BRIDGES OF VALUE

ASIAN HOTELS AND PROPERTIES PLC
ANNUAL REPORT 2022/2023

BRIDGES OF VALUE

At Asian Hotels and Properties PLC, we believe that we are a strong bridge, constructed of seven dynamic values, which are Greatness, Trust, Compassion, Agility, Curiosity, Wellbeing and Inclusivity.

We believe that our seven dynamic values have been a phenomenal driving force behind our success, even amidst four years of uncertain times. These values have been embedded into our business core, providing a lifeline to communities nationwide. We will continue to create memorable experiences, striding forward optimistically into the future.

CONTENT

ABOUT US

Asian Hotels and Properties PLC stands proudly as the undisputed leader in Sri Lanka's hospitality industry, leveraging on decades of experience and excellence. It has been a torchbearer of Sri Lankan hospitality and the preferred operator in Colombo city's hospitality sector, reputed for its signature service and exclusive luxury offerings.

The Group comprises of two five-star hotels - Cinnamon Grand Colombo and Cinnamon Lakeside Colombo - as well its refurbished mall, Crescat Boulevard. The Group's strength is in its industry leadership, the backing of its parent, the blue-chip John Keells Holdings PLC, its talented and skilled professional team, and its ability to pioneer new guest experiences.

PERFORMANCE HIGHLIGHTS

		2023	2022	2021	2020	2019
Operational Performance						
Group revenue	Rs. Mn	8,417	4,095	1,790	5,560	7,658
Results from operating activities	Rs. Mn	93	(407)	(1,913)	(28)	1,083
Profit/(Loss) before tax	Rs. Mn	(133)	(459)	(2,370)	199	1,270
Profit/(Loss) after tax	Rs. Mn	(333)	(508)	(2,244)	106	1,078
Dividends	Rs. Mn	-	-	-	442	885
Return on equity (ROE)	%	(0.92)	(1.62)	(5.54)	(0.15)	2.51
Pre-Tax return on capital employed (ROCE)	%	0.86	(0.65)	(6.43)	0.61	3.66
Strength of the Statement of Financial Position						
Total assets	Rs. Mn	45,912	42,509	40,869	42,582	42,524
Total liabilities	Rs. Mn	13,674	7,549	6,256	5,889	6,092
Net debt/(Cash)	Rs. Mn	2,101	1,645	691	(587)	(846)
Total shareholders' funds	Rs. Mn	28,875	31,626	31,306	32,941	32,785
No. of shares in issue	Thousands	442,775	442,775	442,775	442,775	442,775
Net assets per share	Rs	65.21	71.43	70.70	74.40	74.04
Debt/Equity	Times	0.08	0.06	0.03	0.01	0.01
Debt/Total assets	Times	0.05	4.39	2.54	0.89	0.87
Investor Information						
Market price of share as at 31st March	Rs	44.00	37.00	37.40	29.00	41.90
Market capitalisation	Rs. Mn	19,482	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	Rs. Mn	2,875	1,569	(7)	3,014	4,884
Employee benefit liabilities as of 31st March	Rs. Mn	334	344	378	345	365

STEWARDSHIP

CHAIRPERSON'S REVIEW

Dear Stakeholder,

I am pleased to 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 2023.

A challenging operating environment

Global

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

Sri Lanka

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

A Resilient Performance

During the year under review, the occupancy levels were impacted by tourist arrivals since March 2022 due to the social unrest caused by economic and political instability in the country and its impact on both domestic and inbound tourism. As a result, occupancy levels during the first and second quarters of FY 2022/23 averaged around 31 per cent.

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

However, the occupancy levels gradually recovered from November onwards with the gradual easing of the ground situation in the country since August 2022, together with the removal of travel advisories in main source markets and the increase in frequency of flights by major airlines.

The Group revenue increased by 106 per cent to Rs. 8.4Bn from Rs. 4.1Bn in the previous financial year. The restaurant and banqueting operations recorded a strong performance, driven primarily by domestic demand. The number of events and banquets also noted a steady uptick across the quarters while restaurant operations also recorded encouraging growth in covers in line with pre-pandemic levels of activity. The revenue from this segment stood at Rs. 5.4Bn which represented a a year on year growth of 98 per cent. Crescat Boulevard Mall opened its doors for customers in November 2021 after the refurbishment and therefore, 2022/23 was its first full year of operations after being closed for ten months. As a result, revenue from the mall increased year on year by 130 per cent to Rs. 241Mn. However, the performance of the mall was impacted by the social and economic disruptions which were present during the first half of the year. A gradual recovery of the mall performance was seen during the second half of the year. The group recorded a pre-tax loss of Rs. 132.5Mn against the previous year pre-tax loss of Rs. 459.2Mn.

Striving for Greatness

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

Cultivating the best people and evolving our culture

Attracting and retaining skilled talent within the industry remains a key challenge amidst rising levels of migration in the country. We therefore continued to focus on enhancing our own employee value proposition while also actively leading industry initiatives aimed at attracting more youth into the industry. During the year we carried out a comprehensive designation levelling and salary band realignment exercise to align ourselves with bench-marked international players. The exercise will not only enhance the prospects of our existing employees but also support our recruitment efforts in the longer term. Employee development remains a key focus and we continued to expand our training and development models during the year to ensure that every employee has a clear path of development within the organisation. As a leading player in the industry, we see it as our prerogative to drive efforts to create a pipeline of talent for the industry. During the year we initiated a dedicated Apprenticeship Academy for youth interested in entering the industry. We also entered into a partnership with the Vocational Training Authority (VTA). John Keells Group's, diversity, equity and inclusion (DE&I) initiative - "ONE JKH", aims to create a diverse, equal and inclusive workplace. In alignment with this we continue to encourage female participation in the traditionally male dominated hospitality industry through targeted recruitment programmes, awareness campaigns, vocational training opportunities as well as by continuing to identify and promote non-traditional roles for women within the company. Our female participation stood at 13 per cent during the year which is an increase from 9 per cent recorded in 2021/22 and are working towards achieving our 2025 gender target of 24 per cent. Further, 100 days of equal parental leave at the birth or adoption of a child was introduced.

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

Driving Guest and Customer Personalisation

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

Driving Operational Excellence

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

Growing with Intent

During the year we expanded our network by establishing Global Sales Offices in key source markets which includes UK, Germany, France, India and China.

Delivering on our ESG commitments

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

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

In honouring commitment to sustainability, out of a total of 458,716 Kg of waste collected by the company, 85.07 per cent was re-used during the year. We continued to provide a free meal to those working tirelessly for the betterment of our society from health care workers to policemen through the 'Meals that Heal' which won the Gold award for CSR activities at the PATA awards 2022. In addition, the company engaged in tree planting at Sinharaja Rainforest as part of the "Cinnamon Rainforest Restoration Project".

Recognition

Asian Hotels & Properties PLC was ranked among the top 20 companies in Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL).

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.

Chairperson's Review

Outlook

Global

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

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

Sri Lanka

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

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

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

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

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

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

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 Port of Colombo. Such notable developments will augur well for Colombo, 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 Colombo Hotels segment 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 company will also leverage on its unparalleled F&B offering, by continuing to strengthen its dedicated offerings and flagship restaurants.

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

Acknowledgements

I take this opportunity to thank my colleagues on the Board for their invaluable guidance and support. I would also like to convey my appreciation to our management team and staff for their untiring effort, commitment and drive and holding steadfast in very challenging circumstances.

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

Krishan Balendra

K N J Balendra
Chairperson

23 May 2023

BOARD OF DIRECTORS

Krishan Balendra

Chairperson

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

Gihan Cooray

Director

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

Suresh Rajendra

Director

Suresh Rajendra has over 30 years of experience in finance, travel and tourism, hotel management, property development, real estate management, and business development both in Sri Lanka and overseas. Before joining the JKH Group, he was the Head of Commercial and Business Development for NRMA Motoring and Services in Sydney, Australia and Director/General Manager of Aitken Spence Hotel Management (Pvt) Ltd, Sri Lanka. He is a Fellow member of the Chartered Institute of Management Accountants, UK.

He is a member of the Group Executive Committee of the John Keells Group. He is the President of the Leisure industry group and is also responsible for Union Assurance PLC, John Keells Information Technology (Private) Limited and John Keells Stockbrokers. In addition, Union Assurance PLC, Trans Asia Hotels PLC and also in many of the unlisted companies of the John Keells Group.

Mikael Svensson

Director

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

Changa Gunawardane

Director

Changa Gunawardane is presently the Chief Financial Officer (CFO) of the Leisure industry group and serves as a Non-Executive Director on the Board of Trans Asia Hotels PLC and many of the unlisted companies of the John Keells Group. He has been with John Keells Holdings PLC (JKH) for over 17 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 28 years of experience as a finance professional in varying industries including Pharmaceutical, Manufacturing, Management Services, Electrical Engineering and Construction. He 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.

Aroshi Nananyakkara

Director *

Aroshi is the CEO of the Global Consulting Company and a dynamic leader in the fields of Strategic Planning, HR and Risk Management, having gathered extensive experience through her 25 plus years in multinationals as well as some of Sri Lanka's prominent blue-chip companies.

She commenced her career as a Corporate Banker and then moved into the fields of HR and Risk Management holding the position of Chief Risk Officer for the Brandix Group and thereafter a more operational role as CEO of Brandix Hangers (Pvt) Ltd.

Board of Directors

She holds a B.Sc. from the prestigious Massachusetts Institute of Technology (MIT), Boston, USA in addition to a M.Sc. from the London School of Economics (LSE), UK. She is the Regional Chair in Sri Lanka for the MIT Educational Council. She also holds the professional qualifications of ACMA and CGMA from the Chartered Institute of Management Accountants (CIMA), UK. She was recognised 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.

She serves on the Board of Sampath Bank PLC. She was formerly an Independent Non-Executive Director of Siyapatha Finance PLC, Sampath IT Solutions (Pvt) Ltd, Hela Clothing PLC and Delmege Interior Décor (Pvt) Ltd.

She is the incoming Chairman of the Sri Lanka Institute of Directors (SLID) and the Founding Chair of the Women Directors' Forum, a pioneering initiative by SLID. She is also the Founding Chair of the Sri Lanka chapter of the Women Corporate Directors (WCD), the world's largest community of pre-eminent women leaders serving on more than 8500 public and private Boards across six continents. She is the Immediate Past President of the Rotary Club of Colombo, the first Rotary Club to be set up in Sri Lanka in 1939.

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 on the boards of Asset line Leasing Co Ltd, Ceylinco Life Ltd and as the Non-Executive Chairman of DFCC Bank PLC.

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.

* Independent Non-Executive Director

CORPORATE GOVERNANCE

Corporate governance provides the necessary guidelines to ensure the continuation of essential functions to achieve sustainable economic growth and corporate success. The comprehensive corporate governance framework of Asian Hotels and Properties PLC ('Company'/AHP) has provided a solid foundation to navigate the uncertainties during the year under review. The expectations of the Board were met through stringent policies, organisational structures and systems placed to provide internal checks and controls on the conduct of business.

As a subsidiary of John Keells Holdings PLC (Group) ("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.

A mutual understanding and an agreed level of compliance is reached across the JKH Group through the adoption of a strong set of values and a formal Code of Conduct ensuring the application of policies and structures of the Holding Company.

Key Governance Highlights - 2022/23

- Establishing an enabling environment for growth in a structured, sustainable, and transparent manner.
- Continuous strengthening of internal controls through efficient process.
- Priority on cashflow and liquidity management.
- Fostering a positive work atmosphere to promote engagement, showing appreciation to employees, providing competitive pay and benefits, and encouraging a healthy work-life balance.
- Asian Hotels and Properties PLC was ranked 16th in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL). This ranking is based on an assessment of corporate disclosure practices among the top 100 companies listed on the Colombo Stock Exchange.

Highlights of the 28th Annual General Meeting held on 21st June 2022

Mr. J.G.A. Cooray, who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as a Director of the Company.

Mr. J. Durairatnam, who retired in terms of Article 84 of the Articles of Association of the Company, was re-elected as a Director of the Company.

Ms. A. Nanayakkara, who retired in terms of Article 91 of the Articles of Association of the Company, was re-elected as a Director of the Company.

Messrs. KPMG were re-appointed as the External Auditors of the Company and the Directors were authorised to determine their remuneration.

COMPLIANCE SUMMARY

Regulatory Benchmark

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

Corporate Governance

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

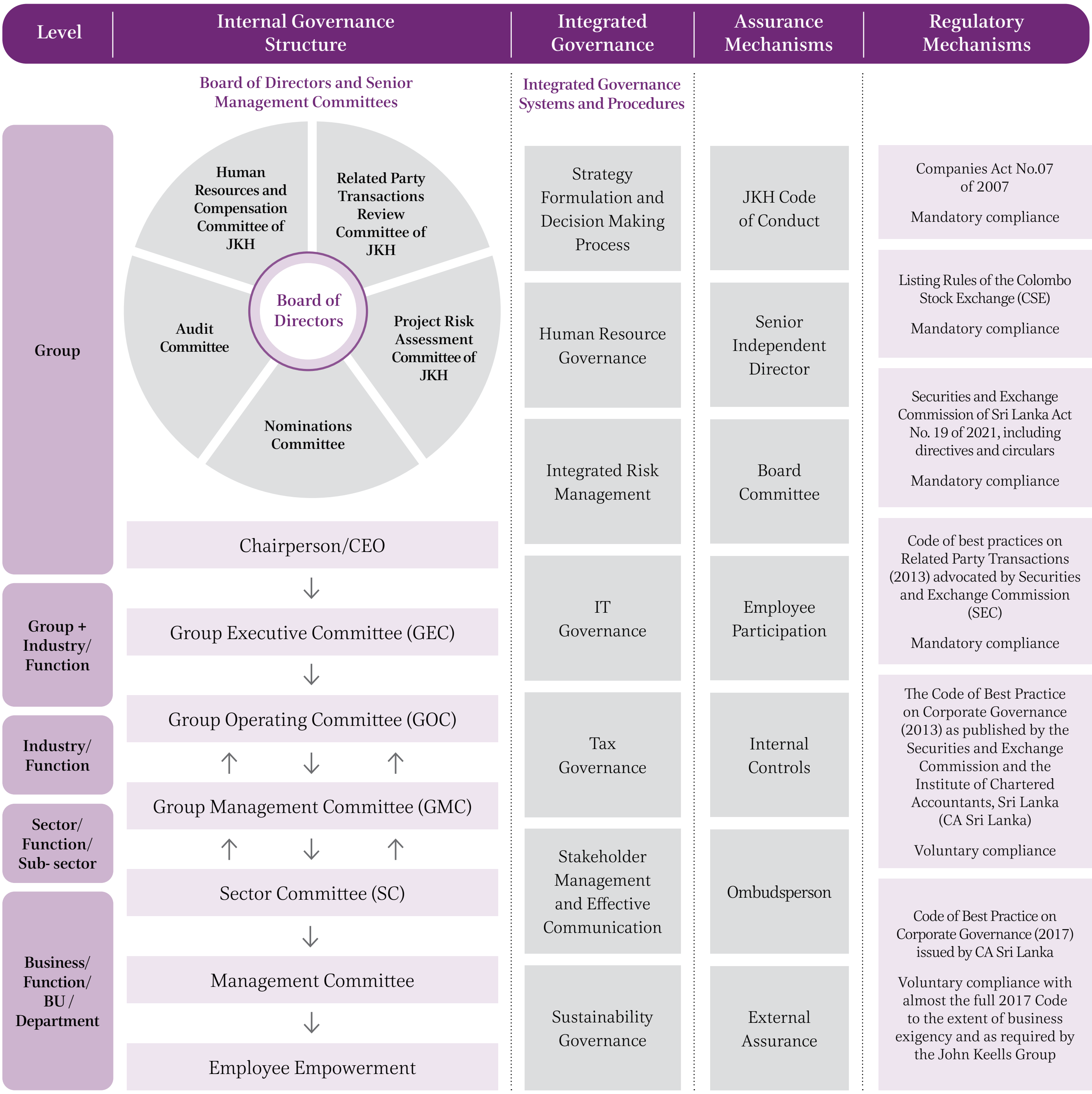
Above policies of the Group are followed by all employees of the Company and its subsidiary.

PRINCIPLES OF CORPORATE GOVERNANCE

- Allegiance to the Group values.
- Compliance with applicable laws, rules and regulations.
- Conducting business in an ethical manner, in line with acceptable business practices.
- Exercise professionalism and integrity in all business and ‘public’ personal transactions.
- Ensuring that no one person has unfettered powers of decision making.
- Opting for the early adoption of accounting standards and best practices of governance, when practical.
- Encouraging proactive discussions with the relevant regulatory bodies to facilitate the implementation of matters of governance and other business reforms in Sri Lanka.
- Making business decisions and resource allocations in an efficient and timely manner, within a framework that ensures transparent and ethical dealings, which adhere to the laws of the country and the standards of governance that stakeholders expect from the Company.

THE CORPORATE GOVERNANCE SYSTEM

The regulatory frameworks based on the foundational principles of accountability, participation, integrity and transparency are regularly reviewed to reflect global best practices, evolving regulations, and dynamic stakeholder needs. The Company's governance structure and policies are in conformity with the Parent Company. The Parent Company's governance structure and policies are as depicted in the diagram.



› Except the Audit Committee and Nominations Committee, the other three (3) Boards Sub-Committees of JKH act on behalf of Asian Hotels and Properties PLC and are chaired by Independent Directors appointed by the JKH Board.

Corporate Governance

BOARD OF DIRECTORS

Roles and Responsibilities

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

Board's Primary Governance Roles and Responsibilities

Steers and Sets Strategic Direction

- Approves strategy. Focuses on high environmental, social and governance standards

Approves Policy and Capital Planning

- Gives effect to strategy, sets direction, resource allocation and risk appetite

Overlooks and Monitors

- Implementation by Management

Ensures Accountability

- For organisational performance through reporting, disclosure and engagement

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

- Providing direction and guidance to the Company in the formulation of sustainable, high-level, medium, and long-term strategies which are aimed at promoting the long-term success of the Company.
- Tracking actual progress against plans.
- Ensuring business is conducted with due consideration to ESG factors.
- Reviewing HR processes with emphasis on senior management succession planning, including diversity, equity and inclusion (DE&I) strategy.
- Ensuring operations are carried within the scope of the Enterprise Risk Management framework.
- Reviewing the performance of the senior management.
- Monitoring systems of governance and compliance, including concerns on ethics, bribery and corruption.
- Overseeing systems of internal control, risk management and establishing whistle-blowing conduits.
- Determining any changes to the discretions/authorities delegated from the Board to the executive levels.

Chairperson

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

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

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

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

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

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

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

- The efficient management of all businesses of the Hotel and its subsidiary
- That the operating model is aligned with the short and long-term strategies of Cinnamon Hotels and Resorts
- Succession planning in respect of the senior management levels of the Hotel and its subsidiary

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

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:

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

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 Chairperson, 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.

Retirements and re-appointments during the year

Mr. J.G.A. Cooray, who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as a Director of the Company.

Mr. J. Durairatnam, who retired in terms of Article 84 of the Articles of Association of the Company, was re-elected as a Director of the Company.

Ms. A Nanayakkara, who retired in terms of Article 91 of the Articles of Association of the Company, was re-elected as a Director of the Company.

Induction and Training for Directors

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

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

Board Meetings, 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 :

- 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 Chairperson 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 2022/23 is given below:

Name of Director	28/04/2022	19/07/2022	26/10/2022	27/01/2023	Total
Mr. K. N. J. Balendra - Chairperson	✓	✓	✓	✓	4/4
Mr. J. G. A. Cooray	✓	✓	✓	✓	4/4
Mr. C. L. P. Gunawardane	✓	✓	✓	✓	4/4
Mr. S. Rajendra	×	✓	✓	✓	3/4
Mr. M. R. Svensson	✓	×	✓	✓	3/4
Mr. A. S. De Zoysa	✓	✓	✓	✓	4/4
Mr. J. Durairatnam	✓	✓	✓	✓	4/4
Ms. A. Nanayakkara	✓	✓	✓	✓	4/4

Access to Information and Resources

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

Board Agenda

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

Board Secretary

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

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

Time Dedicated by Non-Executive Directors

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

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

Maintaining Board Independence and Managing Conflicts of Interest

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

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

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

Prior to Appointment	Once Appointed	During Board Meetings
Nominees are requested to make known their various interests that could potentially conflict with the interest of the Company	Directors obtain Board clearance prior to; • Accepting a new position • Engaging in any transaction that could create or potentially create a conflict of interest • All NEDs are required to notify the Chairperson-CEO of any changes to their current Board representations or interests and a new declaration is made annually.	Directors who have an interest in a matter under discussion; • Excuse themselves from deliberations on the subject matter • Abstain from voting on the subject matter (abstention from decisions are duly minuted)

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

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

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

The Related Party Transactions Review Committee of the parent acts as the Related Party Transactions Review Committee of the Company and, considers all transactions that require approval, in line with the Company's Related Party Transactions Policy and in compliance with the applicable rules and regulations. The related party transactions are disclosed in note 30 to the financial statements. No Non-Executive Independent Director has a conflict of interest as per the criteria for independence outlined above.

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.

Corporate Governance

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.

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

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.

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. Additionally, the Project Risk Assessment Committee of JKH also functions as the Project Risk Assessment Committee of the AHP.

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

John Keells Holdings PLC (Parent Company)
Human Resources and Compensation Committee Related Party Transactions Review Committee Project Risk Assessment Committee

Asian Hotels and Properties PLC
Audit Committee Nominations Committee

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 an Associate member of the Chartered Institute of Management Accountants (CIMA), UK.

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.
- Review the adequacy and effectiveness of the internal audit arrangements.

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.

Attendance

Name of the member	22/04/2022	18/07/2022	20/10/2022	23/01/2023	Total
Ms. A. Nanayakkara - Chairperson	✓	✓	✓	✓	4/4
Mr. A.S. De Zoysa	✓	✓	✓	✓	4/4
Mr. J. Durairatnam	✓	✓	✓	✓	4/4

Report of the Human Resources and Compensation Committee

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

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

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

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

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

A. Cabraal

D.A. Cabraal

Chairperson of the Human Resources and Compensation Committee

22 May 2023

Committee Meeting Dates and attendance

Name	01/07/2022	12/12/2022*	Eligible to attend	Attended
Mr. D.A. Cabraal - Chairperson	✓	✓	2	2
Dr. S.S.H. Wijayasuriya	✓	✓	2	2
Mr. A. Omar**	N/A	N/A	N/A	N/A
Mr. N. Fonseka***	✓	✓	2	2
By Invitation				
Mr. K.N.J. Balendra	✓	✓	2	2
Mr. J.G.A. Cooray	✓	✓	2	2
Ms. P. Perera	N/A	✓	1	1

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

** Resigned w.e.f. 27 June 2022

*** Appointed w.e.f 27 June 2022

Report of the Nominations Committee

Composition

The Nominations Committee of the Company as at 31 March 2023, consisted of the following members:
Mr. J. Durairatnam (INED*) – Chairperson
Mr. K.N.J. Balendra (NED*)
Mr. A.S. De Zoysa (INED*)

** INED-Independent Non-Executive Director*
*** NED-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 Directors 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 recommendations on matters referred to it by the respective Boards of the Company and its subsidiary.

During the reporting period, the Committee recommended the following appointments/re-appointments to the Board of Trans Asia Hotels PLC:-

- Ms. S.A. Atukorale (new appointment as an Independent Non-Executive Director); and
- Mr. N.L. Gooneratne (renewal of contract as an Independent Non-Executive Director).

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

J. Durairatnam
Chairperson of the Nominations Committee
22 May 2023

Committee Meeting Dates and attendance

Name	09.06.2022	Attended
Mr. J. Durairatnam - Chairperson	✓	1/1
Mr. K.N.J. Balendra	✓	1/1
Mr. A.S. De Zoysa	✓	1/1

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Composition	› The Chairperson shall be an Independent Non-Executive Director. › Members of the committee should be a combination of Non-Executive Directors and Independent Non-Executive Directors. › The composition may include Executive Directors at the option of the Listed Entity.
Scope	› The Group has broadened the scope of the Committee to include senior decision makers in the list of key management personnel, whose transactions with Group companies also get reviewed by the Committee, in addition to the requisitions of the CSE. › Develop, and recommend for adoption by the Board of Directors of JKH and its listed subsidiaries, a Related Party Transaction Policy which is consistent with the operating model and the delegated decision rights of the Group. › Update the Board on related party transactions of each of the listed companies of the Group on a quarterly basis. › Define and establish the threshold values for each of the subject listed companies in setting a benchmark for related party transactions, related party transactions which have to be pre-approved by the Board, related party transactions which require to be reviewed annually and similar issues relating to listed companies.

Report of the Related Party Transactions Review Committee

Composition

The following Directors served as members of the Committee during the financial year:
Ms. P. Perera - Chairperson
Mr. N. Fonseka
Mr. D.A. Cabraal

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

Objective and Governing Policies

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

Procedure

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

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

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

The Committee advocated the Management to implement appropriate procedures to ensure that all non-recurrent RPTs of the Group's listed entities are submitted to the Committee, for pre-approval. Accordingly, the Committee reviewed and pre-approved all proposed non-recurrent Related Party Transactions (RPTs) of the parent, John Keells Holdings PLC, and all its listed subsidiaries, namely: Asian Hotels and Properties PLC, Ceylon Cold Stores PLC, John Keells PLC, John Keells Hotels PLC, Keells Food Products PLC, Tea Smallholder Factories PLC, Trans Asia Hotels PLC and Union Assurance PLC.

Recurrent RPTs of listed entities:

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

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

Other significant transactions of non-listed subsidiaries:

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

The 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. P. Perera

Chairperson of the Related Party Transactions Review Committee
22 May 2023

Committee Meeting Dates and attendance

Name	19/05/2022	25/07/2022	03/11/2022	30/01/2023	Eligible to attend	Attended
Ms. P. Perera - Chairperson	✓	✓	✓	✓	4	4
Mr. N. Fonseka	✓	✓	✓	✓	4	4
Mr. D.A. Cabraal	✓	✓	✓	✓	4	4
By Invitation						
Mr. K.N.J Balendra	✓	✓	✓	✓	4	4
Mr. J.G.A. Cooray	✓	✓	✓	✓	4	4

PROJECT RISK ASSESSMENT COMMITTEE

Composition	› Should comprise of a minimum of four Directors. › Must include the Chairperson-CEO and Group Finance Director. › Must include two Non-Executive Directors. › The Chairperson must be a Non-Executive Director.
Scope	› Review and assess risks associated with large-scale investments and the mitigatory plans thereto, if mitigation is possible, and identify risks that cannot be mitigated. › Ensure stakeholder interests are aligned, as applicable, in making this investment decision. › Where appropriate, obtain specialised expertise from external sources to evaluate risks, in consultation with the Group Finance Director. › 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 Group Risk Matrix for monitoring and mitigation.

*No meetings were held during the year 2022/23 as the committee is required to convene only when there is a need, as per terms of its mandate

Report of the Project Risk Assessment Committee

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

Dr. S.S.H. Wijayasuriya - Chairperson

Mr. K.N.J. Balendra

Mr. J.G.A. Cooray

Ms. P. Perera

The Project Risk Assessment Committee was established with the purpose of further augmenting the Group's Investment Evaluation Framework. The Committee provides the Board with enhanced illumination of Risk perspectives with respect to large scale new investments, and also assists the Board in assessing the potential impact of risks associated with such investments. Investments which are referred to the Committee are those which exceed a board-agreed threshold in terms of quantum of investment and/or potential impact to the Group. The Committee accordingly provides early-stage recommendations to the Board with respect to the extent of risk and adequacy of mitigation strategies.
Given the extenuating impact of Sri Lanka's macroeconomic crisis on Group businesses and the trailing impacts of the pandemic on specific sectors; Board discussions took place at a higher frequency, affording the opportunity for matters pertaining to Group investments and risk assessments to be deliberated by the full Board. The Project Risk Assessment Committee did not meet during the financial year 2022/23.

Dr. S.S.H. Wijayasuriya

Chairperson of the Project Risk Assessment Committee

22 May 2023

INTEGRATED GOVERNANCE SYSTEMS AND PROCEDURES

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

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

a. Strategy formulation and decision-making processes

Strategy Mapping

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

This exercise entails the following key aspects, among others.

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

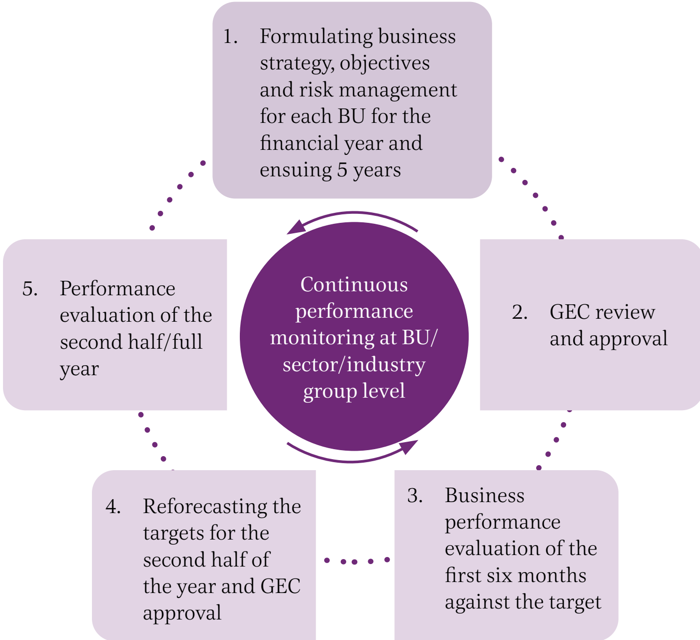
The strategies of the various business units, operating in diverse industries and markets, will always revolve around the JKH group strategy, while considering their domain specific factors. The prime focus always is to enhance value for all stakeholders. The JKH Group's investment appraisal methodology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

Corporate Governance

In this manner:

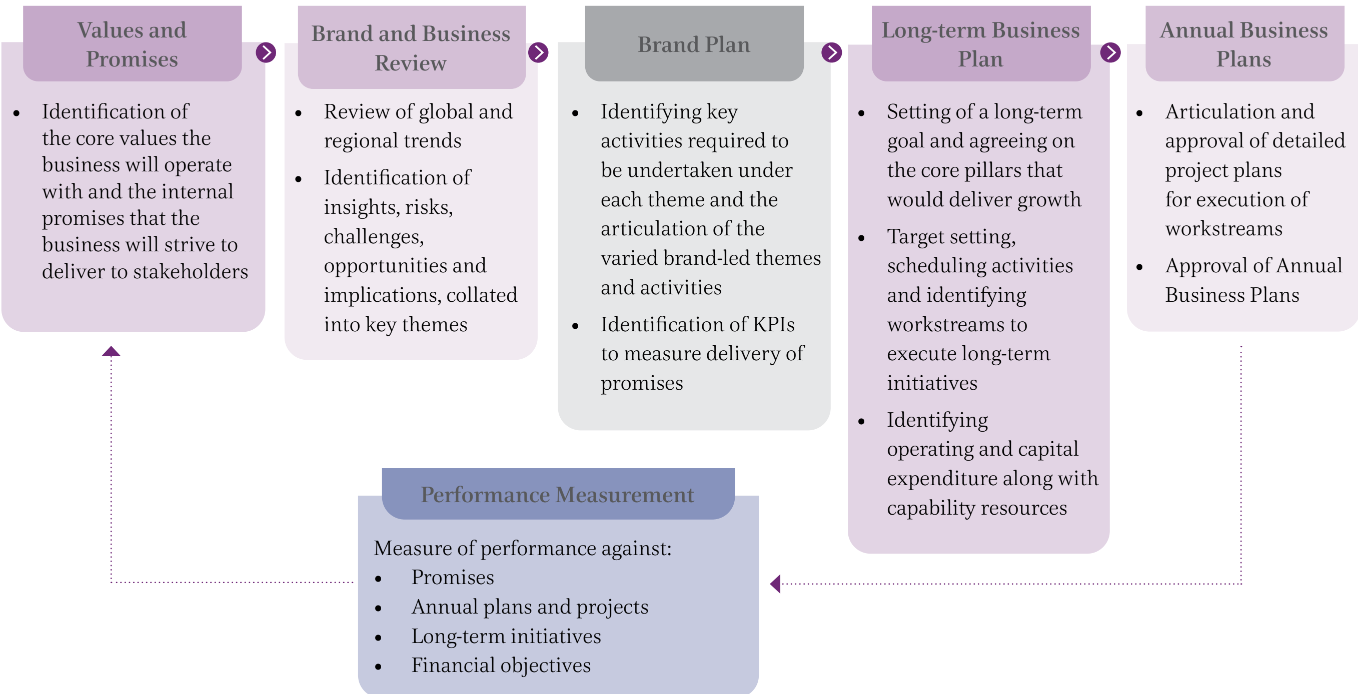
- Several views, opinions and advice are obtained prior to making an investment decision including carrying out sensitivity analysis
- A holistic view is taken on the commercial viability and potential of any project, including operational, financial, funding, legal, risk, sustainability, and tax implications.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

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



Medium-term Strategy

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



Project Approval Process

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

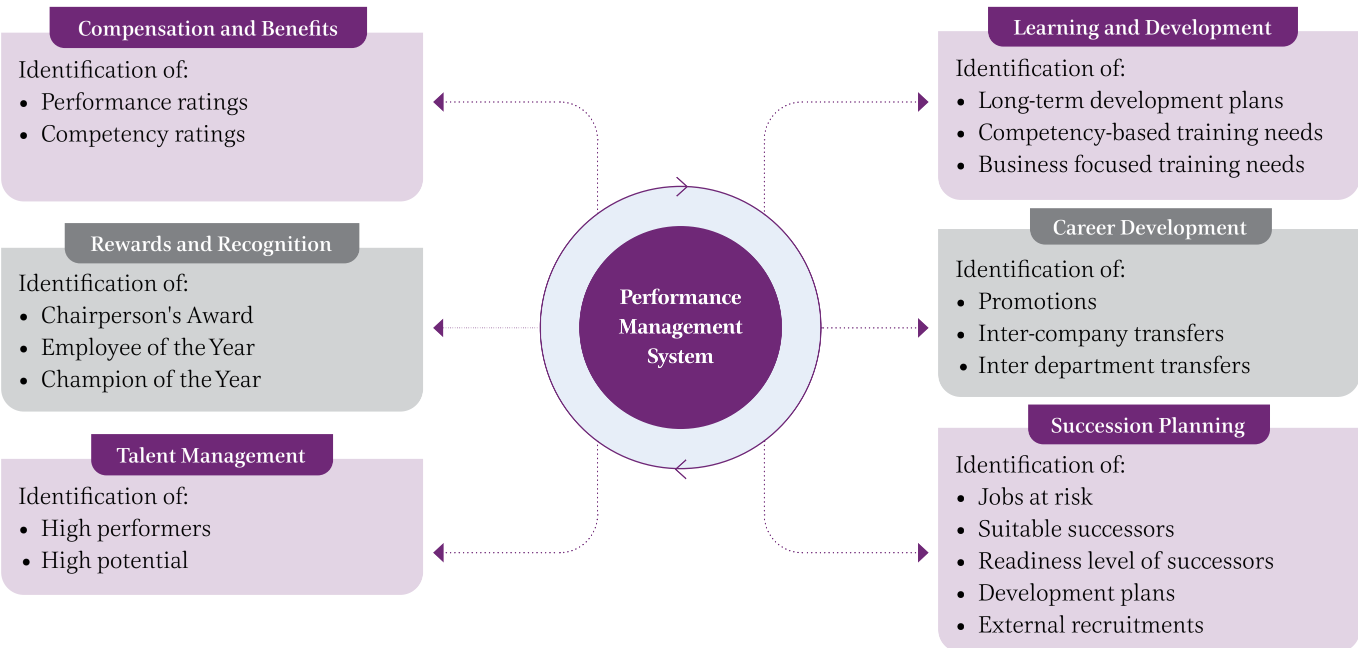
b. Human Resource Governance

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

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

Performance Management

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



Performance based Compensation Policy

The JKH Group Compensation Policy adopted by the Company and its subsidiary is as follows:

Performance Management

'Pay for performance'
Greater prominence is given to the incentive component of the total target compensation.

Satisfaction

'More than just a workplace'
Continuously focuses on creating a sound work environment covering all aspects of employee satisfaction.

Compensation Policy

- Compensation comprises of fixed (base) payments, short-term incentives and long-term incentives.
- Higher the authority levels within the Group, higher the incentive component as a percentage of total pay.
- Greater the decision influencing capability of a role, higher the weight given to organisational performance as opposed to individual performance.
- Long-term incentives are in the form of Employee Share Options and cash payments.

Internal Equity

- Remuneration policy is built upon the premise of ensuring equal pay for equal roles.
- Manager and above level roles are banded using the Mercer methodology for job evaluation, on the basis of the relative worth of jobs.

External Equity

- Fixed compensation is set at competitive levels using the median, 65th percentile and 75th percentile of the best comparator set of companies (from Sri Lanka and the region, as relevant) as a guide.
- Regular surveys are done to ensure that employees are not under/over compensated.

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

Employee Share Option Plan

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

c. Integrated Risk Management

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

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

- Integrating and aligning activities and processes related to planning, policies/ procedures, culture, competency, internal audit, financial management, monitoring and reporting with risk management.
- Supporting executives/managers in moving the organisation forward in a cohesive integrated and aligned manner to improve performance, while operating effectively, efficiently, ethically and legally within the established limits for risk taking. The risk management programmes have allowed greater visibility and understanding of risk appetites. Enabled by the automated risk management platform, key management personnel have virtual visibility of the risks, as relevant, while the Board has visibility of all Group risks.

The Board, GEC and Group Management Committees, oversee risk management across the Group to ensure that risks are brought within tolerance, managed and/or mitigated. Please refer the Risk Management Report on page 48 and Notes to the financial statements.

d. Information Technology (IT) Governance

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

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

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

Digital Oversight and Cyber Security

The rapidly advancing nature of technology and the continual integration of the Group's operations with technological progress has resulted in increased vulnerability for the Group from a digital standpoint. As a result, the Board places significant emphasis on ensuring that the Group's soft and hard infrastructure is designed in a manner, and 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 Group, particularly given restrictions in movement and social distancing measures due to the COVID-19 pandemic. The Group witnessed an acceleration of digitisation and better user adoption. Despite this, adoption of such systems and features remain at a relatively early stage across the Group and is a key focus area for the Group. Given the emergence of regulations such as European Union General Data Protection Regulation (GDPR) and the Data Protection Act of No. 09 of 2022 of Sri Lanka, data security, integrity and information management will be pivotal. In addition to this, the Group's initiatives on advanced data analytics also necessitate an established governance framework to manage the flow of data.

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

e. Tax Governance

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

Governance Structure

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

Policy and Strategy

Ensure:

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

Role

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

Review and Monitoring

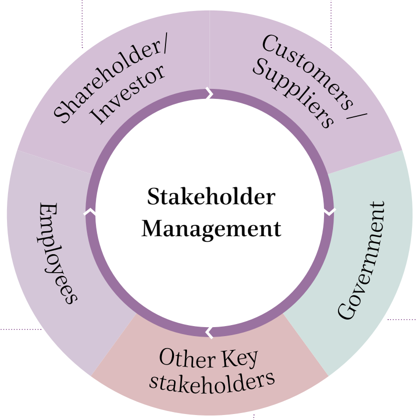
1. Leverage on digital platforms to support, record and report on tax compliance status across the Company and its subsidiary.
2. Periodic updates to the Board of Directors on various tax matters (quarterly at minimum).

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

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

f. Stakeholder Management and Effective Communications

The JKH Group's key stakeholder management methodologies adopted by the Company and its subsidiary is shown below.



Shareholder/Investor

- Presence of an investor relations team
- Social media presence
- Prompt release of information to public/CSE
- Effective communication of AGM related matters
- Measures in place in case of serious loss of capital

Customers / Suppliers

- Providing of quality and safe products
- Constant engagement with customers
- Procedures to ensure long-term business relationships with suppliers

Government

- Transactions in compliance with all relevant laws and regulations, transparently and ethically
- Zero tolerance policy in ensuring that all business units meet their statutory obligations in time and in full

Other Key stakeholders

- Provision of formal and sometimes informal, access to other key stakeholders

Employees

- Accessibility to all levels of the management
- Various means for employee involvement
- Corporate Communications
- JK Forum
- Young Forum
- John Keells Employee Self Service (JESS)
- HIVE
- Staff Volunteerism

Communication with Shareholders

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

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

Release of Information to the Public and CSE

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

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

Constructive use of the Annual General Meeting (AGM)

The AGM is the main mechanism for the Board to interact with and account to shareholders and affords an opportunity for shareholders' views to be heard. At the AGM, the Board provides an update to shareholders on the Company's performance and shareholders may ask questions clarifying matters prior to voting on resolutions. It is the key forum for shareholders to engage in decision making matters reserved for the shareholders which include proposals to adopt the Annual Report and Accounts, appoint Directors and Auditors and other matters requiring special resolutions as defined in the Articles of Association or the Companies Act. The Chairperson ensures the Chairperson of the Audit Committee, Board members, key management personnel and External Auditors, are present to respond to queries that may be raised by the shareholders.

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

Serious Loss of Capital

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

g. Sustainability Governance

The Company and its subsidiary 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 Company and its subsidiary. As such, sustainability principles are embedded in the Company business strategy and endorsed throughout its operations.

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

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

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

Human Rights

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

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

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

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

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

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

- The Group introduced 100 days of equal parental leave at the birth or adoption of a child. In this regard, while the Group will continue to offer 100 days of maternity leave on the birth or adoption of a child, the five-days of paternity leave was enhanced to 100 days, ensuring equity, and recognising the importance of both parents' roles in early childcare.
- The Group also adopted gender-neutral terminology with the objective of avoiding word choices which may be interpreted as biased, discriminatory or demeaning and with the intention of being inclusive of gender non-binary persons.
- As a first step to developing a focused strategy around increasing career opportunities for persons with disabilities (PWDs), a tri-lingual survey to understand the needs and perceptions of PWDs was launched. This was one aspect of a structured phased-out roadmap, which includes identifying roles across the Group that can provide opportunities for PWDs with reasonable accommodation, the appointment of supported employment officers, and conducting job mapping and awareness sessions by industry experts.

John Keells Group's Anti-Corruption Policy

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

JKH places the highest value on ethical practices and has promulgated a zero-tolerance policy towards corruption and bribery in all its transactions. JKH strives to maintain a culture of honesty and opposition to fraud and corruption. Based on this commitment, the Code of Conduct, anti-fraud, fraud prevention, anti-corruption, anti-bribery, validation and audit policies of JKH outline the principles to which we are committed in relation to preventing, reporting and managing fraud and corruption. It covers inter alia, theft, embezzlement, overriding controls, giving or receiving kickbacks, bribery, allowing oneself to be placed in situations of conflict of interest and statements (financial or non-financial) dishonestly and recklessly made contrary to the factual position. The Company also has a process to ensure compliance with the laws and regulations of the countries it operates in, including anti-corruption and anti-bribery laws. The evaluation of the risk of corruption as part of its risk management process has been put in place and mitigation measures to reduce such risks has been addressed in the Risk Management report on page 48 of the Annual Report.

JKH seeks to ensure that ethical business practices are the norm from the business unit level, down to the individual employee. Its transparent control and prevention mechanisms also extend to its value chain, to its customers, suppliers and business partners. At the employee level, every employee and director are required to comply with Company policies, including the Code of Conduct. The Company and Cinnamon Hotels and Resorts Leadership spearheads the implementation of the Code. Further, Directors and all employees of the Company and its subsidiary is given training on JKH Group Policy on Anti- Corruption.

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

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

Policies

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

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

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

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

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

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

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

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

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

ASSURANCE MECHANISMS

Code of Conduct

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

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

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

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

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

Corporate Values

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

Employee Participation in Assurance

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

Internal Controls

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

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

JKH Group Code of Conduct

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

Employee Communication Channels

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

Ombudsperson & Grievance Mechanisms

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

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

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

i. the decision and the recommendations;

ii. action taken based on the recommendations;

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

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

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

Mandate and Role

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

(a) legal and ethical violations of the Code of Conduct for employees, but in an appellate capacity, when a satisfactory outcome using existing procedures and processes has not resulted or when the matter has been inadequately dealt with;

(b) violations referred to above by individuals at the Executive Vice President, President and Executive Director levels, including that of the Chairperson-CEO, in which case the complainant has the option of either complaining to the Ombudsperson in the first instance, or first exhausting the internal remedies;

(c) sexual harassment, in which event the complainant has the option of either complaining to the Ombudsperson in the first instance or first exhausting the internal remedies.

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

Corporate Governance

Whistle-blower Policy

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

Internal Audit

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

THE NEW INTERNAL AUDIT APPROACH

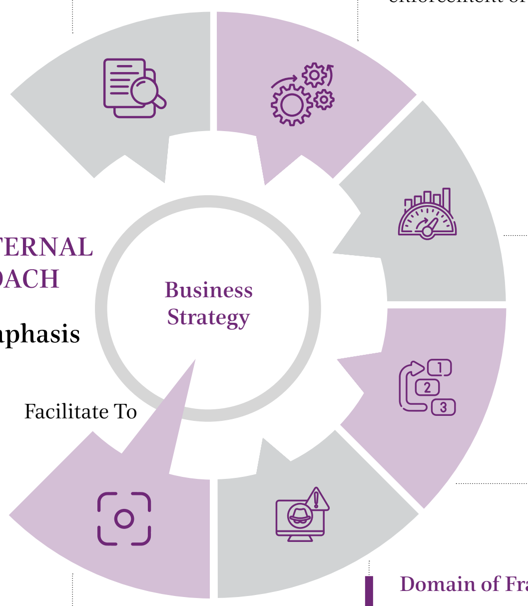
Continuous emphasis on context

Use Case (Qualified scenario/s): Planned/Existing events

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

Degree of Process/Systems alignment (Functional + Controls + SoD)

Bottom-up evaluation : determine how well process controls are enforced by the system(s) in use, identify opportunities for process automation and optimising enforcement of segregation of duties (SoD) to enhance efficiencies.



Benchmarking: Assessing suitability of processes

Top-down assessment: efficacy of the design and placement of process/functional controls are validated/verified and benchmarked with contextually relevant best practices

Resulting transaction trails

Transactions resulting from events are scrutinised, anomalies identified, and root cause (contributory effect of Process, Systems, People), and its potential impact to the business are prioritised for further deliberation

Domain of Frauds

Disclosure of a qualified list of frauds that the process is assessed for its susceptibility and is based on authoritative sources such as ACFE (Association of Certified Fraud Examiners), and amongst others, global knowledge resources of audit firms

Focused interventions

Prompt active engagement based on prioritised remediation for identified opportunities for continuous improvement of existing processes, systems, standard operating procedures and practices

External Audit

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

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

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

Compliance

The Directors are conscious of their duty to comply with the laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business of the Group. The Board receives Compliance Statements from the President – Leisure confirming compliance with regulatory requirements each quarter in accordance with its commitment to regulatory compliance. The Group is compliant with all relevant legal and statutory requirements. Any litigations currently pending if any, have been disclosed under the Annual Report of the Board of Directors on page 65 of this Report.

APPENDIX I- STATEMENT OF COMPLIANCE UNDER SECTION 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (CSE) ON ANNUAL REPORT DISCLOSURE

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the Report)
(i)	Names of persons who were Directors of the Entity during the financial year	Yes	Profiles of Directors - Page 9 and 10
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	Annual Report of the Board of Directors - Page 65 to 72
(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	Yes	Information to Shareholders and Investors - Page 135 and 136
(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. The public holding percentage in respect of non- voting Shares (where applicable)	Yes	Information to Shareholders and Investors - Page 135 and 136
(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	Yes	Annual Report of the Board of Directors - Page 65 to 72
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Yes	Risk and Opportunities Report - Page 48 to 54
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Yes	During the year 2022/2023, 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	Yes	Notes to the Financial Statements - Page 88 to 132

Corporate Governance

Rule		Compliance Status	Reference (within the Report)
(ix)	Number of shares representing the Entity's stated capital	Yes	Notes to the Financial Statements - Page 88 to 132
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes	Information to Shareholders and Investors - Page 135 and 136
(xi)	Financial ratios and market price information	Yes	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	Yes	Notes to the Financial Statements - Page 88 to 132
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Yes	Information to Shareholders and Investors - Page 135 and 136
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Yes	Notes to the Financial Statements - Page 88 to 132
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Yes	Corporate Governance - Page 11 to 47
(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	Yes	Notes to the Financial Statements - Page 88 to 132

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.

CSE Rule		Compliance Status	Company Action/Reference (within the Report)
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 and Non 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 appointed 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 Chairperson of the Committee by the Board of Directors	Yes	The Senior Independent NED is the Chairperson of the Committee.
b.	Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors	Yes	The remuneration of the Chairperson-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
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 Chairperson of the committee	Yes	The Chairperson of the Audit Committee is an Independent NED.
a.3	CEO and CFO should attend AC meetings unless otherwise determined by AC	Yes	The President - Property Group of John Keells Holdings PLC, 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 Chairperson of the AC or one member should be a member of a recognised professional accounting body	Yes	The Chairperson of the AC is a member of a recognised professional accounting body.

Corporate Governance

CSE Rule		Compliance Status	Company Action/Reference (within the Report)
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, the adoption of best accounting policies

CSE Rule		Compliance Status	Company Action/Reference (within the Report)
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 and manner of compliance of Company in relation to the above.	Yes	Refer Report of the Audit Committee.

CSE Rule		Compliance Status	Company Action/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 of the Company or subsidiaries or classes of business in which it has an interest together with any change thereto	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
168 (2)	Information specified in paragraphs (b) to (j) of subsection (1) in relation to Subsidiaries.	Yes	Financial Statements/Annual Report of the Board of Directors

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

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

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)

Corporate Governance

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

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	› 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: 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. › fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.	Yes	Corporate Governance
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

Code Ref.	Subject	Applicable Requirement Status	Compliance status	Applicable Section in the Annual Report
A.1.5	Independent judgement	Directors should exercise independent judgment on issues of strategy, resources, performance (including key appointments) and standards of business judgement	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 performduties	Yes	Corporate Governance
A.2 Chairperson and Chief Executive Officer				
A.2.1	Justification for combining the roles of the Chairperson and the CEO	A balance of power and authority to be maintained by separating responsibility for conducting Board business from that of executive decision making	N/A	N/A
A.3 Chairperson's Role				
A.3.1	Ensure good corporate governance	Chairperson to preserve order and facilitate effective discharge of Board functions by proper conduct of Board proceedings and meetings including ensuring: The effective participation of both EDS and NEDS; › 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
A.5 Balance Board				
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

Corporate Governance

Code Ref.	Subject	Applicable Requirement Status	Compliance status	Applicable Section in the Annual Report
A.5.3	Definition of Independence	Independent Directors should be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement	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. If an alternate Director is appointed by an Independent Director, such alternate Director should meet the criteria of independence.	N/A	N/A
A.5.7	Appointment of Senior Independent Director (SID)	If the roles of Chairman/CEO are combined, an Independent 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	Corporate Governance
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	Corporate Governance
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	Corporate Governance
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	Corporate Governance
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	Corporate Governance
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	Corporate Governance
A.9 Appraisal of Board Performance				
A.9.1	Annual appraisal of	The Board should annually appraise how effectively it has discharged its key responsibilities	Yes	Corporate Governance
A.9.2	Board performance	The Board should evaluate its performance and that of its committees annually	Yes	Corporate Governance
A.9.3	Self evaluation of the Board	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	Director's Profiles
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	Evaluation	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 Chairperson 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 Chairperson and/or CEO on proposals on remuneration	Remuneration Committee should consult the Chairperson about its proposals relating to the remuneration of other Executive Directors and should have access to professional advice in order to determine appropriate remuneration for Executive Directors	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 7 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 Chairperson's of Committees at AGM	The Chairperson of Board should arrange for the Chairperson 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	Chanel 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 30 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	Yes	Financial Statements
D.1.2	Directors' Report	The Directors' Report should be included in the Annual Report and confirm that, 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

Corporate Governance

Code Ref.	Subject	Applicable Requirement Status	Compliance status	Applicable Section in the Annual Report
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
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	Corporate Governance
D.1.7	Related Party Transactions	Disclosure of Related Party Transactions.	Yes	Note 30 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	Corporate Governance
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	Chairperson and Composition of Audit Committee	Should comprise a minimum of two NED/IDs. Audit Committee Chairperson should be appointed by the Board.	Yes	Corporate Governance
D.3.2	Duties of Audit Committee	Audit Committee should include keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors. Where the Auditors also supply a substantial volume of non-audit services to the Company, the Committee should keep the nature and extent of such services under review, seeking to balance objectivity, independence and value for money	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

Code Ref.	Subject	Applicable Requirement Status	Compliance status	Applicable Section in the Annual Report
D.3.4	Disclosure	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
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	Chairperson's affirmation	The Annual Report must include an affirmation by the Chairperson that he is not aware of any violation of the provision of the Code of Conduct.	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 Chairperson	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 MANAGEMENT

The year under review proved to be yet another challenging year with a number of risks and challenges resulting from instability in the macroeconomic environment. The report details the comprehensive Risk Management Process. The Risk Management Process aims to identify and provide solutions to both internal and external risks ensuring the Group emerges resilient safeguarding its interests as well as all stakeholders' interests

Risk Management Strategy

Asian Hotels & Properties PLC has taken a holistic approach in its risk management strategy which is aligned with its sustainability management framework and integrates identification, management and mitigation of risk. The risk management strategy also extends to incorporating non-financial risks such as environmental, community, employee and value chain in addition to operational and financial risks, ensuring productive engagement with both internal and external stakeholders.

Elements of Risk Management Framework

Risk Management Process

- The risk management process includes detailed evaluation of financial and operational risks
- The review of risks which could arise from Environmental, Social and Governance (ESG)
- John Keells Group Enterprise Risk Management (ERM) division ensures alignment with the John Keels Holdings PLC (Parent) Risk Management policies through reviews, assessments and guidance
- An online Enterprise Risk and Incident Management platform is used for the risk management process

Risk Governance

- The Business Unit oversees the ERM process and reviews risk assessment
- Risk assessment is conducted bi-annually
- The Board is assisted by the Audit Committee, which oversees risk and internal control matters
- The John Keells Group Business Process Review (BPR) Division together with the outsourced Internal Auditors supports the Audit Committee in discharging its duties

Principal Risks

- The Company takes measures to address significant risks that impact the strategic business objectives of the Company

Our Risk Management Structure & Processes

Risk Governance Structure, Roles & Responsibilities

Building a Culture of Risk Awareness

Strategic Business Unit

Responsible for Identifying, Measuring, Monitoring and Managing Risk

Preparation of Risk & Control Self Assessment (RCSA)

John Keells Group Enterprise Risk Management function

Strategic Business Unit (SBU)

Review and Constructive Challenge of RCSA

Board

Review by Respective Audit Committees

Review by Respective Boards

Risk Management Process

Risk Identification by SBUs

Evaluate Business Implications

Asses Business Impact and Likelihood of Occurrence

Assess Risk Velocity

Implement Detective Controls to Monitor Risk

Implement Preventive and Corrective Measures to Manage Risk

The Enterprise Risk Management Framework adopted by the John Keells Group and implemented by Asian Hotels & Properties PLC involves the following steps:

Identification of Types of Risk

Establishment of a Risk Register with Likelihood of Occurrence and Severity of Impact

Establishment of Level of Risk Based on the values assigned for each individual risk

RISK MANAGEMENT

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

1. Identification of Types of Risk
   - Common Risks - Common Risks are those risks which commonly appear on the risk grids of several companies of the John Keells Group.
   - Business Specific Risks - Business Specific Risks are defined as those risks which are applicable only to an individual line of business.
   - Core Risks - Core Sustainability Risks are defined as those risks having a catastrophic impact to and from the Organisation, but may have a very low or nil probability of occurrence. These are risks that threaten the sustainability or long term viability of a business.
2. Establishment of a Risk Register with Likelihood of Occurrence and Severity of Impact. Using Group guidelines, a risk grid is established for the Company. Every risk is analysed in terms of Likelihood of Occurrence and Severity of Impact and assigned a score ranging from 1 (low probability/impact) to 5 (high probability/impact) to signify the probability of occurrence and the level of impact to the organisation. Please see Risk Matrix for further details.

3. Establishment of Level of Risk Based on the values assigned for each individual risk, using the matrix given in table below. The level of risk is established by multiplying the Likelihood of Occurrence with Severity of Impact.

Risk Matrix

The Risk Matrix is essential in the Establishment of a Risk Register. A risk grid has been established using Group guidelines and each risk is analysed in terms of Likelihood of Occurrence and Severity of Impact. A score of 1-5 is assigned to each risk with 1 indicating low probability/impact, and 5 indicating high probability/impact.

Rating Descriptor

Insignificant | Low | Medium | High | Ultra-High

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

Occurrence/ Likelihood

The Colour Matrix implies the following;

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

RISK MANAGEMENT STRATEGY

The Company's risk management strategy is integrated with its sustainability management framework, enabling a holistic approach towards the identification, management and mitigation of risk. Risk Management therefore extends beyond managing the operational and financial risks faced by the Company, to incorporate broader environmental, community, employee, value chain and other non-financial risks related to the triple bottom-line approach of the Company, providing a foundation for productive engagements with internal and external stakeholders.

PRINCIPAL RISKS - 2022/23

The significant risk areas that impact the achievement of the strategic business objectives of the Company and the measures taken to address these risks are discussed below.

Risk factor	Potential impact	Mitigating actions
1. Business Risk		
Description		
Increased competitiveness in the industry. Impact: High Likelihood: Likely to occur Assessment: High	• Loss of market share • Increased price competition • Decrease in revenue. • Increased Cost	• Continuous monitoring of competitors. • Adaptation of competitive pricing strategies • Enhancement of product offerings/ Refurbishments • Retention of talent • Training and development of staff
2. 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. Impact: High Likelihood: Likely to occur Assessment: High	• Challenges in maintaining service quality and deliverability of services. • Increased costs associated with new recruitments. • Impact on competitive edge and brand loyalty	• Ongoing investment in talent and competency development • Strengthening rewards and benefit schemes. Periodic benchmarking is carried out against market remuneration packages. • Explore innovative recruitment and employment models such as part-time work and flexible work options to attract and retain non-traditional cohorts • Talent management and succession planning programmes for critical positions

RISK MANAGEMENT

Risk factor	Potential impact	Mitigating actions
3. Threat from Terrorism & Civil Unrest		
Description		
Risk of Instability, Ideology/extremism, Breakdown of Law and Order, Global terrorism. Impact: High Likelihood: Possible to occur Assessment: Medium	• Loss of revenue due to tourists choosing alternate travel destinations. • Hindrance to business continuity • Property damage • Loss of staff, guests, patrons	• Establishment of protocols as per the Business Continuity Plan (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.
4. Exchange Rate		
Description		
Impact on depreciation of the Rupee Impact: High Likelihood: Possible to occur Assessment: Medium	• Foreign exchange losses on foreign currency based transactions. • Increased cost	• 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
5. Interest rates		
Description		
Increased interest rates Impact: High Likelihood: Possible to occur Assessment: Medium	• Increased borrowing costs resulting from rising interest rates	• Constant monitoring of market interest rates and regular communication with Group Treasury on minimum lending rates • Prudent management of financial assets • Continuous negotiations with financial institutions • Renegotiation of credit periods and constant follow ups on outstanding debt
6. Supply chain issues and shortages		
Description		
Disruption to business due to fuel and Gas crisis. Impact: High Likelihood: Possible to occur Assessment: Medium	• 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.	• 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.

Risk factor	Potential impact	Mitigating actions
7. Guests/Staff Health and Safety		
Description		
Events that could have an adverse impact on the health and safety of guests and employees. Impact: High Likelihood: Possible to occur Assessment: Medium	• Disruption to business activities • Loss of revenue • Adverse brand reputation • Potential claims and litigation	• 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 fire fighting team and first-aid team • Guidelines for client excursions and adventures
8. 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. Impact: High Likelihood: Remote to occur Assessment: Low	• Potential loss of information assets of the Group • Impact on customer privacy in the event of a potential loss event	• 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
9. Financial Risks - Credit Risk & Liquidity Risk		
Description		
Risk of default by customers in settling their payments & potential liquidity constraints arising from operational losses Impact: High Likelihood: Remote to occur Assessment: Low	• Exposure and losses due to default of settlement by debtors. • Inability to meet financial commitments on due dates	• Constant monitoring and review of debtor balances with collection targets. • Adapt progressive action Regular review mechanisms in place to monitor the performance of the Company. • Credit policy and stringent controls are in place to mitigate the impact of default • Credit limits are reviewed on a regular basis of the business units

RISK MANAGEMENT

<table>
<tr><th>Risk factor</th><th>Potential impact</th><th>Mitigating actions</th></tr>
<tr><td colspan="3">10. Global Pandemic Outbreak</td></tr>
<tr><td colspan="3">Description</td></tr>
<tr><td>International travel restrictions and local travel restrictions
<table><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>Remote to occur</td></tr><tr><td>Assessment</td><td>Low</td></tr></table></td><td>Lower tourist arrivals places pressure on average room rates, squeezing margins and reducing profits</td><td>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.</td></tr>
<tr><td colspan="3">11. Natural Disaster and Fire</td></tr>
<tr><td colspan="3">Description</td></tr>
<tr><td>Risk of Tsunami/Cyclone/Flooding/Fire
<table><tr><td>Impact</td><td>Major</td></tr><tr><td>Likelihood</td><td>Unlikely to occur</td></tr><tr><td>Assessment</td><td>Low</td></tr></table></td><td>Loss of life, injury or destruction and damage to property</td><td>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</td></tr>
<tr><td colspan="3">12. Brand and Reputation Impact</td></tr>
<tr><td colspan="3">Description</td></tr>
<tr><td><table><tr><td>Impact</td><td>Major</td></tr><tr><td>Likelihood</td><td>Unlikely to occur</td></tr><tr><td>Assessment</td><td>Low</td></tr></table></td><td>Negative online guest comments
Food poisoning incidents</td><td>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</td></tr>
</table>

MANAGEMENT REPORTS

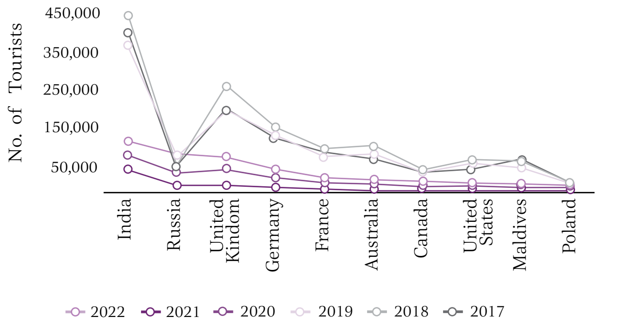
MANAGEMENT DISCUSSION & ANALYSIS

Macroeconomic Environment

Sri Lanka's economy was already showing signs of weakness before the COVID-19 pandemic. A restrictive trade regime, weak investment climate, episodes of loose monetary policy and an administered exchange rate contributed to external imbalances. Sustained fiscal disparities, driven primarily by low revenue collections, combined with tax cuts in 2019 contributed to high fiscal deficits, large gross financing needs, and a rapid growth in unsustainable debt.

In 2022, the Sri Lankan economy registered its deepest economic contraction since independence, mainly driven by the ripple effects of the unprecedented economic crisis amidst the domestic and global headwinds that reversed the post-pandemic recovery. GDP contracted by 7.8% in 2022, compared to the growth of 3.5% in 2021.

TOURIST ARRIVALS FROM MAIN SOURCE MARKETS 2017 TO 2022

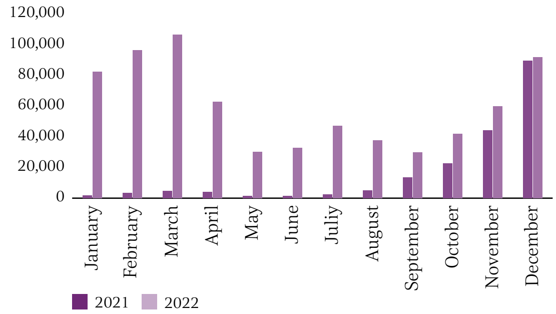


All key sectors contracted, amid shortages of inputs and supply chain disruptions. The agriculture sector contracted by 4.6% in 2022, compared to the last year, due to severe shortages in chemical fertiliser and other agrochemicals, increased cost of raw materials, as well as the disruptions of supply networks. The industry sector contracted notably by 16%, year-on-year, primarily due to the dampened performance of the construction and manufacturing subsectors amidst severe shortages in raw materials and input cost escalations. Despite the resilient performance in the services sector during the first quarter of 2022, supported by the gradual normalisation of services sector following the COVID-19 pandemic, economic headwinds that intensified thereafter, hindered a further expansion in the services sector, resulting in an overall contraction of 2%, year-on-year, in 2022.

Acute fuel shortages due to the dearth of foreign exchange caused a significant drag on with supply chains being hampered, prolonged power outages, scarcity of raw materials amidst import compression, and a surge in the cost of production. Further, significant upward revisions in major utility prices amidst soaring global energy prices and the depreciation of the exchange rate exacerbated the situation, while accelerated inflation and tax hikes affected the disposable income of households.

Year-on-year inflation reached an unprecedented 64.3 per cent in August 2022, due largely to high food inflation of 93.7 per cent.

TOURIST ARRIVALS BY MONTH - 2021 & 2022



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This reflects the impact of rising global commodity prices, monetisation of the fiscal deficit and currency depreciation. Between January and July 2022, the Central Bank raised policy rates by a cumulative 950 basis points to curb inflation.

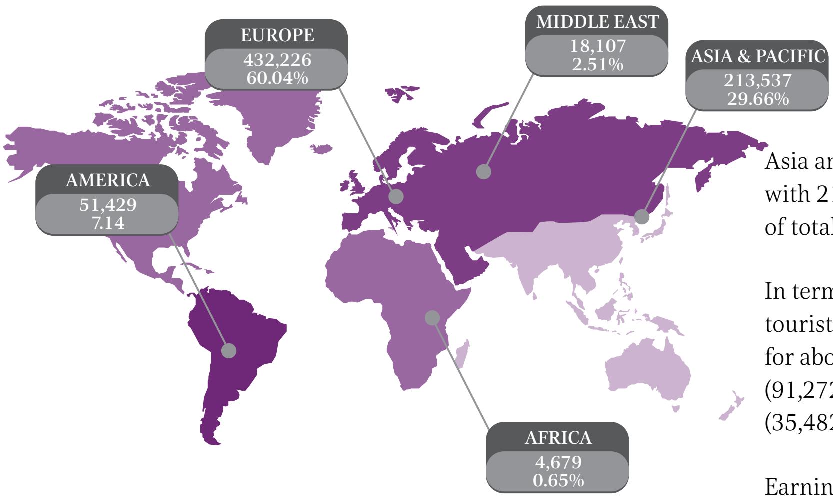
The ban on chemical fertilisers in 2021 and related impact on crop yields has also affected domestic food supplies, agriculture earnings and food security. Poorer households are hardest hit owing to food inflation, job losses, limited fertiliser supply and drop in remittances.

With declining remittances and limited tourism receipts, the current account deficit is expected to have widened in this period. Sri Lanka's central bank floated the Sri Lankan Rupee (LKR) in 2022 and returned to a managed float in May after the currency depreciated by about 78 per cent.

Despite mandatory repatriation and conversion rules, it has been challenging to bring export earnings and remittances to Sri Lanka through formal channels due to low market confidence.

[Source: World Bank/ADB/CBSL annual report]

SOURCE REGION OF TOURIST ARRIVALS TO SRI LANKA



TOURISM INDUSTRY OVERVIEW

Sri Lanka Tourism

Tourist arrivals, which started to gather momentum from late 2021, peaked in March 2022, before being hampered by heightened social tensions, shortage of fuel for domestic travel, and resultant negative publicity and travel advisories issued by major source markets. In addition to domestic factors, the outward travel ban in China also negatively impacted the recovery in tourist arrivals. The tourism sector faced a multitude of challenges; an increase in electricity tariffs; increased taxes and levies pertaining to businesses engaging in the tourism sector; lack of skilled staff in hotels due to high labour migration; reduction in arrivals from the CIS region due to the Russia-Ukraine war; high inflation, globally and domestically; looming global recessionary conditions, and the current economic crisis in Sri Lanka.

However, some countries reduced the severity of their travel advisories with the dissipation of social tensions, resulting in a gradual pickup of arrivals since October 2022, and increased momentum towards early 2023. The resumption of operations of many international airlines, charter flights and cruise tourism as well as the global promotions in many countries also contributed to the revival of tourist arrivals. Accordingly, tourist arrivals recorded a significant increase during 2022 to 719,978 from 194,495 in 2021. Monthly arrivals, however, have steadily increased during the first three months of 2023, with total arrivals from January to March 2023 amounting to 335,679 compared to 285,334 arrivals during the same period in 2022.

Europe continued to be the largest source region of tourist arrivals to Sri Lanka, while India remained the largest single country of tourist arrivals. According to the Sri Lanka Tourism Development Authority (SLTDA), tourist arrivals from across all major regions increased in 2022, compared to 2021, with Europe accounting for 60% of total tourist arrivals, amounting to 432,226 tourists.

Asia and the Pacific region recorded the second highest arrivals with 213,537 tourists in 2022, accounting for about 30 per cent of total tourist arrivals.

In terms of tourist arrivals by countries, India was the leading tourist source market in 2022, with 123,004 arrivals, accounting for about 17 per cent of total arrivals, followed by Russia (91,272), the UK (85,187), Germany (55,542), and France (35,482), collectively accounting for 54 per cent of total arrivals.

Earnings from tourism in 2022 recorded a significant increase, compared to 2021. Earnings from tourism amounted to US Dollars 1,136 million, compared to US Dollars 507 million in 2021, recording an impressive annual growth of 124.2 per cent. However, earnings from tourism were far below the US Dollars 4.4 billion level achieved in 2018.

719,978
Tourist arrivals

USD 164
Receipt per tourist per day

9.34 Tourists
Average duration of stay

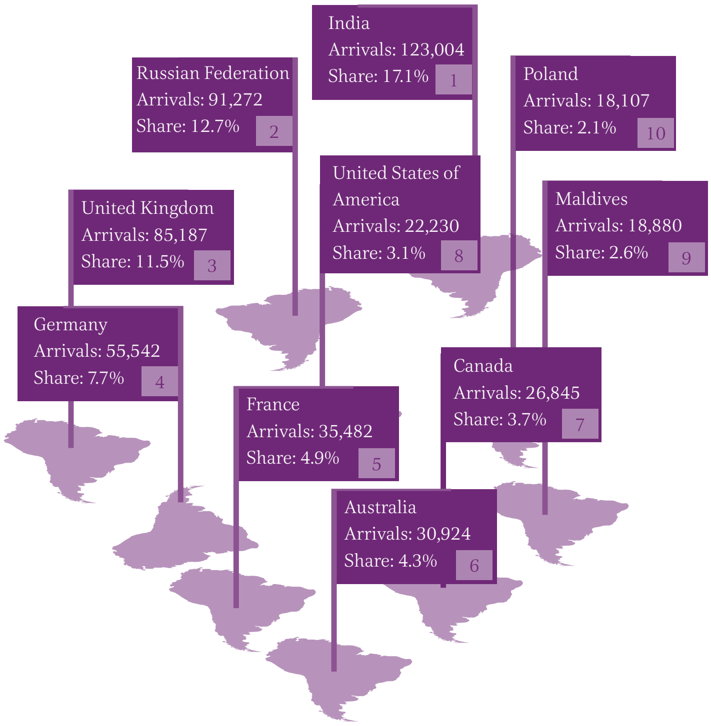
30.4%
Annual room occupancy rate (graded)

USD 1,136 Mn
Tourism revenue

[Source: Sri Lanka Tourism Development Authority - Year in Review 2022]

Management Discussion & Analysis

SOURCE MARKETS



Global Tourism

International travel doubled in 2022 compared to levels in 2021, with the Middle East and Europe making a strong comeback, according to the UN World Tourism Organisation (UNWTO). More than 900 million tourists made foreign trips in 2022, as several countries with strict corona virus restrictions eased rules. This represents 63 per cent of pre-pandemic levels, according to the report. In 2019, nearly 1.5 billion people travelled internationally, which reduced to 455 Million in 2021.

Before the pandemic, travel and tourism accounted for nearly 10 per cent of the global GDP. The travel industry was valued around $3.5 trillion in 2019, with the pandemic placing millions of jobs at risk.

The Middle East enjoyed the strongest relative increase last year as international arrivals climbed to 83 per cent of pre-pandemic levels. Europe, where 31 countries had no COVID restrictions as of June 2021, also made a strong comeback, accounting for 80 per cent recovery as compared to travel levels before the pandemic. Africa and America saw international travel return to about 65 per cent of pre-pandemic levels, while Asia and the Pacific recovered at a much slower pace.

With several countries in the Asia-Pacific region still under COVID restrictions, international arrivals reached only 23% of levels before the pandemic. However, the return of Chinese travellers, who are among the world's top spenders is likely to benefit Asian destinations in the future.

Outlook for Global Tourism

Based on UNWTO's forward-looking scenarios for 2023, international tourist arrivals could reach 80 to 90 per cent of pre-pandemic levels this year, depending on the extent of the economic slowdown, the ongoing recovery of travel in Asia and the Pacific and the evolution of the Russian offensive in Ukraine, among other factors.

Notable increases in international tourism receipts have been recorded across most destinations, in several cases higher than their growth in arrivals. This has been supported by the increase in average spending per trip due to longer periods of stay, the willingness by travellers to spend more in their destination and higher travel costs due to inflation. However, the global economic situation could translate into tourists adopting a more cautious attitude in 2023, with reduced spending, shorter trips and travel closer to home.

Operational Review

Performance

The economic crisis in 2022 resulted in occupancies to remain low until November 2022. Overall the company experienced two quarters of poor growth. The hotel's F&B revenue was also affected in the first half of the year due to severe fuel shortage in the country. The situation took a turn for the better from December 2022 onwards, as the fuel and power crisis eased and tourists started arriving into Sri Lanka. However, due to the dearth of business in the sector, city hotels engaged in price wars despite the prevailing inflation. Nevertheless, the company was able to surmount the odds to grow its Revenue.

Mitigating Strategies

The company was compelled to increase the prices to mitigate the pressure in the F&B segment, due to soaring food inflation and overall rise in operating costs with higher electricity rates. In order to curtail operational costs, the company has looked at different models such as reducing electricity usage, arranging for an energy audit which will assist us to explore opportunities to conserve electricity, water and energy.

FINANCIAL REVIEW

Highlights 2023

Rs. 8.4 Bn	106%	Rs. 3.6 Bn	Rs. 93 Mn
REVENUE	REVENUE GROWTH	GROSS PROFIT	PROFIT FROM OPERATING ACTIVITIES

Performance

The performance of the Group during the year under review is one of celebratory growth, given the contentious environment marred by an economic crisis and political instability. An agile strategy coupled with a dedicated workforce was responsible for the Group's successful performance despite the fluctuations in the tourism industry. The Group recorded Rs. 8.4 Bn in revenue during the year under review, compared to Rs. 4.1 Bn revenue recorded during the last financial year. The impressive growth in revenue was a result of the combined increased contribution from both room revenue, and food and beverage revenue.

The encouraging performance in the food and beverage segment was a result of increased tourist arrivals, coupled with increased patronage by local clientele driven by strategic marketing campaigns.

During the year under review, the Group took steps to optimise its working capital through continued meticulous monitoring of cashflows to manage discretionary expenses and improve its operational efficiencies. As a result, the Group recorded a significant reduction of 46 per cent to Rs. 278 Mn in post-tax losses attributable to equity holders of the Parent, compared to the pre-tax loss of Rs. 510 Mn recorded the previous year.

The hosting of travel influencers and digital nomads from source markets is helping generate interest in the Sri Lankan market. The focus going ahead will be to bring the rates up to remain profitable in this business by offering different packages to drive this strategy. The company is committed to increasing MICE events at its property.

The Crescat Boulevard Mall opened its doors for customers in November 2021 after an extensive refurbishment and therefore 2022/23 was its first full year of operations after being closed for ten months. The performance of the mall was mixed because of the deterioration in the socioeconomic and political aspects in the first half of year 2022. Overall, the external environment stymied greater profits during the year due to a drop in footfalls and inability to increase tenant occupancy.

The curfew due to social unrest and lack of mobility arising from fuel shortages had an impact on footfalls. However, with the restoration of political and economic stability, the second half of 2022 showed a positive trend of improved footfalls.

After the targeted refurbishment to bring Crescat Boulavard on par with new malls in Colombo, the mall is being positioned as a lifestyle destination which will have an expanded lifestyle offering soon. The mall already hosts the Museum for Modern and Contemporary Art, which occupies a good 3,000-plus square feet and attracts the literati of the city and tourists who want to witness the local art. Going ahead, the company intends to organise entertainment based events to drive more footfalls in its drive to make Crescat a lifestyle driven mall rather than a pure retail mall.

Revenue

Group reported consolidated revenue of Rs. Rs. 8,417 Mn in FY 2022/23, a 105 per cent growth compared to FY 2021/22. Revenue growth was supported by a strong performance by food and beverage segment. Occupancy levels in the Sri Lanka witnessed strong recovery momentum towards the last two quarters of FY 2022/23.

Gross Profit Margins

The Group witnessed an increase in gross profit margins achieving 43% in 2022/23 compared to the margin of 36% recorded in the previous year which reflects the significant progress achieved despite a rocky first half of the year. The price revisions undertaken during the year and increases in room occupancy amidst inflation further contributed to healthy gross profit margins.

Financial Review

Net Operating Profit/ (Loss)

The Group was able to reduce the net operating loss by Rs. 500 Mn compared to the previous year, as a result of rationalising costs, improving operational efficiencies and managing cash flow requirements

Administrative expenses rose by 49% from Rs. 1.47 Bn in 2021/22 to Rs. 2.2 Bn during the financial period under review as a result of increases in employee salaries, hotel operating fee and depreciation.

Finance Cost

During the year, the Group reported finance costs of Rs. 393 Mn, which was Rs. 209 Mn higher than the previous year. This increase of 114% was mainly due to increased utilisation of the overdraft and increased interest rates.

Net Loss after Tax

Net loss after tax reduced significantly during the year by 34 per cent from Rs. 508 Mn in 2021/22 to Rs. 333 Mn in 2022/23.

EBITDA

Group reported an EBITDA of Rs. 766 Mn in FY 2022/23 compared to an EBITDA of Rs. 142 Mn in FY 2021/22. EBITDA improvement is due to strong revenue growth, higher revenue flow, and constant cost minimisation programmes. Despite the increased inflation locally and globally, the gross profit margin of the Group was 43% compared with the previous year's margin of 36%, mainly due to the revised pricing strategy, increase in volumes and the depreciation of LKR.

Total Assets

Total assets of the Group were Rs. 45.9 Bn as at 31 Mar 2023 with the property, plant and equipment accounting for 82% of such assets and Property, Plant and Equipment. The current ratio and quick asset ratios stood at 0.41 and 0.31 respectively, reflecting the increased utilisation of the overdraft facilities to finance operations and supplement the cashflow.

Future Outlook

Considering that the main source market of India is showing keen interest in Sri Lanka and China has opened up to outbound travel, we foresee strong growth prospects in 2023. The Group has established global sales offices in key source markets including India, China, UK, Germany and France which is helping us to connect with clients directly and to bring the Cinnamon Hotels & Resorts story to the world.

Our business strategy will focus on maximising emerging opportunities while expanding revenue and rationalising costs by adhering to the company's robust processes and frameworks to manage cash management and liquidity. Financial and non-financial key performance indicators will be closely monitored and evaluated to ensure stringent control to ensure a stable financial position The company is looking ahead with optimism to increase room occupancy levels up to 68% while also driving F&B revenues to levels above Rs. 3.5 Bn.

As interest rates and financial markets stabilise in 2023, this will support a higher level of tourist activity. Our long term commitment to our strategy remains steadfast. The company has proved its resilience and provided uninterrupted services to customers. We will continue to leverage on our world-class restaurants to increase revenue as inbound tourism picks up.

After its extensive renovation, Crescat Boulevard is poised to compete with other upscale malls which have opened and will once again become the most preferred retail destination for discerning shoppers while its F&B offerings also attracts footfalls.

The green shoots of tourism recovery have been visible in the last quarter of the year under review, with tourist arrivals increasing month-on-month, and coupled with a greater marketing drive by the government in major source markets, should deliver results by way of increased tourist footfalls in the country.

SUSTAINABILITY REPORT

Sustainability has been of utmost importance to Asian Hotels and Properties PLC. The Group has taken steps to integrate Environmental, Social and Governance (ESG) considerations into all decision-making processes as well as all aspects of its operations and value chain. The ESG strategy is guided by three pillars: the well-being of the planet, the empowerment , the well-being of its people and empowering all for sustainable development.

The Group's sustainability policy is aligned with that of the John Keells Group which provides robust management and accountability framework for sustainability. Mechanisms are in place to monitor progress to ensure the Group is aligned towards achieving the specific sustainability targets set for 2025.

Wellbeing of the Planet

A conscious effort was made by the Group to maximise the efficient use of natural resources and minimise the adverse effects on the environment during the year under review. As a result, the Group repurposed cooking oil to use as an energy source to heat boilers at its properties, thereby reducing the overall need for furnace oil and saving 3,928 litres.

The energy profile and the environmental impact is as follows:

	2023	2022
Diesel Usage in Litres	209,478	18,411
Petrol Usage in Litres	54	178
Furnace Oil Usage in Litres	376,238	373,171
Liquid Petroleum Gas (LPG) in Kg	111,040	104,036
Electricity Usage in KwH	9,096,677	7,956,590
Total CO_2 Footprint (tCO_2e)	7,909	6,676
CO_2 Footprint - Direct Energy Through Primary Sources (Scope 1)	1,709	1,252
CO_2 Footprint - Indirect Energy Through Primary Sources (Scope 2)	6,200	5,423

The Group was compelled to use diesel powered generators to ensure uninterrupted functioning at its properties despite power outages, which resulted in a higher consumption of diesel during the year under review compared to the previous year. The Group switched to LED light sources as a step towards adopting greener energy sources and increasing its energy efficiency.

	2023	2022
Total waste generated	458,716 kg	380,114 kg
Re-used waste	85.07%	83.99%
Percentage of total waste recycled from the waste generated	3.33%	2.19%
Hazardous waste generated	0.12%	0.14%

An increase in the amount of waste generated was recorded during the year under review, due to increased business activities compared to the previous year.

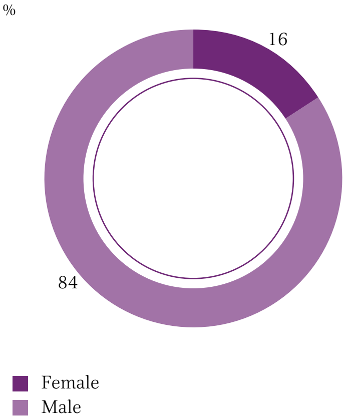
Empowerment of People

Employees are among the most important assets for the Group. The year under review was marked by a number of economic challenges adversely affecting the quality of life of employees. The Group continued its welfare programs for employees while launching initiatives to provide extra support such as, financial assistance to mitigate cost of living during the festive period, a monthly crisis allowance, as well as educational and awareness programs for self-improvement.

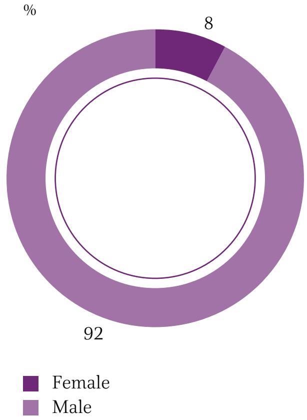
Category	Nature of training (Hrs)	2022/23
Health and safety	Safe Chemical Handling and Storage	896
	Fire Safety Awareness and Basic Fire Fighting	957
Environment	Responsible consumption of Energy and Water	170
	Waste Management	1,542
Social	Human Trafficking in the Tourism Industry – conducted by International Organisation for Migration/UN	18
	Child Abuse and Protection – Conducted by LEADS	33

Employee demographics at Asian Hotels and Properties PLC

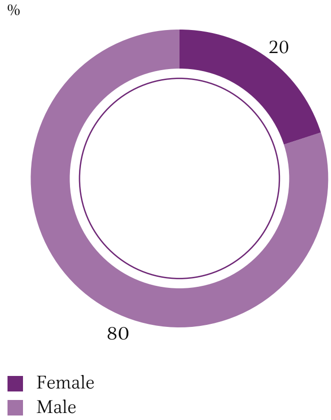
FIXED TERM CONTRACT EMPLOYEES



PERMANENT EMPLOYEES



TRAINEE CONTRACT EMPLOYEES



Initiatives especially focused towards empowering and encouraging female employees:

- Social media engagement to promote female participation
- Female specific committee to look into matters of providing accommodation and 100 days of maternity leave, feeding hours for female employees
- Improved workplace related policies promoting equality
- Better health/hygiene facilities

Welfare of Communities

A part of the Group's sustainability strategy involves giving back to the community. Through the implementation of a number of initiatives, the Group ensures its obligations to the community are met.

The Group has ongoing partnerships with hotel schools, technical training schools, and vocational training institutes where trainees gain comprehensive practical exposure at the Groups' properties with the possibility of being absorbed into the Groups' employee body. During the year under review, 273 industrial trainees were recruited to undergo training in hotel operations.

Name of CSR project	Description of beneficiaries	Number of beneficiaries	Location of the CSR project	Extra details about the project
Meals that Heal - meal donation program (Launched in June 2021)	Underprivileged communities in Colombo affected by the COVID-19 pandemic and Economic crisis	1,500	Colombo	Won the Gold award for CSR activities at the PATA Awards 2022
Community Kitchen implemented by Gangaramaya Temple	Underprivileged communities in Colombo, devotees visiting the temple	700 approx	Colombo	The Group provides support by providing Rice steamers, support of Engineering, and kitchen and food safety teams
Zero waste school project	Students of St. Michael's College	75	Colombo	A project initiated to train and educate students and teachers on the 10R Concept of Waste Management, through a series of workshops and projects such as vegetable and insect garden to enhance biodiversity
Beach clean-up programs			Mount Lavinia beach	Staff volunteered to collect plastic nurdles from the Mt. Lavinia beach following the X-press pearl disaster. The Group has spent 560 volunteer hours on this project and collected 12.25Kg of Nurdles

FINANCIAL REPORTS

FINANCIAL CALENDAR

Interim Reports for 2022/23	
1st Quarter	19 July 2022
2nd Quarter	2 November 2022
3rd Quarter	30 January 2023
4th Quarter	23 May 2023

Audited financial statements signed	
2021/22	23 May 2022
2022/23	23 May 2023

Annual General Meetings	
28th Annual General Meeting	21 June 2022
29th Annual General Meeting	27 June 2023

FINANCIAL REPORTS

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have the pleasure of presenting the 29th annual report of Asian Hotels and Properties PLC together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of Asian Hotels and Properties PLC and its subsidiaries ("AHP Group") for the year ended 31st March 2023.

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 Securities and Exchange Commission of Sri Lanka (SEC), Code of Best Practice on Corporate Governance (2013) jointly advocated by the SEC 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 the subsidiary of the Company, which is incorporated 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 2023 and future business development of the Company and the AHP Group, is provided in the Chairperson's message and reports on Management Discussion & Analysis 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, state of affairs of the Company and the AHP Group.

FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Financial Statements, duly signed by the Directors, are provided on pages 81 to 132 and Independent Auditors' Report on the Financial Statements is provided on pages 77 to 80 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 pages 11 to 47 of this report.

SEGMENT REPORTING

Segment-wise contribution to AHP Group revenue, results, assets and liabilities are provided in Note 33 to the Financial Statements.

REVENUE

Revenue generated by the Company amounted to Rs. 4,848 Mn (Rs. 2,277 Mn in 2022) whilst the AHP Group revenue amounted to Rs. 8,417 Mn (Rs. 4,095 Mn in 2022). 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. 235 Mn (Rs.512 Mn in 2022) whilst the AHP Group loss attributable to the Owners of the Company, for the year was Rs. 278 Mn (Rs. 510 Mn in 2022). A detailed description of the Group results and appropriations are given below.

For the year ended 31st March In Rs.'000s	2023	2022
Net Loss for the year after providing for expenses including depreciation on property, plant and equipment was:	(132,509)	(459,227)
From which income tax has been reversed/(deducted):	(200,254)	(48,620)
Leaving thereafter a Net Loss after tax of:	(332,763)	(507,847)
The amount attributable to Minority Interest which has been deducted is:	(55,174)	2,320
Leaving a Loss available to the Group of:	(277,589)	(510,167)
The brought forward Profit after adjustments is:	5,181,714	5,673,539
Transferred to Revenue Reserve of:	10,911	10,911
Other Comprehensive Income/ (Expenditure):	1,691	13,610
Leaving an un-appropriated balance to be carried forward of:	4,916,727	5,187,893
Surcharge tax adjustment	-	(6,179)
Leaving an un-appropriated balance to be carried forward (adjusted)	4,916,727	5,181,714

Annual Report of the Board of Directors

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 Flows, together with the accounting policies and notes ('The Financial Statements') have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by 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 pages 88 to 132 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 75 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 2023.

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 reporting date amounted to Rs. 33,621 Mn (2022 - Rs. 31,400 Mn) and Rs. 37,686 Mn (2022 - Rs. 34,803 Mn).

Capital expenditure for the Company and the AHP Group amounted to Rs 260 Mn (2022 - Rs. 23 Mn) and Rs. 712 Mn (2022 - Rs. 114 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 12 to the Financial Statements on page 100.

MARKET VALUE OF PROPERTIES

All buildings owned by the Company and its subsidiary were last revalued as at 31st December 2022.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 2022 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 12.3 to the Financial Statement on page 105 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 14 to the Financial Statements on page 106.

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 2023 Rs. 3,345 Mn (2022 - Rs. 3,345 Mn) comprising of 442,775,300 ordinary shares.

SHARE INFORMATION

The market value of an ordinary share of the Company as at 31st March 2023 was 44.00 (31st March 2022 - Rs. 37.00).

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 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 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 five (25) 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 135.

RESERVES

Total reserves as at 31st March 2023 for the Company and the AHP Group amounted to Rs 25,530 Mn (2022 - Rs. 28,281 Mn) and Rs. 23,611 Mn (2022 - Rs. 26,385 Mn) respectively.

The movements in Other Components of Equity Revenue Reserve of the Company are shown in the Statement of Changes in Equity on page 84 of this report.

CONTINGENT LIABILITIES & CAPITAL COMMITMENTS

Commitments made for capital expenditure as at 31st March 2023 and the contingent Liabilities as at that date are given in Note 34 to the Financial Statements on page 132.

DIRECTORS

The Board of Directors of the Company as at 31st March 2023 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 - Chairperson

Mr. J. G. A. Cooray

Mr. S. Rajendra

Mr. A. S. De Zoysa

Mr. J. Durairatnam

Mr. M. R. Svensson

Mr. C.L.P. Gunawardane

Ms. A. Nanayakkara

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 - Chairperson

Mr. J. G. A. Cooray

Mr. N. L. Gooneratne

Ms. J. C. Ponniah**

Mr. M. R. Svensson

Mr. C.L.P. Gunawardane

Mr. S. Rajendra

Mr. H. A. J. De Silva Wijeyeratne

Ms. S. A. Atukorala *

*Appointed w.e.f. 22/06/2022**

*Retired w.e.f 21/06/2022***

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. C. L. P. Gunawardane and Mr. M. R. Svensson retire by rotation and offer themselves for re-election. Brief profiles of Mr. C. L. P. Gunawardane and Mr. M. R. Svensson are contained on Page 9 of this Annual Report.

Annual Report of the Board of Directors

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 2023.

Ms. A. Nanayakkara - Chairperson

Mr. A. S. De Zoysa

Mr. J. Durairatnam

The Report of the Audit Committee is given on pages 73 and 74 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 2023 was as follows:

Mr. J. Durairatnam - Chairperson

Mr. A. S. De Zoysa

Mr. K. N. J. Balendra

The Nomination Committee of AHP Group also acts as the Nomination Committee of the 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 2023;

Mr. D. A. Cabraal - Chairperson

Mr. A. N Fonseka*

Dr. S. S. H. Wijayasuriya

Mr. M. A Omar**

*Appointed w.e.f. 27.06.2022

**Resigned w.e.f. 27.06.2022

The report of the Human Resources and Compensation Committee and the remuneration policy 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 following members during the year ended 31st March 2023:

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 2023 were as follows.

Dr. S. S. H. Wijayasuriya - Chairperson

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 2022/23 are as follows.

a. Directors Interests in Contracts

   All the Directors have made a general disclosure to the Board of Directors as permitted by Section 192 (2) of the Companies Act 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 2023.

c. Indemnities and Directors' Remuneration

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 of TAH

b) Share Dealings

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

c) Indemnities and remuneration

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

DIRECTORS' SHAREHOLDINGS OF THE COMPANY

The shares held by Directors and their spouses in the Company as of 31st March 2023 are as follows.

Full Name	Shares as at 31st March 2023	Shares as at 31st March 2022
Mr. Krishan Niraj Jayasekara Balendra	Nil	**Nil**
Mr. Joseph Gihan Adisha Cooray	10,600	**10,600**
Mr. Suresh Rajendra	Nil	**Nil**
Mr. Jegatheesan Durairatnam	Nil	**Nil**
Mr. Ashan Suresh De Zoysa	Nil	**Nil**
Mr. Mikael Svensson	Nil	**Nil**
Mr. Changa Lashantha Poojitha Gunawardane	Nil	**Nil**
Ms. Aroshi Nanayakkara	Nil	**Nil**

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 (SOFP). The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The valuation takes into account factors such as stock price, expected time to maturity, exercise price, expected volatility of share price, expected dividend yield and risk-free interest rate.

Annual Report of the Board of Directors

DIRECTORS MEETINGS

Details of the meetings of the Directors are given on page 16.

DIRECTORS' DECLARATIONS

(i) Chairperson's declaration

The Chairperson 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 equitable treatment of shareholders.

d) the business is a going concern with supporting assumptions or qualification as necessary,

e) they have conducted a review of internal control covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

f) the Company has 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 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 share price of the subsidiary, Trans Asia Hotels PLC (TAH), resulting in its decrease. This in turn has resulted in the TAH's float adjusted market capitalisation to fall below the required threshold of Rs.1.0 Billion, despite 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 thus rendering TAH non-compliant with the Minimum Public Holding Requirements of the Listing Rules.

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 in accordance with Rule 7.14.2 of the Listing Rules, has made announcements to the Market by notices dated last year, 22 April 2022, 19 July 2022, 26 October 2022 and 11 January 2023.

TAH continues to be non compliant with the Minimum Public Holding Requirement specified in Rule 7.14.1 (b) of the Listing Rules. The non-compliance is due to the float adjusted market capitalisation not meeting the required threshold, owing to the anomalies brought about through the macro economic conditions of the country. TAH continues to aggressively pursue its business strategies in order to capitalise on all available opportunities and maximise stakeholder value creation. TAH also monitors the situation towards ensuring compliance with the required Public Holding threshold as specified in the CSE Listing Rules.

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 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 2023 was 789 (792 in 2022) and 1,390 (1,323 in 2022), respectively.

There have been no material issues pertaining to employees and industrial relations of the Company and the AHP Group during the financial year 2022/23.

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 2023, the trade and other payables of the Company and AHP Group amounted to Rs. 715 Mn (2022 - Rs. 637 Mn) and Rs. 1,230 Mn (2022 - Rs. 1,020 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 34 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 pages 48 to 54 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 the Group BPR Division has direct access to the Chairperson 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 pages 11 to 47 sets out in detail the Company's system of internal controls.

RELATED PARTY TRANSACTIONS

The Company's transactions with Related Parties, given in Note 30 to the Financial Statements, have complied with CSE Listing Rule 9 and the Code of Best Practices on Related Party Transactions under the SEC Directive dated 12th December 2013.

DONATIONS

Total donations made by the Company and AHP Group during the year amounted to Rs. 2.4 Mn (2022 - Rs. 1.5 Mn) and Rs. 5.6 Mn (2022 – Rs. 1.9 Mn) respectively.

Annual Report of the Board of Directors

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Except for the matters disclosed in Note 36 to the Financial Statements on page 132. 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 2023 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 2023, based on available information, the management has assessed the prevailing 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 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 re-appointment 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 73 and 74.

ANNUAL REPORT

The Board of Directors approved the Consolidated Financial Statements on 23 May 2023. 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 27 June 2023 at 3.30 pm.

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

By Order of the Board

Krishan Balendra

Director

Director

Keells Consultants (Private) Limited
Secretaries

23 May 2023

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 47.

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 Executive Officer – Cinnamon Hotels & Resorts, Chief Financial Officer - Leisure Industry Group, General Manager of Cinnamon Grand, 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 19. In addition, the Chairperson 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.

Report of the Audit Committee

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 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.

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 2022/23, 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 KPMG be re- appointed as the External Auditors of Asian Hotels and Properties PLC for the financial year ending 31st March 2024, 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

23 May 2023

Members:

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

STATEMENT OF DIRECTOR'S RESPONSIBILITY

The responsibility of the Directors, in relation to the Financial Statements of Asian Hotels and Properties PLC (the "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:

› Statement of profit or loss, 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 Group for the respective financial year.

› 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:

› A statement of changes in equity; and

› A cash flow statement for the year ended 31st March 2023 together with notes to the financial statements.

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;

› 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 Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the code of best practice on Corporate Governance (2013) jointly advocated 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.

After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Corporate Governance Code, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the financial statements 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 have obtained 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 23rd May 2023. 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.

Statement of Directors Responsibility

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 34 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

ASIAN HOTELS AND PROPERTIES PLC

Keells Consultants (Private) Limited
Secretaries

23 May 2023

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
+94 - 11 244 6058
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 2023, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 88 to 132 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 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the 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 judgement, 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.

01. Management assessment of the Company and the Group's ability to Continue as going concern.	
Risk Description	Our Response
The Company and the Group incurred net loss of Rs. 235 Mn and Rs.333 Mn respectively for the year ended 31st March 2023. Further, the Company's and the Group's current liabilities exceeded its current assets by Rs 1,265 Mn and 2,409 Mn respectively as at the reporting date. 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's 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 current uncertain economic conditions.	Our audit procedures included: › Obtaining the cash flow projections and discussing with management the possible impact on the key assumptions used in preparing the projections due to current uncertain economic conditions. › Inspecting the facility agreements for the Company's and Group's long-term loans to identify any financial covenants or similar terms and assessing the implication of these on the Company's and Group's liquidity.

Independent Auditors' Report

01. Management assessment of the Company and the Group's ability to Continue as going concern.	
Risk Description	Our Response
Notes to the financial statements, describes the impact of prevailing uncertain economic conditions to the current year financial statements and possible effects to the Company's and Group's future prospects, performance and cash flows. Further, the management has described how they plan to deal with these events and circumstances as the uncertain economic conditions are still prevailing as at the date of this report. We identified management assessment of the Company's and Group's ability to continue as going concern and prevailing uncertain economic condition related disclosures 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.	› Assessing adequacy of disclosures in the financial statements, in relation to the impact of prevailing uncertain economic condition to sustain its operations in the foreseeable future.

02. Valuation of the land and buildings (Property, Plant and Equipment and Investment Property) – the Group and the Company	
Refer to note 100 and 105 to the financial statements	
Risk Description	Our Response
As at 31st March 2023, the Group's Land and Buildings stated at fair value, classified as Property, Plant and Equipment and Investment Properties amounted to Rs. 35.4 Bn and Rs. 5.8 Bn respectively and in the Company: Rs. 32 Bn and Rs. 2. 6 Bn respectively. 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. 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. 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 involves in the valuation.	› Our audit procedures included: › 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 current uncertain economic conditions. › 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.

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

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

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 judgement 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,

Independent Auditors' Report

supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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
23 May 2023

STATEMENT OF PROFIT OR LOSS

For the year ended 31st March In Rs.'000s	Page No.	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Revenue from contracts with customers	94	5	8,416,558	4,094,672	4,847,533	2,277,448
Cost of sales			(4,832,495)	(2,599,732)	(2,760,253)	(1,524,994)
Gross Profit			3,584,063	1,494,940	2,087,280	752,454
Other operating income	94	6	55,711	148,403	54,732	118,026
Selling and Distribution expenses			(300,740)	(158,987)	(157,144)	(78,118)
Administrative expenses			(2,204,387)	(1,475,215)	(1,397,003)	(920,374)
Other operating expenses			(1,041,681)	(416,188)	(587,079)	(237,062)
Results from operating activities	95	7	92,966	(407,047)	786	(365,074)
Finance cost			(393,477)	(184,525)	(191,090)	(62,352)
Finance income			13,609	7,493	9,807	5,635
Net Finance cost	96	8	(379,868)	(177,032)	(181,283)	(56,717)
Change in fair value of investment property	106	14	154,393	124,852	(59,909)	(42,374)
Loss before tax			(132,509)	(459,227)	(240,406)	(464,165)
Income tax (expense)/reversal	97	9	(200,254)	(48,620)	5,139	(47,781)
Loss for the year			(332,763)	(507,847)	(235,267)	(511,946)
Attributable to:						
Equity holders of the parent			(277,589)	(510,167)	(235,267)	(511,946)
Non-controlling interest			(55,174)	2,320	-	-
			(332,763)	(507,847)	(235,267)	(511,946)
			Rs.	Rs.	Rs.	Rs.
Loss per share - Basic/Diluted	99	10	(0.63)	(1.15)	(0.53)	(1.16)
Dividend per share	100	11	-	-	-	-

Figures in brackets indicate deductions

The accounting policies and notes as set out in pages 88 to 132 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March In Rs.000's	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Loss for the year		(332,763)	(507,847)	(235,267)	(511,946)
Other comprehensive income items that will not to be reclassified to statement of profit or loss in subsequent periods					
Revaluation of land and buildings	12	2,678,613	973,677	2,351,949	932,484
Re-measurement gain/(loss) on defined benefit plans	26.1	8,897	17,233	(1,801)	11,452
		2,687,510	990,910	2,350,148	943,936
Deferred tax effect on actuarial valuation		(2,654)	(809)	-	-
Deferred tax effect on land & building revaluation		(5,060,464)	(136,314)	(4,888,028)	(130,547)
Tax on other comprehensive income	25	(5,063,118)	(137,123)	(4,888,028)	(130,547)
Other comprehensive income not to be reclassified to statement of profit or loss in subsequent periods, net of tax		(2,375,608)	853,787	(2,537,880)	813,389
Total comprehensive income for the year, net of tax		(2,708,371)	345,940	(2,773,147)	301,443
Attributable to :					
Equity holders of the parent		(2,745,027)	320,758	(2,773,147)	301,443
Non-controlling interests		36,656	25,182	-	-
		(2,708,371)	345,940	(2,773,147)	301,443

Figures in brackets indicate deductions

The accounting policies and notes as set out in pages 88 to 132 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March In Rs.'000s	Page No.	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
ASSETS						
Non current assets						
Property, plant and equipment	100	12	37,685,819	34,803,525	33,620,536	31,400,531
Right-of-use asset	106	13	707,028	719,432	-	-
Investment property	106	14	5,784,515	5,630,122	2,637,481	2,697,390
Intangible assets	108	15	1,202	1,228	827	819
Investment in subsidiary	109	16	-	-	660,045	660,045
Non current financial assets	110	17	43,287	34,375	28,444	19,374
Other non current assets	111	18	8,885	3,088	2,458	996
Total non current assets			44,230,736	41,191,770	36,949,791	34,779,155
Current assets						
Inventories	111	19	414,597	204,587	264,420	135,616
Trade and other receivables	111	20	600,760	487,899	271,666	292,293
Amounts due from related parties	122	30.2	116,682	46,735	94,070	27,519
Other current assets	112	21	362,137	344,475	225,500	201,907
Cash in hand and at bank			186,735	233,184	120,553	177,913
Total current assets			1,680,911	1,316,880	976,209	835,248
Total assets			45,911,647	42,508,650	37,926,000	35,614,403
EQUITY & LIABILITIES						
Equity						
Stated capital	112	22	3,345,117	3,345,117	3,345,117	3,345,117
Revenue reserves			4,916,727	5,187,893	3,498,432	3,735,500
Other components of equity	112	23	20,613,338	23,093,391	20,112,228	22,649,232
Equity attributable to equity holders of the parent			28,875,182	31,626,401	26,955,777	29,729,849
Non-controlling interest			3,362,706	3,332,915	-	-
Total equity			32,237,888	34,959,316	26,955,777	29,729,849
Non current liabilities						
Interest bearing borrowings	116	24	246,453	252,710	125,000	195,522
Deferred tax liabilities	117	25	9,003,537	3,856,597	8,397,581	3,615,600
Employee benefit liabilities	118	26	333,631	343,870	206,674	211,088
Total non current liabilities			9,583,621	4,453,177	8,729,255	4,022,210
Current liabilities						
Trade and other payables	120	27	1,230,136	1,020,667	715,499	637,141
Amounts due to related parties	122	30.3	130,316	87,290	81,042	52,011
Income tax liabilities	121	28	39,763	44,192	18,302	19,248
Interest bearing borrowings	116	24	180,415	700,451	87,881	521,093
Other current liabilities	121	29	648,280	318,812	409,690	176,409
Bank overdrafts			1,861,228	924,745	928,554	456,442
Total current liabilities			4,090,138	3,096,157	2,240,968	1,862,344
Total liabilities			13,673,759	7,549,334	10,970,223	5,884,554
Total equity and liabilities			45,911,647	42,508,650	37,926,000	35,614,403

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
Chairperson

J.G.A. Cooray
Director

The accounting policies and notes as set out in pages 88 to 132 form an integral part of these financial statements.

23 May 2023
Colombo

STATEMENT OF CHANGES IN EQUITY

GROUP In Rs.'000s	Note	Attributable to Equity Holders of the Parent Stated Capital	Revaluation Reserve	Other Capital Reserve	Revenue Reserve	Total	Non controlling interest	Total Equity
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								
(Loss)/profit 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
Transferred to revenue reserve (Note a)		-	(10,911)	-	10,911	-	-	-
Share based payments	23.2	-	-	(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
As at 1st April 2022		3,345,117	22,914,950	178,441	5,187,893	31,626,401	3,332,915	34,959,316
Adjustment for Surcharge Tax	9.4	-	-	-	(6,179)	(6,179)	(8,055)	(14,234)
As at 1 April 2022 (Adjusted)		3,345,117	22,914,950	178,441	5,181,714	31,620,222	3,324,860	34,945,082
Total comprehensive income								
Loss for the year		-	-	-	(277,589)	(277,589)	(55,174)	(332,763)
Other comprehensive income		-	(2,469,129)	-	1,691	(2,467,438)	91,830	(2,375,608)
Total comprehensive income		-	(2,469,129)	-	(275,898)	(2,745,027)	36,656	(2,708,371)
Transferred to revenue reserve (Note a)		-	(10,911)	-	10,911	-	-	-
Share based payments	23.2	-	-	(13)	-	(13)	1,190	1,177
As at 31st March 2023		3,345,117	20,434,910	178,428	4,916,727	28,875,182	3,362,706	32,237,888

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.

Figures in brackets indicate deductions.

The Notes to the Financial Statements from Pages 88 to 132 form an integral part of these Financial Statements.

COMPANY In Rs.'000s	Note	Stated Capital	Revaluation Reserve	Other Capital Reserve	Revenue Reserve	Total Equity
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
Share based payments	23.2	-	-	(456)	-	(456)
As at 31st March 2022		3,345,117	22,480,631	168,601	3,735,500	29,729,849
As at 1st April 2022		3,345,117	22,480,631	168,601	3,735,500	29,729,849
Total comprehensive income						
Loss for the year					(235,267)	(235,267)
Other comprehensive income		-	(2,536,079)	-	(1,801)	(2,537,880)
Total comprehensive income		-	(2,536,079)	-	(237,068)	(2,773,147)
Share based payments	23.2			(925)		(925)
As at 31st March 2023		3,345,117	19,944,552	167,676	3,498,432	26,955,777

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 88 to 132 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31st March In Rs. '000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Operating Loss before working capital changes					
Loss before tax		(132,509)	(459,227)	(240,406)	(464,165)
Adjustments for:					
Finance income	8	(13,609)	(7,493)	(9,807)	(5,635)
Finance cost	8	372,323	105,878	191,090	62,352
Change in fair value of investment property	14	(154,393)	(124,852)	59,909	42,374
Depreciation of property, plant and equipment	12	499,898	481,183	336,482	327,495
Profit on disposal of property, plant and equipment	6	(4,097)	(8,100)	(3,299)	(6,396)
Amortisation of right-of-use assets	13	12,404	12,404	-	-
Amortisation of intangible assets	15	431	452	137	172
Provision/(reversal) for doubtful debts	20	3,397	(9,711)	6,131	(6,466)
Employee benefit provision and related costs	26	39,977	36,622	16,861	18,252
Share based payment expenses	23	1,177	481	(925)	(456)
Provision made for slow moving Inventory	19	3,315	1,526	2,079	1,793
Provision for net realisable value of inventories	19	5,547	-	5,547	-
Unrealised (gain)/loss on foreign exchange	6	7,150	64,096	(14,005)	(14,551)
		641,011	93,259	349,794	(45,231)
Operating Activities					
Operating Profit/(Loss) before working capital changes		641,011	93,259	349,794	(45,231)
(Increase)/Decrease in inventories		(210,010)	(99,028)	(128,804)	(66,859)
(Increase)/Decrease in trade and other receivables		(112,861)	(315,582)	20,627	(186,848)
(Increase)/Decrease amounts due from related parties		(69,947)	(13,245)	(66,551)	(7,056)
(Increase)/Decrease other current assets		(17,662)	(208,518)	(23,593)	(114,471)
Increase/(Decrease) trade and other payables		209,469	294,390	78,358	221,392
Increase/(Decrease) amounts due to related parties		43,026	17,926	29,031	(4,361)
Increase/(Decrease) other current liabilities		329,468	50,830	233,281	7,389
Cash generated from/(used in) operations		812,494	(179,968)	492,143	(196,045)
Finance income received	8	13,609	7,493	9,807	5,635
Finance cost paid	8	(370,964)	(81,662)	(189,731)	(48,443)
Tax paid		(118,857)	(52,392)	(101,606)	(32,750)
Surcharge tax paid	9	(14,233)	-	-	-
Gratuity paid	26	(41,319)	(53,880)	(23,076)	(28,036)
Net cash flows from/(used in) operating activities		280,730	(360,409)	187,537	(299,639)

For the year ended 31st March In Rs. '000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Investing Activities					
Purchase/Transfers and construction of property, plant and equipment	12	(712,028)	(114,085)	(208,359)	(22,718)
Additions/Transfers to investment property	14	-	(386,985)	-	(386,985)
Additions to intangible assets	15	(405)	-	(145)	-
Proceeds from disposal of property, plant & equipment		12,506	9,081	7,120	6,197
Proceeds from/(repayment of) other assets (net)		(14,929)	1,688	(10,532)	4,211
Net cash flow used in investing activities		(714,856)	(490,301)	(211,916)	(399,295)
Financing Activities					
Repayment long term borrowings	24	(1,034,806)	(564,135)	(943,093)	(494,200)
Proceeds from long term borrowings	24	486,000	1,146,200	438,000	1,146,200
Net cash flow from/(used in) financing activities		(548,806)	582,065	(505,093)	652,000
Net decrease in cash and cash equivalents		(982,932)	(268,645)	(529,472)	(46,934)
Cash and cash equivalents at the beginning of the year		(691,561)	(422,916)	(278,529)	(231,595)
Cash and cash equivalents at the end of the year		(1,674,493)	(691,561)	(808,001)	(278,529)
Analysis of cash and cash equivalents					
Favourable balances					
Cash and bank		186,735	233,184	120,553	177,913
Unfavourable balances					
Bank overdrafts		(1,861,228)	(924,745)	(928,554)	(456,442)
Total cash and cash equivalents		(1,674,493)	(691,561)	(808,001)	(278,529)

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 88 to 132 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 2023 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 2023 were authorised for issue by the Board of Directors on 23rd May 2023.

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 1,390 (2022 – 1,323) employees and the Company had 789 (2022 - 792) 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 in the Annual report.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Provision for taxation

The tax liability arising from the Surcharge Tax Act No: 14 of 2022 has been accounted as recommended by the (Addendum to) Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under Note 9.4 on surcharge tax.

(c) Basis of measurement

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

› Freehold land and buildings which are measured at cost, at the time of acquisition are subsequently recognised at revalued amounts which are the fair values at the date of revaluation less accumulated depreciation and impairment cost if any.

› Investment properties which are stated at fair values.

› Defined benefit obligations are measured at its present value, based on an actuarial valuation as explained in Note 26.

(d) Presentation and functional currency

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

(e) 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 16

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 2023 is included in the following notes:

› Measurement of Freehold land & buildings - Note 12

› Measurement of Investment Properties - Note 14

› Measurement of Defined Benefit Plans - key actuarial assumptions - Note 26

› Impairment test: key assumptions underlying recoverable amounts – Note 20

- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources – Note 34
- Recognition of deferred tax assets; availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be utilised - Note 25

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

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

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

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

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

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

(g) Going concern

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

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. The management has formed judgment that the Company, its subsidiaries, associates and joint ventures have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group.

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

(h) 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. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, a input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

(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 recognised 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 flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. 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 recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the CGU (Group of CGUs) on a pro rata basis.

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

3.5 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:

- amortised 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 amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the 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 amortised 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 amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The 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

› realising cash flows 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 flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the 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 flows are solely payments of principal and interest

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

In assessing whether the contractual cash flows 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 flows 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 flows;
- 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 flows from specified assets (e.g. non-recourse features).

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

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

Financial assets - Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
Financial assets 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 flows and sell financial assets.

Financial Liabilities

Classification, subsequent measurement and gain and losses

Financial liabilities are classified as measured at amortised 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 amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

(ii) De-recognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the 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 flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

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

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the 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 realise the asset and settle the liability simultaneously.

(iv) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the Group's effective interest rate.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(v) 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.

4 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 April 2022 and earlier application is permitted, however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. The following amendments and improvements are not expected to have a significant impact on the Group's financial statements.

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

Amendments to LKAS 1 : Disclosure of Accounting Policies.

Amendments to LKAS 8 : Definition of Accounting Estimates

Amendments to LKAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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 recognised 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 recognised as a liability. Upon provision of the services, the liability is set off and revenue is recognised over the period.

	GROUP		COMPANY	
For the year ended 31st March In Rs.'000s	2023	2022	2023	2022
Revenue				
Rooms	2,077,851	942,308	1,173,976	509,745
Food & Beverage	5,424,985	2,734,839	3,156,786	1,577,975
Rental Income from Investment Property	241,338	104,964	174,932	39,011
Other Revenue	672,384	312,561	341,839	150,717
Total Revenue	8,416,558	4,094,672	4,847,533	2,277,448

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 from 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.

	GROUP		COMPANY	
For the year ended 31st March In Rs.'000s	2023	2022	2023	2022
Exchange gain	8,098	76,961	8,098	49,632
Net gain on disposal of property, plant and equipment	4,097	8,100	3,299	6,396
Car park income	11,555	2,573	11,555	2,573
Promotional income	536	4,035	536	4,035
Taxi commission	4,461	1,031	4,461	1,031
Insurance claim	5,374	48,109	5,374	48,109
Sundry income	21,590	7,594	21,409	6,250
	55,711	148,403	54,732	118,026

7 RESULTS 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.

Profit/(Loss) before tax is stated after charging all expenses including the following;

For the year ended 31st March In Rs.'000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Remuneration to Non-Executive Directors		13,843	8,615	5,660	3,315
Remuneration to Auditors					
Audit		2,415	2,100	1,495	1,300
Audit related service - fee		-	-	-	-
Cost of defined employee benefits					
Defined benefit plan cost	26	56,295	47,828	33,179	29,458
Defined contribution plan cost - EPF and ETF		165,531	127,803	101,953	81,496
Other long term employee benefit cost	26.2	(16,318)	(11,206)	(16,318)	(11,206)
Staff Expenses		1,934,417	1,190,875	1,092,478	701,709
Depreciation of property, plant and equipment	12	499,898	481,183	336,482	327,495
Amortisation of right of use assets	13	12,404	12,404	-	-
Donations/CSR		5,629	1,895	2,420	1,506
Amortisation of intangible assets	15	431	452	137	172
Provision/(reversal) for impairment losses on trade and other receivables	20	3,397	(9,711)	6,131	(6,466)
Provision/(reversal) for slow moving inventory		(499)	2,060	286	1,793
Foreign exchange gain	6	(8,098)	(76,961)	(8,098)	(49,632)

Notes to the Financial Statements

8 FINANCE INCOME AND FINANCE COSTS

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).

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.

	GROUP		COMPANY	
For the year ended 31st March In Rs.'000s	2023	2022	2023	2022
Finance income				
Interest income on loans to employees	6,583	2,823	3,974	1,390
Income from short term investments/Savings	7,026	4,670	5,833	4,245
Total finance income	13,609	7,493	9,807	5,635
Finance cost				
Interest expense on long term borrowings	127,119	22,170	98,183	11,863
Exchange loss on long term borrowings	21,154	78,647	-	-
Interest expense on Bank overdraft	245,204	83,708	92,907	50,489
Total finance cost	393,477	184,525	191,090	62,352
Net finance income/(cost)	(379,868)	(177,032)	(181,283)	(56,717)

9 INCOME TAX EXPENSE

Accounting policy

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

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes and are therefore accounted for under LKAS 37 provision for contingent liabilities and contingent assets.

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 was 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 until September 30, 2022. Thereafter, all profits (including promotion of tourism and others) are liable at 30%, as per the Inland Revenue (Amendment) Act No. 45 of 2022.

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 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 30% as per the new rates legislated as per the Inland Revenue (Amendment) Act No 45 of 2022 (24% up to 30 Sep 2022).

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

	GROUP		COMPANY	
For the year ended 31st March In Rs.'000s	2023	2022	2023	2022
Income tax expense				
Current tax charge (Note 9.1)	116,432	65,938	100,908	52,018
(Reversal)/Charge for deferred tax (Note 9.2)	83,822	(17,318)	(106,047)	(4,237)
	200,254	48,620	(5,139)	47,781

9.1 Reconciliation between Income Tax Expense and the Product of Accounting Profit

For the year ended 31st March In Rs.'000s	2023	2022
COMPANY		
Taxable Revenue	4,917,610	2,394,326
Income Tax charged at		
Standard rate of 24% until September 30, 2022	761	3,912
Standard rate of 30% after October 1, 2022	1,991	-
Concessionary rate of 2%	98,156	47,561
Under provision on Income tax for previous years	-	545
Current tax charge	100,908	52,018

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For the year ended 31st March In Rs.'000s	2023	2022
SUBSIDIARY		
Profit Before Tax	107,894	4,938
Income not liable for Income Tax	(1,192)	-
Accounting profit chargeable to income taxes	106,702	4,938
Disallowable expenses	238,583	244,537
Aggregate Allowable expenses	(398,599)	(336,419)
Tax losses not utilised	110,841	144,870
Taxable Income	57,527	57,926
Income Tax charged at		
Standard rate of 24% until September 30, 2022	6,936	13,902
Standard rate of 30% after October 1, 2022	8,588	-
Under provision on income tax for previous years	-	18
Current income tax charge	15,524	13,920
GROUP		
Company	100,908	52,018
Subsidiary	15,524	13,920
Group current income tax charge	116,432	65,938

9.2 Provision for Deferred Tax

	GROUP		COMPANY	
For the year ended 31st March In Rs.'000s	2023	2022	2023	2022
Deferred Tax arising from				
Change in fair value of investment property	(71,152)	(4,237)	(106,047)	(4,237)
Benefit arising from tax losses and other credits	(171,735)	(4,877)	-	-
Accelerated depreciation for tax purposes	412,224	(1,432)	-	-
Others (ROU assets/liabilities, trade receivables etc)	(63,363)	(7,818)	-	-
Employee benefits	(22,152)	1,046	-	-
Total deferred tax (reversal)/charge	83,822	(17,318)	(106,047)	(4,237)

Deferred tax liability has been computed taking into consideration the tax rate of 14% applicable for the tourism industry as per the new Inland Revenue Act No. 24 of 2017 until September 30, 2022. Deferred tax is provided at 30% w.e.f 1 Oct 2022 as per the Inland Revenue (Amendment) Act No. 45 of 2022.

The Gains/losses of the Group arising from valuation at fair value of investment properties were liable at 10% up to 30 Sep 2022 and is liable at 30% from October 1, 2022.

9.3 Tax Losses Carried Forward

For the year ended 31st March In Rs.'000s	GROUP	
	2023	2022
At the beginning of the year	731,115	696,278
Adjustment on finalisation of the liability	71,680	(110,033)
Tax losses arising during the year	110,841	144,870
Balance at the end of the year	913,636	731,115

9.4 Surcharge Tax

Surcharge Tax Act No. 14 of 2022 was enacted on 8th 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 million, for the year of assessment 2020/2021. The liability is computed at the rate of 25 per cent on the taxable income of the individual Group companies, net of dividends from subsidiaries and deemed to be an expenditure in the financial statements in the year of assessment which commenced on 1 April 2020.

Total Surcharge Tax liability of LKR 14.2 Mn has been recognised for the Group as an opening adjustment to the 1 April 2022 retained earnings in the statement of Changes in Equity as per the Addendum to the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

The Subsidiary was liable to pay Surcharge Tax on the respective individual entity level. The Subsidiary share of total Surcharge Tax liability of Rs. 14.2 Mn has been included in Surcharge Tax charge recognised in the Group Statement of Changes in Equity as an adjustment to the 01 April 2022 opening retained earnings.

The impact of the surcharge tax under the Surcharge Tax Act on the comparative year would have been as given below:

In Rs.'000s	GROUP		COMPANY
Loss after Tax for the year ended 31 March 2021		(2,244,002)	(1,425,256)
Surcharge Tax charge	(14,234)		
Less: Surcharge Tax share of Non-controlling Interest	(8,055)		-
Surcharge tax attributable to owners of the Company	(6,179)	(6,179)	-
Adjusted comparable Profit for the year ended 31 March 2021		(2,250,181)	(1,425,256)

10 EARNING 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	GROUP 2023	GROUP 2022	GROUP 2023	COMPANY 2022
Net Loss for the year (in Rs.'000s)	(277,589)	(510,167)	(235,267)	(511,946)
Number of ordinary shares (in '000s)	442,775	442,775	442,775	442,775
Basic/Diluted loss per share (Rs.)	(0.63)	(1.15)	(0.53)	(1.16)

11 DIVIDEND PER SHARE

No dividend declared for the financial year ended 31st March 2023, (2022 - Nil).

12 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Basis of recognition

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

Basis of measurement

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. 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 are revalued at fair value. Except for land and buildings all other assets are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The 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 has adopted a policy of revaluing assets at least every three 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 engaged independent expert valuers to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location, or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The date of the most recent revaluation was carried out on 31st December 2022.

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.

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
Floating Restaurant	18
Furniture Fittings & 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 57 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 capitalisation.

12.1 GROUP

As at 31st March In Rs. '000s	Freehold Land	Buildings	Outdoor Car park Development	Plant & Machinery	Base Stock & Circulating Assets	Furniture, Fittings & Equipment	Motor Vehicles	Capital Work in Progress	Total 2023	Total 2022
Cost or Valuation										
At the beginning 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
Additions	-	352,307	-	27,974	130,398	131,557	-	69,792	712,028	114,085
Disposals	-	-	-	(44,794)	(35,086)	(66,215)	-	-	(146,095)	(52,466)
Revaluations gain	744,890	1,933,723	-	-	-	-	-	-	2,678,613	973,677
Depreciation adjustment on revaluation	-	(332,966)	-	-	-	-	-	-	(332,966)	(170,254)
Transfers from work in progress	-	21,638	-	1,602	606	2,277	-	(26,123)	-	-
At the end of the year	24,878,890	10,532,363	11,783	1,584,356	1,895,838	3,044,256	77,476	50,144	42,075,106	39,163,526
Accumulated Depreciation										
At the beginning of the year	-	145,937	11,783	959,560	1,462,208	1,731,371	49,142	-	4,360,001	4,100,142
Charge for the year	-	203,428	-	63,763	81,909	147,507	3,291	-	499,898	481,183
Disposals	-	-	-	(40,635)	(33,758)	(63,293)	-	-	(137,686)	(51,070)
Depreciation adjustment on revaluation	-	(332,926)	-	-	-	-	-	-	(332,926)	(170,254)
At the end of the year	-	16,439	11,783	982,688	1,510,359	1,815,585	52,433	-	4,389,287	4,360,001
Carrying Value										
As at 31st March 2023	24,878,890	10,515,924	-	601,668	385,479	1,228,671	25,043	50,144	37,685,819	
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

12.1(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 2022, and the book values were written up to correspond with the valuation. Further there is no significant value change as at 31st March 2023.

Had the revalued buildings of the Group been included at cost, the carrying value of the said asset would amount to Rs. 5,103 Mn. (Rs.4,926 Mn in 2022) had the revalued Land of Group been included at cost, the carrying value of the said asset would amount to Rs.470 Mn (Rs.470 Mn in 2022).
(Details of the fair Value hierarchy is given in note 12.3)

12.1(b) - The capital working progress of the Group includes the renovation of Car Porch and Earls Court roof.

12.1(c) - Details of Groups' Land and Building stated at valuation are indicated below

Property		Land/Building Extent	Location	Fair Value as at 31.12.2022 In Rs. '000s
Freehold Land and Building				
Company	Land (I)	A06 - R2- P22.21	No 77, Galle Road, Colombo 03	24,878,890
	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	7,222,110
	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 14
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.	
Leasehold Properties				
Subsidiary	Building	344,383 Sq Ft	No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.	3,333,412
	Land	A05 - R02- P34.28	No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 02.	Note 13

Note-12.1.d The floating restaurant of the Subsidiary has been classified under Motor Vehicles.

Note-12.1.e The cost of the fully depreciated assets in the Group which are still in use of the Group amounts to Rs.2,445 Mn (Rs. 2,361 Mn in 2022).

Note-12.1.f There are no assets pledged as at the reporting date that require disclosure in the Group.

12.2 COMPANY

As at 31st March In Rs. '000s	Freehold Land	Buildings	Outdoor Car park Development	Plant & Machinery	Base Stock & Circulating Assets	Furniture, Fittings & Equipment	Motor Vehicles	Capital Work in Progress	Total 2023	Total 2022
Cost or Valuation										
At the beginning 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
Additions	-	18,042	-	12,311	53,296	85,897		38,813	208,359	22,718
Disposals	-	-	-	(24,248)	(24,672)	(59,457)			(108,377)	(30,224)
Revaluation gain	744,890	1,607,059	-						2,351,949	932,484
Depreciation adjustment on revaluation	-	(138,225)	-						(138,225)	(121,363)
Transfers from work in progress	-	15,163	-	1,602	606	2,277		(19,648)	-	-
At the end of the year	24,878,890	7,245,111	11,783	924,558	917,172	2,112,687	3,450	19,165	36,112,816	33,799,110
Accumulated Depreciation										
At the beginning of the year	-	35,583	11,783	587,251	644,697	1,115,815	3,450	-	2,398,579	2,222,472
Charge for the year	-	149,857	-	38,425	49,036	99,164	-	-	336,482	327,495
Disposals	-	-	-	(22,454)	(24,249)	(57,853)	-	-	(104,556)	(30,025)
Depreciation adjustment on revaluation	-	(138,225)	-	-	-	-	-	-	(138,225)	(121,363)
At the end of the year	-	47,215	11,783	603,222	669,484	1,157,126	3,450	-	2,492,280	2,398,579
Carrying Value										
As at 31st March 2023	24,878,890	7,197,896	-	321,336	247,688	955,561	-	19,165	33,620,536	-
As at 31st March 2022	24,134,000	5,707,489	-	347,642	243,245	968,155	-	-		31,400,531

Note-12.2.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 2022, 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 2023.

Note-12.2.b Had the revalued Buildings of the Company been included at cost, the carrying value of the said asset would amount to Rs.3,328 Mn. (Rs.3,414 Mn in 2022) 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 2022).

Note-12.2.c The cost of the fully depreciated assets which are still in use of the Company amounting Rs.1,227 Mn (Rs. 1,175 Mn in 2022).

Note-12.2.d There are no assets pledged as at the reporting date that require disclosure in the Company.

Note-12.2.e The capital working progress of the Company includes the refurbishment of associate lifestyle building and main lobby roof.

12.3 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-22	P B Kalugalagedara, Chartered Valuation Surveyor
Land and building of Asian Hotels and Properties PLC.	Direct Capital Comparison Method	31-Dec-22	P B Kalugalagedara, Chartered Valuation Surveyor

(i) Fair value hierarchy

The fair value of property was determined by external independent property valuers 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.9,500/- per sq. ft.	Positive correlated sensitivity
		Rs.7,000/- per sq. ft.	
		Rs.5,000/- per sq. ft.	
		Rs.600/- per sq. ft.	
		Rs.450/- per sq.ft.	
	Capitalisation rate	6.25% & 3% for 57 years	Negative correlated sensitivity
COMPANY			
Direct Capital Comparison Method	Estimated price per square feet of building	Rs.15,000/- per sq. ft.	Positive correlated sensitivity
		Rs.12,000/- per sq. ft.	
		Rs.11,000/- per sq. ft.	
		Rs.10,500/- per sq. ft.	
		Rs.6,500/- per sq. ft.	
		Rs.4,500/- per sq. ft.	
		Rs.3,500/- per sq. ft.	
		Rs.3,000/- per sq. ft.	
	Estimated cost per perch of land	Rs. 20.0 Mn per perch	Positive correlated sensitivity
		Rs. 18.0 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.

Notes to the Financial Statements

13 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	GROUP	
In Rs.'000s	2023	2022
Cost	945,160	945,160
Accumulated amortisation		
At the beginning of the year	225,728	213,324
Charge for the year	12,404	12,404
Balance at the end of the year	238,132	225,728
Carrying amount	707,028	719,432

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

13.1 Details of leasehold Property

Property	Land extent	Lease period	GROUP	
In Rs. '000s	(in acres)		2023	2022
Trans Asia Hotels PLC, Colombo	A07 - R01 - P24.28	99 years from 7th August 1981	707,028	719,432
			707,028	719,432

14 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 recognised in 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 capitalised borrowing costs.

Any gains or losses on retirement or disposal are recognised in 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 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
At the beginning of the year	5,630,122	5,005,270	2,697,390	2,239,764
Additions	-	386,985	-	386,985
Transfers from work in progress	-	113,015	-	113,015
Net gain/(loss) from fair value remeasurement	154,393	124,852	(59,909)	(42,374)
At the end of the year	5,784,515	5,630,122	2,637,481	2,697,390
Freehold property	2,637,481	2,697,390	2,637,481	2,697,390
Leasehold property	3,147,034	2,932,732	-	-
	5,784,515	5,630,122	2,637,481	2,697,390

14.1 Valuation details of investment property

Investment properties of the Group were valued by a qualified professional valuer as at 31st December 2022, 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 2022.

The Commercial Centre of Trans Asia Hotels PLC was valued by Mr. P.B. Kalugalagedera, a Chartered Valuation Surveyor using the direct capital comparison method on 31st December 2022.

Changes in the values are recognised as gains in Statement of profit or loss. All gain are unrealised. Further there is no significant value change as at 31st March 2023 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 considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

Rental Income earned from Investment Property by the Company and Group amounted to Rs. 175 Mn (Rs. 39 Mn in 2022) and Rs. 241 Mn (Rs. 105 Mn in 2022) respectively. Direct Operating Expenses incurred by the Company and Group amounted to Rs. 161 Mn (Rs. 116 Mn in 2022) and Rs. 170 Mn (Rs. 124 Mn in 2022) respectively.

The methods used by the valuer are as follows;

Property	Method of Valuation	Fair Value as at 31.12.2022 In Rs. '000s
Asian Hotels and Properties PLC. Crescat Boulevard, Colombo 3	Investment Income Method	2,637,481
Trans Asia Hotels PLC. Commercial Centre, Colombo 2	Direct Capital Comparison Method	3,147,034

(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	6.25% & 3% for 57 years	Negatively correlated sensitivity
	Estimated price per square feet	Rs. 6,000/- per sq. ft	Positively correlated sensitivity
	Estimated price per perch	Rs.16 Mn per perch	Positively correlated sensitivity
Investment/Income method	Annual rent income	Rs. 172 Mn	Positively correlated sensitivity
	Capitalisation rate	6.00%	Negatively correlated sensitivity

Refer Note 12.3 for summary description of valuation methodologies

(iii) Summary description of valuation methodologies

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.

15 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.

(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 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Computer Software				
Cost				
At the beginning of the year	10,522	34,458	7,595	7,595
Additions	405	-	145	-
Disposals	-	(23,936)	-	-
At the end of the year	10,927	10,522	7,740	7,595
Accumulated Amortization				
At the beginning of the year	9,294	32,778	6,776	6,604
Amortisation	431	452	137	172
Disposals	-	(23,936)	-	-
At the end of the year	9,725	9,294	6,913	6,776
Carrying value				
As at 31 March	1,202	1,228	827	819

The intangible assets of the Company with a cost of Rs.6 Mn (2022 - Rs.6 Mn) have been fully amortised and continue to be in used by the Company.

16 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.

As at 31st March In Rs.'000s	COMPANY 2023	COMPANY 2022
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
Trans Asia Hotels PLC. (Quoted)	2023	86,823,028	43.41%	660,045	3,924,401
	2022	86,823,028	43.41%	660,045	4,184,870

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) considers Trans Asia Hotels PLC (TAH) as a subsidiary since the AHP has power and exposure, right to variable returns and ability to use its powers over TAH, based on the factors mentioned below even though it has only 43.41% ownership.

It is AHP that strategises 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 summarises the information relating to the Group's subsidiary that has NCI.

As at 31st March In Rs. '000s	2023	2022
NCI percentage	56.59%	56.59%
Non current assets	7,940,988	7,072,661
Current assets	715,838	482,684
Non current liabilities	(854,364)	(430,966)
Current liabilities	(1,860,236)	(1,234,797)
Net assets	5,942,226	5,889,582
Net assets attributable to NCI	3,362,706	3,332,914
Revenue	3,569,025	1,817,224
(Loss)/Profit	(97,497)	4,100
Other comprehensive income	162,272	40,398
Total Comprehensive income	64,775	44,498
(Loss)/Profit allocated to NCI	(55,174)	2,320
OCI allocated to NCI	91,830	22,861
Cash flow from operating activities	50,229	(35,817)
Cash flow from investing activities	(282,104)	(50,073)
Cash flow from financing activities	(24,738)	(39,576)
Net increase in cash and cash equivalents	(256,613)	(125,466)

17 NON CURRENT FINANCIAL ASSETS

Loans to executives
Refer Note 32.1.2

As at 31st March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
At the beginning of the year	41,662	36,957	23,568	21,228
Loans granted/(transfers)	38,812	30,775	24,758	11,525
Recoveries	(19,963)	(26,070)	(11,510)	(9,185)
At the end of the year	60,511	41,662	36,816	23,568
Receivable within one year (Note 20)	17,224	7,287	8,372	4,194
Receivable between one and five years	43,287	34,375	28,444	19,374
	60,511	41,662	36,816	23,568

18 OTHER NON CURRENT ASSETS

As at 31st March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Prepaid cost of staff motor vehicle loan	8,885	3,088	2,458	996

19 INVENTORIES

Accounting policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

As at 31st March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Food & Beverage	261,957	148,352	154,392	102,725
General	71,077	13,022	51,547	8,313
Diesel/Furnace/Gas Stock	49,389	24,106	42,166	14,715
Engineering Stock	41,036	21,351	23,941	11,656
Provision for net realisable value	(5,547)	-	(5,547)	-
Provision for slow moving inventory	(3,315)	(2,244)	(2,079)	(1,793)
Amount at the end of the year	414,597	204,587	264,420	135,616

20 TRADE AND OTHER RECEIVABLES

Accounting policy

Refer Note 3.5 for accounting policy of financial instruments

The Group has obtained customer deposit from major customers by reviewing their past performance and credit worthiness, as collateral. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers and uses a provision matrix to calculate Expected Credit Loss (ECL) for the balance. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix was initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group considers a financial asset including trade and receivable in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

As at 31st March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Trade receivables	788,528	679,381	217,160	237,379
Other receivables	92,009	94,835	59,749	58,204
Loans to executives (Note 17)	17,224	7,287	8,372	4,194
Impairment (Note 20.1)	(297,001)	(293,604)	(13,615)	(7,484)
	600,760	487,899	271,666	292,293

Notes to the Financial Statements

As at 31st March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
20.1 Impairment				
At the beginning of the year	293,604	303,315	7,484	13,950
Provision for the year	6,131	-	6,131	-
Reversal	(2,734)	(9,711)	-	(6,466)
At the end of the year	297,001	293,604	13,615	7,484

21 OTHER CURRENT ASSETS

As at 31st March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Prepayments and non cash receivables	58,324	68,194	45,871	30,093
Tax recoverable	14,853	-	199	-
VAT refund	231,112	222,227	157,769	156,512
Advance to creditors	57,848	54,054	21,661	15,302
	362,137	344,475	225,500	201,907

22 STATED CAPITAL

The ordinary shares of Asian Hotels and Properties PLC are quoted on the Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are eligible for one vote per share at Annual General Meetings of the Company.

As at 31st March In Rs.'000s	2023 Number of shares	2023 Value of shares	2022 Number of shares	2022 Value of shares
Issued and fully paid ordinary shares	442,775	3,345,117	442,775	3,345,117

23 OTHER COMPONENTS OF EQUITY

As at 31st March In Rs.'000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Revaluation reserve	23.1	20,434,911	22,914,950	19,944,552	22,480,631
Share based payments	23.2	178,427	178,441	167,676	168,601
		20,613,338	23,093,391	20,112,228	22,649,232

23.1 REVALUATION RESERVE

As at 31st March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
At the beginning of the year	22,914,950	22,108,546	22,480,631	21,678,694
Revaluation gain on freehold land & buildings	2,493,754	950,365	2,351,949	932,484
Transferred to revenue reserve	(10,911)	(10,911)	-	-
Deferred tax on land & building	(4,962,882)	(133,050)	(4,888,028)	(130,547)
At the end of the year	20,434,911	22,914,950	19,944,552	22,480,631

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.

23.2 Share-based payment plans -Group

Accounting policy

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

Employees of the Company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments of the Parent entity John Keells Holdings PLC (equity settled transactions). The cost of the employee services received in respect of the shares or share options granted is recognised in the 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 (SOFP). 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.

Accounting judgements, estimates and assumptions

Estimating fair value for share-based payment transactions require determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The John Keells Group measures the cost of equity settled transactions with employees relevant to the entire Group by reference to the fair value of the equity instruments on the date at which they are granted. The same assumptions have been used by the Company as John Keells Group's Employee Share Option Scheme applies to the Company.

The expected life of the share options is based on the historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

The following information were used and results were generated using binomial model for ESOP.

Notes to the Financial Statements

As at 31st March	2023 Plan No. 11 award 1	2022 Plan No. 10 award 3	2021 Plan No. 10 award 2	2020 Plan No. 10 award 1	2019 Plan No. 9 award 3
Dividend yield (%)	2.90	3.28	3.87	3.62	3.76
Expected volatility (%)	24.15	22.37	21.35	17.47	17.77
Risk free interest rate (%)	23.10	8.87	6.44	9.83	10.09
Expected life of share options (Years)	5	5	5	5	5
Weighted average share price at the grant date (LKR)	119.85	132.63	134.74	138.70	154.10
Weighted average remaining contractual life for the share options outstanding (Years)	3	3	3	3	3
Weighted average fair value of options granted during the year (LKR)	39.95	44.21	44.91	46.23	51.37
Exercise price for options outstanding at the end of the year (LKR)	121.91	136.64	132.86	136.97	154.10
Exercise price for options outstanding at the end of the year (LKR) (adjusted as at 31-03-2023)	121.91	136.34	132.86	136.97	154.14

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:

	GROUP		COMPANY	
As at 31st March In Rs.'000s	**2023**	**2022**	**2023**	**2022**
At the beginning of the year	191,267	190,786	168,601	169,057
Expense arising from equity-settled share-based payment transactions	1,177	481	(925)	(456)
At the end of the year with non- controlling interest	192,444	191,267	-	-
Non-controlling interest at the end of the year	(14,017)	(12,827)	-	-
At the end of the year	178,427	178,440	167,676	168,601

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:

	2023		2022	
	No.	WAEP	No.	WAEP
Outstanding as at 1st April	376,201	161.50	756,508	154.54
Granted during the year	158,500	133.06	109,600	136.64
Lapses/Forfeited during the year	(192,456)	173.25	(180,487)	145.07
Transfers in/(out)	(14,746)	154.11	(309,420)	145.26
Outstanding as at 31st March	327,499	141.16	376,201	161.50
Exercisable as at 31st March	130,224	152.37	305,458	166.17

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:

	2023		2022	
	No.	WAEP	No.	WAEP
Outstanding as at 1st April	221,188	165.07	562,115	152.87
Granted during the year	111,300	131.02	57,900	136.64
Lapses/Forfeited during the year	(126,659)	173.25	(114,643)	142.83
Transfers in/(out)	36,954	129.67	(284,184)	144.11
Outstanding as at 31st March	242,783	139.80	221,188	165.07
Exercisable as at 31st March	92,708	151.67	209,681	165.67

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

24 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 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 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
At the beginning of the year	953,161	268,233	716,615	50,706
Loans obtained	486,000	1,146,200	438,000	1,146,200
Repayments	(1,034,806)	(564,135)	(943,093)	(494,200)
Accrued interest	1,359	24,216	1,359	13,909
Exchange difference	21,154	78,647	-	-
At the end of the year	426,868	953,161	212,881	716,615
Repayable within one year	180,415	700,451	87,881	521,093
Repayable after one year	246,453	252,710	125,000	195,522
	426,868	953,161	212,881	716,615

Security and repayment terms

In Rs.'000s Nature of facility	Interest rate	Repayment terms	Security	2023 Face value	2023 Carrying value	2022 Face value	2022 Carrying value
Company							
Saubagya COVID - 19 Renaissance Facility Loan	4%	16 equal monthly instalments of Rs.1.47 Mn and final instalment of Rs.1.46 Mn commencing from Jul 2022	None	11,761	11,761	26,353	26,353
Credit Guarantee and Interest subsidy loan scheme	4%	16 equal monthly instalments of Rs.1.47 Mn and final instalment of Rs.1.46 Mn commencing from Jul 2022	None	11,761	11,761	26,353	26,353
Short term revolving loan	AWPR + 1% Revised monthly	Each sub-loan granted under the facility should be repaid in full within 180 days	None	-	-	462,550	462,550
Term Loan	Year 1 - 8.25% Year 2 - 8.50%	12 equal monthly instalments of Rs.4 Mn commencing from Jan 2023 11 equal monthly instalments of Rs. 9 Mn and final instalment of Rs.53 Mn commencing from Jan 2023	None	189,359	189,359	201,359	201,359
Company Total				212,881	212,881	716,615	716,615
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

In Rs.'000s Nature of facility	Interest rate	Repayment terms	Security	2023 Face value	2023 Carrying value	2022 Face value	2022 Carrying value
Interest accrued on term loan USD during COVID moratorium phase 1 and 2	LIBOR+ Margin	To be repaid in one instalment on 01.07.2022	None	-	-	10,307	10,307
Term Loan (USD)	LIBOR+ Margin	12 equal monthly instalments of USD 17,552 commencing from January 2023 and 11 equal monthly instalments of USD 40,955 commencing from January 2024 and final instalment of USD 40,957 on December 2024.	None	213,987	213,987	-	-
Group Total				426,868	426,868	953,161	953,161

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.

25 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 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
At the beginning of the year	3,856,597	3,736,792	3,615,600	3,489,290
Recognised in statement of profit or loss	83,822	(17,318)	(106,047)	(4,237)
Recognised in other comprehensive income	5,063,118	137,123	4,888,028	130,547
At the end of the year	9,003,537	3,856,597	8,397,581	3,615,600

Income tax and Deferred tax have been provided as per the new rates legislated by the Inland Revenue (Amendment) Act No 45 of 2022. The deferred tax reversal in the Income Statement includes Rs. 88 Mn for the Company relating to the tax rate differential. The deferred tax charge in the Other Comprehensive Income statement includes Rs. 4.2 Bn for the Company relating to the tax rate differential.

The closing deferred tax liability is made-up as follows;

As at 31st March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Revaluation of land	7,322,667	3,312,960	7,322,667	3,312,960
Revaluation of buildings	1,462,566	411,809	1,224,998	346,677
Accelerated depreciation for tax purposes	758,871	345,139	-	-
Employee Benefit Liability	(38,087)	(18,589)	-	-
Losses and other credits available for offset against future taxable income	(274,091)	(102,356)	-	-
Revaluation of investment property	(116,698)	(44,037)	(150,084)	(44,037)
Others	(111,691)	(48,329)	-	-
	9,003,537	3,856,597	8,397,581	3,615,600

As per the Inland Revenue Act No. 24 of 2017, business income includes gains from realisation of land owned by the Company. Accordingly, the gains from the realisation 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 realisation. The Company has recognised a revaluation reserve on freehold land (capital assets of the Company) amounting to Rs. 24,409 Mn as at 31st March 2023 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 recognised a deferred tax liability of Rs. 7,323 Mn pertaining to revaluation reserve of freehold lands which is provided as per the new rates legislated by the Inland Revenue (Amendment) Act No 45 of 2022. 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 it's buildings classified as investment property (Investment assets) at the rates specified in the Inland Revenue (Amendment) Act No 45 of 2022. Accordingly the Company has recognised deferred tax of Rs. 150 Mn as at 31st March 2023 on the revaluation loss reported during the year.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for Subsidiary.

26 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.

The company contributes 15% of the gross emoluments of the employees as of 30th September 2022, and 12% of the employees hired after 1st October 1, 2022, to the Employees' Provident Fund. The subsidiary contributes 12% of the gross emoluments of employees to the 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 2023.

The defined benefit obligation is calculated by a qualified actuary as at 31st March 2023 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 recognised immediately in profit or loss. The company recognises 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 in 2018/19 for senior employees of the Group. The overall incentive was to will be paid in cash as a lump sum payment upon achievement of key performance indicators linked to the five-year strategic plan in place. The liability recognised in respect other long term employee benefits are measured as the present value of the estimated future cash outflows expected to be made by the Group in relation to the performance and the services of the relevant employees, up to the reporting date. The management has decided to cease the LTI plan due to failure in achieving overall key performance indicators linked to the five-year strategic plan. Therefore, the total provision has been reversed.

As at 31st March In Rs.'000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Employee defined benefit plan - gratuity	26.1	333,631	327,552	206,674	194,770
Other long term employee benefits	26.2	-	16,318	-	16,318
		333,631	343,870	206,674	211,088

26.1 Employee defined benefit plan - Gratuity

As at 31st March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
At the beginning of the year	327,552	350,837	194,770	204,800
Current service cost	26,816	19,761	15,650	13,074
Interest cost on benefit obligation	29,479	28,067	17,529	16,384
Payments	(37,133)	(45,376)	(23,016)	(22,670)
(Gain)/Loss arising from changes in assumptions	(8,897)	(17,233)	1,801	(11,452)
Transfers	(4,186)	(8,504)	(60)	(5,366)
At the end of the year	333,631	327,552	206,674	194,770

The employee benefit liability of the Company and Group is based on the actuarial valuations carried out as at 31st March 2023 by Mr. P. Gunasekera, AIAA, M/s. Smiles Global (Pvt) Ltd and Mr. M. Poopalanathan, AIA, M/s. Actuarial & Management Consultant (Pvt) Ltd; firms of professional actuaries respectively.

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

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Discount rate	19.50%	9.00%	19.50%	9.00%
Future salary increases	15.00%	8.00%	15.00%	8.00%

The actuarial valuation involves making assumptions about discount rates and future salary increases. Due to the complexity of the valuation and the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The Management tested several scenario 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.

26.1.1 Sensitivity of assumptions used

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

In Rs.'000s	2023		2023	
	Discount rate		Salary increment	
	GROUP	COMPANY	GROUP	COMPANY
Increase by one percentage point	(13,769)	(8,218)	16,118	9,609
Decrease by one percentage point	14,977	8,908	(15,015)	(8,984)

26.1.2 Maturity analysis of the payments

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

As at 31 March In Rs 000's	2023		2022	
	GROUP	COMPANY	GROUP	COMPANY
Within the next 12 months	27,271	5,346	16,073	-
Between 1-2years	31,533	4,426	28,147	6,882
Between 2-5years	71,516	39,302	55,226	26,702
Between 5-10 years	189,504	157,600	212,456	161,186
Beyond 10 years	13,807	-	15,650	-
Total	333,631	206,674	327,552	194,770

The average duration of the defined benefit plan obligation at the end of the reporting period is 6.45 years.

26.2 Other long term employee benefits

As at 31st March In Rs.'000s	GROUP		COMPANY	
	2023	2022	2023	2022
At the beginning of the year	16,318	27,524	16,318	27,524
Provision/(Reversal)	(16,318)	(11,206)	(16,318)	(11,206)
At the end of the year	-	16,318	-	16,318

27 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 recoganised at Fair Value and subsequently measured at amotised cost using the effective interest method.

As at 31st March In Rs.'000s	GROUP		COMPANY	
	2023	2022	2023	2022
Trade Payables	445,231	397,231	298,496	304,847
Retention on Construction	11,566	39,105	11,566	39,105
Accrued Expenses	388,207	271,385	92,810	113,856
Other Creditors	385,132	312,946	312,627	179,333
	1,230,136	1,020,667	715,499	637,141

28 INCOME TAX LIABILITIES

As at 31st March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
At the beginning of the year	44,192	37,192	19,248	6,507
Charge for the year	116,432	65,938	100,908	52,018
Payments and set-off against refunds and credits	(120,737)	(58,938)	(101,730)	(39,277)
Under/(over) provision	(124)	-	(124)	-
At the end of the year	39,763	44,192	18,302	19,248

29 OTHER CURRENT LIABILITIES

As at 31st March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Contract liabilities	192,761	221,228	116,500	100,905
Other Advances	106,986	83,211	74,186	66,275
Other tax payables	348,533	14,373	219,004	9,229
	648,280	318,812	409,690	176,409

30 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 2022 audited financial statements, which required additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the 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 2022 audited financial Statements, which required additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the 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".

30.1 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 2023, are presented below,

Notes to the Financial Statements

30.2 Amounts due from related parties

As at 31st March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Parent-John Keells Holdings PLC (JKH PLC)	14,106	6,541	7,537	2,256
Subsidiary-Trans Asia Hotels PLC	-	-	11,137	1,051
Companies under common control of JKH PLC	102,576	40,194	75,396	24,212
	116,682	46,735	94,070	27,519

30.3 Amounts due to related parties

As at 31st March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Parent-John Keells Holdings PLC (JKH PLC)	14,069	7,321	8,653	2,809
Subsidiary-Trans Asia Hotels PLC	-	-	6,669	1,461
Companies under common control of JKH PLC	116,247	79,969	65,720	47,741
	130,316	87,290	81,042	52,011

30.4 Transactions with Related Parties

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

For the year ended 31st March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
(a) Transactions with Parent Company				
The company's parent is John Keells Holdings PLC (JKH PLC)				
Rendering of services	53,968	2,725	15,315	266
Receiving of Services	96,183	98,728	65,257	59,935
Rent Received	-	28,693	-	-
(b) Transactions with Subsidiary - Trans Asia Hotels PLC				
Rendering of services	-	-	8,091	997
Receiving of services	-	-	416	224
(c) Transaction with companies Under common control of JKH PLC				
Purchase of Goods	27,836	1,511	18,610	1,455
Rendering of services	169,301	55,428	115,868	35,780
Receiving of services	695,399	368,916	415,077	211,553
Rent Received	146,403	90,605	78,956	28,382
(d) Transactions with Equity Accounted Investees of JKH PLC				
Rendering of services	12,353	2,240	5,479	374
Receiving of services	13,619	11,096	13,619	10,981
Interest Received	-	1,511	-	1,511

30.5 Compensation of key management personnel

For the year ended 31st March In Rs.'000s	GROUP		COMPANY	
	2023	2022	2023	2022
Remuneration to Non-executive Directors	13,843	8,615	5,660	3,315

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

31.1 Financial Assets and Liabilities by Categories - Group

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

As at 31st March In Rs.'000s	Note	Financial assets at amortised cost		Financial liabilities measured at amortised cost	
		2023	2022	2023	2022
Financial instruments in non-current assets/non-current liabilities					
Other non-current financial assets	17	43,287	34,375	-	-
Other non-current assets	18	8,885	3,088	-	-
Interest bearing borrowings	24	-	-	246,453	252,710
Financial instruments in current assets/current liabilities					
Trade and other receivables/payable	20 & 27	600,760	487,899	832,944	749,282
Amounts due from/due to related parties	30.2-30.3	116,682	46,735	130,316	87,290
Interest bearing borrowings	24	-	-	180,415	700,451
Cash in hand and at bank		186,735	233,184	-	-
Bank overdrafts		-	-	1,861,228	924,745
Total		956,349	805,281	3,251,356	2,714,478

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.

31.2 Financial Assets and Liabilities by Categories - Company

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

As at 31st March In Rs.'000s	Note	Financial assets at amortised cost		Financial liabilities measured at amortised cost	
		2023	2022	2023	2022
Financial instruments in non-current assets					
Other non-current financial assets	17	28,444	19,374	-	-
Other non-current assets	18	2,458	996	-	-
Interest bearing borrowings	24	-	-	125,000	195,522
Financial instruments in current assets					
Trade and other receivables/payable	20 & 27	271,666	292,293	613,704	523,285
Amounts due from/due to related parties	30.2-30.3	94,070	27,519	81,042	52,011
Interest bearing borrowings	24	-	-	87,881	521,093
Cash in hand and at bank		120,553	177,913	-	-
Bank overdrafts		-	-	928,554	456,442
Total		517,191	518,095	1,836,181	1,748,353

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.

32 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.

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

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

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

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

32.1 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 fulfil 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.

32.1.1 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	2023						2022					
	Other non current financial assets	Cash in hand and at bank	Trade and other receivables	Amounts due from related parties	Total	% of allocation	Other non current financial assets	Cash in hand and at bank	Trade and other receivables	Amounts due from related parties	Total	% of allocation
Loans to executives	43,287	-	-	-	43,287	5%	34,375	-	-	-	34,375	4%
Trade and other receivables	-	-	600,760	-	600,760	63%	-	-	487,899	-	487,899	61%
Amounts due from related parties	-	-	-	116,682	116,682	12%	-	-	-	46,735	46,735	6%
Cash in hand and at bank	-	186,735	-	-	186,735	20%	-	233,184	-	-	233,184	29%
Total credit risk exposure	43,287	186,735	600,760	116,682	947,464	100%	34,375	233,184	487,899	46,735	802,193	100%

As at 31st March In Rs. '000s Risk exposure - Company	2023						2022					
	Other non current financial assets	Cash in hand and at bank	Trade and other receivables	Amounts due from related parties	Total	% of allocation	Other non current financial assets	Cash in hand and at bank	Trade and other receivables	Amounts due from related parties	Total	% of allocation
Loans to executives	28,444	-	-	-	28,444	6%	19,374	-	-	-	19,374	4%
Trade and other receivables	-	-	271,666	-	271,666	53%	-	-	292,293	-	292,293	57%
Amounts due from related parties	-	-	-	94,070	94,070	18%	-	-	-	27,519	27,519	5%
Cash in hand and at bank	-	120,553	-	-	120,553	23%	-	177,913	-	-	177,913	34%
Total credit risk exposure	28,444	120,553	271,666	94,070	514,733	100%	19,374	177,913	292,293	27,519	517,099	100%

32.1.2 Loans to executives

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

32.1.3 Trade and other receivables

As at 31st March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Neither past due nor impaired	133,956	165,551	77,427	102,874
Past due but not impaired				
0-30 days	222,510	182,061	68,082	110,424
31-60 days	181,115	91,461	67,119	58,738
61-90 days	32,277	24,960	20,628	3,863
91-120 days	31,629	22,710	24,875	16,106
121-180 days	22,973	10,057	18,675	2,354
> 181 days	273,301	284,703	8,475	5,418
Gross carrying value	897,761	781,503	285,281	299,777
Less: impairment provision				
Individually assessed impairment provision	(297,001)	(293,604)	(13,615)	(7,484)
Total	600,760	487,899	271,666	292,293

The Group has obtained customer deposit from major customers by reviewing their past performance and credit worthiness, as collateral. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers and uses a provision matrix to calculate Expected Credit Loss (ECL) for the balance. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix was initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group considers a financial asset, including trade and receivable in default, when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

32.1.4 Amounts due from related parties

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

32.1.5 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.

32.2 Liquidity Risk

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

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.

32.2.1 Net debt/(cash)

As at 31st March In Rs.'000s	GROUP		COMPANY	
	2023	2022	2023	2022
Cash in hand and at bank	186,735	233,184	120,553	177,913
Total liquid assets	186,735	233,184	120,553	177,913
Non current portion of borrowings	246,453	252,710	125,000	195,522
Current portion of borrowings	180,415	700,451	87,881	521,093
Bank overdrafts	1,861,228	924,745	928,554	456,442
Total liabilities	2,288,096	1,877,906	1,141,435	1,173,057
Net debt/(cash)	2,101,361	1,644,722	1,020,882	995,144

32.2.2 Liquidity risk management

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

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

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.

Notes to the Financial Statements

Maturity analysis - Group

The table below summarises the maturity profile of the Group's financial liabilities at 31st March 2023 based on contractual undiscounted payments.

As at 31st March In Rs. '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total 2023
Interest bearing borrowings	180,415	246,453	-	-	-	-	426,868
Trade and other payables	1,230,136	-	-	-	-	-	1,230,136
Amounts due to related parties	130,316	-	-	-	-	-	130,316
Bank overdrafts	1,861,228	-	-	-	-	-	1,861,228
	3,402,095	246,453	-	-	-	-	3,648,548

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

As at 31st March In Rs. '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total 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

Maturity analysis - Company

The table below summarises the maturity profile of the Company financial liabilities at 31st March 2023 based on contractual undiscounted payments.

As at 31st March In Rs. '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total 2023
Interest bearing borrowings	87,881	125,000				-	212,881
Trade and other payables	715,499	-	-	-	-	-	715,499
Amounts due to related parties	81,042	-	-	-	-	-	81,042
Bank overdrafts	928,554	-	-	-	-	-	928,554
	1,812,976	125,000	-	-	-	-	1,937,976

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

As at 31st March In Rs. '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total 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

32.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market prices comprise four types of risk:

- Interest rate risk
- Foreign 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.

32.3.1 Foreign Currency risk

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

The Group 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 approximately USD 3.4 Mn.

However, the Group 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 Group attempt to mitigate the exposure to currency risk arising from its transactions.

The Sri Lankan Rupee depreciated significantly in the first two quarters of the financial year and witnessed significant volatility during certain periods of the financial year. The foreign exchange markets were largely inactive and liquid during the first half of the financial year amidst significant foreign exchange shortages and macroeconomic uncertainty. However, from the second half of the financial year, the foreign exchange liquidity improved on the back of a trade surplus given the sharp contraction of imports due to the fiscal and monetary policy measures adopted in the country and the continuation of import restrictions at the time. The Rupee appreciated during the final quarter with the improving foreign exchange liquidity situation in the country and the Extended Fund Facility (EFF) from the International Monetary Fund (IMF), at the time. The Group adopted prudent measures, as and when required, to manage the financial impacts arising from the liquidity constraints and currency fluctuations by matching liabilities with corresponding inflows. At a Group level, the translation risk on foreign currency debt is largely hedged "naturally" as a result of the conscious strategy of maintaining US Dollar cash balances at the holding company whilst also ensuring obligations can be managed through US Dollar denominated revenue streams. The Group was able to navigate the liquidity challenges through matching its obligations with foreign currency inflows, as far as possible and permissible, while also using the strength of the Group balance sheet to manage the situation.

The table below illustrates the Group and Company's profit before tax sensitivity to a reasonable possible change in exchange values, with all other variables held constant.

	Increase/(Decrease) in exchange rate USD	Effect on profit before tax Rs.000's	
		GROUP	COMPANY
2023	+ 12.6%	20,749	5,374
	- 12.6%	(20,749)	(5,374)
2022	+ 52.0%	88,965	58,942
	- 52.0%	(88,965)	(58,942)

33.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group is exposed to interest rate risk for USD loan obtained from HNB. However, management monitors the sensitivities on regular basis and ensure risks are managed on a timely manner.

The Central Bank of Sri Lanka (CBSL) continued the tightening of monetary policy stance during current financial year, resulting in a sharp upward trend in the first half of the financial year, particularly with the uncertainty of a domestic debt restructuring being factored in to secondary market yields on Government Securities. The shortage of liquidity in the first half of the financial year further put pressure on market interest rates. There was a decrease in interest rates in the last three months of the financial year on account of the reduced Government debt financing requirements and improved liquidity position in the country. The Group had mitigated the risk of increasing interest rates by balancing its portfolio of borrowings and moving a sizeable portion of its Sri Lankan Rupee borrowings on a long-term basis prior to the sharp upward movement in interest rates. Similarly, where relevant and possible, a majority of the Rupee long-term facilities were on a fixed rate basis over the tenor of the loan. 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
2023	+1407	+ 451	(119,144)	-
	-1407	- 451	119,144	-
2022	+ 273	+ 30	(46,447)	(32,728)
	- 273	- 30	46,447	32,728

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment and changes to base rates such as AWPLR and LIBOR. The Company has a fixed rate of interest as of the reporting date.

32.4 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 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Total liabilities	13,673,759	7,549,334	10,970,223	5,884,554
Less: cash in hand and at bank	186,735	233,184	120,553	177,913
Adjusted net debt	13,487,024	7,316,150	10,849,670	5,706,641
Total equity	32,237,888	34,959,316	26,955,777	29,729,849
Adjusted net debt to adjusted equity ratio	41.84%	20.93%	40.25%	19.19%

33 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 tourists
Property	Property Development and renting out premises

For the year ended 31st March In Rs.'000s	HOTELS 2023	HOTELS 2022	PROPERTY 2023	PROPERTY 2022	Group Total 2023	Group Total 2022
External revenue	8,241,626	4,055,661	174,932	39,011	8,416,558	4,094,672
Inter segment revenue	(66,406)	(65,953)	66,406	65,953	-	-
Total segment revenue	8,175,220	3,989,708	241,338	104,964	8,416,558	4,094,672
Segment operating profit/(loss) before finance expenses	35,066	(379,755)	71,510	(19,800)	106,576	(399,555)
Finance expenses	(364,157)	(174,589)	(29,320)	(9,936)	(393,477)	(184,525)
Change in fair value of investment properties						
Company	-	-	(59,909)	(42,374)	(59,909)	(42,374)
Commercial centre of subsidiary	-	-	214,301	167,226	214,301	167,226
Profit/(loss) before tax	(329,091)	(554,344)	196,582	95,116	(132,509)	(459,227)
Income tax expense	(301,548)	(48,017)	101,294	(602)	(200,254)	(48,620)
Profit/(loss) after tax	(630,639)	(602,361)	297,876	94,514	(332,763)	(507,847)
Non-controlling interest	(209,001)	(124,781)	153,827	127,101	(55,174)	2,320
Profit/(loss) attributable to equity holders	(421,638)	(477,580)	144,049	(32,587)	(277,589)	(510,167)

For the year ended 31st March In Rs.'000s	HOTELS 2023	HOTELS 2022	PROPERTY 2023	PROPERTY 2022	Group Total 2023	Group Total 2022
Assets						
Segment assets	35,959,588	32,969,235	10,623,241	10,200,511	46,582,829	43,169,746
Elimination					(671,182)	(661,096)
Total assets	35,959,588	32,969,235	10,623,241	10,200,511	45,911,647	42,508,650
Liabilities						
Segment liabilities	13,424,023	7,183,331	260,873	367,054	13,684,896	7,550,385
Elimination					(11,137)	(1,051)
Total liabilities	13,424,023	7,183,331	260,873	367,054	13,673,759	7,549,334

34 CONTINGENT LIABILITIES

Accounting policy

Provisions are recognised 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 the Group as at 31st March 2023, relates to the following:

Income Tax Assessments - Subsidiary

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 2023 is estimated at Rs. 192 Mn.

CMC Tax matter - Group

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 provisions in the financial statements amounting to Rs. 3 million per year based on the guidelines issued by THASL.

35 CAPITAL COMMITMENTS

The Subsidiary had capital expenditure contracted for Rs. 306 Mn as at 31st March 2023, which were not provided for in the consolidated financial statements.

36 EVENTS SUBSEQUENT TO THE REPORTING DATE AND OTHER MATTERS

Other than the contingent liabilities and capital commitments referred to in Note 34 & 35 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.

37 DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Please refer to the page 75 for the Statement of Directors' Responsibility for Financial Reporting.

SUPPLEMENTARY INFORMATION

CONSOLIDATED VALUE ADDED STATEMENT

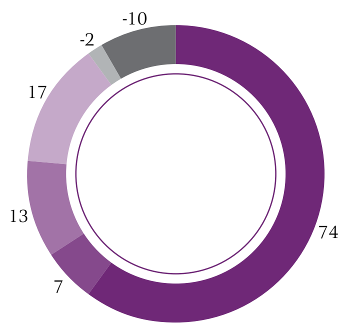
For the year ended 31 March In Rs. '000s	2023	2022
Revenue	8,416,558	4,094,672
Adjustment for Change in Fair Value of Investment Property	154,393	124,852
Adjustment for Finance Income	13,609	7,493
Adjustment for other Income	55,711	148,403
	8,640,271	4,375,419
Less : Cost of Materials & Services purchased from external sources	(5,764,926)	(2,806,523)
Value Added	2,875,345	1,568,896

In Rs. '000s	2023	%	2022	%
Distributed as follows:				
To Employees as Remuneration	2,139,925	74%	1,355,300	86%
To the Government as Taxes	193,840	7%	120,320	8%
To the Providers of Capital				
as Interest on Loans	372,323	13%	105,878	7%
as Minority Interest	(55,174)	(2%)	2,320	0%
To Shareholders as Dividends				
Retained within the business				
as Depreciation	500,329	17%	481,635	31%
as Reserves	(275,898)	(10%)	(496,557)	(32%)
	2,875,345	100	1,568,896	100

Distribution of Value Added

2022 / 2023

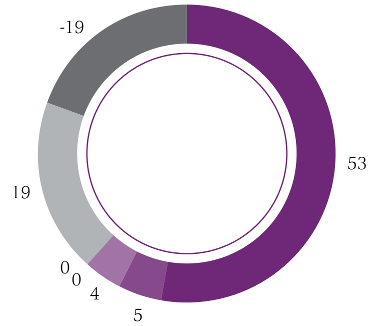
%



- To Employees as Remuneration
- To the Government as Taxes
- as Interest on Loans
- To Shareholders as Dividends
- as Depreciation
- as Minority Interest
- as Reserves

2021 / 2022

%



- To Employees as Remuneration
- To the Government as Taxes
- as Interest on Loans
- as Minority Interest
- To Shareholders as Dividends
- as Depreciation
- as Reserves

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.

Distribution of Shareholdings

From		To	31.03.2023			31.03.2022		
			Number of share holders	No. of shares held	Percentage of share holdings	Number of share holders	No. of shares held	Percentage of share holdings
1	-	1,000	2,247	559,681	0.1	2,228	561,331	0.1
1,001	-	10,000	695	2,501,258	0.6	684	2,473,738	0.6
10,001	-	100,000	171	4,946,799	1.1	165	4,817,252	1.1
100,001	-	1,000,000	31	8,006,723	1.8	29	9,180,727	2.0
1,000,001		and above	10	426,760,839	96.4	11	425,742,252	96.2
			3,154	442,775,300	100.0	3,117	442,775,300	100.0

Analysis of Shareholders

Categories of Shareholders

	31.03.2023 Holdings		31.03.2022 Holdings	
	Number	%	Number	%
Individuals	16,076,911	3.63	16,193,352	3.66
Institutions	426,698,389	96.37	426,581,948	96.34
	442,775,300	100.00	442,775,300	100.00
Resident	439,252,821	99.20	439,123,319	99.18
Non Resident	3,522,479	0.80	3,651,981	0.82
	442,775,300	100.00	442,775,300	100.00
Public	94,940,508	21.44	94,940,508	21.44
Non Public*	347,834,792	78.56	347,834,792	78.56
	442,775,300	100.00	442,775,300	100.00

*Includes shareholdings of Parent Company, Directors & Spouses.

Public shareholding

	2023	2022
The Public Shareholding (%)	21.44	21.44
Number of Public Shareholders	3,152	3,115
Compliant under option 4 - Float adjusted market capitalisation (LKR Bn)	4.18	3.51

Information to Shareholders & Investors

	Date	2022/23 Rs.	Date	2021/22 Rs.
Market Value				
Highest Market Price per share	15- 09-2022	47.30	06-10-2021	51.80
Lowest Market Price per share	20- 06-2022	27.00	27-04-2021	34.00
Last Traded Market Price per share	31- 03-2023	44.00	31-03-2022	37.00
Dividend Payments				
Dividend per Share		-		-

TOP TWENTY THREE SHAREHOLDERS

Name	As at 31.03.2023		As at 31.03.2022	
	No. of shares	Share holdings percentage	No. of shares	Share holdings 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	11,939,442	2.70	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. Yaddehige	3,415,200	0.77	3,415,200	0.77
Bank of Ceylon-No. 2 A/C (BOC PTF)	2,481,053	0.56	2,481,053	0.56
Bank of Ceylon-No. 1 Account	2,367,741	0.53	2,367,741	0.53
Mr. G. Ramanan	1,968,139	0.44	1,624,975	0.37
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
Dr. A.K.A. Jayawardene	800,000	0.18	784,305	0.18
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
Seylan Bank PLC/Anuja Chamila Jayasinghe	506,949	0.11	Nil	-
Commercial Bank of Ceylon PLC/Andaradeniya Estate (Pvt) Ltd	359,841	0.08	482,796	0.11
Commercial Bank of Ceylon PLC/Metrocorp (Pvt) Ltd	300,000	0.07	300,000	0.07
Ravi Exports (Pvt) Ltd	270,000	0.06	310,000	0.07
Hatton National Bank PLC/Nishantha Priyanjith Sooriyaarachchi	240,643	0.05	242,057	0.05
Mr. D.K.A.K. Weerathunga	238,271	0.05	238,271	0.05
Merrill J Fernando & Sons (Pvt) Ltd	220,000	0.05	220,000	0.05
Mr. G. Anuragavan	213,947	0.05	Nil	-
Hatton National Bank PLC A/C No.05 (Trading Portfolio)	207,476	0.05	207,476	0.05
	432,174,968	97.61	429,376,040	96.97

5 YEAR FINANCIAL SUMMARY OF THE GROUP

	2022/23	2021/22	2020/21	2019/20	2018/19
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Revenue	8,416,558	4,094,672	1,790,116	5,559,550	7,658,470
Profit after taxation	(332,763)	(507,847)	(2,244,002)	105,919	1,077,935
Profit/(Loss) attributable to equity owners	(277,589)	(510,167)	(1,780,674)	(49,828)	811,157
Share Capital & Reserves					
Stated Capital	3,345,117	3,345,117	3,345,117	3,345,117	3,345,117
Other Components of Equity	20,613,338	23,093,391	22,287,036	22,151,217	21,532,409
Revenue reserves	4,916,727	5,187,893	5,673,539	7,445,171	7,907,652
Shareholders' Funds	28,875,182	31,626,401	31,305,692	32,941,505	32,785,178
Minority Interest	3,362,706	3,332,915	3,307,203	3,750,825	3,646,757
	32,237,888	34,959,316	34,612,895	36,692,330	36,431,935
Assets & Liabilities					
Current Assets	1,680,911	1,316,880	788,058	2,033,169	2,457,373
Current Liabilities	(4,090,138)	(3,096,157)	(2,081,448)	(1,617,135)	(1,906,545)
Net Current Assets/(Liabilities)	(2,409,227)	(1,779,277)	(1,293,390)	416,034	550,828
Non Current Assets	44,230,736	41,191,770	40,080,874	40,548,653	40,066,525
Non Current Liabilities	(9,583,621)	(4,453,177)	(4,174,589)	(4,272,357)	(4,185,418)
Net Non Current Assets	34,647,115	36,738,593	35,906,285	36,276,296	35,881,107

Ratio Analysis	2023	2022	2021	2020	2019
Earnings Per Share (Rs)	(0.63)	(1.15)	(4.02)	(0.11)	1.83
Net assets per share (Rs)	65.21	71.43	70.70	74.40	74.04
Current Ratio (Times)	0.41	0.43	0.38	1.26	1.28
After tax return on net assets (%)	(0.96)	(1.61)	(5.69)	(0.15)	(2.47)
Dividend Per Share (Rs)*	-	-	-	1.00	2.00
P/E Ratio	(70.18)	(32.11)	(9.30)	(257.70)	22.87
Dividend Payout Ratio*	-	-	-	(8.89)	1.09

* No dividend declared for the financial year ended 31st March 2023.

5 YEAR FINANCIAL SUMMARY OF THE PROPERTY DEVELOPMENT DIVISION

	2022/23	2021/22	2020/21	2019/20	2018/19
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Revenue	174,932	39,011	83,479	255,031	355,038
Cost of Sales	88,428	48,969	73,530	102,006	108,693
Gross Profit/(Loss)	86,504	(9,958)	9,949	153,025	246,345
Net Finance and Other Income	(4,389)	11,344	53,341	75,021	80,183
Administration & Other Overheads	97,452	88,496	106,193	136,279	126,047
Change in Fair Value of Investment Property	59,909	42,374	349,236	9,410	39,351
Net Profit/(Loss) before Tax	(75,246)	(129,484)	(392,139)	82,357	161,130

5 YEAR FINANCIAL SUMMARY
CINNAMON GRAND COLOMBO HOTEL

	2022/23 Rs '000	2021/22 Rs '000	2020/21 Rs '000	2019/20 Rs '000	2018/19 Rs '000
Revenue					
Rooms	1,173,976	509,745	38,918	1,077,116	1,899,741
Food	2,768,480	1,398,746	689,331	1,479,204	1,993,705
Beverage	388,306	179,229	108,122	237,819	338,664
Food & Beverage Others	122,768	68,541	8,808	3,104	16,861
Telephone	197	9	3	316	532
Rental Income	21,865	15,202	6,939	22,212	27,983
Other Operating Income	197,009	66,964	43,548	156,153	200,521
Total Revenue	4,672,601	2,238,436	895,669	2,975,924	4,478,007
Expenses					
Room	306,298	172,706	130,879	305,939	399,502
Food Cost	1,171,552	559,211	284,007	527,123	782,792
Beverage Cost	130,547	57,384	36,542	66,041	105,968
Food & Beverage Other	994,792	639,196	538,305	745,206	810,446
Telephone	5,458	4,089	3,787	4,163	4,330
Other	185,496	65,692	43,730	136,676	174,831
Total Expenses	2,794,143	1,498,278	1,037,250	1,785,148	2,277,869
Gross Operating Income/(Loss)	1,878,458	740,158	(141,581)	1,190,776	2,200,138
Expenses					
Administrative & General	484,187	283,225	298,634	414,744	443,507
Advertising & Sales Promotion	141,836	64,771	77,771	137,314	142,066
Heat, Light & Power	458,579	198,232	165,041	240,112	287,212
Repair & Maintenance	239,624	120,771	98,921	151,562	170,055
Total Deductions	1,324,226	666,999	640,367	943,732	1,042,840
Gross Operating Profit/(Loss)	554,232	73,159	(781,948)	247,044	1,157,298
Interest Income	7,532	1,802	8,755	49,273	77,213
Dividend Income	-	-	-	43,412	74,668
Sundry Income	32,077	100,578	168,311	64,979	10,481
	593,841	175,539	(604,882)	404,708	1,319,660
Insurance	19,544	20,108	15,090	11,048	9,999
Interest Expenses	161,770	52,416	7,497	-	-
Rates	17,658	16,784	16,784	16,784	16,884
Hotel Operating/Marketing Fee	223,820	93,745	35,860	135,237	240,647
Depreciation	336,208	327,203	351,437	385,052	393,262
	759,000	510,256	426,668	548,121	660,792
Net (Loss)/Profit Before Tax	(165,159)	(334,717)	(1,031,550)	(143,413)	658,868

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 (ARR)
Hotel room 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 (DPS)
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). EBIT includes interest income, depreciation and fair value gains/losses on investment property, but excludes exchange gain or loss.

EBITDA
Earnings before interest, tax, depreciation and amortisation. EBITDA includes interest income and fair value gains/losses on investment property, but excludes exchange gain or loss.

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.

Glossary of Financial Terms

Fair Value
Fair value is the amount for which an asset could be exchanged between acknowledgeable 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 (ROCE)
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 (ROE)
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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Ninth Annual General Meeting ("Meeting") of Asian Hotels and Properties PLC will be held as a virtual meeting on 27th June 2023 at 3.30 p.m. via Microsoft Teams for the following purposes:

1. To read the Notice Convening the Meeting.
2. To receive and consider the Annual Report and Financial Statements of the Company for the Financial Year ended 31st March 2023 with the Report of the Auditors thereon.
3. To re-elect as a Director, Mr. M R Svensson, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. M R Svensson is contained in the Board of Directors section of the Annual Report.
4. To re-elect as a Director, Mr. C L P Gunawardane, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. C L P Gunawardane is contained in the Board of Directors section of the Annual Report.
5. To re-appoint Auditors, Messrs. KPMG, Chartered Accountants, and to authorise the Directors to determine their remuneration.
6. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

This year the Annual Report and Financial Statements of the Company are available on the below links, once the financial statements ending 31st March 2023 are released to the stock exchange.

(1) Corporate website of the Company https://keells.com/resource/reports/group-annual-reports/Asian-Hotels-and-Properties-PLC.pdf and

(2) The Colombo Stock Exchange website - https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=AHPL.N0000

Members may also access the Annual Report and Financial Statements on their electronic devices by scanning the above QR code.

For clarifications on how to download and/or access the Annual Report and Financial Statements, please contact Mr. Fazal Cader on +94(0)112497208 during normal office hours (8.30 a.m. to 4.30 p.m.) or email fazal@cinnamonhotels.com

Should Members wish to obtain a hard copy of the Annual Report, they may send a written request to the registered office of the Company by filling the request form attached to the Form of Proxy. A printed copy of the Annual Report will be forwarded by the Company within eight (8) market days from the date of receipt of the request.

By Order of the Board,
ASIAN HOTELS AND PROPERTIES PLC

KEELLS CONSULTANTS (PRIVATE) LIMITED
Secretaries

Colombo
23 May 2023

Note:

- A Member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.
- A Proxy need not be a Member of the Company.
- A Member wishing to vote by Proxy at the Meeting may use the Form of Proxy enclosed herein.
- Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the Meeting in the Form of Proxy.
- In order to be valid, the completed Form of Proxy must be lodged at the Registered Office of the Company or forwarded to the email address: keellsconsultants@keells.com or Fax No. +94 11 2439037 not later than 48 hours before the Meeting.
- A vote can be taken on a show of hands or by poll. If a poll is demanded, each share is entitled to one vote. Votes can be cast in person, by Proxy or corporate representatives. In the event an individual Member and his/her Proxy holder are both present at the Meeting, only the Member's vote is counted. If the Proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.

NOTES

FORM OF PROXY

I/We...of

....being

a Member/s of Asian Hotels and Properties PLC hereby appoint..

.... of

.... or failing him/her

Mr. Krishan Niraj Jayasekara Balendra or failing him

Mr. Joseph Gihan Adisha Cooray or failing him

Mr. Suresh Rajendra or failing him

Mr. Changa Lashantha Poojitha Gunawardane or failing him

Mr. Mikael Roland Svensson or failing him

Ms. Aroshi Nanayakkara or failing her

Mr. Jegatheesan Durairatnam or failing him

Mr. Ashan De Zoysa

as my/our proxy to represent me/us and vote on my/our behalf at the Twenty-ninth Annual General Meeting of the Company to be held on the 27th June 2023 at 3.30 p.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

	FOR	AGAINST
To re-elect as a Director, Mr. M R Svensson, who retires in terms of Article 84 of the Articles of Association of the Company.		
To re-elect as a Director, Mr. C L P Gunawardane, who retires in terms of Article 84 of the Articles of Association of the Company.		
To re-appoint Auditors Messrs. KPMG, Chartered Accountants and to authorise the Directors to determine their remuneration.		

Signed on this ....day of .... Two Thousand and Twenty-Three

....

Signature/s of shareholder/s

Note: INSTRUCTIONS AS TO COMPLETION OF PROXY FORM ARE NOTED ON THE REVERSE.

Form of Proxy

INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company or forwarded to the email address: keellsconsultants@keells.com or facsimile No.011 2439037, no later than 48 hours before the time appointed for the holding of the Meeting.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the appointor is a Company or Corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the Company or Corporation in accordance with its Articles of Association or Constitution.
5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name : ……………………………………………………………………………………………

Address : ……………………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………

Jointly with: ……………………………………………………………………………………………

Share Folio No./CDS account No.: ……………………………………………………………………………

National Identity Card No.: ……………………………………………………………………………

CORPORATE INFORMATION

NAME OF COMPANY
Asian Hotels and Properties PLC

LEGAL FORM
A Public Limited Liability Company incorporated in Sri Lanka in 1993.

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

COMPANY REGISTRATION NO.
PQ 2

BOARD OF DIRECTORS
Mr. Krishan Niraj Jayasekara Balendra - Chairperson

Mr. Joseph Gihan Adisha Cooray

Mr. Suresh Rajendra

Mr. Jegatheesan Durairatnam

Mr. Ashan Suresh De Zoysa

Mr. Mikael Roland Svensson

Mr. Changa Lashantha Poojitha Gunawardane

Ms. Aroshi Nanayakkara

COMPANY SECRETARIES
Keells Consultants (Private) Limited

117, Sir Chittampalam A . Gardiner Mawatha, Colombo 2.

REGISTERED OFFICE
No.77, Galle Road, Colombo 03

Tel: +94 11 2497205 Fax: +94 11 5547555

E-mail: grand@cinnamonhotels.com

AUDITORS
KPMG

Chartered Accountants

32A, Sir Mohamed Macan Markar Mawatha

Colombo 03.

BANKERS
Deutsche Bank AG - Colombo

Seylan Bank - Millennium Branch, Colombo

Hongkong & Shanghai Banking Corporation - Colombo

Nations Trust Bank - Union Place, Colombo

DFCC Bank - Colombo 03

Citi Bank N.A - Colombo

Bank of Ceylon - Colombo

Commercial Bank of Ceylon - Colombo

Hatton National Bank - City Office, Colombo

Asian Hotels and Properties PLC
No.77, Galle Road, Colombo 03
Tel: +94 11 2497205 Fax: +94 11 5547555
E-mail: grand@cinnamonhotels.com