Grand Hotel

Nuwara Eliya, Sri Lanka



Annual Report 2013

2013 in brief

Rs. 332 Mn

Profit Before Tax

123% Growth

Rs. 773 Mn

Group Revenue

33% Growth

11%

Return on Shareholders' Funds

75% Growth

Grand Hotel

The Nuwara Eliya Hotels Co. PLC
Annual Report 2013

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Great History of Nuwara Eliya

Situated at around 2000 m above sea level and surrounded by lush tea plantations, Nuwara Eliya is the main hill resort of Sri Lanka and the heart of the tea industry. This city with an elevation of 6200 feet is the highest in Sri Lanka. Once a pleasure retreats of the European planters the town is still very much an English town with many English style bungalows and buildings.

History says Nuwara Eliya is discovered by a hunting party led by Dr. John Davy in 1818. The British Governor at the time, Sir Edward Barnes, was told about this and subsequently decided to take residence there, soon creating a health resort, which soon became internationally renowned.

Nuwara Eliya is decidedly English in some way (houses, gardens and places names) and was actually planned to be an English village by a pioneering Englishman, Sir Samuel Baker in the mid-19th Century. Travellers from the UK will be particularly attracted by the architecture which is decidedly Victorian. Even modern buildings are built in the same fashion to preserve Nuwara Eliya's unique atmosphere. Nuwara Eliya was home away from home for the British colonialists in the 19th century.

Ramayana, the Indian epic tells us how Rawana, King of Lanka, robbed Rama of his wife Sita and brought her to Sri Lanka. The people of Sri Lanka believe that Rawana had his capital in Nuwara Eliya ("The glade with the city"). He is believed to have kept Sita captive in Sita Eliya. ("The glade of Sita"). Today there is a Hindu temple on the spot (The famous Haggala Botanical Garden is situated closer to this temple). The story tells that the monkey army of Rama has come to save Sita. Rawana has punished Hanuman - the leader of the monkey force, by placing fire on his tail. It is said

The Nuwara Eliya Hotels Co. PLC
Annual Report 2013

Hanuman has burnt the entire Nuwara Eliya with his tail. Legend has it that the black soil, which forms a top layer here, consists of the ashes of the city of Rawana, burnt down by Hanuman.

Kotmale Valley, not far from Nuwara Eliya city had been inhabited during the Anuradhapura Period and Gamunu, the son of King Kavantissa who ruled Ruhuna, when King Elara ruled from Anuradhapura, had taken refuge in Kotmale to escape the wrath of his father. However, little is heard of this area till the Kandyan period.

The ancient Emperors of the Sri Lanka have not known the economical value of Nuwara Eliya. But they were aware that this is the place that water is produced. So they have kept and protected Nuwara Eliya as a treasure. They did not even build Palaces in Nuwara Eliya, not to harm the natural beauty of this area. They believed that;

> In 1815's - the time of Kings and Emperors in Sri Lanka no one has used Nuwara Eliya for living purposes. But people have visited Nuwara Eliya through the footpath from Ruhuna to collect materials to produce arms and to search for Gem stones.
>
> It is believed that history of Nuwara Eliya has begun before 10th century. An old 'Stone letters' which belong to the 10th century have been found at Thalaga Oya, and it is now placed and treasured at the District Secretariat Office of Nuwara Eliya.

The modern history of Nuwara Eliya begins in 1818 when a British Surgeon Dr. John Davy (Brother of Humphrey Davy, the inventor of the Miners' Safety Lamp) rediscovered this area. It is said that;

> Dr. John Davy mentioned that this place - Nuwara Eliya has so many 'Ashoka' trees, Elephants, Wild Animals and Gem stones.





..... Great History of Nuwara Eliya

Today known as 'Oliphant Estate' is the old 'Elephant Plain', the place which so many Elephants lived. Even today there are graves of 02 Elephant killers in those periods at the Golf Ground of Nuwara Eliya. One is written as 'Ibenishan Gordon Mendrow, Birth-1814.11.10 and Death-1841.01.24 - deal in Elephant Plain'. The other one is written as ' Major William Thomas Rojerson, Dead-1814.06.07'. It is said that Major William Thomas Rojerson has killed more than 400 Elephants. The most unbelievable, but very much believed truth is; once in 07 years this grave is attacked by thunder shocks. Even today you can see the cracked grave closer by the Golf Ground of Nuwara Eliya. People believe that it is the curse of God to the Elephant killer!

The story goes like this..., few British men of the troop have chased an Elephant and they have got lost in the forest. Without food and other basic needs they thought it will be much harder to spend the day and night in that forest. But the cool climate and fresh air of that place kept them very fresh without any pain. They thought that this is good place to rest after fighting in war and once they have returned to their place they have informed the Governor Sir Edward Barnes immediately about this place.

Sir Edward Barnes have been the Governor from 1824-1831. He had constructed roads and shelters in Nuwara Eliya. He has built his holiday home at Nuwara Eliya spending Rs. 8,000. He has named it as "Barnes Hall". Today this place is known as the famous Grand Hotel of Nuwara Eliya with more than 150 rooms.

St.Andrews Hotel, Keena Hotel and Carlton Hotel are some of the other constructions. The District Secretary Mr. Loku Banda has helped Sir Barnes to build this holiday homes.

It is Sir Edward Barnes who has made Nuwara Eliya a place to live to the people and he is known as "Father of the Pioneer Nuwara Eliya".

After Barnes, Sir William Hortain has become the Governor from 1831-1837. He was the editor of 'Colombo Journal' newspaper. He has written so many articles about Nuwara Eliya in his newspaper.

How We Performed

Statement of Cash Flow
for the year ended 31st March 2013

	Rs Million
Net Cash from Operating Activities	296
Net Cash Flows Used in Investing Activities	(17)
Net cash Used in Financing Activities	(40)
Net increase in Cash & Cash Equivalents	**239**
Cash & Cash Equivalents on 31st March 2012	65
Bank Overdraft on 31st March 2012	79
Cash at Bank & In Hand on 31st March 2012	144
Cash & Cash Equivalents on 31st March 2013	304
Bank Overdraft on 31st March 2013	25
Cash at Bank & In Hand on 31st March 2013	**329**

Statement of Financial Position
as at 31st March 2012

	Rs Million
Assets	
Cash & Cash Equivalents	144
Other Current Assets	226
Investments & Other	194
Property, Plant & Equipment	1,779
Total Assets	**2,343**
Liabilities & Equities	
Current Liabilities	151
Non-Current Liabilities	67
Stated Capital & Reserves	1,608
Retained Earnings	517
Total Liabilities & Equities	**2,343**

Statement of Comprehensive Income
for the Year ended 31st March 2013

	Rs Million
Revenue	773
Cost of Sales	(150)
Gross Profit	**623**
Other Income	14
Administration Expenses	(122)
Selling and Distribution Expenses	(26)
Operating Expenses	(198)
Profit from Operation	**291**
Finance Income	41
Finance Cost	(1)
Share of Profit of Associate	1
Profit Before Tax	**332**
Income Tax Expenses	(61)
Net Profit for the Period	**271**

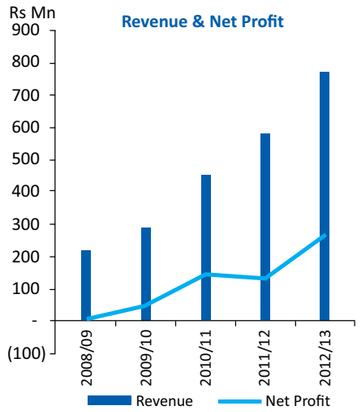
Statement of Financial Position
as at 31st March 2013

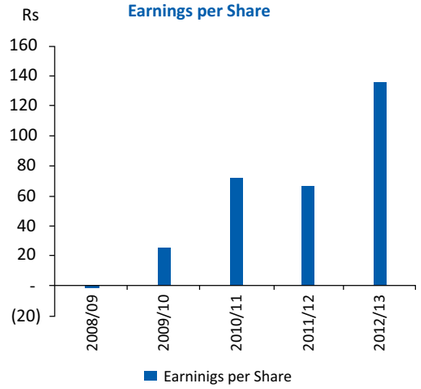
	Rs Million
Assets	
Cash & Cash Equivalents	329
Other Current Assets	277
Investments & Other	142
Property, Plant & Equipment	1,935
Total Assets	**2,683**
Liabilities & Equities	
Current Liabilities	139
Non-Current Liabilities	75
Stated Capital & Reserve	1,717
Retained Earnings	752
Total Liabilities & Equities	**2,683**

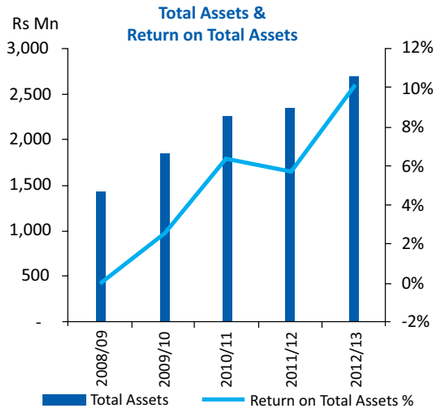
Retained Earnings
as at 31st March 2013

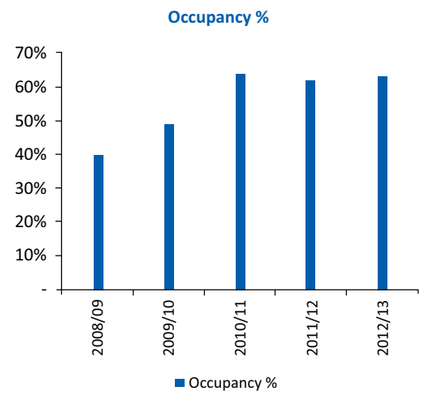
	Rs Million
Balance as at 31st March 2012	517
Net Profit 2013	271
Dividends	(40)
Transfer from Revaluation Reserve	4
Balance as at 31st March 2013	**752**

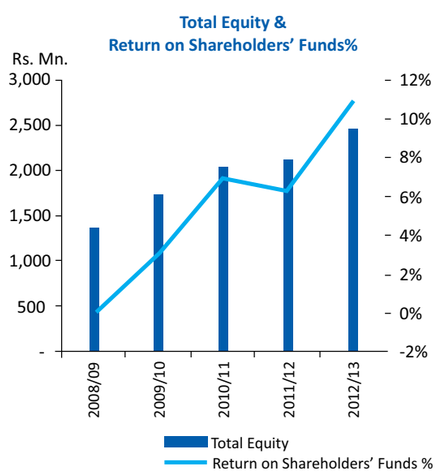
Graphical Review

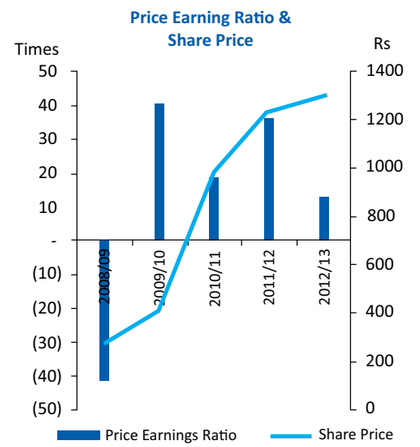










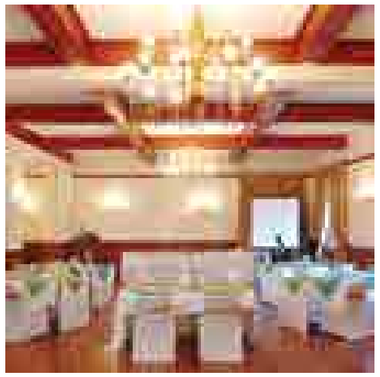


Group Financial Highlights

Year ended 31st March	2013 Rs.' 000	2012 Rs.' 000	% Change
Results for the Year			
Gross Revenue	772,903	582,516	33
Cost of Sales	(150,361)	(137,329)	9
Operating Profit Before Interest & Tax	291,396	155,632	87
Interest Income	41,135	9,907	315
Interest Expense	(720)	(16,632)	(96)
Share of Profit of Associate	510	120	325
Profit Before Tax	332,321	149,028	123
Income Tax Expense	(60,999)	(15,556)	292
Profit After Tax	271,322	133,472	103
Profit Attributable to Shareholders	271,322	133,472	103
Dividend Paid	40,193	20,097	100
Financial Position at the End of the Year			
Shareholders' Funds (Stated Capital & Reserves)	2,469,014	2,125,410	16
Number of Shares in Issue	2,003,870	2,003,870	-
Total Assets	2,682,857	2,343,644	14
Total Debt	24,944	79,466	(69)
Cash & Cash Equivalents	328,706	144,698	127
Ratios			
Return on Shareholders' Funds (%)	10.99	6.28	75
Return on Total Assets (%)	10.11	5.70	78
Year on Year EPS Growth (%)	103	(7)	(1,557)
Interest Cover (Times)	452.00	108.40	317
Equity: Assets (%)	92.03	90.69	1
Current Ratio (Times)	4.37	2.45	78
Debt/Equity (%)	1.01	3.74	(73)
Debt/Total Assets (%)	0.93	3.39	(73)
Dividend Cover (Times)	6.75	6.64	2
Dividend Yield (%)	1.54	0.81	90
Dividend Pay-out Ratio (%)	14.78	15.02	(2)
Information per Ordinary Share			
Earnings per Share - Group (Rs.)	135.34	66.58	103
- Company (Rs.)	100.84	34.34	194
Dividend per Share (Rs.)	20.00	10.00	100
Net Asset per Share (Rs.)	1,232.12	1,060.65	16
Market Shareholder Information			
Market Price per Share as at 31st March (Rs.)	1,300.00	1,233.20	5
Market Capitalisation (Rs.'000)	2,605,031	2,471,172	5
Price Earnings Ratio - Company (Times)	12.89	35.91	(64)
Sector Specific Information			
Room Nights Available	55,845	56,273	(1)
Room Nights Sold	35,129	34,816	1
Room Sales per Employee	1,348,550	937,266	44
Occupancy Ratio	63%	62%	1
Others			
Total Value Added	517,945	297,280	74
To Employees	88,099	78,488	12
To Government (Income Tax)	71,418	23,350	206
To Providers of Capital	40,194	20,097	100
To Expansion & Growth	318,234	175,345	81
Total Employees	334	308	8









Grand Hotel

"Distinct atmosphere of elegance and charm ....."

- 153 Rooms

Our Current location

Our hotel is situated 6000 ft. above the sea level in Nuwara Eliya, known as Little England during the British era.

Our Rooms

- Deluxe & Suite Rooms
- Well-appointed Bathrooms
- Fully Equipped Kitchenettes
- Telephone Facilities
- Television with Cable TV Channels with all International News Lines
- Free Tea and Coffee Services
- Electronic Safes in each Room
- Table with Lighting and Plugs for easy connectivity
- Mini Bar with well stocked Hard and Soft Beverages
- Free Table Water in the Room
- Heaters in the Room
- Bath Robes in each Room

Our Service

- In-house Shopping Arcade
- Internet WI Fi Zones
- Gymnasium
- Board Room
- Main Lobby Music
- Same Day Laundry
- Valet Parking
- 24 Hour Room Service
- Coffee Shop serving Light Meals 24 Hours
- Tea Lounge with different types of Tea served
- High Tea served in the Tea Lounge
- Indian Restaurant served with all Indian Cuisine
- Fine Dining at the Supper Club
- Billiards
- 24 Hour Security Service
- Wine Bar served with all kinds of Wines and Champagne
- Well stocked bars
- Large and spacious Ballroom
- Bicycle Tours with our Trained Staff
- Nature Excursions
- Bird Watching
- Air Riffle Shooting
- Ayurveda Health Centre

Our Vision

"To be the best Hotel in the hill country, maintaining the beauty and tranquility of Nuwara Eliya"

Our Mission

"To achieve our vision, to provide excellent service and quality by treating every customer as VIP Guest in the Hotel"

Our Values

- ❒ To maintain the traditions of Grand Hotel and preserve its old world charm.
- ❒ To provide services to our Guest with a passion for excellence.
- ❒ Reward the providers of capital with adequate return.
- ❒ Empower the staff to take more decisions and to achieve superior customer service.
- ❒ To nurture and nourish the environment and encourage people to be more ecologically responsible.

Chairman's Message



Dear Shareholders

"2013 has been a very successful year for the Company and we carry momentum in market share growth and margin improvement into 2014."

I am pleased to present on behalf of the Board the Annual Report of Nuwara Eliya Hotels Company PLC and its subsidiary (collectively the "Group") for the year ended 31st March 2013.

Having served on the Board of Directors for a considerable number of years, I am fully aware of "the Grand's" powerful culture, the many strong bonds that bind team members and their attachment to the Group. At Grand, hospitality is not just a slogan; it's a way of life of our employees which is our most important asset. They represent many different job categories within our organization and embody the skills we need to leverage, deepen and share.

I'm especially pleased to see this outstanding Company at a time when its financial results are sharply higher. Now entirely focused on hotels, the Grand turned in a good performance, benefiting fully from the recovery of the industry, which had continued in 2012/13, in which we saw the highest increase in tourists arrival that brought in over one million tourists.

Solid Growth for Grand in 2013

Overall, the Company turned in a very strong sales and operational performance led by higher occupancy rates. Thanks to the diligence and perseverance of our team members, we more than met our cost reduction objectives without sacrificing service quality. We were able to accomplish this by focusing on revenue and growth while also ensuring the satisfaction and loyalty of our customers. To create preference for our brand, we delivered more services and forged closer relations through our loyal customers.

Challenges in the Future

Looking forward, although the global economy would still be clouded for a certain period under the international financial crisis, the growth in demand for tourism will be sustained by the increase in disposable income as well as the acceleration of urbanization in many capture markets. With the positive image and trends created by the travel trade literature, it is anticipated that Sri Lanka would become the most popular travel destination of the world in the future.

With tourism designated as the strategic and core industry and the establishment of an international renowned tourism city in Nuwara Eliya, tourism enterprises in Sri Lanka would benefit from such favorable state policies and resultant opportunities.

Leveraging on its leading position and competitive edge in the hotel industry in Sri Lanka, the Group will steadily expand the scale of its hotel business, and strive to enhance the value of the Company, while facilitating the development of Sri Lanka and to promote the growth of the Group in a comprehensive tourism industry.

Continued Success

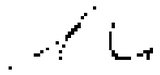
2012/13 has been a very successful year for our Company and we carry the momentum in market share growth and margin improvement into 2013/14. The economic climate around the world is far from settled but we remain confident that our strategy should continue to generate growth for our shareholders in the years ahead.

I express my thanks and sincere appreciation to our Managing Director, Gerard Ondaatjie; and my fellow Directors on the Board; to management; and, in particular, to all our Stakeholders for their valuable insights in navigating the Company in this direction.

Conclusion

My heart goes out to the family members of Late Mr. Raju Veerasingham who served the Grand for 25 years and retired last year as the Resident Manager. I would also like to take this opportunity to thank all shareholders, investors and the public for their enduring and vigorous support to the Group. We are prepared to work together with the shareholders to enhance the value of the Company and create a bright future.

Finally, my sincere gratitude is extended to 'Team Grand' and especially the staff at the hotel who amaze me with their talent, commitment and hard work on a daily basis which makes the Grand shine and makes every visitor feel wanted to come back time and time again.



Deshabandu George L.A. Ondaatjie
Chairman
17th May 2013



Dear Stakeholders

Strong Growth in Revenue and Profit

The Group completed an exceptional year with a pre-tax profit of Rs. 332.3 million surpassing the previous best of Rs. 149 million registered in 2011/2012.

I am pleased to report that 2013 has been another year of progress for the Company. Our team delivered a record operational performance, generating unprecedented revenues and EBITDA. We are now reaping the full benefits from several successfully completed hotel renovation projects to date.

Throughout this challenging business cycle, we have kept a clear focus on our long-term goal: Maximizing stakeholder value through disciplined and opportunistic capital allocation and sound financial management. As a result, we achieved a number of important goals that have positioned the Company for continued success. Reflecting on 2012/13, the headlines were largely dominated by continued global economic unrest, turmoil in the Middle East and Euro crisis one after the other. We are proud to have delivered strong results inspite of these global macroeconomic challenges. Our high standards of service remain at the heart of our business and we have continued to focus on, and deliver, a great guest experience. This can only be achieved by having an enthusiastic, committed and professional team, and I am pleased to report that guest satisfaction was yet again at a very high level and employee satisfaction at an all-time high this year.

Local Economic Outlook

The Sri Lankan economy grew at a healthy rate of 6.4 per cent in 2012 while inflation was maintained at single digits for a fourth consecutive year, despite several global and domestic challenges. Improved business and consumer confidence, which supported a robust economic growth of 8 per cent in the preceding two consecutive years, was accompanied by high credit and monetary expansion and a widening trade deficit fuelled by high import demand.

The tight policy environment and the sluggish recovery in the global economy moderated aggregate demand in 2012, as expected. Further, the unfavorable weather conditions, which disrupted agricultural output and significantly reduced hydro power generation, also had a negative impact on value addition while exerting pressure on prices. In light of these developments, the achievements on the growth and inflation fronts were commendable.

The Sri Lankan economy is expected to continue on a high growth path benefiting from improved infrastructure facilities and favorable macroeconomic fundamentals. Encouraging the private sector to reap the benefits of the government's investments in infrastructure and facilitating them to expand productive capacity would be vital to achieve the envisaged medium term growth targets. Maintaining consistent policies and a conducive business environment will attract higher Foreign Direct Investment (FDI) helping to bridge the gap between the current level of domestic savings and investment required to sustain the projected high growth momentum. Policies to improve productivity and encourage innovation are also needed to move to higher value added economic activities.

The tourism industry is one of the fastest growing sectors in the economy, and its future potential needs to be supported through effective marketing campaigns and addressing causes for adverse publicity. Projecting a positive image of the country as an ideal tourist destination for both leisure and business would be vital for attracting the envisaged number of tourists to the country. At the same time, increased quality of service and greater value for money would also encourage repeat arrivals resulting in achieving the short term and medium term goals set for the sector. Increasing the availability of entertainment and recreational activities for tourists by promoting international sporting events and other mega-scale landmark events, such as an annual international film festival, and promoting a night economy could attract more tourists and increase earnings from tourism. Facilitating conferences and private events of foreigners, such as weddings and get-togethers could provide niche opportunities for the tourism sector. Improving language skills of potential employees of the sector, upgrading facilities at landmark tourist destinations, and promoting domestic tourism are further steps that could be taken to promote the industry on a sustainable basis.

The key sectors of the Sri Lankan economy such as foreign employment income, traditional exports etc., contributed positively to economic growth in 2012. The Industrial sector was the main driver of growth with the construction sub sector making the most significant contribution, reflecting the massive public investment programme and several private sector real estate projects. Growth in the Services sector moderated largely on account of the slowdown in external trade and the deceleration in the transport sub sector. Despite adverse weather conditions in the second half of the year, the Agriculture sector performed better in 2012 than in 2011. Reflecting the expansion in economic activities, the unemployment rate declined to 4 per cent in 2012 from 4.2 per cent in 2011.

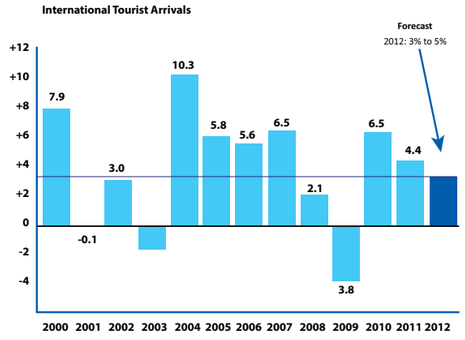
Sri Lanka has projected the economy to expand at a rate of 7.5 per cent in 2013 and gradually move to a higher growth trajectory of over 8 per cent in the medium term. Robust external demand would be vital for sustaining a high growth momentum over the medium term, with the expected support from the gradual recovery of the global economy and the diversification of Sri Lanka's export structure to higher value added goods and services. The growth in the medium term needs to be supported by capacity expansion and adapting and upgrading the technology used in the production process, diversifying into higher value added sectors and broadening export destinations.

Global Economy

2012 saw continued economic volatility around the globe, particularly in the Euro zone. Yet international tourism managed to stay on course as per "the world tourism". The sector has shown its capacity to adjust to the changing market conditions and, although at a slightly more modest rate, is expected to continue expanding in 2013. Tourism is thus one of the pillars that should be supported by governments around the world as part of the solution to stimulating economic growth.

Global Tourism

Outlook World



	Projection 2012	2011
World	+3% to +4%	+4.4%
Europe	+2% to +4%	+6.0%
Asia and the Pacific	+4% to +6%	+5.6%
America	+2% to +4%	+4.2%
Africa	+4% to 5%	+0.0%
Middle East	+0% to 5%	-0.8%

UNWTO forecasts international tourist arrivals to increase by 3% to 4% in 2013, much in line with its long-term forecast for 2030: +3.8% a year on average between 2010 and 2020. This outlook is confirmed by the UNWTO Confidence Index, compiled amongst over 300 experts worldwide, which shows that prospects for 2013 are similar to the evaluation of last year (124 points for 2013 against 122 for 2012).

International tourist arrivals grew by 4% in 2012 to reach 1.035 billion, according to the latest UNWTO World Tourism Barometer. Emerging economies (+4.1%) regained the lead over advanced economies (+3.6%), with Asia and the Pacific showing the strongest results. Growth is expected to continue in 2013 only slightly below the 2012 level (+3% to +4%) and in line with UNWTO long-term forecast.

Asia and the Pacific (+7%) was up by 15 million arrivals in 2012, reaching a total 233 million international tourists. South-East Asia (+9%) was the best performing sub-region much due to the implementation of policies that foster intraregional cooperation and coordination in tourism. Growth was also strong in North-East Asia (+6%), as Japanese inbound and outbound tourism recovered, while it was comparatively weaker in South Asia (+4%) and in Oceania (+4%) as per the data obtained from UNWTO reports.

Our Sri Lankan Tourism Sector

Sri Lanka attracted more than one million tourists in 2012. Tourist arrivals in 2012 surpassed its target of 950,000 to record 1,005,605 arrivals, an increase of 17.5 per cent, over 855,975 arrivals in 2011. The highest ever number of tourist arrivals for a month, which was 122,252, was recorded in December 2012. When considering tourist arrivals in terms of regions of origin, Western Europe remained the foremost source of tourists accounting for 37.1 per cent of total arrivals in 2012 compared to 36.8 per cent in 2011. South Asia, the second major regional market, accounted for 24.6 per cent of arrivals. Arrivals from Eastern Europe, East Asia, and Australasia increased significantly due to promotional activities and new air routes that connected Sri Lanka to these markets. This has resulted in the gradual diversification of Sri Lanka's tourism markets. With regard to arrivals from individual countries, India remained the leading country of origin of tourists followed by the UK, Germany, France and Australia. These five countries together accounted for 46.8 per cent of tourists to Sri Lanka in 2012. Over 74 per cent of tourists arrived in Sri Lanka for holiday purposes, while 9 per cent arrived for business purposes in 2012 and others visited friends and relatives, conventions and meetings and for religious and cultural purposes.

The aim of attracting 2.5 million tourists and recording earnings of US dollars 2.75 billion from tourism by 2016 remained the main focus of the industry. Consequently, promotional activities were conducted in 25 trade and travel fairs worldwide with travel industry participation in direct market promotions that were held in the UK, China, Germany, India and the Netherlands among others. The development of domestic infrastructure facilities, strategic investments by global hotel chains, promotional campaigns, new tourist attractions and identified zones in the Northern and Eastern provinces for tourism development activities, gave Sri Lanka a stronger stand in international promotions.

Earnings from tourism increased substantially in 2012. Supported by the increase in tourist arrivals and the average spending per tourist, earnings from tourism increased by 25.1 per cent to US dollars 1,039 million in 2012 compared to US dollars 830 million recorded in 2011. Average tourist spending per night increased to US dollars 103 in 2012 from US dollars 97 recorded in 2011, reflecting the positive trend in arrivals of high spending tourists as well as improved facilities.

Overall Performance and Financial Position

The Company completed an exceptional year with a pre tax profit of Rs. 240 million surpassing the previous best of Rs. 75 million registered in 2011/2012. The Group turnover increased from Rs. 582 million in the previous year to Rs. 773 million during the financial year, registering a 33% increase year on year, the main contribution due to high occupancy and best practices which we have adopted. The Group profit after tax increased from Rs. 133.5 million in 2012 to Rs. 271 million, an increase of 103%.

Occupancy

Across the Group, occupancy increased to 63% (2012, 62%), in line with our strategy of focusing on growing average room rates. Occupancy increased by one per cent from the previous year. The Group had been able to record this marginal increase despite a considerable increase in rates, which had brought about the 33% increase in the revenue.

Average Room Rate

The Management has been successful in delivering real revenue growth this year by capitalizing on increased demand and growing the average room rate. The overall average room rate as a result had increased by 8% in 2013. Average Room Rate increased to Rs. 12,822/- from Rs. 11,852/-.

Improved Products and New Developments

During the financial year under review, we have done many changes to our products where we built a new tea terrace and tea lounge changing the whole ambiance. We signed a MOU with the renowned tea company 'Dilmah' with their internationally renowned tea brand 'Dilmah Tea' to be served at this tea lounge. Our staff was trained by them to serve their tea in this lounge. In this tea lounge we served our famous high tea, 'Shisha' bar mostly popular among the Middle Eastern travelers. We have decided to revamp the entire Indian Restaurant operation by adding more Indian dishes to this operation, and to hire Indian chefs to run the Indian operation. Also we have made arrangements to hire Thai chefs and convert our supper club into Thai restaurant and introduce authentic Thai cuisine to Grand Hotel. Our coffee shop is very much popular amongst local as well as overseas tourists. This year we changed the menus and introduced new additions as per our menu engineering findings.

Industry Recognition

The Company's performance was recognized with a number of awards during the year. We were awarded the '2012 Gold Circle Award, Agoda.com' award by Business Travel which was followed by multiple other awards and recognition throughout the year for the hotel, teams and individual employees.

We secured the Bronze award for our Annual Report at the Annual Report Competition 2012 conducted by the Institute of Chartered Accountants of Sri Lanka.

Grand Hotel won the 1st place at the District Level and 3rd place in the Central Province for the Nagarayata Uyanwathu Competition organized by the Office of the Governor of the Central Province in November 2012.

Grand Hotel and the "Grand Indian" Restaurant were the proud recipient of the Commended Hotels award presented by Trip Advisor, the world's largest Travel Site.

Such recognitions are a testimony to our continued investment in maintaining key values.

Guest Experience

Making our guests feel welcome and consistently offering them a high standard of service and a good overall experience is essential to our success. Our teams are passionate to achieve this and have delivered another outstanding performance through continued focus on delivering a quality service. Guest and employee satisfaction remained strong; in fact employee satisfaction was at an all-time high rate of 95%. This growth is underpinned by our strategy of 'investing in people'.

The Grand collectively generated over 22,000 completed guest satisfaction surveys through our online system. These surveys are invaluable for us to not only improve satisfaction levels, but also to further improve our policies and procedures in general. We pride ourselves on listening to our guests and responding to their needs and the guest survey tool enables us to develop and maintain direct relationships with each and every guest. Our teams take this seriously and as a testimony to their success, 99% of these survey respondents indicated that they were satisfied or extremely satisfied with their stay at Grand.

Global Marketing

We have to attract high spending guests to the country, and to attract high spending clients, we have to offer them a quality service, a value addition to the product and a fast access to the desired destinations without spending long hours on inland transit. Apart from the appreciation of dollar to the rupee in 2012, another reason why the pace growth in tourist spend may have slowed down could be, country is now persevering to emerge as a "value destination" rather than up market visitors. Also, we should consider formulating and achieving a tourist spending in the country which will enable our economy to grow. Right now, low spending tourists seem to visit the country and as a result, although arrival numbers increase, the corresponding revenue generation is not correlated.

The Government should take the initiative to attract tourists, and must develop recreational infrastructure like theme parks, casinos, pubs, night life and ensure their safety by having more tourist law enforcing units throughout the country to support such measures. With this, we may build up a competitive environment among our neighboring countries such as Singapore, Malaysia and Thailand.

Identifying and Promoting Emerging Markets

We have to identify and promote the new emerging markets such as China, Japan, Korea, Ukraine, Kazakhstan and Middle East. During the financial period under review the visitors from Middle East totaled 56,169. During the year, the traffic from Middle East expanded especially during June, July and August. This Middle East Market helped to bridge occupancy. Middle Eastern visitors particularly like to seek out branded or star-class accommodation. According to the statistics at the end of 2012, Chinese arrivals in Sri Lanka, totaling 25,781 tourists while in 2011, the number was 16,308. This has increased by 58 per cent.

Strengthening Our Business

In 2012/13 we grew the market share and our results demonstrate the real strength of our company. But we know we can do better. Our tried and tested strategy has not changed, but we will continue to improve how we execute it as we seek to grow the market share. Challenging ourselves to keep improving is critical to our continuing success, as we seek to grow market share by promoting our hotel and its excellent service to the guests and bringing market leading innovations to the leisure industry.

Corporate Governance and Social Responsibility

The Group places substantial importance on corporate governance and considers contributing to the well-being of society as our corporate responsibility. During the year, the Group continued to uphold its unsurpassed corporate governance standards and actively participated in various charitable and community events.

Furthermore, the Group is keen to take part in community activities and encourages the involvement of fellow staff members. During the year, the Group conducted regular visits to community centers for the elderly and participated in fund raising events organized by different charity organizations, so as to provide support to minority groups and to enhance social care.

The Nuwara Eliya Hotels Co. PLC
Annual Report 2013

.... Managing Director's Review

Human Resources

As at 31st March 2013, the Group had 334 employees, representing a staff-to room ratio of approximately 2 (FY2012: 2). Total employee cost for the Year was Rs. 88 million (FY2012: Rs. 78.5 million), representing 11% of the Group's total revenue (FY2012: 13%). In order to attract and retain talents to ensure smooth operation and to cater for the Group's expected growth, the Group offers competitive employee remuneration packages with reference to market conditions and individual qualifications, experience and job scope. Such remuneration packages may comprise one or more of the following elements: basic salary, annual performance-related bonus and annual discretionary bonus.

Developing Talents

In our industry, we rely heavily on the knowledge and expertise of our employees, which is often built up over many years with the Group. We are keen to develop talent within the business at all levels and to progress employees with ability and commitment into more senior roles. As such, we are committed to investing in training and development for our employees. During 2012/13, we created new induction programmes, designed to provide comprehensive training for new employees in an inspiring and informative manner. The new induction training has reduced the time new employees take to get fully conversant with the full scope of their role and we will use this benchmark to ensure our customer service training is of the highest standard.

Earnings per Ordinary Share

A basic earnings per ordinary share in 2013 was Rs. 135.34 compared with Rs. 66.58 in 2012.

Dividends

We maintain our dividend policy throughout the past declaring the best returns to our valuable shareholders. This year also the Board has declared a final dividend per ordinary share of Rs. 10.00 per share. With the interim dividend per ordinary share of Rs. 10.00, per share the full-year dividend per ordinary share for 2012/13 will total Rs. 40 million.

Share Price and Market Capitalization

The Nuwara Eliya Hotels Company PLC share price closed at Rs. 1,300.00 on 31st March 2013, up from Rs. 1,233.20 on 31st March 2012. The market capitalization of the Group at the year-end was Rs. 2.6 billion.

Looking Forward Towards Prospects

The operating environment for the leisure industry in Sri Lanka has brightened considerably over the past two years. We believe that the demand in the upscale segment, which includes our property, will accelerate and has the potential to grow for several years as we benefit from a continuing economic recovery driven by expected increases in business investment and steady increase in employment. At the same time, new supply in this segment has remained well below historical levels, and we believe it will remain low for the near future providing an ideal environment for improving financial performance and solid growth in the lodging industry in 2014 and beyond.

We believe that the positive trends in the lodging industry create the opportunity for business improvements, which, when combined with our strategy to enhance our hotel business through by adding value addition to new innovative capital projects, ultimately will improve the competitive position of our company and increase stakeholder values.

Looking ahead, we expect Sri Lanka to maintain sound economic growth. This, together with the implementation of a series of initiatives to promote Sri Lanka to become a best tourist destination and to strengthen its position as an international financial and tourist management hub, will create enormous business opportunities for the local market.

The Group has been implementing a series of reform measures over the past few years, including carrying out refurbishment and renovation of the hotel and, enhancing management standards as well as strengthening staff training. As an enterprise with over 100 years of history, the Group has now evolved into a corporation spearheaded by a dynamic, vibrant and modern management. Upon the completion of the renovation work of the Grand, including the shopping centre and office buildings, the overall image of the respective projects has been significantly enhanced.

This will help not only boosting the Group's income, but also benefiting the growth of the hotel and related businesses.

The Group is optimistic towards its business prospects. We will strive to capture arising opportunities and execute business strategies in a timely manner, so as to bolster the performance of existing businesses as well as step up the development of newly-added segments. We are confident that new businesses will soon generate profit returns to the Group and will continue to offer sustainable yields.

Concluding Thought

I am also confident that the Company will execute its solid business strategies of strengthening its brand platform to further improve its profitability. These strategies will ensure that the Company continues to provide long term earnings, strong cash flows and generate lucrative returns to our Shareholders.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all Stakeholders for their invaluable contributions and support to the Group. I would also like to extend my heartfelt thanks to my fellow colleagues of the Board for their guidance and generosity by sharing their extensive knowledge and experience.

Last but not least, I would like to applaud all management and staff members of The Nuwara Eliya Hotels Company PLC for their illustrious dedication, tireless spirit and relentless effort during the year.

Gerard G. Ondaatjie
Managing Director
17th May 2013



Milestones

The Inception

In 1819, there arrived in what was then Ceylon a man who was to change the country, laying the foundations for the modern Sri Lanka, as well as for the Grand Hotel. Sir Edward Barnes, who was one of the adjutants to the Duke of Wellington at Waterloo, came in 1819 as Commander In Chief of the forces. By the time he took over as Lieutenant Governor in 1820, he had already made a tour of the island and decided that what Ceylon needed was 'first roads, second roads and third roads."

It was during his main term as Governor, from 1824 to 1831, that he became enchanted with Nuwara Eliya and built a bungalow there at his own expense, at a cost of Rs. 8,000/-. This was known as "Barnes Hall" being his private residence. Barnes left Ceylon in 1831, on reaching 55 years of age leaving behind his beloved "Barnes Hall' which was later developed as Grand Hotel and sold to The Nuwara Eliya Hotels Co. Ltd., on 12th April 1892 by William Milsom for Rs. 35,000/-.

1987 Mr. George Ondaatjie who had purchased a substantial investment in the Company took the reigns on the 15th June 1987.

1988 The much needed renovation to the reception area was completed on the 5th of Dec 1988.

1990 20% first & final dividend was declared for the F/Y 1989/90 after a lapse of several years on the 31st Oct 1990.

The Board decided to takeover the running of the farm owned by the Hotel on the 3rd Dec. 1990.

1991 Hotel marked the Centenary year, Gold sovereigns were awarded to employees who had completed 25 years of service at the centenary celebrations held on 3rd June 1991.

Refurbishment of 70 rooms and the bathrooms of the Hotel were completed on the 20th Nov 1991.

1992 A new Company was incorporated as Grand Hotel (Pvt) Ltd, a wholly owned subsidiary of The Nuwara Eliya Hotels Co. Ltd., on 30th Dec 1992.

1993 Grand Hotel (Pvt) Ltd., signed an agreement with the Board of Investment of Sri Lanka to build and operate a 64 room Hotel on 22nd Sept 1993.

1997 Grand Hotel (Pvt) Ltd., commenced commercial operations on 1st April 1997.

1998 The new mechanized laundry was commissioned on 8th June 1998.

"Supper Club" – Fine Dining Restaurant and a Bar was opened for the guests on 10th of April 1998.

A state of the art gymnasium and health club was commissioned on 10th Aug 1998.

1999 Hosted 21st session of the SAARC Council of Ministers Conference followed by a banquet by the Ministry of Foreign Affairs on 10th March 1999.

The second dress boutique / curio shop of the Hotel was opened for business on18th Oct. 1999.

2000 Mr. George L.A. Ondaatjie took over 80% control of the hotel with the purchase of DFCC & Cornel Group share holdings as at 16th Oct 2000.

2001 The Company took a new outlook with the appointment of Mr. Gerard Ondaatjie as the Managing Director in October 2001.



2002 " The Grand Indian"- serving exclusive authentic Indian cuisine, commenced operations in November 2001.

2003 The Red lounge underwent a complete facelift providing guests with comfort & grandeur.
The Entrance Corridor and the Ballroom too were renovated in line with the "Grand" charm.

2004 Overall winner of the "April Blooms 2004" garden competition organized by the Municipality of Nuwara Eliya.

2005 A facelift was given to the "Barnes Hall", the main restaurant of the Hotel.
The Coffee shop, now known as the "Magnolia", went through a complete refurbishment process, which included a show-kitchen and a menu in keeping with the highest culinary standards.
The front entrance, Lobby, the red lounge, green lounge and the ballroom were renovated at a cost of Rs. 30 million.
The SAGA food award was awarded to Grand. It is based on the year's customer feedback and regular inspections carried out by "SAGA HOLIDAYS" for consistency and standards maintained for food quality, presentation, variety, hygiene and service.

2006 The SAGA food award was clinched by Grand for the second consecutive year, from one of the leading tour operators from UK, SAGA HOLIDAYS.

2007 The Department of Archaeology identified Grand Hotel as a National Heritage in November 2007.
The SAGA food award was clinched by Grand for the third consecutive year, from one of the leading tour operators from UK, SAGA HOLIDAYS.

2008 Mr. Palaka D.L. Perera, the new General Manager took charge of the operations of the Hotel from March 2008.
The SAGA food award was clinched by Grand for the fourth consecutive year, from one of the leading tour operators from UK, SAGA HOLIDAYS.

The Nuwara Eliya Hotels Co. PLC
Annual Report 2013

.... Milestones

2009 The Hotel was Awarded the "Four Star" Status by the Hotels Classification Committee of the Sri Lanka Tourism Development Authority, with effect from 10th Dec. 2009.
Grand was placed 1st in the "Commercial Large" Category for the 23rd consecutive year at the "April Blooms 2009" Flower & Garden Competition organized by the Municipal Council of Nuwara Eliya.
The Annual Good Food Award presented by SAGA Holidays, a prestigious UK based tour operator specializing in holiday packages for the up-market senior citizens was won by Grand Hotel for the 5th consecutive year.
Grand Hotel was adjudged the Best Landscaped Hotel / Resort in the Nuwara Eliya district at the "Nagarayata Uyanwathu" Competition conducted by the Department of Agriculture of the Central Province.

2010 The Annual Report for 2010/11, won the certificate of Compliance Award for the Hotel Companies category, conducted by the Institute of Chartered Accountants of Sri Lanka.

2011 A Tea Lounge, with an open verandah overlooking the front lawn commenced operations.
Grand Hotel won the "Two Star" Award for Large Scale Business in the Service Category at the STAR awards 2011, conducted by the Ministry of Industries of the Central Province.

2012 The Annual Report for 2011/12, won the Bronze Award for the Hotel Companies category, conducted by the Institute of Chartered Accountants of Sri Lanka.
"National Geographic" identified Grand Hotel as one of the best places to visit in "Best Trips 2012".
Grand was placed 1st in the "Commercial Large" category at the "April Blooms 2012" Flower & Garden Competition organized by the Municipal Council of Nuwara Eliya.
Agoda.com awarded Grand the "Gold Circle" Award as the Best Hotel in Nuwara Eliya.
Grand Hotel won the "Three Star" Award for Large Scale Business in the Service Category at the STAR awards 2012, conducted by the Ministry of Industries of the Central Province.

2013 Grand Hotel and the "Grand Indian" Restaurant were the proud reciepient of the Commended Hotels award presented by "Trip Advisor" - UK, the world's largest Travel Site.
The Grand Hotel entered into a partnership agreement with one of Sri Lanka's best known and finest brands of tea "Dilmah" for the operation of the exclusive Tea Lounge and Terrace



Financial Calendar



2012/2013

Approval of Financial Statements	**May 17**	**2013**
Interim Financial Statements - 4th Quarter - 31st Mar 2013	**May 17**	**2013**
Despatch of Annual Report 2012/2013	**June 05**	**2013**
Payment of Dividend - Interim Dividend	**October 10**	**2012**
- Final Dividend	**March 21**	**2013**
121st Annual General Meeting 2012/2013	**June 28**	**2013**
Interim Financial Statements - 1st Quarter - 30st Jun 2012	**August 13**	**2012**
Interim Financial Statements - 2nd Quarter - 30st Sept 2012	**November 14**	**2012**
Interim Financial Statements - 3rd Quarter - 31st Dec 2012	**February 13**	**2013**
Financial Year - End	**March 31**	**2013**

2011/2012

Approval of Financial Statements	May 17	2012
Interim Financial Statements - 4th Quarter - 31st Mar 2012	May 17	2012
Despatch of Annual Report 2011/2012	June 06	2012
Payment of Dividend	March 27	2012
120th Annual General Meeting 2011/2012	June 29	2012
Interim Financial Statements - 1st Quarter - 30th Jun 2011	August 11	2011
Interim Financial Statements - 2nd Quarter - 30th Sept 2011	November 09	2011
Interim Financial Statements - 3rd Quarter - 31st Dec 2011	February 13	2012
Financial Year - End	March 31	2012

The Board, Senior Management

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Who Governs Us



Deshabandu G.L.A. Ondaatjie
Chairman

Nationality	Sri Lankan
Position	Chairman Since 1977 Counts over 36 years of extensive experience.
Key Appointments	He is presently the Chairman of several companies which include Royal Palms Beach Hotels PLC, Tangerine Beach Hotels PLC and Nilaveli Beach Hotels (Pvt) Ltd. which was the first planned hotel development on the East Coast of Sri Lanka. He has been the Past Chairman of the Tourist Hotels Association, Pacific Asia Travel Association Sri Lanka Chapter and Finance Houses Association. He has also been a Past Director of the Colombo Stock Exchange and Pacific Asia Travel Association – International He was awarded the prestigious "Deshabandu" title by the Government of Sri Lanka in 1994 for his pioneering efforts as an Entrepreneur, Financier and Hotelier. He was also the recipient of the "Poineer Award" at the Presidential Awards for Travel & Tourism 2008.
Skills and Experience	He counts 35 years extensive experience in the Financial Services, Tourism and Trading Sectors.



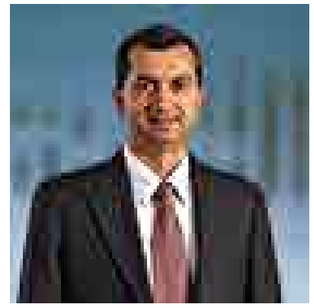
Gerard G. Ondaatjie B.Sc
Managing Director

Nationality	Sri Lankan
Position	He was appointed to the Board on 25th November 1996 and was appointed as Managing Director on 29th June 2001.
Key Appointments	He is presently the Managing Director of Mercantile Investments and Finance PLC and Mercantile Fortunes (Pvt) Ltd. He is also the Executive Deputy Chairman of Nilaveli Beach Hotels (Pvt) Ltd., and a Director of several other companies which includes Royal Palms Beach Hotels PLC and Tangerine Beach Hotels PLC.
Skills and Experience	He has over 15 years experience in the Tourism, Financial Services and Trading Sectors. He holds a BSc Degree in Accountancy from Arizona State University U.S.A.



A.M. Ondaatjie M.Sc., B.Sc
Executive Director

Nationality	Sri Lankan
Position	She was appointed to the Board on 17th October 2000.
Key appointments	She is presently the Managing Director of Tangerine Tours (Pvt) Ltd., and Joint Managing Director of Royal Palms Beach Hotels PLC and Tangerine Beach Hotels PLC. She holds Directorship in several other companies including Mercantile Investments and Finance PLC, Lighthouse Hotel PLC and Nilaveli Beach Hotels (Pvt) Ltd. She is presently a committee member of the Tourist Hotels Association of Sri Lanka.
Skills and Experience	She has over 15 years experience in the Tourism, Financial Services and Manufacturing Sectors. She holds a Masters Degree from the University of Texas in Austin, U.S.A and BSc Degree from the Massachusetts Institute of Technology, U.S.A.



T.J. Ondaatjie B.Sc
Executive Director

Nationality	Sri Lankan
Position	He was appointed to the Board on 17th October 2000.
Key appointments	He is presently the Managing Director of Nilaveli Beach Hotels (Pvt) Ltd., and a Director of several other companies which include Mercantile Investments and Finance PLC, Tangerine Beach Hotels PLC and Royal Palms Beach Hotels PLC.
Skills and Experience	He holds a BSc Degree from Arizona State University, U.S.A. He has over 15 years experience in the Tourism and the Financial Services Sectors.



J.H.P. Ratnayeke Attorney-at-Law, LLM
Independent Non-Executive Director

Nationality	Sri Lankan
Position	He was appointed to the Board on 1st June 2005.
Key Appointments	He is a Senior Partner and Founder of Paul Ratnayeke Associates. He is a Director of several companies including public quoted companies in some of which he is the Chairman or Deputy Chairman.
Skills and Experience	He Graduated with Honours from the University of Ceylon (Colombo) and has been awarded an LLM Degree by the University of London.



Mr. L.N. de S. Wijeyeratne FCA
Independent Non-Executive Director

Nationality	Sri Lankan
Position	He was appointed to the Board on 22nd January 2009.
Key Appointments	He was the Group Finance Director of Richard Pieris PLC from January 1997 to June 2008 and also held Senior Management Positions at Aitken Spence & Company, Brooke Bond Ceylon Ltd. and Zambia Consolidated Copper Mines Ltd. He is presently a Director of several listed and unlisted Companies.
Skills and Experience	He is a fellow of the Institute of Chartered Accountants of Sri Lanka and counts over 35 years of experience in Finance and General Management both in Sri Lanka and overseas.



M.K.K.K.B. Galagoda
Non-Executive Director

Nationality	Sri Lankan
Position	He was appointed to the Board on 8th April 2013.
Key Appointments	Presently the Group Engineer of Mercantile Investments Group of Companies and a Director at Nilaveli Beach Hotels (Pvt) Ltd. He has over 25 years experience in the hotel industry in Sri Lanka and overseas including in Ramada Group of Hotels and in the Holiday Inn Group.
Skills and Experience	He holds a Diploma in Electrical and Electronics Engineering from the University of Katubedda, Moratuwa.



S.K. Abeysundara
Independent Non-Executive Director

Nationality	Sri Lankan
Position	He was appointed to the Board on 8th April 2013.
Key Appointments	He is a renowned Interior Designer with extensive experience in his field of expertise here in Sri Lanka and abroad. He was involved in initiating Taru ie an Event Management and Interior Designing Company in Sri Lanka and is presently residing in the United Kingdom and attached to the Silk Road, UK.

The Nuwara Eliya Hotels Co. PLC
Annual Report 2013

Who Leads Us

Corporate Management

Palaka D.L. Perera FCHSGA
General Manager

J.T.D. David LCHSGA, AMIPM
Resident Manager

M.I. Shahabdeen FCA ACMA (UK) ASCMA MIH (UK) ACQI (UK) CPA
Group Financial Controller

M.K.K.K.B. Galagoda
Director / Group Engineer

Ravi Fernando MBA (UK) M.Sc. App Fin AFA FMAAT MCSI ACMI
Group Accountant

Nazeem Mohamed
Assistant Manager / Chief Accountant



Annual Report of the Board of Directors

The Directors have pleasure in submitting their report together with the Audited Financial Statements of the Company for the year ended 31st March 2013.

Principal Activity

The principal activity of the Company which is hoteliering remains unchanged.

Business Review for the Year & Future Developments

The Managing Director's Review, comprehensively covers the operational activities of the Company.

Corporate Governance

The Board of Directors is responsible for the Governance of the Company, which include setting out strategic aims, providing leadership and supervising management. The Corporate Governance Policies are set out on pages 44 - 63.

Internal Controls

The Statement of Corporate Governance and the Statement of Directors' Responsibilities on pages 44 and 160 respectively, give a detailed description of the Company's internal control system.

Risk Management

The Board together with the Management have put in place a comprehensive structure for Risk Management process. A detailed overview of this process is outlined in the Risk Management report on pages 150 - 156.

Going Concern

The Board adopts a going concern basis in the preparation of accounts since the Company holds adequate resources to continue its operations in the foreseeable future.

Customers

The Company provides services to both local and foreign clientele, with a passion for excellence. Stringent quality standards are maintained to ensure that guests enjoy a unique experience.

Suppliers

The Company endeavours to transact business with reputed organisations capable to offer quality goods and services at competitive prices with a view to building mutually beneficial business relationships.

Employment Policy

The number of permanent and contract employees as at 31st March 2013 was 334 (31st March 2012 – 308), the total remuneration paid during the year amounted to Rs. 74.8 Mn (2011/12 – Rs. 68.3 Mn). As a socially responsible "Equal Opportunity Employer", the Company's recruitment and employment policies are non discriminatory.

Environment Policy

The Company is committed to environmental conservation and measures are taken in order to minimize any adverse impact resulting from its operations.

An Environmental management system is in place to monitor and control any adverse environmental or social impacts. The Company's environmental and social practices are detailed on pages 93 to 147.

Revenue

The Revenue of the Company and the Group for the year ended 31st March 2013 was Rs. 464,033,382/- and Rs. 772,903,510/- respectively. (2012 - Rs. 313,999,602/- and Rs. 582,516,351/-).

Profit and Appropriations

	Company	Group
	Rs. Mn	Rs. Mn
Profit before Taxation	240	332
Less: Income Tax Expense	(38)	(61)
Profit for the Year	202	271
B/F from Last Year	217	517
Profit Available for Appropriation	419	788
Appropriated as follows:		
Transferred to Retained Earnings	3	3
Interim/Final Dividend	(40)	(40)
Retained Profit for the Year	382	752

Provision for Taxation

The tax provision for the Company is disclosed in Note 9 on page 175 in this Report.

Compliance with Laws and Regulations

The Board has received assurance from the Audit Committee, and

confirms that the Company has complied with all applicable laws, rules and regulations in its operations.

Statutory Payments

The Directors to the best of their knowledge are satisfied that all statutory payments in relation to the Government and employees have been either duly paid or appropriately provided for, except as specified in Note 31 to the Financial Statements.

Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 46 Mn (2012 - Rs. 95 Mn), details of which are given in Note 11 to the Financial Statements.

Property, Plant & Equipment

Details of Property, Plant & Equipment of the Company are shown in the Note 11 to the Financial Statements on page 182.

Dividend

The Company made a 1st Interim Dividend of Rs. 10/- per share, on the 10th Oct. 2012 and the 2nd Interim Dividend of Rs. 10/- per share on the 22nd March 2013, for the financial year 2012/2013.

The 2nd Interim Dividend paid would be the Final Dividend for the year ended 31st March 2013.

Stated Capital

The Stated Capital of the Company as at 31st March 2013 is Rs. 80,171,740/- comprising of 2,003,870 ordinary shares and 5,800 participating cumulative preference shares.

Reserves

The total reserves of the Company stand at Rs. 1,472 Mn and comprising Revaluation reserves of Rs. 1,465 Mn and Available for sale reserves of Rs. 7.3 Mn.

Statement of Changes in Equity

The movement in equity is shown in the Statement of Changes in Equity on page 164.

Donations

During the year donations amounting to Rs. 172,500/- (2012 - Rs. 137,757/-) were made to various charities.

Directorate

The names of the Directors are shown on pages 32 - 35.

The Board met four times during the year, the number of meetings of the Board and individual attendance by members are shown below:

Name of Director	Directorship Status	F/Y 2013 No. of Meetings Held	Attended
Deshabandu G.L.A. Ondaatjie	Executive Director	4	1
Gerard G. Ondaatjie	Executive Director	4	4
A.M. Ondaatjie	Executive Director	4	4
T.J. Ondaatjie	Executive Director	4	3
J.H.P. Ratnayeke	Non-Executive Director	4	4
L.N. de S. Wijeyeratne	Non-Executive Director	4	3

New Appointments to the Board

Mr. M.K.K.K.B. Galagoda and Mr. S.K. Abeysundara were appointed to the Board on 8th April 2013.

Retirement of Directors

In terms of Article 88 (i) of the Articles of Association of the Company, Ms. A.M. Ondaatjie retire by rotation, and being eligible offer herself for re-election.

In terms of Section 95 of the Articles of Association, Mr. M.K.K.K.B. Galagoda and Mr. S.K. Abeysundara retire and being eligible offer themselves for re-election.

Special Notice has been given of the intention to propose an ordinary resolution as set out in the notice of meeting to re-elect Mr. G.L.A. Ondaatjie as a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007.

Board Committees

The following members of the Board serve on the Audit Committee

Mr. J.H.P. Ratnayeke
Mr. L.N. de S. Wijeyeratne

The report of the audit committee is given on page 64 of this Report.

The following members of the Board serve on the Remuneration Committee.

Mr. J.H.P. Ratnayeke
Mr. L.N. de S. Wijeyeratne

The following members of the Board serve on the Nominations Committee.

Mr. J.H.P. Ratnayeke
Mr. Gerard G. Ondaatjie
Mr. L.N. de S. Wijeyeratne

Directors' Interest Register

The Company maintains an Interest Register in compliance with the Companies Act No. 07 of 2007.

Directors' Interest in Contracts

All Directors have disclosed their interests pursuant to section 192 (2) of the Companies Act No. 07 of 2007. The details of the transactions in which they have an interest are given in Note 28 to the Financial Statements. – 'Related Party Transactions'.

Directors' Remuneration

The aggregate emoluments paid to the Directors in respect of the Company and the Group for the financial year 2012/2013 are given in Note 8 to the Financial Statements on page 179.

Directors' Shareholding

The Directors of the Company held 837,548 ordinary shares (41.80%) and 3,155 (7)% cumulative participating preference shares as at 31st March 2013.

Directors' Interest in Shares in the Company

The Directors' holding in shares as at the Balance Sheet date is as follows:

Ordinary Shares	Year 2013	Year 2012
Mr. G.L.A. Ondaatjie	**601,420**	601,420
Mr. Gerard G. Ondaatjie	**213,182**	213,182
Ms. A.M. Ondaatjie	**11,323**	11,323
Mr. T.J. Ondaatjie	**11,323**	11,323
Mr. J.H.P. Ratnayeke	**300**	300
Mr. L.N. de S. Wijeyeratne	**-**	-
Preference Shares		
Mr. G.L.A. Ondaatjie	**3,155**	3,155

Shareholders' Information

The distribution of shareholders is indicated on page 208 in the Annual Report. There were 665 registered shareholders as at 31st March 2013.

Share Information

Information on share trading is given on page 208 of the Annual Report.

Public Holding

The number of ordinary shares held by the public as at 31st March 2013 was 217,318 (2012 – 217,318) which amounted to 10.84% (2012 – 10.84%) of the issued capital of the Company.

Financial Statements

The Financial Statements of the Company and the Group for the year ended 31st March 2013 signed by the Group Financial Controller, the Managing Director and another Director of the Company are given on pages 162 - 199 which form an integral part of the Annual Report of the Board.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Companies Act No. 07 of 2007, the Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange.

Changes in Accounting Policies

The Accounting Policies adopted by the Company and its subsidiary have been consistently applied from previous years.

The Nuwara Eliya Hotels Co. PLC
Annual Report 2013

.... Annual Report of the Board of Directors

Events Occurring After the Reporting Date

No circumstances have arisen since the date of the Statement of Financial Position which would require adjustments to or disclosure in the Accounts, other than those disclosed in Notes to the Financial Statements - Note 29 on page 191.

Annual General Meeting

Auditors

The Accounts for the year have been audited by Messrs. KPMG Chartered Accountants, who offer themselves for re-appointment. A resolution to re-appoint them as Auditors and authorizing the Directors to fix their remuneration will be proposed at the Annual General Meeting. The amount payable by the Group to the Auditors Messrs. KPMG for the year ended 31st March 2013 is Rs. 505,000/- as Audit Fee. Cost of Non-Audit Services of Rs. 805,640/- and Other Auditors' services of Rs. 907,700/- was also incurred by the Group. As far as the Directors are concerned, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interests in the Company.

On Behalf of the Board

Gerard G. Ondaatjie
Managing Director

T.J. Ondaatjie
Director

Sgd.
Mercantile Investments & Finance PLC
Secretaries

Colombo
17th May 2013

Corporate Governance

The Board is responsible to shareholders for creating and delivering sustainable shareholder value and is conscious that a strong Corporate Governance framework is critical to maintain investor trust and business integrity. At The Nuwara Eliya Hotels Co. PLC our system of Corporate Governance lays the basis for responsible performance-oriented management and control which is geared towards sustainable value creation. A good Corporate Governance structure encourages companies to create value through entrepreneurism, innovation and establishes accountability and transparency commensurate with the inherent risks and opportunities available to the Company. It influences how the objectives of the Company are set and achieved, risks identified and managed and organizational performance optimized, which will ultimately add value to all stakeholder groups of the Company and its subsidiary.

The Company is fully compliant with the Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka, and the Securities and Exchange Commission of Sri Lanka, as well as the rules on Corporate Governance published by the Colombo Stock Exchange.

This report sets out the Company's Corporate Governance processes for the financial year 2012/2013, and the extent of compliance with same.

Board of Directors

The Nuwara Eliya Hotels Co. PLC has a unitary Board. The authority of each Director is exercised at Board Meetings where the Board acts collectively. The Board of Directors is the ultimate governing body of the Company. Their leadership skills, direction provided and controls put in place ensure the achievement of the objectives of the Company set out in the Corporate Plan and the Budget which aims to satisfy the expectations of the shareholders.

Board Composition and Directors' Independence

At the last Annual General Meeting (AGM) of The Nuwara Eliya Hotels Co. PLC held on 27th June, 2012, the Board consisted of six Directors comprising of:

- Four Executive Directors (ED) - including the Managing Director
- Two Non-Executive Independent Directors (NED/ID)

As at 31st March 2013, the Board consists of six Directors comprising of:

- Four Executive Directors (ED) – includes the Chairman and Managing Director
- Two Non-Executive Independent Directors (NED/ID)

The presence of Non-Executive Independent Directors namely Mr. J.H.P Ratnayeke and Mr. L.N. de S. Wijeyeratne, enables independent judgment. None of the Independent Directors have held executive responsibilities in their capacity as Independent Directors and have submitted a declaration confirming their Independence as at 31st March 2013 in accordance with Section 07 of the CSE listing regulations on Corporate Governance. The biographical details of the Directors are set out on pages 32 to 35 of this Report.

Board Responsibilities

The Board of Directors is responsible;

- to Shareholders for the Governance of the Company
- for formulating of business strategies taking into consideration the Company's strengths, competencies and risks
- in implementing and monitoring of such strategies
- for reviewing and ratifying systems in operation relating to risk management, internal control, codes of conduct and compliance with the laws, statutes and regulations
- for reviewing, monitoring and ratifying all capital expenditure, acquisitions and divestitures
- for monitoring Senior Management performance
- in ensuring that effective information and audit systems are in place
- in ensuring that due attention is given to annual and interim Financial Statements prior to publication
- to determine the quantum of the final dividend
- to approve and monitor financial and other reporting

Role and Function of the Board of Directors

The Board has overall control and oversight of the activities, the strategic direction and the Governance of the Company and the Group. Its role includes control and oversight of the Company's businesses, risk management and compliance, the performance of management, approving and monitoring financial and other reports and capital expenditure and reporting to shareholders.

The skills and knowledge of each Director is kept up to date by keeping them fully informed on important developments in the business activities of the company and by providing them with access to;

- Performance Reports done periodically
- External and Internal Auditors
- Senior Management
- External Professional Advisory Services
- Updates on Proposed/New Regulations and Industry Best Practices
- The Services of the Company Secretary

Board Balance

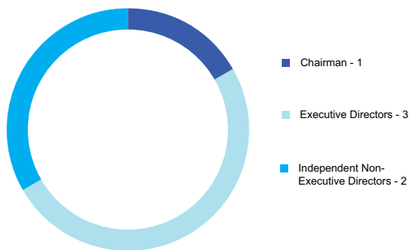
The present composition of the Board is at a healthy balance between executive expediency and independent judgment. The Non- Executive Directors possess vast experience in business and strong financial acumen, through their membership on External Boards, and thereby are able to assess the financial reporting systems and internal controls, review and suggests any changes in keeping with best practice.

The Board is also conscious of the need to progressively refresh its composition over time. There were no new Directors appointed during the year.

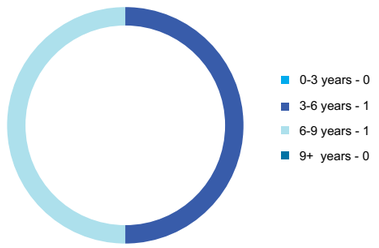
The Composition of the Board is shown in the table below

Name of Director/ Capacity	Shareholding	Management	Material Business Relationship	Employee of the Company	Family Member Director	Nine years of Continuous Service
Executive Directors						
Mr. G.L.A. Ondaatjie	Yes	Yes	Yes	No	Yes	Yes
Mr. Gerard G. Ondaatjie	Yes	Yes	Yes	Yes	Yes	Yes
Ms. A.M. Ondaatjie	Yes	Yes	Yes	No	Yes	Yes
Mr. T.J. Ondaatjie	Yes	Yes	Yes	No	Yes	Yes
Non-Executive Independent Directors						
Mr. J.H.P. Ratnayeke	Yes	No	No	No	No	No
Mr. L.N. de S. Wijeyeratne	No	No	No	No	No	No

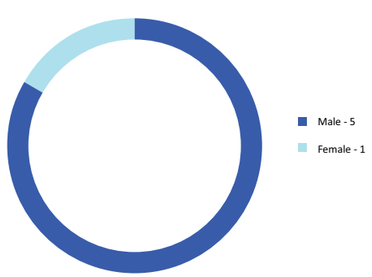
Balance of Non-Executive Directors and Executive Directors



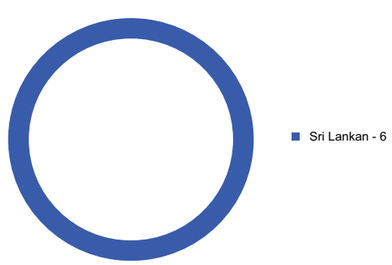
Length of Tenure of Non-Executive Directors



Gender Split of Directors



Nationality



Board Meetings, Agenda and Attendance

The Board meets as a practice as and when required. Agendas and papers are circulated in advance to enable informed deliberation at meetings and decisions are made by consensus. For the financial year 2012/13 there was a total of 4 Board meetings. The Board met on key matters of importance to the Company, including the approval of strategic and operating plans, capital expenditure, Financial Statements by giving due attention to Accounting Standards and Policies, ensuring compliance with legal and ethical standards, ensuring effective risk management and audit systems and performance monitoring other matters having a material effect on the Company.

Name of Director	26th June 2012	21th Sept 2012	30th Jan 2013	27th Mar 2013	Meetings Attended
Executive Directors					
Mr. G.L.A. Ondaatjie - Chairman	-	-	-	✓	1/4
Mr. Gerard G. Ondaatjie	✓	✓	✓	✓	4/4
Ms. A.M. Ondaatjie	✓	✓	✓	✓	4/4
Mr. T.J. Ondaatjie	✓	✓	✓	-	3/4
Executive Directors					
Mr. J.H.P. Ratnayeke	✓	✓	✓	✓	4/4
Mr. L.N. de S. Wijeyeratne	✓	✓	-	✓	3/4

Obtaining Independent Professional Advice

The Board in discharging its duties seeks independent professional advice from external parties when necessary at the Company's expense.

Company Secretary

Mercantile Investments & Finance PLC. functions as Secretaries to the Board. They ensure that appropriate Board processes are adopted, board procedures and applicable rules and regulations adhered to and a proper record of all proceedings of Board meetings are maintained.

Compliance with Legal Requirements

The Board is conscious of its responsibility to the Shareholders, the Government and the Society at large, in which it operates and is unequivocally committed to upholding ethical behavior in conducting its business. The Board, through the Company's Administrative and Finance Divisions, strives to ensure that the businesses of the Company and its subsidiary comply with the laws and regulations of the country. The Board of Directors ensures that all Financial Statements are prepared in accordance with the Sri Lanka Financial Reporting Standards and conform to the requirements of the Colombo Stock Exchange.

Nominations Committee

The main objective of the Nominations Committee is to identify suitable persons, having regard to their professional competence, experience in commercial management and personal qualities; for the appointment to the Board and to consider the appointment or re-appointment of any Director to the Board.

Shareholders must formally approve all new appointments at the first opportunity after their appointment, as provided by the Articles of Association of the Company.

The Nominations Committee of the Company comprises of two Independent Non-Executive Directors and one Executive Director namely:

Mr. J.H.P. Ratnayeke (NED) - Chairman
Mr. L.N. de S. Wijeyeratne (NED)
Mr. Gerard G. Ondaatjie (ED)

The Nominations Committee met once during the financial year.

Name of Director	13th Feb 2013	Meetings Attended
Mr. J.H.P. Ratnayeke - (NED /ID)	✓	1/1
Mr. L.N. de S. Wijeyeratne - (NED/ID)	✓	1/1
Mr. Gerard G. Ondaatjie - (ED)	-	0/1

Audit Committee

The Audit Committee comprises of two Independent Non-Executive Directors and a Consultant (Chartered Accountant).

The members of the Audit Committee are as follows:

Mr. J.H.P. Ratnayeke - Chairman
Mr. L.N. de S. Wijeyeratne
Mr. Manil Jayesinghe - Consultant

As prescribed in the listing rules of the Colombo Stock Exchange two members of the Audit Committee are members of a professional accounting body. Mr. L.N. de S. Wijeyeratne and Mr. Manil Jayesinghe are Fellows of the Institute of Chartered Accountants of Sri Lanka. The External and Internal Auditors, the General Manager and Group Financial Controller attends the Audit Committee Meetings by invitation.

The Audit Committee focuses principally in assisting the Board to fulfill its duties by providing an independent and objective view of the financial reporting process, internal controls, risk review and the audit function. The Audit Committee is assisted by the Internal Audit. Internal Controls have been designed to ensure transparency and good Governance within the Company. The Committee is responsible for the consideration and recommendation of External Auditors. A report of the Audit Committee is given on page 64.

The Audit Committee met four (4) times during the year, holding one meeting per quarter according to a predetermined agenda.

Attendance at Audit Committee Meetings

Name of Member	17th May 2012	13th Aug 2012	14th Nov 2012	13th Feb 2013	Meetings Attended
Mr. J.H.P. Ratnayeke - (NED/ID)	✓	✓	✓	✓	4/4
Mr. L.N. de S. Wijeyeratne - (NED/ID)	✓	✓	✓	✓	4/4
Mr. Manil Jayesinghe - Consultant	✓	✓	-	✓	3/4

Remuneration Committee

The Remuneration Committee consists of two Non-Executive Independent Directors and a Consultant (Chartered Accountant), namely:

Mr. J.H.P. Ratnayeke - Chairman
Mr. L.N. de S. Wijeyeratne
Mr. Manil Jayesinghe - Consultant

The Group Financial Controller assists the Committee by providing the relevant information and participating in the analysis and deliberations.

The objective of the Remuneration Committee is to review and recommend the remuneration payable to the Executive Directors.

The aggregate remuneration paid to Directors is disclosed on page 179 of this Report.

The Remuneration Committee met once during the financial year.

Attendance at Audit Committee Meetings

Name of Director	13th Feb 2013	Meetings Attended
Mr. J.H.P. Ratnayeke - (NED /ID)	✓	1/1
Mr. L.N. de S. Wijeyeratne - (NED/ID)	✓	1/1
Mr. Manil Jayesinghe - Consultant	✓	1/1

Relationship with Stakeholders

The Board of Directors ensured that the top Management Team possesses right skills to deliver their best contribution towards the Company. The Board has empowered such employees to make operational decisions and also encourage them to make recommendations to the Board on areas of strategic importance. The vision, goals and objectives of the Company have been formulated and all the employees have been briefed clearly of their specific job to achieve overall results for the Company.

The Company maintains sound relationship with regulatory authorities. The Shareholders have the right to voice their concerns to Board of Directors and exercise their votes at Annual General Meetings/Extra-ordinary General Meetings of the Company. The notice of such meetings, and relevant documents as required by the Companies Act No. 07 of 2007 and Listing Rules of Colombo Stock Exchange are circulated to all the shareholders within the timeframe stipulated in the relevant statutes.

Roles of Stakeholders

The Company ensures that all stakeholder rights are properly observed. Permanent procedures are carried out in line with the rules and regulations of the Colombo Stock Exchange, as well as the related laws.

Shareholders; The Company is committed to create long-term growth and returns to the shareholders and to conduct its business in a transparent manner.

Customers; The Company is committed to continuously develop a better quality service for the benefit and satisfaction of customers.

Creditors; The Company observes all of its obligations to its creditors.

Competitors; The Company abides by the framework of fair competition and will not destroy the reputation of competitors through false accusations.

Employees; the Company considers its employees as valuable assets and treats them fairly in regard to remuneration, work opportunities and the quality of the work environment.

Society and Environment; The Company is committed to conduct the business that benefits the society and economy and quality of environment.

Financial Reporting

The Board of Directors confirm the Financial Statements for the year ended 31st March 2013, of the Nuwara Eliya Hotels Co. PLC and the consolidated Financial Statement of the Company and its subsidiary, that are incorporated in this Report, have been prepared in accordance with the Sri Lanka Financial Reporting Standards and the Companies Act No. 07 of 2007. The Company has duly complied with all the reporting requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar of Companies. The consolidated Financial Statements and the Financial Statements of the Company were audited by KPMG, Chartered Accountants.

The Independent Auditors' Report on the Financial Statements for the year ended 31st March 2013 is presented on page 161 of this Annual Report. The Annual Report of the Board of Directors is presented on pages 38 to 41 of the Annual Report.

Risk Review and Internal Control

The Board is responsible for the formulation of appropriate systems of internal controls for the Company and ensuring its effectiveness. The Board is aware that any internal control systems contains inherent limitations and no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human errors, loss, frauds or other irregularities. Therefore the Board takes appropriate action to minimize such situations.

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

The Company may be exposed to certain external and internal risks. The Company recognizes the importance of controlling these risks and minimizing the possibility of any negative impact to the Company. The control systems are designed to safeguard the Company's assets and maintain proper accounting records.

The Internal Audit reports are reviewed and discussed at management level and thereafter forwarded to the Audit Committee. Internal Audit Reports are structured in a way that it facilitates the resolution of the concerns highlighted and follow-up action is monitored by the Board on an ongoing basis.

Disclosure

The Board's policy is to disclose all relevant information to stakeholders, within the bounds of prudent commercial judgment, in addition to preparing the Fnancial Statements in accordance with Sri Lanka Financial Reporting Standards, the Companies Act No. 07 of 2007 and in conformity with Stock Exchange disclosure requirements.

Going Concern

The Board of Directors after reviewing the financial position and cash flow of the Company is confident that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, the "Going Concern Basis" has been adopted in the preparation of the Financial Statements.

Compliance Report

The Directors confirm that to the best of their knowledge all taxes and duties payable by the Company and all contribution levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues payable as at the date of Financial Position have been paid or are provided for in the accounts.

Other Information

The Annual Report contains statements from the Board including the responsibilities of the Directors for the preparation of the Financial Statements and the Directors are of the view that they have discharged their responsibilities as set out in this statement. The performance of the Company during the year under review and the future prospects of the Company are covered in the Chairman's Message. A detailed review of the Hotel's performance during the year is covered in the Managing Director's Message on Management Discussion & Analysis.

The Nuwara Eliya Hotels Co. PLC
Annual Report 2013

.... Corporate Governance

Corporate Governance Compliance Table

Levels of compliance with the CSE's New Listing Rules - Section 7.10, Rules on Corporate Governance are given in the following table:

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.1 (a)	Non-Executive Directors	Two or at least one third of the total number of Directors should be Non-Executive Directors	Compliant	Corporate Governance
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher should be Independent	Compliant	Corporate Governance
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/Non-independence in the prescribed format	Compliant	Available with the Secretaries for Review
7.10.3 (a)	Disclosure Relating to Directors	• The Board shall annually make a determination to the independence or otherwise of the Non-Executive Directors • Names of Independent Directors should be disclosed in the Annual Report.	Compliant	Corporate Governance
7.10.3 (b)	Disclosure Relating to Directors	The basis for the Board to determine a Director is independent, if criteria specified for independence is not met.	Compliant	Corporate Governance
7.10.3 (c)	Disclosure Relating to Directors	A brief resume of each Director should be included in the Annual Report including the areas of Expertise.	Compliant	'Board of Directors' - Profile

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.3 (d)	Disclosure Relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the Exchange	Compliant	Corporate Governance and Board of Directors Profile section in the Annual Report – No new Directors appointed during the period
7.10.4 (a) - (h)	Determination of Independence	Requirements of meeting criteria	Compliant	Corporate Governance
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Corporate Governance
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom will be independent	Compliant	Corporate Governance
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Executive Directors	Compliant	Corporate Governance
7.10.5 (c)	Disclosure in the Annual Report Relating to Remuneration Committee	• Names of Directors comprising the Remuneration Committee	Compliant	Corporate Governance
		• Statement of Remuneration Policy	Compliant	Corporate Governance
		• Aggregated Remuneration paid to Directors	Compliant	Notes to the Financial Statements
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant	Corporate Governance and the Audit Committee Report
7.10.6 (a)	Composition of Audit Committee	• Shall comprise of Non-Executive Directors a majority of whom will be independent	Compliant	Corporate Governance and the Audit Committee Report
		• A Non-Executive Director shall be appointed as the Chairman of the Committee	Compliant	Corporate Governance and the Audit Committee Report
		• CEO (Managing Director) & Chief Financial Officer should attend Audit Committee Meetings	Compliant	Corporate Governance and the Audit Committee Report
		• The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	Corporate Governance and the Audit Committee Report
7.10.6 (b)	Audit Committee Functions	Functions shall include: Overseeing of the - • Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Financial Reporting Standards	Compliant	Corporate Governance and the Audit Committee Report
		• Compliance with Financial Reporting requirements, information requirements of the Companies Act and other relevant Financial Reporting related regulations and requirements		
		• Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards		
		• Assessment of the independence and performance of the external auditors		
		• Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditors		
7.10.6 (c)	Disclosure in the Annual Report Relating to Audit Committee	• Names of Directors comprising the Audit Committee	Compliant	Corporate Governance and the Audit Committee Report

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
		• The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Corporate Governance and the Audit Committee Report
		• The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions	Compliant	Corporate Governance and the Audit Committee Report

Adoption of Joint Code of Best Practice - Checklist

Code No.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.1 Directors - Board				
A.1.1	Frequency of Board Meetings	Board should meet regularly at least once every quarter	Compliant	Corporate Governance
A.1.2	Responsibilities of the Board	• Formulation and implementation of strategy	Compliant	Corporate Governance
		• Skill adequacy of management and succession		
		• Integrity of information, internal controls and risk management		
		• Compliance with laws, regulations and ethical standards		
		• Code of conduct		
		• Adoption of appropriate Accounting Policies		
A.1.3	Access to Professional Advice	• Procedures to obtain independent professional advice	Compliant	Corporate Governance
A.1.4	Company Secretary	• Ensures adherence to board procedures and applicable rules and regulations	Compliant	Corporate Governance
		• All Directors to have access to the services of Company Secretary		

Code No.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.1.5	Independent Judgement	• Directors should exercise independent judgement on issues of strategy, resources, performance and standard of business judgement	Compliant	Corporate Governance
A.1.6	Dedication of Adequate Time and Effort by Directors	• Directors should devote adequate time and effort to discharge their responsibilities to the Company satisfactorily	Compliant	Corporate Governance and the Audit Committee Report
A.1.7	Training of Directors	• Directors should receive appropriate training, have skills and expand knowledge to effectively perform duties	Compliant	Corporate Governance and the Audit Committee Report
A.2 Directors – Chairman & Chief Executive Officer				
A.2	Division of Responsibilities to Ensure no Individual has Unfettered Powers of Decision	• A balance of power and authority to be maintained by separating responsibility for conducting Board business from that of executive decision making.	Compliant	Corporate Governance
A.3 Role of Chairman				
A.3	Ensure Good Corporate Governance	• Chairman to preserve order and facilitate effective discharge of board functions by proper conduct of Board meetings	Compliant	Corporate Governance
A.4 Role of Chairman				
A.4	Possession of Adequate Financial Acumen	• Board to ensure adequacy of financial acumen and knowledge within Board	Compliant	Corporate Governance
A.5 Directors – Board Balance				
A 5.1	Proportion of Independent Directors	• The Board should include a sufficient number of Non-Executive Independent Directors	Compliant	Corporate Governance
A 5.2	Proportion of Independent Directors	• Two or one third of the Non-Executive Directors should be independent	Compliant	Corporate Governance

Code No.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A 5.3	Test of Independence	• Independent Directors should be independent of management and free of any business or other relationships that could materially interfere with the exercise of unfettered and independent judgement	Compliant	Corporate Governance and the Audit Committee Report
A 5.4	Declaration of Independence	• Non-Executive Directors should submit a signed and dated declaration of their independence/non-independence	Compliant	Corporate Governance and the Audit Committee Report
A 5.5	Annual Determination of Criteria of Independence/Non-Independence and Declaration of Same by Board	• The Board should annually determine and disclose the names of Directors deemed to be independent	Compliant	Corporate Governance
A 5.6	Appointment of Senior Independent Director	• If the roles of Chairman and CEO (Managing Director) are combined, a Non-Executive Director should be appointed as a Senior Independent Director	N/A	
A 5.7	Availability of Senior Independent Directors to Other Directors		N/A	
A 5.8	Interaction Between Chairman and Non-Executive Independent Directors	• The Chairman should meet the Non-Executive Independent Directors at least once a year	To be Complied	-
A 5.9	Directors Concerns to be Recorded	• When matters are not unanimously resolved, Directors to ensure their concerns are recorded in Board minutes.	Compliant	Corporate Governance

Code No.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A 6	**Directors – Supply of information**			
A 6.1	Provision of Adequate Information to the Board	• Management to ensure Board is provided timely and appropriate information	Compliant	Corporate Governance
A 6.2	Adequacy of Notice and Formal Agenda to be Discussed at Board Meetings	• Board minutes, agenda and papers should be circulated at least seven days before the Board meeting	Compliant	Corporate Governance
A 7	**Directors – Appointments to the Board**			
A 7.1	Nomination Committee	• Nomination Committee to make Re-commendations to the Board on new Board appointments	Compliant	Corporate Governance
A 7.2	Annual Assessment of Board Composition	• Nomination Committee of Board should annually assess the composition of the Board	Compliant	Corporate Governance
A 7.3	Disclosure of New Board Appointments	• Profiles of new Board appointments to be communicated to shareholders	N/A – for the period	
A 8	**Directors – Re-Election**			
A 8.1	Appointment of Non-Executive Directors	• Appointment of Non-Executive Directors should be for a specified term and re-election should not be automatic	Compliant	Corporate Governance
A 8.2	Shareholders Approval of Appointment of Directors	• The appointment of all Directors should be subject to election by shareholders at the first opportunity	Compliant	Corporate Governance

Code No.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A 9	**Directors – Appraisal of Board Performance**			
A 9.1	Annual Appraisal of Board Performance	• The Board should annually appraise how effectively it has discharged its key responsibilities	To be Complied	-
A 9.3	Declaration of Basis of Performance Evaluation	• The Board should disclose how performance evaluations have been carried out	To be Complied	-
A 10	**Directors – Disclosure of Information in Respect of Directors**			
A 10.1	Biographical Profiles and Relevant Details of Directors to be Disclosed	• Annual Report should disclose the biographical details of Directors and attendance at Board/Committee Meetings	Compliant	Directors Profile/ Corporate Governance
A 11	**Directors – Appraisal of Chief Executive Officer**			
A 11.1	Short, Medium and Long-term, Financial and Non-financial Objectives to be set	• Short, medium and long-term, financial and non-financial objectives to be set	Compliant	Corporate Governance
A 11.2	Evaluation of CEO (Managing Director) Performance	• The performance of the CEO (Managing Director) should be evaluated by the Board at the end of the year	To be Complied	-
B 1	**Directors' Remuneration – Remuneration Procedure**			
B1.1	Appointment of Remuneration Committee	• Remuneration Committee to make recommendations on Directors' remuneration	Compliant	Corporate Governance
B 1.2	Composition of Remuneration Committee	• Board to appoint only Non-Executive Directors to serve on Remuneration Committee	Compliant	Corporate Governance

Code No.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
B 1.3	Disclosure of Members of Remuneration Committee	• The Annual Report should disclose the Chairman and Directors who serve on the Remuneration Committee	Compliant	Corporate Governance
B 1.4	Remuneration of Non-Executive Directors	• Board to determine the level of remuneration of Non-Executive Directors	Compliant	Corporate Governance
B 1.5	Access to Professional Advice	• Remuneration Committee should have access to professional advice in order to determine appropriate remuneration for Executive Directors	Compliant	Corporate Governance
B 2	**Directors' Remuneration – Level and Make-up of Remuneration**			
B 2.1	Remuneration Packages for Executive Directors	• Packages should be structured to attract, retain and motivate Executive Directors	Compliant	Corporate Governance
B 2.2	Remuneration Package	• Packages should be comparable and relative to that of the other companies as well as the relative performance of the Company	Compliant	Corporate Governance
B 2.3	Appropriateness of Remuneration and Conditions in Relation to Other Group Companies	• When determining annual increases, the Remuneration Committee should be sensitive to that of other Group Companies	Compliant	Corporate Governance
B 2.4	Performance Related Elements of Remuneration	• Performance related elements of remuneration should be aligned with interests of the Company.	Compliant	Corporate Governance
B 2.5	Share Options	• Executive share options should not be offered at a discount	N/A	

Code No.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
B 2.9	Remuneration Packages of Non-Executive Directors	• Should reflect the commitment and responsibilities of role and in line with existing market practice	Compliant	Corporate Governance
B 3	**Directors' Remuneration – Disclosure of Remuneration**			
B 3.1	Disclosure of details of Remuneration	• The Annual Report should disclose the remuneration paid to Directors	Compliant	Financial Statement Note 8
C 1	**Relations with Shareholders**			
C 1.1	Proxy Votes to be counted	• The Company should count and indicate the level of proxies lodged for and against in respect of each resolution	Compliant	Corporate Governance
C 1.2	Separate Resolutions	• Separate resolutions should be proposed for substantially separate issues	Compliant	Corporate Governance / Notice of Meeting
C 1.3	Availability of Committee Chairman at AGM	• The Chairman of Board Committees should be available to answer any queries at the AGM	Compliant	Corporate Governance
C 1.4	Notice of AGM	• 15 working days notice to be given to shareholders	Compliant	Notice of Meeting
C 1.5	Procedure for Voting at meetings	• Company to circulate the procedure for voting with Notice of Meeting	Compliant	Notice of Meeting
C 2	**Major Transactions**			
C 2.1	Disclosure of Major Transactions	• Transactions that have a value which are greater than half of the net assets of the Company should be disclosed	No major transactions during the current period	Annual Report of the Board of Directors

Code No.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D 1	**Accountability and Audit – Financial Reporting**			
D 1.1	Presentation of Public Reports	• Should be balanced, understandable and Comply with statutory requirement	Compliant	Financial Statements
D 1.2	Directors Report	The Directors Report should be included in the Annual Report and confirm that: • The Company has not contravened laws or regulations in conducting its activities • Material interests in contracts have been declared by Directors • The Company has endeavoured to ensure equitable treatment to Shareholders • That the business is a **"going concern"** • That there is reasonable assurance of the effectiveness of the existing business systems following a review of the internal controls covering financial, operational and compliance	Compliant	Annual Report of the Board of Directors/ Financial Statements/ Corporate Governance/ Risk Management
D 1.3	Respective Responsibilities of Directors and Auditors	• The annual Report should contain separate statements setting out the responsibilities of the Directors for the preparation and presentation of the Financial Statements and the reporting responsibilities of the Auditors	Compliant	Statement of Directors Responsibilities/ Independent Auditors' Report
D 1.4	Management Discussion and Analysis	• Annual Report to include a section on Management Discussion and Analysis	Compliant	Management Discussion Analysis
D 1.5	Going Concern	• Directors to substantiate and report that the business is a going concern or qualify accordingly	Compliant	Annual Report of the Board of Directors

Code No.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D 1.6	Serious Loss of Capital	• Directors to summon an Extra-Ordinary General Meeting in the event that the Net Assets of the Company falls below 50% of the Value of the Shareholders Funds.	N/A	
D 2	**Accountability and Audit – Internal Control**			
D 2.1	Effectiveness of System of Internal Controls	• Directors to annually conduct a review of the effectiveness of the system of internal controls. The responsibility may be delegated to the Audit Committee	Compliant	Audit Committee Report/ Risk Management
D 3	**Audit Committee**			
D 3.1	Chairman and Composition of Audit Committee	• Should comprise of a minimum of two Independent Non-Executive Directors • Audit Committee Chairman should be appointed by the Board	Compliant	Audit Committee Report
D 3.2	Duties of Audit Committee	Should include: • Review of scope and results of audit and its effectiveness • Independence and objectivity of the Auditors	Compliant	Corporate Governance
D 3.3	Terms of Reference/ Charter	• The Audit Committee should have a written terms of reference which define the purpose of the Committee and its duties and responsibilities	Compliant	Corporate Governance
D 3.4	Disclosures	• The Annual Report should disclose the names of Directors serving on the Audit Committee • The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination • The Annual Report should contain a report by the Audit Committee setting out the manner of compliance during the period to which the report relates	Compliant	Audit Committee Report/ Corporate Governance

Code No.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D 4	**Code of Business Conduct & Ethics**			
D 4.1	Adoption of Code of Business Conduct and Ethics	• The Company must adopt a code of business conduct and ethics for Directors and members of the Senior Management team and promptly disclose any violation of the code	To be complied	
D 4.2	Chairman's Affirmation	• The Annual Report must include an affirmation by the Chairman that he is not aware of any violation of the code of business conduct and ethics	To be complied	
D 5	**Corporate Governance Disclosures**			
D 5.1	Corporate Governance Report	• The Annual Report should include a Report setting out the manner and extent to which the Company has adopted the principles and provisions of the Code of best practice on Corporate Governance	Compliant	Corporate Governance
E	**Industrial Investors – Structured Dialogue**			
E.1	Structured Dialogue with Shareholders	• A regular and structured dialogue should be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman	Compliant	Corporate Governance
E.2	Evaluation of Governance Disclosures by Institutional Investors	• Institutional investors should be encouraged to consider the relevant factors drawn to their attention with regard to Board structure and composition	Compliant	Corporate Governance
F	**Other Investors – Investment / Divestment Decisions**			
F.1	Individual Investors	• Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment/divestment decisions	Compliant	Corporate Governance
F.2	Shareholder Voting	• Individual shareholders should be encouraged to participate and exercise their voting rights	Compliant	Corporate Governance/ Form of Proxy

Audit Committee Report

The Audit Committee of The Nuwara Eliya Hotels Company PLC is comprised of two Independent Non-Executive Directors of the main Board of the Group, namely Mr. L.N. de S. Wijeyeratne (Chartered Accountant) and Mr. J.H.P. Ratnayeke (Attorney-at-Law) and Consultant Mr. Manil Jayesinghe (Chartered Accountant).

The Principal Responsibilities of the Audit Committee

The Audit Committee is empowered by the Board of Directors to examine all matters relating to the financial status of the Company, and its internal and external audits. The Committee pursues and promotes good Corporate Governance by actively creating awareness and providing advice to management on risk management, appropriate internal control practices, and other related activities of the Company in compliance with the rules and regulations of the Colombo Stock Exchange.

The Audit Committee met independently with the Management and the Internal and External Auditors of the Company, conducted reviews and evaluations of Accounting Policies, the procedures relative to the Accounting Policies, the Internal Control Assessment, and the Audit Plan. The Audit Committee also verified and accepted the consolidated Financial Statements for every quarter-end and provided assessments and recommendations to the Board of Directors. Where weaknesses were identified in internal controls, corrective and preventive action plans were established to eliminate or reduce the associated risks. The Board of Directors, following the review and recommendations of the Audit Committee approve related party transactions.

In 2012/13, the Committee's principal activities included the following matters:

1. Approved quarterly Financial Statements and reviewed full year Financial Statements, the Annual Report and Accounts for reliability, consistency and compliance with Sri Lanka Accounting Standards and the Companies Act No. 07 0f 2007, prior to issuance. It also reviewed the adequacy of disclosures in the published Financial Statements, and provided assessments and recommendations to the Board of Directors.

2. Reviewed accomplishments of the Company with respect to the performance effectiveness especially performance of new project operations.

3. Reviewed Management's Plan and statutory requirement for the transition to International Financial Reporting Standards (IFRS). This included the assurance that the transition plan demonstrated clear understanding of the changes, identified key conversion activities, the time table, the resources required, and training of all staff affected by the transition. The Company appointed KPMG to be the implementation Consultant to assist with the IFRS transition process. The status of the IFRS transition plan was updated to the Audit Committee every quarter.

4. Assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process.

5. The minutes of the Audit Committee Meetings were sent to the Board of Directors for acknowledgement. Major issues arising therefrom were discussed in the Board of Director meetings.

Meetings

Name of Member	17th May 2012	13th Aug 2012	14th Nov 2012	13th Feb 2013	Meetings Attended
Mr. J.H.P. Ratnayeke - (NED/ID)	✓	✓	✓	✓	4/4
Mr. L.N. de S. Wijeyeratne - (NED/ID)	✓	✓	✓	✓	4/4
Mr. Manil Jayesinghe - Consultant	✓	✓	-	✓	3/4

The Statutory Auditors, the Internal Auditors, the Group Financial Controller, the Chief Accountant and the General Manager of the Hotel attended these meetings of the Audit Committee on invitation. The Audit Committee has recommended to the Board of Directors that KPMG (Chartered Accountants) be re-appointed as the Company's Auditor for the financial year ending 31st March 2014. The re-appointment of auditors will be subject to the approval of the shareholders at the Annual General Meeting to be held on 28th June 2013.

J.H.P. Ratnayeke
Chairman - Audit Committee
17th May 2013

Nominations Committee Report

The Nominations Committee consists of the two Independent Non-Executive Directors and the Executive Managing Director. The Nomination Committee met once during the financial year 2012/13.

Name of Director	13th Feb 2013	Meetings Attended
Mr. J.H.P. Ratnayeke - (NED/ID)	✓	1/1
Mr. L.N. de S. Wijeyeratne - (NED/ID)	✓	1/1
Mr. Gerard G. Ondaatjie - (ED)	-	0/1

There are written terms of reference for the Nominations Committee.

It is responsible for making recommendations to the Board for the appointment or replacement of additional Directors and ensuring there is an appropriate balance and diversity of skills, experience, knowledge and independence both now and in the future.

It is also responsible for succession planning for the Company. The Board acknowledges the importance of diversity and promoting equal opportunities throughout the Company. The Nominations Committee leads the process for Board appointments and the re-election and succession of Directors, as well as making recommendations for the membership of the Board's main committees.

Accordingly, the Committee's responsibilities include the following:

- Determination of the Board's structure, size and composition;
- Determination of the skills, experience and knowledge of the Board, and identifies candidates to fill Board vacancies and enhance its capability;
- Succession planning for Directors and other Senior Executives, taking into account the challenges and opportunities facing the business, and what skills and expertise are therefore needed on the Board in the future;
- Establishing the time commitment required from Non-Executive Directors;
- Determination of the leadership needs of the organization, both Executive and Non-Executive, with a view to ensuring the continued ability of the organization to compete effectively in the marketplace; and
- Observing strategic issues and commercial changes affecting the Company and the market in which it operates.

The Board from time to time reviews the composition of the Board with particular regard to ensuring that there are an appropriate number of Directors on the Board.

J.H.P. Ratnayeke
Chairman
17th May 2013

Remuneration Committee Report

Introduction

The performance of the Nuwara Eliya Hotels Company PLC is dependent upon the quality of its Directors, Senior Executives and Employees. The Nuwara Eliya Hotels Co. PLC seeks to attract, retain and motivate skilled Directors and Senior Executives of the highest caliber. The remuneration policy of the Company is to ensure that remuneration packages properly reflect a person's duties and responsibilities, that remuneration is appropriate and competitive both internally and as against comparable companies and that there is a direct link between remuneration and performance. Therefore, the Company has set out differing remuneration structures in place for Non-Executive Directors and Senior Executives.

Content of the Report

This Remuneration Committee Report for the year ended 31st March 2013, outlines the Directors' and Executives' remuneration arrangements of The Nuwara Eliya Hotels Co. PLC in accordance with the requirements of the Companies Act and other Regulations. For the purposes of this report, Key Management Personnel (KMP) of The Nuwara Eliya Hotels Co. PLC are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Nuwara Eliya Hotels Group, directly or indirectly, including any Director (whether Executive or otherwise) of the parent company.

Membership of the Committee

The committee comprises of the following members:

J.H.P. Ratnayeke – Independent Non-Executive Director
L.N. de S. Wijeyeratne – Independent Non-Executive Director

Remuneration Review Process

Executive Directors

Fixed remuneration for Managing Director and other Executive Directors are reviewed by the Executive Chairman and approved annually following consideration by the Nomination and Remuneration Committee of his or her performance against his or her annual Key Performance Objectives.

Non-Executive Directors

The process for determining remuneration of the Non-Executive Directors has the objective of ensuring maximum benefit for The Nuwara Eliya Hotels Company PLC by the retention of a high quality Board. The Nomination and Remuneration Committee bears the responsibility of determining the appropriate remuneration for Non-Executive Directors. Non- Executive Directors' fees are reviewed periodically by the Nomination and Remuneration Committee with reference taken to the fees paid to the Non-Executive Directors of comparable companies. The Nomination and Remuneration Committee is subject to the direction and control of the Board. In forming a view of the appropriate level of Board fees to be paid to Non-Executive Directors, the Committee may also elect to receive advice from independent remuneration consultants, if necessary.

Details regarding the composition of the Committee and its main objectives are outlined in the Corporate Governance Statement. During the year, the Nomination and Remuneration Committee was restructured so that it is now comprised solely of Non-Executive Independent Directors.

Senior Executives

The remuneration structure incorporates a mix of fixed and performance based remuneration. The objective of fixed remuneration is to provide a base level of remuneration which is appropriate to the Senior Executive's responsibilities, the geographic location of the Senior Executive and competitive standing in the appropriate market. Fixed remuneration is therefore determined with reference to available market data, the scope and any unique aspects of an individual's role and having regard to the qualifications and experience of the individual.

The review process measures the achievements by the Senior Executives of their Key Performance Objectives (KPOs) established at the beginning of the financial year, the performance of the Company and the business in which the Senior Executive is employed, relevant comparative remuneration in the market and relevant external advice.

Any payments relating to redundancy or retirement are as specified in each relevant Senior Executive's contract of employment.

Meetings of the Committee

The Committee met once during this year. The Committee's effectiveness review concluded that the Committee was provided with sufficient resources to carry out its duties, and no Director is involved in deciding his or her own remuneration. The Directors emoluments are disclosed on page 179.

J.H.P. Ratnayeke
Chairman – Remuneration Committee
17th May 2013

Management Discussion Analysis

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93 Corporate Responsibility
150 Risk Management

Combined Management Discussion Analysis

Operational Review

Outlook – "Milestone in the Industry"

Building upon the success of previous years and capturing a remarkable slice of the tourist arrivals in the year 2012, Grand Hotel moved in the direction of steady growth and expansion in relation to "Service". Year 2013 saw a record number of 71,340 tourist arrivals compared to last year. This remarkable increase in arrivals has also given rise to increased expectations of the traveler in terms of "quality" as the rate paid is at a premium. This emerging trend recognized the need for Grand Hotel to consciously uplift the standard of the facilities provided and moreover, to build on the capabilities and harness the potential of the staff at all levels. As a move towards enhancing skills by providing necessary training and know how, the Hotel declared year 2012, as the "Year of Grooming Future Leaders".

At present the tourist industry has become a major contributor in bringing about a substantial economic boom with notable tourist arrivals in year 2012 and higher arrivals predicted for this year 2013/2014. Although most Hotels have come up in the post-conflict Sri Lanka within a span of 3 -4 years, the capacity of the human resources employed within the sector needs to be consolidated as we see a huge dearth in competencies of man power within the sector. Thus the need to train staff especially the front line staff to make decisions within a guided framework to provide a more enhanced service to guests was the key thinking of naming the current year i.e. 2013 as the "Year of Empowerment".

Refurbishment and Development – "Passion for Perfection"

At the commencement of the year under review, saw a major refurbishment completed in the "Grand Indian" specialty Indian Restaurant with an investment of more than Rs. 15 million. A major facelift was provided with the addition of a new exclusive family dining room, more comfortable seating with a perfect ambience for a delightful Indian experience and a state of the art kitchen to provide a quicker and prompt service to the Guests.

In order to maintain the uniformity in all areas of the Hotel, the flooring of the passage leading to the Public Bar was redone adding an elegant look.

Guest Oriented – "Colonial Hospitality"

Grand Hotel entered into a partnership agreement in February 2013, with one of Sri Lanka's best known and finest brands of tea "Dilmah" for the operation of the exclusive Tea Lounge and Terrace. The Lounge has been named as "T - Lounge by Dilmah at the Grand" which serves the finest and freshest tea range of Dilmah accompanied with a gourmet high tea to the Guests who are delighted with the novel experience at this lounge. The tea lounge being patronized almost all day, encouraged us to extend the seating to the outside of the lounge as well, providing a perfect ambience to guests who would love to enjoy the serenity of nature whilst sipping a good cuppa tea.

As an endeavour to provide maximum satisfaction to Guests, and taking into consideration the requests made by many, we have tied-up with Dialog Television (Pvt) Ltd., to provide a 18 channel TV Lineup for the pleasure of all in-house Guests.

Being in touch wherever you are across the universe is what a traveler aspires for and we have provided the wi-fi facility in all our public areas at no extra cost. It gives the opportunity for guests to stay connected be it official or personal in the comfort of enjoying the holiday at Grand Hotel. Two numbers of dedicated computers too have been provided for Guests' use in the "Piano Lounge" for this purpose.

All the Guests rooms have been provided with all facilities including Safety Lockers, Room Heaters, TVs, Tea and Coffee Making Facilities, Hair Dryers etc. In addition, commencing this financial year all the rooms are provided with Bathroom Slippers and Bathrobes for the convenience of the guests. "Your Care Kits", Dental Kits, Shaving Kits, Sewing Kits etc. are also available on request.

Human Resources – "Passion for Excellence"

As always, Grand Hotel values its human resources enormously, and the year 2012 saw an expansion in the Grand Hotel family with emphasis placed on qualifications, skills and abilities and equal opportunity playing a key role in the selection criteria.

Moving a step further, the newly appointed Resident Manager who has a vast experience in the sphere of training, conducts in-house training for the staff at all levels on varied areas of specializations. The foundation stone was laid for the construction of a modern state-of-the-art Dining Room for the Grand Hotel Team of Staff replacing the present "Staff Cafeteria" It is envisaged that once the new facility is up, it would have no barriers/demarcations within but a common dining area for all with one common Buffet to serve from, a Show Kitchen with a limited A La Carte and Dispensers/ Vending Machines for Soft Beverages, Ice Creams etc.

The Nuwara Eliya Hotels Co. PLC
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Performance Measurement 'Q' Accounts Summary

Quarterly Income Statement

Group Income Statement for 2012/ 2013

In Rs. '000s	1st Quarter Apr - Jun ' 12	2nd Quarter Jul - Sept ' 12	3rd Quarter Oct - Dec ' 12	4th Quarter Jan - Mar ' 13	Total
Revenue	144,026	208,999	184,504	235,375	772,904
Cost of Sales	(29,903)	(38,951)	(35,589)	(45,918)	(150,361)
Gross Profit	114,123	170,048	148,915	189,457	622,543
Other Income/(Loss)	(2,202)	18,956	(2,341)	(275)	14,138
Administration & Operating Expenses	(63,928)	(65,600)	(84,863)	(105,317)	(319,708)
Selling and Distribution Expenses	(6,542)	(7,802)	(5,182)	(6,051)	(25,577)
Profit from Operation	**41,451**	**115,602**	**56,528**	**77,814**	**291,395**
Finance Income	3,307	9,130	9,687	19,011	41,135
Finance Cost	(308)	(108)	(240)	(63)	(719)
Share of Profit on Associate	-	-	-	510	510
Profit Before Tax	**44,450**	**124,624**	**65,975**	**97,272**	**332,321**
Income Tax Expenses (Reversal)	(7,733)	(17,066)	(17,779)	(18,421)	(60,999)
Profit for the Year	**36,717**	**107,558**	**48,196**	**78,851**	**271,322**

Group Income Statement for 2011/ 2012

In Rs. '000s	1st Quarter Apr - Jun ' 11	2nd Quarter Jul - Sept ' 11	3rd Quarter Oct - Dec ' 11	4rd Quarter Jan - Mar ' 12	Total
Revenue	101,611	122,454	151,206	207,245	582,516
Cost of Sales	(27,258)	(31,609)	(35,132)	(43,330)	(137,329)
Gross Profit	**74,353**	**90,846**	**116,074**	**163,915**	**445,187**
Other Income/(Loss)	(3,732)	(955)	(2,740)	4,195	(3,232)
Administration & Operating Expenses	(51,621)	(54,165)	(71,253)	(85,695)	(262,734)
Selling and Distribution Expenses	(4,863)	(4,426)	(7,136)	(7,162)	(23,587)
Profit from Operation	**14,137**	**31,300**	**34,945**	**73,252**	155,634
Finance Income	3,068	2,207	1,802	2,830	9,907
Finance Cost	(470)	(293)	(400)	(15,470)	(16,633)
Share of Profit on Associate				120	120
Profit Before Tax	**16,735**	**33,214**	**36,347**	**62,732**	**149,028**
Income Tax Expenses (Reversal)	(4,355)	(2,198)	(413)	(8,590)	(15,556)
Profit for the Year	**12,380**	**31,016**	**35,934**	**54,142**	**133,472**

Accolades – "Global and National Recognition for Excellence"

1. The Grand Hotel clinched the major awards in the "Commercial Large" category for the 26th consecutive year at the "April Blooms 2012" Flower & Garden competition organized by the Municipal Council of Nuwara Eliya.

    - Flower Garden - 1st Place
    - Lawn - 1st Place
    - Fences & Hedges - 1st Place
    - Pot Plants - 1st Place
    - Collection of Cut Flowers - 1st Place
    - Flower Arrangements – Large - 1st Place
    - Flower Arrangements – Medium - 2nd Place

In addition the Hotel clinched 21-First Places, 25-Second Places and 19-Third Places in the Cut Flowers – Commercial Category.

2. Grand Hotel won the 1st Place at the District Level and 3rd Place in the Central Province for the ''Nagarayata Uyanwathu" Competition organized by the Office of the Governor of the Central Province in November 2012.

3. Grand Hotel and the "Grand Indian" Restaurant were the proud recipient of the Commended Hotels award presented by Trip Advisor, the world's largest Travel Site.

4. The Grand Hotel was awarded a "Star Award" presented to the best managed enterprises within the Central Province in a competition conducted by the Ministry of Industries. The award was of Three Stars, being the highest classification and we were identified under the Large Scale Businesses Category for this purpose.

5. We were recognized by Agoda.Com – Smarter Hotel Booking Site which awarded the "Gold Circle" Award.

6. Grand Hotel won the Bronze Medal for the Best Annual Report in the Tourism and Hospitality Category conducted by the Institute of Chartered Accountants of Sri Lanka.

7. It is indeed an accolade for the first ever team from Sri Lanka to bring home "Silver" by overcoming the gastronomic hurdles and competing with the worlds' best gourmet giants and Chef Sanjeewa Niroshan Prematunge, the Executive Pastry Chef of Grand Hotel, who represented the national team. Chef Sanjeeewa was selected to be a member of this prestigious first ever Team due to his creativity and adventurous ability in the dessert/ patissery category. He was also selected as the "Best Pastry Chef" in 2011 and this too was a major contributing factor for him to be selected to the National Team.

The Society – "Passion for Stewardship"

Grand Hotel planned out its Corporate Social Responsibility Initiatives aligning on the core concepts of "Listen, Learn and Act". In selecting initiatives and causes to support, we prioritize the needs of the communities of Nuwara Eliya whilst continuing to consider the broader needs of society. The Criteria for selection of benevolent activities largely depend on the following facts :

- Aligned with our Vision
- Fit with our Geographic Footprint
- Ability of our Employee Involvement
- Proposed Scope and Impact of the Program

Notable initiatives during the year were focused mainly towards providing a better education and infrastructure facilities for the children. Grand Hotel strongly believes that investments made on children would definitely pave the way to a brighter society. With this forethought, a fully equipped Computer Laboratory was donated to the Siri Piyatissapura Vidyalaya, Bambarakelle, which was in dire need of this facility. An Art competition was also conducted among 15 schools within the Nuwara Eliya Municipal Council Limits which was conducted at the Grand Hotel and the Our Lady's School, under three age categories, where 165 children drew "how they see the world through their eyes". It was inspiring to witness the creativity of these children.

On the request made by the Warden-in-Charge of the Galways Forest Reserve, Grand Hotel was able to complete the construction of 04 Drinking Water Ponds for the benefit of the animals living in the reserve, as there is a severe water shortage during the dry season.

The Annual Blood Donation Campaign, several tree planting and environmental protection programs were also carried out.

The Nuwara Eliya Hotels Co. PLC
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....Combined Management Discussion Analysis

Marketing Overview for the Financial Year for 2013/2014

The occupancy revenue budgeted for the months of May, June and July will be slightly higher considering that the Arabs will travel approximately 45 days prior to the Ramadhan fast. We expect the occupancy to drop during the months of July and August even though the Esala Perahera is at the end of July. The year 2013/2014 will be very challenging as we will be heavily dependent on our main feeder markets such as UK, India (even though we will not have any Indians touring the Ramayana Trail).

Accessability

Optimistically with British Airways, Korean Air and Turkish Airlines having scheduled flights operating weekly, makes our tropical isle a little more accessible from the Europe and the Far East. Therefore we expect a fair number of tourists to buy twin centre tour packages which includes our cultural triangle, wildlife and the hill country for round tours coupled with beach stays on the East and the South and of course, whether we like it or not the Maldives Islands. If Kazakhstan Tourism Authority is successful in securing a charter flight operation to Sri Lanka, especially after His Excellency The President with a strong business delegation's visit to Kazakhsthan in December last year, we will have brighter outlook in the winter months until March 2014.

Highlights

Lonely Planet and few other key travel sites highlighting Sri Lanka as one of the top destinations to travel will have an impact in terms of awareness, provided we capitalize on it and organise some media campaigns. A few road shows in India, Saudi Arabia and Kuwait and other media coverage in terms of press publicity should increase awareness which was not done in the past. Nevertheless, we need to counter the negative publicity and as one of the safest destinations to visit.

Negatives

The concerning factors are that, the DMC's are not getting any inquiries for the summer months and they expect a lot of last minute bookings, hence we will have to depend heavily on our FIT business from the SM & E agents. Since there is no change in the Euro zone crisis it will have an impact on long haul travel.

Long-term Plan

We need to find ways to get clients to stay longer than just one day by coupling nature trails and tea trails. Operationally, our team at the hotel will have to work harder ensuring consistency and customer satisfaction and request our clients to post their experiences on all travel sites which will have a long-term benefits.

Combined Managment Discussion Analysis



Tourist arrivals reached a historic peak in December 2012 at a recorded 122,252 arrivals during the month, against 97,517 arrivals in 2011. Total arrivals into Sri Lanka across 2012 stood at 1,005,605, reflecting a Year-on-Year growth of 17.5%. Notably, arrivals from Western Europe rebounded by 18.4% YoY to reach 373,063 by the end of the year despite continuing financial volatility in the region. The government is targeting 1.25 million arrivals to Sri Lanka by the end of 2013.

Arrivals from the South Asian region grew by a nominal 4.2% YoY reaching 247,599 with India accounting for the majority of visits from the region at 176,340, against 171,374 in 2011. Maldives accounted for the second largest amount of arrivals from the region at 47,572, a growth of 8.1% YoY, a possible symptom of joint tourist packages which cover both countries. Eastern Europe, a relatively new market the country's tourist sector, also grew a sharp 43.6% YoY to reach 72,401 arrivals by the end of the year. Arrivals from Russia were recorded at 28,402, up 32.8% YoY however arrivals from Ukraine spiked by 124.2% to 22,348. This year's peak in arrivals at the end of the year was preceded by a 20.1% YoY increase in November at a 109,202. The next highest arrivals were in the months of March and July at 91,102 and 90,338 respectively. The United Kingdom was the highest source of arrivals from the region at 114,218, amounting however to just 7.7% more than the previous year. Arrivals from Germany, another traditionally strong market for Sri Lanka's tourism sector, were recorded at 71,642,

against 55,882 arrivals during the previous year. Meanwhile, arrivals from other destinations across Western Europe all saw notable increases, particularly countries like Switzerland with 20,054 arrivals, up by 42.1%, along with Spain at 41.3% and Norway with a 54.8% increase in arrivals. All other countries in the region also displayed double-digit per centage increases in arrivals figures over the year.

A Green Environment for Now and the Future

In the past, the major need of people in this planet was arable land. Man did not have to think about living with things. However, now the adverse effects on forests through over-population and the development of various chemical elements in the atmosphere have led to irregular rainfall and global warming. This global warming has brought changes in climate, including making perennial snow mountains melt, thereby adversely affecting not only human beings but also other living species.

Most Organizations both locally and internationally are very much concerned about maintaining or rather protecting at least the scarce green resources that are left and day by day we see conscious effort being placed in this phenomenon.

The Grand Hotel, with a Colonial heritage gradually moving towards the attainment of a Greener Hotel, engaged a full time Executive who has been put in-charge of nature related activities and also adopting and practicing the concepts of Reduce, Recycle and Re-use.

During the year under review the Green Resources and Community Relations Executive has been able to generate income from the following nature related activities organized for the Guests of the Hotel which has had a multi-fold impact.

The Activities are

• Air Rifling	-	Rs. 109,200
• Bird Watching	-	Rs. 125,450
• Trek to Hortain Plains	-	Rs. 338,250
• Trout Fishing	-	Rs. 43,000
• Day Outing to Randenigala Forest Reserve	-	Rs. 27,000
• Boat Rides	-	Rs. 29,000
• Mountain Climbing	-	Rs. 19,500
• Night Safari	-	Rs. 219,200
• Bicycle Tours	-	Rs. 190,700
• City Tour	-	Rs. 3,000
Total	-	Rs. 1,104,300

With the implementation of these nature related activities, we have been able to provide an income to service providers such as Jeep Owners/Drivers, Boatmen, Bicycle Hirers etc. and the Government of Sri Lanka, through the purchase of Entrance Tickets. The total income generated by these service providers during the year was Rs. 477,950. These activities have provided an exposure and experience to our valued Guests, whereby they have been able to familiar themselves with some novel and innovative nature related activities.

We have also been able to introduce some Community Social Responsibility Initiatives to the villages through these nature related exposures, where the Guests have been taken to villages and provided a first hand experience on the normal life in a village, get involved in the day to day chores of a village household etc. In return, these Guests have provided immense benefits to the poor schools in the vicinity and the children attending these schools. The Village Walks have netted in a revenue of Rs. 197,700/= to Grand Hotel, while the Schools have benefited with a revenue of Rs. 123,000/=, Village Community – Rs. 44,900/= for preparation of food, sweet meats etc., and income for Tractor Drivers was Rs. 3,500/=.

Grand Hotel has been able to adopt the concept of Eco Tourism in all its nature related activities by placing emphasis on the core values of Eco tourism being

- Conscientious, low-impact visitor behavior
- Sensitivity towards, and appreciation of, local cultures and bio-diversity
- Support for local conservation efforts
- Sustainable benefits to local communities
- Local participation in decision-making
- Educational components for both the traveler and local communities

As nature related excursions are becoming extensively popular among the Guests. We are exploring the possibility of identifying new, untapped excursions to promote to our Guests without disturbing or harming the mother nature at any cost. A conscious effort is also made to educate the guests, both local and foreign as the employees on the concept of “Green Shopping”.

The Nuwara Eliya Hotels Co. PLC
Annual Report 2013

....Combined Management Discussion Analysis

Future Outlook

- The prototype Junior Suite which is being refurbished would be completed by this financial year which would be the model for the major refurbishment that would happen in 2014/2015.

- A soft refurbishment would be done for all the Golf Wing rooms for which all the materials have already been imported.



Financial Review

The Nuwara Eliya Hotels Company PLC's detail financial review should be read in concurrence with the Audited consolidated financial statements of the Group and the Company for the financial period ended 31st March 2013. The Group refers to the Nuwara Eliya Hotels Company PLC and its fully own subsidiary of Grand Hotel (Pvt) Limited.

Global Economy Outlook

Four years after the onset of the global financial crisis, global economic growth weakened further in 2012, pushing several advanced economies into a double dip recession, while adversely affecting economic growth in most other economies. A growing number of advanced economies experienced downward spiraling dynamics due to high unemployment, sluggish domestic demand amidst risks of excessive near-term fiscal tightening, high public debt burdens, heightened sovereign risks, and financial sector fragility. Further, growth in major emerging markets and developing economies also decelerated notably, pointing to both external vulnerabilities and domestic challenges. Meanwhile, growth in most low income economies performed relatively better, despite the risk of adverse spillover effects from a severe slowdown in advanced and major emerging market economies. The growth of world output is estimated to have declined to 3.2 per cent in 2012, from 3.9 per cent in 2011.

Sri Lanka Economy Outlook

The Sri Lanka economy recorded a real growth rate of 6.4 per cent in 2012 on the back drop of two consecutive years of 8 per cent expansion. This was a creditable performance as it was realized in a challenging environment. Positive investor sentiments that enhanced economic activities, relatively low interest rates, stable exchange rates and a reduction in government taxes spurred growth in 2011 but led to imbalances in the trade account of the balance of payments while broad money growth was at elevated levels with an increase in credit growth. The policy measures adopted by the Government and the Central Bank in the first quarter of 2012 to improve the macroeconomic environment lowered domestic demand. The slowdown in both advanced and emerging economies as well as uncertainty on account of the European sovereign debt crisis, fiscal sector concerns in the US, geo-political issues and higher oil prices dampened the demand for exports. Meanwhile, the country experienced adverse weather conditions which particularly affected agriculture and economic growth during the second half of the year.

Tourism Outlook

The tourism industry is one of the fastest growing sectors in the economy, and its future potential needs to be supported through effective marketing campaigns and addressing causes for adverse publicity. Projecting a positive image of the country as an ideal tourist destination for both leisure and business would be vital for attracting the envisaged number of tourists to the country. At the same time, increased quality of service and greater value for money would also encourage repeat arrivals resulting in achieving the short-term and medium-term goals set for the sector. Increasing the availability of entertainment and recreational activities for tourists by promoting international sporting events and other mega-scale landmark events, such as an annual international film festival, and promoting a night economy could attract more tourists and increase earnings from tourism. Facilitating conferences and private events of foreigners, such as weddings and get-togethers could provide niche opportunities for the tourism sector. Improving language skills of potential employees of the sector, upgrading facilities at landmark tourist destinations, and promoting domestic tourism are further steps that could be taken to promote the industry on.

Sri Lanka Economy How it's going to Reflects on Nuwara Eliya Hotels Company PLC

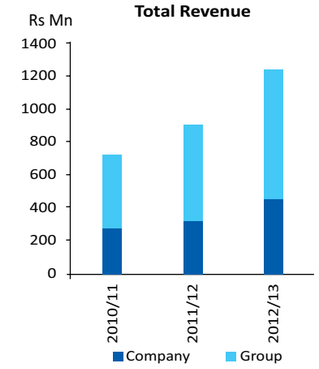
Currently, tourism industry suffers mainly due to a few bad experiences which we had to face due to United Nations human rights issues and some sexual harassment cases of female tourists. When we globally receive adverse publicity about the country, tourists are reluctant to travel to Sri Lanka, because safety is the most important factor for any guest. If these adverse situations do not exist we can negotiate a better rate with the travel agents in par with the other destinations in the world. A serious concern now emerging is, that certain elements of the society is trying to create racist unrest among the communities; this may lead to a major threat to the tourist industry. Since our hotel is mainly patronized by the Middle Eastern market we may have to encounter problems in the future. Therefore we are urging the government to intervene and prevent these kinds of racist acts. If we resolve all these issues with strict law and order we can see the year over year growth in the industry and then we could be in a position to reach the 2.5 million tourists target before 2016.

Basis of Preparation and Comparative Figures

Revenue

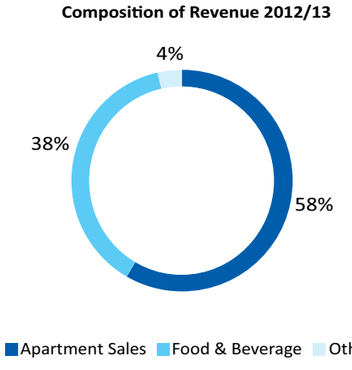
Group Revenue was Rs. 773 million, which surpassed previous year's by Rs. 191 million or 33 per cent. Revenue of the Company increased from Rs. 314 million to Rs. 464 million or 48 per cent. Revenue growth was as a result of volume growth in Apartment and Food & Beverage Sales, other than the main revenue lines our core lines of income also increased during the financial period under review compared to the last year.

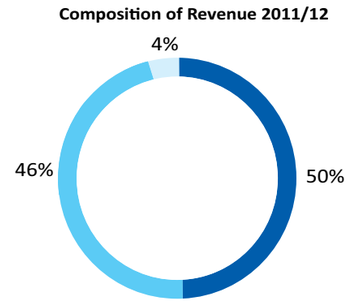
In the financial period under review, our Revenues increased significantly mainly due to our timely refurbishment and improved services to the international standards of quality service. As a result we had large numbers from the Middle East tourists and more repeat guests as well.



Revenue Analysis

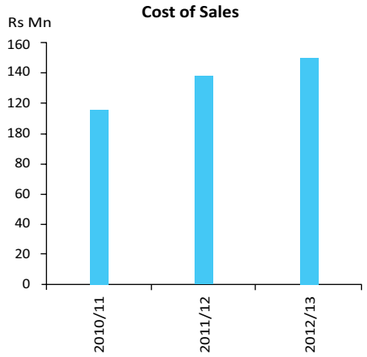
Our revenue analysis comprises as follows:





Cost of Sales

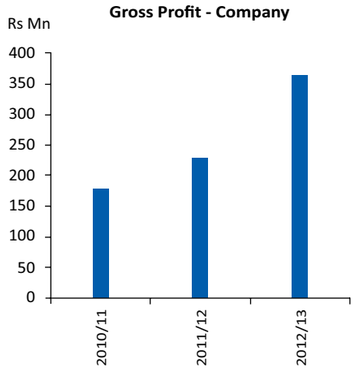
Cost of Sales increased from Rs. 137 million to Rs. 150 million in the previous year, an increase of 9 per cent. Includes mainly cost of direct items purchased in relation to the preparation of food, direct issues to the rooms and cost of the beverage. Cost of Sales in relation to the revenue has decreased marginally compared to previous year from 24 per cent to 19 per cent.

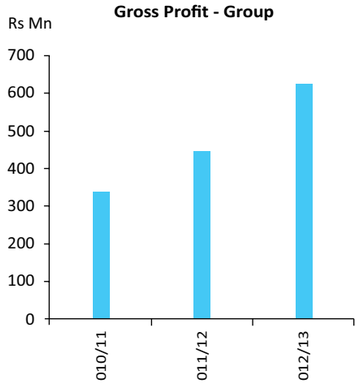


Gross Profit

Gross Profit of the Group for the financial year under review was Rs. 622 million compared with Rs. 445 million in the last year, an increase of 40 per cent.

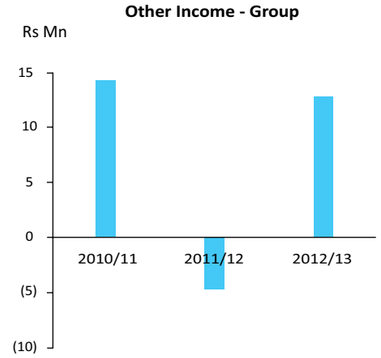
The Groups gross margin percentage increased from 76 per cent to 80 per cent over the prior year. The Gross Profit of the Company is Rs. 361 million as against Rs. 229 million in the previous year, an increase of 58 per cent. In terms of Gross margin of both Company and Group increased over prior year mainly due to growth in revenue. Certain revenues contribute high gross margins to the gross profit.





Other Income

Other Income of the group increased to Rs. 14 million from previous year's negative figure Rs. 3 million, mainly due to increase Vehicle hire income, Sundry Income, Dividend Received, and Profit made out disposal of shares and the group was able to increase the profit by a significant amount during the financial year. However, Gain on exchange decrease from Rs. 1.9 million to Rs. 1.4 million and profits from Disposal of Non-Current Assets realized was Rs. 6.1 million.

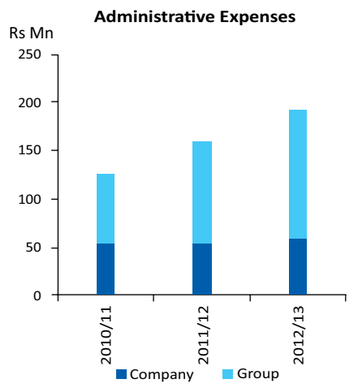


Expenditure

Administrative Expenses

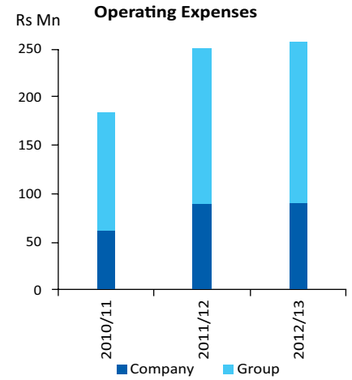
Administrative Expenses of the Group increased over prior year by 17 per cent from Rs. 104 million in 2012 to Rs. 122 million in 2013. Administrative expenses of Company increased over last year by 30 per cent from Rs. 54 million to Rs. 70 million.

Managing the overheads is part of our business strategy since management needs to maintain a balanced approach on operational efficiency as well as supporting the improvement and growth of the business prospects. The Group and the Company expenses were carefully managed which helped contain expense increase below the revenue growth. Administration expense increased mainly due to Salaries and Wages, Staff Food, Security Services and Other Staff related expenses.



Operating Expenses

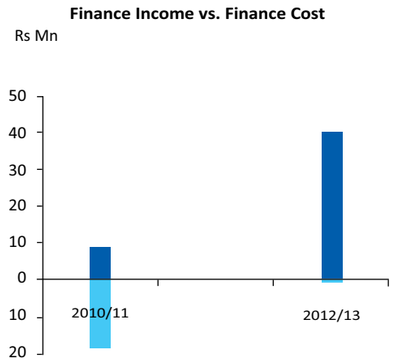
Operating Expenses represent Electricity, Fuel, Traveling & Transport, Water, News paper, Printing and Stationery and also represents depreciation on Property, Plant & Equipment and amortization of intangible Asset. Operating Expenses of the Group increased by 24 per cent over prior year from Rs. 159 million to Rs 198 million. Company's Operating Expenses increased by 30 per cent from Rs. 92 million to 120 million. The increase in depreciation expenses was due to capital expenditure incurred in renovations and improvements done to the building.



Finance Income

Finance Income increased significantly due to investment in our excess cash flows in fixed deposits and in the call money market. Finance income increased from Rs. 9.9 million to Rs. 41 million, this includes an interest income of Rs. 34 million a provision for appreciation in value of investments. The interest income alone was a phenomenal increase of 242 per cent.

Net Finance Cost

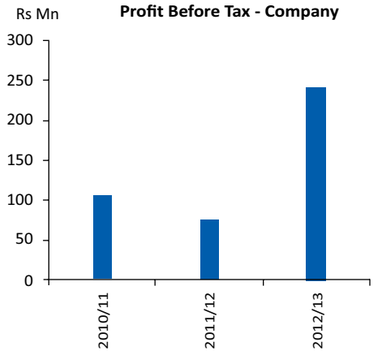


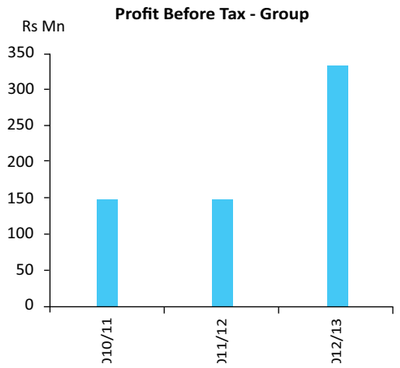
Income Tax Expenses

Income Tax Expenses of the Group was Rs. 57.6 million as against Rs. 14,45 million in 2012, income tax expenses for the Company increased from Rs. 6.4 million to Rs. 36.8 million. Income tax expenses increased mainly due to high profits and due to Grand Hotel (Pvt) Ltd., income tax being at the rate of 12 per cent on the profits after expiration of Board of Investments concessionary tax holiday In 2012. Group effective tax rate 12%.

Profit Before Tax

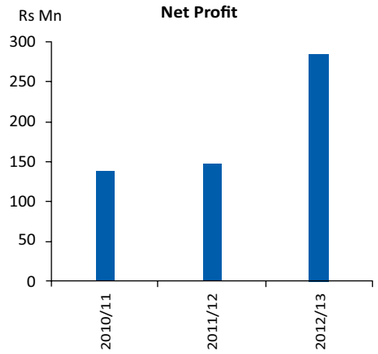
Profit Before Tax increased to Rs. 332 million as against the previous year Rs. 149 million. To achieve this significant growth, a variety of factors can be attributed, such as service standards, quality of the product, operational efficiencies, controls and dedication and commitment of all staff at every level. As a percentage, increase of 123 per cent.





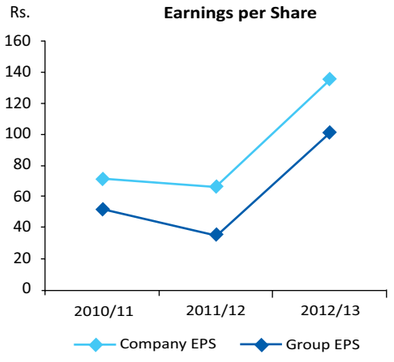
Profit for the Year

The Group recorded a Net Profit of Rs. 271 million after tax for the financial period 2012/2013 under review. This represents an increase of Rs. 138 million or 103 per cent over last year mainly due to increase in ordinary activities of the hotel operations. The increase in other Income by Rs. 17 million also contributed to the growth in net profit. In the Group, profit attributable to shareholders was Rs. 751 million as against Rs. 517 million in 2012.



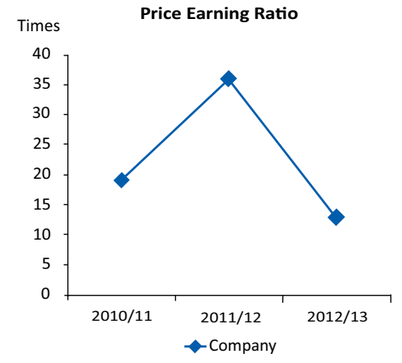
Earnings per Share

Group Earnings per Share (EPS) in the period under review was Rs. 135.34 as against Rs. 66.58 in year 2012. Earnings per share of the Company was Rs. 100.84 as against Rs. 34.34 in year 2012.



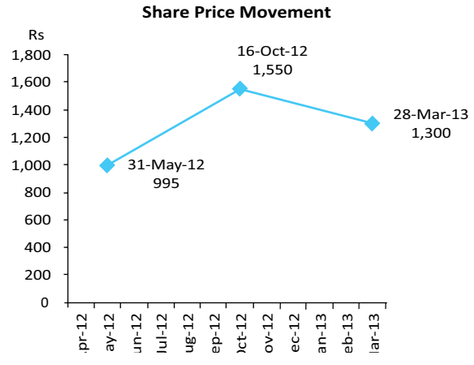
Price Earnings Ratio

The Price to Earnings Ratio of the Company as at 31st March 2013 was 12.89 times against 35.91 times as at 31st March 2012.



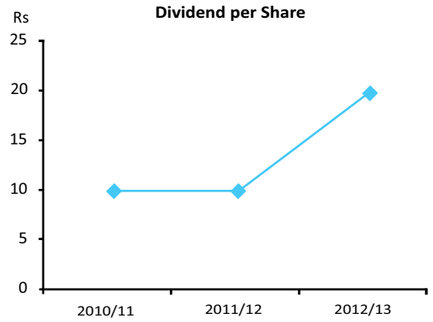
Share Price

During the financial year under review, the Company's Share Price fluctuated between Rs. 995/- and Rs. 1,550/-, closing at Rs. 1,300/-



Dividend per Share

Company paid a Dividend of Rs. 20.00 per share amounting to Rs. 40. 2 million in respect of the year ended 31st March 2013.

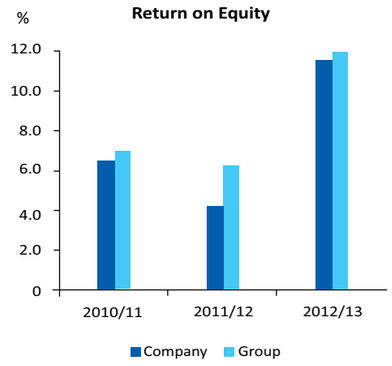


Solvency

As per the Companies Act No. 07 of 2007, requires that a Solvency test to be carried out prior to the payment of dividends. The Board of Directors obtained a certificate of solvency from the Auditors before declaring the final dividend.

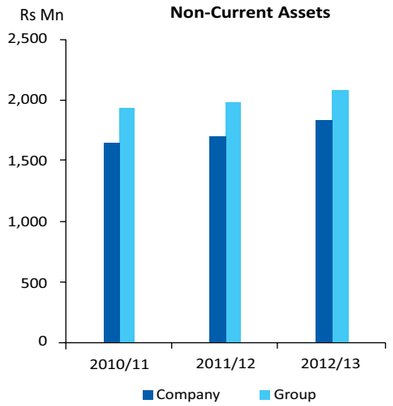
Return on Equity

Return on Group Equity for the financial period ended is 11 per cent whilst in the previous year it was 6.3 per cent. Return on Equity of the Company was 11.1 per cent compared to 4.2 per.cent in the previous year.



Non-Current Assets

Non-Current Assets of the Group increased from Rs. 1.973 million in 2012 to Rs. 2.077 million 2013, an increase of Rs 104 million. Non-Current Assets of the Company increased from Rs. 1.692 million to Rs. 1.827 million, an increase of Rs. 135 million.



The Nuwara Eliya Hotels Co. PLC
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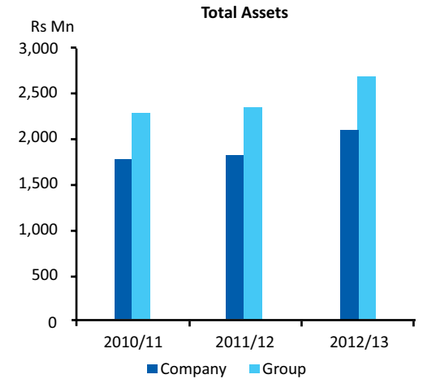
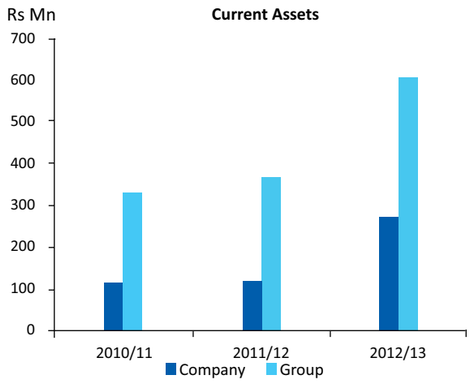
....Financial Review

Current Assets

Current Assets of the Group increased from Rs. 370 million in 2012 to Rs. 606 million as at 31st March 2013, an increase of Rs. 236 million or 63.5 per cent. Current Assets of the Company increased from Rs. 118 million to Rs. 271 million in 31st March 2013. The increase is attributable to higher Trade and Receivables, increase in short term investments and cash & cash equivalents. Both Group and Company commensurate with increase of volumes in business. Trade and Receivables increased mainly due to good occupancy. Group Short-term investments grew from Rs. 42 million to Rs. 56 million.



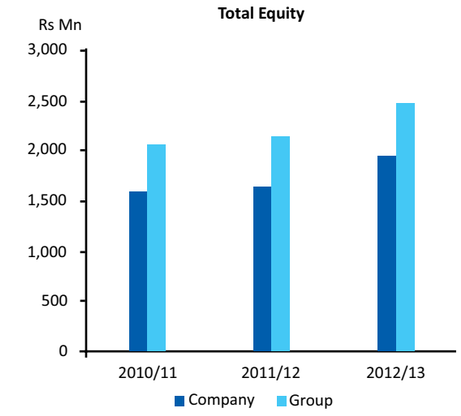


Total Assets

Total Assets of the Group increased from Rs. 2,344 million to Rs. 2,683 million an increase of 14 per cent. The total assets of the Company increased by 16 per cent from Rs. 1,809 million to Rs. 2,098 million for the year ended 31st March 2013.

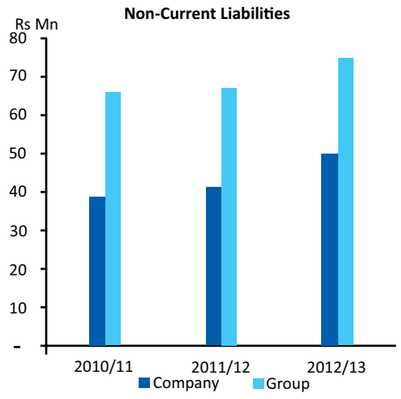
Total Equity

Total Group Equity has increased from Rs. 2,125 million in previous year to Rs. 2,469 million, this increase was due to increase in retained earnings. Total Company Equity increased by Rs. 299 million over the previous year and is at Rs. 1,934 million due to the same reason stated above.



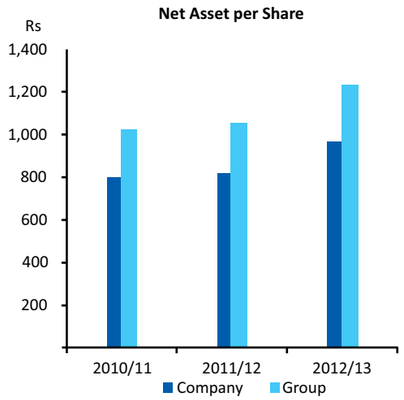
Non-Current Liabilities

Non-Current Liabilities of the Group increased from Rs. 67 million to Rs. 75 million. Non-Current liabilities of the Company increased from Rs. 41 million to Rs. 49 million. The increase was mainly due to the increase in deferred tax liability and the employee benefit obligation at both Group and the Company.



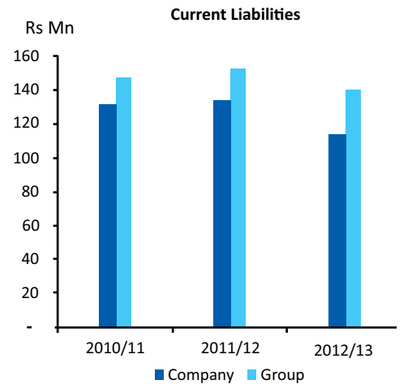
Net Asset per Share

Net Asset per share increased from Rs. 1,061/- in the previous year to Rs. 1,232/- as at 31st March 2013 at Group level, this is mainly due to the higher retained profits during the period under review. The Company net asset per share increased from Rs. 815/- to Rs. 965/- for the year ended 31st March 2013.



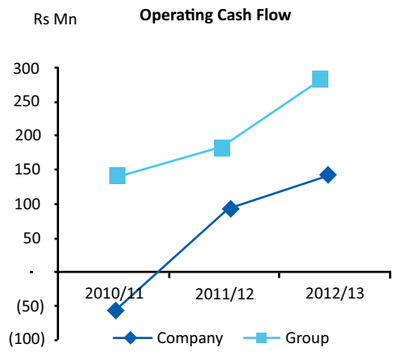
Current Liabilities

Current Liabilities of the Group decreased from Rs. 151 million in 2012 to Rs. 139 million as at 31st March 2013, a decrease of Rs. 12 million. Current liabilities mainly decrease due to decrease in our running Bank Overdraft during the financial period.



Operating Cash Flow

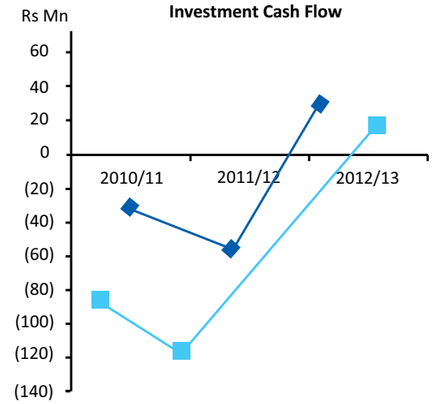
Group net Operating Cash Flow during the financial year was Rs. 296 million against that of prior year Rs. 183 million. This is mainly due to increase in trade receivables by Rs. 40 million. Trade and Other payables increased by Rs. 7 million and amount due from related companies increased by Rs. 9 million.



Investment Cash Flow

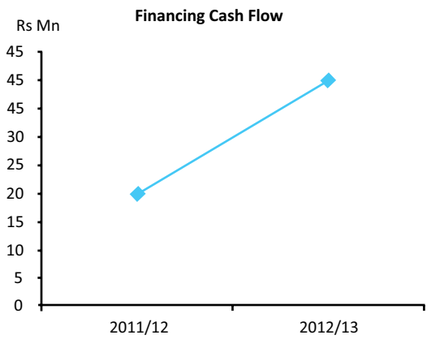
Year under review, the Group made Investments amounting to Rs. 17 million. This includes cash outflow to purchase Property, Plant & Equipment of Rs. 46 million. Part of this cash outflow was set-off by cash inflow from proceeds from disposal of Property, Plant & Equipment, short-term investments, interest received and dividend received.

During the year Company's net cash flow from investment activities was Rs. 29 million, mainly contributed from Dividend received and interest received.



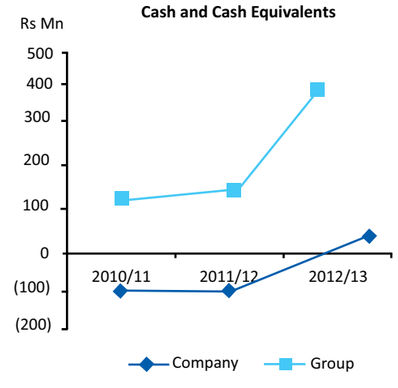
Financing Cash Flow

Net Cash Flow from financing activities at Group level was Rs. 40 million due to the payment of Dividends. A 1st Interim Dividend of Rs. 10/- per share, and a Final Dividend of Rs. 10/- per share was paid for the financial year 2012/2013. A Dividend of Rs. 10/- per share was paid for the financial year 2011/12.



Cash and Cash Equivalents

As at 31st March 2013 Cash and Cash Equivalents of the Group increased from Rs. 65 million to Rs. 304 million. At the Company level cash and cash equivalents from negative balance of Rs 77.1 million to negative balance of Rs. 6.3 million. This significant achievement is mainly due to net cash inflow from operating and investing activities as explained above.



Harnessing Human Capital

The ever changing nature of the global tourism industry requires that organisations first select and get onboard suitable individuals, and then ensure that subtle but critical changes are made to the way they perform their roles, so that the organization achieves excellence in its chosen position in the Market.

At the Grand Hotel, young boys and girls of the area are given preference over persons from far, for both employment and training, as the Company believes in sharing the benefits and dividends of the hotel operation with the local community. The Selected recruits are then taken through a comprehensive induction program to align them to the shared vision of the Company, and to make them comfortable in their roles, so that they can contribute productively towards departmental and organizational objectives. The hotel regards skills, knowledge, attitude and training as imperative to excellence and moreover stresses the importance of individual learning as a means of adding value to each individual. Learning opportunities are created through structured training sessions, participating in carefully selected external programs and sending team members for exposure programs. Even every-day briefings and routine meetings are structured in a way so that Learning Opportunities are created.

The work performance of all members of the team are reviewed bi-annually via an appraisal process, where the immediate supervisor discusses the performance of the appraisee and both parties collectively construct a plan to address the development needs of the employee.

While delighting and pampering customers is of critical importance in the leisure industry, at the Grand, understanding and analyzing each team members satisfaction level is considered equally important, which is why the hotel conducts an annual Employee Satisfaction Survey (ESS). The tabulated results are used by the management team to make timely and fruitful interventions in managing the workforce.

With the substantial sum of resources spent on the progression of each employee in terms of training and personality development, the hotel is proactively involved in retaining this talent by offering internal promotions and grooming outstanding individuals to take up key positions in the future. A succession plan is discussed with each individual at the appraisal discussion.

Each year since 2009 the Company's focus has been on a particular area of the human capital development. Accordingly 2010 was the Year of Excellence, 2011 - Year of Excellence plus One, 2012 - Year of Grooming Future Leaders and 2013 - Year of Empowerment. The initiatives under these themes have facilitated the progression of the workforce to a higher level of professionalism and competitiveness.

Labour Relations

We are recognizing that employees are our most important assets. And also recognizing that our employees respond in different ways to different leadership styles and deserve a second opportunity. We prepare our employees for job opportunities within the Company and promote qualified internal candidates. In addition we provide honest and regular feedback about individual's performance, ability and potential. Finally we accept that career growth is a commitment from both sides.

Welfare Society

The Hotel Welfare Society is playing a major role with regard to employee's basic requirements. The Society and its committee is always welcomes with employees new ideas relating to uplift the Society by generating more funds in order to provide more returns to the Members. As such, the Society is planning to stage a famous Sinhala Drama namely "Nari Burathi" during the month of June 2013. Further, loans are granted to all employees on request from the Welfare Society. Maximum of Rupees Ten Thousand can be obtained by an employee and the rate of interest is 7% per annum.

Loans Granted to the Members

	2010/11	2011/12	2012/13
Amount (Rs.)	1,100,000	1,550,000	1,520,000
Number of Loans Given	60	155	152

In addition to this, the society has a scheme of granting distress loans as well, which is an interest free loan.

Distress Loans granted to the Members are as follows:

Rs. 140,000 in 2010/11 for 14 Members
Rs. 140,000 in 2011/12 for 14 Members
Rs. 70,000 in 2012/13 for 7 Members

Professional Subscription

In order to encourage the employees to become professionally qualified, subscriptions are paid to them and such subscriptions are borne by the Hotel.

Professional Subscriptions made for the last three years are as follows:

Rs. 143,898.00 during 2010/11
Rs. 127,068.00 during 2011/12
Rs. 169,276.00 during 2012/13

Death Donations

Death Donations are met by the Welfare Society and the Beneficiaries are as follows:

Member
Spouse
Father / Mother
Father in Law / Mother in Law
Child / Children

Rs. 100/- from each member will be collected for a death of a Member. Funeral expenses of a Member are borne by the Hotel.

Amount granted as death donations during the periods are as follows:

Rs. 228,375 in 2010/11
Rs. 140,750 in 2011/12
Rs. 143,125 in 2012/13

Transport cost to participate in the funerals too are borne by the Society.

Medical Benefits

If an employee falls sick or meets with an accident whilst on duty, medical expenses are being paid by the Company. In addition to this, transport too is provided to take the patient to the nearest Hospital. A register is maintained in order to record the accidents. During the year 2010/11 seven accidents were reported and due to proper adherence to Health and Safety procedures of the Hotel, only one accident reported during the year 2011/12 and one accident during the year 2012/13.

Accident Cover SHE Policy

All Senior and Junior Executives are covered with Surgical & Hospital Expenses Insurance Policy. Beneficiaries if married include Spouse and Children.

Medical Benefits paid as follows:

Rs. 101,941 – 2010/11
Rs. 440,932 – 2011/12
Rs. 326,030 – 2012/13

Travel Expenses

Expenses on Traveling are met by the Company in order to travel out of Nuwara Eliya on Official visits. Also Batta to the Drivers paid, if an Officer travels out of Nuwara Eliya in order to attend official matters.

The Company has paid official traveling expenses for the past three years are as follows:

Rs. 8,372,331 during the period 2010/11
Rs. 8,157,485 during the period 2011/12
Rs. 10,462,848 during the period 2012/13

Staff Discounts on Hotel Items

The employees are entitled to get cakes at a subsidized rates, laundering facility for personal clothing at a concessionary rate. Staff are allowed to entertain their relatives and friends on prior approval of the Management. Concession rates are allowed to them on food items to entertain them.

Uniforms

Staffs in all Guest Contact areas are provided with uniforms in order to properly attire. Different types of Uniforms are provided to them in order to identify the employees who are employed in different categories. The costs of the Uniforms are borne by the Company and the amount spent on Uniforms for the past three financial years are as follows:

Rs. 681,272 during 2010/11
Rs. 670,794 during 2011/12
Rs. 2,577,058 during 2012/13

Accommodation

Lodging is provided to all categories of staff who are away from Nuwara Eliya. Family Accommodation and Bachelor Accommodation inclusive of meals too are provided for the smooth functioning of the business so that they feel that they are at home although away from home. The Hotel, from time to time color washes the quarters in order to keep them neat and tidy all the time. Weekly inspections on the quarters are carried out by the General Manager.

Staff Meal & Cafeteria

Duty Meal is provided to all Staff in the Hotel. The Hotel has a well-equipped separate cafeteria for the staff in order to cater them. All three meals are served in Buffet style. Three separate cooks are engaged in preparation of staff meal. An Executive has to carry out supervision of each staff meal in order to check the quality and he has to make his comments in the book kept in the cafeteria. Adverse comments with regard to staff meal will be informed to the Executive Chef immediately. The cost of the staff meal for the past three years is as follows:

Rs. 9,279,624 during 2010/11
Rs. 10,918,594 during 2011/12
Rs. 14,559,374 during 2012/13

Recreational Facilities

Sport is a key factors to keep all employees healthy. Hence the Welfare Society organizes and conducts sports meet annually during the months of May and June for all sports enthusiasts to take part in. Employees are divided into four houses. They are Barnes, Bailey, Lindsay and McDermot. Each house has their Captains too. In order to practice indoor games, the Hotel has made a Sports Room as well. The Hotel Cricket Team participates in all island tournaments. The Hotel also has a National Billiard and Snooker player as well.

Staff Annual Get-together

Hotel Welfare Society organizes a staff get-together annually. For the Staff get together family members of employees are invited. Various games are conducted for their children. A grand lunch is being arranged together with a Musical Band. Special gifts are distributed to their children.

Prize distribution for the winners of house meet also takes place on the day of staff get together.

Employee Satisfaction Survey 2012

The Employee Satisfaction Survey (ESS 2012) was carried out with the objective of obtaining information on views and opinions of staff members of Grand Hotel. It is envisaged that this exercise would help the management to align all members of the team to the shared values of the Company, by determining the areas where positive interventions are required.

HR Policy Code of Conduct

1. Annual Leave

Annual leave is granted to all permanent employees. During the first year of employment Annual Leave is not entitled. An employee earns Annual Leave during the first year to be availed in the following year.

2. Bonus

Bonus is also paid to all permanent employees. Employees who have completed one year or more are entitled to get their bonuses.

3. Salary Increments

Salary increments are granted during the month of April every year. Every employee is subject to evaluation. During evaluating an employee the Management decides even to promote employees if they are qualified enough based on their performance and efficiency.

Grievance Handling and Reporting

Employees have the freedom to bring their grievances directly to the General Manager, Resident Manager and the Human Resources Manager in order to get reasonable solutions. Grievances are handled in a sensitive manner in order to retain the employee and to get more output and to increase the productivity.

Occupational Health and Safety

A comprehensive training program is conducted by the Fire Department of the Colombo Municipality with regard to Fire Safety annually.

Annual Medical check-up of all Food Handlers is carried out as per the requirements of the Sri Lanka Tourism Development Authority and all International Travel Agents, maintaining specified standards. Employees are given a comprehensive training on proper usage of equipments etc., on a routine basis.

Training Needs and Development

In-house Training programs are carried out from time to time by the Heads of Department and Executives which are a necessity in a dynamic and demanding entity. The Resident Manager of the Hotel conducts training programs for all staff. Training programs already conducted to date are as follows:

- Passion to Serve
- Role of the Front Office
- Do's & Don'ts of Room Attendants – The Role of Housekeeping
- Seminar on '5 S' productivity
- Kitchen Hygiene
- Quality Callers
- The Journey of Wine
- The Role of Security Department
- The Learning Organization
- Motivation and Empowerment
- Introduction to HACCP
- Methods of Cooking/Cuts of Vegetables/Fish
- Wine Training
- Classification of Wine Making Champagne
- Places of interest around the Grand Hotel
- Performance Management
- Basic concepts of Sales and Marketing
- Common Phrases used in Restaurant and Bars
- Common Phrases used in Front Office
- Internal Customer Service
- Kitchen Supervision
- Presentation Skills
- Team Work





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The Nuwara Eliya Hotels Co. PLC
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Sustainability Report

Managing Director's Message



Our Commitment to Sustainability

It is with pleasure I present the fourth Sustainability Report of The Nuwara Eliya Hotels Company PLC which highlights the Group's collective programmes and accomplishments in championing the communities in which we operate and advancing environmental sustainability.

While values created through corporate responsibility are deeply embedded in our heritage, we have focused our attention towards creating such values through corporate responsibility over generations of our existence. We have developed an operating cycle that drives the Company towards its growth whilst creating values for all its stakeholders and the society at large.

The constant focus on our operating cycle has therefore sharpened our focus on sustainability. As a responsible organization, we strive to create value for our stakeholders, care for our colleagues and the communities in which we operate, and respect the environment now and for the generations to come.

Building trust and being a responsible business are fundamental to our values. Our size and scale cast on us a huge responsibility. The great news is that doing the right thing strengthens our reputation and reinforces trust in our brand. It shows, for instance, that we are listening to our stakeholders. A growing number of our guests want to make sustainable choices and lots of our corporate clients seek proof of our green credentials.

We have built up the concept of sustainability in our Company right from our statement of values. Our core values consist of upholding the traditions of 'Grand', interests of stakeholder value creation, managing the relationships with the employees, guests so as to achieve superior customer service, and to nourish and nurture the environment and encourage people to be more ecologically responsible.

I believe that every company needs to give due consideration to energy conservation, as part of the social responsibility as well as for the saving of costs as energy has become much more costly. This is an ample example of sustainability, as the Company's social responsibility brings in economic benefits.

The sooner companies have strategies and actively manage their energy use, the faster they will succeed in gaining enhanced competitive advantage including better savings, a better bottom line, greater customer loyalty and retention, lower business risk and company-wide awareness of sustainability. Executives now understand that not only can they afford to go green, they cannot afford not to. And this is our stance at Grand. We are committed to energy efficiency and to reducing our carbon emissions and this report illustrates the steps we have taken to reduce our energy consumption, manage waste more efficiently, conserve water and reduce our greenhouse gas emissions.

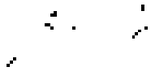
The Grand also actively participates in its communities and enthusiastically embrace their local cultures. As an organization, we are committed to preserving cultural heritage and supporting the local communities with a multi cultural background in which we operate.

While we are encouraged by the steps we have already taken towards achieving our environmental and social goals, we recognize many opportunities to further improve our performance. Our environmental and community efforts are designed to make a positive difference in the world, in order to ensure a future that offers the same opportunities for fulfillment that we enjoy today. Overall, I strongly believe achieving a truly sustainable economy and an operating cycle will mean managing institutions that are not just efficient and innovative, but also restorative of human and natural capital. By buying time through efficiency, innovation and good housekeeping, we believe that at Grand, we can certainly do a better job of delivering quality of life and become more profitable.

The embraced vision of "People = Planet = Profit" is achievable if society works cooperatively. At Grand, we believe that the economy is a wholly-owned subsidiary of the environment, and not the other way around. We embrace this vision and look forward to making it a reality.

It is my belief that the Grand in its relentless endeavour to create new benchmarks in sustainable business practices will lend it a unique source of competitive advantage in years to come. The Company's Triple Bottom Line performance will continue to inspire proactive action from all our employees and drive continuous improvement in our sustainability practices to progressively attain and exceed evolving global standards in this sphere.

We hope that once again this Sustainability Report and the commitments, challenges and areas of improvement that it reflects are the best incentive for everyone, both in the Company and among its numerous stakeholders, to continue our utmost efforts to become a benchmark of sustainability in the hospitality industry.



Gerard G. Ondaatjie
Managing Director

Introduction

Our Company, the Nuwara Eliya Hotels Company PLC was incorporated in Sri Lanka (then "Ceylon") in 1891, with its landmark property, the "Grand Hotel", a 153 roomed colonial property in Nuwara Eliya. The Grand Hotel was accredited as a 4 Star property by the Sri Lanka Tourism Development Authority. The hotel has an over 100 year's old heritage and was the former residence of Sir Edward Barnes, Governor of Ceylon from 1824 – 1831, and is situated adjacent to the Nuwara Eliya Golf Club formed by Golf enthusiasts from the Gordon High Land Regiment.

The Way We do Business

The way our Company contributes to the local economy is by hiring employees, providing services for guests and engaging suppliers and contractors from the community. We also provide significant tax revenues to Local Government as well as the Central Government.

The following table outlines the direct economic value generated and distributed by Nuwara Eliya Hotels Company PLC, including revenues, operating costs, employee compensation and payments to providers of capital and Government.

Despite the economic challenges our industry has faced recently, we have continued to support our colleagues, as shown by the table, increasing trend of wages paid to revenues earned. Community investment in the form of charitable donations and volunteerism provided by colleagues and hotel directly to recipients in their communities and currently is not tracked on a company level.

Revenue Distribution Chart

Table - Summary of Key Income

Statement Items	Rs. Millions 2012/13	Rs. Millions 2011/12	% change	Remarks
Revenue	773	582	33%	Increase in room rates & Growth of Apartment, Food & Beverage Revenue
Other Income/(Expense)	14	(3)	567%	Includes Rs. 6 million gain on sale of PPE & Rs. 3.3 million on Dividend Income
Personnel Costs	(47)	(78)	13%	Increased staff cadre & increments
Depreciation	(18)	(42)	(12%)	The basis being changed to straight line
Operating Expenses - Direct	(150)	(137)	9%	Increased cost of sales
Operating Expenses - Indirect	(345)	(287)	20%	Increased cost of Administration, Selling & Distribution and Operating Expenses by 17%, 8% & 1% respectively
Finance Income	41	10	315%	Increased interest income due to increase in short-term investments
Finance Cost	(1)	(17)	(96%)	Reduced overdraft
Share of Profit & Loss on Associate	0.5	0.1	325%	Improved yield from investment in Fair View Hotels (Pvt) Ltd.
Taxation	(61)	(15)	292%	
Profit after Tax	271	133	103%	Improved operational performance

35,129 Occupied Room Nights
vs. 34,816 in 2012
71,340 Stays
vs. 69,889 in 2012

Our Stakeholders and Our Responsible Business Policy

This report covers the calendar year 2012/13. The content and quality of the information reported in this section are guided by the Global Reporting Initiative (GRI) G 3.1 reporting guidelines and key sustainability issues identified by the Group's Corporate Responsibility Committee. To demonstrate the Company's commitment to producing a transparent and credible report, the accuracy of a representative sampling of non-financial data and statements and their compliance to GRI Level C disclosure is observed in this report.

Our Company has identified eight main stakeholder groups. We maintain clear commitments to each group which are detailed in our Responsible Business Policy driven by our adopted values. The basis for identifying and selecting our key Responsible Business stakeholders relates primarily to the extent to which we influence or impact them, i.e. economically; socially; and environmentally.

Through our daily operations and dedicated communication policies with each stakeholder group, we continuously listen to their expectations for both present and future.

This review section is complemented by the Sustainability Data Statements which includes all our relevant performance data for 2012/13

Stakeholder	Responsible Business Policy Expectations	Adopted Company Policies
Employees	We shall educate and facilitate our employees to make a conscious decision in favor of environmental, ethical and social issues in their private and work lives.	Fair and equal treatment; secure and safe working environment; training and career progress; fair pay.
Customers	We shall inform and make it easy for our guests to participate in Responsible Business related activities at our hotels.	Leading service; good value for money; flexible approach; environmentally responsible; good global coverage; benefits and generous loyalty programmes
Directors	We shall work together with stakeholders to find innovative solutions that satisfy our economic, environmental and social objectives	Securing Good returns from the hotel property by its business activities; high level of Security for capital employed
Shareholders	We shall provide shareholders and investors with timely, accurate and transparent information on Responsible Business related risks and opportunities	Transparent information; sound strategy and corporate governance; high return on investment; minimization of risks
Suppliers	We shall strive to purchase products that have a reduced environmental impact during their lifecycle, from suppliers that demonstrate environmental and social responsibility and ensuring sustainable existence amongst the local community	Fair and equal treatment; value-based pricing
Authorities	We require our managers to abide by local and international legislation, especially regarding labor laws, health and safety, human rights and the environment	Compliance with rules and regulations; financial contributions (taxes and fees)., ethical governance principles
Community	We shall take an active role in the local responsible business community, and contribute to the local communities where we operate.	Forming an active and responsible part of society; sponsorships of projects; contribution to infrastructure; contribution to attractiveness of destination
Environment	We shall do our utmost to continuously improve our performance in the areas of energy, water, chemicals, and resource consumption, and waste generation in order to reduce our negative impact on the environment.	Reduced and recycled consumption of energy, water, and chemicals; resource-efficiency; biodiversity protection; minimization of waste and emissions; responsible purchasing; sustainable transport

The Responsible Business Approach

At Grand, Responsible Business means considering both our short-and long-term interests, and integrating economic, environmental and social considerations into our decision making. Since we created our Responsible Business programme in 2009, Grand has focused its activities on three pillars:

1. Taking responsibility for the health and safety of guests and employees
2. Respecting social and ethical issues in the Company and the community
3. Reducing our impact on the environment.

Responsible Tourism

Tourism plays a large role in the world as well as local economy and is an important source of wealth for many countries, particularly in developing countries where tourism may be the main source of economic prosperity. We know from our own research that the economic impact of hospitality is far reaching. The supply chain of our industry has a knock-on effect, creating business activity in nearly all other economic sectors. Hotel guests spend money in the retail, recreation, transportation and restaurant sectors. Hotel also provides a forum for business meetings, trade shows and conventions which in turn generate economic growth.

The industry also faces increasing pressure to balance its economic performance with its social and environmental impacts. Acknowledging that this is the context in which we conduct our business, we believe that travel and tourism should be operated responsibly and that the long-term benefits of taking this approach far outweigh the costs. Hotels, as part of the global tourism industry, have a responsibility to ensure that stakeholders and hotel general managers understand and adopt responsible tourism practices and that they educate their guests and suppliers in these principles.

It makes sense to put responsible tourism at the heart of our Corporate Social Responsibility (CSR) programme. It will play a major role in the long-term and deep down viability of our business and of the travel and tourism sector.

We continue to make good progress on initiatives that address two of our industry's biggest challenges, i.e. global climate change and the economic downturn, and how these impact on local communities. Our initiatives are helping us to measure and manage our environmental impacts, and provide jobs and training opportunities in the communities where we operate.

Local Economic Development

Responsible tourism is also about involving local people in tourism to generate greater wellbeing for their communities. Our hotels support economic development by creating stable sources of income and providing opportunities for both local employment and local businesses, notably as employees of and suppliers to the hotel.

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Health and Safety of Our Guests and Employees

334 Employees
vs. 308 in 2012
12 specific Training Courses in Health and Safety
vs. 5 in 2012

618 hours of Training in the Hotel
vs. 456 hours in 2012

Work Force - Employement

Employee Profile Gender

Profile of Our Workforce, 2009 - 2013

	2013	2012	2011	2010	2009
Total Headcount					
Employment Types					
Full-Time	334	308	309	286	256
Part-Time & Casual	0	0	0	0	0
Type of Contracts					
Permanent	187	157	132	126	126
Temporary Contract	147	151	177	160	130
Geographical Locations					
Nuwara Eliya	135	118	115	108	122
Kandy	62	54	59	47	40
Colombo	57	39	43	42	36
Others	80	97	92	89	58
Gender					
Male	304	283	280	260	233
Female	30	25	28	26	23
Management Role					
Management	34	31	28	24	23
Non-Management	300	277	281	262	233
Employees Receiving Regular Performance Review	Performance review will be done every six months.				
Staff Turnover					
Staff Turnover by Gender					
Male	60	69	73	49	98
Female	4	5	10	5	8
Total Staff Turnover Rate	16%	24%	29%	19%	25%
Age Group					
Under 30 Years Old	161	138	146	127	114
30 to 50 Years Old	150	148	138	140	126
Over 50 Years Old	23	22	25	19	16

A sustainable future requires creating more jobs and strengthening communities. According to the WTTC, the travel and tourism industry accounted for 255 million jobs worldwide in 2011, including direct employment and a vast array of suppliers.

We coached managers and Staff with “take care of the colleagues and they’ll take care of the customers.” This philosophy is the cornerstone of our culture and the foundation of our success. We are committed in providing an environment where our associates have the opportunity to achieve their potential, are highly engaged and are empowered to deliver great guest service.

We are dedicated to hiring, engaging and retaining a diverse workforce that mirrors the communities in which we live and work. We embrace the talents, perspectives and backgrounds of our associates and offer an inclusive work environment. Grand’s Employment Principles align with our Human Rights Policy. We support and uphold the elimination of workforce discrimination through our employment practices, particularly as demonstrated by our Guarantee of Fair Treatment policies. To ensure ongoing success of the program, managers have access to best practices sharing and coaching, including weekly coach calls and quarterly web-based program update sessions.

Under Grand’s philosophy of promoting from within, many of our leaders have moved up from entry-level to management positions. In addition to participating in internal learning programs, these leaders have taken advantage of cross-training to gain experience and skills in various departments; in Dubai Meridian and work-at-home options. In addition to associates who were promoted into supervisory or management jobs in 2012/13, many more moved laterally, gaining new career experiences.

Empowering our colleagues to our business had been crucial for delivering the top quality service that defines our brand. The Grand is committed to being an employer of choice. Consistent with this goal, we are committed to:

- Selecting the finest professionals in the hospitality industry.
- Ensuring that all colleagues are treated with respect, courtesy and dignity, and that they work in a clean, pleasant and safe working environment.
- Providing effective training and meaningful career and professional development.
- Maintaining an “open-door” policy where colleagues will find support from caring and empathetic colleagues

Comprehensive Employment Benefits

Benefits are provided to all full-time colleagues. Benefits vary by level of experience, but typically include health, disability and insurance coverage, as well as leave and retirement benefits.

Contractual staff members are entitled to benefits as required by local labour laws and conditions, and these benefits may be pro-rated based on the hours worked. Performance and development reviews are conducted annually, and in 2013, 100% of all hotel staff received such reviews.

Training for Excellence

Our extensive learning and development programmes contribute to the skills, knowledge and motivation of our staff. Staff members participate in annual and monthly training, as well as training upon hire or with changes in job duties. Learning and development is integral to Grand’s culture and each staff member is empowered to be their best whether it is central to their professional development or to their personal development.

The purpose of the Grand Hotel International model is based on deepening the needs of the hotel and to offer quality training that boosts the competences regarded as essential to the Company, as well as the different skills that contribute to employees’ better performance in their professional activities.

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The main training initiatives carried out during the past year have been the following:

- Institutional training campaigns.
- Individual training plans in hotel.
- Training in service culture.
- New induction model for new employees.
- Fire Training.
- Cross exposure Training in different departments.

A delightful service is expected of all colleagues. Industry standards workshops (e.g. safe food handling), Legendary Quality Experience training and cultural training are provided to ensure our colleagues’ compliance with our standards of service. Industry and product training is tailored to each colleague’s role. Records detailing the colleagues’ trained and training time are maintained at each department. On average, each colleague completed 19 hours of training in 2012/13, with women and men receiving near the same number of hours (19 hours for women and 18 hours for men, respectively). Management receives the most training, due to leadership and management skills courses.

Training Plan for Line Staff

The training plan for corporate office is focused on fostering the competences and skills needed for Grand Hotel employees to perform their jobs better. The main training actions conducted were the following:

- Public Speaking Techniques
- Team-Work
- Time Management
- Languages

Institutional Training for Middle Managers

The purpose of this training was to share the results of Grand Hotel, reporting on the courses of action for 2013/14 (income and optimization), talent management as a lever for developing the potential of the employees, and updating the messages on variable compensation and sustainable development.

The Topics Discussed were the following:

- Economic figures on Nuwara Eliya Hotels Company PLC
- Courses of action for the forthcoming years (2012-2015)
- Grand Hotel map of risks: supervisors’ responsibilities
- Sustainability
- Training module on situational leadership

Training Record for 2012/13

Topic	For	No. of Staff who Participated
♦ Month of September		
Passion to Serve	All Staff	195
Role of the Front Office	Front Office	35
Do's & Don'ts of Room Attendants	Housekeeping	56
5S Productivity	All Staff	251
Kitchen Hygiene	Kitchen Staff	66
♦ Month of October		
Quality Callers	Front Line Staff	28
The Wine Journey	F & B	40
The Role of Security Department	All Security Personnel	26
The Learning Organization	All Executives	23
Motivation & Empowerment	All Supervisors	27
Introduction to HACCP	Food Handlers	34 (for one session)
♦ Month of November		
Handling Complaints	Front Line Staff / HK/ F & B Cashiers	38
Methods of Cooking/ Cuts of Fish, Vegetable (Demo)	F & B / Kitchen Stewarding	44
♦ Month of January 2013		
Champagne and Classification of Wines	F & B Staff	27
Places of Interest around the Grand Hotel	All Staff	77
Performance Management	All Executives	21
Basic Concepts of Sales and Marketing	Front Office	13
♦ Month of February 2013		
Common Phrases used in Restaurants and Bars	F & B Staff	33
Common Phrases used in the Front Office	Front Office All Staff	17
♦ Month Of March 2013		
Internal Customer Service	All staff Groups A & B	67
Internal Customer Service	All staff Groups C & D	77
New Culinary Trends	Kitchen Supervisory staff	15
Service Excellence	Executive staff	25
Spirits Part I	Food & Beverage staff	34

Fire Training

The Annual Fire Training Program and Awareness for the Employees of Grand Hotel was held in October 2012 with the participation of majority of the Staff. The Morning session of the program consisted of a Training (both Theoretical and Practical) on Fire Evacuation methods, Administering of First Aid, etc while the Evening Session consisted of Practical Fire Extinguishing methods and in-depth training of the Fire Wardens selected from Each Department.

Annually, these trainings are conducted as a measure of ensuring maximum safety and protection for the Guests as well as well being of the Employees. The Training is conducted by the Superintendent and other officials of the Fire Department of the Colombo Municipal Council.





Supporting Continuous Learning

Leadership and personal development courses are conducted as part of our workplace practice through "The Learning Framework", which provides leadership development applicable to our staff members' current and future career goals. Some programmes include, but are not limited to, food and beverage management, management trainee programmes and safety programmes.

Leadership training programmes encompass more training hours per colleague than any other training programme, ensuring that our colleagues are developing people and operational skills that are useful throughout their careers. The Grand conducted more leadership training sessions in 2012/13. Also this year we were able to send two of our staff members to Dubai Mandarin for further training and exposure. In future we are planning to send our staff for other countries as well for cross exposure.

At Grand Hotel, we understand that maintaining the high levels of safety and security which our guests, employees and owners rightfully expect is only achievable through the actions of every employee. Therefore, one of the foundations of the programme is Employee Safety and Security. We encourage our employees to report dangers or irregularities, take immediate action to prevent injury or damage, and to follow-up and ensure that dangers are removed and abnormalities corrected Basing our approach to all incidents on these three simple steps helps to ensure employees can tackle issues as quickly and as close to source as possible, thus limiting the risk that a small issue can cause a larger incident.

Health and Wellness

In 2012, we marked year of wellness "Take Care — Choose Health Every Day!" wellness program. Grand's commitment to helping staff being healthy with regular medical checkups mainly to prevent the staff from diabetics and other common sickness.

In addition to the wellness program, all departments promote numerous initiatives to help associates live healthy lifestyles, manage ongoing health issues and adopt good preventive health practices throughout the year. We support on-site fitness centers and classes, health fairs, Weight Watchers at Work, flu shots, health screenings and blood donation drives and sexually transmitted deceases.

At Grand, the senior executives and managers hosted a rally to kick off the "Choose Health Every Day Wellness Programme Challenge." were given a checklist of healthy activities and asked to complete at least few of them and track their progress regularly with our physical instructor.

The Grand realized long ago that a diverse and inclusive work environment strengthens our Company's culture, enables us to open doors to a world of opportunity and provides a competitive advantage.

The Long-term Relationship

Retention rate is a key parameter for measuring the success of our human capital strategy. We value our experienced and knowledgeable staff because they are best placed to provide our special brand of customer service. Our hotel has a turnover rate of 16%, which is well below the industry average. This is a good level of performance but one we still aim to improve. Our emphasis on treating everyone with respect regardless of position, providing fair opportunities for growth, and working hard together as a team are key factors to retaining our talents. The loyalty and long service of our staff speaks for itself.

Our Own Welfare Union

We recognise the importance of partnerships with welfare union that represent our employees. 'Room to be yourself' is the employer's side of our deal with our employees. Through it, we support our employees' right to decide if they want to be part of welfare or not, free from any outside pressure or intimidation. In order to make the process fair, personal and democratic, we support our employees' right to a private, secret election to appoint the office bearers.

Communication Leads to Community

We understand that we are only as good as our employees who help to shape the experiences of hundreds of customers every day. We want our employees to be committed and enthusiastic ambassadors of our brand. The best way to encourage that commitment and enthusiasm is to engage wholeheartedly with our employees, communicating openly with them and providing them with the respect and opportunities to influence how we operate.

It is important to us that people understand our values. It is important to us that people understand our values of integrity, heritage and tradition when they join 'the Grand family'.

To keep people informed during the year, the Managing Director speaks directly to staff through the staff welfare Annual General Meeting day and interact with them and have a close dialog with the staff.

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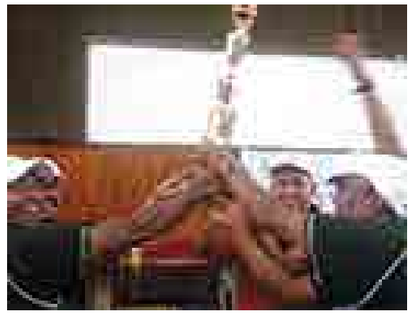
Staff Activities

Staff Welfare Day

The Grand Hotel Staff Welfare Society annually organizes a family get-together and this year it was held on 2nd September 2012 at the Nuwara Eliya Cineicita Grounds and Indoor Stadium. Majority of the staff along with the families participated at this day which consisted of games, entertainment and delicious food.









A farewell tribute to a Resident Manager who served grand hotel for 25 years

A Cricket Match was organized among the Mercantile Companies and Hotels of the Kandy, Nuwara Eliya and Hatton Region by the Grand Hotel Staff Welfare Society as a tribute to the retiring Resident Manager on 10th June 2012 at the Nuwara Eliya Cineicita Grounds. The Tournament was named as "Raju N Veerasingham Challenge Trophy". A large number of Hotels and Mercantile Firms in the region took part.

Medical Camp for the Employees

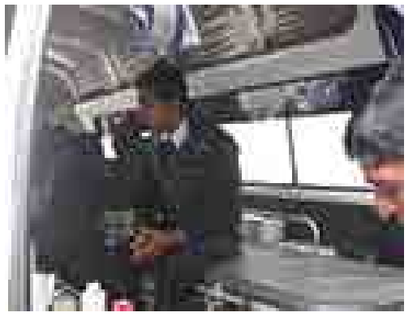
Three Medical Camps were held covering the entire staff of the Grand Hotel, which was jointly organized by the General Hospital of Nuwara Eliya and the Grand Hotel, where a lecture conducted, followed by all the staff provided with a Basic Diagnostic Card and the staff were screened for Blood Sugar levels, Blood pressure, BMI, Dental and Vision. Staff with some acute diagnosis were channeled to the General Hospital Clinics.

Eye and Ear Testing for the Staff of Grand Hotel Conducted by Vision Care Opticals

A free Eye and Ear Testing Camp was held at the Grand Hotel Ballroom for the benefit of the Staff on 14th March 2013. This program was initiated with the cooperation of Vision Care Opticals. Vision Care Opticals provided the opportunity for the Staff to purchase Spectacles, Contact Lenses or Hearing Aid at a concessionary rate as well as provided an Interest Free Four months Installment.









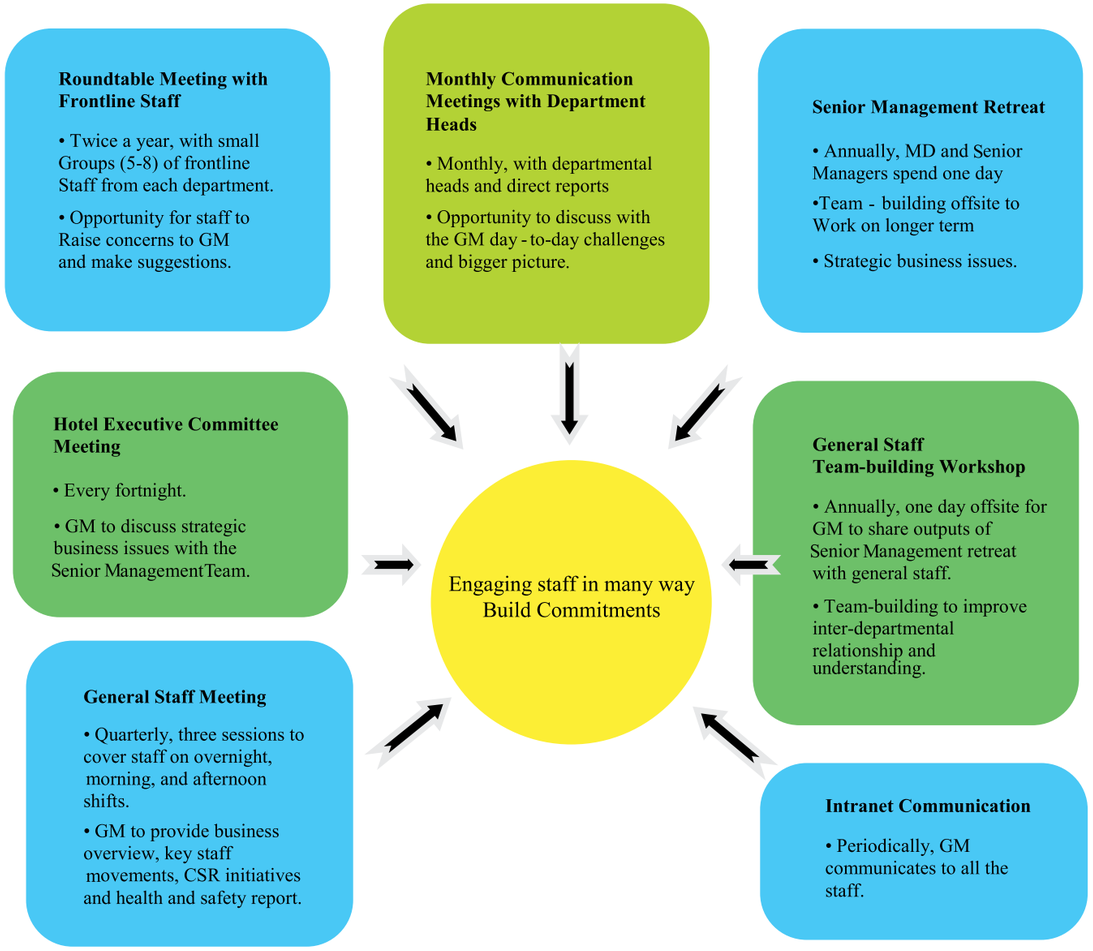


Professional Development and Promotion

Throughout the year the Company carries out processes to identify personnel with high potential and then organise development plans for them. The Staff members are earmarked for promotions upholding the policy of promoting within thus enabling the staff to build up their careers with the Company.

Communication Framework within the Company

The Chart of Communication







Making Better Plans for Retirement

We have a long-standing reputation for looking after the welfare of our people whether they are new to the Company or about to retire. We offer a comprehensive package of staff benefits and are proactively helping our employees to think ahead. We provide defined contribution retirement obligation benefits under the stipulated labour laws and according to our staff welfare under the staff benefits.

Consumer Satisfaction through Improved Support

Grand Hotel is very focused on creating, and continually improving on an outstanding experience for our customers. In 2012, the global and local Customer Experience assessment team, comprised of marketing, brand, customer experience, technical support, quality assurance, and product management representatives, from the head office made great progress in transforming the support cycle for consumer customers into an opportunity to foster positive brand promotion, customer relationships, and business growth. This year we won the prestigious 'Agoda.Com' Gold Circle award. This was awarded based on customer satisfaction highest number of customer feed back.

Guest Experience and Satisfaction

At Grand Hotel, luxury quality service is one of the hotel's strategic brand-defining competencies. A "culture of quality" is promoted at all levels of our organization. It allows for colleagues to adapt service standards to reflect their local culture and environment, and empowers everyone to deliver personalized service to each guest. Our inspiration-based service culture approach engages both colleagues and guests on an emotional level to build a genuine connection, leading them to be true "loyals" of the brand.

The Group has a number of quality improvement and assessment tools in place to measure customer satisfaction and loyalty. Service standards, which bring the Company's mission, vision and guiding principles to life on a daily basis, are designed to delight guests.

The Grand's Guest Satisfaction/Loyalty Programme in our hotel invites guests to provide feedback through an independent travel agent or via an email survey following their stay. Feedback is collected on guests' perception of the brand as well as their subjective evaluations of various aspects of product and service delivery.

The table below shows guest satisfaction/loyalty survey results for the Group conducted in our entire hotel to gauge consumer satisfaction and loyalty. Survey results for 2012/13 show a significant increase (1%) stay similar to historical values. Overall, the survey indicates consistently high levels of satisfaction and loyalty to the brand name 'GRAND'.

Grand Hotel maintains a variety of quality measurement processes to constantly evaluate and improve quality performance through independent customer survey evaluations. We are also evaluated and measured against other international guest standards offered by the renowned hotels globally as well as locally.

We want to provide a great service and a welcoming environment to all our guests. Recognizing that each person has different requirements, we aim to make our hotel facilities available and accessible to all. In the rare instances where this is not possible, we do our utmost to offer a suitable alternative. We train our employees to have the 'Confidence to Serve All', making sure all new hotel employees receive this training. Our Central Reservations Teams are given in-depth guidance on handling detailed requests and providing appropriate support.

Our Hotel Offers a Range of Facilities for Guests with Disabilities, including:

- Wheel Chairs, Valet Parking
- Accessible Facilities (Bars, Restaurants and Meeting Rooms)
- Accessible Washrooms
- Accessible Bedrooms
- Large Printed Menus and Display Board at the Entrance to the Restaurant

Trip Advisor Guest Reviews

The feedback of the guests of these endeavors are amply recorded in the comments by guests in tourism related websites such as Trip Advisor, where a greater per centage of positive comments are made in for the Grand and its services.

Guest Satisfaction Questionnaire Analysis

The responses to the guest satisfaction questionnaires were analyzed to show the following positive trend in guest feedback.

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Repeat Guest	155	130	85	250	192
Guest Satisfied	13,248	18,500	20,200	23,722	22,194
Guest Dissatisfied	1,152	1,300	712	327	292
Total Questionnaire	14,400	19,800	20,912	24,050	22,486
Guest Satisfaction	92%	93%	97%	99%	99%
Guest Dissatisfaction	8%	7%	3%	1%	1%
Sri Lankan Guest Nights	16,439	11,428	7,024	954	974
Sri Lankan Room Nights	7,679	5,475	3,229	456	502
Total Room Nights	22,555	34,951	34,857	34,816	35,124
Total Guest Nights	44,948	68,891	68,654	69,889	71,340

Adopting High Environmental Standards from Design through Renovation and Maintenance

During the summer of 2012, the Company carried out some refurbishment programme in part of the rooms flooring, Indian Restaurant and re-located the offices for the management staff, because the refurbishment of a building is largely defined by the way it was conceived, the High Environmental Quality (HEQ) approach was adopted before Grand Hotel began operations whilst emphasizing the cultural heritage inherent to the historic building.

Although the hotel was partially reconstructed; the façade was kept intact and parts of the rooftop preserved with Zinc alum profile sheet, a high-end, durable and 100% recyclable metal. In its original color, it will follow a natural transformation process to finally reach the metal's distinctive brown color. The decision to leave out a pre-treatment in an acidic solution was made to avoid an environmental impact.

The renovations of the site generated some of waste, including steel, aluminum, wood, glass and rubble. With a thorough on-site separation programme, nearly 50% of all the produced waste was recycled, which by far exceeded the targeted 40%.

Inspired by this initial success, the Grand followed the footsteps of the developer in setting goals for the operational phase, aiming to provide highest comfort to guests while mitigating the hotel's environmental impact.

The hotel defined stringent criteria for its environmental design and management, as well as for providing the highest standards for guests.

The building was designed to be ideally embedded in its environment by creating green areas and by limiting the number of on-site parking spaces. The hotel provides valet parking service and there is convenient access to the hotel within walking distance.

Consumption of water, electricity, and heating is monitored continuously to detect consumption peaks. Performance indicators are discussed in weekly meetings and issues are addressed.

Maintaining high performance standards is a continuous effort that the newly appointed Corporate Responsibility Committee headed by The General Manager and Resident Manager will track progress and generate new ideas and initiatives.

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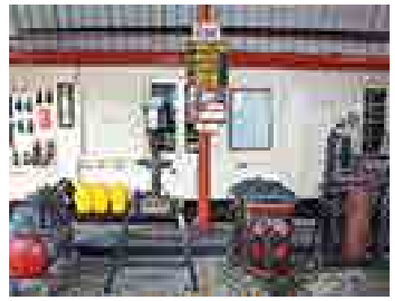
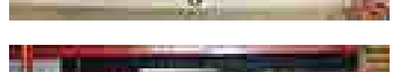












Engaging in End-to-End Customer Experience and Food Safety

Customers' experience with our products and services is fundamental to the Company's sustainability. At Grand Hotel, we strive to understand, engage, and educate our customers beyond the customers' contact point. We are committed to ensure that we deliver the best products to our customers in a socially responsible manner, whether it is in the form of product quality and safety or responsible media.

We are very focused on food safety in all of our food outlets, within the food and hotel groups alike. We make sure that our ingredients and products achieve high hygiene standard all the way from our suppliers, through logistics and delivery, until they reach our outlets and our customers.

We conduct very stringent supplier selection and regular audits of them. All employees are well trained with high standard procedures and tools, and are monitored and audited both internally and by third party professionals. In addition, we promote food traceability to ensure that all ingredients can be traced back to their sources to ensure product safety throughout the value chain.

We believe that educating our staff about food safety does not only result in best food quality for our customers, but is also instrumental in creating a hygiene awareness and habits for our employees and their families.

Grand Hotel aims to engage in end-to-end customer experience. Beyond the normal customer interactions, we start to get involved in other aspects of customers' experience with us. For example, Sizzler promotes the allergen awareness in food served at our restaurants to increase our customers' awareness and reduce food safety risk.

Guest Awareness and Participation

From guest checking in to our hotel and the choices they make in the location, to helping us design greener hotel, encouraging our guests to behave responsibly plays a crucial role in implementing our sustainability measures. One of the ways we achieve this is by making recommendations to our hotels through Green Engage, such as:

- using signage, literature and helpful front-of-house staff to draw attention to the green efforts of the hotel and encourage guests to participate
- promoting local sustainability via our environmental activities and alternative means of transport so that guests' environmentally conscious choices permeate into the surrounding economy
- Providing guests with feedback on their energy and resource usage in a friendly, informative manner.

We believe our guests are one of our greatest assets and we welcome their participation in our journey to becoming sustainable. That's why we created the Innovative Hotel activities, where our guests are helping to inform the future design and operation of our hotel. Join the conversation by visiting the Innovative guest participation in our sustainable activities in the Hotel.

The Grand and Society

Our Support to Community

We are committed to active involvement in the local communities around our hotels and corporate office. Ultimately, that means being a valued, responsible community partner by ensuring that our business objectives enhance the quality of life in the community.

The Grand understands the importance of culture and community to our brand. Our property possesses a distinct sense of place, while reflecting our colonial heritage and the local culture of our hotel. Our colleagues are actively engaged in supporting and working with the local communities in which we operate.

The Grand serves the community in three ways preserving cultural heritage, participating in community education, as well as creating and supporting community programmes. The Grand provides more than philanthropic support; and we encourage colleagues to participate directly, whether through volunteer hours or coordinating events to support local organizations. Our hotel engages its local community differently, based on the needs of the community.

Supporting local communities

We only support organizations which have verifiable charity status and whose ethical principles are consistent with our business Ethics. We do not support political oriented organizations nor do we support organizations that discriminate on the basis of race, religion, creed, gender, age, physical challenge or national origin.

We support charities which especially:

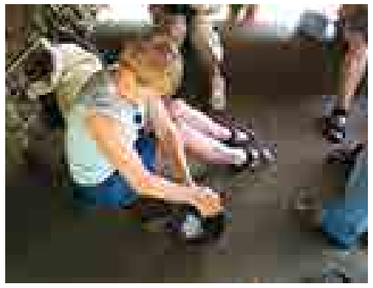
- operate or have needs in one of our areas of focus; environmental sustainability, creating local economic opportunity or providing disaster relief
- are open to innovative approaches to tackling the need
- are operationally efficient and can demonstrate their ability to follow through on a proposal
- explain clearly the benefits to our communities. We only support organizations which have verifiable charity status and who follows ethical principles.

Our commitment to society blends financial contributions with in-kind giving of products and services, and the volunteer service of our associates in and around the region. In addition, our staff members, directors, suppliers and guests are actively engaged in our local communities, often working alongside us on projects such as Trout fish breeding project, temple repairs.

Contribution to the Community

In addition to activities aligned with our key sustainability drivers, the Grand as a group and independently by individual business units also contribute in various forms to the communities where we operate trout fish breeding project, built water ponds for the animals in Galway forest, repairing Hospitals, providing school books to the less privileged kids in the area, tree planting campaigns, Area cleaning projects, school development projects etc.





Donation to the Sanctuary Christian Fellowship

On a request made by the Patron of the Sanctuary Christian Fellowship to assist the children in the war torn area, a donation of Rs. 5,000/= was made to purchase some School Bags, Biscuits and Toffees for these children.

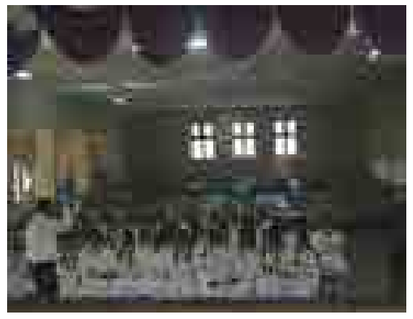






Career Development for Nuwara Eliya Schools





School prefects and senior students of Gamini Central College and Girls' High School, Nuwara Eliya were provided with a Career Development Programs on 3rd December 2012 and 11th February 2013 respectively, conducted by the Grand Hotel Nuwara Eliya, as part of the hotel's contribution to the student community. "At a time when more job opportunities are being created in the private sector, the involvement of such organizations in enlightening our students on how to progress as successful professionals is indeed, an invaluable service" said Deputy Principal, Mr. Dayarathne Ekanayake.

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The program was conducted by Mr. Tyrone David, who counts years of experience as a Trainer and HR practitioner, in the hotel industry, and who currently serves as the Resident Manager of Grand Hotel Nuwara Eliya. The Hotel has embarked on many activities and projects initiated under the stewardship of Managing Director, Mr. Gerard Ondaatjie, and General Manager, Mr. Palaka Perera, and carried out by the Hotel staff, aimed at empowering the youth of Nuwara Eliya with the skills needed to become productive and value driven professionals.

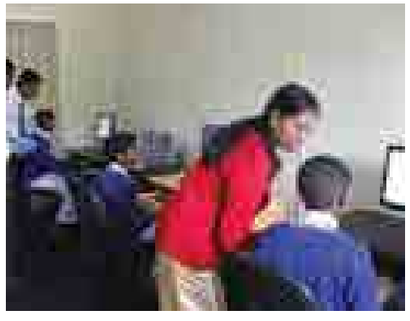
Rural School Equipped with Computer Room

A long felt need of the youngsters of Sri Piyatissa School Bambarakele, Nuwara Eliya was fulfilled, when Grand Hotel Nuwara Eliya donated a fully equipped Computer room, with 03 computers, 01 laser printer, complete with the necessary accessories and furniture, on 12th February 2013. " We had demarcated a space and also secured the services of a teacher for IT, and were indefinitely waiting for the hardware, when the esteemed hotel staff stepped in to help" said Principal, Mr. M. Rajasiri.

This modern facility was made possible as one of the many projects initiated under the stewardship of Managing Director, Mr. Gerard Ondaatjie, and carried out by the Hotel staff, aimed at giving the underprivileged youngsters of the region an opportunity to improve their skills and knowledge. The total cost for this initiative was Rs. 205,000/=.









Operation of a Welfare Shop

Operation of a Welfare Shop for the benefit of the Staff, the Chauffeur Drivers who bring Guests to the Hotel and the neighbors dwelling within the vicinity has definitely proved very lucrative with the annual sale from the shop being Rs. 7,788,339 which approximates to Rs. 650,000/= sale per month.

The Shop not only sells basic personal care items such as soap, toothpaste, shampoo, razors etc which were needed by the employees but, dry rations and essential commodities such as rice, coconuts, flour, sugar, frozen meats, soft drinks etc.

These items are provided at a subsidized rate, thereby providing the benefit to the consumer. The Shop moved a step further to offer breakfast packets consisting of string hoppers, rotti, and other short-eats such as Chinese rolls, patties, Buns, Wadai which are of great demand. These items are purchased from self employed local communities and it has provided an income boost to most of them. The shop is usually kept opened from 7.00 a.m. to 7.00 p.m.

The Welfare Shop has become extremely popular not only amongst the residents, staff and Chauffeur Drivers who patronize it but other customers of Nuwara Eliya too.





Tree Planting Campaign 2012

Environment – Greener City

Tree planting and re-planting Campaign was held at the Lake Gregory in October 2012 to coincide with the Local Government Week. Several Staff members from our Hotel joined the Nuwara Eliya Municipal Council at their Tree Planting Campaign to plant as well as re-plant trees around the Lake Gregory.

In addition, every month we conduct an Environmental Day, where majority of the staff take part. Certain areas which need attention are being attended during these Campaigns.

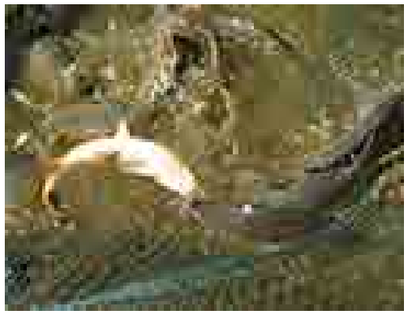




Trout Breeding Initiative at the Lake Gregory and Kande Ela Reservoir

Few decades ago, Nuwara Eliya was famous for Trout Fishing, and especially it was a source of primary/secondary income to low income earning families of Nuwara Eliya. As Trout Fish are gradually in extinction, the Grand Hotel has joined hand with the National Aquaculture Development Authority to revamp Trout Breeding in the Lake Gregory and Kande Ela Reservoir.





Construction of Drinking Water Ponds for the Animals of the Galways Forest Reserve

On the request made by the Galways Forest Reserve Officer, four drinking water ponds were constructed by the Grand Hotel to provide water especially during the drought season to the animals living in the Galways Forest Reserve. It has been found that most of these animals face threat to their lives during the drought periods, when they go out of the reserve area to the nearby village lands in search of water. The Galways Forest Reserve is the only forest reserve which is situated within a city and thus is a main tourist attraction especially for bird watching.

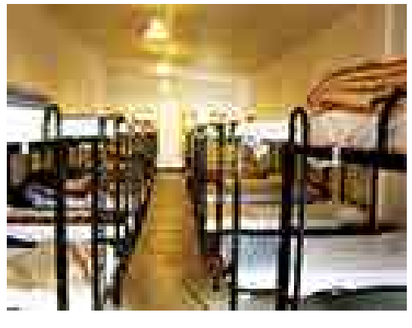






Construction of New Drivers' Accommodation

Grand Hotel always ensures the comfort of not only the Guests who patronize the Hotel, but also the Chauffeur Drivers who bring these Guests to the Hotel. With the encouraging number of Tourist arrivals during the past years, the Management felt the need to increase the facilities provided for these chauffeur Drivers, as the then accommodation was only sufficient to accommodate around 50 drivers at any given time. However, with the construction of the new Driver Accommodation, we are easily able to house 100 drivers at any given time with adequate basic facilities.



Distribution of School Books

School Books and other Stationery items required by children were distributed to 182 Children of the Members of the Grand Hotel Staff Welfare Society. The value of the items distributed among the children were Rs. 271,000.







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Grand Kiddies Party

The Grand Kiddies Party was held on 14th December 2012, where 50% of the Ticket money for the children of the Grand Hotel Staff was sponsored by the Grand Hotel Staff Welfare Society. 36 children of the staff members participated this year at the Grand Kiddies Party, where the total number of participants was 109.









Annual Religious Observances

Pirith Pinkama

The Annual Pirith Ceremony of the Grand Hotel was held on 5th June 2012 at the Main Restaurant with the participation 35 Buddhist Clergy including the Chief Incumbents of 8 Viharayas within the Nuwara Eliya and surroundings. The chanting of the Pirith and invoking of blessings were led by the Chief Incumbent of the Sri Maha Viharaya, Most Ven. Meepanawe Sugatha Dhamma Thero.





Saraswathy Pooja

The Annual Saraswathy Pooja to invoke Blessings on Grand Hotel, the Management and the Staff was held on 3rd October 2012 with the Pooja being conducted by Kurukkal Krishnamoorthy.




Muslim Religious Observance

This year the religious observances commenced with the Muslim Religious Observance on 4th June 2012.





Annual Thanksgiving Mass

The Annual Thanksgiving Mass which was the final Religious Observance for the year organized by the Hotel was held on 5th November 2012 at the Main Restaurant where His Lordship Rt. Rev. Vianney Fernando , Bishop of Kandy officiated at the Concelebrated Mass. This event is one of the most sought after Religious Observance among the Catholic community of Nuwara Eliya, as the Parishioners of Nuwara Eliya vehemently join in the Mass, where the average participation is around 600.





Blood Donation Campaign 2012

The Annual Blood Donation Campaign was conducted for the third successive year on 18th July 2012. This Campaign was also organized to coincide with the 70th Birthday of the former Resident Manager, Mr. Raju N Veerasingham and his retirement at the end of July 2012. 53 Donors donated blood which included members of the staff, and few outsiders.





Underprivileged Kiddies Party

The Underprivileged Kiddies Party was held on 9th December 2012 for the 5th Consecutive year successfully with the participation of 50 Children from Orphanages in and around Nuwara Eliya, single parent homes etc were invited for this party. The expenditure for this event was Rs. 90,000/=. Each child was given a School Bag, pair of shoes, School essential items such as Exercise books, Pencil cases, Lunch boxes and Water Bottles. The School Bags were sponsored by the Travel Agent Silver Shore.







Educational Tours / Village Sight Seeing

The Naturalist of Grand Hotel has acquired vast experience in organizing Village Sight Seeing Tours along with Jungle Lunches etc. Certain Groups who are interested in these Tours are taken to Sigiriya for such an Experience. These Guests also engage in donating School Books, other Stationery items etc for the Children of the S/Diyakepilla Vidyalaya, remote school.

Donation of a Hearing Aid

A humble appeal was made by a staff member that his nephew aged 8 years was suffering from a hearing disorder since birth and the only remedy would be to have a hearing aid affixed to the Right Ear. The initial donation was made on 27th July 2012, on the day of the Farewell of the former Resident Manager.

The cost of this hearing aid was Rs. 84,000/= which was collected from the Staff and a contribution from the Grand Hotel Staff Welfare Society as well.

The child is now leading a normal life and attending to his education without any impediments.



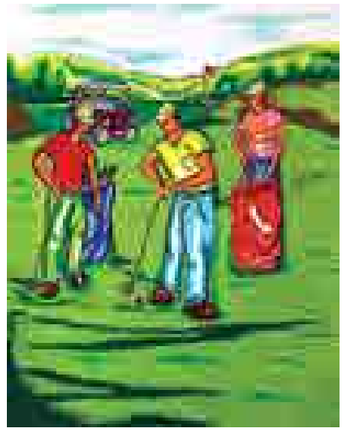
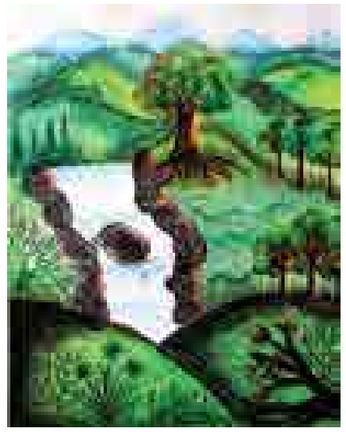


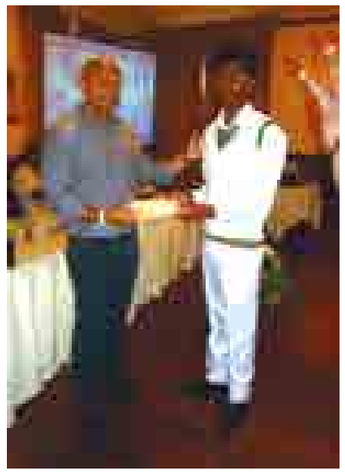
Art Competition Among School Children of Nuwara Eliya

An Art Competition was organized among the schools within the purview of the Nuwara Eliya Municipal Council Limits under three age categories. 15 Schools participated, and the Principals were requested to nominate the best five students from each category for the competition. The Competition was held on 16th February at the Grand Hotel Ballroom for the Age Groups 12 – 16 years, and under 19 years of age, whereas the under 12 years competition was held at the Our Lady's School. The turnout for the competition was extremely encouraging and the winners received a handsome cash prize as well as a Trophy and Certificate.

The Prize Distribution ceremony was held on 23rd March, with the Zonal Director of Education, Mr. Amarasiri Piyadasa being the Chief Guest whilst the Guests of Honour were the Managing Director of Grand Hotel, Mr. Gerard Ondaatjie and the Director of Aesthetic Studies of the Zonal Department of Education, Mrs. Hemalatha Bandara.

Winners of each Category received a Cash Prize of Rs. 7,000/=, plus a valuable Trophy and a Certificate, whilst the 1st Runner-up received a Cash Prize of Rs. 4,000/= plus a Certificate and the 2nd Runner-up a cash prize of Rs. 3,000/= plus a Certificate. All the students who took part received Certificates of Participation. Speaking at the occasion, the Chief Guest stated that it was indeed a pleasure to see such enthusiasm displayed among all the Staff of the Hotel for this Initiative and it was only very few Institutions in Nuwara Eliya who have come forward to conduct such events and help uplift and mould the pathway of the students. The total cost for this initiative was Rs. 110,000/=.





Engagement of a Supply Chain from Local Community

We recognize that we have a significant part to play in local economic development. We encourage the Grand to source goods and services locally and support local suppliers, where ever practicable. We also understand the need to promote responsible business practices by those same suppliers.

The Grand's focus in supply chain engagement helps develop innovative products and programs to deliver superior performance and meet our sustainability goals.

We have established a supply chain sustainability committee and continually collaborate with our suppliers to advance the sustainability of their products to conserve energy, reduce water use, increase waste diversion and include more sustainable materials. Our hotels purchase products and services that enable us to meet our stated goals.

Some of the achievements to date include sourcing of recycled content key cards, "room-ready" towels, recycled material pens, low VOC paint, biodegradable laundry bags, low-energy light bulbs, Shampoo, Body Cream and shower gel we refill them with out disposing the plastic sachets.

General Purchasing Policy and Supplier Management

The Grand Hotel purchasing policy aims to meet the operational needs of hotels and corporate office that may be covered by acquisition or contracting in order to generate revenue increases or cost reductions at acceptable quality levels. The mission of the Purchasing Department is to apply supplier management criteria that meet the needs of hotels and our head office in a balanced and sustainable way.

The following criteria, however, are also taken into account:

- The Geographical Limits of the Supplier
- Type of Industry: Manufacturer, Importer, Exporter, Distributor, Installer and/or Maintenance Supplier
- Quality Certifications
- Environmental Certifications
- Health and Safety Certifications
- Special Employment Centre Certifications
- Economic Conditions
- Non-Violation of Human Rights



Grand Hotel aims to achieve a satisfactory and long-lasting relationship with suppliers. Grand Hotel considers that a vendor is of local origin when it is registered in the country in which the Company purchases its products.




Over the last year, Grand has spent nearly Rs 4 billion with diverse suppliers. We are committed to increasing this number by providing opportunities within an ever-increasingly diverse and inclusive supply chain. In 2012/13, nearly 17 per cent of Grand's total procurement was with diverse suppliers and in the region. We buy from our vegetables from the local pola to give the moral support to the local vendors. We do not discriminate our suppliers based on cast, creed or religion they belong and adopt an equal opportunity platform. If they can adhere to our purchasing code and are ethical in what they do, we are happy buy from them.

Our progress is attributable, in part, to our continuous efforts to make it easier for the diverse companies interested in doing business with Grand Hotel to learn how to do so.

Sustainability in Our Kitchens

For more than a decade, Grand has provided guidance to encourage sustainability in our kitchens through actions such as purchasing organic and responsibly sourced food, planting herb and vegetable gardens, establishing relationships with local farmers and recycling cooking oil.

Some of the Key Stakeholder Engagement Activities in 2012/13

CSR Initiatives which are being continued from the Previous Years

Some of the Key Stakeholder Engagement Activities in 2012/2013	Stakeholder Group	Status Quo
Blood Donation Campaign	Community	Held one Campaign on 25th July 2012 63 Donors participated
Almsgiving to Temples	Communit	03 Almsgivings were done upto 30th November
Educational Tours	Schools, Community	10 Educational Tours completed so far
Religious Observances	Community	All Four Religious Observances were successfully completed
Tree Planting Campaigns	Community	02 Tree Planting Campaigns completed (One with the collaboration of the Nuwara Eliya Municipal Council near the Lake Gregory on 19th October 2012 and One In-house campaign on Hotel Environment day in September] Rs.7,000/= spent for refreshments for the Tree Planting Campaign conducted with the Nuwara Eliya Municipal Council

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Some of the Key Stakeholder Engagement Activities in 2012/2013	Stakeholder Group	Status Quo
Awareness Program for all Hoteliers on the aspect of Human Resource Management conducted by the Industrial Development Board	Community	Work-in-Progress
Career Guidance and Personality Development Program for School Level	Local Schools	Completed in December 2012 & February 2013
Donation of Rs. 50,000/= towards the purchase of the C T Scanner for the Nuwara Eliya General Hospital	Local Community	Donation made in October
Construction of 04 Drinking water Ponds for the Galways Forest Sanctuary with the Hotel contributing Rs. 21,400 and the Business Community contributing Rs. 10,800. The total cost of the Project was Rs. 32,200/= (the items included metal, cement, sand and net)	Environment	Totally 04 Ponds constructed
Donation of Rs. 10,000 towards the completion of the Sri Sithi Vinayagar Temple at Oliphant Estate, Bamabrakelle	Community	Donation made in November
Donation of Rs. 5,000/= to the Sanctuary Fellowship Organization to provide children in the North and East with essential items	Community	Donation made in January
Renovation of the Burns Units of the District General Hospital, Nuwara Eliya	Community	Work-in-Progress
Art Competitions for all Local Schools	Local Schools	March 2013
Donation of 75 Nos. Lunch Packets amounting to Rs. 13,500/= to Holy Trinity Church for their 160 years Anniversary Celebrations	Community	December 2012
Providing meals for 40 priests for the Annual Katina Pinkama of the Chethiyagiri Rajamaha Viharaya, Shanthipura	Community	Donated in October 2012
Supplying items for Dinner valued at Rs. 12,000 for the Annual Church Feast of St. Xavier's Church, Nuwara Eliya	Community	December 2012
Providing a Cash Donation of Rs. 7,500/- to Girls' High School, Nuwara Eliya to turn Dancing Costumes for the All Island Dancing Competition	Local Schools	Completed
Trout Breeding at Kande-Ela Reservoir to generate income for local community	Community	Work-in-Progress
Providing of Three Computers, Printer, 3 Computer Tables, Chairs and complete refurbishment of the Computer Room with Carpeting etc – Rs. 205,000/=	Local Schools	Siri Piyatissa School, Bambarakelle on 12th February 2013
To introduce Shrimp cultivation to the Kande-Ela Reservoir	Community	Work-in-Progress
To conduct Series of lectures for the Local Tour Guides in association with the Tourism Development Authority	Community	Work-in-Progress

New CSR Initiatives introduced during this Financial Year

Sustainability & Social Responsibility Awards Won by Grand Hotel

1. April Seasonal Blooms 2012 - Number of Awards won
    - Best Garden - Commercial Large - 1st Place
    - Best Lawn - Commercial Large - 1st Place
    - Best Fences & Hedges - Commercial Large - 1st Place
    - Best Floral Arrangement - Commercial Large - 1st Place
    - Best Collection of Potted Plants - 1st Place
    - Best Collection of Cut Flowers - Commercial - 1st Place
    - Best Floral Arrangement - Commercial Medium - 2nd Place

2. Nagarayata Uyanwathu – 1st place in the District and 3rd place in the Central Province
3. Trip Advisor Recommendation – for the Hotel and The Indian Restaurant
4. Bronze Award for the Best Annual Report in the Tourism and Hospitality Category conducted by the Institute of Chartered Accountants of Sri Lanka
5. Agoda.Com – Gold Circle Award
6. Three Star Productivity Award – Ministry of Industries, Central Province






The Grand and the Environment

Commitment to the Environment

The problems that current generation have to face mean that organizations that do not adopt will disappear. We are in the midst of an economic crisis motivated by a crisis in values, an ecological crisis of impressive dimensions and a crisis of trust in the business leaders, who, after politicians, are the social agent that citizens value the least.

Travel and tourism generate considerable pressure on the natural environment, not so much due to the danger of their impact, but rather the sheer size of the industry. We should view the tourism industry under the criterion of sustainability respecting the environment and the local culture and helping to develop the local economies, which should have repercussions on social improvements. Clients are increasingly aware of their responsibility and also of companies' responsibilities.

We are living at a time when, for the same price, customers prefer to stay in a sustainable hotel. However, due to the evolution in collective consciousness, it will not be long before this becomes an actual requirement. On the other hand, if the industry's top asset, the environment, is not cared for, tourism destinations will be left without a product to sell.

Environmental Management

Environmental management forms an integral part of the Grand's strategy through its inclusion in the global sustainability policy, from which are drawn a number of activities and principles which are included in the Strategic Plan of the Company. The head office defines the global environmental approach designed to ensure hotels reduce their environmental footprint and assume respect for and protection of the environment as part of their daily operations.

The different activities aim to respect the principle of "think globally – act locally". To achieve this, on the one hand we aim to preserve the natural environment in the destinations where the Company operates, and on the other hand we attend to our activities on a global level, aiming to reduce the overall effect of our business on the planet.

There is also a forum for hotels to share their experiences and best practices. Communication between our own hotel's and corporate office is encouraged, as well as between the hotels themselves, in order to convert best practices into standard practices.

Pursuing Energy Saving

Improving energy efficiency is at the core of the Grand's efforts to reduce its environmental footprint whether for new or old hotel, under management. Motivated by a feasibility study, new energy saving methods are available in the market.

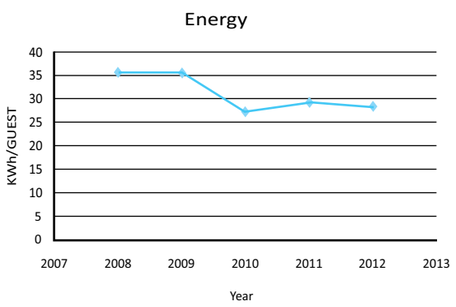
The new equipments what we purchased for the kitchen and our restaurant operations are the most energy-efficient available on the market, utilizing a low-pressure refrigerant that allows lower motor compression costs and greatly reduces the chances of refrigerant leakage to the atmosphere.

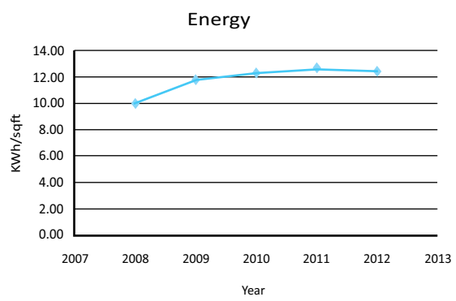
During the testing period, the energy efficiency of the new system was improved by 50% following the basic setting of optimal parameters. This demonstrates the importance of ensuring that all the components and control systems work together to optimize the system and achieve the highest cost savings.

Grand Hotel achieved an overall energy reduction of 2% in 2012/13. This efficiency is higher than the initial estimate of the feasibility study.

Electricity Consumption

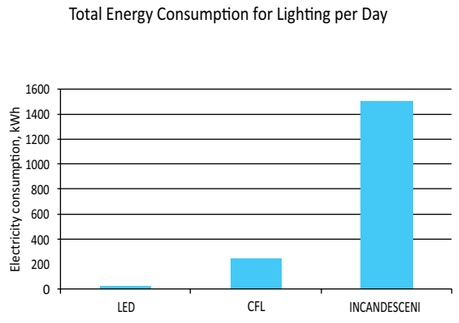
Financial Year	Kwh/Year	Occupancy Room Nights	Total Floor Area Sq.ft.	Kwh/Guest	Kwh/Sq.ft.
2008/2009	801,466	22,454	80,146	35.69	10.00
2009/2010	945,731	26,696	80,146	35.42	11.80
2010/2011	987,180	36,246	80,146	27.23	12.32
2011/2012	1,018,575	34,816	80,146	29.25	12.71
2012/2013	998,553	35,129	80,146	28.41	12.45

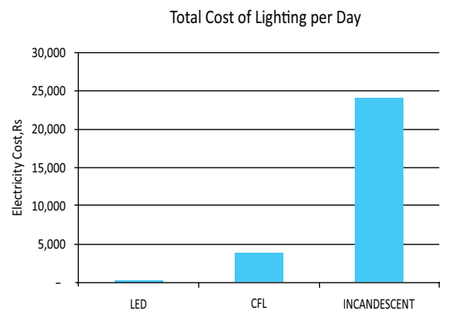




Usage of substitutes for incandescent bulbs by way of CFL and LED, where ever possible, has paid dividend in conserving energy consumption at the hotel on lighting.

Total lighting energy consumption per day assuming 100% occupancy - 759 KWh
Total lighting cost per day assuming 100% occupancy (Rs 16/unit) - Rs. 28,142/=
Estimated Annual Carbon Foot Print due to lighting at 100% occupancy - 13,297 kg of CO_2





Total Energy Saved

LED	195 KWh
CFL	734 KWh
Total	928 KWh
Total Financial Savings Per Day	Rs. 14,858/=
Total Reduction in Carbon Foot Print per Annum	7,020 Kg of CO_2

Potential Savings

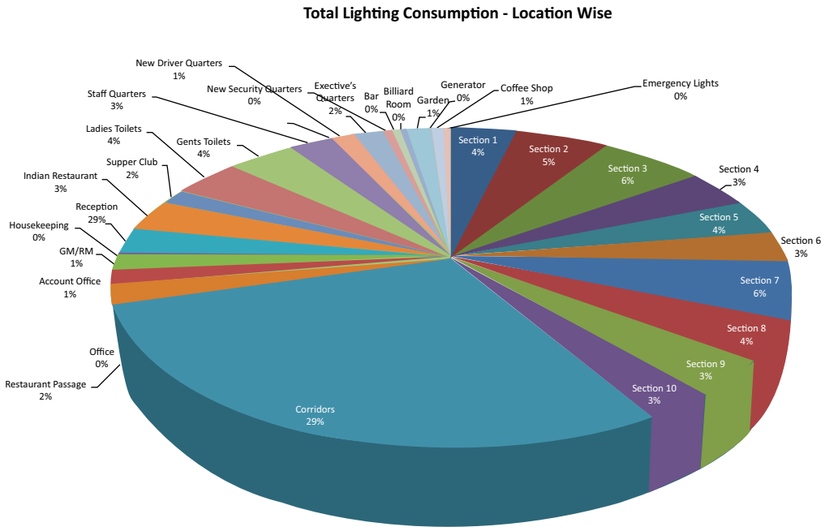
If all incandescent lamps were replaced by CFLs

Electricity Unit Savings per Day	1,128 KWh
Financial Savings per Day	Rs. 18,047/=

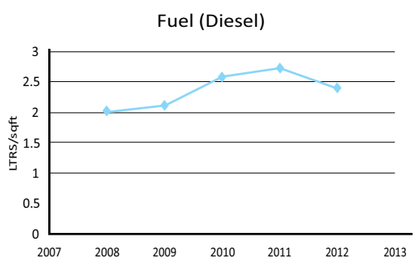
If all incandescent and CFLs were replaced by LEDs

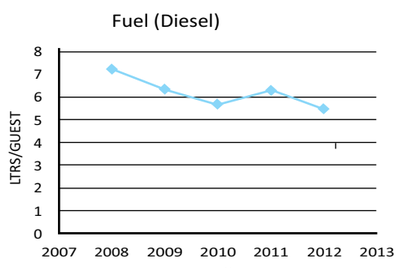
Electricity unit savings per day	1,476 kWh
Financial savings per day	Rs. 23,614/=

Lighting Consumptions Distribution



Financial Year	Total Ltrs	Occupancy Room Nights	Total Floor Area Sq.ft.	Ltrs/ Sq.ft.	Ltrs/ Guest
2008/2009	161,960	22,454	80,146	2.02	7.21
2009/2010	169,221	26,696	80,146	2.11	6.34
2010/2011	205,790	36,246	80,146	2.57	5.68
2011/2012	219,085	34,816	80,146	2.73	6.29
2012/2013	192,452	35,129	80,146	2.40	5.48





Managing Water

Given the growing global water challenge, the Grand is working internally to continuously improve operations, and externally to understand local water conditions where we operate. Our Company understands the importance of water to our business, human health and the economic viability of the communities where we operate. We are therefore taking steps to enhance the monitoring and management of our water use and identify hotel that are located in water-stressed areas.

According to the United Nations Environmental Program, 40% of the world population will live in water scarce regions by 2025. These conditions are passed on to businesses as a reduction in freshwater availability and quality as well as increased costs. Since water is essential to our operations, forward-looking water strategies are needed, particularly in regions with current and future freshwater shortages.

Now we collect the spring water and the rain water for our garden use and the farm use. Our water treatment plant project is still under preliminary stage as we reported in our last year's sustainability report and we are hoping to complete this pilot project and save more water resource in near future.

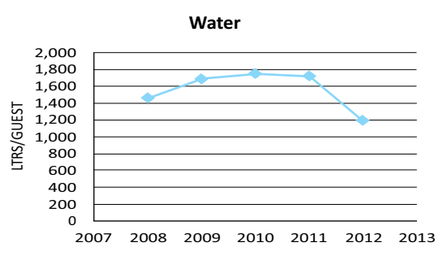
Benefits arising from an efficient use of water include the reduction of wastewater and its costly treatment, as well as energy savings on the reduced use of hot water. A growing number of hotels are now testing and implementing new water-saving technology in the water-intense operations of our laundry, kitchens and support services such as gardening and farming. Our focus will remain on reducing water consumption in non-guest areas.

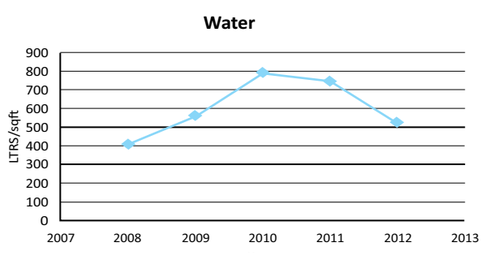
Water Intensity

Water consumption per guest night is the key indicator that we use to measure our performance over time, as it takes into consideration the growth of the Company. In 2012/13, the Company's average water use was 1,201 litres per guest night. An overall reduction of 30% over 2011/12 levels.

In 2012/13, spring water collection, reduced water consumption from the public utility by 13%. The total volume of water saved was 5,406 cubic meters (1,189,134 gallons) worth Rs. 242,189. Although requiring a significant initial investment, the new system provides immediate water and energy savings for the hotel, as desalination is an energy intensive process.

Financial Year	Units in M^3	Occupancy Room Nights	Total Floor Area Sq.ft.	Units/ Guest	Ltrs/ Guest	Units/ Sq.ft.	Ltrs/ Sq.ft.
2008/2009	32,828	22,454	80,146	1.462	1,462	0.409	409
2009/2010	450,36	26,696	80,146	1.687	1,687	0.562	562
2010/2011	63,466	36,246	80,146	1.751	1,751	0.792	792
2011/2012	59,862	34,816	80,146	1.719	1,719	0.746	746
2012/2013	42,201	35,129	80,146	1.201	1,201	0.526	526





Water Management at Staff Accommodation Complex

The staff accommodation complex of the Hotel uses water from a natural source located at the foot of Single tree hill, which is stored in storage tanks and treated using a Chlorine dosing pump. All faucets are fitted with aerators while all showers are fitted with Shower heads to minimize the usage of water.

Periodic training sessions are conducted to ensure that staff members are aware of the water conserving practices and routine monitoring exercises, and a monthly review of water consumption is done at the Monthly Management Meeting.

Waste Reduction

Waste management is an area where we have many opportunities. Most of the solid waste in our hotels is generated by activities like food preparation, consumption of pre-packaged items, guest waste and housekeeping.

Thus far, efforts to increase recycling and reuse have been primarily driven by our hotel. We recognize that improvements to our hotel guidelines are required in order to provide a consistent approach, enabling us to better measure our performance. Our objective for 2013 is to develop a complete, accurate, consistent and timely measurement process of our waste and emissions due to waste generation. Under the strategy “think global, act local”, we are emphasizing practical and realistic solutions that work for our colleagues and the available waste collection, treatment and disposal methods in each departmental locations.

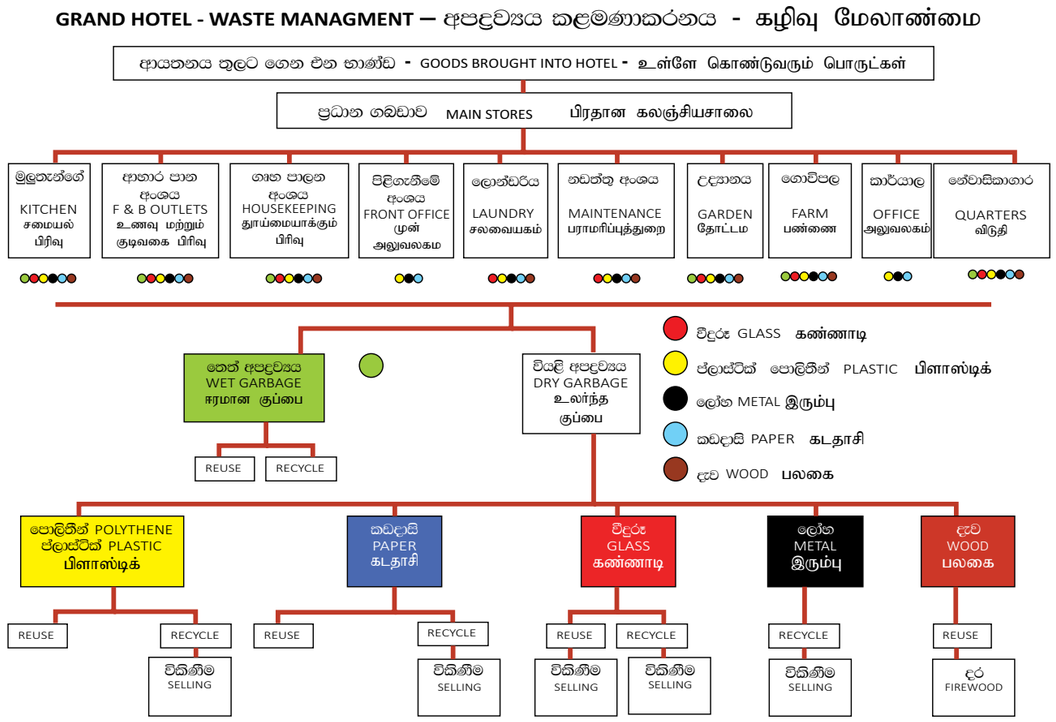
Waste Management at the Grand

In keeping with the environmental policy of the Grand, all waste matter is treated according to the concept of a waste hierarchy, which features Reduce, Reuse and Recycle. The most preferred action regarding waste will be prevention while disposal will be the least favored option.

All waste produced by the Hotel operation is segregated at the site of production of waste or at the closest possible point. Liquid waste is treated by a Sewerage Treatment Plant, while all dry waste is sorted at the point of production and sent to the Waste Management Centre located at the back of the building. A part of the Wet Kitchen waste is used as Food for the 400 pigs in the Hotel farm, while other segregated waste material is taken away by the Municipality on a daily basis. The Hotel earns approximately Rs. 35,000/- per month by the disposal of waste, and uses the money to enhance and improve the working and living conditions of the staff members. All staff members are trained on the implementation of the Waste Management Plan, and the process is monitored daily and weekly, and reviewed by the management every month.

E- Waste Management

With the increase in the use of electric and electronic equipment, the hotel has laid out procedures for the responsible disposal of these items. The hotel uses in excess of 4,000 bulbs in the premises out of which 75% are either CFL or LED. Once these bulbs are fused, they are taken away by the assigned supplier for recycling. This procedure is strictly adhered to avoid the contamination of the environment by the Mercury present in CFL bulbs. Similarly all redundant computers and accessories along with discarded incandescent light bulbs are sold to a local contractor for reuse.



Green Building Technologies

We believe the hotel sector is in a unique position to advance the development of green building technologies. We have a key part to play in helping to bring these technologies to market and in making them cost effective. We have also advised our Department heads to look at ways to work closely with product and service providers to identify areas for improvement. We hope to report back on progress in this area in the future.

Global Reporting Intiatives 3.1 Index

Profile Disclosure	Description	Reported	Reference
1.	**Strategy and Analysis**		
1.1	Statement from the most senior decisionmaker of the organization (e.g., Managing Director, CEO, Chairman, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	Managing Director's Review	16 -22
1.2	Description of key impacts, risks, and opportunities.	Risk Management	150 -156
2.	**Organizational Profile**		
2.1	Name of the organization.	Corporate Information	Inner Back Cover
2.2	Primary brands, products, and/or services.	Mangement Discussion Analysis Our Brand Overview	70 - 75 11
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Management Discussion Analysis	70 - 75
2.4	Location of organization's headquarters.	Corporate Information	Inner Back Cover
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Management Discussion Analysis	70 - 75
2.6	Nature of ownership and legal form.	Corporate Information	Inner Back Cover
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries).	Management Discussion Analysis	70 - 75
2.8	Scale of the reporting organization, including: • Number of employees; • Number of operations; • Net sales (for private sector organizations) or net revenues (for public sector organizations);	Management Discussion Analysis Financial Reports Financial Highlights	70 - 75 160 - 199 9
2.9	Significant changes during the reporting period regarding size, structure, or ownership including:	Managing Director's Review Management Discussion Analysis Financial Reports	16 - 22 70 - 75 160 - 199
2.10	Awards received in the reporting period.	Sustainability Report	94 - 147

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Profile Disclosure	Description	Reported	Reference
3.	**Report Parameters**		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Annual Report of the Board of Directors	38 - 41
3.2	Date of most recent previous report (if any).	31st March 2012	
3.3	Reporting cycle (annual, bi-annual, etc.)	Annual	
3.4	Contact point for questions regarding the report or its contents.	Corporate Information	Inner Back Cover
3.5	Process for defining report content, including: • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report.	Sustainability Report	94 - 147
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Sustainability Report	94 - 147
3.7	State any specific limitations on the scope or boundary of the report	For The Nuwara Eliya Hotels Co. PLC & Grand Hotel (Pvt) Ltd. only	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Financial Reports	162 - 199
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Sustainability Report	94 - 147
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).	Financial Reports	162 - 199
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Financial Reports Management Discussion Analysis	162 - 199 70 - 75
3.12	Table identifying the location of the Standard. Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	N/A	

Profile Disclosure	Description	Reported	Reference
4.	**Governance, Commitments and Engagement**		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Corporate Governance	44 -63
4.2	Indicate whether the Chair of the highest governance body is also an Executive Officer (and, if so, their function within the organization's management and the reasons for this arrangement).	Corporate Governance A.3 Role of Chairman	44 -63
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Corporate Governance - Board Balance	44 - 63
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Annual Performance Evaluation Investor Feedback Form	217
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Corporate Governance B.2 Directors Remuneration	44 - 63
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate Governance A.1 The Board	44 - 63
4.7	Process for determining the composition,qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Corporate Governance A.7 Appointments to the Board A.10 Disclosure of Information in respect of Directors	44 - 63
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Sustainability Report	94 - 147
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Corporate Governance A 1.6 Dedication of adequate time and effort by Directors	44 - 63

Profile Disclosure	Description	Reported	Reference
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Corporate Governance B.1 Remuneration Procedure	43 - 63
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Risk Management	150 - 156
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Financial Reports Sustainability Report	162 - 199 94 - 147
4.13	Memberships in associations (such as industry associations) and/ or national/international advocacy organizations in which the organization:	Sustainability Report	94 - 147
4.14	List of stakeholder groups engaged by the organization.	Sustainability Report	94 - 147
4.15	Basis for identification and selection of stakeholders with whom to engage.	Sustainability Report	94 - 147
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Sustainability Report	94 - 147
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Sustainability Report	94 - 147

Profile Disclosure	Description	Reported	Reference
	Economic Performance Indicators		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Statement of Value Added	202
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	N/A	
EC3	Coverage of the organization's defined benefit plan obligations.	Notes to the Financial Statements - Retirement Benefits	189
EC4	Significant financial assistance received from Government.	Nil	
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Sustainability Report	94 -147
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Sustainability Report	94 -147
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Sustainability Report	94 -147
EC8	Development and impact of infrastructure investments and services provided primarily "for public benefit through commercial, in kind,or pro bono engagement."	Sustainability Report	94 -147
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Sustainability Report	94 -147

Profile Disclosure	Description	Reported	Reference
	Environmental Performance Indicators Materials		
EN1	Materials used by weight or volume.	Sustainability Report	94 - 147
EN2	Per centage of materials used that are recycled input materials.	Sustainability Report	94 - 147
	Energy		
EN3	Direct energy consumption by primary energy source.	Sustainability Report	94 - 147
EN4	Indirect energy consumption by primary energy source.	Sustainability Report	94 - 147
EN5	Energy saved due to conservation and efficiency improvements.	Sustainability Report	94 - 147
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Sustainability Report	94 - 147
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Sustainability Report	94 - 147
	Water		
EN8	Total water withdrawal by source.	Sustainability Report	94 - 147
EN9	Water sources significantly affected by withdrawal of water.	Sustainability Report	94 - 147
EN10	Percentage and total volume of water recycled and reused.	Sustainability Report	94 - 147
	Bio-diversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high bio-diversity value outside protected areas.	Sustainability Report	94 - 147
EN12	Description of significant impacts of activities, products, and services on bio-diversity in protected areas and areas of high bio-diversity value outside protected areas	Nil	
EN13	Habitats protected or restored.	Sustainability Report	94 - 147
EN14	Strategies, current actions, and future plans for managing impacts on bio-diversity.	Sustainability Report	94 - 147

Profile Disclosure	Description	Reported	Reference
	Emissions, Effluents and Waste		
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Nil	
EN16	Total direct and indirect greenhouse gas emissions by weight.	Sustainability Report	94 -147
EN17	Other relevant indirect greenhouse gas emissions by weight.	Sustainability Report	94 -147
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Sustainability Report	94 -147
EN19	Emissions of ozone-depleting substances by weight.	Nil	
EN20	NO, SO, and other significant air emissions by type and weight.	Nil	
EN21	Total water discharge by quality and destination.	Sustainability Report	94 -147
EN22	Total weight of waste by type and disposal method.	Sustainability Report	94 -147
EN23	Total number and volume of significant spills.	Nil	
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and per centage of transported waste shipped internationally.	Nil	
EN25	Identity, size, protected status, and bio-diversity value of water bodies and related habitats significantly affected by the the reporting organization's discharges of water and runoff.	Nil	

Profile Disclosure	Description	Reported	Reference
	Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Sustainability Report	94 -147
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Nil	
	Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non compliance with environmental laws and regulations.	Nil	
	Transport		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations and transporting members of the workforce.	Sustainability Report	94 -147
	Overall		
EN30	Total environmental protection expenditures and investments by type.	Sustainability Report	94 -147

Profile Disclosure	Description	Reported	Reference
	Labour Practices and Decent Work Performance Indicators - Employment		
LA1	Total workforce by employment type, employment contract and region, broken down by gender.	Sustainability Report	94 - 147
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region.	Sustainability Report	94 - 147
LA3	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation.	Sustainability Report	94 - 147
	Labor/Management Relations		
LA4	Percentage of employees covered by collective bargaining agreements.	N/A	
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Sustainability Report	94 - 147
LA6	Occupational Health and Safety Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.	Sustainability Report	94 - 147
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	Sustainability Report	94 - 147
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Sustainability Report	94 - 147
LA9	Health and safety topics covered in formal agreements with trade unions.	Sustainability Report	94 - 147
	Training and Education		
LA10	Average hours of training per year per employee by gender, and by employee category.	Sustainability Report	94 - 147
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Sustainability Report	94 - 147
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Sustainability Report	94 - 147
LA13	Diversity and Equal Opportunity Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Sustainability Report	94 - 147
LA14	Equal Remuneration for Women and Men Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Sustainability Report	94 - 147
LA15	Return to work and retention rates after parental leave, by gender.	Sustainability Report	94 - 147

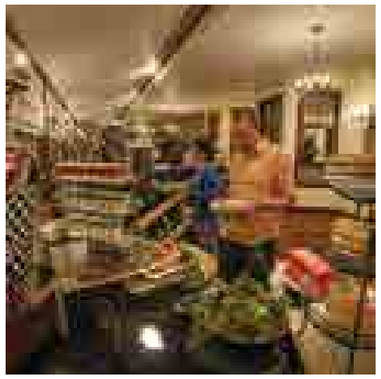
Profile Disclosure	Description	Reported	Reference
	Human Rights Performance Indicators Investment and Procurement Practices		
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Nil	
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	Nil	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Sustainability Report	94 - 147
	Non-Discrimination		
HR4	Total number of incidents of discrimination and corrective actions taken.	Sustainability Report	94 - 147
	Freedom of Association and Collective Bargaining		
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Sustainability Report	94 - 147
	Child Labour		
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Nil	
	Forced and Compulsory Labour		
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	Sustainability Report	94 - 147
	Security Practices		
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Sustainability Report	94 - 147
	Indigenous Rights		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Nil	
	Assessment		
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	Nil	
	Remediation		
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Nil	

Profile Disclosure	Description	Reported	Reference
	Society Performance Indicators		
	Local Communities		
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Sustainability Report	94 - 147
S09	Operations with significant potential or actual negative impacts on local communities.	Nil	
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impactsl on local communities.	Nil	
	Corruption		
SO2	Percentage and total number of business units analyzed for risks related to corruption.	100% Risk Management	150 - 156
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	100% Risk Management	150 - 156
SO4	Actions taken in response to incidents of corruption.	Risk Management	150 - 156
	Public Policy		
SO5	Public policy positions and participation in public policy development and lobbying.	Nil	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Nil	
	Anti-Competitive Behavior		
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	Nil	
	Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	Nil	

Profile Disclosure	Description	Reported	Reference
	Product Responsibility Performance Indicators		
PR 2	Total number of incidents of non-compliance in health and safety impacts of products and services during their life cycle by type of outcome.	Nil	
PR 5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Sustainability Report	94 - 147
PR 7	Total number of incidents of non-compliance in marketing communications including advertising, promotions etc.	Nil	
PR 8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Nil	
PR 9	Monetary value of significant fines for non-compliance with the provision and use of products and services.	Nil	











Risk Management

Overview

Risk can be defined as a probable occurrence of an adverse event that could deter the achievement of the Company's objective. Taking risks is an integral part of entrepreneurship. Uncertainty provides both risk and opportunity with a potential to augment or erode value. The management needs to determine the Company's risk appetite which is fundamental of the performance aspect of Corporate Governance. The Company is committed to increase shareholder value by developing the business within the board –determined risk appetite, Grand Hotel is committed towards achieving this objective in line with the interests of all stakeholders.

Risk Management, is the process of analyzing exposure to risk by identifying vulnerabilities and their probability of outcome. It also determines various policies and procedures in order to identify, analyse, evaluate and monitor risks, together with methods to minimize the probability of occurrence or the impact of any identified risks. Avoiding risks, mitigating the negative effect of risks, and transferring the risk to outside parties are risk management strategies adopted by Grand Hotel. The Nuwara Eliya Hotels Co. PLC has a structured risk management process to address different risk categories – Strategic, Operational, Compliance and Financial Risks.

Strategic Risks

- Market Risk
- Business Risk
- Disaster Management

Operational Risks

- Employee Risk
- Reputation Risk
- Internal Controls
- Fraud Risk
- Technology Risk
- Commercial Relationships

Compliance Risks

- Legal Risk
- Tax Risk
- Market Practices
- Regulatory Risk
- Environmental, Health & Safety

Financial Risks

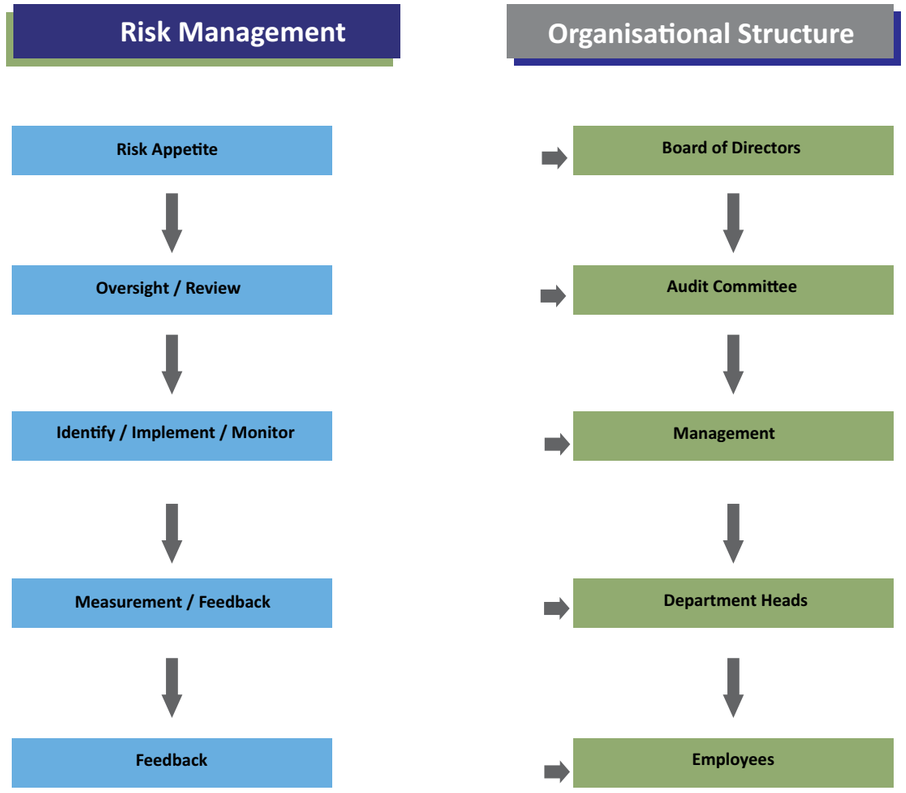
- Foreign Exchange Risk
- Interest Rate Risk
- Liquidity Risk
- Credit Risk
- Investment Risk

Risk Management Structure

The Board is primarily responsible for the identification and management of risk. The Audit Committee has been delegated the responsibility for reviewing the effectiveness of the risk management framework, including the systems established to identify, assess, manage and monitor risks. The internal audit function plays a key role in the identification of risks.

The management of the Company takes the lead at the implementation level in identifying and monitoring of risks. Risks are reported on a regular basis, all risks and opportunities are prioritized in terms of impact and likelihood, considering quantitative and/or qualitative aspects. The bottom–up identification and prioritization process is supported by meeting with the respective department heads. Potential risks and opportunities are discussed and if found applicable are reported and analysed in terms of cumulative effects. The management identifies risks that do not match the risk appetite of the Company and evaluate options available to mitigate risks.

A structured risk management process encourages management to take risks in a controlled manner.



Risk Management Framework

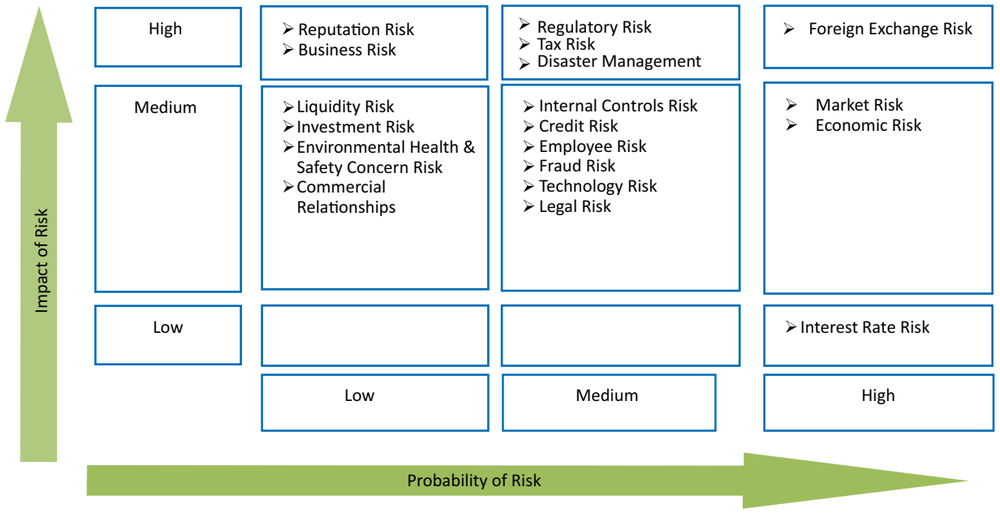
Risks are assessed according to the likelihood of an even and its potential impact on the business. Impacts are quantified in terms of potential loss or damage. The loss to the Company without mitigating actions, are compared against the net loss after mitigation action is taken against the risks. Risks and their corresponding action plans are reviewed by the management.

The probability of risk is based on past experience and preventive measures in place. A ranking of high, medium and low in terms of the probability of occurrence is assigned for each risk.

The impact of the risk is determined by the loss it would cause and the extent of the impact. Considering these two factors, the impact is then categorized as high, medium and low.

This framework is designed to balance corporate oversight with well defined Risk Management processes. Enhancements have continued to be made to the Risk Management framework through 2012/13.

The categories of risks faced by the Company and their significance with regard to the threat they pose to its activities are shown below:



The risks that we consider the most relevant to our business are identified below. We have also commented on certain mitigating actions that we believe help us manage such risks.

Risk Category and Description	Control Measures and Action Plans to Mitigate Risks
Business Risk • Risk of non-implementation of Strategic plans, Revenue improvement strategies & cost saving initiatives. • The performance of the Company could be adversely impacted by local as well as global factors impacting the tourism in Sri Lanka.	• Meetings are held regularly by the Board of Directors and the Management team in order to formalize future strategies, revise and update current plans, taking into consideration the changing circumstances of the Group and the changes taking place in the environment in which it operates. • Project feasibility studies are conducted for all major investments and professional advice is obtained from outside sources where necessary. • The Group monitors its main competitors in order to lower the response time needed to counter any strategies implemented by them. • The Company is working in lobbying the various trade associations and the Government to control the possible impacts. • Management monitors such risks and amends business procedures as appropriate to mitigate any exposure.

Risk Category and Description	Control Measures and Action Plans to Mitigate Risks
Market Risk • The room rates and occupancy levels of the Hotel could be adversely impacted by events that reduce domestic or international travel, such as actual or threatened acts of terrorism or war, epidemics, increased transportation and fuel costs, travel related accidents, travel related industrial action and natural disasters, resulting in reduced worldwide travel or other local factors which will have an adverse impact on the Hotel operations and financial results. • Competition from local hotels and entry of international brands.	• The Management strives in nurturing long and well established relationships with major operators of charter traffic and individual clients. • Grand Hotel further participates in global and regional promotional events, marketing initiatives embarked on by the local tourism authorities. • The Company is building up relationships and contacts with local and international companies on corporate rates. • Measures have been initiated within the Hotel for the introduction of new services, improvement of quality, effective and efficient usage of resources. • Measures are also taken to closely monitor financial markets and competition to manage and mitigate the risks.
Risk from break down of internal controls, processes and procedures • Potential losses as a result of inadequate internal controls, failures of internal processes, people and systems, natural and man-made disasters.	• Business continuity plans are in place to ensure the smooth operation of the business even at a time of disaster. • Internal audits are carried out following on internal controls and compliance, whilst ensuring independence and objectivity.
Employee Risk • The Company's human resources are the backbone of the business, holding the Company together. The growth of the Company is heavily dependent on the highly skilled individuals that Grand Hotel is able to attract and retain. The recruitment and retention of the employees is a constant challenge.	• As part of the performance appraisal process carried out in the Company, a clear vision has been set out on career development and succession plans enabling the Company to retain its employees. • Regular training is carried out in order to infuse motivation, commitment and empowerment among the staff. • Recruitment of high caliber staff, effective induction to the Group's corporate culture, having transparency in management actions, effective communication lines are developed in the Company's culture to foster good employee relationships.

Risk Category and Description	Control Measures and Action Plans to Mitigate Risks
Reputation Risk • Company's success depends on the continued strength and recognition of the brand – "Grand" on local and regional basis. • The "Grand" name is primary to its business as well as to the implementation of its strategy for expanding its business, including internationally maintaining, promoting and positioning "Grand". This will depend largely on the success of its ability to provide consistent, high quality services to its clients around the world.	• The brand of "Grand" with emphasis on maintaining quality standards and standards of performance, carries out ongoing reviews of guest comments in order to exceed customer expectations. • Maintenance of the highest ethical standards at all times in all business activities. • Proper adherence to the statutory and environmental regulations.
Commercial Relationships • The Company benefits from close commercial relationships with a number of key customers and suppliers. The disruption of this can have negative consequences.	• The Company devotes significant resources to carry out regular training programs to upgrade its level of care in supporting these relationships. • Company undertakes surveys of customer satisfaction, which are reviewed on a continuous basis.
Credit Risk • The economic instability, high inflation rates and adverse foreign currency fluctuations could affect the Company in recovering cash from the clients of the Hotel. Risk Category and Description.	• The Company carries out actively, trade debtor balance reviews with review meetings held on a continuous basis. • The Hotel transactions are based on cash terms and credit is provided only through established and reputed travel agents and tour operators.
Interest Rate Risk • The probability of income losses arising from adverse interest rates.	• Regular monitoring & forecasting of market interest rates is carried out to ensure appropriate steps are taken to maximize the return on financial investments and minimize cost of borrowing. • Negotiations with banks and financiers are done to obtain best possible interest rates for investments.
Foreign Exchange Rate Risk • Risk from adverse exchange rate fluctuations.	• Exchange rate movements are taken into consideration when entering into contracts with travel agents. • Negotiation of room rates in stronger currencies, fixing the denominator in US dollars for sales contracts as it's accepted as a strong currency.

Risk Category and Description	Control Measures and Action Plans to Mitigate Risks
Legal and Regulatory Risk • The Company encounters different legal and regulatory requirements including those for taxation, environmental, operational and competitive matters. It is exposed to the effect of administrative and regulatory risks which can include sudden changes in regulations, imposition of trade barriers and wage controls, limits on the export of currency and volatility of prices, taxes and currencies.	• Processes are in place for the compliance of the relevant operational licenses, permits, certifications that have an impact on the operation of the business and other legal/ statutory/ regulatory statements/ declarations/ returns/ documentations as required by the relevant governing statutes/ regulations in ensuring continuity of the business. • The Board and the Management seek professional advice from external consultants such as legal, tax consultants as and when needed.
Fraud Risk • The risk that the internal control weaknesses leading to corruption and employees abusing entrusted power for private gain and in turn leading to misappropriation of assets or fraudulent financial reports, have a risk on Company reputation, and consequent additional costs and could lead to the transgression of quality of service.	• All major procurement decision are taken on a collective basis, inclusive of the Project Managers, Group Financial Controller and Management. • The Company has established stringent tender procedures and internal control measures to detect any deviation from the systems. • Internal auditors are appointed to conduct regular reviews of the areas which are susceptible to misappropriation and fraud. • Authority limits, segregation of responsibilities and duties have been implemented for the critical functions of the Company.
Technology and Information Protection Risk • Failure to upgrade systems with developments in technology, leads to disruption of operations and loss of competitive advantage.	• System procedures implemented and reviewed on a continuous basis. • The reservations and management systems are upgraded continuously facilitating timely management information. • Network and data protection systems are updated to ensure integrity and security of data.
Environmental, Health and Safety concerns • Noise, visual pollution and non - compliance with environmental practices. • Falling debris caused by ongoing renovation work may cause the risk of injury to workmen and third parties, additional expenses, denting of corporate image, negative effect on future developments.	• The Company operates in line with the standard required by the local authorities & has obtained an Environment protection license. • Strong control measures are included in the construction contracts entered into by the Company. Eg. Meeting with the CMC approved sound levels, safety netting, monitoring etc.

Risk Category and Description	Control Measures and Action Plans to Mitigate Risks
	• The Company has set up a formal process to carry out regular inspections by in-house staff and specialists in the relevant fields. Employees are trained to handle emergencies through structured fire drills, evacuation plans and other procedures.
Investment Risk • Risk of poor performing investment & uncertainties attached while making an investment, that it may not yield the expected return. This would affect shareholder value due to loss incurred and the decline in investor confidence.	• Stringent evaluation of risks associated with each new investment. All new investments should meet the minimum expected return of the Company & be within its risk appetite. • Investment agreement are carefully drafted to ensure that all risks are mitigated or minimized. The Company balances risk return trade off. Certain risks are accepted in the light of future growth & profitability potential of the investment. • All investments are thoroughly evaluated and potential adverse ethical, social or environmental factors are addressed.
Liquidity Risk • Unavailability of sufficient funds may interrupt the smooth function of the Company's day to day operations.	• The finance and treasury functions ensure that banking facilities are in place to cover its forecasted cash needs for at least a period of twelve months. • The Company maintains a desired mixture of cash & cash equivalents.
Disaster Management • Risk associated with natural and man-made disasters. Loss of assets resulting a significant loss to the Company.	• Transferring risks to third parties through insurance policies. The adequacy of the policies are regularly reviewed and adjusted accordingly. • Contingency plans and disaster management systems are in place to safeguard the assets of the Company.









Group Financial Statements

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Statement of Directors' Responsibilities

Statement of the Directors' Responsibilities in relation to the Financial Statements.

The responsibilities of the Directors, in relation to the Financial Statements of the Company differ from the responsibilities of the Auditors, which are set out in the Independent Auditors' Report of the on page 161.

As per the provisions of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results of its operations for the financial year.

The Directors consider that, in preparing these Financial Statements set-out in pages 162 - 199, the appropriate Accounting Policies have been selected and applied in a consistent manner, supported by reasonable and prudent judgment and that all applicable Accounting Standards, as relevant, have been followed.

The Directors are confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and to ensure that the Financial Statements presented comply with the Companies Act No. 07 of 2007.

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 to prevent and detect fraud and other irregularities.

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

By order of the Board

Sgd.
Mercantile Investments & Finance Plc.
Secretaries

Colombo
17th May 2013

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

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Nuwara Eliya Hotels Co. PLC ("the Company"), and the Consolidated Financial Statments of the Company and its Subsidiaries, ("the Group"), which comprise the statement of financial position as at 31st March 2013, the statements of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 167 to 199 of the Annual Report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion - Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March 2013 and the financial statements give a true and fair view of the financial position of the Company as at 31st March 2013 and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion - Group

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at 31st March 2013 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

Chartered Accountants

Colombo
17th May 2013

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

M.R. Mihular FCA, T. J. S. Rajakarier FCA, Ms. S.M.B. Jayasekara ACA, G.A.U. Karunarathne 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. Goonawardene ACA

Consolidated Statement of Comprehensive Income

For the Year ended 31st March	Note	Company 2013 Rs.	Company 2012 Rs.	Group 2013 Rs.	Group 2012 Rs.
Revenue	5	464,033,382	313,999,602	772,903,510	582,516,351
Cost of Sales		(102,581,785)	(85,112,440)	(150,361,287)	(137,328,732)
Gross Profit		361,451,597	228,887,162	622,542,223	445,187,619
Other Income / (Expenses)	6	61,477,049	16,920,791	14,138,278	(3,231,820)
Administrative Expenses		(70,084,560)	(53,731,886)	(121,781,969)	(103,737,230)
Selling and Distribution Expenses		(15,375,669)	(12,283,513)	(25,577,096)	(23,587,924)
Operating Expenses		(119,973,448)	(91,986,665)	(197,925,607)	(158,996,658)
Profit from Operations		217,494,969	87,805,889	291,395,829	155,633,987
Net Finance Income / (Costs)	7	22,983,464	(12,647,052)	40,415,413	(6,725,652)
Share of Profit of Associate (Net of Tax)		-	-	510,136	120,149
Profit Before Tax	8	240,478,433	75,158,837	332,321,378	149,028,484
Income Tax Expenses	9	(38,298,526)	(6,290,710)	(60,998,903)	(15,555,829)
Profit for the Year		202,179,907	68,868,127	271,322,475	133,472,655
Other Comprehensive Income					
Surplus on Revaluation of Property, Plant & Equipment		147,758,227	-	173,344,985	-
Deferred Tax Adjustment on Revaluation		(5,490,037)	-	(8,069,273)	-
Net Change in Fair Value of Available for Sale Financial Assets		(4,800,000)	(3,750,000)	(52,800,000)	(41,250,000)
Other Comprehensive Income for the Year		137,468,190	(3,750,000)	112,475,712	(41,250,000)
Total Comprehensive Income for the Year		339,648,098	65,118,127	383,798,187	92,222,655
Profit Attributable to :					
Owners of the Company		202,179,907	68,868,127	271,322,475	133,472,655
Non-Controlling Interests		-	-	-	-
Profit for the Year		202,179,907	68,868,127	271,322,475	133,472,655
Total Comprehensive Income Attributable to :					
Owners of the Company		339,648,098	65,118,127	383,798,187	92,222,655
Non-Controlling Interests		-	-	-	-
Total Comprehensive Income for the Year		339,648,098	65,118,127	383,798,187	92,222,655
Basic Earnings per Share	10	100.84	34.34	135.34	66.58
Dividend per Share	10.1	20.00	10.00	20.00	10.00

Figures in Brackets Indicate Deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Group set out on pages 167 to 199.

Consolidated Statement of Financial Position

As at 31st March	Note	Company 2013 Rs.	Company 2012 Rs.	Company 1-Apr-11 Rs.	Group 2013 Rs.	Group 2012 Rs.	Group 1-Apr11 Rs.
Assets							
Non-Current Assets							
Property, Plant & Equipment	11	1,656,663,907	1,518,718,002	1,470,928,309	1,935,359,073	1,779,188,614	1,739,633,666
Intangible Assets	12	1,077,759	1,127,239	1,284,520	1,077,759	1,127,239	1,284,520
Biological Assets	13	3,673,097	3,714,831	2,181,246	3,673,097	3,714,831	2,181,246
Investment Property	14	36,918,828	34,611,570	32,304,132	-	-	-
Investment in Subsidiary	15	120,000,000	120,000,000	120,000,000	-	-	-
Investment in Associate	16	-	-	-	40,626,285	40,116,149	-
Available for Sale Investments	17	8,750,000	13,550,000	17,300,000	96,249,999	149,049,999	190,299,999
		1,827,083,591	**1,691,721,642**	**1,643,998,207**	2,076,986,213	**1,973,196,832**	**1,933,399,431**
Current Assets							
Inventories	18	15,402,097	16,032,307	18,103,070	15,908,275	16,670,189	19,521,734
Trade and Other Receivables	19	59,784,353	38,116,564	35,016,827	112,999,143	73,005,020	59,861,280
Amounts Due from Related Companies	20	62,344,243	25,867,413	12,400,493	-	9,369,608	349,841
Held for Trading Investments	21	46,875,790	35,364,304	49,741,250	56,529,910	42,464,304	60,241,250
Loans & Receivables - Fixed Deposits		68,460,885	-	-	91,727,698	84,239,778	86,024,744
Cash & Cash Equivalents	22	17,945,893	2,318,060	501,512	328,706,210	144,698,407	106,642,106
		270,813,261	**117,698,648**	**115,763,152**	605,871,236	370,447,306	332,640,955
Total Assets		2,097,896,852	**1,809,420,290**	**1,759,761,359**	2,682,857,449	**2,343,644,138**	**2,266,040,386**
Equity & Liabilities							
Equity							
Stated Capital	23	80,171,740	80,171,740	80,171,740	80,171,740	80,171,740	80,171,740
Revaluation Reserve		1,464,515,721	1,324,718,795	1,330,022,810	1,569,651,882	1,407,851,686	1,414,159,953
Available for Sale Reserve		7,347,572	12,147,572	15,897,572	67,354,952	120,154,952	161,404,952
Retained Earnings		382,050,214	217,592,443	163,517,001	751,835,739	517,231,148	397,546,926
		1,934,085,247	**1,634,630,550**	1,589,609,123	2,469,014,313	**2,125,409,526**	**2,053,283,571**
Non-Current Liabilities							
Deferred Taxation	24	38,410,427	31,443,383	30,094,037	63,993,278	57,167,103	56,974,723
Employee Benefits	25	11,140,040	9,789,804	9,240,930	11,140,040	9,789,804	9,240,930
		49,550,467	**41,233,187**	**39,334,967**	75,133,318	**66,956,907**	**66,215,653**
Current Liabilities							
Trade and Other Payables	26	64,820,830	51,844,396	37,204,820	71,204,331	64,087,519	47,721,291
Current Tax Liability		24,894,834	2,245,941	5,712,941	41,344,857	7,090,274	10,813,371
Amounts Due to Related Companies	27	248,541	-	139,934	1,216,555	633,696	246,925
Bank Overdraft	22	24,296,933	79,466,216	87,759,574	24,944,075	79,466,216	87,759,574
		114,261,138	**133,556,553**	**130,817,269**	138,709,818	**151,277,705**	**146,541,161**
Total Liabilities		163,811,605	**174,789,740**	**170,152,236**	213,843,136	**218,234,612**	**212,756,814**
Total Equity and Liabilities		2,097,896,852	**1,809,420,290**	**1,759,761,359**	2,682,857,449	**2,343,644,138**	**2,266,040,386**

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Group set-out on pages 167 to 199.
It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

M.I. Shahabdeen
Group 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;

Gerard G. Ondaatjie
Managing Director

T.J. Ondaatjie
Director

Colombo, 17th May 2013

Consolidated Statement of Changes in Equity

	Stated Capital Rs.	Revaluation Reserve Rs.	Available for Sale Reserve Rs.	Retained Earnings Rs.	Total Rs.
Company					
Balance as at 1st April 2011 as Previously Stated	80,171,740	1,330,022,810	-	160,208,197	1,570,402,747
Effect of Transition to SLFRS / LKAS as at 1st April 2011	-	-	15,897,572	3,308,804	19,206,376
Adjusted Balance as at 1st April 2011	**80,171,740**	**1,330,022,810**	**15,897,572**	**163,517,001**	**1,589,609,123**
Total Comprehensive Income for the Year					
Profit for the Year	-	-	-	68,868,127	68,868,127
Other Comprehensive Income					
Net Change in Fair Value of Available for Sale Financial Assets	-	-	(3,750,000)	-	(3,750,000)
Total Comprehensive Income for the Year	**-**	**-**	**(3,750,000)**	**68,868,127**	**65,118,127**
Transactions with Owners of the Company, Recognized Directly in Equity					
Transferred to Retained Earnings	-	(5,304,015)	-	5,304,015	-
Dividend Paid - Preference Shares	-	-	-	(58,000)	(58,000)
- Ordinary Shares	-	-	-	(20,038,700)	(20,038,700)
Total Transactions with Owners of the Company	**-**	**(5,304,015)**	**-**	**(14,792,685)**	**(20,096,700)**
Balance as at 31st March 2012	**80,171,740**	**1,324,718,795**	**12,147,572**	**217,592,443**	**1,634,630,550**
Balance as at 1st April 2012	80,171,740	1,324,718,795	12,147,572	217,592,443	1,634,630,550
Total Comprehensive Income for the Year					
Profit for the Year	-	-	-	202,179,907	202,179,907
Other Comprehensive Income					
Revaluation of Property, Plant & Equipment	-	147,758,227	-	-	147,758,227
Deferred Tax adjustment on Revaluation	-	(5,490,037)	-	-	(5,490,037)
Net Change in Fair Value of Available for Sale Financial Assets	-	-	(4,800,000)	-	(4,800,000)
Total Comprehensive Income for the Year	**80,171,740**	**1,466,986,985**	**7,347,572**	**419,772,350**	**1,974,278,647**
Transactions with Owners of the Company, Recognized Directly in Equity					
Transferred to Retained Earnings	-	(2,471,264)	-	2,471,264	-
Dividend Paid - Preference Shares	-	-	-	(116,000)	(116,000)
- Ordinary Shares	-	-	-	(40,077,400)	(40,077,400)
Total Transactions with Owners of the Company	**-**	**(2,471,264)**	**-**	**(37,722,136)**	**(40,193,400)**
Balance as at 31st March 2013	**80,171,740**	**1,464,515,721**	**7,347,572**	**382,050,214**	**1,934,085,247**

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set-out on pages 167 to 199.

For the Year ended 31st March	Stated Capital Rs.	Revaluation Reserve Rs.	Available for Sale Reserve Rs.	Retained Earnings Rs.	Total Rs.
Group					
Balance as at 1st April 2011 as Previously Stated	80,171,740	1,414,159,953	-	395,622,585	1,889,954,278
Effect of Transition to SLFRS / LKAS as at 1st April 2011	-	-	161,404,952	1,924,341	163,329,293
Restated Balance as at 1st April 2011	**80,171,740**	**1,414,159,953**	**161,404,952**	**397,546,926**	**2,053,283,571**
Total Comprehensive Income for the Year					
Profit for the Year	-	-	-	133,472,655	133,472,655
Other Comprehensive Income					
Net Change in Fair Value of Available for Sale Financial Assets	-	-	(41,250,000)	-	(41,250,000)
Total Comprehensive Income for the Year	**-**	**-**	**(41,250,000)**	**133,472,655**	**92,222,655**
Transactions with Owners of the Group, Recognized Directly in Equity					
Transferred to Retained Earnings	-	(6,308,267)	-	6,308,267	-
Dividend Paid - Preference Shares	-	-	-	(58,000)	(58,000)
- Ordinary Shares	-	-	-	(20,038,700)	(20,038,700)
Total Transactions with Owners of the Group	**-**	**(6,308,267)**	**-**	**(13,788,433)**	**(20,096,700)**
Balance as at 31st March 2012	**80,171,740**	**1,407,851,686**	**120,154,952**	**517,231,148**	**2,125,409,526**
Balance as at 1st April 2012	80,171,740	1,407,851,686	120,154,952	517,231,148	2,125,409,526
Total Comprehensive Income for the Year					
Profit for the Year	-	-	-	271,322,475	271,322,475
Other Comprehensive Income					
Revaluation of Property, Plant & Equipment	-	173,344,985	-	-	173,344,985
Deferred Tax Adjustment on Revaluation	-	(8,069,273)	-	-	(8,069,273)
Net Change in Fair Value of Available for Sale Financial Assets	-	-	(52,800,000)	-	(52,800,000)
Total Comprehensive Income for the Year	**80,171,740**	**1,573,127,398**	**67,354,952**	**788,553,623**	**2,509,207,713**
Transactions with Owners of the Group, Recognized Directly in Equity					
Transferred to Retained Earnings	-	(3,475,516)	**-**	3,475,516	-
Dividend Paid - Preference Shares	-	-	-	(116,000)	(116,000)
- Ordinary Shares	-	-	-	(40,077,400)	(40,077,400)
Total Transactions with Owners of the Group	**-**	**(3,475,516)**	**-**	**(36,717,884)**	**(40,193,400)**
Balance as at 31st March 2013	**80,171,740**	**1,569,651,882**	**67,354,952**	**751,835,739**	**2,469,014,313**

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Group set-out on pages 167 to 199.

Consolidated Cash Flow Statement

For the Year ended 31st March	Company 2013 Rs.	Company 2012 Rs.	Group 2013 Rs.	Group 2012 Rs.
Cash Flows from Operating Activities				
Profit Before Tax	240,478,433	75,158,837	332,321,378	149,028,484
Adjustments for:				
Depreciation	31,859,839	28,707,968	46,912,430	41,872,502
Amortization of Intangible Asset	164,980	157,281	164,980	157,281
Change in Fair Value of Investment Property	(2,307,258)	(2,307,438)	-	-
Provision for Retirement Benefit Obligation	3,571,183	1,649,797	3,571,183	1,649,797
Interest Expenses	668,644	1,447,482	719,591	1,527,664
Interest Income	(18,251,123)	(505,148)	(33,921,268)	(9,906,740)
Dividend Income	(44,703,540)	(22,490,760)	(3,348,544)	(2,440,762)
Share of Profit of Associates	-	-	(510,136)	(120,149)
Fair Value Gain on of Biological Assets	(29,507)	(595,143)	(29,507)	(719,485)
Write-off of Property, Plant & Equipment	16,757,921	-	16,682,708	-
Gain on Disposal of Held for Trading of Investments	(108,722)	(1,625,904)	(108,722)	(1,625,904)
(Profit) / Loss on Disposal of Property, Plant & Equipment	(4,638,393)	12,334,195	(6,156,250)	11,947,266
Fair Value Loss / (Gain) on Held for Trading Investments	(5,400,984)	12,442,594	(7,213,736)	15,842,594
Operating Profit Before Working Capital Changes	218,061,473	**104,373,761**	349,084,106	**207,212,548**
Working Capital Changes				
Decrease in Inventories	630,210	2,070,763	761,913	2,851,544
Increase in Trade and Other Receivables	(21,667,789)	(3,099,740)	(39,994,123)	(13,143,740)
(Increase) / Decrease in Amounts Due from Related Companies	(52,898,233)	(13,466,920)	9,369,608	(9,019,767)
Increase in Trade and Other Payables	12,976,434	14,639,574	7,116,814	16,366,228
Increase / (Decrease) in Amounts Due to Related Companies	248,541	(139,934)	582,859	386,771
Cash Generated from Operations	157,350,636	104,377,504	326,921,177	204,653,584
Income Tax Paid	(14,172,629)	(8,407,782)	(27,987,422)	(19,085,969)
Interest Paid	(668,644)	(1,447,482)	(719,591)	(1,527,664)
Gratuity Paid	(2,220,947)	(1,100,923)	(2,220,947)	(1,100,923)
Net Cash from Operating Activities	140,288,416	**93,421,317**	295,993,217	**182,939,028**
Cash Flows from Investing Activities				
Purchase of Property, Plant & Equipment	(22,384,033)	(89,361,652)	(46,420,609)	(95,076,191)
Proceeds from Disposal of Property, Plant & Equipment	4,638,393	529,795	6,156,250	1,701,474
Purchase of Intangible Assets	(115,500)	-	(115,500)	-
Proceeds on Disposal of Held for Trading Investments	6,837,721	3,785,904	6,838,292	3,785,904
Investment in Held for Trading Investments	(12,839,501)	(226,224)	(13,581,440)	(226,224)
Dividend Received	44,703,540	22,490,760	3,348,544	2,440,762
Investment in Associate	-	-	-	(39,996,000)
Investment in Fixed Deposits	(68,460,885)	-	(7,487,920)	1,784,966
Purchase / (Sale) of Biological Assets	71,242	(938,442)	71,242	(814,100)
Interest Received	18,251,123	505,148	33,921,268	9,906,740
Net Cash from / (Used in) Investing Activities	(29,297,900)	**(63,214,711)**	(17,269,873)	**(116,492,669)**
Cash Flows from Financing Activities				
Dividend Paid	(40,193,400)	(20,096,700)	(40,193,400)	(20,096,700)
Net Cash Used in Financing Activities	(40,193,400)	**(20,096,700)**	(40,193,400)	**(20,096,700)**
Net Increase in Cash & Cash Equivalents	70,797,116	10,109,906	238,529,944	46,349,659
Cash & Cash Equivalents at the Beginning of the Year	(77,148,156)	(87,258,062)	65,232,191	18,882,532
Cash & Cash Equivalents at the End of the Year	(6,351,040)	**(77,148,156)**	303,762,135	**65,232,191**
Analysis of Cash & Cash Equivalents				
Cash at Bank and in Hand	17,945,893	2,318,060	328,706,210	144,698,407
Bank Overdraft	(24,296,933)	(79,466,216)	(24,944,075)	(79,466,216)
	(6,351,040)	**(77,148,156)**	303,762,135	**65,232,191**

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Group set-out on pages 167 to 199.

Notes to the Consolidated Financial Statements

1. Corporate Information

1.1 Reporting Entity

Domicile and Legal Form

The Nuwara Eliya Hotels Co. PLC is a quoted public Company with limited liability incorporated in 1891 and domiciled in Sri Lanka. The registered office of the Company is located at 236, Galle Road, Colombo 3, and the principal place of business is situated at Grand Hotel Road, Nuwara Eliya.

1.2 Companies in the Group

The consolidated financial statements of the Nuwara Eliya Hotels Co. PLC, for the year ended 31st March 2013 comprise the Company and its fully owned subsidiary namely Grand Hotel (Pvt) Limited (together referred to as the "Group") and the Group's interest in associate, Fair View Hotel (Pvt) Limited having a Group's interest of 22%.

The registered office of Fair View Hotel (Pvt) Limited is located at 236, Galle Road, Colombo 3, and the principal place of business is situated at No. 27, Ramakrishna Road, Colombo 6. This is still under construction and being constructed for the purpose of the provision of hotel services.

1.3 Principal Activity and Nature of the Operations

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

1.4 Number of Employees

Number of employees of the Group at the end of the year was - 334 (2011/12 – 308).

2. Basis of Preparation

2.1 Statement of Compliance

The consolidated financial statements of The Nuwara Eliya Hotels Co. PLC which comprise the statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity and notes to the consolidated financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (hereinafter referred to as SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka and with the requirements of Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995 & the Companies Act No. 07 of 2007 and the listing rules of the Colombo Stock Exchange.

2.2 First Time Adoption of SLFRSs/LKASs

These are the Group's first consolidated financial statements prepared in accordance with Sri Lanka Accounting Standards – (hereinafter referred to as SLFRSs and LKASs) and Sri Lanka Financial Reporting Standard (SLFRS 1) First -Time Adoption of Sri Lanka Accounting Standards has been applied in preparing the financial statements for the year ended 31st March 2013, the comparative information presented in these financial statements for the year ended 31st March 2012 and in the preparation of an opening statement of Financial Position as at 1st April 2011. (The Group's date of transition).

An explanation on how the transition to Sri Lanka Financial Reporting Standards, has affected the previously reported financial position and the financial performance of the Group is provided in Note 32.

2.3 Approval of Financial Statements

These consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 17th May 2013.

2.4 Going Concern

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

2.5 Basis of Measurement

The Consolidated financial statements are prepared based on the historical cost convention except as explained below:

Financial assets classified as available for sale	- Fair Value
Financial assets classified as fair value through profit or loss	- Fair Value
Biological Assets	- Fair Value less cost to sell
Land and Buildings	- Revalued Amounts, which is the fair value at the date of revaluation
Defined benefit obligation	- Actuarially valued and recognized at present value of the defined benefit obligation
Investment Property	- Fair Value

2.6 Functional and Presentation Currency

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

2.7 Use of Estimates and Judgments

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

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

Note 11	–	Revaluation of Land and Buildings
Note 12	–	Measurement of Intangible Assets
Note 24	–	Measurement of Deferred Tax Liabilities/ Assets
Note 25	–	Measurement of Employee Benefit Obligations
Note 30 & 31	–	Commitments and Contingencies

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing opening SLFRS statement of financial position as at 1st April 2011 for the purpose of transition to SLFRS.

3.1 Basis of Consolidation

(a) Business Combinations

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

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

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

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

(b) Acquisition of Non-Controlling Interests

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

(c) Subsidiaries

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

(d) Loss of Control

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

(e) Investments in Associates

Associates are those entities in which the Group has significant influence but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for, using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The Consolidated financial statements include the Group's share of the profit or loss of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The financial statement of an associate in the Group has the common financial year which ends on 31st March.

There are no significant restrictions on the ability of the associate to transfer funds to the Parent in the form of cash/dividend or repayment of loans and advances.

Summarized financial statements of the Associate is presented in the Note 16 to the consolidated financial statements.

(f) Transactions Eliminated on Consolidation

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

3.2 Foreign Currency Transactions

All foreign exchange transactions in individual companies are translated at the rate of exchange prevailing at the time the transaction was effected. All monetary assets and liabilities in foreign currency at year end are translated at the rate prevailing on the date of Financial Position. Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to reporting currency using the exchange rate that was prevailing on the date the fair value was determined. The resulting gains or losses on translations are dealt with in the income statement.

3.3 Financial Instruments

3.3.1 Initial Recognition of Financial Instruments

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

3.3.2 Initial Measurement of Financial Instruments

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

Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the statement of comprehensive income.

The Nuwara Eliya Hotels Co. PLC
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3.3.3 Classification and Subsequent Measurement of Financial Assets

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

(a) Loans and Receivables
(b) Available for Sale
(c) Fair Value through Profit or Loss and,
(d) Held to Maturity

(a) Loans and Receivables

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

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

(b) Available for Sale

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

Available for sales financial assets comprise of investment in quoted shares which comprise of investment in affiliate Group.

(c) Fair Value through Profit or Loss

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

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

(d) Held to Maturity

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

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

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

3.3.4 Classification and Subsequent Measurement of Financial Liabilities

At inception a finance liability is classified in to one of the following categories;

i. At Fair Value through Profit or Loss (Held for Trading or Designated at Fair Value)
ii. At Amortized Cost

The subsequent measurement of financial liabilities depends on their classification.

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

(a) Trade Payables
(b) Other Liabilities

3.3.4.1 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.

3.3.4.2 Fair Value Measurement

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

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

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

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

3.3.5 Derecognition of Financial Instruments

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

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

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

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

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

3.4 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.

3.5 Impairment

The Group assesses at each reporting date whether there is any objective evidence that financial assets or Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if, and only if there is objective evidence

of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

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

In addition for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is an objective evidence of impairment.

(a) Impairment Losses on Financial Assets Carried at Amortized Cost

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

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

(b) Impairment Losses on Available for Sale Financial Assets

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

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

(c) Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories, investment property, biological assets 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 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 comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU (if any) and then to reduce the carrying amounts of other assets in the CGU (Group of CGUs) on pro-rata basis. An impairment loss 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.

3.6 Property, Plant & Equipment

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

(a) Recognition

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

(b) Measurement

Items of Property, Plant & Equipment are stated at cost or valuation less accumulated depreciation (See Accounting Policy 3.6.1 (f) and Impairment Losses.

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

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

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

(c) Subsequent Expenditure

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

(d) Dercognition

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

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

(e) Revaluation

The Group's land and buildings are revalued with sufficient regularity once in three years. (Last revaluation was done in 2010). The revaluation surplus, which realizes on the use by the Group, is transferred to retained earnings, annually, from the revaluation surplus.

(f) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of Property, Plant & Equipment as follows:

Asset	Basis	Rate
Building	Straight Line	1% - 10%
Plant, Machinery & Kitchen Equipment	Straight Line	3.6%- 10%
Farm Structure	Straight Line	15%
Motor Vehicles	Straight Line	25%
Furniture & Fittings	Straight Line	20%
Fixtures	Straight Line	5%
Electrical Installation	Straight Line	10%
Office Equipments	Straight Line	10%
Other Equipments	Straight Line	10%
Soft Furniture	Straight Line	25%
Crockery, Cutlery & Glassware	Straight Line	33%

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.

Each part of an item of Property, Plant & Equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Group allocates the amount initially recognized in respect of an item of Property, Plant & Equipment to its significant parts and depreciates separately each such part.

If Group acquires Property, Plant & Equipment subject to an operating lease in which it is the lessor, it may be appropriate to depreciate separately amounts reflected in the cost of that item that are attributable to favourable or unfavourable lease terms relative to market terms.

A significant part of an item of Property, Plant & Equipment may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge. To the extent that the Group depreciates separately some parts of an item of Property, Plant & Equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts of the item that are individually not significant. If an entity has varying expectations for these parts, approximation techniques may be necessary to depreciate the remainder in a manner that faithfully represents the consumption pattern and/or useful life of its parts.

Group may choose to depreciate separately the parts of an item that do not have a cost that is significant in relation to the total cost of the item.

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

The fair value of Property, Plant & Equipment recognized as a result a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economics obsolescence.

3.7 Intangible Assets

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

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

Intangible assets are amortized on a straight line basis in profit or loss over their estimated useful lives, from the date that they are available for use. Amortization method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The cost incurred on the purchase of the General Inventory Control System, Front Office Management System and computerization have been recognized as intangible assets and amortized for a period of 10 years on a straight line basis. Disclosure of the intangible assets of the Group is provided in Note 12 to these consolidated financial statements.

3.8 Biological Assets

Biological assets are measured at fair value less costs to sell, with any change therein recognized in profit or loss. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs.

The fair value of livestock held for sale is based on the market price of livestock of similar age based on the circular issued by the Ministry of Farm, Fisheries & Livestock on weight, breed and genetic make-up.

3.9 Investment Property

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

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

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When an investment property that was previously classified as Property, Plant & Equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as Property, Plant & Equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

An external, independent valuer, having appropriate recognized professional qualification and recent experience in the location and category of property being valued, values the Group's investment property every year.

The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in active market, the valuations are prepared by considering the estimated rental value of the property.

3.10 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 Weighted Average Cost
Grand Gift Boutique Inventories	-	At Actual Cost on FIFO Basis

3.11 Liabilities and Provisions

3.11.1 Liabilities

Liabilities classified as current liabilities on the statement of fianancial position are those, which fall due for payment on demand or within one year from the date of financial position.

Non-current liabilities are those balances that fall due for payment after one year from the date of financial position.

3.11.2 Provisions

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

3.12 Employee Benefits

(a) Defined Contribution Plans

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

Employees' Provident Fund

The Group and Employees' contribute 12% & 9% respectively on the salary of each employee respectively to the Employees Provident Fund.

The Employees' Provident Fund contribution is deposited in the Nuwara Eliya Hotels Employees' Provident Association, which is maintained by the Company.

Employees' Trust Fund

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund.

(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 previous Sri Lanka Accounting Standard 16 (Revised 2006)- "Employee Benefits" which became effective from the financial year commencing after 01st July 2007, the Group

has adopted the actuarial valuation method and the valuation method used by the actuary is “Projected Unit Credit Method”. The Group continues to use actuarial valuation method under LKAS 19 "Employee Benefits" which is effecting from financial period beginning on or after 1st January 2012.

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 profit or loss.

The liability is not externally funded.

3.13 Capital Commitments & Contingencies

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

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

3.14 Events After the Reporting Date

The materiality of the events after the Reporting date has been considered and appropriate adjustments and provisions have been made in the Consolidated financial statements wherever necessary.

Statement of Comprehensive Income

3.15 Revenue Recognition

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

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

1. Apartment Revenue is recognized based on the daily rooms occupation whilst other outlet sales are accounted for at the time of sales.
2. Food and Beverage Revenue is accounted at the time of the sale.
3. Rental Income is recognized on an accrual basis.
4. Interest Income is recognized on an accrual basis.

Other income is recognized on an accrual basis. Net losses of a revenue nature arising from the disposal of Property, Plant & 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.

3.16 Revenue Expenditure

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

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

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

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

3.17 Segment Reporting

An operating segment is a component of an entity or Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

However, there are no distinguishable components to be identified as reportable segments for the Company or Group in accordance with SLFRS 8.

3.18 Borrowing Costs

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

Borrowing costs may include:

(a) Interest expense calculated using the effective interest method as described in LKAS 39 on *"Financial Instruments: Recognition and Measurement";*

(b) Finance charges in respect of finance Leases recognised in accordance with LKAS 17 *Leases*; and

(c) Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

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

3.19 Finance Income & Finance Cost

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

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

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

3.20 Income Tax Expenses

An income tax expense comprises current and deferred tax. An income tax expense is recognized directly in income statements except to the extent that if 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.

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

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

3.21 Basic Earnings per Share

The Consolidated financial statements present basic Earnings per Share (EPS) data for its ordinary shareholders.

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

3.22 Cash Flow Statement

Cash and Cash Equivalents

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

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

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

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

4. New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations have been introduced by the Institute of Charted Accountants of Sri Lanka and Group have not adopted them in preparing these Consolidated Financial Statements. Those which may be relevant to the Group are set out below:

(a) SLFRS 9 Financial Instruments

SLFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under SLFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

SLFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendment to classification and measurement requirement of SLFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The adoption of SLFRS 9 (2010) is expected to have an impact on the Group’s financial instruments.

(b) SLFRS 13 Fair Value Measurement

SLFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout SLFRS. Subject to limited exceptions, SLFRS 13 is applied when fair value measurements or disclosures are required or permitted by other SLFRSs. The Group is currently reviewing its methodologies in determining fair values. Application of these standards has been deferred by the Institute of Chartered Accountants of Sri Lanka.

For the Year ended 31st March	Company 2013 Rs.	Company 2012 Rs.	Group 2013 Rs.	Group 2012 Rs.
5. Revenue				
Apartment Sales	240,533,793	131,860,516	450,415,861	288,677,795
Food Sales	164,746,411	130,540,494	256,452,677	234,668,917
Bar Sales	36,524,833	31,037,557	40,065,921	35,942,136
Laundry Income	-	-	3,739,204	2,666,468
Gift Shop Sales	17,337,524	15,938,250	17,337,524	15,938,250
Telephone Income	99,232	121,156	100,735	121,156
Billiard Income	309,393	350,240	309,392	350,240
Farm Sales	4,482,196	4,151,389	4,482,196	4,151,389
	464,033,382	**313,999,602**	772,903,510	**582,516,351**
6. Other Income / (Expenses)				
Vehicle Hire	69,339	20,717	594,276	20,717
Sundry Income	646,650	429,895	900,115	462,687
Gain on Foreign Currency Exchange	638,068	761,272	1,434,579	1,956,947
Profit/(Loss) on Sale of Property, Plant and Equipment	4,638,393	(12,334,195)	6,156,250	(11,947,266)
Dividend Income	44,703,540	22,490,760	3,348,544	2,440,762
Gain on Sale of Held for Trading Investments	108,722	1,625,904	108,722	1,625,904
Change in Fair Value of Biological Assets (Note 13)	29,507	595,143	29,507	595,143
Change in Fair Value of Investment Property	2,307,258	2,307,438	-	-
Rental Income	8,335,572	1,023,857	1,566,285	1,613,286
	61,477,049	**16,920,791**	14,138,278	**(3,231,820)**
7. Net Finance Income / (Costs)				
Finance Income				
Interest Income	18,251,124	505,148	33,921,268	9,906,740
Net Change in Fair Value of Financial Assets Held for Trading	5,400,984	-	7,213,736	-
	23,652,108	**505,148**	41,135,004	**9,906,740**
Finance Costs				
Interest on Bank Overdraft	(668,644)	(1,447,482)	(719,591)	(1,527,664)
Net Change in Fair Value of Financial Assets Held for Trading	-	(11,704,718)	-	(15, 104,728)
	(668,644)	(13,152,200)	(719,591)	(16,632,392)
Net Finance Income / (Costs)	22,983,464	**(12,647,052)**	40,415,413	**(6,725,652)**

8. Profit Before tax

Profit Before Tax is stated after charging all the expenses including the followings:

Directors' Emoluments	2,861,440	2,395,200	2,861,440	2,395,200
Depreciation	31,859,839	28,707,968	46,912,430	41,872,502
Auditors' Remuneration				
Audit Services	335,000	228,375	505,000	333,000
Non-Audit Services	719,720	166,100	805,640	245,300
Other Auditors' Fees	907,700	-	907,700	-
Personnel Costs (Note 8.1)	50,793,810	42,793,043	88,089,059	78,488,454

8.1 Personnel Costs

Salaries, Wages and Other Related Costs	45,089,363	36,578,098	74,837,698	68,312,841
Defined Benefit Plan Costs	3,571,183	1,649,797	3,571,183	1,649,797
Defined Contribution Plan Costs	2,133,264	4,565,148	9,680,178	8,525,816
	50,793,810	**42,793,043**	**88,089,059**	**78,488,454**

	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
9. Income Tax Expense				
Current Tax on Profit for the Year (Note 9.1)	36,821,519	4,941,365	57,647,001	12,963,449
Deferred Tax Charge (Note 24)	1,477,007	1,349,345	(1,243,098)	192,380
Withholding Tax on Dividend	-	-	4,595,000	2,400,000
	38,298,526	**6,290,710**	60,998,903	**15,555,829**
9.1 Reconciliation Between Taxable Profit and Accounting Profit				
Accounting Profit Before Tax	240,478,434	75,158,837	332,321,378	75,158,837
Aggregate Disallowed Expenses	30,099,606	50,620,024	48,625,998	50,620,024
Aggregate Allowable Income	(70,685,315)	(24,621,812)	(89,611,620)	(24,621,812)
Aggregate Allowed Expenses	(25,877,626)	(38,688,601)	(34,781,564)	(38,688,601)
Statutory Income from Business	174,015,099	62,468,447	256,554,198	62,468,447
Interest & Other Source of Income	27,969,303	505,148	44,455,453	505,148
Total Statutory Income	201,984,402	62,973,595	301,009,645	62,973,595
Tax Loss Set off During the Year	-	(21,795,552)	-	(21,795,552)
Taxable Income	201,984,402	**41,178,043**	301,009,645	**41,178,043**
Income Tax at 12%	21,022,411	4,941,365	21,022,411	4,941,365
Income Tax at 10%	288,565	-	288,565	-
Tax Liability at 12% (2012-2%) (Note 9.3)	-	-	16,209,360	5,389,638
Income Tax at 28%	7,831,405	-	12,447,527	2,632,446
Tax under Provision in Respect of Previous Years	7,679,138	-	7,679,138	-
Total Tax Expense for the Year	36,821,519	**4,941,365**	57,647,001	**12,963,449**
9.2 Tax Losses Carried Forward				
Tax Losses as at 1st April	-	21,795,552	-	31,300,512
Loss Utilized during the Year	-	(21,795,552)	-	(31,300,512)
Tax Losses as at 31st March	-	-	-	-

9.3 The profits and income of the Company arising on provision of tourism related services is liable for taxation at the rate of 12% (2012-12%) in terms of section 46 of Inland Revenue Act No. 10 of 2006 and amendments thereto. Qualified profit under Section 48A of the Inland Revenue Act No. 10 of 2006, shall be liable to income tax at the rate of 10% in accordance wth the fifth schedule. Income from other sources are taxed at the rate of 28% (2012-28%).

The subsidiary company was liable to income tax at the rate of 2% of turnover up to the year of assessment 2011/12 under Section 17 of BOI Law Act No. 4 of 1978. From the year of assessment 2012/13, subsidiary company is liable to income tax at the rate of 12% on the provision of tourism related services. Other income is taxed at the rate of 28%.

9.4 Subsidiary Only	**2012 Rs.**
Taxable Revenue of the Company	269,481,827
Statutory Tax Rate	2%
Income Tax thereon	5,389,638
Interest Income	9,401,592
Statutory Tax Rate	28%
Income Tax thereon	2,632,445

10. Basic Earnings per Share

Basic earnings per share has been calculated based on the profit after taxation attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

	Company		Group	
	2013	2012	2013	2012
Amount Used as the Numerator				
Profit for the Year (Rs.)	202,179,907	68,868,127	271,322,475	133,472,655
Less : Preference Dividend Paid (Rs.)	(116,000)	(58,000)	(116,000)	(58,000)
Profit Attributable to Ordinary Shareholders (Rs.)	202,063,907	**68,810,127**	271,206,475	**133,414,655**
Amount Used as the Denominator				
Weighted Average Number of Ordinary Shares	2,003,870	2,003,870	2,003,870	2,003,870
Basic Earnings per Share (Rs.)	100.84	34.34	135.34	66.58

10.1 Dividend per Share

Dividend Declared and Paid During the Year (Rs.)				
Interim Dividend	40,077,400	20,038,700	40,077,400	20,038,700
Average Number of Ordinary Shares	2,003,870	2,003,870	2,003,870	2,003,870
Dividend per Share (Rs.)	20.00	10.00	20.00	10.00

11. Property, Plant & Equipment

Company	Balance as at 1-Apr-11 Rs.	Additions Rs.	Disposals/ Adjustment Rs.	Balance as at 31-Mar-12 Rs.	Additions Rs.	Adjustment on Revaluation Rs.	Disposals/ Adjustment Rs.	Balance as at 31-Mar-13 Rs.
Cost / Revaluation								
At Valuation								
Freehold Land	1,089,180,331	-	-	1,089,180,331	-	101,982,904	-	1,191,163,235
Buildings	348,444,112	47,982,814	(13,093,120)	383,333,806	9,628,926	4,270,880	5,074,887	402,308,500
Farm Structure	4,380,809	-	-	4,380,809	-	(958,308)	-	3,422,500
	1,442,005,252	**47,982,814**	**(13,093,120)**	**1,476,894,946**	**9,628,926**	**105,295,476**	**5,074,887**	**1,596,894,235**
At Cost								
Plant & Machinery	30,529,940	2,177,667	-	32,707,607	5,317,990	-	12,521,924	50,547,521
Motor Vehicles	9,444,184	-	(1,750,000)	7,694,184	982,143	-	(4,733,391)	3,942,936
Furniture and Fittings	25,785,188	13,225,782	-	39,010,970	6,637,963	-	304,309	45,953,242
Fixtures	4,232,735	6,030,212	-	10,262,947	276,000	-	(8,078,601)	2,460,346
Office Equipment	6,482,086	860,749	-	7,342,835	818,400	-	(397,183)	7,764,052
Electrical Installation	9,824,273	3,871,930	-	13,696,203	1,226,443	-	(2,026,638)	12,896,008
Soft Furniture	9,974,326	3,290,281	-	13,264,607	639,054	-	(1,585,489)	12,318,172
Crockery, Cutlery & Glassware	-	6,004,218	(846,896)	5,157,322	2,292,531	-	(834,825)	6,615,028
	96,272,732	**35,460,839**	**(2,596,896)**	**129,136,675**	**18,190,524**	**-**	**(4,829,894)**	**142,497,305**
Capital Work-in-Progress	-	5,917,999	-	5,917,999	3,282,492		(8,717,909)	482,582
Total at Cost/Revaluation	**1,538,277,984**	**89,361,652**	**(15,690,016)**	**1,611,949,620**	**31,101,942**	**105,295,476**	**(8,472,915)**	**1,739,874,122**

Accumulated Depreciation	Balance as at 1-Apr-11 Rs.	Charge for the Year Rs.	Disposals/ Adjustment Rs.	Balance as at 31-Mar-12 Rs.	Charge for the Year Rs.	Adjustment on Revaluation Rs.	Disposals/ Adjustment Rs.	Balance as at 31-Mar-13 Rs.
At Valuation								
Buildings	3,287,388	15,793,667	(229,130)	18,851,925	18,812,692	(39,865,563)	2,200,946	-
Farm Structure	545,200	993,595	-	1,538,795	1,058,394	(2,597,189)	-	-
	3,832,588	**16,787,262**	**(229,130)**	**20,390,720**	**19,871,086**	**(42,462,752)**	**2,200,946**	**-**
At Cost								
Plant & Machinery	18,328,322	909,306	-	19,237,628	2,182,796	-	857,837	22,278,261
Motor Vehicles	7,450,810	1,201,000	(1,750,000)	6,901,810	685,544	-	(4,733,391)	2,853,964
Furniture and Fittings	20,794,464	1,893,266	-	22,687,730	4,031,073	-	9,067,708	35,786,511
Fixtures	618,294	283,317	-	901,611	124,189	-	(609,584)	416,216
Office Equipment	1,947,008	756,734	-	2,703,742	709,709	-	(925,763)	2,487,688
Electrical Installation	4,922,301	1,917,638	-	6,839,939	1,412,697	-	523,307	8,775,943
Soft Furniture	9,455,888	462,613	-	9,918,501	1,857,639	-	(4,964,724)	6,811,416
Crockery, Cutlery & Glassware	-	4,496,832	(846,896)	3,649,936	985,105	-	(834,825)	3,800,216
	63,517,087	**11,920,706**	**(2,596,896)**	**72,840,898**	**11,988,752**		**(1,619,435)**	**83,210,215**
Total Depreciation on Cost/Revaluation	67,349,675	28,707,968	(2,826,026)	93,231,618	31,859,839	(42,462,752)	581,511	83,210,215
Net Book Value	**1,470,928,309**			**1,518,718,002**				**1,656,663,907**

	1-Apr-11 Rs.	31-Mar-12 Rs.	31-Mar-13 Rs.
At Cost	32,755,645	62,213,776	59,769,673
At Revaluation	1,438,172,664	1,456,504,226	1,596,894,234
Net Book Value	1,470,928,309	1,518,718,002	1,656,663,907
Gross Carrying Amount of Fully Depreciated Property, Plant & Equipment	**27,551,688**	**37,985,821**	**58,228,871**

11. Property, Plant & Equipment (Contd...)

Group	Balance as at 1-Apr-11 Rs.	Additions Rs.	Disposals/ Adjustment Rs.	Balance as at 31-Mar-12 Rs.	Additions Rs.	Adjustment on Revaluation Rs.	Disposals/ Adjustment Rs.	Balance as at 31-Mar-13 Rs.
Cost / Revaluation								
At Valuation								
Freehold Land	1,120,100,000	-	-	,120,100,000	-	106,400,000	-	1,226,500,000
Buildings	559,452,112	47,982,814	(13,093,120)	594,341,806	9,628,926	4,270,880	5,074,887	613,316,499
Farm Structure	4,380,808	-	-	4,380,808	-	(958,309)	-	3,422,499
	1,683,932,920	**47,982,814**	**(13,093,120)**	**1,718,822,613**	**9,628,926**	109,712,571	**5,074,887**	**1,843,238,998**
At Cost								
Plant & Machinery	68,134,081	7,064,484	-	75,198,565	8,189,500	-	(8,678,942)	74,709,123
Motor Vehicles	10,570,297	-	(1,750,000)	8,820,297	18,996,857	-	(5,859,504)	21,957,650
Furniture and Fittings	43,954,684	13,225,782	-	57,180,466	6,637,963	-	(6,237,424)	57,581,005
Fixtures	4,999,619	6,030,212	-	11,029,831	2,709,768	-	(8,277,241)	5,462,358
Office Equipment	7,895,715	860,749	-	8,756,464	818,400	-	(1,810,812)	7,764,052
Electrical Installation	15,641,083	3,871,930	-	19,513,013	1,443,026	-	(5,633,471)	15,322,568
Soft Furniture	19,102,828	3,290,281	-	22,393,109	639,054	-	(1,585,491)	21,446,672
Crockery, Cutlery & Glassware	-	6,831,940	(1,233,825)	5,598,115	2,292,531	-	(834,825)	7,055,821
	170,298,307	**41,175,378**	**(2,983,825)**	**208,489,860**	**41,727,099**	**-**	**(38,917,710)**	**211,299,249**
Capital Work-in-Progress	784,750	5,917,999	(784,750)	5,917,999	3,782,492	-	(8,717,909)	982,583
Total at Cost/Revaluation	**1,855,015,977**	**95,076,191**	**(16,861,695)**	**1,933,230,472**	**55,138,517**	**109,712,571**	**(42,560,732)**	**2,055,520,830**

Accumulated Depreciation	Balance as at 1-Apr-11 Rs.	Charge for the Year Rs.	Disposals/ Adjustment Rs.	Balance as at 31-Mar-12 Rs.	Charge for the Year Rs.	Adjustment on Revaluation Rs.	Disposals/ Adjustment Rs.	Balance as at 31-Mar-13 Rs.
At Valuation								
Buildings	5,397,468	25,419,458	(229,130)	30,587,796	28,438,483	(61,227,225)	2,200,946	-
Farm Structure	545,199	993,595	-	1,538,794	657,122	(2,195,916)	-	-
	5,942,667	**26,413,053**	**(229,130)**	**32,126,590**	**29,095,605**	**(63,423,141)**	**2,200,946**	**-**
At Cost								
Plant & Machinery	35,513,931	2,314,329	-	37,828,260	3,121,245	-	(4,047,445)	36,902,060
Motor Vehicles	8,576,922	1,201,000	(1,750,000)	8,027,922	3,142,776	-	(5,859,504)	5,311,194
Furniture and Fittings	38,574,457	2,018,617	-	40,593,074	5,310,716	-	(690,564)	45,213,226
Fixtures	868,230	309,164	-	1,177,394	154,074	-	(845,092)	486,376
Office Equipment	2,660,202	951,971	-	3,612,173	709,709	-	(1,834,193)	2,487,689
Electrical Installation	6,168,863	2,382,670	-	8,551,533	1,664,873	-	(493,987)	9,722,419
Soft Furniture	17,077,039	957,145	-	18,034,184	2,728,326	-	(4,964,725)	15,797,785
Crockery, Cutlery & Glassware	-	5,324,553	(1,233,825)	4,090,728	985,105	-	(834,825)	4,241,008
	109,439,644	**15,459,449**	**(2,983,825)**	**121,915,268**	**17,816,824**	**-**	**(19,570,335)**	**120,161,757**
Total Depreciation on Cost/Revaluation	115,382,311	41,872,502	(3,212,955)	154,041,858	46,912,429	(63,423,141)	(17,369,391)	120,161,757
Net Book Value	**1,739,633,666**			**1,779,188,614**				**1,935,359,073**

	1-Apr-11 Rs.	31-Mar-12 Rs.	31-Mar-13 Rs.
At Cost	61,643,413	92,492,591	92,120,075
At Revaluation	1,677,990,253	1,686,696,023	1,843,238,998
Net Book Value	1,739,633,666	1,779,188,614	1,935,359,073
Gross Carrying Amount of Fully Depreciated Property, Plant & Equipment	**42,803,541**	**62,494,022**	**90,577,938**

11. Property, Plant & Equipment (Contd...)

Freehold land and buildings of the Parent and Subsidiary Company were revalued by Mr. K.C.B.Condegama (A.I.V), a professional valuer/assessor. The figures of above mentioned assets were revalued on free hold market value basis as a going concern as at 31st March 2013. The revaluation surplus of the Company and the subsidiary amounting to Rs. 147,758,227/- and Rs. 25,586,758/- respectively have been credited to the revaluation reserve .

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

Company	Cost Rs.	Accumulated Depreciation Rs.	Net Book Value 2013 Rs.	Net Book Value 2012 Rs.	Net Book Value 1-Apr-11 Rs.
Freehold Land	773,000	-	773,000	773,000	773,000
Buildings	107,111,546	4,389,712	102,721,834	88,942,098	54,747,541
	107,884,546	**4,389,712**	**103,494,834**	**89,715,098**	**55,520,541**
Group	**Cost**	**Accumulated Depreciation Rs.**	**Net Book Value 2013 Rs.**	**Net Book Value 2012 Rs.**	**Net Book Value 1-Apr-11 Rs.**
Freehold Land	773,000	-	773,000	773,000	773,000
Buildings	254,479,208	24,398,263	230,080,945	197,387,146	164,464,407
	255,252,208	**24,398,263**	**230,853,945**	**198,160,146**	**165,237,407**

12. Intangible Assets

	Company			Group		
As at 31st March	2013 Rs.	**2012 Rs.**	**1-Apr-11 Rs.**	2013 Rs.	**2012 Rs.**	**1-Apr-11 Rs.**
Cost						
Balance as at 1st April	1,572,801	1,572,801	550,000	1,572,801	1,572,801	550,000
Additions during the Year	115,500	-	1,022,801	115,500	-	1,022,801
Disposal during the Year	-	-	-	-	-	-
Balance as at 31st March	**1,688,301**	**1,572,801**	**1,572,801**	**1,688,301**	**1,572,801**	**1,572,801**
Accumulated Amortization						
Balance as at 1st April	445,562	288,281	131,000	445,562	288,281	131,000
Amortized during the Year	164,980	157,281	157,281	164,980	157,281	157,281
Disposal during the Year	-	-	-	-	-	-
Balance as at 31st March	610,542	445,562	288,281	610,542	445,562	288,281
Net Book Value	**1,077,759**	**1,127,239**	**1,284,520**	**1,077,759**	**1,127,239**	**1,284,520**

The cost incurred on purchase of General Inventory Control System, Front Office Management System and computerized accounting software have been recognized as intangible assets and amortized over a period of 10 years on a straight line basis.

13. Biological Assets

Balance as at 1st April	3,714,831	2,181,246	1,072,307	3,714,831	2,181,246	1,072,307
Increase due to Purchases	5,089,165	4,933,086	4,111,838	5,089,165	4,933,086	4,111,838
Decrease due to Sales	(5,160,406)	(3,994,644)	(3,127,241)	(5,160,406)	(3,994,644)	(3,127,241)
Change in Fair Value Less Cost to Sell	29,507	595,143	124,342	29,507	595,143	124,342
Balance as at 31st March	**3,673,097**	**3,714,831**	**2,181,246**	**3,673,097**	**3,714,831**	**2,181,246**

Biological assets comprise of piggery, cattle & goat stock, which have been valued at each reporting date including transition date by Dr. S.C. Kaduwela, a Consultant Veterinary Surgeon, based on the Circular No. 52/2011, issued by the Ministry of Farm, Livestock and Fisheries.

The Company has used the following significant criterias in determining the fair value of the above livestocks as follows:

Weight	-	Age
Pregnancy	-	Rates as per 52/2011 Circular

14. Investment Property

	Company			Group		
	2013 Rs.	**2012 Rs.**	**1-Apr-11 Rs.**	2013 Rs.	**2012 Rs.**	**1-Apr-11 Rs.**
Balance as at 1st April	34,611,570	32,304,132	30,919,669	-	-	-
Change in Fair Value	2,307,258	2,307,438	1,384,463	-	-	-
Balance as at 31st March	**36,918,828**	**34,611,570**	**32,304,132**	-	-	-

Investment property of the Company comprises of the land rented out to the Grand Hotel (Pvt) Ltd. (Fully owned subsidiary of the Company).

15. Investment in Subsidiary

	2013 Rs.	**2012 Rs.**	**1-Apr-11 Rs.**	2013 Rs.	**2012 Rs.**	**1-Apr-11 Rs.**
Grand Hotels (Pvt) Ltd.	120,000,000	120,000,000	120,000,000	-	-	-
	120,000,000	**120,000,000**	**120,000,000**	-	-	-

16. Investment in Associate

Fair View Hotel (Pvt) Ltd.

Balance as at 1st April	-	-	-	40,116,149	39,996,000	-
Share of Profit After Tax for the Year	-	-	-	510,136	120,149	-
Balance as at 31st March	-	-	-	**40,626,285**	**40,116,149**	-

Fair View Hotel (Pvt) Ltd. - Summarised Financial Statements (Rs.'000)

	Ownership	Current Assets	Non-Current Assets	Total Assets	Stated Capital	Retained Earnings	Current Liabilities	Revenue	Expenses	Profit
2012	22.22%	126,051	54,615	180,666	180,000	546	120,000	1,119	573	546
2013	22.22%	112,242	70,677	182,919	180,000	2837	82	3,767	1,477	2,290

17. Available for Sale Investments

	Company			Group		
	2013 Rs.	**2012 Rs.**	**1-Apr-11 Rs.**	2013 Rs.	**2012 Rs.**	**1-Apr-11 Rs.**
Investment in Quoted Shares (Note 17.1 & 17.3)	8,750,000	13,550,000	17,300,000	96,249,999	149,049,999	190,299,999
Investment in Unquoted Shares (Note 17.2 & 17.4)	-	-	-	-	-	-
	8,750,000	**13,550,000**	**17,300,000**	**96,249,999**	**149,049,999**	**190,299,999**

17.1 Company — Investment in Quoted Shares

	2013			2012		1-Apr-11	
	No. of Shares	Market Value Rs.	Cost Rs.	**Market Value Rs.**	**Cost Rs.**	**Market Value Rs.**	**Cost Rs.**
Royal Palms Beach Hotels PLC	**250,000**	8,750,000	1,402,428	13,550,000	1,402,428	17,300,000	1,402,428
		8,750,000	**1,402,428**	**13,550,000**	**1,402,428**	**17,300,000**	**1,402,428**

17.2 Investments in Unquoted Shares

	No. of Shares	2013 Cost Rs.	2012 Cost Rs.	1-Apr-11 Cost Rs.
Ceylon Glass Manufacturing Co. Ltd.	20,000	200,000	200,000	200,000
Less: Provision for Impairment Losses		(200,000)	(200,000)	(200,000)
		-	-	-

Group

17.3 Investment in Quoted Shares

		2013		2012		1-Apr-11	
	No. of Shares	Market Value Rs.	Cost Rs.	**Market Value Rs.**	**Cost Rs.**	**Market Value Rs.**	**Cost Rs.**
Royal Palms Beach Hotels PLC	**2,750,000**	96,249,999	28,895,047	149,049,999	28,895,047	190,299,999	28,895,047
		96,249,999	28,895,047	149,049,999	28,895,047	190,299,999	28,895,047

17.4 Investments in Unquoted Shares

	No. of Shares	2013 Cost Rs.	**2012 Cost Rs.**	**1-Apr-11 Cost Rs.**
Ceylon Glass Manufacturing Co. Ltd.	**20,000**	200,000	200,000	200,000
Less: Provision for Impairment Loss		(200,000)	(200,000)	(200,000)
		-	-	-

18. Inventories

	Company			Group		
	2013 Rs.	**2012 Rs.**	**1-Apr-11 Rs.**	2013 Rs.	**2012 Rs.**	**1-Apr-11 Rs.**
Food & Beverages	7,281,054	7,932,428	8,479,321	7,577,454	8,343,882	8,877,526
General	5,400,200	5,982,844	3,275,932	5,609,978	6,209,272	3,468,672
Grand Boutique	2,720,843	2,117,035	1,665,567	2,720,843	2,117,035	1,665,566
Crockery, Cutlery & Glassware	-	-	4,682,250	-	-	5,509,970
	15,402,097	16,032,307	18,103,070	15,908,275	16,670,189	19,521,734

19. Trade and other Receivables

Trade Receivables	41,724,559	33,280,262	30,873,055	82,200,277	61,787,864	52,582,883
Less: Provision for Impairment Losses	-	-	(162,699)	-	-	(302,141)
	41,724,559	33,280,262	30,710,356	82,200,277	61,787,864	52,280,742
Economic Service Charge	309,347	481,261	1,346,882	516,035	951,476	2,291,541
Other Receivables	2,700,803	356,135	283,218	4,392,871	1,384,712	586,899
Payments Made in Advance	14,386,738	3,336,000	2,013,465	25,227,054	8,218,062	4,039,192
Trade Deposits	662,906	662,906	662,906	662,906	662,906	662,906
	59,784,353	38,116,564	35,016,827	112,999,143	73,005,020	59,861,280

20. Amounts Due from Related Companies

Security Ceylon (Pvt) Ltd.	-	2,958	349,841	-	-	349,841
Tangerine Tours (Pvt) Ltd.	-	1,130,057	-	-	1,286,673	-
Mercantile Investments & Finance PLC	-	-	-	-	8,082,935	-
Grand Hotel (Pvt) Ltd.	62,344,243	24,734,398	12,050,652	-	-	-
	62,344,243	25,867,413	12,400,493	-	9,369,608	349,841

21. Held for Trading Investments

	2013		2012		1-Apr-11	
Company	No. of Shares	Market Value Rs.	**No.of Shares**	**Market Value Rs.**	**No.of Shares**	**Market Value Rs.**
John Keells Hotels PLC	500,000	6,600,000	500,000	6,300,000	500,000	8,600,000
Overseas Realty (Ceylon) PLC	750,750	10,510,500	750,750	10,060,050	750,750	11,261,250
Dialog Axiata PLC	2,640,000	23,760,000	2,640,000	18,744,000	2,640,000	27,720,000
Colombo Land & Development Co. PLC	-	-	-	-	100,000	2,160,000
Ceylon Investment PLC	1,703	134,622	1,703	131,216	-	-
Ceylon Guardian Investment Trust PLC	566	126,208	566	129,038	-	-
The Lighthouse Hotel PLC	6,323	299,710	-	-	-	-
Hunas Falls Hotels PLC	16,000	840,000	-	-	-	-
Commercial Bank of Ceylon PLC	40,750	4,604,750	-	-	-	-
		46,875,790		**35,364,304**		**49,741,250**
Group						
John Keells Hotels PLC	500,000	6,600,000	500,000	6,300,000	500,000	8,600,000
Overseas Realty (Ceylon) PLC	750,750	10,510,500	750,750	10,060,050	750,750	11,261,250
Dialog Axiata PLC	3,640,000	32,760,000	3,640,000	25,844,000	3,640,000	38,220,000
Colombo Land & Development Co. PLC	-	-	-	-	100,000	2,160,000
Ceylon Investment PLC	1,703	134,622	1,703	131,216	-	-
Ceylon Guardian Investment Trust PLC	566	126,208	566	129,038	-	-
The Lighthouse Hotels PLC	6,323	953,830	-	-	-	-
Hunas Falls PLC	16,000	840,000	-	-	-	-
Commercial Bank of Ceylon PLC	40,750	4,604,750	-	-	-	-
		56,529,910		**42,464,304**		**60,241,250**

22. Cash and Cash Equivalents

	Company			Group		
	2013 Rs.	**2012 Rs.**	**1-Apr-11 Rs.**	2013 Rs.	**2012 Rs.**	**1-Apr-11 Rs.**
Cash in Hand	452,800	254,800	252,800	458,800	259,850	257,850
Cash at Bank	7,275,293	2,063,260	248,712	82,749,542	24,296,812	26,367,176
Fixed Deposit	10,217,800	-	-	245,497,868	70,129,726	30,007,808
Investment in Repo's	-	-	-	-	50,012,019	50,009,272
	17,945,893	2,318,060	501,512	328,706,210	144,698,407	106,642,106
Bank Overdraft	(24,296,933)	(79,466,216)	(87,759,574)	(24,944,075)	(79,466,216)	(87,759,574)
Cash and Cash Equivalents for the Cash Flow Purpose	**(6,351,040)**	**(77,148,156)**	**(87,258,062)**	**303,762,135**	**65,232,191**	**18,882,532**

23. Stated Capital

2,003,870 Ordinary Shares	80,113,740	80,113,740	80,113,740	80,113,740	80,113,740	80,113,740
5,800 - 7% Participating Cumulative Preference Shares	58,000	58,000	58,000	58,000	58,000	58,000
	80,171,740	**80,171,740**	**80,171,740**	**80,171,740**	**80,171,740**	**80,171,740**

23.1 Cumulative Participating Preference Share

The cumulative participating preference shares are entitled to a cumulative dividend of 7% per annum on the amount of each such preference share prior to the payment of any dividend to ordinary shareholders and ordinary shareholders shall have received a dividend for a likely amount from any balance remaining over for division, then the shareholders of such preference share shall be entitled to join with the ordinary shareholders pari pasu in the division of any then remaining balance.

24. Deferred Taxation

	Company			Group		
	2013 Rs.	2012 Rs.	1-Apr-11 Rs.	2013 Rs.	2012 Rs.	1-Apr-11 Rs.
Balance as at 1st April	31,443,383	30,094,037	35,497,378	57,167,103	56,974,723	68,407,189
Tax Effect on Revaluation Surplus	5,490,037	-	-	8,069,273	-	-
Charge / (Reversal) for the Year	1,477,007	1,349,346	(5,403,341)	(1,243,098)	192,380	(11,432,466)
Balance as at 31st March	**38,410,427**	**31,443,383**	**30,094,037**	**63,993,278**	**57,167,103**	**56,974,723**

24.1 The deferred tax has been provided at an effective rate of 12%.
The deferred tax asset/liability on each temporary difference which were recognized in the Financial Statements are disclosed below:

Company

	2013		2012		2011	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
On Property, Plant & Equipment	285,476,623	34,257,195	280,945,702	33,713,485	291,325,085	34,959,010
On Employee Benefits	(11,140,040)	(1,336,805)	(9,789,805)	(1,174,777)	(9,240,930)	(1,108,912)
On Revaluation Reserve	45,750,308	5,490,037	(9,127,720)	(1,095,325)	(31,300,512)	(3,756,061)
	320,086,891	**38,410,427**	**262,028,177**	**31,443,383**	**250,783,643**	**30,094,037**

Group

	2013		2012		2011	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
On Property, Plant & Equipment	477,173,423	57,260,809	495,310,041	59,437,205	515,330,802	61,839,696
On Employee Benefits	(11,140,040)	(1,336,804)	(9,789,804)	(1,174,776)	(9,240,930)	(1,108,912)
On Revaluation Reserve	67,243,940	8,069,273	(9,127,720)	(1,095,326)	(31,300,512)	(3,756,061)
	533,277,323	**63,993,278**	**476,392,517**	**57,167,103**	**474,789,360**	**56,974,723**

25. Emloyee Benefits

	Company			Group		
	2013 Rs.	2012 Rs.	1-Apr-11 Rs.	2013 Rs.	2012 Rs.	1-Apr-11 Rs.
Balance as at 1st April	9,789,804	9,240,930	9,240,599	9,789,804	9,240,930	9,240,599
Interest Cost	978,980	924,093	825,350	978,980	924,093	825,350
Current Service Cost	1,365,199	928,003	918,446	1,365,199	928,003	918,446
Actuarial Loss on Obligation	1,227,004	(202,299)	(1,000,443)	1,227,004	(202,299)	(1,000,443)
	13,360,987	10,890,727	9,983,952	13,360,987	10,890,727	9,983,952
Less: Payments During the Year	(2,220,947)	(1,100,923)	(743,022)	(2,220,947)	(1,100,923)	(743,022)
Balance as at 31st March	**11,140,040**	**9,789,804**	**9,240,930**	**11,140,040**	**9,789,804**	**9,240,930**

(a) The retirement benefit obligation of the Company and the Group is based on the actuarial valuation carried out by Mr. M. Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd.

(b) The projected Unit Credit Method is used to determine the present value of the defined benefit obligation.

(c) The key assumption used in determining above were as follows:

Rate of Discount	10% (2011/12 - 10%)
Salary Increment	10% (2011/12 - 9%)

(d) Staff Turnover Rates

Age	Rates
20-39	14%
40-49	1%
≥50	1%

(e) Staff Retirement Age - 55 Years

26. Trade and Other Payable

	Company			Group		
	2013 Rs.	2012 Rs.	1-Apr-11 Rs.	2013 Rs.	2012 Rs.	1-Apr-11 Rs.
Trade Payables	32,570,199	21,717,670	21,228,659	33,927,656	24,541,354	21,692,405
Accrued Expenses	21,716,497	17,434,743	8,745,581	23,390,530	19,113,050	12,477,806
Sundry Creditors	10,049,909	12,207,758	6,746,355	13,291,920	19,838,890	12,956,855
Deposits Received	484,225	484,225	484,225	594,225	594,225	594,225
	64,820,830	**51,844,396**	**37,204,820**	71,204,331	**64,087,519**	**47,721,291**

27. Amounts Due to Related Companies

Tangerine Beach Hotels PLC	14,490	-	-	14,490	-	-
Royal Palm Beach Hotels PLC	-	-	-	140,882	111,234	-
Tangerine Tours (Pvt) Ltd.	204,027	-	139,934	283,139	-	246,925
Security Ceylon (Pvt) Ltd.	30,024	-	-	778,044	522,462	-
	248,541	**-**	**139,934**	1,216,555	**633,696**	**246,925**

28. Related Party Disclosure

28.1 Transactions with Related Parties

Name of the Related Party	Nature of the Transactions	Amount			Balance as at 31st March		
		2013 Rs.	2012 Rs.	2011 Rs.	2013 Rs.	2012 Rs.	2011 Rs.
(a) Transactions with Subsidiary Company							
Grand Hotel (Pvt) Ltd.	Funds Received / (Paid)	30,304,117	(14,628,454)	118,758,784	62,344,243	24,734,398	12,050,652
	Rental Income Received	7,855,728	50,000	50,000	-	-	-
	Rental Expenses Paid	(550,000)	(421,085)	(421,085)	-	-	-
	Dividend Received	43,404,996	21,599,998	32,399,998	-	-	-
(b) Transactions with Other Related Companies							
Security Ceylon (Pvt) Ltd.	Security Services Paid	(3,080,368)	(2,569,594)	(1,957,450)	(30,024)	2,958	349,841
	Security Staff Meals	1,832,277	1,522,910	1,443,582	-	-	-
	Dividend Paid	(1,216,840)	(608,420)	-	-	-	-
Tangerine Beach Hotels PLC	Salaries to Staff Paid	(147,901)	(14,183)	-	(14,490)	-	-
Tangerine Tours (Pvt) Ltd.	Salaries to Staff Paid	(1,724,463)	(1,654,205)	(2,092,733)	(204,027)	1,130,057	(139,934)
	Revenue from Tour Operations	12,646,135	11,419,550	19,845,894	-	-	-
	Administration Fee Paid	(672,000)	(672,000)	(672,000)	-	-	-
	Dividend Paid	(2,754,240)	(1,377,120)	-	-	-	-
Mercantile Investments & Finance PLC	Repairs & Services to Fleet Vehicles	(2,459,148)	(1,032,588)	(1,511,333)	-	-	-
	Interest Income	17,816,559	399,056	901,072	-	-	-
	Fixed Deposits	(76,326,405)	-	11,822,613	-	-	-
	Rent Paid	(1,224,480)	(1,224,480)	-	-	-	-
	Dividend Paid	(10,469,600)	(5,233,800)	-	-	-	-
Royal Palms Beach Hotels PLC	Dividend Recieved	180,000	135,000	90,000	-	-	-
Nilaveli Beach Hotels (Pvt) Ltd.	Dividend Paid	(3,805,880)	(1,902,940)	-	-	-	-

28.2 Transactions with Key Management Personnel

Key management personnel include members of the Board of Directors of the Company. Following transactions have been entered in to with the Key management personnel.

	2013 Rs.	2012 Rs.
Short-Term Employee Benefits	2,861,440	2,395,200
	2,861,440	2,395,200

29. Events Occurring After the Reporting Date

Subsequent to the date of financial position, no circumstances have arisen which would require adjustments to or disclosure in the Financial Statements.

30. Capital Commitments

There were no material capital commitments as at the date of financial position.

31. Contingent Liabilities

One of the suppliers has filed a case against the Company in the District Court of Colombo to recover Rs. 415,949 due from the Company. The Company is defending the case on the basis that the work done is not up to the standard, and therefore, the Company is not liable to pay the amount claimed. The hearing of the case was postponed to 17th June 2013.

There were no contingent liabilities outstanding as at the date of financial position other than what is disclosed above.

32. Explanation of Transition to the New Sri Lanka Accounting Standards

As stated in Note 2.2 to the financial statements, these are the Group's first financial statements prepared in accordance with new Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The accounting policies set out in Note 3 has been applied in preparing the financial statements for the year ended 31st March 2013, and the comparative information presented in these financial statements for the year ended 31st March 2012 and in the preparation of an opening SLFRS statement of Financial Position as at 1st April 2011 (The Group's date of transition).

An explanation of how the transition from previous Sri Lanka Accounting Standards to SLFRS has affected the Company's and Group's financial position and financial performance is set out in the following tables and notes that accompany the tables.

32. Explanation of Transition to New Sri Lanka Accounting Standards (Contd...)

32.1 Reconciliation of Equity as at 1st April 2011

	Note	Company			Group		
		As per SLAS	Effect of Transition to SLFRS	As per SLFRS	As per SLAS	Effect of Transition to SLFRS	As per SLFRS
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets							
Property, Plant & Equipment	(f)	1,500,047,978	(29,119,669)	1,470,928,309	1,737,833,667	1,800,000	1,739,633,666
Intangible Assets		1,284,520	-	1,284,520	1,284,520	-	1,284,520
Biological Assets	(a)	2,056,904	124,342	2,181,246	2,056,904	124,342	2,181,246
Investment Property	(b)	-	32,304,132	32,304,132	-	-	-
Investment in Subsidiary		120,000,000	-	120,000,000	-	-	-
Investment in Associates		-	-	-	-	-	-
Avaialble for Sale Investments	(c)	1,402,428	15,897,572	17,300,000	28,895,047	161,404,952	190,299,999
		1,624,791,830	19,206,377	1,643,998,207	1,770,070,138	163,329,294	1,933,399,431
Current Assets							
Inventories		18,103,070	-	18,103,070	19,521,732	-	19,521,734
Trade and Other Receivables		35,016,827	-	35,016,827	62,471,706	(2,610,425)	59,861,280
Amounts Due from Related Parties		12,400,493	-	12,400,493	349,841	-	349,841
Held for Trading Investments		49,741,250	-	49,741,250	60,241,250	-	60,241,250
Loans & Receivables - Fixed Deposits		-	-	-	86,024,744	-	86,024,744
Cash and Cash Equivalents	(e)	501,512	-	501,512	190,056,426	2,610,425	106,642,106
		115,763,152	-	115,763,152	332,640,955	-	332,640,955
Total Assets		1,740,554,982	19,206,377	1,759,761,359	2,102,711,093	163,329,294	2,266,040,386
Equity							
Stated Capital		80,171,740	-	80,171,740	80,171,740	-	80,171,740
Revaluation Reserves		1,330,022,810	-	1,330,022,810	1,414,159,953	-	1,414,159,953
Available for Sale Reserve	(d)	-	15,897,572	15,897,572	-	161,404,952	161,404,952
Retained Earnings		160,208,197	3,308,805	163,517,002	395,622,586	1,924,342	397,546,928
Total Equity		1,570,402,747	19,206,377	1,589,609,124	1,889,954,279	163,329,294	2,053,283,572
Non-Current Liabilities							
Deferred Taxation		30,094,037	-	30,094,037	56,974,723	-	56,974,723
Retirement Benefit Obligation		9,240,930		9,240,930	9,240,930	-	9,240,930
		39,334,967	-	39,334,967	66,215,653	-	66,215,653
Current Liabilities							
Trade and Other Payables		37,204,820	-	37,204,820	47,721,291	-	47,721,291
Dividend Payable			-	-		-	-
Tax Payable		5,712,940	-	5,712,940	10,813,371	-	10,813,371
Amounts Due to Related Companies		139,934	-	139,934	246,925	-	246,925
Bank Overdraft		87,759,574		87,759,574	87,759,574	-	87,759,574
		130,817,268	-	130,817,268	146,541,161	-	146,541,161
Total Liabilities		170,152,235	-	170,152,235	212,756,814	-	212,756,814
Total Liabilities & Equity		1,740,554,982	19,206,377	1,759,761,359	2,102,711,093	163,329,294	2,266,040,387

32.2 Reconciliation of Equity as at 31st March 2012

	Note	Company			Group		
		As per SLAS	Effect of Transition to SLFRS	As per SLFRS	As per SLAS	Effect of Transition to SLFRS	As per SLFRS
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets							
Property, Plant & Equipment	(f)	1,557,491,494	(38,773,492)	1,518,718,002	1,791,501,373	(12,312,759)	1,779,188,614
Intangible Assets		1,127,239	-	1,127,239	1,127,239	-	1,127,239
Bio-logical Assets	(a)	2,995,346	719,485	3,714,831	2,995,346	719,485	3,714,831
Investment Property	(b)	-	34,611,570	34,611,570	-	-	-
Investment in Subsidiary		120,000,000	-	120,000,000	-	-	-
Investment in Associates		-	-	-	40,116,149	-	40,116,149
Avaialble for Sale Investments	(c)	1,402,428	12,147,572	13,550,000	28,895,047	120,154,952	149,049,999
		1,683,016,507	8,705,135	1,691,721,642	1,864,635,154	108,561,678	1,973,196,832
Current Assets							
Inventories		16,032,307	-	16,032,307	16,670,189	-	16,670,189
Trade and Other Receivables		38,116,564	-	38,116,564	75,071,133	(2,066,112)	73,005,020
Amounts Due from Related Parties		25,867,413	-	25,867,413	9,369,607	-	9,369,608
Held for Trading Investments	(g)	35,330,274	34,030	35,364,304	42,430,274	34,030	42,464,304
Loans & Receivables - Fixed Deposits		-	-	-	84,239,778	-	84,239,778
Cash and Cash Equivalents	(e)	2,318,060	-	2,318,060	142,632,295	2,066,112	144,698,407
		117,664,618	34,030	117,698,648	370,413,276	34,030	370,447,306
Total Assets		1,800,681,125	8,739,165	1,809,420,290	2,235,048,430	108,595,708	2,343,644,138
Equity							
Stated Capital		80,171,740	-	80,171,740	80,171,740	-	80,171,740
Revaluation Reserves		1,324,718,795	-	1,324,718,795	1,407,851,686	-	1,407,851,686
Available for Sale Reserve	(d)	-	12,147,572	12,147,572	-	120,154,952	120,154,952
Retained Earnings		221,000,850	(3,408,407)	217,592,443	528,790,392	(11,559,244)	517,231,148
Total Equity		1,625,891,385	8,739,165	1,634,630,550	2,016,813,818	108,595,708	2,125,409,526
Non-Current Liabilities							
Deferred Taxation		31,443,383	-	31,443,383	57,167,103	-	57,167,103
Retirement Benefit Obligation		9,789,804		9,789,804	9,789,804	-	9,789,804
		41,233,187	-	41,233,187	66,956,907	-	66,956,907
Current Liabilities							
Trade and Other Payables		51,844,396	-	51,844,396	64,087,519	-	64,087,519
Dividend Payable			-	-	-	-	-
Tax Payable		2,245,941	-	2,245,941	7,090,272	-	7,090,274
Amounts Due to Related Companies		-	-	-	633,696	-	633,696
Bank Overdraft		79,466,216		79,466,216	79,466,216	-	79,466,216
		133,556,553	-	133,556,553	151,277,703	-	151,277,705
Total Liabilities		174,789,740	-	174,789,740	218,234,610	-	218,234,612
Total Liabilities & Equity		1,800,681,125	8,739,165	1,809,420,290	2,235,048,430	108,595,708	2,343,644,138

32.3. Reconciliation of Comprehensive Income for the Year Ended 31st March 2012

	Note	Company			Group		
		As per SLAS Rs.	Effect of Transition to SLFRS Rs.	As per SLFRS Rs.	As per SLAS Rs.	Effect of Transition to SLFRS Rs.	As per SLFRS Rs.
Revenue		315,023,459	(1,023,857)	313,999,602	584,129,637	(1,613,286)	582,516,351
Cost of Sales		(85,112,440)	-	(85,112,440)	(137,328,732)	-	(137,328,732)
Gross Profit		229,911,019	(1,023,857)	228,887,162	446,800,905	(1,613,286)	445,187,619
Other Income		12,994,353	3,926,438	16,920,791	(5,440,249)	2,208,429	(3,231,820)
Administrative Expenses		(53,731,886)	-	(53,731,886)	(103,737,230)	-	(103,737,230)
Selling and Distribution Expenses		(12,283,513)	-	(12,283,513)	(23,587,924)	-	(23,587,924)
Operating Expenses		(94,071,590)	2,084,925	(91,986,665)	(160,022,645)	1,025,987	(158,996,658)
Results from Operating Activities		82,818,383	4,987,506	87,805,889	154,012,857	1,621,130	155,633,987
Finance Expenses		(1,447,482)	(11,704,718)	(13,152,200)	(1,527,674)	(15,104,718)	(16,632,392)
Finance Income		505,148		505,148	9,906,740	-	9,906,740
Net Finance Expense		(942,334)	(11,704,718)	(12,647,052)	8,379,066	(15,104,718)	(6,725,652)
Share of Profit of the Associate (Net of Tax)		-	-	-	120,149	-	120,149
Profit / (Loss) Before Income Tax Expense	**(h)**	81,876,049	(6,717,212)	75,158,837	162,512,072	(13,483,588)	149,028,484
Income Tax Expense		(6,290,710)	-	(6,290,710)	(15,555,828)	-	(15,555,829)
Profit for the Year		75,585,339	(6,717,212)	68,868,127	146,956,244	(13,483,588)	133,472,655
Other Comprehensive Income							
Net Change in Fair Value of Available for Sale Financial Assets		-	(3,750,000)	(3,750,000)	-	(41,250,000)	(41,250,000)
Total Comprehensive Income for the Year		-	**(10,467,212)**	**65,118,127**	-	**(54,733,588)**	**92,222,655**

32.4 Notes to the Reconciliation of Equity as at 1st April 2011 and 31st March 2012, Statement of Comprehensive Income and Other Comprehensive Income for the year ended 31st March 2012.

(a) Biological Assets

Under previous SLASs, Company recognized and measured biological assets at cost. However in accordance with the LKAS 41 - Agriculture, Biological assets should be measured at the end of each reporting period at its fair value less cost to sell. Accordingly those biological assets were measured at fair value less cost to sell at the end of the each reporting period as follows:

	Company		Group	
	As at 1-Apr-11 (Rs.)	As at 31-Mar-12 (Rs.)	As at 1-Apr-11 (Rs.)	As at 31-Mar-12 (Rs.)
Carrying Value of as per SLAS	2,056,904	2,995,346	2,056,904	2,995,346
Impact due to Change in Fair Value	124,342	719,485	124,342	719,485
Fair Value of Biological Assets as Per LKAS 41	**2,181,246**	**3,714,831**	**2,181,246**	**3,714,831**

(b) Invesment Property

The Nuwara Eliya Hotels Co. PLC has given part of its land to Grand Hotel (Pvt) Ltd., for carrying out the business operations. Accordingly, The Nuwara Eliya Hotels Co. PLC has received a rent income from Grand Hotel (Pvt) Ltd. The portion of the said land has been recognised as invesment property.

(c) Available for Sale Investments

Under previous SLASs, the Group carried Long-term invesments at cost. However, in accordance with LKAS 39 Financial Instruments, these investments were classified as available for sale investments and have been measured at fair value using active market prices at each reporting date.

The difference between the fair value under SLFRS / LKASs and cost has been recognized as a separate components of equity in the available for sale reserve in accordance with LKAS 39.

The impact arising from the change is summarized as follows:

	Company		Group	
	As at 1-Apr-11 (Rs.)	As at 31-Mar-12 (Rs.)	As at 1-Apr-11 (Rs.)	As at 31-Mar-12 (Rs.)
Carrying Value of as per SLAS	1,402,428	1,402,428	28,895,047	28,895,047
Impact on financial assets due to movement in fair value	15,897,572	12,147,572	161,404,952	120,154,952
Fair Value of the Available for Sale investments as per LKAS 39	**17,300,000**	**13,550,000**	**190,299,999**	**149,049,999**

(d) Movement in Available for Sale Reserve

Opening Balance	-	15,897,572	-	161,404,952
Impact due to Conversion to the Fair Value	15,897,572	(3,750,000)	161,404,952	(41,250,000)
Closing Balance	**15,897,572**	**12,147,572**	**161,404,952**	**120,154,952**

(e) Cash and Cash Equivalents

Under previous SLAS both Fixed deposits and repo investments have been accounted at cost and the relevant interest receivable was shown under other receivables. But as per LKAS 39, fixed deposits and REPO investments have been re-classified as Loans and Receivables and measured at amortized cost using Effective Interest Rate method.

		Company		Group	
		As at 1-Apr-11 (Rs.)	As at 31-Mar-12 (Rs.)	As at 1-Apr-11 (Rs.)	As at 31-Mar-12 (Rs.)
(e.i)	**Fixed Deposits (Note e.ii)**				
	Carrying Value of as per SLAS	-	-	113,431,400	152,315,411
	Interest Receivable under Effective Interest Rate method	-	-	2,601,153	2,054,093
	Amortized Cost of Fixed Deposits as per LKAS 39	**-**	**-**	**116,032,553**	**154,369,504**
(e.ii)	**Loans & Receivables - Fixed Deposits**				
	Maturity with less than 3 Months - Classified Under Cash and Cash Equivalents	-	-	30,007,808	70,129,726
	Maturity with more than 3 Months - Classified as Fixed Deposits	-	-	86,024,744	84,239,778
		-	**-**	**116,032,552**	**154,369,504**
(e.iii)	**Loans & Receivables - REPO investments**				
	Carrying Value of as per SLAS	-	-	50,000,000	50,000,000
	Interest Receivable under Effective Interest Rate Method	-	-	9,272	12,019
	Amortized Cost of REPOs as per LKAS 39	**-**	**-**	**50,009,272**	**50,012,019**
	Cash at Bank and in Hand	501,512	2,318,060	26,625,026	24,556,662
	Total Cash and Cash Equivalent as per LKAS 39	**501,512**	**2,318,060**	**106,642,106**	**144,698,407**

(f) Property, Plant & Equipment

As per LKAS 16 - Property, Plant & Equipment, Group re-assessed the useful life time of certain fully depreciated assets which are still in use and resultant depreciation effect was adjusted in the financial statements. Further Group adopted component accounting from the date of transition to SLFRS.

	Company		Group	
	As at 1-Apr-11 (Rs.)	As at 31-Mar-12 (Rs.)	As at 1-Apr-11 (Rs.)	As at 31- Mar-12 (Rs.)
NBV of Property, Plant & Equipment as per SLAS	1,500,047,978	1,557,491,494	1,737,833,666	1,791,501,373
Classified as Investment Property (Note b)	(30,919,669)	(30,919,669)	-	-
Effect on Component Depreciation	-	(12,525,743)	-	(20,041,454)
Depreciation Effect on the Re-assessment of Useful Lives	-	2,871,920	-	5,928,695
Property, Plant & Equipment Deemed Cost Adjustment	1,800,000	1,800,000	1,800,000	1,800,000
Property, Plant & Equipment as per LKAS 16	1,470,928,309	1,518,718,002	1,739,633,666	1,779,188,614

(g) Held for Trading Investments

With the adoption of SLFRS following investments were re-classified as fair value through profit or loss (FVTPL). These were carried at cost under previous Sri Lanka Accounting Standards (SLAS).

	Company		Group	
	As at 1-Apr-11 (Rs.)	As at 31-Mar- 12 (Rs.)	As at 1-Apr- 11 (Rs.)	As at 31-Mar-12 (Rs.)
Carrying Value as per SLAS	49,741,250	35,330,274	60,241,250	42,430,274
Impact on Financial Assets due to Movement in Fair Value	-	34,030	-	34,030
Carrying Value as per LKAS 39	49,741,250	35,364,304	60,241,250	42,464,304

(h) Impact to the Profit Before Tax

	Company	Group
	For the Year Ended 31-Mar-12 (Rs.)	For the Year Ended 31-Mar-12 (Rs.)
Profit Before Tax as per SLAS	81,876,049	162,512,072
Due to the Change in fair Value of Biological Assets	595,143	595,143
Depreciation Effect on the Reassessment of Useful Life	2,871,920	5,928,693
Depreciation Effect of Component Depreciation	(12,525,743)	(20,041,454)
Due to the Change in Fair Value of Held for Trading Investments	34,030	34,030
Due to the Change in Fair Value of Investment Property	2,307,438	-
	75,158,837	149,028,484

33. Financial Risk Management

33.1 Introduction and Overview

The Company has exposure to following risk arising from the financial instruments:

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 both quantitative and qualitative disclosures are included throughout this note.

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 policies and processes are established to identify, assess, monitor & analyse the risks faced by the Company, for the purpose of setting appropriate risk limits and adherence to such limits. Risk management systems are reviewed regularly to reflect changes in market conditions and the Company activities.

Audit Committees has been delegated the responsibility for reviewing the effectiveness of the risk management framework, 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

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from receivable from customers and investment securities.

Exposure to Credit Risk

Carrying amount of financial assets represents the maximum credit exposure of those assets. The maximum exposure to credit risk at the reporting date was as follows:

	31-Mar-13	31-Mar-12	31-Mar-11
	Rs.	Rs.	Rs.
Trade and other Receivables	59,784,353	38,116,564	35,016,827
Held for Trading Investments	46,875,790	35,364,304	49,741,250
Available for Sale Investments	8,750,000	13,550,000	17,300,000
Amount due from Related Companies	62,344,243	25,867,413	12,400,493
Cash and Cash Equivalents	17,945,893	2,318,060	501,512
	195,700,279	115,216,341	114,960,082

Trade and Other Receivables

The Company has a well established credit policy for Domestic customers to minimise credit risk. A separate credit team has been established to evaluate and recommend the credit worthiness of the customers and maximum 60 to 90 days credit limit has been granted to the customers.

The Company maintains a history of credit loyal pattern of individual customers and reviews the credit worthiness annually to recommend the credit period and credit limit to offer. In addition ongoing evaluation is done on day to day dealings to prompt corrective measures in case of defaults in limits and settlement periods by debtors.

At these evaluations, customers graded as " High risk" are placed on restricted customer list and monitored by credit team, and future sales are made on prepayment basis. Further, if the Company policy that credit transactions are entered only with corporate custemers to minimize the risk.

Age - Over 90 Days	31-Mar-13	31-Mar-12	31-Mar-11
	Rs.	Rs.	Rs.
Debtors - Over 90 Days	524,888	1,059,701	588,493
Percentage of Debtors of over 90 Days	1%	3%	2%

The Company believes that unimpaired amounts that are due for more than 90 days are still collectible, based on historic payment behavior. Further, for the last 5 years the Company has not experienced impairment on trade receivables.

The maximum exposure to credit risk for trade receivables at the reporting date by the type of counter parties are as follows:

	2013	2012	2011
	Rs.	Rs.	Rs.
Individual Debtors	-	-	-
Corporate Debtors	41,724,559	33,280,262	30,710,356
	41,724,559	33,280,262	30,710,356

Held for Trading & Available for Sale

The Company limits its exposure to credit risk by investing in quoted public companies, term deposits with selected quoted companies with Board approval.

Cash and Cash Equivalents

Cash and cash equivalants are held with banks and financial institution counterparties, which are rated B+++ to B+ based on approved rating agencies.

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

The Company ensures its liquidity by investing in short and medium term financial instruments to support operational and other funding requirements. Short and medium-term requirements are regularly reviewed and managed by the finance team. Further the Company actively carries out trade debtors recovery review meetings on regular basis.

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.

Currency Risk

The Company is exposed to currency risk, when it engages in operations where transactions of which are denominated in a currency other than the Sri Lankan Rupees (LKR).

The Company minimizes the currency risk by choosing stronger currencies when negotiating room rates and consider exchange rate movements when entering in to contracts with travel agents.

Interest Rate Risk

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

At the reporting date the interest bearing financial instruments are as follows:

	2013	2012	2011
	Rs.	Rs.	Rs.
Fixed Deposits	78,678,685	-	-
	78,678,685	-	-

The Company mitigate interest risk by closely monitoring and selectively choosing of financial instruments to invest by the finance team.

33.2 Capital Management

The Board policy is to maintain a strong capital base so as to maintain investor, creditor, market confidence and to sustain future development of the business. Capital consist of ordinary shares, preference shares, capital reserves and revenue reserves. The Board of Directors monitors the return on equity, return on capital as well as the amount of dividend to be paid to the shareholders.



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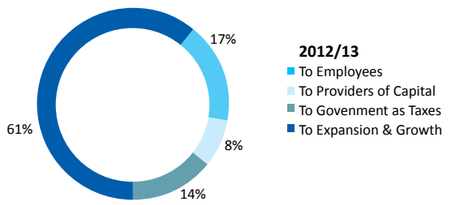
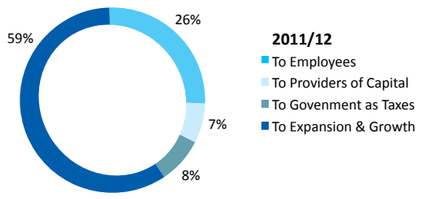
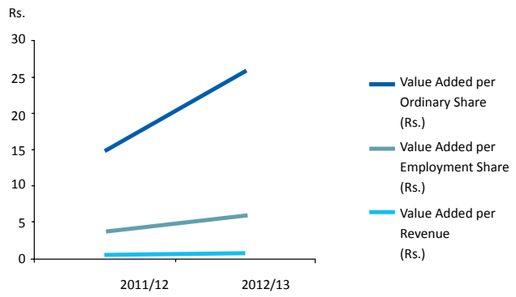
Value Added Statement

Year ended 31st March	2012/13 Rs.' 000	%	2011/12 Rs.' 000	%
Value Added				
Income Earned by Providing Hotel Services	772,904		582,516	
Cost of Services	(269,097)		(282,004)	
Value Added by Hotel Services	503,807		300,512	
Other Operating Income	14,138		(3,232)	
Total Value Added	517,945	100	297,280	100
Value Allocated to Employees				
Salaries, Wages & Other Benefits	88,099	17	78,488	26
To Providers of Capital				
Dividends to Shareholders	40,194	8	20,097	7
To Government as Taxes	71,418	14	23,350	8
To Expansion & Growth				
Retained Income	271,322	52	133,473	45
Depreciation	46,912	9	41,872	14
	318,234	61	175,345	59
	517,945	100	297,280	100
Value Added per Revenue (Rs.)	0.67		0.51	
Value Added per Employment Cost (Rs.)	5.88		3.79	
Value Added per Ordinary Share (Rs.)	25.85		14.84	



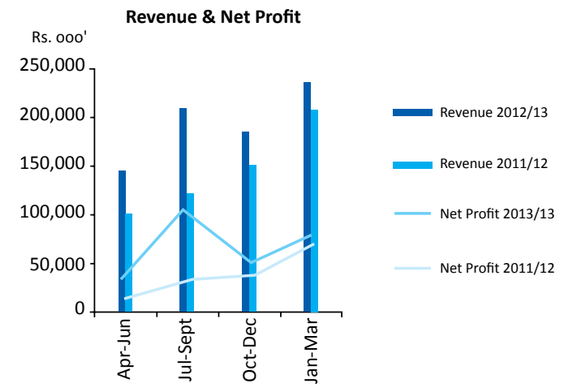




Quarterly Financial Statements

Group Income Statement for 2012/ 2013

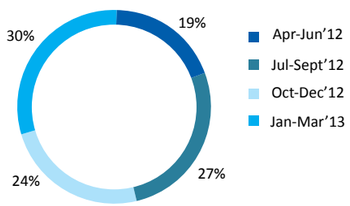
In Rs. '000s	1st Quarter Apr - Jun ' 12	2nd Quarter Jul - Sept ' 12	3rd Quarter Oct - Dec ' 12	4th Quarter Jan - Mar ' 13	Total
Revenue	144,026	208,999	184,504	235,375	772,904
Cost of Sales	(29,903)	(38,951)	(35,589)	(45,918)	(150,361)
Gross Profit	114,123	170,048	148,915	189,457	622,543
Other Income/(Loss)	(2,202)	18,956	(2,341)	(275)	14,138
Administration & Operating Expenses	(63,928)	(65,600)	(84,863)	(105,317)	(319,708)
Selling and Distribution Expenses	(6,542)	(7,802)	(5,182)	(6,051)	(25,577)
Profit from Operation	**41,451**	**115,602**	**56,528**	**77,814**	**291,395**
Finance Income	3,307	9,130	9,687	19,011	41,135
Finance Cost	(308)	(108)	(240)	(63)	(719)
Share of Profit on Associate	-	-	-	510	510
Profit Before Tax	**44,450**	**124,624**	**65,975**	**97,272**	**332,321**
Income Tax Expenses	(7,733)	(17,066)	(17,779)	(18,421)	(60,999)
Net Profit for the Period	**36,717**	**107,558**	**48,196**	**78,851**	**271,322**



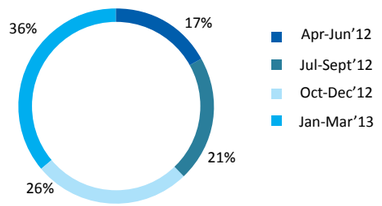
Group Income Statement for 2011/ 2012

In Rs. '000s	1st Quarter Apr - Jun ' 11	2nd Quarter Jul - Sept ' 11	3rd Quarter Oct - Dec ' 11	4rd Quarter Jan - Mar ' 12	Total
Revenue	101,611	122,454	151,206	207,245	582,516
Cost of Sales	(27,258)	(31,609)	(35,132)	(43,330)	(137,329)
Gross Profit	**74,353**	**90,846**	**116,074**	**163,915**	**445,187**
Other Income/(Loss)	(3,732)	(955)	(2,740)	4,195	(3,232)
Administration & Operating Expenses	(51,621)	(54,165)	(71,253)	(85,695)	(262,734)
Selling and Distribution Expenses	(4,863)	(4,426)	(7,136)	(7,162)	(23,587)
Profit from Operation	**14,137**	**31,300**	**34,945**	**73,252**	155,634
Finance Income	3,068	2,207	1,802	2,830	9,907
Finance Cost	(470)	(293)	(400)	(15,470)	(16,633)
Share of Profit of Associate				120	120
Profit Before Tax	**16,735**	**33,214**	**36,347**	**62,732**	**149,028**
Income Tax Expenses	(4,355)	(2,198)	(413)	(8,590)	(15,556)
Net Profit for the Period	**12,380**	**31,016**	**35,934**	**54,142**	**133,472**

Revenue 2012/13



Revenue 2011/12



Real Estate Portfolio

Company and Location	Buildings in (Sq.Ft.)		Land in Acres		Net Book Value	
			Freehold Property		Rs.'000	Rs.'000
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
The Nuwara Eliya Hotels Co. PLC., Nuwara Eliya	115,808	115,808	19.1	19.1	1,596,894	1,456,504
Grand Hotels (Pvt) Ltd., Nuwara Eliya	52,752	52,752	-	-	211,008	199,272
Total	168,560	168,560	19.1	19.1	1,807,902	1,655,776



Indicative Consolidated Statement of Comprehensive Income US $

	Company		Group	
For the Year ended 31st March	2013 US $	**2012 US $**	2013 US $	**2012 US $**
Revenue	3,581,057	2,788,629	5,964,682	5,173,325
Cost of Sales	(791,648)	(755,883)	(1,160,374)	(1,219,616)
Gross Profit	2,789,409	2,032,746	4,804,308	3,953,709
Other Income/(Expenses)	474,433	150,273	109,108	(28,702)
Administrative Expenses	(540,859)	(477,193)	(939,821)	(921,290)
Selling and Distribution Expenses	(118,658)	(109,090)	(197,385)	(209,484)
Operating Expenses	(925,864)	(816,933)	(1,527,439)	(1,412,048)
Profit from Operations	1,678,461	779,804	2,248,772	1,382,185
Net Fnance Income/(Costs)	177,369	(112,318)	311,895	(59,730)
Share of Profit of Associate	-	-	3,937	1,067
Profit Before Tax	1,855,830	667,485	2,564,604	1,323,521
Income Tax Expenses	(295,559)	(55,868)	(470,743)	(138,151)
Profit for the Year	1,560,271	611,617	2,093,861	1,185,370
Other Comprehensive Income				
Surplus on Revaluation of Property, Plant & Equipment	1,165,745	-	1,367,613	-
Deferred Tax Adjustment on Revaluation	(43,314)	-	(63,663)	-
Net Change in Fair Value of Investments Classified as AFS	(37,870)	(29,274)	(416,568)	(322,014)
Foreign Exchange Differences	(65,830)	233,823	(129,546)	555,813
Other Comprehensive Income for the Year	1,018,732	204,549	757,836	233,799
Total Comprehensive Income for the Year	2,579,003	816,166	2,851,697	1,419,169
Profit Attributable to :				
Owners of the Company	1,560,271	611,617	2,093,861	1,185,370
Non-Controlling Interest	-	-	-	-
Profit for the Year	1,560,271	611,617	2,093,861	1,185,370
Total Comprehensive Income Attributable to:				
Owners of the Company	2,579,003	816,166	2,851,697	1,419,169
Non-Controlling Interest	-	-	-	-
Total Comprehensive Income for the Year	2,579,003	816,166	2,851,697	1,419,169
Exchange Rates	129.58	112.60	129.58	112.60

Figures in brackets indicate deductions.

Indicative consolidated accounts have been published in USD equivalents for information purposes only.

This information does not constitute a full set of financial statements in compliance with LKAS . These financial statements should be read together with the auditors opinion and financial statements set out on pages 161 to 199.

The exchange rates prevaling at each year end have been used for the conversion of the consolidated statement of financial position and average rate have been used for conversion of consolidated staement of comrehensive income. Revaluation Surplus & related deferred tax were translated using the exchange rates at the date when the fair value was determined.

Indicative Consolidated Statement of Financial Position US $

	Company			Group		
As at 31st March	2013 US $	**2012 US $**	**1-Apr-11 US $**	2013 US $	**2012 US $**	**1-Apr-11 US $**
Assets						
Non-Current Assets						
Property, Plant & Equipment	13,070,327	11,855,722	13,324,833	15,269,105	13,889,060	15,758,979
Intangible Assets	8,503	8,800	11,636	8,503	8,800	11,636
Biological Assets	28,979	28,999	19,759	28,979	28,999	19,759
Investment Property	291,273	270,192	292,636	-	-	-
Investment in subsidiary	946,746	936,768	1,087,055	-	-	-
Investment in Associate	-	-	-	320,523	313,163	-
Available for Sale Investments	69,034	105,777	156,717	759,369	1,163,544	1,723,888
	14,414,861	13,206,258	14,892,637	16,386,480	15,403,566	17,514,262
Current assets						
Inventories	121,517	125,155	163,992	125,509	130,134	176,843
Trade and Other Receivable	471,671	297,553	317,210	891,512	569,906	542,271
Amounts Due from Related Companies	491,868	201,931	112,333	-	73,143	3,169
Held for Trading Investments	369,829	276,068	450,596	445,995	331,493	545,713
Loans & Receivables - Fixed Deposits	540,125	-	-	723,690	657,610	779,280
Cash & Cash Equivalents	141,585	18,096	4,543	2,593,343	1,129,574	966,049
	2,136,595	918,803	1,048,674	4,780,049	2,891,860	3,013,325
Total Assets	16,551,455	14,125,061	15,941,311	21,166,528	18,295,427	20,527,588
Equity and Liabilities						
Equity						
Stated Capital	632,519	625,853	726,259	632,519	625,853	726,259
Revaluation Reserve	11,554,365	10,341,286	12,048,399	12,383,841	10,990,255	12,810,580
Available for Sale Reserve	57,969	94,829	144,013	531,400	937,978	1,462,134
Retained Earnings	3,014,203	1,698,614	1,481,266	5,931,643	4,037,714	3,601,295
	15,259,055	12,760,582	14,399,937	19,479,403	16,591,800	18,600,268
Non-Current Liabilities						
Deferred Taxation	303,041	245,460	272,616	504,878	446,269	516,122
Retirement Benefit Obligation	87,890	76,423	83,712	87,890	76,423	83,712
	390,931	321,883	356,327	592,768	522,692	599,834
Current Liabilities						
Trade and Other Payables	511,407	404,718	337,031	561,770	500,293	432,297
Tax Payable	196,409	17,533	51,752	326,192	55,350	97,956
Amounts due to Related Companies	1,961	-	1,268	9,598	4,947	2,237
Bank Overdraft	191,692	620,345	794,996	196,797	620,345	794,996
	901,469	1,042,596	1,185,046	1,094,358	1,180,934	1,327,486
Total Liabilities	1,292,399	1,364,479	1,541,374	1,687,125	1,703,627	1,927,320
Total Equity and Liabilities	16,551,455	14,125,061	15,941,311	21,166,528	18,295,427	20,527,588
Exchange Rates	126.75	128.10	110.39	126.75	128.10	110.39

Shareholder & Investor Information

Distribution of Shareholders

There were 665 registered Shareholders as at 31st March 2013 (675 as at 31st March 2012), distributed as follows:

No. of Shares Held	As at 31st March 2013				As at 31st March 2012			
	No. of Shareholders	%	Shareholding	%	No. of Shareholders	%	Shareholding	%
1 - 1,000	626	94.14	46,626	2.33	637	94.37	52,375	2.61
1,001 - 10,000	24	3.61	56,747	2.83	24	3.56	57,408	2.86
10,001 - 100,000	10	1.50	257,009	12.83	9	1.33	227,999	11.38
100,001 - 1,000,000	5	0.75	1,643,488	82.02	5	0.74	1,666,088	83.14
1,000,001 & above	-	-	-	-	-	-	-	-
Total	665	100.00	2,003,870	100	675	100.00	2,003,870	100.00

Composition of Shareholders

Category	As at 31st March 2013 Shareholding	%	As at 31st March 2012 Shareholding	%
Resident	1,968,117	98.22	1,967,918	98.21
Non-Resident	35,753	1.78	35,952	1.79
Total	2,003,870	100.00	2,003,870	100.00

Category	As at 31st March 2013 Shareholding	%	As at 31st March 2012 Shareholding	%
Individuals	1,008,908	50.35	1,009,942	50.40
Corporate	994,962	49.65	993,928	49.60
Total	2,003,870	100.00	2,003,870	100.00

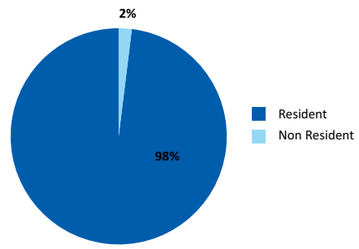
Public Holding

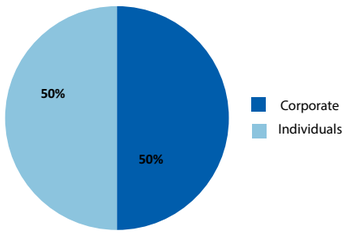
	31st March 2013 Shareholding	%	31st March 2012 Shareholding	%
No. of Ordinary Shares Held	217,318	10.84	217,318	10.84

Directors' Shareholding

	As at 31st March 2013 Shareholding	%	As at 31st March 2012 Shareholding	%
Mr. G.L.A. Ondaatjie	601,420	30.01	601,420	30.01
Mr. Gerard G. Ondaatjie	213,182	10.64	213,182	10.64
Ms. A.M. Ondaatjie	11,323	0.57	11,323	0.57
Mr. T.J. Ondaatjie	11,323	0.57	11,323	0.57
Mr. J.H.P. Ratnayeke	300	0.01	300	0.01
Mr. L.N. de S. Wijeyeratne	-	0.00	-	0.00
	837,548	41.80	837,548	41.80

Composition of Shareholders

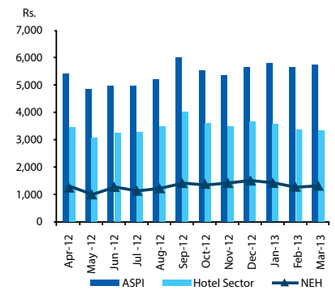




Market Information on Ordinary Shares of the Company

	2012/13	Date	2011/12	Date
Share Information				
Highest Price (Rs.)	1,550.00	16-Oct-12	2,039,90	28-Feb-11
Lowest Price (Rs.)	995.00	31-May-12	900.00	01-Apr-11
As at Period End (Rs.)	1,300.00	28-Mar-13	1,233.20	31-Mar-11
Trading Statistics				
No. of Transactions	126		1,287	
No. of Shares Traded	17,393		208,933	
% of Total Shares in Issue	0.10		0.10	
Share Turnover (Rs.)	22,117,883		305,856.054	
Average Daily Turnover (Rs.)	92,543		1,274,400	
Market Capitalisation (Rs.)	2,605,031,000		2,471,172,484	

Movement in Share Price

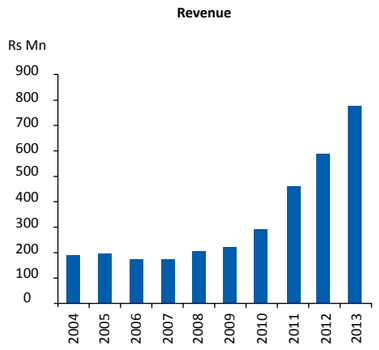


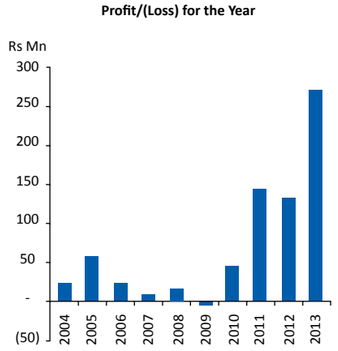
Twenty Largest Shareholders of the Company

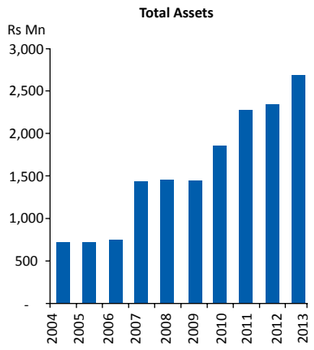
Name of Shareholder	31st March 2013 No. of Shares	%	31st March 2012 No. of Shares	%
Mr. G.L.A. Ondaatjie	601,420	30.01	601,420	30.01
Mercantile Investments & Finance PLC	523,480	26.12	523,480	26.12
Mr. Gerard G. Ondaatjie	213,182	10.64	213,182	10.64
Nilaveli Beach Hotels (Pvt) Ltd.	190,294	9.50	190,294	9.50
Tangerine Tours (Pvt) Ltd.	137,712	6.87	137,712	6.87
Security Ceylon (Pvt) Ltd.	60,842	3.04	60,842	3.04
Mercantile Fortunes (Pvt) Ltd.	36,759	1.83	36,759	1.83
Ms. J.R. De Silva	29, 665	1.48	23,759	1.83
Mr. D. Grimshaw	25,481	1.27	25,481	1.27
Mr. C.G. Senanayake	22,724	1.13	22,724	1.13
The Ceylon Investors (Pvt) Ltd.	20,545	1.03	20,115	1.00
J.A. de Silva & Co. Ltd.	15,747	0.79	15,747	0.79
Mr. T.J. Ondaatjie	11,323	0.57	11,323	0.57
Ms. A.M. Ondaatjie	11,323	0.57	11,323	0.57
Mr. N.K. Punchihewa	6,302	0.31	7,202	0.36
Mr. R.A.L. White	5,530	0.28	5,300	0.26
Mr. A.D. Dadabhoy	5,176	0.26	5,176	0.26
Mr. F.A.A. Mack	3,995	0.20	-	-
Mr. S.A. Abishek	3,900	0.19	3,900	0.19
Mr. V.B. Navaratne	2,600	0.13	-	-
	1,928,000	96.21	1,915.565	95.59
Shares Held by Balance Shareholders	75,870	3.79	88,305	4.41
Total	2,003,870	100.00	2,003,870	100.00

Decade at a Glance

Year ended 31st March	2013 Rs.' 000	2012 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000	2009 Rs.' 000	2008 Rs.' 000	2007 Rs.' 000	2006 Rs.' 000	2005 Rs.' 000	2004 Rs.' 000
GROUP										
Trading Results										
Gross Turnover	772,904	582,516	455,808	293,200	219,437	201,634	172,508	169,992	190,025	187,248
Profit / (Loss) Before Tax	332,321	149,028	148,449	57,959	1,326	17,381	7,659	29,480	63,284	61,101
Provision for Tax	(60,999)	(15,556)	(4,834)	(7,477)	(2,030)	(1,836)	(778)	1,882	(5,842)	(3,108)
Profit / (Loss) for the Year	271,322	133,472	143,615	50,482	(704)	15,545	6,881	31,362	57,442	57,993
Preference Dividend	(116)	(58)		(15)	-	-	-	(23)	-	(98.6)
Ordinary Dividend	(40,077)	(20,039)		(5,010)	-	-	-	(8,015)	-	(34,066)
Retained Profit / (Loss)	231,129	113,375	143,615	45,458	(704)	15,545	6,881	23,323	57,442	23,829
Statement of Financial Position										
Stated Capital	80,172	80,172	80,172	80,172	80,172	80,172	80,172	80,172	80,172	80,172
Reserves	2,388,842	2,045,238	1,973,112	1,666,167	1,306,135	1,306,769	1,291,224	598,967	591,388	533,945
Shareholders' Funds	2,469,014	2,125,410	2,053,284	1,746,339	1,386,307	1,386,941	1,371,396	679,139	671,560	614,117
Non-Current Assets	2,076,986	1,973,197	1,933,399	1,754,315	1,393,779	1,393,228	1,382,064	668,111	668,089	649,574
Current Assets	605,871	370,447	332,641	112,510	51,717	58,633	54,078	73,184	44,727	61,956
Current Liabilities	(138,710)	(151,278)	(146,541)	(42,839)	(29,489)	(33,402)	(33,018)	(41,023)	(33,488)	(92,539)
Net Current Assets	467,161	219,169	186,100	69,671	22,228	25,231	21,060	32,160	11,239	(30,583)
Long-term Liabilities	(75,133)	(66,957)	(66,216)	(77,648)	(29,700)	(31,519)	(31,729)	(21,132)	(7,768)	(4,874)
Net Assets	2,469,014	2,125,410	2,053,284	1,746,339	1,386,307	1,386,941	1,371,396	679,139	671,560	614,117
Ratios & Statistics										
Gearing Ratio (Times)	0.00	0.01	0.04	0.01	0.00	0.01	0.00	0.01	0.00	0.01
Current Ratio (Times)	4.37	2.45	2.27	2.63	1.75	1.76	1.64	1.78	1.34	0.67
Earnings Per Share	135.34	66.58	71.67	25.18	(0.35)	7.76	3.43	15.64	28.67	28.89
Net Assets Per Share	1232.12	1060.65	1024.66	871.48	691.81	692.13	684.37	338.91	84.73	306.47
Interest Cover (Times)	462.11	9.95	83.42	13.74	3.66	26.31	11.03	36.51	32.02	12.07
Return on S/Holders Fund (%)	10.99	6.28	6.99	2.89	(0.05)	1.12	0.50	4.62	8.55	9.44
Return on Total Assets (%)	10.11	5.70	6.34	2.70	(0.05)	1.07	0.48	4.23	8.05	8.15
Price Earning Ratio (Company)	12.89	35.91	19.04	40.39	(41.18)	(493.81)	(93.48)	610.70	62.08	37.71
Dividends Per Share	20	10	-	2.5	-	-	-	1.00	3.00	17.05
Market Value Per Share	1,300.00	1,233.20	980.00	405.50	270.00	690.00	650.25	625.00	500.00	350.00







Glossary of Financial Terms

Accounting Policies
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis
Recording Revenues & Expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Amortisation
The systematic allocation of the depreciable amount of an asset over its useful life.

Available for Sale
All assets not in any of the three categories, namely, held to maturity, Fair Value through Profit or Loss and Loans & Receivable. It is a residual category - does not mean that the entity stands ready to sell these all the time.

Capital Employed
Shareholders' Funds plus non-current liabilities.

Contingent Liabilities
A condition or situation existing at the Balance Sheet date due to past events, where the financial effect is not recognised because:

(a) the obligation is crystalised by the occurrence or non-occurrence of one or more future events or,
(b) a probable outflow of economic resources is not expected or,
(c) it is unable to be measured with sufficient reliability.

Current Ratio
Current Assets divided by Current Liabilities.

Capital Reserves
Reserves that are not available for distribution, which is identified for specific purposes.

Capital Expenditure
The total additions to Property, Plant & Equipment.

Cash Equivalents
High liquid investments that are readily convertible to cash, which has an insignificant risk of change in value.

Corporate Governance
Corporate Governance is the system by which the Company is directed and managed, and it influences the manner in which the objectives of the Company are formulated, communicated, accepted and achieved.

Debt/Equity Ratio
Non-current interest bearing borrowings and preference share capital devided by the total shareholders' interest less preference share capital.

Dividend Payout Ratio
Ordinary dividend per share divided by earnings per share.

Dividend Yield Ratio
Ordinary dividend per share divided by market value per share.

Earnings Per Share (EPS)
Profit attributable to Equity holders of the Company divided by the weighted average number of ordinary shares in issue during the period.

EPS Growth
Percentage of the increase in the EPS, over the previous year.

Equity
Total shareholders' funds.

Fair Value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length

transaction.

Fair Value Through Profit or Loss
A financial asset / liability, acquired / incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract).

Interest Cover
Profit before Interest and Tax over Finance Expenses.

Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

Interest Cover
This indicates the ability of an entity to cover long-term and short-term interest expenses.

Market Value Per Share
The price at which an Ordinary Share can be purchased in the stock market.

Market Capitalisation
Number of ordinary shares in issue multiplied by the market price per share.

Net Assets
Total Assets less Total Liabilities.

Net Assets Per Share
Total Assets less Total Liabilities divided by the number of Ordinary Shares in issue at the end of the period.

Price Earnings Ratio
Market price per share divided by Earnings per Share.

Related Parties
Parties where one party has the ability to control the other party or exercise significance influence over the other party in making financial or operational decisions, directly or indirectly.

Return on Equity
Profit attributable to shareholders as a percentage of Average Shareholders' Funds.

Shareholders' Funds
Total of issued and fully paid share capital, capital reserves and revenue reserves.

Total Debt
Long-term loans plus short-term loans and overdrafts.

Total Value Added
The difference between net revenue (including other income) and expenses, cost of materials & services purchased from external sources.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 121st Annual General Meeting of The Nuwara Eliya Hotels Company PLC will be held at Hotel Renuka, Colombo 03, on Friday the 28th of June 2013 at 2.00 p.m. to transact the following business.

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2013, with the Report of the Auditors thereon.

2. To elect Ms. A.M. Ondaatjie who retires in terms of Article 88 (i) of the Articles of Association as a Director of the Company.

3. To elect Mr. M.K.K.K.B. Galagoda who retires in terms of Article 95 of the Articles of Association as a Director of the Company.

4. To elect Mr. S.K. Abeysundara who retires in terms of Article 95 of the Articles of Association as a Director of the Company.

5. To elect Mr. G.L.A. Ondaatjie in terms of Section 211 of the Companies Act No. 07 of 2007 and to pass the following resolution as an ordinary resolution for such purpose.

   "Resolved that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr. George Lawrence Andrew Ondaatjie who is 78 years of age and whose appointment as a Director of the Company be and is hereby approved and who is elected a Director of the Company notwithstanding the provisions of the said Section 210 of the Companies Act."

6. To re-appoint Messrs. KPMG as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.

7. To authorize the Directors to determine payments for charitable and other purposes for year 2013/14.

By Order of the Board,
Mercantile Investments and Finance PLC
Secretaries
Colombo
17th May 2013

Note:

A member entitled to attend and vote at the meeting is entitled to appoint a Proxy (whether a member or not) to attend and vote instead of him. A Form of Proxy is enclosed with the Report for this purpose and Shareholders who are unable to attend the meeting in person are requested to kindly complete and return such form of Proxy in due time, in accordance with the instructions noted on the Form of Proxy.

Voting Procedure

At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by -

(i) The Chairman of the meeting; or
(ii) Not less than five persons present in person or by Attorney or Representative or by Proxy and entitled to vote; or
(iii) A Shareholder or Shareholders present in person or by Attorney or Representative or by Proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting.

A demand for a poll may be withdrawn. Unless a poll be demanded (and the demand be not withdrawn) a declaration by the Chairman of the meeting that a resolution has been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

If a poll is duly demanded (and the demand be not withdrawn), it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman of the meeting may direct, and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may (and if so requested shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

In the case of an equality of votes, whether on a show of hands or poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

A poll demanded on the election of a Chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately.

The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every Shareholder who (being an individual) is present in person or by Proxy or Attorney who is not a Shareholder or (being a corporation) is present by a Representative or Proxy or Attorney who is not a Shareholder, shall have one vote. Subject as aforesaid upon a poll every Shareholder who is present in Person or by Proxy or by Attorney or by Representative shall be entitled to one vote for each share held by him.

In the case of joint-holders of a share the vote of the senior who tenders a vote, whether in Person or by Proxy, shall be accepted to the exclusion of the votes of the other joint-holders, and for this purpose seniority shall be determined by the order in which the name stands in the Register of Shareholders in respect of the joint holding.

A Shareholder of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, curator bonis or other person in the nature of a committee or curator bonis appointed by such Court, provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty eight hours before the time appointed for holding the meeting or adjourned meeting at which such person claims to vote, or in the case of a poll not less than forty-eight hours before the time appointed for the taking of the poll.

Unless otherwise determined by the Terms of Issue, no Shareholder shall be entitled to vote at a General Meeting either personally or by Proxy, or to exercise any privilege as a Shareholder unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.

On a poll votes may be given either personally or by Proxy or by Attorney or by representative and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Form of Proxy

I/We* .....of .....

being a member/members* of THE NUWARA ELIYA HOTELS COMPANY PLC, do hereby appoint; .....

of ..... or failing him/her

Mr. G.L.A. Ondaatjie	or failing him
Mr. Gerard G. Ondaatjie	or failing him
Ms. A.M. Ondaatjie	or failing her
Mr. T.J. Ondaatjie	or failing him
Mr. J.H.P. Ratnayeke	or failing him
Mr. L.N. de S. Wijeyeratne	or failing him
Mr. S.K. Abeysundara	or failing him
Mr. M.K.K.K.B. Galagoda	of Colombo

as my/our* Proxy to represent me/us* and to vote for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at Hotel Renuka, Colombo 03, on Friday the 28th of June 2013 at 2.00 p.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

		FOR	AGAINST
1)	To receive and adopt the Report of Directors and the Statement of Accounts for the year ended 31st March 2013, with the Report of the Auditors thereon.	☐	☐
2)	To elect Ms. A.M. Ondaatjie retiring in terms of Article 88 (i) of the Articles of Association of the Company.	☐	☐
3)	To elect Mr. M.K.K.K.B. Galagoda retiring in terms of Article 95 of the Articles of Association of the Company.	☐	☐
4)`	To elect Mr. S.K. Abeysundara retiring in terms of Article 95 of the Articles of Association of the Company.	☐	☐
5)	To elect Mr. G.L.A. Ondaatjie in terms of Section 211 of the Companies Act No. 07 of 2007.	☐	☐
6)	To appoint Auditors and authorize Directors to determine their remuneration.	☐	☐
7)	To authorize the Directors to determine payments for charitable and other purposes for the year 2013/14.	☐	☐

As witness my/our* hand this .....day of .....2013.

.....

Signature of Shareholder/s

Note:

**Please delete the inappropriate words.*

(Instructions as to completion are noted on the reverse hereof)

....Form of Proxy

Instructions as to Completion

1. Kindly perfect the Form of Proxy, after filling legibly your full name and address and by signing in the space provided and please fill in the date of signature.

2. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

3. If the Proxy Form is signed by an Attorney, the relative Power of Attorney should also accompany the Proxy Form for registration, if such Power of Attorney has not already been registered with the Company.

4. In the case of a Company/Corporation, the Proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

5. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 236, Galle Road, Colombo 3 before 2 p.m. on 26th June 2013 being 48 hours before the time appointed for the meeting.

Investor Feedback Form

To request information or submit a comment / query to the Company, please complete the following and return the page to:

The Managing Director,
The Nuwara Eliya Hotels Co. PLC,
236, Galle Road,
Colombo 3.
Sri Lanka.

Name : .....

Permanent Mailing Address : .....

Contact Number (Tel) : ....
Country Code Area Code Number

E-mail : .....

Name of the Company : .....
(If Applicable)

Designation : .....
(If Applicable)

Company Address : .....
(If Applicable)

Queries/ Comments :

Corporate Information

Name of the Company
The Nuwara Eliya Hotels Co. PLC.

Status & Legal Form
Public quoted company with limited liability
Incorporated in Sri Lanka in 1892.

Registration No.
PQ 101

Tax Payer Identification Number
204000492

VAT Registration Number
204000492 7000

Communication Registered Office
236, Galle Road, Colombo 03, Sri Lanka
P.O. Box 195, Colombo.
Tel : 2343720-7
Fax : 2434524, 2448279
E-mail : tangerinetours@mi.com.lk
Website : www.tangerinehotels.com

Hotel
Grand Hotel Road,
Nuwara Eliya.
Tel : 052-2222881-7
Fax : 052-2222264/5
E-mail : admin@grandhotel.lk

Secretaries
Mercantile Investments & Finance PLC.

Bankers
Hatton National Bank
Commercial Bank of Ceylon
Deutsche Bank
Nations Trust Bank

Nominations Committee
J.H.P. Ratnayeke - Chairman
L.N. de S. Wijeyeratne
Gerard G. Ondaatjie

Remuneration Committee
J.H.P. Ratnayeke - Chairman
L.N. de S. Wijeyeratne
Manil Jayesinghe - Consultant
(Chartered Accountant)

Audit Committee
J.H.P. Ratnayeke - Chairman
L.N. de S. Wijeyeratne
Manil Jayesinghe - Consultant
(Chartered Accountant)

Board of Directors
Deshabandu George L.A. Ondaatjie - Chairman
Gerard G. Ondaatjie - Managing Director
A.M. Ondaatjie
T.J. Ondaatjie
J.H.P. Ratnayeke
L.N. de S. Wijeyeratne
M.K.K.K.B. Galagoda
S.K. Abeysundara

Corporate Management

Palaka D.L. Perera	General Manager
J.T.D. David	Resident Manager
M.I. Shahabdeen	Group Financial Controller
M.K.K.K.B. Galagoda	Director/Group Engineer
Ravi Fernando	Group Accountant
Nazeem Mohamed	Asst. Manager/Chief Accountant

Management Team

Palaka D.L. Perera	General Manager
J.T.D David	Resident Manager
Nazeem Mohamed	Asst. Manager/Chief Accountant
R. Muthuramesh	Front Office Manager
S. Anbalagan	Maintenance Manager
T. Brian Simms	Executive Housekeeper
A.A. Lakshman Silva	Food & Beverage Manager
S.S. Nathan	Manager – Farm & Garden Projects
A.I. Jayasinghe	Executive Chef
A.S.M. Zahir	HR Manager
B.H. Kodithuwakku	Boutique Manager
Asheeni Gomes	Accountant – Head Office
C P Ekanayake	Asst. Food & Beverage Manager
L. Kolandasamy	Stores Executive
V. Jesudason	Asst. Housekeeper
M.A.M. Riyad	Asst. Accountant
P. Harinee De Costa	Secretary
M.B. Rafaideen	Reservations Manager
K.K.V. Maduranga	Asst. IT Manager
Annemarie Aluthgamage	Asst. Front Office Manager
I.M.A.R. Illangasinghe	Asst. Accountant
S.D. Senarathna	Green Resources & Community Relations Executive
R.L. Luckshalyan	Reservations Executive
J.G. Abeywickrama	Food & Beverage Cost Controller
A. Weerasinghe	Cash Control & Disbursement Executive
M.K. Chandana Perera	Food & Beverage Executive
D.P.N.S. Embuldeniya	Collection Executive
L.W.N.S.K. Premathunga	Executive Pastry Chef
A.C. Atthanayaka	Executive Sous Chef
A. Jeewapragash	Reservations Executive
A.G.R.M.S.D. Ranasinghe	Credit Executive
I.A.K. Kularatne	Executive – Invoicing & IT
M.B. Lakshman Perera	Deputy Maintenance Engineer

External Auditors
KPMG
Chartered Accountants

Internal Auditors
Ernst & Young Advisory Services (Pvt) Ltd.
Chartered Accountants

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Grand Hotel

Nuwara Eliya, Sri Lanka