

it all adds up

ASIAN HOTELS AND PROPERTIES PLC
ANNUAL REPORT 2021 / 2022

it all adds up

While we look back on yet another year in which challenges outweighed the possibilities, we focus inward, in discovering our unique combination of value and intrepid integrity that has guided us through it all. While the year under review may not have yielded the results we required due to external factors, we built upon our internal aptitudes to solidify our foundation in preparation for the future.

Our optimistic disposition, combined with world class service and uncompromised hospitality all adds up to our brand of quality.

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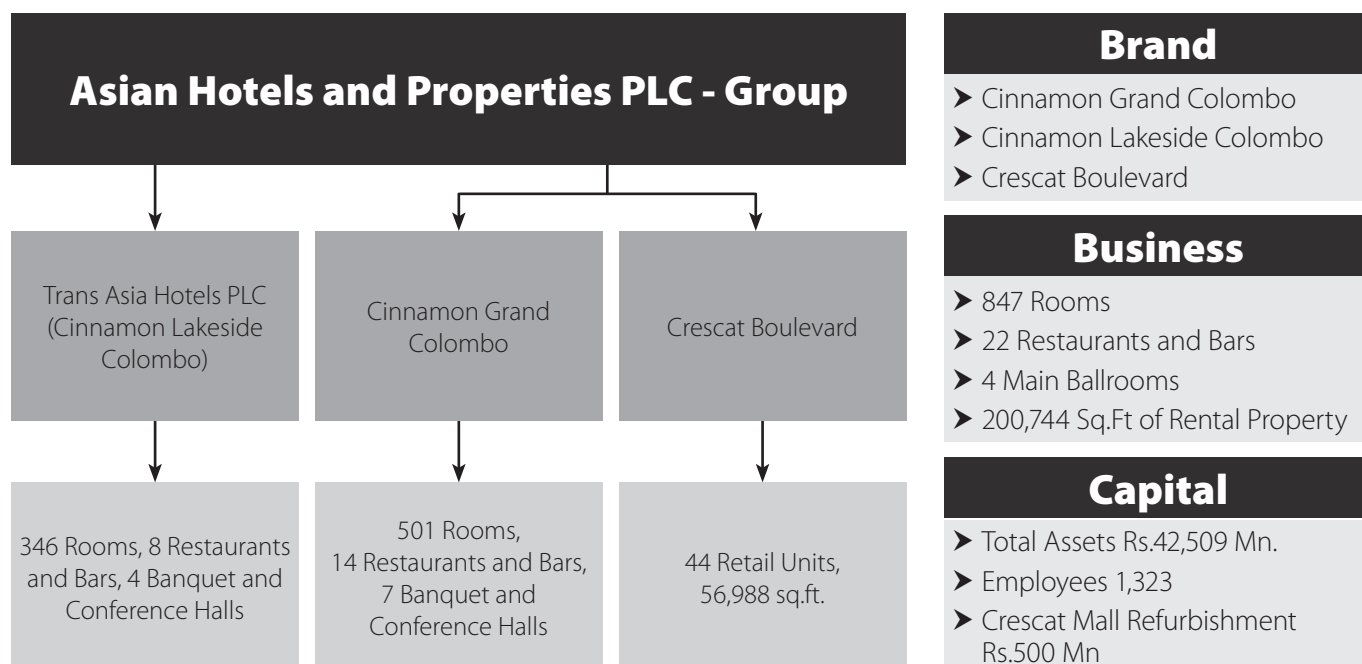
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ABOUT US

Asian Hotels and Properties PLC is a leader in Sri Lanka's hospitality industry, reputed for its luxury properties and world-class service. It has been at the forefront of the hospitality sector of Colombo, leveraging on its industry experience and agility, to remain resilient in the midst of global and local headwinds impacting the tourism industry.

The Group comprises of two five-star hotels Cinnamon Grand Colombo and Cinnamon Lakeside Colombo, as well as its newly refurbished investment property Crescat Boulevard. The Group's strength is in its stable leadership, the strength of its parent John Keells Holdings PLC, dedicated employees and its ability to adapt to change seamlessly.



Recognition

| Award | Awarding Body |
|---|-----------------------------|
| Sri Lanka's Leading Hotel 2021- Cinnamon Grand Colombo | World Travel Awards |
| Sri Lanka's Leading Hotel Suite 2021- Cinnamon Grand Colombo | World Travel Awards |
| Most Valuable Hospitality Brand in Sri Lanka 2021- Cinnamon Hotels & Resorts | Brand Finance Lanka |
| Agoda Customer Review Awards 2021- Cinnamon Lakeside Colombo | Agoda |
| 'World's 50 best Restaurants'-Lagoon, Cinnamon Grand Colombo | World's 50 best Restaurants |
| TripAdvisor Travelers' Choice Award Restaurants- 2021 | Trip Advisor |
| <ul style="list-style-type: none"> ➤ Lagoon, The London Grill, Noodles, Nuga Gama, Breeze Bar, Chutneys, Cheers Pub- Cinnamon Grand Colombo ➤ The Dining Room, Royal Thai, Long Feng- Cinnamon Lakeside Colombo | |

PERFORMANCE HIGHLIGHTS

| | | 2022 | 2021 | 2020 | 2019 |
|---|-----------|---------|---------|---------|---------|
| Operational Performance | | | | | |
| Group revenue | Rs. Mn | 4,095 | 1,790 | 5,560 | 7,658 |
| Results from operating activities | Rs. Mn | (407) | (1,913) | (28) | 1,083 |
| Profit before tax | Rs. Mn | (459) | (2,370) | 199 | 1,270 |
| Profit after tax | Rs. Mn | (508) | (2,244) | 106 | 1,078 |
| Dividends | Rs. Mn | - | - | 442 | 885 |
| Return on equity (ROE) | % | (1.62) | (5.54) | (0.15) | 2.51 |
| Pre-tax return on capital employed (ROCE) | % | 0.65 | (6.43) | 0.61 | 3.66 |
| Balance Sheet Strength | | | | | |
| Total assets | Rs. Mn | 42,509 | 40,869 | 42,582 | 42,524 |
| Total liabilities | Rs. Mn | 7,549 | 6,256 | 5,889 | 6,092 |
| Net debt (cash) | Rs. Mn | 1,645 | 691 | (587) | (846) |
| Total shareholders' funds | Rs. Mn | 31,626 | 31,306 | 32,941 | 32,785 |
| No. of shares in issue | Thousands | 442,775 | 442,775 | 442,775 | 442,775 |
| Net assets per share | Rs. | 71.43 | 70.70 | 74.40 | 74.04 |
| Debt / equity | Times | 0.06 | 0.03 | 0.01 | 0.01 |
| Debt / total assets | Times | 4.39 | 2.54 | 0.89 | 0.87 |
| Investor Highlights | | | | | |
| Market price of share as at 31st March | Rs. | 37.00 | 37.40 | 29.00 | 41.90 |
| Market capitalisation | Rs. Mn | 16,383 | 16,560 | 12,840 | 18,552 |
| Dividend payout | Rs. | - | - | (9.09) | 1.09 |
| Dividend per share | Rs. | - | - | 1.00 | 2.00 |
| Dividend yield | Rs. | - | - | 3.45 | 4.77 |
| Social Performance | | | | | |
| Economic value added | | 1,569 | (7) | 3,014 | 4,884 |
| Employee benefit liability as of 31st March | Rs. Mn | 344 | 378 | 345 | 365 |
| Environment | | | | | |
| Improved Energy Consumption | % | 2.19 | 2.43 | 5.38 | 7.53 |
| Recycle of Wastage | % | 83.99 | 82.15 | 87.26 | 87.23 |

it
all
adds
up
to a sound
strategy
that laid the
groundwork
for navigating
challenging
times

CHAIRMAN'S MESSAGE

Dear Stakeholder,

It is with great pleasure that I present to you, on behalf of the Board, the highlights of the Annual Report and Financial Statements of Asian Hotels & Properties PLC for the year ended 31st March 2022. While the financial period under review was one of unprecedented challenges, the Company remained steadfast by being agile and reinventing itself to respond swiftly to the evolving dynamics in the operating environment. The tourism industry in Sri Lanka has faced a number of significant setbacks starting from the Easter Sunday terrorist attacks followed by the onset of the COVID-19 pandemic and the subsequent mobility restrictions that ensued.

Operating Environment

Global

Rising rates of vaccination, combined with easing of travel restrictions due to increased cross-border coordination and protocols, helped release pent up demand, resulting in tourist arrivals in CY2021 recording a moderate upturn of 4% compared to CY2020, the worst year on record for tourism. International tourist arrivals however were still 72% below pre-pandemic levels. The pace of recovery remains slow and uneven across regions due to varying degrees of mobility restrictions, vaccination penetration and traveller confidence. Europe and the Americas recorded the strongest recovery in CY2021 compared to CY2020 while in Asia and the Pacific arrivals were still 65% below CY2020 levels and 94% when compared to pre-pandemic values as many destinations remained closed to non-essential travel. On the positive side, Global tourism started CY2022 on a strong note with January 2022 recording a much better performance compared to the weak start seen in CY2021.

Sri Lanka

As Sri Lanka reopened its borders to international tourists on 21st January 2021, arrivals during the first quarter of CY2021 remained subdued, reflecting the lower demand globally for international travel. The surge in COVID-19 positive cases from late April 2021 and resultant border and mobility restrictions imposed by the Government in May 2021 continued to dampen arrivals in the second quarter as well. In August

2021, the country re-opened its borders for fully vaccinated travellers and removed mandatory on-arrival PCR tests with effect from September 2021. The easing of restrictions for vaccinated travellers together with increased vaccination rates globally resulted in a resurgence in tourist arrivals commencing September 2021, with the country welcoming a total of 106,500 tourists in March 2022, the highest number of arrivals achieved since the COVID-19 outbreak in March 2020. Whilst the emergence of the new COVID-19 variant resulted in a slight decline in arrivals in January 2022, this trend reversed in February and March 2022.

Group Performance

The performance of the Group was inextricably linked to the performance of the tourism industry, and hence the impact of the challenges faced over the financial year in this segment are reflected in the performance of the Group. The Group revenue increased by 129% to Rs. 4Bn from Rs. 1.8Bn in the previous financial year. The F&B segment recorded a commendable performance during the year reflecting our efforts to leverage on our world-class cuisine. This was supported by the success of our 'Flavours' online food delivery platform that utilized cross functional synergies within the Group. Whilst international tourist arrivals were marginal towards the beginning of the year, we were able to increase traction with domestic customers through multiple attractive offers. It is encouraging to note that by November 2021, our occupancy levels at the hotels showed a steady growth, mirroring the increase in foreign tourist arrivals into the Country. Revenue from Crescat Boulevard however were subdued since the premises were closed for renovations for the greater part of the financial year.

We continued with our efforts to closely monitor and manage our cashflows curtailing all discretionary expenses and deferring non-essential capital investment by the Group. The renovation of the Crescat Boulevard property was required to remain competitive and augment our customer value proposition. We also took steps to improve operational efficiencies and optimise working capital.

The above enabled the Group to reduce our Group post tax losses to Rs.508 Mn for the financial year 2021/2022, a 77% improvement from the post-tax loss of Rs.2.2 Bn reported for the previous year.

People Priorities - Nurture

A shortage of skilled labour, exacerbated by lucrative opportunities in competitor markets and increased migration levels continues to be a key challenge faced by the hospitality industry in Sri Lanka. We are committed to addressing this issue both at Group and industry level and continue to implement progressive measures to attract, train and retain talent. Innovative recruitment models including work from home and flexible working hours are being explored to attract untapped associates and further diversify our employee base. Increasing female participation in the workforce remains a key focus in our diversity agenda.

By the introduction of the "EmpowHer Network" Cinnamon Hotels & Resorts, in alignment with the John Keells Group's, diversity, equity and inclusion (DE&I) initiative - "ONE JKH", aims to create a diverse, equal and inclusive workplace. Being recognised as an Employer of Choice remains a key priority of our HR strategy and we continue to develop our Employee Value Proposition (EVP) to suit evolving labour dynamics, including the introduction of the Cinnamon Online Academy, a purpose-built online learning platform that provides interactive and flexible training opportunities. Our training capabilities continue to be recognised by leading industry training bodies such as the Vocational Training Authority of Sri Lanka (VTA) and we work in close partnership with such authorities to strengthen entry level skills of potential hotel sector employees. During the year we rolled out our Employee Value Proposition (EVP) "Your Great Journey Starts Here" and are committed to delivering on this employee promise.

Commercial Priorities - Growth

Our commercial priorities during the year focused on strengthening revenue management, refining our brand propositions, enhancing our brand visibility

and improving our distribution channels to effectively respond to the evolving demand and supply dynamics of the post pandemic travel and tourism industry. The Group's revenue management function was strengthened with a dedicated team with international expertise and exposure, supported by digital initiatives including a new Revenue Management System, an upgraded property Management System and several data analytics tools and competitor intelligence tools. Brand visibility was further enhanced through upgrades to our website and innovative content creation. Distribution channels were strengthened through dynamic contracting with leading bed banks in key markets such as Middle East, India, CIS, and Europe and by closely monitoring rate parity across the channels. We will continue to diversify into emerging source markets and strengthen our presence in existing key markets through a global sales structure that includes a global call center, B2B booking platform and Central Contact point for MICE related sales.

Operational Priorities - Agility

The Group continued to focus on creating an agile, efficient and productive business model able to effectively respond to a fast-evolving operating landscape. Digitisation initiatives are core to this transformation process and we continued to invest in digital infrastructure and build the required skills and mindset to embrace this change. Digitisation of routine processes continued during the year with the introduction of a new HR Time & Attendance system for non-executives and improvements to our inventory Management Systems. Decision making is increasingly data driven due to the strong emphasis on data analytics and we continue to invest in technology and systems to facilitate this process.

Ensuring the health and safety of our guests and employees continued to be a key priority during the year as the Group gradually opened all our hotels for guests. We continued with our agile working policy for employees whilst implementing stringent safety protocols across all locations through 'Cinnamon Care'- The brand's standard for health and safety.

ESG Priorities - Sustainability

Sustainability has always been at the forefront of our decision-making process, and we ensure that Environmental, Social and Governance considerations are embedded into all aspects of our operation and value chain. Our sustainability policy, which is aligned with that of the John Keells Group, provides a robust management and accountability framework for sustainability across all our locations. Monitoring mechanisms are in place to ensure that progress is in line to achieve the specific sustainability targets set for 2025.

As part of a long-term initiative to protect biodiversity and address climate change, the Group launched the "Cinnamon Rainforest Restoration Project" during the year under review. The project is a collaboration between Cinnamon Hotels & Resorts, Ruk Rakaganno, Forest Department Sri Lanka and John Keells Foundation and aims to restore a 50-acre plot of forest land situated in the buffer zone of the Sinharaja Rainforest over a period of three years.

Our sustainability goals extend to our communities and wider society. Increasing female participation in the labour force is a key priority which we seek to achieve not only within our organisation but in our communities as well. In addition to targeted scholarship and development programmes, we actively contribute to the gender equality dialogue in the country through partnerships with leading global change agents. Youth development remains a core area of focus and is supported through our youth and community development projects throughout the year.

During the year under review, Cinnamon Hotels & Resorts became the first hotel chain in Sri Lanka to commit to UNESCO Sustainable Travel Pledge, further reinforcing our long-standing commitment to ensuring the social and economic well-being of local communities through engagement, education and empowerment.

Group remains committed to ensuring that sustainable policies are integrated into our core business model and that all operational processes of the business units are in sync with these practices. The Group has

continued its drive to mitigate the inhouse use of single-use plastics and encourages the responsible consumption of energy and water on our properties and in the past year, has implemented a number of initiatives along these lines. We have continued our efforts to reduce our carbon footprint.

The Group continues to be committed to giving back to our community. This year we launched 'Meals that Heal' which is an initiative to provide a free meal to those working tirelessly for the betterment of our society from health care workers to policemen as a way of showing our gratitude and appreciation for their commitment. Through our contactless food delivery service 'Flavours' customers have also been able to contribute to this effort and we are pleased that this initiative has been a great success.

Developing our local supply chain partners has also remained a key focus as we continue to increase our local supplier base including to fill the vacuum from import restrictions. Through supporting the local economy we hope to contribute towards creating growth opportunities for local business in Sri Lanka.

Corporate Governance

I am pleased to state that there were no departures from any of the provisions of the Code of Business Conduct and Ethics of the Code of Best Practice of Corporate Governance, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. I also wish to affirm our commitment to upholding Group policies, where emphasis is placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace.

Strengthening our Brand

In order to respond effectively to evolving market needs and withstand the unprecedented operating environment, the Group identified its strategic priorities and undertook a number of tactical steps to strengthen our Brand. Hence, the Group adapted its operating model to successfully leverage its acclaimed F&B proposition

Chairman's Message

including our popular food delivery platform 'Flavours' to drive increased diversification of revenue. The hotel Group has remained a preferred venue for corporate functions, weddings and celebrations enhanced by its excellent F&B and service delivery. Moreover, Crescat Boulevard re-opened its doors after an extensive refurbishment, re-branded as a 'Neighbourhood Mall' easily accessible by all those in the residential and office complexes in the vicinity, offering a modernized space with an exciting new balance of shops and F&B options.

Outlook

The impact of the COVID-19 pandemic on global tourism continues to be easing off gradually, with increased vaccination roll-outs globally and an increasing number of destinations lifting travel restrictions. These have collectively contributed to an unleashing of 'pent-up' demand. The performance of tourism will largely depend on the revival of regional and global travel when travellers regain confidence and move in tandem with such recovery.

Sri Lanka

Sri Lanka Tourism Development Authority (SLTDA) conservatively projected tourist arrivals for CY2022 to be at 1.1 million, compared to the pre-pandemic arrivals of 2.3 million in CY2019. This recovery momentum sustained till March 2022, with the Group's leisure businesses recording a significant turnaround in performance.

However, since then, the political and social uncertainty in the country reached a peak on 9 May 2022 when the peaceful protests being held were disrupted causing violence and uncertainty for a few days. At the time of writing this Report, the situation in the country is calm with some level of political stability.

Whilst global tourist arrivals may record a recovery, continued uncertainty and volatility on the macroeconomic stability of the country and resultant social unrest, further exacerbated by the ongoing fuel and

power crisis, may pose challenges for the country in attracting foreign arrivals in the immediate-term. Hence, ensuring continued political and social stability coupled with clear and transparent communication with the global community would be pivotal in attracting foreign arrivals to the country. Given ongoing discussions to strengthen Sri Lanka's fiscal position, such impacts are envisaged to diminish in the next few months as this is expected to stabilise the macroeconomy and address the social unrest. Accordingly, the impact to arrivals is envisaged to be largely managed, particularly in time for the upcoming peak season of the year.

Looking beyond the immediate challenges, the Group remains confident that the prospects for tourism in the medium to long-term remain extremely positive, given the diversity of the offering and the potential for regional tourism, together with availability of its full complement of hotels to cater to this anticipated upsurge in demand. The potential for tourism still remains largely untapped given the country attracted only 2.3 million tourists prior to the Easter Sunday attacks in CY2019, whereas regional tourism has grown many-fold during the last decade.

Improving connectivity into the country at competitive rates, concerted marketing campaign in a post-COVID environment, addressing capacity constraints both in terms of airport capacity constraints and tourism infrastructure is expected to be a significant catalyst to attract tourism into Sri Lanka. It is encouraging to note that the SLTDA has conveyed that they are in the final stages in the procurement process of the integrated global promotion campaign, which is envisaged to be launched for the first time since the end of the conflict in 2009.

Several major infrastructure projects are expected to be completed in the ensuing years in Colombo including the Port City Colombo project and the development of the East and West Terminals of the POC. Such

notable developments are expected to augur well for the city, particularly in attracting business travellers. The availability of dedicated conferencing and meeting facilities is also expected to bode well for tourism, particularly to attract tourism from the MICE segment. The Group will be uniquely positioned to capitalise on this opportunity.

Continued focus will be placed on prioritising the development of market-specific strategies aimed at catering to a diverse clientele. The Group will also leverage on its unparalleled F&B offering, by continuing to strengthen its dedicated offerings and flagship restaurants.

Acknowledgements

I wish to thank my colleagues on the Board for their invaluable guidance and support during a challenging year. I also take this opportunity to commend the management and their teams for their commitment and untiring efforts during this difficult year. The Board joins me in acknowledging the valuable contribution made by Mr. Chumley Pinto who resigned from his position in June 2021 and warmly welcome Ms. Aroshi Nanayakkara who joined the Board during the year. In conclusion, I extend my sincere appreciation to our stakeholders including tour operator partners, guests and shareholders who continue to support us.



K N J Balendra
Chairman
23rd May 2022

PROFILES OF DIRECTORS

MR. KRISHAN BALENDRA

Chairman

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

MR. GIHAN COORAY

Director

Gihan Cooray is the Deputy Chairman/ Group Finance Director and has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology function and Corporate Communications. He is the Chairman of Nations Trust Bank PLC. Gihan holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is 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.

MR. CHANGA GUNAWARDANE

Director

Changa Gunawardane is the Chief Financial Officer (CFO) of the Leisure industry group, he also currently serves as a Non-Executive Director on the Board of Trans Asia Hotels PLC. Changa has been with John Keells Group (JKH) for over 16 years. He previously held the position of Chief Financial Officer of the Information Technology sector, as well as the Sector Financial Controller of the Airlines and Logistics SBU within the Transportation sector. He has over 27 years of experience as a finance professional in varying industries including Pharmaceutical, Manufacturing, Management Services, Electrical Engineering and Construction. Changa is also a Fellow member of the Chartered Institute of Management Accountants UK and holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura.

MR. SURESH RAJENDRA

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 John Keells 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 Management (Private) Limited, Sri Lanka. He is a Fellow member of the Chartered Institute of Management Accountants, UK. He is the President of the Leisure Group and responsible for Union Assurance PLC, John Keells Information Technology (Private) Limited, and John Keells Stockbrokers (Pvt) Limited.

MR. MIKAEL SVENSSON

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 the development of the much-anticipated mixed development project Cinnamon Life Integrated Resort. Mikael brings with him extensive international senior leadership experience in managing and operating large scale luxury hotels across Asia, the Middle East and Australia, of which over 20 years was with the Hyatt Group. He was the opening General Manager of the landmark luxury hotel on the trunk of the Palm Jumeirah, the Viceroy Palm Jumeirah, Dubai and the Grand Hyatt Mumbai, India. He was also the General Manager of the Park Hyatt Canberra, Australia and Hyatt Regency Hua Hin, Thailand. 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 which owns a portfolio of hotels across Asia and Australia.

MR. ASHAN DE ZOYSA

Director*

Ashan De Zoysa counts more than 26 years of experience in the field of Information & Communication Technology including several years of overseas exposure, in the fields of IT and Derivative/Commodity Trading in Australia. Ashan holds a Bachelor of Commerce Degree from the University of New South Wales. He is the Managing Director of A. E. C. Properties Private Ltd and serves on the Board of Associated Electrical Corporation Ltd. He has previously served on the Boards of AMW Group as a working Director and as an Independent Non-Executive Director of Union Assurance PLC.

Profiles of Directors

MR. JEGATHEESAN DURAIRATNAM

Director*

Jegatheesan Durairatnam joined the Commercial Bank of Ceylon PLC in 1982 and he is the retired Managing Director/Chief Executive Officer. His banking experience covers all aspects of International Trade, Offshore Banking, Credit, Operations, and IT. He has been in the Bank's Corporate Management Team for 14 years. He holds a bachelor's degree from the University of Peradeniya. He has held positions in Senior Management, including the position of Chief Operating Officer, Deputy General Manager International Division, Assistant General Manager - International Division and Head of Imports. He also serves on the Boards of Commercial Development Company PLC, Lanka Financial Services Bureau Limited, Sri Lanka Banks' Association (Guarantee) Limited and The Financial Ombudsman Sri Lanka (Guarantee) Limited. He currently serves as an Independent Non-Executive Director in the company boards of Asset line Leasing Co Ltd, Ceylinco Life Ltd and as the Non-Executive Chairman of DFCC Bank PLC.

MS. AROSHI NANAYAKKARA

Director*

Aroshi Nanayakkara is a dynamic leader in the fields of Strategic Planning, HR and Risk Management, counting over 25 years' experience in multinationals, Sri Lankan blue chips and as the CEO of Global Consulting Company. Commencing her career as a Corporate Banker in ABM AMRO Bank NV and later Deutsche Bank AG Sri Lanka, Aroshi moved to Human Resource Management following which she served in many senior HR positions including Group Director Human Resource Development at the Delmege Group where she also served on the Board of its subsidiary Delmege Interior Décor (Pvt) Ltd. She then joined the Brandix Group where she served as the Chief Risk Officer and CEO of Brandix Hangers (Pvt) Ltd.

Through her extensive consulting practice she has assisted several prominent companies across multiple industries in formulating strategy, risk management frameworks, setting up strategic HR units and designing and implementing merger strategies. Aroshi's expertise in corporate training has been leveraged by leading organizations in the banking, manufacturing, and services sectors. She delivers transformative leadership boot camps, corporate strategy setting workshops and soft skills training in addition to her popular 'super-woman' programme. Aroshi is an IFC certified-trainer, and an International Coach Federation (ICF) certified executive coach providing coaching to many in the corporate sector.

Aroshi serves on the Boards of Sampath Bank PLC, Hela Clothing PLC, Hela Apparel Holdings (Pvt) Ltd, Foundation Garments (Pvt) Ltd and F D N Sourcing (Pvt) Ltd. She has also formerly served as an Independent Non-Executive Director of Siyapatha Finance PLC, Sampath IT Solutions (Pvt) Ltd and Delmege Interior Décor (Pvt) Ltd. She is the Senior Vice Chairman and Director of the Sri Lanka Institute of Directors and Chairs the Women Directors Forum a pioneering initiative by SLID. She is the Founding Chair of the Women Corporate Directors (WCD), the world's largest community of preeminent women leaders serving on more than 8,500 public and private Boards across six continents.

Aroshi holds a BSc. from the prestigious Massachusetts Institute of Technology (MIT), Boston, USA and MSc. from the London School of Economics (LSE), UK. She has been an Educational Counsellor for MIT, a voluntary position which involves interviewing candidates for MIT's incoming undergraduate batch. She is also an Associate Member of the Chartered Institute of Management Accountants (CIMA), UK and has been recognized as one of the "Game Changers" of CIMA. She was also recently recognized as one of the top 22 women leaders of Sri Lanka at the World Women Leadership Congress & Awards 2020 by CMO Asia and received an award at the Top 50 Professional & Career Women Awards 2020.

* Independent Director

CORPORATE GOVERNANCE

Governance and Leadership

Asian Hotels and Properties PLC (herein referred to as 'Company') has a robust corporate governance framework, which has continuously offered a solid foundation in navigating the uncertainties of the business world. The ensuing policies, organizational structures and systems for internal controls provide the necessary guidelines on the conduct of business units in line with the expectations of the Board.

A strong set of corporate values and a formal Code of Conduct that applies across the entire organisation ensures that the structures and policies of the JKH group leads to an agreed level of compliance and a common understanding across the Group.

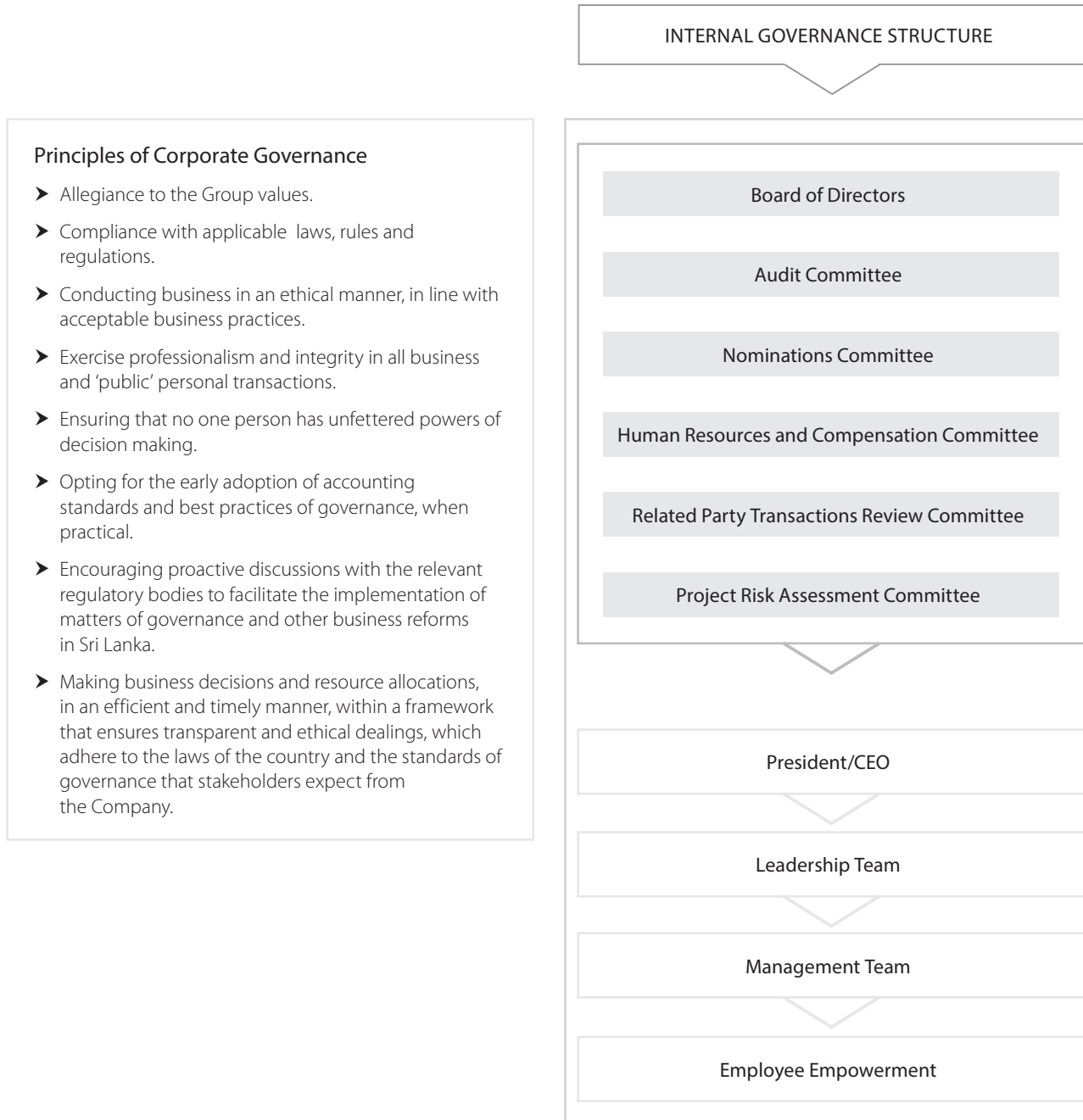
As a subsidiary of John Keells Holdings PLC ("the Holding /Parent Company"), the Company and its subsidiary Trans Asia Hotels PLC ("TAH"), adhere to the Parent Company's policies, strategic planning, resource allocation, accountability, values and assurance processes

CORPORATE GOVERNANCE HIGHLIGHTS 2021/22

- Board priorities were realigned as the country started reopening its borders and operational activities resumed, albeit at a slow pace
- Health and safety of guests and employees continued to be a key focus
- Cashflow and liquidity management was a priority to ensure continuity of functions and resume operations as fast as possible
- Providing job security to staff while maintaining their salaries at pre-pandemic levels
- Mr. C.J.L. Pinto resigned from the Board of Directors with effect from 25.06.2021
- Ms. Aroshi Nanayakkara was appointed to the Board of Directors with effect from 25.06.2021

Corporate Governance

CORPORATE GOVERNANCE SYSTEM WITHIN A SUSTAINABILITY DEVELOPMENT FRAMEWORK



INTEGRATED GOVERNANCE

Strategy Formulation and Decision Making Process

Human Resource Governance

Integrated Risk Management

IT Governance

Tax Governance

Stakeholder Management and Effective Communication

Sustainability Governance

ASSURANCE MECHANISMS

JKH Code of Conduct

Senior Independent Director

Board Committee

Employee Participation

Internal Controls

Ombudsperson

External Assurance

REGULATORY BENCHMARKS

Companies Act No. 7 of 2007

Mandatory Compliance

Listing Rules of the Colombo Stock Exchange (CSE)

Mandatory Compliance

Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including directives and circulars

Mandatory Compliance

Code of Best Practices on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)

Mandatory Compliance

Code of Best Practice on Corporate Governance (2013) jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Voluntary Compliance

Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka

Voluntary compliance with majority of the Code, to the extent of business exigency and as required by the John Keells Group

Corporate Governance

INTERNAL GOVERNANCE STRUCTURE

The components of the internal governance structure are designed in such a way that the executive authority is well devolved and delegated through a committee structure ensuring that the President of the leisure sector of the Parent Company and the senior management team are accountable for the overall Company functions and sub-functions respectively.

Clear definitions of the limitations on authority, responsibility and accountability are set and agreed upon in advance to achieve greater operating efficiency, expediency, healthy debate and freedom of decision making.

The Internal Governance Structure comprises of

- The Board of Directors
- Board sub-committees
- Senior management committees

Main governance systems and procedures of the JKH Group, adopted by the Company:

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

ASSURANCE MECHANISMS

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

BOARD OF DIRECTORS



The Board of Directors is the ultimate governing body of the Company and is responsible for the supervision of the Company. In all actions taken by the Board, they owe a fiduciary duty to exercise their business judgement in what they reasonably

believe to be in the best interests of the Company. In discharging that obligation, Directors may rely on the honesty and integrity of the Company's Senior Executives, its Advisors and Auditors.

The Board promotes a culture of openness, constructive dissent and productive dialogue, ensuring an environment which facilitates employee empowerment, engagement and creates value to all stakeholders.

Key Changes to the Board Composition 2021/22

- Mr. C.J.L. Pinto resigned from the Board of Directors with effect from 25.06.2021
- Ms. Aroshi Nanayakkara was appointed to the Board of Directors with effect from 25.06.2021
- Independence of the Directors has been determined in accordance with the Continuing Listing Rules of the CSE and all three Non-Executive Independent Directors (NED/ID) Board members have submitted signed confirmations of their independence.
- The Board members have a wide range of expertise as well as significant experience in diverse fields enabling them to discharge their governance duties in an effective manner.

| | |
|---|--|
| Non-Executive Non-Independent Directors |  |
| Non-Executive Independent Directors |  |

COMPOSITION OF THE BOARD OF DIRECTORS

The composition of the Board of Directors of the Company during the year under review is illustrated as follows:

| Name of Director/ Capacity | Shareholding | Material Business Relationship | Employee of the Company | Family Member a Director or CEO | Continuous service for nine years |
|---|--------------|--------------------------------------|-------------------------------|--|---|
| Non-Executive, Non-Independent Directors (NED/NID) | | | | | |
| Mr. K. N. J. Balendra | No | No | No | No | N/A |
| Mr. J. G. A. Cooray | Yes | No | No | No | N/A |
| Mr. C. L. P. Gunawardane | No | No | No | No | N/A |
| Mr. S. Rajendra | No | No | No | No | N/A |
| Mr. M. R. Svensson | No | No | No | No | N/A |
| Non-Executive, Independent Directors (NED/ID) | | | | | |
| Mr. A. S. De Zoysa | No | No | No | No | No |
| Mr. J. Durairatnam | No | No | No | No | No |
| Ms. A. Nanayakkara** | No | No | No | No | No |
| Mr. C. J. L. Pinto* | Yes | No | No | No | No |

* Resigned from the Board with effect from 25th June 2021

** Appointed to the Board as a NED/ID with effect from 25th June 2021

Board Induction and Training

The Company has a formal induction process for its Directors. This process is designed to provide an overview of the JKH Group values and culture, JKH Group governance framework, policies and processes, Code of Conduct, the business model of the Company, strategy and the Directors' responsibilities in accordance with current legislation. The induction process includes visits to key operational locations to facilitate an appreciation of the operations of the Company. The Chairman ensures that new Directors are introduced to other Board members and key management personnel and that they are briefed on matters taken up at prior meetings. Directors are encouraged to update their skills and knowledge on a continuous basis.

THE ROLE OF THE CHAIRMAN

The Chairman is a Non-Executive Director and presides over all Board Meetings with a view to establishing a constructive working relationship with the Directors so as to ensure the participation and contribution of all Non-Executive Directors (NED) with their views on matters under consideration being openly expressed and considered. The Chairman maintains contact with all the Directors and has informal discussions with the Independent NEDs as necessary.

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

Chairman's Appraisal: Human Resources and Compensation Committee of the ultimate Parent Company, JKH, appraises the performance of the Chairman on an organisational and individual basis as approved by the Board.

THE CHAIRMAN'S RESPONSIBILITIES

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

ABOUT THE BOARD

- The Board is of the view that its present composition ensures a right balance between executive expediency and independent judgement.
- The Board of Directors participate in defining goals, vision, strategies and business targets. All Directors are able to

and willingly add value and independent opinion on the decision-making process, which is of immense benefit to the effective functioning of the Board. The details of the current Board of Directors along with a brief resume of each Director is found on page 9 and 10 of this Report.

- Transactions or events that have a material bearing on the Company are disclosed by way of circulars to shareholders, announcements to the CSE and media/press releases. The Board maintains an appropriate dialogue with shareholders of the Company and is ready to answer questions raised by shareholders at Annual General Meetings.
- Individual Directors will update the Board with any new information in relation to interests or relationships relevant to independence.
- The Board has developed a policy that it uses to determine the independence of its Directors. This determination is carried out annually or at any other time where the circumstances of a Director change warrants reconsideration. Individual Directors will update the Board with any new information in relation to interests or relationships relevant to independence.
- The Board has been made aware of the other commitments held by its Directors and is satisfied that these do not affect their duties as Directors of the Company.
- All NEDs are required to notify the Chairman of changes in their outside Board appointments and the Chairman carries out a review of all such appointments in consultation with the other Directors where necessary to ascertain any possible conflicts of interest.

Board Responsibilities and Decision Rights

The business of the Company is conducted by its senior management, employees, managers and officers, under the direction of the President of the Leisure Sector, who is also a NED of the Company and the oversight of the Board, to enhance the long-term value of the Company for its shareholders. The Board aims to fulfil its responsibilities by creating value for all stakeholders that is sustainable and beneficial. Stakeholders include shareholders, employees, customers, the community and the environment.

Conflicts of Interest and Independence

Each Director holds continuous responsibility to determine whether he or she has a potential or actual conflict of interest arising from external associations, interests or personal relationships in material matters which are considered by the Board from time to time.

The independence of the Company NEDs is reviewed against the following criteria:

- Shareholding carrying not less than 10% of the voting rights in the Group
- Is employed or Director of another company or business*
- Income/Non-cash benefit equivalent to 20% of the Director's income
- Directors have not been in employment at JKH and/or material business relationship with JKH, currently or in the two years immediately preceding appointment as Director
- Has served on the Board continuously for a period exceeding nine years from the date of first appointment
- Directors do not have close family member who is a Director, CEO or a Key Management Personnel
- Material Business Relationship or a significant shareholding in another company or business*

**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.*

Details of other companies in which Board members hold Board or Board Sub-Committee membership is available with the Company's secretaries for inspection by shareholders on request.

Without limiting the Board's function, its specific responsibilities include:

- Approving objectives, strategies and financial plans and monitoring the Company's performance against these plans.
- Monitoring compliance with the regulatory requirements and ensuring all of its employees act with integrity and diligence in the interests of the Company and stakeholders

Corporate Governance

- Reviewing and approving all significant policies and procedures.
- Exercising objective judgement on all corporate matters independent from the Executive Management
- Formulating short and long-term strategies as a basis for the operational plans of the Company
- Determining and recommending interim and final dividends for the approval of shareholders.
- Identifying the principal risks of the business and periodically reviewing the risk management systems in place
- Preparation and presentation of Financial Statements, together with a statement by the Auditors pertaining to their reporting responsibilities

Delegation of Authority

The Board delegates some of its functions to the Board sub-committees, while retaining the final right to accept the recommendations made by the Committees. Board appoints Independent Directors, as chairpersons to these committees.

Processes in place to mitigate any potential or actual conflict of interest or independence of Directors throughout the term of their membership on the Board

PRIOR TO APPOINTMENT

Nominee Directors are requested to disclose their various interests that could potentially conflict with the interests of the Company

ONCE APPOINTED

Directors who are appointed are expected to inform the Board and obtain Board clearance prior to accepting any position or engaging in any transaction that could create a potential conflict of interest.

All NEDs are required to notify the Chairman of changes in their current Board representations

DURING MEETINGS

Directors who have disclosed an interest in a matter under discussion, have excused themselves from deliberations on the subject matter and refrained from voting on the subject matter (such abstentions from Board decisions are duly recorded)

BOARD MEETINGS, AGENDAS AND ATTENDANCE

Four (04) Board meetings were held during the financial year under review.

The typical Board agenda of the Company includes the following;

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

All Directors have access to Keells Consultants (Private) Limited, who act as Company Secretaries, for advice on relevant matters. The Chairman ensured that all Board proceedings were conducted in a proper manner, approving the agenda for each meeting prepared by the Board Secretary.

The Director's attendance at Board meetings held during the financial year 2021/22 is given below:

| Name of Director | 28.04.21 | 26.07.21 | 27.10.21 | 24.01.22 | Total |
|--------------------------|----------|----------|----------|----------|-------|
| Mr. K. N. J. Balendra | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Mr. J. G. A. Cooray | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Mr. C. L. P. Gunawardane | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Mr. S. Rajendra | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Mr. M. R. Svensson | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Mr. A. S. De Zoysa | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Mr. J. Durairatnam | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Ms. A. Nanayakkara** | N/A | ✓ | ✓ | ✓ | 3/3 |
| Mr. C. J. L. Pinto* | ✓ | N/A | N/A | N/A | 1/1 |

* Resigned w.e.f. 25.06.2021

** Appointed w.e.f. 25.06.2021

REGULATORY BENCHMARKS

Mandatory compliance

Company is fully compliant with the mandatory rules and regulations stipulated by the CSE and SEC, the Code of Best Practices on Related Party Transactions (2013) issued by the Securities and Exchange Commission of Sri Lanka (SEC) and is also compliant with the Companies Act.

Voluntary compliance

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

The Company has also given due consideration to the Best Practice on Corporate Governance Reporting guidelines (2017) advocated by CA Sri Lanka and has voluntarily adopted almost all the relevant provisions to the extent of business exigency, as far as is practicable and the benchmarks we have set for ourselves in working towards local and global best practices.

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

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

Key Internal Benchmarks

- Articles of Association of the Company
- Recruitment and selection policies
- Learning and development policies
- Policies on equal opportunities, non-discrimination, career management and promotions
- Rewards and recognition policy
- Leave, flexi-hours, tele-working and work from home policies including health and safety enhancements and protocols in light of the COVID-19 pandemic
- Code of Conduct which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information
- Policy against sexual harassment
- Policies on forced, compulsory and child labour and child protection adopted by the Group
- Disciplinary procedure
- Policy on grievance handling
- Policies on anti-fraud, anti-corruption and anti-money laundering and countering the financing of terrorism
- Policy on communications and ethical advertising
- Ombudsperson policy
- Group accounting procedures and policies
- Policies on enterprise risk management
- Policies on fund management and Foreign Exchange risk mitigation
- IT policies and procedures, including data protection, classification and security
- Group environmental and economic policies
- Policies on energy, emissions, water and waste management
- Policies on products and services

TRANSPARENCY AND ACCOUNTABILITY

Financial Guidance

The Board of Directors consists of four (4) senior qualified accountants with significant experience in the corporate sector, who possess the necessary knowledge to offer the Board guidance on matters of finance. These Directors add substantial value and independent judgement on the decision making of the Board on matters concerning finance and investments.

Timely Supply of Information

The Directors are provided with necessary the information in advance including important developments pertaining to the Company, by way of Board papers and proposals in order to ensure robust discussion, informed deliberation and effective decision making. Members of the senior management team prepare presentations to Directors on important issues relating to strategy, risk management and system procedures, where necessary. The Directors have access to:

- External and Internal Auditors
- The Company Secretary
- Experts and other external professional advisory services
- Senior managers under a structured arrangement
- Information as is necessary to carry out their duties and responsibilities effectively and efficiently
- Periodic performance reports and updates by management on topical matters, new regulations and best practices as relevant to the Company's businesses.

BOARD EVALUATION

The Board conducts its Board performance appraisal every financial year. 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 and
- Board image

Corporate Governance

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

TENURE, RETIREMENT AND RE-ELECTION OF DIRECTORS

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

All Non-Executive Independent Directors are appointed for a period of three (3) years subject to any limitations under the Listing Rules and applicable laws, including those on the age limit. Further, Non-Executive Independent Directors can serve up to a maximum of three successive terms unless an extended Board tenure is necessitated by the requirements of the Company.

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

BOARD SUB-COMMITTEES

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

1. The Audit Committee
2. The Nominations Committee
3. The Human Resources and Compensation Committee
4. The Related Party Transactions Review Committee
5. Project Risk Assessment Committee

As permitted by the listing rules of the CSE, the Human Resources and Compensation Committee and the Related Party Transactions Review Committee of the ultimate Parent Company, JKH, functions as the Human Resources and Compensation Committee and Related Party Transactions Review Committee of the AHP Group. Additionally, the Project Risk Assessment Committee of JKH also functions as the Project Risk Assessment Committee of the AHP Group.

The Board sub-committees comprise predominantly of Non-Executive Independent Directors.

AUDIT COMMITTEE

Role

Assist the Board in fulfilling its oversight responsibilities for the integrity of the Financial Statements of the AHP Group, the internal control and risk management systems of the Company and its compliance with legal and regulatory requirements, the External Auditors' performance, qualifications and independence, and the adequacy and performance of the Internal Audit function, which is undertaken by the Group Business Process Review Division of JKH (Group BPR). This is detailed in the terms of reference of the Committee which has been approved by the Board and is reviewed annually. The effectiveness of the Committee is evaluated annually by each member of the Committee and the results are communicated to the Board.

Composition of Committee

The Audit Committee comprises of three (3) Independent Non Executive Directors. As prescribed in the Listing Rules of CSE, the Chairperson of the Audit Committee is a Associate member of the Chartered Institute of Management Accountants (CIMA), UK.

Attendance

| Name of the member | 27.04.21 | 22.07.21 | 25.10.21 | 21.01.22 | Total |
|----------------------------------|----------|----------|----------|----------|-------|
| Ms. A. Nanayakkara - Chairperson | N/A | ✓ | ✓ | ✓ | 3/3 |
| Mr. A.S. De Zoysa | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Mr. J. Durairatnam | ✓ | ✓ | ✓ | ✓ | 4/4 |
| Mr. C.J.L. Pinto | ✓ | N/A | N/A | N/A | 1/1 |

Review Process

- Review the quarterly and annual Financial Statements, including the quality, transparency, integrity, accuracy and compliance with accounting standards, laws and regulations
- Procedures for identifying business risks and controlling their financial impact on the Company and the operational effectiveness of the policies and procedures related to risk and control
- The appointment, remuneration, qualifications, independence and performance of the External Auditor and the integrity of the audit process as a whole
- Budgeting and forecasting processes, financial reporting processes and controls
- Procedures for ensuring compliance with relevant regulatory and legal requirements
- Arrangements for protecting intellectual property and other non-physical assets
- Overseeing the adequacy of the internal controls and allocation of responsibilities for monitoring internal financial controls
- Policies, information systems and procedures for preparation and dissemination of information to shareholders, the CSE and the financial community.

Meetings held during the year

Four (4) meetings were held during the year under review. The Senior Management of Cinnamon Grand Colombo and the Crescat Property Division attend the Audit Committee meetings by invitation. Further, the representatives of the Internal Auditors, Messrs. PricewaterhouseCoopers (Pvt) Ltd, Group BPR Division and the External Auditors Messrs. KPMG, Chartered Accountants, also attend the Audit Committee meetings by invitation. The Audit Committee performs an important monitoring function in the overall governance of the Group. Director Finance of Cinnamon Grand is the Secretary of the Committee.

NOMINATIONS COMMITTEE

Role

The Nominations Committee is accountable to the Board of Directors and acts as the nominations committee of the subsidiary Trans Asia Hotels PLC ("TAH"). The Committee undertakes an annual self-review of its objectives and responsibilities. Such objectives and responsibilities are also reviewed by the Board of Directors and any other person the Board considers appropriate.

Composition of Committee, Meetings held and Attendance

The Nominations Committee of the Company comprised of two (2) Independent Directors and one (1) Non-Independent Director, namely:

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

The business of the nominations committee was transacted via circular resolution. There was a resolution passed on 25.06.2021 to recommend Ms. A. Nanayakkara to be appointed as an Independent Non-Executive Director of Asian Hotels and Properties PLC and Mr. H.A.J De S. Wijeyeratne to be appointed as an Independent Non-Executive Director of Trans Asia Hotels PLC with effect from 25th June 2021.

Review Process

- Regularly review the skills, composition of the Board against the current and emerging needs of the business make recommendations to the Board and where relevant the JKH Nominations Committee regarding any changes to the status quo
- To consider and ratify recommendations on appointments made by the JKH Nominations Committee to the Company Board
- To define and establish a nomination process of NEDs to the Boards of its subsidiary
- To make recommendations to the Board in respect of all new Board appointments (and re-election of those retiring in terms of the Articles of Association) to the Company and its subsidiary

- Regularly review the structure, size, composition and competencies, including the skills, knowledge and experience, of the Board and make recommendations to the Board with regard to any changes
- Ensure that on appointment to the Board, Directors receive a formal letter of appointment
- Ensure that every appointee undergoes an induction to the organisation.
- Appointment of the chairperson and Executive Directors shall be the collective decision of the Board.
- Assess the skills required for the Board of the Subsidiary, given the current and emerging needs of the business
- Consider making any appointments or re-appointment to the Board of the Company's subsidiary TAH.
- Provide advice and recommendations to the Board and/or the Chairman (as the case may be) on any such appointment

The Committee is authorised by the Board to seek appropriate professional advice from within and outside the Company as and when it considers necessary.

Operational Practices

- The majority of the members of the Committee are NEDs together with the Chairman. The Chairman of the Committee is an NED/ID. Any two (2) NEDs of whom one shall be independent, shall constitute a quorum and be competent to transact the affairs of the Committee.
- The Committee may adopt such rules and regulations as it deems appropriate for the conduct of its affairs, provided that they are not inconsistent with this Charter as approved by the Board.
- The Chairman of the Committee will present an annual report to the Board of Directors summarising the Committee's activities during the year and any related results and findings.
- A member of the Nominations Committee should not participate in decisions relating to his/her own appointment.

Report of the Nominations Committee

The Nominations Committee of the Company as at 31 March 2022, consisted of the following members:

Mr. J. Durairatnam (I/NED**) - Chairman
Mr. K. N. J. Balendra (NED*)
Mr. A. S. De Zoysa (I/NED**)

* NED-Non-Executive Director

** I/NED-Independent Non-Executive Director

During its annual self-review, the Committee reaffirmed its mandate as follows:

- To identify suitable persons who could be considered for appointment as a Director to the boards of the Company and its subsidiary, Trans Asia Hotels PLC, as Non-Executive Directors.
- To review the structure, size, composition and skills of the Board of the Company and its subsidiary.
- To ensure that every appointee undergoes an induction.
- To make recommendation on matters referred to it by the Board.

During the reporting period, the Committee recommended that:

- 1) Ms. A Nanayakkara be appointed as an Independent Non-Executive Director of the Company, with effect from 25th June 2021.
- 2) Mr. H.A.J.De.S Wijeyeratne be appointed as an Independent Non-Executive Director of Trans Asia Hotels PLC, with effect from 25th June 2021.

The Committee continues to work with the Company Board on reviewing its skills mix, based on the immediate and emerging needs. Further, the Committee discusses with the Board the outputs of the Annual Board Evaluation.



J. Durairatnam

Chairman of the Nominations Committee
20th May 2022

Corporate Governance

HUMAN RESOURCES AND COMPENSATION COMMITTEE

Role

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 and its Subsidiary. The Chairman- CEO of JKH and the Deputy Chairman - Group Finance Director of JKH are invited to all Committee meetings of the Parent Company unless the Chairman-CEO or such Executive Directors' remuneration is under discussion respectively.

Composition of Committee, Meetings held and Attendance

The Human Resources and Compensation Committee of JKH comprises of Independent Non-Executive Directors. Committee to comprise exclusively of NEDs, a majority of whom are independent. The Chairman of the Committee is a I/NED.

Mr. D. A. Cabraal - Chairman
Dr. S. S. H. Wijayasuriya
Mr. A. Omar
Mr. K. Balendra - on invitation
Mr J G A Cooray - on invitation

The Committee met on 5th July and 28th July 2021 and all members attended the meeting.

Scope

- Review and recommend overall remuneration philosophy, strategy, policies and practice and, performance-based pay plans for the John Keells Group
- Determine and agree with the Board a framework for remuneration of Chairman and Executive Directors based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration
- Succession planning of Key Management Personnel
- Determining compensation of NEDs will not be under the scope of this Committee.

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

Report of the Human Resources and Compensation Committee

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

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

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

In performing this role, the Committee is conscious of the need to ensure that stakeholder interests are aligned, the Group is able to attract, motivate and 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 Chairman-CEO in terms of the methodology set out by the Board, upon an evaluation of their performance by the Non-Executive Directors. The evaluation of the members of the Group Executive Committee (GEC) were 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 Chairman of the Human Resources and Compensation Committee continues to be a standing agenda item at the quarterly Board meetings. The Chairman 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

Chairman of the Human Resources and Compensation Committee
20th May 2022

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Role

As required by the SEC under its Code of Best Practice for Listed Companies, the Related Party Transactions Review Committee was formed at the Parent Company (JKH) level with effect from the 01st April 2014. The Committee of the Parent Company acts on behalf of the Company, as permitted by the Listing Rules of the CSE, with the intention of ensuring, on behalf of the Board, that all related party transactions of JKH and its listed subsidiaries are consistent with the Code of Best Practices on Related Party Transactions advocated by the SEC.

Composition of Committee, Meetings held and Attendance

This committee of JKH comprises three (3) NED/IDs, including the Chairperson of the Committee.

| Name of Committee Member | No. of meetings attended |
|--------------------------------|--------------------------|
| Ms. M. P. Perera - Chairperson | 4/4 |
| Mr. A.N.Fonseka | 4/4 |
| Mr. D. A. Cabraal | 4/4 |

All committee members attended all four meetings which were held on 20th May 2021, 26th July 2021, 01st November 2021 and 25th January 2022.

Scope

The scope of this sub-committee is:

- Developing, and recommending for adoption by the Board of Directors of JKH and its listed subsidiaries including the Company, a Related Party Transactions Policy which is consistent with the requirements of the SEC and is synchronised with the operating model and the delegated decision rights of the Group.
- Updating the Board of Directors on the related party Transactions of each of the listed companies of the Group on a quarterly basis.
- Define and establish the threshold values for each of the subject listed companies in setting a benchmark for related party transactions, related party transactions which have to be pre-approved by the Board of Directors, related party transactions which require to be reviewed annually and similar issues relating to listed subsidiary companies.

Report of the Related Party Transactions Review Committee

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

Ms. M. P. Perera
Mr. A. N. Fonseka
Mr. D. A. Cabraal

The Chairman-CEO, Deputy Chairman/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 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 the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ("The Code") and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by CA of Sri Lanka.

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.

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.

Recurrent RPTs as well as the disclosures & assurances provided by the senior management of the listed companies in the Group in relation to such transactions, in terms of formulated guidelines so as to validate compliance with sec 9.5(a) of the listing rules and thus exclusion from the mandate for review & pre-approval by the Committee, were reviewed annually by the Committee.

Other significant transactions of non-listed subsidiaries were presented to the Committee for information.

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 Committee held four meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given in the Corporate Governance report.

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.



Ms. M. P. Perera

Chairperson of the Related Party Transactions Review Committee
20th May 2022

Corporate Governance

PROJECT RISK ASSESSMENT REVIEW COMMITTEE

Role, Composition of Committee, Meetings held and Attendance

The Project Risk Assessment Committee of JKH functions as the Project Risk Assessment Committee of the Company and its Subsidiary. The Project Risk Assessment Committee of JKH comprises of two (2) EDs and two (2) NED/IDs. The Chairman of the committee is a I/NED. The following served as members of the committee during the financial year.

Dr. S. S. H. Wijayasuriya - Chairman
Mr. K. N. J. Balendra
Mr. J. G. A. Cooray
Ms. M. P. Perera

All committee members attended the meeting which was held on 14th June 2021.

Scope

- Review and assess risks associated with large-scale investments and the mitigation plans thereto, if mitigation is possible, and identify risks that cannot be mitigated
- Ensure stakeholder interests are aligned, as applicable, in making this investment decision
- Where appropriate, obtain specialised expertise from external sources to evaluate risks, in consultation with the of JKH
- Recommend to the Board, necessary action required, to mitigate risks that are identified in the course of evaluating a project in order to ensure that those risks are captured by the John Keells Group Risk Matrix for monitoring and mitigation

The Project Risk Assessment Committee was established to further augment the John Keells Group's Investment Evaluation Framework. The committee provides the Board of John Keells Holdings PLC (JKH) with enhanced illumination of risk perspectives with respect to large-scale new investments and assess 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 John Keells Group. Accordingly, the committee provides early-stage recommendations to the Board with regard to the extent of risk and adequacy of mitigation strategies.

Whilst the sub-committee convened once during the year under review to discuss other investments of the John Keells Group, no meetings were convened in relation to investments made by Asian Hotels Properties PLC.

Given the impact of the pandemic on Group businesses and the challenging macroeconomic uncertainties and volatilities during the latter part of the year, the JKH Board held frequent discussions affording the opportunity for matters pertaining to Group investments and risk assessments to be deliberated by all Board members.

REMUNERATION

Remuneration for Non-Executive, Non-Independent Directors

Compensation for NED/NIDs is determined by reference to fees paid to other NED/NIDs of comparable companies.

Director fees applicable to NEDs nominated by JKH are paid directly to JKH and not to the individual Directors.

Remuneration for Non-Executive, Independent Directors:

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

The aggregate remuneration paid for the NED/IDs of the Company, for the year was Rs. 2,715,000.

ACCOUNTABILITY AND ASSURANCE

System of Internal Controls

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

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

As a member of the John Keells Group, the Company is now part of a comprehensive planning and monitoring process. The

Annual Plans and Budgets are developed by the Company along with a reforecast after six months. Strategic priorities and key drivers are pre-identified and tracked on a monthly basis.

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

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

Risk Review

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

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

Certain aspects of its business operation may expose the Company to both internal and external risks. The Company recognises the importance of controlling these risks and minimising the possibility of any negative impact to the Company. The Company is using the Business Risk Management (BRM) process which is established by JKH to identify both financial and operational risks.

It endeavours to ensure the control systems designed to safeguard the Company's assets and maintain proper accounting records that facilitate the production and availability of reliable information are in place and are functioning as planned.

INVESTMENT APPRAISAL PROCESS AND INVESTMENT DECISIONS

Over the years, the Group has refined the process of investment appraisal which ensures the involvement of the relevant persons when capital investment decisions are made. In this manner, several views, opinions and advice are obtained prior to the investment decision being made. Experience has proven that a holistic and well-debated view of the commercial viability and potential of proposed projects including operational, financial, funding, risk and tax implications has most of the time culminated in a good result. All investment decisions are routed through a committee structure that safeguards against one individual having unfettered decision-making powers in such decisions.

Operations, Planning, Monitoring and Decision Rights

The responsibility for monitoring plans have been entrusted to the Group. The achievement of annual plans as well as ensuring compliance with the Company policies and guidelines rests with the President of the Leisure Sector, CEO-Cinnamon Hotels and Resorts, the General Manager of Cinnamon Grand and functional department heads of the respective business units to whom appropriate decision rights have been granted in order to execute operational and financial decisions within their purview.

Corporate Governance

INTEGRITY

Monitoring of Financial and Operational Data

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

Information Technology and Governance

The Company Information Technology (IT) Governance Policy has evolved in line with the John Keells Group's IT Governance Policy in the last year to deliver and embrace new technologies which have aligned with the overall business objective of the John Keells Group. This evolution occurred as the Company discerned the competitive advantage gained and the enhancement of business value which came about through the skilful alignment of IT with its business objectives and the prudent management of its IT resources. The Company has always been a step ahead in embracing emerging technologies and systems, consistently investing in developing its IT infrastructure. Continuous focus on cutting-edge technology has ensured greater reliability of IT systems and has shortened information delivery times to both internal and external stakeholders.

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

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

Human Resource Governance and Performance Management

The Performance Management System (PMS) continued to evolve positively in catering to, and fashioning, employee empowerment in meeting current and emerging needs. Following linkages of PMS were further strengthened:

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

Management Committee

The Hotel and Property divisions of the Company have two separate Management Committees consisting of the General Manager of Cinnamon Grand and Sector Head of the Property Division and other key managers of divisions in order to discuss matters pertaining to strategy and operations.

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

Internal Auditors

Quarterly Audits are conducted by the Company's Internal Auditors, Messrs. PricewaterhouseCoopers (Pvt) Ltd, Chartered Accountants. The role of the internal audit team is to determine whether risk management, control and governance processes are adequate and functioning. The Internal Audit function is independent of the External Auditor. The reports arising out of such audits are, in the first instance, considered and discussed at the business/functional unit levels and forwarded to the Audit Committee on a regular basis. Further, the Audit Committee also assesses the effectiveness of the risk review process

and systems of internal control on a regular basis. Follow-ups on internal audits are done on a structured basis. Relevant risks and vulnerabilities of the Company are identified and promptly brought to the attention of the Management, facilitating corrective and preventive measures to be taken in a timely manner.

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

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

Going Concern and Financial Risk

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

The going concern principle has been adopted in preparing the Financial Statements. All statutory and material declarations are highlighted in the Annual Report of the Board of Directors. Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLAS), including all the new standards introduced during the financial year and comply with the requirements of the Companies Act.

Information in the Financial Statements in the Annual Report are supplemented by operating environment and financial review from page 45 to 50 which explains to shareholders the strategic, operational, investment and risk related aspects of the Company that have translated into the reported financial performance and are likely to influence future results.

The Statement of Directors' Responsibility in relation to financial reporting is given on page 61 of the Annual Report. The Directors' interests in contracts of the Company are addressed on page 55 of the Annual Report of the Board of Directors.

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

Sri Lanka Financial Reporting Standards (SLFRS)

Living by the Company's philosophy of good governance and reporting, the Financial Statements for the year 2021/22 have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Compliance with Legal Requirements

Compliance with legal requirements and Parent Company-internal rules are significant elements of Corporate Governance for the management of the Company. The Board of Directors to the best of their knowledge and belief are satisfied that the Company has not engaged in any activity which contravenes laws and regulations and all financial obligations due to the Government and to the employees have been either duly paid or adequately provided for in the Financial Statements.

Security Training Policy

JKH's securities trading policy prohibits all employees and agents engaged by the Company who are aware of unpublished price sensitive information from trading in the Company's shares or the shares of other companies in which the Company presently has business interests.

External Auditors

Messrs. KPMG, Chartered Accountants serves as the External Auditors of the Group. The audit fees paid by the Company and Group to

Messrs. KPMG are separately disclosed in Note 80 to the Financial Statements. The Auditors' Report on the Financial Statements of the Group for the year is found on page 62 to 65 of this Annual Report.

The Company has attempted always to separate the internal Auditors from the external Auditors in order to maintain external Auditor independence. The appointment/re-appointment of the External Auditors were recommended by the Audit Committees to the Board of Directors.

Employee Participation in Assurance

The following communication channels are available to the employees:

- Skip Level meetings
- Exit interviews
- 360 degree evaluation
- Monthly staff meetings
- Access to Senior Independent Director
- Ombudsperson
- Continuous reiteration and the practice of the 'Open-Door' policy

Digital Oversight and Cyber Security

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

Data Protection, Information Management and Adoption

The presence of continuously evolving IT infrastructure and platforms to meet requirements of day-to-day business, augured well for the Company and its subsidiary, particularly given restrictions in movement and social distancing measures in light of the COVID-19 pandemic. The JKH Group witnessed an acceleration of digitisation and better user adoption. Despite this, adoption of such

systems and features remain at a relatively early stage across the JKH Group and is a key focus area for the JKH Group.

Given the emergence of regulations such as European Union General Data Protection Regulation (GDPR) and the Data Protection Act No 09 of 2022, data security, integrity and information management will be pivotal. In addition to this, the JKH Group's initiatives on advanced data analytics also necessitate an established governance framework to manage the flow of data. To this end, the Company and its subsidiary will continue to strengthen its data governance structure to ensure ownership and accountability of clearly articulated data governance policies and processes in keeping with the JKH Group-wide data quality standards.

Sustainability Governance

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

Communication with Shareholders

The Company encourages effective communication with shareholders who are engaged through multiple channels of communication, including the AGM Annual Report, Interim Financial Statements, press releases, social media platforms and announcements to the CSE. The Board recognizes 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.

Corporate Governance

Human Rights

Caring, Excellence, Trust, Innovation and Integrity are core values intrinsic to JKH and the Company places the highest value on ethical practices including a zero-tolerance policy towards corruption and bribery in all its transactions. The Company is committed to upholding universal human rights of all its stakeholders whilst maintaining the highest ethical standards in all its operations.

Anti-Corruption

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

The Company places the highest value on ethical practices and has promulgated a zero-tolerance policy towards corruption and bribery in all its transactions.

JKH strives to maintain a culture of honesty and opposition to fraud and corruption. Based on this commitment, the Code of Conduct, anti-fraud, fraud prevention, anti-corruption, anti-bribery, validation and audit policies of JKH outline the principles to which we are committed in relation to preventing, reporting and managing fraud and corruption. It covers inter alia, theft, embezzlement, overriding controls, giving or receiving kickbacks, bribery, allowing oneself to be placed in situations of conflict of interest and statements (financial or non-financial) dishonestly and recklessly made contrary to the factual position. The Company also has a process to ensure compliance with the laws and regulations of the countries it operates in, including anti-corruption and anti-bribery laws.

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

BUILDING TRUST

Whistleblower Policy

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

Ombudsperson and Grievance Mechanism

In order to deal with a situation in which an employee or group of employees feel that an alleged violation has not been addressed satisfactorily using the available/existing procedures and processes, an Ombudsperson has been appointed by JKH, being the Parent Company, to entertain such concerns. The findings and the recommendations of the Ombudsperson arising subsequent to an independent inquiry is confidentially communicated to the Chairman-CEO of JKH or to the Senior Independent Director of JKH upon which the involvement duty of the Ombudsperson ceases. On matters referred to him by the Ombudsperson, the Chairman-CEO or the Senior Independent Director of JKH, as the case may be, will be placed before the Board with the following:

- i. The decision and the recommendations
- ii. Action taken based on the recommendations
- iii. Where the Chairman-CEO 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 - above) where the Board is required to consider the areas of disagreement and decide on the way forward, the Chairman-CEO 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. These open-door policies facilitate constant dialogue, communication, transparency and ultimately boost employee confidence, which would help retain existing talent whilst attracting new.

JKH CODE OF CONDUCT



Allegiance to the company and the group

Compliance with rules and regulations applying in the territories that the Group operates in



Conduct all business in an ethical manner at all times in keeping with acceptable business practices

Exercise of professionalism and integrity in all businesses and "public" personal transactions



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

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

SHAREHOLDER RELATIONS

The Shareholders of the Company re-elect Directors, receive annual reports and appoint Auditors on a regular basis in accordance with the Companies Act. The shareholders of the Company exercise their rights at the General Meetings held for shareholders, as the case may be, including the Annual General Meeting (AGM). Each resolution brought before the shareholder at the AGM is voted on separately by the shareholders. The notice of the AGM and the relevant documents required are to be published and will be sent to the shareholders within the statutory periods. The Company circulates the agenda for the meeting and shareholders vote on each issue separately.

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

Roles of Stakeholders

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

Major Transactions

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

Going Forward

The Board is committed to the highest standards of Corporate Governance in order that the Company shall achieve its long-term sustainable growth objectives. The Board is accountable to the Company's shareholders for good governance in its management of the affairs of the Company. The Board confirms that the Company was fully compliant throughout the year ended 31st March 2022 with all the principles and provisions of the good Corporate Governance and the Code of Business Conduct and Ethics. The Company's approach to Corporate Governance enables it to understand the expectations of stakeholders, forecast trends in social, environmental and ethical requirements and to manage the Company's performance in an appropriate manner.

OUR STAKEHOLDERS



SHAREHOLDERS

We are committed to creating long-term growth and returns to the shareholders and to conduct the business in a transparent manner.



CUSTOMERS

We are committed to continuously develop a better quality of goods and services for the benefit and satisfaction of our customers.



PARTNERS

We treat all partners fairly in order to achieve mutual benefits.



EMPLOYEES

We consider our employees as valuable assets and treat them fairly with regard to work opportunities, remuneration and quality of the working environment. The Company also provides all its employees professional and career development training.



COMPETITORS

We abide by the framework of fair competition and will not destroy the reputation of competitors through false accusations.



CREDITORS

We observe all of our obligations to creditors.



SOCIETY AND ENVIRONMENT

We are committed to conducting business that benefits the economy, society and quality of the environment. The parent company of the Company has established the Corporate Social Responsibility (CSR) Department to promote to the Company's staff the importance of the CSR objectives to achieve balanced benefits relating to society, the environment and all stakeholders in harmony with the Company's sustainable growth objectives.

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

Corporate Governance

STATEMENT OF COMPLIANCE UNDER SECTION 7.6 OF THE LISTING OF THE COLOMBO STOCK EXCHANGE (CSE) ON ANNUAL REPORT DISCLOSURES

Mandatory Provisions - Fully Compliant

Compliant ✓ Non Compliant ✗

| Rule | Compliance Status | Reference (within the Report) |
|---|-------------------|--|
| (i) Names of persons who were Directors of the Entity during the financial year | ✓ | Profiles of Directors - Page 9 and 10 |
| (ii) Principal activities of the entity and its subsidiaries during the year, and any changes therein | ✓ | Annual Report of the Board of Directors - Page 52 to 58 |
| (iii) The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held | ✓ | Information to Shareholders and Investors - Page 116 and 117 |
| (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 | ✓ | Information to Shareholders and Investors - Page 116 and 117 |
| (v) A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year | ✓ | Annual Report of the Board of Directors - Page 52 to 58 |
| (vi) Information pertaining to material foreseeable risk factors of the Entity | ✓ | Risk and Opportunities Report - Page 40 to 43 |
| (vii) Details of material issues pertaining to employees and industrial relations of the Entity | ✓ | During the year 2021/2022, there were no material issues pertaining to employees and industrial relations of the Company |
| (viii) Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties | ✓ | Notes to the Financial Statements - Page 73 to 114 |
| (ix) Number of shares representing the Entity's stated capital | ✓ | Notes to the Financial Statements - Page 73 to 114 |
| (x) A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings | ✓ | Information to Shareholders and Investors - Page 116 and 117 |
| (xi) Financial ratios and market price information | ✓ | Performance Highlights - Page 4 |
| (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 | ✓ | Notes to the Financial Statements - Page 73 to 114 |
| (xiii) If during the financial year the Entity has raised funds either through a public issue, Rights Issue or private placement: a statement as to the manner in which the proceeds of such issue has been utilized if any shares or debentures have been issued, the number, class and consideration received and the reason for the issue; and any material change in the use of funds raised through an issue of Securities | ✓ | Information to Shareholders and Investors - Page 116 and 117 |
| (xiv) Information in respect of Employee Share Ownership or Stock Option Schemes | ✓ | Notes to the Financial Statements - Page 73 to 114 |
| (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 | ✓ | Corporate Governance - Page 11 to 39 |
| (xvi) Related Party transactions exceeding 10% of the equity or 5% of the total assets of the Entity as per audited Financial Statements, whichever is lower | ✓ | Notes to the Financial Statements - Page 73 to 114 |

STATEMENT OF COMPLIANCE UNDER SECTION 7.10 OF THE LISTING RULES OF THE CSE ON CORPORATE GOVERNANCE

Mandatory Provisions - Fully Compliant

| CSE Rule | | Compliance Status | Company Action/Reference (within the Report) |
|---|--|-------------------|---|
| 7.10 Compliance | | | |
| a./b./c. | Compliance with Corporate Governance Rules | Yes | The Company is in compliance with the Corporate Governance Rules and any deviations are explained where applicable. |
| 7.10.1 Non-Executive Directors (NED) | | | |
| a./b./c. | At least 2 members or 1/3 of the Board, whichever is higher should be NEDs | Yes | All Board members are NEDs. The Company is conscious of the need to maintain an appropriate mix of skills and experience on the Board and to refresh progressively its composition over time. |
| 7.10.2 Independent Directors | | | |
| a. | 2 or 1/3 of NEDs, whichever is higher shall be "independent" | Yes | 3 out of the 8 NEDs are Independent. |
| b. | Each NED to submit a signed and dated declaration of his/her independence or non-independence | Yes | Independence of the Directors has been determined in accordance with CSE Listing Rules and the 3 Independent NEDs have submitted signed confirmation of their independence. |
| 7.10.3 Disclosures relating to Directors | | | |
| a./b. | Board shall annually determine the independence or otherwise of NEDs and; Names of each IDs should be disclosed in the Annual Report (AR) | Yes | All Independent NEDs have submitted declarations as to their independence. |
| c. | A brief resume of each Director should be included in the annual report including the directors' experience | Yes | Board of Directors |
| d. | Provide a resume of new Directors appointed to the Board along with details | Yes | Detailed resumes of the new Independent NEDs appointed are submitted to the CSE. There is one appointment to the Board, during the year under review (Corporate Governance) |
| 7.10.4 Criteria for defining independence | | | |
| a. to h. | Requirements for meeting the criteria to be an Independent Director | Yes | Corporate Governance |
| 7.10.5 Remuneration Committee | | | |
| a.1 | Remuneration Committee shall comprise of NEDs, a majority of whom will be independent | Yes | The Human Resources and Compensation Committee (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent NEDs. |
| a.2 | One NED shall be appointed as Chairman of the Committee by the Board of Directors | Yes | The Senior Independent NED is the Chairman of the Committee. |
| b. | Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors | Yes | The remuneration of the Chairman-CEO and the Executive Directors is determined as per the remuneration principles of the Group and recommended by the Human Resources and Compensation Committee. |
| c.1 | Names of Remuneration Committee members | Yes | Corporate Governance |
| c.2 | Statement of Remuneration policy | Yes | Corporate Governance |
| c.3 | Aggregate remuneration paid to EDs and NEDs | Yes | Refer Note 7 of the Financial Statements |

Corporate Governance

| CSE Rule | | Compliance Status | Company Action/Reference (within the Report) |
|------------------------|---|-------------------|---|
| 7.10.6 Audit Committee | | | |
| a.1 | Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent | Yes | The Audit Committee comprises of three I/NEDs. |
| a.2 | A NED shall be the Chairman of the committee | Yes | The Chairman of the Audit Committee is an Independent NED. |
| a.3 | CEO and CFO should attend AC meetings | Yes | The President - Property Group of John Keells Holdings, Chief Financial Officer - Leisure Industry Group, General Manager of Cinnamon Grand and Cinnamon Lakeside, Sector Financial Controllers of Property and Hotels Sectors together with the Head of Group Business Process Review division of John Keells Holdings PLC, attend Audit Committee meetings by invitation. |
| a.4 | The Chairman of the AC or one member should be a member of a recognised professional accounting body | Yes | The Chairman of the AC is a member of a recognised professional accounting body. |
| b. | Functions of the AC | Yes | The AC carries out all the functions prescribed in this section. |
| b.1 | Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS | Yes | The AC assists the Board in fulfilling its oversight responsibilities for the integrity of the financial statements of the Company. |
| b.2 | Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations | Yes | The AC has the overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies |
| b.3 | Overseeing the process to ensure that the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS | Yes | The AC assesses the role and the effectiveness of the Group Business Process Review division which is largely responsible for internal control and risk management. |
| b.4 | Assessment of the independence and performance of the Entity's External Auditors | Yes | The AC assesses the external auditor's performance, qualifications and independence. |
| b.5 | Make recommendations to the Board pertaining to External Auditors | Yes | The Committee is responsible for recommending the appointment, re-appointment or removal of External Auditors and also providing recommendations on remuneration and terms of Engagement. |
| c.1 | Names of the Audit Committee members shall be disclosed | Yes | Corporate Governance |
| c.2 | Audit Committee shall make a determination of the independence of the external auditors | Yes | Refer Report of the Audit Committee. |
| c.3 | Report on the manner in which Audit Committee carried out its functions. | Yes | Refer Report of the Audit Committee. |

Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance
Mandatory Provisions - Fully Compliant

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

Statement of Compliance pertaining to the Companies Act No. 7 of 2007
Mandatory Provisions - Fully Compliant

| CSE Rule | | Compliance Status | Reference (within the Report) |
|-------------|---|-------------------|--|
| 168 (1) (a) | The nature of the business together with any change thereof | Yes | Annual Report of the Board of Directors |
| 168 (1) (b) | Signed Financial Statements of the Group and the Company | Yes | Financial Statements |
| 168 (1) (c) | Auditors' Report on Financial Statements | Yes | Independent Auditors' Report |
| 168 (1) (d) | Accounting policies and any changes therein | Yes | Notes to the Financial Statements |
| 168 (1) (e) | Particulars of the entries made in the Interests Register | Yes | Annual Report of the Board of Directors |
| 168 (1) (f) | Remuneration and other benefits paid to Directors of the Company | Yes | Notes to the Financial Statements |
| 168 (1) (g) | Corporate donations made by the Company | Yes | Notes to the Financial Statements |
| 168 (1) (h) | Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period | Yes | Board of Directors |
| 168 (1) (i) | Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered | Yes | Notes to the Financial Statements |
| 168 (1) (j) | Auditors' relationship or any interest with the Company and its Subsidiaries | Yes | Report of the Audit Committee/ 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 |

Corporate Governance

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

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

Code of Best Practice of Corporate Governance (2013) Jointly Issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL)

Voluntary Provisions - Fully Compliant

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

| Code Ref. | Subject | Applicable Requirement Status | Compliance status | Applicable Section in the Annual Report |
|---|--|---|-------------------|---|
| A.1.3 | Act in accordance with laws of the Country and access to professional advice | Procedure to obtain independent professional advice when deemed necessary at the Company's expense | yes | Corporate Governance |
| A.1.4 | Access to advise and services of the Company Secretary | Ensure adherence to Board procedures and applicable rules and regulations | yes | Corporate Governance |
| A.1.5 | Independent judgment | Directors should exercise independent judgment on issues of strategy, resources, performance (including key appointments) and standards of business judgment | yes | Corporate Governance |
| A.1.6 | Dedication of adequate time and effort by Directors | Every Director should dedicate adequate time and effort to matters of the Board and the Company, to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged. | yes | Corporate Governance |
| A.1.7 | Board induction and training for Directors | The Directors should receive appropriate induction, training, hone skills and expand knowledge to more effectively perform duties | yes | Corporate Governance |
| A.2 Chairman and Chief Executive Officer | | | | |
| A.2.1 | Justification for combining the roles of the Chairman and the CEO | A balance of power and authority to be maintained by separating responsibility for conducting Board business from that of executive decision making | N/A | N/A |
| A.3 Chairman's Role | | | | |
| A.3.1 | Ensure good corporate governance | <p>Chairman to preserve order and facilitate effective discharge of Board functions by proper conduct of Board proceedings and meetings including ensuring:</p> <p>The effective participation of both EDS and NEDS;</p> <ul style="list-style-type: none"> ➤ all Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company; ➤ a balance of power between EDs and NEDs is maintained; ➤ the views of Directors on issues under consideration are ascertained; and ➤ the Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders. | yes | Corporate Governance |
| A.4 Financial Acumen | | | | |
| A.4.1 | Possession of adequate financial acumen | Board to ensure adequacy of financial acumen and knowledge within the Board | yes | Corporate Governance |

Corporate Governance

| Code Ref. | Subject | Applicable Requirement Status | Compliance status | Applicable Section in the Annual Report |
|----------------------------------|---|---|-------------------|---|
| A.5 Board Balance | | | | |
| A.5.1 | Composition of Board | The Board should include a sufficient number of NEDs | yes | Corporate Governance |
| A.5.2 | Proportion of Independent Directors | Two or one-third of the NEDs should be independent | yes | Corporate Governance |
| A.5.3 | Definition of Independence | Independent Directors should be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment | yes | Corporate Governance |
| A.5.4 | Declaration of Independence | NEDs should submit a signed and dated declaration of their independence/ non-independence annually | yes | Corporate Governance |
| A.5.5 | Annual determination of criteria of independence/ non-independence and declaration of same by Board | The Board should annually determine and disclose the names of Directors deemed to be Independent | yes | Corporate Governance |
| A.5.6 | Appointment of an alternate Director | If an alternate Director is appointed by a NED, such alternate Director should not be an executive of the Company | N/A | N/A |
| A.5.7 | Appointment of Senior Independent Director (SID) | If the roles of Chairman/CEO are combined, a Non-Executive Director should be appointed as a Senior Independent Director | N/A | N/A |
| A.5.8 | Availability of Senior Independent Director to other Directors | If warranted, the SID should be available to the other Directors for confidential discussions | N/A | N/A |
| A.5.9 | Interaction between Chairman and Non-Executive, Independent Directors | The Chairman should meet the NED/IDs at least once a year without the other Directors being present. | yes | N/A |
| A.5.10 | Directors concerns to be recorded | When matters are not unanimously resolved, Directors to ensure their concerns are recorded in Board minutes | yes | N/A |
| A.6 Supply of Information | | | | |
| A.6.1 | Provision of adequate information to Board | Management to ensure the Board is provided with timely and appropriate information | yes | N/A |
| A.6.2 | Adequacy of notice and formal agenda to be discussed at Board meetings | Board minutes, agenda and papers should be circulated at least seven days before the Board meeting | yes | Corporate Governance |

| Code Ref. | Subject | Applicable Requirement Status | Compliance status | Applicable Section in the Annual Report |
|---|---|---|-------------------|---|
| A.7 Appointment to the Board | | | | |
| A.7 | Appointments to the Board | Formal and transparent procedure for Board appointments | yes | Corporate Governance |
| A.7.1 | Nomination Committee | Nomination committee of the ultimate Parent Company may function as such for the Company and make recommendations to the Board on new Board appointments | yes | Corporate Governance |
| A.7.2 | Annual assessment of Board composition | Nomination committee of Board should annually assess the composition of Board | yes | Corporate Governance |
| A.7.3 | Disclosure of new Board appointments | Profiles of new Board appointments to be communicated to Shareholders | yes | Board of Directors |
| A.8 Re-election | | | | |
| A.8.1 | Appointment of Non-Executive Directors | Appointment of NEDs should be for specified terms and re-election should not be automatic | yes | Annual Report of the Board of Directors |
| A.8.2 | Shareholders' approval of appointment of all Directors | The appointment of all Directors should be subject to election by Shareholders at the first opportunity after such appointment | yes | Annual Report of the Board of Directors |
| A.9 Appraisal of Board Performance | | | | |
| A.9.1 | Annual appraisal of Board performance | The Board should annually appraise how effectively it has discharged its key responsibilities | yes | Corporate Governance |
| A.9.2 | Self evaluation of Board and Board Committee | The Board should evaluate its performance and that of its committees annually | yes | Corporate Governance |
| A.9.3 | Declaration of basis of performance evaluation | The Board should disclose how performance evaluations have been carried out in the Annual Report. | yes | Corporate Governance |
| A.10 Disclosure of Information in respect of Directors | | | | |
| A.10.1 | Biographical Profiles and relevant details of Directors to be disclosed | Annual Report should disclose the biographical details of Directors and attendance at Board/ Sub-Committee meetings | yes | Profiles of Directors/ Corporate Governance |
| A.11 Appraisal of the CEO | | | | |
| A.11.1 | Short, medium and long term, financial and non-financial objectives to be set | At the commencement of every fiscal year, the Board in consultation with the CEO, should set, in line with the short, medium and long-term objectives of the Company, reasonable financial and non-financial targets that should be met by the CEO during the year. | N/A | N/A |
| A.11.2 | Evaluation of CEO performance | The performance of the CEO should be evaluated by the Board at the end of the year | N/A | N/A |

Corporate Governance

| Code Ref. | Subject | Applicable Requirement Status | Compliance status | Applicable Section in the Annual Report |
|--|---|--|-------------------|---|
| B. Directors Remuneration | | | | |
| B.1 Remuneration Procedure | | | | |
| B.1.1 | Appointment of Remuneration Committee | The Board of Directors should set up a Remuneration Committee to make | yes | Corporate Governance |
| B.1.2 | Composition of Remuneration Committee | Remuneration Committee should consist of NEDs | yes | Corporate Governance |
| B.1.3 | Disclosure of members of Remuneration Committee | The Annual Report should disclose the Chairman and Directors who serve on the Remuneration Committee | yes | Corporate Governance |
| B.1.4 | Remuneration of Non-Executive Directors | Board to determine the level of remuneration of NEDs | yes | Corporate Governance |
| B.1.5 | Consult Chairman and/or CEO on proposals on remuneration | Remuneration Committee should consult the Chairman about its proposals relating to the remuneration of other Executive Directors and should have access to professional advice in order to determine appropriate remuneration for Executive Directors | yes | Corporate Governance |
| B.2 Level and Make up of Remuneration | | | | |
| B.2.1 to B.2.4 | Performance related elements in pay structure and alignment to industry practices | Packages should be structured to attract, retain and motivate EDs Packages should be comparable and relative to that of other companies as well as the relative performance of the Company When determining annual increases remuneration committee should be sensitive to that of other John Keells Group companies Performance related elements of remuneration should be aligned with interests of Company | yes | Corporate Governance |
| B.2.5 | Share options | Executive share options should not be offered at a discount | yes | |
| B.2.6 to B.2.9 | Remuneration packages for Non-Executive Directors | In designing schemes of performance-related remuneration, Remuneration Committees has complied with the relevant provisions and have reflected time, commitment and responsibilities of role and in line with existing market practice | yes | Corporate Governance |
| B.3 Disclosure of Remuneration | | | | |
| B.3.1 | Disclosure of details on remuneration | The Annual Report should set out the names of Directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of remuneration policy and set out the aggregate remuneration paid to the EDs and NEDs | yes | Corporate Governance and Note 9 to the Financial Statements |

| Code Ref. | Subject | Applicable Requirement Status | Compliance status | Applicable Section in the Annual Report |
|---|---|--|-------------------|--|
| C. Relations with Shareholders | | | | |
| C.1 Constructive Use and Conduct of Annual General Meeting (AGM) | | | | |
| C.1.1 | Proxy votes to be counted | The Company should count and indicate the level of proxies lodged for and against in respect of each resolution | yes | Form of Proxy |
| C.1.2 | Separate resolutions | Separate resolutions should be proposed for substantially separate issues | yes | N/A |
| C.1.3 | Availability of Chairman's of Committees at AGM | The Chairman of Board should arrange for the Chairman of Audit, Remuneration and Nomination to be available to answer any queries at AGM | yes | N/A |
| C.1.4 | Notice of AGM | 15 working days notice to be given to shareholders | yes | Notice of Meeting |
| C.1.5 | Procedure for voting at meetings | Company to circulate the procedure for voting with Notice of Meeting | yes | Notice of Meeting |
| C.2 Communication with Shareholders | | | | |
| C.2.1 | Channel of Communication | Channel to reach all shareholders to disseminate timely information | yes | All reports |
| C.2.2 – C.2.7 | Policy and Methodology of Communication | Policy and Methodology of communication with shareholders and implementation of it according to the Code. | yes | Corporate Governance |
| C.3 Major and Material Transactions | | | | |
| C.3.1 | Disclosure of Major Transactions | Disclosure for all material facts involving all material transactions including related party transactions | yes | Note 32 of the notes to the Financial Statements |
| D. Accountability and Audit | | | | |
| D.1 Financial Reporting | | | | |
| D.1.1 | Presentation of Public Reports | Should be balanced, understandable and comply with statutory and regulatory requirements | | Financial Statements |
| D.1.2 | Directors' Report | <ul style="list-style-type: none"> ➤ The Directors' Report should be included in the Annual Report and confirm that, ➤ The Company has not contravened laws or regulations in conducting its activities ➤ Material interests in contracts have been declared by Directors ➤ The Company has endeavoured to ensure equitable treatment of shareholders ➤ That there is reasonable assurance of the effectiveness of the existing business systems following a review of the internal controls covering financial, operational and compliance ➤ That the business is a "going concern" | Yes | Statement of Directors' Responsibility and Annual Report of the Board of Directors |
| D.1.3 | Respective responsibilities of Directors and Auditors | The Annual Report should contain separate statements setting out the responsibilities of the Directors for the preparation and presentation of the Financial Statements and the reporting responsibilities of the Auditors. | Yes | Annual Report of the Board of Directors Independent Auditors' Report |

Corporate Governance

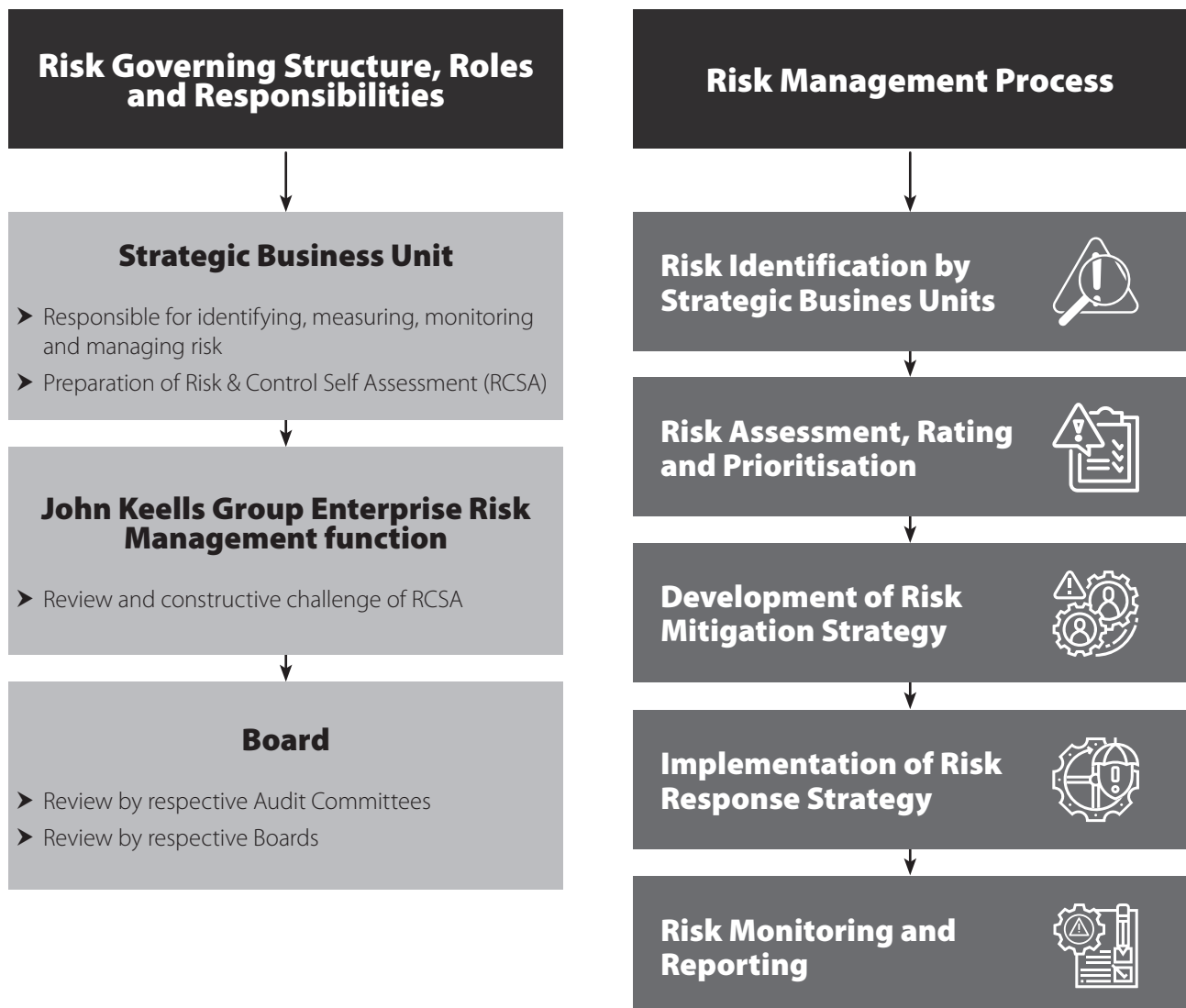
| Code Ref. | Subject | Applicable Requirement Status | Compliance status | Applicable Section in the Annual Report |
|-----------------------------|--|---|-------------------|---|
| D.1.4 | Management Discussion and Analysis | Annual report to include section on Management Discussion and Analysis. | Yes | Management Reports |
| D.1.5 | Going Concern | Directors to substantiate and report that the business is a going concern or qualify accordingly | Yes | Annual Report of the Board of Directors |
| D.1.6 | Serious Loss of Capital | Directors to summon an Extraordinary General Meeting in the event that the net assets of the Company are less than half of its stated capital | N/A | N/A |
| D.1.7 | Related Party Transactions | Disclosure of Related Party Transactions. | Yes | Note 32 to the Financial Statements |
| D.2 Internal Control | | | | |
| D.2.1 | Effectiveness of system of internal controls | Directors to annually conduct a review of the effectiveness of the system of internal controls. This responsibility may be delegated to the Audit Committee. | Yes | Audit Committee Report |
| D.2.2 | Internal Audit Function | The internal audit function in Group companies is not outsourced to the external auditor of that Company in a further attempt to ensure external auditor independence. | Yes | N/A |
| D.2.3 - D.2.4 | Continuity of Internal control | Maintaining a sound system of internal control according to the provisions of the code. | Yes | Corporate Governance |
| D.3 Audit Committee | | | | |
| D.3.1 | Chairman and Composition of Audit Committee | Should comprise a minimum of two NED/IDs Audit Committee Chairman should be appointed by the Board. | Yes | Corporate Governance |
| D.3.2 | Duties of Audit Committee | Compliance with all requirements set out in D.3.2. | Yes | Audit Committee Report |
| D.3.3 | Terms of Reference/ Charter | The Audit Committee should have a written Terms of Reference which define the purpose of the Committee and its duties and responsibilities. | Yes | Audit Committee Report |
| D.3.4 | Disclosure | <ul style="list-style-type: none"> ➤ The Annual Report should disclose the names of Directors serving on the Audit Committee ➤ The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination ➤ The Annual Report should contain a report by the Audit Committee setting out the manner of the compliance of the Company during the period to which the report relates | Yes | Audit Committee Report |

| Code Ref. | Subject | Applicable Requirement Status | Compliance status | Applicable Section in the Annual Report |
|--|--|--|-------------------|---|
| D.4 Code of Business Conduct and Ethics | | | | |
| D.4.1 | Adoption of Code of Business Conduct and Ethics | The Company must adopt a Code of Business Conduct and Ethics for Directors and members of the senior management team and promptly disclose any violation of the Code. | Yes | Corporate Governance |
| D.4.2 | Chairman's affirmation | The Annual Report must include an affirmation by the Chairman that he is not aware of any violation of the provision of the Code of Conduct. | Yes | Corporate Governance |
| D.5 Corporate Governance Disclosures | | | | |
| D.5.1 | Corporate Governance Report | The Annual Report should include a report setting out the manner and extent to which the Company has adopted the principals and provisions of the Code of Best Practice on Corporate Governance. | Yes | Corporate Governance |
| E. Institutional Investors | | | | |
| E.1 Structured Dialogue | | | | |
| E.1.1 | Structured Dialogue with Shareholders | A regular and structured dialogue should be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman | Yes | N/A |
| E.2 | Evaluation of Governance Disclosure by Institutional Investors | Institutional investors should be encouraged to consider the relevant factors drawn to their attention with regard to Board structure and composition. | Yes | N/A |
| F. Other Investors | | | | |
| F.1 | Individual Investors | Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment/divestment decisions | Yes | N/A |
| F.2 | Shareholder Voting | Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights. | Yes | N/A |
| G. Sustainability Reporting | | | | |
| G.1- G.1.7 | Sustainability Reporting | Disclosure on adherence to sustainability principles. | Yes | Operational Highlights |

RISK AND OPPORTUNITIES

Risk management plays a pivotal and important role in the operations of the Group. The ambiguous operating environment grappling with the local and global economic uncertainties in parallel with the new normal as the world emerges from the COVID-19 contagion, has emphasized on the need for a strong risk management process.

BUILDING A CULTURE OF RISK AWARENESS



Significant Risk identified and Management of the Risk

Through our structured risk assessment and management process the following risk has been identified as high importance and we have set out the respective procedures to manage and mitigate the identified risk.

Key risks are highlighted below.

Principal Risks

| | High | Moderate | Low |
|---------------------|------|----------|-----|
| Net Risk Assessment | ● | ● | ● |

| Risk factor | Potential impact | Mitigating actions | | | | | | |
|--|---|--|------------|-------------------|------------|---|--|--|
| 1. Global Pandemic Outbreak | | | | | | | | |
| Description | | | | | | | | |
| International travel restrictions and local travel restrictions | <ul style="list-style-type: none">➤ Lower tourist arrivals places pressure on average room rates, squeezing margins and reducing profits | <ul style="list-style-type: none">➤ Business Continuity Plans (BCP) on action to be taken in the event of an active case within a business unit.➤ Continue to follow latest guidance and recommendations of Government, global and local health officials on implementation of appropriate health and safety measures for staff and guests at hotel and mall. | | | | | | |
| <table><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>Possible to occur</td></tr><tr><td>Assessment</td><td>●</td></tr></table> | Impact | High | Likelihood | Possible to occur | Assessment | ● | | |
| Impact | High | | | | | | | |
| Likelihood | Possible to occur | | | | | | | |
| Assessment | ● | | | | | | | |
| 2. Threat from Terrorism & Civil Unrest | | | | | | | | |
| Description | | | | | | | | |
| Risk of Instability, Ideology/ extremism, Breakdown of Law and Order, Global terrorism. | <ul style="list-style-type: none">➤ Loss of Revenue due to tourists choosing alternate travel destinations.➤ Hindrance to business continuity➤ Property damage➤ Loss of staff, guests, patrons | <ul style="list-style-type: none">➤ Establishment of protocols as per the BCP on action to be taken in such an event.➤ Appointment of Vigilance Officers at each location and establishment of reporting protocols➤ Establishment of direct link with local intelligence for information on potential risks➤ Review/implementation of Emergency Response Plans for armed intrusions/hostage handling/isolation/bomb threat. | | | | | | |
| <table><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>Possible to occur</td></tr><tr><td>Assessment</td><td>●</td></tr></table> | Impact | High | Likelihood | Possible to occur | Assessment | ● | | |
| Impact | High | | | | | | | |
| Likelihood | Possible to occur | | | | | | | |
| Assessment | ● | | | | | | | |
| 3. Supply chain issues and shortages | | | | | | | | |
| Description | | | | | | | | |
| Supply chain issues/ Supply Chain shortages. | <ul style="list-style-type: none">➤ Disruption to operations.➤ Increased Cost.➤ Loss of reputation. | <ul style="list-style-type: none">➤ Continuous supplier engagement.➤ Changing menus accordingly.➤ Frequent Supplier audits.➤ Changing the ordering process.➤ Source from alternate suppliers or source alternate supplies. | | | | | | |
| <table><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>Likely to occur</td></tr><tr><td>Assessment</td><td>●</td></tr></table> | Impact | High | Likelihood | Likely to occur | Assessment | ● | | |
| Impact | High | | | | | | | |
| Likelihood | Likely to occur | | | | | | | |
| Assessment | ● | | | | | | | |
| 4. Fuel/Gas supply shortages | | | | | | | | |
| Description | | | | | | | | |
| Disruption to business due to fuel and Gas crisis. | <ul style="list-style-type: none">➤ Shortage of supplies due to transporting issues.➤ Inability to run the generator during power cuts/failures.➤ Disruption to operations.➤ Increased Cost.➤ Inability for staff to report to work due to transportation issues. | <ul style="list-style-type: none">➤ Frequent/bulk fuel purchases.➤ Increase inventory par levels.➤ Provide accommodation for staff within the premises.➤ Seek for alternative products and suppliers.➤ Increase storage capacity.➤ Investing in solar power generation. | | | | | | |
| <table><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>Likely to occur</td></tr><tr><td>Assessment</td><td>●</td></tr></table> | Impact | High | Likelihood | Likely to occur | Assessment | ● | | |
| Impact | High | | | | | | | |
| Likelihood | Likely to occur | | | | | | | |
| Assessment | ● | | | | | | | |

Risk and Opportunities

| Risk factor | Potential impact | Mitigating actions | | | | | | |
|--|---|--|------------|-------------------|------------|---|--|--|
| 5. Business Risk | | | | | | | | |
| Description | | | | | | | | |
| Increased competitiveness in the industry. | <ul style="list-style-type: none">➤ Loss of market share➤ Increased price competition➤ Decrease in revenue➤ Increased Cost | <ul style="list-style-type: none">➤ Continues monitoring of competitors.➤ Adaptation of competitive pricing strategies➤ Enhancement of product offerings / Refurbishments➤ Retention of talent➤ Training and development of staff | | | | | | |
| <table><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>Likely to occur</td></tr><tr><td>Assessment</td><td>●</td></tr></table> | Impact | High | Likelihood | Likely to occur | Assessment | ● | | |
| Impact | High | | | | | | | |
| Likelihood | Likely to occur | | | | | | | |
| Assessment | ● | | | | | | | |
| 6. Guests / Staff Health and Safety | | | | | | | | |
| Description | | | | | | | | |
| Events that could have an adverse impact on the health and safety of guests and employees. | <ul style="list-style-type: none">➤ Disruption to business activities➤ Loss of revenue➤ Adverse brand reputation➤ Potential claims and litigation | <ul style="list-style-type: none">➤ Establishment of standard operating procedures to ensure Guest and Staff health and safety.➤ Conduct of periodic audits and addressing of gaps identified through training.➤ Availability of a periodically trained firefighting team and first-aid team➤ Guidelines for client excursions and adventures | | | | | | |
| <table><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>Remote to occur</td></tr><tr><td>Assessment</td><td>●</td></tr></table> | Impact | High | Likelihood | Remote to occur | Assessment | ● | | |
| Impact | High | | | | | | | |
| Likelihood | Remote to occur | | | | | | | |
| Assessment | ● | | | | | | | |
| 7. Technology and Data Risks | | | | | | | | |
| Description | | | | | | | | |
| Risk of financial loss, disruption or damage to the reputation resulting from the failure of cyber security and information technology systems. | <ul style="list-style-type: none">➤ Potential loss of information assets of the Group➤ Impact on customer privacy in the event of a potential loss event | <ul style="list-style-type: none">➤ Well-defined cyber security incident response process addressing the pillars of device, information and user➤ Training employees and creating staff awareness on the importance of maintaining information security and handling of sensitive information.➤ Implementation and regular testing and verification of network protection technology➤ Contractual binding with JKH-Group IT for BCP protocols | | | | | | |
| <table><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>Remote to occur</td></tr><tr><td>Assessment</td><td>●</td></tr></table> | Impact | High | Likelihood | Remote to occur | Assessment | ● | | |
| Impact | High | | | | | | | |
| Likelihood | Remote to occur | | | | | | | |
| Assessment | ● | | | | | | | |
| 8. Retention of Skilled Employees | | | | | | | | |
| Description | | | | | | | | |
| Retention of skilled employees is an ongoing challenge in the hospitality industry due to employment opportunities both locally and internationally. | <ul style="list-style-type: none">➤ Challenges in maintaining service quality➤ Increased costs associated with new recruitments➤ Impact on competitive edge and brand loyalty | <ul style="list-style-type: none">➤ Ongoing investment in talent and competency development➤ Strengthening rewards and benefit schemes. Periodic benchmarking is carried out against market remuneration packages➤ Talent management and succession planning programmes for critical positions | | | | | | |
| <table><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>Possible to occur</td></tr><tr><td>Assessment</td><td>●</td></tr></table> | Impact | High | Likelihood | Possible to occur | Assessment | ● | | |
| Impact | High | | | | | | | |
| Likelihood | Possible to occur | | | | | | | |
| Assessment | ● | | | | | | | |

| Risk factor | | Potential impact | Mitigating actions |
|---|-------------------|--|---|
| 9. Exchange Rate | | | |
| Description | | | |
| Impact depreciation of the rupee | | <ul style="list-style-type: none">➤ Foreign exchange losses on foreign currency based transactions.➤ Increased Cost | <ul style="list-style-type: none">➤ Regular monitoring of fluctuations in exchange rates and hedging the exposure by matching foreign currency earnings and payments.➤ Regular offering price revisions➤ Inclusion of terms in third party agreements to mitigate foreign currency exposure |
| Impact | High | | |
| Likelihood | Likely to occur | | |
| Assessment | ● | | |
| 10. Liquidity Risk | | | |
| Description | | | |
| Potential Liquidity constraints arising from operational losses | | <ul style="list-style-type: none">➤ Inability to make operational payments | <ul style="list-style-type: none">➤ Regular review of cash flow forecasts and obtaining funding on a timely manner➤ Availing debt moratoriums offered by the Government➤ Strategies in place to improve business volumes, operational efficiencies and margins➤ Organisation wide cost reduction initiatives to improve margins and cash flow |
| Impact | High | | |
| Likelihood | Remote to occur | | |
| Assessment | ● | | |
| 11. Credit Risk | | | |
| Description | | | |
| Risk of default by customers in settling their payments | | <ul style="list-style-type: none">➤ Negative impact on cash flow | <ul style="list-style-type: none">➤ Stringent credit policy in place➤ Evaluation of customer credit worthiness➤ Obtaining periodic confirmation of outstanding balances➤ Regular follow-up on debtors➤ Weekly debtors meetings with management |
| Impact | High | | |
| Likelihood | Remote to occur | | |
| Assessment | ● | | |
| 12. Natural Disaster and Fire | | | |
| Description | | | |
| Risk of Tsunami/Cyclone/ Flooding/ Fire | | <ul style="list-style-type: none">➤ Loss of life, injury or destruction and damage to property | <ul style="list-style-type: none">➤ Business Continuity Plans including alternate working arrangements and emergency response plans➤ Conduct of Business Process Recovery drills, fire drills and training➤ Agile Work Environment➤ Insurance coverage for physical damage of properties➤ Implementation of safety guidelines based on international best practices including requirements for emergency evacuation |
| Impact | High | | |
| Likelihood | Unlikely to occur | | |
| Assessment | ● | | |
| 13. Brand and Reputation Impact | | | |
| Description | | | |
| Events that could negatively affect reputation and relationships with key stakeholders. | | <ul style="list-style-type: none">➤ Negative online guest comments➤ Food poisoning incidents | <ul style="list-style-type: none">➤ Adverse impact on brand positioning➤ Training and Development of staff➤ Conduct of Compliance Audits / Brand Audits➤ Brand positioning, development, and marketing➤ Establishment of a Crisis Communication Plan/ Team and Spokesperson |
| Impact | High | | |
| Likelihood | Unlikely to occur | | |
| Assessment | ● | | |

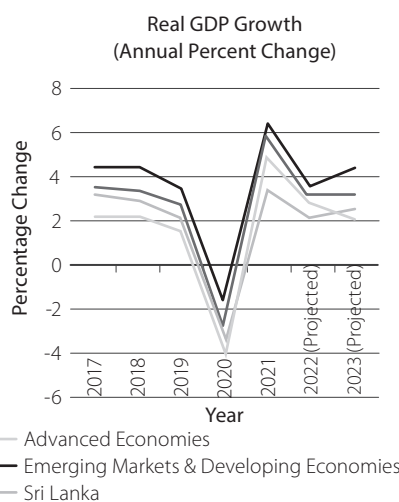
it
all
adds
up
to exceptional
teamwork
that has been the
cornerstone
of our united
and steady
progress

OPERATING ENVIRONMENT

The year under review was extremely challenging for the tourism industry due to the prolonged impact of the COVID-19 pandemic which continued to disrupt the industry for the second year. Vaccination programmes were rolled out across countries which enabled them to open the borders for vaccinated tourists. As per the UNWTO by end January 2022, over 70% of countries had reopened borders and global tourist arrivals were 67% below pre-pandemic levels, although Asia Pacific lagged behind the recovery pace of USA and Europe. Encouragingly, Sri Lanka also saw an increase in tourist arrivals quarter on quarter albeit not at the pre-pandemic levels, but recording 106,500 tourist arrivals in March 2022 which is 56% below of the pre-pandemic levels. The rapid recovery in Sri Lanka since opening of the borders in November, affirms the ability of the industry to recover fast when health and safety of travellers are established. However, the arrivals declined in April with the country's energy crisis, stemming from the foreign exchange liquidity crisis. The ensuing protests and political instability deterred tourists, hampering the recovery of this vital industry which is a key foreign exchange earner, as well as a labour intensive supporting employment and livelihoods in the country. Resolution of the country's current crises is an urgent priority to restore normalcy to the tourist industry.

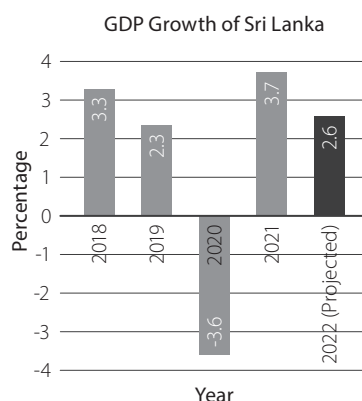
Global Economic Growth

Global economic growth saw a relatively strong growth trajectory from negative 3.9% in 2020 to 5.9% in 2021 as the world economy recovers from the repercussions of the COVID-19 pandemic. This recovery, however, remains uneven across regions reflecting the effects of sporadic mobility restrictions across borders, volatility of energy and commodity prices, geo-political tensions and supply chain disruptions. Adding to these pressures are the potential economic impact from the Ukrainian-Russian conflict that has now dampened the IMF growth projections for 2022 to a moderate 4.4%.



Sri Lankan Economy

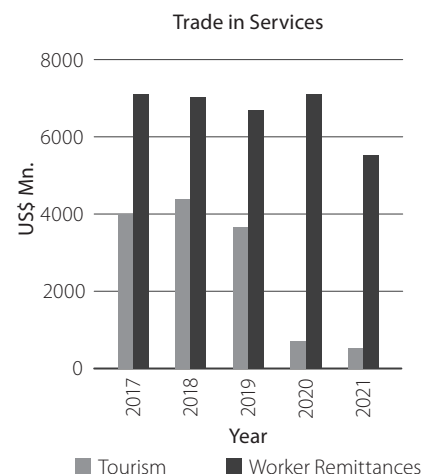
The country's GDP growth rate showed a rebound to 3.7% in 2021 from a contraction of -3.6% in 2020. The recovery was dampened at times with the resurgence of COVID-19 variants during the year and resultant lockdowns during the former part of the year. The subsequent period recorded a strong growth in the GDP although this was overshadowed by the deepening macro-economic vulnerabilities of the Country. At present, the confluence of concerns faced by the Sri Lankan economy presents a significant risk to the recovery of the tourism industry in the short-term.



As per IMF projections, Sri Lanka's GDP will contract to 2.6% in 2022. Rising inflation, escalating commodity prices of fuel, gas and metals and tightening debt repayment requirements will exacerbate the difficult trade off between supporting recovery and curtailing inflation and further debt. A deterioration of the terms of trade (measure of prices for exports relative to imports) may likely put pressure on the currency and add to inflationary pressures.

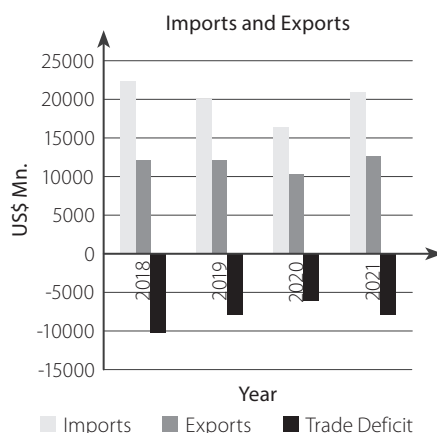
External Trade

Worker remittances, one of the Country's biggest sources of foreign exchange fell to a ten year low to US\$5.59 Bn in 2021 as the soft-dollar peg and liquidity injections restricted convertibility, triggering a shift to more unofficial parallel markets. Decline in tourism, the third-largest source of foreign exchange for Sri Lanka, added to the pressure on the external sector as it recorded a 62% decline in tourism earnings. On a positive note, there was an increase in tourism revenue towards the end of the financial period in review.



Operating Environment

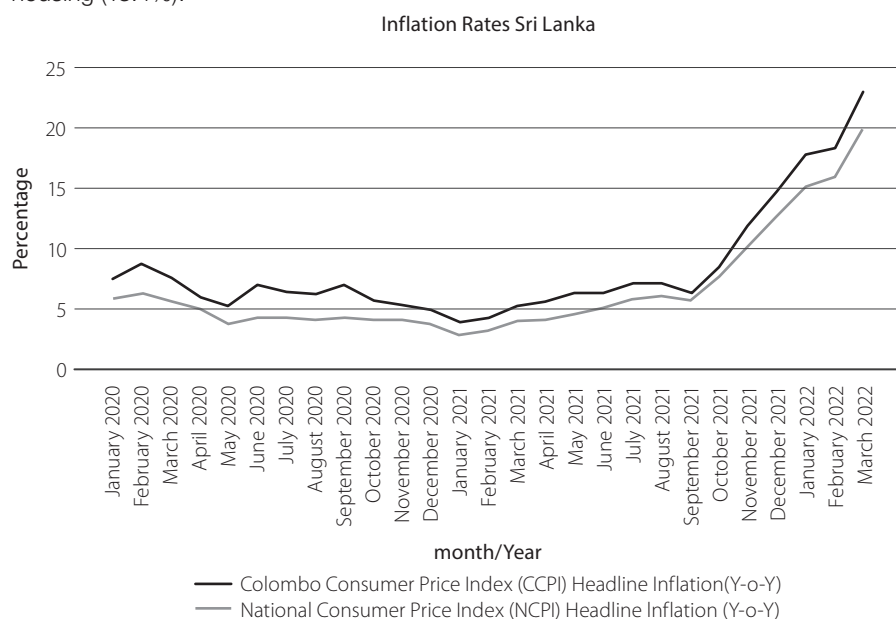
The Country's trade deficit increased by 35% to US\$8.1 billion in 2021 from US\$6 billion in 2020 as rising import bills offset the increase in export earnings, despite import restrictions on non-essential goods. Higher levels of imports of food, fuel and textiles as well as global inflationary pressure on these items in addition to the lower levels of worker remittances and tourist revenue have significantly contributed to the widening deficit.



Source: Central Bank of Sri Lanka

Inflation

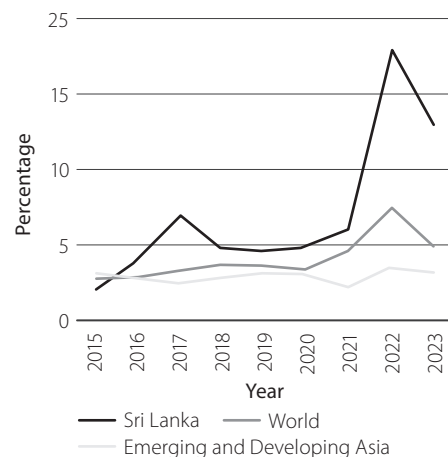
Sri Lanka's inflationary pressures escalated during the year, reaching an all time high since October 2008, with NCPI reaching 21.5% as at March 2022 compared to 5.1% in March 2021. High aggregate demand, domestic supply disruptions, high global inflation levels and the sharp devaluation of the local currency contributed to this escalation. Much of the inflationary pressure is weighing in from food items such as bread, seafood, vegetables (30.2%) and non food items such as electricity, gas and housing (13.4%).



Source: Central Bank of Sri Lanka

Global levels of inflation continued to rise in 2021 driven by several factors of varying importance. Increase in fossil fuel prices and resultant high energy costs, rising food prices, supply chain disruptions and geopolitical tensions have all paved way for this escalation. Hence, inflation levels are expected to remain elevated in the forthcoming period, averaging at 3.9% in advanced economies and at 5.9% in emerging markets and developing economies in 2022, before subsiding in 2023 as per the IMF. Notably, it is also expected that the high fuel price hikes will also moderate towards the end of the year as supply demand imbalances recede.

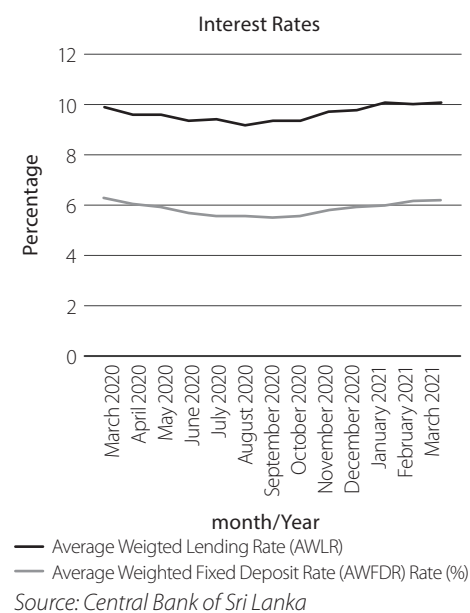
Global Inflation (Average Consumer prices)



Source: IMF

Interest Rates

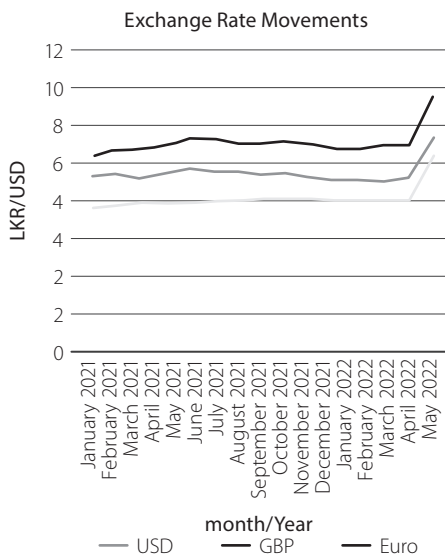
Interest rates increased during the year in review, as monetary policy measures were refocused to address the demand driven inflationary pressures, preserve foreign exchange for the importation of essentials and stabilize the exchange rate of the currency. Hence, the constricted monetary policy adopted resulted in the gradual increase of market interest rates towards the end of 2021. In April 2022, the Central Bank of Sri Lanka raised its key interest rates by 700 basis points amidst the current economic situation.



Source: Central Bank of Sri Lanka

Exchange Rate

The Sri Lankan rupee traded within a relatively tight band for most of the year 2021 against the US Dollar. However, the Central Bank of Sri Lanka allowed greater flexibility in the exchange rate and floated the currency on 7th of March 2022, which led to a notable upward adjustment of the US Dollar against the Sri Lanka rupee to Rs.299 in March 2022 from Rs. 201 in February 2022, and weakening further in ensuing weeks.



Source: Central Bank of Sri Lanka

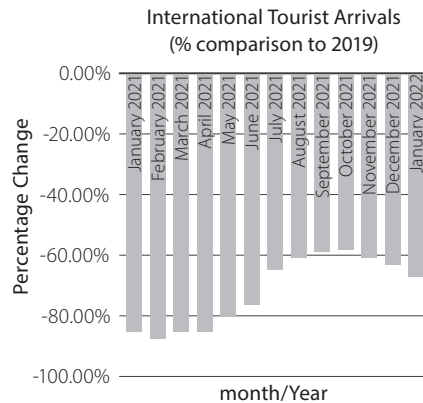
Global Tourism

The Global tourism industry rebounded moderately in 2021, with international tourist arrivals recording a 4% upturn in comparison to 2020, although 72% below the pre-pandemic levels of 2019. The Asian region saw the slowest rates of recovery as arrivals were 94% less than the pre-pandemic levels. The slow rate of recovery is attributed to varying vaccination rates, easing of mobility restrictions as well as traveler confidence across the world.

Tourism Prospects for 2022

As per the latest survey by the UNWTO panel of experts, most tourism professionals see better prospects for 2022 towards the third quarter of the year with a growth of 30% to 78% in

comparison to 2021. At the same time, a majority now expect international arrivals to return to pre-pandemic levels of 2019, only by 2024 or later.



Source: UNWTO

The Pandemic

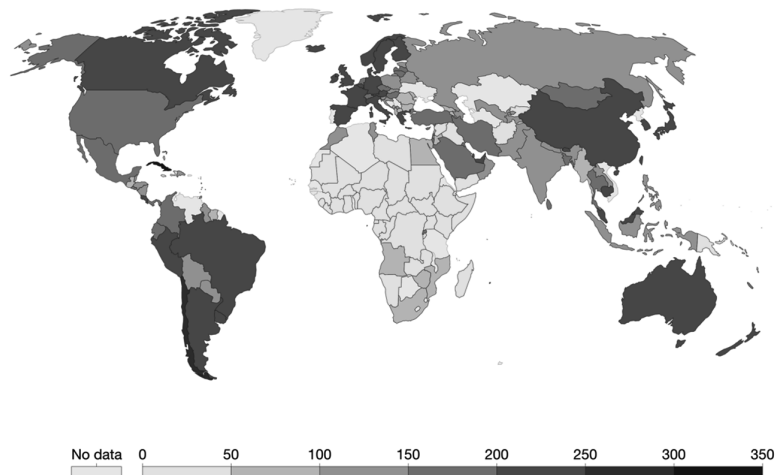
The pandemic appears to be loosening its hold on the world albeit gradually, as the number of COVID-19 related deaths worldwide appear to be abating. Yet, the path to recovery is not without setbacks, as the emergence of different variables from Delta to Omicron over the last year has slowed the process, as mobility restrictions and border closures reimplemented at varying times. The wider accessibility to vaccinations, newer vaccine combinations to protect against any new variants that may emerge and better adaptability to post pandemic actualities, are expected to help with the recovery route.

Presently, more than 5.13 billion people worldwide, which accounts for around 66.9% of the world population, have received at least one dose of a COVID-19 vaccine.

COVID-19 vaccine doses administered per 100 people, Apr 27, 2022

All doses, including boosters, are counted individually.

Our World
in Data



Source: Official data collated by Our World in Data – Last updated 28 April 2022

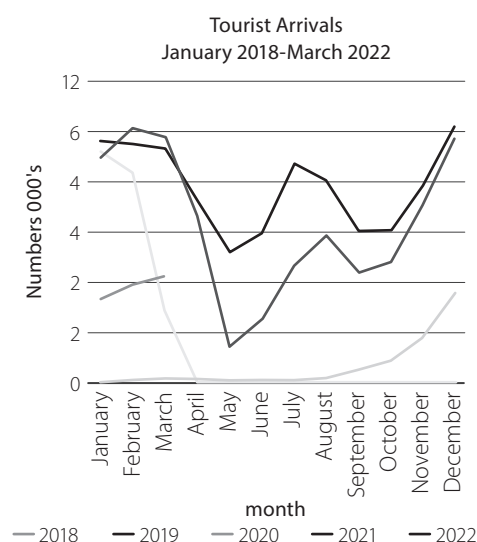
OurWorldInData.org/coronavirus • CC BY

COVID-19 vaccine doses administered per 100 as at 27 April 2022. Published online at OurWorldInData.org. Retrieved from: <https://ourworldindata.org/grapher/covid-vaccination-doses-per-capita?time=latest>

Sri Lankan Tourism

The onset of COVID-19 sent the Sri Lankan tourism industry into a tailspin just as it was recovering from the impact of the Easter attacks of 2019 and the ensuing political instability. During its third year of grappling with the effects of the contagion it is heartening to note that the latter part of the year 2021/22, saw an increase in tourist arrivals into the Country, although sporadic lockdowns during 2021 adversely impacted travel sentiments. The industry demonstrated its characteristic resilience, as reflected in the increasing numbers towards the latter part of 2021 and early 2022. Total arrivals neared 195,000 in 2021 and improved further during the first quarter of 2022 to 285,334 arrivals up to March 2022.

Operating Environment



Source: SLTDA

Russia, India, United Kingdom, Germany and France were Sri Lanka's top five tourism generating markets from September 2021 to March 2022, with India being the largest source of tourist traffic to Sri Lanka during this period. There was a steady increase in the number of arrivals from Russia up until February 2022, which saw a decline in March 2022, due to the Russia Ukraine conflict and the consequent sanctions imposed on Russia.



Source: SLTDA

Outlook

As one of the hardest hit sectors of the pandemic, the tourism industry is on an upward recovery trajectory with the release of pent up demand as international mobility restrictions are eased, supported by successful vaccination drives. On the other hand, the ongoing economic pressures on the Sri Lankan economy may present the most significant risk to the Group's operations in the immediate future. Whilst the current political and social unrest may deter international travel momentarily, as appropriate policy measures are brought in to stabilize the economy, tourism demand will gradually reset given the demand for this region. However, it is important to note that the inflationary pressures and rising interest rates combined with impending fiscal consolidation measures are likely to affect the spending power of domestic patrons. Nevertheless, despite the short-to-medium term pressures, the implementation of the necessary fiscal reforms and monetary policies could support the economic recovery process of the country going forward.

FINANCIAL REVIEW

The financial year under review was extremely challenging as we commenced the year contending with the periodic lockdowns due to the COVID-19 global pandemic and the resultant disruptions to the tourism industry and closed the year with an economic crisis that has since led to social and political instability as well. The Group embarked on a dual strategy to increase the traction of domestic tourism with a number of attractive packages, whilst at the same time leveraging on our world-class restaurants to increase revenue during the initial period under review. Subsequently, as inbound tourism picked up, we were able to deliver a resilient performance as occupancy levels picked up and a new normal was established albeit with stringent health and safety measures.

Income Statement - Group

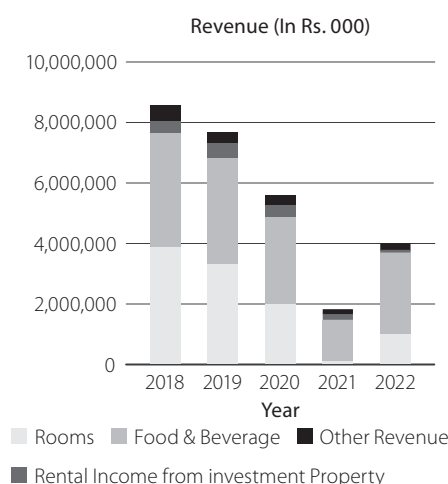
| | 2022 | 2021 | 2020 | 2019 |
|------------------------------------|--------|---------|--------|-------|
| Revenue (Rs.Mn.) | 4,094 | 1,790 | 5,559 | 7,658 |
| Revenue Growth (%) | 129 | (68) | (27) | (11) |
| Gross Profit (Rs.Mn.) | 1,495 | 23 | 2,594 | 4,197 |
| Gross Profit Margin (%) | 36 | 1 | 47 | 55 |
| Operating Profit/(Loss) (Rs.Mn.) | (407) | (1,913) | (28) | 1,083 |
| Net Finance Income (Rs. Mn.) | (177) | 2 | 74 | 59 |
| Profit/(Loss) before tax (Rs. Mn.) | (459) | (2,370) | 199 | 1,270 |
| Profit/(Loss) after tax (Rs. Mn.) | (508) | (2,244) | 106 | 1,078 |
| Earnings/(Loss) per share (Rs.) | (1.15) | (4.02) | (0.11) | 1.83 |

Revenue

The revenue of the Group demonstrates a strong growth over the preceding year despite the continued uncertainty in the operating environment. Group revenue increased by 129% from Rs.1,790 Mn in 2020/2021 to Rs.4,094Mn in 2021/2022 affirming of our collective efforts to drive recovery of our business during the year. This included reinventing our guest value propositions and realigning our operations to withstand the effects of the COVID-19 pandemic on the tourism industry. We re-strategised to increase revenue from our domestic guests against a backdrop of international travel restrictions and the emergence of new variants of the contagion. A number of attractive promotions and offers led to an increase in footfall to the many restaurants and bars within the Group. Revenue was also supported by the success of our online food delivery platform 'Flavours'.

Subsequently, as vaccination programs were rolled out, restrictions on international mobility were eased leading to a gradual increase in tourism into the country and increasing occupancy levels in our hotels. This was further enhanced with the arrival of a number of Cricket teams under a bio-bubble scheme. At the same

time, as social distancing restrictions were eased, we were able to leverage on our reputation as two of the most sought after venues for weddings and corporate functions which led to a commendable increase in our revenue during the year as well.



Cost of Sales and Gross Profit Margins

The upward trend in tourism resulted in increased levels of occupancy along with a significant increase in our food & beverages revenue, supported an increase in gross profit from Rs.23 Mn in the previous year

to Rs.1,495 Mn during the period under review. At the same time the gradual recovery of operations and the need to maintain stringent health and safety standards resulted in an increase of our cost of sales to Rs.2,599 Mn. in 2021/2022. Nevertheless, a robust increase in gross profit margins from 1.3% to 36% reflects the significant progress made during the year despite a troubled start.

Net Operating Profit/Loss

Whilst the net results of performance reflects the challenges of the industry, the Group was able to reduce the net operating loss by 79%. The Company made every effort to rationalize costs and improve operational efficiencies. Prominence was also given to optimize the allocation of resources and effectively manage working capital through proactive negotiations with our banking partners and suppliers. Although we did not make any reductions on our payments to our employees, we were able to reduce our administrative expenses by 13% from Rs.1,703 Mn. in the previous financial period to Rs.1,475 Mn. during the financial period under review.

Net Finance Income

| | 2022 Rs.000's | 2021 Rs.000's | Change % |
|----------------|------------------|------------------|-------------|
| Finance Cost | (184,525) | (31,707) | (478) |
| Finance Income | 7,493 | 33,509 | (78) |

The Group's Finance Income reduction can be attributed to the reduction of short-term investments. The increase in Finance costs reflects the increased rates of interest and net exchange loss due to the economic volatility of the Country, combined with the increased borrowing on overdrafts that was required to retain the liquidity of the Group. In total, the net finance income of Rs.1.8 Mn decreased to a net finance cost of Rs.184.5 Mn. during the period.

Financial Review

Net Loss after Tax

Net loss after tax reduced significantly during the year by 77% from Rs.2,244 Mn. in 2020/21 to Rs.508 Mn. in 2021/22. Whilst the net loss was exacerbated by the loss on operating activities of Rs.407 Mn. and the increase in finance costs by Rs.152 Mn., the fair value gain increase by Rs.334 Mn. made a significant impact on reducing the losses of the Group during this financial period.

Balance Sheet Highlights

| | 2022 | 2021 | 2020 | 2019 |
|--|--------|--------|--------|--------|
| Total Assets (Rs.Mn.) | 42,509 | 40,869 | 42,582 | 42,524 |
| Property, Plant and Equipment (Rs.Mn.) | 34,804 | 34,198 | 34,298 | 33,950 |
| Equity (Rs.Mn.) | 34,959 | 34,613 | 34,692 | 36,432 |
| Non-Current Liabilities (Rs.Mn.) | 4,453 | 4,175 | 4,272 | 4,185 |
| Current Liabilities (Rs.Mn.) | 3,096 | 2,081 | 1,617 | 1,907 |
| Debt to Equity Ratio (Times) | 0.06 | 0.03 | 0.01 | 0.01 |
| Current Ratio (Times) | 0.42 | 0.38 | 1.26 | 1.29 |
| Quick Asset Ratio (Times) | 0.36 | 0.33 | 1.18 | 1.22 |

AHP has a strong balance sheet which enabled the Group to withstand the downturn in the industry over past 3 years. Total assets of the Group were Rs.42.5 Bn at the close of the year and (PPE) accounts for 82% of the total. PPE increased during the year due to the revaluation surplus of Rs.1Bn. Total assets are largely funded by equity which is a key strength and characteristic of the conservative risk appetite of the Group.

The robust performance during the year was achieved while maintaining a strong balance sheet, through an aggressive focus on finances and sound cashflow management. The current ratio and quick asset ratios stand at 0.42 and 0.36 as above reflecting the increased borrowing on overdrafts during the year to finance operations and supplement the cashflow.

Outlook

While the instability of the macro economic environment of Sri Lanka may delay the recovery of the tourism industry, we are optimistic that it will revive sooner than later. Sri Lanka's lead rankings on travel lists will support a rapid recovery together with the efforts of the key players in the industry who are working together to promote the country as a tourist destination. Sustained growth of the industry requires social, political and economic stability and it is vital that the country is aligned to a path for recovery. Economic challenges are expected to remain elevated but manageable with the establishment of political stability and the proposed assistance from the IMF and assistance from supportive nations. Resolution of the energy crisis will be critical to the recovery of the tourism industry as non-availability of power will deter arrivals.

Cinnamon Grand and Cinnamon Lakeside are reputed and popular city hotels that are an integral part of Colombo's vibrant social life which proved to be a key strength. Renowned for our cuisine and exceptional service, Cinnamon Grand holds its own in social media and other online rankings, making it a hub of activity and a sought after hotel among tourists. We are confident of our ability to increase occupancy levels with the increase in tourist arrivals with innovative promotions and events. The newly renovated investment property, Crescat Boulevard is also expected to bring in a significant contribution to the revenue of the Group as it fully commences operations, catering to a niche market with convenience retail shopping and upscale F&B spaces.

FINANCIAL REPORTS

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FINANCIAL CALENDAR

| Interim Reports | |
|-----------------|-------------------|
| 1st Quarter | 26th July 2021 |
| 2nd Quarter | 27th October 2021 |
| 3rd Quarter | 24th January 2022 |
| 4th Quarter | 23rd May 2022 |

| Annual Reports | |
|----------------|---------------|
| 2020/21 | 24th May 2021 |
| 2021/22 | 23rd May 2022 |

| Meetings | |
|-----------------------------|----------------|
| 27th Annual General Meeting | 25th June 2021 |
| 28th Annual General Meeting | 21st June 2022 |

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have the pleasure of presenting the 28th annual report of Asian Hotels and Properties PLC ('Company') together with the audited Financial Statements for the year ended 31st March 2022.

This Report satisfies the relevant requirements of the Companies Act No. 7 of 2007 (Companies Act), the relevant listing rules of the Colombo Stock Exchange (CSE), recommended reporting and corporate governance best practices, including the Code of Best Practices on Related Party Transactions (2013) issued by the SEC, 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 (2017) issued by CA Sri Lanka to the extent of business exigency as required by the Company and recommended accounting practices.

PRINCIPAL ACTIVITIES

The Company is engaged in the business of hoteliering, property development and management. Trans Asia Hotels PLC (the owner of Cinnamon Lakeside Colombo) is a subsidiary of the Company incorporated and domiciled in Sri Lanka and its principal activity is hoteliering. There has been no material change in the activities of the Company and its subsidiary (collectively the 'AHP Group') during the period under review.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The financial and operational performance, during the year ended 31st March 2022 and future business development of the Company and the AHP Group, is provided in the Chairman's message and reports on Operating Environment and Financial Review.

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

FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Financial Statements, duly signed by the Directors, are provided on page 66 to 114 and Auditors' Report on the Financial Statements is provided on page 62 to 65 of this Annual Report.

CORPORATE GOVERNANCE

A comprehensive report on Corporate Governance practices and principles with respect to the management and operations of the Company are set out from page 11 to 39 of this report.

SEGMENT REPORTING

A financial and operational review of the AHP Group and its business units are described in the management report section of the annual report. These reports, together with the audited Financial Statements, reflect the state of affairs of the Company and the AHP Group. Segment-wise contribution to AHP Group revenue, results, assets and liabilities are provided in Note 35 to the Financial Statements.

REVENUE

Revenue generated by the Company amounted to Rs.2,277 Mn (Rs.979 Mn in 2021) whilst the AHP Group revenue amounted to Rs.4,095 Mn (Rs.1,790 Mn in 2021). Contribution to AHP Group revenue, from the different business segments are provided in Note 5 to the Financial Statements.

RESULTS AND APPROPRIATIONS

The loss after tax of the Company was Rs.512 Mn (Rs.1,425 Mn in 2021) whilst the AHP Group loss attributable to the Owners of the Company, for the year was Rs.510 Mn (Rs.1,781 Mn in 2021). A detailed description of the Group results and appropriations are given below.

| For the year ended 31st March | 2022 Rs. '000 | 2021 Rs. '000 |
|---|------------------|------------------|
| Net Loss for the year after providing for expenses including depreciation on property, plant and equipment was: | (459,227) | (2,369,708) |
| From which income tax has been reversed/ (deducted): | (48,620) | 125,706 |
| Leaving thereafter a Net Loss after tax of: | (507,847) | (2,244,002) |
| The amount attributable to Minority Interest which has been deducted is: | 2,320 | 463,328 |
| Leaving a Loss available to the Group of: | 510,167 | (1,780,674) |
| The brought forward Profit is: | 5,673,539 | 7,445,171 |
| Transferred to Revenue Reserve of: | 10,911 | 10,911 |
| Other Comprehensive Income/ (Expenditure): | 13,610 | (1,869) |
| Leaving an un-appropriated balance to be carried forward of: | 5,187,893 | 5,673,539 |

ACCOUNTING POLICIES

All the significant accounting policies adopted by the Company and the AHP Group are mentioned in the Notes to the Financial Statements. The Financial Statements, which comprise the Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Statement of Cash Flow, together with the accounting policies and notes ('The Financial Statements') have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by CA Sri Lanka and the requirement of the Companies Act. The changes to accounting policies have been applied consistently to all financial periods presented.

in these Financial Statements, unless otherwise indicated. The accounting policies adopted in preparation of the Financial Statements are given from page 73 to 114 of this report.

RESPONSIBILITY OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

The Statement of Directors' Responsibility for financial reporting is given on page 61 and forms an integral part of this Annual Report of the Board of Directors

DIVIDENDS

There was no dividend declared for the financial year ended 31st March 2022.

However, if a dividend is declared, it is preceded by a confirmation from the Board of Directors that the Company will satisfy the requirements of Section 56 (2) of the Companies Act No.7 of 2007, and that it will also satisfy 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 the dividend.

PROPERTY, PLANT AND EQUIPMENT

The book value of Property, Plant and Equipment as at the balance sheet date amounted to Rs. 31,400 Mn (2021 - Rs. 30,773 Mn) and Rs.34,803 Mn (2021 - Rs.34,198 Mn) for the Company and the AHP Group respectively.

Capital expenditure for the Company and the AHP Group amounted to Rs.23 Mn (2021 - Rs.234 Mn) and Rs.114 Mn (2021 - Rs.250 Mn) respectively.

Total Freehold Land available - Asian Hotels and Properties PLC - Eight Acres and Five Decimal Naught Eight Perches (A8. R00 P05.08)

Total Leasehold Land available - Trans Asia Hotels PLC - Seven Acres, One Rood and Twenty-Four Decimal Two Eight Perches (A07. R01. P24.28).

Details of Land and Buildings with net book values including details of Property, Plant and Equipment of the Company and the AHP Group and their movements are given in Note 13 to the Financial Statements on page 84.

MARKET VALUE OF PROPERTIES

All buildings owned by the Company and its subsidiary were last revalued as at 31st December 2021. Valuation was carried out by M/s P. B. Kalugalagedara and Associates, Chartered Valuation Surveyor.

All properties classified as investment property were also revalued as at 31st December 2021 in accordance with the requirements of LKAS 40. This valuation too was carried out by M/s P. B. Kalugalagedara and Associates, Chartered Valuation Surveyor.

Details of property valuations, including the valuation methods are provided in Note 13.3 to the Financial Statement on page 88 of this report.

INVESTMENT PROPERTIES

In accordance with LKAS 40-Investment Property, the net book value of properties held to earn rental income, and properties held for capital appreciation have been classified as Investment Properties. The details of Investment Properties are explained in Note 15 to the Financial Statements on page 90.

INVESTMENT IN SUBSIDIARY

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

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2022 Rs. 3,345 million (2021 - Rs. 3,345 million) comprising of 442,775,300 ordinary shares.

SHARE INFORMATION

The market value of an ordinary share of the Company as at 31st March 2022 was Rs. 37.00 (31st March 2021 - Rs. 37.40).

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

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 and relevant announcements have been sent to the CSE in a timely manner.

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.

MAJOR SHAREHOLDERS

Details of the twenty (20) largest shareholders of the Company and the percentage shareholding held by the public are disclosed in the Information to Shareholders and Investors section of this Annual Report from page 117.

RESERVES

Total reserves as at 31st March 2022 for the Company and the AHP Group amounted to Rs.26,385 Mn (2021 - Rs.26,084 Mn) and Rs.28,281 Mn (2021 - Rs.27,960 Mn) respectively.

Annual Report of the Board of Directors

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

CONTINGENT LIABILITIES & CAPITAL COMMITMENTS

Commitments made for capital expenditure as at 31st March 2022 and the contingent Liabilities as at that date are given in Note 39 to the Financial Statements on page 113.

DIRECTORS

The Board of Directors of the Company as at 31st March 2022 and brief profiles of each Director are given in the Board of Directors section of this Annual Report.

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

Mr. K. N. J. Balendra - Chairman
Mr. J. G. A. Cooray
Mr. S. Rajendra
Mr. C. J. L. Pinto (Resigned w.e.f. 25/06/2021)
Mr. A. S. De Zoysa
Mr. J. Durairatnam
Mr. M. R. Svensson
Mr. C.L.P. Gunawardane
Ms. Aroshi Nanayakkara (Appointed w.e.f. 25/06/2021)

The Board consists of eight (8) Directors comprising of five (5) Non-Executive Non- Independent Directors (NED/ NID) and three (3) Non-Executive Independent Directors (NED/ID).

In accordance with the criteria for 'Independence' specified by section 7.10.4 of the listing rules of the CSE and as identified by the Code of Best Practice on Corporate Governance (2013) jointly advocated by the SEC and CA Sri Lanka, the Board affirms that the aforesaid NED/IDs satisfy the criteria for independence and have satisfied the requirements under clause 7.10.2 (b).

The Directors of the subsidiary, Trans Asia Hotels PLC who held office during the year under review are set out below:
Mr. K. N. J. Balendra - Chairman
Mr. J. G. A. Cooray
Mr. N. L. Gooneratne
Mr. C. J.L. Pinto (Resigned w.e.f.

25/06/2021)
Mr. E. H. Wijenaike (Resigned w.e.f. 25/06/2021)
Ms. J. C. Ponniah
Mr. M. R. Svensson
Mr. C.L.P. Gunawardane
Mr. S. Rajendra
Mr H A J De Silva Wijeyeratne (appointed w.e.f. 25/06/2021)

RESPONSIBILITY OF THE BOARD

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

RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with Article 84 of the Articles of Association of the Company, Mr. J. G. A. Cooray and Mr. J. Durairatnam retire by rotation and being eligible to offer themselves for re-election. Brief profiles of Mr. J. G. A. Cooray and Mr. J. Durairatnam are contained on Page 9 and 10 of this Annual Report.

Mr. C. J. L. Pinto resigned from the Board of Directors of the Company with effect from 25th June 2021.

Ms. Aroshi Nanayakkara retires in terms of Article 91 of the Articles of Association of the Company and being eligible offers herself for re-election. Brief profile of Ms. Aroshi Nanayakkara is contained on Page 10 of this Annual Report.

BOARD SUB - COMMITTEES

Board Audit Committee

The following NED/IDs of the Board served as members of the Board Audit Committee during the year ended 31st March 2022.

Mr. C.J. L. Pinto - Chairman (resigned w.e.f 25/06/2021)
Ms. Aroshi Nanayakkara - Chairperson (appointed w.e.f 25/06/2021)
Mr. A. S. De Zoysa
Mr. J. Durairatnam

The Report of the Audit Committee is given on page 59 and 60 of this Report.

Nominations Committee

The Nominations Committee comprised of 02 NED/IDs and 01 NED/NID and the membership of the Committee during the year ended 31st March 2022 was as follows:

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

Nomination committee of AHP Group also acts as the Nomination Committee of subsidiary Trans Asia Hotels PLC, The Report of the Nominations Committee is given in the Corporate Governance section 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 the Parent Company, John Keells Holdings (JKH), functions as the Human Resources and Compensation Committee of the Company and its subsidiary.

The following members of the JKH Board of Directors who are NED/IDs served on the JKH Human Resources and Compensation Committee during the year ended 31st March 2022:

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

The report of the Human Resources and Compensation Committee and the remuneration policy is given in the Corporate Governance section of this annual report.

Related Party Transactions Review Committee

As permitted by the listing rules of the CSE, the Related Party Transactions Review Committee of the Parent Company, JKH, functions as the Related Party Transactions Review Committee of the Company and its subsidiary.

The Related Party Transactions Review Committee comprised 03 NED/IDs and comprised of the following members during the year ended 31st March 2022:

Ms. M. P. Perera - Chairperson
Mr. D A. Cabraal
Mr. A. N. Fonseka

The report of the Related Party Transactions Review Committee is given in the Corporate Governance section of this annual report.

Project Risk Assessment Committee

Project Risk Assessment Committee of JKH, the parent company, functions as the Project Risk Assessment Committee of the Company and its subsidiary. The Project Risk Assessment Committee members of JKH during the year ended 31st March 2022 were as follows.

Dr. S. S. H. Wijayasuriya - Chairman
Ms. M. P. Perera
Mr. K. N. J. Balendra
Mr. J. G. A. Cooray

INTERESTS REGISTER

The Company and its subsidiary have maintained Interests Registers as contemplated by the Companies Act No.7 of 2007. In compliance with the requirements of the Companies Act, this annual report also contains particulars of entries made in the interest register of its subsidiary which is a Public Listed Company as permitted by Section 30 of the Companies Act. The Interest Register is available at the Registered office of the Company, in keeping with the requirement of the Section 119 (1) (d) of the Companies Act.

Particulars of entries in the Interests Register of the Company for the Financial Year 2021/22 are as follows.

a. Directors Interests in Contracts

All the Directors have made a general disclosure to the Board of Directors as permitted by Section 192 (2) of the Companies Act 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 ending as at 31st March 2022.

c. Indemnities and Directors' Remuneration

Ms Aroshi Nanayakkara was appointed as a Non-Executive Director of the Company with effect from 25.06.2021 at the standard Non Executive fees approved by the Board for Non-Executive Directors, which fees are commensurate with the market complexities of the Company. The contracts and standard Director fees of the following Non-Executive Directors have been approved/ renewed by the Board. The Director fees are commensurate with the market complexities associated with the Company.

Mr. J Durairatnam
Mr. A S De Zoysa

Details of the remuneration and other benefits received by the Directors of the Company and its subsidiary are set out in Note 7 to the Financial Statements. While any Executive Directors' remuneration is determined by the Human Resources and Compensation Committee of JKH, the parent company, the remuneration of the Non-Executive Directors is 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 for the Company.

Director fees applicable to NEDs nominated by JKH are paid directly to JKH and not to individual Directors.

Particulars of entries in the Interests Register of the Subsidiary

Trans Asia Hotels PLC has maintained an Interests Register as contemplated by the Companies Act No.7 of 2007.

a) Interests in contracts

The Directors have all made a general disclosure to the Board of Directors as permitted by Section 192 (2) of the Companies Act 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 ending as at 31 March 2022.

c) Indemnities and remuneration

Mr. H A J D S Wijeyeratne was appointed as a Non-Executive Independent Director of the Subsidiary with effect from 25th June 2021 at the standard Non-Executive fees approved by the Board for Non-Executive Directors, which fees are commensurate with the market complexities of the Company.

The fees payable to Non-Executive nominees of JKH are paid to JKH and not to individual Directors.

Annual Report of the Board of Directors

DIRECTORS' SHAREHOLDINGS OF THE COMPANY

The shares held by Directors and their spouses in the Company as of 31st March 2022 are as follows.

| Director | Shareholding as at 31st March | |
|--|-------------------------------|--------|
| | 2022 | 2021 |
| Mr. K. N. J. Balendra - Chairman | Nil | Nil |
| Mr. J. G. A. Cooray | 10,600 | 10,600 |
| Mr. S. Rajendra | Nil | Nil |
| *Mr. C. J. L. Pinto (Joint account with Mrs. M. R. C. Pinto) | N/A | 7,800 |
| Mr. A. S. De Zoysa | Nil | Nil |
| Mr. J. Durairatnam | Nil | Nil |
| Mr. M. R. Svensson | Nil | Nil |
| Mr. C. L. P. Gunawardane | Nil | Nil |
| Ms. Aroshi Nanayakkara (Appointed w.e.f. 25.06.2021) | Nil | N/A |

* Mr. C. J. L. Pinto resigned w.e.f 25.06.2021.

EMPLOYEE SHARE OPTION PLAN (ESOP)

The Company does not offer its shares under an ESOP Scheme. Employees of the Company receive remuneration in the form of share-based payment under the John Keells Group's ESOP Scheme. Share options of the parent Company JKH are granted to senior executives of the Company, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of the employee services received in respect of the shares or share options granted is recognised in the Income Statement over the period that employees provide services, from the time when the award is granted up to the vesting date of the options. The overall cost of the award is calculated using the number of share options expected to vest and the fair value of the options at the date of grant. The Company has not directly or indirectly provided funds to its employees to purchase shares under ESOP Scheme.

The employee remuneration expense resulting from the John Keells Group's ESOP scheme to the employees of the Company is recognised in the Income Statement of the Company. This transaction does not result in a cash outflow to the Company and expense recognised is met with a corresponding equity reserve increase, thus having no impact on the Statement of Financial Position (SOFPI). The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The valuation takes into account factors such as stock price, expected time to maturity, exercise price, expected volatility of share price, expected dividend yield and risk-free interest rate.

Directors Meetings

Details of the meetings of the Directors are given on page 17.

DIRECTORS' DECLARATIONS

(i) Chairman's declaration

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

(ii) Directors' declarations

The Directors declare that;

a) the Company and its subsidiary have complied with all applicable laws and regulations in conducting its business.

- b) they have declared all material interests in contracts involving the Company 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, and.
- 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 a Code of Business Conduct and Ethics for Directors and members of the senior management team and that all Directors and members of the senior management team have complied with this Code.
- g) the Company being listed on the CSE is compliant with the rules on Corporate Governance under the Listing Rules of the CSE with regard to the composition of the Board and its Sub-Committees.
- h) the Company is fully compliant with the Code of Best Practice on Corporate Governance (2013) jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Company is almost fully compliant with almost the full the 2017 Code of Best Practice on Corporate Governance issued by the CA Sri Lanka, to the extent of business exigency and as required by the Company, and the John Keells Group.

The adverse effects of the pandemic and the macro-economic conditions in the Country, have directly impacted the price of subsidiary. Trans Asia Hotels PLC (TAH), resulting in its decrease. This in turn has resulted in the TAH's float adjusted market capitalization falling below the required threshold of Rs.1.0 Billion, despite the TAH satisfying the other criteria, as per Option 1 of Rule 7.14.1 (i) (b) of the Listing Rules of the Colombo Stock Exchange (Listing Rules,

thus rendering TAH non-compliant with Minimum Public Holding Requirements of the Listing Rules.

TAH in accordance with Rule 7.14.2 of the Listing Rules, has made announcements to the Market by notices dated last year, 6th April 2021 and 2nd July 2021.

Thereon, pursuant to the announcement dated 27th August 2021, TAH was transferred to the Secondary Board on 27th August 2021, due to its continued non-compliance with the said Minimum Public Holdings requirements.

TAH has continued to make the requisite announcements through its notices and monitor the situation towards ensuring compliance with the Minimum Public Holding requirements of Listing Rules.

TAH will notify its shareholders regarding the above at the Annual General Meeting of TAH to be held on 21st June 2022, in accordance with Rule 7.14.2 (l) (g) of the Listing Rule.

SUSTAINABILITY

The Company is conscious of the need to preserve the environment and its natural resources and has taken specific steps, particularly in ensuring the conservation of its natural resources and environment as well as addressing material issues highlighted by its stakeholders. Every endeavour has been made to minimise adverse effects on the environment to ensure sustainable continuity of natural resources. The Company has adopted the main Sustainability disclosures prescribed by the Code of best Practice on Corporate Governance (2013) which cover the elements of economic performance, the environment, labour practice, society and stakeholders, product service responsibility, sustainable reporting, engagement and effective communication.

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.

EMPLOYMENT

The Company continued to implement appropriate human resource management policies to develop employees and optimise their contribution towards the achievement of corporate objectives. The Company has an equal opportunity policy in respect of employment and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Company, in line with the JKH Group policy, practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability.

The number of persons employed by the Company and the AHP Group as at 31st March 2022 was 792 (806 in 2021) and 1,323 (1,330 in 2021), respectively.

There have been no material issues pertaining to employees and industrial relations of the Company and the AHP Group during the financial year 2021/22.

SUPPLIER POLICY

The Company, in line with the JKH Group's policies, applies an overall policy of agreeing and clearly communicating terms of payment as part of the commercial agreements negotiated with suppliers and endeavours to pay for all items properly charged in accordance with these agreed terms. As at 31st March 2022, the trade and other payables of the Company and AHP Group amounted to Rs.637 Mn (2021 - Rs.416 Mn) and Rs.1,020 Mn (2021 - Rs.726 Mn), respectively.

ENVIRONMENTAL PROTECTION

The Company is in compliance with the relevant environmental laws, regulations and endeavours to comply with best practices applicable in the Country. The Company has not engaged in any activity that is harmful to the environment.

STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiary, all contributions, levies and taxes payable on behalf of, and in respect of the employees of the Company and its Subsidiary, and all other known statutory dues that were due and payable by the Company and its Subsidiary as at the Balance Sheet date have been paid or, where relevant provided for, except as specified in Note 36 to the Financial Statements, covering Contingent Liabilities.

ENTERPRISE RISK MANAGEMENT

The Board confirms that there is an ongoing process of identifying, evaluating and managing any significant risks faced by the Company, where annual risk reviews are carried out by the Enterprise Risk Management Division and the risks are further reviewed each quarter by the Company. The headline risks are presented to the Board Audit Committee for review by the respective business units. The details of the Risks Report and Risk Management Process are set out from page 40 to 43 of this Report.

INTERNAL CONTROL

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

The Head of Group BPR Division has direct access to the Chairman of the Audit Committee. Reports of the outsourced Internal Auditors are also reviewed by the Audit Committee on matters pertaining to the Company.

The Directors acknowledge their responsibility for the Company's systems of internal controls. The statement of Corporate Governance from page 11 to 39 sets out in detail the Company's system of internal controls.

Annual Report of the Board of Directors

RELATED PARTY TRANSACTIONS

The Company's transactions with Related Parties, given in Note 32 to the Financial Statements, have complied with CSE Listing Rule 9.3.2 and the Code of Best Practices on Related Party Transactions under the SEC Directive dated 12th December 2013.

DONATIONS

Total donations made by the AHP Group during the year amounted to Rs. 2 million (2021 - Rs. 0.02 million). The amount includes contributions on account of Corporate Social Responsibility (CSR) initiatives for which the JKH Group operates. The John Keells Social Responsibility Foundation, which operates with funds contributed by each of the companies in the Group, handles most of the Group's CSR initiatives and activities.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Except for the matters disclosed in Note 38 to the Financial Statements on page 114, there were no material events that require adjustments or disclosure in the Financial Statements.

GOING CONCERN

The Company has prepared the Financial Statements for the year ended 31st March 2022 on the basis that it will continue to operate as a going concern.

In determining the basis of preparing the Financial Statements for the year ended 31st March 2022, based on available information, the management has assessed the prevailing COVID-19 pandemic and macroeconomic conditions and its effect on the Company and the appropriateness of the use of the going concern basis.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company's ability to continue to operate as a going concern. The Company's businesses recorded strong improvement in profitability compared to the previous year on the back of a fast recovery momentum with the business

reaching pre COVID-19 levels of operations post the easing of restrictions. The management has formed the judgement that the Company has 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 along with the financial strength of the Company.

In determining the above significant management judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including supply chain disruptions, power interruptions and distribution challenges on account of the prevailing foreign exchange market limitations, and the COVID-19 pandemic have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

Having presented the outlook for the Company and subsidiary to the AHP Board, the Directors are satisfied that the Company and its subsidiary have adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these Financial Statements.

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. KPMG, Chartered Accountants, do not have any relationship or interest in the Company and its subsidiaries. Messrs. KPMG, Chartered Accountants have indicated their willingness to continue as Auditors of the Company, and 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 7 to the Financial Statements of this report. Further details of the work of the Auditor and the Audit Committee are set out in the Audit Committee Report on pages 59 to 60.

ANNUAL REPORT

The Board of Directors approved the Consolidated Financial Statements on 23rd May 2022. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board as required.

ANNUAL GENERAL MEETING


The Annual General Meeting will be held as a virtual meeting on 21st June 2022 at 3.30pm.

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



Chairman

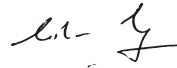
By Order of the Board



Keells Consultants (Private) Limited

Secretaries

23rd May 2022



Director

REPORT OF THE AUDIT COMMITTEE

INTRODUCTION

The Board Audit Committee of Asian Hotels and Properties PLC is a formally established Sub-Committee of the Main Board, to which it is accountable. The Charter of the Committee clearly defines the terms of reference of the Audit Committee and has been drawn in-line with corporate governance best practices adhering to the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

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

This report focuses on the activities of the Audit Committee for the year under review. A more general overview of the Committee's functions is given under the Corporate Governance Commentary from page 11 to 39.

ROLE OF THE COMMITTEE

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 of the subsidiary (AHP Group), the internal control and risk management framework and systems of the Group, compliance with legal and regulatory requirements, the External Auditors' performance, qualifications and independence as well as the adequacy and performance of the Internal Audit function undertaken by the JKH Group's Business Process Review Division (Group BPR). The scope of functions and responsibilities set out in the terms of reference of the Audit Committee have been approved by the Main Board and is reviewed annually.

COMPOSITION OF THE COMMITTEE AND MEETINGS

The Audit Committee comprised of three Non-Executive Independent Directors. Ms. Aroshi Nanayakkara serves as the Chairperson of the Audit Committee

since June 2021. She is a member of Chartered Institute of Management Accountants (CIMA), UK having gathered extensive experience through her 20 plus years in multinationals as well as some of Sri Lanka's prominent blue-chip companies. Other members of the committee have specialist banking and IT backgrounds. All Non-Executive Directors satisfy the criteria for independence as specified in the Standards on Corporate Governance for listed Companies issued by the Securities and Exchange Commission of Sri Lanka. The individual and collective knowledge, business experience and independence of members are brought to bear on all matters which fall within the purview of the committee. The Director Finance of the Cinnamon Grand Hotel serves as the Secretary to the Audit Committee.

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

The Audit Committee held four meetings during the financial year. Information on the attendance at these meetings are given under Corporate Governance on page 18. In addition, the Chairman of the Committee met the Internal and External Auditors and in-house personnel, as necessary, to strengthen guidance and oversight related to Audit Committee matters.

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

FINANCIAL REPORTING

The Audit Committee has reviewed and discussed the Group's quarterly and annual Financial Statements with the Management and the external auditors prior to their publication. The scope of the review included ascertaining compliance of the statements and disclosures with Sri Lanka Accounting Standards and the appropriateness and changes in accounting policies and material judgemental matters. The Committee further discussed with the External Auditors and Management the matters communicated to the Committee by the External Auditors in their report on the audit for the financial year. In addition, the Committee regularly discussed the operations of the Company, the volatility and risks in the industry, risk mitigants and future prospects with the Management and is satisfied that all relevant matters have been taken into account in the preparation of the Financial Statements.

The committee obtained independent input from 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 necessary preparatory work was carried out to enable the Company to comply with these new standards.

INTERNAL AUDIT, RISK AND CONTROLS

PricewaterhouseCoopers (Pvt) Ltd continued to serve as the outsourced Internal Auditors of the Company with the audit plans and scope of work being formulated in consultation with Group BPR division and thereafter approved by the Audit Committee.

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

Report of the Audit Committee

and procedures of the Company. Reports from the outsourced Internal Auditors on the operations of the Company were also reviewed by the Committee.

The recommendations of the Internal Auditors are implemented as deemed fit and implementation confirmed by the auditors in subsequent follow-up audits.

In the context of enhanced health and safety measures that became necessary during the year under review due to the COVID-19 pandemic, the committee paid special attention to risk mitigation measures introduced by the management and obtained management assurance in this regard.

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

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

The Committee reviewed the whistle blowing arrangements of the Company which is in-line with the Group (JKH) arrangements and had direct access to the Ombudsperson for the Group.

EXTERNAL AUDIT

The External Auditors' letter of engagement, including the scope of the audit, was reviewed and discussed by the Committee with the external auditors and Management prior to the commencement of the audit.

The External Auditors kept the Committee advised on an on- going basis regarding any unresolved matters of significance. Before the conclusion of the audit, the Committee met with the External Auditors to discuss all audit issues and agreed on their treatment. The Committee also met the External Auditors, without the Management being present, prior to the finalisation of the Financial Statements.

The External Auditors' final management reports on the audit of the Company and Group Financial Statements for the year 2021/22, together with management's responses, were discussed with management and the auditors.

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

The performance of the External Auditors has been evaluated and discussed with the senior management of the Company, and the Committee has recommended to the Board that Messrs. KPMG, Chartered Accountants, be re- appointed as the External Auditors of Asian Hotels and Properties PLC for the financial year ending 31st March 2023, subject to approval by the shareholders at the Annual General Meeting.

CONCLUSION

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



Aroshi Nanayakkara
Chairperson of the Audit Committee
23rd May 2022

Members:
Ms. Aroshi Nanayakkara - Chairperson
Mr. J. Durairatnam
Mr. A. S. De Zoysa

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors, in relation to the Financial Statements of Asian Hotels and Properties PLC ("Company") and the Consolidated Financial Statements of the Company and its Subsidiary (AHP 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 statement profit or loss and statement of comprehensive income of the Company and AHP Group, which present a true and fair view of the financial performance, of the Company and AHP for the financial year and
- » Statement of financial position, which represents a true and fair view of the state of affairs of the Company and AHP Group as at the end of the financial year.

The Board of Directors have ensured that the Financial Statements of the Company and of the AHP Group for the year ended 31 March 2022 presented in the report have been prepared:

- » using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained and
- » in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and that reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected; and
- » provide the information required

by and otherwise comply with the Companies Act, the Listing Rules of the Colombo Stock Exchange (CSE), the Code of Best Practice on Corporate Governance (2013) issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC) and the Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka.

In preparing the Financial Statements, the Board of Directors have ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis.

Additionally, The Board Directors have a responsibility to

- » ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and of the AHP Group; and
- » take all reasonable steps expected of them to safeguard the assets of the Company and of the AHP Group to establish appropriate systems of internal controls to prevent, deter and detect any fraud, misappropriation or 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 an accurate disclosure of the financial position of the Company and of the AHP Group.

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 and will obtain a certificate from the auditors, prior to declaring such dividends.

The Board of Directors is required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate for the purpose of enabling them to give an independent Audit 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 the Annual Report on 23 May 2022. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board as required.

COMPLIANCE REPORT

The Directors confirm that, to the best of their knowledge, all taxes and levies payable by the Company and AHP Group, and all contributions, levies and taxes payable on behalf of the employees of the Company and AHP Group, and all other known statutory obligations as at the reporting date, have been paid or provided for, except as specified in Note 36 to the Financial Statements covering Contingent Liabilities.

The Board of Directors confirms that the Company and AHP Group have complied with the Para 23 of the LKAS 24, and all related party transactions are carried out at "arm's length" basis.

By Order of the Board



Keells Consultants (Private) Limited
Secretaries
23rd May 2022

INDEPENDENT AUDITORS' REPORT



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

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

TO THE SHAREHOLDERS OF ASIAN HOTELS AND PROPERTIES PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Asian Hotels and Properties PLC ("the Company") and the consolidated Financial Statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information as set out on pages 66 to 114 of this Annual Report.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company and the Group as at 31 March 2022, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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

Independent Auditors' Report



| 01. Management assessment of the Company and the Group's ability to continue as going concern | |
|--|---|
| Risk Description | Our Response |
| <p>The Company and the Group incurred a net loss of Rs.512 Mn and Rs.508 Mn respectively for the year ended 31st March 2022. Further, the Company and the Group's current liabilities exceeded its current assets by Rs.1,027 Mn and Rs.1,779 Mn respectively as at the reporting date.</p> <p>However, these Financial Statements have been prepared on a going concern basis. In adopting the going concern basis in preparation of the Financial Statements, the Directors have reviewed the Company and Group's cash flow projections, prepared by the management. The cash flow projections were based on management's assumptions and estimation of future cash inflows and outflows, also taking into consideration the impact of COVID-19 related events.</p> <p>Notes to the Financial Statements, describes the impact of COVID-19 outbreak and prevailing uncertain and volatile macro-economic environment and implications to the current year Financial Statements and possible effects to the Company's and Group's future prospects, performance and cash flow.</p> <p>We identified management assessment of the Company and Group's ability to continue as going concern as a key audit matter because the cash flow projections referred to above involves consideration of future events and circumstances which are inherently uncertain, and effect of those uncertainties may significantly impact the resulting accounting estimates. Therefore, the assessment requires the exercise of significant management judgement in assessing future cash inflows and outflows which could be subject to potential management bias.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> » Obtaining the cash flow projections and discussing with management the possible impact on the key assumptions used in preparing the projections due to prevailing uncertain and volatile macro-economic environment and implications and COVID-19 pandemic. » Inspecting the facility agreements for the Company and Group's long-term loans to identify any financial covenants or similar terms and assessing the implication of these on the Company and Group's liquidity. » Assessing adequacy of disclosures in the Financial Statements, in relation to the impact of prevailing uncertain and volatile macro-economic environment and pandemic situation to sustain its operations in the foreseeable future with reference to the requirements of the prevailing standards. |
| 02. Valuation of the land and buildings (Property, Plant and Equipment and Investment Property) - the Group and the Company | |
| Refer to note 13 and 15 to the Financial Statements | |
| Risk Description | Our Response |
| <p>As at 31st March 2022, the Group's Land and Buildings stated at fair value, classified as Property, Plant and Equipment and Investment Properties amounted to Rs. 32.5 Bn and Rs. 5.6 Bn respectively (In the Company: Rs. 29.8 Bn and Rs. 2.7 Bn respectively).</p> <p>The Group has engaged an independent professional Valuer with appropriate expertise to determine the fair value of these properties in accordance with recognised industry standards.</p> <p>Estimating the fair value is a complex process which involves a significant degree of judgment and estimates in respect of price per perch of the land, capitalisation rates, value per square feet, fair market rental and diversity of locations and nature of the land and buildings and investment properties.</p> <p>We identified this as a key audit matter because of the significance of the value of these properties to the Financial Statements and significant judgement/estimation involved in the valuation.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> » Discussions with management and the external valuer and comparison of the key assumptions used against externally published market comparable or industry data where available and challenging the reasonableness of key assumptions based on our knowledge of the industry and the possible impact on the key assumptions and the resulting valuation due to COVID-19 pandemic. » Assessing the key inputs used in the valuation by the independent external valuer against our expectations based on our experience, externally published market comparable and our knowledge of property market, consultation with internal valuation specialist. » Assessing the objectivity, independence, competence and qualifications of the external valuer. » Assessing the adequacy of the disclosures in the Financial Statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates. |

Independent Auditors' Report



Other Information

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

Our opinion on the Financial Statements does not cover the other information and we 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 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 and Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditors' Report



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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditors' report is 2599.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

23rd May 2022

STATEMENT OF PROFIT OR LOSS

| For the year ended 31st March In Rs.'000s | Page No. | Note | GROUP | | COMPANY | |
|--|----------|------|-------------|-------------|-------------|-------------|
| | | | 2022 | 2021 | 2022 | 2021 |
| Revenue from contracts with customers | 78 | 5 | 4,094,672 | 1,790,116 | 2,277,448 | 979,148 |
| Cost of sales | | | (2,599,732) | (1,766,760) | (1,524,994) | (1,101,882) |
| Gross profit/ (loss) | | | 1,494,940 | 23,356 | 752,454 | (122,734) |
| Other operating income | 79 | 6 | 148,403 | 204,344 | 118,026 | 200,627 |
| Distribution expenses | | | (158,987) | (124,719) | (78,118) | (79,289) |
| Administrative expenses | | | (1,475,215) | (1,703,462) | (920,374) | (919,358) |
| Other operating expenses | | | (416,188) | (312,274) | (237,062) | (175,982) |
| Results from operating activities | 79 | 7 | (407,047) | (1,912,755) | (365,074) | (1,096,736) |
| Finance cost | 80 | 8 | (184,525) | (31,707) | (62,352) | (7,497) |
| Finance income | 81 | 9 | 7,493 | 33,509 | 5,635 | 29,780 |
| Net finance income / (cost) | | | (177,032) | 1,802 | (56,717) | 22,283 |
| Change in fair value of investment property | 90 | 15 | 124,852 | (458,755) | (42,374) | (349,236) |
| Loss before tax | | | (459,227) | (2,369,708) | (464,165) | (1,423,689) |
| Income tax (expense) /reversal | 81 | 10 | (48,620) | 125,706 | (47,781) | (1,567) |
| Loss for the year | | | (507,847) | (2,244,002) | (511,946) | (1,425,256) |
| Attributable to: | | | | | | |
| Owners of the company | | | (510,167) | (1,780,674) | (511,946) | (1,425,256) |
| Non-controlling interest | | | 2,320 | (463,328) | - | - |
| | | | (507,847) | (2,244,002) | (511,946) | (1,425,256) |
| | | | Rs. | Rs. | Rs. | Rs. |
| Loss per share - Basic/Diluted | 83 | 11 | (1.15) | (4.02) | (1.16) | (3.22) |
| Dividend per share | 83 | 12 | - | - | - | - |

Figures in brackets indicate deductions

The accounting policies and notes as set out in pages 73 to 114 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

| For the year ended 31st March In Rs.'000s | Note | GROUP | | COMPANY | |
|---|------|----------------|--------------------|----------------|--------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Loss for the year | | (507,847) | (2,244,002) | (511,946) | (1,425,256) |
| Other comprehensive income Items that will not to be reclassified to Statement of profit or loss in subsequent periods | | | | | |
| Revaluation of land and buildings | 13 | 973,677 | 181,186 | 932,484 | 141,357 |
| Re-measurement gain/(loss) on defined benefit plans | 28.1 | 17,233 | (1,809) | 11,452 | (1,905) |
| | | 990,910 | 179,377 | 943,936 | 139,452 |
| Deferred tax effect of defined benefit plans | | (809) | (14) | - | - |
| Deferred tax effect on land & building revaluation | | (136,314) | (25,366) | (130,547) | (19,790) |
| Tax effect on other comprehensive income | 27 | (137,123) | (25,380) | (130,547) | (19,790) |
| Other comprehensive income not to be reclassified to Statement of profit or loss in subsequent periods, net of tax | | 853,787 | 153,997 | 813,389 | 119,662 |
| Total comprehensive income for the year, net of tax | | 345,940 | (2,090,005) | 301,443 | (1,305,594) |
| Attributable to : | | | | | |
| Owners of the company | | 320,758 | (1,646,107) | 301,443 | (1,305,594) |
| Non-controlling interests | | 25,182 | (443,898) | - | - |
| | | 345,940 | (2,090,005) | 301,443 | (1,305,594) |

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 73 to 114 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

| As at 31st March In Rs.'000s | Page No. | Note | GROUP | | COMPANY | |
|--|----------|------|------------|------------|------------|------------|
| | | | 2022 | 2021 | 2022 | 2021 |
| ASSETS | | | | | | |
| Non current assets | | | | | | |
| Property, plant and equipment | 84 | 13 | 34,803,525 | 34,198,342 | 31,400,531 | 30,773,023 |
| Right-of-use asset | 89 | 14 | 719,432 | 731,836 | - | - |
| Investment property | 90 | 15 | 5,630,122 | 5,005,270 | 2,697,390 | 2,239,764 |
| Investment property - work in progress | 90 | 15 | - | 113,015 | - | 113,015 |
| Intangible assets | 91 | 16 | 1,228 | 1,680 | 819 | 991 |
| Investment in subsidiary | 92 | 17 | - | - | 660,045 | 660,045 |
| Non current financial assets | 94 | 18 | 34,375 | 27,722 | 19,374 | 15,174 |
| Other non current assets | 94 | 19 | 3,088 | 3,009 | 996 | 985 |
| Total non current assets | | | 41,191,770 | 40,080,874 | 34,779,155 | 33,802,997 |
| Current assets | | | | | | |
| Inventories | 94 | 20 | 204,587 | 107,085 | 135,616 | 70,550 |
| Trade and other receivables | 95 | 21 | 487,899 | 162,606 | 292,293 | 98,979 |
| Amounts due from related parties | 103 | 32.2 | 46,735 | 33,490 | 27,519 | 20,463 |
| Other current assets | 95 | 22 | 344,475 | 135,957 | 201,907 | 87,436 |
| Short term investments | 95 | 23 | - | 198,535 | - | 198,535 |
| Cash in hand and at bank | | | 233,184 | 150,385 | 177,913 | 79,582 |
| Total current assets | | | 1,316,880 | 788,058 | 835,248 | 555,545 |
| Total assets | | | 42,508,650 | 40,868,932 | 35,614,403 | 34,358,542 |
| EQUITY & LIABILITIES | | | | | | |
| Equity | | | | | | |
| Stated capital | 96 | 24 | 3,345,117 | 3,345,117 | 3,345,117 | 3,345,117 |
| Revenue reserves | | | 5,187,893 | 5,673,539 | 3,735,500 | 4,235,994 |
| Other components of equity | 96 | 25 | 23,093,391 | 22,287,036 | 22,649,232 | 21,847,751 |
| Equity attributable to owners of the company | | | 31,626,401 | 31,305,692 | 29,729,849 | 29,428,862 |
| Non-controlling interest | | | 3,332,915 | 3,307,203 | - | - |
| Total equity | | | 34,959,316 | 34,612,895 | 29,729,849 | 29,428,862 |
| Non current liabilities | | | | | | |
| Interest bearing borrowings | 98 | 26 | 252,710 | 59,436 | 195,522 | 19,420 |
| Deferred tax liabilities | 99 | 27 | 3,856,597 | 3,736,792 | 3,615,600 | 3,489,290 |
| Employee benefit liabilities | 100 | 28 | 343,870 | 378,361 | 211,088 | 232,324 |
| Total non current liabilities | | | 4,453,177 | 4,174,589 | 4,022,210 | 3,741,034 |
| Current liabilities | | | | | | |
| Trade and other payables | 102 | 29 | 1,020,667 | 726,277 | 637,141 | 415,749 |
| Amounts due to related parties | 103 | 32.3 | 87,290 | 69,364 | 52,011 | 56,372 |
| Income tax liabilities | 102 | 30 | 44,192 | 37,192 | 19,248 | 6,507 |
| Interest bearing borrowings | 98 | 26 | 700,451 | 208,797 | 521,093 | 31,286 |
| Other current liabilities | 102 | 31 | 318,812 | 267,982 | 176,409 | 169,020 |
| Bank overdrafts | | | 924,745 | 771,836 | 456,442 | 509,712 |
| Total current liabilities | | | 3,096,157 | 2,081,448 | 1,862,344 | 1,188,646 |
| Total liabilities | | | 7,549,334 | 6,256,037 | 5,884,554 | 4,929,680 |
| Total equity and liabilities | | | 42,508,650 | 40,868,932 | 35,614,403 | 34,358,542 |

I certify that the Financial Statements comply with the requirements of the Companies Act No. 7 of 2007.

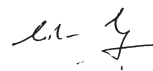


C.L.P. Gunawardane
Director/ Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.



K.N.J. Balendra
Chairman



J.G.A. Cooray
Director

The accounting policies and notes as set out in pages 73 to 114 form an integral part of these Financial Statements.

23rd May, 2022
Colombo

STATEMENT OF CHANGES IN EQUITY

| GROUP | Note | Attributable to Owners of the Company | | | | Total | Non controlling interest | Total Equity |
|---|------|---------------------------------------|---------------------|-----------------------|-----------------|-------------|--------------------------|--------------|
| | | Stated Capital | Revaluation Reserve | Other Capital Reserve | Revenue Reserve | | | |
| In Rs.'000s | | | | | | | | |
| As at 1st April 2020 | | 3,345,117 | 21,983,021 | 168,196 | 7,445,171 | 32,941,505 | 3,750,825 | 36,692,330 |
| Total comprehensive income | | | | | | | | |
| Loss for the year | | - | - | - | (1,780,674) | (1,780,674) | (463,328) | (2,244,002) |
| Other comprehensive income | | - | 136,436 | - | (1,869) | 134,567 | 19,430 | 153,997 |
| Total comprehensive income | | - | 136,436 | - | (1,782,543) | (1,646,107) | (443,898) | (2,090,005) |
| Transactions with owners of the company | | | | | | | | |
| Transferred to revenue reserve (Note a) | | - | (10,911) | - | 10,911 | - | - | - |
| Share based payments | 25.2 | - | - | 10,294 | - | 10,294 | 276 | 10,570 |
| As at 31st March 2021 | | 3,345,117 | 22,108,546 | 178,490 | 5,673,539 | 31,305,692 | 3,307,203 | 34,612,895 |
| As at 1st April 2021 | | 3,345,117 | 22,108,546 | 178,490 | 5,673,539 | 31,305,692 | 3,307,203 | 34,612,895 |
| Total comprehensive income | | | | | | | | |
| Profit/(Loss) for the year | | - | - | - | (510,167) | (510,167) | 2,320 | (507,847) |
| Other comprehensive income | | - | 817,315 | - | 13,610 | 830,925 | 22,862 | 853,787 |
| Total comprehensive income | | - | 817,315 | - | (496,557) | 320,758 | 25,182 | 345,940 |
| Transactions with owners of the company | | | | | | | | |
| Transferred to revenue reserve (Note a) | | - | (10,911) | - | 10,911 | - | - | - |
| Share based payments | 25.2 | - | - | (49) | - | (49) | 530 | 481 |
| As at 31st March 2022 | | 3,345,117 | 22,914,950 | 178,441 | 5,187,893 | 31,626,401 | 3,332,915 | 34,959,316 |

Note (a) - According to the Sri Lanka Accounting Standard - 16 "Property, Plant and Equipment", when the revalued asset is used by an entity, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the assets' original cost is transferred from revaluation surplus to retained earnings. The amount transferred in 2021/22 amounts to Rs.10.91 Mn (Rs.10.91 Mn in 2021).

Figures in brackets indicate deductions.

The Notes to the Financial Statements from Pages 73 to 114 form an integral part of these Financial Statements.

Statement of Changes in Equity

| COMPANY | | | | | | |
|---|------|----------------|---------------------|-----------------------|-----------------|--------------|
| In Rs.'000s | Note | Stated Capital | Revaluation Reserve | Other Capital Reserve | Revenue Reserve | Total Equity |
| As at 1st April 2020 | | 3,345,117 | 21,557,127 | 158,975 | 5,663,155 | 30,724,374 |
| Total comprehensive income | | | | | | |
| Loss for the year | | - | - | - | (1,425,256) | (1,425,256) |
| Other comprehensive income | | - | 121,567 | - | (1,905) | 119,662 |
| Total comprehensive income | | - | 121,567 | - | (1,427,161) | (1,305,594) |
| Transactions with owners of the company | | | | | | |
| Share based payments | 25.2 | - | - | 10,082 | - | 10,082 |
| As at 31st March 2021 | | 3,345,117 | 21,678,694 | 169,057 | 4,235,994 | 29,428,862 |
| As at 1st April 2021 | | 3,345,117 | 21,678,694 | 169,057 | 4,235,994 | 29,428,862 |
| Total comprehensive income | | | | | | |
| Loss for the year | | - | - | - | (511,946) | (511,946) |
| Other comprehensive income | | - | 801,937 | - | 11,452 | 813,389 |
| Total comprehensive income | | - | 801,937 | - | (500,494) | 301,443 |
| Transactions with owners of the company | | | | | | |
| Share based payments | 25.2 | - | - | (456) | - | (456) |
| As at 31st March 2022 | | 3,345,117 | 22,480,631 | 168,601 | 3,735,500 | 29,729,849 |

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 73 to 114 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOW

| For the year ended 31st March In Rs.'000s | Note | GROUP | | COMPANY | |
|--|------|-----------|-------------|-----------|-------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Operating loss before working capital changes | | | | | |
| Loss before tax | | (459,227) | (2,369,708) | (464,165) | (1,423,689) |
| Adjustments for: | | | | | |
| Finance income | 9 | (7,493) | (33,509) | (5,635) | (29,780) |
| Finance cost | 8 | 105,878 | 31,707 | 62,352 | 7,497 |
| Change in fair value of investment property | 15 | (124,852) | 458,755 | 42,374 | 349,236 |
| Depreciation of property, plant and equipment | 13 | 481,183 | 526,458 | 327,495 | 351,993 |
| Profit on disposal of property, plant & equipment | 6 | (8,100) | (3,277) | (6,396) | (801) |
| Amortisation of right-of-use assets | 14 | 12,404 | 12,404 | - | - |
| Amortisation of intangible assets | 16 | 452 | 672 | 172 | 355 |
| Provision /(reversal) for doubtful debts | 21 | (9,711) | 278,354 | (6,466) | 2,040 |
| Employee benefit provision and related costs | 28 | 36,622 | 76,072 | 18,252 | 50,091 |
| Share based payment expenses | 25 | 481 | 10,570 | (456) | 10,082 |
| Provision /(reversal) for slow moving inventory | 20 | 1,526 | (8,054) | 1,793 | - |
| Unrealised (gain) /loss on foreign exchange | 7 | 64,096 | 10,008 | (14,551) | - |
| | | 93,259 | (1,009,548) | (45,231) | (682,976) |
| Cash flow from/(used in) operating activities | | | | | |
| Operating profit/(loss) before working capital changes | | 93,259 | (1,009,548) | (45,231) | (682,976) |
| (Increase) / decrease in inventories | | (99,028) | 32,283 | (66,859) | 20,906 |
| (Increase) / decrease in trade and other receivables | | (315,582) | 250,010 | (186,848) | 138,702 |
| (Increase) / decrease amounts due from related parties | | (13,245) | 60,167 | (7,056) | 28,950 |
| (Increase) / decrease other current assets | | (208,518) | 14,024 | (114,471) | 1,925 |
| Increase / (decrease) trade and other payables | | 294,390 | (15,895) | 221,392 | (31,665) |
| Increase / (decrease) amounts due to related parties | | 17,926 | (7,987) | (4,361) | (9,427) |
| Increase / (decrease) other current liabilities | | 50,830 | (94,166) | 7,389 | (73,986) |
| Cash generated used in operations | | (179,968) | (771,112) | (196,045) | (607,571) |
| Finance income received | 9 | 7,493 | 33,509 | 5,635 | 29,780 |
| Finance cost paid | 8 | (81,662) | (22,554) | (48,443) | (6,790) |
| Tax paid | | (52,392) | (108,125) | (32,750) | (75,874) |
| Gratuity paid | 28 | (53,880) | (44,659) | (28,036) | (27,130) |
| Net cash flow used in operating activities | | (360,409) | (912,941) | (299,639) | (687,585) |
| Cash flow from/(used in) investing activities | | | | | |
| Purchase / transfers and construction of property, plant and equipment | 14 | (114,085) | (250,251) | (22,718) | (233,729) |
| Addition / transfers to investment property | 15 | (386,985) | - | (386,985) | - |
| Addition to investment property - work in progress | 16.2 | - | (113,015) | - | (113,015) |
| Proceeds from sale of property, plant & equipment | | 9,081 | 7,832 | 6,197 | 1,296 |

Statement of Cash Flow

| For the year ended 31st March In Rs.'000s | Note | GROUP | | COMPANY | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Proceeds from/ (repayment of) other assets (net) | | 1,688 | 9,386 | 4,211 | 12,352 |
| Net cash flow used in Investing activities | | (490,301) | (346,048) | (399,295) | (333,096) |
| Cash flow from / (used in) financing activities | | | | | |
| Repayment long term borrowings | 26 | (564,135) | (12,500) | (494,200) | - |
| Proceeds from long term borrowings | 26 | 1,146,200 | 75,000 | 1,146,200 | 50,000 |
| Net cash flow from financing activities | | 582,065 | 62,500 | 652,000 | 50,000 |
| Net decrease in cash and cash equivalents | | (268,645) | (1,196,489) | (46,934) | (970,681) |
| Cash and cash equivalents at the beginning of the year | | (422,916) | 773,573 | (231,595) | 739,086 |
| Cash and cash equivalents at the end of the year | | (691,561) | (422,916) | (278,529) | (231,595) |
| Analysis of cash and cash equivalents | | | | | |
| Favourable balances | | | | | |
| Cash and bank | | 233,184 | 150,385 | 177,913 | 79,582 |
| Short term investments | | - | 198,535 | - | 198,535 |
| Unfavourable balances | | | | | |
| Bank overdrafts | | (924,745) | (771,836) | (456,442) | (509,712) |
| Total cash and cash equivalents | | (691,561) | (422,916) | (278,529) | (231,595) |

Cash and Cash Equivalents

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

Figures in brackets indicate deductions

The accounting policies and notes as set out in pages 73 to 114 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

Asian Hotels and Properties PLC is a public limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and principal place of business of the Company is located at No.77, Galle Road, Colombo 03.

Consolidated Financial Statements

The consolidated Financial Statements of the Company as at and for the year ended 31st March 2022 comprise the financial information of the Company and its subsidiary; Trans Asia Hotels PLC (together referred to as the 'Group' and individually as 'Group entities').

Approval of Financial Statements

The Financial Statements for the year ended 31st March 2022 were authorised for issue by the Board of Directors on 23rd May 2022.

Principal activities and nature of operations

The principal activities of the Company and the Group during the year were hoteliering and property development. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review. The Group had 1,323 (2021 - 1,330) employees and the Company had 792 (2021 - 806) employees as at the reporting date.

Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility report in the Annual Report.

2 BASIS OF PREPARATION

(a) Statement of compliance

The Financial Statements which comprise the statements of profit or loss, statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of Cash Flow, together with the accounting policies and notes (the "Financial Statements") have

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

(b) Basis of measurement

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

- » Freehold land and buildings which are measured at cost, at the time of acquisition are subsequently recognised at revalued amounts which are the fair values at the date of revaluation less accumulated depreciation and impairment cost if any.
- » Investment properties are stated at fair values.
- » Defined benefit obligations are measured at its present value, based on an actuarial valuation as explained in Note 28.

(c) Presentation and functional currency

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

(d) Use of estimates and judgements

The preparation of the Financial Statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Financial Statements is included in the following note:

- » Consolidation: whether the Group has de facto control over an investee - Note 17

ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2022 is included in the following notes:

- » Measurement of Freehold land & buildings - Note 13
- » Measurement of Investment Properties - Note 15
- » Measurement of Defined Benefit Plans - key actuarial assumptions - Note 28
- » Impairment test: key assumptions underlying recoverable amounts - Note 21
- » Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources - Note 36
- » Recognition of deferred tax assets; availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be utilised - Note 27

(e) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group's Audit Committee. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as

Notes to the Financial Statements

possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- I. **Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.**
- II. **Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).**
- III. **Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).**

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

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

(f) Going concern

The Group has prepared the Financial Statements for the year ended 31 March 2022 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the Financial Statements for the year ended 31 March 2022, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Group companies and the appropriateness of the use of the going concern basis.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. The Group's businesses recorded strong improvement in profitability compared to the previous year on the back of a fast recovery momentum with most of the businesses reaching pre COVID-19 levels of operations post the easing

of restrictions. The management has formed judgment that the Company and its subsidiary have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group.

In determining the above significant management judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including supply chain disruptions, power interruptions and distribution challenges on account of the prevailing foreign exchange market limitations, and the COVID-19 pandemic have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

(g) Comparative information

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages and those accounting policies presented with each note, have been applied consistently by the Group and the Company.

Other significant accounting policies not covered with individual notes
The following accounting policies, which have been applied consistently by the Company and the Group, are considered to be significant but not covered in any other sections.

3.1 Basis of consolidation

(i) Business combinations

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

operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

(ii) Non-controlling interests (NCI)

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

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

(iii) Subsidiaries

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

(iv) Loss of control

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

(v) Transactions eliminated on consolidation*

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

3.2 Current versus non-current classification

The Company 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 be 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

The Company classifies all other assets 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
- » there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

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

3.3 Foreign currency transactions

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

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

the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in "statement of profit or loss".

3.4 Non financial assets impairment

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

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

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

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

3.5 Financial instruments

(i) Recognition and initial measurement

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

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

Financial Assets

Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at:

- » amortized cost; fair value through other comprehensive income (FVOCI)
- » debt investment; fair value through other comprehensive income (FVOCI)
- » equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Notes to the Financial Statements

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

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

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

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

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

Financial assets - Business model assessment

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

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

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

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

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

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

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

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

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

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

Financial assets - Subsequent measurement and gains and losses

| | |
|------------------------------------|--|
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. |
| Financial assets at FVTPL | These include Financial assets that the entity either holds for trading purposes or upon initial recognition it designates as at fair value through profit or loss. |
| Debt instrument through FVOCI | A Debt instrument that meets the cash flow characteristics test and is not designated at FVTPL under the Fair Value option must be measured at FVTOCI if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flow and sell financial assets. |

Financial Liabilities

Classification, subsequent measurement and gain and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

(i) De-recognition

Financial assets

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

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

Financial liabilities

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

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

(ii) Offsetting

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

(iii) 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 flow due in accordance with the contract and all the cash flow 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.

(iv) Write-off

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

Notes to the Financial Statements

4 CHANGES IN ACCOUNTING STANDARDS AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

Changes in accounting standards

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1st January 2021.

The following amendments and improvements do not expect to have a significant impact on the Group's Financial Statements.

- Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 : Interest Rate Benchmark Reform - Phase 2.

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 SLFRS 9 : Fees in the '10%' test for derecognition of financial liabilities

Amendments to SLFRS 3 : Reference to the Conceptual Framework.

Amendments to LKAS 1 : Classification of liabilities as Current or Noncurrent.

Amendments to LKAS 16 : Property, Plant & Equipment - Proceeds before Intended Use

Amendments to LKAS 37 : Onerous Contracts - Cost of Fulfilling a Contract.

5 REVENUE

Accounting policy

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.

Performance obligations and significant judgements

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

The revenue for providing the services are usually recognised at or after the guests' departure, over the period of stay or at the point of arrival of guests. The entity identifies the services under each contract as one performance obligation. The revenue is accounted based on the output method. Since revenue will be based on the final good or service provided, the output method will provide a faithful depiction in recognising revenue. Accordingly revenue is recognised on the rooms occupied on daily basis and food and beverages and hotel related sales are accounted for at the time of sale and rental income is recognised on an accrual basis.

When obtaining destination management service (travel agents), the entity acts as the principal. Customer receives and consumes the benefits of the entity's performance, as and when the service is performed. Therefore, revenue is recognized at gross over the period, based on the output method. The timing and the amount of cashflow will vary according to the agreements. Transaction price shall comprise of supplier fee and company mark-up, summing up to be the gross service fee. The advance payments are recognized as a liability. Upon provision of the services, the liability is set off and revenue is recognised over the period.

| For the year ended 31st March In Rs.'000s | GROUP | | COMPANY | |
|--|------------------|------------------|------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| REVENUE | | | | |
| Rooms | 942,308 | 76,976 | 509,745 | 38,918 |
| Food & beverage | 2,734,839 | 1,386,647 | 1,577,975 | 797,453 |
| Rental income from investment property | 104,964 | 148,527 | 39,011 | 83,479 |
| Other revenue | 312,561 | 177,966 | 150,717 | 59,298 |
| Total Revenue | 4,094,672 | 1,790,116 | 2,277,448 | 979,148 |

6 OTHER OPERATING INCOME

Accounting policy

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

| For the year ended 31st March In Rs.'000s | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Exchange gain/ (loss) | 76,961 | (880) | 49,632 | (1,185) |
| Profit on disposal of property, plant & equipment | 8,100 | 3,277 | 6,396 | 801 |
| Car park income | 2,573 | 6,684 | 2,573 | 6,684 |
| Promotional income | 4,035 | 3,605 | 4,035 | 3,605 |
| Taxi line commission | 1,031 | 29 | 1,031 | 29 |
| Insurance claim | 48,109 | 149,382 | 48,109 | 149,382 |
| Sundry income | 7,594 | 42,247 | 6,250 | 41,311 |
| | 148,403 | 204,344 | 118,026 | 200,627 |

7 PROFIT FROM OPERATIONS

Accounting policy

Expenditure recognition

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

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

Notes to the Financial Statements

Loss before tax is stated after charging all expenses including the following;

| For the year ended 31st March In Rs.'000s | Note | GROUP | | COMPANY | |
|---|------|-----------|-----------|----------|---------|
| | | 2022 | 2021 | 2022 | 2021 |
| Remuneration to executive Directors | | - | 34,532 | - | 34,532 |
| Remuneration to non executive Directors | | 8,615 | 7,320 | 3,315 | 2,400 |
| Remuneration to Auditors | | 2,100 | 1,850 | 1,300 | 1,150 |
| Cost of defined employee benefits | | | | | |
| Defined benefit plan cost | 28 | 47,828 | 64,866 | 29,458 | 38,885 |
| Defined contribution plan cost - EPF and ETF | | 127,803 | 137,326 | 81,496 | 90,061 |
| Other long term employee benefit cost | | (11,206) | 11,206 | (11,206) | 11,206 |
| Staff Expenses | | 1,190,875 | 1,204,379 | 701,709 | 703,312 |
| Depreciation of property, plant and equipment | 13 | 481,183 | 526,458 | 327,495 | 351,993 |
| Amortisation of right of use asset | 14 | 12,404 | 12,404 | - | - |
| Donations/ CSR | | 1,895 | 19 | 1,506 | - |
| Amortisation of intangible assets | 16 | 452 | 672 | 172 | 355 |
| Provision/(reversal) for impairment losses on trade and other receivables | 21 | (9,711) | 278,354 | (6,466) | 2,040 |
| Provision/(reversal) for slow moving inventory | | 2,060 | (8,054) | 1,793 | - |
| Foreign exchange (gain)/ loss | 6 | (76,961) | 880 | (49,632) | 1,185 |

8 FINANCE COST

Accounting policy

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

Borrowing cost

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

| For the year ended 31st March In Rs.'000s | GROUP | | COMPANY | |
|--|---------|--------|---------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest expense on long term borrowings | 22,170 | 9,153 | 11,863 | 707 |
| Exchange loss on long term borrowings | 78,647 | 10,008 | - | - |
| Interest expense on bank overdraft | 83,708 | 12,546 | 50,489 | 6,790 |
| | 184,525 | 31,707 | 62,352 | 7,497 |

9 FINANCE INCOME

Accounting policy

Finance income

Finance income comprises interest income derived on funds invested as Fixed Deposits and Savings. Interest income is recorded as it accrues using the effective interest rate (EIR).

| For the year ended 31st March In Rs.'000s | GROUP | | COMPANY | |
|--|-------|--------|---------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest income on loans to employees | 2,823 | 3,788 | 1,390 | 2,342 |
| Income from short term investments/ Savings | 4,670 | 29,721 | 4,245 | 27,438 |
| | 7,493 | 33,509 | 5,635 | 29,780 |

10 INCOME TAX EXPENSE

Accounting policy

Income tax expenses comprise of current and deferred tax. It is recognised in profit or loss except for items that are recognised directly in equity or in Other Comprehensive Income.

Current Tax

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

The subsidiary is liable for taxation at the rate of 14% as per the first schedule of the Inland Revenue Act, No. 24 of 2017, on its profits derived from "promotion of tourism". Income tax for any other income is computed at 24%.

In accordance with BOI agreement dated 11th March 1994 the profits and income of the Company were exempt from taxation until 2014 and at the expiry of said period the following options were available for the Company.

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

The Board of the Company resolved to compute the income tax payable at 2% of the turnover of the Company with effective from 01st April 2014. The Group is liable for income tax on any other income at 24%.

The Group has complied with the arms' length principles relating to transfer pricing as prescribed in the Inland Revenue Act.

| For the year ended 31st March In Rs.'000s | GROUP | | COMPANY | |
|--|----------|-----------|---------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Income tax expense | | | | |
| Current tax charge (Note 10.1) | 65,938 | 50,146 | 52,018 | 36,491 |
| Reversal for deferred tax (Note 10.2) | (17,318) | (175,852) | (4,237) | (34,924) |
| | 48,620 | (125,706) | 47,781 | 1,567 |

Notes to the Financial Statements

10.1 Reconciliation between income tax expense and the product of accounting profit

| For the year ended 31st March In Rs.'000s | 2022 | 2021 |
|---|---------------|------------------|
| COMPANY | | |
| Taxable revenue | 2,394,326 | 1,169,675 |
| Income tax charged at | | |
| Standard rate of 24% | 3,912 | 6,910 |
| Concessionary rate of 2% | 47,561 | 22,818 |
| Under provision on income tax for previous years | 545 | 6,763 |
| Current income tax charge | 52,018 | 36,491 |
| SUBSIDIARY | | |
| (Loss) / profit before tax | 4,938 | (946,019) |
| Income not liable for income tax | - | (1,695) |
| Accounting profit chargeable to income taxes | 4,938 | (947,714) |
| Disallowable expenses | 244,537 | 495,706 |
| Aggregate allowable expenses | (336,419) | (187,410) |
| Tax losses not utilised | 144,870 | 696,278 |
| Taxable income | 57,926 | 56,860 |
| Income tax charged at | | |
| Standard rate of 24% | 13,902 | 13,646 |
| Concessionary rate of 14% | - | - |
| Under provision on income tax for previous years | 18 | 9 |
| Current income tax charge | 13,920 | 13,655 |
| GROUP | | |
| Company | 52,018 | 36,491 |
| Subsidiary | 13,920 | 13,655 |
| Group current income tax charge | 65,938 | 50,146 |

10.2 Provision for Deferred Tax

| For the year ended 31st March In Rs.'000s | GROUP | | COMPANY | |
|--|-----------------|------------------|----------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Deferred tax arising from | | | | |
| Change in fair value of investment property | (4,237) | (35,341) | (4,237) | (34,924) |
| Benefit arising from tax losses and other credits | (4,877) | (97,479) | - | - |
| Accelerated depreciation for tax purposes | (1,432) | (1,338) | - | - |
| Others (ROU assets / liabilities, trade receivables etc) | (7,818) | (40,511) | - | - |
| Employee benefits | 1,046 | (1,183) | - | - |
| Total deferred tax reversal | (17,318) | (175,852) | (4,237) | (34,924) |

Deferred tax liability has been computed taking into consideration the tax rate of 14% applicable for the tourism industry and 10% applicable on the investment property as per the new Inland Revenue Act No. 24 of 2017.

10.3 Tax Losses Carried Forward

| For the year ended 31st March In Rs.'000s | GROUP | |
|--|-----------|---------|
| | 2022 | 2021 |
| At the beginning of the year | 696,278 | - |
| Adjustment to tax loss brought forward | (110,033) | - |
| Tax losses arising during the year | 144,870 | 696,278 |
| Balance at the end of the year | 731,115 | 696,278 |

10.4 Surcharge Tax

Surcharge Tax Act No. 14 of 2022 was enacted on 8 April 2022 and is applicable to the John Keells Group as the collective taxable income of companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds Rs.2,000 Mn, for the year of assessment 2020/2021. The liability is computed at the rate of 25% on the taxable income of the individual Group companies, net of dividends from subsidiaries.

As the Act was certified by the Speaker of Parliament after the financial reporting date, no liability has been recognized in FY 2021/2022 on account of the one-off Surcharge Tax as the law had not been enacted as at 31 March 2022.

Total Surcharge Tax liability of Rs.14.2 Mn will be recognized in the Financial Statements of FY 2022/2023 for the subsidiary respectively as an adjustment to the 1 April 2021 retained earnings in the statement of Changes in Equity as per the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

On 20th April 2022, the subsidiary paid Rs.7.1 Mn respectively on account of the first instalment of the Surcharge Tax liability with the balance payable on 20 July 2022.

11 EARNINGS PER SHARE (EPS)

Accounting policy

Basic EPS is calculated by dividing the profit/(loss) for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The basic earnings/(loss) per share is based on the profit attributable to Asian Hotels & Properties PLC.

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. Therefore diluted earning Per share is the same as basic (loss)/earnings per share.

| For the year ended 31st March In Rs.'000s | GROUP | | COMPANY | |
|--|-----------|-------------|-----------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Loss for the year (in Rs.'000s) | (510,167) | (1,780,674) | (511,946) | (1,425,256) |
| Number of ordinary shares (in '000s) | 442,775 | 442,775 | 442,775 | 442,775 |
| Basic/Diluted loss per share (Rs.) | (1.15) | (4.02) | (1.16) | (3.22) |

12 DIVIDEND PER SHARE

No dividend declared for the financial year ended 31st March 2022 and 2021.

Notes to the Financial Statements

13 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Basis of recognition

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

Basis of measurement

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

Revaluation of land and buildings

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

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

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

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

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The date of the most recent revaluation was carried out on 31st December 2021.

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in their considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

De-recognition

An item of property, plant and equipment is 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 statement of profit or loss in the year the asset is de-recognised.

Impairment

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.

Depreciation

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

| Assets | Years |
|----------------------------------|-------|
| Buildings | 75 |
| Plant and Machinery | 10-20 |
| Motor Vehicles | 4-10 |
| Vessel of Floating Restaurant | 18 |
| Furniture, Furnishings Equipment | 5-15 |
| Computers | 5 |
| Base Stock/Circulating Assets | 3-10 |
| Outdoor Carpark Development | 10 |

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

Buildings of the subsidiary are depreciated using straight line method in order to depreciate over the balance lease period of 58 years.

Depreciation of an assets ceases at the earlier of the date that the asset is classified as held for sale and the date that asset is de-recognised.

Capital work-in-progress

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

13.1 GROUP

| As at 31st March | Freehold Land | Buildings | Outdoor Carpark Development | Plant & Machinery | Base Stock & Circulating Assets | Furniture, Fittings & Equipment | Motor Vehicles | Capital Work In Progress | Total 2022 | Total 2021 |
|---------------------------------|---------------|-----------|-----------------------------|-------------------|---------------------------------|---------------------------------|----------------|--------------------------|------------|------------|
| In Rs. '000s | | | | | | | | | | |
| Cost or Valuation | | | | | | | | | | |
| At the beginning of the year | 23,501,000 | 8,323,837 | 11,783 | 1,597,897 | 1,806,603 | 2,969,733 | 87,521 | 110 | 38,298,484 | 38,085,775 |
| Additions | - | 63,401 | - | 4,551 | 18,569 | 21,199 | - | 6,365 | 114,085 | 250,251 |
| Disposals | - | - | - | (2,874) | (25,252) | (14,295) | (10,045) | - | (52,466) | (81,384) |
| Revaluation | 633,000 | 340,677 | - | - | - | - | - | - | 973,677 | 181,186 |
| Adjustment on revaluation | - | (170,254) | - | - | - | - | - | - | (170,254) | (137,344) |
| At the end of the year | 24,134,000 | 8,557,661 | 11,783 | 1,599,574 | 1,799,920 | 2,976,637 | 77,476 | 6,475 | 39,163,526 | 38,298,484 |
| Accumulated Depreciation | | | | | | | | | | |
| At the beginning of the year | - | 132,682 | 11,783 | 899,007 | 1,406,385 | 1,594,502 | 55,783 | - | 4,100,142 | 3,787,856 |
| Charge for the year | - | 183,509 | - | 63,295 | 80,345 | 150,630 | 3,404 | - | 481,183 | 526,458 |
| Disposals | - | - | - | (2,742) | (24,522) | (13,761) | (10,045) | - | (51,070) | (76,828) |
| Adjustment on revaluation | - | (170,254) | - | - | - | - | - | - | (170,254) | (137,344) |
| At the end of the year | - | 145,937 | 11,783 | 959,560 | 1,462,208 | 1,731,371 | 49,142 | - | 4,360,001 | 4,100,142 |
| Carrying Value | | | | | | | | | | |
| As at 31st March 2022 | 24,134,000 | 8,411,724 | - | 640,014 | 337,712 | 1,245,266 | 28,334 | 6,475 | 34,803,525 | - |
| As at 31st March 2021 | 23,501,000 | 8,191,155 | - | 698,890 | 400,218 | 1,375,231 | 31,738 | 110 | - | 34,198,342 |

Note-13.1.a Freehold Land and Buildings of the Group were valued by M/s. P.B. Kalugalagedara & Associates, an independent Chartered Valuer as at 31st December 2021, and the book values were written up to correspond with the valuation. Further there is no significant value change as at 31st March 2022.

Had the revalued buildings of the Group been included at cost, the carrying value of the said asset would amount to Rs. 4,926 Mn. (Rs.5,057 Mn in 2021). If the revalued Land of Group been included at cost, the carrying value of the said asset would amount to Rs.470 Mn (Rs.470 Mn in 2021).

(Details of the fair Value hierarchy is given in note 13.3)

Note-13.1.b Details of Groups' Land and Building stated at valuation are indicated below

Notes to the Financial Statements

| Property | | | | Land /Building Extent | Location | Fair Value as at 31.12.2021 In Rs. '000s |
|-----------------------------|-----------------------------------|-------------------|--|-----------------------|-----------|--|
| Free hold Land and Building | | | | | | |
| Company | Land (I) | A06 - R2- P22.21 | No 77, Galle Road, Colombo 03 | 24,134,000 | 5,741,000 | |
| | Land (II) | A01 - R1- P22.87 | No 77, Galle Road, Colombo 03 | | | |
| | Building- Stage(I) | 350,237 Sq Ft | No 77, Galle Road, Colombo 03 | | | |
| | Building- Stage (II) & (III) | 299,975 Sq Ft | No 77, Galle Road, Colombo 03 | | | |
| | Life style Building | 49,280 Sq.Ft | No 77, Galle Road, Colombo 03 | | | |
| | New Associate Life Style Building | 36,859 Sq. Ft | No 77, Galle Road, Colombo 03 | | | |
| Investment Properties | | | | | | |
| Company | Building | 145,196 Sq Ft | No 89, Galle Road, Colombo 03 | Note 15 | | |
| Subsidiary | Building | 55,548 Sq Ft | No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. | | | |
| | Land | A01 - R02- P30.0 | No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. | | | |
| Lease hold Properties | | | | | | |
| Subsidiary | Building | 344,383 Sq Ft | No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. | 2,659,928 | Note 14 | |
| | Land | A05 - R02- P34.28 | No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. | | | |

Note-13.1.c The floating restaurant of the Subsidiary has been classified under Motor Vehicles.

Note-13.1.d The cost of the fully depreciated assets in the Group which are still in use of the Group amounts to Rs.2,361 Mn (Rs.2,162 Mn in 2021).

Note-13.1.e There are no assets pledged as at the reporting date that require disclosure in the Group.

13.2 COMPANY

| As at 31st March | Freehold Land | Buildings | Outdoor Carpark Development | Plant & Machinery | Base Stock & Circulating Assets | Furniture, Fittings & Equipment | Motor Vehicles | Total 2022 | Total 2021 |
|---------------------------------|---------------|-----------|-----------------------------|-------------------|---------------------------------|---------------------------------|----------------|------------|------------|
| In Rs. '000s | | | | | | | | | |
| Cost or Valuation | | | | | | | | | |
| At the beginning of the year | 23,501,000 | 5,562,328 | 11,783 | 934,893 | 898,844 | 2,073,152 | 13,495 | 32,995,495 | 32,795,658 |
| Additions | - | 2,623 | - | - | 9,251 | 10,844 | - | 22,718 | 233,729 |
| Disposals | - | - | - | - | (20,153) | (26) | (10,045) | (30,224) | (37,905) |
| Revaluation | 633,000 | 299,484 | - | - | - | - | - | 932,484 | 141,357 |
| Adjustment on revaluation | - | (121,363) | - | - | - | - | - | (121,363) | (137,344) |
| At the end of the year | 24,134,000 | 5,743,072 | 11,783 | 934,893 | 887,942 | 2,083,970 | 3,450 | 33,799,110 | 32,995,495 |
| Accumulated Depreciation | | | | | | | | | |
| At the beginning of the year | - | 22,538 | 11,783 | 549,500 | 613,334 | 1,011,822 | 13,495 | 2,222,472 | 2,045,232 |
| Charge for the year | - | 134,408 | - | 37,751 | 51,317 | 104,019 | - | 327,495 | 351,993 |
| Disposals | - | - | - | - | (19,954) | (26) | (10,045) | (30,025) | (37,409) |
| Adjustment on revaluation | - | (121,363) | - | - | - | - | - | (121,363) | (137,344) |
| At the end of the year | - | 35,583 | 11,783 | 587,251 | 644,697 | 1,115,815 | 3,450 | 2,398,579 | 2,222,472 |
| Carrying Value | | | | | | | | | |
| As at 31st March 2022 | 24,134,000 | 5,707,489 | - | 347,642 | 243,245 | 968,155 | - | 31,400,531 | - |
| As at 31st March 2021 | 23,501,000 | 5,539,790 | - | 385,393 | 285,510 | 1,061,330 | - | - | 30,773,023 |

Note-13.2.a Freehold Land and Buildings of Asian Hotels and Properties PLC were valued by M/s. P.B. Kalugalagedara & Associates, an independent Chartered Valuer as at 31st December 2021, and the book values were written up to correspond with the valuation. Valuation Method used is direct capital comparison approach. Further there is no significant value change as at 31st March 2022.

Note-13.2.b Had the revalued Buildings of the company been included at cost, the carrying value of the said asset would amount to Rs.3,414 Mn. (Rs.3,530 Mn in 2021)
Had the revalued Land been included at cost, the carrying value of the said asset would amount to Rs.470 Mn (Rs.470 Mn in 2021).

Note-13.2.c The cost of the fully depreciated assets which are still in use of the Company amounting Rs.1,175 Mn (Rs.1,030 Mn in 2021).

Note-13.2.d There are no assets pledged as at the reporting date that require disclosure in the Company.

Notes to the Financial Statements

13.3 Details of Group's land, building and other properties stated at valuation are indicated below;

| | Method of valuation | Effective date of valuation | Property valuer |
|---|----------------------------------|-----------------------------|---|
| Buildings on leasehold land of Trans Asia Hotels PLC. | Direct Capital Comparison Method | 31-Dec-21 | P B Kalugalagedara, Chartered Valuation Surveyor |
| Land and building of Asian Hotels and Properties PLC. | Direct Capital Comparison Method | 31-Dec-21 | P B Kalugalagedara, Chartered Valuation Surveyor |

(i) Fair value hierarchy

The fair value of property was determined by external independent property values having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for all of properties has been categorised as level 03 fair value based on the input to the valuation technique used.

(ii) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used.

| Valuation Technique | Significant Unobservable Inputs | Estimates for unobservable inputs | Interrelationship between Key Unobservable Inputs and Fair Value Measurements |
|----------------------------------|---|-----------------------------------|---|
| GROUP | | | |
| Direct Capital Comparison Method | Estimated price per square feet of building | Rs.7,500/- per sq. ft. | Positive correlated sensitivity |
| | | Rs.5,975/- per sq. ft. | |
| | | Rs.3,350/- per sq. ft. | |
| | | Rs.500/- per sq. ft. | |
| | | Rs. 400/- per sq. ft. | |
| | Capitalisation rate | 6.25% & 3% for 58 years | Negative correlated sensitivity |
| COMPANY | | | |
| Direct Capital Comparison Method | Estimated price per square feet of building | Rs.13,000/- per sq. ft. | Positive correlated sensitivity |
| | | Rs.9,500/- per sq. ft. | |
| | | Rs.9,000/- per sq. ft. | |
| | | Rs.8,250/- per sq. ft. | |
| | | Rs.5,000/- per sq. ft. | |
| | | Rs.3,500/- per sq. ft. | |
| | | Rs.3,000/- per sq. ft. | |
| | | Rs.2,000/- per sq. ft. | |
| | Estimated cost per perch of land | Rs.19.5 Mn per perch | Positive correlated sensitivity |
| | | Rs.17.0 Mn per perch | |

(iii) Summary description of valuation methodologies

Direct capital comparison method

This method may be adopted when the rental value is not available from the property concerned, but there are evidences of sale price of properties as a whole. In such cases, the capitalised value of the property is fixed by direct comparison with capitalised value of similar property in the locality.

Investment/ income method

This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.

14 RIGHT OF USE ASSET**Accounting policy**

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.

| As at 31st March In Rs. '000s | GROUP | |
|----------------------------------|---------|---------|
| | 2022 | 2021 |
| Cost | 945,160 | 945,160 |
| Accumulated amortisation | | |
| At the beginning of the year | 213,324 | 200,920 |
| Charge for the year | 12,404 | 12,404 |
| Balance at the end of the year | 225,728 | 213,324 |
| Carrying amount | 719,432 | 731,836 |

Leasehold property is the land on which the hotel Cinnamon Lakeside Colombo (owned by Trans Asia Hotels PLC) is located. The leasehold land is on a 99 years long term lease agreement entered with the Urban Development Authority, Sri Lanka, which commenced from 7th August 1981 and is being amortised on a straight line basis over a period of 94 years commencing 1st April 1986.

14.1 Details of leasehold Property

| Property In Rs. '000s | Land extent (in acres) | Lease period | GROUP | |
|--------------------------------|---------------------------|-------------------------------|---------|---------|
| | | | 2022 | 2021 |
| Trans Asia Hotels PLC, Colombo | A07 - R01 - P24.28 | 99 years from 7th August 1981 | 719,432 | 731,836 |
| | | | 719,432 | 731,836 |

The Group has not determined Impairment as at the reporting date due to the COVID-19 pandemic. The Group implemented its business continuity plans which were operationalised during the early days of the pandemic. Businesses also developed and instituted COVID-19-specific response plans and teams to enable smooth and uninterrupted functioning of businesses and operations to the extent possible, whilst maintaining strict adherence to Government directives and health and safety considerations in situations where normal operations are disrupted.

Notes to the Financial Statements

15 INVESTMENT PROPERTY

Accounting policy

Basis of recognition and measurement

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

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

Any gains or losses on retirement or disposal are recognised in the statement of profit or loss in the year of retirement or disposal. Transfers are made to and from investment property only when there is a change in use in accordance with the criteria listed in Sri Lanka Accounting Standard 40 "Investment Property".

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| At the beginning of the year | 5,005,270 | 5,464,025 | 2,239,764 | 2,589,000 |
| Additions | 386,985 | - | 386,985 | - |
| WIP transfers to IP | 113,015 | - | 113,015 | - |
| Change in fair value during the year | 124,852 | (458,755) | (42,374) | (349,236) |
| At the end of the year | 5,630,122 | 5,005,270 | 2,697,390 | 2,239,764 |
| Freehold property | 2,697,390 | 2,239,764 | 2,697,390 | 2,239,764 |
| Leasehold property | 2,932,732 | 2,765,506 | - | - |
| | 5,630,122 | 5,005,270 | 2,697,390 | 2,239,764 |

Investment Property - work in progress

Crescat mall was closed for refurbishment on 31.12.2020 due to the construction work which commenced on 05.03.2021. The construction work was completed on 19.11.2021. The total cost incurred of Rs.113 Mn was transferred to investment property during the year under review.

15.1 Valuation details of investment property

Investment properties of the Group were valued by a qualified professional valuer as at 31st December 2021, details of which are as follows;

In order to adopt the Fair Value model on Investment Property, as per Sri Lanka Accounting Standard 40 "Investment Property" the Land & Building classified as Investment Property of Asian Hotels and Properties PLC which includes Crescat Boulevard was valued by Mr. P.B. Kalugalagedera, a Chartered Valuation Surveyor using Investment/Income method of valuation on 31st December 2021.

The Commercial Centre of Trans Asia Hotels PLC was valued by Mr. P.B. Kalugalagedera, a Chartered Valuation Surveyor using the average value of investment method and direct capital comparison method on 31st December 2021.

Changes in the values are recognised as unrealised gains in the statement of profit or loss. Further there is no significant value change as at 31st March 2022 as per Valuer's statement.

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in our opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

Rental Income earned from Investment Property by the Company and Group amounted to Rs.39 Mn (2021 Rs.83 Mn) and Rs.105 Mn (2021 Rs.149 Mn) respectively. Direct Operating Expenses incurred by the Company and Group amounted to Rs.116 Mn (2021 Rs.126 Mn) and Rs.124 Mn (2021 Rs.134 Mn) respectively.

The methods used by the valuer are as follows;

| Property | Method of Valuation | Fair Value as at 31.12.2021 In Rs. '000s |
|--|----------------------------------|---|
| Asian Hotels and Properties PLC. Crescat Boulevard, Colombo 3 | Investment Income Method | 2,697,390 |
| Trans Asia Hotels PLC. Commercial Centre, Colombo 2 | Direct Capital Comparison Method | 2,932,732 |

(i) Fair Value Hierarchy

The fair value of property was determined by external independent property valuer having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value measurement for all of properties has been categorised as level 03 fair value based on the input to the valuation technique used.

(ii) Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used:

| Valuation Technique | Significant Unobservable Inputs | Estimates for unobservable inputs | Interrelationship between Key Unobservable Inputs and Fair Value Measurements |
|----------------------------------|---|--|--|
| Direct Capital Comparison Method | Capitalisation rate Estimated price per square feet Estimated price per perch | 6.25% & 3% for 58 years Rs.3,725/- per sq. ft Rs.15.5 Mn per perch | Estimated fair value will increase/(decrease) if the capitalisation rate (increase)/decrease |
| Investment/Income method | Annual rent income Capitalisation rate | Rs.193 Mn 6% | Positively correlated sensitivity Negatively correlated sensitivity |

Refer Note 15.1 for summary description of valuation methodologies

16 INTANGIBLE ASSETS

Accounting policy

Basis of Recognition

An intangible asset is an identifiable non monetary asset without physical substance held for use in the production or supply goods or other services, rental to others or for administrative purposes. An intangible asset is initially recognised at cost, if it is probable that future economic benefit will flow to the enterprise, and the cost of the asset can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

(i) Computer software

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

(ii) Amortisation

Intangible assets with finite lives are amortised over the estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets are amortised on a straight line basis in the Statement of profit or loss from the date on which the asset was available for use, over the best estimate of its useful life. The estimated useful life of software is 5 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Amortisation shall cease at the earlier of the date that the asset is classified as held for sale or the date that asset is de-recognised.

Notes to the Financial Statements

(iii) De-recognition

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

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|---------------------------------|---------------|---------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Computer Software | | | | |
| Cost | | | | |
| At the beginning of the year | 34,458 | 34,458 | 7,595 | 7,595 |
| Additions | - | - | - | - |
| Disposals | (23,936) | - | - | - |
| At the end of the year | 10,522 | 34,458 | 7,595 | 7,595 |
| Accumulated Amortization | | | | |
| At the beginning of the year | 32,778 | 32,106 | 6,604 | 6,249 |
| Amortisation | 452 | 672 | 172 | 355 |
| Disposals | (23,936) | - | - | - |
| At the end of the year | 9,294 | 32,778 | 6,776 | 6,604 |
| Carrying value | | | | |
| As at 31 March | 1,228 | 1,680 | 819 | 991 |

The Company intangible assets with a cost of Rs.6 Mn (2021 - Rs.5 Mn) have been fully amortised but continue to be in used by the Company.

17 INVESTMENT IN SUBSIDIARY**Accounting policy**

Investment in subsidiaries is initially recognised at cost in the Financial Statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognised in the statement of profit or loss. After the initial recognition, Investments in subsidiaries are carried at cost less any accumulated impairment losses.

The Company has not determined impairment as at the reporting date due to the COVID-19 pandemic.

| As at 31st March In Rs. '000s | COMPANY | |
|-----------------------------------|---------|---------|
| | 2022 | 2021 |
| Carrying value | | |
| Investments in subsidiary at cost | 660,045 | 660,045 |
| | 660,045 | 660,045 |

| | Number of shares | Effective holding % | Cost of Investment | Market Value |
|---------------------------------|---------------------|------------------------|-----------------------|-----------------|
| 2022 | | | | |
| Trans Asia Hotels PLC. (Quoted) | 86,823,028 | 43.41% | 660,045 | 4,184,870 |
| 2021 | | | | |
| Trans Asia Hotels PLC. (Quoted) | 86,823,028 | 43.41% | 660,045 | 4,853,407 |

Power and exposure, or rights, to variable returns

Trans Asia Hotels PLC (the owner of Cinnamon Lakeside Colombo) is a subsidiary of the Company, and its principal activity is Hoteliering. There has been no material change in the activities of the subsidiary during the period under review. Asian Hotels & Properties PLC (AHP) consider Trans Asia Hotels PLC (TAH) as a subsidiary since the AHP has power and exposure, right to variable return and ability to use its powers over TAH, based on the factors mention below even though it has only 43.41% ownership.

It is AHP that strategizes the marketing, positioning and sales of TAH, thereby, affecting the operating return, in addition to the dividend. This duly approved operating model established for AHP and TAH is driven by AHP as the lead.

AHP is exposed to variable returns from its involvement with TAH as a result of its performance. In addition AHP has quantitative, and qualitative, returns that are not available to other interest holders, due to its ability to use TAH's assets in combination with its own to achieve economies of scale, cost savings and other synergies in their mutual interest.

In addition to having the lead of the operating model, AHP also has the right to nominate directors to the TAH board. JKH had assigned the power to AHP in order to nominate Directors to TAH.

Non Controlling Interest in subsidiary

The following table summarizes the information relating to the Group's subsidiary that has NCI.

| As at 31st March | 2022 | 2021 |
|--|------------------|------------------|
| In Rs. '000s | | |
| NCI percentage | 56.59% | 56.59% |
| Non current assets | 7,072,661 | 6,937,921 |
| Current assets | 482,684 | 234,368 |
| Non current liabilities | (430,966) | (433,554) |
| Current liabilities | (1,234,797) | (894,588) |
| Net assets | 5,889,582 | 5,844,147 |
| Net assets attributable to NCI | 3,332,914 | 3,307,203 |
| Revenue | 1,817,224 | 810,968 |
| (Loss)/Profit | 4,100 | (818,746) |
| Other comprehensive income | 40,398 | 34,335 |
| Total Comprehensive income allocated to NCI | 44,498 | (784,411) |
| (Loss)/Profit allocated to NCI | 2,320 | (463,328) |
| OCI allocated to NCI | 22,861 | 19,430 |
| Cash flow from operating activities | 7,684 | (102,647) |
| Cash flow from investing activities | (50,073) | (5,652) |
| Cash flow from financing activities | (39,576) | 7,074 |
| Net increase in cash and cash equivalents | (81,966) | (101,225) |

Notes to the Financial Statements

18 NON CURRENT FINANCIAL ASSETS

Loans to executives

Refer Note 34.1.3

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|---------------------------------------|----------|----------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| At the beginning of the year | 36,957 | 39,816 | 21,228 | 28,144 |
| Loans granted / (transfers) | 30,775 | 14,000 | 11,525 | 3,000 |
| Recoveries | (26,070) | (16,859) | (9,185) | (9,916) |
| At the end of the year | 41,662 | 36,957 | 23,568 | 21,228 |
| Receivable within one year (Note 21) | 7,287 | 9,235 | 4,194 | 6,054 |
| Receivable between one and five years | 34,375 | 27,722 | 19,374 | 15,174 |
| | 41,662 | 36,957 | 23,568 | 21,228 |

19 OTHER NON CURRENT ASSETS

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|--|-------|-------|---------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Prepaid cost of staff motor vehicle loan | 3,088 | 3,009 | 996 | 985 |

20 INVENTORIES

Accounting policy

Inventories are valued at the lower of cost or 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.

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|-------------------------------------|---------|---------|---------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Food & beverage | 148,352 | 69,677 | 102,725 | 47,832 |
| General | 13,022 | 4,785 | 8,313 | 2,573 |
| Diesel/ furnace/ gas | 24,106 | 13,521 | 14,715 | 8,665 |
| Engineering | 21,351 | 19,820 | 11,656 | 11,480 |
| Provision for slow moving inventory | (2,244) | (718) | (1,793) | - |
| Amount at the end of the year | 204,587 | 107,085 | 135,616 | 70,550 |

21 TRADE AND OTHER RECEIVABLES

Accounting policy

Refer note 3.4 for accounting policy of financial instruments

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|---------------------------------|-----------|-----------|---------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Trade receivables | 679,381 | 364,696 | 237,379 | 49,307 |
| Other receivables | 94,835 | 91,990 | 58,204 | 57,568 |
| Loans to executives (Note 18) | 7,287 | 9,235 | 4,194 | 6,054 |
| Less: Impairment (Note 21.1) | (293,604) | (303,315) | (7,484) | (13,950) |
| | 487,899 | 162,606 | 292,293 | 98,979 |
| 21.1 Impairment | | | | |
| At the beginning of the year | 303,315 | 24,961 | 13,950 | 11,910 |
| Provision for the year | - | 278,354 | - | 2,040 |
| Reversal for the year | (9,711) | - | (6,466) | - |
| At the end of the year | 293,604 | 303,315 | 7,484 | 13,950 |

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The individual receivable balances were re-assessed, specific provisions were made wherever necessary, existing practice on the provisioning of trade receivables were re-visited and adjusted to reflect the rearrangement of homogeneous groups which the COVID-19 outbreak has affected different types of customers. Receivable balances are monitored on an ongoing basis to minimize bad debt risk and to ensure default rates are kept very low whilst the improved operating environment itself during the financial year has resulted in improved collections.

22 OTHER CURRENT ASSETS

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|--------------------------------------|---------|---------|---------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Prepayments and non cash receivables | 68,194 | 69,222 | 30,093 | 21,012 |
| VAT refund | 222,227 | 62,013 | 156,512 | 62,013 |
| Advance to creditors | 54,054 | 4,722 | 15,302 | 4,411 |
| | 344,475 | 135,957 | 201,907 | 87,436 |

23 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.

Refer note 3.5 for accounting policy of financial instruments

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|---------------------------------|-------|---------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Fixed deposits | - | 198,535 | - | 198,535 |
| | - | 198,535 | - | 198,535 |

Notes to the Financial Statements

24 STATED CAPITAL

The ordinary shares of Asian Hotels and Properties 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 Annual General Meetings of the Company.

| As at 31st March In '000s | 2022 | | 2021 | |
|---------------------------------------|---------------------|---------------------------|---------------------|---------------------------|
| | Number of shares | Value of shares Rs. | Number of shares | Value of shares Rs. |
| Issued and fully paid ordinary shares | 442,775 | 3,345,117 | 442,775 | 3,345,117 |

25 OTHER COMPONENTS OF EQUITY

| As at 31st March In Rs.'000s | Note | GROUP | | COMPANY | |
|---------------------------------|------|------------|------------|------------|------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Revaluation reserve | 25.1 | 22,914,950 | 22,108,546 | 22,480,631 | 21,678,694 |
| Share based payments | 25.2 | 178,441 | 178,490 | 168,601 | 169,057 |
| | | 23,093,391 | 22,287,036 | 22,649,232 | 21,847,751 |

25.1 REVALUATION RESERVE

| | | | | | |
|---|--|------------|------------|------------|------------|
| At the beginning of the year | | 22,108,546 | 21,983,021 | 21,678,694 | 21,557,127 |
| Revaluation gain on freehold land & buildings | | 950,365 | 158,647 | 932,484 | 141,357 |
| Transferred to revenue reserve | | (10,911) | (10,911) | - | - |
| Deferred tax on land & building | | (133,050) | (22,211) | (130,547) | (19,790) |
| At the end of the year | | 22,914,950 | 22,108,546 | 22,480,631 | 21,678,694 |

The Revaluation Reserve relates to revaluation of land and buildings and comprises the cumulative increase in the fair value of the property at the date of revaluation and related deferred tax adjustments. Further, it includes transfer from revaluation surplus to retained earnings, as per the LKAS 16 - Property plant and equipment, when the revalued asset is used by an entity, the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

25.2 Share-based payment plans

Accounting policy

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

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

The employee remuneration expense resulting from the John Keells Holdings PLC's share option scheme to the employees of Asian Hotels and Properties PLC is recognised in the statement of profit or loss of the company. This transaction does not result in a cash outflow to the company and expense recognised is met with a corresponding equity reserve increase, thus having no impact on the Statement of Financial Position (SOPF). The fair value of the options granted is determined by the John Keells Holdings PLC using an option model and the relevant details are communicated by the John Keells Holdings PLC to all applicable subsidiary companies.

Employee Share Option Scheme

Under the John Keells Group's Employees Share Option scheme (ESOP), share options of the parent are granted to senior executives of the Company with more than 12 months of service. The exercise price of the share options is equal to the 30 day volume weighted average market price of the underlying shares on the date of grant. The share options vest over a period of four

years and is dependent on a performance criteria and a service criteria. The performance criteria being a minimum performance achievement of "Met Expectations" and service criteria being that the employee has to be in employment at the time the share options vest. The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

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

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

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| At the beginning of the year | 190,786 | 180,216 | 169,057 | 158,975 |
| Expense arising from equity-settled share-based payment transactions | 481 | 10,570 | (456) | 10,082 |
| At the End of the year with non-controlling interest | 191,267 | 190,786 | - | - |
| Non-controlling interest at the end of the year | (12,827) | (12,296) | - | - |
| At the end of the year | 178,440 | 178,490 | 168,601 | 169,057 |

Movements during the year - Group

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

| | 2022 | | 2021 | |
|-------------------------------------|----------------|---------------|----------------|---------------|
| | No. | WAEP | No. | WAEP |
| Outstanding as at 1st April | 756,508 | 154.54 | 2,488,728 | 152.33 |
| Granted during the year | 109,600 | 136.64 | 407,900 | 132.86 |
| Lapses/Forfeited during the year | (180,487) | 145.07 | (565,120) | 149.82 |
| Transfers in/ (out) | (309,420) | 145.26 | (1,575,000) | 147.13 |
| Outstanding as at 31st March | 376,201 | 161.50 | 756,508 | 154.54 |
| Exercisable as at 31st March | 305,458 | 166.17 | 538,371 | 156.62 |

Movements during the year - Company

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

| | 2022 | | 2021 | |
|-------------------------------------|----------------|---------------|----------------|---------------|
| | No. | WAEP | No. | WAEP |
| Outstanding as at 1st April | 562,115 | 152.87 | 2,228,561 | 151.74 |
| Granted during the year | 57,900 | 136.64 | 407,900 | 132.86 |
| Lapses/Forfeited during the year | (114,643) | 142.83 | (499,346) | 149.61 |
| Transfers in/ (out) | (284,184) | 144.11 | (1,575,000) | 147.13 |
| Outstanding as at 31st March | 221,188 | 165.07 | 562,115 | 152.87 |
| Exercisable as at 31st March | 209,681 | 165.67 | 380,793 | 155.88 |

Fair value of the share option and assumptions

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

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

Notes to the Financial Statements

26 INTEREST BEARING LOANS AND BORROWINGS**Accounting policy**

Borrowings are initially recognised at fair value less any directly attributable transaction costs. Subsequently, they are stated at amortised cost, any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in the Statement of profit or loss over the period of the loan using effective interest method.

Refer note 3.5 for accounting policy of financial liabilities

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|---------------------------------|-----------|----------|-----------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| At the beginning of the year | 268,233 | 186,573 | 50,706 | - |
| Loans obtained | 1,146,200 | 75,000 | 1,146,200 | 50,000 |
| Repayments | (564,135) | (12,500) | (494,200) | - |
| Accrued interest | 24,216 | 9,152 | 13,909 | 706 |
| Exchange difference | 78,647 | 10,008 | - | - |
| At the end of the year | 953,161 | 268,233 | 716,615 | 50,706 |
| Repayable within one year | 700,451 | 208,797 | 521,093 | 31,286 |
| Repayable after one year | 252,710 | 59,436 | 195,522 | 19,420 |
| | 953,161 | 268,233 | 716,615 | 50,706 |

Security and repayment terms

| In Rs.'000s | | | | 2022 | | 2021 | |
|--|--------------------------------|--|----------|------------|----------------|------------|----------------|
| Nature of facility | Interest rate | Repayment terms | Security | Face value | carrying value | Face value | carrying value |
| | | | | | | | |
| Company | | | | | | | |
| Saubagya Renaissance Facility Loan | 4% | 16 Equal monthly installments of Rs.1.47 Mn and final installment of Rs.1.46 Mn commencing from July 2022 | None | 26,353 | 26,353 | 25,353 | 25,353 |
| Credit Guarantee and Interest subsidy loan scheme | 4% | 16 Equal monthly installments of Rs.1.47 Mn and final installment of Rs.1.46 Mn commencing from July 2022 | None | 26,353 | 26,353 | 25,353 | 25,353 |
| Short term revolving loan | AWPR + 1% | Each sub-loan granted under the facility should be repaid in full within 180 days | None | 462,550 | 462,550 | - | - |
| Term Loan | Revised monthly Year 1 - 8.25% | 12 equal monthly installments of Rs.4 Mn commencing from Sep 2022 | None | 201,359 | 201,359 | - | - |
| | Year 2 - 8.50% | 11 equal monthly installments of Rs. 9 Mn and final installment of Rs.53 Mn commencing from Sep 2023 | | | | | |
| | | | | | | | |
| Subsidiary | | | | | | | |
| Term Loan (USD) | LIBOR+ Margin | Capital Repayment in 4 equal quarterly instalments of USD 187,500 commencing on 01.07.2022. Interest to be serviced monthly. | None | 226,239 | 226,239 | 187,782 | 187,782 |
| Interest accrued on term loan USD during Covid 19 moratorium phase 1 and 2 | LIBOR+ Margin | To be repaid in one instalment on 01.07.2022 | None | 10,307 | 10,307 | 17,245 | 17,245 |
| Saubagya Loan | 4% | 6 Equal installments commencing from January 2021 | None | - | - | 12,500 | 12,500 |

The Group and The Company 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 Companies and banks regarding financing requirements, ensures that availability within each single borrower limit is optimised by efficiently reallocating under-utilised facilities within the Company. 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.

27 DEFERRED TAXATION

Accounting policy

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

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|---|-----------|-----------|-----------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| At the beginning of the year | 3,736,792 | 3,887,264 | 3,489,290 | 3,504,424 |
| Recognised in statement of profit or loss | (17,318) | (175,852) | (4,238) | (34,924) |
| Recognised in other comprehensive income | 137,123 | 25,380 | 130,548 | 19,790 |
| At the end of the year | 3,856,597 | 3,736,792 | 3,615,600 | 3,489,290 |

The closing deferred tax liability arrives as follows;

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|---|-----------|-----------|-----------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Revaluation of land | 3,312,960 | 3,224,340 | 3,312,960 | 3,224,340 |
| Revaluation of buildings | 411,809 | 364,115 | 346,677 | 304,749 |
| Accelerated depreciation for tax purposes | 345,139 | 348,079 | - | - |
| Employee benefit liability | (18,589) | (20,445) | - | - |
| Losses and other credits available for offset against future taxable income | (102,356) | (97,479) | - | - |
| Revaluation of investment property | (44,037) | (41,307) | (44,037) | (39,799) |
| Others | (48,329) | (40,511) | - | - |
| | 3,856,597 | 3,736,792 | 3,615,600 | 3,489,290 |

As per the Inland Revenue Act No. 24 of 2017, business income includes gains from realization of land owned by the company. Accordingly, the gains from the realization of land shall be the amount by which the sum of the consideration received for the land which exceeds the acquiring cost of the asset or liability at the time of realization. The Company has recognized a revaluation reserve on freehold land (capital assets of the Company) amounting to Rs.23,664 Mn as at 31st March 2022 which is the amount by which the sum of the carrying value of the freehold land exceeds the acquiring and improvement cost of the land based on the revaluation carried out and accounted for as at the reporting date. Accordingly, the Company has recognized a deferred tax liability of Rs.3,313 Mn pertaining to revaluation reserve of freehold lands which is computed at the corporate tax rate of 14%. Revaluation gain on building also was considered in computing deferred tax after considering the amendments in the newly enacted Inland Revenue Act.

The Group has recognised deferred tax on revaluation of its buildings classified as investment property (Investment assets) at the rate of 10% as per the Inland Revenue Act No. 24 of 2017. Accordingly the Company has recognised deferred tax asset of Rs. 44 Mn as at 31st March 2022 on the revaluation loss reported during the year.

Notes to the Financial Statements

28 EMPLOYEE BENEFIT LIABILITIES

Accounting policy

(i) Defined Contribution Plans - EPF/ETF

Employees' Provident Fund and Employees' Trust Fund (EPF & ETF) are recognised as incurred.

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations.

The Company and the Group contribute 3% of gross emoluments of employees to the Employees' Trust Fund.

Company contributes 15% and subsidiary contributes 12% of gross emoluments of employees to Employees' Provident Fund.

(ii) Defined benefit plans - Gratuity

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

The Company and the Group are liable to pay retirement benefits under the Payment of Gratuity Act, No.12 of 1983.

The liability recognised in the statement of financial position is the present value of the defined benefit obligation as at 31st March 2022.

The defined benefit obligation is calculated by a qualified actuary as at 31st March 2022 using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. Such actuarial valuations will be carried out every year.

The liability is not externally funded. All Actuarial gains or losses are recognised immediately in the other comprehensive income. Under the Payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of five-years of continued service.

When the benefits or a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Other long term employee benefit

A new Long-Term Incentive Plan (LTI) has been launched for senior employees of the Group. The overall incentive will be paid in cash as a lump sum payment upon achievement of key performance indicators linked to the five year strategic plan in place. The Liability recognised in respect to other long term employee benefits are measured as the present value of the estimated future cash outflows expected to be made by the Group in relation to the performance and the services of the relevant employees, up to the reporting date.

| As at 31st March In Rs.'000s | Note | GROUP | | COMPANY | |
|--|------|---------|---------|---------|---------|
| | | 2022 | 2021 | 2022 | 2021 |
| Employee defined benefit plan - gratuity | 28.1 | 327,552 | 350,837 | 194,770 | 204,800 |
| Other long term employee benefits | 28.2 | 16,318 | 27,524 | 16,318 | 27,524 |
| | | 343,870 | 378,361 | 211,088 | 232,324 |

28.1 Employee defined benefit plan - gratuity

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|---|----------|----------|----------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| At the beginning of the year | 350,837 | 328,821 | 204,800 | 191,140 |
| Current service cost | 19,761 | 28,696 | 13,074 | 17,860 |
| Interest cost on benefit obligation | 28,067 | 36,170 | 16,384 | 21,025 |
| Payments | (45,376) | (44,870) | (22,670) | (28,450) |
| (Gain)/Loss arising from changes in assumptions | (17,233) | 1,809 | (11,452) | 1,905 |
| Transfers | (8,504) | 211 | (5,366) | 1,320 |
| At the end of the year | 327,552 | 350,837 | 194,770 | 204,800 |

The employee benefit liability of the Company and Group is based on the actuarial valuations carried out as at 31st March 2022 by Mr. P. Gunasekera, AIAA, Messrs. Smiles Global (Pvt) Ltd and Mr. M. Poopalanathan, AIA, Messrs. Actuarial & Management Consultant (Pvt) Ltd; a firms of professional actuaries respectively.

During 2021/22, the pension arrangements for employees were adjusted to reflect new legal requirement as per Minimum Retirement age of workers Act No. 28 of 2021 regarding the retirement age. As a result of the plan amendment, the Group and the Company defined benefit obligation decreased by Rs.5.2 Mn and Rs.2.3 Mn respectively. A corresponding past service credit was recognized in profit/loss during 2021/2022.

The principal assumptions used in determining the cost of employee benefits were:

| | GROUP | | COMPANY | |
|-------------------------|-------|-------|---------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Discount rate | 9.00% | 8.00% | 9.00% | 8.00% |
| Future salary increases | 8.00% | 8.00% | 8.00% | 8.00% |

The Management tested several scenarios based calculations on possible changes of the assumptions due to the prevailing macroeconomic conditions. Based on those calculations, the management has concluded that there is no material impact to retirement benefit obligations liability of the Company and its Subsidiary.

28.1.1 Sensitivity of assumptions used

If one percentage point change in the assumed discount rate would have the following effects:

| In Rs.'000s | 2022 | | 2022 | |
|----------------------------------|---------------|----------|------------------|----------|
| | Discount rate | | Salary increment | |
| | GROUP | COMPANY | GROUP | COMPANY |
| Increase by one percentage point | (17,554) | (10,188) | 20,108 | 11,690 |
| Decrease by one percentage point | 19,408 | 11,276 | (18,493) | (10,740) |

28.1.2 Maturity analysis of the payments

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

| | 2022 | | 2021 | |
|---------------------------|---------|---------|---------|---------|
| | GROUP | COMPANY | GROUP | COMPANY |
| Within the next 12 months | 16,073 | - | 36,182 | 12,732 |
| Between 1-2 years | 28,147 | 6,882 | 42,309 | 8,716 |
| Between 2-5 years | 55,226 | 26,702 | 133,351 | 78,073 |
| Between 5-10 years | 212,456 | 161,186 | 128,721 | 105,279 |
| Beyond 10 years | 15,650 | - | 10,274 | - |
| Total | 327,552 | 194,770 | 350,837 | 204,800 |

The average duration of the defined benefit plan obligation at the end of the reporting period is 6 years.

28.2 Other long term employee benefits

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|---------------------------------|----------|--------|----------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| At the beginning of the year | 27,524 | 16,318 | 27,524 | 16,318 |
| Current service cost | (11,206) | 11,206 | (11,206) | 11,206 |
| At the end of the year | 16,318 | 27,524 | 16,318 | 27,524 |

Notes to the Financial Statements

29 TRADE AND OTHER PAYABLES**Accounting policy**

Trade payables are the aggregate amount of obligations to pay for goods or services, that have been acquired in the ordinary course of business. Trade payable are classified as current liabilities if payment is due within one year and initially recognized at Fair Value and subsequently measured at amortised cost using the effective interest method.

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|---------------------------------|-----------|---------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Trade payables | 397,231 | 230,966 | 304,847 | 151,505 |
| Retention on construction | 39,105 | 17,131 | 39,105 | 17,131 |
| Accrued expenses | 271,385 | 183,286 | 113,856 | 33,467 |
| Other creditors | 312,946 | 294,894 | 179,333 | 213,646 |
| | 1,020,667 | 726,277 | 637,141 | 415,749 |

30 INCOME TAX LIABILITIES

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|--|----------|-----------|----------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| At the beginning of the year | 37,192 | 95,171 | 6,507 | 45,890 |
| Charge for the year | 65,938 | 50,146 | 52,018 | 36,491 |
| Payments and set-off against refunds and credits | (58,938) | (108,125) | (39,277) | (75,874) |
| At the end of the year | 44,192 | 37,192 | 19,248 | 6,507 |

31 OTHER CURRENT LIABILITIES

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|---------------------------------|---------|---------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Contract liabilities | 221,228 | 182,915 | 100,905 | 97,909 |
| Other advances | 83,211 | 66,030 | 66,275 | 57,691 |
| Other tax payables | 14,373 | 19,037 | 9,229 | 13,420 |
| | 318,812 | 267,982 | 176,409 | 169,020 |

32 RELATED PARTY DISCLOSURES**Terms and conditions of transactions with related parties**

Transactions with related parties are carried out in the ordinary course of business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2021 audited Financial Statements, which required additional disclosures in the 2021/22 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2021 audited Financial Statements, which required additional disclosures in the 2021/22 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Group carried out transactions in the ordinary course of its business on an arm's length basis with parties who are defined as related parties as per LKAS 24 "Related Party Disclosure".

32.1 Parent and Ultimate Controlling Party

The Company's Ultimate Parent undertaking and controlling party is John Keells Holdings PLC (JKH PLC).

The amounts receivable from and payable to related parties as at 31st March 2022, are presented below,

32.2 Amounts due from related parties

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|---|---------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Parent-John Keells Holdings PLC | 6,541 | 7,861 | 2,256 | 2,229 |
| Subsidiary-Trans Asia Hotels PLC | - | - | 1,051 | 1,856 |
| Companies under common control of JKH PLC | 40,194 | 25,629 | 24,212 | 16,378 |
| | 46,735 | 33,490 | 27,519 | 20,463 |

32.3 Amounts due to related parties

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Parent-John Keells Holdings PLC | 7,321 | 14,436 | 2,809 | 10,436 |
| Subsidiary-Trans Asia Hotels PLC | - | - | 1,461 | 592 |
| Companies under common control of JKH PLC | 79,969 | 54,928 | 47,741 | 45,344 |
| | 87,290 | 69,364 | 52,011 | 56,372 |

32.4 Transactions with Related Parties

The Group and Company carried out transactions with the following related entities.

(a) Transactions with Parent Company

The company's parent is John Keells Holdings PLC

| | | | | |
|-----------------------|--------|--------|--------|--------|
| Rendering of services | 2,725 | 433 | 266 | 177 |
| Receiving of services | 98,728 | 94,401 | 59,935 | 55,529 |
| Rent received | 28,693 | 27,767 | - | - |

(b) Transactions with Subsidiary - Trans Asia Hotels PLC

| | | | | |
|-----------------------|---|---|-----|-----|
| Rendering of services | - | - | 997 | 660 |
| Receiving of services | - | - | 224 | 4 |

(c) Transaction with companies Under common control of JKH PLC

| | | | | |
|-----------------------|---------|---------|---------|---------|
| Purchase of goods | 1,511 | 335 | 1,455 | 295 |
| Rendering of services | 55,428 | 21,774 | 35,780 | 14,846 |
| Receiving of services | 368,916 | 218,465 | 211,553 | 144,084 |
| Rent received | 90,605 | 66,742 | 28,382 | 24,258 |

(d) Transactions with Equity Accounted Investees of JKH PLC

| | | | | |
|-----------------------|--------|--------|--------|--------|
| Rendering of services | 2,240 | 1,706 | 374 | 1,073 |
| Receiving of services | 11,096 | 17,234 | 10,981 | 11,951 |
| Interest received | 1,511 | 13,274 | 1,511 | 13,274 |

Notes to the Financial Statements

32.5 Compensation of key management personnel

| As at 31st March In Rs.'000s | GROUP | | COMPANY | |
|---------------------------------|-------|--------|---------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Short-term employee benefits | 8,615 | 41,852 | 3,315 | 36,932 |
| Other long-term benefits | - | 628 | - | 628 |
| Share base payments | - | 11,813 | - | 11,813 |

In addition to their salaries the Group provides non-cash benefits to the Key Management Personnel and contributes to a post-employment defined benefit plan on their behalf. Directors' emoluments are disclosed in Note 7 to the Financial Statements.

33 FINANCIAL INSTRUMENTS - ACCOUNTING CLASSIFICATION AND FAIR VALUES OF THE GROUP

33.1 Financial Assets and Liabilities by Categories - Group

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9.

| | | Financial assets at amortised cost | | Financial liabilities measured at amortised cost | |
|---|-----------|---------------------------------------|---------|---|-----------|
| As at 31st March In Rs. '000s | Note | 2022 | 2021 | 2022 | 2021 |
| Financial instruments in non-current assets/non-current liabilities | | | | | |
| Other non-current financial assets | 18 | 34,375 | 27,722 | - | - |
| Other non-current assets | 19 | 3,088 | 3,009 | - | - |
| Interest bearing borrowings | 26 | - | - | 252,710 | 59,436 |
| Financial instruments in current assets/current liabilities | | | | | |
| Trade and other receivables / payable | 21 & 29 | 487,899 | 162,606 | 749,282 | 542,991 |
| Amounts due from/ due to related parties | 32.2-32.3 | 46,735 | 33,490 | 87,290 | 69,364 |
| Interest bearing borrowings | 26 | - | - | 700,451 | 208,797 |
| Short term investments | 23 | - | 198,535 | - | - |
| Cash in hand and at bank | | 233,184 | 150,385 | - | - |
| Bank overdrafts | | - | - | 924,745 | 771,836 |
| Total | | 805,281 | 575,747 | 2,714,478 | 1,652,424 |

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

33.2 Financial Assets and Liabilities by Categories - Company

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9.

| | | Financial assets at amortised cost | | Financial liabilities measured at amortised cost | |
|---|-----------|---------------------------------------|---------|---|---------|
| As at 31st March In Rs. '000s | Note | 2022 | 2021 | 2022 | 2021 |
| Financial instruments in non-current assets | | | | | |
| Other non-current financial assets | 18 | 19,374 | 15,174 | - | - |
| Other non-current assets | 19 | 996 | 985 | - | - |
| Interest bearing borrowings | 26 | - | - | 195,522 | 19,420 |
| Financial instruments in current assets | | | | | |
| Trade and other receivables / payable | 21 & 29 | 292,293 | 98,979 | 523,285 | 382,282 |
| Amounts due from/ due to related parties | 32.2-32.3 | 27,519 | 20,463 | 52,011 | 56,372 |
| Interest bearing borrowings | 26 | - | - | 521,093 | 31,286 |
| Short term investments | 23 | - | 198,535 | - | - |
| Cash in hand and at bank | | 177,913 | 79,582 | - | - |
| Bank overdrafts | | - | - | 456,443 | 509,712 |
| Total | | 518,094 | 413,718 | 1,748,354 | 999,072 |

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

34 FINANCIAL RISK MANAGEMENT

Objectives and Policies

Financial instruments held by the Group, principally comprise of cash at bank, short-term deposits, other non current assets, amounts due from/ due to related parties, trade receivables, trade payables, bank overdrafts, borrowings and other current financial liabilities. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Group.

Financial risk management of the Group is carried out based on guidelines established by its parent company's central treasury department (Group Treasury) which comes under the purview of the Group Executive Committee (GEC) of the parent company.

Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The parent company provides guidelines for overall risk management, as well, covering specific areas such as credit risk, investment of excess liquidity, interest rate risk and foreign currency risk.

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

The Audit Committee of John Keells Holdings PLC, the parent Company, oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

34.1 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 and financial institutions, foreign exchange transactions and other financial instruments.

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

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents, Trade receivables, Related party receivables and investments in fixed deposits, 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 the counterparties fulfill their obligations.

The individual receivable balances were re-assessed, specific provisions were made wherever necessary, existing practice on the provisioning of trade receivables were re-visited and adjusted to reflect the different rearrangement of homogeneous groups. Receivable balances are monitored on an ongoing basis to minimise bad debt risk and to ensure default rates are kept very low, whilst the improved operating environment resulted in improved collections during the financial year although there could be stresses in the ensuing year on account of the macroeconomic uncertainty and related impacts to our customers on account of elevated inflation and interest rates and the possible impact on consumer discretionary spend.

34.1.1 Risk exposure

Credit risk is the risk of financial loss to the Group, if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and placements in deposits with banking institutions.

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

| As at 31st March In Rs. '000s Risk exposure Group | 2022 | | | | | 2021 | | | | | | | |
|---|---|--------------------------------|-----------------------------------|---------------------------|---|-----------------------------|---|--------------------------------|-----------------------------------|---------------------------|---|-----------------------------|------|
| | Other non current financial assets | Cash in hand and at bank | Trade and other receivables | Short term investments | Amounts due from related parties | % of Total allocation | Other non current financial assets | Cash in hand and at bank | Trade and other receivables | Short term investments | Amounts due from related parties | % of Total allocation | |
| Deposits with bank | - | - | - | - | - | 0% | - | - | - | 198,535 | - | 198,535 | 35% |
| Loans to executives | 34,375 | - | - | - | - | 4% | 27,722 | - | - | - | - | 27,722 | 5% |
| Trade and other receivables | - | - | 487,899 | - | - | 61% | - | - | 162,606 | - | - | 162,606 | 28% |
| Amounts due from related parties | - | - | - | - | 46,735 | 6% | - | - | - | - | 33,490 | 33,490 | 6% |
| Cash in hand and at bank | - | 233,184 | - | - | - | 29% | - | 150,385 | - | - | - | 150,385 | 26% |
| Total credit risk exposure | 34,375 | 233,184 | 487,899 | - | 46,735 | 100% | 27,722 | 150,385 | 162,606 | 198,535 | 33,490 | 572,738 | 100% |

| As at 31st March In Rs. '000s Risk exposure Company | 2022 | | | | | 2021 | | | | | | | |
|---|---|--------------------------------|-----------------------------------|---------------------------|---|-----------------------------|---|--------------------------------|-----------------------------------|---------------------------|---|-----------------------------|------|
| | Other non current financial assets | Cash in hand and at bank | Trade and other receivables | Short term investments | Amounts due from related parties | % of Total allocation | Other non current financial assets | Cash in hand and at bank | Trade and other receivables | Short term investments | Amounts due from related parties | % of Total allocation | |
| Deposits with bank | - | - | - | - | - | 0% | - | - | - | 198,535 | - | 198,535 | 48% |
| Loans to executives | 19,374 | - | - | - | - | 4% | 15,174 | - | - | - | - | 15,174 | 4% |
| Trade and other receivables | - | - | 292,293 | - | - | 57% | - | - | 98,979 | - | - | 98,979 | 24% |
| Amounts due from related parties | - | - | - | - | 27,519 | 5% | - | - | - | - | 20,463 | 20,463 | 5% |
| Cash in hand and at bank | - | 177,913 | - | - | - | 34% | - | 79,582 | - | - | - | 79,582 | 19% |
| Total credit risk exposure | 19,374 | 177,913 | 292,293 | - | 27,519 | 100% | 15,174 | 79,582 | 98,979 | 198,535 | 20,463 | 412,733 | 100% |

Notes to the Financial Statements

34.1.2 Deposits with bank

Deposits with bank mainly consist of Fixed Deposits.

As at 31 March 2021, Fixed deposits of the group and company were rated "A" or better.

| As at 31st March | GROUP | | | | COMPANY | | | |
|------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|
| | 2022 | | 2021 | | 2022 | | 2021 | |
| | In Rs. '000s | Rating % of total | In Rs. '000s | Rating % of total | In Rs. '000s | Rating % of total | In Rs. '000s | Rating % of total |
| Fitch ratings | | | | | | | | |
| A+ | - | - | 127,567 | 64% | - | - | 127,567 | 64% |
| A | - | - | 70,968 | 36% | - | - | 70,968 | 36% |
| Total | - | - | 198,535 | 100% | - | - | 198,535 | 100% |

34.1.3 Loans to executives

Loans to executive portfolio is largely made up of vehicle loans which are given to staff at assistant manager level and above. The respective business units have obtained the necessary Power of Attorney as collateral for the loans granted.

34.1.4 Trade and other receivables

| As at 31st March In Rs. '000s | GROUP | | COMPANY | |
|--|-----------|-----------|---------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Neither past due nor impaired | 165,551 | 94,581 | 102,874 | 59,007 |
| Past due but not impaired | | | | |
| 0-30 days | 182,061 | 40,066 | 110,424 | 18,203 |
| 31-60 days | 91,461 | 16,951 | 58,738 | 4,541 |
| 61-90 days | 24,960 | 3,133 | 3,863 | 4,757 |
| 91-120 days | 22,710 | 654 | 16,106 | 7,287 |
| 121-180 days | 10,057 | 2,095 | 2,354 | 4,317 |
| > 181 days | 284,703 | 308,442 | 5,418 | 14,817 |
| Gross carrying value | 781,503 | 465,922 | 299,777 | 112,929 |
| Less: impairment provision | | | | |
| Individually assessed impairment provision | (293,604) | (303,316) | (7,484) | (13,950) |
| Total | 487,899 | 162,606 | 292,293 | 98,979 |

The Group has obtained customer deposit from major customers by reviewing their past performance and credit worthiness. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers.

34.1.5 Amounts due from related parties

The Group's amounts due from related party mainly consists from Parent, Subsidiary and other related entities.

34.1.6 Credit risk relating to cash and cash equivalents

In order to mitigate settlement and operational risks related to cash and cash equivalents, the Company uses several banks with acceptable rating for its deposits.

34.2 Liquidity Risk

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

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans, overdrafts and over a broad spread of maturities.

34.2.1 Net debt/(cash)

| As at 31st March In Rs. '000s | GROUP | | COMPANY | |
|-----------------------------------|-----------|-----------|-----------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Short term investments | - | 198,535 | - | 198,535 |
| Cash in hand and at bank | 233,184 | 150,385 | 177,913 | 79,582 |
| Total liquid assets | 233,184 | 348,920 | 177,913 | 278,117 |
| Non current portion of borrowings | 252,710 | 59,436 | 195,522 | 19,420 |
| Current portion of borrowings | 700,451 | 208,797 | 521,093 | 31,286 |
| Bank overdrafts | 924,745 | 771,836 | 456,442 | 509,712 |
| Total liabilities | 1,877,906 | 1,040,069 | 1,173,057 | 560,418 |
| Net debt/ (cash) | 1,644,722 | 691,149 | 995,144 | 282,301 |

34.2.2 Liquidity risk management

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

The Group maintains a portion of its assets in highly liquid form in order to meet its contractual obligations during the normal course of its operations.

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

The Group has implemented a mixed approach that 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 and 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 Government of Sri Lanka offered certain relief measures including a moratorium on repayment of loans and concessionary working capital facilities for eligible industries. Company qualified for such relief measures and it helped ease the financial position further during the financial year. On 19th March 2021, the Government issued a circular extending the debt moratorium granted for tourism sector for another six months commencing 1st April 2021, which was availed by the qualifying companies. This was further extended under the concessions given by the Central Bank of Sri Lanka (CBSL) until 1st July 2022.

Notes to the Financial Statements

Maturity analysis - Group

The table below summarises the maturity profile of the Group's financial liabilities at 31st March 2022 based on contractual undiscounted payments.

| In Rs. '000s | Within 1 year | Between 1-2 years | Between 2-3 years | Between 3-4 years | Between 4-5 years | More than 5 years | Total 2022 |
|--------------------------------|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------|
| Interest bearing borrowings | 700,451 | 252,710 | - | - | - | - | 953,161 |
| Trade and other payables | 1,020,667 | - | - | - | - | - | 1,020,667 |
| Amounts due to related parties | 87,290 | - | - | - | - | - | 87,290 |
| Bank overdrafts | 924,745 | - | - | - | - | - | 924,745 |
| | 2,733,153 | 252,710 | - | - | - | - | 2,985,863 |

The table below summarises the maturity profile of the Group's financial liabilities at 31st March 2021 based on contractual undiscounted payments.

| In Rs. '000s | Within 1 year | Between 1-2 years | Between 2-3 years | Between 3-4 years | Between 4-5 years | More than 5 years | Total 2021 |
|--------------------------------|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------|
| Interest bearing borrowings | 208,797 | 59,436 | - | - | - | - | 268,233 |
| Trade and other payables | 726,277 | - | - | - | - | - | 726,277 |
| Amounts due to related parties | 69,364 | - | - | - | - | - | 69,364 |
| Bank overdrafts | 771,836 | - | - | - | - | - | 771,836 |
| | 1,776,274 | 59,436 | - | - | - | - | 1,835,710 |

Maturity analysis - Company

The table below summarises the maturity profile of the Company financial liabilities at 31st March 2022 based on contractual undiscounted payments.

| In Rs. '000s | Within 1 year | Between 1-2 years | Between 2-3 years | Between 3-4 years | Between 4-5 years | More than 5 years | Total 2022 |
|--------------------------------|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------|
| Interest bearing borrowings | 521,093 | 195,522 | - | - | - | - | 716,615 |
| Trade and other payables | 637,141 | - | - | - | - | - | 637,141 |
| Amounts due to related parties | 52,011 | - | - | - | - | - | 52,011 |
| Bank overdrafts | 456,442 | - | - | - | - | - | 456,442 |
| | 1,666,687 | 195,522 | - | - | - | - | 1,862,209 |

The table below summarises the maturity profile of the Company financial liabilities at 31st March 2021 based on contractual undiscounted payments.

| In Rs. '000s | Within 1 year | Between 1-2 years | Between 2-3 years | Between 3-4 years | Between 4-5 years | More than 5 years | Total 2021 |
|--------------------------------|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------|
| Interest bearing borrowings | 31,286 | 19,420 | - | - | - | - | 50,706 |
| Trade and other payables | 415,749 | - | - | - | - | - | 415,749 |
| Amounts due to related parties | 56,372 | - | - | - | - | - | 56,372 |
| Bank overdrafts | 509,712 | - | - | - | - | - | 509,712 |
| | 1,013,119 | 19,420 | - | - | - | - | 1,032,539 |

34.3 Market risk

Market risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market prices.

Market prices comprise four types of risk:

- » Interest rate risk
- » Currency risk
- » Commodity price risk
- » Equity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

34.3.1 Currency risk

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

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

The bank loan obtained in US Dollar terms are matched with US Dollar receipts from customers. The annual average US Dollar receipts of the Company is USD 393,300 approximately.

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

Across the industry, the hotel rates targeting the foreign tourists are quoted in US Dollar terms, However a fluctuation in the exchange rate will not have a significant impact since majority of the quotes are converted to local currency at the point of invoicing. The company attempt to mitigate the exposure to currency risk arising from its transactions.

The Sri Lankan Rupee witnessed significant volatility, particularly during the latter part of the year. Whilst the exchange rate was maintained at stable levels during the year, as per the guidelines issued to the banks by the Central Bank of Sri Lanka (CBSL), the currency depreciated sharply in March 2022 once the CBSL allowed a free float of the currency which resulted in a steep depreciation of the LKR by 31 March 2022. In addition to the depreciation of the currency, there were significant challenges in the foreign currency market on the back of a marked reduction in liquidity amidst declining confidence and a depletion of foreign currency reserves in the country. This resulted in a series of measures such as the continuation of certain import controls and stipulations on foreign currency conversions and remittances. The lack of confidence in the market however resulted in a sharp reduction in foreign currency employment remittances which exacerbated the liquidity situation. The Group adopted prudent measures, as and when required, to manage the financial impacts arising from the liquidity constraints and currency fluctuations by matching liabilities with corresponding inflows. At a Group level, the translation risk on foreign currency debt is largely hedged "naturally" as a result of the conscious strategy of maintaining US Dollar cash balances at the holding company whilst also ensuring obligations can be managed through US Dollar denominated revenue streams. The Group was able to navigate the liquidity challenges through matching its obligations with foreign currency inflows as far as possible while also using the strength of the Group balance sheet to manage the situation.

34.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group is exposed to interest rate risk for USD loan obtained from HNB. However, management monitors the sensitivities on regular basis and ensure risks are managed on a timely manner.

The Central Bank of Sri Lanka adopted a tightening monetary policy stance during the latter half of the financial year, resulting in an upward trend in interest rates. Elevated pressures on inflation on account of many factors including increases in global commodity prices, food supply and the sharp depreciation of the currency in March 2022 have resulted in strong policy actions

Notes to the Financial Statements

by the CBSL on monetary policy post the end of the reporting period. Such actions have raised monetary policy rates significantly and helped bridge the gap between policy and market interest rates. The Group proactively managed the risk of increasing interest rates by re-balancing its portfolio of borrowings and moved a sizeable portion of the Sri Lankan Rupee (LKR) borrowings on a long-term basis. Further, where relevant and possible, a majority of the LKR long-term facilities were on a fixed rate basis over the tenor of the loan. In respect of the Group's foreign currency borrowing portfolio, interest rate swap agreements are in place for a sizeable portion of the facilities.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax.

| | Increase/(decrease) in basis points | | Effect on profit before tax Rs.000's | |
|------|-------------------------------------|---------------------------|--------------------------------------|----------|
| | Rupee borrowings | Other currency borrowings | GROUP | COMPANY |
| 2022 | 273 | 30 | (46,447) | (32,728) |
| | -273 | -30 | 46,447 | 32,728 |
| 2021 | + 375 | + 87 | (26,462) | (9,615) |
| | - 375 | - 87 | 26,462 | 9,615 |

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base rates such as AWPLR and LIBOR.

34.4 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 31st March In Rs. '000s | GROUP | | COMPANY | |
|--|------------|------------|------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Total liabilities | 7,549,334 | 6,256,037 | 5,884,554 | 4,929,680 |
| Less: cash and fixed deposits | 233,184 | 348,920 | 177,913 | 278,117 |
| Adjusted net debt | 7,316,150 | 5,907,117 | 5,706,641 | 4,651,563 |
| Total equity | 34,959,316 | 34,612,895 | 29,729,849 | 29,428,862 |
| Adjusted net debt to adjusted equity ratio | 20.93% | 17.07% | 19.19% | 15.81% |

35 OPERATING SEGMENT INFORMATION

Accounting policy

A segment is a distinguishable component of the Company that is engaged either in providing products or services which are subject to risks and rewards that are different from those of other segments.

The Group has the following two strategic divisions, which are its reportable segments.

The following summary describes the operations of each reportable segment.

| Reportable Segments | Operations |
|---------------------|---|
| Hotel | Provide hoteliering services to local and foreign tours |
| Property | Property Development and rent out premises |

| For the year ended 31st March In Rs. '000s | HOTELS | | PROPERTY | | Group Total | |
|---|------------|-------------|------------|-----------|-------------|-------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| External revenue | 4,055,661 | 1,706,637 | 39,011 | 83,479 | 4,094,672 | 1,790,116 |
| Inter segment revenue | (65,953) | (65,047) | 65,953 | 65,047 | - | - |
| Total segment revenue | 3,989,708 | 1,641,590 | 104,964 | 148,526 | 4,094,672 | 1,790,116 |
| Segment operating profits / (loss) before Finance expenses | (379,755) | (1,893,201) | (19,800) | 13,955 | (399,555) | (1,879,246) |
| Finance expenses | (174,589) | (31,707) | (9,936) | - | (184,525) | (31,707) |
| Change in fair value of investment properties | | | | | | |
| Company | - | - | (42,374) | (349,236) | (42,374) | (349,236) |
| Commercial centre of subsidiary | - | - | 167,226 | (109,519) | 167,226 | (109,519) |
| Profit / (loss) before taxation | (554,344) | (1,924,908) | 95,116 | (444,800) | (459,228) | (2,369,708) |
| Income tax expense | (48,017) | 96,944 | (602) | 28,762 | (48,619) | 125,706 |
| Profit / (loss) after taxation | (602,361) | (1,827,964) | 94,514 | (416,038) | (507,847) | (2,244,002) |
| Non-controlling interest | (124,781) | 433,527 | 127,101 | 29,801 | 2,320 | 463,328 |
| Profit / (loss) attributable to equity owners | (477,580) | (1,394,437) | (32,587) | (386,237) | (510,167) | (1,780,674) |
| Assets | | | | | | |
| Segment assets | 32,969,235 | 31,880,242 | 10,200,511 | 9,650,590 | 43,169,746 | 41,530,832 |
| Elimination | - | - | - | - | (661,096) | (661,900) |
| Total assets | 32,969,235 | 31,880,242 | 10,200,511 | 9,650,590 | 42,508,650 | 40,868,932 |
| Liabilities | | | | | | |
| Segment liabilities | 7,183,331 | 6,184,409 | 367,054 | 65,720 | 7,550,385 | 6,250,129 |
| Elimination | - | - | - | - | (1,051) | (1,855) |
| Total liabilities | 7,183,331 | 6,184,409 | 367,054 | 65,720 | 7,549,334 | 6,248,274 |

36 CONTINGENT LIABILITIES

Accounting policy

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

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

The contingent liability of subsidiary as at 31st March 2022, relates to the following:

Notes to the Financial Statements

Income Tax Assessments

Income tax assessments relating to years of assessments 2012/13 to 2017/18. The subsidiary 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 31st March 2022 is estimated at Rs. 174 million.

CMC Tax Matter

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

IFRIC 23 - Uncertainty over Income Tax Treatments

In the event it is deemed that leasehold building be considered as "Capital Assets used in the business", the Company would have to make an additional deferred tax charge in the statement of profit or loss and other comprehensive income, with a consequential increase in the deferred tax liability on the statement of financial position for the year ended 31st March 2022, as shown below:

| As at 31st March In Rs. '000s | 2022 | 2021 |
|--|------|------|
| Leasehold building classified as Investment Property which may have a P&L Impact | 603 | 603 |

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

37 CAPITAL COMMITMENTS

The Subsidiary had a capital expenditure contracted for Rs. 356 Mn as at 31st March 2022, which were not provided for in the consolidated Financial Statements.

38 EVENTS SUBSEQUENT TO THE REPORTING DATE AND OTHER MATTERS

Surcharge Tax Act No. 14 of 2022 was enacted on 8th April 2022. Financial impact arising from the same is discussed in Note 10.4.

Other than the contingent liabilities and capital commitments referred to in Note 36 & 37 to the Financial Statements, there have been no events subsequent to the reporting date which would have any material effect on the Company and the Group.

39 DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Please refer to the page 61 for the Statement of Directors Responsibility for Financial Reporting.

CONSOLIDATED VALUE ADDED STATEMENT

| In Rs. '000s | 2022 | 2021 |
|---|-------------|-------------|
| Revenue | 4,094,672 | 1,790,116 |
| Adjustment for Change in Fair Value of Investment Property | 124,852 | (458,755) |
| Adjustment for Finance Income | 7,493 | 33,509 |
| Adjustment for other Income | 148,402 | 204,344 |
| | 4,375,419 | 1,569,214 |
| Less : Cost of Materials & Services purchased from external sources | (2,806,523) | (1,576,647) |
| Value Added | 1,568,896 | (7,433) |

| In Rs. '000s | 2022 | % | 2021 | % |
|------------------------------|-----------|-------|-------------|-----------|
| Distributed as follows: | | | | |
| To Employees as Remuneration | 1,355,300 | 86% | 1,417,777 | (19,074%) |
| To the Government as Taxes | 120,320 | 8% | 271,832 | (3,657%) |
| To the Providers of Capital | | | | |
| as Interest on Loans | 105,878 | 7% | 21,699 | (292%) |
| as Minority Interest | 2,320 | 0.1% | (463,328) | 6,233% |
| Retained within the business | | | | |
| as Depreciation | 481,635 | 31% | 527,130 | (7,092%) |
| as Reserves | (496,557) | (32%) | (1,782,543) | 23,981% |
| | 1,568,896 | 100 | (7,433) | 100 |

INFORMATION TO SHAREHOLDERS & INVESTORS

STOCK EXCHANGE LISTING

The Issued Ordinary Shares of Asian Hotels and Properties PLC are listed on the Colombo Stock Exchange of Sri Lanka. The Audited Financial Statements of the Company and the Consolidated Financial Statements for the year ended 31st March 2022 have been submitted to the Colombo Stock Exchange.

DISTRIBUTION OF SHAREHOLDINGS

| From | To | 31.03.2022 | | | 31.03.2021 | | |
|---------------------|----|------------------------|--------------------|----------------------------|------------------------|--------------------|----------------------------|
| | | Number of Shareholders | Total Shareholders | Percentage of Shareholders | Number of Shareholders | Total Shareholders | Percentage of Shareholders |
| 1 - 1,000 | | 2,228 | 561,331 | 0.1 | 2,262 | 573,875 | 0.1 |
| 1,001 - 10,000 | | 684 | 2,473,738 | 0.6 | 711 | 2,495,231 | 0.6 |
| 10,001 - 100,000 | | 165 | 4,817,252 | 1.1 | 168 | 4,838,527 | 1.1 |
| 100,001 - 1,000,000 | | 29 | 9,180,727 | 2.0 | 29 | 8,919,576 | 2.0 |
| 1,000,001 and above | | 11 | 425,742,252 | 96.2 | 11 | 425,948,091 | 96.2 |
| | | 3,117 | 442,775,300 | 100.0 | 3,181 | 442,775,300 | 100.0 |

ANALYSIS OF SHAREHOLDERS

Categories of Shareholders

| | 31.03.2022 | | 31.03.2021 | |
|--------------|------------------|--------|------------------|--------|
| | Number of Shares | % | Number of Shares | % |
| Individuals | 16,193,352 | 3.66 | 15,178,508 | 3.43 |
| Institutions | 426,581,948 | 96.34 | 427,596,792 | 96.57 |
| | 442,775,300 | 100.00 | 442,775,300 | 100.00 |
| Resident | 439,123,319 | 99.18 | 439,124,333 | 99.18 |
| Non Resident | 3,651,981 | 0.82 | 3,650,967 | 0.82 |
| | 442,775,300 | 100.00 | 442,775,300 | 100.00 |
| Public | 94,940,508 | 21.44 | 94,932,708 | 21.44 |
| Non Public* | 347,834,792 | 78.56 | 347,842,592 | 78.56 |
| | 442,775,300 | 100.00 | 442,775,300 | 100.00 |

*Includes shareholdings of Parent Company, Directors & Spouses.

Public shareholding

| | 2022 | 2021 |
|---|-------|-------|
| The Public shareholding (%) | 21.44 | 21.44 |
| Number of Public Shareholders | 3,115 | 3,178 |
| Float adjusted market capitalization (LKR Bn) | 3.51 | 3.55 |

| | | 2022 | 2021 |
|---|-----|-------|-------|
| Market Value | | | |
| Highest Market Price per share | Rs. | 51.80 | 51.90 |
| Lowest Market Price per share | Rs. | 34.00 | 20.00 |
| Last Traded Market Price per share as at 31st March | Rs. | 37.00 | 37.40 |

TOP TWENTY ONE SHAREHOLDERS

| Name | As at 31.03.2022 | | As at 31.03.2021 | |
|---|------------------|--------------------------|------------------|--------------------------|
| | Shareholdings | Shareholdings Percentage | Shareholdings | Shareholdings Percentage |
| John Keells Holdings PLC | 347,824,192 | 78.56 | 347,824,192 | 78.56 |
| Employees Provident Fund | 45,249,798 | 10.22 | 45,249,798 | 10.22 |
| Sri Lanka Insurance Corporation Ltd-Life Fund | 10,055,900 | 2.27 | 10,055,900 | 2.27 |
| Bank of Ceylon A/C Ceybank Unit Trust | 8,978,984 | 2.03 | 8,978,984 | 2.03 |
| Dr. S. Yadehige | 3,415,200 | 0.77 | 3,415,200 | 0.77 |
| Bank of Ceylon-No. 2 A/C (BOC PTF) | 2,481,053 | 0.56 | 2,583,400 | 0.58 |
| Bank of Ceylon-No. 1 Account | 2,367,741 | 0.53 | 2,367,741 | 0.53 |
| G.Ramanan | 1,624,975 | 0.37 | Nil | 0.00 |
| Mr. A.M. Weerasinghe | 1,276,238 | 0.29 | 1,276,238 | 0.29 |
| Bank of Ceylon A/C - Ceybank Century Growth Fund | 1,260,052 | 0.28 | 1,260,052 | 0.28 |
| National Savings Bank | 1,208,119 | 0.27 | 1,366,132 | 0.31 |
| East West Properties PLC | 977,379 | 0.22 | 977,379 | 0.22 |
| Mr. S.E. Captain | 823,400 | 0.19 | 825,900 | 0.19 |
| Dr.A.K.A.Jayawardene | 784,305 | 0.18 | 377,438 | 0.09 |
| Employee Trust Fund Board | 767,478 | 0.17 | 767,478 | 0.17 |
| Mr. M. Mannawarajan | 650,124 | 0.15 | 650,124 | 0.15 |
| Richard Pieris & Co Ltd - Account No. 01 | 639,400 | 0.14 | 639,400 | 0.14 |
| Commercial Bank of Ceylon PLC/Andaradeniya Estate | 482,796 | 0.11 | 442,852 | 0.10 |
| Seylan Bank Ltd/Govindasamy Ramanan | 382,824 | 0.09 | Nil | 0.00 |
| Ravi Exports Private Ltd | 310,000 | 0.07 | Nil | 0.00 |
| Commercial Bank of Ceylon PLC/Metrocorp Pvt Ltd | 300,000 | 0.07 | Nil | 0.00 |
| | 431,859,958 | 97.53 | 429,289,307 | 96.90 |

5 YEAR FINANCIAL REVIEW OF THE GROUP

| | 2021/22 Rs '000 | 2020/21 Rs '000 | 2019/20 Rs '000 | 2018/19 Rs '000 | 2017/18 Rs '000 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Revenue | 4,094,672 | 1,790,116 | 5,559,550 | 7,658,470 | 8,628,053 |
| Profit After Taxation | (507,847) | (2,244,002) | 105,919 | 1,077,935 | 2,185,746 |
| (Loss)/ Profit Attributable to Equity Owners | (510,167) | (1,780,674) | (49,828) | 811,157 | 1,685,950 |
| Share Capital & Reserves | | | | | |
| Stated Capital | 3,345,117 | 3,345,117 | 3,345,117 | 3,345,117 | 3,345,117 |
| Other Components of Equity | 23,093,391 | 22,287,036 | 22,151,217 | 21,532,409 | 20,415,314 |
| Revenue Reserves | 5,187,893 | 5,673,539 | 7,445,171 | 7,907,652 | 7,977,471 |
| Shareholders' Funds | 31,626,401 | 31,305,692 | 32,941,505 | 32,785,178 | 31,737,902 |
| Minority Interest | 3,332,915 | 3,307,203 | 3,750,825 | 3,646,757 | 3,499,028 |
| | 34,959,316 | 34,612,895 | 36,692,330 | 36,431,935 | 35,236,930 |
| Assets & (Liabilities) | | | | | |
| Current Assets | 1,316,880 | 788,058 | 2,033,169 | 2,457,373 | 2,284,129 |
| Current Liabilities | (3,096,157) | (2,081,448) | (1,617,135) | (1,906,545) | (1,805,411) |
| Net Current Assets/ (Liabilities) | (1,779,277) | (1,293,390) | 416,034 | 550,828 | 478,718 |
| Non Current Assets | 41,191,770 | 40,080,874 | 40,548,653 | 40,066,525 | 38,863,818 |
| Non Current Liabilities | (4,453,177) | (4,174,589) | (4,272,357) | (4,185,418) | (4,105,606) |
| | 36,738,593 | 35,906,285 | 36,276,296 | 35,881,107 | 34,758,212 |

| Ratio Analysis | 2022 | 2021 | 2020 | 2019 | 2018 |
|--------------------------------|---------|---------|----------|-------|-------|
| Earnings Per Share (Rs) | (1.15) | (4.02) | (0.11) | 1.83 | 3.81 |
| Net Assets Per Share (Rs) | 71.43 | 70.70 | 74.40 | 74.04 | 71.68 |
| Current Ratio (Times) | 0.43 | 0.38 | 1.26 | 1.28 | 1.27 |
| After Tax Return on Net Assets | (1.61%) | (5.69%) | (0.15%) | 2.47% | 5.31% |
| Dividend Per Share (Rs)* | - | - | 1.00 | 2.00 | 3.00 |
| P/E Ratio | (32.11) | (9.30) | (257.70) | 22.87 | 13.18 |
| Dividend Payout Ratio* | - | - | (8.89) | 1.09 | 0.79 |

*No dividend declared for the financial year ended 31st March 2022 and 2021.

5 YEAR FINANCIAL SUMMARY OF THE PROPERTY DEVELOPMENT DIVISION

| | 2021/22 Rs '000 | 2020/21 Rs '000 | 2019/20 Rs '000 | 2018/19 Rs '000 | 2017/18 Rs '000 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Property Development Division | | | | | |
| Revenue | 39,011 | 83,479 | 255,031 | 355,038 | 349,837 |
| Cost of Sales | 48,969 | 73,530 | 102,006 | 108,693 | 99,958 |
| Gross Profit | (9,958) | 9,949 | 153,025 | 246,345 | 249,879 |
| Administrative & Other Overheads | (88,496) | (106,193) | (136,279) | (126,047) | (99,644) |
| Finance and Other Income | 11,344 | 53,341 | 75,021 | 80,183 | 81,621 |
| Change in Fair Value of Investment Property | (42,374) | (349,236) | (9,410) | (39,351) | 180,138 |
| Net Profit Before Tax | (129,484) | (392,139) | 82,357 | 161,130 | 411,994 |

5 YEAR FINANCIAL SUMMARY OF THE CINNAMON GRAND COLOMBO HOTEL

| | 2021/22 Rs '000 | 2020/21 Rs '000 | 2019/20 Rs '000 | 2018/19 Rs '000 | 2017/18 Rs '000 |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Revenue | | | | | |
| Rooms | 509,745 | 38,918 | 1,077,116 | 1,899,741 | 2,370,490 |
| Food | 1,398,746 | 689,331 | 1,479,204 | 1,993,705 | 2,081,894 |
| Beverage | 179,229 | 108,122 | 237,819 | 338,664 | 360,002 |
| Food & Beverage Others | 68,541 | 8,808 | 3,104 | 16,861 | 20,157 |
| Telephone | 9 | 3 | 316 | 532 | 1,107 |
| Rental Income | 15,202 | 6,939 | 22,212 | 27,983 | 25,073 |
| Other Operating Income | 66,964 | 43,548 | 156,153 | 200,521 | 220,642 |
| Total Revenue | 2,238,437 | 895,669 | 2,975,924 | 4,478,007 | 5,079,365 |
| Expenses | | | | | |
| Room | 172,706 | 130,879 | 305,939 | 399,502 | 483,530 |
| Food Cost | 559,211 | 284,007 | 527,123 | 782,792 | 803,421 |
| Beverage Cost | 57,384 | 36,542 | 66,041 | 105,968 | 121,068 |
| Food & Beverage Other | 639,196 | 538,305 | 745,206 | 810,446 | 799,777 |
| Telephone | 4,089 | 3,787 | 4,163 | 4,330 | 4,876 |
| Other | 65,692 | 43,730 | 136,676 | 174,831 | 182,654 |
| Total Expenses | 1,498,277 | 1,037,250 | 1,785,148 | 2,277,869 | 2,395,327 |
| Gross Operating Income/ (Loss) | 740,160 | (141,581) | 1,190,776 | 2,200,138 | 2,684,039 |
| Expenses | | | | | |
| Administration & General | 283,191 | 298,634 | 414,744 | 443,507 | 447,787 |
| Advertising & Sales Promotion | 64,771 | 77,771 | 137,314 | 142,066 | 130,026 |
| Heat, Light & Power | 198,232 | 165,041 | 240,112 | 287,212 | 301,367 |
| Repair & Maintenance | 120,771 | 98,921 | 151,562 | 170,055 | 186,049 |
| Total Deductions | 666,966 | 640,367 | 943,732 | 1,042,840 | 1,065,229 |
| Gross Operating Profit/ (Loss) | 73,195 | (781,948) | 247,044 | 1,157,298 | 1,618,810 |
| Interest Income | 1,802 | 8,755 | 49,273 | 77,213 | 100,099 |
| Dividend Income | - | - | 43,412 | 74,668 | 273,493 |
| Sundry Income | 100,578 | 168,311 | 64,979 | 10,481 | 14,662 |
| | 175,575 | (604,882) | 404,708 | 1,319,660 | 2,007,064 |
| Insurance | 20,108 | 15,090 | 11,048 | 9,999 | 9,641 |
| Interest Expenses | 52,416 | 7,497 | - | - | - |
| Rates | 16,784 | 16,784 | 16,784 | 16,884 | 16,784 |
| Hotel Operating and Marketing Fee | 93,745 | 35,860 | 135,237 | 240,647 | 288,384 |
| Depreciation | 327,203 | 351,437 | 385,052 | 393,262 | 351,873 |
| | 510,256 | 426,668 | 548,121 | 660,792 | 666,682 |
| Net (Loss)/ Profit Before Tax | (334,681) | (1,031,550) | (143,413) | 658,868 | 1,340,381 |

GLOSSARY OF FINANCIAL TERMS

Accounting Policies

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

Accrual Basis

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

Amortisation

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

Average Room Rate

Hotel revenue divided by the number of rooms sold.

Booking Engine

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

Capital Employed

Shareholders' funds plus debt.

Cash Equivalents

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

Contingencies

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

Current Ratio

Current assets divided by current liabilities.

Capital Reserves

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

Capital expenditure

The total additions to property, plant and equipment.

Corporate Governance

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

Debt/Equity Ratio

Debt as a percentage of shareholders' funds.

Deferred Tax

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

Dividend Yield

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

Dividend Cover

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

Dividend Per Share

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

Dividend Payout Ratio

The percentage of earnings paid to a shareholder as dividends.

Earnings Per Share (EPS)

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

EBIT

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

EBITDA

Earnings before interest, tax, depreciation and amortisation

Effective Tax Rate

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

EPS Growth

Percentage increase in the EPS over the previous year.

Equity Assets Ratio

Total assets divided by shareholder's equity.

Fair Value

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

Gross Profit Margin

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

Impairment

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

Intangible Asset

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

Interest Cover

Profit before interest and tax over finance expenses.

Key Management Personnel

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

Materiality

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

Market Value Per Share

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

Market Capitalisation

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

Net Assets

Total assets minus current liabilities minus long term liabilities.

Net Assets Per Share

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

Occupancy

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

Operational Risk

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

Pre-Tax Return On Capital Employed

Profit before interest and tax as a percentage of average capital employed at year end.

Price Earnings Ratio

Market price per share over Earnings per Share.

Prudence

Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Quick Asset Ratio

The quick ratio measures a company's ability to meet its short term obligations with its most liquid assets and is calculated by deducting the inventories from the current assets and comparing with the current liabilities.

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Return On Equity

Profit attributable to shareholders as a percentage of average shareholders' funds.

Room Night

One hotel room occupied for one night; a statistical unit of occupancy.

Shareholders' Funds

Stated capital plus capital and revenue reserves.

Total Debt

Long term loans plus short term loans and overdrafts.

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CORPORATE INFORMATION

NAME OF COMPANY

Asian Hotels and Properties PLC

LEGAL FORM

A Public Limited Liability Company incorporated in Sri Lanka in 1993 and registered with the Board of Investment of Sri Lanka under Section 17 of the Board of investment Law No. 4 of 1978

The Company was re-registered as per the New Companies Act No. 7 of 2007 on 15th June 2007.

STOCK EXCHANGE LISTING

The issued Ordinary shares of the Company are listed on the Main Board of the Colombo Stock Exchange of Sri Lanka

COMPANY REGISTRATION NO

PQ 2

BOARD OF DIRECTORS

Mr. Krishan Niraj Jayasekara Balendra - Chairman / Managing Director
Mr. Joseph Gihan Adisha Cooray
Mr. Changa Lashantha Poojitha Gunawardane
Mr. Suresh Rajendra
Mr. Mikael Roland Svensson
Mr. Ashan Suresh De Zoysa
Mr. Jegatheesan Durairatnam
Ms. Aroshi Nanayakkara (Appointed w.e.f 25.06.2021)

COMPANY SECRETARIES

Keells Consultants (Private) Limited
117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.

REGISTERED OFFICE

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E-mail : grand@cinnamonhotels.com

AUDITORS

KPMG
Chartered Accountants
32A, Sir Mohamed Macan Marker Mawatha Colombo 03.

BANKERS

Deutsche Bank AG
Seylan Bank PLC
Hongkong & Shanghai Banking Corporation
Nations Trust Bank PLC
DFCC Bank PLC
CITI Bank NA
Bank of Ceylon
Commercial Bank of Ceylon PLC
Hatton National Bank PLC

Concept & Designed by





ASIAN HOTELS AND PROPERTIES PLC