

BREAKING BARRIERS



ANNUAL REPORT 2013
GALADARI HOTEL

Welcome to the Galadari Hotel Colombo

Conveniently located in the heart of Colombo the Galadari Hotel is the ideal location for that perfect relaxing getaway or that well planned business trip. We believe in providing superior services that will spoil you beyond your imagination. We have the expertise to cater to a wide range of clientele with diverse needs. Step into our haven and be pleasantly surprised.





GOAL

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Corporate Information

COMPANY NAME	:	Galadari Hotels (Lanka) PLC
COMPANY REGISTRATION NO.	:	PQ 137
LEGAL STATUS	:	A quoted Public Company with limited liability incorporated in Sri Lanka
BOARD OF DIRECTORS	:	Khaled Aly Aly Soliman - Chairman Sharif Mir Hashem Ahmed Khoory Lalith Rukman De Silva Dr. John Anthony Shivaji Felix Mohamed Hisham Abdel Wahab Al Garf Amit Chib Hatim Abdelaziz Mohamed
AUDIT COMMITTEE	:	Amit Chib - Chairman Dr. John Anthony Shivaji Felix Mohamed Hisham Abdel Wahab Al Garf
REMUNERATION COMMITTEE	:	Khaled Aly Aly Soliman - Chairman Mohamed Hisham Abdel Wahab Al Garf Dr. John Anthony Shivaji Felix
SECRETARIES & REGISTRARS	:	Jacey & Company No. 9/5, Thambiah Avenue, Colombo 07 Tel: 4335159 - 62
REGISTERED OFFICE	:	No. 9/5, Thambiah Avenue, Colombo 07
AUDITORS	:	M/s KPMG, Chartered Accountants No. 32A, Sir Mohamad Macan Markar Mawatha, P.O.Box 186, Colombo 03
LAWYERS	:	Tiruchelvam Associates No.116/10, Rosmead Place, Colombo 07
BANKERS	:	Hatton National Bank WTC Customer Service Centre, Colombo 01 Hongkong & Shanghai Banking Corporation P. O. Box 73, Colombo 01 Bank of Ceylon Corporate Branch Head Office No.4, Bank of Ceylon Mawatha, Colombo 01

Notice of Meeting

NOTICE is hereby given that the 33rd Annual General Meeting of Galadari Hotels (Lanka) PLC will be held at the Ballroom of Galadari Hotel, No.64, Lotus Road, Echelon Square, Colombo 01, on Wednesday, 4th June, 2014 at 4.00 p.m. for the following purposes :

1. To receive and consider the Audited Financial Statements for the Year Ended 31st December, 2013 together with the Reports of the Directors' and Auditors' thereon.
2. (i) To re-elect Mr Lalith Rukman De Silva, Director, who retires by rotation in terms of Article 87 of the Articles of Association of the Company.

(ii) To re-elect Dr. John Anthony Shivaji Felix, Director, who retires by rotation in terms of Article 87 of the Articles of Association of the Company.
3. To re-appoint the Auditors Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD

JACEY & COMPANY

SECRETARIES

Colombo

24th March, 2014

NOTE:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS/HER STEAD.
2. A PROXY NEED NOT BE A MEMBER OF THE COMPANY
3. THE COMPLETED FORM OF PROXY MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY AT NO.9/5, THAMBIAH AVENUE, COLOMBO 07 NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.

Chairman's Message

Dear Shareholders,

On behalf of the Board of Directors, I take pleasure in welcoming you to the 33rd Annual General Meeting of Galadari Hotels (Lanka) PLC and present to you the Annual Report and Audited Financial Statements for the year ended 31st December 2013.

Company Performance

The company achieved a remarkable turnaround during the year with a Profit After Tax of Rs. 286 Million, compared to the loss of Rs. 861 Million recorded in the previous year.

The main contribution to this performance came from the restructuring of the company's Balance Sheet, which resulted in the conversion of the LKR 7.2 Billion loan of Galadari Brothers Co. LLC into equity. Another

noteworthy achievement in 2013, was the repayment of Rs. 263.6 Million to the Treasury as part settlement of the long outstanding loan to the Government of Sri Lanka. The remaining amount of Rs. 263.6 Million has been repaid in 2014.

Future Outlook

With the Financial strength of a healthier Balance Sheet, Galadari Hotels (Lanka) PLC is well poised to realize its potential, in line with the Government's vision for Sri Lanka and the significant role that the Tourism sector is expected to play in the Country's economic growth.

Acknowledgement

On behalf of the Board of Directors, I would like to express our gratitude to the Government of Sri Lanka for enabling this turnaround and for providing

an opportunity for the Hotel to move towards realizing its potential. I also wish to thank all employees for their loyalty and unwavering commitment towards Galadari Hotels (Lanka) PLC. Finally, I would like to take this opportunity to thank our Shareholders for the confidence and trust that they have relentlessly placed in Galadari Hotels (Lanka) PLC.



Mr. Khaled Aly Soliman
Chairman

Board of Directors

MR KHALED SOLIMAN - CHAIRMAN

For over 3 decades, Mr Khaled Aly Soliman has motivated and equipped thousands to navigate change, build high levels of trust and become fully engaged at work and home.

Mr Soliman distinguishes himself as a change specialist, currently on his 4th year as Group CEO of Galadari Brothers. The group is a multibillion, multidiscipline leading group in the UAE and part of the ICD (Investment Corporation of Dubai).

As an expert in leadership, Mr Soliman brought significant changes to multinational operations in the Middle East and North Africa across industries such as construction, real-estate, press-printing, food and beverage, retail, hotels, overseas investments, technology, entertainment, automotive, and heavy construction equipment.

With a business and engineering background, his presentations and discussions project key drivers to success which have achieved perpetual team operational and leadership excellence.

MR SHARIF HASHIM AHMED KHOORY

Mr Khoory holds a B.Sc Degree in Economics from Portland State University, USA and is currently the Group Head of Business Development at Galadari Brothers Co. LLC, Dubai and Director in Palm Oasis Ventures Pty Ltd, Australia.

MR MOHAMED HISHAM ALGARF

Mr Algarf holds a Degree in B.Sc. Architecture & Planning from the Faculty of Engineering, Cairo University and at present is Principal and Managing Partner at Living D'art Company LLC in UAE, Iran & Egypt.

MR AMIT CHIB

Mr Amit Chib is a qualified Chartered Accountant, Company Secretary and Cost Accountant. He has over 19

years of work experience in industries such as Retail, Food & Beverage, Engineering, Real Estate, Trading, Automotive, Electronics, Manufacturing, Information Technology and Supply Chain Management. He is the present Group Chief Financial Officer of Galadari Brothers Company LLC, which is a multibillion, multidiscipline leading group in Dubai, and a part of Investment Corporation of Dubai, well diversified in different industries such as Automobiles, Heavy construction equipment, Hospitality, Food & Beverage, Media, Engineering, Industrial Trading and Travel & Tourism.

MR HATIM ABDELAZIZ MOHAMED

Mr Hatim Abdelaziz Mohamed was awarded a university law degree of "License en Droit", Bachelor of Law (LL.B) from Cairo University - Khartoum branch in 1993.

Mr Mohamed is admitted to the Egyptian Bar Association and holds a license to practice law; he is also a listed Arbitrator in Khartoum Centre of Arbitration and attends many legal courses, postgraduate seminars and workshops. Mr Mohamed has 20 years' experience practicing in law, specialising in; Corporate and Commercial law, Employment and Litigations.

Mr Mohamed currently serves as Group Legal Manager - Head at Galadari Brothers Co. (L.L.C.) of Dubai, U.A.E. a leading company following his services with leading companies in UAE and law firm, Sultanate of Oman.

DR. JOHN ANTHONY SHIVAJI FELIX

Dr. Shivaji Felix was awarded LL. B. (Honours) degrees by the University of Colombo and the University of London in 1994. He passed the final examination for the admission of Attorneys-at-Law with first class honours in 1995 and was admitted and enrolled as an Attorney-at-Law of the Supreme Court of Sri Lanka in 1996. In 1999 he was elected an Associate Fellow of the Society for Advanced Legal Studies of the University of London. In 2000 he was awarded a Ph. D. degree by the University of London for his work

on administrative law. He is a Fellow of the Sri Lanka Institute of Taxation (FTII) (2009) and was previously an Associate of the Institute (ATII)(2003). He was awarded a Diploma (cum laude) by the Institute of Federalism, University of Fribourg, Switzerland (2004). In 2005 University College London, appointed him an Honorary Research Fellow of the Faculty of Laws in recognition of his contribution to legal scholarship. He is a member of the Taxes Committee of the International Bar Association, a Fellow of the Royal Society of Arts (England) and a member of the Society of Legal Scholars (United Kingdom and Ireland).

Dr. Felix has many locally and internationally refereed publications to his credit. He has also functioned as a consultant to the World Bank in its Country Financial Accountability Assessment Study for Sri Lanka (CFAA). He is a Council Member of the Sri Lanka Institute of Taxation and a Committee member of the Sri Lanka Branch of the International Fiscal Association. Dr. Felix practices as an Attorney-at-Law with a focus on public law and revenue law. He teaches and functions as an examiner at the Faculty of Law, University of Colombo.

MR LALITH RUKMAN DE SILVA

Mr Lalith De Silva holds a special degree in economics and a post graduate diploma in Public Financial Management. He is a fellow member of the institute of Public Finance and Development Accountancy.

He has held several senior positions in the public service, including the Director General of Treasury Operation in the Ministry of Finance, Dy. Secretary to the Treasury, Secretary Ministry of Trade Marketing Development Cooperatives and Consumer Service.

Currently he serves as a Director of Lanka Logistics and Technologies Limited and a Member of the Standing Committee on Statutory Matters of ICTAD.

Statement of Directors' Responsibilities

Directors' Responsibilities for the Preparation of Financial Statements

The responsibility of the directors in relation to the Financial Statements is set out in the following statement. The responsibility of the auditors, in relation to the Financial Statements prepared in accordance with the provision of the Companies Act No. 7 of 2007, is set out in the Report of the Auditors.

The Financial Statements comprise of:

- Income statement and statement of comprehensive income of the Company, which present a true and fair view of the profit and loss of the Company for the financial year.
- A statement of financial position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year.

The directors are required to confirm that the Financial Statements have been prepared:

- Using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and

- Presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS); and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- Provides the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying 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.

The directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The directors are required to prepare the Financial Statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

The directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid, or where relevant provided for.

By Order of the Board
JACEY & COMPANY
Secretaries



Colombo
24th March, 2014

Report of the Board of Directors'

The Directors have pleasure in presenting to the shareholders the Annual Report of the Board of Directors for the year ended 31st December, 2013.

This Report contains information required by Section 168 of the Companies Act No. 7 of 2007 and other necessary information required by the Listing Rules of Colombo Stock Exchange.

Principal Activities

The Principal activity of the Company is hoteliering.

Changes to the nature of Business

There was no significant changes to the principle activities of the Company during the Financial year ended 31st December, 2013.

Financial Statements

The Financial Statements for the year ended 31st December, 2013 are set out on pages 15 to 40 in the Annual Report.

Auditors' Report

The Auditors' Report which is an integral part of the Financial Statements prepared for the Accounting period ended 31st December, 2013 is set out in the page 14 in the Annual Report.

Director's Responsibility for the Financial Statements

The Directors are responsible for preparing and presenting the Financial Statements, which are set-out on page 6 The Financial Statements have been prepared in conformity with the Sri Lanka Accounting Standards as laid down by the Institute of Chartered Accountants of Sri Lanka, Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Directors are satisfied that the Financial Statements, presented on pages 15 to 40 give a true and fair view of the state of affairs of the Company as well as the profit for the year then ended.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 20 to 26.

The Directors consider that, in preparing these Financial Statements, suitable accounting policies have been used which are applied consistently and supported by reasonable and prudent judgment and that all applicable accounting standards have been followed. The Financial Statements are prepared on a going concern basis.

Corporate Governance

A description of the Company's Corporate Governance practices is set out on pages 9 to 11.

Directorate

The names of the Directors as at 31st December, 2013 set out under Corporate Information on page 2. The changes to the Directorate during the period under review are set out below:

Khaled Aly Aly Soliman

Sharif Mir Hashem Ahmed Khoory

Lalith Rukman De Silva

Hewa Komanage Jayantha Dharmadasa- Not re-elected at the Annual General Meeting held on 26th June, 2013

Hettiaratchige Jayantha Christopher Perera (Alternate Director For H.K. Jayantha Dharmadasa)- Principal not re-elected at the Annual General Meeting held on 26th June, 2013

Dr. John Anthony Shivaji Felix

Mohamed Hisham Abdel Wahab Al Garf
Amit Chib

Hatim Abdelaziz Mohamed

In terms of Article 87 of the Articles of Association of the Company Mr Lalith Rukman De Silva, Director, retires by rotation and being eligible is

recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the year 2014.

In terms of Article 87 of the Articles of Association of the Company Dr. John Anthony Shivaji Felix, Director, retires by rotation and being eligible is recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the year 2014.

Board Subcommittees

The following Board Sub-Committees were established by the Company:

Audit Committee

Amit Chib -Chairman
John Anthony Shivaji Felix
Mohamed Hisham Abdel Wahab Al Garf

Remuneration Committee

Khaled Aly Aly Soliman - Chairman
Mohamed Hisham Abdel Wahab Al Garf
John Anthony Shivaji Felix

The Reports of the Audit and Remuneration Subcommittees are set out on page 13.

The Composition of the above Board Sub-Committees, and their functions and responsibilities are set out in the Corporate Governance Report appearing on pages 9 to 11 of this Annual Report.

Interest Register

An interest Register is required to be maintained in terms of Companies Act No. 7 of 2007, which came into effect on 03rd May, 2007.

Directors' Interest in Contracts or proposed contracts with the Company are disclosed in Note 29 to the Financial Statements for the period under review.

Directors' Shareholding

The shares held by the Directors at the beginning and at the end of the financial year were as follows. The Articles of

Report of the Board of Directors' contd...

Association of the Company do not stipulate a share qualification for Directors:

	31.12.2013	31.12.2012
Khaled Aly Aly Solaiman - Chairman	-	-
Sharif Mir Hashem Ahmed Khoory	-	-
Lalith Rukman De Silva	-	-
Dr. John Anthony Shivaji Felix	-	-
Mohamed Hisham Abdel Wahab Al Garf	-	-
Amit Chib	-	-
Hatim Abdelaziz Mohamed -	-	-

Directors' Fees and Emoluments

Directors' fees and emoluments in respect of the Company for the financial year ended 31st December, 2013 are as follows.

Directors' Fees and emoluments
Rs. 1,547,500/- (2012 - Rs. 1,710,000/-).

Donations

During the year the Company has not made charitable contributions. (There were no charitable contributions made in 2012).

Property, Plant & Equipment

The details of the property, plant & equipment of the Company, additions during the year and the depreciation charges for the year are shown in Note 7 to the Financial Statements. The Directors consider the market value of the property, plant & equipment not to be significantly different to the amounts disclosed.

Stated Capital

There has been a change in the Stated Capital of the Company during the

year under review by the issuance of 318,395,504 Ordinary Shares of Rs. 22/50 each pursuant to the conversion of debt to equity by way of a Private Placement of Shares, as per the Listing Rules of the Colombo Stock Exchange (CSE). The Stated Capital of the Company as at 31st December, 2013 was Rs. 8,988,239,455/- consisting of 500,829,564 Ordinary Shares. The Shares of the Company are listed on the CSE.

Shareholders

The total shareholder base of the Company as at 31st December, 2013 was 12,183 (2012 -12,039). The distribution of the shareholding and a listing of the 20 major shareholders are given under Investor Information on page 41 in this Annual Report.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments in relation to the government had been made up to date.

Post Balance Sheet Events

No circumstances have arisen since the Balance Sheet date, which would require

adjustment to, or disclosure in the Financial Statements except for the ones disclosed in Note 16.3 and 16.4 in page 30 to these Financial Statements.

Auditors

The Financial Statements for the year under review have been audited by Messrs KPMG, Chartered Accountants. Rs. 1,200,000/- has been paid as Audit Fee for the year ended 31st December, 2013.

Auditors' Relationship with the Company

Messrs KPMG, Chartered Accountants, also provided other Consultancy Services to the Company during the year under review for which a fee of Rs. 1,777,374/- was paid to them.

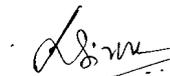
By Order Of the Board



Mr A Chib
Director



Mr L R De Silva
Director



JACEY & COMPANY
Secretaries

24th March, 2014

Corporate Governance

The fundamental concern of Corporate Governance is to ensure that the Company's Directors and Managers act in the best interest of the company and its various stakeholders. Whilst good Corporate Governance helps improve public understanding of the activities of the Company it is also a powerful tool for protecting investors. Accordingly, timely and accurate disclosure of information regarding the financial stability, performance and ownership are important aspects of Corporate Governance.

The Company recognises that controls and procedures play an integral part in maintaining high standards and that transparency, disclosure, financial controls and accountability are pillars of any good system of Corporate Governance.

Compliance with the Code of Best Practice

The Company currently complies with the requirements set out in the Code of

Best Practice for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Rules on Corporate Governance contained in the Listing Rules of the Colombo Stock Exchange.

Board of Directors

The Board of Directors jointly oversees the activities of the Company and is responsible for the management of the Company. The Company's Board of Directors consists of professionals in varied fields who collectively possess a wide area of knowledge and experience, and are thus eminently suitable to provide leadership and direction required. The Board of Directors of the Company presently comprises of seven members.

All Directors other than the Directors nominated by the Foreign Investor retire by rotation at each Annual General Meeting and those eligible are recommended for re-election.

The Board meets as and when the need arises to discuss any prevailing issues, appropriate action in achieving the results and to review the financial performance of the Company.

In accordance with the Listing Rules of the Colombo Stock Exchange, the Board has constituted 2 committees, namely, the Audit and Remuneration Committee. A Statement of Directors' Responsibilities for the preparation of Financial Statements is set out on page 6 in this Annual Report.

Board Sub-Committees

The Board sub-committees scrutinize and analyze the areas under their purview and make recommendations to the Board on necessary improvements and modifications to the systems and processes of the Company. The Board has constituted an Audit sub-Committee and a Remuneration Sub-Committee.

The Composition of the Board as at the end of the Period Under Review is set out in the Table below, together with a Record of the Attendance of Every Director.

Name of the Director	Category	Board	
		Eligible to attend	attended
Mr K A A Soliman	Non-Executive Non- Independent	4	4
Mr L R De Silva	Non-Executive Independent	4	4
Mr H K J Dharmadasa (Represented by his Alternate Mr H J C Perera)-Not re-appointed at the Annual General Meeting held on 26th June, 2013	Non-Executive Independent	3	1
Dr. J A S Felix	Non-Executive Independent	4	4
Mr S M H A Khoory	Non-Executive Non- Independent	4	4
Mr M H A W Al Garf	Non-Executive Independent	4	4
Mr A Chib	Non-Executive Non- Independent	4	4
Mr Hatim Abdelaziz Mohamed	Non-Executive Non- Independent	4	4

Corporate Governance contd...

The Composition of the Audit Committee as at the end of the Period Under Review is set out in the Table below, together with a Record of the Attendance of Every Committee Member.

Name of the Committee Member	Category	Audit Committee	
		Eligible to attend	Attended
Mr A Chib	Non-Executive Non Independent	5	5
Dr. J A S Felix	Non-Executive Independent	5	5
Mr M H A W Al Garf	Non-Executive Independent	5	5

Company Secretaries

Jacey & Company provides Corporate Secretarial Services to the Company. The Company Secretaries play a key role in compliance matters by ensuring that the Company complies with the requirements of the Companies Act, the Colombo Stock Exchange and other regulatory bodies. The Secretaries also ensure that Board procedures are followed and information is provided to shareholders on a timely basis.

Compliance with Legal Requirements

All Directors have access to the advice and services of the Company Secretaries as well as to the Financial Information of the Company. The Directors make every endeavour to ensure that the Company Complies with Laws and Regulations.

Corporate Governance Report Levels of Compliance as per Section 07 of the Listing Rules of the Colombo Stock Exchange

Rule No:	Subject	Applicable requirement	Compliance Status
7.10.1	Non-Executive Directors	At least 1/3 of the total number of Directors should be Non-Executive Directors at the immediately preceding Annual General Meeting. All Directors of the Board were Non-Executive Directors.	Complied
7.10.2	Independent Directors	At least 1/3 of Non Executive Directors should be independent. Of the Seven Non-Executive Directors, Dr. J A S Felix, *Mr L R De Silva and Mr M Al Garf, were considered Independent Directors. Each Non-Executive Director should submit a declaration of independence/non independence in the prescribed format. *The Board has determined that Mr L R De Silva be designated as an independent Non Executive Director, even though he has served on the Board of the company for more than 9 years, since he is not directly involved in the management of the company.	Complied

Corporate Governance contd...

Rule No:	Subject	Applicable requirement	Compliance Status
7.10.3	Disclosure relating to Directors	<p>Names of independent Directors should be disclosed in the Annual Report.</p> <p>The Board shall make a determination annually as to the independence or non independence of each non-executive Director based on the Declaration.</p> <p>A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p>
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee and shall comprise of Non-Executive Directors a majority of whom will be independent.	Complied Please refer page 13 of the Annual Report
7.10.6	Audit Committee	<p>A Listed entity shall have an Audit Committee comprising of Non-Executive Directors a majority of whom shall be independent.</p> <p>A Non Executive Director shall be appointed as the Chairman of the Audit Committee.</p> <p>Unless otherwise determined by the Committee the Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee Meetings.</p> <p>The Chairman or one Member of the Committee should be a member of a recognized professional accounting body.</p>	<p>Complied</p> <p>Please refer page 13 of the Annual Report</p>

Corporate Social Responsibility

Little Drops of Kindness Kiddies High Tea for Vajira Children's Orphanage

A special Kiddies High Tea was organized for 30 kids of the Vajira Children's Orphanage on 17th December 2013 at Salon Tulip. The little ones were treated to a spectacular tea treat spread and gifts from Santa. The evening included a movie show and a tour of the Hotel.



Galadari donates to 'Missionaries of Charity'

In an attempt to bring happiness and joy to the little ones at 'Missionaries of Charity' in Moratuwa the hotel made a donation of dry rations, medicine, infant milk, cakes, diapers and many much needed items for the children's home. The Engineering Department headed by Chief Engineer Saliya Hapugalle and his Deputy P. Priyadarshana installed 100 LED Lights at the home. This would reduce the electricity bill of the home by half. The Project was initiated by Upali Perera the Financial Controller and brought many a heartwarming smile to the children of the home.



Report of the Audit Committee

Role of the Audit Committee

The Audit Committee assists the Board of Directors in discharging its responsibilities over the accounting and financial reporting process and audit of financial statements of the company by monitoring:

- Reliability and integrity of the financial statements
- Adequacy and effectiveness of internal control
- Independence and qualifications of the external auditor
- Effectiveness and performance of internal and external audits
- Compliance with Statutory and Regulatory requirements

Composition of the Audit Committee

The Audit Committee comprises of three Members of whom two are independent Non-Executive Directors:

Mr A Chib
Committee Chairman

Dr. J A S Felix
Committee Member

Mr M H A W Al Garf
Committee Member

Review of Financial Statements

The Audit Committee has discharged its duties by reviewing the Annual Financial Statements together with the Auditors Report and quarterly Financial Statement before recommending the same to the Board for approval.

Compliance

The Audit Committee assisted the Board in ensuring compliance with Sri Lanka Accounting Standards and other Regulatory requirements pertaining to financial reporting.

Internal Audit

The Audit Committee reviews the Internal Audit carried out by M/s PricewaterhouseCoopers, Chartered Accounts, and follows up the recommendations for corrective measures.

External Audit

The Audit Committee also reviews the progress of the Audit carried out by the External Auditors, M/s KPMG, Chartered Accountants, and resolve the audit related issues with them.

The Audit Committee has determined that Messrs. KPMG, Chartered Accountants, Auditors, were independent on the basis that they did not carry out any management related functions of the Company.

Meeting and Attendance

Five Meetings of the Committee were held during the period under review and attendance of the Members at these Meetings is given on page 10 of the Annual Report.



Mr A Chib
Chairman - Audit Committee
24th March, 2014

Report of the Remuneration Committee

The Remuneration Committee appointed by the Board comprised of three Members of whom two were Independent Non-Executive Directors. The Committee is headed by Mr K A A Soliman, and the members include Mr M H A W Al Garf and Dr. J A S Felix.

The primary purpose of the Remuneration Committee is to review the performance of the General

Manager and recommend appropriate remuneration benefits and other payments based on the remuneration policy of the Company, which has been formulated on market and industry factors and performance of the General Manager. The proceedings of the Committee are reported to the Board of Directors who will in turn make the final determination based on the recommendations of the Committee.

The aggregate remuneration paid to Directors is set out in Note 34 to the Financial Statements.



Mr K A Soliman
Chairman - Remuneration Committee
24th March, 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
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF GALADARI HOTELS (LANKA) PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Galadari Hotels (Lanka) PLC ("the Company"), which comprise the statement of financial position as at December 31, 2013, the statements of income, comprehensive income, changes in equity and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 15 to 40 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

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended December 31, 2013 and the financial statements give a true and fair view of the financial position of the Company as at December 31, 2013, and of its financial performance and its cash flow 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 151(2) of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo
March 24th, 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
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rajapakse ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo ACA
Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

Statement of Financial Position

As at 31 December,	Note	2013 Rs.	2012 Rs. (Restated)
Assets			
Non Current Assets			
Property plant & equipment	7	6,934,515,810	6,729,584,158
Leasehold property	8	1,551,428,569	1,574,935,063
Deferred tax assets	17	689,859,461	623,709,535
Total Non Current Assets		9,175,803,840	8,928,228,756
Current Assets			
Inventories	9	35,637,232	38,632,347
Trade and other receivables	10	246,943,638	205,560,633
Investments	11	711,248,890	807,969,458
Cash and cash equivalents	12	206,450,175	134,844,690
Total Current Assets		1,200,279,935	1,187,007,128
Total Assets		10,376,083,775	10,115,235,884
Equity			
Stated capital	13	8,988,239,455	1,824,340,604
Revaluation reserve	14	8,665,231,039	8,388,149,379
Reserve for replacement of furniture, fittings and equipments	15	210,521,538	141,070,069
AFS reserve		(144,675)	(263,867)
Accumulated losses		(9,363,294,939)	(9,578,809,883)
Total Equity		8,500,552,418	774,486,302
Non Current Liabilities			
Interest bearing borrowings	16	-	7,429,677,765
Deferred tax liabilities	17	1,024,067,270	980,990,051
Employee benefits	18	64,832,480	62,012,307
Total Non Current Liabilities		1,088,899,750	8,472,680,123
Current Liabilities			
Trade and other payables	19	292,008,684	297,113,051
Interest bearing borrowings	16	334,694,194	397,616,929
Provisions	20	152,758,089	144,042,176
Current taxation	21	7,163,010	29,295,173
Bank overdraft	12	7,630	2,130
Total Current Liabilities		786,631,607	868,069,459
Total Liabilities		1,875,531,357	9,340,749,582
Total Equity & Liabilities		10,376,083,775	10,115,235,884

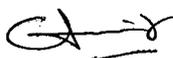
Notes from the pages 20 to 40 form an integral part of these Financial Statements.

These Financial Statements are in compliance with the requirement of Companies Act No. 07 of 2007.

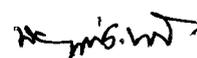


M G U Perera
Financial Controller

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



Amit Chib
Director



L R D Silva
Director

24th March 2014

Income Statement

For the year ended 31st December,	Note	2013 Rs.	2012 Rs. (Restated)
Revenue	22	1,510,346,026	1,724,264,303
Cost of sales		(612,188,763)	(621,330,460)
Gross profit		898,157,263	1,102,933,843
Other income	23	12,187,005	4,101,855
Marketing expenses		(34,049,056)	(32,125,605)
Administrative expenses		(347,390,024)	(373,980,098)
Other operating expenses		(392,812,228)	(392,182,134)
Results from operating activities	24	136,092,960	308,747,861
Finance expenses	25	29,199,836	(1,206,234,601)
Finance income	25	89,162,166	71,116,335
Net finance income / (expenses)		118,362,002	(1,135,118,266)
Profit / (loss) before tax		254,454,962	(826,370,405)
Income tax reversal / (expense)	26	31,363,423	(34,704,661)
Profit / (loss) for the year		285,818,385	(861,075,066)
Basic earnings / (loss) per share	27	0.84	(4.72)

Figures in brackets indicate deductions.

Statement of Comprehensive Income

For the year ended 31st December,	Note	2013 Rs.	2012 Rs. (Restated)
Profit / (loss) for the year		285,818,385	(861,075,066)
Other comprehensive income			
Surplus on revaluation of property, plant & equipment	7	314,865,523	514,979,053
Net change in fair value of available for sale financial assets		119,192	1,377,245
Deferred tax adjustment on revaluation	17.2	(37,783,863)	(66,701,086)
Actuarial loss from valuation of employee benefits	18	(851,972)	(5,959,645)
Other comprehensive income for the year, net of tax		276,348,880	443,695,567
Total comprehensive income / (loss) for the year		562,167,265	(417,379,499)

Figures in brackets indicate deductions.

Statement of Changes in Equity

	Stated Capital Rs.	Revaluation Reserve Rs.	Reserve for Replacement Rs.	Available for sale reserve Rs.	Accumulated Losses Rs. (Restated)	Total Rs.
Balance as at 1st January 2012	1,824,340,604	7,980,734,744	73,418,355	(1,641,112)	(8,684,986,790)	1,191,865,801
Total comprehensive income for the year						
Loss for the year as restated (Note 16.2)	-	-	-	-	(861,075,066)	(861,075,066)
Other comprehensive income						
Surplus on revaluation of property, plant & equipment	-	514,979,053	-	-	-	514,979,053
Deferred tax adjustment on revaluation	-	(66,701,086)	-	-	-	(66,701,086)
Net change in fair value of available for sale financial assets	-	-	-	1,377,245	-	1,377,245
Actuarial loss from valuation of employee benefits	-	-	-	-	(5,959,645)	(5,959,645)
Total comprehensive income for the year	-	448,277,967	-	1,377,245	(867,034,711)	(417,379,499)
Transactions with owners of the company, recognized directly in equity						
Provision for reserve of replacement of furniture, fittings and equipments	-	-	89,987,388	-	(89,987,388)	-
Replacement of furniture, fittings and equipments during the year	-	-	(22,335,674)	-	22,335,674	-
Transfer to retained earnings	-	(40,863,332)	-	-	40,863,332	-
Total transactions with owners of the company	-	(40,863,332)	67,651,714	-	(26,788,382)	-
Balance as at 31st December 2012 as restated	1,824,340,604	8,388,149,379	141,070,069	(263,867)	(9,578,809,883)	774,486,302
Balance as at 1st January 2013	1,824,340,604	8,388,149,379	141,070,069	(263,867)	(9,578,809,883)	774,486,302
Total comprehensive income for the year						
Profit for the year	-	-	-	-	285,818,385	285,818,385
Other Comprehensive income						
Surplus on revaluation of property, plant & equipment	-	314,865,523	-	-	-	314,865,523
Deferred tax adjustment on revaluation	-	(37,783,863)	-	-	-	(37,783,863)
Net change in fair value of available for sale financial assets	-	-	-	119,192	-	119,192
Actuarial loss from valuation of employee benefits	-	-	-	-	(851,972)	(851,972)
Total comprehensive income for the year	-	277,081,660	-	119,192	284,966,413	562,167,265
Transactions with owners of the company, recognized directly in equity						
Issue of new shares	7,163,898,851	-	-	-	-	7,163,898,851
Provision for Reserve of replacement of furniture, fittings and equipments	-	-	80,030,906	-	(80,030,906)	-
Replacement of furniture, fittings and equipments during the year	-	-	(10,579,437)	-	10,579,437	-
Total transactions with owners of the company	7,163,898,851	-	69,451,469	-	(69,451,469)	7,163,898,851
Balance as at 31st December 2013	8,988,239,455	8,665,231,039	210,521,538	(144,675)	(9,363,294,939)	8,500,552,418

Figures in brackets indicate deductions.

Statement of Cash Flow

For the year ended 31st December,

	Note	2013 Rs.	2012 Rs. (Restated)
Cash flows from operating activities			
Profit / (Loss) before income tax expense		254,454,962	(826,370,405)
Adjustments for			
Allowance of impairment for bad and doubtful receivables	10.1	1,170,447	213,106
Reversal of provision for slow moving inventories		(556,814)	(183,982)
Depreciation and amortization	7 & 8	212,170,169	231,851,250
Profit on disposal of property, plant and equipments		(3,846,999)	-
Provision for employee benefits	18	11,197,348	9,935,400
Finance expenses / (reversal)	25.2	(29,199,836)	1,206,234,601
Interest of provision for litigation settlement	20	8,715,913	6,574,985
Interest Income	25.1	(89,162,166)	(71,116,335)
Operating profit before working capital changes		364,943,024	557,138,620
Decrease / (Increase) in inventories		3,551,929	(4,078,780)
Increase in trade & other receivables		(94,301,192)	(20,846,834)
(Decrease) / Increase in trade & other payables		(5,104,366)	21,761,627
Total working capital changes		(95,853,629)	(3,163,987)
Cash generated from operations		269,089,395	553,974,633
Gratuity paid	18	(9,229,147)	(8,041,368)
Current tax paid	21	(35,697,064)	(11,694,327)
Net cash flows generated from operating activities		224,163,184	534,238,938
Cash flows from investing activities			
Acquisition of property, plant & equipment	7	(78,729,804)	(150,059,120)
Proceeds from sale of property, plant and equipment		3,846,999	-
Interest received	25.1	89,162,166	71,116,335
Net withdrawal / (investment) on treasury bills and reverse repos		96,839,760	(417,838,063)
Net cash flows generated from / (used in) investment activities		111,119,121	(496,780,848)
Cash flows from financing activities			
Repayment of term loan	16	(263,682,320)	-
Net cash flows used in financing activities		(263,682,320)	-
Net change in cash & cash equivalents		71,599,985	37,458,091
Cash and cash equivalents at the beginning of the year		134,842,560	97,384,469
Cash and cash equivalents at the end of the year (Note A)		206,442,545	134,842,560
Note A			
Cash in hand		1,550,000	1,399,000
Cash at bank		204,900,175	104,948,157
Fixed deposits		-	28,497,533
Bank overdraft		(7,630)	(2,130)
		206,442,545	134,842,560

Figures in brackets indicate deductions.

Notes to the Financial Statements

For the year ended 31st December 2013

1. REPORTING ENTITY

Galadari Hotels (Lanka) PLC, is a company with limited liability incorporated & domiciled in Sri Lanka. The address of the Company's registered office is No. 9/5, Thambiah Avenue, Colombo 07 and the principal place of business is situated at No. 64, Lotus Road, Colombo 01. During the year, the principal activity of the Company was hoteliering.

Total number of employees of the Company as at 31st December 2013 was 733. (2012-729)

2. BASIS OF PREPARATION

2.1. Statement of compliance

The Financial Statements have been prepared in accordance with new Sri Lanka Accounting Standards (hereinafter referred to as SLFRS / LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Company's Act No. 07 of 2007 and the listing rules of the Colombo Stock Exchange. The Financial Statements were authorized for issue by the Board of Directors on 24th March 2014.

2.2. Basis of measurement

The Financial Statements have been prepared on historical cost basis, except as indicated below.

Financial assets classified as available for sale - Fair Value

Property Plant and Equipments (Except for Leasehold Land, Motor Vehicles, Cutlery, Crockery and Linen) - Revalued amounts

Defined benefit obligation - Actuarially valued and recognized at present value of the defined benefit obligation.

2.3. Functional & presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Sri Lanka Rupees has been rounded to the nearest rupee.

2.4. Use of estimates & judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and any future period affected.

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

Note 3.3.1 d - Revaluation
 Note 3.2.5 - Impairment
 Note 3.9 b - Defined benefit plans
 Note 3.10 - Capital commitments & contingencies
 Note 4.4.b - Deferred tax

3. SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies set out below have been applied consistently applied to all period presented in these Financial Statements. The changes to accounting policies set out below have been applied

consistently to all periods presented in these Financial Statements.

3.1. Foreign Currency Transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate ruling as at the reporting date. Foreign exchange differences arising on the settlement or reporting of the Company's monetary items at rates different from those which were initially recorded are dealt with in the Income Statement.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost at the reporting date are translated to Sri Lankan Rupees at the foreign exchange rate ruling at the date of initial transaction.

Non monetary assets & liabilities that are stated at fair value, denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate ruling at the dates that the value was determined. Foreign exchange differences arising on translation are recognized in the Income Statement.

3.2. Financial instruments

3.2.1 Non derivative financial assets

The Company initially recognizes loans, receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset is measured initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Notes to the Financial Statements contd...

For the year ended 31st December 2013

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire; it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The financial assets and liabilities are offset and the net amount will be presented in the Statement of Financial Position when, and only when, the Company has a legal right to set off the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a Company of similar transactions such as in the Company's trading activity.

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

- (a) Loans and receivables, and
- (b) Available for sale financial assets.
- (c) Held to maturity financial assets.

(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, reverse

repos and cash & cash equivalents.

(b) Available for sale financial assets

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 Income is transferred to Income Statement.

Available for sales financial assets comprise of investment in investment in treasury bills.

(c) Held to maturity financial assets.

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held to maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held to maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Held to maturity financial assets comprise reverse repos.

3.2.2 Non derivative financial liabilities

The Company initially recognizes liabilities on the date that they are originated. All other liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company 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.

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

Other financial liabilities comprise trade payables, shareholder loans, other liabilities and bank borrowings.

3.2.3 Amortized cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments and any impairment and plus/minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount.

3.2.4 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.

Fair value hierarchy which is used in arriving at fair value, is explained in Note No. 28.1.1 to these Financial Statements.

3.2.5 Impairment

The Company 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

Notes to the Financial Statements contd...

For the year ended 31st December 2013

future cash flows of the financial asset that can be estimated reliably.

Objective evidence that a financial asset is impaired includes default or delinquency by a debtor, restructuring of an amount due to the company on terms that the company 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 amortised 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 Income Statement.

The Company 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 Income Statement 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.

3.3. Property, plant and equipment

3.3.1. 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 Company and cost of the asset can be reliably measured.

(b) Measurement

Items of property, plant and equipment are stated initially at cost or valuation less accumulated depreciation (See Accounting Policy 3.3.1(e)) 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 in 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 Company 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 Income Statement as incurred.

(d) Revaluation

The Company's property, plant & equipment except for Motor Vehicles, Cutlery, and Crockery & Linen is revalued once in 3 to 5 years except for building. Building will be revalued each year. As a result of revaluation if the carrying amount is increased, the increased amount is credited to equity under the heading of Capital Reserve on revaluation of property, plant & equipment. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

Notes to the Financial Statements contd...

For the year ended 31st December 2013

(e) Depreciation

Depreciation is recognized in Income Statement 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.

	At cost	At revaluation
Buildings	46 Years	46 years
Electrical installations	20 Years	5 years
Furniture, fixtures & fittings	20 Years	10 - 18 years
Furnishing	4 Years	-
Kitchen equipment & utensils	20 Years	5 - 14 years
Generator	20 Years	10 - 18 years
Plant & machinery	20 Years	10 - 17 years
Air conditioning equipment	20 Years	14 - 19 years
Laundry equipment	20 Years	15 - 18 years
Computers	4 Years	5 - 9 years
Elevators	20 Years	5 year
Electrical equipment	5 Years	14 - 19 years
Motor vehicles	4 Years	-
Cutlery crockery & linen	2 Years	-

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognized. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) De-recognition of property, plant and equipments

An item of property plant and equipment is de recognised upon disposal of when no future economic benefits are expected from its use. Any gain or loss arising on de recognition of the asset is included in the Income Statement in the year the asset is de recognised.

When replacement costs are recognised in the carrying amount of and item of property, plant and equipment, the remaining carrying amount of the replaced part is de recognised. The major inspection costs are capitalised. At each such capitalisation the remaining carrying amount of the previous cost of inspections is de recognised.

3.4. Leasehold Property

(a) Basis of valuation

Leasehold property comprising of land use rights are stated at cost, is amortised on a straight line basis over the period of the lease. Leasehold property is tested for impairment annually and is written down where applicable.

(b) Amortisation

The lease period is for 99 years commencing 8th December 1979 and the leasehold land is being amortised over a period of 99 years which commenced from 1st January 1980. The impairment loss if any is recognized in the Income Statement.

3.5. 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
Other Consumables	-	At weighted average cost
Engineering Supplies	-	At weighted average cost
Fuel Stock	-	At actual cost on FIFO basis

3.6. Impairment of non financial assets

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

Notes to the Financial Statements contd...

For the year ended 31st December 2013

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. 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.

3.7 Stated 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.

3.8. Liabilities and provisions

Liabilities classified as current liabilities on the Statement of Financial Position are those, which fall due for payment on demand or within one year from the reporting date.

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

3.8.1. Provisions

A provision is recognized if, as a result of a past event, the Company 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.

3.9. 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 Income Statement in the period during which related services are rendered by employees.

(i) Employees' provident fund

The Company and Employees' contribute 15% & 10% respectively on the salary of each employee respectively. Said provident fund is being managed by the Central Bank of Sri Lanka.

(ii) Employees trust fund

The Company 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.

In accordance with revised Sri Lanka Accounting Standard 19 "Employee Benefits", the Company has adopted the actuarial valuation method and the valuation method used by the actuary is "Projected Unit Credit Method".

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 other comprehensive income.

The liability was not externally funded.

3.10. 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 Company are disclosed in the respective notes to the Financial Statements.

3.11. Events occurring after the reporting date

The materiality of the events occurring after the reporting date has been considered and appropriate adjustments and provisions have been made in the Financial Statements wherever necessary.

4. INCOME STATEMENT

4.1. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company 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.

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

(a) Room revenue

Apartment revenue is recognized based on the daily rooms occupation.

(b) Food and beverage revenue

Food and beverage revenue is accounted at the time of the sale.

(c) Rental income

Rental income is recognized on an accrual basis.

(d) Interest

Interest income is recognized on an accrual basis.

Notes to the Financial Statements contd...

For the year ended 31st December 2013

(e) Other income

Other income is recognized on an accrual basis. Net losses of a revenue nature arising from the disposal of Property, Plant and Equipment and other non-current assets, including investments, are accounted for in the Income Statement, after deducting from the proceeds from disposal, the carrying amount of such assets and the related selling expenses.

Gains and Losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

4.2. Expenditure

All expenditure incurred in running of the business and in maintaining the property, plant & equipment in a state of efficiency have 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 Income Statement in the year in which the expenditure is incurred.

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

4.3. Finance income & finance cost

Finance income comprises interest income on funds invested (including available for sale financial assets), gains on the disposal of available for sale financial assets. Interest income

is recognized as it accrues in Income Statement, using the effective interest method.

Finance cost comprise interest expenses on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available for sale financial assets, impairment losses recognized on financial assets (other than trade receivables).

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

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

4.4. Income tax expenses

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

(a) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(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.

4.5. Basic earnings per share

The 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 Company by the weighted averaged number of ordinary shares outstanding during the period.

5. CASH FLOW STATEMENT

5.1. Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

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.

The Cash Flows Statement 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.

Notes to the Financial Statements contd...

For the year ended 31st December 2013

6. NEW ACCOUNTING STANDARDS NOT EFFECTIVE AT THE 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/ 2015.

Accordingly, these Standards have not been applied in preparing these Financial Statements.

6.1 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 from 1 January 2014. 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. The Company has started the process of evaluating the potential effect of this. Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Company to provide additional disclosures. Given the nature of the Company's operations, this standard is not expected to have a pervasive impact on the Company's Financial Statements.

6.2 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 contd...

7. PROPERTY, PLANT & EQUIPMENT

7.1	Building	Electrical installations	Furniture, fixtures & fittings	Kitchen equipment & utensils	Generator	Plant & machinery	Air conditioning equipment	Laundry equipment	Computers	Elevators	Electrical equipment	Motor vehicles	Cutlery, crockery and linen	Total 2013	Total 2012
	Cost/ Revalued amounts														
	Opening Balance	50,000,000	53,853,720	1,321,328	4,689,600	1,990,077	8,084,524	33,087,001	10,699,015	7,000,000	59,803,362	9,648,576	73,088,232	6,804,536,435	14,139,435,823
	Additions	5,888,451	9,315,581	4,292,542	-	13,874,699	1,418,851	1,441,600	10,683,416	-	16,627,666	209,375	14,977,623	78,729,804	150,059,120
	Disposals during the year	-	-	-	-	-	-	-	-	-	-	(4,330,461)	(10,519,736)	(14,850,197)	(7,247,702)
	Transferred to revaluation	(145,753,974)	-	-	-	-	-	-	-	-	-	-	-	(145,753,974)	(7,992,689,858)
	Change on revaluation	314,865,523	-	-	-	-	-	-	-	-	-	-	-	314,865,523	514,979,053
	Balance as at 31/12/2013	50,000,000	63,169,301	5,613,870	4,689,600	15,864,776	9,503,375	34,528,601	21,382,431	7,000,000	76,431,028	5,527,490	77,546,119	7,037,527,591	6,804,536,435
	Depreciation														
	Opening Balance	-	-	-	-	-	-	-	-	-	-	9,648,576	65,303,701	74,952,277	7,866,545,083
	Change for the year	10,000,000	4,149,864	304,178	460,533	510,069	530,675	2,029,196	3,157,529	1,400,000	5,094,314	-	15,273,343	188,663,675	208,344,756
	Transfers and disposals	-	-	-	-	-	-	-	-	-	-	(4,330,461)	(10,519,736)	(14,850,197)	(7,247,704)
	Transferred to revaluation	(145,753,974)	-	-	-	-	-	-	-	-	-	-	-	(145,753,974)	(7,992,689,858)
	Balance as at 31/12/2013	10,000,000	4,149,864	304,178	460,533	510,069	530,675	2,029,196	3,157,529	1,400,000	5,094,314	5,318,115	70,057,308	103,011,781	74,952,277
	N.B.V as at 31/12/2013	6,666,271,000	59,019,437	5,309,692	4,229,067	15,354,707	8,972,700	32,499,405	18,224,902	5,600,000	71,336,714	209,375	7,488,811	6,934,515,810	-
	N.B.V as at 31/12/2012	6,491,271,000	53,853,720	1,321,328	4,689,600	1,990,077	8,084,524	33,087,001	10,699,015	7,000,000	59,803,362	-	7,784,531	-	6,729,584,158

7.2 Hotel building situated at No. 64, Lotus Road, Colombo I, was revalued on 31st December 2013 by P. B. Kalugalagedera, which resulted in a revaluation surplus of Rs. 314,865,523/- and this was transferred to revaluation reserve. The Company policy is to revalue its building every year. Other property, plant and equipment except for motor vehicle, cutlery and crockery and linen, was last revalued on 31st December 2012 by P. B. Kalugalagedera and was incorporated in the Financial Statements as at that date. All assets were valued based on "open market value for existing use" basis.

7.3 The carrying amount of revalued assets that would have been included in the Financial Statements, had the assets been carried at cost less depreciation, is as follows:

Year	Building	Electrical installation	Furniture, fixtures & fittings	Kitchen equipment & utensils	Generator	Plant & machinery	Air conditioning equipment	Laundry equipment	Computers	Electrical equipment	Total
2013	646,442,153	3,544,587	125,010,034	7,474,886	10,832,908	13,913,735	24,078,161	31,826,828	15,160,254	49,470,659	927,754,205
2012	654,855,700	3,910,707	124,156,416	3,499,801	12,413,171	340,983	24,550,082	32,340,226	8,954,806	44,736,718	909,758,610

7.4 Fully depreciated property, plant & equipment as at the reporting date is Rs. 858,053,334/- (2012 - Rs. 862,383,795/-)

Notes to the Financial Statements contd...

As at 31 December	2013 Rs.	2012 Rs.
08. Leasehold Property		
Cost	2,118,078,571	2,118,078,571
Accumulated Amortization		
Opening balance	(543,143,508)	(519,637,014)
Charge for the year	(23,506,494)	(23,506,494)
Closing balance	(566,650,002)	(543,143,508)
Carrying value	1,551,428,569	1,574,935,063
<p>The Company obtained leasehold rights to the land situated in No. 64, Lotus Road, Colombo 01 for a period of 99 years from Urban Development Authority.</p> <p>The leasehold property is amortised on a straight line basis over 99 years. Remaining lease period as at 31 st December 2013 was 66 years.</p>		
09. Inventories		
Food and beverage	16,173,254	16,644,555
Other consumables	9,078,014	10,383,547
Engineering supplies	8,376,053	9,319,834
Fuel inventories	2,153,404	2,984,718
	35,780,725	39,332,654
Less: Impairment provision for slow moving inventories	(143,493)	(700,307)
	35,637,232	38,632,347
10. Trade and other receivables		
Trade receivables	215,069,826	160,654,031
Less: Allowance for impairment of doubtful receivables (Note 10.1)	(18,795,092)	(17,624,645)
	196,274,734	143,029,386
Deposits, advances and other receivables	42,957,537	51,484,038
Prepayments	4,576,332	9,466,904
Advances to staff (Note 10.2)	3,135,035	1,580,305
	246,943,638	205,560,633
10.1 Allowance for Impairment of doubtful receivables		
As at 1st January	(17,624,645)	(17,411,539)
Provision for doubtful receivables	(1,170,447)	(213,106)
As at 31st December	(18,795,092)	(17,624,645)
10.2 Advances to staff		
As at 1st January	1,580,305	1,519,603
Granted during the year	9,098,563	7,069,106
Repayments	(7,543,833)	(7,008,404)
As at 31st December	3,135,035	1,580,305

Notes to the Financial Statements contd...

As at 31 December	2013 Rs.	2012 Rs.
11. Investments		
Treasury bills (Note 11.1)	197,478,747	479,958,671
Reverse repos (Note 11.2)	513,770,143	328,010,787
	711,248,890	807,969,458
11.1 Investment carried at fair value (Available for sale investments)		
Treasury bills	197,478,747	479,958,671
	197,478,747	479,958,671
11.2 Investment carried at amortized cost		
Reverse repos	513,770,143	328,010,787
	513,770,143	328,010,787
12. Cash and cash equivalents		
Cash in hand	1,550,000	1,399,000
Cash at bank	204,900,175	104,948,157
Fixed deposits	-	28,497,533
	206,450,175	134,844,690
Bank overdraft	7,630	2,130
	7,630	2,130
Cash and cash equivalents for cash flow purpose	206,442,545	134,842,560
13. Stated capital		
As at 1st January (182,434,060 ordinary shares)	1,824,340,604	1,824,340,604
Issued during the year (Note 16.3)	7,163,898,851	-
As at 31st December (500,829,564 ordinary shares)	8,988,239,455	1,824,340,604
<p>The Company issued 318,395,504 ordinary shares on 20th May 2013 at Rs. 22/50 per share to Galadari Brothers Co. LLC of U. A. E through a capitalisation of a sum of Rs. 7,163,898,851/- being the debt due to Galadari Brothers Co. LLC.</p>		
14. Revaluation reserve		
As at 1st January	8,388,149,379	7,980,734,744
Surplus on revaluation during the year	314,865,523	514,979,053
Transfer to retained earnings	-	(40,863,332)
Recognition of deferred tax liabilities on revaluation surplus (Note 17.2)	(37,783,863)	(66,701,086)
As at 31st December	8,665,231,039	8,388,149,379
15. Reserve for replacement of furniture, fittings and equipments		
As at 1st January	141,070,069	73,418,355
Provision for the year	80,030,906	89,987,388
Replacement during the year	(10,579,437)	(22,335,674)
As at 31st December	210,521,538	141,070,069

Notes to the Financial Statements contd...

As at 31st December,	2013 Repayable Within 1 Year	2013 Repayable After 1 Year	2013 Total	2012 Repayable Within 1 Year	2012 (Restated) Repayable After 1 Year	2012 (Restated) Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
16. INTEREST BEARING BORROWINGS						
Government of Sri Lanka (Note 16.1)	263,682,318	-	263,682,318	397,616,929	203,778,625	601,395,554
Galadari Brothers Co. LLC (Note 16.2)	71,011,876	-	71,011,876	-	7,225,899,140	7,225,899,140
	334,694,194	-	334,694,194	397,616,929	7,429,677,765	7,827,294,694

As at 31st December,	2013 Rs.	2012 Rs.
16.1 Government of Sri Lanka		
Balance as at 1st January	601,395,554	590,819,365
Interest (Reversal)/ charge during the year	(74,030,916)	10,576,189
Repayments during the year	(263,682,320)	-
Balance as at 31st December	263,682,318	601,395,554
16.2 Galadari Brothers Co. LLC		
Balance as at 1st January	7,225,899,140	Restated 6,030,240,727
Interest charge	44,831,080	131,498,280
Amount converted to equity	(7,163,898,851)	-
Stamp duty paid on issued shares	(35,819,493)	-
Exchange loss	-	1,064,160,133
Balance as at 31st December	71,011,876	7,225,899,140

Foreign Currency liabilities should be converted using the agreed rate of settlement (exchange rate related to the fixed date of settlement).

The loan due to Galadari Brothers Co. LLC, which was a foreign currency loan, was fixed to be converted into equity as at 30th June 2012 based on a board resolution and a resolution passed by share holders at an Extraordinary General Meeting held on 1st April 2013. Hence the loan balance as at 31st December 2012 should have reflected a Sri Lankan Rupees (LKR) value of Rs. 7,225,899,140/-. However as at 31st December 2012, this loan was converted in to LKR using the closing exchange rate as at that date.

This error is now adjusted in the Financial Statements by restating the Comparative Financial Statements. The resulting effect on the interest accrual also was adjusted in the Comparative Financial Statements.

16.3 Conversion of Galadari Brothers loan to equity

The Company issued 318,395,504 ordinary shares on 20th May 2013 at Rs. 22/50 per share to Galadari Brothers Co. LLC of U. A. E by capitalisation of a sum of Rs. 7,163,898,851/- being the debt due to Galadari Brothers Co. LLC.

The Company subsequently settled the balance amount outstanding to Galadari Brothers Co. LLC amounting to Rs. 71,011,876/- on 27th January 2014.

16.4 Loan reschedulement of loan from Government of Sri Lanka (GOSL)

The loan from GOSL was rescheduled during the year and the interest accrued to the loan was waived off.

The Company fully settled the amount outstanding to Government of Sri Lanka amounting to Rs. 263,682,318/- on 20th March 2014.

Notes to the Financial Statements contd...

As at 31st December,	2013 Rs.	2012 Rs.
17. DEFERRED TAX ASSETS/ LIABILITIES		
Deferred tax assets (Note 17.1)	689,859,461	623,709,535
Deferred tax liabilities (Note 17.2)	(1,024,067,270)	(980,990,051)
	(334,207,809)	(357,280,516)
17.1 Deferred tax assets		
As at 1st January	623,709,535	622,767,094
Originating of deferred tax assets	66,149,926	942,441
As at 31st December	689,859,461	623,709,535
17.2 Deferred tax liabilities		
As at 1st January	(980,990,051)	(905,583,562)
Provision for temporary differences	(5,293,356)	(8,705,403)
Recognition of deferred tax liabilities on revaluation surplus	(37,783,863)	(66,701,086)
As at 31st December	(1,024,067,270)	(980,990,051)

17.3 The amount recognized as deferred tax asset is as follows:

	Amount 31st December 2013 Rs.	Deferred tax as at 31st December 2013 Rs.	Deferred tax as at 31st December 2012 Rs.
Tax loss	5,683,996,361	682,079,563	616,268,058
Gratuity	64,832,480	7,779,898	7,441,477
		689,859,461	623,709,535

The management believes that there will be future taxable profits available in order to recover the brought forward tax losses, hence full deferred tax on brought forward tax losses has been recognised in the Financial Statements as at 31st December 2013.

17.4 The amount recognized as deferred tax liabilities is derived as follows:

	2013 Rs.	2012 Rs.
Temporary differences from property, plant and equipments	95,029,124	89,735,768
Revaluation impact	929,038,146	891,254,283
	1,024,067,270	980,990,051

Notes to the Financial Statements contd...

As at 31st December,	2013 Rs.	2012 Rs.
18. EMPLOYEE BENEFITS		
As at 1st January	62,012,307	54,158,630
Current service cost and interest cost	11,197,348	9,935,400
Benefits paid	(9,229,147)	(8,041,368)
Actuarial losses	851,972	5,959,645
As at 31st December	64,832,480	62,012,307

18.1 Actuarial valuation was carried out as at 31st December, 2013 by Mr. M. Poopalanathan (AIA) of Actuarial & Management Consultants (Pvt) Ltd. The valuation method used by the actuary was "Projected Unit Credit Method".

18.2 Principal actuarial assumptions as at the reporting date are,

Discount rate as at 31st December	10%	10%
Future salary increases	9.5%	9.5%

18.3 Assumptions regarding future mortality are based on A67/70 Mortality table, issued by the Institute of Actuaries, London, United Kingdom.

19. TRADE AND OTHER PAYABLES

Trade payables	108,499,659	109,417,668
Amounts payable to non-residential directors	6,758,600	6,125,819
Annual fee received in advance	3,345,709	3,446,740
Advances and deposits	62,955,733	63,575,863
VAT payable	15,614,897	17,616,167
Accrued expenses	52,303,813	50,310,319
Other creditors	42,530,273	46,620,475
	292,008,684	297,113,051

Notes to the Financial Statements contd...

As at 31st December,	2013 Rs.	2012 Rs.
20. PROVISIONS		
As at 1st January	144,042,176	137,467,191
Legal interest accrued during the year	8,715,913	6,574,985
Balance as at 31st December	152,758,089	144,042,176
<p>20.1 Provision represents the award delivered by the Arbitrator in favour of Phil East Asia Construction Corporation (PEACC) on 24 April, 2008 in relation to claims in litigation for construction of the hotel. The legal interest over the Award has been accrued based on the Gazette published by the Government.</p>		
21. CURRENT TAXATION		
As at 1st January	29,295,172	14,047,801
Provision for the year	27,862,352	29,295,173
(Over)/under provision in respect of prior year	1,630,795	(2,353,474)
WHT and ESC set off	(15,928,245)	-
Payments made	(35,697,064)	(11,694,327)
As at 31st December	7,163,010	29,295,173
For the year ended 31 December,	2013 Rs.	2012 Rs.
22. REVENUE		
Gross revenue	1,919,698,809	2,185,361,087
Less: Tourism development levy	(15,808,588)	(17,632,627)
Value added tax	(208,325,085)	(233,055,096)
Nation building tax	(34,597,052)	(39,379,385)
Service charge	(150,622,058)	(171,029,676)
Net revenue	1,510,346,026	1,724,264,303
22.1 Revenue analysis		
Room revenue	632,502,085	853,507,588
Food and beverage revenue	770,006,070	768,731,935
Other hotel related revenue	107,837,871	102,024,780
	1,510,346,026	1,724,264,303
23. OTHER INCOME		
Taxi charges	761,060	1,249,971
Profit on sale of property plant & equipment	3,846,999	-
Other income	7,578,946	2,851,884
	12,187,005	4,101,855

Notes to the Financial Statements contd...

For the year ended 31 December,	2013 Rs.	2012 Rs. (Restated)
24. RESULTS FROM OPERATING ACTIVITIES		
Results from operating activities is stated after charging all expenses including the followings;		
Auditors remuneration (Note 24.1)	2,977,374	1,625,000
Other consultancy services	3,305,511	1,001,226
Directors' remuneration	1,547,500	1,710,000
Depreciation	188,663,675	208,344,756
Leasehold property amortization	23,506,494	23,506,494
Advertising	11,868,744	8,473,653
Legal fees	1,992,766	1,882,857
Provision for bad & doubtful receivables	1,170,447	213,106
Reversal of provision for inventories	556,814	183,982
Staff cost (Note 24.2)	212,364,428	195,044,307
24.1 Auditors remuneration		
Audit fee	1,200,000	1,125,000
Audit related services	100,000	-
Non audit related services	1,677,374	500,000
	2,977,374	1,625,000
24.2 Staff cost		
Salaries and wages	137,288,844	117,264,875
Casual wages	35,851,138	41,633,839
EPF and ETF	28,027,098	26,210,193
Defined benefit plan- gratuity	11,197,348	9,935,400
	212,364,428	195,044,307
25. NET FINANCE EXPENSE		
25.1 Finance income		
Interest income	83,857,766	64,098,542
Exchange gain	5,304,400	7,017,793
Total finance income	89,162,166	71,116,335
25.2 Finance expenses		
Interest on loan from Galadari Brothers Company LLC	(44,831,080)	(131,498,280)
Interest reversal / (expense) on loan from Government of Sri Lanka	74,030,916	(10,576,188)
Exchange loss	-	(1,064,160,133)
Total finance expenses	29,199,836	(1,206,234,601)
Net finance income / (expense)	118,362,002	(1,135,118,266)

Notes to the Financial Statements contd...

For the year ended 31 December,	2013 Rs.	2012 Rs.
26. INCOME TAX EXPENSES		
<i>Current tax</i>		
On current year profits (Note 26.1)	27,862,352	29,295,173
Under/(over) provision in respect of prior year	1,630,795	(2,353,474)
	29,493,147	26,941,699
<i>Deferred tax</i>		
Origination of deferred tax liability (Note 17.2)	5,293,356	8,705,403
Origination of deferred tax asset (Note 17.1)	(66,149,926)	(942,441)
	(60,856,570)	7,762,962
Total income tax expenses	(31,363,423)	34,704,661
26.1 Tax reconciliation statement		
Profit/(loss) before income tax expense	254,454,962	(826,370,405)
Disallowable items	250,709,073	1,360,557,805
Allowable items	(221,116,214)	(221,867,953)
Other sources of income- interest income	73,161,817	63,259,689
Loss utilized during the year (Note 26.2)	(125,023,373)	(131,452,698)
Taxable profit	232,186,265	244,126,438
Tax payable @ 12%	27,862,352	29,295,173
26.2 Tax losses		
As at 1st January	5,811,600,656	5,932,492,892
Adjusted in respect of prior period	(2,580,922)	10,560,462
Utilized during the year	(125,023,373)	(131,452,698)
As at 31st December	5,683,996,361	5,811,600,656

27. BASIC EARNINGS / (LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit / (loss) attributable to ordinary shareholders and the number of ordinary shares outstanding during the year.

FOR THE YEAR ENDED 31 DECEMBER,	2013 Rs.	2012 Rs.
Profit / (loss) after tax	285,818,385	(861,075,066)
Weighted average number of ordinary shares (Note 13)	341,631,812	182,434,060
Basic profit / (loss) per share	0.84	(4.72)

Notes to the Financial Statements contd...

28. FINANCIAL RISK

Introduction and overview

The Galadari Hotel is exposed to a range of financial risks through its financial assets and financial liabilities.

In particular, the key financial risk categories are:

- A. Credit risk
- B. Liquidity risk
- C. Market risk

This note presents information about the company exposure to each of the above risks, the Company objectives, policies and processes for measuring and managing risk, and the Company management of capital. Further quantitative disclosures are included throughout these Financial Statements.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company risk management framework.

The Company risk management processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management systems are reviewed regularly to reflect changes in market conditions and the company activities.

The Audit Committees oversee how management monitors compliance with the Company risk management processes/guidelines and procedures and reviews the adequacy of the risk management framework in relation to the risks. The Audit Committees are assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

A. Credit Risk

This is the risk that arises when one party to a financial arrangement fails to discharge an obligation and causes the other party to incur a financial loss.

Carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was as follows;

As at 31st December	2013 Rs.	2012 Rs.
Trade and other receivables	246,943,638	205,560,633
Investments	711,248,890	807,969,458
Cash and cash equivalents	206,450,175	134,844,690
	1,164,642,703	1,148,374,781

Trade and other receivables

The Company has a very well established credit policy for both International customers and Domestic customers to minimise credit risk. A separate credit team has been established to evaluate and recommend the credit worthiness of the customers. Further prepaid sales are used as a means of mitigating credit risk.

Impairment losses

The aging of trade receivables as at the reporting date that were impaired are as follows:

As at 31st December 2013	0-90 days	above 90 days	Total
Trade receivables	185,320,302	29,749,524	215,069,826
Provision for impairments	-	(18,795,092)	(18,795,092)
Non impaired trade receivables	185,320,302	10,954,432	196,274,734

Notes to the Financial Statements contd..

Other investments

The Company limits its exposure to credit risk by investing only in government debt securities, repos and in short term deposits with selected bankers with the approval from the Board of Directors.

B. Liquidity Risk

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

The Company ensures its liquidity is maintained by investing in short, medium and long-term financial instruments to support operational and other funding requirements.

Short and medium-term funds requirements are regularly reviewed and managed by the finance team.

The following are the contractual maturities of financial liabilities.

The maturity analysis of liabilities

As at 31st December 2013 (Current and Non Current)

	Carrying Value	Current Upto 1 year	Non Current Above 1 year
Trade and other payables	292,008,684	292,008,684	-
Bank overdrafts	7,630	7,630	-
Galadari Brothers Co. LLC	71,011,876	71,011,876	-
Government of Sri Lanka	263,682,318	263,682,318	-
	626,710,508	626,710,508	-

As at 31st December 2012 (Current and Non Current)

	Current Carrying Value	Non Current Upto 1 year	Above 1 year
Trade and other payables	297,113,051	297,113,051	-
Bank overdrafts	2,130	2,130	-
Galadari Brothers Co. LLC	7,225,899,140	-	7,225,899,140
Government of Sri Lanka	601,395,554	397,616,929	203,778,625
	8,124,409,875	694,732,110	7,429,677,765

C. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates which will affect the Company income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

D. Currency Risk

The Company is exposed to currency risk on fixed deposit that are denominated in a currency other than the Sri Lankan rupees (LKR).

The Company did not hold any foreign currency fixed deposit as at the end of the financial year.

The summary of quantitative data about the Company exposure to foreign currency was as follows:

As at 31st December	2013 Rs.	2012 Rs.
Cash and cash equivalents (Savings / Fixed Deposits)	9,373,824	54,569,935
Galadari Brothers Co. LLC	71,011,876	7,225,899,140

The Company paid remaining Rs. 71,011,876/- to Galadari Brothers Co. LLC in January 2014, hence the Company do not expose to currency risk from loans.

Notes to the Financial Statements contd...

E. Interest Rate Risk

Interest rate risk mainly arises as a result of Company having interest sensitive assets and liabilities, which are directly, impacted by changes in the interest rates.

For the year ended 31 December,	2013 Rs.	2012 Rs.
Investments	711,248,890	807,969,458
Loan from Government of Sri Lanka	263,682,318	601,395,554
Loan from Galadari Brothers Co. LLC	71,011,876	7,225,899,140

The Company paid loans to both Galadari Brothers Co. LLC and to Government of Sri Lanka subsequent to the reporting date, hence the Company does not expose to interest rate risk, relating to these loans.

28.1 Accounting classification and Fair value of Financial Instruments

Financial instruments measured subsequently on the ongoing basis either at fair value or amortised cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the fair value of Financial instruments together with the carrying amounts shown in the Statement of Financial Position.

Financial Assets	2013		2012	
	Carrying value	Fair value	Carrying value	Fair value
Trade and other receivables	246,943,638	246,943,638	205,560,633	205,560,633
Investments - Repo	513,770,143	513,761,229	328,010,787	327,866,006
- Treasury bills	197,478,747	197,478,747	479,958,671	479,958,671
Cash and cash equivalents	206,450,175	206,450,175	134,844,690	134,844,690
Financial Liabilities				
Trade and other payable	292,008,684	292,008,684	297,113,051	297,113,051
Loan from Galadari Brothers Co. LLC	71,011,876	71,011,876	7,225,899,140	7,225,899,140
Loan from Government of Sri Lanka	263,682,318	263,682,318	601,395,554	601,395,554
Bank Overdraft	7,630	7,630	2,130	2,130

28.1.1 Fair value hierarchy

Fair value of Financial instruments are based on a fair value hierarchy which is defined below.

Level 1

Inputs that are quoted market prices (unadjusted) in active market for identical instruments. The Company measures the fair value of an instrument using active quoted prices or dealer price quotations without any deductions for transaction cost. Market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions and arm's length basis.

Level 2

Input other than quoted prices included within level one that are observable either directly or indirectly. This category includes instruments valued using ; quoted market prices in an active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or valuation techniques in which whole significant inputs are directly or indirectly observable from market data.

Level 3

The input that are unobservable. This category included all the instruments for which valuation techniques includes input not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Company's Financial assets and liabilities were measured at the fair value by using active quoted prices or dealer price quotations without any deduction for transaction cost. Hence level 1 of the hierarchy had been used in arriving at fair value.

The carrying value of trade and other receivables, payables, loans payable to Galadari Brothers Co. LLC and Government of Sri Lanka were considered to be the same as the fair value due to the short maturity periods of those assets and liabilities.

Notes to the Financial Statements contd...

29 RELATED PARTIES

29.1 Parent & ultimate controlling party

The parent and the ultimate controlling party of the Company is Galadari Brothers Company LLC which is incorporated Dubai, UAE.

29.2 Transactions with key management personnel

According to the LKAS 24, Related Party Disclosure, the Directors (including Executive and Non Executive Directors) of the Company and their immediate family members have been classified as Key Management Personnel of the Company.

Key management personnel consist of Board of Directors.

Key management personal compensation comprised of;

For the year ended 31st December	2013 Rs.	2012 Rs.
Short term employee benefits	-	-
Director's fees	1,547,500	1,710,000
	1,547,500	1,710,000

29.3 Other transactions with key management personnel

The terms and conditions of the transactions of the key management personnel and their related parties were no more than favorable than those available, or which might reasonably be expected to be available, on similar transactions to non key management personnel related entities on an arm's length basis.

29.4 Transactions with other related parties

- (a) Galadari Brothers Holding Company LLC, the promoters of the project, was in erstwhile partnership with late Mr. Abdul Rahim Ebrahim Galadari and Mr. Abdul Latif Ebrahim Galadari. During the year 1996 the erstwhile partnership was registered as a limited liability company with Mr. Abdul Latif Ebrahim Galadari and heirs of the late Mr. Abdul Rahim Ebrahim Galadari as shareholders under the name Galadari Brothers Company LLC. The Company owes a loan payable to Galadari Brothers Company LLC, of which an amount outstanding of Rs. 71,011,876/- as at the reporting date. This amount was fully settled on 27th January 2014.
- (b) The Company issued 318,395,504 ordinary shares on 20th May 2013 at Rs. 22/50 per share to Galadari Brothers Co. LLC of U. A. E by capitalisation of a sum of Rs. 7,163,898,851/- being the debt due to Galadari Brothers Co. LLC.
- (c) The Government of Sri Lanka who presently holds 4.73% of the ordinary share capital, has granted a loan of Rs.150 million, through SRCC&T Fund (Strikes, Riots, Civil Commotions & Terrorism Fund), to the Company during the year 1997 in respect of damages caused due to the bomb blast which occurred in October 1997. A further sum of Rs. 200 million was granted during the year 1998, and a sum of Rs.50 million was granted in year 2000 and a further Rs. 100 million was granted in 2003 by the Government of Sri Lanka through SRCC&T Fund. All loans were granted at a concessionary rate of 2% per annum with a grace period of 5 years to repay the capital and interest.

The loan was resheduled during the year to be a total payable amounting to Rs. 527,364,638/- out of which Rs. 263,682,320/- was settled during the Financial year 2013 and balance was subsequently settled on 20th March 2014. As a result the full debt was settled to the Government of Sri Lanka by the Company on 20th March 2014.

Notes to the Financial Statements contd...

30. CAPITAL COMMITMENTS AND CONTINGENCIES

There are no capital commitment and contingencies as at the reporting date, except as disclosed below,

30.1 Department of Inland Revenue has raised assessments for additional income tax for the years of assessment 2009/2010 and 2010/2011 amounting to Rs.575 million and Rs.25 million respectively. The Company has lodged an appeal against the assessment.

31. EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date other than what is disclosed under note 16.3 and 16.4 to these Financial Statements.

32. COMPARATIVE INFORMATION

Comparative Figures have been re-arranged & reclassified wherever necessary to conform with the current year's presentation.

33. SEGMENT REPORTING

An operating segment is a component within the Company that engage in business activities for which it may earn distinguish revenue and expenses for such segment.

The operating results arising for hoteliering business of the Company as a whole is reviewed regularly by the Company's General Manager to make decisions about resource to be allocated & assess its performance. Therefore no operating segment within the Company is identified & reported.

34. DIRECTORS ' RESPONSIBILITY

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Please refer to the page 6 for the Statement of Directors' Responsibility for Financial Reporting.

Information to Shareholders

(1) Ordinary Shareholders as at 31st December, 2013

Number of Shareholders - 12,183 (As at 31.12.2012 -12,039)

Range (Shareholdings)	No. of Shareholders	Total No. of Shares	Percentage
1 - 1000	10,604	2,466,393	0.50
1001 - 5000	1,149	2,939,046	0.59
5001 - 10000	221	1,701,038	0.34
10001 - 50000	160	3,417,951	0.68
50001 - 100000	12	918,642	0.18
100001 - 500000	18	4,417,849	0.88
500001 - 100000000	18	166,573,141	33.26
100000001 & above	1	318,395,504	63.57
TOTAL	12,183	500,829,564	100.00

(2) (i) Major Shareholders as at 31st December 2013

Name of Shareholder	Total Holding	Percentage
Galadari Brothers Co. (LLC)	318,395,504	63.57
Iceberg 2 Limited	29,510,817	5.89
Employees Provident Fund	23,712,200	4.73
Calgary Holdings S. A	18,146,303	3.62
Pershing LLC S/A Averbach Grauson & Co.	14,840,300	2.96
MA I Galadari	9,810,017	1.96
I A L I Galadari	9,810,017	1.96
Suhail Abdul Latif Ebrahim Galadari	9,810,016	1.96
Sabah Abdul Rahim Galadari	8,865,064	1.77
Suaad Abdul Rahim Galadari	8,865,064	1.77
Samia Abdul Rahim Galadari	8,865,064	1.77
Dubai Bank Limited	6,760,390	1.35
Z A I Galadari	4,905,000	0.98
S A I Galadari	4,905,000	0.98
F E Abdul Qader	3,166,094	0.63
F N M Alam Khan	2,802,861	0.56
M I M Rizly	666,231	0.13
J B Cocoshell (Private) Limited	627,374	0.13
National Wealth Corporation Limited	505,329	0.10
J Rudra	477,000	0.10

(ii) The percentage of Shares held by the Public as at 31st December, 2013 -12.57%. (2012 - 21.52)

(iii) Directors' Shareholding as at 31st December, 2013	31.12.2013	31.12.2012
Mr K A A Soliman	-	-
Mr L R De Silva	-	-
Mr S M H A Kooray	-	-
Dr. J A S Felix	-	-
Mr M H A W Al Garf	-	-
Mr Amit Chib	-	-
Mr H A Mohamed	-	-

(3) Market Price of Share

	31.12.2013 Rs.	31.12.2012 Rs.
Highest Market Value per Share	15.00 (18.01.13)	30.50 (02.01.12)
Lowest Market Value per Share	9.10 (09.09.13)	10.40 (06.06.12)
Closing Price	11.30 (31.12.13)	14.20 (31.12.12)

Five Year Summary

Year ended 31st December In Rs. 000	2013	2012	2011	2010	2009
TRADING RESULTS					
Turnover net of turnover based taxes	1,510,346	1,724,264	1,297,419	1,026,180	730,093
Profit/(loss) before Interest expenses and other income	155,269	(741,920)	(164,054)	100,546	(247,489)
Profit/(loss) before taxation	254,455	(826,370)	(220,984)	27,952	(351,369)
Taxation reversal/(provision)	31,363	(34,705)	(45,072)	(25,713)	(616)
Profit/(loss) after taxation on ordinary activities	285,818	(861,075)	(266,056)	2,239	(351,985)
SHARE CAPITAL AND RESERVES					
Sated capital/share capital	8,988,239	1,824,341	1,824,341	1,824,341	1,824,341
Capital reserves	8,665,231	8,388,149	7,980,735	7,795,957	8,422,570
Revenue reserves	(9,363,440)	(9,579,074)	(8,686,628)	(8,445,259)	(9,005,092)
Provision for replacement of furniture Fittings & equipment	210,522	141,070	73,418	99,864	104,245
Shareholder's Funds	8,500,552	774,486	1,191,866	1,274,903	1,346,064
ASSETS EMPLOYED					
Current assets	1,200,280	1,187,007	705,441	453,695	239,417
Current liabilities	(786,632)	(868,070)	(761,407)	(632,016)	(347,184)
Working capital	413,648	318,937	(55,966)	(178,321)	(107,767)
Property, plant & equipment	6,934,516	6,729,584	6,272,891	6,196,069	6,196,913
Leased assets	1,551,429	1,574,935	1,598,441	1,621,948	1,645,454
Deferred tax assets	689,859	623,710	622,767	628,633	-
Long term liabilities	(1,088,900)	(8,472,680)	(7,246,267)	(6,993,426)	(6,388,536)
	8,500,552	774,486	1,191,866	1,274,903	1,346,064
RATIOS & STATISTICS					
Gearing ratio (times)	0.04	10.11	5.56	4.97	4.75
Current ratio (times)	1.53	1.37	0.93	0.72	0.69
Earnings per share	0.84	(4.72)	(1.46)	0.01	(1.93)
Net assets value per share	16.97	4.25	6.53	6.99	7.38

Form of Proxy

I/We the undersigned
of.....
.....
being a member/members of Galadari Hotels (Lanka) PLC do hereby appoint.....
.....
of.....

whom failing KHALED ALY ALY SOLAIMAN whom failing SHARIF MIR HASHEM AHMED KHOORY whom failing LALITH RUKMAN DE SILVA whom failing DR. JOHN ANTHONY SHIVAJI FELIX whom failing MOHAMED HISHAM ABDEL WAHAB AL GARF whom failing AMIT CHIB whom failing HATIM ABDELAZIZ MOHAMED as my/our Proxy to represent me/us and *..... to vote on my/our behalf at the THIRTY THIRD ANNUAL GENERAL MEETING of the Company to be held on Wednesday, 4th June, 2014 and at any adjournment thereof, and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our proxy to vote on my/our behalf in accordance with the preference indicated below:-

	For	Against
1. To receive and consider the Audited Financial Statements for the year ended 31st December, 2013 and the Reports of the Auditors' and of the Directors' thereon	<input type="checkbox"/>	<input type="checkbox"/>
2. Directors		
(i) To re-elect Mr Lalith Rukman De Silva, Director, who retires by rotation in terms of Article 87 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To re-elect Dr. John Anthony Shivaji Felix, Director, who retires by rotation in terms of Article 87 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint the Auditors Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand thisday ofTwo Thousand and Fourteen .

.....
Signature of Shareholder

Notes:

If you wish your Proxy to speak at the Meeting you should insert the words "to speak and" in the place indicated with an asterisk and initial such insertion.

Please indicate with an "x" in the space provided how your Proxy is to vote. If there is in the view of the Proxy holder doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder shall vote as he thinks fit.

A Proxy holder need not be a member of the Company

Instructions as to completion appear on the reverse hereof

INSTRUCTIONS AS TO COMPLETION

1. To be valid this Form of Proxy must be deposited at the Registered Office of the Company at No. 9/5, Thambiah Avenue, Colombo 07, not less than 48 hours before the time appointed for the holding of the Meeting.
2. The instrument appointing a Proxy shall in the case of an individual be signed by the appointor or by his Attorney and in the case of a Company/Corporation, the Proxy Form must be executed under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association or other constitutional documents.
3. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy if it has not already been registered with the Company.
4. The full name and address of the Proxy holder and of the Shareholder appointing the Proxy holder should be entered legibly in the Form of Proxy.

Experience our rejuvenating modern amenities

Body Care & Massage Therapy

We offer the total body care solution along with massage therapy to relax and unwind you after a hard day's work. Get a rejuvenating foot reflexology treatment and revitalize your mind and body.



Gymnasium

Step into our modern gym and burn away those unwanted calories. We also offer a tennis court adjoining the poolside for you to enjoy your favourite sport. After a complete workout make use of our steam and sauna facilities to refresh your body and senses.



Poolside

Overlooking the Indian Ocean is our inviting poolside. Take a dip in our fresh water pool, while the kids play in the baby pool nearby. As you relax watch the magnificent sunset and enjoy a fresh juice cocktail from our juice bar.



GALADARI

HOTEL COLOMBO

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