position.

# PEOPLE

## Open Communication

We prioritise a culture of inclusivity and respect diverse perspectives, fostering collaboration through open communication channels and transparent policies. Our new open-plan offices promote employee interaction, and multiple avenues ensure every voice is heard. We value each team member's contribution to Our commitment to understanding employee sentiment is evident through initiatives such as bi-annual Cinnamon survey, with an impressive response rate of 81%. Additionally, we uphold the rights of freedom of association and collective bargaining, with 50% of our Sri Lanka resort employees covered by Memorandum of Understanding (MOU) agreements with trade unions. We prioritise ongoing dialogue with trade unions and ensure a minimum one-month notice period before significant operational changes. Working conditions and terms of employment of rest of the employees are not influenced or determined based on other collective bargaining agreements.

## Protecting Human Rights

We are dedicated to ensuring compliance with local and international labour regulations in our operations and supplier activities. Our governance framework and work practices maintain a zero-tolerance policy for sexual harassment, child labour, and forced labour, with stringent policies safeguarding human rights. Ongoing training programs raise awareness about fair work practices and human rights. Moreover, we uphold an open-door policy, encouraging transparent communication and fostering a culture of trust and respect among our team members. Additionally, our whistle-blowing policy provides a safe and confidential avenue for colleagues to report any concerns or violations they may encounter, ensuring accountability and upholding our commitment to ethical practices. At Cinnamon Hotels & Resorts, we prioritise the well-being and rights of our colleagues, promoting a workplace environment built on integrity, fairness, and accountability.

As a result, we are pleased to highlight that there were no reported instances of human rights violations, child labour, or forced or compulsory labour throughout the year.



## Human Rights Protection 2025 Goal

### 100% of on-property associates to be trained on child protection

A series of EmpowHer Training touched on this topic at an introductory level. And we are planning to train all colleagues at property level through sensitivity training series to cover this topic in detail.

## Corporate Mental Wellbeing Initiatives

CH&R has implemented several mental wellbeing initiatives over the past two years, recognising the importance of mental health in our colleagues' overall wellbeing. As an introduction to mental wellbeing, a stress management session was conducted in 2022, covering areas such as 'What is stress?', 'What are the symptoms of stress?' and 'What are the repercussions of mismanaging stress?'

## Anagram Initiatives

CH&R introduced Anagram 1.0 in 2022 and 2023, a learning experience for teams covering topics such as Self Awareness (being easily triggered & frustrated, feeling overwhelmed, and feeling a lack of purpose). This initiative extended to all levels, including the CEC. Anagram 2.0, a similar team-level learning experience, is scheduled for 2024, focusing on Emotional Intelligence and related topics.

## Colleague Assistance Programme

In 2023, Cinnamon Hotels & Resorts launched the 'Colleague Assistance Programme', featuring a Rapid Transitional Therapist for discussing personal and professional matters. Excitingly, this programme will be launched across all our properties from the upcoming financial year, with English/Sinhala/Tamil-speaking psychologists to help colleagues across different backgrounds.

It ensures that every colleague, regardless of their linguistic preference or background, can receive professional assistance tailored to their needs. We aim to foster a supportive work environment where employees feel valued, supported, and empowered to thrive both personally and professionally.

### Employee Safety Record 2023/24

|  |       |
|--|-------|
| Workplace related accidents and incidents              | 59    |
| Workplace related fatalities                           | 1     |
| No. of lost workdays due to workplace related injuries | 305.5 |

### Employee Health & Safety

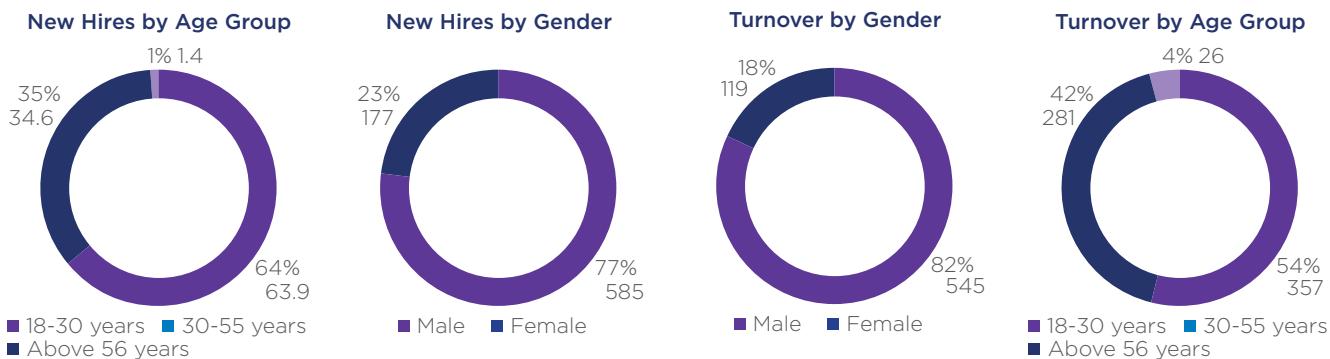
Our commitment to health and safety begins by prioritising the well-being of our people, creating a secure work environment. All our resorts have adhered to ISO 45001:2018 (occupational health and safety management system) since 2008, ensuring the highest standards.

### Ensuring Financial Wellbeing

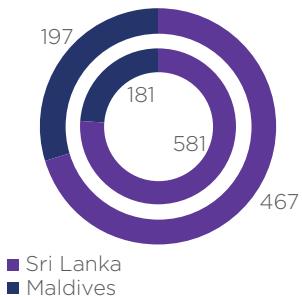
In addition to their basic salary and performance-based bonuses, our employees enjoy a comprehensive range of benefits. We have continued to maintain zero gender and location based pay discrepancy.

### Progress Towards Gender Parity

#### New employees hired and employee turnover 2023/24

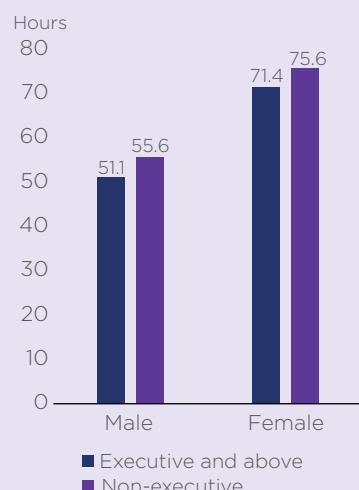


#### New Employee Hired and Employee Turnover - by Region

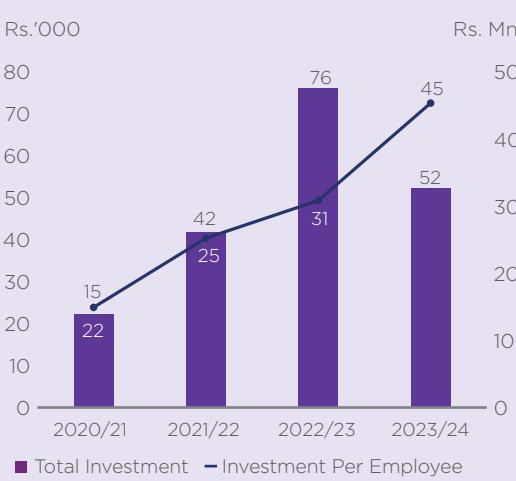


**Note:** Inner circle represents Sri Lanka Resorts and outer circle represents Maldives Resorts

### Average Training Hours



### Amount Spent on Training - FY 2023/24



# PEOPLE

## Building Future Talent Pipeline for the Company and for the Industry

CH&R's succession planning initiatives feature a range of structured programmes to nurture talent across all organisational levels. We continued to expand our leadership development programmes during the year. As we step into the new year, we plan to improve the existing programmes further, which will come into effect with the subsequent upcoming batches. With that, we expect to have an agile talent pool ready to step up to the next challenge. Meanwhile, CH&R continues reinventing the learning experience with the latest digital interventions.

### Seamless Digital Learning Experience

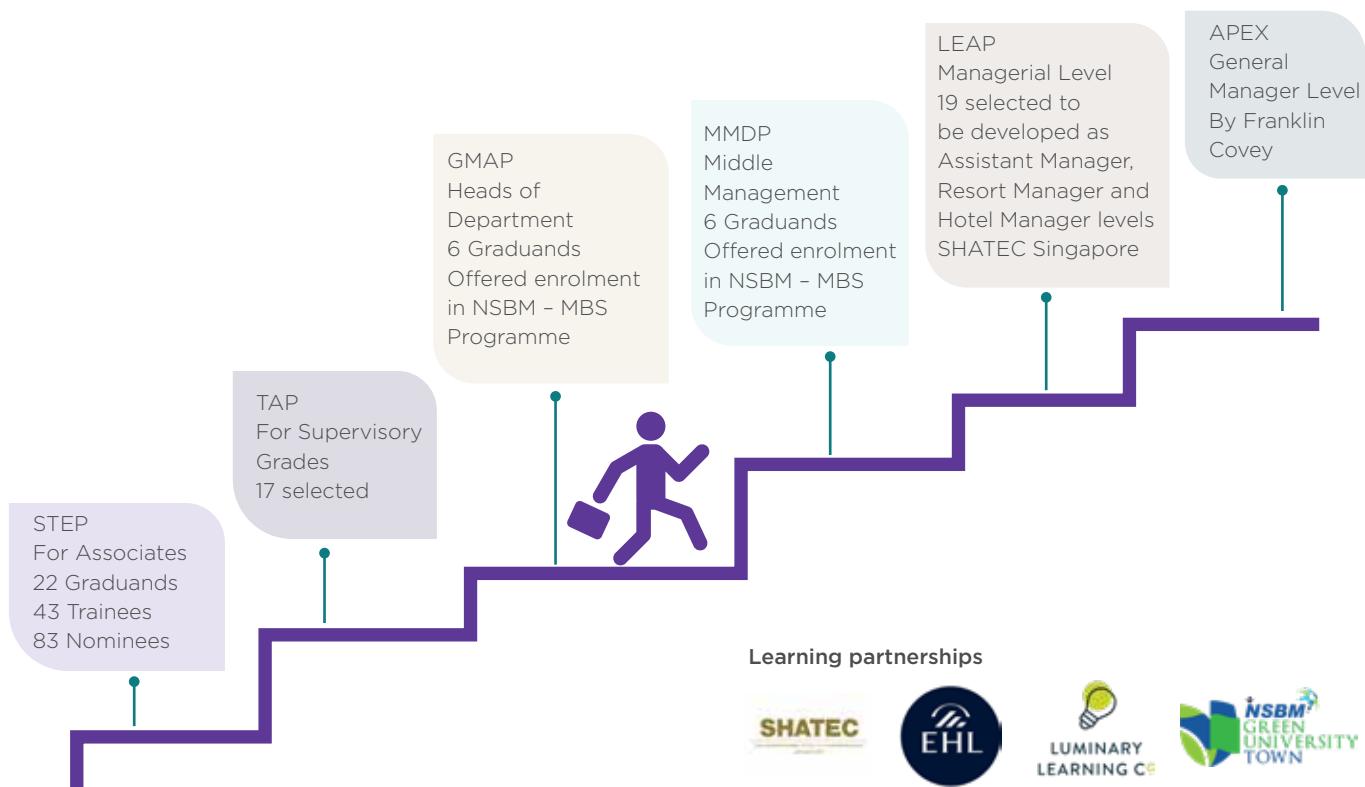
The Cinnamon Online Academy is a testament to our commitment to continuous learning and development within the family. This purpose-built platform has been designed to cater to the diverse educational needs of our expanding workforce, offering flexibility and accessibility like never before. Since its inception, the Cinnamon Online Academy has proudly offered over 102 courses, empowering our employees to grow personally and professionally. We are excited to announce plans to launch an additional 70 courses in the coming year. This expansion reflects our unwavering dedication to providing our employees with the tools and resources they need to thrive in an ever-evolving business landscape.

In line with our commitment to holistic employee development, we also focus on enhancing the Academy's capabilities to include seamless tracking of physical training participation. This innovative feature will promote employee wellness and ensure a comprehensive approach to learning and development.



### Leadership Development

In partnership with NSBM Green University, SHATEC Singapore and Franklin Covey Institute, future leaders are trained, upskilled, graduated, and deployed in managerial or senior managerial positions.



### Rate of Promotions out of Talent pools

| Programme     | %    |
|---------------|------|
| LEAP          | 68%  |
| GMAP          | 67%  |
| MAP           | 62%  |
| TAP           | 33%  |
| STEP          | 59%  |
| LEAD          | 75%  |
| Culinary LEAD | 100% |
| Total         | 59%  |

### EMPOWERMENT THROUGH EMPLOYMENT 2025 GOAL

#### 7.5% of approved cadre to be filled through community youth development programmes

We have been able to curate focused programs to attract and train young hoteliers which came in to action in 2024.

### Recognition

At Cinnamon, we are proud to announce that our senior vice president of human resources, Ishara Naufal, has been honoured with the prestigious HR Leadership Award at the World HRD Congress 2024. This accolade is a testament to our commitment to continuous improvement and innovation in HR practices. Ishara Naufal's visionary leadership and dedication to fostering a culture of excellence within our organisation have set her apart as a leader in the field. Her recognition on a global platform underscores the international impact of our HR initiatives, positioning Cinnamon as a leader in shaping the future of work. This achievement also reflects our focus on creating a value-driven workplace culture that prioritises diversity, inclusivity, and employee well-being. Through Ishara Naufal's success, we aim to inspire HR professionals worldwide and challenge perceptions about women in leadership roles, ultimately driving positive change within the hospitality industry and beyond.

### Contribution to Industry Talent Development

Cinnamon takes pride in being the front runner of many initiatives related to people development to ensure that our employees are ready to face the challenges of the future by addressing their development needs and developing the talent wider hospitality industry in Sri Lanka

### LEAD Programme

This dynamic programme provides young talent passionate to join the hospitality industry and unparalleled hands on exposure across our properties, complemented by intensive training sessions aimed at honing technical expertise and refining essential soft skills, thereby paving the way for future leadership roles.

In the 2023/24 batch, nine management trainees underwent comprehensive training and education. Seven of these talented individuals were subsequently absorbed into various departments within CH&R, including housekeeping, front office, Food & Beverages, and Learning & Development.

For the year 2024/25, after meticulously evaluating thousands of applications, we have selected eight exceptional candidates to join our esteemed team. Each individual has been chosen for their remarkable potential and unwavering commitment to excellence. These talented individuals are now poised to immerse themselves in diverse roles across different properties, where they will gain invaluable firsthand experience and unlock their full potential.



# PEOPLE

## Hospitality Academy

The Cinnamon Hospitality Academy initiative is set to launch in 2024, aiming to address the talent gap within Sri Lanka's hospitality sector. It seeks to enrich the pool of qualified candidates for CH&R and the wider hospitality industry. This programme represents a significant step in the ongoing efforts to nurture talent and plan for succession within the industry. Moreover, through a collaboration with the Swiss Hotel Management Academy (SHMA) and its affiliation with Ecole hôtelière de Lausanne (EHL) via Vocational Education and Training by EHL (VET by EHL), the Cinnamon Hospitality Academy will offer specialised training. This partnership ensures access to top-tier educational resources, empowering participants with skills and knowledge to excel in the dynamic hospitality landscape. By delivering comprehensive training, the initiative fulfils staffing requirements and contributes to the advancement of the hospitality industry, creating a sustainable pipeline of skilled professionals.

## Part-time Programme

Additionally, the reactivation of the part-time programme at CH&R is geared towards enhancing workforce flexibility and talent acquisition. This initiative provides a structured framework for individuals seeking part-time employment opportunities, enabling access to a diverse talent pool while effectively meeting operational demands. By accommodating various work preferences, the programme fosters an inclusive work environment and streamlines the recruitment process for part-time positions.

## The Cinnamon Employee Value Proposition (EVP)

**"Your Great Journey Starts Here"**

The objective of the launch of EVP, based on four pillars, is to enhance the appeal of CH&R as an employer of choice.

| Culture  | Brand Name and Reputation  | Career Development   | Work Environment   |
|--|--|--|--|
| A culture characterised by friendliness, supportiveness, openness, and a strong sense of social responsibility. This fosters collaboration, teamwork, and a sense of belonging among colleagues. | Harnessing the strong brand recognition of Cinnamon and its affiliation with John Keells Holdings (JKH), a prominent conglomerate in Sri Lanka, amplifies the credibility and stability in the perception of prospective candidates. | Offering numerous avenues for colleagues in career progression via extensive learning and development programs. A rigorous evaluation and feedback mechanism guarantees ongoing advancement and development. | Offering a secure work environment where colleagues are recognised for their contributions and presented with challenges that facilitate personal and professional growth. |
| <b>Objectives</b>  |  |  |  |
| <b>Strengthen employee brand, attract top talent, and Foster a culture of excellence and growth</b>  |  |  |  |

## Onboarding Strategy

### A Great Start

Providing a seamless transition and cultural integration, corporate team initiated 'A Great Start' including a holistic approach with pre onboarding, onboarding and post- onboarding experiences. And we had made the arrangement to extend it to property level in 2024/25. This expansion will entail engaging colleagues during pre onboarding, providing company familiarisation, holistic induction sessions, care packages for each colleague, and post onboarding support.

## Our Commitment to Health and Safety

### Creating a robust system for monitoring health and safety

We have implemented a health, safety and environment (HSE) Key Performance Indicator (KPI) monitoring system to track internal HSE compliance levels quarterly. The system incorporates five KPIs as follows:

- Audit effectiveness, both internal and external, and the impact of corrective actions
- Effectiveness of fire and operational monitoring programs
- Status monitoring of legal compliance licenses and certifications
- Monitoring the status of Critical Control Points / Operational Pre-Requisite Programmes /Pre-Requisite Programmes
- Number of reported accidents and satisfaction with environmental scores

### Fostering a strong health and safety culture

Cinnamon Hotels & Resorts have successfully concluded a series of comprehensive health, safety, and environmental training programmes, including the FSSC 22000 V5.1 lead auditor training, the National Institute of Occupational Safety & Health Conference and ISO 14001:2015 / ISO 45001:2018 / ISO 22000:2018 internal auditor training courses. These training programmes were designed to augment the HSE team's expertise in food safety, health and safety, environmental safety, internal auditing, and contemporary industrial practices. Through these investments in training, CH&R is committed to fostering a robust HSE culture and upholding the highest health & safety standards within the operations. We prioritise the well-being and safety of our contracted staff by strictly following the best practices in health and safety within our resorts. Further, all employees at Sri Lanka and Maldives Resorts adhere to the health and safety standards outlined in the ISO 45001:2018 requirements.

### The introduction of new microbiological and chemical tests

CH&R prioritises guest and staff well-being by conducting heavy metal analyses for drinking water and swab analyses for dish and glass cleaning verification. These proactive measures ensure compliance with regulations, prevent health hazards, and maintain a safe environment in our resorts.



### Recent advancements in health and safety

**Online accident reporting system** - This system enables quick reporting of occupational accidents, facilitating prompt action by responsible personnel for corrective and preventive measures.

**Near-miss reporting system** - Near-miss reporting boxes are installed in staff areas to encourage incident reporting. Training sessions emphasise the importance of reporting near misses to enhance safety awareness and prevent future accidents.

**Food allergy management** - In the past year, we have implemented clear signage and buffet tags to help guests identify allergen-containing foods and make informed choices, reducing the risk of allergic reactions. Separate storage facilities have been allocated for allergen-containing ingredients to prevent cross contamination. Staff, especially in the kitchen and restaurant, have undergone allergist training to handle inquiries and ensure food safety. Notices for guests have been displayed to raise awareness about food allergies and safety precautions.

# PLANET

## Climate Agenda

We acknowledge the pressing challenges posed by climate change and biodiversity loss, which directly impact our business through heightened instances of extreme weather events, rising temperatures, supply chain disruptions, and shifts in customer travel behaviours.

In response, we are dedicated to further lowering the intensity of greenhouse gas emissions and water withdrawal in our hotels while also reducing the use of single-use plastics and landfill waste in our daily operations. Additionally, we are actively collaborating with our suppliers to curtail greenhouse gas emissions throughout our supply chain.

Furthermore, we are intensifying our conservation initiatives to safeguard biodiversity, recognising the critical importance of preserving natural ecosystems for the wellbeing of our planet and future generations.

## Implementation of NORDAQ glass water bottling plant – Cinnamon Bentota Beach

Single-use plastics are a major contributor to pollution. These plastics are convenient for everyday use but also have significant environmental consequences. When not disposed of properly, they often end up in landfills, waterways, and oceans, where decomposing takes hundreds of years.

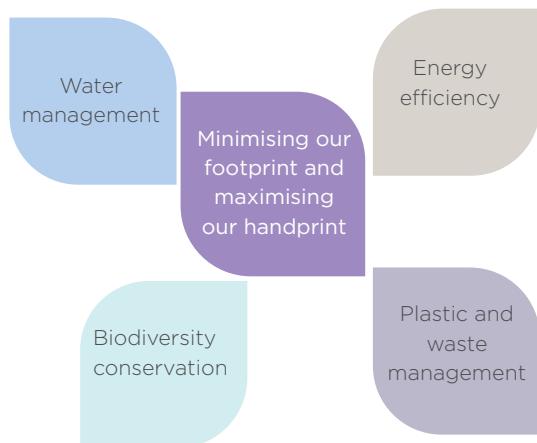
According to a report by the United Nations Environment Programme (UNEP), an estimated 8 million tons of plastic waste enter the world's oceans each year, posing a severe threat to marine life, ecosystems, and human health.

In response to the pressing need to reduce single-use plastic waste, Cinnamon Bentota Beach embarked on a sustainability initiative to eliminate 71% of single-use plastic by implementing the NORDAQ glass water bottling plant.

The reusable glass bottle used in the bottling process is made with 80% recycled glass, reducing the environmental impact of production. Additionally, the aluminium cap is crafted with 100% recycled content, further enhancing the sustainability of the packaging. NORDAQ's patented water filtration system plays a pivotal role in this initiative, purifying tap water to produce a perfectly neutral result. This filtration system effectively removes unwanted flavours and impurities while preserving natural salts and minerals, providing a premium and environmentally friendly water solution.

Through the collaborative efforts of Cinnamon Bentota Beach and NORDAQ, the implementation of the glass water bottling plant has paved way to eliminate 71% of single-use plastic, the initiative has significantly reduced the resort's environmental footprint. Using recycled glass and aluminium in the packaging

Our efforts can be summed up as follows:



underscores the commitment to sustainability. Moreover, the NORDAQ filtration system ensures guests have the highest quality water, free from taste, smell, and impurities. This environmentally friendly approach not only aligns with the resort's commitment to sustainability but also enhances the overall guest experience, showcasing a successful integration of eco-conscious practices into the core operations of the resort.



We are committed to reduce the single-use plastics that guests encounter during their stay. Our mission goes beyond eliminating plastics; we actively promote responsible disposal practices and spread awareness about the importance of mindful plastic consumption.

## 2025 Plastic Reduction Goal

### 50% reduction of single-use guest-facing plastic from 2021 baseline

While Cinnamon has successfully achieved this goal, the company is actively pursuing opportunities to further minimise single-use plastic consumption across its properties.

#### Reducing Single-Use Guest-Facing Plastic

The analysis of monthly single-use plastic consumption per Guest Night (GN) provides valuable insights for our resorts to quantify their plastic usage and pinpoint opportunities for waste reduction. By monitoring and evaluating this information, resorts can develop focused initiatives to minimise plastic consumption and enhance sustainability practices.

#### Quantitative Analysis of Plastic Reduction

##### Single use Guest facing Plastic Consumption/GN



#### Single-Use Plastic Elimination Initiatives

Our commitment to the planet's well-being is evident in our continuous strides to curb plastic usage at our resorts. By substituting single-use plastic items with more sustainable alternatives, we have achieved a significant 65% reduction in single-use plastic consumption at our Resorts, a testament to our success in this endeavour.

Our resorts have implemented several initiatives to minimise single-use plastic across their properties. This includes:

- In a bid to eliminate plastic PET bottles, we have introduced glass water bottles in our Maldives resorts and three Sri Lankan resorts. This initiative is also underway in our other properties.
- All resorts have switched from plastic wristbands to cloth wristbands.
- Maldives resorts have started providing reusable personalised water canisters to guests.
- Butter and ketchup sachets are now served in ceramic ramekins, and jam sachets in glass jars.
- Water refilling stations have been installed to decrease plastic bottle usage.
- Plastic laundry bags have been replaced with cloth alternatives.
- We have transitioned from plastic shampoo bottles to ceramic pump bottles.
- Swapping plastic cutleries for wooden alternatives such as spoons, forks, knives, and stirrers.



## Bamboo Bottles at Cinnamon Lodge Habarana

The engineering team at Cinnamon Lodge Habarana, created a bamboo water bottle for the use of its employees.



## Replacing Plastic Amenity Bottles with Ceramic Pump Bottles

Cinnamon Resorts has taken a proactive step towards reducing plastic pollution and promoting a more sustainable approach to hospitality by eliminating single-use plastic bottles.



## Exploring Sustainable Alternatives to Plastic: A Project by Plasticycle

Cinnamon Hotels has formed a strategic partnership with Plasticycle to foster the growth of two up-and-coming suppliers specialising in eco-friendly alternatives for single-use plastic products in the hospitality industry. One supplier is dedicated to developing a compostable alternative for plastic cling wrap, while the other is focused on creating a compostable alternative for plastic bento boxes. This collaboration underscores our commitment to advancing sustainability and minimising plastic waste in the hospitality sector by introducing cutting-edge solutions that resonate with environmental sustainability and consumer preferences.



## Reducing marine plastic pollution through the implementation of the Good Water Initiative

We aim to mitigate plastic pollution by minimising the release of plastic waste into the ocean. As part of this initiative, Hikka Tranz by Cinnamon and Cinnamon Bentota Beach have strategically placed two ocean strainers near the Bentota and Hikkaduwa areas. The John Keells center sustainability team, MAS Foundation for Change, and the Irrigation Department of Sri Lanka support the project. To date, 360 kg of plastic waste has been successfully extracted from the strainers, showcasing the project's positive impact on marine ecosystem conservation.

## **Establishment of a Material Recovery Facility (MRF) through Collaboration with USAID and Ceylon Cold Stores for Trinco Blu by Cinnamon**

Establishing a Material Recovery Facility is being realised through a strategic partnership between the United States Agency for International Development (USAID) and Ceylon Cold Stores, specifically focused on empowering women in the Trincomalee area to collect and segregate plastic waste. Spearheaded by Trinco Blu by Cinnamon, this initiative has involved the creation and mobilisation of women-led communities, complemented by targeted awareness sessions within the local community for minimising plastic pollution.

### **Minimising Plastic Pollution: Strategies for Raising Awareness**

In observance of World Earth Day, Cinnamon Hakuraa Huraa Maldives undertook the commendable initiative of distributing 300 reusable aluminium water bottles to students at Meemu Atoll education centre. This endeavour was designed to raise awareness within our local community about reducing plastic usage.

Furthermore, a collaborative effort with the Zero Plastic Movement was established to educate employees at Cinnamon Lodge Habarana and Habarana Village by Cinnamon. Mr. Nishanka de Silva, the founder of the Zero Plastic Movement, delivered an impactful presentation on July 10, 2023, themed "Life without plastic." This session aimed to prompt a reconsideration of our dependence on single-use plastics and advocate for sustainable alternatives. We can substantially diminish plastic consumption and contribute to a cleaner, more sustainable future by fostering small changes and mindful decisions. The session boasted a participation of 65 team members, who were engaged and inspired by the message shared.

At Cinnamon Bentota Beach, efforts were made to enhance responsible plastic disposal by installing a Plasticycle PET bottle collection bin near the public beach area. This initiative was complemented by a guest awareness campaign, further reinforcing our commitment to environmental stewardship.



## Minimising Plastic Pollution: Strategies for Raising Awareness

In 2023, Ellaaidhoo Maldives by Cinnamon actively participated in World Cleanup Day by hosting an island cleaning initiative. This event united in-house guests and associate members in a collaborative effort that spanned Ellaaidhoo Island to Maga island. Together, they successfully removed a significant amount of waste, including 57 kg of plastic, 5 kg of Regiform, and 102 kg of other waste.

Trinco Blu by Cinnamon marked World Cleanup Day by raising awareness about responsible waste disposal and cleaning the Alles Garden area, Trincomalee with the participation of villagers.

Cinnamon Lodge Habarana and Habarana Village by Cinnamon took part in an island-wide road cleaning campaign led by the "Zero Plastic Movement" Foundation on July 9, 2023. The team collected over 100 kg of garbage, including 56.5 kg of polythene, 52 kg of plastic bottles and cans, and 6.5 kg of beer cans. Throughout the event, the team prioritised sustainability by converting used linen into garbage bags and using reusable rubber gloves.

Cinnamon Hakuraa Huraa Maldives celebrated World Reef Awareness Day with a beach and reef cleanup campaign focusing on the water bungalow shore. The initiative highlighted the importance of collective action in preserving fragile ecosystems.

Cinnamon Citadel Kandy organised a Mahaveli river cleaning campaign with World Earth Day celebrations and collaborated with Ceylon Cold Stores for Kandy "Perehara" road cleanups.

At Cinnamon Bentota Beach, a beach cleaning initiative was organised near the Kosgoda turtle hatchery, a vital nesting site for sea turtles, to address the area's high level of plastic pollution.



## PRESERVING BIODIVERSITY

Biodiversity underpins resilient ecosystems essential for Cinnamon Hotels & Resorts businesses and our stakeholder livelihoods. As a company that depends on natural beauty for our hotels and resorts and agricultural crops and animal proteins for our supply chain, we believe it is our responsibility to protect the ecosystems where this value originates, including protected areas, water resources, and food production regions. We recognise that biodiversity and ecosystems are deeply intertwined with climate change; thus, we prioritise conservation alongside carbon emissions reduction efforts.

With the expertise of Cinnamon Nature Trails and our in-house ecologists, we undertake a science-based approach to biodiversity conservation, which helps us identify and develop targeted conservation initiatives. This approach has enabled us to identify vulnerable species and invasive species in our own locations, helping develop effective action plans to mitigate adverse anthropogenic interactions.

## 2025 BIODIVERSITY CONSERVATION GOALS

**Execution of biodiversity action plan at each resort in Sri Lanka and Maldives**

**Implementation of one biodiversity conservation plan per resort**

**Implementation of one mid-scale conservation project per year**

Cinnamon is making significant progress towards achieving the biodiversity conservation goals and remains committed to reaching the target by the end of 2025.



### Biodiversity Assessments at all Our Properties

To guard against biodiversity loss, we need first to understand our risk exposures and potential negative impacts to take action to mitigate risks and limit negative impacts. We have identified our nature-based hotels and resorts as locations where we could have the greatest impacts, both negatively and positively. Given the proximity of many of our resorts to protected and biodiversity-rich areas, conserving these sites is of particular importance as local biodiversity is integral to attracting guests, maintaining good relations with local stakeholders, and maintaining our reputation.

We have completed the biodiversity assessments of our Maldives resorts, Cinnamon Lodge Habarana, Habarana Village by Cinnamon, Cinnamon Wild Yala and Trinco Blu by Cinnamon. Further, we collaborated with The Open University of Sri Lanka to assess the remaining properties, providing hands-on experience for undergraduate students and fostering connections within the academic community. The assessments were carried out by students under the guidance of senior lecturers, ensuring practical skill acquisition and collaborative learning.

The study identified invasive species and potential threats from human activities and formulated conservation action plans tailored to each resort's unique needs.

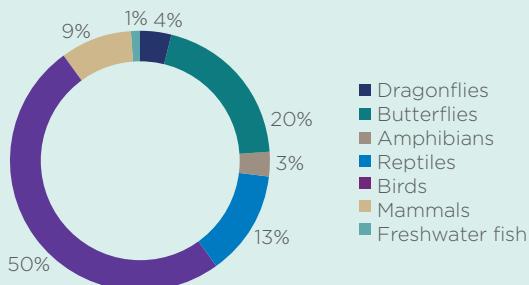
## Biodiversity assessment at Cinnamon Wild

Cinnamon Wild Yala rests in the captivating Yala National Park, at the heart of its buffer zone. Our commitment to harmoniously coexist with the wilderness has garnered recognition. Elephants, giant squirrels, deer, wild boars, and an array of other wildlife honour us with their visits, enchanted by the sanctuary we've carefully crafted.

In our most recent biodiversity assessment, a captivating tapestry of life unfolded before us. A total of 336 faunal species made their home within our premises, with 22 faunal species endemic to the region, showcasing the success of our conservation endeavours. The presence of 28 nationally threatened species and 27 near-threatened species from the 2012 Red List of Threatened Fauna and Flora of Sri Lanka underscores the critical importance of our conservation work.

The botanical survey revealed a rich flora, with 88 indigenous species flourishing in the area. Notably, two species, *Cinnamomum zeylanicum* and *Vernonia zeylanica*, stand as proud endemics of Sri Lanka, symbolising the region's unique biodiversity. Furthermore, 11 plant species are classified as threatened, highlighting local ecosystems' challenges.

### Species Diversity at Cinnamon Wild



## Ocean temperature data loggers and Geographic Information System (GIS) mapping project- Cinnamon Maldivian Resorts

As we confront the multifaceted challenges posed by climate change, including the alarming consequences such as melting polar ice caps, heightened greenhouse gas levels, erratic weather patterns, and encroaching sea levels, we at Cinnamon are deeply committed to finding proactive solutions. One significant realisation we've encountered is the profound shortage of comprehensive oceanic data, a critical handicap for the scientific community striving to understand and respond to fluctuations occurring in the depths of our oceans.

The project commenced with a thorough baseline biodiversity assessment at each of our 4 Maldivian resorts, with a special focus on marine biodiversity, complemented by applying GIS mapping techniques to generate detailed ecological maps. These maps comprehensively represent the diverse ecosystems present, encompassing fish species, reefs, mangroves, terrestrial vegetation, and other crucial habitats. By harnessing GIS technology, the resulting inventories provide valuable insights into the distribution and abundance of species, particularly those classified as globally endangered. This geospatial data significantly enhances our understanding of ecosystem composition, connectivity, and vulnerability.

The next step was strategically placing 16 data loggers at various depths in the ocean surrounding our Maldives resorts. These instruments continuously monitor essential environmental parameters such as temperature, conductivity, and salinity levels, which can effectively track and analyse patterns, shifts, and trends within the marine ecosystem. Particularly noteworthy is the critical role of ocean temperature data, offering vital insights into the impacts of climate change, including the concerning phenomena of ocean warming and potential coral bleaching events. Two data loggers have been strategically positioned at key sites: Hakura Thila in Meemu Atoll and Bathala Thila in North Ari Atoll. Renowned as premier diving destinations for visitors to Cinnamon Hakuraa Huraa Maldives and Ellaidhoo Maldives by Cinnamon, both reefs display amazing diversity that is of immense ecological value.

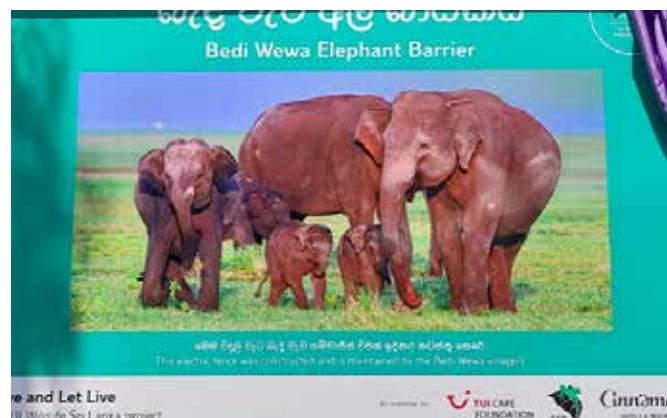
Through this pioneering endeavour, we're bridging critical gaps in oceanic knowledge and providing invaluable insights that can inform evidence-based decision-making in climate science. We also aim to empower researchers, policymakers, and stakeholders to develop effective climate resilience and adaptation strategies by fostering a deeper understanding of ocean dynamics.



### Live and Let Live Project

The elephant holds significant cultural and religious importance in Sri Lanka, representing the country's diversity and tranquillity. However, habitat loss, changing agricultural practices, and urbanisation have led to the endangerment of these majestic creatures. Cinnamon has undertaken the 'Live and Let Live' project in collaboration with the Centre for Conservation and Research and TUI Germany to mitigate human-elephant conflict. This project aims to protect elephants and villagers by implementing solar-powered electric fences around homes and croplands, allowing wildlife to roam freely while minimising damage to property and resources.

The project was inaugurated in "Bandi Wewa" village, home to 108 farming families in the Northwestern Province. This initiative builds upon the existing 'Cinnamon Elephant Project' in the Minneriya-Kaudulla area, which has been ongoing for 6 years. Cinnamon Hotels and the Centre for Conservation and Research also collaborate on an education and awareness project focused on responsible elephant tourism. By integrating elephant viewing with research on elephant behaviour, demographics, and health status at the Minneriya tank, efforts are being made to promote safe and responsible tourism practices. The project also involved placing satellite radio collars on elephants to gather valuable information on elephant herds and support initiatives to address human-elephant conflict in the area.



## Safeguarding Sea Turtles

In the coastal regions of Sri Lanka and the Maldives, our properties have been recognised as vital sea turtle nesting sites, prompting our proactive involvement in safeguarding these nests from natural threats and human interference. At Cinnamon Hakuraa Huraa Maldives, our dedicated in-house lifeguard with over five years of expertise in turtle, shark, and coral preservation leads our conservation endeavours. Through collaborative efforts with our guests, we take pride in the successful release of 90 baby turtles back into their indigenous habitats. Furthermore, we have partnered with the Environment Protection Agency in Maldives to reinforce our steadfast commitment to conservation practices.

Similarly, at Hikka Tranz by Cinnamon, we have established a turtle hatchery with community members, empowering them to contribute to conservation efforts actively. Alongside installing four informative notice boards on sea turtle conservation and hatchling care, we conduct regular awareness programs and engage our guests in the meaningful experience of releasing hatchlings into the ocean. To date, 10,123 hatchlings, predominantly Green turtles and Olive Ridley turtles, have been successfully released as part of our conservation initiatives.



## Coral Restoration Efforts

In 2018, Cinnamon Dhonveli Maldives initiated a collaborative coral propagation project with the Meridis Dive & Relax team to enhance coral health and conservation efforts. The project involves transplanting coral polyps onto existing reefs, conducting regular monitoring to ensure successful growth, assessing reef health and water quality, devising a restoration plan with specific planting locations and quantities, implementing an accelerated growth strategy, and tracking the progress of the restored reef.

As part of its marine life conservation programme, Ellaithoo Maldives by Cinnamon utilised specially constructed reef cubes made from a unique blend of discarded crushed glass, ceramic, and cement for coral polyp transplantation. By repurposing ceramic waste innovatively, over 323 artificial reef cubes have been strategically positioned in Alifu Alifu Atoll, leading to increased fish populations, enhanced algal growth, and improved coral development.

Furthermore, Cinnamon Hakuraa Huraa Maldives undertook coral reef restoration efforts by revitalising the coral garden situated between the water bungalows and the hotel's reception area. This initiative, conducted in observance of World Ocean Day 2023, involved affixing live coral fragments to iron frames to create a conducive habitat for marine life, thereby contributing to preserving the delicate underwater ecosystem.



## Our Commitment to Conservation

This year, we took a significant step towards furthering our commitment to biodiversity in the Maldives by welcoming marine biologist Tharushi Pitigala to our team.

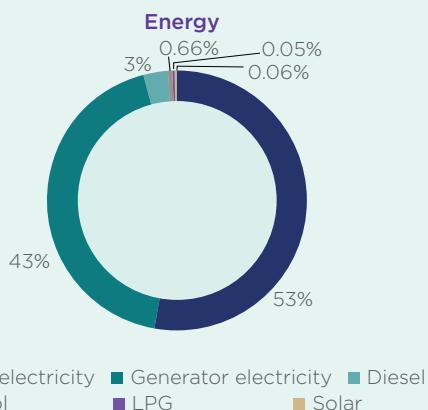
Through her expertise and passion for marine conservation, Tharushi has brought a new level of awareness to our initiatives and provided strategic direction for our efforts to enhance and conserve marine health in the Maldives. Her appointment is a crucial addition to our team as we continue our efforts to safeguard marine eco systems.

|  |   |  |
|--|---|--|
| Our resident naturalist at Cinnamon Wild Yala, Mr Rohan Gunasekara, recently had the unique opportunity to photograph and document a female leopard within the confines of Yala National Park. As a result of his work, he was bestowed with the privilege of assigning a name to this leopard. Opting for the moniker 'Chaaya' (Leopard Code: YF 73), this choice pays homage to the esteemed legacy of Cinnamon Hotels & Resorts.  | Establishing a butterfly garden at Cinnamon Lodge Habarana has proven successful, attracting a diverse range of butterfly species to the property. The introduction of feeding and breeding plants in a demarcated area has led to the sighting of several threatened species, including the national butterfly of Sri Lanka, the Sri Lanka Birdwing ( <i>Troides Darius</i> ), as well as the endemic Sri Lanka Lesser Albatross ( <i>Appias galena</i> ).                                   | Cinnamon Wild Yala implemented a junior naturalist development programme consisting of 6 workshops centred on biodiversity, natural history, species identification, and the history of Yala. The aim of this initiative was to cultivate and motivate a passion for nature among Cinnamon Wild Yala employees. This programme was conducted under the guidance of Mr. Kasun Nayanakantha, our in-house naturalist, who provided expertise and support throughout the workshops. |
| An in-depth training initiative was implemented across all departments of Maldives resorts to educate staff on marine biodiversity, encompassing the significance, distribution, and endangered species within the resorts' proximity. The primary goal of this awareness campaign is to enhance our colleagues' understanding of the environmental principles we champion and our conservation endeavours and to elevate guest awareness. This programme successfully engaged over 350 employees. | The "World Turtle Day 2023" event at Ellaithoo Maldives by Cinnamon was centred around the theme "I Love Turtles," aiming to underscore the urgency of conserving these species amidst shrinking habitats. The event commenced with an informative session led by Mr Gayan Pradeep Wijethunga, Head Naturalist, conducted via MS Teams for our staff. Subsequently, the event featured a sand art campaign at Ellaithoo main beach to raise awareness about turtle conservation's importance. | In honour of World Environment Day, the team at Trinco Blu by Cinnamon organised a tree-planting campaign in the butterfly garden area to promote biodiversity and enhance the hotel's greenery. Additionally, a poster campaign was conducted to raise awareness among adults and children about the significance of environmental conservation.  |
| In celebration of World Earth Day, Cinnamon Citadel Kandy implemented a Kubuk tree plantation programme.   | As part of the Earth Day celebrations at Cinnamon Lodge Habarana and Habarana Village by Cinnamon, local guests were presented with significant plants such as Ehela, Turmeric, and curry leaf plants. The initiative aimed to encourage guests to plant trees in their respective areas to contribute to the sustainability of our planet.   | Cinnamon Bey Beruwala hosted an art exhibition for the children of in-house guests centered on the theme of "Environmental Protection" in honour of World Environment Day.   |
| A tree-planting initiative has been undertaken at Cinnamon Bentota Beach, focusing on the "Hunganthota" temple and the adjacent irrigation canal. As part of this initiative, 20 "Mee" plants ( <i>Madhuca longifolia</i> ) have been carefully selected for planting along the road bordering the "Hunganthota" irrigation canal.   | As part of our conservation initiatives, Cinnamon successfully planted 25 mangrove trees along the bank of the "Mawakada Ela" waterway at Hikka Tranz by Cinnamon.  |  |

| Hotel/Resort                    | Name of Protected Area                                  | Proximity to Hotel/Resort | Biodiversity value and the law applicable to protection   |
|---------------------------------|---|---------------------------|---|
| Cinnamon Lodge Habarana         | Minneriya National Park, Ritigala Strict Nature Reserve | Within a 20km radius      | Wildlife and Forestry Flora and Fauna Protection Ordinance 1937 IUCN Category II National Park                        |
| Habarana Village by Cinnamon    | Kaudulla National Park                                  | Within a 22km radius      | Flora and Fauna Protection Ordinance 1937 IUCN Category II National Park  |
| Cinnamon Bey Beruwala           | Hikkaduwa Marine National Park                          | 45km                      | Maritime<br>Flora and Fauna Protection Ordinance 1937 IUCN Category II - National Park                                |
| Hikka Tranz by Cinnamon         | Hikkaduwa Marine National Park                          | 0.5km                     | Maritime<br>Flora and Fauna Protection Ordinance 1937 IUCN Category II National Park                                  |
| Cinnamon Bentota Beach          | Hikkaduwa Marine National Park                          | 40km                      | Flora and Fauna Protection Ordinance 1937 IUCN Category II National Park  |
| Cinnamon Wild Yala              | Yala National Park<br>Bundala National Park             | Within a 32km radius      | Wildlife and Forestry<br>Flora and Fauna Protection Ordinance 1937 IUCN Category II National Park                     |
| Trinco Blu by Cinnamon          | Pigeon Island Marine National Park                      | 16km                      | Maritime<br>Flora and Fauna Protection Ordinance 1937 IUCN Category II National Park                                  |
| Cinnamon Citadel Kandy          | Udawatte Kele Sanctuary                                 | 6km                       | Wildlife and Forestry<br>Flora and Fauna Protection Ordinance 1937 IUCN Category IV – Habitat/Species Management Area |
| Cinnamon Dhonveli Maldives      | Thamburudhoo thila                                      | 1km                       | Maritime - The Environment Protection and Preservation Act  |
| Cinnamon Hakuraa Huraa Maldives | Lhazikuraadhi   | 1km                       | Maritime - The Environment Protection and Preservation Act  |
| Elaidhoo Maldives by Cinnamon   | Orimas thila  | 1km                       | Maritime - The Environment Protection and Preservation Act  |

## ENERGY AND EMISSIONS

Our commitment to sustainability remains unwavering as we diligently reduce energy consumption and transition towards renewable sources. Through targeted efforts, we are steadily diminishing our carbon footprint while embracing cleaner energy alternatives and innovations. Our dedication to environmental stewardship drives us to continually innovate and pursue sustainable practices, ensuring a brighter, greener future for generations to come.



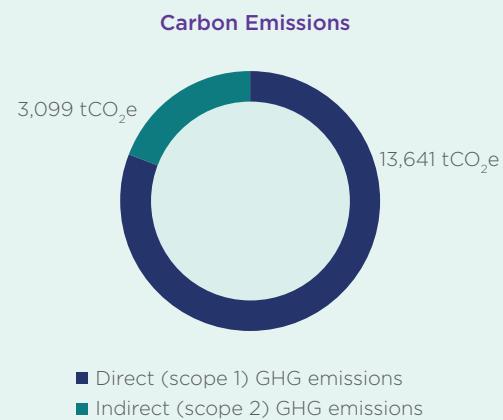
## 2025 CARBON REDUCTION GOAL

**Reduce carbon footprint by 1,300 tCO<sub>2</sub>e  
(scope 1 and 2) – base year 2018**

Cinnamon resorts is on track to achieve this goal.

**15% of energy requirements to be met by renewable energy**

While Cinnamon resorts remains behind schedule on this goal, the company is continuing to analyse onsite renewable energy viability.



All GHG emissions were converted into CO<sub>2</sub> equivalents and GHG protocol has been used for carbon footprint calculations

### Energy Conservation

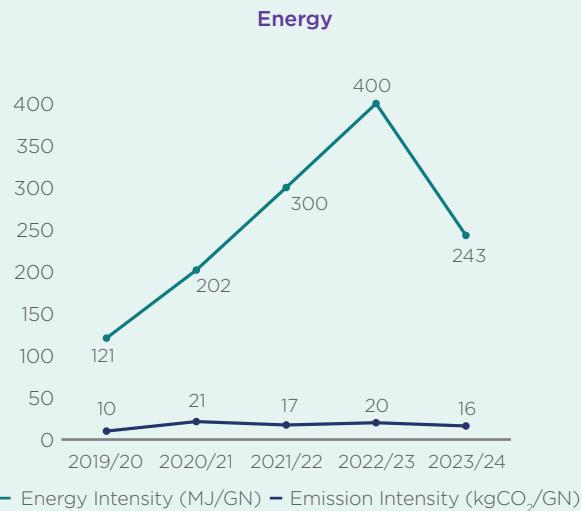
Cinnamon Hakuraa Huraa — LED streetlights replaced solar powered 50W 250V flood lights and LED garden lights replaced 30W lights previously installed.

#### Energy Saving Efforts

We installed energy saving LED lighting across many hotel facilities and inverter air-conditioned models to automatically lower energy consumption once the required level of temperature is achieved in the area.

Magnetic bearing chillers installed at Cinnamon Bentota Beach enhance energy efficiency while reducing friction related consumption.

Cinnamon Dhonveli and Ellaaidhoo Maldives by Cinnamon in Maldives and 5 resorts in Sri Lanka were fitted with solar panels to heat up water in guest rooms reducing power consumption in daytime and power generation through diesel engines.



## Cinnamon Bentota Beach Hotel Powers a Sustainable Future

**850 Roof-top Solar Panels**

**300 Kwh Capacity**

**343,588 kWh Energy Produced**



## Introducing electric Tuk Tuks at Cinnamon Bentota Beach

These eco-friendly Tuk Tuks shuttle are used from luggage assistance to hassle-free resort exploration. As we stride towards our net-zero emissions goal by 2050, this marks a significant milestone on our sustainable journey.



# WASTE MANAGEMENT

Air pollution, water pollution, and soil contamination resulting from industrial activities, transportation, agriculture, and improper waste disposal have led to adverse health effects and feedback loops that amplify the negative consequences of climate change and biodiversity loss.

In response to these challenges, we have implemented various initiatives to combat pollution. These include waste reduction efforts, diverting waste from landfills, increasing recycling rates, eliminating the use of single-use plastics, and addressing waste-related financial and reputational risks. Additionally, we are actively collaborating with partners to transition towards closed-loop solutions to further mitigate the impact of pollution on our environment.



## 2025 WASTE REDUCTION GOAL

**100% of generated waste is diverted away from landfills**

Cinnamon is making significant progress towards achieving the waste reduction goal and remains committed to reaching the target by the end of 2025.

We collaborate with both local and national waste vendors and recyclers to identify optimal and sustainable solutions for managing both hazardous and non-hazardous waste. Non-hazardous waste constitutes 94% of our operational waste, and we adhere to the 7R waste management principle, encompassing Replace, Rethink, Refuse, Reduce, Reuse, Recycle, and Repair strategies, to effectively mitigate our environmental impact. Our overarching goal is to attain zero waste to landfill by the year 2030.



## Repurposing Waste

At Habarana Village by Cinnamon, Cinnamon Citadel Kandy, and Cinnamon Wild Yala, biogas digesters have been implemented to convert food waste into biogas for kitchen use and heating. Additionally, waste oil from our operations is collected and processed into biodiesel by an approved vendor.

To enhance our waste management practices, we segregate all non-hazardous waste on-site and work with selected vendors who responsibly dispose of the waste through recycling or repurposing. To ensure alignment with our sustainability goals, we conduct annual assessments of all waste vendors through on-site visits to evaluate their practices.



### Introducing our Waste Bins

Repurposing disposable plastic containers into public area dustbins has been carried out at Cinnamon Bey Beruwala, Cinnamon Citadel Kandy, and Cinnamon Lodge Habarana. This initiative aims to improve waste management by providing practical solutions for collecting trash in public spaces. Using single-use plastic containers, known as Chlorine bins, as makeshift bins, the project reduces plastic waste and promotes a cleaner environment through efficient waste disposal methods.

### Waterproof Beach Bags Made from Upcycled Umbrella Cloth

Ellaaidhoo Maldives by Cinnamon has recently introduced a new initiative by producing waterproof beach bags made from upcycled umbrella cloth. The proceeds generated from the sale of these bags are being directed towards supporting students in schools located on inhabited islands. The aim is to reduce plastic bottle usage in their environment by supplying all students and faculty members with personalised aluminium water bottles. As of the latest update, 230 upcycled umbrella bags have been sold, funding the provision of 180 aluminium water bottles for Hangnaameedhoo School.



## Composting

Cinnamon Lodge Habarana has successfully maintained its compost project throughout the year. The hotel offers packs of compost for sale to its guests, visitors, and patrons of the nearby resort. This initiative supports the growth of herbs and vegetables for the resort's use and provides an opportunity for bulk compost sales to select buyers. By promoting the use of compost in gardens and farms, Cinnamon Lodge Habarana is contributing to the reduction of inorganic fertilisers in the local community.

### Revolutionising Food Waste Management: Introducing Food Digesters in the Maldives

We invested substantially in implementing cutting-edge food digester plants in our Maldives resorts. These state-of-the-art systems mark a significant milestone in our sustainability journey, directly addressing the critical issue of organic food waste management within our operations.

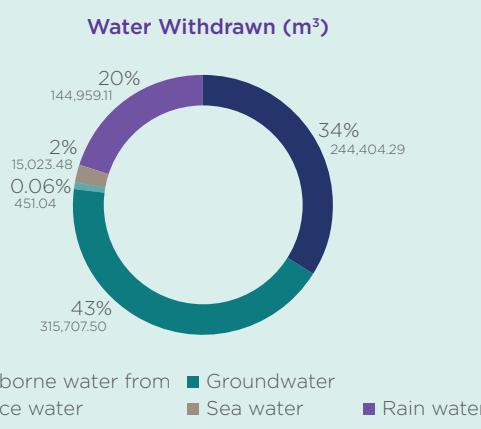
The food digester plants have been designed to efficiently process all forms of organic food waste, including plate scrapings, leftovers, meat, fish, bones, bread, and dairy products. These waste materials are transformed into a convenient semi-liquid form through a sophisticated and innovative process, which holds considerable potential for composting applications. This conversion reduces the volume of waste being sent to landfills and produces a valuable resource that can be utilised to enhance soil fertility and support sustainable agricultural practices.



## RESPONSIBLE WATER MANAGEMENT

Securing access to clean water is essential for the sustainable growth and development of our business and for the communities in the locations we operate. We have implemented water conservation and efficiency programmes to reduce water withdrawal, and also ensure that wastewater from our operations is treated in accordance with local regulations.

Through innovative strategies and partnerships, we aim to ensure the long-term availability and quality of water resources for future generations.



### Water efficient technology

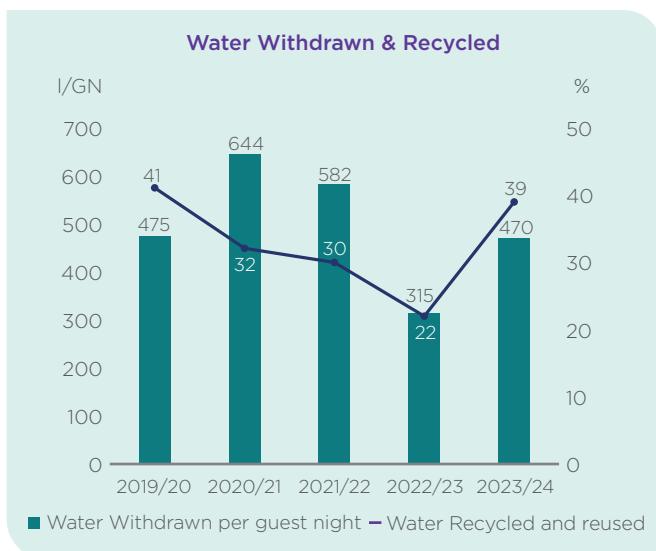
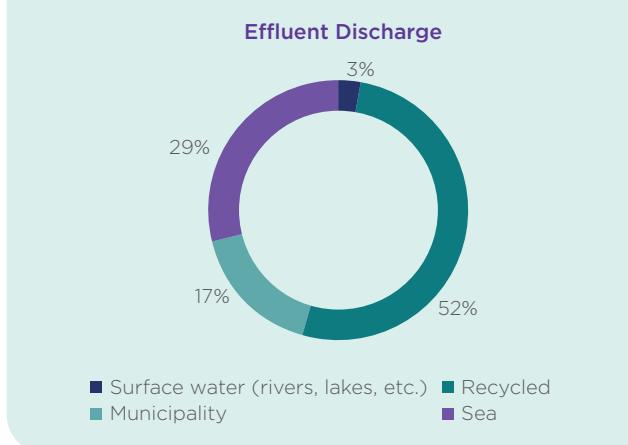
Our Resorts have implemented water-saving initiatives by installing low-flow faucets, showerheads, toilets, and cistern tanks with dual flush options. These measures effectively reduce water consumption in guest rooms and public areas.

Cinnamon Resorts also utilise water sprinkler systems for garden irrigation which is a sustainable practice for efficient water management. In adherence to our garden watering policy, we implement strict controls to regulate watering schedules, ensuring optimal usage while minimising water wastage.

## 2025 WATER REDUCTION GOAL

**Reduce water consumption by 10 liters/EarthCheck guest night from 2018 baseline**

While Cinnamon has successfully achieved this goal, we are actively pursuing opportunities to further minimise water usage across our footprint.



## Wastewater management

Wastewater management in our hotels is meticulously executed through a blend of physical and biological treatment processes aimed at purifying wastewater before its reintroduction to the environment. The comprehensive approach includes Effluent Treatment Plants equipped with aerobic and anaerobic treatment facilities. Noteworthy methods employed across various resorts include using treated water for flushing and gardening purposes. Additionally, integrating Rotatable Biological Contactors (RBC) at locations like Trinco Blu by Cinnamon and Cinnamon Bey Beruwela underscores our commitment to sustainable effluent treatment practices.

In response to the significant impact of the dry season, we have implemented a sustainable initiative to contribute back through recharging groundwater by redirecting treated water to a man-made tank in Yala and a natural lagoon in Trincomalee. These initiatives serve as a vital source of water for wildlife especially during the harsh dry season. As a result, numerous wildlife species have been observed congregating at these designated watering holes, seeking respite and sustenance amidst the challenging aridity of the season.

A key aspect of our operational strategy involves regularly monitoring effluent quality and quantity to detect any anomalies or shortcomings in the treatment process. By focusing on monitoring parameters such as Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD), Fecal Coliform levels, and Residual Chlorine, our resorts uphold a stringent quality control standard. This proactive approach ensures compliance with environmental regulations and enables swift corrective actions based on real time data analysis. Implementing a robust monitoring and reporting system is a testament to our dedication to environmental stewardship and sustainable practices in wastewater management across our properties.



## Rainwater Harvesting

Our resorts have successfully integrated rainwater harvesting systems to efficiently capture and store rainwater for non-potable purposes, notably irrigation. This sustainable practice has been implemented across several properties, including Cinnamon Citadel Kandy, Cinnamon Bey Beruwela, Hikka Tranz by Cinnamon, Cinnamon Hakuraa Hakuraa Maldives, Cinnamon Dhonveli Maldives, Cinnamon Velifushi Maldives, and Ellaidhoo Maldives by Cinnamon, demonstrating our commitment to environmental stewardship and resource conservation.

## Conserving Water

Resorts have implemented water conservation awareness programs to promote responsible water usage and behaviour among staff members. Towel reuse cards and bed linen removal cards have been strategically placed inside guest rooms to encourage sustainable practices.

Regular checks to monitor and detect leaks ensure the effective management of water resources. Consumption meters are used for ongoing monitoring of water usage alongside leak detection programmes, enabling prompt identification and repair of any leaks in the system.

## We are now Travelife Gold Certified

Travelife Gold certification is a prestigious recognition that highlights a commitment to the highest standards in eco-friendly practices, fair labour, and community support. At Cinnamon Hotels & Resorts, we are proud to have achieved this certification, showcasing our dedication to sustainability and responsible tourism. Further, this certification scheme is recognised by the Global Sustainable Tourism Council (GSTC).

## 2025 SUSTAINABILITY CERTIFICATION GOAL

All resorts to comply with Global Sustainable Tourism Council (GSTC) certification scheme, Travelife

Our resorts have successfully achieved this goal.

## LEED certified properties

Cinnamon Bentota Beach has achieved the prestigious LEED Platinum certification, while Cinnamon Bey Beruwela has been awarded the LEED Gold certification. These certifications highlight our commitment to sustainable building practices, demonstrating our dedication to reducing our environmental impact and promoting a healthier, more sustainable future. By investing in sustainable buildings, we are not only reducing our carbon footprint but also creating a more efficient and eco-friendly environment for our guests and employees.

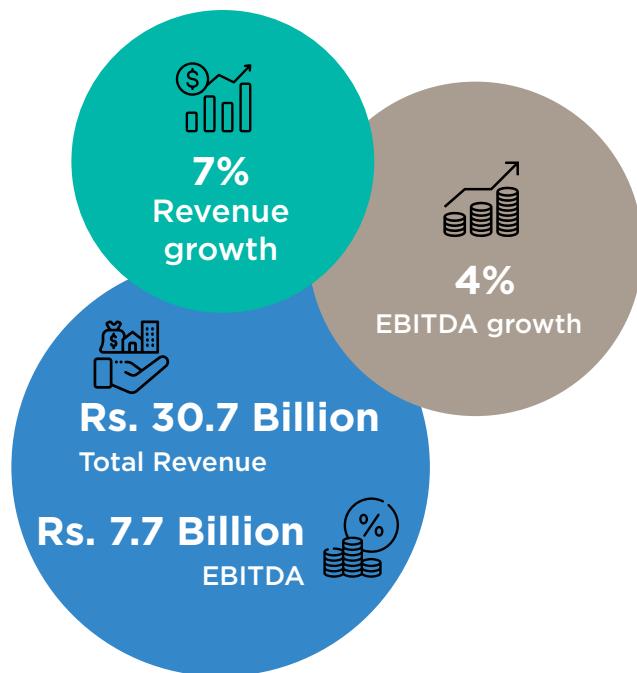


## Planet Performances

|   |           |            | 2024         | 2023 |
|---|-----------|------------|--------------|------|
| <b>Energy Consumption</b>               |           |            |              |      |
| <b>Non-renewable sources</b>            |           |            |              |      |
| Purchased electricity (from CEB)        | kWh       | 18,113,963 | 15,123,117   |      |
| Liquid Petroleum Gas (LPG)              | kg        | 320,251    | 9,651        |      |
| Diesel                                  | Liters    | 5,850,390  | 4,017,368    |      |
| Petrol                                  | Liters    | 576,955    | 597,778      |      |
| <b>Renewable sources</b>                |           |            |              |      |
| Solar power                             | Kwh       | 997,789    | 711,292      |      |
| Total energy consumed                   | GJ        | 27,045,241 | 220,898      |      |
| Total energy from grid electricity      | %         | 53%        | 25%          |      |
| Total energy from renewables            | %         | 3%         | 3%           |      |
| Energy Intensity                        | MJ/GN     | 242.9      | 205          |      |
| <b>Water and Effluents</b>              |           |            |              |      |
| <b>Water withdrawn sources</b>          |           |            |              |      |
| Surface water- river, lakes, wetlands   | m³        | 15,023.5   | 1,940        |      |
| Ground water                            | m³        | 315,707.5  | 201,435      |      |
| Rainwater harvested                     | m³        | 451        | Not Reported |      |
| Municipal water supply                  | m³        | 244,404.3  | 271,764      |      |
| Sea Water                               | m³        | 144,959.1  | 204,928      |      |
| Total water withdrawn                   | m³        | 720,545.4  | 680,067      |      |
| <b>Water discharge by destination</b>   |           |            |              |      |
| Municipality sewerage, drainage lines   | m³        | 86,073.8   | 84,991       |      |
| Rivers, lakes, wetlands                 | m³        | 13,217.6   | 10,202       |      |
| Sea                                     | m³        | 147,414.7  | 106,857      |      |
| Total water discharge                   | m³        | 513,318.6  | 292,227      |      |
| Total water consumption from all areas  | m³        | 156,894    | 136,013      |      |
| Water recycled and reused               | m³        | 279,830.1  | 90,117       |      |
| % of water recycled and reused          | %         | 38.8%      | 13.26%       |      |
| <b>Green House Gas (GHG) Emissions</b>  |           |            |              |      |
| Direct (Scope 1) GHG emissions          | tCO₂e     | 13,641     | 14,767       |      |
| Energy indirect (Scope 2) GHG emissions | tCO₂e     | 3,099      | 11,726       |      |
| GHG emissions intensity                 | kgCO₂e/GN | 17.95      | 20.17        |      |
| Reduction of GHG emissions              | tCO₂e     | 9,753      | 1,797        |      |
| <b>Waste</b>                            |           |            |              |      |
| <b>Waste generated</b>                  |           |            |              |      |
| Non-hazardous waste                     | MT        | 2,307.5    | 2,255        |      |
| Hazardous waste                         | MT        | 3.5        | 5            |      |
| Total waste generation                  | MT        | 2,311      | 2,260        |      |
| <b>Waste disposal (Non-hazardous)</b>   |           |            |              |      |
| Reuse                                   | MT        | 968        | 921.3        |      |
| Recycling                               | MT        | 274        | 473.5        |      |
| Composting                              | MT        | 368        | 180          |      |
| Recovery                                | MT        | 24         | Not Reported |      |
| Incineration                            | MT        | 101        | 66           |      |
| Landfill                                | MT        | 391        | 614          |      |
| Total waste disposal                    | MT        | 2,311      | 2,255        |      |

# PROSPERITY

## FINANCE REVIEW



### Highlights for the year ended 31 March 2024

- Revenue grew by 7% YoY to Rs. 30,739 million.
- EBITDA increased by 4% YoY to Rs. 7,753 million. This growth was supported by improved overall flow-through from room rates and total revenue growth.

#### Revenue

The Group reported consolidated revenue of Rs. 30,738Mn in FY 2023/24, a 7% growth compared to FY 2022/23.

Revenue growth was supported by a strong performance by the Sri Lankan resorts and the gradual recovery in the Maldivian resorts towards the latter part of FY 2023/24. However, the appreciation of the Rupee against the US Dollar during the year partially impacted revenue growth.

Occupancy levels in the Sri Lankan resorts experienced strong recovery momentum throughout the year. The average occupancy rate increased by 27 percentage points, reaching 68%. This growth was further supported by the increase in commercial flight frequencies by major airlines, which led to a rise in tourist arrivals, positively impacting occupancy levels.

Maldives resorts cluster reported an occupancy of 86% (2022/23 - 88%), with a net turnover of USD 64 million, during the financial year. The occupancies were sluggish during the first two quarters. However, the sector gained momentum in the last two quarters, overtaking last year's numbers during the last quarter.

#### EBITDA

The Group reported an EBITDA of Rs. 7,753Mn in FY 2023/24 compared to an EBITDA of Rs. 7,485 Mn in FY 2022/23. The EBITDA of the Sri Lanka resorts cluster increased to Rs. 1,500 million from Rs. 163 million in 2022/23, surging by 102% to Rs. 7,322Mn (2022/23 – Rs. 3,618Mn). The surge in EBITDA of the Sri Lanka cluster is primarily due to the increased revenue in the backdrop of increased tourist arrivals to Sri Lanka. In the Maldives, EBITDA decreased from Rs. 7,321Mn in last year to Rs. 6,252Mn in 2023/24. The drop in EBITDA of the Maldives cluster is mainly attributable to the appreciation of the Rupee and cost pressures.

The Group's gross profit margin decreased by one percentage point to 62%. However, the gross profit margin for the Sri Lanka resorts cluster rose from 51% last year to 57% in 2023/24. In contrast, the Maldives saw a decrease in gross profit margin from 66% last year to 64% in 2023/24. The Group's operating expenses remained stable throughout the year, largely due to the appreciation of the Rupee which affected the translation of foreign operations into the reporting currency.

| Revenue (Rs. '000) | 2023/24 | 2022/23 | Change % |
|--------------------|---------|---------|----------|
| Sri Lanka          | 10,309  | 6,189   | 67%      |
| Maldives           | 20,429  | 22,646  | -10%     |
| Total              | 30,738  | 28,835  | 7%       |

|                                   |        |        |  |
|-----------------------------------|--------|--------|--|
| Average exchange rate (US Dollar) | 318.12 | 360.36 |  |
|-----------------------------------|--------|--------|--|

|                          |        |        |     |
|--------------------------|--------|--------|-----|
| Total revenue - USD '000 | 96,628 | 80,019 | 21% |
|--------------------------|--------|--------|-----|

## Segment results

| Rs. million                           | Sri Lanka | Maldives |        | Group  |        |
|---------------------------------------|-----------|----------|--------|--------|--------|
| Total revenue                         | 10,309    | 6,189    | 20,429 | 22,646 | 30,738 |
| EBITDA                                | 1,500     | 164      | 6,253  | 7,321  | 7,753  |
| Profit/(loss) before tax              | (406)     | (1,621)  | 341    | 1,017  | (65)   |
| Segment assets                        | 26,028    | 24,569   | 53,200 | 61,856 | 79,229 |
| Segment liabilities                   | 12,921    | 11,976   | 35,693 | 42,521 | 48,615 |
| Lease liabilities                     | 392       | 444      | 18,996 | 22,363 | 19,389 |
| Interest-bearing loans and borrowings | 5,371     | 5,918    | 7,621  | 11,647 | 12,992 |
|                                       |           |          |        |        | 17,565 |

## Macroeconomic Environment in Sri Lanka and Its Impact on Us

The Sri Lankan economy witnessed a gradual revival in 2023 from the deepest economic downturn in its post-independence history. This revival was supported by several key factors: a rapid decline in inflation, enhanced external resilience, stronger fiscal balances, and maintained stability in the financial system.

| Macroeconomic development   | How it affected our operation   |
|---|---|
| Inflation peaked at a historically high level in September 2022 and underwent a rapid disinflation process, bringing it down to lower single-digit levels by the end of 2023. | The decline in the inflation rate helped SL Resorts achieve a better gross profit margin.   |
| Policy interest rates were reduced. From June 23 to December 23, the policy interest rate was reduced by 6.5%, and it was reduced by 50 basis points further in March 24.     | Sri Lanka resorts cluster benefited from the notable decline in market interest rates. Despite the increase in the utilisation of overdrafts, the YoY increase in finance cost was limited to Rs.128Mn. |
| Fiscal adjustments aimed at achieving debt sustainability involved reducing government expenditure and increasing revenue.  | Adjustments to electricity tariffs negatively impacted the operating cost structure, leading to an erosion of the EBITDA margin.  |

## Finance Costs

During the year, the Group reported finance costs of Rs. 2,882Mn, which was Rs. 180Mn higher than the previous year. In Sri Lanka, finance costs increased by 14% year-on-year owing to the increased utilisation of overdraft facilities; in the Maldives, the increase in the LIBOR/SOFR rate on term loan facilities contributed to higher interest costs, which was offset by the reduction in costs due to loan repayments.

## Taxation

The Group's effective tax rate stood at 573%, compared to 45% (tax reversal) in 2022/23. The Sri Lankan companies recorded an ETR of 27% (tax reversal), whilst the Maldivian cluster recorded an ETR of 76%. These ETRs do not correspond to the primary tax rates of the Sri Lankan (30%) and Maldivian clusters (15%).

The inordinate effective tax rate is primarily stemming from the unwinding of deferred tax assets recognised in prior periods. These assets, recognised on tax losses brought forward in previous years in some of the companies in Sri Lanka and Maldives, cannot be recouped within the stipulated

regulatory timelines. This is mainly due to the prolonged and numerous disruptions over the last few years, a situation that has significantly impacted our financial performance.

Additionally, the Maldivian sector's high effective tax rate is influenced by restrictions on claiming full capital allowances for resorts with lease periods that end before the time allowed for claiming these allowances under their tax laws.

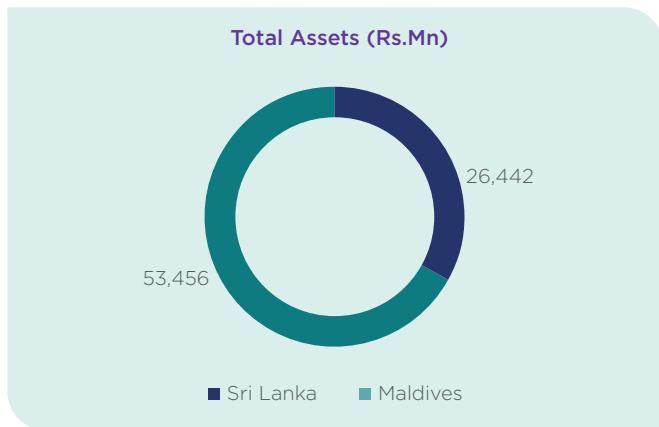
## Financial Position and Cash Flow

### Assets

The Group's total assets amounted to Rs. 79,899Mn, a decrease from Rs. 87,096Mn reported as of 31.03.2023.

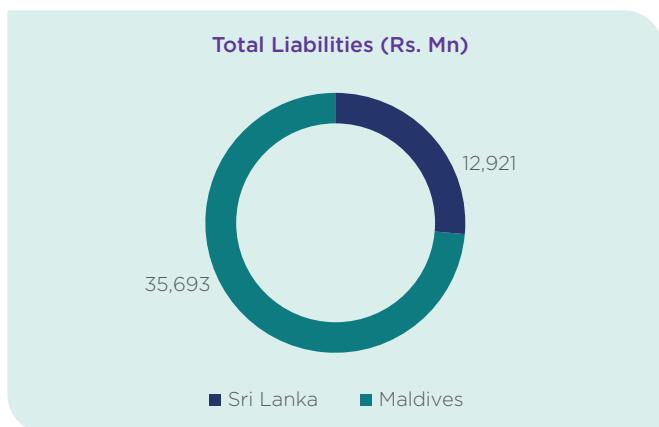
The decrease in assets is mainly attributable to the exchange difference in the translation of foreign operations (RS. 1,698Mn), depreciation of property, plant, and equipment (Rs.2,458Mn), and depreciation of right-of-use assets by Rs. 2,436Mn. Additionally, the Group invested Rs. 1,124Mn in property, plant, and equipment, with the majority of the investment being made in the Maldives. The Maldivian cluster accounted for 67% of the Group's total assets, a slight decrease from 71% in 2022/23.

# PROSPERITY



## Liabilities

The Group reported total liabilities of Rs. 48,614Mn at the end of 2023/24, a decrease of Rs. 5,883Mn from Rs. 54,497Mn at the end of 2022/23. This is primarily due to the repayment of term loans and the impact of exchange rates on overseas operations. The Maldives sector, which represented 78% (2022/23 - 73%) of total liabilities at the end of FY 2022/23, experienced a decrease in total liabilities due to debt service payments and the impact on the exchange on the conversion of the overseas operation. Meanwhile, the Sri Lankan sector's total liabilities increased by approximately Rs. 945Mn due to the use of overdraft facilities.



## Net debt

The positive cash flow generated from operations and debt servicing payments during the year resulted in a decline in the group's net debt position.

|                        | 2023/24 | 2022/23 | Change |
|------------------------|---------|---------|--------|
| Net debt (Rs. Million) | 21,182  | 23,757  | 2,575  |
| Debt/equity (%)        | 72%     | 79%     | 7%     |

## Shareholder's funds

Shareholders' funds decreased by Rs. 314Mn from Rs. 32,598Mn reported as of 31.03.2023 to Rs. 31,284Mn at the end of the financial year 2023/24, primarily due to the exchange difference on the translation of foreign operations, which was partially offset by the gain on revaluation of land and buildings.

## Exchange differences on translation of foreign operations

The Group recognised an exchange loss of Rs. 1,698Mn in the Statement of Comprehensive Income on the translation of a foreign operation (Maldives) to the reporting currency. This loss arises due to the appreciation of the Rupee against the US Dollar. The Sri Lanka Rupee appreciated from Rs. 329.5 as of 31.03.2023 to Rs. 300.4 as of 31.03.2024.

## Fair value assessment of land and buildings

### Revaluation of land and buildings

The Group deployed two independent Chartered Valuers to conduct a desktop valuation of land and buildings as of 31 December 2023. A revaluation gain of Rs. 1,148Mn (2022/23 - Rs. 2,664Mn) was identified in the Statement of Comprehensive Income.

## Net gain from fair value remeasurement of investment properties

The Group recognised a fair value gain on investment property of Rs. 98Mn (2022/23 - Rs. 201Mn) in the Income Statement.

During the year, the Group generated positive cash flows from operations of Rs. 6,068Mn, an increase of Rs. 499Mn YoY supported by improved operations in Sri Lanka and Maldives.

The cash flow used in investing activities was Rs. 1,387Mn in 2023/24, primarily due to investments made in purchasing property, plant and equipment. The Group reported net cash used for financing activities of Rs. 6,373Mn in 2023/24, due to repayment of lease liabilities of Rs. 1,177Mn and repayment of long-term borrowings of Rs. 5,377Mn.

## Expansion through Asset-Light Business Model

During the year, the company invested Rs. 582 million more in Indra Hotels & Resorts Kandy Pvt Limited, wherein it holds a 40% equity stake. Indra Hotels Kandy Pvt Limited is developing a 215-room hotel in Kandy, which is expected to commence operation in the third quarter of 2024/25.

## **Outlook**

Global growth, forecasted at 3.1 per cent in 2023, is anticipated to maintain this rate in 2024 before seeing a slight increase to 3.2 per cent in 2025. The projected global growth for 2024 and 2025 falls below the historical annual average of 3.8 per cent (2000–2019), attributed to restrictive monetary policies, reduced fiscal support, and sluggish underlying productivity growth.

**Maldives** - The Maldivian government's fifth tourism master plan emphasises sustainable tourism and aims to establish the Maldives as a year-round destination. The country has experienced consistent growth in tourism, with 1.7 million international arrivals in 2022, 1.9 million in 2023, and a projection of over two million international tourists in 2024. As tourism is a major economic driver, the Maldives' GDP was forecasted to grow by 4.4% in 2023, 5.2% in 2024, and 5.9% in 2025.

**Sri Lanka** - Expected tourist arrivals to Sri Lanka in FY 2024/25 are approximately 2.3Mn, with India and China leading the way, followed by traditional European markets. However, arrivals from the Russian and CIS markets are projected to decline compared to the previous financial year (FY 2023/24).

Despite intense competition in the market, the SL Resorts cluster remains dedicated to maximise revenue. With positive global sentiments towards Sri Lanka's tourism industry, strong performance is expected in room revenue and food category. The sector will remain vigilant to market shifts, seizing opportunities throughout the fiscal year.

# PROSPERITY

## INVESTOR INFORMATION

### Distribution of Shareholders

There were 6,755 registered shareholders as at 31 March 2024 (6,546 as at 31 March 2023) distributed as follows:

| No. of shares held   | As at 31 March 2024 |        |                    |        |                     | As at 31 March 2023 |                    |        |  |  |
|----------------------|---------------------|--------|--------------------|--------|---------------------|---------------------|--------------------|--------|--|--|
|                      | No. of Shareholders | %      | No. of Shares held | %      | No. of Shareholders | %                   | No. of Shares held | %      |  |  |
| 1 to 1,000           | 4,028               | 59.63  | 1,344,756          | 0.09   | 3,829               | 58.49               | 1,331,291          | 0.09   |  |  |
| 1,001 to 10,000      | 1,892               | 28.01  | 7,371,546          | 0.51   | 1,872               | 28.60               | 7,358,019          | 0.51   |  |  |
| 10,001 to 100,000    | 666                 | 9.86   | 20,402,201         | 1.40   | 678                 | 10.36               | 21,323,474         | 1.46   |  |  |
| 100,001 to 1,000,000 | 135                 | 2.00   | 43,510,389         | 2.99   | 138                 | 2.11                | 41,118,111         | 2.82   |  |  |
| Over 1,000,000       | 34                  | 0.50   | 1,383,517,888      | 95.01  | 29                  | 0.44                | 1,385,015,885      | 95.12  |  |  |
| Total                | 6,755               | 100.00 | 1,456,146,780      | 100.00 | 6,546               | 100.00              | 1,456,146,780      | 100.00 |  |  |

### Composition of Shareholders

| No. of shares held           | As at 31 March 2024 |                    |       |                     | As at 31 March 2023 |       |  |  |
|------------------------------|---------------------|--------------------|-------|---------------------|---------------------|-------|--|--|
|                              | 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 |  |  |
| <b>Public - Resident</b>     |                     |                    |       |                     |                     |       |  |  |
| Institutions                 | 246                 | 192,305,913        | 13.21 | 249                 | 186,486,003         | 12.81 |  |  |
| Individuals                  | 6,442               | 73,618,504         | 5.06  | 6,227               | 66,457,356          | 4.56  |  |  |
| <b>Public - Non-Resident</b> |                     |                    |       |                     |                     |       |  |  |
| Institutions                 | 8                   | 12,826,774         | 0.88  | 7                   | 25,112,617          | 1.72  |  |  |
| Individuals                  | 58                  | 7,797,111          | 0.53  | 62                  | 8,492,326           | 0.58  |  |  |
| Total                        | 6,755               | 1,456,146,780      | 100   | 6,546               | 1,456,146,780       | 100   |  |  |

The percentage of the shares of the Company held by the Public as at 31 March 2024 was 19.68% (31 March 2023 - 19.68%).

### Directors and Spouses Shareholdings

| As at 31 March               | No. of shares held |      |
|------------------------------|--------------------|------|
|                              | 2024               | 2023 |
| K N J Balendra - Chairperson | Nil                | Nil  |
| J G A Cooray                 | Nil                | Nil  |
| S Rajendra                   | Nil                | Nil  |
| M R Svensson                 | Nil                | Nil  |
| M H Singhawansa              | Nil                | Nil  |
| H Premaratne                 | Nil                | Nil  |
| A K Moonesinghe              | Nil                | Nil  |
| K A Gunasekera               | Nil                | Nil  |

## Market Information on Ordinary Shares of the Company

|   | 2023/24        | Date       | 2022/23        | Date       |
|---|----------------|------------|----------------|------------|
| <b>SHARE INFORMATION</b>                      |                |            |                |            |
| Highest price (Rs.)                           | 24.70          | 01-06-2023 | 20.90          | 15-09-2022 |
| Lowest price (Rs.)                            | 15.60          | 04-07-2023 | 9.30           | 04-05-2022 |
| As at period end (Rs.)                        | 18.60          | 31-03-2024 | 18.90          | 31-03-2023 |
| <b>TRADING STATISTICS</b>                     |                |            |                |            |
| Number of transactions                        | 12,473.00      |            | 8,757          |            |
| Number of shares traded                       | 78,539,668     |            | 52,407,613     |            |
| Shares traded as a % of total shares in issue | 5.39           |            | 3.60           |            |
| Value of all shares traded (Rs.)              | 1,555,517,754  |            | 864,154,496    |            |
| Average daily turnover (Rs.)                  | 6,508,442      |            | 3,692,968      |            |
| Market capitalisation (Rs.)                   | 27,084,330,108 |            | 27,521,174,142 |            |
| Float Adjusted Market Capitalisation (Rs.)    | 5,329,798      |            | 5,415,762,908  |            |

## Top Twenty-Five Shareholders of the Company

| Name of the shareholder  | As at 31 March 2024 |       | As at 31 March 2023 |       |
|--|---------------------|-------|---------------------|-------|
|  | 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   | 49,375,841          | 3.39  | 49,375,841          | 3.39  |
| Hatton National Bank PLC - Capital Alliance Quantitative Equity Fund                                       | 12,103,392          | 0.83  | 12,103,392          | 0.83  |
| Citibank New York S/A Norges Bank account 2  | 10,751,039          | 0.74  | 12,643,485          | 0.87  |
| Mrs. J. M. Blackler  | 6,514,760           | 0.45  | 6,514,760           | 0.45  |
| People's Leasing & Finance PLC/L.P.Hapangama   | 5,833,593           | 0.40  | 5,833,593           | 0.40  |
| Invenco Capital Private Ltd  | 4,643,327           | 0.32  | 4,672,113           | 0.32  |
| Mercantile Fortunes (Pvt) Ltd  | 3,800,000           | 0.26  | 3,800,000           | 0.26  |
| Mr. K.D.H. Perera  | 3,742,643           | 0.26  | 3,742,643           | 0.26  |
| Miss N.T.M.S. Cooray   | 2,526,345           | 0.17  | 2,391,107           | 0.16  |
| Mr. R. T. Jinasena   | 2,516,765           | 0.17  | 2,516,765           | 0.17  |
| DFCC Bank PLC A/C 1  | 2,500,000           | 0.17  | 2,500,000           | 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  | 2,087,676           | 0.14  |
| Capital Alliance PLC   | 2,049,180           | 0.14  | 2,049,180           | 0.14  |
| Merrill J Fernando & Sons (Pvt) Ltd  | 1,911,573           | 0.13  | 1,911,573           | 0.13  |
| Guardian Fund Management Limited/The Aitken Spence and Associated Companies Executive Staff Provident Fund | 1,693,630           | 0.12  | 1,693,630           | 0.12  |
| Bank of Ceylon-No 2 A/C (BOC PTF)  | 1,660,983           | 0.11  | 1,660,983           | 0.11  |
| Mr. H.N. Esufally Husein Nuruddin  | 1,636,983           | 0.11  | 1,526,946           | 0.10  |
| Rubber Investment Trust Ltd A/C No 01  | 1,465,103           | 0.10  | 1,465,103           | 0.10  |
| People's Leasing & Finance PLC/Mr.D.M.PDisanayake  | 1,307,539           | 0.09  | 1,307,539           | 0.09  |
| Mr. A.A.V. Amerasinghe   | 1,287,800           | 0.09  | 1,287,800           | 0.09  |
| MR. C.N.H. LIYANAGE  | 1,250,000           | 0.09  | 1,250,000           | 0.09  |
| Total  | 1,373,277,699       | 94.31 | 1,374,953,656       | 94.42 |

## PROSPERITY

### COMMUNITY EMPOWERMENT

#### **"Bees that Sustain Lives" - Empowering Communities through Beekeeping for Biodiversity Conservation**

Bees are crucial pollinators in the ecosystem, playing a key role in the reproduction of many plant species. In addition to their role as pollinators, bees contribute to the overall health of ecosystems by maintaining the balance of various plant and animal populations. They help decompose organic matter and nutrient recycling, playing a vital role in the functioning of ecosystems.

To promote sustainable livelihoods and biodiversity conservation, Cinnamon Resorts collaborated with the John Keells Foundation to launch the 'Bees that Sustain Lives' beekeeping project. This project stands out as a significant addition to our diverse portfolio of livelihood ventures, aiming to empower local communities while highlighting the crucial role of bees in conserving biodiversity.

The heart of the project lies in empowering carefully selected beneficiaries residing around the Cinnamon Lodge in Habarana and Cinnamon Citadel in Kandy. A total of 40 individuals participated in the beekeeping training, with 25 of them receiving essential beekeeping equipment to kickstart their journey as beekeepers.

This initiative equipped beneficiaries with the necessary tools and provided valuable training on responsible beekeeping practices including the importance of minimising harm to bees during honey-gathering, fostering thriving bee colonies, and mastering beeswax extraction. The project aimed to enhance entrepreneurship opportunities and augment income generation, especially for women in the local community.

Reference: Ollerton, J., Winfree, R., & Tarrant, S. (2011). How many flowering plants are pollinated by animals? *Oikos*, 120(3), 321-326.



# PROMOTING PROSPERITY

Cinnamon Hotels & Resorts is deeply committed to nurturing relationships with the communities in our operational locales through extensive stakeholder engagement. We also foster a socially responsible mindset among employees and actively encourage our business.

Our dedication to positively impacting our wider community is evident through our Corporate Social Responsibility (CSR) initiatives and the integration of community responsibility into our business strategy. We prioritise sourcing locally whenever possible, aiming to create employment opportunities and offer training programs for the youth in our community to enhance local empowerment. At the same time, our steadfast commitment is directed towards revitalising the tourism sector in our nation through strategic destination marketing initiatives crafted to encourage tourists to revisit Sri Lanka and the Maldives.

Promoting prosperity in community empowerment involves several key components, including:

## **Education and Skill Development:**

Providing access to quality education and training programs that equip community members with the necessary skills to succeed in the workforce.

## **Access to Resources:**

Ensuring equitable access to resources such as healthcare, clean water, and infrastructure to improve the quality of life in the community.

## **Economic Opportunities:**

Creating job opportunities, supporting entrepreneurship, and promoting economic development to stimulate growth and prosperity in the community.

## **Social Support and Inclusion:**

Fostering a sense of belonging and social cohesion through community engagement, support networks, and inclusive practices that empower all members to participate and contribute.

## **Advocacy and Policy Change:**

Advocating for policies that address systemic barriers and promote equity, justice, and sustainable development within the community.

## **Collaboration and Partnerships:**

Building partnerships with local stakeholders, organisations, and government agencies to leverage resources, expertise, and support for community empowerment initiatives.

## PROSPERITY

### The Cinnamon Community Footprint

Cinnamon Hotels & Resorts, in collaboration with John Keells Foundation, our colleagues and guests continued to support communities through monetary and in-kind donations. In 2023, these contributions totalled over Rs. 7.7 million. Cinnamon Resorts demonstrated a strong commitment to corporate social responsibility by empowering employees to engage with local communities and address pressing needs actively. Throughout the year, our colleagues collectively dedicated over 14,500.5 volunteer hours, with a primary focus on environmental and social initiatives aimed at making a positive impact in their respective communities.

### 2025 VOLUNTEERISM GOAL

**Contribute 2,000 volunteer hours by year end of 2025**

**Impact 1,000 beneficiaries (direct & indirect) aligning to the 6 pillars of our CSR community engagement model by 2025**

**14,500.5** Volunteer hours in FY 2023/24

**1,815** of cumulative volunteer hours have served children

**667.5** of cumulative volunteer activities have been skills-based

**113.5** of cumulative volunteer hours served for women led initiatives

Cinnamon is making significant progress towards achieving the volunteerism goals and remains committed to reaching the target by the end of 2025.

### Our CSR Vision

Our strategic CSR initiatives aim to empower our communities to enjoy a better standard of living tomorrow by fostering relevant skills, opportunities, and environment today.



**Education:** We provide better access to educational opportunities for those in need to enhance their employability and entrepreneurship.



**Environment:** We strive to minimise the impact of our operations, promote conservation and sustainability towards enhancing environmental and natural capital.



**Health:** We foster healthy communities that contribute to the well-being and productivity of the country.



**Livelihood:** We foster sustainable livelihoods through relevant skills, capacity, and infrastructure enhancement towards building empowered and sustainable communities



**Art & Culture:** We strive to nurture the livelihoods of artists and preserve our cultural heritage towards safeguarding and promoting local arts and culture.



**Disaster Relief:** We aid our communities in times of adversity and disaster by enabling them to rebuild their lives and livelihoods.

## Creating Life-Changing Opportunities

The Kadjan roof weaving project at Ellaaidhoo Maldives by Cinnamon showcases our commitment to preserving traditional craftsmanship while harnessing local resources for sustainable development. This initiative involves gathering dried coconut leaves from the resort premises and skilfully weaving Kadjan roofing covers by the women of Hangnaameedhoo island.

The art of Kadjan weaving serves as a practical roofing solution for public areas such as the reception, restaurants, and the dive centre while honouring Maldives' rich cultural heritage. Throughout the financial year 2023/24, this endeavour not only generated revenue but also fosters a sense of community and strengthens the connection to the island nation's natural resources.



The Hikka Batiks programme at Hikka Tranz by Cinnamon embodies a sustainable initiative where discarded hotel linen is repurposed into batik tote bags by a group of 12 skilled and empowered women in the Hikkaduwa community. This project is aimed at supporting and enhancing the capabilities of local women artisans while expanding market opportunities.

Initially spearheaded by the John Keells Foundation, the project evolved through the formalisation of the organisation, product development, and market identification. Throughout the journey, the team at Hikka Tranz by Cinnamon played a pivotal role, driving and steadfastly supporting the artisans through challenging circumstances.

The team showcased remarkable dedication and ingenuity by creating shared value for both the artisans and the business. Innovative strategies included transforming discarded linen into vibrant bedsheets for staff accommodations, crafting batik tote bags for guests, and producing customised wall art for the hotel. Currently, the artisans are exploring new product avenues to further enrich the guest experience, promising to introduce more vibrant and engaging offerings in the near future.

## Reflecting on Our Crisis Response Initiative: A Year in Review

In response to the ongoing crisis affecting communities nationwide, the John Keells Foundation, the CSR arm of The John Keells Group, has initiated a crisis response programme in collaboration with the Group's businesses. Cinnamon Hotels & Resorts remains actively engaged in this response programme by participating in key initiatives focused on addressing critical challenges, alleviating immediate hardships, and supporting community empowerment efforts to facilitate recovery from the crisis in Sri Lanka.

## Initiatives to Ensure Food Security

### The Good Agriculture Practices (GAP) Farmer Project for Sustainable Farming

2022, the collaborative efforts between John Keells Foundation and Cinnamon Hotels & Resorts marked this transformative initiative. The project encompasses 26 farms spread across 19 acres of land surrounding our properties in Beruwala, Kandy, Habarana, Trincomalee, and Weerawila. Over 90 individuals have directly benefited from this endeavour.

This project exemplifies a commitment to innovation and sustainability by employing modern agricultural methods such as drip irrigation systems, insect-proof fencing, poly mulching technology, and rotating sprinkler irrigation systems.

This sustainable farming programme harmonises with the Livelihood Development initiatives of John Keells Foundation. The programme is strategically designed to advocate for sound agricultural practices, incorporating technological advancements to empower small-scale commercial farmers within our communities. The aim is to amplify their productivity, ensure resource sustainability, boost income generation, and fortify their contribution to Sri Lanka's food production landscape.

**Produce harvested (kg) in 2023 – 3,251**

### “Sara Midula” home gardening program aims to promote sustainable gardening practices

Phase two of the home gardening programme was launched in 2023 in partnership with JKF as part of the “Praja Shakthi” Initiative. The main goal of this initiative was to empower disadvantaged communities to cultivate their produce in response to the prevailing food crisis. Cinnamon Citadel Kandy, Cinnamon Bentota Beach, Cinnamon Bey Beruwela, Cinnamon Wild Yala, Hikka Tranz by Cinnamon and Cinnamon Lodge Habarana spearheaded this project within their respective communities. A home garden competition was organised as phase two to assess and identify the most exceptional home gardens, which were acknowledged and rewarded accordingly.

**Number of home gardens established – 80**



## Combating Child Malnutrition

### The “Pasal Diriya” school meal programme provides nutritious meals to needy students

Collaborating with John Keells Foundation, “Pasal Diriya” addresses child malnutrition in Sri Lanka while enhancing school attendance rates. The initiative encompasses the establishment of vital infrastructure for meal preparation, such as school kitchens, as well as the facilitation of in-house school gardens. Currently, around 710 children benefit from daily meals provided through this programme.

**Number of meals served in 2023 – 183,679**



## Supporting the Continuation of Education

### Higher Education Scholarship Programme

This initiative aims to offer financial support to deserving students pursuing higher education, emphasising academic merit, financial need, and potential for success as critical selection criteria. The collaboration with Cinnamon Resorts further enhances the program's impact, empowering talented individuals who may encounter financial barriers to higher education opportunities. The scholarships provided not only assist students in achieving their academic aspirations but also enable them to make meaningful contributions to society.

### Number of scholarships awarded in 2023 - 18

### Supporting Healthcare Service: Unveiling the Solar Project at Kirinda Hospital

Kirinda Hospital, established as a vital medical facility following the 2004 Tsunami, serves as a crucial healthcare provider for over 2000 families and visitors to the renowned Yala National Park and nearby luxury resorts, including Cinnamon Wild Yala.

Mr. Daanyal Ebrahim, a passionate advocate for sustainable energy practices, collaborated with the John Keells Foundation and Cinnamon Wild Yala to spearhead the initiative to implement solar panels at Kirinda Hospital.

The Kirinda Regional Hospital has achieved self-sufficiency in electricity generation through this generous donation. The Cinnamon Wild Engineering team has been collaborating closely with the hospital to offer technical support and maintenance services for the solar panels, ensuring the continued success of this sustainable energy initiative.



### English language scholarship programme

This programme by John Keells Foundation continues to empower individuals by offering opportunities to elevate their English language abilities. This program remains dedicated to assisting students in advancing their proficiency in English, thereby equipping them to pursue improved educational and career pathways.

### Number of placements in 2023 - 213

## Fostering a Safe and Supportive Environment for Children

We have undertaken a significant initiative to enhance community awareness of the identification and prevention of child abuse and neglect. Through collaborative efforts with esteemed partners such as John Keells Foundation and LEADS Sri Lanka, we have successfully conducted employee awareness sessions aimed at equipping individuals with the knowledge and skills necessary to recognise and address instances of child abuse.

As part of a comprehensive three-year plan, the next phase of our initiative will focus on extending these awareness programmes to the broader community. Notably, 218 employees have actively participated in the child protection awareness sessions, with a select number undergoing a rigorous 'train the trainer' program to serve as future advocates and educators in child protection.

Furthermore, under the auspices of the Creating Enriched Environment for Progressive Education (CEEPE) a collaborative project involving Good Neighbours, John Keells Foundation, Cinnamon Lodge Habarana and Habarana Village by Cinnamon, significant strides have been made in enhancing teacher training programs. These initiatives have emphasised key areas such as effective communication, child-centred learning, understanding diversity, and goal setting.

Of particular significance is the recent training conducted for teachers from Habarana schools, with 40 educators actively participating in these sessions. This concerted effort underscores our commitment to fostering a safe and supportive environment.

## PROSPERITY

During the financial year, each of our resorts has actively participated in targeted CSR programs, in addition to groupwide initiatives, to engage with their surrounding communities. Here are some examples of the initiatives undertaken by each resort.

| Name of the Resort      | CSR Highlights   | Volunteer Hours<br>FY 2023/24 |
|-------------------------|--|-------------------------------|
| Cinnamon Bentota Beach  | <ul style="list-style-type: none"> <li>Facilitate the industrial visit programme for University of Sabaragamuwa students</li> <li>Fund donations to “Galapatha” and “Udakotuwa” temples for refurbishment projects</li> <li>Tsunami awareness session for the community in collaboration with Disaster Management Centre</li> </ul>  | 1,570                         |
| Trinco Blu by Cinnamon  | <ul style="list-style-type: none"> <li>Increase community awareness of marine tourism, fostering knowledge of marine life, tourism opportunities, and potential hotel connections to strengthen the nearby community.</li> </ul>   | 1,134                         |
| Hikka Tranz by Cinnamon | <ul style="list-style-type: none"> <li>Gifts and essentials distributed to children in two children’s homes in Hikkaduwa area</li> <li>Five class rooms in the primary section of “Akkarawissa” school painted with the help of staff members and school kids</li> <li>Dental kits and soaps distributed to “Patuwatha” primary school kids, with an awareness session conducted by the public health inspector</li> <li>Uniforms distributed to members of police life saving unit based near the hotel</li> </ul>  | 968.5                         |
| Cinnamon Bey Beruwala   | <ul style="list-style-type: none"> <li>Stationary distribution for students at “Moragalla” primary school, Beruwala</li> <li>Chair distribution for “Awiththawa” primary school and “Sartalankarathissa” School in Meegama</li> <li>Improved living standards of elders by maintaining, repairing, and cleaning the premises in “St. Albert” elder’s home</li> </ul>   | 862                           |
| Cinnamon Wild Yala      | <ul style="list-style-type: none"> <li>Conducted a familiarisation tour to a cattle farm and negotiated the purchase of fresh milk for pregnant mothers in the surrounding area</li> <li>Donated school stationery and clothes to underprivileged students in the Thissamaharama area</li> <li>Provided water to water catchment areas in Yala National Park to ensure the survival of wildlife during the dry season</li> <li>Conducted educational program for school students at “Magama” vidyalaya on biodiversity with the support of in house naturalists</li> </ul>                                       | 1,004                         |
| Cinnamon Citadel Kandy  | <ul style="list-style-type: none"> <li>The transformation of discarded waste bins into reusable bins for donation to “Senkadagalpa” blind school aligns with the principle of repurposing of waste.</li> <li>The annual Christmas event featured the engagement of deaf and blind students, who were supported by the Cinnamon Citadel team to showcase their talents and skills.</li> <li>Collaborated with Kandy Police Station, Cinnamon Citadel Kandy, and DFCC Bank to honour and appreciate 130 women police officers on women’s day, recognising their dedication and sense of responsibility.</li> </ul> | 1,272                         |

| Name of the Resort                                       | CSR Highlights   | Volunteer Hours<br>FY 2023/24 |
|--|--|-------------------------------|
| Cinnamon Lodge Habarana and Habarana Village by Cinnamon | <p>Colour washing and improving the standards of "Horwila" ayurvedic hospital</p> <p>Blood donation campaign for the community in Habarana area</p> <p>Transfer of catamaran to the "Horiwila" fisherman community as part of collaborative effort between Cinnamon Lodge Habarana and the John Keells Foundation to promote community tourism in the Habarana area</p>  | 1,609                         |
| Ellaidhoo Maldives by Cinnamon                           | <p>We relaunched the Aluminium water bottle donation program by donating 279 bottles to the "Omadhoo" school through discarded umbrella beach bag sales.</p> <p>Organised a tree plantation campaign project on "Rasdho" island in collaboration with the atoll police station team, donating a total of 70 banyan, banana, coconut, and hummingbird trees</p>   | 905                           |
| Cinnamon Dhonveli Maldives                               | <p>Upkeep the infrastructure facilities at the "Huraa" health centre</p> <p>Donation of 65-inch smart television to "Himafushi" school</p> <p>Donation of linen and water canisters to the drug rehabilitation center</p> <p>Study tour for "Majeedhiya" school girl guide students aimed to provide practical knowledge and exposure to hospitality industry through resort visit with activities like learning table etiquette, bed decoration, and first aid sessions</p> | 1,819                         |
| Cinnamon Velifushi Maldives                              | <p>Donated cash rewards to "Felidhoo" Council to support their development</p> <p>Conducted hospitality industry awareness session for "Keydhoo" school students</p> <p>Conducted a blood donation campaign for the nearby community</p>   | 522                           |
| Cinnamon Hakuraa Huraa Maldives                          | <p>Donated 15,000 disposable face masks, 3,000 reusable &amp; washable face masks, and 698 pairs of shoe covers to "M. Mulak" health center.</p> <p>Hosted "Mulak" school travel and tourism students at resort for a learning exposure session to enhance their hospitality knowledge</p>   | 1,142                         |

## PROSPERITY

### SUSTAINABLE SUPPLY CHAIN

#### RESPONSIBLE SOURCING

In our commitment to prioritising local sourcing initiatives, we actively engage in uplifting surrounding communities while mitigating supply chain risks and enhancing our distinct guest experience. Approximately 70% of our supplier base hails from neighbouring communities, with all being Small and Medium Enterprises (SMEs).

Our supplier selection process adheres to a transparent and impartial tender process, incorporating well-documented social, environmental, and financial benchmarks. Throughout the year, we welcomed 69 new suppliers from neighbouring communities.

#### 2025 RESPONSIBLE SOURCING GOAL

**Aims to locally source 50% of produce by year-end of 2025**

**Supplier impact assessments to be carried out for 100% of suppliers in the top 6 purchasing categories**

Number of local supplies onboarded during the year **69**

Number of supplier assessed based on social and environmental criteria (Impact assessments conducted during the year) **41**

Cinnamon is making significant progress towards achieving the goals and remains committed to reaching the target by the end of 2025.

Collaborating closely with our suppliers and partners, we advocate for sustainable practices and ethical conduct. Regular supplier audits, on-site visits, and impact assessments empower us to proactively identify and address social and environmental risks within our supply chain. Notably, 41 new suppliers (36 from our Sri Lankan resorts and 5 from our Maldivian resorts) underwent comprehensive impact assessments during the year.

Our strategic goal is to conduct impact assessments for 100% of our top six purchasing categories by 2025. During the year, we have not detected any adverse social or environmental impacts within our supply chain.

#### Empowering Local Suppliers: Unleashing the Essence of Community-driven Success

Mrs. Nirmala's journey with oysters commenced in 1995 when she married a businessman in oyster farming. Tragically, after his passing in 2002, she courageously assumed control of the business to provide for her two children. Initially focused on supplying oysters, mussels, and claws to various hotels, her pivotal breakthrough came with Cinnamon Resorts. Expanding her supply chain to include establishments like Cinnamon Lodge Habarana and Trinco Blu by Cinnamon, Mrs. Nirmala's commitment to food safety and hygiene deepened.

Undergoing training and audits conducted by Cinnamon Hotels & Resorts, she refined her expertise, transforming her late husband's enterprise into a thriving legacy.





Mrs. Rani and Mrs. Renuka, esteemed community chefs at Cinnamon Wild Yala, have demonstrated unwavering commitment and dedication in their roles since December 2019 and June 2020 respectively. Mrs. Rani, a mother of two, and Mrs. Renuka, a mother of three daughters, not only ensure the well-being of their families but also actively support their children's educational pursuits. These exemplary individuals play a pivotal role both within their households and in their professional capacities, epitomising the ethos of diligence and hard work.

### Elevating our Ethical Sourcing Journey: Leading to “Farm to Fork” Experience

Green House projects at Cinnamon Lodge Habarana and Cinnamon Bentota Beach exemplify our unwavering commitment to responsible sourcing. Our Green Houses serve as a testament to sustainability, where we employ innovative practices such as vertical gardens and sustainable farming techniques to cultivate a diverse range of vegetables and herbs. Through the concept of “seed to plate,” we ensure a sustainable and efficient approach to food production, starting from the careful cultivation of seeds in controlled greenhouse environments.

By nurturing crops in optimal conditions that minimise environmental impact, we strive to deliver the freshest ingredients for our culinary creations. The journey from seed to plate not only guarantees freshness and quality but also significantly reduces our carbon footprint, showcasing our dedication to a greener future.

### Produce harvested in kg in 2023 - 2,950



### Empowering Local Artisans: Fostering Creativity and Opportunity

Cinnamon Bentota Beach and Cinnamon Bey Beruwela collaborate with local artisans to showcase and sell handmade products, promoting cultural heritage and supporting the local economy. Initiatives include weekly showcases of wood carvings and partnerships with women artisans for batik products. Exhibitions on the local leather industry raise awareness and facilitate cultural exchange. These efforts demonstrate our commitment to social responsibility and empowering the vibrant local community.



# GOVERNANCE

John Keells Hotels PLC's (The Company) commitment to doing business fairly and responsibly throughout our operations and value chain is anchored in our values and corporate commitments. This means promoting accountability by maintaining proper policies and practices, having zero tolerance for fraud and corruption, respecting human and labour rights, operating in a transparent manner, and upholding a culture of respect, honesty, and fairness. Responsible business conduct is crucial in earning the trust of our stakeholders and a license to operate.

As a subsidiary of John Keells Holdings PLC (JKH), both the Company and the Hotels Group have wholeheartedly embraced the robust governance framework of the John Keells Group (Group). This adoption is not just a formality—it's a testament to our commitment to ethical and accountable business conduct. We adhere to the principles of transparency and open disclosures, and we ensure strict compliance with all mandatory regulations. This commitment to the highest levels of corporate governance is not just a goal, but a standard that we strive to uphold every day.

## Integrated Governance Systems And Procedures

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

- a. Strategy formulation and decision making process
- b. Human resource governance
- c. Integrated risk management
- d. IT governance
- e. Tax governance
- f. Stakeholder management and effective communication

### 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.

- 1. Progress and deviation report of the strategies formed.
- 2. Competitor analysis and competitive positioning.
- 3. Analysis of key risks and opportunities.
- 4. Management of stakeholders such as suppliers and customers.

- 5. Value enhancement through initiatives centred on the various forms of capital under an integrated reporting framework.

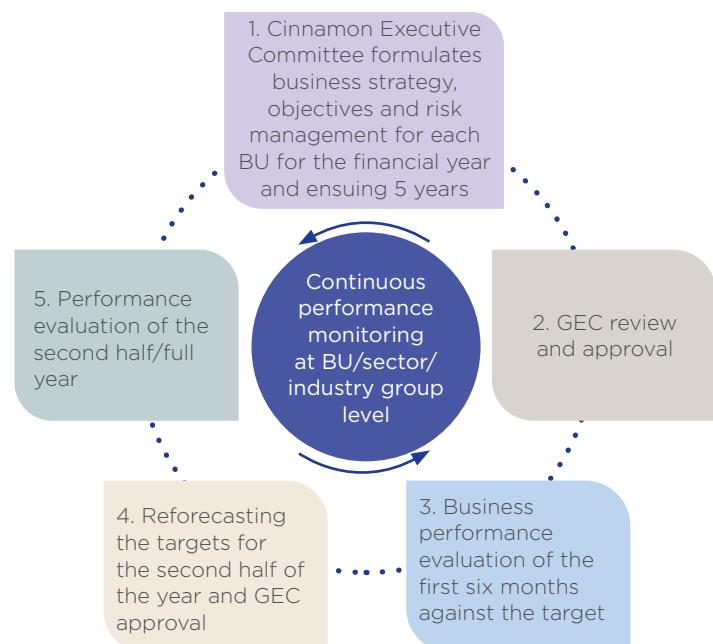
The strategies of the various business units, operating in diverse industries and markets, will always revolve around the JKH group strategy, while considering their domain specific factors. The prime focus always is to enhance value for all stakeholders. The Group's investment appraisal methodology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

In this manner:

- A broad range of views, opinions and advice are obtained before making an investment decision.
- A holistic view is taken of any project's commercial viability and potential, including its operational, financial, funding, legal, risk, sustainability, and tax implications.
- Sensitivity and scenario analysis are conducted to understand the macroeconomic environment impacts, especially during periods of volatility and uncertainty.
- 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.

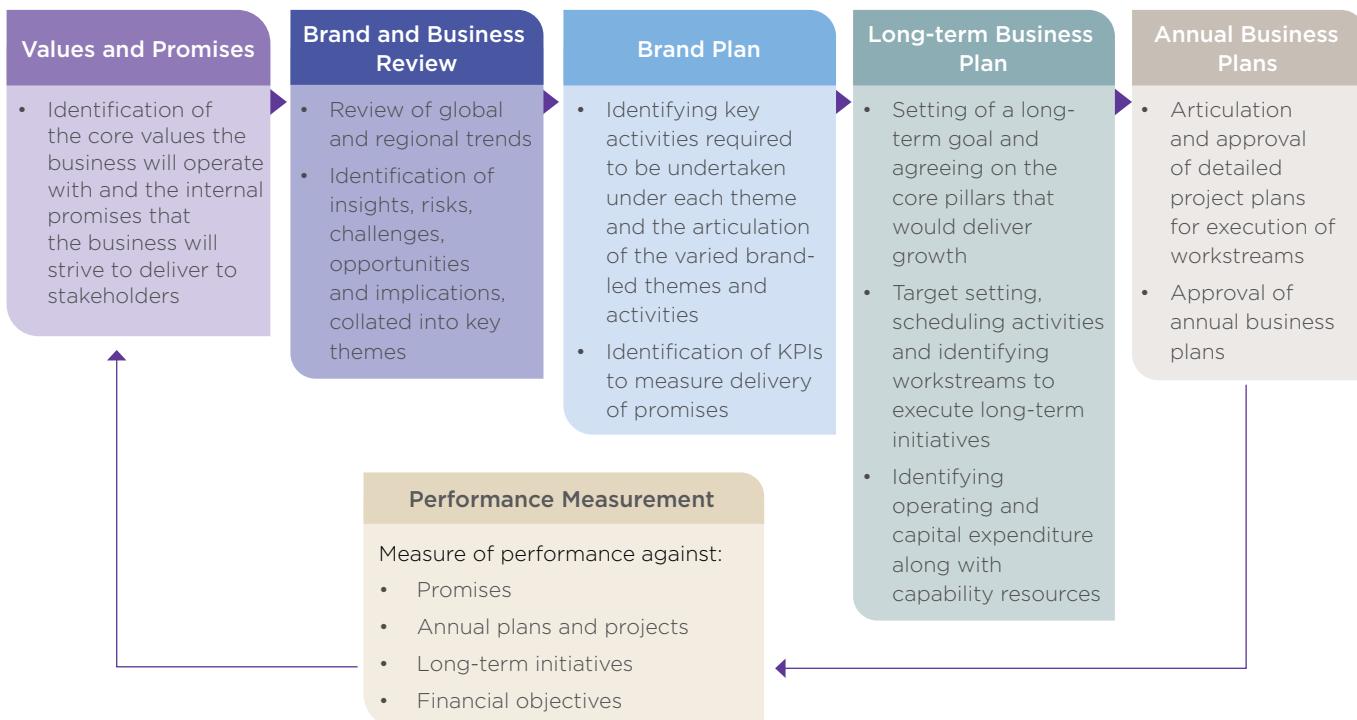
The ultimate responsibility and accountability of the investment decision rests with the Chairperson of JKH.

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



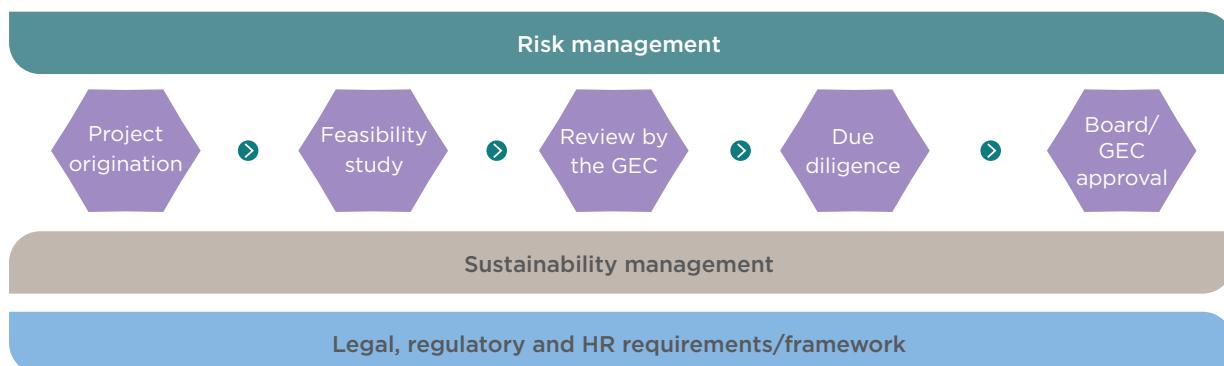
## Medium-term Strategy

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



## 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

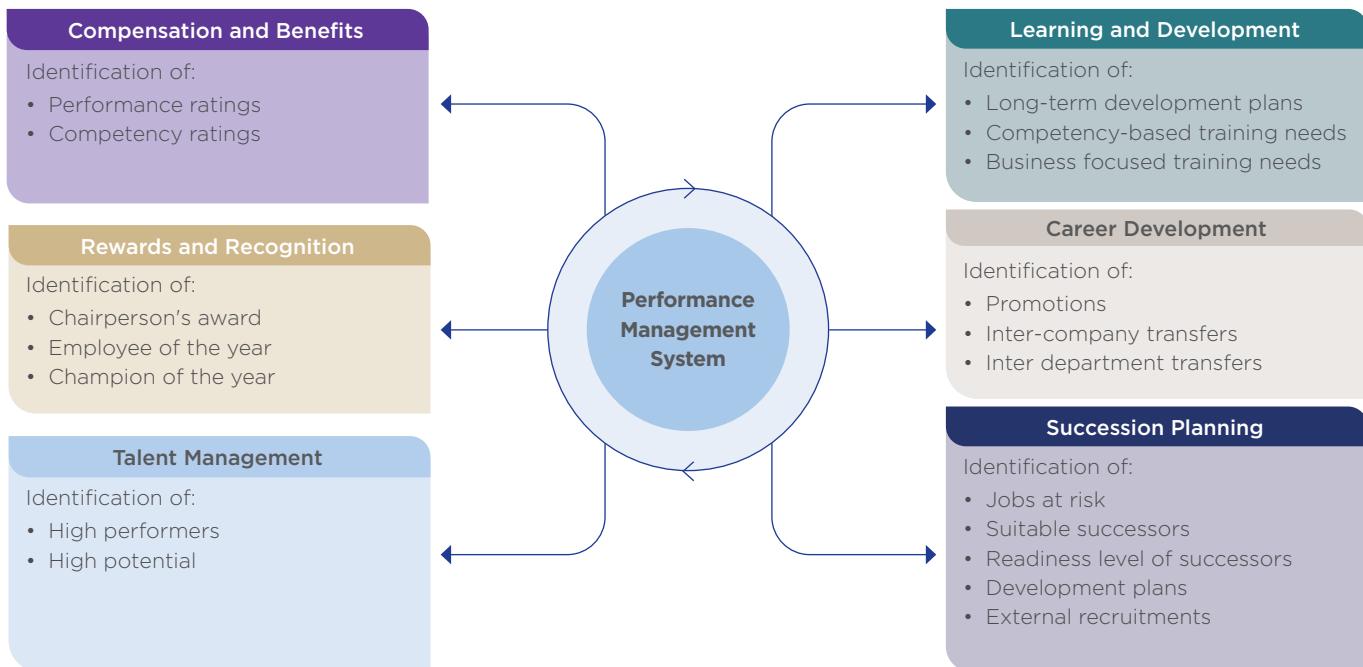
The JKH human resource governance framework is designed to enable high accessibility by any employee to every level of management. Constant dialogue and facilitation are also maintained regarding issues ranging from work-related issues to matters pertaining to general interest that could affect employees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

# GOVERNANCE

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

## Performance Management

The Performance Management System, as illustrated below, supports human resource management processes such as learning and development, career development, succession planning, talent management, rewards/ recognition and compensation/ benefits.



## JKH Success Drivers with Highlights:

In line with the Group's constant pursuit of excellence and people-led growth, a revised set of competencies termed 'Success Drivers' was launched during the year. These 'Success Drivers' will be the cornerstone of the Group's leadership development, talent attraction, and learning and development (L&D) initiatives. The Company and the Hotels Group identified the following pool of six JKH Success Drivers during the year.

- |   |   |  |
|---|---|--|
| <b>1. INCLUSIVE LEADERSHIP</b><br> <ul style="list-style-type: none"><li>Inclusivity &amp; diversity</li><li>Collaboration &amp; open communication</li><li>Compassion &amp; empathy</li><li>Coaching &amp; mentoring</li><li>Upholding values</li></ul> | <b>2. CONNECTING THE DOTS</b><br> <ul style="list-style-type: none"><li>Big picture perspective</li><li>Multidisciplinary approach</li><li>Critical thinking</li><li>Value driven approach</li></ul> | <b>3. BEING AGILE</b><br> <ul style="list-style-type: none"><li>Adapting to change</li><li>Thriving in uncertainty</li><li>Bouncing back from adversities</li><li>Rapid experimentation approach</li><li>Solution-oriented growth mindset</li></ul> |
| <b>4. RELENTLESS EXECUTION</b><br> <ul style="list-style-type: none"><li>Action orientation</li><li>Prioritisation</li><li>Effective time management</li><li>Focus &amp; commitment</li></ul>  | <b>5. STORYTELLING</b><br> <ul style="list-style-type: none"><li>Impactful communication</li><li>Inspiring people</li><li>Creative ways of engagement</li><li>Active listening</li></ul>             | <b>6. 360 STAKEHOLDER COMMITMENT</b><br> <ul style="list-style-type: none"><li>Passion for all stakeholders</li><li>Building synergies</li><li>Trust &amp; credibility</li><li>Commitment to financial outcomes + ESG</li></ul>                     |

## The Hotels Group's Compensation Policy is as follows:

### Performance Management

'Pay for performance'

Greater prominence is given to the incentive component of the total target compensation.

### Satisfaction

'More than just a workplace'

Continuously focuses on creating a sound work environment covering all aspects of employee satisfaction.

### Compensation Policy

- 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.

### Internal Equity

- 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.

### External Equity

- Fixed compensation is set at competitive levels using the median, 65<sup>th</sup> percentile and 75<sup>th</sup> 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.

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 are seen to be a key driver of performance-driven rewards. Share options are awarded to individuals based on their immediate performance and the potential importance of their contribution to the Group's future plans.

The Company issues share options not exceeding a specified percentage of the total issued shares of the Company as at the date of awarding every such option, which is subject to in-principle approval of the Exchange and shareholder approval by way of a Special Resolution at a General Meeting.

### c. Integrated Risk Management

JKH's Group-wide risk management programme focuses on wider sustainability development. It aims to identify, evaluate, and manage significant Group risks and stress test various risk scenarios, including a review of materiality.

The programme ensures that the multitude of risks arising from the Group's diverse operations are effectively managed to create and preserve 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 linked to business goals and responsible personnel. Features such as providing timely alerts on action plans and escalation processes for risks where action plans are overdue ensure the 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.
- Support 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

# GOVERNANCE

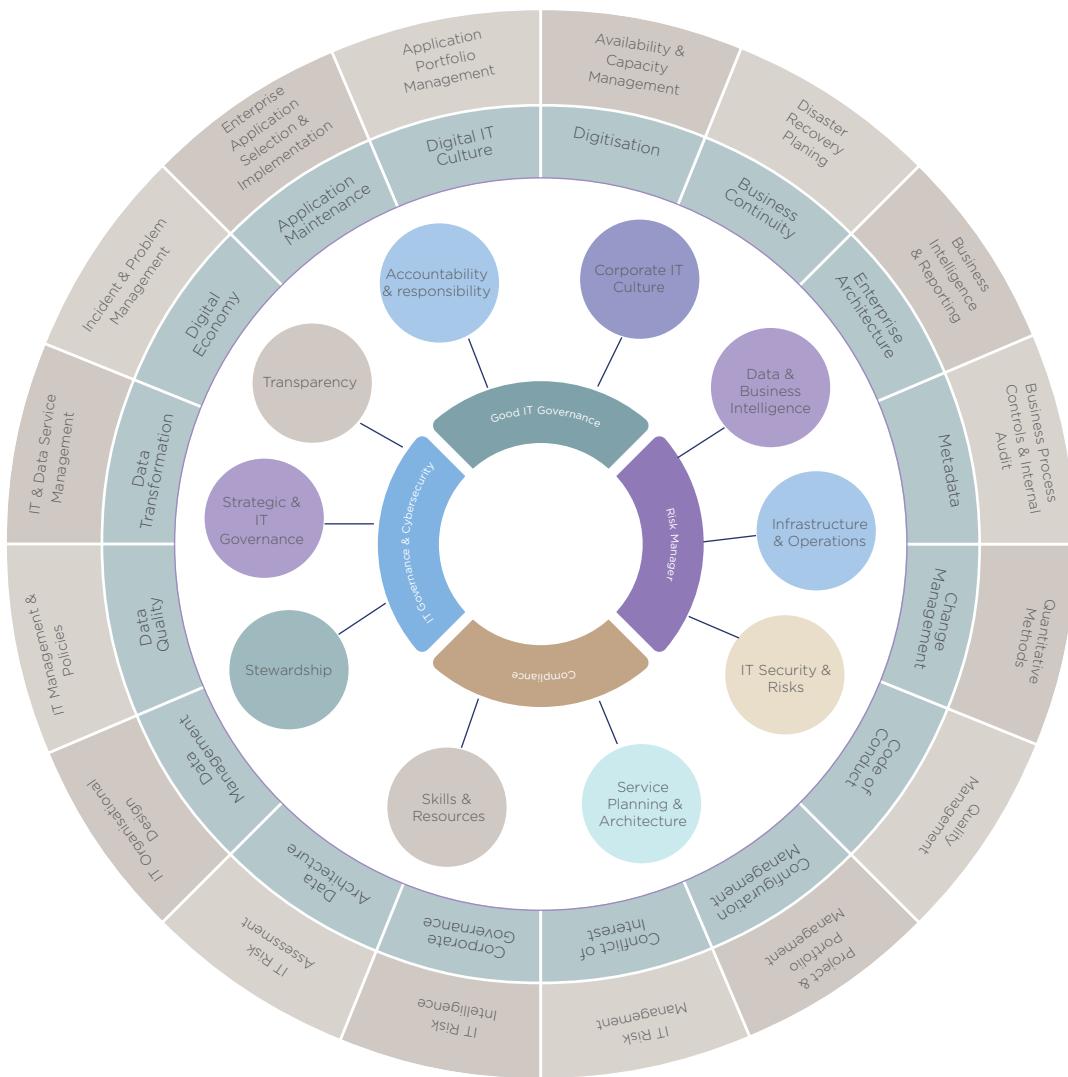
platform, key management personnel have virtual visibility of the risks, as relevant, while the Board has visibility of all Group risks.

The Board, GEC and Group Management Committee, and the Cinnamon Executive Committee oversee risk management across the Company and the hotels group to ensure that risks are brought within tolerance, managed and/or mitigated. Please refer to the Risk Management Report on page 175 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 the Group, industry group, and business unit levels.

The Group's IT governance framework focuses on five broader segments: strategic alignment, value delivery, performance management, risk management, and resource management. Additionally, the IT governance framework used within the JKH Group leverages best practices 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 focuses 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.

## e. Tax Governance

The Hotels group 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 Hotels group 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 aspects 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. 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 tax aspects.
4. Ensure the 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.

### Review and Monitoring

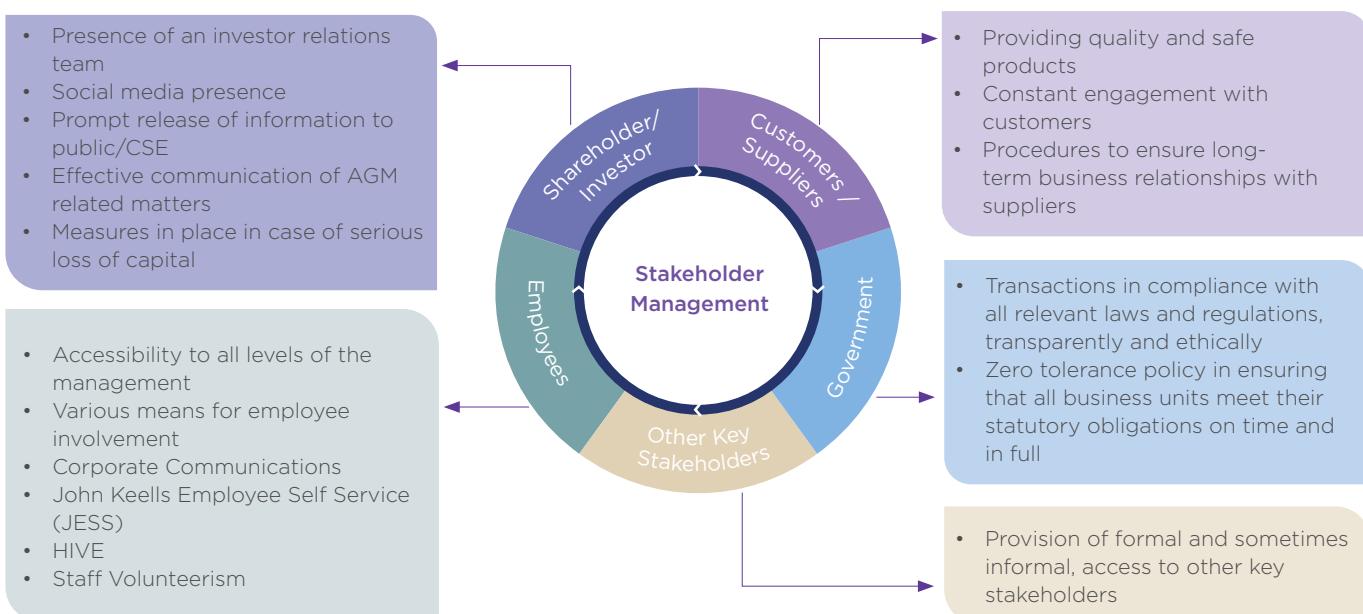
1. Leverage digital platforms to support, record and report on tax compliance status across the Group.
2. Periodic updates to the Board of Directors on various tax matters (quarterly at minimum).

The Company's and the Hotels Group 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 the integrity of reported numbers and timely compliance.

## f. Stakeholder management and effective communications

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



# GOVERNANCE

## Communication with Shareholders

The Company encourages effective communication with shareholders who are engaged through multiple channels of communication, including the AGM (detailed below), EGM, 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 keep the Board apprised of issues raised by the shareholders to ensure that they are addressed appropriately. Matters raised in writing are responded to in writing directly by the Company Secretaries as relevant.

## Investor Relations

The Group's Investor Relations team is responsible for maintaining an active dialogue with shareholders, potential investors, investment banks, analysts, and other interested parties to ensure effective investor communication.

The Investor Relations team has regular discussions with shareholders, as and when applicable, to share highlights of the Group's performance and obtain constructive feedback. The quarterly investor forums allow stakeholders to directly engage with the Group's Executive Directors. Investor Presentations, which include an update on the latest financial results, are made available on the corporate website to provide easier access and in-depth details of the operational performance of the Group.

Shareholders may, at any time, direct questions, request publicly available information, and provide comments and suggestions to Directors or management of the Group by contacting the Investor Relations team, Secretaries, the Senior Independent Director or the Chairperson, although individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions at all times.

| Engagement Mechanism                     | Frequency   |
|--|-------------|
| Annual Reports and AGMs                  | Annually    |
| Extraordinary General Meetings           | As required |
| Interim financial statements and webinar | Quarterly   |
| Investor presentations                   | As required |
| Press releases                           | As required |

| Engagement Mechanism                        | Frequency   |
|---|-------------|
| Announcements to CSE                        | As required |
| One-to-one discussions                      | As required |
| Investors' section in the Corporate website | Continuous  |
| Feedback surveys                            | As required |

## Internal Policies

The Company's policy framework is largely aligned to that of the John Keells Group ("Group") and tailored to suit the specific requirements of the industry wherever relevant. Policies are reviewed and updated regularly to ensure relevance to internal dynamics and the external landscape.

### Key internal policies:

- Code of Conduct, which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information
- Policies at a Board level covering nominations, human resources and compensation, audit and internal controls
- Policies on anti-fraud, anti-corruption, anti-money laundering and countering the financing of terrorism and bidding for contracts, including on government contracts
- Policy on diversity, equity and inclusion, including a gender policy
- Policies on equal opportunities, non-discrimination, career management and promotions, including for employees with disabilities
- Leave (which also encompasses equal parental leave), flexi-hours and agile working policies, including health and safety enhancements and protocols
- Information Technology (IT) policies and procedures, including data protection, classification and security
- Policy on communications and ethical advertising, complemented by social media and crisis communication guidelines
- Policy on enterprise risk management
- Policies on products and services
- Recruitment and selection, rewards and recognition, and learning and development policies
- Policies on whistleblowing, grievance handling and disciplinary procedures
- Policy against sexual harassment
- Policy on forced, compulsory child labour and child protection
- Group accounting procedures and policies
- Policies on fund management and foreign exchange risk mitigation
- Insider trading policy
- Ombudsperson policy
- Group sustainability policies, including policies on energy, emissions, climate risk, water, waste management and biodiversity conservation

- Supplier code of conduct

The Group's policy commitments are available to all employees of the Company and Hotels Group via the Group's employee portal. These policy commitments are approved by the Group Executive Committee with Board oversight. The Company is in the process of making available all applicable policies in the public domain as required by applicable laws, rules and regulations..

## **Human Rights**

The Company and the Hotels Group are committed to upholding the universal human rights of all its stakeholders while 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 by 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 which were introduced were further emphasised during the year in furtherance of the Group's emphasis on creating an inclusive, diverse and equitable work environment;

- The Group continued to offer 100 days of equal parental leave on a child's birth or adoption. The five-day paternity leave was enhanced to 100 days, ensuring equity and recognising the importance of both parents' roles in early childcare.
- The Group continued with gender-neutral terminology, avoiding word choices that may be interpreted as biased, discriminatory, or demeaning and intending to be inclusive of gender non-binary persons.
- The Group continued to provide equal opportunities, non-discrimination, career management and promotions, including for employees with disabilities.

## **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. Accordingly, all forms of fraud and corruption, including, but not limited to, theft, embezzlement, overriding controls, giving or receiving kickbacks, facilitation payments and bribery, are prohibited across the Group.

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 have been addressed in the Risk Management report on page 175 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 extend to its value chain, customers, suppliers and business partners. At the employee level, every employee and director must comply with Company policies, including the Code of 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 the JKH Group Policy on Anti-Corruption.

## **Policies on forced, compulsory and child labour and child protection**

In line with the JKH policy, the Company and the Hotels Group employ stringent checks during its recruitment process to ensure that its minimum age requirements are met and that all employees are educated on key aspects of forced and compulsory labour.

## **Policies on equal opportunities, non-discrimination, career management and promotions**

In line with the JKH policy, the Company and the Hotels Group remain committed to maintaining a workplace free from discrimination and hiring, developing and promoting individuals who best meet the requirements of available positions.

# GOVERNANCE

## Gender policy

In line with the JKH policy, the Company and the Hotels Group are committed to striving for gender equity through empowerment and 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 by JKH and is followed by the Company and the Hotels Group.

## HIV & AIDS workplace policy

In line with the JKH policy, the Company and the Hotels Group do not discriminate in the workplace against employees based on real or perceived HIV status.

## Policies on anti-fraud, anti-corruption and anti-money laundering and countering the financing of terrorism

In line with the JKH policy, all functions of the Company and the Hotels Group must include and analyse the risk of corruption in their risk management process.

## Supplier Code of Conduct

In line with the JKH policy, all significant suppliers of the Company and the Hotels Group shall comply with applicable laws and regulations regarding labour, human rights, environment and ethical business practices.

## Policy for bidding on contracts and tenders

This policy entails a standardised set of guidelines for bidding, including those of local and foreign governments and related bodies. The companies must 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 Company and the Hotels Group follow the policy set by JKH.

## 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 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.

## GRIEVANCE MECHANISMS AND COMMUNICATION CHANNELS

### Ombudsperson & Grievance Mechanisms

An Ombudsperson can report employee complaints 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.

Following an independent inquiry, the Ombudsperson's findings and recommendations are confidentially communicated to the Chairperson-CEO of JKH or to the Senior Independent Director of JKH, upon whom the Ombudsperson's involvement ceases.

On matters referred to him by the Ombudsperson, the Chairperson-CEO of JKH or the Senior Independent Director of JKH, 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 of JKH or the Senior Independent Director of JKH 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 must consider the areas of disagreement and decide on the way forward. The chairperson-CEO of JKH or the Senior Independent Director of JKH 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.

There were no critical concerns communicated to the highest governance body during the reporting period.

## **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 of JKH, 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 of JKH and those to whom this authority has been delegated.

No issues were raised by any member of the companies covered during the year under review.

Ombudsperson

## **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.

The Group's Whistle-blower Policy provides an effective mechanism for employees and other stakeholders to report any concerns regarding compliance and ethics. The Policy provides a transparent and confidential process which encourages the reporting of any such concerns. The Policy covers the reporting process, how such reports will be addressed and emphasises that those who make a report in good faith under the Policy will be protected from retaliation.

Key aspects of the Policy:

- Guidelines on the process through which concerns raised will be investigated and appropriate corrective/preventive action will be taken
- Designated persons to whom reports can be made.
- Management responses and steps taken
- Details of the internal inquiry process
- Maintaining confidentiality

The Whistleblower policy which was also established at CH&R serves as a vital framework to uphold ethical standards and protect colleagues who report unauthorised or unethical practices within the organisation. The anonymity and protection of the reporting employee is maintained and there is two-way communication with the management.

## **Employee Participation in Assurance**

Employee engagement is encouraged at all levels, and the Company and Hotels Group continue 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.

## **Employee Communication Channels**

- Skip level meetings
- Exit interviews,
- 360- degree evaluation
- Employee surveys
- Monthly staff meeting
- Chairperson-Direct
- Ombudsperson
- Access to Senior Independent Director
- Continuous reiteration and the practice of the "Open-Door" policy

# GOVERNANCE

## PRIVACY AND DATA SECURITY

### Digital Oversight and Cyber Security

The rapidly advancing nature of technology and the continual integration of the Group's operations with technological progress have 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 adequate and designed 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.

### Data Protection, Information Management and Adoption

Building upon our commitment on the General Data Protection Regulation (GDPR) 2018, we shifted our focus towards implementing the Sri Lanka Data Protection Act (PDPA) 2022 throughout Cinnamon Hotels & Resorts. This Act will come into full effect by March 2025.

We have prioritised embedding the fundamental principles of data protection into our governance framework through policies, procedures, technical and organisational measures. These are constantly reviewed to ensure our risk is minimised. Notably, our commitment to data privacy has resulted in zero breaches, underscoring the effectiveness of data privacy practise. Furthermore, we have focused significantly on awareness and training programmes at both hotel and corporate office, leveraging online learning platforms. All third party engagements are subject to vendor assessments, ensuring compliance in all collaborations. We also actively conduct Data Privacy Impact Assessments (DPIAs) for new and existing processes and systems covering personal data. Further, there were no substantiated complaints concerning breaches of customer privacy, or losses of customer data reported during the year.

As part of our good governance framework, we are currently engaging in a process review of our data privacy procedures with Deloitte. This will further assist us in our journey of continuous improvement with complying with data privacy regulations.

## BUSINESS CONDUCT AND ETHICS

### Code of Conduct

The Company and the Hotels Group abide by the JKH Group Code of Conduct. The Board has established common guidelines to drive cohesive growth across the Group, 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 to enhance awareness and drive

reinforcement. The code fosters an ethical culture and promotes compliance with relevant laws and legislation, which is imperative to retaining the trust of stakeholders.

The Code of Conduct also includes policies on gifts, entertainment, facilitation payments, and 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 to obtain 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, 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 others could see it as a consideration for an official or business favour. The 'reasonable person' test should also be applied concerning charitable donations and sponsorships (financial or in-kind).

Gifts or benefits with a threshold 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 must be reported to the respective Finance Head of the business (Chief Financial Officer or Sector Financial Controller), who collates and monitors them centrally.

## NO GIFT

Our Stakeholders are kindly requested to refrain from giving gifts to our personnel for all occasions, as part of our commitment to good corporate governance

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.

The Company further enhanced and strengthened its internal policy universe during the year under review, keeping in line with best practices and the revised CSE Listing Rules, including reviewing the policies in terms of their interdependencies as well.

#### **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

#### **Corporate Values**

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

#### **Governance Performance**

The Company's continuous effort to strengthen transparency in Corporate Reporting is evident where during the year under review, John Keells Hotels PLC was ranked 6th in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) with a 97% score for transparency in disclosure practices. This ranking is based on an assessment of corporate disclosure practices among the top 125 companies listed on the Colombo Stock Exchange under six different thematic areas crucial to fighting and preventing corruption:

- Reporting on anti-corruption programmes
- Organisational transparency
- Country-by-country reporting
- Domestic financial reporting
- Reporting on gender and non-discrimination
- Reporting on procurement related to government contracts and tenders

# GRI INDEX

|  |   |
|--|---|
| <b>Statement of use</b>                  | John Keells Hotels PLC has reported in accordance with the GRI Standards for the 01 April 2023 to 31 March 2024 |
| <b>GRI 1 used</b>                        | GRI 1: Foundation 2021  |
| <b>Applicable GRI sector standard(s)</b> | Not applicable  |

| GRI standard/<br>other source          | Disclosure   | Location     | Omission       |                                    | Explanation   |
|--|--|--------------|----------------|------------------------------------|---|
|  |  |              | Requirement(s) | Reason omitted                     |   |
| <b>General disclosures</b>             |  |              |                |                                    |   |
| <b>GRI 2: General Disclosures 2021</b> | 2-1 Organisational details   | 28           |                |                                    |   |
|  | 2-2 Entities included in the organisation's sustainability reporting             | 6,7          |                |                                    |   |
|  | 2-3 Reporting period, frequency and contact point                                | 6,7          |                |                                    |   |
|  | 2-4 Restatements of information  | 7            |                | Confidentiality constraints        | This information was not disclosed due to the confidentiality.                            |
|  | 2-5 External assurance   | 7            |                |                                    |   |
|  | 2-6 Activities, value chain and other business relationships                     | 28-32        |                |                                    |   |
|  | 2-7 Employees  | 72           | 2-7 a,b        | Information unavailable/incomplete | Total number of employees breakdown region wise was not captured in the reporting period. |
|  | 2-8 Workers who are not employees  |              | 2 - 8          | Information unavailable/incomplete | Information on outsourced employees were not captured in the reporting period.            |
|  | 2-9 Governance structure and composition   | 143,144      |                |                                    |   |
|  | 2-10 Nomination and selection of the highest governance body                     | 144          |                |                                    |   |
|  | 2-11 Chair of the highest governance body  | 143          |                |                                    |   |
|  | 2-12 Role of the highest governance body in overseeing the management of impacts | 142          |                |                                    |   |
|  | 2-13 Delegation of responsibility for managing impacts                           | 43, 141, 176 |                |                                    |   |
|  | 2-14 Role of the highest governance body in sustainability reporting             | 62           |                |                                    |   |
|  | 2-15 Conflicts of interest   | 145          |                |                                    |   |
|  | 2-16 Communication of critical concerns  | 124          |                |                                    |   |
|  | 2-17 Collective knowledge of the highest governance body                         | 143          |                |                                    |   |
|  | 2-18 Evaluation of the performance of the highest governance body                | 147          |                |                                    |   |

| GRI standard/<br>other source             | Disclosure   | Location | Omission       |                             | Explanation   |
|---|--|----------|----------------|-----------------------------|---|
|   |  |          | Requirement(s) | Reason omitted              |   |
| <b>GRI 3: Material Topics 2021</b>        | 2-19 Remuneration policies   | 147      |                |                             |   |
|   | 2-20 Process to determine remuneration   | 147      |                |                             |   |
|   | 2-21 Annual total compensation ratio   |          | 2 -21          | Confidentiality constraints | This information was not disclosed due to the confidentiality of the process.                           |
|   | 2-22 Statement on sustainable development strategy                                   | 42       |                |                             |   |
|   | 2-23 Policy commitments  | 43       |                |                             |   |
|   | 2-24 Embedding policy commitments  | 43       |                |                             |   |
|   | 2-25 Processes to remediate negative impacts   | 74       |                |                             |   |
|   | 2-26 Mechanisms for seeking advice and raising concerns                              | 73       |                |                             |   |
|   | 2-27 Compliance with laws and regulations  | 165      | 2-27 d         | Confidentiality constraints | This information was not disclosed due to the confidentiality of the non compliance assessment process. |
|   | 2-28 Membership associations   | 40       |                |                             |   |
|   | 2-29 Approach to stakeholder engagement  | 60,61    |                |                             |   |
|   | 2-30 Collective bargaining agreements  | 74       |                |                             |   |
|   | 3-1 Process to determine material topics   | 62       |                |                             |   |
|   | 3-2 List of material topics  |          |                |                             |   |
|   | 3-3 Management of material topics  | 63 - 65  |                |                             |   |
| <b>Economic performance</b>               |  |          |                |                             |   |
| <b>GRI 201: Economic Performance 2016</b> | 201-1 Direct economic value generated and distributed                                | 283      |                |                             |   |
|   | 201-2 Financial implications and other risks and opportunities due to climate change | 47 - 52  |                |                             |   |
|   | 201-3 Defined benefit plan obligations and other retirement plans                    | 263      |                |                             |   |
|   | 201-4 Financial assistance received from government                                  |          | 201 -4         | Not applicable              | The company did not receive any financial assistance from the government throughout the year.           |
|   |  |          |                |                             |   |
| <b>Indirect economic impacts</b>          |  |          |                |                             |   |
| <b>GRI 3: Material Topics 2021</b>        | 3-3 Management of material topics  | 63       |                |                             |   |

# GRI INDEX

| GRI standard/<br>other source                              | Disclosure   | Location  | Omission                  |                                    | Explanation  |
|--|--|-----------|---------------------------|------------------------------------|--|
|  |  |           | Requirement(s)<br>omitted | Reason<br>omitted                  |  |
| <b>GRI 203:<br/>Indirect<br/>Economic<br/>Impacts 2016</b> | 203-1 Infrastructure investments and services supported                        | 107 - 113 |                           |                                    |  |
|  | 203-2 Significant indirect economic impacts                                    | 13, 47    |                           |                                    |  |
| <b>Procurement practices</b>                               |  |           |                           |                                    |  |
| <b>GRI 3: Material Topics 2021</b>                         | 3-3 Management of material topics  | 63        |                           |                                    |  |
| <b>GRI 204:<br/>Procurement Practices 2016</b>             | 204-1 Proportion of spending on local suppliers                                |           | 204 - 1 a,b,c,d           | Information unavailable/incomplete | Percentage of the procurement budget spent on suppliers local to that operation and details on significant locations of operations cannot be disclosed as the company has a large number of suppliers at community level and therefore the company is in the process of collating information. |
| <b>Anti-corruption</b>                                     |  |           |                           |                                    |  |
| <b>GRI 3: Material Topics 2021</b>                         | 3-3 Management of material topics  | 63        |                           |                                    |  |
| <b>GRI 205: Anti-corruption 2016</b>                       | 205-1 Operations assessed for risks related to corruption                      | 124, 180  | 205 -1 a                  | Confidentiality constraints        | Total number and percentage of operations assessed for risks related to corruption cannot be disclosed.  |
|  | 205-2 Communication and training about anti-corruption policies and procedures | 126       |                           |                                    |  |
|  | 205-3 Confirmed incidents of corruption and actions taken                      |           | 205 -3                    | Not applicable                     | There were no specific instances to report on.   |
| <b>Energy</b>  |  |           |                           |                                    |  |
| <b>GRI 3: Material Topics 2021</b>                         | 3-3 Management of material topics  | 63        |                           |                                    |  |
| <b>GRI 302:<br/>Energy 2016</b>                            | 302-1 Energy consumption within the organisation                               | 91,99     |                           |                                    |  |
|  | 302-2 Energy consumption outside of the organisation                           |           | 302 -2                    | Information unavailable/incomplete | Scope 3 GHG emissions were not measured during the reporting period.   |
|  | 302-3 Energy intensity   | 92        |                           |                                    |  |

| GRI standard/<br>other source            | Disclosure  | Location                      | Omission   |  | Explanation   |
|--|---|-------------------------------|--|--|---|
|  |   |                               | Requirement(s)                                       | Reason omitted   |   |
|  | 302-4 Reduction of energy consumption<br>302-5 Reductions in energy requirements of products and services   | 99                            | 302 - 5  | Information unavailable/incomplete   | This was not measured during the reporting period.  |
| <b>Water and effluents</b>               |   |                               |  |  |   |
| <b>GRI 3: Material Topics 2021</b>       | 3-3 Management of material topics   | 63                            |  |  |   |
| <b>GRI 303: Water and Effluents 2018</b> | 303-1 Interactions with water as a shared resource<br>303-2 Management of water discharge-related impacts<br>303-3 Water withdrawal<br>303-4 Water discharge<br>303-5 Water consumption   | 97<br>97<br>96<br>96,99<br>99 | 303 -1 a,b,d<br>303 - 3 b<br>303 -4 c,d<br>303 - 5 b | Information unavailable/incomplete<br>Information unavailable/incomplete<br>Information unavailable/incomplete<br>Information unavailable/incomplete | We will capture impact measurements from next year onwards as these requirements were not captured.<br><br>The data pertaining to water withdrawal from water-stressed regions was not available.<br><br>Information on discharge to water-stressed areas and priority substances of concern that are treated before discharge was not available.<br><br>This was not measured during the reporting period. |
| <b>Biodiversity</b>                      |   |                               |  |  |   |
| <b>GRI 3: Material Topics 2021</b>       | 3-3 Management of material topics   | 63                            |  |  |   |
| <b>GRI 304: Biodiversity 2016</b>        | 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas<br>304-2 Significant impacts of activities, products and services on biodiversity<br>304-3 Habitats protected or restored<br>304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations | 90<br>85<br>86                | 304 -2   | Information unavailable/incomplete   | Information related to biodiversity impact assessments was not available.   |
| <b>Emissions</b>                         |   |                               |  |  |   |
| <b>GRI 3: Material Topics 2021</b>       | 3-3 Management of material topics   | 63                            |  |  |   |

# GRI INDEX

| GRI standard/<br>other source                              | Disclosure  | Location          | Omission                  |                                    | Explanation   |
|--|---|-------------------|---------------------------|------------------------------------|---|
|  |   |                   | Requirement(s)<br>omitted | Reason<br>omitted                  |   |
| <b>GRI 305:<br/>Emissions<br/>2016</b>                     | 305-1 Direct (Scope 1) GHG emissions  | 91,99             |                           |                                    |   |
|  | 305-2 Energy indirect (Scope 2) GHG emissions   | 91,99             |                           |                                    |   |
|  | 305-3 Other indirect (Scope 3) GHG emissions  |                   | 305 -3                    | Information unavailable/incomplete | Scope 3 GHG emissions were not measured during the reporting period.            |
|  | 305-4 GHG emissions intensity   | 92                |                           |                                    |   |
|  | 305-5 Reduction of GHG emissions  | 99                |                           |                                    |   |
|  | 305-6 Emissions of ozone-depleting substances (ODS)                                   |                   | 305 - 6                   | Not applicable                     | Ozone-depleting substances are not being used in our operation.                 |
|  | 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions |                   | 305 -7                    | Not applicable                     | Emissions of NOx and SOx from operations are kept to a minimum.                 |
| <b>Waste</b>   |   |                   |                           |                                    |   |
| <b>GRI 3: Material Topics 2021</b>                         | 3-3 Management of material topics   | 63                |                           |                                    |   |
| <b>GRI 306:<br/>Waste 2020</b>                             | 306-1 Waste generation and significant waste-related impacts                          |                   | 306 - 1                   | Information unavailable/incomplete | An impact assessment for waste was not carried out during the reporting period. |
|  | 306-2 Management of significant waste-related impacts                                 | 80 - 84,<br>94,95 |                           |                                    |   |
|  | 306-3 Waste generated   | 99                |                           |                                    |   |
|  | 306-4 Waste diverted from disposal  | 93                | 306 - 4 a,b               | Information unavailable/incomplete | Data points related to hazardous waste were not available.                      |
|  | 306-5 Waste directed to disposal  | 93,99             | 306 - 5 a,b               | Information unavailable/incomplete | Information related to hazardous waste was not available.                       |
| <b>Supplier environmental assessment</b>                   |   |                   |                           |                                    |   |
| <b>GRI 3: Material Topics 2021</b>                         | 3-3 Management of material topics   | 63                |                           |                                    |   |
| <b>GRI 308:<br/>Supplier Environmental Assessment 2016</b> | 308-1 New suppliers that were screened using environmental criteria                   | 114               |                           |                                    |   |
|  | 308-2 Negative environmental impacts in the supply chain and actions taken            | 114               |                           |                                    |   |
| <b>Employment</b>  |   |                   |                           |                                    |   |
| <b>GRI 3: Material Topics 2021</b>                         | 3-3 Management of material topics   | 63                |                           |                                    |   |

| GRI standard/<br>other source                                   | Disclosure  | Location | Omission                  |                                    | Explanation  |
|---|---|----------|---------------------------|------------------------------------|--|
|   |   |          | Requirement(s)<br>omitted | Reason<br>omitted                  |  |
| <b>GRI 401:<br/>Employment<br/>2016</b>                         | 401-1 New employee hires and employee turnover  | 75       |                           |                                    |  |
|   | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees            | 75       |                           |                                    |  |
|   | 401-3 Parental leave  | 70       | 403 - 1 d                 | Information unavailable/incomplete | Information related to employees that returned to work after parental leave ended that were still employed 12 months after their return to work was not available. |
| <b>Labour/management relations</b>                              |   |          |                           |                                    |  |
| <b>GRI 3: Material<br/>Topics 2021</b>                          | 3-3 Management of material topics   | 63       |                           |                                    |  |
| <b>GRI 402:<br/>Labour/<br/>Management<br/>Relations 2016</b>   | 402-1 Minimum notice periods regarding operational changes  | 74       |                           |                                    |  |
| <b>Occupational health and safety</b>                           |   |          |                           |                                    |  |
| <b>GRI 3: Material<br/>Topics 2021</b>                          | 3-3 Management of material topics   | 63       |                           |                                    |  |
| <b>GRI 403:<br/>Occupational<br/>Health and<br/>Safety 2018</b> | 403-1 Occupational health and safety management system  | 79       |                           |                                    |  |
|   | 403-2 Hazard identification, risk assessment, and incident investigation  |          |                           |                                    |  |
|   | 403-3 Occupational health services  |          |                           |                                    |  |
|   | 403-4 Worker participation, consultation, and communication on occupational health and safety                       |          |                           |                                    |  |
|   | 403-5 Worker training on occupational health and safety   |          |                           |                                    |  |
|   | 403-6 Promotion of worker health  | 74       |                           |                                    |  |
|   | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 79       |                           |                                    |  |
|   | 403-8 Workers covered by an occupational health and safety management system  |          |                           |                                    |  |
|   | 403-9 Work-related injuries   |          | 403 - 9 b,c               | Information unavailable/incomplete | Details related to the non-employee category was unavailable.  |

# GRI INDEX

| GRI standard/<br>other source   | Disclosure   | Location | Omission                  |                                    | Explanation   |
|---|--|----------|---------------------------|------------------------------------|---|
|   |  |          | Requirement(s)<br>omitted | Reason<br>omitted                  |   |
|   | 403-10 Work-related ill health   |          | 403 10 - a,b,c            | Information unavailable/incomplete | Information regarding employee health conditions was unavailable.   |
| <b>Training and education</b>   |  |          |                           |                                    |   |
| <b>GRI 3: Material Topics 2021</b>                                    | 3-3 Management of material topics  | 63       |                           |                                    |   |
| <b>GRI 404: Training and Education 2016</b>                           | 404-1 Average hours of training per year per employee  | 75       |                           |                                    |   |
|   | 404-2 Programs for upgrading employee skills and transition assistance programs                                      | 76       |                           |                                    |   |
|   | 404-3 Percentage of employees receiving regular performance and career development reviews                           | 73       |                           |                                    |   |
| <b>Diversity and equal opportunity</b>                                |  |          |                           |                                    |   |
| <b>GRI 3: Material Topics 2021</b>                                    | 3-3 Management of material topics  | 63       |                           |                                    |   |
| <b>GRI 405: Diversity and Equal Opportunity 2016</b>                  | 405-1 Diversity of governance bodies and employees   | 71       | 405 -1 a,b                | Information unavailable/incomplete | Information regarding other diversity indicators and the percentage of employees in each employee category was not available.   |
|   | 405-2 Ratio of basic salary and remuneration of women to men   | 75       | 405 - 2 a                 | Confidentiality constraints        | Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation cannot be disclosed due to sensitivity of information. |
| <b>Non-discrimination</b>   |  |          |                           |                                    |   |
| <b>GRI 3: Material Topics 2021</b>                                    | 3-3 Management of material topics  | 63       |                           |                                    |   |
| <b>GRI 406: Non-discrimination 2016</b>                               | 406-1 Incidents of discrimination and corrective actions taken   | 69       |                           |                                    |   |
| <b>Freedom of association and collective bargaining</b>               |  |          |                           |                                    |   |
| <b>GRI 3: Material Topics 2021</b>                                    | 3-3 Management of material topics  | 63       |                           |                                    |   |
| <b>GRI 407: Freedom of Association and Collective Bargaining 2016</b> | 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 74       | 407 -1                    | Information unavailable/incomplete | Details regarding suppliers and locations were not available.   |

| GRI standard/<br>other source                   | Disclosure  | Location  | Omission                  |                                    | Explanation  |
|---|---|-----------|---------------------------|------------------------------------|--|
|   |   |           | Requirement(s)<br>omitted | Reason<br>omitted                  |  |
| <b>Child labour</b>                             |   |           |                           |                                    |  |
| <b>GRI 3: Material Topics 2021</b>              | 3-3 Management of material topics   | 63        |                           |                                    |  |
| <b>GRI 408: Child Labour 2016</b>               | 408-1 Operations and suppliers at significant risk for incidents of child labour                    | 74        | 408 - 1 a,b               | Information unavailable/incomplete | Information related to operations and suppliers at significant risk for incidents of forced or compulsory labour was non in place. |
| <b>Local communities</b>                        |   |           |                           |                                    |  |
| <b>GRI 3: Material Topics 2021</b>              | 3-3 Management of material topics   | 63        |                           |                                    |  |
| <b>GRI 413: Local Communities 2016</b>          | 413-1 Operations with local community engagement, impact assessments, and development programs      | 107 - 113 |                           |                                    |  |
|   | 413-2 Operations with significant actual and potential negative impacts on local communities        |           | 413 - 2                   | Information unavailable/incomplete | Information was not available for community impact assessment.   |
| <b>Supplier social assessment</b>               |   |           |                           |                                    |  |
| <b>GRI 3: Material Topics 2021</b>              | 3-3 Management of material topics   | 63        |                           |                                    |  |
| <b>GRI 414: Supplier Social Assessment 2016</b> | 414-1 New suppliers that were screened using social criteria  | 114       |                           |                                    |  |
|   | 414-2 Negative social impacts in the supply chain and actions taken                                 | 114       |                           |                                    |  |
| <b>Customer health and safety</b>               |   |           |                           |                                    |  |
| <b>GRI 3: Material Topics 2021</b>              | 3-3 Management of material topics   | 63        |                           |                                    |  |
| <b>GRI 416: Customer Health and Safety 2016</b> | 416-1 Assessment of the health and safety impacts of product and service categories                 | 24        |                           |                                    |  |
|   | 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services | 23        |                           |                                    |  |
| <b>Customer privacy</b>                         |   |           |                           |                                    |  |
| <b>GRI 3: Material Topics 2021</b>              | 3-3 Management of material topics   | 63        |                           |                                    |  |
| <b>GRI 418: Customer Privacy 2016</b>           | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data  | 126       |                           |                                    |  |

# SASB DISCLOSURES

The SASB Standards are maintained under the auspices of the Value Reporting Foundation.

Cinnamon's SASB disclosures are mapped to the Hotels & Lodging standard and may be partially disclosed.

## Accounting Metrics

| Topic                     | Code         | Metric Description   | Reference<br>(within the Report)  |
|---------------------------|--------------|--|---|
| Energy Management         | SV-HL-130a.1 | Total energy consumed  | Annual Report 2023/24 (Energy and Emissions, page 91; Performance Tables, page 99)  |
|                           |              | Per cent total energy from grid electricity  | In 2023/24, approximately 53% of energy consumed was from grid electricity.   |
|                           |              | Per cent total energy from renewables  | In 2023/24, 3% of energy consumed was from renewables.  |
| Water Management          | SV-HL-140a.1 | Total water withdrawn  | Annual Report 2023/24 (Water Stewardship, page 96; Performance Tables, page 99)   |
|                           |              | Total water consumed, percentage of each in regions with high or extremely high baseline water stress  | 43% of water withdrawn from water stressed areas. Annual Report 2023/24 (Water Stewardship, page 96)                            |
| Ecological Impacts        | SV-HL-160a.2 | Description of environmental management policies and practices to preserve ecosystem services          | Annual Report 2023/24 (ESG policy framework – page 43, Biodiversity, pages 85-90)   |
| Labour Practices          | SV-HL-310a.1 | Voluntary and involuntary turnover rate for lodging facility employees                                 | This information was not documented during the financial year 2023/24.  |
|                           | SV-HL-310a.2 | Total amount of monetary losses as a result of legal proceedings associated with labour law violations | No monetary losses were reported for legal proceedings associated with labour law violations during the financial year 2023/24. |
|                           | SV-HL-310a.3 | Description of policies and programs to prevent worker harassment                                      | Annual Report 2023/24 (People pages 68-79)  |
| Climate Change Adaptation | SV-HL-450a.1 | Number of lodging facilities located in 100-year flood zones   | In 2023, 9 lodging facilities were in areas with coastal flood risk   |

## Activity Metrics

| Code        | Metric Description   | Response and / or Location               |
|-------------|--|--|
| SV-HL-000.A | Number of available room-nights  | Approximately 1,476 rooms per day        |
| SV-HL-000.B | Average occupancy rate   | Approximately 74%                        |
| SV-HL-000.C | Total area of lodging facilities   | Approximately 0.18 million square meters |
| SV-HL-000.D | Number and percentage of managed, owned and leased, franchised, and timeshare lodging facilities | Owned and leased: 12 (100%)              |

# INDEPENDENT PRACTITIONER'S ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF JOHN KEELLS HOTELS PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT FY 2023



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
No. 109, Galle Road  
P.O. Box 101  
Colombo 03, Sri Lanka

Tel : +94 11 246 3500  
Fax : +94 11 768 7869  
Email: eysl@lk.ey.com  
ey.com

## Scope

We have been engaged by John Keells Hotels PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on John Keells Hotels PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in John Keells Hotels PLC's (the "Entity's") Integrated Annual Report for the year ended 31 March 2024 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

## Criteria applied by John Keells Hotels PLC

In preparing the Subject Matter, John Keells Hotels PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at <https://www.globalreporting.org>

Such Criteria were specifically designed for the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

## John Keells Hotels PLC's responsibilities

John Keells Hotels PLC's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

## Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised)), and the terms of reference for this engagement as agreed with the John Keells Hotels PLC on 20th May 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

## Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Validated the information presented and checked the calculations performed by the organisation through recalculation.
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organisation's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

## Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

## Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of John Keells Hotels PLC for the year ended 31st March 2024, in order for it to be in accordance with the Criteria.

*R. met + Yours*

20 May 2024  
Colombo

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

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - iT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

# DELIVERING ON OUR COMMITMENT

Governance serves as the stabilising force that fortifies the foundation of our business. Guided by our Board and executive leadership, we are dedicated to implementing best-in-class governance practices, ensuring accountability, integrity, and transparency in all our operations.

To uphold our long-term commitments, including those related to environmental and social impact, we understand the importance of incorporating ESG factors into our business practices. As we celebrate our growth, we maintain our passion for responsible hospitality.



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE POLICY/FRAMEWORK

John Keells Hotels PLC's (The Company) Board of Directors believes that good corporate governance drives long-term value creation and promotes responsible business conduct.

This governance philosophy is deeply embedded throughout the Company and the Hotels Group. The internal policies and processes of John Keells Holdings PLC (JKH), which the Company and the Hotels Group adopt, ensure compliance

and value creation. Regular updates to the framework reflect evolving global standards and stakeholder expectations, focusing on accountability and transparency.

The reporting of governance provides detailed insights into the Board's contributions and the Company's and Hotels Group's adherence to statutory compliance and compliance with the code of best practice.

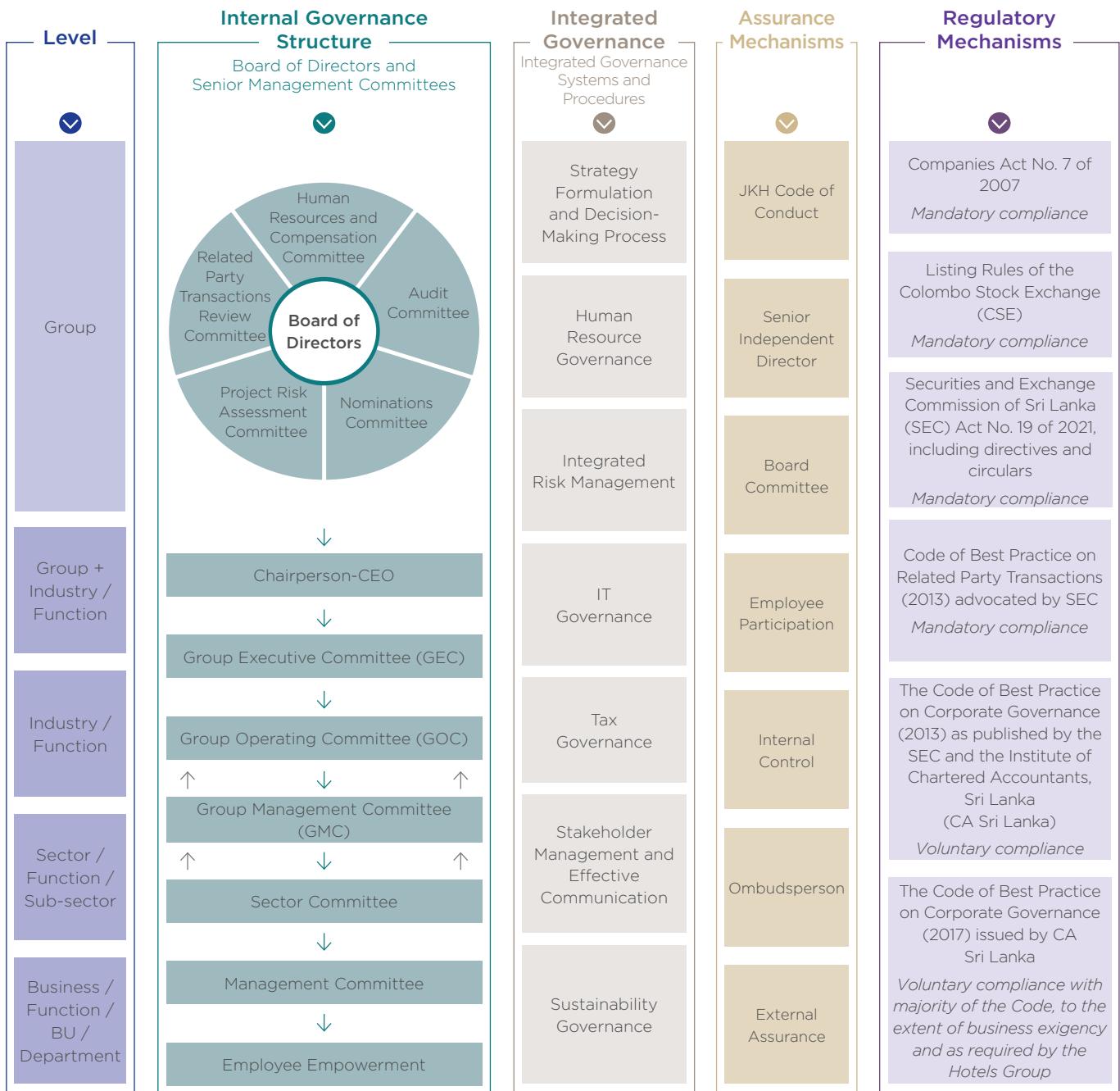
## Compliance Summary

| Standard / Principle / Code   | Adherence   |
|---|---|
| The Companies Act No.7 of 2007 (Companies Act)  |   |
| Listing Rules of the Colombo Stock Exchange (CSE), including circulars  | Mandatory provisions - Fully Compliant  |
| Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including rules, regulations, directives and circulars                      |   |
| Code of Best Practices on Related Party Transactions (2013) advocated by the SEC  |   |
| 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) | Voluntary provisions - Fully Compliant  |
| Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka   | Voluntary provisions - Compliant with the majority of the Codes, to the extent of business exigency and as required by the Company and the Hotels Group |
| International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)                                       | Reporting Frameworks  |
| Global Reporting Initiative Standards   |   |
| Articles of Association   | Internal mechanisms   |
| Internal Policies   |   |

\*In December 2023, CA Sri Lanka issued an updated Code of Best Practice on Corporate Governance (2023), effective from 1 April 2024. The updated Code has been reviewed and will be adopted to the extent of business exigency and as required by the John Keells Group (Group).

## The Corporate Governance System

The governance structures and policies of John Keells Hotels PLC (the Company) conform to those of our parent company, John Keells Holdings PLC (JKH). The diagram below depicts the governance system, which consists of the internal governance structure of JKH, the governance systems and procedures, assurance mechanisms, and the various regulatory frameworks by which the Company and the Hotels Group abide 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.



- With the exception of the Audit Committee, 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 (CSE). All five Board Sub-Committees are chaired by Independent Directors appointed by the Boards of John Keells Holdings PLC and John Keells Hotels PLC, where relevant.
- The Chairperson-CEO of JKH is present at all Human Resources and Compensation Committee meetings unless the Chairperson-CEO's of JKH performance assessment or remuneration is under discussion. The Deputy Chairperson/Group Finance Director of JKH is invited as necessary.
- Only the key components are depicted in the governance framework.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE ACTIVITIES

### Highlights of the 44th Annual General Meeting held on 27th June 2023

- Dr. K A Gunasekera, who retired under Article 83 of the Company's Articles of Association, was re-elected as a Non-Executive Independent Director.
- Mr. M R Svensson, who retired under Article 83 of the Company's Articles of Association, was re-elected as a Non-Executive Non-Independent Director.
- Mr. H Premaratne, who retired in terms of Article 90 of the Articles of Association of the Company, was re-elected as Non-Executive Independent Director of the Company
- Messrs. Ernst & Young (E&Y) was re-appointed as the company's External auditors, and the Directors were authorised to determine their remuneration.

## Board of Directors

### Roles and Responsibilities

The Board is responsible 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 for all stakeholders. The Board's key responsibilities include:

- Providing direction and guidance to the Company and Hotels Group in the formulation of sustainable, high-level, medium, and long-term strategies aimed at promoting the long-term success of the Company and the Hotels Group.
- Tracking actual progress against plans.
- Ensuring business is conducted with due consideration of ESG factors.
- Reviewing HR processes emphasising senior management succession planning, including the diversity, equity and inclusion (DE&I) strategy.
- Ensuring operations are carried out within the scope of the Enterprise Risk Management framework.
- Reviewing the performance of the senior management.
- Monitoring governance and compliance systems, including concerns on ethics, bribery and corruption.
- Overseeing systems of internal control, risk management and establishing whistleblowing conduits.
- Determining any changes to the discretions/authorities delegated from the Board to the executive levels.
- Reviewing and approving annual plans and long-term business plans.
- Ensuring compliance with laws, regulations and ethical standards and monitoring systems of governance and compliance, including concerns on ethics, bribery and corruption.
- Reviewing and approving major acquisitions, disposals and capital expenditures.
- Approving any amendments to constitutional documents.
- Ensuring all related party transactions are compliant with statutory obligations.
- Ensuring that the Company's values and standards are set, emphasising adopting appropriate accounting policies and fostering compliance with financial regulations.
- Ensuring all stakeholder interests are considered in corporate decisions.
- Ensuring sustainable business development in corporate strategy decisions and activities.
- Fulfilling such other Board functions is vital, given the business's scale, nature, and complexity.
- Approving the issue of the Company and the Hotels Group equity/debt/hybrid securities.

## **Chairperson**

Key roles and responsibilities of the Chairperson 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 with the assistance of the Board Secretary that:
  - Board procedures are followed.
  - Information is disseminated promptly 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 for the Company and the Hotels Group.

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

- Ensure that the Board's policies and strategies are in action and progressing as intended.
- 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 at the senior management levels of the Hotels Group.

The President—Leisure, JKH, and CEO -Cinnamon Hotels & Resorts regularly report on key matters to the Board, enabling the Board to oversee them effectively.

## **Board Composition**

The Board is diverse in skills, experience, age, and tenure, contributing varied perspectives to boardroom deliberations and exercising independent judgment on matters. Board composition is regularly reviewed to ensure adequate diversity and that the skills representation aligns with the company's current and future strategic needs. Profiles of the Board members are set out on pages 148 to 149. 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 the Board considers from time to time

| Board Composition  | Diversity of Board   |      |   |        |   |     |   |
|--|--|------|---|--------|---|-----|---|
| <p>Independent, Non-Executive Directors</p>                                   | <p><b>By Gender</b></p> <table border="1"> <tr> <td>Male</td> <td>7</td> </tr> <tr> <td>Female</td> <td>1</td> </tr> </table>                                      | Male | 7 | Female | 1 |     |   |
| Male   | 7  |      |   |        |   |     |   |
| Female   | 1  |      |   |        |   |     |   |
| <p>Non-Independent, Non-Executive Directors (including the Chairperson)*</p>  | <p><b>By Age</b></p> <table border="1"> <tr> <td>&lt;40</td> <td>1</td> </tr> <tr> <td>&lt;50</td> <td>5</td> </tr> <tr> <td>&lt;60</td> <td>2</td> </tr> </table> | <40  | 1 | <50    | 5 | <60 | 2 |
| <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.

Furthermore, we are dedicated to providing additional training on the ESG framework, as well as pertinent policies and procedures, to the board members as part of our commitment to enhancing corporate governance practices.

# CORPORATE GOVERNANCE

## Appointment, re-election and resignation

The Nominations Committee of JKH, which acts as the Company's Nominations Committee, recommends the appointment of all Non-Executive Independent Directors based on an assessment of the strategic demands of the Company and required skills and competencies. Non-Executive Independent Directors 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 the exigencies of the Company necessitate an extended tenure 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. There were no resignations or new appointments to the Board during the year.

As prescribed by the Articles of Association of the Company, one-third of the Directors, except the Chairperson, retire by rotation. Directors retiring by rotation are those who have been in office for the longest time since their appointment/re-appointment. In addition, any new Director 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 188 of this Report.

Details of new Directors are disclosed to shareholders at the time of their appointment through a public announcement covering the following:

- A brief resume of the Director.
- The nature of his expertise in relevant functional areas.
- The names of companies in which the Director holds directorships or memberships in Board Committees.
- Whether such Director can be considered 'Independent'.

The relevant Interim Releases and Annual Reports also include details of such appointments. The appointment of all Directors complies with applicable laws and rules including all qualifying and fit and proper criteria stipulated by the Listing Rules and Companies Act. Further, each independent Director annually signs a declaration which determines their independence based on such declaration and other information available to the Board. Directors are required to report any substantial change in their professional responsibilities and business associations to the Chairperson or 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, the JKH Group Code of Conduct and Ethics adopted by the Company, the 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. They can meet with key management personnel and 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 discharge their duties effectively 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 every quarter with the flexibility to increase the number of meetings based on the requirement. The Board continued with the hybrid model this year as and when needed. The attendance at Board meetings held during the financial year 2023/24 is given below:

| Name of Director    | Year of Appointment | Tenure as of 31.03.2024 to the Board | Age | 11.05.2023 | 17.07.2023 | 26.10.2023 | 29.01.2024 | Eligibility | Attended |
|---------------------|---------------------|--------------------------------------|-----|------------|------------|------------|------------|-------------|----------|
| Mr K N J Balendra   | 2016/17             | 8 Years                              | 50  | ✓          | ✓          | Excused    | ✓          | 4           | 3        |
| Mr. J G A Cooray    | 2017/18             | 6 Years +                            | 47  | ✓          | ✓          | ✓          | ✓          | 4           | 4        |
| Mr. S Rajendra      | 2020/21             | 3 Years +                            | 60  | Excused    | ✓          | ✓          | ✓          | 4           | 3        |
| Mr. M R Svensson    | 2020/21             | 3 Years +                            | 53  | ✓          | ✓          | ✓          | ✓          | 4           | 4        |
| Mr. M H Singhawansa | 2018/19             | 5 Years +                            | 39  | ✓          | ✓          | ✓          | ✓          | 4           | 4        |
| Ms. A K Moonesinghe | 2016/17             | 7 Years +                            | 48  | ✓          | Excused    | ✓          | ✓          | 4           | 3        |
| Dr. K Gunasekera    | 2019/20             | 4 Years +                            | 48  | ✓          | ✓          | ✓          | ✓          | 4           | 4        |
| Mr. H Premaratne    | 2022/23             | 1 Years +                            | 45  | ✓          | ✓          | ✓          | ✓          | 4           | 4        |

NED-Non-Independent Non-Executive Director

INED-Independent Non-Executive Director

## **Access to information and resources**

Directors receive their Board packs seven days before the meetings. Directors have unrestricted access to the management and organisation information and 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, coordinated 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 in 2023/24 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**

Keells Consultants (Private) Limited provides secretarial services to the board. The Secretaries and Management apprise the Board of new and potential laws, revisions, regulations, and requirements 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 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 fulfilling and discharging 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 Subcommittee 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 is continuously responsible for identifying potential or actual conflicts of interest or biases arising from external associations, interests, or personal relationships in material matters and disclosing them 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. The Board reviews potential conflicts from time to time to ensure integrity and Board independence.

The company secretary provides details of companies in which Board members hold Board or Board Committee membership for shareholders to inspect on request.

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

# CORPORATE GOVERNANCE

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 has Shareholding carrying 10 per cent or more of voting rights.   | Compliant                    |
| None of the INEDs is a Director of another company*   | Compliant                    |
| None of the INEDs have Income/non-cash benefits equivalent to 20 per cent of the Director's annual income, excluding income/non-cash benefits received, which are applicable on a uniform basis to all non-executive Directors on the Board.          | Compliant                    |
| None of the INEDs have employment at JKH or a material business relationship with JKH currently or in the three years immediately preceding their appointment as Directors.   | Compliant                    |
| None of the INEDs have a close family member who is a Director, CEO or 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 have a material business relationship and/or significant shareholding in other companies*. Entails other companies that have significant shareholding in the Company and the Company 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 or where the core line of business of such company is in direct conflict with the line of business of the listed company.

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 to be in line with the Company's Related Party Transactions Policy and compliance with the applicable rules and regulations. The related party transactions are disclosed in note 41 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) in Sri Lanka by each Director as of 31 March 2024.

| Name of Director | Directorship Status | Board Seats Held in Other Listed Sri Lankan Companies |   | Board Seats Held in Other Unlisted Sri Lankan Companies  |
|------------------|---------------------|---|---|--|
|                  |                     | Executive capacity                                    | Non - Executive capacity                      |  |
| K N J Balendra   | NED                 | Nil   | Nil   | Nil  |
| J G A Cooray     | NED                 | Nil   | Nil   | Nil  |
| A K Moonesinghe  | INED                | Nil   | Hsenid Business Solutions PLC                 | Wealth Trust Securities (Pvt) Ltd  |
| M H Singhawansa  | NED                 | Nil   | Nil   | Nil  |
| K A Gunasekera   | INED                | Nil   | Nil   | Aknal Asia (Pvt) Ltd   |
| S Rajendra       | NED                 | Nil   | Nil   | Nil  |
| M R Svensson     | NED                 | Nil   | Nil   | Nil  |
| H Premaratne     | INED                | Nil   | National Development Bank<br>Teejay Lanka PLC | Best Pacific Textiles Lanka (Pvt) Ltd<br>Brandix Apparel (Pvt) Ltd<br>Brandix Apparel Solutions (Pvt) Ltd<br>Brandix Corporate Campus (Pvt) Ltd<br>Brandix Lanka (Pvt) Ltd<br>Inqube Global (Pvt) Ltd<br>Ocean Lanka (Pvt) Ltd |

### **Director Remuneration**

Due care is taken to ensure that the remuneration paid to Board members is commensurate with their skills, knowledge, competencies and involvement in Board activities. The compensation of Non-Executive Directors was determined in reference to fees paid to other Non-Executive Directors of comparable companies, and adjusted, where necessary, in keeping with the complexity of the Company and Hotel's Group. Non-Executive Directors were paid additional fees for either chairing or being a member of a Sub-Committee and did not receive any performance/incentive payments/share option plans. Director fees for nominee Directors of JKH are paid to JKH, not individual Directors. The aggregate remuneration paid to NEDs in FY 2023/24 is Rs. 9.8Mn. The Company employs no Executive Directors.

### **Compensation for Early Termination**

In the event of an early termination of a Non-Executive Director, there are no compensation commitments other than for accrued fees payable, if any, as per the terms of their contract.

### **Board Evaluation**

Board performance evaluations are conducted annually in line with good Corporate Governance practices and this process is conducted independently.

The process involves each Director self-appraising the performance of the Board against identified criteria:

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

The results are analysed to give the Board an indication of its effectiveness and areas that require addressing and/ or strengthening.

The Board conducted its annual performance appraisal for the financial year 2023/24, and accordingly, the Board is seen as effective in discharging its role and responsibilities. There was no change to the composition of the highest governance body and organisational practices during reporting period.

### **Remuneration and benefit policy**

This policy seeks to provide a distinctive value proposition to current and prospective employees to attract and retain employees with the skills and values that are in line with the business needs of the organisation. The policy also provides a framework to design, administer and evaluate effective reward programmes, thereby inspiring and motivating desired behaviours and enabling proper alignment of remuneration with the long term success of the organisation.

# CORPORATE GOVERNANCE

## OUR 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 was 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 the fields of finance, travel & tourism, hotel management, property development and real estate management and business development acquired both in Sri Lanka and overseas. Prior to 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 Group of John Keells and responsible for Union Assurance PLC, John Keells Information Technology (Pvt) Ltd and John Keells Stockbrokers (Pvt) Ltd. He serves as a Director of Asian Hotels & Properties PLC, Union Assurance PLC., Trans Asia Hotels PLC, and in many of the unlisted companies of the John Keells Group. He is a member of the Tourism Advisory Committee appointed by the Ministry of Tourism.

### 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 of the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology and Corporate Communications functions. He is a former Chairman of Nations Trust Bank PLC. Gihan holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is 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 Sri Lanka's first and South Asia's largest integrated resort - Cinnamon Life. He brings extensive global leadership experience in managing and operating large-scale luxury hotels across Asia, the Middle East and Australia, of which over 20 years was spent with the Hyatt Group. His previous roles at Palm Jumeirah, the Viceroy Palm Jumeirah Dubai, the Grand Hyatt in Mumbai, Park Hyatt in Canberra and the Hyatt Regency in Hua Hin required him to take advantage of new opportunities for growth, expansion and innovation while nurturing and advancing the company's competitive advantage. Prior to 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, leading change to impact performance.

### **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.

### **Hasitha Premaratne**

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

Hasitha is the Managing Director of the Brandix Group and drives the company's overall strategy and transformation journey while overseeing its Global Business. Prior to taking up the reins as Managing Director, Hasitha served as the group's Group Finance Director and Chief Strategy Officer and is a Director of its subsidiaries and investment ventures, which include Teejay Lanka PLC, Inqube Global, and Best Pacific Lanka Ltd.

An Independent Director at John Keells Hotels PLC, he serves as Chairman of the Audit Committee. Hasitha is also an Independent Director at NDB Bank. He was formally a Director at Bank of Ceylon, Sri Lanka's largest Bank, chairing the Board Risk and Nominations Committees. He also served on the Board of CIMA Sri Lanka, and the Sri Lanka Accounting and Auditing Standards Monitoring Board, and was a Committee Member at the Ceylon Chamber of Commerce. Before joining Brandix, Hasitha was the Head of Research at HNB Stockbrokers (Private) Ltd and possesses plenty of experience in the fields of capital markets, economics, strategic finance, management, research. His lecturing experience expands for 11 years, for CIMA (UK), ACCA (UK) examinations, in Sri Lanka, India, Singapore and Philippines.

He holds an MBA in International Finance and a BSc in Computer Science. He is a Fellow Member of Chartered Institute of Management Accountants (CIMA - UK), Association of Chartered Certified Accountants (ACCA-UK), and the Institute of Certified Management Accountants (CMA - SL). He is also a Chartered Global Management Accountant (CGMA)

### **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 and WealthTrust Securities Ltd. 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.

### **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.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE STRUCTURE

### 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. The parent company's Project Risk Assessment Committee and Nominations Committee also functions as the Project Risk Assessment Committee and Nominations Committee of the Company.

The Board Sub-Committees comprise predominantly Independent Non-Executive Directors of John Keells Hotels PLC and John Keells Holdings PLC. The membership of the five Board Sub-Committees as of 31 March 2024 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) |
|--|------------------|--|-----------------------------|---|---|
| <b>Non-Independent, Non-Executive</b>                      |                  |  |                             |   |   |
| K N J Balendra - Chairperson                               |                  |  | Committee Member            |   | Committee Member                        |
| J G A Cooray - Deputy Chairperson / Group Finance Director |                  |  |                             |   | Committee Member                        |
| A N Fonseka - JKH - Senior Independent, Non-Executive      |                  |  |                             | Committee Chair                                   |   |
| <b>Independent Non-Executive</b>                           |                  |  |                             |   |   |
| K A Gunasekera   | Committee Member |  |                             |   |   |
| A K Moonesinghe  | Committee Member |  |                             |   |   |
| H Premaratne   | Committee Chair  |  |                             |   |   |
| D A Cabraal - JKH  |                  | Committee Chair                                  | Committee Chair             | Committee Member                                  |   |
| S S H Wijayasuriya - JKH                                   |                  | Committee Member                                 | Committee Member            |   | Committee Chair                         |
| M P Perera*  |                  |  | Committee Member            |   | Committee Member                        |
| S Coorey - JKH**   |                  |  | Committee Member            |   |   |
| S Fernando - JKH****                                       |                  |  |                             | Committee Member                                  |   |

\* M P Perera (Independent Non-Executive Director) retired from the Board of JKH with effect from 1 July 2023, having served on the Board of Directors for nine consecutive years.

\*\*S Coorey ceased to be a Related Party Transactions Review member w.e.f. 8th November 2023

\*\*\*S Fernando was appointed to the JKH Board with effect from 9 August 2023 as an Independent Non-Executive Director, and thereafter, he was appointed as a member of the Related Party Transactions Review Committee w.e.f. 8th November 2023.

### 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

## BOARD COMMITTEES

### Composition and Scope of Board Sub-Committees

#### Audit Committee (John Keells Hotels PLC)

Role: Assist the Board in meeting its oversight responsibilities pertaining to Company financial statements, risk management, internal controls, legal and regulatory frameworks.

##### Composition

- 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.

##### Scope

- i. Overseeing the preparation, presentation, and review of the quarterly and annual financial statements, including their quality, transparency, integrity, accuracy, and compliance with accounting standards, laws, and regulations, prior to tabling them for the approval of the Board of Directors.
- ii. Obtain and review assurance received from the President, CEO, CFO, and other key management personnel, as relevant, that the financial records have been properly maintained and that the financial statements give a true and fair view of the Company's and Hotel Group's operations and finances.
- iii. Evaluate the competence and effectiveness of the company's risk management systems and ensure the robustness and effectiveness in monitoring and controlling risks, as recommended by the internal auditors.
- iv. Review the internal and external audit arrangements' adequacy and effectiveness.
- v. Review the risk policies adopted by the Company annually.
- vi. 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

|   | 11/05/<br>2023 | 14/07/<br>2023 | 26/10/<br>2023 | 29/01/<br>2024 | Eligibility<br>to Attend | Attended |
|---|----------------|----------------|----------------|----------------|--------------------------|----------|
| H Premaratne -<br>Chairperson *                       | ✓              | ✓              | ✓              | ✓              | 4                        | 4        |
| K A Gunasekera  | ✓              | ✓              | ✓              | ✓              | 4                        | 4        |
| A K Moonesinghe                                       | ✓              | Excused        | ✓              | ✓              | 4                        | 3        |
| <b>By Invitation</b>                                  |                |                |                |                |                          |          |
| C L P Gunawardane -<br>CFO***                         | ✓              | ✓              | ✓              | ✓              | 4                        | 4        |
| M R Svensson - CEO<br>Cinnamon Hotels &<br>Resorts*** | ✓              | ✓              | ✓              | ✓              | 4                        | 4        |
| M H Singhawansa***                                    | ✓              | ✓              | ✓              | ✓              | 4                        | 4        |

\*\*\* Permanent invitees for all Committee meetings

Note:- The Audit Committee Meetings were held quarterly

\* Member of a professional Accounting body

##### Date of Appointment

|                            |             |
|----------------------------|-------------|
| H Premaratne - Chairperson | 15 /07/2022 |
| K A Gunasekera             | 06/11/2019  |
| A K Moonesinghe            | 01/07/2016  |

Refer to page 156 for the Audit Committee Report

# CORPORATE GOVERNANCE

## 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 Group, 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   | Scope  |                    |                     |                     |                          |   |   |            |                    |   |   |            |                |   |   |   |              |   |   |   |  |
|---|--|--------------------|---------------------|---------------------|--------------------------|---|---|------------|--------------------|---|---|------------|----------------|---|---|---|--------------|---|---|---|--|
| <ul style="list-style-type: none"> <li>Committee to comprise exclusively of NEDs of JKH, a majority of whom shall be independent.</li> <li>The Chairperson of the Committee must be an Independent NED.</li> <li>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</li> <li>The Deputy Chairperson /Group Finance Director of JKH is the Secretary of the Committee.</li> </ul> | <ol style="list-style-type: none"> <li>Review and recommend the overall remuneration philosophy, strategy, policies and practice and performance-based pay plans for the Company</li> <li>Determine and agree with the Board a framework for remuneration of the 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</li> <li>Succession planning of Key Management Personnel</li> <li>Ensure the integrity of the Group's compensation and benefits programme is maintained.</li> <li>Commission compensation and benefit surveys as appropriate to assist the Committee in its deliberations.</li> <li>In performing these functions, ensure that stakeholder interests are aligned and that the Group can attract, motivate and retain talent.</li> <li>At its discretion, the Committee may invite external specialists to provide advice and information on relevant remuneration and Human Resource Development practices.</li> </ol> <p>* Determining compensation of Non-Executive Directors will not be under the scope of this Committee</p> |                    |                     |                     |                          |   |   |            |                    |   |   |            |                |   |   |   |              |   |   |   |  |
| Committee Meeting dates and attendance for the financial year 2023/2024   |  |                    |                     |                     |                          |   |   |            |                    |   |   |            |                |   |   |   |              |   |   |   |  |
| <table border="1"> <thead> <tr> <th></th> <th>Eligible to Attend</th> <th>Attended</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td>D A Cabraal -Chairperson</td> <td>1</td> <td>1</td> <td>29/01/2015</td> </tr> <tr> <td>S S H Wijayasuriya</td> <td>1</td> <td>1</td> <td>05/11/2016</td> </tr> </tbody> </table>   |  | Eligible to Attend | Attended            | Date of appointment | D A Cabraal -Chairperson | 1 | 1 | 29/01/2015 | S S H Wijayasuriya | 1 | 1 | 05/11/2016 |                |   |   |   |              |   |   |   |  |
|   | Eligible to Attend   | Attended           | Date of appointment |                     |                          |   |   |            |                    |   |   |            |                |   |   |   |              |   |   |   |  |
| D A Cabraal -Chairperson  | 1  | 1                  | 29/01/2015          |                     |                          |   |   |            |                    |   |   |            |                |   |   |   |              |   |   |   |  |
| S S H Wijayasuriya  | 1  | 1                  | 05/11/2016          |                     |                          |   |   |            |                    |   |   |            |                |   |   |   |              |   |   |   |  |
| <b>By Invitation</b> <table border="1"> <thead> <tr> <th></th> <th>Eligible to Attend</th> <th>Attended</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td>S Coorey</td> <td>1</td> <td>0</td> <td>-</td> </tr> <tr> <td>A N Fonseka</td> <td>1</td> <td>1</td> <td>-</td> </tr> <tr> <td>K N J Balendra</td> <td>1</td> <td>1</td> <td>-</td> </tr> <tr> <td>J G A Cooray</td> <td>1</td> <td>1</td> <td>-</td> </tr> </tbody> </table>   |  | Eligible to Attend | Attended            | Date of appointment | S Coorey                 | 1 | 0 | -          | A N Fonseka        | 1 | 1 | -          | K N J Balendra | 1 | 1 | - | J G A Cooray | 1 | 1 | - |  |
|   | Eligible to Attend   | Attended           | Date of appointment |                     |                          |   |   |            |                    |   |   |            |                |   |   |   |              |   |   |   |  |
| S Coorey  | 1  | 0                  | -                   |                     |                          |   |   |            |                    |   |   |            |                |   |   |   |              |   |   |   |  |
| A N Fonseka   | 1  | 1                  | -                   |                     |                          |   |   |            |                    |   |   |            |                |   |   |   |              |   |   |   |  |
| K N J Balendra  | 1  | 1                  | -                   |                     |                          |   |   |            |                    |   |   |            |                |   |   |   |              |   |   |   |  |
| J G A Cooray  | 1  | 1                  | -                   |                     |                          |   |   |            |                    |   |   |            |                |   |   |   |              |   |   |   |  |

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

Refer to page 158 for the Human Resources and Compensation Committee Report.

### Nominations Committee (JKH)

Role: Lead the process of Board appointments and recommendations to the Board and to define and establish a nomination process for Non-Executive Directors.

| Composition  | Scope                 |                       |                        |                        |                           |   |   |            |            |   |   |            |             |   |   |            |                    |   |   |            |                |   |   |            |   |
|--|-----------------------|-----------------------|------------------------|------------------------|---------------------------|---|---|------------|------------|---|---|------------|-------------|---|---|------------|--------------------|---|---|------------|----------------|---|---|------------|---|
| <ul style="list-style-type: none"> <li>Majority of the members shall be NEDs of JKH together with the Chairperson - CEO</li> <li>The Chairperson of the Committee shall be an Independent NED.</li> <li>The Secretary to the JKH Board is the Secretary of the Committee.</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #cccccc;"> <th style="text-align: left; padding: 5px;">Name</th> <th style="text-align: center; padding: 5px;">Eligible<br/>to Attend</th> <th style="text-align: center; padding: 5px;">Attended</th> <th style="text-align: center; padding: 5px;">Date of<br/>Appointment</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">D A Cabraal - Chairperson</td><td style="text-align: center; padding: 5px;">3</td><td style="text-align: center; padding: 5px;">3</td><td style="text-align: center; padding: 5px;">07/11/2013</td></tr> <tr> <td style="padding: 5px;">S Coorey**</td><td style="text-align: center; padding: 5px;">1</td><td style="text-align: center; padding: 5px;">1</td><td style="text-align: center; padding: 5px;">08/11/2023</td></tr> <tr> <td style="padding: 5px;">M P Perera*</td><td style="text-align: center; padding: 5px;">1</td><td style="text-align: center; padding: 5px;">1</td><td style="text-align: center; padding: 5px;">24/07/2014</td></tr> <tr> <td style="padding: 5px;">S S H Wijayasuriya</td><td style="text-align: center; padding: 5px;">3</td><td style="text-align: center; padding: 5px;">3</td><td style="text-align: center; padding: 5px;">05/11/2016</td></tr> <tr> <td style="padding: 5px;">K N J Balendra</td><td style="text-align: center; padding: 5px;">3</td><td style="text-align: center; padding: 5px;">3</td><td style="text-align: center; padding: 5px;">01/01/2019</td></tr> </tbody> </table> | Name                  | Eligible<br>to Attend | Attended               | Date of<br>Appointment | D A Cabraal - Chairperson | 3 | 3 | 07/11/2013 | S Coorey** | 1 | 1 | 08/11/2023 | M P Perera* | 1 | 1 | 24/07/2014 | S S H Wijayasuriya | 3 | 3 | 05/11/2016 | K N J Balendra | 3 | 3 | 01/01/2019 | <ul style="list-style-type: none"> <li>i. Assess skills required on the Board given the needs of the businesses.</li> <li>ii. From time to time, assess the extent to which required skills are represented on Board</li> <li>iii. Prepare a clear description of the role and capabilities required for the appointment.</li> <li>iv. Identify and recommend suitable candidates for appointment to the Board.</li> <li>v. Ensure that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment specifying clearly the expectations in terms of time commitment, involvement outside of the formal Board meetings, and participation in Committees, amongst other things.</li> <li>vi. Ensure that every appointee is inducted into the group.</li> <li>vii. The appointment of the Chairperson, as relevant, is a collective decision of the Board.</li> </ul> |
| Name   | Eligible<br>to Attend | Attended              | Date of<br>Appointment |                        |                           |   |   |            |            |   |   |            |             |   |   |            |                    |   |   |            |                |   |   |            |   |
| D A Cabraal - Chairperson  | 3                     | 3                     | 07/11/2013             |                        |                           |   |   |            |            |   |   |            |             |   |   |            |                    |   |   |            |                |   |   |            |   |
| S Coorey**   | 1                     | 1                     | 08/11/2023             |                        |                           |   |   |            |            |   |   |            |             |   |   |            |                    |   |   |            |                |   |   |            |   |
| M P Perera*  | 1                     | 1                     | 24/07/2014             |                        |                           |   |   |            |            |   |   |            |             |   |   |            |                    |   |   |            |                |   |   |            |   |
| S S H Wijayasuriya   | 3                     | 3                     | 05/11/2016             |                        |                           |   |   |            |            |   |   |            |             |   |   |            |                    |   |   |            |                |   |   |            |   |
| K N J Balendra   | 3                     | 3                     | 01/01/2019             |                        |                           |   |   |            |            |   |   |            |             |   |   |            |                    |   |   |            |                |   |   |            |   |

\* Retired on 1 July 2023

\*\* Appointed to the Committee w.e.f 08 November 2023 upon the retirement of M P Perera.

Refer to page 159 for the Nominations Committee Report.

### Related Party Transactions Review Committee (JKH)

Role: Ensure that all related party transactions of the Group are consistent with the Code on Related Party Transactions issued by SEC and with the Listing Rules of the CSE.

| Composition   | Scope  |
|---|--|
| <ul style="list-style-type: none"> <li>The chairperson should be an Independent Non-Executive Director.</li> <li>Committee comprise a combination of NEDs, Independent NEDs</li> <li>The composition may include Executive Directors at the option of the Listed Entity.</li> </ul> | <ul style="list-style-type: none"> <li>i. 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 requisitions of the CSE.</li> </ul> |

# CORPORATE GOVERNANCE

## Related Party Transactions Review Committee (JKH)

Role: Ensure that all related party transactions of the Group are consistent with the Code on Related Party Transactions issued by SEC and with the Listing Rules of the CSE.

| Composition               | Scope  |
|---------------------------|--|
|                           | <ul style="list-style-type: none"> <li>ii. All proposed Related Party Transactions shall be reviewed in advance, and in the event of any material changes, the Related Party Transactions Review Committee shall also review such changes prior to the completion of the transaction.</li> </ul>   |
| A N Fonseka - Chairperson | <ul style="list-style-type: none"> <li>iii. Develop and recommend for adoption by the Board of Directors of JKH and its listed subsidiaries a Related Party Transaction Policy that is consistent with the operating model and the group's delegated decision-making rights.</li> </ul>  |
| D A Cabraal               | <ul style="list-style-type: none"> <li>iv. Update the Board on Related Party Transactions of each of the Group's listed companies quarterly and formally request the Board approve the related party transactions following the determination of whether such approval is needed.</li> </ul>   |
| S Coorey**                | <ul style="list-style-type: none"> <li>v. Define and establish the threshold values for each of the subject listed companies in setting a benchmark for Related Party Transactions, including those that have to be pre-approved by the Board, those that require annual review, such as recurrent Related Party Transactions, and similar issues relating to listed companies.</li> </ul> |
| S Fernando***             | <ul style="list-style-type: none"> <li>vi. Ensure that they have or have access to expertise to assess all aspects of proposed Related Party Transactions and, where necessary, obtain expert advice from an appropriately qualified person.</li> </ul>  |
| M P Perera*               | <ul style="list-style-type: none"> <li>vii. Where a Director has a personal material interest in a matter being reviewed by the Committee, such Director shall not be present in the meeting and shall not vote in the matter except at the request of the Committee.</li> </ul>   |
| <b>By Invitation</b>      | <ul style="list-style-type: none"> <li>viii. Where both the parent company and the subsidiary are Listed Entities, the parent company's Related Party Transactions Review Committee shall function as the subsidiary's Related Party Transactions Review Committee.</li> </ul>   |
| K N J Balendra            |  |
| J G A Cooray              |  |

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

\* Retired from 1 July 2023

\*\* Appointed to the RPT Committee w.e.f. 1 July 2023 and resigned w.e.f. 8 November 2023.

\*\*\* Attended by invitation on 06 November 2023. Appointed w.e.f. 8 November 2023.

Refer to page 160 for the Related Party Transactions Review Committee Report

### Project Risk Assessment Committee (JKH)

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

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

Refer to page 161 for the Project Risk Assessment Committee Report.

# CORPORATE GOVERNANCE

## AUDIT COMMITTEE REPORT

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities in relation to the integrity of the financial statements of the Company and the subsidiaries, the internal control and risk management framework and systems of the Company, compliance with legal and regulatory requirements, the External Auditors' suitability, performance, and independence, and, the adequacy and performance of the Internal Audit function undertaken by the Group Business Process Review division (Group BPR). The scope of functions and responsibilities are adequately set out in the terms of reference of the Committee, which has been approved by the Board and is reviewed annually.

The Committee's responsibilities pertain to the Company and its subsidiaries as a whole. Each committee member evaluates the Committee's effectiveness annually, and the results are communicated to the Board.

### **Composition of the Committee and Meetings**

The Audit Committee comprises the undersigned and the following Independent Non-Executive Directors:

H Premaratne

A K Moonasinghe

K A Gunasekera

Vice President, Finance – Cinnamon Hotels & Resorts served as the Secretary to the Audit Committee.

The Audit Committee met four times during the financial year. The Corporate Governance report provides information on the attendance of the committee members at these meetings. The Internal Auditors carrying out outsourced assignments and relevant executives of the Company and the Group also attended these meetings when needed. The Committee engaged with management to review key risks faced by the Company with a view to obtaining assurances that appropriate and effective risk mitigation strategies were in place.

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

### **Financial Reporting**

The Audit Committee has reviewed and discussed the Company's quarterly and annual financial statements with the Management. The External Auditors were engaged to conduct a limited review of the Company's interim financial statements for the nine months ended 31 December 2023. The results of this review together with the full year results reports were discussed with the External Auditors prior to publication

of these statements. The scope of the review included ascertaining compliance of the statements and disclosures with the Sri Lanka Accounting Standards, the appropriateness and changes in accounting policies and material judgemental matters. Discussions were also held with the External Auditors and Management on matters communicated to the Committee by the External Auditors in their reports to the Committee on the audit for the year.

The Committee obtained independent input from the External Auditors on the effects of any new Sri Lanka Accounting Standards that came into effect for the year under review and satisfied themselves that the necessary preparatory work was carried out to enable the Company to comply with these new standards.

### **Internal Audit, Risks and Controls**

The Committee reviewed the adequacy of the group's Internal Audit coverage and Internal Audit Plans with the Head of the Group BPR division and Management. The Internal Audit function is outsourced to leading professional firms under the direction and control of the Group BPR division.

The Group BPR division regularly reported to the Committee on the adequacy and effectiveness of internal controls in the Group and compliance with laws and regulations and established policies and procedures of the Group. Reports from outsourced Internal Auditors on the operations of the Company and subsidiaries of the Company were also reviewed by the Committee. Follow-up action was taken on the recommendations of the outsourced Internal Auditors, and any other significant follow-up matters were documented and presented to the Committee on a quarterly basis by the Head of Group BPR. The Committee also reviewed the effectiveness of digital forensic tools used by Group BPR.

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 risks mitigation measures were designed and implemented.

Formal confirmations and assurances were obtained from the senior management of the company quarterly regarding the efficacy and status of the internal control and risk management systems and compliance with applicable laws and regulations.

### **External Audit**

The committee reviewed and discussed the External Auditors' scope of the audit with the External Auditors and management prior to the commencement of the audit.

The External Auditors kept the Committee advised on an ongoing basis regarding matters of significance that were pending resolution. The Committee also met the External Auditors, without management being present, before finalising the financial statements to obtain their input on specific issues and ascertain whether they had any areas of concern relating to their work. The External Auditors raised no matters other than those already discussed with management and resolved.

The External Auditors' final management reports on the audit of the Company and the consolidated financial statements for the year 2023/24 were discussed with the Management and the Auditors.

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the John Keells Group, and pre-clearance was given for these services. The Committee also reviewed the arrangements made by the Auditors to maintain their independence, and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The performance of the External Auditors has been evaluated through a formal assessment process with input from the company's senior management. Based on the performance assessment, the Committee has recommended to the Board that Ernst & Young be re-appointed as the Lead/Consolidation Auditor of the Group for the financial year ending 31 March 2025, subject to approval by the Shareholders at the Annual General Meeting.



**H Premaratne**

Chairperson of the Audit Committee

21 May 2024

# CORPORATE GOVERNANCE

## 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 practices and performance-based pay plans. Furthermore, it reviews performance, compensation and benefits of the CEO, the other Executive Directors, and key executives who support and implement decisions at an apex level, the overall business strategy and make recommendations, thereon to the Board. The Committee also reviews and monitors the performance of the Group's top talent for the 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, retain talent and ensure their loyalty; 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 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

20 May 2024

## REPORT OF THE NOMINATIONS COMMITTEE

The Nominations Committee as at 31 March 2024, consisted of the following members:

- D A Cabraal (Chairperson)
- K N J Balendra
- S S H Wijayasuriya
- S Coorey (appointed w.e.f 8 November 2023)

\*Note: M P Perera resigned as a member of the Nominations Committee consequent to her resignation from the Board of John Keells Holdings PLC (JKH) on 1 July 2023.

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, taking into consideration qualifying criteria stipulated under applicable laws and rules.
- 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.

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

20 May 2024

# CORPORATE GOVERNANCE

## REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

### Composition

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

A N Fonseka

D A Cabral

S Fernando

M P Perera – former Chairperson retired from the RPT committee with effect from 1 July 2023

S Coorey – appointed to the RPT committee with effect from 1 July 2023 and resigned with effect from 8 November 2023.

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. Urgent transactions that required prior approval of the Committee were dealt with by circulation among the members.

### 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 Section 9.5(a) of the Listing Rules and thus exclusion from the mandate for review and pre-approval of such transactions by the Committee.

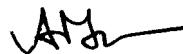
Accordingly Recurrent RPTs as well as the aforesaid disclosures and assurances were reviewed annually by the Committee.

### 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's meetings.



**A N Fonseka**

Chairperson of the Related Party Transactions Review Committee

20 May 2024

## REPORT OF THE PROJECT RISK ASSESSMENT COMMITTEE

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

S S H Wijayasuriya (Chairperson)

K N J Balendra

J G A Cooray

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.

During the year under review, the context of Project Risk Assessment was centred on (i) The extenuating impact of Sri Lanka's macroeconomic crisis on Group businesses and (ii) The two landmark investment projects of the Group - City of Dreams Sri Lanka (formerly known as the Cinnamon Life Integrated Resort) and the West Container Terminal. Given the scale and impact of the risks and opportunities associated with the said subjects, the committee and JKH Board were of the view that related deliberations should take place with participation of the full Board as regular board agenda items.

While there were no specific new investments during the year which required Board Approval as per the Group's financial thresholds, new ventures such as the partnership with the Reliance Group on the marketing and distribution of Beverages in the Indian market, the entry into the partnership with BYD on New Energy Vehicles and the launch of the VIMAN project were a some of the key projects of the Group which were also discussed at JKH Board level.



**S S H Wijayasuriya**

Chairperson of the Project Risk Assessment Committee

20 May 2024

# CORPORATE GOVERNANCE

## STAKEHOLDER MANAGEMENT AND EFFECTIVE COMMUNICATIONS

### 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 2024 and at the end of each quarter of the financial year 2023/24.

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

### Constructive use of the Annual General Meeting (AGM)

The AGM is the primary mechanism for the Board to interact with and account to shareholders and allows 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 to clarify matters prior to voting on resolutions. It is the key forum for shareholders to engage in decision-making matters reserved for them, including proposals to adopt the Annual Report and Accounts, appointing Directors and Auditors and other matters requiring special resolutions as defined in the Articles of Association or the Companies Act. The Chairperson ensures that the Chairperson of the Audit Committee, Board members, key management personnel, and External Auditors are present to respond to queries the shareholders may raise.

The Group makes use of the AGM constructively towards enhancing relationships with the shareholders, and towards this end, the following procedures are followed:

- Notice of the AGM and related documents are made available to the shareholders along with the Annual Report no later than 15 working days before the AGM.
- Summary of procedures governing voting at the AGM are communicated.
- The Board ensures that the external auditors are present at the AGM.
- Most Executive and Non-Executive Directors are made available to answer queries.
- The Chairperson-CEO ensures that the relevant senior managers are also available at the AGM to answer specific queries.

- Separate resolutions are proposed for each item that is required to be voted on.
- Proxy votes are counted for, against, and withheld (abstained).

### Serious Loss of Capital

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

### Extraordinary General Meetings, including Shareholder Approval through Special Resolution

The Company will seek shareholder approval, either via special or ordinary resolution as permitted under applicable law and the Company's articles of associations, when transactions and events that are material in the Group and Company's context occur or are undertaken in line with all applicable rules and regulations.

## ASSURANCE MECHANISMS

### 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 by periodically reviewing and monitoring such systems.

### System of Control

A quarterly self-certification programme requires the President, CEO, COO and Chief Financial Officer (CFO) of the Leisure industry group to confirm compliance with statutory and other regulatory procedures and identify any significant deviations from the expected norms. The compliance statement, which gets collated every quarter and tabled at the respective Audit Committee meeting, is subject to periodic review and, where applicable revised, to reflect and capture any material changes that drive the macro and micro-operating contexts for reporting and monitoring purposes.

The Board has taken steps to obtain assurance that systems designed to safeguard the Company's assets and provide management information are functioning according to expectations and proper accounting records are in place through the involvement of the Group Business Process Review function.

This also entails automated monitoring and workflow-based escalation 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 to reinforce governance and assurance.

The Group has in place two integrated frameworks, the 'Fraud Deterrent and Investigation Framework' and the 'Process Review Framework', that complement each other to strengthen the Group's effort to promote anti-fraud, anti-corruption and anti-bribery by proactively recognising the changing context and operating landscape. The integrated fraud deterrent and investigation framework, which enables an integrated platform for handling all aspects of fraud and stakeholder assurance, reinforces uniformity across common processes in matters relating to fraud, employs a data-driven approach to the continuous assessment of control efficacy and assesses and deploys appropriate preventive and detective controls against frauds. The Integrated Process Review Framework provides an innovative approach to internal audits, which enables audits to be specific and highly focused on matters relevant to a business entity. Emphasis is placed on use cases and events stemming from the current business strategy, which must be facilitated by participating processes, systems, and personnel which form micro-value chains with special attention to the efficacy of control and its placement to ensure the integrity of transaction as each traverse through each micro-value chain, at the time of audit reviews.

The digital system for quarterly financial and operational information management implemented continues to perform as per expectations, facilitating data capturing for compliance reporting, providing a sustainable and structured mechanism to enable top-down and bottom-up stakeholder engagement, and tracking the progression of how the compliance posture at an entity level has evolved, among others. The Forensic Data Analytics platform feeds into 'Internal Audit Scoping' and continues to identify areas for process optimisation, strengthening controls and feedback reporting to reinforce governance (management) and assurance structures.

- The Group engaged a leading international consultancy firm to conduct a comprehensive assessment of its cybersecurity resilience, leveraging industry-leading methodologies such as the Microsoft Cybersecurity Reference Architecture (MCRA) and Microsoft Cloud Security Benchmarks (MCSB) to fortify its technological backbone for future growth and resilience. By aligning with

industry best practices and recommended technological principles, the Group aims to enhance performance, scalability, and reliability across its cloud ecosystem, positioning itself as a mobile-first, data-first, cloud-first, and AI-first organisation. Whilst proactively mitigating risk, this initiative was carried out to boost the efficiency, security and reliability of the Group's cloud ecosystem, underscoring the Group's commitment to delivering value to its stakeholders by maintaining robust and secure cloud infrastructure.

- The Company and Hotels Group remains steadfast in its commitment to safeguarding stakeholder privacy amidst evolving regulations and technological advancements. The establishment of the Data Governance Steering Committee, overseen by the Group Executive Committee, aims to strengthen data governance practices in compliance with relevant laws, notably the Personal Data Protection Act No. 9 of 2022. Key initiatives during the reporting period included:
  - benchmarking initiatives
  - data lifecycle management
  - appointment of data protection officers for each industry group
  - gap analysis
  - awareness creation

### **Segregation of Duties (SoD) under Sarbanes-Oxley (SOX)**

The Company and the Hotels Group are well aware of the need to ensure that no individual has excessive system access to execute transactions across an entire or several business processes which have critical approval linkages in the context that increase in use of information technology and integrated financial controls creates unintended exposures within the Company and the Hotels Group. SoD dictates that problems such as fraud, material misstatements and manipulation of financial statements have the potential to arise when the same individual is able to execute two or more conflicting, sensitive transactions. Separating disparate jobs into task-oriented roles can often result in inefficiencies and costs which do not meet the cost versus benefit criteria. Whilst the attainment of a zero SoD conflict state is utopian, the Company and the Hotels Group continue to take steps to identify and evaluate existing conflicts and reduce residual risks to an acceptable level under a cost versus benefit rationale. No material conflicts were reported during the year.

# CORPORATE GOVERNANCE

## Forensic Data Analytics

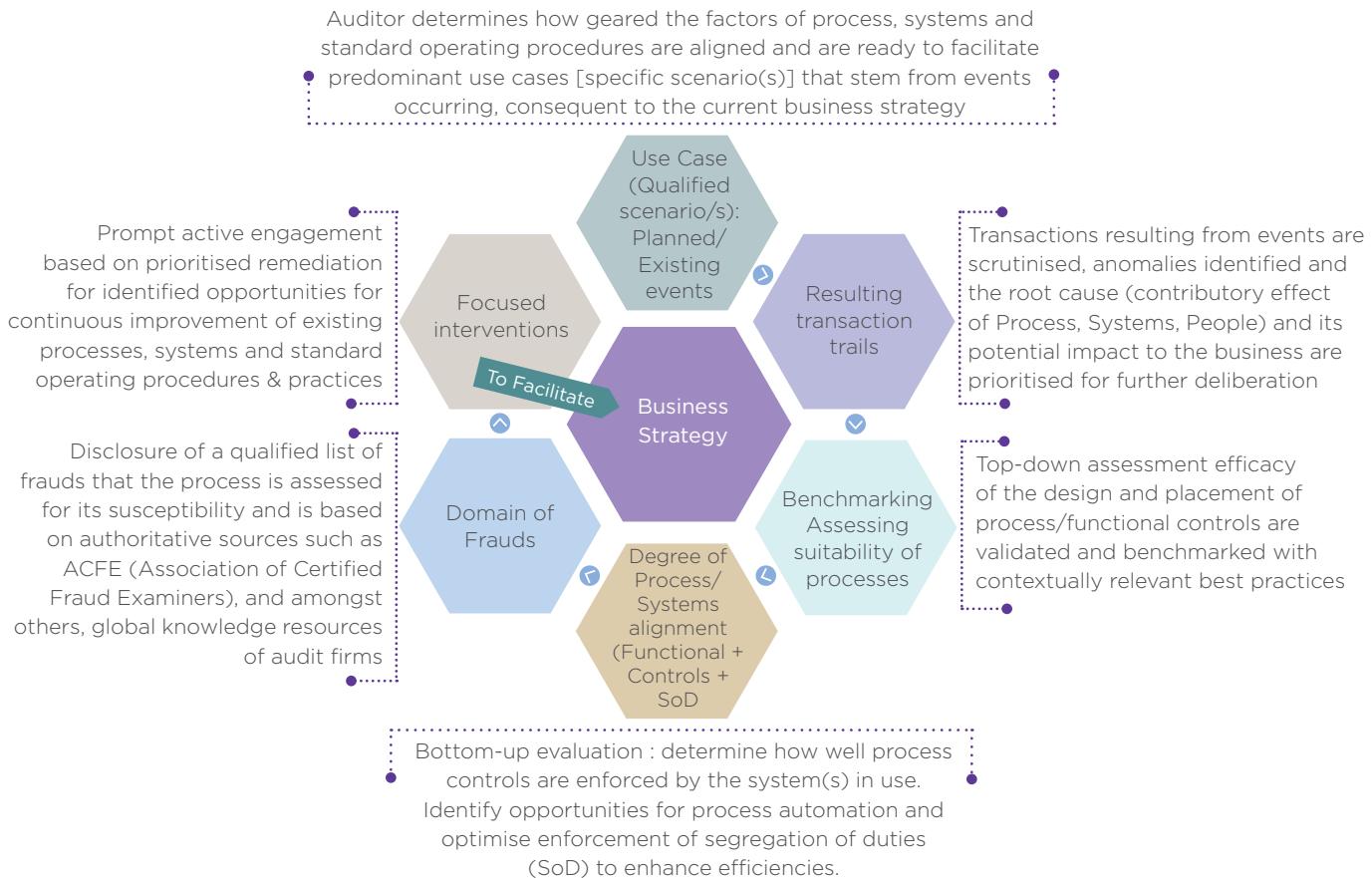
The group uses forensic data analytics to facilitate action towards investigating transactions that are distinct within its population. Based on well-established algorithms, it prompts attention to strengthen process and system controls to ensure the integrity of such transactions within its contextual domain.

A key success factor of this oversight mechanism is the use of advanced machine learning algorithms that are continuously sensitised to each business's operating circumstances that trigger such transactions and remain relevant and insightful by increasing its utility and providing optimisation opportunities for Continuous Controls Monitoring (CCM) and active intervention. The Group piloted and implemented a series of new initiatives throughout the year to strengthen the effectiveness of the forensic data analytics platform and related capabilities to complement CCM and internal audit engagements.

## 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. Internal audit reports are first considered and discussed at the business/functional unit levels. These reports are forwarded to the Audit Committee on a regular basis. Further, the Audit Committees also assess the effectiveness of the risk review process and systems of internal control regularly. Whilst there are merits and demerits associated with outsourcing an internal audit, the Company and the Hotels Group are 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



### **External Audit**

The External Auditor is appointed subject to the provisions of the Companies Act. The Audit Committee recommends 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 in the audit process, considering relevant professional and regulatory requirements.

When assigning non-audit services to External Auditors, the Audit Committee ensures that 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 2023/24 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 in 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 188 of this Report.

John Keells Hotels PLC is fully compliant with all the mandatory rules and regulations stipulated by the following:

- Listing Rules of the CSE (effective as of 1 April 2024);
- Companies Act No.7 of 2007;
- Securities and Exchange Commission of Sri Lanka (SEC) Act No.19 of 2021, including rules, regulations, directives and circulars; and
- Code of Best Practices on Related Party Transactions (2013) advocated by the SEC

The Group has also given due consideration to the Best Practice on Corporate Governance (2017) Reporting guidelines set out by CA Sri Lanka and has, in all instances, barring a few, embraced such practices voluntarily, particularly if such practices have been identified as relevant and value-adding. In the very few instances where the Group has not adopted such best practices, the rationale for such non-adoption is articulated.

The Company and the Hotels Group are fully compliant with all the mandatory rules and regulations stipulated by the following:

# 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<br>(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      |  |
| (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      | Investor Information                                       |
| (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      | Responsible Performances 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      |  |
| (x) A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings   | Yes      | Investor Information                                       |
| (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: <ol style="list-style-type: none"> <li>a statement as to the manner in which the proceeds of such issue has been utilised</li> <li>if any shares or debentures have been issued, the number, class and consideration received and the reason for the issue; and</li> <li>any material change in the use of funds raised through an issue of Securities</li> </ol> | N/A      | Investor Information                                       |
| (xiv) Information in respect of Employee Share Ownership or Stock Option Schemes  | Yes      | Investor Information / Note 34 to the Financial Statements |
| (xv) Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules   | 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                        |
| (xvii) Disclosures pertaining to Foreign Currency denominated Securities, Sustainable Bonds, Perpetual debt Securities, Infrastructure Bonds and/or Shariah Compliant Debt Securities listed on the CSE   | N/A      | N/A  |

**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)   |
|---|---------------------------------------|---|----------|--|
| <b>7.10 Compliance</b>                      |                                       |   |          |  |
| 7.10 (a - c)                                | Compliance                            | The Company compliance with the Corporate Governance Rules, and any deviations are explained where applicable   | Yes      | Corporate Governance   |
| <b>7.10.1 Non-Executive Directors (NED)</b> |                                       |   |          |  |
| 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  |
| <b>7.10.2 Independent Directors</b>         |                                       |   |          |  |
| 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 their independence or non-independence   | Yes      | The independence of the Directors has been determined by CSE Listing Rules, and the 3 Independent NEDs have submitted signed confirmation of their independence. |
| <b>7.10.5 Remuneration Committee</b>        |                                       |   |          |  |
| 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      | The Human Resources and Compensation Committee (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent NEDs                  |
| 7.10.5.(a)                                  | Composition of Remuneration Committee | RC shall comprise of NEDs, a majority of whom will be independent<br><br>One NED shall be appointed as Chairperson of the committee by the Board of Directors   | Yes      | Board Sub-Committees -HRCC   |
| <b>7.10.6 Audit Committee</b>               |                                       |   |          |  |
| 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"> <li>• AC shall comprise of NEDs, a majority of whom shall be Independent.</li> <li>• A NED shall be appointed as the Chairperson of the Committee</li> <li>• Chief Executive Officer (CEO)and Chief Financial Officer (CFO) should attend AC meetings</li> <li>• The Chairperson of the AC or one member should be a member of a professional accounting body</li> </ul> | Yes      | Audit Committee Report   |

## CORPORATE GOVERNANCE

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

**Appendix III—7.3 Statement of Compliance under Section 9 of the Revised Listing Rules of the CSE on Corporate Governance, effective 1 April 2024.**

**Mandatory Provisions - Fully Compliant**

| CSE Rule  | Requirement   | Compliance Status | Action / Reference (within the Report)  |
|---|---|-------------------|---|
| <b>9.1 Corporate Governance Rules</b>   |   |                   |   |
| 9.1.3   | A statement confirming compliance with Corporate Governance Rules   | Yes               | The Company complies with the Corporate Governance Rules and has stated so within the Report, with any deviations explained where applicable.   |
| <b>9.3 Board Committees</b>   |   |                   |   |
| 9.3.1 b/c/d   | Minimum required Board Committees   | Yes               | The required Committees are maintained and are functioning effectively.   |
| 9.3.2   | Compliance with the composition, responsibilities and disclosures required in respect of the Board Committees                           | Yes               | The Company complies with the requirements in respect of the Board Committees.  |
| <b>9.4 Meeting procedures and the conduct of all General Meetings with shareholders</b> |   |                   |   |
| 9.4.1   | Records of all resolutions and the following information upon a resolution being considered at any General Meeting shall be maintained. | Yes               | The Company maintains all records and information regarding resolutions considered at General Meetings.   |
| 9.4.2 a/b/c   | Communication and relations with shareholders and investors   | Yes               | Refer to Stakeholder management and effective communications under the Corporate Governance Report.   |
| <b>9.6 Chairperson and CEO</b>  |   |                   |   |
| 9.6.1   | Requirement for a SID if the same individual holds the positions of Chairperson and CEO   | N/A               | N/A as the Chairperson is a NED   |
| 9.6.2   | Market announcement on the rationale behind the appointment of a SID  | N/A               | N/A   |
| 9.6.3 a-d   | Requirement for a SID   | N/A               | N/A   |
| 9.6.3 E   | SID shall make a signed explanatory disclosure demonstrating the effectiveness of their duties  | N/A               | N/A   |
| 9.6.4   | Rationale for the appointment of a SID set out in the Annual Report   | N/A               | N/A   |
| <b>9.7 Fitness of Directors and CEO</b>   |   |                   |   |
| 9.7.1 - 9.7.5   | Requirement to meet the fit and proper criteria stipulated by the CSE and related disclosures   | Yes               | Directors are required to provide general disclosures and declarations on fitness and propriety annually and are required to report any material changes to the information provided therein, including any changes to their professional responsibilities and business associations, to the Board.<br><br>The Nominations Committee reviews and makes recommendation to the Board on the fitness and propriety of Directors.<br><br>No non-compliances were reported during the year in this regard. |

# CORPORATE GOVERNANCE

| CSE Rule                                      | Requirement   | Compliance Status | Action / Reference (within the Report)  |
|---|---|-------------------|---|
| <b>9.8 Board Composition</b>                  |   |                   |   |
| 9.8.3 (i) to (viii)                           | Requirements for meeting the criteria to be an ID   | Yes               | Details of the independence criteria are explained within the Corporate Governance Commentary.  |
| 9.8.5 a/b/c                                   | The Board shall annually determine the independence or otherwise of IDs and name the Directors who are determined to be 'independent'.                                | Yes               | All independent NEDs have submitted declarations as to their independence, and a determination of their independence is evaluated. No Non Compliances were reported during the year under review.                                   |
| <b>9.9 Alternate Directors</b>                |   |                   |   |
| a-e   | Appointment of Alternate Directors to be in accordance with the Rules and such requirements to be incorporated into the Articles of Association.                      | Yes               | No Alternate Directors were appointed during the financial year.<br><br>CSE has granted a waiver to amend the Articles of Association to incorporate the requirements of the Rules at an EGM to be held on the same day as the AGM. |
| <b>9.10 Disclosures relating to Directors</b> |   |                   |   |
| 9.10.2/9.10.3                                 | Market announcement upon the appointment of a new director and any changes to the Board composition   | Yes               | Timely market announcement of the new independent NED appointed was made through the CSE.   |
| 9.10.4 a-i                                    | Details about the Board members   | Yes               | Refer to the Board of Director Profiles report  |
| <b>9.12 Remuneration Committee</b>            |   |                   |   |
| 9.12.3  | The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on EDs and individual Directors.                     | Yes               | Refer to the Human Resources and Compensation Committee Report  |
| 9.12.4  | Remuneration for NEDs shall be based on a policy of non-discriminatory pay practices to ensure the independence.  | Yes               | Refer to the Director Remuneration section in the Corporate Governance Report   |
| 9.12.5  | The Remuneration Committee shall have written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.      | Yes               |   |
| 9.12.6 (2)                                    | Where the parent company and the subsidiary are Listed Entities, the parent company's remuneration committee may function as the subsidiary's Remuneration Committee. | Yes               | Refer to the Human Resources and Compensation Committee Report  |
| 9.12.6 (3)                                    | An ID shall be appointed as the Chairperson of the Remuneration Committee   | Yes               |   |
| 9.12.7  | Functions   | Yes               |   |
| 9.12.8 A                                      | Names of Remuneration Committee Chairperson and members   | Yes               |   |
| 9.12.8 B                                      | Statement of Remuneration Policy  | Yes               |   |
| 9.12.8 C                                      | Aggregate remuneration paid to EDs and NEDs   | Yes               |   |
| <b>9.13 Audit Committee</b>                   |   |                   |   |
| 9.13.2  | The Audit Committee shall have written terms of reference clearly defining its scope, authority and duties.   | Yes               | Refer to the Audit Committee section of the Corporate Governance Report   |

| CSE Rule  | Requirement  | Compliance Status | Action / Reference (within the Report)  |
|---|--|-------------------|---|
| <b>9.14 Related Party Transactions Review Committee</b> |  |                   |   |
| 9.14.2 (1)  | Related Party Transactions Review Committee shall comprise a minimum of 3 members, the majority of whom should be IDs, and an ID shall be appointed as the Chairperson.  | Yes               | The Related Party Transactions Committee comprises only Independent Directors and maintains a minimum requirement of three members throughout the year. |
| 9.14.2 (2)  | Where the parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may function as the subsidiary's Related Party Transactions Review Committee. | Yes               | Refer to the Related Party Transactions Review Committee section.   |
| 9.14.3  | Functions  | Yes               |   |
| 9.14.4  | General Requirements   | Yes               |   |
| 9.14.5  | Review of Related Party Transactions by the Related Party Transactions Review Committee  | Yes               |   |
| 9.14.6  | Shareholder Approval   | Yes               | Refer to Extraordinary General Meetings, including Shareholder Approval through the Special Resolution section.   |
| 9.14.8 (1)  | Details pertaining to Non-Recurrent Related Party Transactions   | Yes               |   |
| 9.14.8 (2)  | Details pertaining to Recurrent Related Party Transactions   | Yes               | Refer to Notes to the Financial Statements.   |
| 9.14.8 (3)  | Report of the Related Party Transactions Review Committee  | Yes               | Refer to the Report of the Related Party Transactions Review Committee.   |
| 9.14.8 (4)  | Declaration by the Board of Directors as an affirmative statement of compliance with the rules about Related Party Transactions or a negative statement otherwise  | Yes               | Refer to the Annual Report of the Board of Directors.   |
| 9.14.9 (1)/(2)  | Shareholder approval for the acquisition and disposal of substantial assets  | Yes               | Refer to Extraordinary General Meetings, including Shareholder Approval through the Special Resolution section.   |
| 9.14.9 (4)/(5)/<br>(6)                                  | Competent, independent advice on the acquisition and disposal of substantial asset   | Yes               | There was no acquisition and disposal of substantial assets during the year 2023/24.  |
| <b>9.16 Additional Disclosures</b>                      |  |                   |   |
| (i)   | Directors have disclosed all material interests in contracts and have refrained from voting when materially involved.  | Yes               | Directors disclose interests at appointment, at the beginning of every financial year and during the year as required.                                  |
| (ii)  | Directors have conducted a review of the internal controls and obtained reasonable assurance of their effectiveness and adherence.   | Yes               | The Board takes steps to ensure the integrity and effectiveness of internal control systems by periodically reviewing and monitoring them.              |
| (iii)   | Directors are aware of laws, rules and regulations and their changes, particularly to Listing Rules and applicable capital market provisions.  | Yes               | Refer to the Board Induction and Training section.  |
| (iv)  | Disclosure of material non-compliance with laws/regulations and fines by relevant authorities where the Entity operates.   | N/A               | N/A   |

# CORPORATE GOVERNANCE

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

### Mandatory Provisions - Fully Compliant

| Rule        | Requirement  | Complied | Action / Reference<br>(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 the 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) | This section provides information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period, as well as 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 in 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 |
| 168 (2)     | Information specified in paragraphs (b) to (j) of subsection (1) in relation to Subsidiaries.  | 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.

## The Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka

|                                       |   |
|---------------------------------------|---|
| <b>Directors</b>                      | <ul style="list-style-type: none"><li>• The Company is directed, controlled and lead by an effective Board that possess the skills, experience and knowledge and thus all Directors bring independent judgement on various subjects, particularly financial acumen.</li><li>• Chairperson of the board is a Non-executive Director</li><li>• Board Balance is maintained as the Code stipulates.</li><li>• Whilst there is a transparent procedure for Board Appointments, election and re-election, subject to shareholder approval, takes place at regular intervals.</li><li>• Specified information regarding Directors is shared in the Corporate Governance Commentary.</li></ul>   |
| <b>Directors' Remuneration</b>        | <ul style="list-style-type: none"><li>• The Human Resource and Compensation Committee, consisting of exclusively INEDs is responsible for determining the remuneration of Chairperson-CEO and EDs.</li><li>• Compensation commitments in the event of early termination, determination of NED remuneration, remuneration policy and aggregate remuneration paid is disclosed under the Director Remuneration section and is in line with the Code.</li></ul>  |
| <b>Relationship with Shareholders</b> | <ul style="list-style-type: none"><li>• There is constructive use of the AGM, as per Code. Notice of Meeting, with adequate details, is circulated to shareholders as per statute.</li><li>• The Group has in place multiple channels to reach shareholders as discussed under the Stakeholder Management and Effective Communication section.</li></ul>  |
| <b>Accountability and Audit</b>       | <ul style="list-style-type: none"><li>• Interim and other price sensitive and statutorily mandated reports are disclosed to Regulators. As evident from the Annual Report of the Board of Directors, the company carried out all business in accordance with regulations and applicable laws, equitably and fairly.</li><li>• The Company continues to be a going concern and remedial action for any material events is in place. All related party transactions are reported under the Notes to the Financial Statements.</li><li>• There is an annual review of the effectiveness of the Group's risk management and internal controls which ensures the maintenance of a sound system of internal control which is reported on under the Internal Controls section</li><li>• The Internal Audit function and the Audit Committee, functions as stipulated by the Code, and are discussed under the Audit Committee section.</li><li>• A Related Party Transactions Review Committee is in place and functions in line with the Code.</li><li>• There were no violations of the Group Code of Conduct and the Code of Business Conduct and Ethics during the year, which is mentioned under the Chairperson's Message section.</li></ul> |
| <b>Institutional Investors</b>        | <ul style="list-style-type: none"><li>• The Company conducts regular and structured dialogue with shareholders based on a mutual understanding of objectives. This is done via the Investor Relations team and through the AGM.</li></ul>   |

# CORPORATE GOVERNANCE

## Other Investors

- Individual shareholders investing directly in shares of the Company are encouraged to carry out adequate analysis and seek independent advice in all investing and/or divesting decisions. They are encouraged to participate at the AGM and exercise their voting rights and seek clarity, whenever required.

## Sustainability

- ESG (environmental, social, and governance) is a pivotal consideration in the Group's decision making. In reporting performance, the Annual Report covers ESG disclosures through the <IR> framework, GRI standards and operations in conformity with the Principles of the United Nations Global Compact and United Nations Sustainable Development Goals.

## Internet and Cybersecurity

- The Board has prioritised cybersecurity by appointing a dedicated member responsible for overseeing it within the Group. The Company has implemented a group policy, conduct periodic reviews to ensure its effectiveness, discuss cybersecurity risks at the board level, and disclose the management of risks in the Annual Report. Furthermore, measures have been taken to secure connectivity for both internal and external devices.

CA Sri Lanka issued a revised Code of Best Practice on Corporate Governance in December 2023, effective from 1 April 2024. While the Group has presented its compliance in line with the 2017 Code of Best Practice on Corporate Governance, The Group has reviewed the 2023 Code for further adoption, as applicable, and relevant to the Group.

# RISK MANAGEMENT

Risk management is a core concept in the Group's governance model. Our risk management culture comprises a set of values intrinsic to all our operations and business activities, which are shared and lived by all our employees. We firmly believe that a robust risk management culture brings significant benefits to any business organisation, not only in financial terms but also in areas relating to the long-term sustainability of our business. Our risk management framework promotes accountability, helps prevent irregularities and contributes to strengthening the company's due diligence procedures, among other benefits. 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, assesses them, and responds accordingly to provide reasonable assurance that it will achieve its objectives. When assessing risks, the Company and 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 effectively executing 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.

### **Risk identification and assessment**

Risks are identified at the business unit level and then categorised.

### **Risk validation**

After identifying external and internal factors, the current risk map is reviewed quarterly by the Group Management Committee.

### **Risk reporting**

Quarterly reporting to the Audit Committee of John Keells Hotels PLC and John Keells Holdings PLC.

# RISK MANAGEMENT

## 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 that, 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 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 to establish risk levels based on the values assigned for each risk.

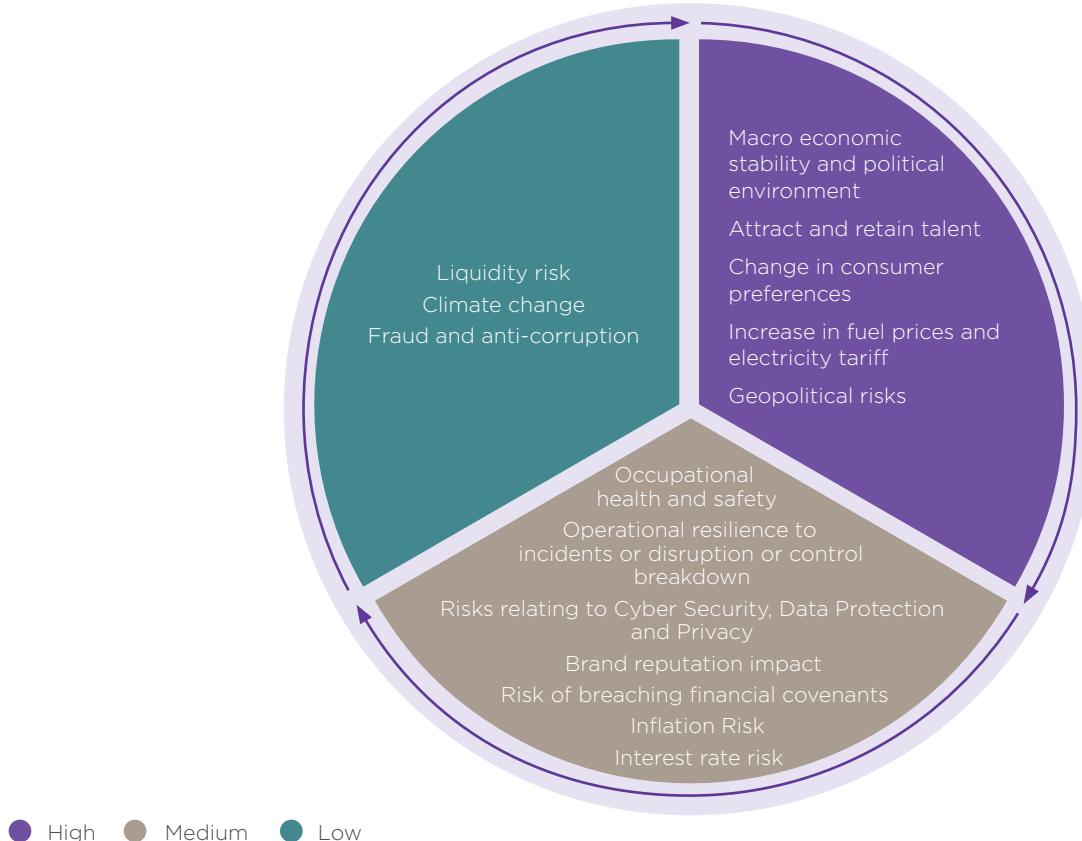
### Risk Management Strategy

The Hotels Group follows a holistic approach to identifying and managing 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.

The Sector Risk Management Team, headed by the Industry Group President, reviews high-level or core risks to validate the risk process at the Business Unit level. The significant risk areas impacting the company's strategic business objectives and the measures taken to address these risks are discussed below.

## Key Risks



### Emerging risks

In today's globalised and constantly shifting landscape, navigating a dynamic risk terrain requires careful consideration. This environment evolves rapidly, often manifesting in unforeseen ways, altering existing risks, introducing new ones, and unveiling fresh opportunities. The 2024 Global Risk Report from the World Economic Forum highlights a world grappling with a perilous combination of crises: climate change and conflict. These challenges unfold amidst a backdrop of swift technological advancements and economic instability.

### ESG risks (environmental, social and governance)

The group's risk management model identifies all risks directly or indirectly related to sustainability or ESG criteria and classifies risks on the map that may impact the Group's sustainability strategy.

### Geopolitical risks

Due to their geographical environment and the increase in global business, tourism companies are increasingly exposed to risks related to the international transfer of supplies, currency exchange and movement, and the safety

of employees and customers. As a result, it is imperative to analyse how all these factors interact to develop a risk management plan that can mitigate any potential damages.

This interrelation between countries and destinations, at a global level, and situations and changes within a country may have a significant domino effect on travelling patterns, not only in that specific country but throughout the world. Hence, it is essential to quantitatively and qualitatively analyse contingencies to subsequently study potential solutions in each case and also opportunities to take advantage of benefits in the long term.

### Cyber security

Cyber insecurity remains a top headline risk both in the short- and medium-term. To reduce the risk and improve their resilience, companies are developing their techniques for managing cybersecurity risk, assigning economic and human resources to respond to cyber threats.

# RISK MANAGEMENT

## Strategic / Business risk

| Risk Description  | Impacted Strategic Imperative   | Risk Responses   |
|---|---|--|
| <b>Geopolitical risk</b><br><p>Operating in a globally interconnected world necessitates a proactive approach to mitigate the potential impacts of unforeseen geopolitical events. The spectrum of geopolitical risks includes political shifts on both the global and domestic fronts, acts of war, terrorism, and various other disruptions.</p> <p>These may have wide-ranging consequences for our company, customers, suppliers, staff, and other business partners, including increased costs, loss, prohibition of cross-border activities, limitations on trade, closure of entire markets, and possible damage to stakeholder relationships.</p> <p>Geopolitical risk includes activities such as,</p> <ul style="list-style-type: none"> <li>Terrorism</li> <li>Political crises</li> <li>Wars and civil or military uprisings</li> </ul> | <b>GROW with Intent</b><br>  | <ul style="list-style-type: none"> <li>• Proactively implement marketing strategies to pursue other key feeder markets</li> <li>• Expanding geographical coverage</li> <li>• The company will continue to put efforts into enhancing revenue in all sales channels</li> <li>• Always keeps updated on both global and domestic events/circumstances in main feeder markets. The company also has a Business Continuity Plan (BCP) to ensure the safety and satisfaction of our stakeholders and supply chain.</li> </ul>   |
| <b>Macro-economic stability and the political environment</b><br><p>Macroeconomic instability in the domestic economy impacts both demand and supply factors.</p>   | <b>OPERATE with Excellence</b><br><br><b>GROW with Intent</b><br> | <ul style="list-style-type: none"> <li>• Scenario testing and proactively identifying action plans to mitigate risks</li> <li>• The Company will leverage its brand, sales initiatives, and product and service offerings to capture demand recovery. Expansion will be through an asset-light business model to preserve cash in the near to medium term.</li> <li>• The Company will continue to enhance revenue in all sales channels while strengthening its cost structure to boost overall profitability.</li> <li>• 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</li> </ul> |

| Risk Description  | Impacted Strategic Imperative  | Risk Responses   |
|---|--|--|
| <p><b>Change in consumer preferences</b><br/> In a highly competitive industry with increasing demands for personalisation, we must at all times anticipate and respond to evolving guest expectations, preferences and loyalty while strengthening returns through the services, technology platforms and experiences our brands provide, including ever-increasing digitalisation of the guest journey.</p> <p>Traveller needs are evolving rapidly in response to technological and socio-economic developments.</p> <p>Not responding to these changes impacts customer satisfaction levels</p> | GROW with Intent<br>          | <ul style="list-style-type: none"> <li>To deliver a relevant experience for the Company's customers amid a highly competitive, value-driven operating environment, the Company must continually implement initiatives to adapt aggressively.</li> <li>Greater focus on revenue management</li> <li>Product and rate positioning was refined to correspond with the value proposition of each hotel/resort</li> <li>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</li> <li>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</li> <li>Reviewing and innovating our experiential offerings to cater to evolving requirements</li> </ul> |
| <p><b>Our ability to attract and retain talent</b><br/> Our growth ambitions are dependent on high-quality talent across our hotels, reservations offices and corporate functions. We continue to face a competitive market and uncertainties about the availability, recruitment and retention of sufficient quality, quantity and diversity of talent, for example, next-generation hotel GMs to support our Luxury &amp; Lifestyle growth and a robust pipeline of leadership succession talent.</p>   | OPERATE with Excellence<br> | <ul style="list-style-type: none"> <li>Explore innovative recruitment and employment models such as part-time work and flexible work options to attract and retain non-traditional cohorts</li> <li>Communicating Employer Brand Value proposition more effectively to attract and retain new employees</li> <li>Ongoing investment in talent and competency development</li> <li>Remuneration and incentive strategy and policy. Strengthening rewards and benefits schemes through global benchmarking and levelling exercises</li> <li>Specific talent and succession planning</li> <li>DE&amp;I strategy</li> </ul>  |

# RISK MANAGEMENT

| Risk Description   | Impacted Strategic Imperative  | Risk Responses   |
|--|--|--|
| <b>Inflation Risk</b><br>Inflationary pressures can have a significant impact on our business and operational results. | OPERATE with Excellence<br> | <ul style="list-style-type: none"> <li>Proactive supply chain and cost management inclusive of: <ul style="list-style-type: none"> <li>Build up stocks: We have built up sufficient stocks when prices are low to manage the fluctuation in future price rises.</li> <li>Menu mix management to balance the overall cost of goods.</li> <li>Price adjustment without impacting purchasing volume from customers.</li> </ul> </li> <li>Menu re-engineering: Re-evaluate sales data and raw material costs to balance high- and low-cost items, including strategically featuring or promoting items to create a profitable menu.</li> </ul> |

## Operational Risks

| Risk Description   | Impacted Strategic Imperative  | Risk Responses   |
|--|--|--|
| <b>Risk of increase in fuel prices and electricity tariff</b><br>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   | OPERATE with Excellence<br> | <ul style="list-style-type: none"> <li>Monitoring market prices of fuel and exchange rates and planning in advance</li> <li>Evaluating alternative renewable energy sources</li> <li>Engagement of energy experts to improve energy efficiency</li> </ul>  |
| <b>Occupational health and safety</b><br>Non-compliance with health and safety standards can disrupt operations and seriously impact brand reputation.   | OPERATE with Excellence<br> | <ul style="list-style-type: none"> <li>The Hotels Group has set environmental, health and safety policies and standards</li> <li>Conducting periodic audits and addressing gaps identified through training</li> </ul>   |
| <b>Operational resilience to incidents or disruption or control breakdown</b><br>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 | OPERATE with Excellence<br> | <ul style="list-style-type: none"> <li>Comprehensive schedule of preventive maintenance programmes</li> <li>Valid service provider agreements with local spare part suppliers</li> <li>Additional provisions for backup generators and identified generator providers in each resort location</li> <li>Outsourced internal audits</li> <li>Special investigations</li> </ul> |
| <b>Fraud and anti-corruption</b><br>Possibility for fraud and engaging in corruption can lead to financial losses as well as reputational damages to the entity.   | OPERATE with Excellence<br> | <ul style="list-style-type: none"> <li>Data-driven analytics</li> <li>Internal audits</li> <li>Special investigations</li> </ul>   |

| Risk Description   | Impacted Strategic Imperative  | Risk Responses   |
|--|--|--|
| <p><b>Brand reputation impact</b><br/>Events that could negatively affect the reputation and relationships with key stakeholders</p>   | <p>OPERATE with Excellence</p>  | <ul style="list-style-type: none"> <li>Training and development of staff</li> <li>Carrying out compliance audits/brand audits</li> <li>Brand positioning, development, and marketing</li> <li>Establishment of a Crisis Communication Plan/ Team and Spokesperson</li> </ul>   |
| <p><b>Risks relating to Cyber Security, Data Protection and Privacy</b><br/>In conducting business, the company increasingly collects, uses, transmits, and stores data on its information technology systems. This data includes confidential information belonging to the Company, its guests, customers, and other business partners, as well as personally identifiable information of individuals, including guests, customers, and employees.</p> <p>The Company is subject to cybersecurity threats and incidents, ranging from employee error or misuse to individual attempts to gain unauthorised access to information technology systems to sophisticated and targeted measures known as advanced persistent threats.</p> <p>Future cybersecurity breaches, general information security incidents, and failure to comply with relevant legal obligations regarding data privacy and protection could, therefore, have a material adverse effect on the Company's reputation, results of operations, financial position, and cash flows.</p> | <p>OPERATE with Excellence</p>  | <ul style="list-style-type: none"> <li>The company continues to invest in security technologies, protecting its perimeter from breaches of IT systems using Automated and Adaptive Security Technologies with multiple global security partners.</li> <li>Conducting penetration testing and Vulnerability Assessment scans to identify security vulnerabilities in IT assets and develop a remediation plan to address any vulnerabilities discovered.</li> <li>Well-defined cyber security incident response process addressing the pillars of device, information and user</li> <li>Training employees and creating staff awareness on the importance of maintaining information security and handling sensitive information</li> <li>Implementation and regular testing and verification of network protection technology</li> <li>Pursuing opportunities with cloud-based applications</li> </ul> |

## Financial Risks

| Risk Description   | Impacted Strategic Imperative  | Risk Responses  |
|--|--|---|
| <p><b>Liquidity risk</b><br/>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 in the future</p> | <p>OPERATE with Excellence</p>  | <ul style="list-style-type: none"> <li>Preserving cash flow by reducing cash burn</li> <li>Pursue long-term funding options and minimise capital expenditure</li> </ul> |

# RISK MANAGEMENT

| Risk Description   | Impacted Strategic Imperative   | Risk Responses  |
|--|---|---|
| <b>Financial covenant breach</b><br>Possibility of breaching financial covenants imposed by Banks due to financial constraints | OPERATE with Excellence<br>  | <p>The Company and Hotels Group endeavours to maintain a strong financial position, ensuring covenants are complied with through the following measures:</p> <ul style="list-style-type: none"> <li>• Close monitoring and forecasting of possible covenant breaches and informing financial institutions of potential breaches</li> <li>• Take preventive measures to seek waivers from banks</li> <li>• Pursue covenant amendments from banks</li> </ul>  |
| <b>Interest rate risk</b><br>Impact of interest rate fluctuations on investments and borrowing costs                           | OPERATE with Excellence<br><br>GROW with Intent<br> | <p>Funding cost and mitigated the interest rate risk through various diversification strategies to negate the effect of rate changes. These strategies generally include:</p> <ul style="list-style-type: none"> <li>• Paying more attention to the market trend in interest rates and managing the debt portfolio efficiently by the medium to long-term trend.</li> <li>• Increasing accelerated payment of high-interest debts</li> <li>• Diversifying the debt portfolio, i.e. sources and maturity of debt.</li> </ul> |
| <b>Credit risk</b><br>Risk of customers defaulting on payments   | OPERATE with Excellence<br>  | <ul style="list-style-type: none"> <li>• Stringent credit policy in place</li> <li>• Evaluation of customer creditworthiness.</li> <li>• Obtaining periodic confirmation of outstanding balances</li> <li>• Regular follow-up on debtors</li> <li>• Weekly debtors meeting with Management</li> </ul>   |

## Environmental Risks

| Risk Description   | Impacted Strategic Imperative  | Risk Responses  |
|--|--|---|
| <p><b>Climate change impact</b></p> <p>The Group's footprint in Sri Lanka and the Maldives is subject to various current and emerging climate change risks. These include altered landscapes, more severe and frequent natural disasters, and disruptions to commodity prices and food supply chains.</p> <p>Such climatic occurrences directly impact tourism by influencing destination choices and travel timings or indirectly by affecting the quality of the experience through adverse perceptions post-disaster or concerns over destination safety.</p> <p>Beyond the effects on tourism, these climate risks also pose challenges to agriculture, impacting crop yields, livestock health, and the logistics of food production and availability. These agricultural disruptions, in turn, directly affect the operations and supply chain, underscoring the interconnectedness of climate risks with the broader operational and strategic considerations of the Company.</p> | <p>OPERATE with Excellence</p>  | <ul style="list-style-type: none"> <li>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</li> <li>Promoting biodiversity conservation</li> <li>Hotels Group's commitment to establishing long-term goals focusing on efficient resource utilisation and reducing emissions</li> <li>Setting up standards, training and monitoring a range of environmental indicators, including water, energy, waste, and carbon footprint</li> <li>Consider long-term climate change impacts in evaluating expansion plans</li> <li>Promoting awareness among key stakeholders on sustainable operations</li> <li>Business Continuity Plans, including alternate working arrangements and emergency response plans in the event of natural disasters</li> </ul> |



# TRANSPARENT PERFORMANCES

Cinnamon Hotels & Resorts is committed to responsible business practices, prioritising strong corporate governance, effective risk management, and the protection of human rights. We have established a robust framework of governance, guidelines, and policies to ensure ethical and accountable operations. Transparency and open communication are fundamental to our approach. We rely on the support of our employees and community stakeholders for sustainable growth. Our goal is to empower our workforce and community, particularly youth, through initiatives in inclusion, education, job creation, and community investments.

We recognise the crucial role of a sustainable supply chain in mitigating risks, ensuring product quality, optimising costs, and maintaining regulatory compliance. Our partnerships with suppliers help us uphold sustainability standards throughout the value chain, making a positive impact on the broader economy.



# FINANCIAL CALENDAR

| Year ended 31 March                     | 2024            | 2023            |
|---|-----------------|-----------------|
| Audited Financial Statements signed on  | 21 May 2024     | 23 May 2023     |
| Annual General Meeting                  | 27 June 2024    | 27 June 2023    |
| Interim Financial Statements            |                 |                 |
| 1st Quarter Interim Results released on | 25 July 2023    | 20 July 2022    |
| 2nd Quarter Interim Results released on | 6 November 2023 | 2 November 2022 |
| 3rd Quarter Interim Results released on | 30 January 2024 | 27 January 2023 |
| 4th Quarter Interim Results released on | 21 May 2024     | 23 May 2023     |

# INDEX TO FINANCIAL INFORMATION

**Annual Report of the Board of Directors**  
**Statement of Directors' Responsibility**  
**Independent Auditor's Report**  
**Income Statement**  
**Statement of Comprehensive Income**  
**Statement of Financial Position**  
**Statement of Changes in Equity**  
**Statement of Cash Flows**  
**Notes to the Financial Statements**

| <b>Corporate and Group information</b>                                       |  |
|--|--|
| 1  | Corporate information  |
| 2  | Group information  |
| <b>Basis of preparation and other material accounting policy information</b> |  |
| 3  | Basis of preparation   |
| 4  | Material accounting policy information                       |
| 5  | Significant accounting judgements, estimates and assumptions |
| 6  | Changes in accounting standards                              |
| 7  | Standards issued but not yet effective                       |
| <b>Group business, operations and management</b>                             |  |
| 8  | Operating segment information                                |
| 9  | Basis of consolidation                                       |
| 10   | Business combinations and goodwill                           |
| 11   | Financial risk management objectives and policies            |
| 12   | Fair value measurement and related disclosures               |
| 13   | Financial instruments and related policies                   |

| <b>Notes to the Income Statement, Statement of Comprehensive Income and Statement of Financial Position</b> |   |
|---|---|
| 14  | Revenue from contracts with customers               |
| 15  | Dividend income                                     |
| 16  | Other operating income and other operating expenses |
| 17  | Finance income and finance costs                    |
| 18  | Profit/(loss) before tax                            |
| 19  | Taxes   |
| 20  | Earnings/(loss) per share                           |
| 21  | Property, plant and equipment                       |
| 22  | Right of use assets and lease liabilities           |
| 23  | Investment properties                               |
| 24  | Intangible assets and goodwill                      |
| 25  | Investment in subsidiaries                          |
| 26  | Investment in equity accounted investees            |
| 27  | Non-current financial assets                        |
| 28  | Other non-current assets                            |
| 29  | Inventories   |
| 30  | Trade and other receivables                         |
| 31  | Other current assets                                |
| 32  | Short-term investments                              |
| 33  | Stated capital and other components of equity       |
| 34  | Share-based payment plans                           |
| 35  | Interest-bearing loans and borrowings               |
| 36  | Employee benefit liabilities                        |
| 37  | Other deferred liabilities                          |
| 38  | Other non-current liabilities                       |
| 39  | Trade and other payables                            |
| 40  | Other current liabilities                           |
| 41  | Related party transactions                          |

| <b>Other disclosures</b> |   |
|--------------------------|---|
| 42                       | Commitments                             |
| 43                       | Assets pledged                          |
| 44                       | Contingent liabilities                  |
| 45                       | Events subsequent to the reporting date |

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have the pleasure in presenting the 45th Annual Report (9th Integrated Annual Report) of John Keells Hotels PLC ("Company") together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries ("Hotels Group") for the year ended 31 March 2024.

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, remained 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 2024 and future business development of the Company and Hotels Group, is provided in the Chairperson's Message and The Management Discussion and Analysis 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 situation 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 and that the Company 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 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. CA Sri Lanka issued a revised Code of Best Practice on Corporate Governance in December 2023, effective from 1 April 2024. While the Company has presented its compliance in line with the 2017 Code of Best Practice on Corporate Governance, the Company has reviewed the 2023 Code for further adoption, as applicable, and relevant to the Company.

## **BOARD EVALUATION**

The Board conducted its annual Board performance appraisal for the financial year 2023/24. 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 140 to 174 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 JKH 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 Message on pages 8 to 11 and Risk Management practices on pages 175 to 183 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) and (2017) 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 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.

The Statement of Directors' Responsibility for financial reporting is given on page 195 and forms an integral part of this Annual Report of the Board of Directors.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## ACCOUNTING POLICIES

All the material accounting policies adopted by the Company and Group are provided in the Notes to the Financial Statements. There have been no changes in the accounting policies adopted by the Group during the year under review. For all periods up to and including the year ended 31 March 2024, the Company and the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

## REVENUE

The revenue of the Hotels Group from its operations amounted to Rs. 30,739Mn (2022/23 - Rs. 28,835Mn). The Segment-wise contribution to Hotels Group revenue, results, assets and liabilities are provided in Note 8.1 to the Financial Statements.

## FINANCIAL RESULTS AND APPROPRIATIONS

The Company recorded a profit after tax of Rs. 95.2Mn (2022/23 - Rs. 68.2Mn), while the Group recorded a consolidated net loss after tax of Rs. 439Mn (2022/23 - Rs. 332.5Mn) for the year under review. A synopsis of the Company's and Hotels Group's performance is presented below:

| In Rs. '000  | Group       |             | Company   |           |
|--|-------------|-------------|-----------|-----------|
|  | 2024        | 2023        | 2024      | 2023      |
| After making provision for doubtful debts, all known liabilities and depreciation on property, plant and equipment, the profit/(loss) earned before interest was | 2,816,942   | 2,097,971   | 201,955   | 164,632   |
| Finance costs during the year was  | (2,882,137) | (2,702,004) | (105,482) | (96,389)  |
| Profit/(loss) before tax was   | (65,195)    | (604,033)   | 96,473    | 68,243    |
| From which was charged/(reversed) the provision for taxation, including the deferred taxation of   | (373,810)   | 271,489     | (1,285)   | -         |
| Leaving a net profit/(loss) after tax of   | (439,005)   | (332,544)   | 95,188    | 68,243    |
| The loss attributable to the non-controlling interest was  | (2,577)     | (11,620)    | -         | -         |
| The profit/(loss) attributable to the Company and the Group was therefore  | (436,428)   | (320,924)   | 95,188    | 68,243    |
| Balance brought forward from the previous year   | 1,968,045   | 2,296,282   | 3,313,996 | 3,245,753 |
| The amount available for appropriation was   | 1,531,617   | 1,975,358   | 3,409,184 | 3,313,996 |
| Other adjustments  | (19,885)    | (7,313)     | 2,805     | -         |
| Dividend paid during the year  | -           | -           | -         | -         |
| Leaving a balance to be carried forward to the next year of  | 1,511,732   | 1,968,045   | 3,411,989 | 3,313,996 |

## DIVIDENDS

There was no dividend paid for the financial year ended 31 March 2024

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 19 to the Financial Statements.

## INDEPENDENT AUDITORS' REPORT

The Independent Auditors' Report on the Financial Statements is given on page 196 of this Annual Report.

## PROPERTY, PLANT AND EQUIPMENT

The book value of property, plant, and equipment as at the reporting date amounted to Rs. 33,158Mn (2022/23 - Rs. 34,822Mn) for the Hotels Group. Capital expenditure for the Hotels Group amounted to Rs. 1,125Mn (2022/23 - Rs. 1,063Mn). Details of property, plant and equipment and their movements are given in Note 21 to the Financial Statements.

## MARKET VALUE OF PROPERTIES

Freehold land and buildings of the 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 2023. Details of property valuations, including the valuation method and effective date of these valuations are provided in Note 21.2 and Note 23 to the Financial Statements.

Details of the Group's real estate portfolio as at 31 March 2024, are disclosed within the Supplementary Information section of the Annual Report.

## INVESTMENTS

The details of investments held by the Company and the Hotels Group as at 31 March 2024, are given in Notes 25, 26 and 27 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 2023/24 (2022/23- Nil).

## STATED CAPITAL

The total Stated Capital of the Company as at 31 March 2024 stood at Rs.9,500.2Mn (2023 - Rs. 9,500.2Mn) divided into 1,456,146,780 Ordinary Shares (2023 - 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 203 of this Report.

## SEGMENT REPORTING

Geographical segment-wise contribution to the Hotels Group revenue, segment results, assets, and liabilities is provided in Note 8.1 to the Financial Statements.

## SHARE INFORMATION AND SHAREHOLDINGS

The market value of an Ordinary Share of the Company as at 31 March 2024 was Rs. 18.60 (31 March 2023 - Rs. 18.90). 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 2024 was 6,755 (31 March 2023 - 6,546). An analysis of shareholders based on shares held, the distribution of ownership and details of share transactions during the year are provided on pages 104 and 105 of this Annual Report. The list of top twenty-five shareholders of the Company as at 31 March 2024 is also provided on page 105 of this Annual Report.

## FLOAT ADJUSTED MARKET CAPITALISATION

As at 31 March 2024, Company had a float adjusted market capitalisation of Rs. 5,330Mn and 6,754 public shareholders (19.68% public shareholdings). Therefore, the Company is compliant under option O1 of the minimum threshold requirements for the Diri Savi Board of the CSE, and as required under section 7.13.1 (b) of the Listing Rules of the CSE.

## EQUITABLE TREATMENT OF 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 2024 and their brief profiles are given on pages 148 to 149 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 fitness and propriety of all Directors and the independence of the Independent Non- Executive Directors.

In accordance with Article 83 of the Articles of Association of the Company, Mr. S Rajendra and Ms. A K Moonesinghe retire by rotation and being eligible, will offer themselves 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 2024:

H Premaratne\* – Chairperson

K A Gunasekera

A K Moonesinghe

\*Member of a professional accounting body.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 156 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 JKH, the Parent Company, functions as the Human Resources and Compensation Committee of the Company.

The composition of the Human Resources and Compensation Committee of JKH comprising solely of Independent Non Executive Directors is given below:

D A Cabraal - Chairperson

S S H Wijayasuriya

By Invitation

S Coorey

A N Fonseka

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 140 to 174 of this Annual Report.

The aggregate remuneration paid to the Non-Executive Directors is contained in Note 18 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 153 and page 159 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

S Coorey\*\*

\* Retired from 1 July 2023

\*\* Appointed w.e.f. 8 November 2023

## 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;

A N Fonseka – Chairperson

D A Cabraal

S Fernando\*\*

M P Perea\*

\*Retired w.e.f. 1 July 2023

\*\*Appointed w.e.f. 8 November 2023

The Report, mandate and the scope of the Related Party Transactions Review Committee is set out on page 154 and page 160 of this Annual Report. Disclosures pertaining to Related Party transactions are contained on page 266 of this Annual Report.

The Directors confirm that the Company is in compliance with the Listing Rules of the CSE pertaining to related party transactions.

## 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\*

\* Retired with effect from 1 July 2023.

The Report, mandate and the scope of the Project Risk Assessment Committee is set out on page 155 and page 161 of this Annual Report.

## DIRECTORS' SHAREHOLDINGS

The shares held by Directors and their spouses in the Company as at 31 March 2024 and 2023 are as follows:

| As at                           | 31 March<br>2024 | 31 March<br>2023 |
|---------------------------------|------------------|------------------|
| K. N. J. Balendra - Chairperson | Nil              | Nil              |
| J. G. A. Cooray                 | Nil              | Nil              |
| S. Rajendra                     | Nil              | Nil              |
| M. R. Svensson                  | Nil              | Nil              |
| M. H. Singhawansa               | Nil              | Nil              |
| H. Premaratne                   | Nil              | Nil              |
| A. K. Moonesinghe (Ms.)         | Nil              | Nil              |
| K. A. Gunasekera (Dr.)          | Nil              | Nil              |

## **INTERESTS REGISTER**

The Company has maintained an Interests Register as contemplated by the Companies Act. In compliance with the requirements of the Companies Act, 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 that have not dispensed with the requirement to maintain an interest register as permitted by Section 30 of the Companies. 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.

Particulars of entries in the Interests Register for the Financial Year 2023/24 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 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 2024.

### **c. Indemnities and Directors' Remuneration**

Details of the remuneration, other benefits and indemnities received by the Directors of the Company, its subsidiaries and joint ventures are set out in Note 18 to the Financial Statements. While Executive Director's remuneration, if any 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.

## **DIRECTORS MEETINGS**

Details of the meetings of the Directors are given on page 151.

## **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 2024 was 2,432 (2023 - 2,309).

## **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 19 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 2024, the trade and other payable of the Hotels Group amounted to Rs. 2,381Mn (2023 - Rs. 2,060Mn) and for the Company amounted to Rs. 9.4Mn (2023 - Rs. 6.6Mn).

## **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. 11.2Mn (2022/23- Rs. 6.1Mn). Donations made by Subsidiaries of the Company were as follows: Ceylon Holiday Resorts Ltd - Rs. 469,748/- (2022/23 - Rs. 506,041/-), Yala Village (Pvt) Ltd - Rs. 1,495,848/- (2022/23 - Rs. 705,793/-), Beruwala Holiday Resorts (Pvt) Ltd - Rs. 2,134,644/- (2022/23 - Rs. 551,037/-), Hikkaduwa Holiday Resorts (Pvt) Ltd - Rs. 3,264,373/- (2022/23 - Rs. 131,140/-), Kandy Walk Inn Ltd - Rs. 978,230/- (2022/23 - Rs. 455,973/-), Habarana Lodge Ltd - Rs. 248,860/- (2022/23 - Rs. 403,810/-), Habarana Walk Inn Ltd - Rs. 185,521/- (2022/23 - Rs. 66,166/-), Trinco Holiday Resorts (Pvt) Ltd - Rs. 322,634/- (2022/23 -

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

1,054,976/-), Cinnamon Holidays Pvt Ltd - 61,830 (2022/23  
- Rs. Nil/-), Travel Club (Pte) Ltd -Rs. 373,770/- (2022/23  
- Rs. 705,557/-), Fantasea World Investments (Pte) Ltd - Rs.  
770,235/- (2022/23-Rs. 373,272/-) and Tranquility (Pte) Ltd -  
Rs. 953,014 (2022/23 - Rs. 1,189,769/-).

## 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 18 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 156 and 157.

## ANNUAL REPORT

The audited consolidated Financial Statements for the financial year ended 31 March 2024 were approved for issue by the Board of Directors on 21 May 2024. 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 2024, 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

21 May 2024

# 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 its subsidiaries for the year ended 31 March 2024, 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;
- in accordance with Companies,
- 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/or 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 and 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 21 May 2024. The appropriate number of copies will be submitted to the CSE 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 44 to the Financial Statements covering Contingent Liabilities. The Board of Directors confirm 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

21 May 2024

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
No. 109, Galle Road  
P.O. Box 101  
Colombo 03, Sri Lanka

Tel : +94 11 246 3500  
Fax : +94 11 768 7869  
Email: eysl@lk.ey.com  
ey.com

## TO THE SHAREHOLDERS OF JOHN KEELLS HOTELS PLC

### Report on the audit of the 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 2024 , and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2024, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities

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

#### Key audit matters

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

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

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <p><b>Assessment of fair value of land and buildings</b></p> <p>Property, Plant and Equipment and Investment Property include land and buildings carried at fair value. The fair value of land and buildings were determined by external valuers engaged by the Group.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>The materiality of the reported fair value of land and buildings which amounted to Rs. 31,359 Mn representing 39% of the Group's total assets as of the reporting date; and</li> <li>The degree of assumptions, judgements and estimation uncertainties associated with fair valuation of land and buildings using the market approach, income approach and depreciated replacement cost approach.</li> </ul> <p>Key areas of significant judgments, estimates and assumptions used in assessing the fair value of land and buildings, as disclosed in Notes 21 and 23 to the financial statements, included judgements involved in ascertaining the appropriate valuation techniques and estimates such as:</p> <ul style="list-style-type: none"> <li>Estimate of per perch value of the land</li> <li>Estimate of the per square foot value of the buildings</li> <li>Occupancy rates, average room rates and yield</li> </ul> | <p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>Assessed the competency, capability and objectivity of the external valuers engaged by the Group.</li> <li>Read the external valuer's report and understood the key estimates made and the valuation approaches taken by the valuer in determining the valuation of each property.</li> <li>Assessed the reasonableness of significant assumptions, judgements and estimates made by the valuer such as per perch value, per square foot value, occupancy rates, average room rates, yield and valuation techniques as relevant in assessing the fair value of each property.</li> </ul> <p>We also assessed the adequacy of the disclosures made in Notes 21 and 23 to the financial statements.</p> |
| <p><b>Interest-bearing loans and borrowings</b></p> <p>As of the reporting date, the Group reported total interest-bearing loans and borrowings of Rs. 12,993 Mn, of which Rs. 6,818 Mn is reported as current liabilities and the balance Rs. 6,175 Mn as non-current liabilities.</p> <p>Interest-bearing loans and borrowings was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>The materiality of the reported interest-bearing loans and borrowings balance which represents 27% of the Group's total liabilities as of the reporting date; and</li> <li>The existence of several financial and non-financial covenants, the breach of which could impact the classification of the interest-bearing loans and borrowings in the financial statements.</li> </ul>   | <p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>Obtained an understanding of the terms and conditions attached to loans and borrowings, by perusing the agreements.</li> <li>Reviewed the Management's statements of compliance with loan covenants and timely reporting and monitoring of covenant compliances in relation to interest-bearing loans and borrowings and payment of the loan instalments.</li> <li>Obtained confirmations from banks on outstanding loans and borrowings as at 31 March 2024 and where required waivers of covenants by the banks.</li> </ul> <p>We assessed the adequacy and appropriateness of the disclosures made in Note 35 relating to interest-bearing loans and borrowings.</p>                               |

# INDEPENDENT AUDITOR'S REPORT



## Other Information included in the 2024 Annual Report

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

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

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

## Responsibilities of the management and those charged with governance for the financial statements.

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

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

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

## Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional 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 the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a

going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or

when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on other legal and regulatory requirements**

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

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



21 May 2024  
Colombo

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

Principals: T P M Ruberu FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shathivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

# INCOME STATEMENT

| For the year ended 31 March<br>In Rs. '000s                     | Note | Group             |                   | Company       |               |
|---|------|-------------------|-------------------|---------------|---------------|
|   |      | 2024              | 2023              | 2024          | 2023          |
| Revenue from contracts with customers                           | 14   | 30,739,251        | 28,835,400        | -             | -             |
| Cost of sales   |      | (11,789,456)      | (10,788,449)      | -             | -             |
| <b>Gross profit</b>   |      | <b>18,949,795</b> | <b>18,046,951</b> | -             | -             |
| Dividend income   | 15   | -                 | -                 | 159,617       | 76,655        |
| Other operating income  | 16.1 | 138,928           | 166,889           | 59,677        | 23,758        |
| Selling and distribution expenses                               |      | (1,525,939)       | (1,334,331)       | -             | -             |
| Administrative expenses   |      | (11,561,363)      | (11,819,422)      | (36,825)      | (21,733)      |
| Other operating expenses  | 16.2 | (3,352,945)       | (3,317,650)       | (924)         | (818)         |
| Results from operating activities                               |      | 2,648,476         | 1,742,437         | 181,545       | 77,862        |
| Finance costs   | 17.2 | (2,882,137)       | (2,702,004)       | (105,482)     | (96,389)      |
| Finance income  | 17.1 | 66,084            | 148,166           | 20,410        | 86,770        |
| Net gain from fair value remeasurement of investment properties | 23   | 98,250            | 201,400           | -             | -             |
| Share of results of equity accounted investees (net of tax)     | 26   | 4,132             | 5,968             | -             | -             |
| <b>Profit/(loss) before tax</b>                                 |      | <b>(65,195)</b>   | <b>(604,033)</b>  | <b>96,473</b> | <b>68,243</b> |
| Tax (expense)/reversal  | 19.1 | (373,810)         | 271,489           | (1,285)       | -             |
| <b>Profit/(loss) for the year</b>                               |      | <b>(439,005)</b>  | <b>(332,544)</b>  | <b>95,188</b> | <b>68,243</b> |
| <b>Attributable to :</b>  |      |                   |                   |               |               |
| Equity holders of the parent                                    |      | (436,428)         | (320,924)         |               |               |
| Non-controlling interests                                       |      | (2,577)           | (1,620)           |               |               |
|   |      | <b>(439,005)</b>  | <b>(332,544)</b>  |               |               |
| Earnings/(Loss) per share - Basic/Diluted                       | 20   | Rs. (0.30)        | Rs. (0.22)        | Rs. 0.07      | Rs. 0.05      |

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 206 to 272 form an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

| For the year ended 31 March<br>In Rs. '000s  | Note | Group       |             | Company |        |
|--|------|-------------|-------------|---------|--------|
|  |      | 2024        | 2023        | 2024    | 2023   |
| Profit/(loss) for the year   |      | (439,005)   | (332,544)   | 95,188  | 68,243 |
| <b>Other comprehensive income</b>  |      |             |             |         |        |
| Other comprehensive income to be reclassified to income statement in subsequent periods            |      |             |             |         |        |
| Exchange differences on translation of foreign operations  |      | (1,698,876) | 1,372,872   | -       | -      |
| Net other comprehensive income to be reclassified to income statement in subsequent periods        |      | (1,698,876) | 1,372,872   | -       | -      |
| <b>Other comprehensive income not to be reclassified to income statement in subsequent periods</b> |      |             |             |         |        |
| Revaluation of land and buildings  | 21.1 | 1,148,844   | 2,664,366   | -       | -      |
| Net gain/(loss) on equity instruments at fair value through other comprehensive income             |      | (2)         | 7           | (2)     | 7      |
| Gain from change in holding structure of investments in subsidiaries                               |      | -           | -           | 2,805   | -      |
| Re-measurement loss on defined benefit plans   | 36.1 | (29,564)    | (7,397)     | -       | -      |
| Net other comprehensive income not to be reclassified to income statement in subsequent periods    |      | 1,119,278   | 2,656,976   | 2,803   | 7      |
| Tax on other comprehensive income  | 19.2 | (296,500)   | (1,239,057) | -       | -      |
| Other comprehensive income for the year, net of tax  |      | (876,098)   | 2,790,791   | 2,803   | 7      |
| Total comprehensive income for the year, net of tax  |      | (1,315,103) | 2,458,247   | 97,991  | 68,250 |
| <b>Attributable to:</b>  |      |             |             |         |        |
| Equity holders of the parent   |      | (1,320,420) | 2,457,802   |         |        |
| Non-controlling interests  |      | 5,317       | 445         |         |        |
|  |      | (1,315,103) | 2,458,247   |         |        |

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 206 to 272 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

| As at 31 March<br>In Rs. '000s                             | Note   | Group             |                   | Company           |                   |  |
|--|--------|-------------------|-------------------|-------------------|-------------------|--|
|  |        | 2024              | 2023              | 2024              | 2023              |  |
| <b>ASSETS</b>  |        |                   |                   |                   |                   |  |
| <b>Non-current assets</b>                                  |        |                   |                   |                   |                   |  |
| Property, plant and equipment                              | 21.1   | 33,158,443        | 34,821,838        | -                 | -                 |  |
| Right-of-use assets  | 22.1.1 | 35,471,044        | 41,443,969        | -                 | -                 |  |
| Investment properties                                      | 23     | 2,070,528         | 1,970,300         | -                 | -                 |  |
| Intangible assets and goodwill                             | 24     | 670,407           | 670,407           | -                 | -                 |  |
| Investment in subsidiaries                                 | 25     | -                 | -                 | 12,363,163        | 12,690,759        |  |
| Investment in equity accounted investees                   | 26     | 1,370,175         | 782,923           | 1,350,962         | 767,842           |  |
| Non-current financial assets                               | 27     | 172,390           | 174,254           | 10                | 12                |  |
| Deferred tax assets  | 19.5.1 | 980,647           | 1,351,203         | 9,083             | 10,368            |  |
| Other non-current assets                                   | 28     | 1,870             | 2,711             | -                 | -                 |  |
|  |        | 73,895,504        | 81,217,605        | 13,723,218        | 13,468,981        |  |
| <b>Current assets</b>                                      |        |                   |                   |                   |                   |  |
| Inventories  | 29     | 597,694           | 600,342           | -                 | -                 |  |
| Trade and other receivables                                | 30     | 3,436,969         | 2,902,325         | -                 | -                 |  |
| Amounts due from related parties                           | 41.1   | 300,250           | 74,626            | 18,874            | 3,552             |  |
| Other current assets                                       | 31     | 527,910           | 505,794           | 7,366             | 5,180             |  |
| Short-term investments                                     | 32     | 29,499            | 576,683           | -                 | 108,569           |  |
| Cash in hand and at bank                                   |        | 1,111,714         | 1,218,959         | 355,395           | 445,912           |  |
|  |        | 6,004,036         | 5,878,729         | 381,635           | 563,213           |  |
| <b>Total assets</b>  |        | <b>79,899,540</b> | <b>87,096,334</b> | <b>14,104,853</b> | <b>14,032,194</b> |  |
| <b>EQUITY</b>  |        |                   |                   |                   |                   |  |
| <b>Equity attributable to equity holders of the parent</b> |        |                   |                   |                   |                   |  |
| Stated capital   | 33.1   | 9,500,247         | 9,500,247         | 9,500,247         | 9,500,247         |  |
| Revenue reserves   |        | 1,511,732         | 1,968,045         | 3,411,989         | 3,313,996         |  |
| Other components of equity                                 | 33.2   | 20,168,463        | 21,030,791        | (3)               | (1)               |  |
|  |        | 31,180,442        | 32,499,083        | 12,912,233        | 12,814,242        |  |
| Non-controlling interests                                  |        | 104,090           | 99,319            | -                 | -                 |  |
| <b>Total equity</b>  |        | <b>31,284,532</b> | <b>32,598,402</b> | <b>12,912,233</b> | <b>12,814,242</b> |  |
| <b>Non-current liabilities</b>                             |        |                   |                   |                   |                   |  |
| Interest-bearing loans and borrowings                      | 35.1   | 6,174,553         | 12,961,265        | 824,389           | 938,394           |  |
| Lease liabilities  | 22.1.2 | 16,245,983        | 21,125,639        | -                 | -                 |  |
| Deferred tax liabilities                                   | 19.5.2 | 1,688,146         | 1,394,026         | -                 | -                 |  |
| Employee benefit liabilities                               | 36     | 339,134           | 262,928           | -                 | -                 |  |
| Other deferred liabilities                                 | 37     | 4,278             | 23,803            | -                 | -                 |  |
| Other non-current liabilities                              | 38     | 123,226           | 158,640           | -                 | -                 |  |
|  |        | 24,575,320        | 35,926,301        | 824,389           | 938,394           |  |
| <b>Current liabilities</b>                                 |        |                   |                   |                   |                   |  |
| Trade and other payables                                   | 39     | 2,381,019         | 2,059,784         | 9,395             | 6,553             |  |
| Amounts due to related parties                             | 41.2   | 524,688           | 347,262           | 2,077             | 1,275             |  |
| Other current liabilities                                  | 40     | 1,767,504         | 1,802,241         | -                 | -                 |  |
| Income tax liabilities                                     | 19.4   | 73,699            | 88,086            | 9,518             | 10,368            |  |
| Interest-bearing loans and borrowings                      | 35.1   | 6,818,147         | 4,604,427         | 347,241           | 261,362           |  |
| Lease liabilities  | 22.1.2 | 3,143,257         | 1,682,243         | -                 | -                 |  |
| Bank overdrafts  |        | 9,331,374         | 7,987,588         | -                 | -                 |  |
|  |        | 24,039,688        | 18,571,631        | 368,231           | 279,558           |  |
| <b>Total equity and liabilities</b>                        |        | <b>79,899,540</b> | <b>87,096,334</b> | <b>14,104,853</b> | <b>14,032,194</b> |  |

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 206 to 272 form an integral part of these financial statements.

21 May 2024  
Colombo

# STATEMENT OF CHANGES IN EQUITY

| GROUP   | Attributable to equity holders of the parent |                        |   |  |   |                    |   | Total<br>equity      |
|---|--|------------------------|---|--|---|--------------------|---|----------------------|
|   | Stated<br>capital                            | Revaluation<br>reserve | Foreign<br>currency<br>translation<br>reserve | Employee<br>Share<br>Option<br>Plan<br>reserve | Fair value<br>reserve of<br>financial<br>assets | Revenue<br>reserve | Total<br>Non-<br>controlling<br>interests |                      |
| In Rs. '000s                                    |  |                        |   |  |   |                    |   |                      |
| As at 1 April 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 interest | -  | -                      | -   | -  | -   | 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    |
| Loss for the year                               | -  | -                      | -   | -  | (436,428)                                       | (436,428)          | (2,577)                                   | (439,005)            |
| Other comprehensive income                      | -  | 835,328                | (1,698,876)                                   | -  | (2)   | (20,442)           | (883,992)                                 | 7,894 (876,098)      |
| Total comprehensive income                      | -  | 835,328                | (1,698,876)                                   | -  | (2)   | (456,870)          | (1,320,420)                               | 5,317 (1,315,103)    |
| Share-based payments                            | -  | -                      | -   | 1,222  | -   | -                  | 1,222                                     | 11 1,233             |
| Subsidiary dividend to non-controlling interest | -  | -                      | -   | -  | -   | 557                | 557                                       | (557) -              |
| As at 31 March 2024                             | 9,500,247                                    | 8,117,876              | 11,998,396                                    | 61,553   | (9,362)   | 1,511,732          | 31,180,442                                | 104,090 31,284,532   |
| COMPANY   |  |                        |   |  |   |                    |   |                      |
| In Rs. '000s                                    |  |                        |   |  |   |                    |   |                      |
| As at 1 April 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 |
| Profit for the year                             |  |                        |   |  |   | -                  | -   | 95,188 95,188        |
| Other comprehensive income                      |  |                        |   |  |   | -                  | (2)                                       | 2,805 2,803          |
| Total comprehensive income                      |  |                        |   |  |   | -                  | (2)                                       | 97,993 97,991        |
| As at 31 March 2024                             |  |                        |   |  |   | 9,500,247          | (3)                                       | 3,411,989 12,912,233 |

\*Fair value through other comprehensive income

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 206 to 272 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

| For the year ended 31 March                                |      |  | Group       |             | Company   |         |
|--|------|--|-------------|-------------|-----------|---------|
| In Rs. '000s   | Note |  | 2024        | 2023        | 2024      | 2023    |
| <b>OPERATING ACTIVITIES</b>                                |      |  |             |             |           |         |
| Operating profit before working capital changes            | A    |  | 7,638,367   | 7,214,291   | 22,159    | 1,438   |
| (Increase)/decrease in inventories                         |      |  | 2,358       | (202,445)   | -         | -       |
| (Increase)/decrease in trade and other receivables         |      |  | 384,616     | (1,074,265) | -         | -       |
| (Increase)/decrease in other current assets                |      |  | (15,165)    | 335,920     | (2,186)   | (5,180) |
| Decrease in amounts due from related parties               |      |  | (225,624)   | (13,829)    | (15,322)  | (27)    |
| Increase/(decrease) in amounts due to related parties      |      |  | 177,426     | 71,765      | 802       | (1)     |
| Increase/(decrease) in other current liabilities           |      |  | (34,738)    | 699,261     | -         | -       |
| Increase/(decrease) in trade and other payables            |      |  | 285,821     | 287,844     | 2,842     | (4,440) |
| Cash generated from/(used in) Operations                   |      |  | 8,213,061   | 7,318,542   | 8,295     | (8,210) |
| Finance costs paid   |      |  | (2,091,984) | (1,756,975) | (97,840)  | (1,790) |
| Finance income received                                    |      |  | 66,084      | 148,166     | 20,410    | 86,770  |
| Tax paid   |      |  | (82,365)    | (110,063)   | (849)     | -       |
| Surcharge tax paid   |      |  | -           | (1,085)     | -         | -       |
| Dividend received  |      |  | -           | -           | 159,617   | 76,655  |
| Gratuity paid  |      |  | (36,807)    | (27,744)    | -         | -       |
| Net cash flows from operating activities                   |      |  | 6,067,989   | 5,570,841   | 89,633    | 153,425 |
| <b>INVESTING ACTIVITIES</b>                                |      |  |             |             |           |         |
| Purchase and construction of property, plant and equipment |      |  | (1,124,578) | (1,063,365) | -         | -       |
| Addition to investment property                            |      |  | (1,978)     | -           | -         | -       |
| Proceeds from sale of property, plant and equipment        |      |  | 15,908      | 30,691      | -         | -       |
| (Investment)/withdrawal in Short-term investments (net)    |      |  | 305,605     | (280,223)   | -         | -       |
| (Purchase)/disposal of non-current financial assets (net)  |      |  | 1,462       | 131         | -         | -       |
| (Increase)/decrease in interest in subsidiaries            |      |  | -           | -           | 330,401   | (2,219) |
| Increase in interest in equity accounted investees         |      |  | (583,120)   | (1,020)     | (583,120) | (1,020) |
| Net cash flows used in investing activities                |      |  | (1,386,701) | (1,313,786) | (252,719) | (3,239) |
| <b>FINANCING ACTIVITIES</b>                                |      |  |             |             |           |         |
| Repayments of bank borrowings                              | 35.1 |  | (5,377,865) | (4,373,744) | (236,000) | (1,421) |
| Payment of principal portion of lease liabilities          |      |  | (1,746,033) | (1,777,462) | -         | -       |
| Proceeds from borrowings                                   | 35.1 |  | 750,000     | 100,000     | 200,000   | -       |
| Net cash flows used in financing activities                |      |  | (6,373,898) | (6,051,206) | (36,000)  | (1,421) |
| Net Increase/(decrease) in cash and cash equivalents       |      |  | (1,692,610) | (1,794,151) | (199,086) | 148,765 |
| Cash and cash equivalents at the beginning of the year     |      |  | (6,497,551) | (4,703,400) | 554,481   | 405,716 |
| Cash and cash equivalents at the end of the year           |      |  | (8,190,161) | (6,497,551) | 355,395   | 554,481 |
| <b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>               |      |  |             |             |           |         |
| Short-term investments (less than 3 months)                | 32   |  | 29,499      | 271,078     | -         | 108,569 |
| Cash in hand and at bank                                   |      |  | 1,111,714   | 1,218,959   | 355,395   | 445,912 |
| Bank overdrafts  |      |  | (9,331,374) | (7,987,588) | -         | -       |
| Total cash and cash equivalents                            |      |  | (8,190,161) | (6,497,551) | 355,395   | 554,481 |

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 statement of cash flows, 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 206 to 272 form an integral part of these financial statements.

| For the year ended 31 March                                     |        |                  | Group            |               | Company      |        |
|---|--------|------------------|------------------|---------------|--------------|--------|
| In Rs. '000s  | Note   |                  | 2024             | 2023          | 2024         | 2023   |
| A Operating profit before working capital changes               |        |                  |                  |               |              |        |
| Profit/(loss) before tax  |        |                  | (65,195)         | (604,033)     | 96,473       | 68,243 |
| Adjustments for:  |        |                  |                  |               |              |        |
| Depreciation of property, plant and equipment                   | 21.1   | 2,458,138        | 2,511,790        | -             | -            | -      |
| Provision for employee benefit costs                            |        | 83,450           | 43,331           | -             | -            | -      |
| Share-based payment expense                                     | 34     | 1,233            | 851              | -             | -            | -      |
| Depreciation of right-of-use assets                             | 22.1.1 | 2,436,901        | 2,758,820        | -             | -            | -      |
| Finance costs   | 17.2   | 2,882,137        | 2,702,004        | 105,482       | 96,389       |        |
| Amortisation of transaction cost on interest-bearing borrowings | 35.1   | 737              | 959              | 231           | 231          |        |
| Dividend received   | 15     | -                | -                | (159,617)     | (76,655)     |        |
| Finance income  | 17.1   | (66,084)         | (148,166)        | (20,410)      | (86,770)     |        |
| Loss on disposal of property, plant and equipment               | 16.2   | 15,364           | 22,945           | -             | -            | -      |
| Share of results of equity accounted investees                  | 26     | (4,132)          | (5,968)          | -             | -            | -      |
| Provision/(reversal) for slow moving inventories                |        | 290              | (51)             | -             | -            | -      |
| Reversal for impairment losses                                  |        | (3,632)          | (4,123)          | -             | -            | -      |
| Net gain from fair value remeasurement of investment properties | 23     | (98,250)         | (201,400)        | -             | -            | -      |
| Unrealised (gain)/loss on foreign exchange (net)                |        | (2,590)          | 137,332          | -             | -            | -      |
| <b>Operating profit before working capital changes</b>          |        | <b>7,638,367</b> | <b>7,214,291</b> | <b>22,159</b> | <b>1,438</b> |        |

Figures in brackets indicate deductions.

The accounting policies and notes as set out on pages 206 to 272 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 Director's opinion, the Company's ultimate parent undertaking is John Keells Holdings PLC, which is a Company incorporated in Sri Lanka.

#### Consolidated financial statements

The financial statements for the year ended 31 March 2024, 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 together with the group's interests in equity accounted investees.

#### Approval of financial statements

The financial statements of the Group and the Company for the year ended 31 March 2024 were authorised for issue by the Directors on 21 May 2024.

#### 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 195 of the Annual report.

#### Statement of compliance

The financial statements of the Group and the separated financial statements of the Company, 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 page 27. 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

#### MATERIAL ACCOUNTING POLICY

#### INFORMATION

### 3 BASIS OF PREPARATION

#### Basis of measurement

The 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 have 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 2024 on the basis that it will continue to operate as a going concern. Based on available information, the management has assessed prevailing macroeconomic conditions and its effect on the Group companies in determining the going concern basis for preparation of financial statements.

The management has formed judgment 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 judgement, estimates and assumptions, the impact of the macroeconomic uncertainties, including exchange rate volatilities, supply chain disruptions 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 financial statements are presented in Sri Lankan Rupees, which is the primary economic environment in which the Holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

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

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

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

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

The 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 275 and 277 do not form part of the financial statements prepared in accordance with SLFRS/LKAS.

#### **Comparative information**

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

## **4 MATERIAL ACCOUNTING POLICY INFORMATION**

A summary of material accounting policy information has been disclosed along with the relevant individual notes in the subsequent pages. Those accounting policies presented with each note, have been applied consistently by the Group.

#### **Other material accounting policy information not covered with individual notes**

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

#### **Current versus non-current classification**

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

An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

# NOTES TO THE FINANCIAL STATEMENTS

## Foreign currency translation, foreign currency transactions and balances

The 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 to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

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

## Foreign operations

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

The exchange rates applicable during the period were as follows:

|           | Closing rate |        | Average rate |        |
|-----------|--------------|--------|--------------|--------|
|           | 2024         | 2023   | 2024         | 2023   |
|           | Rs.          | Rs.    | Rs.          | Rs.    |
| US Dollar | 300.40       | 329.50 | 318.12       | 360.36 |

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 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 CHANGES IN ACCOUNTING STANDARDS**

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

|                       |  |
|-----------------------|--|
| Amendments to LKAS 1  | : Disclosure of Accounting Policies  |
| Amendments to LKAS 8  | : Definition of Accounting Estimate  |
| Amendments to LKAS 12 | : Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

## **7 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  |
| Amendments to LKAS 1   | : Non-Current liabilities with Covenants  |
| Amendment to LKAS 21   | : Lack of Exchangeability   |
| Amendments to SLFRS 16 | : Lease Liability in a Sale and Leaseback   |
| Amendments to LKAS 7   | : Supplier Finance Arrangements   |
| Amendments to SLFRS 7  | : Supplier Finance Arrangements   |
| Amendments to LKAS 28  | : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| Amendments to SLFRS 10 | : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

## **GROUP BUSINESS, OPERATIONS & MANAGEMENT**

### **8 OPERATING SEGMENT INFORMATION**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

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

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the 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 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 financial statements. Transfer prices between operating segments are carried out in the ordinary course of business.

# NOTES TO THE FINANCIAL STATEMENTS

## 8.1 Business segments

The following tables present revenue, profit/(loss) information, assets and liabilities based on the Group's operating segments. In addition to segment results, information such as finance costs/income, tax expenses have been allocated to segments for better presentation.

| For the year ended 31 March<br>In Rs. '000s                      | Sri Lanka         |                    | Maldives          |                   | Group             |                   |
|--|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2024              | 2023               | 2024              | 2023              | 2024              | 2023              |
| <b>Disaggregation of revenue - Timing of revenue recognition</b> |                   |                    |                   |                   |                   |                   |
| Services transferred over time                                   | 10,331,881        | 6,301,373          | 20,718,746        | 22,972,071        | 31,050,627        | 29,273,444        |
| Less: inter segment revenue                                      | (21,948)          | (112,274)          | (289,428)         | (325,770)         | (311,376)         | (438,044)         |
| <b>Net segment revenue from contracts with customers</b>         | <b>10,309,933</b> | <b>6,189,099</b>   | <b>20,429,318</b> | <b>22,646,301</b> | <b>30,739,251</b> | <b>28,835,400</b> |
| <b>Segment results</b>   |                   |                    |                   |                   |                   |                   |
| Other operating income   | 387               | 13,141             | 138,541           | 153,748           | 138,928           | 166,889           |
| Finance costs  | (1,064,732)       | (936,502)          | (1,817,405)       | (1,765,502)       | (2,882,137)       | (2,702,004)       |
| Finance income   | 66,084            | 148,166            | -                 | -                 | 66,084            | 148,166           |
| Net gain from fair value remeasurement of investment properties  | 98,250            | 201,400            | -                 | -                 | 98,250            | 201,400           |
| Share of results of equity accounted investees                   | 4,132             | 5,968              | -                 | -                 | 4,132             | 5,968             |
| <b>Profit/(loss) before tax</b>                                  | <b>(406,562)</b>  | <b>(1,621,135)</b> | <b>341,367</b>    | <b>1,017,102</b>  | <b>(65,195)</b>   | <b>(604,033)</b>  |
| Tax reversal/(expense)   | (112,902)         | 853,831            | (260,908)         | (582,342)         | (373,810)         | 271,489           |
| <b>Profit/(loss) for the year</b>                                | <b>(519,464)</b>  | <b>(767,304)</b>   | <b>80,459</b>     | <b>434,760</b>    | <b>(439,005)</b>  | <b>(332,544)</b>  |
| <b>Assets</b>  |                   |                    |                   |                   |                   |                   |
| Segment assets   | 26,028,977        | 24,569,705         | 53,200,156        | 61,856,222        | 79,229,133        | 86,425,927        |
| Goodwill   | 413,812           | 413,812            | 256,595           | 256,595           | 670,407           | 670,407           |
| <b>Total assets</b>  | <b>26,442,789</b> | <b>24,983,517</b>  | <b>53,456,751</b> | <b>62,112,817</b> | <b>79,899,540</b> | <b>87,096,334</b> |
| <b>Liabilities</b>   |                   |                    |                   |                   |                   |                   |
| Segment liabilities  | 12,921,144        | 11,976,640         | 35,693,864        | 42,521,292        | 48,615,008        | 54,497,932        |
| <b>Total liabilities</b>   | <b>12,921,144</b> | <b>11,976,640</b>  | <b>35,693,864</b> | <b>42,521,292</b> | <b>48,615,008</b> | <b>54,497,932</b> |
| <b>Other Information</b>   |                   |                    |                   |                   |                   |                   |
| Purchase and construction of property, plant and equipment       | 391,457           | 247,000            | 714,712           | 782,748           | 1,106,169         | 1,029,748         |
| Depreciation of property, plant and equipment                    | 769,104           | 702,253            | 1,689,034         | 1,809,537         | 2,458,138         | 2,511,790         |
| Additions to right-of-use assets                                 | -                 | 14,041             | -                 | 40,573            | -                 | 54,614            |
| Depreciation of right-of-use assets                              | 28,573            | 26,482             | 2,408,328         | 2,732,338         | 2,436,901         | 2,758,820         |
| Lease liabilities  | 392,781           | 444,211            | 18,996,459        | 22,363,671        | 19,389,240        | 22,807,882        |
| Interest-bearing loans and borrowings                            | 5,371,552         | 5,918,526          | 7,621,148         | 11,647,166        | 12,992,700        | 17,565,692        |
| Provision for employee benefit costs                             | 83,450            | 43,331             | -                 | -                 | 83,450            | 43,331            |

## **9 BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, and share of profit or loss and net assets of equity accounted investees as at 31 March 2024. 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 income statement. Any investment retained is recognised at fair value.

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

### **Non-controlling interest (NCI)**

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

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

## **10 BUSINESS COMBINATIONS AND GOODWILL**

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 (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.

# NOTES TO THE FINANCIAL STATEMENTS

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.

## **11 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.

### **11.1 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.

### 11.1.1 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                             |        | 2024                         |                          |                             |                        |                                  |                  |
|--|--------|------------------------------|--------------------------|-----------------------------|------------------------|----------------------------------|------------------|
| 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                         | 11.1.2 | -                            | -                        | -                           | 29,499                 | -                                | 29,499           |
| Trade and other receivables                | 11.1.3 | -                            | -                        | 3,435,889                   | -                      | -                                | 3,435,889        |
| Amounts due from related parties           | 11.1.4 | -                            | -                        | -                           | -                      | 300,250                          | 300,250          |
| Loans to executives                        | 11.1.5 | 2,152                        | -                        | 1,080                       | -                      | -                                | 3,232            |
| Cash in hand and at bank                   | 11.1.2 | -                            | 1,111,714                | -                           | -                      | -                                | 1,111,714        |
| <b>Total credit risk exposure</b>          |        | <b>2,152</b>                 | <b>1,111,714</b>         | <b>3,436,969</b>            | <b>29,499</b>          | <b>300,250</b>                   | <b>4,880,584</b> |
| Financial assets at fair value through OCI | 11.1.6 | 170,238                      | -                        | -                           | -                      | -                                | 170,238          |
| <b>Total equity risk exposure</b>          |        | <b>170,238</b>               | <b>-</b>                 | <b>-</b>                    | <b>-</b>               | <b>-</b>                         | <b>170,238</b>   |
| <b>Total</b>                               |        | <b>172,390</b>               | <b>1,111,714</b>         | <b>3,436,969</b>            | <b>29,499</b>          | <b>300,250</b>                   | <b>5,050,822</b> |

| 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                         | 11.1.2 | -                            | -                        | -                           | 576,683                | -                                | 576,683          |
| Trade and other receivables                | 11.1.3 | -                            | -                        | 2,901,645                   | -                      | -                                | 2,901,645        |
| Amounts due from related parties           | 11.1.4 | -                            | -                        | -                           | -                      | 74,626                           | 74,626           |
| Loans to executives                        | 11.1.5 | 4,014                        | -                        | 680                         | -                      | -                                | 4,694            |
| Cash in hand and at bank                   | 11.1.2 | -                            | 1,218,959                | -                           | -                      | -                                | 1,218,959        |
| <b>Total credit risk exposure</b>          |        | <b>4,014</b>                 | <b>1,218,959</b>         | <b>2,902,325</b>            | <b>576,683</b>         | <b>74,626</b>                    | <b>4,776,607</b> |
| Financial assets at fair value through OCI | 11.1.6 | 170,240                      | -                        | -                           | -                      | -                                | 170,240          |
| <b>Total equity risk exposure</b>          |        | <b>170,240</b>               | <b>-</b>                 | <b>-</b>                    | <b>-</b>               | <b>-</b>                         | <b>170,240</b>   |
| <b>Total</b>                               |        | <b>174,254</b>               | <b>1,218,959</b>         | <b>2,902,325</b>            | <b>576,683</b>         | <b>74,626</b>                    | <b>4,946,847</b> |

# NOTES TO THE FINANCIAL STATEMENTS

## 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                             |        | 2024                               |                                |                           |   |         |
|--|--------|------------------------------------|--------------------------------|---------------------------|---|---------|
| In Rs. '000s                               | Note   | Non-current<br>financial<br>assets | Cash in<br>hand and<br>at bank | Short-term<br>investments | Amounts<br>due from<br>related<br>parties | Total   |
| Deposits with bank                         | 11.1.2 | -                                  | -                              | -                         | -   | -       |
| Amounts due from related parties           | 11.1.4 | -                                  | -                              | -                         | 18,874                                    | 18,874  |
| Cash in hand and at bank                   | 11.1.2 | -                                  | 355,395                        | -                         | -   | 355,395 |
| Total credit risk exposure                 |        | -                                  | 355,395                        | -                         | 18,874                                    | 374,269 |
| Financial assets at fair value through OCI | 11.1.6 | 10                                 | -                              | -                         | -   | 10      |
| Total equity risk exposure                 |        | 10                                 | -                              | -                         | -   | 10      |
| Total                                      |        | 10                                 | 355,395                        | -                         | 18,874                                    | 374,279 |

| As at 31 March                             |        | 2023                               |                                |                           |   |         |
|--|--------|------------------------------------|--------------------------------|---------------------------|---|---------|
| In Rs. '000s                               | Note   | Non-current<br>financial<br>assets | Cash in<br>hand and<br>at bank | Short-term<br>investments | Amounts<br>due from<br>related<br>parties | Total   |
| Deposits with bank                         | 11.1.2 | -                                  | -                              | 108,569                   | -   | 108,569 |
| Amounts due from related parties           | 11.1.4 | -                                  | -                              | -                         | 3,552                                     | 3,552   |
| Cash in hand and at bank                   | 11.1.2 | -                                  | 445,912                        | -                         | -   | 445,912 |
| Total credit risk exposure                 |        | -                                  | 445,912                        | 108,569                   | 3,552                                     | 558,033 |
| Financial assets at fair value through OCI | 11.1.6 | 12                                 | -                              | -                         | -   | 12      |
| Total equity risk exposure                 |        | 12                                 | -                              | -                         | -   | 12      |
| Total                                      |        | 12                                 | 445,912                        | 108,569                   | 3,552                                     | 558,045 |

### 11.1.2 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 2024, 100% of the fixed and call deposits (2023 - 100%) of the Group was rated "A-" or better.

#### Deposits with banks and Credit rating of the banks

| As at 31 March | Group        |        |              |        |
|----------------|--------------|--------|--------------|--------|
|                | 2024         |        | 2023         |        |
|                | In Rs. '000s | As a % | In Rs. '000s | As a % |
| A              | -            | 0%     | 196,396      | 34%    |
| A-             | 29,499       | 100%   | 380,287      | 66%    |
|                | 29,499       | 100%   | 576,683      | 100%   |

| As at 31 March | Company      |         |              |        |
|----------------|--------------|---------|--------------|--------|
|                | 2024         |         | 2023         |        |
|                | In Rs. '000s | As a %  | In Rs. '000s | As a % |
| A              | -            | 64,769  | 60%          |        |
| A-             | -            | 43,800  | 40%          |        |
|                | -            | 108,569 | 100%         |        |

### 11.1.3 Trade and other receivables

| As at 31 March                             | Group     |           |
|--|-----------|-----------|
|  | 2024      | 2023      |
| In Rs. '000s                               |           |           |
| Neither past due nor impaired              | 2,191,042 | 1,824,503 |
| Past due but not impaired                  |           |           |
| 31-60 days                                 | 863,849   | 686,298   |
| 61-90 days                                 | 236,617   | 292,620   |
| > 91 days                                  | 145,461   | 98,904    |
| Impaired                                   | 144,434   | 162,248   |
| Gross carrying value                       | 3,581,403 | 3,064,573 |
| Less: allowance for expected credit losses | (144,434) | (162,248) |
| Total                                      | 3,436,969 | 2,902,325 |

The Group has obtained customer deposit 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.

# NOTES TO THE FINANCIAL STATEMENTS

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.

## 11.1.4 Amounts due from related parties

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

## 11.1.5 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.

## 11.1.6 Financial assets at fair value through OCI

All equity investments are made after obtaining approval of the Board of Directors.

## 11.2 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.

### 11.2.1 Net debt

| As at 31 March<br>In Rs. '000s | Group             |                   | Company          |                  |
|--------------------------------|-------------------|-------------------|------------------|------------------|
|                                | 2024              | 2023              | 2024             | 2023             |
| Short-term investments         | 29,499            | 576,683           | -                | 108,569          |
| Cash in hand and at bank       | 1,111,714         | 1,218,959         | 355,395          | 445,912          |
| <b>Total liquid assets</b>     | <b>1,141,213</b>  | <b>1,795,642</b>  | <b>355,395</b>   | <b>554,481</b>   |
|                                |                   |                   |                  |                  |
| Bank borrowings                | 12,992,700        | 17,565,692        | 1,171,630        | 1,199,756        |
| Bank overdrafts                | 9,331,374         | 7,987,588         | -                | -                |
| <b>Total liabilities</b>       | <b>22,324,074</b> | <b>25,553,280</b> | <b>1,171,630</b> | <b>1,199,756</b> |
| <b>Net debt</b>                | <b>21,182,861</b> | <b>23,757,638</b> | <b>816,235</b>   | <b>645,275</b>   |

## 11.2.2 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 tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

| As at 31 March 2024<br>In Rs. '000s   | Within<br>1 year | Between<br>1-2 years | Between<br>2-3 years | Between<br>3-4 years | Between<br>4-5 years | More than<br>5 years | Total      |
|---------------------------------------|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------|
| Interest-bearing loans and borrowings | 7,401,930        | 3,643,068            | 1,200,294            | 956,508              | 607,210              | 712,135              | 14,521,145 |
| Lease liabilities                     | 1,452,650        | 1,419,086            | 1,403,072            | 1,386,526            | 1,371,252            | 26,136,085           | 33,168,671 |
| Trade and other payables              | 2,381,019        | -                    | -                    | -                    | -                    | -                    | 2,381,019  |
| Amounts due to related parties        | 524,688          | -                    | -                    | -                    | -                    | -                    | 524,688    |
| Bank overdrafts                       | 9,331,374        | -                    | -                    | -                    | -                    | -                    | 9,331,374  |
|                                       | 21,091,661       | 5,062,154            | 2,603,366            | 2,343,034            | 1,978,462            | 26,848,220           | 59,926,897 |

| As at 31 March 2023<br>In Rs. '000s   | Within<br>1 year | Between<br>1-2 years | Between<br>2-3 years | Between<br>3-4 years | Between<br>4-5 years | More than<br>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 |

# NOTES TO THE FINANCIAL STATEMENTS

## Maturity analysis - Company

The tables below summarise the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

| As at 31 March 2024<br>In Rs. '000s   | Within<br>1 year | Between<br>1-2 years | Between<br>2-3 years | Between<br>3-4 years | Between<br>4-5 years | More than<br>5 years | Total     |
|---------------------------------------|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------|
| Interest-bearing loans and borrowings | 347,241          | 392,000              | 392,000              | 387,237              | 154,000              | -                    | 1,672,478 |
| Trade and other payables              | 9,395            | -                    | -                    | -                    | -                    | -                    | 9,395     |
| Amounts due to related parties        | 2,077            | -                    | -                    | -                    | -                    | -                    | 2,077     |
|                                       | 358,713          | 392,000              | 392,000              | 387,237              | 154,000              | -                    | 1,683,950 |

| As at 31 March 2023<br>In Rs. '000s   | Within<br>1 year | Between<br>1-2 years | Between<br>2-3 years | Between<br>3-4 years | Between<br>4-5 years | More than<br>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 |

## 11.3 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 2024 and 2023.

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 2024 and 2023.

### 11.3.1 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) began to ease the monetary policy during the current financial year amid decelerating inflation, resulting in a downward trend in market interest rates throughout the financial year. The directions issued by the Central Bank to licensed banks to reduce interest rates, and the significant reduction of risk premia on government securities, have accelerated the downward adjustment in market interest rates, particularly lending rates, in the second half of the financial year. Downward pressures on inflation on account of many factors including decreases in global commodity prices, food supply, and the appreciation of the currency have resulted in eased policy actions by the CBSL on monetary policy post the end of the reporting period.

The Group has managed the risk of volatile interest rates by having a balanced portfolio of borrowings at fixed and variable rates while interest rate swap agreements are in place for a significant portion of the Group's foreign currency borrowing portfolio.

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  |
|------|--------------------------------------|------------------------------|--|
|      | Rupee<br>borrowings                  | Other currency<br>borrowings | Effect on profit/(loss)<br>before tax<br>Rs. '000s |
| 2024 | + 1083 basis points                  | + 58 basis points            | 461,414  |
|      | - 1083 basis points                  | - 58 basis points            | (461,414)  |
| 2023 | + 1576 basis points                  | + 451 basis points           | 1,220,856  |
|      | - 1576 basis points                  | - 451 basis points           | (1,220,856)  |

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market.

### 11.3.2 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.

#### Effects of currency transaction and translation

For purposes of Group 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

|      | Increase<br>(decrease)<br>in exchange<br>rate<br>USD | Effect on<br>profit/(loss)<br>before tax | Effect on<br>equity |
|------|--|--|---------------------|
|      |  | Rs. '000s                                | Rs. '000s           |
| 2024 | 7.50%  | (1,650,016)                              | 1,799,755           |
|      | -7.50%   | 1,650,016                                | (1,799,755)         |
| 2023 | 12.64%   | (2,654,440)                              | 3,342,775           |
|      | -12.64%  | 2,654,440                                | (3,342,775)         |

## 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 experienced appreciation in the first quarter, followed by depreciation in the second and third quarters, before showing an upward trend again in the final quarter.

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" because 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.

### 11.3.3 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.

### 11.3.4 Capital management

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

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

| As at 31 March | Group |      | Company |      |
|----------------|-------|------|---------|------|
|                | 2024  | 2023 | 2024    | 2023 |
| Debt/Equity    | 72%   | 79%  | 9%      | 9%   |

## **12 FAIR VALUE MEASUREMENT AND RELATED DISCLOSURES**

### **Fair value related disclosures**

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 nonrecurring 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.

### **Fair value related disclosures**

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 25 ,26 ,27
- Property, plant and equipment under revaluation model - Note 21.2
- Financial instruments (including those carried at amortised cost) - Note 13.4
- Investment properties - Note 23

# NOTES TO THE FINANCIAL STATEMENTS

## 12.1 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<br>In Rs. '000s | Level 1 |      | Level 2 |      | Level 3 |         |
|--------------------------------|---------|------|---------|------|---------|---------|
|                                | 2024    | 2023 | 2024    | 2023 | 2024    | 2023    |
| Listed equity investments      | 10      | 12   | -       | -    | -       | -       |
| Non-listed equity investments  | -       | -    | -       | -    | 170,228 | 170,228 |
| Total                          | 10      | 12   | -       | -    | 170,228 | 170,228 |

## 12.2 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<br>In Rs. '000s | Level 1 |      | Level 2 |      | Level 3 |      |
|--------------------------------|---------|------|---------|------|---------|------|
|                                | 2024    | 2023 | 2024    | 2023 | 2024    | 2023 |
| Listed equity investments      | 10      | 12   | -       | -    | -       | -    |
| Total                          | 10      | 12   | -       | -    | -       | -    |

During the reporting periods 31 March 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements.

## 12.3 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 2023  | 170,228 |
| As at 31 March 2024 | 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.

## 12.4 Non-financial assets - Group

| As at 31 March<br>In Rs. '000s       | Level 1  |          | Level 2  |          | Level 3           |                   |
|--------------------------------------|----------|----------|----------|----------|-------------------|-------------------|
|                                      | 2024     | 2023     | 2024     | 2023     | 2024              | 2023              |
| <b>Assets measured at fair value</b> |          |          |          |          |                   |                   |
| Land and buildings                   | -        | -        | -        | -        | 9,442,735         | 8,984,800         |
| Buildings on leasehold land          | -        | -        | -        | -        | 19,845,259        | 21,500,898        |
| Investment properties                | -        | -        | -        | -        | 2,070,528         | 1,970,300         |
| <b>Total</b>                         | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>31,358,522</b> | <b>32,455,998</b> |

"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.

## 13 FINANCIAL INSTRUMENTS AND RELATED POLICIES

### 13.1 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 derecognition
- Financial assets at fair value through profit or loss

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

### **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 statement of profit or loss.

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 statement of profit or loss 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.

## **13.2 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.

# NOTES TO THE FINANCIAL STATEMENTS

## **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 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.

## **13.3 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

## **13.4 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**

|   | Group                              |           |  |         |
|---|------------------------------------|-----------|--|---------|
|   | Financial assets at amortised cost |           | Financial assets at fair value through OCI |         |
| As at 31 March                              | 2024                               | 2023      | 2024                                       | 2023    |
| In Rs. '000s                                |                                    |           |  |         |
| Financial instruments in non-current assets |                                    |           |  |         |
| Non-current financial assets                | 2,152                              | 4,014     | 170,238                                    | 170,240 |
| Financial instruments in current assets     |                                    |           |  |         |
| Trade and other receivables                 | 3,436,969                          | 2,902,325 | -  | -       |
| Amounts due from related parties            | 300,250                            | 74,626    | -  | -       |
| Short-term investments                      | 29,499                             | 576,683   | -  | -       |
| Cash in hand and at bank                    | 1,111,714                          | 1,218,959 | -  | -       |
| Total                                       | 4,880,584                          | 4,776,607 | 170,238                                    | 170,240 |

### **Financial assets by categories**

|   | Company                            |         |  |      |
|---|------------------------------------|---------|--|------|
|   | Financial assets at amortised cost |         | Financial assets at fair value through OCI |      |
| As at 31 March                              | 2024                               | 2023    | 2024                                       | 2023 |
| In Rs. '000s                                |                                    |         |  |      |
| Financial instruments in non-current assets |                                    |         |  |      |
| Non-current financial assets                | -                                  | -       | 10   | 12   |
| Financial instruments in current assets     |                                    |         |  |      |
| Amounts due from related parties            | 18,874                             | 3,552   | -  | -    |
| Short-term investments                      | -                                  | 108,569 | -  | -    |
| Cash in hand and at bank                    | 355,395                            | 445,912 | -  | -    |
| Total                                       | 374,269                            | 558,033 | 10   | 12   |

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<br>at amortised cost | 2024       | Financial liabilities measured<br>at amortised cost | 2024      |
| In Rs. '000s  | 2023  |            | 2023  |           |
| <b>Financial instruments in non-current liabilities</b> |   |            |   |           |
| Bank borrowings   | 6,174,553   | 12,961,265 | 824,389   | 938,394   |
| <b>Financial instruments in current liabilities</b>     |   |            |   |           |
| Trade and other payables                                | 2,381,019   | 2,059,784  | 9,395   | 6,553     |
| Amounts due to related parties                          | 524,688   | 347,262    | 2,077   | 1,275     |
| Bank borrowings   | 6,818,147   | 4,604,427  | 347,241   | 261,362   |
| Bank overdrafts   | 9,331,374   | 7,987,588  | -   | -         |
|   | 25,229,781  | 27,960,326 | 1,183,102   | 1,207,584 |

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.

### 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 FINANCIAL STATEMENTS

## NOTES TO THE INCOME STATEMENT, STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

### 14 REVENUE FROM CONTRACTS WITH CUSTOMERS

#### 14.1 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.

#### 14.2 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

| For the year ended 31 March<br>In Rs. '000s        | Group             |                   |
|--|-------------------|-------------------|
|  | 2024              | 2023              |
| Timing of revenue recognition                      |                   |                   |
| Services transferred over time                     | 22,469,530        | 21,068,612        |
| Services transferred at a point in time            | 8,269,721         | 7,766,788         |
| <b>Total revenue from contracts with customers</b> | <b>30,739,251</b> | <b>28,835,400</b> |
| Geographical markets                               |                   |                   |
| Sri Lanka  | 2,347,083         | 2,046,012         |
| Asia (excluding Sri Lanka)                         | 5,305,825         | 1,150,687         |
| Europe   | 16,095,120        | 19,566,380        |
| Others   | 6,991,223         | 6,072,321         |
| <b>Total revenue from contracts with customers</b> | <b>30,739,251</b> | <b>28,835,400</b> |
| Type of services                                   |                   |                   |
| Provision of accommodation                         | 18,408,811        | 17,616,497        |
| Provision of food and beverages                    | 8,269,721         | 7,766,788         |
| Others   | 4,060,719         | 3,452,115         |
| <b>Total revenue from contracts with customers</b> | <b>30,739,251</b> | <b>28,835,400</b> |

Direct taxes have been deducted in arriving at the gross revenue.

#### 14.3 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.

## 14.4 Contract balances

### Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

| As at 31 March<br>In Rs. '000s | Group   |         |
|--------------------------------|---------|---------|
|                                | 2024    | 2023    |
| Trade and other receivables    | 30      | 275,946 |
| Contract assets                |         | 230,530 |
|                                | 275,946 | 230,530 |

### 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.

| As at 31 March<br>In Rs. '000s | Group     |           |
|--------------------------------|-----------|-----------|
|                                | 2024      | 2023      |
| Other current liabilities      | 40        | 1,048,457 |
| Contract liabilities           |           | 1,203,987 |
|                                | 1,048,457 | 1,203,987 |

Set out below is the amount of revenue recognised from:

|   |           |         |
|---|-----------|---------|
| Amounts included in contract liabilities at the beginning of the year | 1,203,987 | 773,577 |
| Performance obligations satisfied                                     | 86,691    | 772,080 |

## 14.5 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 at the guests' departure, over the period of stay. The entity identifies the services under each contract as one performance obligation.

### Provision of food and beverages

This is the revenue for providing the meals according to the meal plan which is part and parcel of the customer contract. Meal plans could be Bed and Breakfast (BB), Half board (HB), full Board (FB) or all inclusive (AI). Revenue is accounted for at the point of sale and billed to the guest on departure. For guests that do not come through a meal plan contract, income is recognised and invoiced to the guest at the point of sale.

### 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 2024.

# NOTES TO THE FINANCIAL STATEMENTS

## 15 DIVIDEND INCOME

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

| For the year ended 31 March<br>In Rs. '000s      | Company |        |
|--|---------|--------|
|  | 2024    | 2023   |
| Dividend income from investments in subsidiaries | 159,617 | 76,655 |
|  | 159,617 | 76,655 |

## 16 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

### 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.

### 16.1 Other operating income

| For the year ended 31 March<br>In Rs. '000s | Group   |         | Company |        |
|---|---------|---------|---------|--------|
|   | 2024    | 2023    | 2024    | 2023   |
| Sundry income                               | 138,928 | 166,889 | 59,677  | 23,758 |
|   | 138,928 | 166,889 | 59,677  | 23,758 |

### 16.2 Other operating expenses

| For the year ended 31 March<br>In Rs. '000s           | Group     |           | Company |      |
|---|-----------|-----------|---------|------|
|   | 2024      | 2023      | 2024    | 2023 |
| Power and energy                                      | 2,095,914 | 2,201,673 | -       | -    |
| Maintenance and repair cost                           | 760,031   | 642,372   | -       | -    |
| Net loss on disposal of property, plant and equipment | 15,364    | 22,945    | -       | -    |
| Exchange losses                                       | 41,164    | 116,998   | 455     | -    |
| Other overheads                                       | 440,472   | 333,662   | 469     | 818  |
|   | 3,352,945 | 3,317,650 | 924     | 818  |

## 17 FINANCE INCOME AND FINANCE COSTS

### 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.

### 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.

### 17.1 Finance income

| For the year ended 31 March<br>In Rs. '000s | Group  |         | Company |        |
|---|--------|---------|---------|--------|
|   | 2024   | 2023    | 2024    | 2023   |
| Interest income                             | 66,084 | 148,166 | 20,410  | 86,770 |
|   | 66,084 | 148,166 | 20,410  | 86,770 |

### 17.2 Finance costs

| For the year ended 31 March<br>In Rs. '000s | Group     |           | Company |        |
|---|-----------|-----------|---------|--------|
|   | 2024      | 2023      | 2024    | 2023   |
| Interest expense on bank borrowings         | 2,329,935 | 2,123,369 | 105,482 | 96,389 |
| Finance charge on lease liabilities         | 552,202   | 578,635   | -       | -      |
|   | 2,882,137 | 2,702,004 | 105,482 | 96,389 |

# NOTES TO THE FINANCIAL STATEMENTS

## 18 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<br>In Rs. '000s   | Group     |           | Company |       |
|---|-----------|-----------|---------|-------|
|   | 2024      | 2023      | 2024    | 2023  |
| Profit/(loss) before tax is stated after charging all expenses including the following: |           |           |         |       |
| Remuneration to non-executive directors   | 9,808     | 9,808     | 9,808   | 9,808 |
| Auditors' remuneration:   |           |           |         |       |
| Audit   | 36,980    | 29,651    | 3,937   | 1,543 |
| Non-audit   | 9,658     | 5,041     | 314     | 935   |
| Cost of defined employee benefits:  |           |           |         |       |
| Defined benefit plan cost   | 74,865    | 41,185    | -       | -     |
| Defined contribution plan cost (EPF and ETF)  | 134,781   | 114,325   | -       | -     |
| Other long term employee benefits cost  | 5,299     | 2,145     | -       | -     |
| Staff expenses  | 5,239,964 | 5,151,205 | -       | -     |
| Share-based payments/(reversals)  | 1,233     | 851       | -       | -     |
| Depreciation of property, plant and equipment & ROU asset                               | 4,895,039 | 5,270,610 | -       | -     |
| Donations   | 11,259    | 6,144     | -       | -     |
| Impairment provision/(reversal) of bad and doubtful debts                               | (17,814)  | 2,683     | -       | -     |
| Provision/(reversal) for slow moving inventories  | 290       | (51)      | -       | -     |
| Net loss on disposal of property, plant and equipment                                   | 15,364    | 22,945    | -       | -     |

## **19 TAXES**

### **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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

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 is recognised for the companies enjoying the tax holiday period under Board of Investment (BOI), 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.

## 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 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 financial statements of the Group.

### 19.1 Tax expense/(reversal)

| For the year ended 31 March<br>In Rs. '000s                   | Note | Group    |           | Company |      |
|---|------|----------|-----------|---------|------|
|   |      | 2024     | 2023      | 2024    | 2023 |
| <b>Income statement</b>                                       |      |          |           |         |      |
| Current tax charge  | 19.6 | 61,044   | 73,468    | -       | -    |
| Under/(over) provision of current tax of previous years       |      | (29,881) | 67        | -       | -    |
| Irrecoverable Economic Service Charge                         | 19.3 | -        | 149       | -       | -    |
| Withholding tax on inter-company dividends                    |      | 31,823   | 22,608    | -       | -    |
| <b>Deferred tax charge/(reversal)</b>                         |      |          |           |         |      |
| Relating to origination and reversal of temporary differences | 19.2 | 310,824  | (367,781) | 1,285   | -    |
|   |      | 373,810  | (271,489) | 1,285   | -    |
| <b>Other comprehensive income</b>                             |      |          |           |         |      |
| <b>Deferred tax charge</b>                                    |      |          |           |         |      |
| Relating to origination and reversal of temporary differences | 19.2 | 296,500  | 1,239,057 | -       | -    |
|   |      | 296,500  | 1,239,057 | -       | -    |

## 19.2 Deferred tax expense

| For the year ended 31 March<br>In Rs. '000s                  | Group          |                | Company      |          |
|--|----------------|----------------|--------------|----------|
|  | 2024           | 2023           | 2024         | 2023     |
| <b>Income statement</b>                                      |                |                |              |          |
| Deferred tax arising from:                                   |                |                |              |          |
| Accelerated depreciation for tax purposes                    | 69,373         | 372,024        | -            | -        |
| Revaluation of investment properties to fair value           | 29,475         | 99,441         | -            | -        |
| Retirement benefit obligations                               | (12,573)       | (36,798)       | -            | -        |
| Benefit arising from tax losses                              | 327,732        | (663,903)      | 1,285        | -        |
| Others   | (103,183)      | (138,545)      | -            | -        |
| Deferred tax charged/(credited) directly to income statement | 310,824        | (367,781)      | 1,285        | -        |
| <b>Other comprehensive income</b>                            |                |                |              |          |
| Deferred tax arising from:                                   |                |                |              |          |
| Employee benefits liabilities                                | (8,758)        | (511)          | -            | -        |
| Revaluation of land and building to fair value               | 305,258        | 1,239,568      | -            | -        |
| Deferred tax charged directly to OCI                         | 296,500        | 1,239,057      | -            | -        |
| <b>Total deferred tax expense for the year</b>               | <b>607,324</b> | <b>871,276</b> | <b>1,285</b> | <b>-</b> |

Deferred tax has been computed at the following rates:

### Sri Lanka

- Beruwala Holiday Resorts (Pvt) Ltd - 15%
- Other subsidiary companies in Sri Lanka - 30%

### Maldives

- Subsidiary companies in Maldives - 15%.

## 19.3 Economic service charge (ESC)

| For the year ended 31 March<br>In Rs. '000s | Group |      |
|---|-------|------|
|   | 2024  | 2023 |
| Irrecoverable Economic Service Charge (ESC) | -     | 149  |
|   | -     | 149  |

# NOTES TO THE FINANCIAL STATEMENTS

## 19.4 Income tax liabilities

| As at 31 March<br>In Rs. '000s                    | Group    |           | Company |        |
|---|----------|-----------|---------|--------|
|   | 2024     | 2023      | 2024    | 2023   |
| Balance at the beginning of the year              | 88,086   | 121,888   | 10,368  | 10,368 |
| Charge for the year                               | 61,044   | 73,468    | -       | -      |
| Payments, set off against refunds and tax credits | (72,520) | (110,328) | (850)   | -      |
| Effect of movements in exchange rates             | (2,911)  | 3,058     | -       | -      |
| Balance at the end of the year                    | 73,699   | 88,086    | 9,518   | 10,368 |

## 19.5 Deferred tax assets and liabilities

### 19.5.1 Deferred tax assets

| As at 31 March<br>In Rs. '000s        | Group     |           | Company |        |
|---------------------------------------|-----------|-----------|---------|--------|
|                                       | 2024      | 2023      | 2024    | 2023   |
| Balance at the beginning of the year  | 1,351,203 | 1,375,526 | 10,368  | 10,368 |
| Release                               | (314,059) | (205,148) | (1,285) | -      |
| Effect of movements in exchange rates | (57,352)  | 140,709   | -       | -      |
| Transfers                             | 855       | 40,116    | -       | -      |
| Balance at the end of the year        | 980,647   | 1,351,203 | 9,083   | 10,368 |

The closing deferred tax asset balance relates to the following:

|  |           |           |       |        |
|--|-----------|-----------|-------|--------|
| Revaluation of land and building to fair value             | (589,663) | (336,573) | -     | -      |
| Accelerated depreciation for tax purposes                  | (216,995) | (62,037)  | -     | -      |
| Employee benefits liabilities                              | 50,520    | 21,039    | -     | -      |
| Losses available for off-set against future taxable income | 1,458,806 | 1,478,489 | 9,083 | 10,368 |
| Others   | 277,979   | 250,285   | -     | -      |
|  | 980,647   | 1,351,203 | 9,083 | 10,368 |

The geographical break up of deferred tax recognised in respect of tax losses , is as follows:

| As at 31 March<br>In Rs. '000s | Group     |           |
|--------------------------------|-----------|-----------|
|                                | 2024      | 2023      |
| Sri Lanka                      | 1,336,547 | 1,119,432 |
| Maldives                       | 122,259   | 359,057   |
|                                | 1,458,806 | 1,478,489 |

### 19.5.2 Deferred tax liabilities

| As at 31 March                       | Group     |           |
|--------------------------------------|-----------|-----------|
| In Rs. '000s                         | 2024      | 2023      |
| Balance at the beginning of the year | 1,394,026 | 687,782   |
| Charge                               | 293,265   | 666,128   |
| Transfers                            | 855       | 40,116    |
| Balance at the end of the year       | 1,688,146 | 1,394,026 |

|  |           |
|--|-----------|
| The closing deferred tax liability balance relates to the following: |           |
| Revaluation of land and building to fair value                       | 1,701,678 |
| Revaluation of investment property to fair value                     | 148,426   |
| Accelerated depreciation for tax purposes                            | 370,137   |
| Employee benefits liabilities  | (45,971)  |
| Losses available for off-set against future taxable income           | (358,745) |
| Others   | (127,379) |
|  | 1,688,146 |
|  | 1,394,026 |

The geographical break up of deferred tax recognised in respect of tax losses , is as follows:

| As at 31 March | Group     |           |
|----------------|-----------|-----------|
| In Rs. '000s   | 2024      | 2023      |
| Sri Lanka      | (358,745) | (699,196) |
|                | (358,745) | (699,196) |

#### 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. 67.9 Mn (2023 – Rs. 3.2 Mn). 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 44 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 19.6 Reconciliation between current tax charge and the accounting Profit/(loss)

| For the year ended 31 March<br>In Rs. '000s                     | Group       |             | Company  |          |
|---|-------------|-------------|----------|----------|
|   | 2024        | 2023        | 2024     | 2023     |
| Profit/(loss) before tax  | (65,195)    | (604,033)   | 96,473   | 68,243   |
| Dividend income from Group companies                            | 251,075     | 168,112     | -        | -        |
| Share of results of equity accounted investees                  | (4,132)     | (5,968)     | -        | -        |
| Other consolidation adjustments                                 | 3,356       | (153)       | -        | -        |
| Profit/(loss) after adjustments                                 | 185,104     | (442,042)   | 96,473   | 68,243   |
| Resident dividend   | (156,698)   | (128,112)   | (65,241) | (36,655) |
| Adjusted accounting Profit/(loss)<br>chargeable to income taxes | 28,406      | (570,154)   | 31,232   | 31,588   |
| Disallowable expenses   | 5,883,927   | 5,755,785   | -        | -        |
| Allowable expenses  | (5,183,825) | (5,314,077) | -        | -        |
| Utilisation of tax losses                                       | (1,291,946) | (1,272,791) | (31,232) | (31,588) |
| Tax losses not utilised in the current financial year           | 927,128     | 1,824,497   | -        | -        |
| Taxable income  | 363,690     | 423,260     | -        | -        |
| Current tax charged at  |             |             |          |          |
| Standard rate of 30% (2023 - 24% and 30%)                       | 12,976      | 21,981      | -        | -        |
| Standard rate of 15% (2023 -15%)                                | 48,068      | 51,487      | -        | -        |
| Current tax charge  | 61,044      | 73,468      | -        | -        |

**19.7 Reconciliation between tax (reversal)/expense and the product of accounting profit/(loss)**

| For the year ended 31 March<br>In Rs. '000s                           | Group          |                  | Company      |          |
|---|----------------|------------------|--------------|----------|
|   | 2024           | 2023             | 2024         | 2023     |
| Adjusted accounting Profit/(loss)<br>chargeable to income taxes       | 28,406         | (570,154)        | 31,232       | 31,588   |
| Tax effect on chargeable profits                                      | (45,260)       | (289,582)        | 9,369        | 9,476    |
| Tax effect on non deductible expenses                                 | 95,760         | 35,637           | -            | -        |
| Tax effect on deductions claimed                                      | (1,052)        | (2,341)          | -            | -        |
| Net tax effect of unrecognised deferred tax assets for<br>the year    | 328,397        | 250,720          | -            | (12,839) |
| Net tax effect of deferred tax assets in respect of<br>previous years | (5,977)        | (31,120)         | (8,084)      | 3,363    |
| Under/(over) provision of current tax of previous years               | (29,881)       | 67               | -            | -        |
| Deferred tax due to rate differentials                                | -              | (257,627)        | -            | -        |
| Other income based taxes:   |                |                  |              |          |
| Irrecoverable Economic Service Charge                                 | -              | 149              | -            | -        |
| Withholding tax on inter-company dividends                            | 31,823         | 22,608           | -            | -        |
| <b>Total tax (reversal)/expense</b>                                   | <b>373,810</b> | <b>(271,489)</b> | <b>1,285</b> | <b>-</b> |

The Group tax is based on the taxable profit of individual companies within the Group. At present the tax laws of Sri Lanka and Maldives do not provide for Group taxation.

**19.8 Tax Losses Carried Forward**

| As at 31 March<br>In Rs. '000s           | Group             |                   | Company       |               |
|--|-------------------|-------------------|---------------|---------------|
|  | 2024              | 2023              | 2024          | 2023          |
| Balance at the beginning of the year     | 11,870,967        | 10,721,808        | 85,636        | 128,433       |
| Adjustments on finalisation of liability | (87,748)          | 85,533            | (24,129)      | (11,209)      |
| Tax losses arising during the year       | 927,128           | 1,824,497         | -             | -             |
| Utilisation of tax losses                | (1,291,946)       | (1,272,791)       | (31,232)      | (31,588)      |
| Effect of movements in exchange rates    | (390,746)         | 51,920            | -             | -             |
| <b>Balance at the end of the year</b>    | <b>11,027,655</b> | <b>11,870,967</b> | <b>30,275</b> | <b>85,636</b> |

# NOTES TO THE FINANCIAL STATEMENTS

## 19.9 Applicable rates of Income Tax

### Income tax rates of Sri Lankan Companies

- Subsidiary companies in Sri Lanka - 30% (14% upto 30 September 2022)  
Beruwala Holiday Resorts (Pvt) - 15% from 1 April 2022 on completion of the tax holiday period.
- Subsidiary companies with gain or loss on investment properties - 30% (10% upto 30 September 2022)
- Others - 30% (24% upto 30 September 2022)

### 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

## 20 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   |           |
|---|-----------|-----------|-----------|-----------|
|   | 2024      | 2023      | 2024      | 2023      |
| Profit/(loss) attributable to equity holders of the parent (In Rs. '000s) | (436,428) | (320,924) | 95,188    | 68,243    |
| 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.)                             | (0.30)    | (0.22)    | 0.07      | 0.05      |

## **21 PROPERTY, PLANT AND EQUIPMENT**

### **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:

| <b>Assets</b>                          | <b>Years</b>           |
|--|------------------------|
| Buildings on leasehold land            | Remaining lease period |
| Buildings on 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.

# NOTES TO THE FINANCIAL STATEMENTS

## **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.

**Property, plant and equipment**

| Group                                 | As at 31 March<br>In Rs. 000s | 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<br>2024 | Total<br>2023 |
|---------------------------------------|-------------------------------|--------------------|-----------------------------|---------------------|-----------|------------------------|----------------|--------------------|--|--------------------------|------------|---------------|---------------|
| <b>Cost or valuation</b>              |                               |                    |                             |                     |           |                        |                |                    |  |                          |            |               |               |
| At the beginning 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 |               |               |
| Additions                             | 40,284                        | 97,832             | 115,516                     | 306,404             | 177,214   | 13,395                 | 91,037         | 192,303            | 72,184                                 | 1,106,169                | 1,029,718  |               |               |
| Disposals                             | -                             | -                  | (54,819)                    | (135,170)           | (55,934)  | (17,308)               | (29,877)       | (80,911)           | -                                      | (374,019)                | (302,865)  |               |               |
| Revaluations                          | 513,616                       | 635,228            | -                           | -                   | -         | -                      | -              | -                  | -                                      | 1,148,844                | 2,664,366  |               |               |
| Transfers                             | -                             | 6,264              | -                           | 1,172               | -         | -                      | 65,684         | -                  | (8,682)                                | 64,438                   | -          |               |               |
| Effect of movements in exchange rates | (118,181)                     | (172,068)          | (212,770)                   | (262,940)           | (223,046) | (39,474)               | (36,297)       | (45,743)           | (1,315)                                | (2,663,834)              | 1,729,174  |               |               |
| Transfers on revaluation              | 19,485                        | 403,729            | -                           | -                   | -         | -                      | -              | -                  | (64,438)                               | 358,776                  | (173,257)  |               |               |
| At the end of the year                | 9,604,662                     | 28,293,026         | 3,090,683                   | 3,707,347           | 3,189,445 | 282,957                | 502,250        | 539,782            | 581                                    | 49,210,733               | 49,570,359 |               |               |
| <b>Accumulated depreciation</b>       |                               |                    |                             |                     |           |                        |                |                    |  |                          |            |               |               |
| At the beginning of the year          | 164,658                       | 7,375,143          | 1,925,565                   | 2,533,851           | 1,897,872 | 198,058                | 311,754        | 341,619            | -                                      | 14,748,520               | 12,301,159 |               |               |
| Charge for the year                   | 107,948                       | 1204,708           | 286,110                     | 353,028             | 330,051   | 38,028                 | 48,870         | 89,395             | -                                      | 2,458,138                | 2,511,790  |               |               |
| Disposals                             | -                             | (54,819)           | (128,406)                   | (51,575)            | (17,008)  | (29,141)               | (61,798)       | -                  | (342,747)                              | (249,229)                |            |               |               |
| Effect of movements in exchange rates | (130,164)                     | (535,813)          | (140,636)                   | (191,119)           | (147,810) | (29,926)               | (25,835)       | (33,532)           | -                                      | (1,234,835)              | 358,058    |               |               |
| Transfers on revaluation              | 19,485                        | 403,729            | -                           | -                   | -         | -                      | -              | -                  | -                                      | 423,214                  | (173,257)  |               |               |
| At the end of the year                | 161,927                       | 8,447,767          | 2,016,220                   | 2,567,354           | 2,028,538 | 189,152                | 305,648        | 335,684            | -                                      | 16,052,290               | 14,748,521 |               |               |
| <b>Carrying value</b>                 |                               |                    |                             |                     |           |                        |                |                    |  |                          |            |               |               |
| As at 31 March 2024                   | 9,442,735                     | 19,845,259         | 1,074,463                   | 1,139,993           | 1,160,907 | 93,805                 | 196,602        | 204,098            | 581                                    | 33,158,443               |            |               |               |
| As at 31 March 2023                   | 8,984,800                     | 21,500,898         | 1,317,191                   | 1,264,030           | 1,393,339 | 128,286                | 99,949         | 130,514            | 2,832                                  |                          | 34,821,838 |               |               |
| <b>Carrying value of assets</b>       |                               |                    |                             |                     |           |                        |                |                    |  |                          |            |               |               |
| At cost                               |                               |                    |                             |                     |           |                        |                |                    |  | 18,565,272               | 21,800,725 |               |               |
| At valuation                          |                               |                    |                             |                     |           |                        |                |                    |  | 14,593,171               | 13,021,113 |               |               |
| Carrying value of land and buildings  |                               |                    |                             |                     |           |                        |                |                    |  | 33,158,443               | 34,821,838 |               |               |
| At cost                               |                               |                    |                             |                     |           |                        |                |                    |  | 14,694,823               | 17,464,585 |               |               |
| At valuation                          |                               |                    |                             |                     |           |                        |                |                    |  | 14,593,171               | 13,021,113 |               |               |
|                                       |                               |                    |                             |                     |           |                        |                |                    |  | 29,287,994               | 30,485,698 |               |               |

# NOTES TO THE FINANCIAL STATEMENTS

## 21.2 Revaluation of land and buildings

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 2023.

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

The details of Property, Plant & Equipment of the Group which are stated at valuation are indicated below.

| <b>Property</b>                     | <b>Method of Valuation</b> | <b>Effective date of valuation</b> | <b>Name of the Chartered Valuation Surveyor</b> | <b>Significant unobservable inputs</b>   | <b>Sensitivity of fair value to unobservable inputs</b> |
|-------------------------------------|----------------------------|------------------------------------|---|--|---|
| <b>Land and buildings of</b>        |                            |                                    |   |  |   |
| Beruwala Holiday Resorts (Pvt) Ltd  | CMA/DRC                    | 31 December 2023                   | Mr. P B Kalugalagedara                          | Estimated price:<br>Per perch Rs.1,100,000 - 1,325,000<br>Per square foot Rs.2,000 - 8,200 | Positively correlated sensitivity                       |
| Kandy Walk Inn Ltd                  | IA                         | 31 December 2023                   | Mr. S Fernando                                  | Estimated price:<br>Per perch Rs. 15,000 - 1,500,000<br>Per square foot Rs.1,500 - 9,500   | Positively correlated sensitivity                       |
| Trinco Holiday Resorts (Pvt) Ltd    | CMA/DRC                    | 31 December 2023                   | Mr. P B Kalugalagedara                          | Estimated price:<br>Per perch Rs. 475,000<br>Per square foot Rs.1,000 - 8,750              | Positively correlated sensitivity                       |
| Ceylon Holiday Resorts Ltd          | CMA/DRC                    | 31 December 2023                   | Mr. P B Kalugalagedara                          | Estimated price:<br>Per perch Rs. 1,400,000<br>Per square foot Rs.2,000 - 4,000            | Positively correlated sensitivity                       |
| Hikkaduwa Holiday Resorts (Pvt) Ltd | CMA/DRC                    | 31 December 2023                   | Mr. P B Kalugalagedara                          | Estimated price:<br>Per perch Rs. 1,200,000<br>Per square foot Rs.1,750- 3,600             | Positively correlated sensitivity                       |

| <b>Property</b>   | <b>Method of Valuation</b> | <b>Effective date of valuation</b> | <b>Name of the Chartered Valuation Surveyor</b> | <b>Significant unobservable inputs</b>                | <b>Sensitivity of fair value to unobservable inputs</b> |
|---|----------------------------|------------------------------------|---|---|---|
| <b>Land, Buildings and Buildings on leasehold land of</b> |                            |                                    |   |   |   |
| Ceylon Holiday Resorts Ltd                                | CMA/DRC                    | 31 December 2023                   | Mr. P B Kalugalagedara                          | Estimated price:<br>Per square foot Rs.9,300 - 17,500 | Positively correlated sensitivity                       |
| Habarana Lodge Ltd  | IA                         | 31 December 2023                   | Mr. S Fernando                                  | Estimated price:<br>Per square foot Rs.1,000 - 12,000 | Positively correlated sensitivity                       |
| Habarana Walk Inn Ltd                                     | IA                         | 31 December 2023                   | Mr. S Fernando                                  | Estimated price:<br>Per square foot Rs.2,550 - 9,500  | Positively correlated sensitivity                       |
| Hikkaduwa Holiday Resorts (Pvt) Ltd                       | CMA/DRC                    | 31 December 2023                   | Mr. P B Kalugalagedara                          | Estimated price:<br>Per square foot Rs.3,000 - 9,000  | Positively correlated sensitivity                       |
| Yala Village (Pvt) Ltd                                    | CMA/DRC                    | 31 December 2023                   | Mr. P B Kalugalagedara                          | Estimated price:<br>Per square foot Rs.2,500 - 9,200  | Positively correlated sensitivity                       |

## **21.2.1 Summary description of valuation methodologies**

### **Comparable market approach (CMA)**

This method uses prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

### **Depreciated replacement cost (DRC)**

The replacement cost method is used to value properties which do not generally exchange on the open market and for which comparable evidence therefore does not exist. The valuations are based on two components: the depreciated cost of the building element and the market value of the land. Current building costs and often the land price will be established by comparison.

### **Income approach (IA)**

The income approach is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques.

# NOTES TO THE FINANCIAL STATEMENTS

## 21.3 Carrying amounts of fair valued land and buildings

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                          | Group       |             |
|---|-------------|-------------|
| In Rs. '000s                            | 2024        | 2023        |
| Cost                                    | 18,009,828  | 17,865,448  |
| Accumulated depreciation and impairment | (2,499,399) | (2,199,235) |
| Carrying value                          | 15,510,429  | 15,666,213  |

## 21.4 Segmental Analysis of Net Book Value of property, plant and equipment

| As at 31 March | Group      |            |
|----------------|------------|------------|
| In Rs. '000s   | 2024       | 2023       |
| Sri Lanka      | 18,857,286 | 18,095,197 |
| Maldives       | 14,301,157 | 16,726,641 |
|                | 33,158,443 | 34,821,838 |

**21.5** No assets have been pledged as security for term loans obtained (2023 - Nil).

**21.6** Group property, plant and equipment with a cost of Rs. 4,712 Mn (2023 - Rs.4,146 Mn) have been fully depreciated but continue to be used by the Group.

**21.7** No borrowing costs has been capitalised during the year ended 31 March 2024 (2023- Nil) by the Group.

## 22 RIGHT OF USE ASSETS AND LEASE LIABILITIES

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.

## 22.1 Amounts recognised in the statement of financial position

### 22.1.1 Right-of-use assets

Set out below, are the carrying amounts of the Group's right-of-use assets and the movements for the period ended 31 March 2024 and 31 March 2023.

| As at 31 March<br>In Rs. '000s                 | Group                   |                   |                   | Total<br>2024     | Total<br>2023 |
|--|-------------------------|-------------------|-------------------|-------------------|---------------|
|  | Leasehold<br>properties | Motor<br>vehicles | Total<br>2024     |                   |               |
| <b>Cost</b>                                    |                         |                   |                   |                   |               |
| At the beginning of the year                   | 51,334,973              | 31,614            | 48,612,845        | 45,117,534        |               |
| Additions                                      | -                       | -                 | -                 | 54,614            |               |
| Disposals                                      | -                       | -                 | -                 | (25,657)          |               |
| Adjustments                                    | (48,214)                | -                 | (48,214)          | -                 |               |
| Exchange differences                           | -                       | -                 | -                 | 3,466,354         |               |
| <b>At the end of the year</b>                  | <b>51,286,759</b>       | <b>31,614</b>     | <b>48,564,631</b> | <b>48,612,845</b> |               |
| <b>Accumulated depreciation and impairment</b> |                         |                   |                   |                   |               |
| At the beginning of the year                   | 9,909,135               | 13,482            | 7,168,876         | 4,433,643         |               |
| Depreciation                                   | 2,426,366               | 10,535            | 2,436,901         | 2,758,820         |               |
| Disposals                                      | -                       | -                 | -                 | (23,587)          |               |
| Exchange difference                            | 3,487,810               | -                 | 3,487,810         | -                 |               |
| <b>At the end of the year</b>                  | <b>15,823,311</b>       | <b>24,017</b>     | <b>13,093,587</b> | <b>7,168,876</b>  |               |
| <b>Carrying value</b>                          | <b>35,463,448</b>       | <b>7,597</b>      | <b>35,471,044</b> | <b>41,443,969</b> |               |

### 22.1.2 Lease liabilities

Set out below, are the carrying amounts of the Group's lease liabilities and the movements for the period ended 31 March 2024 and 31 March 2023.

| As at 31 March<br>In Rs. '000s      | Group             |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | 2024              | 2023              |
| At the beginning of the year        | 22,807,882        | 22,607,639        |
| <b>Cash movement</b>                |                   |                   |
| Payments                            | (2,298,235)       | (2,357,378)       |
| <b>Non cash movement</b>            |                   |                   |
| Additions                           | -                 | 54,614            |
| Disposals                           | -                 | (2,539)           |
| Adjustments/transfers               | (48,214)          |                   |
| Finance charge on lease liabilities | 552,202           | 579,917           |
| Exchange differences                | (1,624,395)       | 1,925,629         |
| <b>At the end of the year</b>       | <b>19,389,240</b> | <b>22,807,882</b> |
| <b>Current</b>                      | <b>3,143,257</b>  | <b>1,682,243</b>  |
| <b>Non-current</b>                  | <b>16,245,983</b> | <b>21,125,639</b> |
| <b>At the end of the year</b>       | <b>19,389,240</b> | <b>22,807,882</b> |

The maturity analysis of lease liabilities are disclosed in Note 11.2.2

# NOTES TO THE FINANCIAL STATEMENTS

## 22.2 Amounts recognised in the income statement

| For the year ended 31 March<br>In Rs. '000s | Group     |           |
|---|-----------|-----------|
|   | 2024      | 2023      |
| Depreciation of right-of-use assets         | 2,436,901 | 2,758,820 |
| Finance charges on lease liabilities        | 552,202   | 579,917   |
| Total amount recognised in income statement | 2,989,103 | 3,338,737 |

Expenses relating to short term leases and leases of low value assets amounting to 46Mn (2023 - 32Mn) has been recognised in profit or loss.

The Group had total cash outflows from leases amounting to Rs. 2,398Mn in 2024 (2023 - 2,357Mn).

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.

## 23 INVESTMENT PROPERTIES

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 2023.

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 financial statements, and accounted using Group accounting policy for property, plant and equipment.

| As at 31 March<br>In Rs. '000s                                | Group     |           |
|---|-----------|-----------|
|   | 2024      | 2023      |
| At the beginning of the year                                  | 1,970,300 | 1,768,900 |
| Additions during the year                                     | 1,978     | -         |
| Net gain from fair value remeasurement                        | 98,250    | 201,400   |
| At the end of the year  | 2,070,528 | 1,970,300 |
| Freehold property   | 2,070,528 | 1,970,300 |
|   | 2,070,528 | 1,970,300 |
| Direct operating expenses that did not generate rental income | 7,591     | 7,185     |

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.

Description of valuation techniques used and key inputs to valuation on investment properties:

| <b>Property</b>                     | <b>Method of Valuation</b> | <b>Effective date of valuation</b> | <b>Name of the Chartered Valuation Surveyor</b> | <b>Significant unobservable inputs</b>                 | <b>Sensitivity of fair value to unobservable inputs</b> |
|-------------------------------------|----------------------------|------------------------------------|---|--|---|
| <b>Land of</b>                      |                            |                                    |   |  |   |
| Ahungalla Holiday Resorts (Pvt) Ltd | CMA/DRC                    | 31 December 2023                   | Mr. S Fernando                                  | Estimated price:<br>Per perch Rs.<br>290,000 - 465,000 | Positively correlated sensitivity                       |
| Resort Hotels Ltd                   | CMA/DRC                    | 31 December 2023                   | Mr. S Fernando                                  | Estimated price:<br>Per perch Rs.<br>130,000 - 300,000 | Positively correlated sensitivity                       |
| Trinco Walk Inn Ltd                 | CMA/DRC                    | 31 December 2023                   | Mr. S Fernando                                  | Estimated price:<br>Per perch Rs.<br>160,000 - 400,000 | Positively correlated sensitivity                       |
| Wirawila Walk Inn Ltd               | CMA/DRC                    | 31 December 2023                   | Mr. S Fernando                                  | Estimated price:<br>Per perch Rs. 24,000 - 27,200      | Positively correlated sensitivity                       |

# NOTES TO THE FINANCIAL STATEMENTS

## 24 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.

| As at 31 March<br>In Rs. '000s | Group   |         |
|--------------------------------|---------|---------|
|                                | 2024    | 2023    |
| At the beginning of the year   | 670,407 | 670,407 |
| Impairment                     | -       | -       |
| At the end of the year         | 670,407 | 670,407 |

| As at 31 March<br>In Rs. '000s | Net carrying value of<br>goodwill |         |
|--------------------------------|-----------------------------------|---------|
|                                | 2024                              | 2023    |
| 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.

### **Discount Rate**

The discount rate used (15%) is the risk free rate adjusted by the appropriate risk premium.

### **Volume Growth**

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the industry growth rates during the pre pandemic period and depreciation of Rupees against US dollar.

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

## **25 INVESTMENT IN SUBSIDIARIES**

Investment in subsidiaries are initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries are immediately recognised in the income statement. Following initial recognition, Investment In subsidiaries are carried at cost less any accumulated impairment losses.

### **25.1 Carrying value**

| As at 31 March<br>In Rs. '000s        | Note | Group |      | Company    |            |
|---------------------------------------|------|-------|------|------------|------------|
|                                       |      | 2024  | 2023 | 2024       | 2023       |
| Investment in subsidiaries - Unquoted | 25.2 | -     | -    | 12,363,163 | 12,690,759 |
|                                       |      | -     | -    | 12,363,163 | 12,690,759 |

### **25.2 Investments in subsidiaries - Unquoted**

| As at 31 March                           | Group             |         |                   |         | Company          |            |
|--|-------------------|---------|-------------------|---------|------------------|------------|
|  | Effective holding |         | Effective holding |         | Cost (Rs. '000s) |            |
|  | 2024              | 2023    | 2024              | 2023    |                  |            |
| Ceylon Holiday Resorts Ltd               | 99.39%            | 99.39%  | 99.39%            | 99.39%  | 3,152,247        | 3,152,247  |
| Yala Village (Pvt) Ltd                   | 93.78%            | 93.78%  | 93.78%            | 93.78%  | 300,678          | 300,678    |
| Kandy Walk Inn Ltd                       | 98.39%            | 98.39%  | 98.39%            | 98.39%  | 408,998          | 408,998    |
| Habarana Lodge Ltd                       | 98.35%            | 98.35%  | 98.35%            | 98.35%  | 695,083          | 695,083    |
| Habarana Walk Inn Ltd                    | 98.77%            | 98.77%  | 98.77%            | 98.77%  | 311,851          | 311,851    |
| Trinco Holiday Resorts (Pvt) Ltd         | 100.00%           | 100.00% | 100.00%           | 100.00% | 357,000          | 357,000    |
| Cinnamon Holidays (Pvt) Ltd              | 100.00%           | 100.00% | 100.00%           | 100.00% | 200              | 200        |
| 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% | 30,552           | 29,821     |
| Rajawella Hotels Co. Ltd                 | 100.00%           | 100.00% | 100.00%           | 100.00% | 37,704           | 37,005     |
| Ahungalla Holiday Resorts (Pvt) Ltd      | 100.00%           | 100.00% | 100.00%           | 100.00% | 137,419          | 136,445    |
| Nuwara Eliya Holiday Resorts (Pvt) Ltd   | 100.00%           | 100.00% | 100.00%           | 100.00% | 1,237            | 331,237    |
| International Tourists and Hoteliers Ltd | 99.33%            | 99.33%  | 99.33%            | 99.33%  | 2,094,401        | 2,094,401  |
| John Keells Maldivian Resorts (Pte) Ltd  | 100.00%           | 100.00% | 100.00%           | 100.00% | 4,739,853        | 4,739,853  |
| Hikkaduwa Holiday Resorts (Pvt) Ltd      | 99.39%            | 99.39%  | -                 | -       | -                | -          |
| Resort Hotels Ltd                        | 99.39%            | 99.39%  | -                 | -       | -                | -          |
| Beruwala Holiday Resorts (Pvt) Ltd       | 99.33%            | 99.33%  | -                 | -       | -                | -          |
| Travel Club (Pte) Ltd                    | 100.00%           | 100.00% | -                 | -       | -                | -          |
| Fantasea World Investments (Pte) Ltd     | 100.00%           | 100.00% | -                 | -       | -                | -          |
| Tranquility (Pte) Ltd                    | 100.00%           | 100.00% | -                 | -       | -                | -          |
| Total investments in subsidiaries        |                   |         |                   |         | 12,363,163       | 12,690,759 |

### **25.3 Material partly-owned subsidiaries**

The Group has concluded that non-controlling interest is not material in aggregate and individually for disclosure purpose.

# NOTES TO THE FINANCIAL STATEMENTS

## 26 INVESTMENT IN EQUITY ACCOUNTED INVESTEES

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 venture entered into by the Group, which has 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 which has been accounted for using 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.

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.

## 26.1 Carrying value

| As at 31 March<br>In Rs. '000s                 | Effective<br>Holding | Group            |                | Company          |                |
|--|----------------------|------------------|----------------|------------------|----------------|
|  |                      | 2024             | 2023           | 2024             | 2023           |
| <b>Investments in joint venture - Unquoted</b> |                      |                  |                |                  |                |
| Sentinel Realty (Pvt) Ltd                      | 50%                  | 85,444           | 82,759         | 72,402           | 71,282         |
| <b>Investments in associate - Unquoted</b>     |                      |                  |                |                  |                |
| Indra Hotels & Resorts Kandy (Pvt) Ltd         | 40%                  | 1,284,731        | 700,164        | 1,278,560        | 696,560        |
| <b>Carrying value</b>                          |                      | <b>1,370,175</b> | <b>782,923</b> | <b>1,350,962</b> | <b>767,842</b> |

## 26.2 Summarised financial information of equity accounted investees

| For the year ended 31 March<br>In Rs. '000s                 | Sentinel Realty<br>(Pvt) Ltd |         | Indra Hotels & Resorts<br>Kandy (Pvt) Ltd |       | Total   |         |
|---|------------------------------|---------|---|-------|---------|---------|
|   | 2024                         | 2023    | 2024                                      | 2023  | 2024    | 2023    |
| Group share of:   |                              |         |   |       |         |         |
| Revenue   | -                            | -       | -   | -     | -       | -       |
| Operating (expenses)/income                                 | (1,235)                      | (1,055) | (355)                                     | (123) | (1,590) | (1,178) |
| Net finance income  | -                            | -       | 3,969                                     | -     | 3,969   | -       |
| Gain from fair value remeasurement of investment properties | 4,000                        | 10,350  | -   | -     | 4,000   | 10,350  |
| Tax expense   | (1,200)                      | (3,204) | (1,047)                                   | -     | (2,247) | (3,204) |
| Share of results of equity accounted investees              | 1,565                        | 6,091   | 2,567                                     | (123) | 4,132   | 5,968   |
| Other comprehensive income                                  | -                            | -       | -   | -     | -       | -       |
| Total comprehensive income                                  | 1,565                        | 6,091   | 2,567                                     | (123) | 4,132   | 5,968   |

# NOTES TO THE FINANCIAL STATEMENTS

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<br>(Pvt) Ltd |                | Indra Hotels & Resorts<br>Kandy (Pvt) Ltd |                    | Total              |                    |
|--------------------------------|------------------------------|----------------|---|--------------------|--------------------|--------------------|
|                                | In Rs. '000s                 | 2024           | 2023                                      | 2024               | 2023               | 2024               |
| <b>Group share of:</b>         |                              |                |   |                    |                    |                    |
| Non current assets             | 90,101                       | 86,147         | 2,999,948                                 | 1,744,187          | 3,090,049          | 1,830,334          |
| Current assets                 | 1,414                        | 206            | 374,622                                   | 388,383            | 376,036            | 388,589            |
| <b>Total assets</b>            | <b>91,515</b>                | <b>86,353</b>  | <b>3,374,570</b>                          | <b>2,132,570</b>   | <b>3,466,085</b>   | <b>2,218,923</b>   |
| <b>Non current liabilities</b> |                              |                |   |                    |                    |                    |
| Non current liabilities        | (4,454)                      | (3,254)        | (2,084,465)                               | (1,432,329)        | (2,088,919)        | (1,435,583)        |
| Current liabilities            | (1,617)                      | (340)          | (5,374)                                   | (77)               | (6,991)            | (417)              |
| <b>Total liabilities</b>       | <b>(6,071)</b>               | <b>(3,594)</b> | <b>(2,089,839)</b>                        | <b>(1,432,406)</b> | <b>(2,095,910)</b> | <b>(1,436,000)</b> |
| <b>Net assets</b>              | <b>85,444</b>                | <b>82,759</b>  | <b>1,284,731</b>                          | <b>700,164</b>     | <b>1,370,175</b>   | <b>782,923</b>     |
| <b>Cash Flows</b>              |                              |                |   |                    |                    |                    |
| Operating activities           | 100                          | (818)          | (69,419)                                  | (159,221)          | (69,319)           | (160,039)          |
| Investing activities           | (12)                         | (25)           | (1,254,961)                               | (874,425)          | (1,254,973)        | (874,450)          |
| Financing activities           | 1,120                        | 1,020          | 1,237,336                                 | 1,119,674          | 1,238,456          | 1,120,694          |

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

## 27 NON-CURRENT FINANCIAL ASSETS

| As at 31 March                                 | Note  | Group          |                | Company   |           |
|--|-------|----------------|----------------|-----------|-----------|
|  |       | In Rs. '000s   | 2024           | 2023      | 2024      |
| <b>Quoted Investments</b>                      |       |                |                |           |           |
| Ceylon Hotels Corporation PLC                  |       | 10             | 12             | 10        | 12        |
| <b>Unquoted Investments</b>                    |       |                |                |           |           |
| Rainforest Ecolodge (Pvt) Ltd                  |       | 8,871          | 8,871          | -         | -         |
| Sri Lanka Hotel Tourism Training Institute Ltd |       | -              | -              | -         | -         |
| Rajawella Holdings Ltd                         |       | 161,357        | 161,357        | -         | -         |
| <b>Loans to executives</b>                     | 271.2 | 2,152          | 4,014          | -         | -         |
| <b>Total</b>                                   |       | <b>172,390</b> | <b>174,254</b> | <b>10</b> | <b>12</b> |

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.

## 27.1 Loans to executives

| As at 31 March                                      | Group   |         |
|---|---------|---------|
| In Rs. '000s  | 2024    | 2023    |
| At the beginning of the year                        | 4,694   | 4,775   |
| Loans granted/transfers                             | -       | 6,000   |
| Recoveries  | (1,462) | (6,081) |
| At the end of the year                              | 3,232   | 4,694   |
|   |         |         |
| <b>27.1.1</b> Receivable within one year            | 1,080   | 680     |
| <b>27.1.2</b> Receivable between one and five years | 2,152   | 4,014   |
|   | 3,232   | 4,694   |

## 28 OTHER NON-CURRENT ASSETS

| As at 31 March      | Group |       |
|---------------------|-------|-------|
| In Rs. '000s        | 2024  | 2023  |
| Prepaid staff loans | 1,870 | 2,711 |
|                     | 1,870 | 2,711 |

## 29 INVENTORIES

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              |

| As at 31 March                               | Group   |         |
|--|---------|---------|
| In Rs. '000s                                 | 2024    | 2023    |
| Food and beverage                            | 299,396 | 297,556 |
| Housekeeping and maintenance                 | 189,856 | 186,328 |
| Others                                       | 110,946 | 118,672 |
|  | 600,198 | 602,556 |
| Less : provision for slow moving inventories | (2,504) | (2,214) |
| Total  | 597,694 | 600,342 |

There were no inventories pledged as security for borrowings as at 31 March 2024 (as at 31 March 2023- Nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 30 TRADE AND OTHER RECEIVABLES

Receivables represent the Group's right to an amount of consideration that is unconditional. Trade receivables and contract assets 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                              |        | Group     |           |
|---|--------|-----------|-----------|
| In Rs. '000s                                | Note   | 2024      | 2023      |
| Trade receivables                           |        | 3,077,126 | 2,632,367 |
| Contract assets                             |        | 275,946   | 230,530   |
| Less : Provision for expected credit losses | 30.1   | (144,434) | (162,248) |
|   |        | 3,208,638 | 2,700,649 |
| Other receivables                           |        | 227,251   | 200,996   |
| Loans to executives                         | 27.1.1 | 1,080     | 680       |
| Total                                       |        | 3,436,969 | 2,902,325 |

Refer Note 11.1.3 for age analysis of trade and other receivables.

## 30.1 Movement of provision for expected credit losses

| In Rs. '000                     |      | Group    |         |
|---------------------------------|------|----------|---------|
|                                 | Note | 2024     | 2023    |
| As at the beginning of the year |      | 162,248  | 159,565 |
| Charge/(reversal) for the year  |      | (17,814) | 2,683   |
| As at the end of the year       |      | 144,434  | 162,248 |

## 31 OTHER CURRENT ASSETS

| As at 31 March                       | Group   |         | Company |       |
|--------------------------------------|---------|---------|---------|-------|
|                                      | 2024    | 2023    | 2024    | 2023  |
| Prepayments and non-cash receivables | 286,037 | 247,868 | 5,000   | 4,985 |
| Tax recoverable                      | 241,873 | 257,926 | 2,366   | 195   |
| Total                                | 527,910 | 505,794 | 7,366   | 5,180 |

## 32 SHORT-TERM INVESTMENTS

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<br>In Rs. '000s                            | Group  |         | Company |         |
|---|--------|---------|---------|---------|
|   | 2024   | 2023    | 2024    | 2023    |
| Bank deposits (Less than 3 months) reported for cash flow | 29,499 | 271,078 | -       | 108,569 |
| Bank deposits (more than 3 months and less than 1 year)   | -      | 305,605 | -       | -       |
| Total Short-term investments                              | 29,499 | 576,683 | -       | 108,569 |
| Reported in statement of cash flows                       | 29,499 | 271,078 | -       | 108,569 |

## 33 STATED CAPITAL AND OTHER COMPONENTS OF EQUITY

The ordinary shares of John Keells Hotels PLC are quoted in the Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are eligible for one vote per share at General Meetings of the Company. The Group has in place an Employee Share Option Plan. Please refer Note 34 for further details.

### 33.1 Stated Capital

| As at 31 March               | 2024                      |                                 | 2023                      |                                 |
|------------------------------|---------------------------|---------------------------------|---------------------------|---------------------------------|
|                              | Number of shares<br>'000s | Value of shares in<br>Rs. '000s | Number of shares<br>'000s | Value of shares in<br>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                       |

# NOTES TO THE FINANCIAL STATEMENTS

## 33.2 Other components of equity

| As at 31 March<br>In Rs. '000s                  | Note   | Group      |            | Company |      |
|---|--------|------------|------------|---------|------|
|   |        | 2024       | 2023       | 2024    | 2023 |
| Revaluation reserve                             | 33.2.1 | 8,117,876  | 7,282,548  | -       | -    |
| Foreign currency translation reserve            | 33.2.2 | 11,998,396 | 13,697,272 | -       | -    |
| Fair value reserve of financial assets at FVOCI | 33.2.3 | (9,362)    | (9,360)    | (3)     | (1)  |
| Employee share option plan reserve              | 33.2.4 | 61,553     | 60,331     | -       | -    |
|   |        | 20,168,463 | 21,030,791 | (3)     | (1)  |

**33.2.1** Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment.

**33.2.2** Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of foreign operation into Sri Lankan Rupees.

**33.2.3** Fair value reserve of financial assets at FVOCI includes changes of fair value of equity instruments.

**33.2.4** 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.

## 34 SHARE-BASED PAYMENT PLANS

### 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.

### **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:

| <b>For the year ended 31 March</b>           | <b>Group</b> |             |
|--|--------------|-------------|
|  | <b>2024</b>  | <b>2023</b> |
| <b>In Rs. '000s</b>                          |              |             |
| Share-based payments expense during the year | 1,233        | 851         |
|  | 1,233        | 851         |

### **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:

| <b>As at 31 March</b>     | <b>Group</b> |             |            |                   |
|---------------------------|--------------|-------------|------------|-------------------|
|                           | <b>2024</b>  | <b>2023</b> | <b>No.</b> | <b>WAEP (Rs.)</b> |
| Outstanding at 1 April    | 166,587      | 148.33      | 272,561    | 163.17            |
| Granted during the year   | -            | -           | 81,900     | 137.86            |
| Transfer in               | -            | -           | 988        | 154.10            |
| Forfeited during the year | (38,159)     | 154.10      | (188,862)  | 169.52            |
| Outstanding at 31 March   | 128,428      | 137.86      | 166,587    | 148.33            |
| Exercisable at 31 March   | 9,625        | 137.86      | 84,687     | 154.10            |

### **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.

# NOTES TO THE FINANCIAL STATEMENTS

The following information were used and results were generated using binomial model for ESOP.

| As at 31 March  | 2024                    | 2024                  | 2023                  | 2022                 | 2021                  | 2020                  |
|---|-------------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|
|   | Plan no 11<br>Award 2.1 | Plan no 11<br>Award 2 | Plan no 11<br>Award 1 | Ian no 10<br>Award 3 | Plan no 10<br>Award 2 | Plan no 10<br>Award 1 |
| Dividend yield (%)  | 2.07                    | 2.54                  | 2.90                  | 3.28                 | 3.87                  | 3.62                  |
| Expected volatility (%)   | 25.05                   | 24.99                 | 24.15                 | 22.37                | 21.35                 | 17.47                 |
| Risk free interest rate (%)   | 14.49                   | 26.92                 | 23.10                 | 8.87                 | 6.44                  | 9.83                  |
| Expected life of share options (Years)  | 5                       | 5                     | 5                     | 5                    | 5                     | 5                     |
| Weighted average share price at the grant date (Rs.)                                  | 158.36                  | 137.83                | 119.85                | 132.63               | 134.74                | 138.70                |
| Weighted average remaining contractual life for the share options outstanding (Years) | 3                       | 3                     | 3                     | 3                    | 3                     | 3                     |
| Weighted average fair value of options granted during the year (Rs.)                  | 52.79                   | 45.94                 | 39.95                 | 44.21                | 44.91                 | 46.23                 |
| Exercise price for options outstanding at the end of the year (Rs.)                   | 145.59                  | 137.86                | 121.91                | 136.64               | 132.86                | 136.97                |

## 35 INTEREST-BEARING LOANS AND BORROWINGS

### 35.1 Bank Borrowings

| As at 31 March<br>In Rs. '000s        | Group             |                   | Company          |                  |
|---------------------------------------|-------------------|-------------------|------------------|------------------|
|                                       | 2024              | 2023              | 2024             | 2023             |
| Balance at the beginning of the year  | 17,565,693        | 20,177,625        | 1,199,755        | 1,106,347        |
| <b>Cash Movement</b>                  |                   |                   |                  |                  |
| Loans obtained during the year        | 750,000           | 100,000           | 200,000          | -                |
| Repayments during the year            | (5,377,865)       | (4,373,744)       | (236,000)        | (1,421)          |
| <b>Non Cash Movement</b>              |                   |                   |                  |                  |
| Accrued interest                      | 790,152           | 945,497           | 7,644            | 94,599           |
| Amortisation of transaction cost      | 737               | 959               | 231              | 231              |
| Exchange differences                  | (736,017)         | 715,355           | -                | -                |
| <b>Balance at the end of the year</b> | <b>12,992,700</b> | <b>17,565,692</b> | <b>1,171,630</b> | <b>1,199,756</b> |
| <b>Analysed by repayment period</b>   |                   |                   |                  |                  |
| Repayable within one year             | 6,174,553         | 12,961,265        | 824,389          | 938,394          |
| Repayable after one year              | 6,818,147         | 4,604,427         | 347,241          | 261,362          |
|                                       | <b>12,992,700</b> | <b>17,565,692</b> | <b>1,171,630</b> | <b>1,199,756</b> |

### 35.2 Security and Repayment Terms of Borrowings

| As at 31<br>March<br>In Rs. '000s   | Nominal<br>interest<br>rate  | Repayment<br>terms  | Assets pledged and<br>collaterals   | Group     |           |
|-------------------------------------|--|---|---|-----------|-----------|
|                                     |  |   |   | 2024      | 2023      |
| 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   | 496,480   | 591,120   |
|                                     | 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   | 2,635,725 | 3,033,912 |
|                                     | AWPLR to be fixed monthly  | Each loan to be repaid within a maximum period of 90 days from the date of grant                          | Corporate Guarantee from John Keells Hotels PLC of Rs. 300Mn  | 300,000   | -         |
| Beruwala Holiday Resorts (Pvt) Ltd  | 1 month SOFR based plus margin   | 23 monthly instalments commencing from August 2022  | -   | 20,514    | 208,022   |
| Habarana Lodge Ltd                  | 1 month SOFR based plus margin   | 23 monthly instalments commencing from August 2022  | -   | 7,326     | 40,180    |
|                                     | 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    |
|                                     | Fixed  | 23 monthly instalments commencing from August 2022  | -   | 19,877    | 109,013   |
| Hikkaduwa Holiday Resorts (Pvt) Ltd | 1 month SOFR based plus margin   | 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     |
|                                     | 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   | 443,675   | 534,118   |
|                                     | AWPLR based plus margin  | 13 monthly instalments after a grace period of 12 months and debt moratorium, commencing from July 2022   | Letter of comfort of John Keells Hotels PLC   | 12,254    | 61,267    |
| Trinco Holiday Resorts (Pvt) Ltd    | 1 month SOFR based plus margin   | 23 monthly instalments commencing from August 2022  | -   | 8,576     | 47,036    |
|                                     | 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     |

## NOTES TO THE FINANCIAL STATEMENTS

| As at 31<br>March<br>In Rs. '000s             | Nominal<br>interest<br>rate  | Repayment<br>terms  | Assets pledged and<br>collaterals  | Group      |            |
|---|--|---|--|------------|------------|
|   |  |   |  | 2024       | 2023       |
| Yala Village<br>(Pvt) Ltd                     | 1 month SOFR<br>based plus<br>margin   | 23 monthly instalments<br>commencing from August 2022   | -  | 5,496      | 10,070     |
|   | Fixed  | 18 monthly instalments after a<br>grace period of 6 months and<br>debt moratorium, commencing<br>from July 2022   | Corporate Guarantee from<br>John Keells Hotels PLC and<br>Letter of Comfort from John<br>Keells Holdings PLC | -          | 30,123     |
| Habarana<br>Walk Inn Ltd                      | Fixed  | 18 monthly instalments after a<br>grace period of 6 months and<br>debt moratorium, commencing<br>from July 2022   | Corporate Guarantee from<br>John Keells Hotels PLC and<br>Letter of Comfort from John<br>Keells Holdings PLC | -          | 5,966      |
|   | To be decided<br>at the time of<br>draw-down   | Bullet payment within a<br>maximum duration of 180 days   | -  | 250,000    | -          |
| Kandy Walk<br>Inn Ltd                         | Fixed  | 18 monthly instalments after<br>a grace period of 6 months<br>commencing from July 2022   | Corporate Guarantee from<br>John Keells Hotels PLC and<br>Letter of Comfort from John<br>Keells Holdings PLC | -          | 12,509     |
| John Keells<br>Hotels PLC                     | Fixed for the<br>first 3 years and<br>1 month AWPLR<br>plus margin for<br>the next 4 years | 10 bi-annual instalments after<br>a grace period of 24 months<br>commencing from June 2023  | Letter of Comfort from John<br>Keells Holdings PLC   | 967,148    | 1,199,756  |
|   | AWPLR to<br>be reviewed<br>monthly   | Repayable in 08 bi-annual<br>instalments commencing after<br>06 months of grace period.   | -  | 204,481    | -          |
| Tranquility<br>(Pte) Ltd                      | 3 month SOFR<br>based plus<br>margin   | 16 quarterly instalments<br>after 12 months grace period<br>commencing from September<br>2019 and moratorium period of<br>12 months from March 2020 to<br>February 2021 | Leasehold right on the<br>Island of Kanuoiy Huraa in<br>Kaafu (Male')  | 4,066,214  | 6,597,249  |
| Fantasea<br>World<br>Investments<br>(Pte) Ltd | 3 month SOFR<br>based plus<br>margin   | 22 quarterly instalments<br>after 18 months grace period<br>commencing from December<br>2018 and moratorium period of<br>12 months from March 2020 to<br>February 2021  | Leasehold rights of Island of<br>Hakuraa Huraa.  | 3,554,934  | 5,049,935  |
|   |  |   |  | 12,992,700 | 17,565,692 |

## 36 EMPLOYEE BENEFIT LIABILITIES

### 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.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The obligation is not externally funded.

| As at 31 March<br>In Rs. '000s           | Note | Group   |         |
|--|------|---------|---------|
|  |      | 2024    | 2023    |
| Employee defined benefit plan - gratuity | 36.1 | 329,867 | 256,052 |
| Other long term employee benefits        | 36.2 | 9,267   | 6,876   |
| Balance at the end of the year           |      | 339,134 | 262,928 |

### 36.1 Employee defined benefit plan - gratuity

| As at 31 March<br>In Rs. '000s  |  | Group    |          |
|---|--|----------|----------|
|   |  | 2024     | 2023     |
| Balance at the beginning of the year  |  | 256,052  | 234,568  |
| Current service cost  |  | 28,223   | 21,212   |
| Interest cost on benefit obligation   |  | 49,909   | 20,611   |
| Payments  |  | (30,614) | (27,098) |
| Transfers   |  | (3,267)  | (638)    |
| Loss arising from changes in assumptions  |  | 29,564   | 7,397    |
| Balance at the end of the year  |  | 329,867  | 256,052  |
| <br>The expenses are recognised in the following line items in the income statement |  |          |          |
| Cost of sales   |  | 33,359   | 17,719   |
| Administrative expenses   |  | 44,747   | 22,121   |
| Selling and distribution expenses   |  | 26       | 1,983    |
|   |  | 78,132   | 41,823   |

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.

# NOTES TO THE FINANCIAL STATEMENTS

The principal assumptions used in determining the cost of employee benefits were:

|                         | 2024 | 2023 |
|-------------------------|------|------|
| Discount rate           | 12%  | 20%  |
| Future salary increases | 12%  | 15%  |

## 36.1.1 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<br>In Rs. '000s                       | Group         |                  |          |         |
|--|---------------|------------------|----------|---------|
|  | Discount rate | Salary increment | 2024     | 2023    |
| Effect on the defined benefit obligation liabilities |               |                  |          |         |
| 1% Increase  | (17,007)      | (9,029)          | 18,440   | 10,224  |
| 1% Decrease  | 17,495        | 9,249            | (17,087) | (9,634) |

## 36.1.2 Maturity analysis of the payments

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

| As at 31 March<br>In Rs. '000s | Group   |         |
|--------------------------------|---------|---------|
|                                | 2024    | 2023    |
| Within the next 12 months      | 15,777  | 5,875   |
| Between 1 and 2 years          | 10,953  | 11,608  |
| Between 2 and 5 years          | 153,432 | 116,645 |
| Between 5 and 10 years         | 112,793 | 121,924 |
| Beyond 10 years                | 36,912  | -       |
| Total expected payments        | 329,867 | 256,052 |

The Group weighted average duration of the defined benefit plan obligation is 5.83 (2023 - 5.87) years.

## 36.2 Other long term employee benefits

| As at 31 March<br>In Rs. '000s       | Group   |       |
|--------------------------------------|---------|-------|
|                                      | 2024    | 2023  |
| Balance at the beginning of the year | 6,876   | 5,377 |
| Current service cost                 | 5,318   | 2,145 |
| Payments                             | (2,907) | (646) |
| Transfers                            | (20)    | -     |
| Balance at the end of the year       | 9,267   | 6,876 |

**37 OTHER DEFERRED LIABILITIES**

| As at 31 March                       | Group    |          |
|--------------------------------------|----------|----------|
| In Rs. '000s                         | 2024     | 2023     |
| Balance at the beginning of the year | 23,803   | 50,484   |
| Cash movement                        |          |          |
| Payments                             | (18,409) | (33,617) |
| Non-cash movement                    |          |          |
| Exchange differences                 | (1,116)  | 6,936    |
| Balance at the end of the year       | 4,278    | 23,803   |

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.

**38 OTHER NON-CURRENT LIABILITIES**

| As at 31 March                       | Group    |          |
|--------------------------------------|----------|----------|
| In Rs. '000s                         | 2024     | 2023     |
| Balance at the beginning of the year | 158,640  | 73,760   |
| Cash movement                        |          |          |
| Additions                            | 45,328   | 124,248  |
| Non-cash movement                    |          |          |
| Exchange differences                 | (13,396) | (6,231)  |
| Amortised during the year            | (67,346) | (33,137) |
| Balance at the end of the year       | 123,226  | 158,640  |

This represents non-refundable deposits received from Liveaboard Maldives (Private) Ltd to provide required facilities to house its equipment and to operate a dive base and a water sport center at Tranquility (Pte) Ltd for a period of 120 months.

**39 TRADE AND OTHER PAYABLES**

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   | Group     |           | Company |       |
|------------------|-----------|-----------|---------|-------|
|                  | 2024      | 2023      | 2024    | 2023  |
| In Rs. '000s     |           |           |         |       |
| Trade payables   | 1,265,022 | 1,112,862 | -       | -     |
| Other payables   | 602,544   | 527,518   | 3,611   | 5,592 |
| Accrued expenses | 513,453   | 419,404   | 5,784   | 961   |
|                  | 2,381,019 | 2,059,784 | 9,395   | 6,553 |

Trade and other payables are normally non-interesting bearing and settled within one year. For further explanation on the Group's liquidity risk management process refer Note 11.2.

# NOTES TO THE FINANCIAL STATEMENTS

## 40 OTHER CURRENT LIABILITIES

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<br>In Rs. '000s | Group     |           |
|--------------------------------|-----------|-----------|
|                                | 2024      | 2023      |
| Contract liabilities           | 1,048,457 | 1,203,987 |
| Non-refundable deposits        | 80,818    | 57,846    |
| Other tax payables             | 638,229   | 540,408   |
|                                | 1,767,504 | 1,802,241 |

## 41 RELATED PARTY TRANSACTIONS

### Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of business at arm's length price with the following related entities. 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 any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 March 2023 audited financial statements, which required additional disclosures in the 2023/24 Annual Report under Colombo Stock Exchange listing Rule 9.14.8 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

### Recurrent related party transactions

There were no any recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2023 audited financial Statements, which required additional disclosures in the 2023/24 Annual Report under Colombo Stock Exchange listing Rule 9.14.8 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

**41.1 Amounts due from related parties**

| As at 31 March<br>In Rs. '000s                    | Group   |        | Company |       |
|---|---------|--------|---------|-------|
|   | 2024    | 2023   | 2024    | 2023  |
| <b>Ultimate parent</b>                            |         |        |         |       |
| John Keells Holdings PLC                          | 283     | 291    | -       | -     |
|   | 283     | 291    | -       | -     |
| <b>Companies under common control</b>             |         |        |         |       |
| Ahungalla Holiday Resorts Ltd                     | -       | -      | 340     | -     |
| Asian Hotels & Properties PLC                     | 1,055   | 647    | -       | -     |
| Ceylon Cold Stores PLC                            | 97      | -      | -       | -     |
| Ceylon Holiday Resorts Ltd                        | -       | -      | 4,699   | 2,703 |
| Cinnamon Holidays (Pvt) Ltd                       | -       | -      | -       | 29    |
| Cinnamon Hotel Management International (Pvt) Ltd | 16,423  | 37,656 | -       | -     |
| Cinnamon Hotel Management Ltd                     | 24,529  | 3,243  | -       | -     |
| Habarana Lodge Ltd                                | -       | -      | -       | 8     |
| Habarana Walk Inn Ltd                             | -       | -      | -       | 3     |
| Hikkaduwa Holiday Resorts (Pvt) Ltd               | -       | -      | 192     | 250   |
| John Keells Maldivian Resorts (Pte) Ltd           | -       | -      | 7,333   | -     |
| Kandy Walk Inn Ltd                                | -       | -      | -       | 5     |
| Nuwara Eliya Holiday Resorts (Pvt) Ltd            | -       | -      | 283     | 93    |
| Rajawella Hotels Co. Ltd                          | -       | -      | 280     | -     |
| Sancity Hotels & Properties Ltd                   | 80      | 161    | 32      | -     |
| South Asia Gateway Terminals (Pvt) Ltd            | 579     | 1,398  | -       | -     |
| Trans Asia Hotels PLC                             | 123     | 290    | -       | -     |
| Travel Club Pvt Ltd                               | -       | -      | 2,337   | -     |
| Trinco Holiday Resorts (Pvt) Ltd                  | -       | -      | 60      | 4     |
| Trinco Walk Inn Ltd                               | -       | -      | -       | 114   |
| Walkers Tours Ltd                                 | 230,075 | 27,273 | -       | -     |
| Waterfront Properties (Pvt) Ltd                   | 13,633  | -      | -       | -     |
| Whittall Boustead (Travels) Ltd                   | 9,664   | 3,120  | -       | -     |
| Wirawila Walk Inn Ltd                             | -       | -      | 300     | -     |
| Yala Village (Pvt) Ltd                            | -       | -      | -       | 4     |
|   | 296,258 | 73,788 | 15,856  | 3,213 |
| <b>Equity accounted investees</b>                 |         |        |         |       |
| Sentinel Realty (Pvt) Ltd                         | 2,971   | 547    | 2,721   | 339   |
| Indra Hotels & Resorts Kandy (Pvt) Ltd            | 738     | -      | 297     | -     |
|   | 3,709   | 547    | 3,018   | 339   |
|   | 300,250 | 74,626 | 18,874  | 3,552 |

# NOTES TO THE FINANCIAL STATEMENTS

## 41.2 Amounts due to related parties

| As at 31 March<br>In Rs. '000s                    | Group   |         | Company |       |
|---|---------|---------|---------|-------|
|   | 2024    | 2023    | 2024    | 2023  |
| <b>Ultimate parent</b>                            |         |         |         |       |
| John Keells Holdings PLC                          | 19,588  | 17,485  | 667     | 584   |
|   | 19,588  | 17,485  | 667     | 584   |
| <b>Companies under common control</b>             |         |         |         |       |
| Ahungalla Holiday Resorts Ltd                     | -       | -       | 335     | -     |
| Asian Hotels & Properties PLC                     | 1,525   | 334     | -       | -     |
| Ceylon Cold Stores PLC                            | 4,260   | 1,188   | -       | -     |
| Cinnamon Hotel Management International (Pvt) Ltd | 195,835 | 130,197 | -       | -     |
| Cinnamon Hotel Management Ltd                     | 261,969 | 164,438 | 233     | 190   |
| Fairfirst Insurance Ltd                           | -       | 96      | -       | -     |
| InfoMate (Pvt) Ltd                                | 9,393   | 7,438   | 236     | 195   |
| Jaykay Marketing Services (Pvt) Ltd               | 16,423  | 13,122  | -       | -     |
| John Keells Foundation                            | 2,821   | -       | -       | -     |
| John Keells Information Technology (Pvt) Ltd      | -       | 284     | -       | -     |
| John Keells International (Pvt) Ltd               | 969     | 306     | -       | -     |
| John Keells Office Automation Ltd                 | 1,780   | 1,709   | -       | -     |
| John Keells Properties Ja-Ela (Pvt) Ltd           | 590     | -       | -       | -     |
| Keells Consultants (Pvt) Ltd                      | 368     | 697     | 65      | 306   |
| Keells Food Products PLC                          | 2,603   | 6,068   | -       | -     |
| Mackinnons Travel (Pvt) Ltd                       | 5,549   | 324     | -       | -     |
| Rajawella Hotels Company Ltd                      | -       | -       | 278     | -     |
| Sancity Hotels & Properties Ltd                   | 236     | 198     | -       | -     |
| The Colombo Ice Company (Pvt) Ltd                 | -       | 705     | -       | -     |
| Trans Asia Hotels PLC                             | 142     | 137     | -       | -     |
| Trinco Holiday Resorts (Pvt) Ltd                  | -       | -       | 8       | -     |
| Walkers Tours Ltd                                 | 637     | 2,536   | -       | -     |
| Wirawila Walk Inn Ltd                             | -       | -       | 255     | -     |
|   | 505,100 | 329,777 | 1,410   | 691   |
|   | 524,688 | 347,262 | 2,077   | 1,275 |

**41.3 Transactions with related parties**

| For the year ended 31 March<br>In Rs. '000s   | Note   | Group       |             | Company |         |
|---|--------|-------------|-------------|---------|---------|
|   |        | 2024        | 2023        | 2024    | 2023    |
| <b>Ultimate parent</b>  |        |             |             |         |         |
| Receiving of services   |        | (109,777)   | (183,756)   | (7,679) | (5,778) |
| Rendering of services   |        | 146         | 226         | -       | -       |
| <b>Companies under common control</b>   |        |             |             |         |         |
| Purchase of goods   | 41.3.1 | (105,413)   | (248,912)   | -       | -       |
| Rendering of services   | 41.3.1 | 430,716     | 223,080     | -       | -       |
| Receiving of services   | 41.3.1 | (2,104,837) | (2,326,815) | (1,817) | (993)   |
| <b>Subsidiaries</b>   |        |             |             |         |         |
| Guarantee income received   | 41.3.2 | -           | -           | 58,459  | 20,758  |
| Transfers under finance agreement   | 41.3.2 | -           | -           | -       | -       |
| Settlement under finance agreement  | 41.3.2 | -           | -           | -       | -       |
| <b>Key management personnel (KMP)</b>   |        |             |             |         |         |
| Close family members of KMP   |        | -           | -           | -       | -       |
| <b>Companies controlled/ jointly controlled/ significantly influenced by KMP and their close family members</b> |        |             |             |         |         |
| <b>Post employment benefit plan</b>   |        |             |             |         |         |
| Post employment benefit plan  |        | (2,447)     | (1,982)     | -       | -       |

# NOTES TO THE FINANCIAL STATEMENTS

## 41.3.1 Transactions with companies under common control

| For the year ended 31 March<br>In Rs. '000s       | Group       |             | Company |       |
|---|-------------|-------------|---------|-------|
|   | 2024        | 2023        | 2024    | 2023  |
| <b>Purchase of goods</b>                          |             |             |         |       |
| Ceylon Cold Stores PLC                            | (33,240)    | (8,709)     | -       | -     |
| Jaykay Marketing Services (Pvt) Ltd               | (38,056)    | (96,710)    | -       | -     |
| John Keells Office Automation (Pvt) Ltd           | -           | (1,007)     | -       | -     |
| Keells Food Products PLC                          | (32,311)    | (25,760)    | -       | -     |
| Lanka Marine Services (Pvt) Ltd                   | (1,806)     | (116,726)   | -       | -     |
|   | (105,413)   | (248,912)   | -       | -     |
| <b>Rendering of services</b>                      |             |             |         |       |
| Ceylon Cold Stores PLC                            | 6,794       | 3,678       | -       | -     |
| Cinnamon Hotel Management International (Pvt) Ltd | -           | 41,662      | -       | -     |
| Cinnamon Hotel Management Ltd                     | 2,776       | 11,225      | -       | -     |
| John Keells Office Automation (Pvt) Ltd           | 3,004       | 336         | -       | -     |
| Keells Food Products PLC                          | -           | 4,107       | -       | -     |
| Mackinnons Travels (Pvt) Ltd                      | 672         | -           | -       | -     |
| South Asia Gateway Terminals (Pvt) Ltd            | 192         | -           | -       | -     |
| Walkers Tours Ltd                                 | 392,794     | 149,085     | -       | -     |
| Waterfront Properties (Pvt) Ltd                   | 9,125       | -           | -       | -     |
| Whittall Boustead (Travels) Ltd                   | 13,744      | 9,270       | -       | -     |
| Other related parties                             | 1,615       | 3,717       | -       | -     |
|   | 430,716     | 223,080     | -       | -     |
| <b>Receiving of services</b>                      |             |             |         |       |
| Asian Hotels & Properties PLC                     | (2,997)     | -           | -       | -     |
| Cinnamon Hotel Management International (Pvt) Ltd | (1,017,208) | (1,388,187) | -       | -     |
| Cinnamon Hotel Management Ltd                     | (942,396)   | (780,612)   | -       | -     |
| Fairfirst Insurance Ltd                           | -           | (32,606)    | -       | -     |
| Infomate (Pvt) Ltd                                | (59,472)    | (77,621)    | (1,171) | (302) |
| John Keells International (Pvt) Ltd               | -           | (3,724)     | -       | -     |
| John Keells Office Automation (Pvt) Ltd           | (11,201)    | (7,303)     | -       | -     |
| Keells Consultants (Pvt) Ltd                      | (2,820)     | (4,029)     | (646)   | (691) |
| Mackinnons Travels (Pvt) Ltd                      | (58,860)    | (3,266)     | -       | -     |
| South Asia Gateway Terminals (Pvt) Ltd            | -           | (17,431)    | -       | -     |
| Walkers Tours Ltd                                 | (7,787)     | (8,236)     | -       | -     |
| Other related parties                             | (2,096)     | (3,800)     | -       | -     |
|   | (2,104,837) | (2,326,815) | (1,817) | (993) |

#### 41.3.2 Transactions with subsidiaries

| For the year ended 31 March<br>In Rs. '000s | Group |      | Company |        |
|---|-------|------|---------|--------|
|   | 2024  | 2023 | 2024    | 2023   |
| Guarantee income received                   |       |      |         |        |
| Ceylon Holiday Resorts Ltd                  | -     | -    | 14,219  | 16,821 |
| Kandy Walk Inn Ltd                          | -     | -    | 18      | 105    |
| Habarana Lodge Ltd                          | -     | -    | 25      | 151    |
| Habarana Walk Inn Ltd                       | -     | -    | 8       | 50     |
| Yala Village (Pvt) Ltd                      | -     | -    | 14      | 85     |
| Trinco Holiday Resorts (Pvt) Ltd            | -     | -    | 12      | 74     |
| Hikkaduwa Holiday Resorts (Pvt) Ltd         | -     | -    | 2,463   | 2,996  |
| John Keells Maldivian Resorts (Pte) Ltd     | -     | -    | 26,441  | 476    |
| Travel Club (Pte) Ltd                       | -     | -    | 15,259  | -      |
|   | -     | -    | 58,459  | 20,758 |

#### 41.4 Compensation of Key Management Personnel

| For the year ended 31 March<br>In Rs. '000s | Group |       | Company |       |
|---|-------|-------|---------|-------|
|   | 2024  | 2023  | 2024    | 2023  |
| Short term employee benefits                | 9,808 | 9,808 | 9,808   | 9,808 |
| Post employment benefits                    | -     | -     | -       | -     |
| Other long term benefits                    | -     | -     | -       | -     |
| Termination benefits                        | -     | -     | -       | -     |
| Share-based payments                        | -     | -     | -       | -     |
|   | 9,808 | 9,808 | 9,808   | 9,808 |

Key management personnel include members of the Board of Directors of John Keells Hotels PLC, its subsidiaries and John Keells Holdings PLC.

#### OTHER DISCLOSURES

##### 42 COMMITMENTS

###### Capital Commitments

| As at 31 March<br>In Rs. '000s | Group     |           | Company   |           |
|--------------------------------|-----------|-----------|-----------|-----------|
|                                | 2024      | 2023      | 2024      | 2023      |
| Guarantees committed           | 7,451,724 | 6,208,807 | 7,450,006 | 6,205,778 |
|                                | 7,451,724 | 6,208,807 | 7,450,006 | 6,205,778 |

# NOTES TO THE FINANCIAL STATEMENTS

## 43 ASSETS PLEDGED

Assets pledged for facilities obtained are given in Note 35.2 to the financial statements.

## 44 CONTINGENT LIABILITIES

### 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:

#### John Keells Hotels PLC

Income tax assessment relating to year of assessment 2018/2019 and 2019/20

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 2024 is estimated at Rs. 10,630,740/-.

#### Habarana Walk Inn Ltd

Income tax assessment relating to year of assessment 2019/20

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 2024 is estimated at Rs. 57,292,483/-.

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.

## 45 EVENTS SUBSEQUENT TO THE REPORTING DATE

There have been no events subsequent to the reporting date, which require disclosure in the financial statements.

# SUPPLEMENTARY INFORMATION

As we reflect on the year under review, John Keells Hotels PLC is extremely proud to have spearheaded programmes and activities that inspire the growth of our communities and our environment.



# QUARTERLY INFORMATION

## Income Statement - Group

| For the period ended<br>In Rs. '000s                            | 2023/24            |                    |                  |                  |                       |
|---|--------------------|--------------------|------------------|------------------|-----------------------|
|   | June<br>30th       | September<br>30th  | December<br>31st | March<br>31st    | For the year<br>ended |
| Revenue from contracts with customers                           | 5,994,177          | 6,520,192          | 8,165,638        | 10,059,244       | 30,739,251            |
| Cost of sales   | (2,537,553)        | (2,805,054)        | (2,997,837)      | (3,449,012)      | (11,789,456)          |
| <b>Gross profit</b>   | <b>3,456,624</b>   | <b>3,715,138</b>   | <b>5,167,801</b> | <b>6,610,232</b> | <b>18,949,795</b>     |
| Other operating income  | 36,098             | 29,115             | 52,893           | 20,822           | 138,928               |
| Selling and distribution expenses                               | (325,434)          | (369,893)          | (463,962)        | (366,650)        | (1,525,939)           |
| Administrative expenses   | (2,873,005)        | (3,071,726)        | (3,015,809)      | (2,600,823)      | (11,561,363)          |
| Other operating expenses  | (832,041)          | (712,754)          | (881,021)        | (927,129)        | (3,352,945)           |
| Results from operating activities                               | (537,758)          | (410,120)          | 859,902          | 2,736,452        | 2,648,476             |
| Finance costs   | (734,839)          | (706,926)          | (761,977)        | (678,395)        | (2,882,137)           |
| Finance income  | 36,638             | 6,752              | 12,239           | 10,455           | 66,084                |
| Net gain from fair value remeasurement of investment properties | -                  | -                  | -                | 98,250           | 98,250                |
| Share of results of equity accounted investees (net of tax)     | 459                | 816                | (345)            | 3,202            | 4,132                 |
| <b>Profit/(loss) before tax</b>                                 | <b>(1,235,500)</b> | <b>(1,109,478)</b> | <b>109,819</b>   | <b>2,169,964</b> | <b>(65,195)</b>       |
| Tax reversal/(expense)  | 275,121            | 190,496            | (101,596)        | (737,831)        | (373,810)             |
| <b>Profit/(loss) for the year</b>                               | <b>(960,379)</b>   | <b>(918,982)</b>   | <b>8,223</b>     | <b>1,432,133</b> | <b>(439,005)</b>      |
| <b>Attributable to :</b>  |                    |                    |                  |                  |                       |
| Equity holders of the parent                                    | (953,136)          | (916,587)          | 8,652            | 1,424,643        | (436,428)             |
| Non-controlling interests                                       | (7,243)            | (2,395)            | (429)            | 7,490            | (2,577)               |
|   | (960,379)          | (918,982)          | 8,223            | 1,432,133        | (439,005)             |

## Statement of Financial Position - Group

| As at<br>In Rs. '000s                               | 2023/24           |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | June<br>30th      | September<br>30th | December<br>31st  | March<br>31st     |
| <b>ASSETS</b>                                       |                   |                   |                   |                   |
| Non-current assets                                  | 77,105,425        | 79,003,471        | 78,021,007        | 73,895,504        |
| Current assets                                      | 5,057,891         | 4,294,911         | 5,669,392         | 6,004,036         |
| <b>Total assets</b>                                 | <b>82,163,316</b> | <b>83,298,382</b> | <b>83,690,399</b> | <b>79,899,540</b> |
| <b>EQUITY AND LIABILITIES</b>                       |                   |                   |                   |                   |
| Equity attributable to equity holders of the parent | 30,299,897        | 30,256,719        | 30,306,229        | 31,180,442        |
| Non-controlling interests                           | 92,078            | 89,682            | 89,260            | 104,090           |
| <b>Total equity</b>                                 | <b>30,391,975</b> | <b>30,346,401</b> | <b>30,395,489</b> | <b>31,284,532</b> |
| Non-current liabilities                             | 32,468,622        | 30,064,801        | 26,273,163        | 24,575,320        |
| Current liabilities                                 | 19,302,719        | 22,887,180        | 27,021,747        | 24,039,688        |
| <b>Total liabilities</b>                            | <b>51,771,341</b> | <b>52,951,981</b> | <b>53,294,910</b> | <b>48,615,008</b> |
| <b>Total equity and liabilities</b>                 | <b>82,163,316</b> | <b>83,298,382</b> | <b>83,690,399</b> | <b>79,899,540</b> |
| <b>SHARE INFORMATION</b>                            |                   |                   |                   |                   |
| Earnings/(loss) per share                           | (0.65)            | (0.63)            | 0.01              | 0.98              |
| Net assets per share                                | 20.81             | 20.78             | 20.81             | 21.41             |
| <b>Market price per share</b>                       |                   |                   |                   |                   |
| Highest   | 19.00             | 24.70             | 23.60             | 19.80             |
| Lowest  | 15.60             | 17.20             | 18.30             | 17.20             |
| Last traded price                                   | 17.20             | 23.50             | 18.80             | 18.60             |

# INDICATIVE US DOLLAR FINANCIAL STATEMENTS

## Income Statement

| For the year ended 31 March<br>In USD '000s                     | Group    |          | Company |        |
|---|----------|----------|---------|--------|
|   | 2024     | 2023     | 2024    | 2023   |
| Revenue from contracts with customers                           | 96,628   | 80,019   | -       | -      |
| Cost of sales   | (37,060) | (29,938) | -       | -      |
| Gross profit  | 59,568   | 50,081   | -       | -      |
| Dividend income   | -        | -        | 502     | 213    |
| Other operating income  | 437      | 463      | 188     | 66     |
| Selling and distribution expenses                               | (4,797)  | (3,703)  | -       | -      |
| Administrative expenses   | (36,343) | (32,799) | (116)   | (60)   |
| Other operating expenses  | (10,540) | (9,207)  | (3)     | (2)    |
| Results from operating activities                               | 8,325    | 4,835    | 571     | 217    |
| Finance costs   | (9,060)  | (7,498)  | (332)   | (267)  |
| Finance income  | 208      | 411      | 64      | 241    |
| Net gain from fair value remeasurement of investment properties | 309      | 559      | -       | -      |
| Share of results of equity accounted investees (net of tax)     | 13       | 17       | -       | -      |
| Profit/(loss) before tax  | (205)    | (1,676)  | 303     | 191    |
| Tax (expense)/reversal  | (1,175)  | 753      | (4)     | -      |
| Profit/(loss) for the year                                      | (1,380)  | (923)    | 299     | 191    |
| Attributable to :   |          |          |         |        |
| Equity holders of the parent                                    | (1,372)  | (891)    |         |        |
| Non-controlling interests                                       | (8)      | (32)     |         |        |
|   | (1,380)  | (923)    |         |        |
| Exchange Rate (Rs.)   | 318.12   | 360.36   | 318.12  | 360.36 |

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 income statement and the statement of financial position.

# INDICATIVE US DOLLAR FINANCIAL STATEMENTS

## Statement of financial position

| As at 31 March<br>In USD '000s                             | Group          |                | Company       |               |
|--|----------------|----------------|---------------|---------------|
|  | 2024           | 2023           | 2024          | 2023          |
| <b>ASSETS</b>  |                |                |               |               |
| <b>Non-current assets</b>                                  |                |                |               |               |
| Property, plant and equipment                              | 110,381        | 105,681        | -             | -             |
| Right-of-use assets  | 118,079        | 125,778        | -             | -             |
| Investment properties                                      | 6,893          | 5,980          | -             | -             |
| Intangible assets and goodwill                             | 2,232          | 2,035          | -             | -             |
| Investment in subsidiaries                                 | -              | -              | 41,156        | 38,515        |
| Investment in equity accounted investees                   | 4,561          | 2,376          | 4,497         | 2,330         |
| Non-current financial assets                               | 574            | 529            | -             | -             |
| Deferred tax assets  | 3,264          | 4,101          | 30            | 31            |
| Other non-current assets                                   | 6              | 8              | -             | -             |
|  | 245,990        | 246,488        | 45,683        | 40,876        |
| <b>Current assets</b>                                      |                |                |               |               |
| Inventories  | 1,990          | 1,822          | -             | -             |
| Trade and other receivables                                | 11,441         | 8,808          | -             | -             |
| Amounts due from related parties                           | 1,000          | 226            | 63            | 11            |
| Other current assets                                       | 1,757          | 1,535          | 25            | 16            |
| Short-term investments                                     | 98             | 1,750          | -             | 329           |
| Cash in hand and at bank                                   | 3,701          | 3,699          | 1,183         | 1,353         |
|  | 19,987         | 17,840         | 1,271         | 1,709         |
| <b>Total assets</b>  | <b>265,977</b> | <b>264,328</b> | <b>46,954</b> | <b>42,585</b> |
| <b>EQUITY AND LIABILITIES</b>                              |                |                |               |               |
| <b>Equity attributable to equity holders of the parent</b> |                |                |               |               |
| Stated capital   | 31,625         | 28,832         | 31,625        | 28,832        |
| Revenue reserves   | 5,032          | 5,973          | 11,358        | 10,058        |
| Other components of equity                                 | 67,139         | 63,826         | -             | -             |
|  | 103,796        | 98,631         | 42,983        | 38,890        |
| Non-controlling interests                                  | 347            | 301            | -             | -             |
| <b>Total equity</b>  | <b>104,143</b> | <b>98,932</b>  | <b>42,983</b> | <b>38,890</b> |

| As at 31 March<br>In USD '000s        | Group          |                | Company       |               |
|---------------------------------------|----------------|----------------|---------------|---------------|
|                                       | 2024           | 2023           | 2024          | 2023          |
| <b>Non-current liabilities</b>        |                |                |               |               |
| Interest-bearing loans and borrowings | 20,554         | 39,336         | 2,744         | 2,848         |
| Lease liabilities                     | 54,081         | 64,114         | -             | -             |
| Deferred tax liabilities              | 5,620          | 4,231          | -             | -             |
| Employee benefit liabilities          | 1,129          | 798            | -             | -             |
| Other deferred liabilities            | 14             | 72             | -             | -             |
| Non-current financial liabilities     | 410            | 481            | -             | -             |
|                                       | 81,808         | 109,032        | 2,744         | 2,848         |
| <b>Current liabilities</b>            |                |                |               |               |
| Trade and other payables              | 7,926          | 6,252          | 32            | 19            |
| Amounts due to related parties        | 1,747          | 1,054          | 7             | 4             |
| Other current liabilities             | 5,884          | 5,470          | -             | -             |
| Income tax liabilities                | 245            | 267            | 32            | 31            |
| Interest-bearing loans and borrowings | 22,697         | 13,974         | 1,156         | 793           |
| Lease liabilities                     | 10,464         | 5,105          | -             | -             |
| Bank overdrafts                       | 31,063         | 24,242         | -             | -             |
|                                       | 80,026         | 56,364         | 1,227         | 847           |
| <b>Total equity and liabilities</b>   | <b>265,977</b> | <b>264,328</b> | <b>46,954</b> | <b>42,585</b> |
| Exchange Rate (SL Rs.)                | 300.40         | 329.50         | 300.40        | 329.50        |

# DECade at a Glance - Group

| In Rs. '000s   | 2024              | 2023              | 2022               | 2021               |
|--|-------------------|-------------------|--------------------|--------------------|
| <b>OPERATING RESULTS</b>                                     |                   |                   |                    |                    |
| Revenue  | 30,739,251        | 28,835,400        | 13,354,724         | 3,660,539          |
| Cost of sales  | (11,789,456)      | (10,788,449)      | (4,997,121)        | (2,130,666)        |
| <b>Gross profit</b>  | <b>18,949,795</b> | <b>18,046,951</b> | <b>8,357,603</b>   | <b>1,529,873</b>   |
| Earnings before interest and tax (EBIT)                      | 2,816,942         | 2,097,971         | 70,729             | (4,712,323)        |
| Finance costs  | (2,882,137)       | (2,702,004)       | (1,235,013)        | (1,124,063)        |
| Profit/(loss) before tax                                     | (65,195)          | (604,033)         | (1,297,872)        | (5,854,557)        |
| Tax reversal   | (373,810)         | 271,489           | 80,940             | 734,749            |
| <b>Profit/(loss) for the year</b>                            | <b>(439,005)</b>  | <b>(332,544)</b>  | <b>(1,216,932)</b> | <b>(5,119,808)</b> |
| Attributable to :  |                   |                   |                    |                    |
| Equity holders of the parent                                 | (436,428)         | (320,925)         | (1,202,776)        | (5,096,181)        |
| Non-controlling interests                                    | (2,577)           | (11,620)          | (14,156)           | (23,627)           |
|  | <b>(439,005)</b>  | <b>(332,545)</b>  | <b>(1,216,932)</b> | <b>(5,119,808)</b> |
| <b>ASSETS</b>  |                   |                   |                    |                    |
| Non current assets   |                   |                   |                    |                    |
| Property, plant and equipment (PPE)                          | 33,158,443        | 34,821,838        | 32,322,034         | 27,108,615         |
| Right-of-use asset (ROU)                                     | 35,471,044        | 41,443,969        | 40,683,891         | 28,432,037         |
| Lease rentals paid in advance (LRPA)                         | -                 | -                 | -                  | -                  |
| Investment properties (IP)                                   | 2,070,528         | 1,970,300         | 1,768,900          | 1,663,950          |
| Intangible assets and goodwill (IA)                          | 670,407           | 670,407           | 670,407            | 670,407            |
| Non current assets other than PPE, ROU, LRPA and IA          | 2,525,082         | 2,311,091         | 2,325,788          | 1,863,367          |
|  | <b>73,895,504</b> | <b>81,217,605</b> | <b>77,771,020</b>  | <b>59,738,376</b>  |
| Current assets   |                   |                   |                    |                    |
| Short-term investments (STI) and Cash in hand and Bank (C&B) | 1,141,213         | 1,795,642         | 1,732,679          | 1,328,341          |
| Current assets other than STI and C&B                        | 4,862,823         | 4,083,087         | 4,018,889          | 1,408,752          |
|  | <b>6,004,036</b>  | <b>5,878,729</b>  | <b>5,751,568</b>   | <b>2,737,093</b>   |
| <b>Total assets</b>  | <b>79,899,540</b> | <b>87,096,334</b> | <b>83,522,588</b>  | <b>62,475,469</b>  |
| <b>EQUITY &amp; LIABILITIES</b>                              |                   |                   |                    |                    |
| Equity attributable to equity holders of the parent          |                   |                   |                    |                    |
| Stated capital   | 9,500,247         | 9,500,247         | 9,500,247          | 9,500,247          |
| Revenue reserves   | 1,511,732         | 1,968,045         | 2,296,282          | 3,427,168          |
| Other components of equity                                   | 20,168,463        | 21,030,791        | 18,244,432         | 11,398,724         |
|  | <b>31,180,442</b> | <b>32,499,083</b> | <b>30,040,961</b>  | <b>24,326,139</b>  |
| Non-controlling interests                                    | 104,090           | 99,319            | 99,428             | 104,587            |
| <b>Total equity</b>  | <b>31,284,532</b> | <b>32,598,402</b> | <b>30,140,389</b>  | <b>24,430,726</b>  |

| <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 9,711,741   | 11,032,715  | 11,614,376  | 12,311,664  | 11,631,973  | 11,444,150  |
| (3,496,474) | (3,439,138) | (4,020,790) | (3,907,360) | (3,436,976) | (3,290,496) |
| 6,215,267   | 7,593,577   | 7,593,586   | 8,404,304   | 8,194,997   | 8,153,654   |
| (633,000)   | 1,428,010   | 1,581,774   | 2,482,885   | 2,305,863   | 2,370,163   |
| (653,104)   | (251,103)   | (255,519)   | (227,788)   | (182,025)   | (265,101)   |
| (1,306,957) | 1,079,785   | 1,350,714   | 2,236,128   | 2,035,221   | 2,190,687   |
| 105,565     | (248,090)   | (220,116)   | (372,620)   | (286,422)   | (322,923)   |
| (1,201,392) | 831,695     | 1,130,598   | 1,863,508   | 1,748,799   | 1,867,764   |
| .....       | .....       | .....       | .....       | .....       | .....       |
| (1,200,568) | 816,810     | 1,118,951   | 1,846,130   | 1,734,543   | 1,853,724   |
| (824)       | 14,885      | 11,647      | 17,378      | 14,256      | 14,040      |
| (1,201,392) | 831,695     | 1,130,598   | 1,863,508   | 1,748,799   | 1,867,764   |
| .....       | .....       | .....       | .....       | .....       | .....       |
| 26,692,178  | 17,563,154  | 14,083,594  | 14,354,695  | 14,272,874  | 13,560,033  |
| 26,115,233  | -           | -           | -           | -           | -           |
| -           | 11,449,766  | 10,587,355  | 10,714,231  | 8,537,247   | 7,861,533   |
| 1,647,700   | 1,626,196   | 1,573,798   | -           | -           | -           |
| 670,407     | 670,407     | 670,407     | 670,407     | 670,407     | 670,407     |
| 1,126,923   | 822,176     | 355,755     | 332,441     | 325,068     | 137,841     |
| 56,252,441  | 32,131,699  | 27,270,909  | 26,071,774  | 23,805,596  | 22,229,814  |
| .....       | .....       | .....       | .....       | .....       | .....       |
| 1,461,154   | 2,253,324   | 4,165,911   | 4,175,145   | 3,440,751   | 2,893,304   |
| 2,862,489   | 2,865,444   | 1,799,020   | 1,836,543   | 1,653,253   | 1,626,251   |
| 4,323,643   | 5,118,768   | 5,964,931   | 6,011,688   | 5,094,004   | 4,519,555   |
| 60,576,084  | 37,250,467  | 33,235,840  | 32,083,462  | 28,899,600  | 26,749,369  |
| .....       | .....       | .....       | .....       | .....       | .....       |
| 9,500,247   | 9,500,247   | 9,500,247   | 9,500,247   | 9,500,247   | 9,500,247   |
| 8,523,704   | 9,695,525   | 9,075,560   | 8,531,777   | 7,278,122   | 6,189,643   |
| 10,721,124  | 9,564,193   | 7,633,178   | 6,749,432   | 6,106,444   | 4,637,612   |
| 28,745,075  | 28,759,965  | 26,208,985  | 24,781,456  | 22,884,813  | 20,327,502  |
| 127,318     | 136,602     | 144,503     | 139,392     | 132,952     | 118,187     |
| 28,872,393  | 28,896,567  | 26,353,488  | 24,920,848  | 23,017,765  | 20,445,689  |

## DECade at a Glance - Group

| In Rs. '000s  | 2024        | 2023        | 2022        | 2021        |
|---|-------------|-------------|-------------|-------------|
| <b>Non current liabilities</b>                                      |             |             |             |             |
| Non current liabilities other than lease liabilities & IBB          | 2,154,784   | 1,839,397   | 1,051,971   | 988,951     |
| Lease liabilities   | 16,245,983  | 21,125,639  | 19,659,970  | 14,983,915  |
| Interest-bearing loans and borrowings (IBB)                         | 6,174,553   | 12,961,265  | 16,466,986  | 13,240,350  |
|   | 24,575,320  | 35,926,301  | 37,178,927  | 29,213,216  |
| <b>Current liabilities</b>  |             |             |             |             |
| Current liabilities other than borrowings, OD and lease liabilities | 4,746,910   | 4,297,373   | 3,134,267   | 1,729,135   |
| Current portion of lease liabilities                                | 3,143,257   | 1,682,243   | 2,947,669   | 1,131,749   |
| Current portion of borrowings and bank overdraft                    | 16,149,521  | 12,592,015  | 10,121,336  | 5,970,643   |
|   | 24,039,688  | 18,571,631  | 16,203,272  | 8,831,527   |
| <b>Total equity and liabilities</b>                                 | 79,899,540  | 87,096,334  | 83,522,588  | 62,475,469  |
| <b>CASH FLOWS</b>   |             |             |             |             |
| Net cash flows from/(used in) operating activities                  | 6,067,989   | 5,570,841   | (32,797)    | (997,530)   |
| Net cash flows from/(used) in investing activities                  | (1,386,701) | (1,313,786) | (126,867)   | (1,522,983) |
| Net cash flows from/(used in) financing activities                  | (6,373,898) | (6,051,206) | (1,759,413) | 1,776,082   |
| Net Increase/(decrease) in Cash and Cash Equivalents                | (1,692,610) | (1,794,151) | (1,919,077) | (744,431)   |
| <b>KEY INDICATORS</b>   |             |             |             |             |
| Basic earnings per share (EPS) (Rs.)                                | (0.30)      | (0.22)      | (0.83)      | (3.50)      |
| EPS growth / (de-growth) (%)  | (36.36)     | 73.49       | 76.29       | (326.83)    |
| EBIT Margin (%)   | 9.16        | 7.28        | 0.53        | (128.73)    |
| Dividend per share (Rs.)  | -           | -           | -           | -           |
| Dividend pay-out (%)  | -           | -           | -           | -           |
| Dividend yield (%)  | -           | -           | -           | -           |
| Interest cover (no. of times)                                       | 0.98        | 0.78        | 0.06        | (4.19)      |
| Return on equity (%)  | (1.38)      | (1.06)      | (4.48)      | (19.29)     |
| Pre-tax ROCE (%)  | 3.66        | 2.62        | 0.10        | (8.05)      |
| No. of shares in issue ('000)                                       | 1,456,147   | 1,456,147   | 1,456,147   | 1,456,147   |
| Net assets per share (Rs.)  | 21.41       | 22.32       | 20.63       | 16.71       |
| Debt/Equity (%)   | 72          | 79          | 88.51       | 78.97       |
| Debt/Total assets (%)   | 52.21       | 55.53       | 58.90       | 56.54       |
| Market price of share as at 31 March (Rs.)                          | 18.60       | 18.90       | 11.70       | 9.50        |
| Market capitalisation (Rs. '000)                                    | 27,084,334  | 27,521,178  | 17,036,917  | 13,833,394  |
| Price earnings ratio (no. of times)                                 | (62.00)     | (85.91)     | (14.10)     | (2.71)      |
| Assets turnover (no. of times)                                      | 0.38        | 0.33        | 0.16        | 0.06        |
| Current ratio (no. of times)  | 0.25        | 0.32        | 0.35        | 0.31        |
| USD closing rate  | 300.40      | 329.50      | 305.00      | 200.30      |
| USD average rate  | 318.12      | 360.36      | 208.34      | 189.02      |

| <b>2020</b>  | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
|--------------|-------------|-------------|-------------|-------------|-------------|
| 1,071,538    | 1,184,700   | 1,005,298   | 570,741     | 555,364     | 465,709     |
| 12,318,477   | -           | -           | -           | -           | -           |
| 10,749,189   | 3,207,504   | 2,764,218   | 1,083,408   | 1,852,851   | 2,900,658   |
| 24,139,204   | 4,392,204   | 3,769,516   | 1,654,149   | 2,408,215   | 3,366,367   |
| <hr/>        |             |             |             |             |             |
| 2,022,604    | 1,713,985   | 1,632,908   | 1,422,477   | 1,600,718   | 1,524,144   |
| 1,103,057    | -           | -           | -           | -           | -           |
| 4,438,826    | 2,247,711   | 1,479,928   | 4,085,988   | 1,872,902   | 1,413,169   |
| 7,564,487    | 3,961,696   | 3,112,836   | 5,508,465   | 3,473,620   | 2,937,313   |
| 60,576,084   | 37,250,467  | 33,235,840  | 32,083,462  | 28,899,600  | 26,749,369  |
| <hr/>        |             |             |             |             |             |
| 1,947,185    | 1,704,850   | 2,997,104   | 3,231,801   | 3,615,758   | 3,542,296   |
| (11,016,763) | (3,791,262) | (567,660)   | (3,105,447) | (2,364,080) | (1,408,306) |
| 6,197,212    | (380,813)   | (333,603)   | (49,099)    | (1,962,069) | (2,324,195) |
| (2,872,366)  | (2,467,225) | 2,095,841   | 77,255      | (710,391)   | (190,205)   |
| <hr/>        |             |             |             |             |             |
| (0.82)       | 0.56        | 0.77        | 1.27        | 1.19        | 1.27        |
| (246.43)     | (27.27)     | (39.37)     | 6.72        | (6.30)      | 17.59       |
| (6.52)       | 12.94       | 13.62       | 20.17       | 19.82       | 20.71       |
| -            | 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        |
| (0.97)       | 5.69        | 6.19        | 10.90       | 12.67       | 8.94        |
| (4.18)       | 3.03        | 4.43        | 7.82        | 8.09        | 9.72        |
| (1.38)       | 4.42        | 5.24        | 8.78        | 9.00        | 9.65        |
| 1,456,147    | 1,456,147   | 1,456,147   | 1,456,147   | 1,456,147   | 1,456,147   |
| 19.74        | 19.75       | 18.00       | 17.02       | 15.72       | 13.96       |
| 52.84        | 18.97       | 16.19       | 20.86       | 16.28       | 21.22       |
| 47.23        | 14.64       | 12.77       | 16.11       | 12.89       | 16.13       |
| 6.70         | 7.50        | 9.30        | 10.00       | 12.00       | 14.30       |
| 9,756,183    | 10,921,101  | 13,542,165  | 14,561,468  | 17,473,761  | 20,822,899  |
| (8.17)       | 13.39       | 12.08       | 7.87        | 10.08       | 11.26       |
| 0.16         | 0.30        | 0.35        | 0.38        | 0.40        | 0.43        |
| 0.57         | 1.29        | 1.92        | 1.09        | 1.47        | 1.54        |
| 189.63       | 175.45      | 155.90      | 151.90      | 147.65      | 133.45      |
| 179.42       | 168.58      | 153.56      | 147.98      | 139.18      | 131.24      |

# GROUP REAL ESTATE PORTFOLIO

| Owning company and location          | Buildings |      |             |           | Land in acres     |        |                    |        | Net book value |            |
|--------------------------------------|-----------|------|-------------|-----------|-------------------|--------|--------------------|--------|----------------|------------|
|                                      | Numbers   |      | Square feet |           | Freehold property |        | Leasehold property |        | Rs.'000        |            |
|                                      | 2024      | 2023 | 2024        | 2023      | 2024              | 2023   | 2024               | 2023   | 2024           | 2023       |
| <b>PROPERTIES - SRI LANKA</b>        |           |      |             |           |                   |        |                    |        |                |            |
| Beruwala Holiday Resorts (Pvt) Ltd   |           |      |             |           |                   |        |                    |        |                |            |
| Cinnamon Bey Beruwala                | 9         | 9    | 453,136     | 453,136   | 10.82             | 10.82  | -                  | -      | 5,461,264      | 5,229,002  |
| Ceylon Holiday Resorts Ltd           |           |      |             |           |                   |        |                    |        |                |            |
| Cinnamon Bentota Beach               | 8         | 8    | 308,658     | 308,658   | 2.02              | 2.02   | 11.92              | 11.92  | 4,848,089      | 4,765,424  |
| Hikkaduwa Holiday Resorts (Pvt) Ltd  |           |      |             |           |                   |        |                    |        |                |            |
| Hikka Tranz by Cinnamon              | 6         | 6    | 223,712     | 223,712   | 0.29              | 0.29   | 4.43               | 4.43   | 2,058,646      | 1,901,925  |
| Habarana Lodge Ltd                   |           |      |             |           |                   |        |                    |        |                |            |
| Cinnamon Lodge Habarana              | 79        | 79   | 101,162     | 101,162   | -                 | -      | 36.09              | 36.09  | 897,685        | 861,065    |
| Habarana Walk Inn Ltd                |           |      |             |           |                   |        |                    |        |                |            |
| Habarana Village by Cinnamon         | 84        | 84   | 91,369      | 91,369    | -                 | -      | 9.34               | 9.34   | 400,095        | 408,837    |
| Kandy Walk Inn Ltd                   |           |      |             |           |                   |        |                    |        |                |            |
| Cinnamon Citadel Kandy               | 6         | 6    | 128,302     | 128,302   | 6.29              | 6.29   | -                  | -      | 1,937,392      | 1,811,231  |
| Resort Hotels Ltd                    |           |      |             |           |                   |        |                    |        |                |            |
| Nilaveli                             | -         | -    | -           | -         | 41.73             | 41.73  | -                  | -      | 1,116,628      | 1,066,000  |
| Trinco Holiday Resorts (Pvt) Ltd     |           |      |             |           |                   |        |                    |        |                |            |
| Trinco Blu by Cinnamon               | 9         | 9    | 94,931      | 94,931    | 13.24             | 13.24  | -                  | -      | 1,532,535      | 1,463,190  |
| Trinco Walk Inn Ltd                  |           |      |             |           |                   |        |                    |        |                |            |
| Trincomalee                          | -         | -    | -           | -         | 14.15             | 14.15  | -                  | -      | 493,500        | 467,500    |
| Wirawila Walk Inn Ltd                |           |      |             |           |                   |        |                    |        |                |            |
| Wirawila                             | -         | -    | -           | -         | 25.15             | 25.15  | -                  | -      | 105,600        | 100,600    |
| Yala Village (Pvt) Ltd               |           |      |             |           |                   |        |                    |        |                |            |
| Cinnamon Wild Yala                   | 78        | 78   | 81,909      | 81,909    | -                 | -      | 9.34               | 9.34   | 616,956        | 616,988    |
| Ahungalla Holiday Resorts (Pvt) Ltd  |           |      |             |           |                   |        |                    |        |                |            |
| Ahungalla                            | -         | -    | -           | -         | 6.51              | 6.51   | -                  | -      | 354,800        | 336,200    |
| <b>PROPERTIES - MALDIVES</b>         |           |      |             |           |                   |        |                    |        |                |            |
| Tranquility (Pte) Ltd                |           |      |             |           |                   |        |                    |        |                |            |
| Cinnamon Dhonveli Maldives           | 146       | 146  | 261,327     | 261,327   | -                 | -      | 17.16              | 17.16  | 24,711,943     | 27,636,127 |
| Cinnamon Velifushi Maldives          | 145       | 145  | 263,512     | 263,512   | -                 | -      | 13.22              | 13.22  | 6,226,825      | 8,072,854  |
| Travel Club (Pte) Ltd                |           |      |             |           |                   |        |                    |        |                |            |
| Ellaidhoo Maldives by Cinnamon       | 115       | 115  | 178,294     | 178,294   | -                 | -      | 13.80              | 13.80  | 5,062,848      | 6,513,657  |
| Fantasea World Investments (Pte) Ltd |           |      |             |           |                   |        |                    |        |                |            |
| Cinnamon Hakuraa Huraa Maldives      | 163       | 163  | 236,730     | 236,730   | -                 | -      | 18.90              | 18.90  | 10,997,044     | 12,631,942 |
| Total                                | 575       | 575  | 2,423,042   | 2,423,042 | 120.20            | 120.20 | 134.2              | 134.20 | 66,821,850     | 73,882,542 |

# CONSOLIDATED ECONOMIC VALUE-ADDED STATEMENT

| For the year ended 31 March<br>In Rs. '000s                     | Sri Lanka  |             | Maldives   |            | Group      |             |
|---|------------|-------------|------------|------------|------------|-------------|
|   | 2024       | 2023        | 2024       | 2023       | 2024       | 2023        |
| <b>Direct economic value generated</b>                          |            |             |            |            |            |             |
| Revenue   | 10,309,933 | 6,189,099   | 20,429,318 | 22,646,301 | 30,739,251 | 28,835,400  |
| Finance income  | 66,084     | 148,166     | -          | -          | 66,084     | 148,166     |
| Net gain from fair value remeasurement of investment properties | 98,250     | 201,400     | -          | -          | 98,250     | 201,400     |
| Share of results of equity accounted investees (net of tax)     | 4,132      | 5,968       | -          | -          | 4,132      | 5,968       |
| Proceeds from sale of property, plant and equipment             | 4,678      | 7,404       | 10,686     | 23,287     | 15,364     | 30,691      |
|   | 10,483,077 | 6,552,037   | 20,440,004 | 22,669,588 | 30,923,081 | 29,221,625  |
| <b>Economic value distributed</b>                               |            |             |            |            |            |             |
| Operating costs   | 7,544,898  | 5,194,156   | 15,308,826 | 16,768,095 | 22,853,724 | 21,962,251  |
| Employee wages and benefits                                     | 2,275,718  | 2,040,494   | 3,100,260  | 3,268,366  | 5,375,978  | 5,308,860   |
| Payments to providers of funds                                  | 1,064,732  | 936,502     | 1,817,405  | 1,765,502  | 2,882,137  | 2,702,004   |
| Payments to government:   |            |             |            |            | -          | -           |
| Sri Lanka   | 234,432    | 261,310     | -          | -          | 234,432    | 261,310     |
| Maldives  |            | -           | 42,023     | 57,925     | 42,023     | 57,925      |
| Community investments   | 9,162      | 3,875       | 2,097      | 2,269      | 11,259     | 6,144       |
|   | 11,128,942 | 8,436,337   | 20,270,611 | 21,862,157 | 31,399,553 | 30,298,494  |
| <b>Net economic value retained/(distributed)</b>                | (645,865)  | (1,884,300) | 169,393    | 807,431    | (476,472)  | (1,076,869) |

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.

## 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. 2,845.5 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. 341.6 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. 126.4 Mn

Contact No. - 066-2270046/7

Directors - M R Svensson  
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. 1,939.8 Mn

Contact No. - 011-2306000

Directors - M R Svensson  
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  
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. 37.7 Mn

Contact No. - 011-2306000

Directors - M R Svensson  
M H Singhawansa  
C L P Gunawardane

**TRINCO WALK INN LTD**

(PB 168) - 100%

**Owner of real estate in Trincomalee**

|                           |  |
|---------------------------|--|
| Incorporated in           | - 1984   |
| Registered office address | - No. 117, Sir Chittampalam A<br>Gardiner Mawatha,<br>Colombo 02 |
| Stated Capital            | - Rs. 119.9 Mn   |
| Contact No.               | - 011-2306000  |
| Directors                 | - M R Svensson<br>M H Singhawansa<br>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<br>A Gardiner Mawatha,<br>Colombo 2 |
| Stated Capital            | - Rs. 14.2 Mn  |
| Contact No.               | - 011-2306000  |
| Directors                 | - M R Svensson<br>M H Singhawansa<br>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<br>Gardiner Mawatha,<br>Colombo 2 |
| Stated Capital            | - Rs. 23.7 Mn   |
| Contact No.               | - 011-2306000   |
| Directors                 | - M R Svensson<br>M H Singhawansa<br>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,<br>P.O. Box 01,<br>Kirinda Tissamaharama   |
| Registered office address | - No. 117, Sir Chittampalam A<br>Gardiner Mawatha,<br>Colombo 2  |
| Stated Capital            | - Rs. 319.4 Mn   |
| Contact No.               | - 047- 2239449/52  |
| Directors                 | - M A Perera - Chairperson<br>S Rajendra<br>M R Svensson<br>M H Singhawansa<br>C L P Gunawardane<br>J A Davis<br>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,<br>Moragalla, Beruwala                 |
| Registered office address | - No. 117, Sir Chittampalam A<br>Gardiner Mawatha,<br>Colombo 2 |
| Stated Capital            | - Rs. 2,338.2 Mn  |
| Contact No.               | - 034-2297000   |
| Directors                 | - M R Svensson<br>M H Singhawansa<br>C L P Gunawardane          |

# GROUP DIRECTORY

## **TRINCO HOLIDAY RESORTS (PVT) LTD**

|  |   |
|--|---|
| (PV 69908)                             | - 100%  |
| <b>Owner of Trinco Blu by Cinnamon</b> |   |
| Incorporated in                        | - 2009  |
| Company operating address              | - Trinco Blu by Cinnamon,<br>Sambativu, Uppuvelli,<br>Trincomalee |
| Registered office address              | - No. 117, Sir Chittampalam A<br>Gardiner Mawatha,<br>Colombo 02  |
| Stated Capital                         | - Rs. 357 Mn  |
| Contact No.                            | - 026-2222307   |
| Directors                              | - M R Svensson<br>M H Singhawansa<br>C L P Gunawardane            |

## **HIKKADUWA HOLIDAY RESORTS (PVT) LTD**

|   |   |
|---|---|
| (PV 71747)                              | - 99.39%  |
| <b>Owner of Hikka Tranz by Cinnamon</b> |   |
| Incorporated in                         | - 2010  |
| Company operating address               | - Hikka Tranz by Cinnamon,<br>No. 01, Galle Road,<br>Hikkaduwa  |
| Registered office address               | - No. 117, Sir Chittampalam<br>A Gardiner Mawatha,<br>Colombo 2 |
| Stated Capital                          | - Rs. 1,062.6 Mn  |
| Contact No.                             | - 091-2277023   |
| Directors                               | - M R Svensson<br>M H Singhawansa<br>C L P Gunawardane          |

## **AHUNGALLA HOLIDAY RESORTS (PVT) LTD**

|  |  |
|--|--|
| (PV 85046)                               | - 100%   |
| <b>Owner of real estate in Ahungalla</b> |  |
| Incorporated in                          | - 2012   |
| Registered office address                | - No. 117, Sir Chittampalam<br>A Gardiner Mawatha,<br>Colombo 02 |
| Stated Capital                           | - Rs. 137.4 Mn   |
| Contact No.                              | - 011-2306000  |
| Directors                                | - M R Svensson<br>M H Singhawansa<br>C L P Gunawardane           |

## **NUWARA ELIYA HOLIDAY RESORTS (PVT) LTD**

|                           |  |
|---------------------------|--|
| (PV 98357)                | - 100%   |
| <b>Incorporated in</b>    |  |
| Registered office address | - No. 117, Sir Chittampalam<br>A Gardiner Mawatha,<br>Colombo 02 |
| Stated Capital            | - Rs. 1.2 Mn   |
| Contact No.               | - 011-2306000  |
| Directors                 | - M R Svensson<br>M H Singhawansa<br>C L P Gunawardane           |

## **CINNAMON HOLIDAYS (PVT) LTD**

|   |  |
|---|--|
| (PV 107427)                               | - 100%   |
| <b>Inbound and Outbound Tour Operator</b> |  |
| Incorporated in                           | - 2015   |
| Registered office address                 | - No. 117, Sir Chittampalam<br>A Gardiner Mawatha,<br>Colombo 02 |
| Stated Capital                            | - Rs. 0.2 Mn   |
| Contact No.                               | - 011-2306000  |
| Directors                                 | - M R Svensson<br>M H Singhawansa<br>C L P Gunawardane           |

## **SENTINEL REALTY (PVT) LTD**

|   |   |
|---|---|
| (PV 80706)  | - 50%   |
| <b>Owner of real estate in Vaakarai and Kallarawa</b> |   |
| Incorporated in                                       | - 2011  |
| Registered office address                             | - No. 117, Sir Chittampalam<br>A Gardiner Mawatha,<br>Colombo 02                              |
| Stated Capital  | - Rs. 144.6 Mn  |
| Contact No.   | - 011-2306000   |
| Directors   | - B A B Goonetilleke -<br>Chairperson<br>N N Mawilmada<br>K Balasundaram<br>C L P Gunawardane |

**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. 3,194.4 Mn   |
| Contact No.               | - 081-2234346  |
| Directors                 | - Y S H I K Silva - Chairperson<br>Y S H R S Silva<br>Y S H H K Silva<br>S Rajendra<br>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<br>M R Svensson<br>M H Singhawansa<br>C L P Gunawardane    |

**TRAVEL CLUB (PTE) LTD**

(C-121/92) - 100%

|  |   |
|--|---|
| <b>Owner of Ellaidhoo Maldives by Cinnamon</b> |   |
| Incorporated in                                | - 1992  |
| Company operating address                      | - Ellaidhoo Maldives by Cinnamon<br>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<br>M R Svensson<br>M H Singhawansa<br>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    |
| 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<br>M R Svensson<br>M H Singhawansa<br>C L P Gunawardane    |

**FANTASEA WORLD INVESTMENTS (PTE) LTD**

(C-143/97) - 100%

|   |   |
|---|---|
| <b>Owner of Cinnamon Hakuraa Huraa Maldives</b> |   |
| 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<br>M R Svensson<br>M H Singhawansa<br>C L P Gunawardane    |

# NOTICE OF MEETING

Notice is hereby given that the Forty Fifth Annual General Meeting ("Meeting") of John Keells Hotels PLC will be held as a virtual meeting on 27 June 2024 at 2.00 pm 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 2024 with the Report of the Auditors thereon.
3. To re-elect as a Director, Mr. S Rajendra, who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of S Rajendra is contained in Page 148 of the Annual Report.
4. To re-elect as a Director, Ms. A K Moonesinghe, who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of A K Moonesinghe is contained in Page 149 of the Annual Report.
5. To re-appoint Auditors, Messrs. Ernst & Young, Chartered Accountants and to authorise the Directors to determine their remuneration.
6. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

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>

Shareholders 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](mailto:rasikapu@cinnamonhotels.com)

Any Shareholder who wishes to obtain a hard copy of the Annual Report, may send a written request to the registered office of the Company or email to [rasikapu@cinnamonhotels.com](mailto: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**

A handwritten signature in black ink, appearing to read "Rasika Pushpakumara".

**KEELLS CONSULTANTS (PRIVATE) LIMITED**

Secretaries Colombo

21 May 2024

**Note:**

- A Shareholder unable to attend the meeting is entitled to appoint a Proxy to attend and vote in his/her place.
- A Proxy need not be a Shareholder of the Company.
- A Shareholder wishing to vote by Proxy at the Meeting may use the Form of Proxy enclosed herein.
- Shareholders 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 at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02 or forwarded to the email address: [keellsconsultants@keells.com](mailto: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 Shareholder and his/her Proxy holder are both present at the Meeting, only the Shareholders' 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

Mr. Krishan Niraj Jayasekara Balendra  
Mr. Joseph Gihan Adisha Cooray  
Mr. Suresh Rajendra  
Mr. Mikael Roland Svensson  
Mr. Mohomed Hishan Singhawansa  
Ms. Anarkali Kumari Moonesinghe  
Dr. Kumudu Abeywickrama Gunasekera  
Mr. Hasitha Premaratne

or failing him  
or failing her  
or failing him

as my/our proxy to represent me/us and vote on my/our behalf at the Forty-Fifth Annual General Meeting of the Company to be held as a virtual meeting on 27 June 2024 at 2.00 p.m. 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 | ABSTAINED |
|---|-----|---------|-----------|
| To re-elect as a Director, Mr. S Rajendra, who retires in terms of Article 83 of the Articles of Association of the Company;        |     |         |           |
| To re-elect as a Director, Ms. A K Moonesinghe who retires in terms of Article 83 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 this .....day of ..... Two Thousand and Twenty Four.

.....  
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](mailto: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                         | : | .....<br>.....<br>..... |
| 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 Moonasinghe

K A Gunasekera (Dr.)

## SECRETARIES AND REGISTRARS

Keells Consultants (Private) Limited

117, Sir Chittampalam A. Gardiner Mawatha

Colombo 2

## AUDITORS

Ernst & Young

Chartered Accountants

P. O. Box 101

109, Rotunda Towers,

Galle Road, Colombo 03

## 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

Seylan Bank

Union 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](http://www.cinnamonhotels.com)

*Cinnamon*  
HOTELS & RESORTS