



**CEYLON HOTELS CORPORATION PLC**  
Annual Report 2013/2014











# Contents

Chairman's Review	02 - 03
Financial Highlights	05
Profile of Directors	06 - 07
Annual Report of the Directors	08 - 11
Statement of Directors Responsibilities	12
Corporate Governance	14 - 17
Report of the Audit Committee	19
Financial Reports	20 - 59
Investor Information	60 - 64
Five year summary	65
Notice of Annual General Meeting	67
Form of Proxy	69 - 70
Corporate Information	Inner back cover





The Lake House - Polonnaruwa





The Lake House - Polonnaruwa

## Chairman's Review

**Ceylon Hotels Corporation PLC**  
No. 327, Union Place, Colombo 2

**Annual Report**  
For the year ended 31<sup>st</sup> March 2014



### CHAIRMAN'S REVIEW

On behalf of the Board, I am pleased to welcome you to the 48th Annual General Meeting of Ceylon Hotels Corporation Plc.

### INDUSTRY OVERVIEW

Sri Lanka Tourism Industry witnessed a surge in tourism in 2013 also with 1,274,593 arrivals compared to 1,005,605 arrivals in 2012 an increase of 26.7%. Earnings from tourism also increased reaching US\$ 1.8 billion with Western Europe and South Asia continuing to dominate the generating markets while other key markets also showed encouraging growth. Sri Lanka hopes to reach 2.5 million arrivals and earn US\$ 3.5 billion by 2016, as per H.E. the President's vision.

### DEVELOPMENT

During the year Polonnaruwa Rest House was refurbished with a total project cost of Rs. 82,572,145. which is now being marketed as "Lake House Polonnaruwa."

Having refurbished Safari Tissamaharamaya, Surf Bentota, Lake Hotel Polonnaruwa, Ambepussa Rest & Avanhala, Dambulla, Habarana, Hanwellla, Pussellawa & Weligama Rest Houses now only Ella, Belihuloya, Kithulgala, Mihintale and Sigiriya Rest Houses remain to be refurbished.

These developments/refurbishment have cost the Company over Rs 1.4 billion

### PERFORMANCE

Ceylon Hotels Corporation Plc remain as the holding Company and after the restructuring the outlets they are reflected under the Company's wholly owned subsidiaries as follows:

- i) operations of Surf Bentota, The Safari Tissamaharama and Lake Hotel and Lake House Polonnaruwa are accounted under United Hotels Co (Pvt) Ltd,
- ii) operations of Belihuloya, Ella, Habarana, Hanwellla, Kitulgala, Medawachchiya, Pussellawa, Sigiriya, Weligama Rest Houses are accounted under CHC Rest Houses (Pvt) Ltd and
- iii) operations of Ambepussa Rest House & Avanhala and Dambulla Rest House are accounted under CHC Foods (Pvt) Ltd

The Revenue from the 3 subsidiaries amounted to Rs. 769,437,249. for the year compared to Rs.538,734,849 which is an increase of Rs. 230,702,401 representing 43% With the turnover of Kandy Hotels Co (1938) Plc of Rs. 557,888,862 for the year (Rs.548,275,881 last year) the Group Turnover amounted to Rs. 1,179,401,254. which was an increase of 8% over last year.

The above entities/subsidiaries made a loss of Rs. (72,071,941) for the year ended 31.3.2014 compared to a Loss of Rs.106,547,045 last year, due to maintenance and other costs such as Finance, Depreciation, Employee Costs, Electricity etc.,

However, the other subsidiary Kandy Hotels Company (1938) Plc performed better than last year and ended up with a profit of Rs. 158,612,322 and increase of 11% over last year which was reported as the best year in the history of the company.

### CORPORATE SOCIAL RESPONSIBILITIES (CSR)

In addition to helping the poor youth in Hambantota to follow courses in the Hotel School run by Hotel Safari and helping them to secure jobs as well the company continued to assist all social projects in the areas where the Company has its outlets.

### APPRECIATION

The Board of Directors and the Board of Management alike would like to record their gratitude an appreciation of the inspired leadership of our Group Chairman, Mr Sanjeev Gardiner. I thank our Board Members and the Audit Committee for their guidance and unsolicited co-operation.



I take this opportunity to thank our Group General Manager, Mr Tony Fleming and his team members at all levels for their valuable services.

I also thank our Valued Clients, Travel Agents, Suppliers, Bankers, Auditors (External & Internal) and Secretaries for their unstinted support.

A special word of thanks also goes to our Shareholders for their continued trust and confidence placed on the Board and for their continued support.

Lakshman Samarasinghe

**CHAIRMAN**

10<sup>th</sup> July 2014



The Lake House - Polonnaruwa

## Financial Highlights

**Ceylon Hotels Corporation PLC**  
No. 327, Union Place, Colombo 2

**Annual Report**  
For the year ended 31<sup>st</sup> March 2014



## FINANCIAL HIGHLIGHTS



	Group		Company	
	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Results for the year</b>				
Gross Revenue	1,327,326	1,087,011	-	-
Cost of sales	(349,519)	(321,600)	-	-
Operation Profit/(Loss) Before Interest & Tax	149,088	59,967	(2,277)	(285,997)
Interest Expense	(156,978)	(89,109)	(53,802)	(42,449)
Profit / (Loss) Before Tax	(15,262)	(30,341)	(56,006)	(328,341)
Income Tax Reversal	(25,850)	2,740	(2,781)	10,361
Profit / (Loss) After Tax	(41,112)	(27,601)	(58,787)	(317,980)
Profit / (Loss) Attributable to Equity holders	(74,645)	(60,319)	(58,787)	(317,980)
Dividend Paid	N/A	N/A	N/A	N/A
<b>Financial Position at the end of the year</b>				
Equity holders, Funds (Stated Capital & Reserves)	5,803,208	5,878,580	546,132	602,623
Total Assets	9,550,079	9,698,994	1,437,694	1,322,716
Number of Share in Issue	171,825	171,825	171,825	171,825
<b>Information per ordinary shares</b>				
Earning / (Loss) Per Share (Rs.)	(0.43)	(0.35)	(0.34)	(1.85)
Dividend Per Share (Rs)	N/A	N/A	N/A	N/A
Net Assets Per Share (Rs)	33.77	34.21	3.18	3.51
<b>Ratios</b>				
Return on Equity Holders' Fund	(1.29)	(1.03)	(10.76)	(52.77)
Return on Total Assets	(0.78)	(0.62)	(4.09)	(24.04)
Dividend Cover (Times)	N/A	N/A	N/A	N/A
Equity : Assets	60.77	60.61	37.99	45.56
Current Ratio (Times)	0.64	0.63	0.17	0.57
<b>Market Shareholder Information</b>				
Market price of a Share as at 31st March (Rs)	15.70	16.80	15.70	16.80
Market Capitalization (Rs. 000)	2,697,653	2,886,660	2,697,653	2,886,660
Price Earning Ratio	N/A	N/A	N/A	N/A

# Profile of Directors

## MR SANJEEV GARDINER

Mr Sanjeev Gardiner was Co-opted to the Board of Ceylon Hotels Corporation in 1996 (before the privatization of CHC). With the acquisition of CHC he was Co-opted to the Board Kandy Hotels in Sept 2005 and appointed its Chairman. Mr Gardiner is the Group Chairman and Chief Executive Officer of the Galle Face Hotel Group and counts over 25 years of management experience in a diverse array of business. He is also the Chairman of United Hotels (Pvt) Ltd and Co-Chairman of Suisse Hotels Kandy (Pvt) Ltd. He is a Director of many public quoted and unquoted companies including Cargills (Ceylon) Plc. He holds a Bachelor of Business Degree from the Royal Melbourne Institute of Technology and a Bachelor of Business Degree (Banking & Finance) from Monash University, Australia. He is a Director and Council member of Hefpage Sri Lanka and a member of many prestigious associations.

## MR LAKSHMAN SAMARASINGHE (CHAIRMAN)

Mr Samarasinghe was Co-opted to the Board of Ceylon Hotels Corporation Plc in July 2005 and was appointed its Chairman which position he still holds. He was also Co-opted to the Board of Kandy Hotels in Sept 2005 and has been a Director of Galle Face Hotel Co Ltd for over 36 years. He was appointed as an Executive Director of the Autodrome Ltd which is a quoted Company in 1973 for 20 years and thereafter continued as a non Executive Director until 2007 when he opted to retire under the Stock Exchange rules. He has a Diploma in Commerce and counts over 45 years of Management experience. He is a Group Director being a board member of all the Group Companies.

## DR DENNIS ALOYSIUS

Dr Dennis Aloysius was Co-opted to the Board of Ceylon Hotels Corporation Plc in July 2005. He has been Director of the Galle Face Hotel group since 1973 and counts over 47 years of experience. He was also a Director of Millers Ltd, Cargills (Ceylon) Ltd and The Autodrome Ltd for over 3 decades. He is a well respected Medical Practitioner by profession and a Fellow of the College of General Practitioners of Sri Lanka. The Sri Lanka College of Pediatricians and The Ceylon College of Physicians. He is also a past President of Sri Lanka Medical Association, Pediatric Association, college of General Practitioners and Organisation of Professional Association.

## MR PRIYANTHA MADDUMAGE

Mr Maddumage who was Co-opted to the Boards of Ceylon Hotels Corporation Plc in July 2005 and Kandy Hotels Co (1938) Ltd in Sept 2005 is the Group Financial Controller of the Galle Face Hotel Group of Companies and counts over 21 years of Finance Management experience. He is also a Director of all subsidiary Companies of CHC. He has a Bachelor of Commerce Special Degree from the University of Sri Jayawardenapura and a Master of Business Management from Edith Cowan University in Australia. He is an Associate member of the Institute of Chartered Accountants of Sri Lanka, Associate Member of CPA Australia & Associate Member of the Institute of Certified Management Accountants of Sri Lanka.

## DR CHRISHANTHA NONIS

Dr Nonis was co-opted to the Board of Ceylon Hotels Corporation Plc on 29th April 2009. He is Chairman of the Mackwoods Group of Companies. He qualified in London, with a First Class Honours BSC from Imperial College of Science, Technology and Medicine and obtained his MBBS from the Royal Free Hospital Medical School, University of London, having spent his electives at Massachusetts General Hospital, Harvard Medical School, Boston, USA. He carried out his postgraduate training at Royal Brompton, the Hammersmith, and Addenbrooke's Hospital, Cambridge, and obtained his MRCP (UK). He is a member of the Royal College of Physicians, UK and is a Fellow of the Royal Society of Medicine, London and a Member of the Institute of Directors, London.

Dr Nonis served as a Director of Sri Lankan Airlines Limited, the Grants Board of the ICT Agency of Sri Lanka, and the Council of the Employers' Federation of Ceylon, the Advisory Committee on Peace and Reconciliation of the Ceylon Chamber of Commerce of Sri Lanka; the Country coordinating Mechanism for Sri Lanka of the Global Fund; Deputy Chairman of the Royal Commonwealth Society in London; Board member of Ramphal Institute of Commonwealth Policy Studies, London.

## MR KUVERA DE ZOYSA

Mr Zoysa was Co-opted to the Board of Ceylon Hotels Corporation Plc on 03rd August 2010 is an Attorney at Law of the Supreme Court of Sri Lanka and is in active practice since 1993 in the fields of Commercial and Civil Law. He was appointed a Presidential Counsel last year. He holds a Masters Degree (LLM) in International Trade Law from the University of Wales. He was also awarded the "The Young Outstanding Persons" Award, the HSBC – JCI TOYP 2007, by the Junior Chamber International Sri Lanka for Legal Accomplishment in recognition of his contribution to the Law field. He has served as Chairman/Director of People's Merchant Bank Plc and as a Director of the boards of People's Bank, Export Development Board and Sanasa Development Bank. He has also served as Acting Chairman of Peoples' Bank and a Chairman of the Audit, Legal and Risk Management Committees of People's Bank. He currently serves as a Chairman of Multi Finance Plc and Boards of many listed Companies and non-listed companies in IT, Power Healthcare and leisure sector as a Non-Executive Independent director. Mr de Zoysa is an Independent, Non-Executive Director of the Company.

## MR MANGALA BOYAGODA

Mr Boyagoda is a senior banker, possessing over 31 years' experience holding key position in the field of financial services. He is a specialist in debt markets, Financial Risk Management and in the restructure of companies. A former CEO of Standard Chartered Bank, he is at present Chairman, Wealth Trust Securities (Pvt) Ltd, Asset Trust Management (Pvt) Ltd, Cargills Agriculture and Commercial Bank, Sierra Construction Ltd, Ceylon Leather products Plc, Maskeliya Plantations Plc and Colombo City Holdings Plc.

Mr Boyagoda has served as a Consultant to the Asian Development Bank (ADB) the World Bank, the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka as well as Bangladesh. He also served as a Committee member of the Financial Reform Task Force and is a former President of the FOREX Association of Sri Lanka. Mr Boyagoda holds a Masters Degree in Business Administration from the Irish International University (European Union).



### **MR G TISSAKUTTIARACHCHI**

Apart from being a Member of Parliament for Hambantota from 1988 – 1994 and State Minister of Environment & Parliamentary Affairs from 1989 – 1994, Mr Kuttiarachchi has held several posts including Chairman of Multi Purpose Co-operative Society Tissamaharamaya, Chairman State Printing Corporation and Consultant Consumer Affairs Authority.

He is a Working Director of Employees' Trust Fund Board from 2005 and holds a Mass Communication Degree (Special) University Kelaniya.

### **MR KAMANTHA AMARASEKERA**

Mr. Kamantha Amarasekera is an eminent tax consultant and the Senior Tax and Legal Partner of Amarasekera & Company – a leading tax consultancy firm in the country. He is a member of the Institute of Chartered Accountants of Sri Lanka and is an Attorney-at-Law of the Supreme Court of Sri Lanka. He graduated in Business Administration from the University of Sri Jayawardenapura.

Mr. Kamantha Amarasekera is also a Director of Associated Ceat (Pvt) Ltd., Lanka Milk Food (CWE) Plc, Madulsima Plantation PLC, Balangoda Plantation Plc, Eden Hotels Plc, Confifi Hotels Holdings Plc, Finco Holding Ltd., Browns Investment Plc., Hydropower Freelanka Plc, Freelanka Capital Holdings Plc, Palm Garden Hotels Plc, Environmental Resource Plc, and Suisse Hotel Kandy (Pvt) Ltd.



The Surf - Bentota



## Annual Report of the Board of Directors on the affairs of the Company

The Board of Directors have pleasure in presenting the Annual Report for the year ended 31<sup>st</sup> March 2014 on the affairs of the Company and the Group prepared in terms of the provisions of the Companies Act No.7 of 2007.

These were approved by the Directors on 10<sup>th</sup> day of July 2014

### **PRINCIPAL ACTIVITY THE COMPANY AND ITS SUBSIDIARIES**

The principal activity of the Company is to manage subsidiaries which are engaged in the provisioning of living accommodation, refreshment, entertainment and recreation of tourists.

### **REVIEW OF OPERATIONS AND FINANCIAL HIGHLIGHTS**

The Financial Statements which include the Statement of Comprehensive Income, balance sheets, statement of changes in equity and the notes to the financial statements of the company & Group for the year ended 31<sup>st</sup> March 2014 are set out on pages 21-59 of the Annual Report.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS 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 Companies Act No.07 of 2007, the Sri Lanka Accounting and Auditing Standard Act and the Continuing Listing Rules of the Colombo Stock Exchange.

### **STATED CAPITAL AND RESERVES**

The Company's stated capital as at 31<sup>st</sup> March 2014 was represented by 171,824,401 ordinary shares and 1,200,000 Preference shares (6%).





There was no change in the stated capital during the year under review.

The total capital and reserves for the group stood at Rs 5,802,898,003 as at 31<sup>st</sup> March 2014.

#### **ACCOUNTING POLICIES**

The details of the accounting policies adopted by the Company in preparation of the financial statements and the impact there on, of changes in the Sri Lanka Accounting standard made during the year are disclosed on pages 28 to 40 of the Annual Report.

#### **DIVIDENDS**

The Board of Directors do not recommend a dividend for the financial year

#### **PROPERTY PLANT & EQUIPMENT**

The Company has spent Rs. 45,923 on capital expenditure during the year under review. The movements in property, plant and equipment during the year are set out in Note 40 to the Financial Statement.

#### **STATUTORY PAYMENTS**

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments in relation to the Government and to the Employees have been settled to date or are provided for in the books of the company.

#### **CONTINGENT LIABILITIES AND CAPITAL COMMITMENT**

The Contingent liabilities and capital commitment made on account of capital expenditure as at 31<sup>st</sup> March 2014 are given in Note 35 to the Financial Statements.

#### **POST BALANCE SHEET EVENTS**

There are no significant events that have occurred after the balance sheet date which would have any material effect on the Company that require adjustments.

#### **GOING CONCERN**

The Directors are confident that the company has adequate resources to continue business operations. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the Financial Statements.

#### **INTEREST REGISTERS**

In terms with the Companies Act No.07 of 2007, the company maintained an Interest Register and the entries have been made therein. Interest Register is deemed to form part and parcel of this Annual Report and is available for inspection upon request. All related party transactions during the period are recorded in the Interest Register.

The Board of Directors has duly disclosed their directorships in related companies and share dealing with the company and related companies at board meetings.

The related party transactions and Directors' interest in contracts and proposed contracts with the company are also disclosed in Note 34 to the Financial Statements.

#### **SHARE INFORMATION**

Information on earnings, dividends, net assets and share trading are disclosed on page 5 and 61 to 64

#### **MAJOR SHAREHOLDINGS**

The twenty largest shareholders of the company are disclosed on page 64 of this Report.



## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd..)

### CONTRIBUTIONS TO CHARITY

The sum of contributions made to charities by the company during the financial year ended 31 March 2014 does not exceed Rs.2,344,424

### DIRECTORS AS AT 31 MARCH 2014

The Board of Directors of Ceylon Hotel Corporation PLC comprises 09 Directors and 05 of them serves as Independent Non-Executive Directors. The qualification and experience of the Directors are given on page 6-7 of the Report.

The names of the Directors who held office during the year under review are as follows:

Mr Lakshman Samarasinghe  
Mr.Sanjeev Gardiner  
Dr Dennis Aloysius  
Mr Priyantha Maddumage  
Dr Chrisantha Nonis  
Mr Kuvera De Zoysa  
Mr Mangala Boyagoda  
Mr Gunapala Tissakuttiarachchi  
Mr Kamantha Amarasekera

Messrs Mangala Boyagoda and G Tissakuttiarachchi retire by rotation and being eligible offer themselves for reelection. Mr. Kamantha Amarasekera was appointed to the board during the financial year and offers himself for election as a director.

Dr D J Aloysius retires in terms of Section 210 of the Companies Act No.07 of 2007. Special notice has been received from a shareholder pursuant to Section 211 of the Companies Act No.07 of 2007 of his intention to propose the re-election of Dr D J Aloysius.

Mr Lakshman Samarasinghe retires in terms of Section 210 of the Companies Act No.07 of 2007. Special notice has been received from a shareholder pursuant to Section 211 of the Companies Act No.07 of 2007 of his intention to propose the re-election of Mr Lakshman Samarasinghe.

### DIRECTORS DEALINGS WITH THE SHARES OF THE COMPANY:

Directors shareholding in the company as at 31<sup>st</sup> March 2014 are as follows:

#### NAMES OF DIRECTORS

#### SHAREHOLDING

Mr Lakshman Samarasinghe	3,025
Mr.Sanjeev Gardiner	NIL
Dr Dennis Aloysius	10,069
Mr Priyantha Maddumage	01
Dr Chrisantha Nonis	NIL
Mr Kuvera De Zoysa	NIL
Mr Mangala Boyagoda	NIL
Mr Gunapala Tissakuttiarachchi	NIL
Mr Kamantha Amarasekera	NIL

As at 31<sup>st</sup> March 2014, there were 7,500 registered shareholders. The percentage of shares held by the public as per the Colombo Stock Exchange rules as at 31<sup>st</sup> March 2014 was 23.80%



## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd..)



### THE BOARD OF DIRECTORS DECLARE AS FOLLOWS:

- (1) the Company has not engaged in any activity which contravenes laws and regulations
- (2) All material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested;
- (3) The Company has made all endeavours to ensure the equitable treatment of shareholders;
- (4) the business is a going concern, with supporting assumptions or qualifications as necessary; and they have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management, and have obtained reasonable assurance of their effectiveness and successful adherence therewith and, if it is unable to make any.

### REMUNERATION OF DIRECTORS

Remuneration received by the Directors is set out in Note 11 to the Financial Statements on page 41

### DIRECTORS INTEREST IN CONTRACTS

The Directors' interest in contracts and proposed contracts with the company are disclosed in Note 34 to the Financial Statements.

### AUDITORS RELATIONSHIP

Messrs KPMG Chartered Accountants who are willing to continue in office are recommended for re-appointment, at a remuneration to be decided by the Board of Directors.

The fees paid to auditors are disclosed in Note 11 to the Financial Statements.

As far as the Directors are aware, the Auditors do not have any relationship other than that of an auditor with the company. The auditors also do not have any interest in the Company or its Group Companies. They confirm that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

### ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 05<sup>th</sup> September 2014 at 11am at the Sri Lanka Foundation Institute, No:100, Independence Square, Colombo 7

For and on behalf of the Board

Lakshman Samarasinghe  
Director

Priyantha Maddumage  
Director

By Order of the Board,

Accounting Systems Secretarial Services (Private) Limited,  
Secretaries to the Company,

10<sup>th</sup> July 2014

# Statement of the Directors' Responsibility for the Preparation of Financial Statements

The Board of Directors is responsible for preparing and presenting the financial statements, which are set out on pages 21 to 59.

As per the provisions of the Companies Act No. 7 of 2007 the directors are required to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year.

In preparing the financial statements, the Directors have selected appropriate accounting policies and applied them in a consistent manner. Such policies are supported by reasonable and prudent judgment and all applicable Accounting Standards have been followed.

The Directors are also confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the company

and to ensure that the financial statements presented comply with the requirements of the Companies Act, No. 7 of 2007.

The Directors have taken reasonable steps to safeguard the assets of the Company and established appropriate internal control systems with a view to preventing and detection of fraud and other irregularities.

The Directors are confident that they have discharged their responsibility as set out in this statement. They also confirm that to the best of their knowledge all statutory payments payable by the Company as at the Statement of Financial Position date have been paid or where relevant, provided for.



Accounting Systems Secretarial Services (Pvt) Ltd.  
Secretaries to Ceylon Hotels Corporation PLC  
No. 02, Castle Lane,  
Colombo 04.

10<sup>th</sup> July 2014



The Surf - Bentota





The Lake House - Polonnaruwa

# Corporate Governance

**Ceylon Hotels Corporation PLC**  
No. 327, Union Place, Colombo 2

**Annual Report**  
For the year ended 31<sup>st</sup> March 2014



# Corporate Governance

Corporate Governance deals with the systems by which companies are led, directed and controlled, the role of the Board of Directors, the frame-work of internal controls and relationships between the Board of Directors, Shareholder and Auditors.

The platform on which Corporate Governance principals are structured in Sri Lanka is that the Board of Directors is responsible for the proper Governance of the Company. In that context, the Board of Directors of Ceylon Hotels Corporation PLC, has recognized that their responsibilities include the setting out of the Company's strategic aims, providing the necessary leadership to implement such aims, supervising the management of the business and reporting to the shareholder on their stewardship. Therefore, they strive to discharge such duties collectively.

The shareholders responsibilities cover the appointing of Director and Auditors and satisfying themselves that the appropriate Governance structures are in place.

### THE BOARD OF DIRECTORS

The Board of Director of Ceylon Hotels Corporation PLC takes responsibility for good Corporate Governance of the Company together with Group Operating Committee (GOC). The Board and the GOC set out the Company's strategic focus, and oversees the business and connected affairs of the company and it also formulates the strategic objectives and policy frame work for the Company.

#### Board composition and Directors Independence as at 31st March 2014

Name of Director	Type	Shareholding
Sanjeev Gardiner	Group Chairman & Non Independent Executive Director	No
LakshmanSamarasinghe	Chairman & Non Independent Executive Director	Yes
Priyantha Maddumage	Non Independent Executive Director	Yes
Dr Dennis Aloysius	Non Executive & Non Independent Director	Yes
Dr. Chrishantha Nonis	Non Executive & Independent Director	No
Kuvera De Zoysa	Non Executive & Independent Director	No
Mangala Boyagoda	Non Executive & Independent Director	No
Gunapala Tissakuttiarachchi	Non Executive & Independent Director	No
Kamantha Amrasekara	Non Executive & Independent Director	No

### COMPLIANCE REGARDING PAYMENTS

The Board of Directors confirms that all known statutory payments have been paid up to date and all retirement gratuities have been provided for in the financial statements. At the same time, all management fees and payments made to related parties have been reflected in Note 34 in the financial statements.

### INTERNAL CONTROL

The Board is responsible for ensuring that the Company has adequate and effective internal controls in place.

### GOING CONCERN

The Board of Directors is satisfied that the Company is a going concern and has adequate resources to continue in business for the foreseeable future. For this reason, the Company follows the "going concern" basis when preparing financial statements.





The Company's Corporate Governance Structure is detailed below demonstrate extent to which the Company adheres to

- Provisions of the Companies Act No.07 of 2007
- CSE regulations on Corporate Governance
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka

Corporate Governance Principal		Level of Compliance by Ceylon Hotels Corporation PLC	
<b>Board of Directors</b>			
Rule 7.10.1 of CSE	The board of directors of a Listed Entity shall include at least two non-executive directors; or such number of non-executive directors equivalent to one third of the total number of directors whichever is higher.	Complied	Board currently has 09 Directors, and 06 of them are Non Executive Directors.
Rule 7.10.2 of CSE and Principal A.5.5. Board Balance of Corporate Governance Code	1/3 of non-executive directors appointed to the board of directors, whichever is higher shall be 'independent'	Complied	The Board comprised 09 directors and 05 of them are Independent Directors
Rule 7.10.3 of CSE & Principal A.7.3 of Corporate Governance code	The board shall make a determination annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the board	Complied	In accordance with the criteria specified in the Rule 7.10.4, all the Non Executive Directors have declared their independence or non independence. Brief profile of all the Directors are given on page 6 and 7 to the Annual Report.  All the new Board appointments were informed to shareholders by making an announcement in Colombo Stock Exchange in compliance with Rule 7.10.3 (d).
<b>Financial Acumen</b>			
Principal A.4 of Corporate Governance Code	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance	Complied	The Board consist of Senior Accountants, who are members of the professional accounting bodies, to guide the Board on Financial matters.
<b>Relationship with shareholders</b>			
Principal C.1 of Corporate Governance Code	Boards should use the AGM to communicate with shareholders and should encourage their participation	Complied	Shareholders are encouraged to participate at Annual General Meetings and to exercise their voting rights. Adequate notice of meetings is given well in advance in order to obtain their maximum participation.
<b>Remuneration Committee</b>			
Rule 7.10.5 of CSE & Principal B.3 of Corporate Governance Code	The remuneration committee shall comprise of a minimum of two independent non-executive directors (in instances where an Entity has only two directors on its Board) or of non-executive directors a majority of whom shall be independent, whichever shall be higher	Complied	The Remuneration Committee consists of 02 Independent Non Executive Directors. Report of the Remuneration Committee detailing their functions, remuneration policy, total salaries of Executive and Non Executive Directors are given on page 17 to the Annual Report.

## CORPORATE GOVERNANCE (Contd....)

<b>Audit Committee</b>			
Rule 7.10.6 of CSE & Principal D.3.4 of Corporate Governance Code	The audit committee shall comprise of a minimum of two independent non-executive directors (in instances where a Entity has only two directors on its board) or of non-executive directors a majority of whom shall be independent, whichever shall be higher	Complied	The Audit Committee consists of 3 Independent Non Executive Directors.  Report of the Audit Committee is given on page 19 to the Annual Report
<b>Major Transactions</b>			
Principal C.2 of Corporate Governance Code	Directors should disclose to shareholders all proposed corporate transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a company with subsidiaries, the consolidated group net asset base.	Complied	There were no major transactions during the year which involves the acquisition, sale or disposition of greater than half of the net value of the Company's assets, which would materially alter/vary the net asset base of the Company or a transaction which has or is likely to have the effect of the Company acquiring obligations and liabilities.
<b>Financial Reporting</b>			
Principal D.1 of the Corporate Governance Code	The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.	Complied	The company makes timely publication of annual and quarterly results in compliance with statutory requirements, and procedures laid down by the Colombo Stock Exchange and Sri Lanka Accounting Standards.
<b>Internal Controls</b>			
Principal D.2 of Corporate Governance Code	The Board should maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets.	Complied	Company has a sound internal control system which is periodically assessed by the Internal Auditors and the Audit committee.



# Corporate Governance (Contd..)

## REMUNERATION COMMITTEE REPORT

The purpose of the Remuneration committee comprising Mr. Kuvera De Zoysa (Chairman), Mr. Mangala Boyagoda assisted by M/s Priyantha Maddumage (Group Financial Controller) and Group General Manager have laid down guidelines and recommended a policy on remuneration of the Management Staff and General Staff.

The main objective of the remuneration package is designed to retain Quality Managerial Staff and reward those who are performing well. The Chairman, Executive Directors, the Financial Controller and Director Human Resources representing the company attend the meetings by invitation and provide information to the committee and participate in the deliberations.

The aggregate amount paid to Directors comprises the allowance paid to Chairman which amounted to Rs. 480,000/-.

Sgd.

**Kuvera De Zoysa**

Chairman – Remuneration Committee

10<sup>th</sup> July 2014



The Lake House - Polonnaruwa



The Lake House - Polonnaruwa

## Financial Reports

Audit Committee Report	19
Independent Auditor's Report	20
Statement of Comprehensive Income	21 & 22
Statement of Financial Position	23
Statement of Changes in Equity	24 & 25
Cash Flow Statement	26 & 27
Notes to the Financial Statements	28 - 59

### Financial Calendar 2013/2014

**48<sup>th</sup> Annual General Meeting**  
**31<sup>st</sup> March 2014**



# Report of the Audit Committee



The Surf - Bentota

The Audit Committee comprising Messrs. Kamantha Amarasekara, Kuvera De Zoysa, and Mangala Boyagoda is empowered to review and monitor the financial affairs of the Company with particular to the internal and external audit functions and internal control procedures.

The Audit Committee dealt with matters arising from the Audit Report and matters brought to their attention by the Management. Directors are given so as to ensure compliance with best practice for Corporate Governance relating to regulatory compliance and control issues. Steps were taken to make the management of the company is aware expeditiously to ensure implementation of the recommendations of the Audit Committee.

The Audit Committee having determined that the Auditors are independent has recommended to the Board of Directors the appointment of Messrs KPMG, as External Auditors for the financial year ending 31st March 2015, subject to the approval of the share holders at the Annual General Meeting and to re-appoint M/s Ernest & Young advisory Services (Pvt) Ltd., as Internal Auditors.

Sgd.

**Kamantha Amarasekara**

Chairman – Audit Committee

10<sup>th</sup> July 2014



## 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  
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Internet : www.lk.kpmg.com

### INDEPENDENT AUDITORS' REPORT

#### TO THE SHAREHOLDERS OF CEYLON HOTELS CORPORATION PLC

##### Report on the Financial Statements

We have audited the accompanying financial statements of Ceylon Hotels Corporation PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statements of financial position as at March 31, 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 21 to 59 of the annual report.

##### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

##### Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

##### Opinion- Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2014 and the financial statements give a true and fair view of the financial position of the Company as at March 31, 2014, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Without qualifying our opinion we draw attention to note 38 to the financial statements regarding the Company's ability to continue as a going concern.

##### Opinion- Group

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at March 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

##### Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153(2) to 153(7) of the Companies Act No. 07 of 2007. However it should be noted that the Company's net asset are less than half of the stated capital and face serious loss of capital situation in terms of section 220 of the same Act.

CHARTERED ACCOUNTANTS

Colombo, 10<sup>th</sup> July 2014.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA      P.Y.S. Perera FCA      C.P. Jayatilake FCA  
T.J.S. Rajakarier FCA      W.W.J.C. Perera FCA      Ms. S. Joseph FCA  
Ms. S.M.B. Jayasekara ACA      W.K.D.C. Abeyaratne ACA      S.T.D.L. Perera FCA  
G.A.U. Karunaratne ACA      R.M.D.B. Rajapakse ACA      Ms. B.K.D.T.N. Rodrigo ACA  
Principals - S.R.J. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

# STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 March,	Notes	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>Revenue</b>	7	1,327,326,111	1,087,010,729	-	-
Cost of sales		(349,518,948)	(321,600,116)	-	-
<b>Gross profit</b>		977,807,163	765,410,613	-	-
Other income	8	23,198,600	12,186,724	72,129,554	96,912,326
Distribution expenses		(56,100,930)	(52,732,398)	(689,384)	-
Administrative expenses		(767,446,699)	(664,269,598)	(73,329,205)	(84,270,062)
Other operating expenses	9	(28,369,769)	(628,184)	(388,036)	(298,638,801)
Profit /(Loss) from operations		149,088,365	59,967,157	(2,277,072)	(285,996,537)
Finance Income		8,206,743	2,745,343	73,101	104,238
Finance costs	10	(156,978,391)	(89,109,261)	(53,801,814)	(42,448,847)
Net finance costs		(148,771,648)	(86,363,918)	(53,728,713)	(42,344,609)
Share of Loss of equity accounted investees (net of tax)		(15,579,152)	(3,944,171)	-	-
Loss before income tax	11	(15,262,436)	(30,340,931)	(56,005,785)	(328,341,146)
Income tax (expenses) / reversals		(25,849,601)	2,740,268	(2,780,782)	10,361,264
<b>Loss for the year</b>		<b>(41,112,037)</b>	<b>(27,600,663)</b>	<b>(58,786,567)</b>	<b>(317,979,882)</b>

Figures in brackets indicate deductions

The Notes on pages 28 to 59 are an integral part of these Financial Statements.



## STATEMENT OF OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March,	Notes	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Loss for the year		(41,112,037)	(27,600,663)	(58,786,567)	(317,979,882)
<b>Other comprehensive income</b>					
Revaluation of property, plant & equipment		-	691,572,302	-	4,717,261
Deferred tax on revaluation surplus		-	(74,468,076)	-	(566,071)
Deferred Tax effect on Rate difference		-	(15,819)	-	-
Actuarial Gain/(Loss)		(962,534)	(1,527,458)	2,608,625	(1,527,458)
Deferred Tax effect on actuarial gain/loss		106,036	181,013	(313,035)	183,295
Total comprehensive income for the year, net of tax		<u>(41,968,535)</u>	<u>588,141,298</u>	<u>(56,490,977)</u>	<u>(315,172,855)</u>
<b>Profit/(Loss) attributable to:</b>					
Equity holders of the company		(74,644,882)	(60,319,269)	(58,786,567)	(317,979,882)
Non Controlling Interests		33,532,845	32,718,606	-	-
<b>Profit/(Loss) for the year</b>		<u>(41,112,037)</u>	<u>(27,600,663)</u>	<u>(58,786,567)</u>	<u>(317,979,882)</u>
<b>Total Comprehensive Income attributable to :</b>					
Owners of the Company		(75,371,856)	519,477,157	(56,490,977)	(315,172,855)
Non Controlling Interests		33,403,321	68,664,141	-	-
<b>Total comprehensive income for the year</b>		<u>(41,968,535)</u>	<u>588,141,298</u>	<u>(56,490,977)</u>	<u>(315,172,855)</u>
<b>Earnings/(Loss) per share</b>					
<b>Basic earnings/(loss) per share (Rs).</b>	13	(0.43)	(0.35)	(0.34)	(1.85)
<b>Diluted earnings/ (Loss) per share (Rs).</b>	13.1	(0.43)	(0.35)	(0.34)	(1.85)

Figures in brackets indicate deductions

The Notes on pages 28 to 59 are an integral part of these Financial Statements.

# STATEMENT OF FINANCIAL POSITION



		Group		Company	
As at 31 March		2014	2013	2014	2013
	Note	Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-Current Assets					
Property, plant and equipment	14	8,470,439,040	8,863,004,619	129,340,041	489,713,153
Intangible assets	15	6,023,077	8,015,385	-	-
Lease hold right over land	16	12,779,726	15,333,411	-	-
Investments in subsidiaries	17	-	-	341,955,873	41,955,873
Investment in Joint Venture	17.1	132,506,678	137,085,831	-	-
Investment Property	18	329,525,000	-	861,514,007	531,989,007
Deferred tax assets	30.1	-	6,464,946	-	3,080,513
Total Non-Current Assets		8,951,273,521	9,029,904,192	1,332,809,921	1,066,738,546
Current Assets					
Inventories	19	75,289,056	64,188,695	-	-
Trade & other receivables	20	246,690,883	295,439,304	13,368,733	18,100,303
Amounts due from related companies	21	-	-	89,224,766	233,677,046
Income Tax recoverable	22	107,746	541,131	107,746	107,746
Cash & cash equivalents	23	276,717,842	308,921,107	2,182,763	4,092,028
Total current assets		598,805,527	669,090,237	104,884,008	255,977,123
Total Assets		9,550,079,048	9,698,994,429	1,437,693,929	1,322,715,669
EQUITY AND LIABILITIES					
Equity					
Stated capital	24	1,220,425,748	1,220,425,748	1,220,425,748	1,220,425,748
Reserves	25	5,267,377,789	5,339,603,916	504,898,446	521,143,629
Accumulated losses		(684,595,630)	(681,449,900)	(1,179,192,051)	(1,138,946,256)
Total equity attributable to equity holders of the company		5,803,207,907	5,878,579,764	546,132,143	602,623,121
Non Controlling interest		1,432,420,477	1,401,702,638	-	-
Total Equity		7,235,628,384	7,280,282,402	546,132,143	602,623,121
Non-Current Liabilities					
Interest-bearing-borrowings	26	1,063,689,828	1,043,204,560	289,050,000	262,000,000
Employee benefits	28	11,657,546	9,228,723	2,270,212	6,956,140
Deferred tax liabilities	30	299,610,761	310,276,726	-	-
Total Non-Current Liabilities		1,374,958,135	1,362,710,009	291,320,212	268,956,140
Current Liabilities					
Trade and other payables	31	244,074,941	270,962,148	32,358,922	45,097,442
Interest-bearing-borrowings due within one year	26	110,321,890	123,576,178	73,800,000	57,000,000
Finance lease obligations due within one year	27	25,894	941,637	25,894	336,622
Non interest-bearing-borrowings due within one year	29	1,802,200	1,802,200	1,522,200	1,522,200
Amounts due to related companies	32	516,050,682	524,342,062	460,801,925	264,771,493
Income tax payable	33	11,033,351	15,527,107	13,304	-
Bank overdrafts	23	56,183,571	118,850,686	31,719,329	82,408,651
Total current liabilities		939,492,529	1,056,002,018	600,241,574	451,136,408
Total Equity & Liabilities		9,550,079,048	9,698,994,429	1,437,693,929	1,322,715,669

The Notes on pages 28 to 59 are an integral part of these Financial Statements.  
These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

**Priyantha Maddumage**  
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.  
Approved & signed for and on behalf of the Board,

Lakshman Samarasinghe  
Chairman  
Colombo  
10<sup>th</sup> July 2014

Mangala Boyagoda  
Director

# STATEMENT OF CHANGES IN EQUITY

Group	Attributable to Equity Holders of the Company					
	Stated Capital	Revaluation Reserve	Capital Reserve	General Reserve	Accumulated Profit/(Loss)	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 01 April 2012</b>	1,220,425,748	4,702,268,693	8,128,011	170,019,004	(738,281,948)	5,362,559,508
Profit for the year	-	-	-	-	(60,319,269)	32,718,606
<b>Other comprehensive income</b>						
Surplus on revaluation of property, plant & equipment	-	652,995,591	-	-	-	652,995,591
Deferred tax on revaluation surplus	-	(71,836,900)	-	-	-	(71,836,900)
Deferred tax effect on rate difference	-	(15,819)	-	-	-	(15,819)
Deferred tax effect on actuarial gain/loss	-	-	-	-	181,013	181,013
Actuarial gain/(loss)	-	-	-	-	(1,527,458)	(1,527,458)
<b>Total comprehensive income for the year</b>	-	<b>581,142,872</b>	-	-	<b>(61,665,714)</b>	<b>519,477,158</b>
Transfer on revaluation of building	-	(3,456,903)	-	-	-	(3,456,903)
<b>Transactions with owners of the company, recognized directly in equity</b>						
Transfer to retained earnings	-	(118,497,762)	-	-	118,497,762	-
Ordinary Share dividend paid to minority	-	-	-	-	-	(2,111,273)
Preference share dividend paid to minority	-	-	-	-	-	(33,422)
Total transactions with owners of the company	-	(121,954,665)	-	-	118,497,762	(3,203,632)
<b>Balance as at 31 March 2013</b>	<b>1,220,425,748</b>	<b>5,161,456,901</b>	<b>8,128,011</b>	<b>170,019,004</b>	<b>(681,449,900)</b>	<b>5,878,579,764</b>
Profit for the year	-	-	-	-	(74,644,882)	33,532,845
<b>Other comprehensive income</b>						
Actuarial gain / (Loss) Net of Taxes	-	-	-	-	(726,974)	(726,974)
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>(75,371,856)</b>	<b>(75,371,856)</b>
<b>Transactions with owners of the company, recognized directly in equity</b>						
Transfer to retained earnings	-	(72,226,126)	-	-	72,226,126	-
Ordinary Share dividend paid to minority	-	-	-	-	-	(2,652,060)
Preference share dividend paid to minority	-	-	-	-	-	(33,422)
Total transactions with owners of the company	-	(72,226,126)	-	-	72,226,126	(2,685,482)
<b>Balance as at 31 March 2014</b>	<b>1,220,425,748</b>	<b>5,089,230,774</b>	<b>8,128,011</b>	<b>170,019,004</b>	<b>(684,595,630)</b>	<b>5,803,207,907</b>
Figures in brackets indicate deductions						1,432,420,477
The Notes on pages 28 to 59 are an integral part of these Financial Statements.						7,235,628,384



# STATEMENT OF CHANGES IN EQUITY (Contd..)

Company	Stated Capital	Revaluation Reserve	Capital Reserve	General Reserve	Accumulated Profit/(Loss)	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2012	1,220,425,748	431,665,603	8,128,011	166,718,393	(909,141,780)	917,795,975
Loss for the year	-	-	-	-	(317,979,882)	(317,979,882)
<b>Other comprehensive income</b>						
Surplus on revaluation of property, plant & equipment	-	4,717,261	-	-	-	4,717,261
Deferred tax on revaluation surplus	-	(566,071)	-	-	-	(566,071)
Deferred tax on actuarial gain/loss	-	-	-	-	183,295	183,295
Actuarial gain/(loss)	-	-	-	-	(1,527,458)	(1,527,458)
<b>Total comprehensive income for the year</b>	-	4,151,190	-	-	(319,324,045)	(315,172,855)
<b>Transactions with owners of the company, recognized directly in equity</b>						
Transfers from reserves	-	(89,519,568)	-	-	89,519,568	-
Total transactions with owners of the company	-	(89,519,568)	-	-	89,519,568	-
<b>Balance as at 31 March 2013</b>	<b>1,220,425,748</b>	<b>346,297,225</b>	<b>8,128,011</b>	<b>166,718,393</b>	<b>(1,138,946,256)</b>	<b>602,623,121</b>
Loss for the year	-	-	-	-	(58,786,567)	(58,786,567)
<b>Other comprehensive income</b>						
Deferred tax on actuarial gain/loss	-	-	-	-	(313,035)	(313,035)
Actuarial gain/(loss)	-	-	-	-	2,608,625	2,608,625
<b>Total comprehensive income for the year</b>	-	-	-	-	(56,490,977)	(56,490,977)
<b>Transactions with owners of the company, recognized directly in equity</b>						
Transfers from reserves	-	(16,245,182)	-	-	16,245,182	-
Total transactions with owners of the company	-	(16,245,182)	-	-	16,245,182	-
<b>Balance as at 31 March 2014</b>	<b>1,220,425,748</b>	<b>330,052,043</b>	<b>8,128,011</b>	<b>166,718,393</b>	<b>(1,179,192,051)</b>	<b>546,132,143</b>

Figures in brackets indicate deductions

The Notes on pages 28 to 59 are an integral part of these Financial Statements.

## CASH FLOW STATEMENT

For the Year Ended 31 March	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>Cash flows from operating activities</b>				
Profit/(Loss) before income tax	(15,262,436)	(30,340,931)	(56,005,785)	(328,341,146)
<b>Adjustment for:</b>				
Depreciation on property, plant and equipment	209,767,250	169,017,380	19,735,698	31,457,849
Provision for retiring gratuity	3,882,054	2,093,144	(3,467,197)	1,752,478
Provision/Written off for bad & doubtful debts	28,195,192	7,290,944	689,384	(7,296,764)
Reversal of provision for Inventory	223,741	-	-	-
Inventory written off	-	12,754	-	-
Income Tax Receivable written off	-	2,780,054	-	-
Loss on foreign currency transactions	5,532,870	1,952,520	-	(706)
Dividend Received	-	-	(8,528,809)	(7,337,611)
Amortization of lease hold right over land	2,553,685	2,553,685	-	-
Amortization of Intangible assets	1,992,308	1,915,384	-	-
Loss on disposal of property, plant & Equipment & Investment Property	54,093	598,183	65,743	298,638,801
Share of result of equity accounted investee	15,579,152	3,944,171	-	-
Interest income	(8,206,743)	(2,745,343)	-	(104,238)
Interest expenses	156,978,391	86,265,982	53,801,814	42,448,847
<b>Operating profit before working capital changes</b>	<b>401,289,557</b>	<b>245,337,926</b>	<b>6,290,849</b>	<b>31,217,509</b>
<b>Changes in</b>				
Inventories	(11,100,361)	(4,871,142)	-	-
Trade and other receivables	48,748,422	(108,544,124)	4,731,570	20,636,204
Amounts due from related companies	-	-	144,452,280	(89,946,062)
Trade & other payables	(26,887,208)	48,641,525	(12,738,520)	(9,666,100)
Amounts due to related companies	(8,291,380)	168,246,250	196,030,431	(105,189,248)
<b>Cash generated from / (Used in) operating activities</b>	<b>403,759,030</b>	<b>348,810,435</b>	<b>338,766,610</b>	<b>(152,947,697)</b>
Interest Paid	(156,978,391)	(86,265,982)	(53,810,814)	(42,448,847)
Taxes paid	(34,438,346)	(16,798,537)	-	-
Retiring gratuity amount paid	(1,453,232)	(2,637,435)	(1,218,732)	(2,505,260)
<b>Net cash flow generated from / (Used in) operating activities</b>	<b>210,889,062</b>	<b>243,108,481</b>	<b>283,746,064</b>	<b>(197,901,804)</b>

## CASH FLOW STATEMENT (Contd..)

	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
<b>Cash flows from investing activities</b>				
Interest received	8,206,743	2,745,343	-	104,238
Acquisition of investments	(11,000,000)	(141,030,001)	(300,000,000)	-
Proceeds from sale of PPE & investment property	702,832	188,675,143	13,011,834	245,520,271
Acquisition of property, plant and equipment	(176,405,778)	(684,728,577)	(45,923)	(54,081,452)
Addition of Intangible assets	-	(9,930,769)	-	-
Dividend Income	-	-	8,528,809	7,337,611
<b>Net cash generated from / (used in) financing activities</b>	<b>(178,496,203)</b>	<b>(645,465,227)</b>	<b>(278,505,280)</b>	<b>198,880,668</b>
<b>Cash flows from financing activities</b>				
Loans obtained during the year	50,000,000	692,705,000	50,000,000	24,697,934
Dividends paid to minority	(2,685,482)	(2,144,695)	-	-
Loans settled during the year	(48,301,890)	(56,726,328)	(6,150,000)	(20,000,000)
Payment of finance lease liabilities	(941,637)	(1,674,779)	(310,728)	(369,452)
<b>Net cash generated from / (used in) financing activities</b>	<b>(1,929,009)</b>	<b>632,159,198</b>	<b>43,539,272</b>	<b>4,328,482</b>
<b>Net increase / (decrease) in cash &amp; cash equivalents</b>	<b>30,463,850</b>	<b>229,802,453</b>	<b>48,780,056</b>	<b>5,307,346</b>
<b>Cash &amp; cash equivalents at the beginning</b>	<b>190,070,421</b>	<b>(39,732,032)</b>	<b>(78,316,623)</b>	<b>(83,623,969)</b>
<b>Cash &amp; cash equivalents at the end</b>	<b>220,534,271</b>	<b>190,070,421</b>	<b>(29,536,566)</b>	<b>(78,316,623)</b>
Analysis of cash & cash equivalents				
<b>Cash at banks and in hand</b>	<b>51,354,395</b>	<b>39,741,928</b>	<b>956,629</b>	<b>391,444</b>
Short term deposits	225,363,447	269,179,179	1,226,134	3,700,584
Bank overdraft	(56,183,571)	(118,850,686)	(31,719,329)	(82,408,651)
	<b>220,534,271</b>	<b>190,070,421</b>	<b>(29,536,566)</b>	<b>(78,316,623)</b>

Figures in brackets indicate deductions

The Notes on pages 28 to 59 are an integral part of these Financial Statements.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

### 1. CORPORATE INFORMATION

#### 1.1. REPORTING ENTITY

##### 1.1.1 DOMICILE AND LEGAL FORM

Ceylon Hotels Corporation PLC, which was established in 1967 Incorporated by an Act of parliament which was repealed and subsequently converted to a Company in 2008 and domiciled in Sri Lanka. The registered office of the Company and its Subsidiaries are situated at 327, Union Place, Colombo 02. The company has been registered under the new companies Act No. 7 of 2007.

#### 1.2. COMPANIES IN THE GROUP AND PARENT COMPANY

The company, in the consolidated financial statements, refers to Ceylon Hotels Corporation PLC and group refers to the company and all its subsidiaries namely United Hotels Company (Pvt) Ltd, CHC Rest Houses (Pvt) Ltd, Tissa Resort (Pvt) Ltd, CHC Foods (Pvt) Ltd, Kandy Hotels Co.(1938) PLC, Air Line Services Limited and Suisse Hotel (Pvt) Ltd (together referred to as the “Group”), whose financial statements have been consolidated.

The Galle Face Hotel Company Ltd is the parent company of Ceylon Hotels Corporation PLC.

#### 1.3. PRINCIPAL ACTIVITY AND NATURE OF THE OPERATIONS

The principal activity of the Group and its subsidiaries is the provision of hotel services.

### 2. BASIS OF PREPARATION

#### 2.1. STATEMENT OF COMPLIANCE

The consolidated financial statements of The Ceylon Hotel Corporation PLC, comprise the statement of financial position, statement of comprehensive income & other comprehensive income, cash flow statement, statement of changes in equity and notes to the consolidated financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (hereinafter referred to as SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka, Sri Lanka Accounting & Auditing Standards act no 15 of 1995 & the requirements of the Companies Act No. 7 of 2007 and the listing rules of the Colombo Stock Exchange.

#### 2.3. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 10<sup>th</sup> July 2014

#### 2.4. GOING CONCERN

The Directors have made an assessment of the Group’s ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

#### 2.5. BASIS OF MEASUREMENT

The Consolidated financial statements are presented in Sri Lankan Rupees. The Consolidated financial statements are prepared based on the historical cost convention except as explained below.

Land and Buildings	- Revalued amounts
Financial assets classified as Loans & Receivables	- Amortized Cost
Defined benefit obligation	- Actuarially valued and recognized at present value of the defined benefit obligation.

#### 2.6. FUNCTIONAL AND PRESENTATION CURRENCY

Consolidated financial statements of the Group are presented in Sri Lankan Rupees, which is the Group’s functional and presentation currency.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd.)



### 2.7. USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affects the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in following notes.

Note 14	–	Revaluation of Land and Buildings
Note 15	–	Measurement of Intangible Assets
Note 30	–	Measurement of Deferred tax liabilities
Note 28	–	Measurement of Retirement benefit obligations
Note 34	–	Commitments and contingencies
Note 18	–	Classification of Investment Property
Note 30	–	Utilisation of Tax loss

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. These accounting policies are consistent with those of the previous year's figures and phrases.

#### 3.1 BASIS OF CONSOLIDATION

##### (a) Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which the control is transferred to the Group. Control is the power to govern financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, Group takes in to consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred: plus
- The recognized amount of any non controlling interests in the acquire: plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire: less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre existing relationships. Such amounts generally are recognized in profit or loss.

Transaction costs other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re measured and settlement is accounted for within equity. Otherwise subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

### **(b) Acquisition of non-controlling interests**

Acquisition of non-controlling interests is accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

### **(c) Subsidiaries**

Subsidiaries are those entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

### **(d) Loss of control**

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence is retained.

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

Intra-Group Balances and any unrealized gains and losses or income and expenses arising from intra-Group transactions are eliminated in full in the Consolidated Financial Statements. Unrealized losses resulting from intra-Group transactions are eliminated unless there is evidence of impairment.

## **3.2. FOREIGN CURRENCY**

### **3.2.1. FOREIGN CURRENCY TRANSACTIONS**

All foreign exchange transactions in individual companies are translated at the rate of exchange prevailing at the time the transaction was effected. All monetary assets and liabilities in foreign currency at year end are translated at the rate prevailing on the balance sheet date.

Nonmonetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to reporting currency using the exchange rate that was prevailing on the date the fair value was determined. The resulting gains or losses on translations are dealt with in the Income Statement.

## **3.3. FINANCIAL INSTRUMENTS**

### **3.3.1. Initial Recognition of Financial Instruments**

An entity shall recognise a financial asset or financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. i.e. all the financial assets and liabilities except “Regular way trades” are initially recognize on the trade date. Regular way trade means purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Those trades are initially recognizes on the settlement date.

### **3.3.2. Initial measurement of Financial Instruments**

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management’s intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to the acquisition or issue of such financial instrument, except in the case of financial assets and financial liabilities at fair value through profit or loss as per Sri Lanka Accounting Standard – LKAS 39 on “Financial Instruments : Recognition and measurement”.

Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Statement of Comprehensive Income.





### **3.3.3. CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS**

The Group classifies non derivative financial assets into the following categories;

- (a) Loans and receivables
- (b) Available for sale
- (c) Fair Value through profit or loss and,
- (d) Held to maturity

#### **(a) Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payment that are not quoted in an active market. Such assets are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loan and receivables comprise of trade receivables, other receivables and fixed deposits.

#### **(b) Fair Value through profit or loss**

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes in to account any dividend income, are recognized in profit or loss.

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

#### **(d) Held to Maturity**

Held to maturity financial investments are non derivative financial assets with fixed determinable payments and fixed maturities, which the Group has the intention and ability to hold to maturity. After initial measurement, Held to Maturity financial investments are subsequently measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking in to account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in income statement in the Statement of Comprehensive Income.

If the Group were to sell or reclassify more than an insignificant amount of Held to Maturity investment before maturity (Other than in certain specific circumstances permitted in the Sri Lanka Accounting Standards – LKAS 39 on “Financial Instruments : Recognition and Measurement ”), the entire category would be tainted and would have to be reclassified as Available For Sale. Furthermore, the Group would be prohibited from classifying any financial asset as Held to Maturity during the following two years.

The Group has not designated any financial instrument as Held to Maturity financial investment.

#### **(c) Available for sale**

Available-for-sale financial assets are financial assets that are designated as available for sale and are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses on available for sale equity instruments are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive incomes transferred to profit or loss.

Available for sales financial assets comprise of investment in quoted shares for long term purpose.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

### 3.3.4. CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL LIABILITIES

The Group classifies financial liabilities into other financial liabilities category. Such finance liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise,

- (a) Trade Payables
- (b) Other Liabilities
- (c) Bank Borrowings

#### 3.3.4.1. FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The fair value of financial instruments that are traded in an active market at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using valuation technique. valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market related discount rate. The fair value of held-to -maturity investments is determined for disclosure purposes only.

### 3.3.5. DERECOGNITION OF FINANCIAL INSTRUMENTS

The Group derecognizes a financial asset when the right to receive cash flows from the asset have expired or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of the ownership of the financial assets are transferred or in which the Group neither transfer nor substantially all risks and rewards of ownership and it does not retain control of the financial asset.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (Including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

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

### 3.4. SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.



### **3.5. PROPERTY, PLANT & EQUIPMENT**

#### **3.5.1. RECOGNITION AND MEASUREMENT**

Property, plant & equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period.

##### **a. Recognition**

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

##### **b. Measurement**

Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integrated to the functionality of the related equipment is capitalized as part of that equipment.

Expenditure on repairs or maintenance of property, plant and equipment made to restore or maintain future economic benefits expected from the assets has been recognized as an expense when incurred.

##### **c. Subsequent expenditure**

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. The cost of replacing part of an item of Property, Plant & Equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

##### **d. Derecognition**

An item of property, plant & equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognized in "other expenses" in profit/loss in the year the asset is derecognized.

When replacement costs are recognized in the carrying amount of an item of property, plant & equipment, the remaining carrying amount of the replaced part is derecognized as required by LKAS 16 – Property, Plant & Equipment.

##### **e. Revaluation**

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to 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.

If 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 debited directly to equity under the heading of revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset

The Group transfer portion of revaluation reserve to retained earnings as the assets are used by the entity, since the future economic benefits embodied in the assets are consumed principally through its use rather than on retirement or disposal.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

### **f. Depreciation**

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives of the assets are as follows.

The estimated useful lives for the current and comparative years are as follows:

Buildings on Leasehold Land	- Over the unexpired lease period
Freehold Buildings	- 20 years
Plant & Machinery	- 10 years
Tools & Implements	- 10 years
Furniture & Office equipment	- 10 years
Freehold Motor Vehicles	- 10 years
Leasehold Motor Vehicles	- 10 years
Leasehold Equipment	- 10 years
Swimming pool	- 08 years
Computer Equipment	- 05 years
Other Equipment	- 05 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### **3.6. INTANGIBLE ASSETS AND GOODWILL**

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see note 3.1(a). Subsequently Goodwill is measured at cost less accumulated impairment losses.

#### **3.6.1. OTHER INTANGIBLE ASSETS**

Other Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Lease hold rights are shown at historical cost. Lease hold rights have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight- line method to allocate the cost of leasehold right over the estimated useful life.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Intangible assets are amortized on a straight line basis in profit or loss over their estimated useful lives, from the date that they are available for use other than goodwill. Amortization method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful life for the current and comparative years for leasehold right over the land is 50 years.

### **3.7. INVESTMENT PROPERTY**

Investment Property, principally comprise freehold land and building 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 measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

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

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)



disposal and the carrying amount of the item) is recognized in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment Property is carried at fair value determined annually by an independent valuer. A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises.

### 3.8. LEASED ASSETS

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payables. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

When the lessor effectively retains substantially all the risks and rewards of an asset under the lease agreement, such leases are classified as operating leases. Payments under operating leases are recognised as an expense in the income statement over the period of lease on a straight line basis.

### 3.9. INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Accordingly, the costs of inventories are accounted as follows:

Food and Beverage	- At weighted average cost
Packeted Snacks	- At actual cost on FIFO basis
Other Consumables	- At actual cost on FIFO basis
Cutlery,Crockery, Linen & Glassware	- At weighted average cost

### 3.10. IMPAIRMENT

The Group assesses at each reporting date whether there is any objective evidence that financial assets or Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if, and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably estimated.

Objective evidence that a financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

#### (a) Impairment losses on financial assets carried at amortized cost

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

The Group considers evidence of impairment for loans and receivable on a specific asset basis. Therefore all loans and receivables are assessed individually and made specific impairment provisions.

### **(b) Impairment losses on available for sale financial assets**

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

### **(c) Impairment of non financial assets**

The carrying amounts of the Group's non financial assets, other than inventories 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 assets or cash generating unit (CGU) exceeds its recoverable amount.

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

Impairment losses are recognised in the statement of income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU (if any) and then to reduce the carrying amounts of other assets in the CGU (Group of CGUs) on pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the assets 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.

## **3.11. EMPLOYEE BENEFITS**

### **a. Defined contribution plans**

A defined contribution plan is a post employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognized as expense in the profit and loss in the period during which related services are rendered by employees.

#### ***Employees' Provident Fund***

The Group and Employees' contribute 12% & 8% respectively on the salary of each employee respectively to the Employee Provident Fund.

#### ***Employees Trust Fund***

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund contributions to defined contribution plans are recognized as an expense in the income statement as incurred.

### **b. Defined benefit plans - Retiring Gratuity**

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)



In accordance with revised LKAS 19 - “Employee Benefits” which became effective from the financial year commencing after 01 July 2007, the Group has adopted the actuarial valuation method and the valuation method used by the actuary is “Projected Unit Credit Method”. The assumptions based on which the results of the actuarial valuation was determined, are included in Note 28 to the financial statements.

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continues service.

Any actuarial gains or losses arising are recognized immediately in the statement of comprehensive income.

The liability was not externally funded.

### **3.12. LIABILITIES AND PROVISIONS**

#### **3.12.1. LIABILITIES**

Liabilities classified as current liabilities on the balance sheet are those, which fall due for payment on demand or within one year from the balance sheet date.

Noncurrent liabilities are those balances that fall due for payment after one year from the balance sheet date.

#### **3.12.2. PROVISIONS**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### **3.13. CAPITAL COMMITMENTS & CONTINGENCIES**

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitment and contingent liabilities of the Group are disclosed in the respective notes to the financial statements.

## **4. STATEMENT OF COMPREHENSIVE INCOME**

### **4.1. REVENUE RECOGNITION**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The revenue of the Group is recognized on an accrual basis and matched with associated costs and expenses.

Following specific criteria are used for the purpose of recognition of revenue.

- a) Apartment revenue is recognized based on the daily room’s occupation whilst other outlet sales are accounted for at the time of sales.
- b) Food and Beverage Revenue is accounted at the time of the sale.
- c) Dividend income from investments is recognized when the right to receive is established.
- d) Interest income is recognized on an accrual basis.
- e) Others hotel related revenue is accounted for when such service is rendered and accrual basis is followed for the recording of such transactions.

### **4.2. REVENUE EXPENDITURE**



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

All expenditure incurred in running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year. For the purpose of presentation of Income Statement, the Directors are of the opinion that function of expense method present fairly the elements of the enterprise's performance, hence such presentation method is adopted.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and renewals are charged to revenue in the year in which the expenditure is incurred.

The profit incurred by the Group before taxation as shown in the Comprehensive Income Statement is after making provision for all known liabilities and for the depreciation of property, plant & equipments.

### **4.3. GRANTS AND SUBSIDIES**

Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognized in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognized.

### **4.4. SEGMENT REPORTING**

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business Segment) or in providing products or services within a particular economic environment (Geographical Segment), which is subject to risks & rewards that are different from those of the segment. However, there are no distinguishable components to be identified as segment for the Company or Group.

### **4.5. BORROWING COST**

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs may include:

- (a) Interest expense calculated using the effective interest method as described in LKAS 39 Financial Instruments: Recognition and Measurement;
- (b) Finance charges in respect of finance leases recognised in accordance with LKAS 17 Leases; and
- (c) Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Then Group recognizes other borrowing costs as an expense in the period in which it incurs them.

### **4.6. FINANCE INCOME & FINANCE COST**

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method and impairment gains recognized on financial assets (other than trade receivables if any).

Finance cost comprises interest expenses on borrowings, impairment losses recognized on financial assets (other than trade receivables if any).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest rate method.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)



### 4.7. INCOME TAX EXPENSES

An income tax expense comprises current and deferred tax. An income tax expense is recognized directly in income statements except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

#### a. Current tax

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The Group's liability to taxation has been computed in accordance with the Inland Revenue Act No. 10 of 2006, and subsequent amendments thereto. The Company and its subsidiaries qualify for a concessionary tax rates.

#### b. Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted by the reporting date.

Deferred tax assets including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the year in which deferred tax asset is realized or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the Balance Sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 4.8. VALUE ADDED TAX

Revenues, expenses and assets are recognised net of the amount of VAT except where the VAT incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the VAT is recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of VAT included. The amount of VAT recoverable or payable in respect of taxation authorities is included as a part of receivable and payable in the Balance Sheet.

### 4.9. BASIC EARNINGS PER SHARE

The consolidated financial statements present basic earnings per share (EPS) data for its ordinary shareholders.

The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period

### 5. CASH FLOW STATEMENT

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, demand deposits and short-term highly liquid investments, with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short term commitments.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

The Cash Flows Statements has been prepared using the “indirect method”.

Interest paid are classified as operating cash flows, interest and dividend received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting of cash flow statement.

### 6. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January 2014.

Accordingly, these Standards have not been applied in preparing these financial statements.

#### - **Sri Lanka Accounting Standards – SLFRS 10 “Consolidated financial statements”**

The objective of this SLFRS is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

An investor is expected to control an investee if and only if the investor has all the following; power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor’s returns.

SLFRS 10 will become effective from 1 April 2014 for the Group with early adoption permitted. This SLFRS will supersede the requirements relating to consolidated financial statements in LKAS 27-Consolidated and Separate Financial Statements.

#### - **Sri Lanka Accounting Standards –SLFRS 11 “Joint Arrangements”**

The objective of this SLFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

SLFRS 11 will become effective from 1 April 2014 for the Group with early adoption permitted. This SLFRS will supersede the requirements relating to consolidated financial statements in LKAS31”Interests in Joint Ventures”

#### - **Sri Lanka Accounting Standard-SLFRS 12”Disclosure of Interests in Other Entities”**

SLFRS 12 will become effective from 1 April 2014 for the Group with early adoption permitted.

#### - **Sri Lanka Accounting Standard - SLFRS 13, “Fair Value Measurement”**

This SLFRS defines fair value, sets out in a single SLFRS a framework for measuring fair value; and requires disclosures about fair value measurements.

This SLFRS will become effective for the Group from 1 April 2014. Earlier application is permitted.

This SLFRS shall be applied prospectively as of the beginning of the annual period in which it is initially applied. The disclosure requirements of this SLFRS need not be applied in comparative information provided for periods before initial application of this SLFRS.

#### - **Sri Lanka Accounting Standard – SLFRS 9 “Financial Instruments”**

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement.

The effective date of this standard has been deferred.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

## For the Year Ended 31 March

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>7 Revenue</b>				
Accommodation income	647,770,133	506,987,671	-	-
Food income	568,091,270	483,309,476	-	-
Beverage income	66,534,802	54,063,217	-	-
Others	44,929,906	42,650,365	-	-
	<u>1,327,326,111</u>	<u>1,087,010,729</u>	<u>-</u>	<u>-</u>
Turnover based taxes includes Tourist development levy and Value Added Tax				
<b>8 Other income</b>				
Tour income	4,587,156	2,937,996	4,587,156	2,937,996
Income from outside hotel reservation	2,939,857	1,295,737	2,939,857	1,295,737
Dividend Income	-	-	8,528,809	7,337,611
Gain on translation of foreign currencies	1,977,588	890,759	-	706
Profit on disposal of Property Plant and Equipment	-	30,001	-	-
Service Income	-	-	31,684,375	45,014,825
Sundry income	13,693,999	7,032,231	24,389,357	40,325,451
	<u>23,198,600</u>	<u>12,186,724</u>	<u>72,129,554</u>	<u>96,912,326</u>
<b>9 Other expenses</b>				
Loss on transfer/disposal of Property, plant & equipment	54,093	628,184	322,293	298,638,801
Disposal of Share profit/(Loss)	65,743	-	65,743	-
Provision for Bad Debts	28,195,192	-	-	-
Others	54,741	-	-	-
	<u>28,369,769</u>	<u>628,184</u>	<u>388,036</u>	<u>298,638,801</u>
<b>10 Finance costs</b>				
Interest on over drafts	9,838,883	11,625,394	8,605,768	10,889,329
Interest on lease	34,320	375,936	-	-
Loss on translation of foreign currencies	18,570	2,843,279	-	-
Interest on loans	144,806,623	71,686,515	42,916,051	29,049,000
Interest On Treasury Loan	2,279,995	2,510,517	2,279,995	2,510,518
Others	-	67,620	-	-
	<u>156,978,391</u>	<u>89,109,261</u>	<u>53,801,814</u>	<u>42,448,847</u>
<b>11 Profit/(Loss) before income tax</b>				
Profit/(Loss) before income tax is stated after charging all expenses including the following:				
Directors' emoluments	480,000	480,000	480,000	480,000
Auditors' remuneration - statutory audit	2,448,563	1,952,217	620,000	645,000
Depreciation on property, plant & equipment	166,186,391	169,017,380	19,769,133	31,457,849
Amortization of intangible assets	1,992,308	1,915,384	-	-
Amortization of lease hold right over land	2,553,685	2,553,685	-	-
Provision for bad & doubtful debts & write off	28,195,192	9,186,620	689,384	(7,296,764)
Donations	2,344,424	410,068	15,000	-
Staff costs (Note 11.1)	282,527,857	205,452,190	34,072,880	47,740,276
<b>11.1 Staff costs</b>				
Wages ,salaries and staff expenses	237,681,897	185,761,713	28,872,253	39,435,788
Defined contribution plan cost- EPF & ETF	33,759,048	16,069,875	4,143,992	5,024,644
Defined benefit plan cost- Retiring gratuity	11,086,911	3,620,602	1,056,635	3,279,844
	<u>282,527,857</u>	<u>205,452,190</u>	<u>34,072,880</u>	<u>47,740,276</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

### 12 Income tax expense

The Company and its Subsidiaries are liable for income tax at the rate of 12% on its business profit and at 28% on other sources of income as per the provisions of Inland Revenue Act No.10 of 2006 and subsequent amendments thereto.

	Group		Company	
	2014	2013 Rs.	2014	2013 Rs.
<b>Current tax</b>				
Income tax expense for the year (Note 12.1)	(29,944,590)	(24,861,758)	(13,304)	-
	<u>(29,944,590)</u>	<u>(24,861,758)</u>	<u>(13,304)</u>	<u>-</u>
<b>Deferred tax</b>				
Origination & Reversal of temporary differences (Note 12.2)	4,094,989	27,602,026	(2,767,478)	10,361,264
Effect on reduction in tax rate	-	-	-	-
Charge / Reversal for the Year	<u>(25,849,601)</u>	<u>2,740,268</u>	<u>(2,780,782)</u>	<u>10,361,264</u>

#### 12.1 Reconciliation between accounting profit and income tax on current year profit

Profit/(Loss) before income tax	(15,262,436)	(30,340,931)	(56,005,785)	(328,341,146)
Adjustment on Disallowable Expenses	429,620,828	477,087,212	35,677,074	340,073,063
Adjustment on Allowable Expenses	(188,582,195)	(269,424,081)	(43,720,949)	(46,526,076)
Tax Profit/(losses) for the period	<u>210,035,162</u>	<u>177,322,200</u>	<u>(64,049,659)</u>	<u>(34,794,158)</u>
Taxable other income	15,649,785	12,796,764	47,516	25,165,403
Tax Losses utilized	-	(24,025,317)	(25,585)	-
Taxable Income	<u>225,684,948</u>	<u>166,093,647</u>	<u>(64,027,729)</u>	<u>(9,628,756)</u>
Tax Loss brought forward	613,996,458	392,507,101	335,465,495	325,836,739
Adjustments to b/f balance	23,690,294	16,644,727	36,589,407	-
Tax Losses utilized during the year	(813,468)	(24,025,317)	(25,585)	-
Loss incurred during the year	158,485,396	228,869,947	64,049,660	9,628,756
Tax Losses carried forward	<u>795,358,680</u>	<u>613,996,458</u>	<u>436,078,977</u>	<u>335,465,495</u>
Statutory tax rate	12%	12%	12%	12%
Income tax expenses	25,204,219	21,278,664	-	-
Statutory tax rate	28%	28%	28%	28%
Income tax expenses	4,381,941	3,583,094	13,304	-
Social responsibility levy at 1.5%				
Income tax on current year profits	<u>29,944,590</u>	<u>24,861,758</u>	<u>13,304</u>	<u>-</u>

#### 12.2 Deferred Charged to

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Comprehensive Income	4,094,989	27,602,026	(2,767,478)	10,361,264
Other Comprehensive income	106,036	181,013	(313,035)	183,295
	<u>4,201,025</u>	<u>27,783,039</u>	<u>(3,080,513)</u>	<u>10,544,559</u>

**12.3** Deferred tax assets have not been recognised in respect of tax losses amounting to Rs. 171,245,032 of the group and 117,805,362 of the company because it is not probable that future taxable profit will be available against which the company can utilize the benefit therefrom.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)



### 13 Earnings/(Loss) per share

Earnings/(Loss) per ordinary share has been calculated by dividing the loss attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>Rs.</b>	Rs.	<b>Rs.</b>	Rs.
Profit/(loss) attributable to equity holders of the company (Rs.)	<b>(74,644,882)</b>	(60,319,269)	<b>(58,786,567)</b>	(317,979,882)
Weighted average number of ordinary shares in issue	<b>171,825,401</b>	171,825,401	<b>171,825,401</b>	171,825,401
Earnings/(Loss) per share (Rs.)	<b>(0.43)</b>	(0.35)	<b>(0.34)</b>	(1.85)

- 13.1** Diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year after adjustment for the effects of all dilutive potential ordinary shares.  
As at 31st March 2014 and as at 31st March 2013 there were no dilutive potential ordinary shares. The diluted earnings per share is same as basic earning per share.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

## 14 Property Plant and Equipment

### 14.1 Group

	Freehold Land	Free hold buildings	Building on leasehold land	Plant and machinery	Furniture and office equipments	Freehold motor vehicles	Equipments	Computers	Swimming pool	WIP	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost/valuation</b>											
<b>As at 01 April 2013</b>	3,945,791,425	2,160,038,101	2,119,177,585	130,649,669	243,879,904	3,493,281	133,002,313	24,269,713	32,859,633	70,982,372	8,864,143,996
Additions	-	9,710,516	753,750	12,975,673	18,236,690	-	13,275,228	1,606,339	267,678	100,454,492	157,280,366
Disposals	-	-	-	-	(155,225)	(275,000)	(1,424,023)	(4,000)	-	-	(1,858,248)
Transfers	-	-	-	(2,070,193)	(193,438)	-	(3,816)	(24,000)	-	-	(2,291,447)
Transfer to Investment Property	(247,500,000)	(82,025,000)	-	-	-	-	-	-	-	-	(329,525,000)
Transfers from WIP	-	800,000	74,378,924	3,190,672	4,922,658	-	5,696,138	597,245	-	(99,765,795)	(10,180,158)
<b>As at 31 March 2014</b>	<b>3,698,291,425</b>	<b>2,088,523,617</b>	<b>2,194,310,259</b>	<b>147,936,493</b>	<b>266,690,590</b>	<b>3,218,281</b>	<b>150,545,840</b>	<b>26,445,296</b>	<b>33,127,311</b>	<b>71,671,069</b>	<b>8,680,760,181</b>
<b>Accumulated depreciation</b>											
<b>As at 01 April 2013</b>	-	3,710	-	-	337,370	-	263,283	535,014	-	-	1,139,377
Charge for the year	-	76,516,647	56,393,019	14,283,879	22,902,851	379,435	22,381,324	5,725,990	11,184,105	-	209,767,250
Transfers	-	-	-	(552,051)	(13,981)	-	(608)	(3,735)	-	-	(570,375)
Disposals	-	-	-	-	(5,646)	(5,651)	(3,789)	(24)	-	-	(15,111)
<b>As at 31 March 2014</b>	<b>-</b>	<b>76,520,357</b>	<b>56,393,019</b>	<b>13,731,828</b>	<b>23,220,593</b>	<b>373,785</b>	<b>22,640,210</b>	<b>6,257,245</b>	<b>11,184,105</b>	<b>-</b>	<b>210,321,142</b>
<b>As at 31 March 2014</b>	<b>3,698,291,425</b>	<b>2,012,003,260</b>	<b>2,137,917,240</b>	<b>134,204,665</b>	<b>243,469,996</b>	<b>2,844,496</b>	<b>127,905,629</b>	<b>20,188,052</b>	<b>21,943,206</b>	<b>71,671,069</b>	<b>8,470,439,040</b>
As at 31 March 2013	3,945,791,425	2,160,034,391	2,119,177,585	130,649,669	243,542,535	3,493,281	132,739,030	23,734,698	32,859,633	70,982,372	8,863,004,619

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)**

**14. Property, plant and equipment (Contd)**

**14.2 Company**

	Freehold land	Freehold buildings	Plant and machinery	Furniture fittings and fixtures	Motor vehicles	Computers	WIP	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost/Valuation</b>								
<b>As at 01 April 2013</b>	247,500,000	81,225,000	35,053,169	63,583,070	45,542,736	3,030,138	2,798,882	10,980,158
Additions	-	-	-	-	40,313	-	5,610	-
Disposals	-	-	-	(155,225)	(322,700)	(275,000)	(4,000)	(756,925)
Transfers	-	-	-	(193,438)	(3,816)	-	(24,000)	(10,401,412)
Transfer to Investment Property	(247,500,000)	(82,025,000)	-	-	-	-	-	(329,525,000)
Transfers from WIP	-	800,000	-	-	-	-	(800,000)	-
<b>As at 31 March 2014</b>	-	-	35,053,169	63,234,407	45,256,533	2,755,138	2,776,492	149,075,739

**Accumulated Depreciation**

<b>As at 01 April 2013</b>	-	-	-	-	-	-	-	-
Charge for the year	-	-	3,505,317	6,359,598	9,055,522	286,815	561,881	19,769,133
Disposals	-	-	-	(5,646)	(3,789)	(5,651)	(24)	(15,111)
Transfers	-	-	-	(13,981)	(608)	(3,735)	-	(18,324)
<b>As at 31 March 2014</b>	-	-	3,505,317	6,339,971	9,051,125	281,164	558,122	19,735,698

**Carrying Amount**

<b>As at 31 March 2014</b>	-	-	31,547,852	56,894,436	36,205,408	2,473,974	2,218,370	129,340,041
As at 31 March 2013	247,500,000	81,225,000	35,053,169	63,583,070	45,542,736	3,030,138	2,798,882	10,980,158
								489,713,153

14.3 The Group uses the revaluation model of measurement of property, plant & equipment. The Company engaged Mr.K.A.Arthur Perera A.M.I.V.(Sri Lanka) valuer and consultant in report dated 31st March 2013, to determine the fair value of its property, plant & equipment.  
Details of the company's land, building and other properties stated at valuation are indicated below;

Company	Nature of Property	Method of valuation	Effective date of valuation	Property valuer
The Kandy Hotels Company 1938 PLC. Ceylon Hotels Corporation PLC.	Property plant & equipment Property plant & equipment - Free hold	Open market value method Contractors method	31st March 2013 31st March 2013	Mr.K.A.Arthur Perera Mr.K.A.Arthur Perera
United Hotels (Pvt) Ltd. Tissa Resort (Pvt) Ltd.	Property plant & equipment - Lease hold Property plant & equipment - Lease hold	Investment method Investment method	31st March 2013 31st March 2013	Mr.K.A.Arthur Perera Mr.K.A.Arthur Perera

14.4 During the year Company has Transferred Capital Working Progress Amounting to Rs. 10, 180,158 to CHC Rest Houses (Pvt) Lrd as Inventories due to Change in Use.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

### 15 Intangible Assets Computer Software

	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
<b>Cost</b>				
At the beginning of the year	9,930,769	-	-	-
Acquired/ incurred during the year	-	9,930,769	-	-
As at 31st March	9,930,769	9,930,769	-	-
<b>Amortization</b>				
At the beginning of the year	1,915,384	-	-	-
Amortization for the year	1,992,308	1,915,384	-	-
At the end of the year	3,907,692	1,915,384	-	-
Net book Value as at 31st March	6,023,077	8,015,385	-	-

### 16 Leasehold right over land

	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Balance at the beginning of the Period	15,333,411	17,887,096	-	-
Amortization during the period	(2,553,685)	(2,553,685)	-	-
Balance at the end of the Period	12,779,726	15,333,411	-	-

The Associated Hotel PLC now being merged with the Company obtained leasehold rights to land situated in Bentota for 50 years from Ceylon Tourist Board by the agreement dated 13 July 1969. As part of group restructuring process the Company has transferred the said lease hold right to United Hotels Company (Pvt) Ltd. As at 31 March 2012

### 17 Investments in subsidiaries

	Market Value		Effective Holding %		Company	
	2014	No. of shares 2014	2014	2013	2014	2013
					Rs.	Rs.
<b>Quoted</b>						
Kandy Hotels Co. (1938) PLC.	2,961,348,075	441,992,250	76.54%	76.54%	1,543,857	1,543,857
<b>Unquoted</b>						
United Hotels Co. Ltd. ( Note 12.1)			100%	100%	339,112,006	39,112,006
Air Line Services Ltd.			100%	100%	300,000	300,000
CHC Foods (Pvt) Ltd.			100%	100%	10	10
Tissa Resort (Pvt) Ltd. ( Note 12.2)			100%	100%	-	-
CHC Rest Houses (Pvt) Ltd.			100%	100%	1,000,000	1,000,000
					341,955,873	41,955,873

- 17.1 United Hotels Company (Pvt) Limited, issued four million (4,000,000) new Ordinary Shares at a fair value of Rs.75/- per share by way of a new ordinary share registered as at 02nd May 2013 and the new shares so issued shall rank parry pasu with the existing issued Ordinary Shares of the Company and Ceylon Hotel Corporation PLC has subscribed fully to new issued shares.

### 17.2 Investment in joint Venture

Suisse Hotel (Pvt) Limited, which is a subsidiary of Ceylon Hotel Corporation has acquired a 50% stake in Suisse Hotel Kandy (Pvt) Limited to be operated as a joint venture. According to LKAS 31, group elect to account its stake in Joint venture, based on the equity method of accounting. Aggregate amount of assets, liabilities at the acquisition date and assets, liabilities and operating results as at the 31 March 2014 are as follows.

	No of Shares	Share Holding	2014 (Rs.)	Group 2013 (Rs.)
<b>Suisse Hotel Kandy (Pvt) Limited</b>				
Opening Balance	142,130,001	50%	137,085,831	-
Invest during the year			11,000,000	141,030,001
operating losses for the year			(15,579,152)	(3,944,171)
			132,506,678	137,085,831
<b>Share of Joint Venture's Balance Sheet</b>				
Current Asset			31,331,000	2,480,485
Non Current Asset			384,348,445	137,609,399
Current Liabilities			(78,704,851)	(3,004,053)
Non Current Liabilities			(204,467,915)	-
			132,506,678	137,085,831
<b>Share of Joint Venture's Revenue and Loss</b>				
Revenue			-	-
Losses before income tax			(15,193,352)	(3,944,171)
Income tax			(385,800)	-
Loss after tax			(15,579,152)	(3,944,171)
Retained Earnings at the beginning			(3,944,171)	-
Retained Earnings at the end			(19,523,323)	(3,944,171)



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

## 18 Investment Property

	Land Rs.	Building Rs.	Group 2014 Rs.	2013 Rs.
Transfer from property plant and equipment	247,500,000	82,025,000	329,525,000	-
Closing Balance	247,500,000	82,025,000	329,525,000	-

18.1 The Company's Investment Property has been accounted for as Property, Plant and Equipment in the Financial Statements of the Group in view of it being owner occupied property from the Group's point of view, and thereby changes in fair value adjusted respectively.

	Land 2014 Rs.	Building 2014 Rs.	Company 2014 Rs.	2013 Rs.
Opening Balance	63,136,425	468,852,582	531,989,007	986,561,396
Transfer to investment property	-	-	-	82,025,000
Transfer from PPE	247,500,000	82,025,000	329,525,000	-
Transfer to investment property	-	-	-	-
Additions	-	-	-	42,625,211
Disposal	-	-	-	-
Transfer to PPE	-	-	-	(494,197,600)
Closing Balance	310,636,425	550,877,582	861,514,007	531,989,807

18.2 The Directors have adopted the fair value model to value the Investment Properties. The Property was valued in the year 2013 by Mr. K Arthur Perera, AMIV, Incorporated valuer and having recent experience in the location and category of the investment property being valued. He has used contractor's principal or Land & Building method in valuation to decide the current market value of this property and The Directors of the Company have concluded that there were no significant change as at 31st March 2014 in the fair value of the investment property.

18.3 The Company has transferred land and building amounting to Rs. 329,525,000 to investment property from property plant equipment on 01 April 2013 due to change in use.

18.4 Property Details as follows		
18.4.1 Freehold property		
Location	Extent	Method of Valuation
<b>Mihinthal Rest House</b> Land situated with 150m from A9 Road	Land - 1 A 0 R 18.93 P Buildings area - 18,350 sq.ft	Current Market Value
<b>Madwachchiya Rest House</b> Land is situated on border of A9 Road	Land - 1 A 1 R 25 P Buildings area - 18,350 sq.ft	Current Market Value
<b>Weligama Rest House</b> Land is situated on border of Matara - Colombo A2 Road	Land - 2 A 1 R 24.20P Buildings area - 13,922 sq.ft	Current Market Value
<b>Galle Road Property</b> Land is situated at Bambalapitiya	Land - 0 A 1 R 01.25P Buildings area - 19,000 sq.ft	Current Market Value

### 18.4.2 Leasehold property

<b>Ella Rest House</b> Land situated at Bandarawela, within a radius of about 12 Km	Buildings area - 15,727.5 sq.ft	Current Market Value
<b>Sigiriya Rest House</b> Land situated in 9 Km from Inamaluwa Junction	Buildings area- 14,496 sq.ft	Current Market Value
<b>Polonnaruwa Rest House</b> Land is situated on border of "Parakrama Samudrya"	Buildings area- 15,510 sq.ft	Current Market Value
<b>Habarana Rest House</b> Land is situated on border of A6 Road	Buildings area- 8,908 sq.ft	Current Market Value
<b>Dambulla Rest House</b> Land is situated on border of Dambulla - Matala A9 Road	Buildings area- 8,022sq.ft	Current Market Value

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

<b>Pussellawa Rest House</b> Land is situated on Kandy - Nuwara - Eliya A5 & 28.5 Km from Kandy	Buildings area- 6,807 sq.ft	Current Market Value
<b>Hanwella Rest House</b> Land is situated on border of Badulla - Colombo Low Level Road	Buildings area- 9,531 sq.ft	Current Market Value
<b>Belihuloya Rest House</b> Land is situated in Belihuloya on border of Badulla - Colombo Main Road	Buildings area- 15,539 sq.ft	Current Market Value
<b>Kithulgala Rest House</b> Land is situated on 49 M from Karawanalle - Hatton Road	Buildings area- 14,609 sq.ft	Current Market Value
<b>Ambepussa Rest House</b> Land is situated on 58 Km from Colombo in Kandy - Colombo A 1 Main Road	Buildings area- 14,609 sq.ft	Current Market Value
<b>The Surf - Bentota</b> Land is situated on 61 Km from Colombo on Colombo - Matara A 2 Main Road	Buildings area- 82,342.0 sq.ft	Current Market Value
<b>The Lake - Polonnaruwa</b> Land is situated on 235 Km from Colombo	Buildings area- 31,533 sq.ft	Investment method
<b>The Safari - Tissamaharama</b> Land is situated on 256 Km from Colombo on Colombo - Kataragama A2 Main Road	Building area - 49,965 sq.ft	Investment method

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>19 Inventories</b>				
Food	9,860,800	9,850,239	-	-
Beverages	5,231,255	4,852,089	-	-
Crockery, linen and glassware	38,909,621	37,018,419	-	-
Sundry stock	21,352,353	12,756,662	-	-
	<u>75,354,029</u>	<u>64,477,409</u>	<u>-</u>	<u>-</u>
Provision for slow moving stocks	(64,973)	(288,714)	-	-
	<u>75,289,056</u>	<u>64,188,695</u>	<u>-</u>	<u>-</u>
	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>20 Trade &amp; other receivables</b>				
Accounts receivables (20.1)	150,873,697	175,643,832	18,207	956,955
Other receivables (20.2)	95,817,186	119,795,473	13,350,526	17,143,347
	<u>246,690,883</u>	<u>295,439,304</u>	<u>13,368,733</u>	<u>18,100,303</u>
<b>20.1 Accounts receivables</b>				
Trade receivable	186,709,119	183,581,309	707,591	956,955
Less: Provision for bad & doubtful debts	(35,835,422)	(7,937,477)	(689,384)	-
	<u>150,873,697</u>	<u>175,643,832</u>	<u>18,207</u>	<u>956,955</u>
<b>20.2 Advances and deposits</b>				
Others	29,996,494	30,538,915	-	4,181,915
Less: Provision for bad & doubtful debts	69,433,333	94,695,745	13,350,526	12,961,432
	<u>(1,355,86)</u>	<u>(5,439,188)</u>	<u>-</u>	<u>-</u>
	<u>95,817,186</u>	<u>119,795,473</u>	<u>13,350,526</u>	<u>17,143,347</u>
<b>21 Amounts due from related companies</b>				
United Hotels Co (Pvt) Ltd	-	-	-	181,073,3309
The Galle Face Hotel Co Ltd	-	-	12,960,809	-
Tissa Resort (Pvt) Ltd	-	-	-	1,946,379
CHC Rest Houses (Pvt) Ltd	-	-	75,987,896	50,657,337
Suisse Hotel Kandy (Pvt) Ltd	-	-	276,061	-
	<u>-</u>	<u>-</u>	<u>89,224,766</u>	<u>233,677,046</u>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>22 Income Tax recoverable</b>				
Balance at the beginning of the period	541,131	3,085,766	107,746	117,244
Over Provision for the period	-	-	-	-
Write offs during the period	(433,385)	(2,781,063)	-	(9,498)
Payment made during the period	-	236,428	-	-
<b>Balance at the end of the period</b>	<b>107,746</b>	<b>541,131</b>	<b>107,746</b>	<b>107,746</b>
	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>23 Cash &amp; cash equivalents</b>				
Cash at banks	47,246,972	33,741,432	747,975	182,191
Fixed deposits	225,363,447	269,179,179	1,226,134	3,700,584
Cash in hand	4,107,423	6,000,496	208,654	209,254
	<b>276,717,842</b>	<b>308,921,107</b>	<b>2,182,763</b>	<b>4,092,028</b>
Bank Overdrafts	(56,183,571)	(118,850,686)	(31,719,329)	(82,408,651)
Cash & cash equivalents for cash flow purpose	<b>220,534,271</b>	<b>190,070,421</b>	<b>(29,536,566)</b>	<b>(78,316,623)</b>
<b>24 Stated capital</b>				
Ordinary shares ( 171,825,401)	1,218,025,748	1,217,775,748	1,218,025,748	1,218,025,748
6% Preference shares (1,200,000 Shares)	2,400,000	2,650,000	2,400,000	2,400,000
	<b>1,220,425,748</b>	<b>1,220,425,748</b>	<b>1,220,425,748</b>	<b>1,220,425,748</b>
<b>24.1</b>	All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the face value of the shares.			
<b>25 Reserves</b>				
Revaluation reserve	5,088,690,908	5,161,456,901	330,052,043	346,297,225
Capital reserve	8,128,011	8,128,011	8,128,011	8,128,011
General reserve	170,558,870	170,019,004	166,718,392	166,718,393
	<b>5,267,377,789</b>	<b>5,339,603,916</b>	<b>504,898,446</b>	<b>521,143,629</b>
<b>26 Interest bearing borrowings</b>				
<b>Analysis of interest bearing borrowings</b>				
Balance at the beginning of the period	1,166,780,738	530,802,066	319,000,000	314,302,066
Obtained during the period	50,000,000	692,705,000	50,000,000	300,000,000
Exchange Gain /Loss	5,532,870	-	-	-
Loan Transferred to Subsidiaries	-	-	-	(275,302,066)
Repayments during the year	(48,301,890)	(56,726,328)	(6,150,000)	(20,000,000)
Balance at the end of the period	<b>1,174,011,718</b>	<b>1,166,780,738</b>	<b>362,850,000</b>	<b>319,000,000</b>
Payable after one year	1,063,689,828	1,043,204,560	289,050,000	262,000,000
Payable within one year	<b>110,321,890</b>	<b>123,576,178</b>	<b>73,800,000</b>	<b>57,000,000</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

26.1 Interest bearing borrowings (contd..)						
Financial institution	Repayment terms	Principal	Rate	Security	Repayment during the year	Closing balance as at 31 March 2014
					Rs.	Rs.
Commercial Bank of Ceylon PLC (Term Loan 1)	Repayment to commence from March 2015. 58 monthly installments of Rs 3.5 Mn each and final payment.	215,000,000	AWPLR*	Primary mortgage bond over the property at No.411, Galle Rd, Colombo 4 for 125Mn.& Primary mortgage bond over the property Lot B2 at No.411/25, Galle Rd, Colombo 4 for 40Mn. Primary Mortgage bond over the property Lot B1 at 411/21, Galle Road, Colombo 04 and USD 1.7 Mn deposit to be held underlien on the name of United Hotels Co.Ltd.	3,500,000	211,500,000
Commercial Bank of Ceylon PLC (Term Loan 2)	Repayment to commence from November 2014. 59 monthly installments of Rs 1.4 Mn each and final payment.	85,000,000	1.5%+ AWPLR*	- Do -	1,400,000	83,600,000
Commercial Bank of Ceylon PLC (Term Loan 3)	Repayment to commence from November 2014. 39 monthly installments of Rs 1.25 Mn each and final payment.	50,000,000	1%+ AWPLR*	- Do -	1,250,000	48,750,000
Department of Treasury Operations (Treasury loan)	3 equal annual installments commencing from 17th of February, 2005	19,000,000	12%	Bank guarantee issued from Commercial bank.	-	19,000,000
<b>Total company</b>						<b>362,850,000</b>
<b>Tissa Resort (Pvt) Ltd</b>						
Commercial Bank of Ceylon PLC (Term Loan)	87 monthly installments based on the following repayment plan. First 6 months- @ Rs 0.5 Mn Next 6 months- @ Rs 1.0 Mn Next 6 months- @ Rs 2.2 Mn Next 69 months- @ Rs 2.55 Mn plus final month.	216,500,000	1% +AWPLR*	Leasehold rights over the "The Safari" property.	18,030,000	198,470,000
<b>United Hotel (Pvt) Ltd.</b>						198,470,000
Hatton National Bank PLC (Term Loan under EIB credit Line)	72 monthly installments together with interest after an initial grace period of one year	50,000,000	9%	RPFMB for Rs 50Mn over the lease hold rights of The Surf hotel property located at Bentota, together with buildings constructed and equipment installed therein.	9,246,000	4,621,500



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)**

Hatton National Bank PLC (Term Loan)	72 monthly installments together with interest after an initial grace period of one year	250,000,000	4%+ AWDR**	- Do -	13,500,000	211,208,238
Hatton National Bank PLC (Term Loan)	72 monthly installments together with interest based on the following repayment plan. (commencing from February 2014) Rs 300,000 per month for 6 months Rs 500,000 per month for 6 months Rs 2,000,000 per month for 6 months Rs 3,400,000 per month for 53 months Rs 3,000,000 per month for 1 month	200,000,000	2.5%+ 3 M AWPLR*	Existing Registered Primary Floating Mortgage Bond for Rs 462 Mn over the leasehold rights of "The Surf" hotel property together with buildings constructed and the immovable project assets installed at Bentota.	600,000	199,400,000
Hatton National Bank PLC (US\$ Term Loan)	72 monthly installments together with interest based on the following repayment plan. (Commencing from February 2014) USD 3,000 per month for 6 months USD 5,000 per month for 6 months USD 15,000 per month for 6 months USD 25,250 per month for 53 months USD 23,750 per month for 1 month	192,705,000	3M LIBOR + 5%***	Existing Registered Primary Concurrent Mortgage Bond for USD 1.5 Mn over the leasehold rights of "The Surf" hotel property together with buildings constructed and the immovable project assets installed at Bentota and Corporate guarantee of Ceylon Hotels Corporation PLC for USD 1.5 Mn.	775,890	197,461,980
						612,691,718
<b>Total Group</b>						<b>1,174,011,718</b>

\* AWPLR - Average Weighted Primary Lending Rate

\*\* AWDR - Average Weighted Deposit Rate

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>27 Finance lease obligations</b>				
Balance at the beginning of the period	967,531	2,642,310	362,516	855,394
Obtained during the period	-	-	-	-
Paid during the period	(941,637)	(1,674,779)	(336,622)	(492,878)
Balance at the end of the period	25,894	967,531	25,894	362,516
Interest in suspense	-	(25,894)	-	(25,894)
Capital outstanding at end of the year	25,894	941,637	25,894	336,622
<b>Lease payable after one year</b>	-	-	-	-
Amounts due after one year	-	-	-	-
Less: interest in suspense	-	-	-	-
<b>Lease payable within one year</b>				
Amounts due with in one year	25,894	1,217,128	25,894	362,516
Less: interest in suspense	-	(275,491)	-	(25,894)
	25,894	941,637	25,894	336,622
<b>28 Employee Benefits</b>				
At the beginning of the year	9,228,723	8,245,556	6,956,140	6,181,464
Current service cost	2,458,864	1,762,005	1,056,635	1,072,517
Transfer	-	-	(1,915,207)	-
Interest cost on benefit obligation	460,656	903,387	-	679,961
Payments made during the year	(1,453,232)	(2,065,188)	(1,218,732)	(2,505,260)
Actuarial (Gain)/Losses	962,534	1,527,458	(2,608,625)	1,527,458
<b>At the end of the year</b>	<b>11,657,546</b>	<b>9,228,723</b>	<b>2,270,212</b>	<b>6,956,140</b>
(a) The amounts recognised in the Balance Sheet are as follows.				
<b>Present value of the unfunded obligations</b>	<b>11,657,546</b>	<b>9,228,723</b>	<b>2,270,212</b>	<b>6,956,140</b>
Total present value of obligations	11,657,546	9,228,723	2,270,212	6,956,140
Recognised liability for defined benefit obligations	11,657,546	9,228,723	2,270,212	6,956,140
(b) This obligation is not externally funded.				
(c) Gratuity liability is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Limited, Actuaries, on 31 March 2014. The principal assumptions used in the 2014 actuarial valuation are as follows:				
1. Discount rate (the rate of interest used to discount the future cash flows in order to determine the present value)			10%	11%
2. Future Salary increase				
- Executives			8%	8%
- staff			8%	5%

In addition to the above, demographic assumptions such as mortality, withdrawal and disability, and retirement age were considered for the actuarial valuation. "A 67/07 mortality table" issued by the Institute of Actuaries, London was used to estimate the gratuity liability of the Company.

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>29 Non-interest- bearing borrowings</b>				
	1,802,200	1,802,200	1,522,200	1,522,200
	1,802,200	1,802,200	1,522,200	1,522,200
Payable after one year	-	-	-	-
Payable within one year	1,802,200	1,802,200	1,522,200	1,522,200

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>30 Deferred tax liabilities</b>				
Balance at the beginning of the period Restated	310,276,726	257,110,924	-	6,897,975
Deferred tax impact on revaluation	-	63,247,418	-	566,071
Effect on changes in tax rate - Revaluation Reserve	-	11,236,477	-	-
Effect on changes in tax rate - Profit and Loss	-	(9,373,450)	-	-
Origination /(Reversal) of temporary differences	(10,665,966)	(18,409,589)	-	(10,544,559)
Transfer to deferred tax assets (26.1)	-	6,464,946	-	3,080,513
Balance at the end of the period	299,610,761	310,276,726	-	-
<b>30.1 Deferred tax Assets</b>				
Transfer from deferred tax liabilities	6,464,944	6,464,946	3,080,513	3,080,513
Charge for the year	(6,464,944)	-	(3,080,513)	-
	-	6,464,946	-	3,080,513
<b>Temporary Differences</b>				
On Property Plant and Equipment	3,128,259,042	2,463,417,735	320,543,826	329,924,412
On Retirement Benefit Obligation	(8,370,691)	(9,228,723)	(2,270,212)	(6,956,140)
Revaluation	-	691,572,302	-	-
On Carried Forward Tax Losses	(623,306,177)	(613,996,460)	(318,273,614)	(348,639,208)
	2,496,582,174	2,531,764,854	-	(25,670,936)
<b>Tax effect</b>	299,610,761	303,811,780	-	(3,080,513)
<b>31 Trade &amp; other Payables</b>				
Accounts payable	77,059,076	73,916,247	13,982,533	13,388,380
Accrued expenses	12,184,705	29,362,735	7,897,573	20,937,182
Accrued rent	32,438,713	29,205,629	-	-
Other payables	122,392,445	138,477,537	10,478,814	10,771,880
	244,074,940	270,962,148	32,358,920	45,097,442
<b>32 Amounts due to related companies</b>				
The Kandy Hotel Co (1938) PLC	-	-	347,977,271	170,287,523
GFH Management Co (Pvt) Ltd	62,393,002	42,495,069	-	-
The Galle Face Hotel Co Ltd	32,243,119	90,834,931	-	72,654,427
CHC Food (Pvt) Ltd	-	-	18,137,227	11,117,167
Airline Services (Pvt) Ltd	-	-	1,021,164	1,021,164
Ceylon Hotel Holdings (Pvt) Ltd	421,414,561	391,012,062	197,727	197,727
Tissa Resort (Pvt) Ltd	-	-	20,442,473	8,006,301
United Hotels Co (Pvt) Ltd	-	-	73,026,061	-
CHC Rest House (Pvt) Ltd	-	-	-	1,487,184
	516,050,682	524,342,062	460,801,925	264,771,493
<b>33 Income tax payable</b>				
Balance as at 01 April	15,527,107	7,228,467	-	-
Provision for the year	29,944,590	24,861,758	13,304	-
Over Provision in respect of previous year	-	-	-	-
WHT & ESC Recoverable	-	(1,009)	-	-
Payment Made During the year	(34,438,346)	(16,562,109)	-	-
Transferred to Income tax receivable (Note 17)	-	-	-	-
Balance at the end of the period	11,033,351	15,527,107	13,304	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

<b>34 Related Party transactions</b>					
The Company Carries out transactions in the ordinary course of the business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) 24 "Related Party Disclosure", the details of which are reported below.					
Company Name	Nature of Relationship	Name of the Director	Nature of Transaction	Year ended 31.03.2014 Rs.	Year ended 31.03.2013 Rs.
G F H Management Co Ltd	Affiliate	Mr. Sanjeev Gardiner (Chairman)	Expenses paid by GFHM on behalf of CHC	(3,238,338)	21,333,051
		Mr. Lakshman Samarasinghe		-	-
		Mr. Priyantha Maddumage		-	-
The Galle Face Hotel Company	Ultimate parent	Mr. Sanjeev Gardiner (Chairman)	Rent Received from GFH	7,651,560	-
		Mr. Lakshman Samarasinghe	Expenses paid by GFH on behalf of CHC	(784,887)	(22,522,550)
		Dr. Dennis. J. Aloysius	Expenses paid by CHC on behalf of GFH	-	2,912,374
			Funds Transfer to CHC	(42,771,300)	(56,860,000)
			Settlement of Inter Company payables	124,758,201	226,000,000
Kandy Hotels Company (1938) PLC	Subsidiary	Mr. Sanjeev Gardiner (Chairman)	Expenses paid by CHC on behalf of KHCL	2,718,100	13,221,360
		Mr. Lakshman Samarasinghe	Funds transfer to KHCL from CHC	-	30,500,000
		Mr. Priyantha Maddumage	Funds Transferred from KHCL to CHC	(180,407,849)	(108,182,774)
			Advance against Reservation Banked on CHC behalf of KHCL	-	(332,913)
United Hotels Company Ltd	Subsidiary	Mr. Lakshman Samarasinghe	Expenses paid by CHC on behalf of UHCL	12,926,543	46,218,001
		Mr. Sanjeev Gardiner	Funds transferred to UHCL	(5,200,000)	22,472,311
		Dr. Dennis. J. Aloysius	Expenses paid by UHCL on behalf of CHC	(720,283)	(6,101,791)
		Mr. Priyantha Maddumage	Assets Transferred to UHCL	894,348	274,357,520
			Loan transfered to UHCL		(242,534,823)
			UHCL credit card collection & debtors collection banked on CHC A/C		(1,984,973)
			Funds Transferred from UHCL	38,000,000	(27,950,000)
			Shares Investment - UHCL	(300,000,000)	-
CHC Foods (Pvt) Ltd	Subsidiary	Mr. Lakshman Samarasinghe	Expenses reimbursed by CHC Foods on behalf of CHC PLC	-	(299,138)
		Mr. Priyantha Maddumage	Funds transferred from CHC Foods (Pvt) Ltd	(21,100,000)	-
			Debtors Collection & Advance Reservation Banked on CHC A/C	-	(702,732)
			Gratuity Liability Transfer	(316,440)	
			Expenses paid by CHC on behalf of CHC Foods (Pvt) Ltd	14,194,750	-
			Funds transferred to CHC Foods (Pvt) Ltd	-	(14,026,200)
			Assets Transfer	201,630	657,088
Tissa Resort (Pvt) Ltd	Subsidiary	Mr. Priyantha Maddumage	Funds transferred to Tissa Resort (Pvt) Ltd.	4,000,000	10,800,000
		Mr. Lakshman Samarasinghe	Expenses paid by CHC on behalf of Tissa Resort	909,950	4,307,913
		Dr. Dennis. J. Aloysius	Tissa Resort (Pvt) Ltd. credit card & debtors collection banked on CHC A/C	-	(3,606,527)
			Assets Transferred from Tissa Resort (Pvt) Ltd	-	2,318,614
			Funds transfer from Tissa Resort to CHC	(19,292,500)	(39,440,000)
CHC Rest Houses (Pvt) Ltd	Subsidiary	Mr. Priyantha Maddumage	Service provided by CHC to CHC Rest Houses (Pvt) Ltd.	30,254,029	24,202,255
		Mr. Lakshman Samarasinghe	Assets transfer	9,088,524	(34,680)
			Fund Transferred to CHC Rest Houses (Pvt) Ltd.	2,077,000	(1,335,267)
			Debtors collection banked on CHC A/C	(285,250)	



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd.)



			Inventory Transfer from CHC to CHC Rest Houses (Pvt) Ltd.		20,640,000
			Gratuity Liability Transfer	(1,598,767)	-
			Expenses paid by CHC Rest Houses (Pvt) Ltd. on behalf of CHC	(1,667,794)	952,666
			Funds transferred from CHC Rest Houses (Pvt) Ltd	(11,050,000)	(16,050,000)
Ceylon Hotels Holdings (Pvt) Ltd.	Affiliate	Mr. Sanjeev Gardiner	Funds Transfer from Ceylon Hotels Holdings	-	(51,076,400)
		Mr. Lakshman Samarasinghe Mr. Priyantha Maddumage	Funds Transfer to Ceylon Hotels Holdings		70,760,000
Air Line Services (Pvt) Ltd	Subsidiary	Mr. Sanjeev Gardiner	Admin expenses transferred by CHC to Air line services (Pvt) Ltd	-	
		Mr. Priyantha Maddumage	Air Line Services collection money banked to CHC Bank A/C	-	-
		Dr. Dennis. J. Aloysius	expenses incurred by Air Line Service on behalf of CHC PLC.	-	-
		Mr. Lakshman Samarasinghe	Expenses paid by Air Line Services on behalf of CHC		(20,701)
Suisse Hotel (Pvt) Ltd.	Subsidiary	Mr. Sanjeev Gardiner Mr. Lakshman Samarasinghe Mr. Priyantha Maddumage	Expenses paid by CHC on behalf of Suisse Hotel (Pvt) Ltd	276,061	

This note should be read in conjunction with the note 21 and 32, Related party receivable and Related party payable respectively.

Ceylon Hotels Corporation PLC

The Galle Face Hotel Co. Ltd

United Hotels Co. Ltd

Ceylon Hotels Holdings (Pvt) Ltd

Kandy Hotels Co. (1938) PLC

GFH Management Company (Pvt) Ltd

CHC Rest Houses (Pvt) Ltd.

Suisse Hotel (Pvt) Ltd

CHC

GFH

UHCL

CHH

KHP

GFHMCPL

CHC RH

SHL

### 34.1 Compensation paid to Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS 24) "Related Party Disclosures", Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors and their close family members) have been classified as Key Management Personnel of the Company. Emoluments paid to key management personnel have been disclosed in note 11.

### 35 Contingent liabilities

#### 35.1 Company

There were no any material contingent liabilities for the group other than those disclosed below, as at the balance sheet date.

Name	Nature	Case No
Mr. E. Ranasinghe	Labour	6R/7197/12-Rathnapura
Mr. Susil Rathnasiri	Labour	32/2011/Kandy
Mr. Alousious	Labour	Police Case
Mr. Jagath Kumara	Labour	42/754/2011/K
Mr. T. Wickramasinghe	Labour	27/ANU/2230/2013
K.A.D.S. Fernando	Labour	LT case No 13/94/2013

#### 35.2 Group

**There were no any material contingent liabilities for the group other than those disclosed below, as at the balance sheet date.**

The Company is pursuing or is being pursued with legal action on the following legal cases. As Per the representation given by the management these cases are still outstanding as at 31st March 2014

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

### 35.2.1 Pending litigations - Kandy Hotels Co. (1938) PLC

Name	Designation	Case No
Mr. C.M.B Amunupura	Labour	LT Case No 03/70/2012
Ms. H.M. Dingiri Menike	Tenant	RE 2645
Men's Tailor	Tenant	Rent Board Case

### 35.2.3 Pending litigations - United Hotel Company (Pvt) Ltd.

Name	Designation	Case No
Mr. Jagath Kumara	Labour	42/754/2011/Kegalla
Mr Premlal De Silva	Labour	28423 Balapitiya

Although, there can be no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse affect on the results of operations, financial position or liquidity of the Company. Accordingly no provision for any liability has been made in the financial statements, nor has any liability been determined by the ongoing legal cases, as at 31st March 2014.

### 36 Events occurring after the balance sheet date

There have been no material events occurring after the balance sheet date that require adjustment to or disclosure in the Financial statements.

### 37 Number of employees

The total number of employees of the company as at 31.03.2014 was 102. (31.03.2013 - 300)

### 38 Going concern

The financial statements are prepared on the assumption that the company is a going concern. That is as continuing in operation for the foreseeable future. However, The Company has incurred a net loss of Rs. 58,786,567 during the year, (2012/13 Rs. 317,979,882) and the accumulated loss as at 31 March 2014 is Rs. 1,179,192,051 (2012/13 Rs. 1,138,946,256). Further the Company's total current liabilities exceeded total current assets by Rs. 495,357,566 (2012/13 Rs. 195,159,285).

This has mainly arisen due to the fact that an impairment of Intangible assets amounting to Rs 518,393,484 in compliance with SLFRS imposed during year ended 31.03.2013 which is merely a book entry. Having invested nearly Rs. 1.4 billion for refurbishment it is now expected to incur positive results in the future.

Following measure proposed for implementation by the Directors

- 1) Kandy Hotels Company (1938) Plc has declared a dividend and company will receive Rs 79.5 Million which will resurrect the present deficit of Rs 64 Million
- 2) The Company has successfully negotiated with the Bankers to reduce the interest rates which will help to reduce the losses to the future. Taking these circumstances in to consideration the Directors have made an assessment and are confident of the Company's ability to continue as a going concern.

### 39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments held by the Group principally comprise of cash, trade and other receivables, trade and other payables, loans and borrowings/Leases. 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 Group's finance department which comes under the preview of the Board of Directors.

Parent company Finance department evaluates financial risk in close co - operation with the hotel operational units. The parent company provides guidelines for overall risk management as well, covering specific areas such as credit Risk, Liquidity Risk, 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, settlements, accounting and related controlling. The guide lines and systems are regularly reviewed and adjusted accordingly to changes in markets and products. The company's Executive Directors monitor these risks primarily through its operating and financing activities.

### 39.1 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 for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

### 39.1.1 Credit risk exposure

The carrying amount of the financial assets represent the maximum credit exposure. The maximum credit exposure to credit risk at the end of the reporting period was as follows.

	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
<b>Trade and other receivable</b>	<b>246,690,883</b>	295,439,305	<b>13,368,733</b>	18,100,303
Amount due from related parties	-	-	<b>89,224,766</b>	233,677,046
Cash and cash equivalents	<b>276,717,842</b>	308,921,107	<b>2,182,763</b>	4,092,028
	<b>523,408,725</b>	<b>604,360,412</b>	<b>104,776,261</b>	<b>255,869,376</b>

### 39.1.2 Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
<b>Neither past due nor impaired</b>				
Past due but not impaired				
01-29 days	<b>85,752,325</b>	58,767,627	-	-
30-60 days	<b>55,004,963</b>	62,460,383	-	-
61-90 days	<b>34,108,913</b>	23,934,301	-	-
91-120 days	<b>2,135,772</b>	15,797,650	-	-
121-180 days	<b>5,422,479</b>	(1,415,719)	-	-
> 356 days	<b>4,284,667</b>	24,037,066	-	-
<b>impaired</b>				
<b>Gross carrying value</b>	<b>186,709,119</b>	183,581,308	-	-
Less: impairment provision				
Individually assessed impairment provision	<b>(35,835,423)</b>	(7,937,477)	-	-
Collectively assessed impairment provision	-	-	-	-
<b>Total</b>	<b>150,873,696</b>	<b>175,643,831</b>	<b>-</b>	<b>-</b>

### 39.1.3 Credit risk relating to cash and cash equivalents

In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the group limits the maximum cash amount that can be deposited with a single counterparty. In addition, the Group maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Group held cash and cash equivalents of Rs. 277 million at 31 March 2014 (2013 - Rs. 309 million).

### 39.2 Liquidity Risk

The Group policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)

### 39.2.1 Net (debt)/cash

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Short term investments	225,363,447	269,179,179	225,363,447	269,179,179
Cash in hand and at bank	51,354,395	39,741,928	51,354,395	39,741,928
<b>Total liquid assets</b>	<b>276,717,842</b>	<b>308,921,107</b>	<b>276,717,842</b>	<b>308,921,107</b>
Interest bearing loans and borrowings	1,174,011,718	1,166,780,738	1,174,011,718	1,166,780,738
Bank overdrafts	56,183,571	118,850,686	56,183,571	118,850,686
<b>Total liabilities</b>	<b>1,230,195,289</b>	<b>1,285,631,424</b>	<b>1,230,195,289</b>	<b>1,285,631,424</b>
<b>Net (debt)/cash</b>	<b>(953,477,447)</b>	<b>(976,710,317)</b>	<b>(953,477,447)</b>	<b>(976,710,317)</b>

### 39.2.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing.

#### Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2014 based on contractual undiscounted payments.

Group	Within 1 year	Between 1-2 years	Between 2-3 years	More than 3 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Trade and other payables	244,102,782				244,102,782
Borrowings-Financial instruments	105,823,500	225,401,500	238,014,000	604,772,718	1,174,011,718
Amounts due to related parties	516,050,682	-	-	-	105,823,500
Short term borrowings		-	-	-	516,050,682
Bank overdrafts	56,183,571				-
		-	-	-	56,183,571

### 39.3.2 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 Company'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 following table demonstrates the sensitivity to a reasonably possible change in interest rates of the deposits, with all other variables held constant, of the company profit before tax (through the impact on floating rate of deposits).

The company's exposure to deposits rates in USD is not material

	Group Increase/ (decrease) in basis points	Effect on profit before tax
2014	+ 100-150 basis points	1,673,262
	- 100-150 basis points	(1,115,508)

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base rates such as LIBOR, SLBOR, AWPLR.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (Contd..)



### 39.3.2.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements.

### 39.3.2.2 Effects of currency translation.

The Group is maintaining USD fixed deposits of USD 1,725,590.55 As At 31.03.2014 with a fixed interest rates and exchange rate used for the conversion of the Deposit is 1 USD = 129.29 LKR. The change and effect of the translation as follows

The company's exposure to foreign currency changes of deposit translation to USD is not material

	Exchange rate	Increase/ (decrease) in exchange rate	Effect on profit before tax LKR Mn	Effect on equity LKR Mn
<b>Company</b>				
2014	USD	3%	5,176,772	5,176,772
		-3%	(5,176,772)	(5,176,772)

### Assumptions

The assumed movement, in the spread of the exchange rate sensitivity analysis, is based on the current observable market environment.

### 39.4 Capital management

The primary objective of the Company'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 Company 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 Company may issue new shares, have a rights issue or buy back of shares.



The Surf - Bantota

## Investor Information

**Ceylon Hotels Corporation PLC**  
No. 327, Union Place, Colombo 2

**Annual Report**  
For the year ended 31<sup>st</sup> March 2014

**ANALYSIS OF SHAREHOLDING OF SHAREHOLDERS AS AT 31ST MARCH 2014**

**Company Code : CHOT**  
**Company Name : Ceylon Hotels Corporation PLC**  
**Share Type : Ordinary**

No of Shares held	No of Shareholders	Total Holding	Holding%
1 - 1,000	6642	1,186,013	0.69
1,001 - 5,000	563	1,482,518	0.86
5,001 - 10,000	149	1,103,522	0.64
10,001 - 50,000	109	2,422,627	1.41
50,001 - 100,000	16	1,065,313	0.63
100,001 - 500,000	15	3,185,839	1.85
500,001 - 1000,000	1	723,173	0.42
Over 1000,000	5	160,656,396	93.5
	7500	171,825,401	100

**ANALYSIS OF SHAREHOLDING OF JOINT & INDIVIDUAL SHAREHOLDERS AS AT 31.03.2014**

**Company Code : CHOT**  
**Company Name : Ceylon Hotels Corporation PLC**  
**Share Type : Ordinary**

No of Shares Held	No of shareholders	Total Holding	Holding %
1 - 1,000	6609	1,176,936	0.69
1,001 - 5,000	537	1,412,685	0.82
5,001 - 10,000	138	1,009,147	0.59
10,001 - 50,000	91	1,922,778	1.12
50,001 - 100,000	9	556,146	0.32
100,001 - 500,000	8	1,210,502	0.7
500,001 - 1000,000	1	723,173	0.42
Over 1000,000	0	0	0
163814034	7393	8,011,367	4.66

**ANALYSIS OF SHAREHOLDING OF NON RESIDENT SHAREHOLDERS AS AT 31.03.2014**

**Company Code : CHOT**

**Company Name : Ceylon Hotels Corporation PLC**

**Share Type : Ordinary**

No of Shares Held	No of shareholders	Total Holding	Holding %
1 - 1,000	17	5,863	0
1,001 - 5,000	6	18,418	0.01
5,001 - 10,000	0	0	0
10,001 - 50,000	3	75,300	0.04
50,001 - 100,000	0	0	0
100,001 - 500,000	0	0	0
500,001 - 1,000,000	0	0	0
Over 1,000,000	0	0	0
	26	99,581	0.05

**ANALYSIS OF SHAREHOLDING OF RESIDENT SHAREHOLDERS AS AT 31.03.2014**

**Company Code : CHOT**

**Company Name : Ceylon Hotels Corporation PLC**

**Share Type : Ordinary**

No of Shares Held	No of shareholders	Total Holding	Holding %
1 - 1,000	6608	1,176,874	0.68
1,001 - 5,000	556	1,459,156	0.85
5,001 - 10,000	149	1,103,522	0.64
10,001 - 50,000	106	2,347,327	1.37
50,001 - 100,000	16	1,065,313	0.62
100,001 - 500,000	15	3,185,839	1.85
500,001 - 1,000,000	1	723,173	0.42
Over 1,000,000	5	160,656,396	93.5
	7,456	171,717,600	99.93

**ANALYSIS OF SHAREHOLDING OF COMPANY SHAREHOLDERS AS AT 31.03.2014**

**Company Code : CHOT**

**Company Name : Ceylon Hotels Corporation PLC**

**Share Type : Ordinary**

	<b>No of Shares Held</b>	<b>No of shareholders</b>	<b>Total Holding</b>	<b>Holding %</b>
1	- 1,000	33	9,077	0.005
1,001	- 5,000	26	69,833	0.03
5,001	-10,000	11	94,375	0.05
10,001	- 50,000	18	499,849	0.29
50,001	-100,000	7	509,167	0.3
100,001	-500,000	7	1,975,337	1.15
500,001	-1,000,000	0	0	0
	Over 1,000,000	5	160,656,396	93.5
		107	163,814,034	95.34

**DIRECTORS SHAREHOLDING AS AT 31.03. 2014**

<b>No</b>	<b>NAME OF DIRECTOR</b>	<b>Ledger</b>	<b>CDS</b>	<b>Total</b>
1	SANJEEV GARDINER	NIL	NIL	NIL
2	LAKSHMAN SAMARASINGHE	131	2,894	3,025
3	PRIYANTHA MADDUMAGE	NIL	1	1
4	DR. DENNIS ALOYSIUS	10,069	NIL	10,069
5	DR. CHRISANTHA NONIS	NIL	NIL	NIL
6	KUVERA DE. ZOYSA	NIL	NIL	NIL
7	MANGALA BOYAGODA	NIL	NIL	NIL
8	GUNAPALA TISSAKUTTIARACHCHI	NIL	NIL	NIL
9	KAMANTHA AMARASEKARA	NIL	NIL	NIL



**TOP 20 SHAREHOLDERS (ORDINARY) AS AT 31.03.2014**
**Company Code : CHOT**

Position	Shareholder Name	No of Ord. Vot. Shares	Share Precent-age
1	CEYLON HOTEL HOLDINGS (PVT) LTD	120,944,925	70.40 %
2	EMPLOYEES PROVIDENT FUND	20,538,515	11.95 %
3	SEYLAN BANK LTD/THE GALLE FACE HOTEL COMPANY LIMIT	9,893,056	5.76 %
4	BANK OF CEYLON-NO2 A/C	5,975,000	3.48 %
5	NATIONAL SAVINGS BANK	3,304,900	1.92 %
6	MR.HAMISH WINSTON MCDONALD WOODWARD	723,173	0.42 %
7	SITHLANKA ( PRIVATE ) LIMITED	427,300	0.25 %
8	ASSOCIATED ELECTRICAL CORPORATION LTD	410,946	0.24 %
9	SAMPATH BANK PLC/CAPITAL TRUST HOLDINGS PRIVATE LI	395,452	0.23 %
10	SEYLAN BANK PLC/CAPITAL TRUST HOLDINGS (PVT) LTD	390,493	0.23 %
11	MR.KANISHKA NUWAN KARUNARATNE	321,600	0.19 %
12	MR.SITHAMPALAM ABISHEK	141,800	0.08 %
13	MR.JOSEPH ROMESH DE SILVA	135,398	0.08 %
14	MR.SHEIK MOHAMED HASSAN MOHAMED	132,804	0.08 %
15	COCOSHELL ACTIVATED CARBON COMPANY LIMITED	127,500	0.07 %
16	MR.MOHAMED SUBAIR FOUZAL HAQQUE	126,300	0.07 %
17	MR.PIYADASA GURUGE	125,000	0.07 %
18	MCLARENS HOLDINGS LTD	115,000	0.07 %
19	MR.PREMAPALA PITIPANA ARACHCHI	115,000	0.07 %
20	MR.DEREK JOSEPH DE SILVA WIJEYERATNE	112,600	0.07 %
		164,456,762	95.72 %

Public Shareholdings	-	40,894,445
Public Shareholdings percentage	-	23.80%
Highest Price	-	Rs. 16.50
Lowest	-	Rs. 14.00
Market Price	-	Rs. 15.70



**TOP 20 SHAREHOLDERS (ORDINARY) AS AT 31.03.2013**

**Company Code : CHOT**

Position	Name of Shareholder	No of Shares	%
1	CEYLON HOTEL HOLDINGS (PVT) LTD	120,944,925	70.40
2	EMPLOYEES' PROVIDENT FUND	20,538,515	11.95
3	SEYLAN BANK LTD/THE GALLE FACE HOTEL COMPANY LTD	9,893,056	5.76
4	BANK OF CEYLON -NO2 A/C	5,975,000	3.48
5	NATIONAL SAVINGS BANK	3,304,900	1.92
6	MR HAMISH WINSTON MCDONALD WOODWARD	723,173	0.42
7	SAMPATH BANK PLC/CAPITAL TRUST HOLDINGS PRIVATE LTD	360,955	0.21
8	SEYLAN BANK PLC/ARUNASALAM SITHAMPALAM	320,800	0.19
9	ASSOCIATED ELECTRICAL CORPORATION LTD	310,000	0.18
10	MR KANISHKA NUWAN KARUNARATNE	284,600	0.17
11	SITHLANKA (PRIVATE) LTD	199,500	0.12
12	SEYLAN BANK PLC/CAPITAL TRUST HOLDINGS (PVT) LTD	197,139	0.11
13	MR VIVENDRA LINTOTAWELA	150,300	0.09
14	MR JOSEPH ROMESH DE SILVA	135,400	0.08
15	MR SHEIK MOHAMED HASSAN MOHAMED	132,804	0.08
16	COCOSHELL ACTIVATED CARBON COMPANY LIMITED	127,500	0.07
17	WALDOCK MACKENZIE LTD/MR M S F HAQQUE	126,300	0.07
18	MR PIYADASA GURUGE	125,000	0.07
19	MR PREMAPALA PITIPANA ARACHCHI	125,000	0.07
20	MCLARENS HOLDINGS LTD	115,000	0.07
	<b>Total</b>	164,089,867	95.51

## FIVE YEAR SUMMARY

Year ended 31st March	2014		2013		2012		2011		2010	
	Group Rs. '000	Company Rs. '000	Group Rs. '000	Company Rs. '000	Group Rs. '000	Company Rs. '000	Group Rs. '000	Company Rs. '000	Group Rs. '000	Company Rs. '000
<b>Trading Results</b>										
Turnover Net of Tax	1,327,326	-	1,087,011	-	924,299	227,424	640,536	278,919	535,875	325,814
Operating profit/(Loss) before Interest Expenses and other income	125,890	(74,407)	47,780	(382,909)	72,572	(43,717)	(20,169)	(113,893)	(13,925)	1,167
Profit/(Loss) before Taxation	(15,262)	(56,006)	(30,341)	(328,341)	39,924	(64,822)	40,481	(61,150)	(41,855)	(43,616)
Taxation (Provision)/Reversal	25,850	2,781	(2,740)	(10,361)	5,942	18,826	11,062	1,486	2,467	4,424
Profit/(Loss) after Taxation on Ordinary Activities	(41,112)	(58,787)	(27,601)	(317,980)	45,866	(45,996)	(31,457)	(59,664)	(39,117)	(39,191)
<b>Share Capital &amp; Reserve</b>										
Issued Share Capital	1,220,425	1,220,425	1,220,425	1,220,425	1,220,425	1,220,425	1,220,425	1,220,425	1,220,425	1,220,425
Capital Reserves	5,097,359	338,180	5,169,585	354,425	4,710,397	439,794	4,771,389	461,173	3,760,737	470,280
Revenue Reserves	170,019	166,718	170,019	166,718	170,019	166,718	170,019	166,718	170,019	166,718
Accumulated Losses	(684,596)	(1,179,192)	(681,450)	(1,138,946)	(738,282)	(909,142)	(283,136)	(366,142)	(362,695)	(330,207)
<b>Total Equity</b>	5,803,208	546,132	5,878,580	602,623	5,362,559	917,795	5,878,697	1,482,174	4,788,486	1,527,216
<b>Assets Employed</b>										
Current Assets	598,806	104,884	669,090	255,977	324,748	195,944	240,361	370,974	405,213	415,111
Current Liabilities	(939,493)	(600,242)	(1,056,002)	(451,136)	(476,441)	(279,297)	(728,901)	(656,969)	(333,946)	(288,289)
Working Capital	(340,687)	(495,358)	(386,912)	(195,159)	(151,693)	(83,354)	(488,540)	(285,995)	71,267	126,822
Property, Plant and Equipment	8,470,439	129,340	8,863,005	489,713	7,848,314	551,959	7,374,447	1,189,907	5,542,921	1,009,502
Non-Current Liabilities	1,374,958	291,320	1,362,710	268,956	1,015,707	579,327	561,746	301,953	377,724	156,877
<b>Ratio &amp; Statistics</b>										
Gearing Ratio (Times)	0.16	0.35	0.16	0.31	0.09	0.22	0.06	0.24	0.03	0.09
Current Ratio (Times)	0.64	0.17	0.63	0.57	0.72	0.70	0.33	0.56	1.21	1.44
Market Price per share	15.70	15.70	16.80	16.80	22.90	22.90	31.40	31.40	25.25	25.25
Earning/(Loss) per Share	(0.43)	(0.34)	(0.35)	(1.85)	0.15	(0.27)	0.24	(0.35)	(0.23)	(0.23)
Net Assets Per Share	33.77	3.18	34.21	3.51	31.21	5.34	34.21	8.63	27.87	8.89
Return on Equity holder's Funds (%)	(1.29)	(10.76)	(1.03)	(52.77)	0.49	(5.01)	0.69	(4.03)	(0.83)	(2.57)
Return on Total Assets (%)	(0.78)	(4.09)	(0.62)	(24.04)	1.06	(1.17)	0.48	(2.44)	(0.62)	(1.99)

## NOTICE OF ANNUAL GENERAL MEETING

### CEYLON HOTELS CORPORATION PLC

( Company Registration No PB 3283 )

No.327, Union Place, Colombo 2

### NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Ceylon Hotels Corporation PLC will be held on 05th September 2014 at 11am at the Sri Lanka Foundation Institute, No:100, Independence Square, Colombo 7 for the purpose of conducting the following business:

- =====
1. To receive and consider the Annual Report of the Directors, the Audited Accounts for the year ended 31st March 2014 and the Report of the Auditors thereon.
  2. To re-elect Mr Mangala Boyagoda who retires by rotation in terms of Articles of Association.
  3. To re-elect Mr G Tissakuttiarachchi who retires by rotation in terms of Articles of Association.
  4. To elect as a Director Mr D S Kamantha Amarasekera who was appointed to the Board during the financial year 2014.
  5. To re-elect Dr Dennis J Aloysius as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No.07 of 2007 of the intention to propose the following resolution as an ordinary resolution.  
"RESOLVED that Dr Dennis J Aloysius who has reached the age of 83 be and is hereby re-elected as a Director of the Company and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the said Director in accordance with Section 211 of the Companies Act No. 07 of 2007.
  6. To re-elect Mr Lakshman Samarasinghe as a Director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No.07 of 2007 of the intention to propose the following resolution as an ordinary resolution.  
"RESOLVED that Mr Lakshman Samarasinghe who has reached the age of 71 be and is hereby re-elected as a Director of the Company and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the said Director in accordance with section 211 of the Companies Act No. 07 of 2007.
  7. To re-appoint Messrs KPMG., the retiring Auditors for the ensuing financial year and to authorize the Directors to fix their remuneration.
  8. To authorize the Directors to determine donations for the year 2014/2015 and up to the date of the next Annual General Meeting.
  9. To transact any other business of which due notice has been given.

By order of the Board of  
CEYLON HOTELS CORPORATION PLC



Accounting Systems Secretarial Services (Private) Limited  
Company Secretaries

Colombo, this 10<sup>th</sup> day of July 2014.

**Note:** A shareholder who is unable to attend the meeting is entitled to appoint a proxy to attend and vote in his/her place. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.







## CEYLON HOTELS CORPORATION PLC

(Company Registration No PB 3283)

No.327, Union Place, Colombo 2

### FORM OF PROXY

I/We.....

(NIC No.).....

of.....

being a member/members of Ceylon Hotels Corporation PLC, hereby .....

appoint:.....of.....

.....(or failing him)

Mr Lakshman Samarasinghe	of Colombo	(or failing him)
Mr.Sanjeev Gardiner	of Colombo	(or failing him)
Dr Dennis Aloysius	of Colombo	(or failing him)
Mr Priyantha Maddumage	of Colombo	(or failing him)
Dr Chrisantha Nonis	of Colombo	(or failing him)
Mr Kuvera Isuru De Zoysa	of Colombo	(or failing him)
Mr Mangala Boyagoda	of Colombo	(or failing him)
Mr G Tissakuttiarachchi	of Colombo	(or failing him)
Mr Kamantha Amarasekara	of Colombo	

as my/our Proxy to represent and speak and vote for me/us\* and on my/our behalf at the Annual General Meeting of the Company to be held on .....and at any adjournment thereof and at every poll which may be taken in consequence thereon.

I/We\* the undersigned, hereby direct my/our\* proxy to speak and vote for me/us and on my/our behalf on the resolution set out in the Notice convening the meeting , as follows:

	For	Against
1. To receive and consider the Annual Report of the Directors, the Audited Accounts for the year ended 31st March 2014 and Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr Mangala Boyagoda who retires by rotation and is eligible for re-election	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr G Tissakuttiarachchi who retires by rotation and is eligible for re-election	<input type="checkbox"/>	<input type="checkbox"/>
4. To -elect as a Director Mr Kamantha Amarasekera who was appointed to the board during the year	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Dr Dennis J Aloysius, who retires in terms of Section 210 of the Companies Act No.07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mr Lakshman Samarasinghe, who retires in terms of Section 210 of the Companies Act No.07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint Messrs KPMG, the retiring Auditors for the ensuing financial year and to authorize the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>



## INSTRUCTIONS FOR COMPLETION

- |  | For                  | Against              |
|--|----------------------|----------------------|
| 8. To authorize the Directors to determine donations for the year 2014/2015 and up to the date of the next Annual General Meeting. | <input type="text"/> | <input type="text"/> |

In witness my/our\* hands this.....day of.....Two Thousand and Fourteen.

.....  
Signature

Notes:\* Instructions as to completion appear overleaf.  
Please indicate with and “x” in the space provided, how your Proxy is to vote on the Resolutions.  
If no indication is given, the Proxy in his discretion will votes as he thinks fit.

## INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registrars to shares, Esjay Corporate Services (Private) Limited, Level 05, No.02, Castle Lane, Colombo 4 not later than 48 hours prior to the date of the meeting.
3. If you wish to appoint a person other than the Chairman or a Director of the Company, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointor is a company/ Incorporated body this Form must be executed in accordance with the Articles of Association/ Stature.

## This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



<b>NAME OF THE COMPANY</b>	- Ceylon Hotels Corporation PLC
<b>REGISTRATION NO</b>	- P.B. 3283
<b>LEGAL FORM</b>	- A public quoted Company with Limited Liability and Listed with the Colombo Stock Exchange.
<b>DIRECTORS</b>	- Lakshman Samarasinghe - Chairman Sanjeev Gardiner Dr. Dennis Aloysius Priyantha Maddumage Dr. Chrishantha Nonis Kuvera De Zoysa Mangala Boyagoda Gunapala Tissakuttiarachchi Kamantha Amarasekara
<b>REGISTERED OFFICE</b>	- 327, Union Place, Colombo 2.
<b>SECRETARIES</b>	- Accounting Systems Secretarial Services (Pvt) Ltd. No. 02, Castle Lane, Colombo 04.
<b>REGISTRARS</b>	- Esjay Corporate Services (Pvt) Ltd. No. 02, Castle Lane, Colombo 4.
<b>AUDITORS</b>	KPMG No. 32A, Sir Mohamed Macan Markar Mw., Colombo 03.
<b>INTERNAL AUDITORS</b>	- Ernst & Young Advisory Services (Pvt) Ltd. 201, De Saram Place, Colombo 10.
<b>LAWYERS</b>	- F.J. & G. De Saram 216, De Saram Place, Colombo 10.
<b>BANKERS</b>	- Bank of Ceylon People's Bank Commercial Bank of Ceylon PLC Hatton National Bank PLC
<b>E'MAIL</b>	- corporateoffice@ceylonhotels.net
<b>WEBSITE</b>	- www.ceylonhotels.lk





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[www.ceylonhotels.lk](http://www.ceylonhotels.lk)