

GRAND HOTEL

ESTABLISHED 1891



Annual Report  
2014

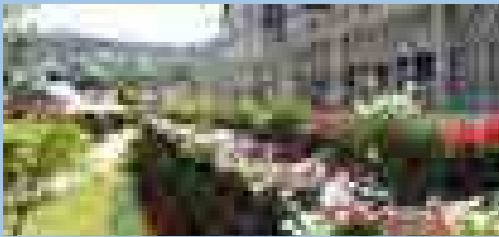


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We build our business through the quality of our people – the excellent service that they provide and their strong relationships with Stakeholders and Customers

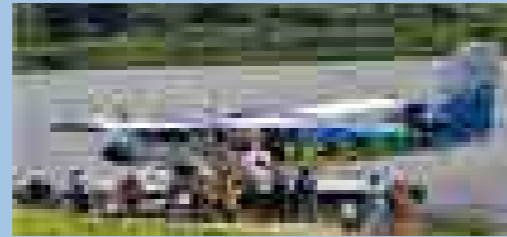
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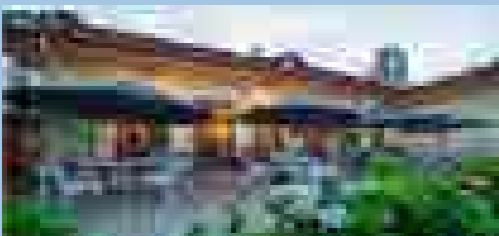
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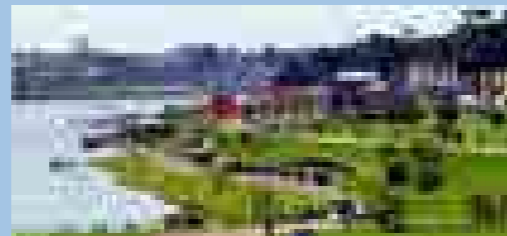
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It was one hundred and twenty three years ago, in the year 1891 that The Nuwara Eliya Hotels Company Limited was formed to own and operate the Grand Hotel. But it was in the year 1819 and not 1891, that two significant events occurred which led to the Hotel's foundation.

In 1819, Dr. John Davey became the first Briton to visit Nuwara Eliya describing it as "beautiful..... quite deserted by man..... the dominion entirely of wild animals". While the area may have been deserted then, Mr. H.C.P. Bell, the Archaeological Commissioner proved, in 1890, that Nuwara Eliya was inhabited in the 10th century. The Kings of Kandy are also believed to have made strategic retreats there in times of invasion.

In 1819, too 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 what Ceylon needed was "first roads, second roads and third roads."

It was during his main terms 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 £ 8,000. It was this which eventually became the Grand Hotel.

Nuwara Eliya, at 6200 feet above sea level, once it had road access under Barnes' direction, became a sanatorium for enervated, and convalescing, British soldiers, as well as the residence of Britons who turned to hunting and horticulture, growing English vegetables and fruits.

In the Ceylon Almanac of 1843, the assistant staff surgeon at Nuwara Eliya, George Stewart Beatson, wrote: "*In addition to the military buildings there are several private residences, as well as a rest house.*" It was this rest house, built in 1828, which pioneered facilities for visitors and caused Frederic Mouat to comment in his *Rough Notes* published in 1852: "*the rest house..... is excellent and contains quarters for ladies, a portion of the creation for whom little provision is usually made in the Island.*"



The bungalow that Sir Edward Barnes built was known as Barnes Hall, it being his private, not a government, residence. He entertained lavishly there believing that good living, even away from Government House in Colombo was essential. With claret at £ 3.15 for a dozen bottles, "riotous folly" as one guest described his parties, was frequent and Barnes' enthusiasm did much to popularize Nuwara Eliya.

Barnes was 55 when he left Ceylon in 1831, leaving behind his beloved Barnes Hall and, according to a letter written in 1836 by James Steuwart who was looking after the Hall, "a remarkably fine child..... he is so like him."

Barnes Hall was rented to his successor as Governor, Sir Robert Wilmot Horton. The terms of the lease led to dispute and Barnes' agent commented that "Sir Edward..... will not stand any of his dirty shabby work and had rather burn the house and let it go to rack and ruin rather than submit to it – such nonsense, as if tubs in the upper rooms prevent water coming through, but he wishes to deprecate the house in order to get it for a mere song."

An account published in the journal *Amicus* in 1915 stated: "Probably one of the most modern and conclusive proofs of

Nuwara Eliya's recent development, is the Grand Hotel. It will be remembered as one of the early landmarks of the place, a small huddled up building, used by former Governors and Government Agents, later as a Club, and finally as a hotel. Mr. Lindsay White was the first Managing Director and after the Hotel was made into a company, Mr. O.T. Macdermott succeeded to this position, with several others prior to him."

Barnes Hall actually became a hotel before it was taken over by the Nuwara Eliya Hotels Company. A map of 1862, shows a hotel on the same site. In the complaints book of the neighbouring Hill Club, Mr. A.N. Loyd wrote on 18th October 1887, "Ordered tea and toast at 4.00 p.m. and waited till 5.00 p.m. and then had to go to the Grand Hotel for it."

The Times of Ceylon commenting on the death on 5 December 1888 of Reginald Beauchamp Downall said: "The present Grand Hotel grew out of what was once known as Barnes Hall..... In the course of time, Barnes Hall changed hands and went to Mr. R.B. Downall, a wealthy man."

In its issue of 1st April 1889, The Times of Ceylon states: "One of the latest innovations and improvements in Nuwara Eliya is the connection of Mr. White's coach office with the (Hill) Club and

Grand Hotel by telephone. Upto now, it had taken seven coolies two hours to bring a rickshaw; now one just had to pick up the phone and order one which arrived within minutes." Perhaps that news item should be read with reference to its date (1st April) since the telephone did not operate generally in Nuwara Eliya until 1909.

Lindsay White however was a remarkable pioneer quite capable of installing his own telephone system. He settled in Nuwara Eliya in the 1860s, eventually starting a coaching establishment meeting the railway at Talawakelle and onwards to Nanu Oya with the mails for Nuwara Eliya. He purchased all the land he could procure in and around Nuwara Eliya at one time owning what are now the Wattles and St. Andrew's Hotels as well as being the first managing director of the Grand Hotel and also of what is now the Ceylon Brewery Company.

Telegraph communication with Nuwara Eliya was begun in May 1867 and the railway service was extended from Talawakelle to Nanu Oya in May 1885, making access to Nuwara Eliya easier. Development intruded with thatched houses assuming modern aspects and red-painted corrugated iron roofs (such as covers the Grand today) becoming popular during Governor Ridgeway's regime (1896 - 1903).

The transfer of ownership in the Grand Hotel to the Nuwara Eliya Hotels Company Limited took place on 12th April 1892. William Milsom, owner of "property..... known as Barnes Hall on which is built the Grand Hotel" sold it to the Company for Rs. 35,000/-. The total area, which was in three separate lots amounted at the time of sale to approximately 27 acres. The property now consists of 19 acres.

In 1891, a Guide to the Grand Hotel was published by Capper and Sons and in 1893, a Guide to Nuwara Eliya gave the rate of a single bed at the Grand as Rs. 2.50, double Rs. 4.00, hot bath 75 cents and cold bath 50 cents. The cost of getting to the Hotel by mail coach from the railway station at Nanu Oya was Rs. 3.00. At that time the train took 8 hours 20 minutes for the run from Colombo, less than an hour longer than it take 122 years later. Barnes' "huddled up bungalow" was extended in stages from the nucleus that forms the present hotel's

public and administrative areas. The Northern Wing came first, originally one floor linked by an archway with the main building. An extension was opened in 1904 and old photos show a second floor added to the northern wing linked by corridor with the additional floor of the main building.

The need for expansion followed the opening of the railway line to Nuwara Eliya in 1903 and the arrival of motor transport in 1904. Mr. A. Loesch, a former Hotel Manager in Hamburg, was Appointed Manager doubling the size of the Hotel and announcing plans to provide accommodation for 200 people with 60 doubles and 40 single rooms.

Among guests who stayed at the Grand were the Duc d'Abruzzi (brother of the Italian Sovereign), Leopold of Saxe-Coburg-Gotha (nephew of King Edward), the Grand Duke of Saxe-Weimar, Prince Reuss XXXII, the Maharaja of Kapurthala, and Sir Thomas Lipton. "On one day there were as many as sixteen English, French, German and Belgian titled people in the house" according to a book called Twentieth Century Impressions of Ceylon. Manager Loesch advertised the Hotel as "Former Vice-Regal Residence."

By 1915, when Mr. Macdermott was the Managing Director, the Grand was managed by Mr. Larson, described by Amicus as "one of the most popular and expert hotel men in the East. Under its efficient management, the Grand has grown into a large structure..... institution Nuwara Eliya may well be proud of." Photographs show the "new" (Southern) wing had been added with three floors, together with the present dining room, billiard room and sitting and reading rooms.

The railway from Nanu Oya to Nuwara Eliya which brought many visitors every season to stay at the Grand and other hotels (one of which was the New Keena also owned by the Nuwara Eliya Hotels Company upto 1919) was narrow gauge. H.W. Cave writing in 1910 described it as "similar to the Darjeeling Himalayan Railway." The Ceylon Government Railway handbook published in 1929 said "the ascent at one point of the journey is so steep as to have merited the title of Jacob's Ladder." It was popular with visitors and is missed even today, following its closure to passenger traffic in 1940.

"The Nuwara Eliya Season," wrote Cave, "extends from November to May... June and July are the only months that should be avoided on account of rain and wind." He pointed out that the 57 degrees Fahrenheit mean temperature appears extra-ordinary low as Nuwara Eliya is only six degrees North of the equator. This did not deter either the British or Ceylonese who wanted to live there. Mr. J.A. Roberts when he was the Managing Director of the Nuwara Eliya Hotels Company prior to 1908 built a series of bungalows on land adjoining the Grand which were immediately sold.

In the 1920s and 1930s the Grand became the centre of the season's social activities for visitors from Colombo. Golf (the course runs close to the Hotel) was the main sport although cricket, polo, hockey, croquet and lawn tennis were also played and there was hunting too. "Red deer, leopards and wild boar and birds of many varieties are plentiful" according to a 1929 guide book. Mr. S.A.W. "Sam" Mottau, who came to Nuwara Eliya in the 1920s and settled there in 1943, recalls annual race meets, police sports meets, gymkhanas, horse, dog and flower shows, clay pigeon shoots and above all, the Governor's State Ball.

Many of the guests who attended the ball stayed at the Grand. Sam Mottau tells the story of one guest, a member of the Legislative Council with a limited knowledge of English who, when asked to reply to the toast "To the Guests" said: "Your Excellency, Ladies and Gentlemen, I have attended many balls, but I must say that I have always observed that Your Excellency's Balls are the biggest."

By the 1930s, the third floor had been added onto the old, center part of the Hotel, giving the appearance that it has today. The war years of the 1940's brought austerity and saw the Hotel used as the billet of British officers. No liquor was available then. Christmas, however, remembers Sam Mottau was celebrated with open air carol services in the Hotel gardens. The Hotel bounced back in the 1950s becoming popular with visitors who came by liner to stay in Ceylon and, during half term, with the parents of children boarded at the Hill School (now the army camp). In the 1960s began the pattern which characterizes the Hotel today. Guests (except for the April

season) no longer stayed for weeks but for one or two nights in transit during their coach tours of the island.

To cater for the demands of modern tourists, the bedrooms were refurbished and attached bathrooms attached, converted out of adjoining bedrooms. Previously, there were common bathrooms and lavatories which were serviced by staff who had access by outside steps, like the wrought iron fire escape which still exists today. The amount of rooms was reduced and the room numbers were changed.

In the first issue of This Month in Sri Lanka, published in June 1976, the Hotel was described as having 104 rooms with rates of US \$ 9.00 single, US \$ 15.00 double, full board (US \$ 9.00 then equaled about Rs. 120.00) There are 154 rooms including Three Presidential Suites and three Junior Suites at present while the rates have risen to keep pace with inflation.

In mid - 1987, the Management of the Grand Hotel changed hands after a long and complicated court case which was finally settled with Mr. Cornel Perera being appointed Chairman of The Nuwara Eliya Hotels Co. Ltd., and Mr. George Ondaatjie the Managing Director. The other members of the newly constituted Board were Mr. Mahinda Wijenaik, Mr. S.D.A. De Vos, Mr. K.N. Choksy - PC, Mr. Lucian V. Perera, Mr. Asker Moosajee and Mr. Naveen Rajapakse.

The new Managing Director, George Ondaatjie, who had purchased a substantial investment in the Company in 1984, was confident that someday he would be able to turn it around financially while restoring the Grand Hotel to its former splendor.

He set about the task with the support of the Board and, four years later, the Company was able to record profits for the years 1990 and 1991. After a lapse of seven years, a dividend was declared for the year ending March 1990.

With most of the urgently needed improvements completed, renovation and restoration work continues. With its improvements, the Grand Hotel takes its place as one of the Best Hill Station Hotels in Asia, providing a unique and memorable stay for its guests.



## How We Performed

# 2014 in brief

Group Revenue

**Rs. 830 Mn**  
+ 7%

Company Revenue

**Rs. 503 Mn**  
+ 8%

Average Room Rate

**Rs. 14,035**  
+ 9.5%

Rev PAR

**Rs. 8,717**  
+ 8%

Group Profit After Tax

**Rs. 293 Mn**  
+ 8%

Company Profit After Tax

**Rs. 208 Mn**  
+ 2%

Group Earnings per Share

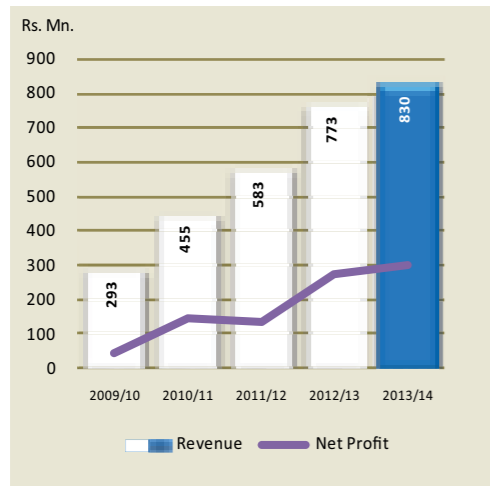
**Rs. 146.65**  
+ 8%

Company Dividends per Share

**Rs. 22.50**  
+ 12.5%

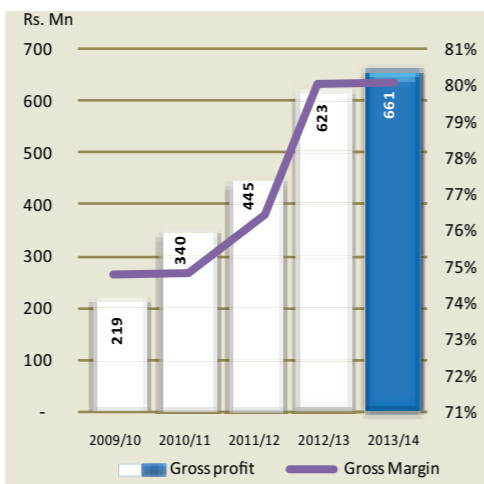
## Revenue & Net Profit

Revenue : Rs. 830 Mn + 7%  
Net Profit : Rs. 293 Mn + 8%



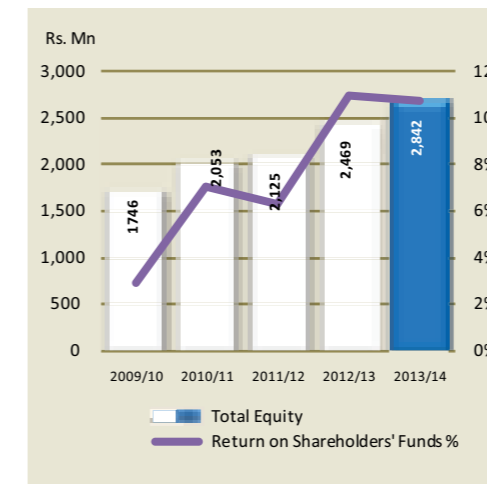
## Gross Profit & Gross Margin

Gross Profit : Rs. 661 Mn + 6%  
Gross Margin : 80%



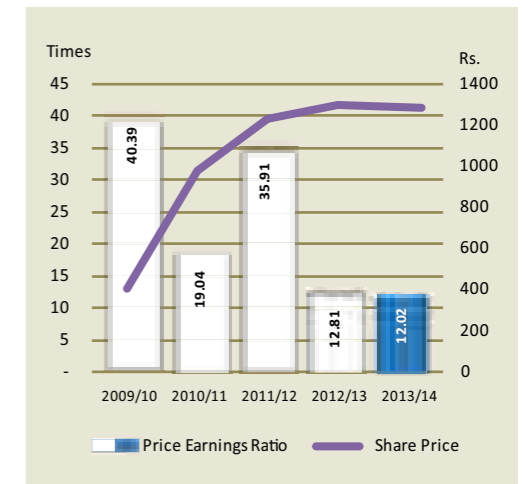
## Total Equity & Return on Shareholders' Funds

Total Equity : Rs. 2,842 Mn + 15%  
Return on Shareholders' Funds : 10.32% -2%



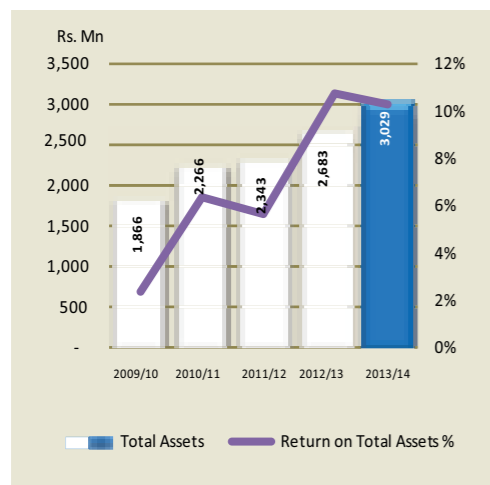
## Price Earnings Ratio & Share Price

P/E Ratio : 12.02 - 6%  
Share Price : Rs. 1,250 - 4%



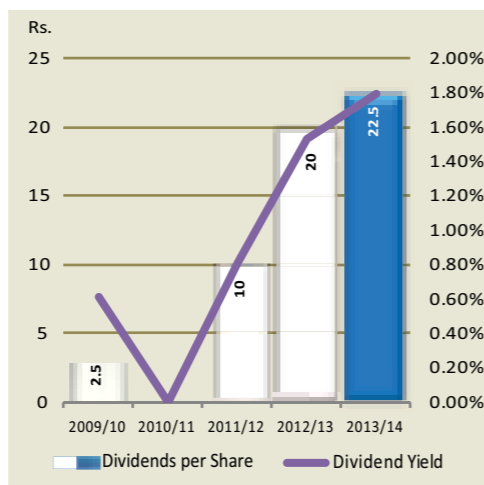
## Total Assets & Return on Total Assets

Total Assets : Rs. 3,029 Mn + 13%  
Return on Total Assets : 9.69% - 5%



## Dividends per Share & Yield

Dividends per Share : Rs. 22.50 + 12.5%  
Dividend Yield : 1.8% + 17%



# Group Financial Highlights

... Financial Highlights - Group

Year ended 31st March	2014 Rs.'000	2013 Rs.'000	% Change
<b>Results for the Year</b>			
Gross Revenue	829,894	772,904	7
Cost of Sales	(169,313)	(150,361)	13
Operating Profit Before Interest & Tax	298,482	292,623	2
Finance Income	50,176	41,135	22
Finance Expense	(467)	(720)	(35)
Share of Profit of Associate	(437)	510	(186)
Profit Before Tax	347,754	333,548	4
Income Tax Expense	(54,397)	(60,999)	(11)
Profit After Tax	293,357	272,549	8
Profit Attributable to Shareholders	294,014	272,549	8
Dividend Paid - Ordinary Shareholders	45,087	40,077	13
<b>Financial Position at the End of the Year</b>			
Shareholders' Funds (Stated Capital & Reserves)	2,702,785	2,469,014	9
Number of Shares in Issue	2,003,870	2,003,870	0
Total Assets	3,028,894	2,682,857	13
Total Debt	1,046	24,944	(96)
Cash & Cash Equivalents	125,883	328,706	(62)
<b>Ratios</b>			
Return on Shareholders' Funds (%)	10.32	11.04	(2)
Return on Total Assets (%)	9.69	10.16	(5)
Year on Year EPS Growth (%)	8	103	(93)
Interest Cover (Times)	745.25	464.53	61
Equity: Assets (%)	89.23	92.03	(3)
Current Ratio (Times)	6.17	4.37	41
Debt/Equity (%)	0.04	1.01	(96)
Debt/Total Assets (%)	0.03	0.93	(96)
Dividend Cover (Times)	6.51	6.80	(4)
Dividend Yield (%)	1.80	1.54	17
Dividend Pay-out Ratio (%)	15.38	14.71	5
<b>Information per Ordinary Share</b>			
Earnings per Share - Group (Rs.)	146.65	135.95	8
- Company (Rs.)	103.97	101.45	2
Dividend per Share (Rs.)	22.50	20.00	13
Net Asset per Share (Rs.)	1,348.78	1,232.12	9
<b>Market Shareholder Information</b>			
Market Price per Share as at 31st March (Rs.)	1,250	1,300	(4)
Market Capitalisation (Rs.'000)	2,504,838	2,605,031	(4)
Price Earnings Ratio - Company (Times)	12.02	12.81	(6)

Year ended 31st March	2014 Rs.'000	2013 Rs.'000	% Change
<b>Sector Specific Information</b>			
Room Nights Available	56,210	55,845	1
Room Nights Sold	34,912	35,129	(1)
Room Sales per Employee	1,428,539	1,348,550	6
Occupancy Ratio	62%	63%	(1)
<b>Others</b>			
Total Value Added	552,147	519,172	6
To Employees	94,138	88,099	7
To Government (Income Tax)	71,855	71,418	1
To Providers of Capital	45,218	40,194	12
To Expansion & Growth	340,936	319,461	7
Total Employees	343	334	3

# Our Brand Overview

*“Distinct atmosphere  
of elegance and charm.....”*

## Our Rooms

- Deluxe & Suite Rooms – 154 in Total
- Well-Appointed Bathrooms
- Fully Equipped Kitchenettes in Suites
- Telephone Facilities
- Television with Cable TV Channels with all International News lines
- Free Tea and Coffee Services
- Electronic Safes in each Room
- Table with Reading Light
- Mini Bars with well stocked Hard and Soft Beverages
- Free Table Water in the Room
- Heaters in the Room
- Bath Robes in each Room

## Our Restaurants

- Barnes Restaurant
- The Grand Thai
- The Grand Indian
- Magnolia – All Day Dinning

## Our Services

- In-House Shopping Arcade
- Internet WI-Fi Zones
- Gymnasium
- Board Room
- Main Lobby Music
- Same Day Laundry and Dry Cleaning
- Valet Parking
- 24 Hour Room Service
- Theme Nights that take you on a culinary adventure around the world
- Tea Lounge with different types of Tea served
- High Tea served in the Tea Lounge
- Billiards
- Indoor Children’s Play Area
- 24 Hours Security Service
- Wine Bar served with all kinds of Wines and Champagnes
- Well Stocked Bars
- Large and Specious Ballroom
- Bicycle Tours with our Trained Staff
- Nature Excursions
- Bird Watching
- Air Riffle Shooting
- Ayurveda Health Centre

## Our Current Location

- Our Hotel is situated 6200 ft. above the Sea Level in Nuwara Eliya known as Little England during the British Era

## VISION

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

## 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.

## Profit Before Tax

Rs. 348 Mn

2013	Rs. 334 Mn
2012	Rs. 149 Mn

## Earning per Share - Company

Rs. 103.97 per share

2013	Rs. 101.45
2012	Rs. 34.34

## Return on Capital

11%

2013	11%
2012	6.3%

## Earning per Share - Group

Rs. 146.65 per Share

2013	Rs. 135.95
2012	Rs. 66.58



## Dear Shareholders

“Over the year, management has clearly demonstrated their commitment to deliver on the key strategic priorities to turnaround the business whilst at the same time generating a growth momentum.”

I am pleased to present on behalf of the Board the Annual Report of The Nuwara Eliya Hotels Co. PLC and its subsidiaries (collectively “Group”) for the financial ended 31st March 2014.

This year has seen the continuation of challenging market and operating conditions. If anything, it was the toughest yet, amidst

a return to recession for the overall global economy with a significant pressure on discretionary consumer spending, visible from the frequency of our guests’ visits. That said, our brand remained very strong and we have continued to demonstrate that offering the combination of compelling value and a great experience which is what guests want in these difficult times.

## Our People and Culture

During 2013/14 we positioned our management structure, taking steps to ensure very clear accountability, whilst concentrating on appropriate and readily accessible technical and specialist areas preserving the dedicated customer focus by our management team. We believe that successful businesses are about having the right people in the right positions working as “one team”, and our management team is empowered and encouraged to support their guests and customers. I would like to personally thank all our employees for their hard work, loyalty, dedication and professionalism over the last year and to welcome all of the new employees who joined the Grand Team during financial period in 2013/14.

## Sri Lanka Tourism

The peaceful environment in the country together with the on-going strategic investments in the tourism sector, new tourist attractions and mega promotional campaigns attracted a significant number of tourists to Sri Lanka in 2013. Tourist arrivals in 2013 surpassed the initial target of 1.2 million to record 1.27 million arrivals, a growth of 26.7 per cent over the previous year.

## Sri Lanka Economy

Economic growth in 2013 was broad based, with a strong growth in the Industry sector, a recovery in the Services sector, and a revival in the Agriculture sector during the second half of the year. Stabilization policies that were in place in 2012 continued to impact economic activity during the first half of the year, but continued physical infrastructure development, favorable weather conditions and the recovery in advanced economies supported increased economic activity in the second half of 2013. Aided by robust construction and manufacturing activities, the Industry sector recorded a growth rate of 9.9 per cent, raising its share of GDP to 31.1 per cent. Services sector growth was higher than the previous year at 6.4 per cent, mainly due to improved performance in wholesale and retail trade and transport and communication sub sectors.

The weak performance of the agriculture sector during the first half of the year due to extreme weather conditions dragged its annual growth rate down to 4.7 per cent. Consequent to the stronger performance of the Industry sector during the year, the share of the services sector and the agriculture sector in GDP declined to 58.1 per cent and 10.8 per cent, respectively.

## Our Performance

The New Year has begun positively and, whilst we remain alert to the continuing uncertainty in the wider economic environment, including the impact of the ‘Tourism business, we are confident that we will continue to grow in 2014/15. With our great brand and strong market positions, experienced people and proactive approach are the basis on which our business is built and will remain key strengths in the coming year.

## Conclusion

2013/14 was a great year for the Group and as we enter 2014/15, I am convinced that we have the right strategy and team in place to continue our excellent progress. Our focus remains on offering our customers an affordable luxury with a strong emphasis on service. We have a number of exciting projects in the pipeline to deliver more and more value to our guests and customers and are well placed to achieve another year of growth.



**Deshabandu George L.A. Ondaatjie**

Chairman

20th May 2014



## “Another Strong Year”

We are focused on putting the customer at the heart of everything we do. We continually develop our product and services while investing in our brand to build ever stronger guest propositions.

I am pleased to report another excellent set of results for The Nuwara Eliya Hotels Co. PLC, with 8 per cent profit growth in the Group, as well as a 2 per cent growth in Company EPS and a 12.5 per cent growth in dividends during the year.

Our focus on putting the customer at the heart of everything we do along, with continuous development of our products and services by rightfully investing in our brand to build ever stronger consumer propositions whilst keeping a tight control on costs have enabled us to perform well in tough market conditions. The resultant positive outcomes would no doubt give us the confidence to expand in line with our ambitious future growth plans.

This year has seen the continuation of challenging and toughest operating conditions. As visible in the frequency of our customers' visits, there is a significant pressure on discretionary

consumer spending with a return to recession for the overall economy, but our brand remained very strong and we have continued to demonstrate that offering, the combination of compelling value and a great experience preferred by our customers in these difficult times.

### Global Economic Outlook

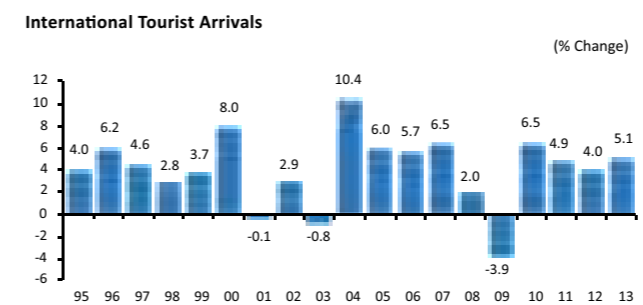
Global activity has broadly strengthened and is expected to improve further in 2014/15, with much of the impetus coming from advanced economies. Inflation in these economies, however, has undershot projections, reflecting still large output gaps and recent commodity price declines. Activity in many emerging market economies has been disappointing in a less favorable external financial environment, although they continue to contribute more than two-thirds towards the global growth and their output growth is expected to be lifted by stronger exports to advanced economies.

The renewed increase in financial volatility in late January of this year highlights the challenges for emerging market economies posed by the changing external environment. The proximate cause seems to have renewed market concern about emerging market fundamentals. Although market pressures were relatively broadly based, countries with higher inflation and wider current account deficits were generally more affected. Some of these weaknesses have been present for some time, but with prospects of improved returns in advanced economies, investor sentiment is now less favorable toward emerging market risks. However, some emerging market economies have tightened macroeconomic policies to regain confidence and strengthen their commitment to policy objectives.

Looking ahead, global growth is projected to strengthen from 3 per cent in 2013 to 3.6 per cent in 2014 and 3.9 per cent in 2015, broadly unchanged from the October 2013 outlook. Emerging market economies will have to weather turbulence and maintain high medium-term growth.

### International Tourism in 2014 – Prospects Higher than in Previous Years

International tourist arrivals are expected to increase by 4 per cent to 4.5 per cent in 2014, above UNWTO's "Tourism Towards 2030" long-term forecast of +3.8% per year between 2010 and 2020. The 2014 regional prospects are strongest for Asia and the Pacific (+5% to +6%) and then Africa (+4% to +6%), followed by Europe and the America (both +3% to +4%) and in the Middle East (0% to +5%) prospects are positive yet volatile.



Source: World Tourism Organization (UNWTO)©

### Economic Outlook in Sri Lanka

Looking ahead, the Sri Lankan economy is expected to continue its growth momentum in the medium-term underpinned by increased investment, improved macroeconomic stability and improving global economic conditions. Sri Lanka's economic progress in the medium-term is not without challenges, and structural adjustments are necessary for a continued growth momentum at a sustainable pace. Given the vast improvements in physical infrastructure and the resultant enhancement in productive capacity, the country's potential output has improved substantially during the post conflict period, and even greater involvement of the private sector in economic activity is required to realise this potential.

Improving total factor productivity, enhancing the human capital base of the country with particular emphasis on emerging sectors, and creating an enabling environment conducive for productive activity to prosper are essential ingredients for sustained economic growth. Such improvements are likely to facilitate the necessary diversification of economic activity and products and services offered while expanding the country's external market base.

Government policies that are in place to diversify economic activity further along the lines of the '5+1' hub strategy, interestingly the '+1' being tourism, are expected to facilitate a smooth transition of the economy through the 'middle income trap' in the medium-term. As a result of these policies as well as the projected recovery in trading partner economies, the external sector is expected to improve further, led by increasing merchandise and services exports. With increased capital market openness, it is necessary to strengthen the buffers available to face possible challenges arising from external developments.

On the fiscal front, the Government's commitment to further reductions in the budget deficit and public debt as envisaged in the medium-term macro fiscal framework is a welcome development. Public investment is expected to supplement the country's total investment, while the expected improvement in savings as a percentage of GDP is likely to reduce the reliance

on external sources to bridge the savings-investment gap. The financial sector is expected to strengthen further with the adoption of international best practices and the planned consolidation programme.

With prudent and forward looking monetary policy decisions, supported by improved domestic supply conditions and productivity, inflation is expected to consolidate its mid-single digit levels further in the medium-term, thereby supporting continued economic and price stability measures that were in place in 2012 aimed at macroeconomic stabilisation, were eased from December 2012, creating a more conducive environment for economic growth in 2013. Improved macroeconomic conditions, including low inflation, declining interest rates, continued infrastructure development programme and the relatively stable exchange rate contributed to the acceleration of economic growth.

The revival of growth in advanced economies, particularly during the second half of the year, impacted trade performance favourably, resulting in an acceleration of economic growth towards the latter part of the year. Sri Lanka's growth performance is notable amidst the slowdown in growth experienced by most emerging market and developing economies, including the South Asian Region in 2013.

#### Sri Lanka Tourism Sector

Earnings from tourism continued to grow considerably in 2013. The peaceful environment in the country together with the on-going strategic investments in the tourism sector, new tourist attractions and mega promotional campaigns attracted a significant number of tourists to Sri Lanka in 2013. Tourist arrivals in 2013 surpassed the initial target of 1.2 million to record 1.27 million arrivals, a growth of 26.7 per cent over the previous year.

Earnings from tourism was US dollars 1,715 million in 2013 compared to US dollars 1,039 million in 2012. According to the Sri Lanka Tourism Development Authority (SLTDA), the average spending per tourist per day increased to US dollars 156.5 in 2013 from US dollars 103 in 2012, while the average duration

of stay per tourist decreased to 8.6 days in 2013 from 10 days in 2012.

Further, approval was granted for 36 new hotel projects consisting of 2,547 rooms with an investment of US dollars 372 million during the year. Lesser known sites of tourism interest were identified in Ampara, Gampaha and Puttalam districts and are expected to be promoted in order to attract more tourists to the country, encourage more investment and generate direct and indirect employment opportunities. New initiatives like visits to communities, and activities relating to farming, fishing, festivals, religious and cultural programmes, sports, bird watching and wildlife were also actively promoted. In addition, developments in infrastructure facilities such as 'Pura Neguma' for uplifting the image of Colombo City and the Katunayake Expressway have helped improve the first impression of tourists who arrive into the country.

The Hotels and restaurants sub sector continued its high growth trajectory by achieving a 22.3 per cent growth during 2013, compared to the 20.2 per cent growth recorded in 2012. The sub sector performed commendably to attract over 1.27 million tourists during the year recording a 26.7 per cent, year-on-year, growth increasing the earnings from tourism to US dollars 1.7 billion. This growth surpassed achievements made in 2012 for the second consecutive year despite the unfavourable global environment. Arrivals exceeded the United Nation's World Tourism Organization's (UNWTO) tourist growth estimate of 6 per cent for the Asia Pacific Region and the 5 per cent growth for the entire world.

The co-ordinated efforts of the relevant authorities, spearheaded by the Sri Lanka Tourism Development Authority (SLTDA) to attract outbound tourists from non-conventional markets was reflected in an increase in tourist arrivals from China and Eastern Europe.

Even though, the industry possesses a strong potential within the county, the continuity of the growth momentum is heavily dependent on the industry's ability to cater to the emerging trends in the tourism industry. As a country with a large

number of attractions in both natural and cultural resources, Sri Lanka could be further promoted as a niche destination for eco-tourism, which encourages more local participation and is more sustainable in the long run than conventional mass tourism.

The rising income of the middle class populace of India and China, coupled with Sri Lanka's close proximity to those regions should also be capitalized. Moreover, the recently concluded Commonwealth Heads of Government Meeting (CHOGM) also gave a rare opportunity for Sri Lanka to reposition itself as a major tourist destination.

#### Our Management and Employees

The Company currently employs over three hundred employees, in the Hotel and the Head Office. Its business model is decentralised, with a capable Management Team in place in the Hotel. We consider this structure to be important, as it achieves close working relationships with our customers, who benefit from dedicated, flexible and rapid support.

The progress we have made in recent years in tough trading and operating conditions has not been achieved by chance; credit must go to all our Managers and Employees, who throughout the year have displayed a high level of commitment and professionalism.

#### Our Dividend Policy

The Board aims to maintain a dividend policy that provides a dividend level that grows broadly in line with the underlying earnings of the Company. I am pleased to report that the Board has recommended and paid a interim dividend of Rs. 22.50 per share amounting to Rs. 45.1 million in respect of the year ended 31st March 2014, in compliance with this policy.

#### Financial Performance Summary

It has been another strong year for Grand Hotel, delivering record results for our shareholders. This was led by a successful trading performance from our growing business, from which

the Group had achieved a 2 per cent growth in operating profit. The Group revenue was Rs. 829.9 million representing a 7 per cent growth, while the Company revenue was Rs. 503 million, an 8.6 per cent growth. The gross profit increased from Rs. 622.5 million to Rs. 660.6 million during the financial period, an increase of 6 per cent as against the previous year.

The Group was able to record an operating profit of Rs. 298.4 million as against the previous year's Rs. 292.6 million, which is a significant achievement under adverse global economic conditions.

#### Earnings per Ordinary Share

Group Earnings per Share (EPS) for the period under review was Rs. 146.65, against Rs. 135.95 in year 2013. Earnings per share of the Company was Rs. 103.97 against Rs. 101.45 in year 2013.

#### Average Room Rate

The Management has been successful in delivering real revenue growth this year by capitalizing on increased demand and improving the average room rate. The overall average room rate as a result had increased by 9.4 %.

#### Occupancy

Across the Group, the occupancy decreased to 62% (2013 - 63%), in line with our strategy of focusing on improving average room rates. Occupancy decreased by 1 per cent from the previous year. The Group had been able to contain this to a marginal decrease despite a considerable increase in rates, which had brought about a 7 per cent increase in revenue. Number of guests occupied the Hotel during the year was 69,443 (2013 - 69,696).

#### Looking Forward Towards Prospects

The growth prospects of the Company are encouraging. The short-term economic outlook in our Asian markets however, remains relatively challenging, continuing to feature

both comparatively high prices for key basic foodstuffs and maintained pressure on consumer spending. The Sri Lankan economy is expected to remain resilient supported by strong consumer spending and investments albeit continued moderate growth in external demand.

In the early months of 2013, Grand Hotel's performance has been in line with the Board's expectations, which is an indicator of success in dealing with the micro and macroeconomic forces. This affords an important launching pad for the future strategies of the Group.

Our focus for 2014 is to improve return on investment from the Grand Hotel through a number of strategic initiatives. Our main strategy is to enhance returns from our operation and from our food outlets. We are supporting the refurbishment process with improvements to our customer offering and have refreshed our sales and brand strategy designed to improve both revenues and return on assets and capital. Hotel trading is likely to become increasingly competitive, both as a result of current economic uncertainty and increased supply of new hotel rooms in Nuwara Eliya where we operate. Our strong financial position enables us to make the necessary investments to ensure that we maintain and enhance our sound competitive position within the global and local hospitality market.

Much has been debated about Sri Lankan hotel rates, which many consider too expensive, and un-competitive among our Asian neighbours. There could be some truth in this, where post war resort pricing has increased by 40% - 50%. The initial price correction was a dire need for the Hotels to recover from the decades of stagnancy, but there could have been an 'over-correction' which saw some occupancy dip in 2013. However, with the perception that the destination has become too expensive, there is some price correction that seems to have taken place, especially in the resorts, where most hotels have either held their prices for 2013/14 or in some cases discounted down. This is a common phenomenon and provided that the market forces are not interfered with, and the supply and demand forces are expected to provide correction.

However, there is an exception in the city, where there is a minimum price stipulated by the Government, which has to be adhered to. Debates still continue to rage regarding this between the hoteliers and travel agents, but fact of the matter is that with the destination now maturing, free market forces should be allowed to prevail.

### Human Resources

The shortage of well-trained tourism personnel continued to be a major issue for the industry with the situation worsening with many new hotels coming up in the country and absorbing the existing experienced personnel. This has to be addressed with great responsibility, if we are to see the development of tourism in this destination.

### The Responsibilities of the Board of Directors

The Board is responsible for the long-term success of the Group, and to achieve this, it contains an appropriate mix of skills and depth of practical experience, which is an immense resource to support and guide our management team through the most progressive journey of growth and stability in the future. I would like to take this opportunity to thank my colleagues on the Board for their continued wise counsel and support.

### Corporate Governance in the Company

As the Managing Director of the Company, I believe that Corporate Governance is not simply something for the Board to consider just as an agenda item at our meetings. Corporate Governance affects all aspects of our operations and I am pleased with the high standards that we maintain in this regard.

The Board continues to set itself high standards of Corporate Governance, supported by the Nomination, Remuneration and Audit Committees. The Corporate Governance section in this report shows details of our compliance with the code of best practice on Corporate Governance - 2013. On pages 56 to 81, there is a comprehensive report which sets out our approach to Corporate Governance.

### Industry Recognition

The Company's performance was recognized with a number of awards during the year. We were awarded the following accolades:

1. April Seasonal Blooms 2013 -
 

• Best Garden	Commercial Large	1st Place
• Best Lawn	Commercial Large	1st Place
• Best Fences & Hedges	Commercial Large	1st Place
• Best Floral Arrangement	Commercial Large	2nd Place
• Best Collection of Cut Flowers	Commercial	1st Place
• Best Collection of Potted Plants	Commercial	1st Place
• Best Floral Arrangement	Commercial Medium	2nd Place
2. "Nagarayata Uyanwathu" – The Competition of "Gardens for the City" - 1st Place in the District and Central Province 3rd Place.
3. Trip Advisor Recommendation – For the Hotel and the Grand Indian Restaurant
4. Co-winner of the Bronze Medal for the Best Annual Report in the Tourism and Hospitality Category conducted by the Institute of Chartered Accountants of Sri Lanka.
5. A Bartender had bagged 1st Runner-up in the Kandy Hotel Region "Absolute Bartender Challenge Competition".
6. The Grand had bagged 3 Gold, 6 Silvers and 9 Bronzes at the "Culinary Art 2013"

### Future Business Strategies

#### Diversification of Existing Products and Services

The Group's marketing strategy is to focus primarily on the growing markets in which it operates, to establish meaningful and long-lasting relationships with its major customers by a combination of product development and high service levels and to invest in quality facilities and the latest equipment to enable it to operate as efficiently as possible.

Operational management is given responsibility for developing plans to deliver the objectives of the Group with particular emphasis on growing sales through product innovation and high service levels, improving operational efficiency and securing employee health and safety. The role of the Board in achieving Group objectives is to support operational management and to identify suitable development that will take the Group into

new and growing areas of the market, open up new customer relationships to Group and to consolidate existing market positions.

The Group strategy is to build long-term customer and shareholder value by focusing on the following three key themes:

- Building up volumes of business by extending product ranges available to existing customers by introducing the Indian Restaurant, Thai Restaurant, Magnolia, Pastry Shop and Tea Lounge;
- Maintaining an uncompromising focus on reducing unit costs while improving product quality and service provision;

- Mitigating administrative expenses and strengthening our bottom line to give better returns to our shareholders in the next financial year. In order to overcome certain administrative issues which we may encounter with new regulations which came into effect from various statutory bodies, the Board of Directors have decided to amalgamate The Nuwara Eliya Hotels Co. PLC with its fully owned subsidiary, Grand Hotel (Pvt) Ltd.

### Establishing New Products and Services

We felt that our Group is very much in need of a City Hotel, and we will achieve this milestone next year as The Nuwara Eliya Hotels Co. PLC will have to get consolidated with Fair View Hotel, our first City Hotel in Wellawatta, Colombo. We are targeting mainly the business crowd who visit Sri Lanka for short stays. This is going to be a bed and breakfast hotel with 24 hours à la carte operation. Adding this operation to The Nuwara Eliya Hotels Co. PLC, we can maximize shareholders wealth.

In 2015/16 we have taken a decision to tie up with an international coffee chain and start a Coffee Lounge and to serve different types of coffee to our guests and walk-in guests who pass and visit Nuwara Eliya. Much awaited hot water swimming pool is another addition that is going to be added to Grand's feathery in coming years. We felt that we need a modern and sophisticated training room to our staff for their regular training sessions and by now we have accomplished that requirement together with internet facility and a culinary library.

During this year, we built a modern staff cafeteria for our employees to have their meals in the way we serve our guests, we want them to feel that we have not isolated our team and how important they are to us.

### Marketing Activities

We actively look for opportunities to improve our overall performance through innovative revenue generation and marketing initiatives. Increasing online booking activity across multi-platforms and growth in social media has continued

pace and, in partnership with our travel arm associate Tangerine Tours. We have benefited from the growth in social media with Grand Hotel's social media fan base now well over 50,000 members, which is larger than most of our competitors.

Our marketing activities included distributing nearly one hundred thousand targeted marketing emails to guests and organizations. We achieved a record performance from marketing campaigns in the summer and winter periods, which drove a record level of visitors to our websites and increased room nights booked, generating direct revenue to the Group, through our corporate website [www.tangerinehotels.com](http://www.tangerinehotels.com) strengthening our standing as an international brand hotel operator.

### Other Future Plans

A great set of ambitious plans are on the drawing board, to take the Grand Hotel to greater heights in the future. To name a few, they would be;

- A state-of-the-art Lobby Bar, A Library, Cigar Bar and a Mini Movie Theatre to be created within the present Ballroom area. Work on this project would commence within the course of the ensuing financial year (2014/15).
- A heated Indoor Swimming Pool and a Complete Recreation Complex incorporating a fully-fledged Spa (to be run by an International Spa Operator). A Gymnasium with the most up-to date fitness equipment would be established in the location where the General Manager's Bungalow stands at present. This would be started in the financial year (2015/16).
- A well-equipped "Show-Kitchen" on the Barnes Hall's Buffet Terrace would be completed during the ensuing financial year (2014/15).
- A well-designed "Service Bar" to cater the Barnes Hall, In-Room Dining (Room Service), the Magnolia and the Swimming Pool are planned for the future. The location identified for this facility is where the Food & Beverage

Manager's Office is situated at present. This would also be completed during the ensuing financial year 2014/15.

- A complete refurbishment of all the Guest Rooms to measure up-to International "5 Star" standards is to be carried-out in 3 stages whilst the Hotel operates and would be completed by the end of the Year 2016.
- Once all above work has been completed as planned, the Group would obtain "5 Star" status for Grand Hotel by end 2016, at which point Grand Hotel has attained 125 years of existence.

### Concluding Thoughts

As we pursue our vision and mission, we are confident that the strategic direction we have chosen is sound. We will continue to accelerate, to make us more competitive to enable our business to win the market and to achieve the leadership position.

We are on the right platform to drive the execution of our plans to ensure that our investments in innovation, people, systems and a market that delivers profitable growth and improve return on invested capital. In conclusion, we made considerable progress in 2013/14, but there is still much to be done to deliver better service with full potential. We are confident that operational and financial performance will improve further during 2014/15, enabling us to achieve our targets for the coming years.

On behalf of my colleagues on the Board, I wish to thank the General Manager, Senior Management and other members of the staff for their dedicated efforts and for the way we have embraced our culture of value addition to the guests.

I would like to thank our valuable guests and other stakeholders, especially our shareholders, for their continuing support.

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**Gerard G. Ondaatjie**

Managing Director

20th May 2014



## MILESTONES

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 £ 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 £ 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 December 1988.



1990

20% First & Final Dividend was declared for the F/Y 1989/90 after a lapse of several years, on the 31st October 1990. The Board decided to takeover the running of the farm owned by the Hotel on the 3rd December 1990.













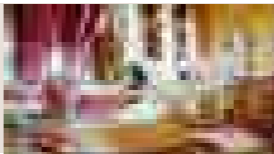



1991

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 November 1991.



MILESTONES ...	
<b>1992</b> A new Company was incorporated as Grand Hotel (Pvt) Ltd, a wholly owned subsidiary of The Nuwara Eliya Hotels Co. PLC on the 30th December 1992. 	<b>1993</b> Grand Hotel (Pvt) Ltd., signed an agreement with the Board of Investment of Sri Lanka to build and operate a 64 Room Hotel, on the 22nd September 1993. 
<b>1997</b> Grand Hotel (Pvt) Ltd., commenced commercial operations on 1st April 1997. 	<b>1998</b> The new mechanized laundry was commissioned, on 8th June 1998. "Supper Club" – Fine Dining Restaurant and a Bar was opened for the guests on the 10th of April 1998.  A state-of-the-art Gymnasium and Health Club was commissioned on the 10th August 1998. 
<b>1999</b> Hosted 21st Session of the SAARC Council of Ministers Conference followed by a banquet by the Ministry of Foreign Affairs on the 10th March 1999.  The Second Dress Boutique / Curio Shop of the Hotel was opened for business on the 18th October 1999. 	<b>2000</b> Mr. George L.A. Ondaatjie took over 80% control of the Hotel with the purchase of DFCC & Cornel Group share holdings as at 16th October 2000. 
<b>2001</b> The Company took a new outlook with the appointment of Mr. Gerard Ondaatjie as the Managing Director in October 2001. 	<b>2002</b> "The Grand Indian" serving exclusive authentic Indian Cuisine, commenced operations in November 2001. 

MILESTONES ...	
<b>2003</b> 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". 	<b>2004</b> Overall winner of the "April Blooms 2004" Garden Competition organized by the Municipality of Nuwara Eliya. 
<b>2005</b> 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 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. 	<b>2006</b> The SAGA Food Award was clinched by Grand for the second consecutive year, from one of the leading Tour Operators from UK, SAGA HOLIDAYS. 
<b>2007</b> The Department of Archeology 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. 	<b>2008</b> 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. 

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 December 2009.

Grand was placed 1st in the "Commercial Large" category for the twenty third 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 fifth 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, conducted by the Institute of Chartered Accountants of Sri Lanka.

A Tastefully designed "Wine Bar" was constructed adjacent to the existing Public Bar which has been acclaimed as "The Best" Stocked Wine Bars in the Central Hills was declared opened in November 2010 by the Chairman, Deshabandu George Ondaatjie.



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 from 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.



MILESTONES ...

2012 (contd...)

A Bravura Coffee Table Book on the iconic Grand Hotel, Nuwara Eliya was published in November 2012, this book remarkably presents the history of Nuwara Eliya & the Grand Hotel with gamut of stunning photographs. The Book is authored by British-born Richard Boyle.



2013

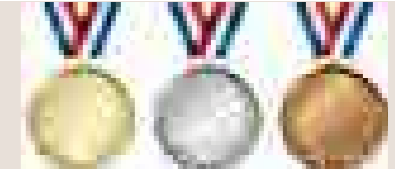
The Annual Report for 2012/13, won the Bronze Award for the second consecutive year from the Hotel Companies category, conducted by the Institute of Chartered Accountants of Sri Lanka.

Grand Hotel and the Grand Indian Restaurant were the proud recipient of the Commended Hotel 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.

Grand Hotel once again bagged the Commercial Large Category Award at the April Blooms 2013 winning all the major awards.

Grand Hotel secured 3 Gold, 2 Silver and 9 Bronze medals at the Culinary Art. Competition 2013 organized by the Chefs Guild and became highest medal winner of the central province.

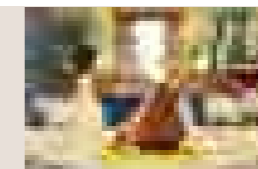


2014

"Grand Thai" serving exclusive authentic Thai Cuisine, commenced operations in April 2014.

The Staff Quarters underwent renovations in order to accommodate the new Indian Chef and Thai Chef.

An Indoor Children's Play Room was opened during this period.



## April 2013

Beginning of the financial year saw the appointment of two new Board Members to The Nuwara Eliya Hotels Co. PLC, namely Mr. Manil Galagoda, Group Engineer and Mr. Sheran Abeysundara, on 8th April.

A tree was planted by the Managing Director on 9th April in remembrance of the former Resident Manager, Raju N. Veerasingham who passed away on 2nd April.

A grand Sinhala and Hindu New Year was celebrated on 14th April on the upper lawn with traditional Avurudu Games, Sweet Meats and Raban Players. Avurudu Games such as Grease Pole Climbing, Pillow Fighting, Scraping Coconut, Tug-of-War etc were keenly competed by the guests.

A Wine Evening comprising of all the Wine Suppliers was held with many affluent guests being invited to taste some of the wines which are produced in best vineyards.

Grand Hotel once again bagged the Commercial Large Category Award at the April Blooms 2013 winning all the major awards, including Best Garden, Best Lawn, Best Fence & Hedges, Best Collection of Potted Plants.

The Annual Deshabandu George L.A. Ondaatjie Snooker Tournament was held on 27th and 28th April with a record number of 160 entries being received for the tournament.



## June 2013

An existing Staff Quarters was converted to an Executive Apartment to accommodate the new recruitments to the Executive Grades.

Recruitment of Mr. Ranbir Singh as the new Indian Chef for the Grand Indian Restaurant in order to promote the Restaurant after the new refurbishment.

A two day training on Birds and their Behavioral patterns conducted by Prof. Sarath Kotagama, was held on 8th and 9th June for the benefit of the Front Line staff.

The Annual Islamic Religious Ceremony was held on 11th June with the participation of a large number of staff.

The Stage Drama "Nari Burathi" which was hosted by the Grand Hotel Staff Welfare Society in aid of the Welfare Fund was staged on 15th June. The Drama was a tremendous success.

The Environmental day for the month was held on 20th June to clean the Section-3 Rooms, to tidy up the Record Room and receiving bay area and to assist the "Paynter Memorial School" by placing polythene sheets in classrooms to prevent the classrooms getting wet.

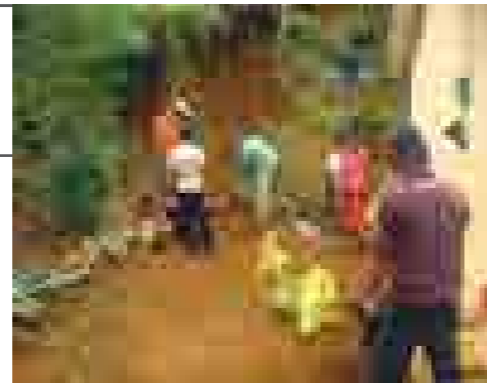
Career Guidance Program was conducted for 100 Senior Prefects of selected schools from the Nuwara Eliya region.



## May 2013

A community shramadana to clean the surrounding area of the Siri Piyatissa school was held on 23rd May with the participation of Grand Hotel Staff, Parents and Teachers. We were also able to provide a water tank and necessary pipeline connections with the assistance of the Lions Club of Nuwara Eliya to the school.

The Annual Staff Trips were conducted during the month in three batches to the Wasgamuwa National Park.



## July 2013

The Indian à la carte menu for Grand Indian Restaurant was replanned to be implemented with effect from 1st August.

Blood Donation Campaign was held on 31st July where 73 donors donated blood which included the Grand Hotel Staff, Personnel from the Armed Forces, Banks, Neighbours etc.

New tastefully designed and stitched curtaining for the 59 Golf Wing Rooms.

Grand Hotel had been accredited as a Bird Friendly Resort and now we could promote our Hotel more in terms of nature related activities.



## August 2013

The Kitchen Brigade took part in the Culinary Art 2013 organized by the Chefs Guild of Sri Lanka. Grand Hotel was able to secure 3 Gold, 2 Silver and 9 Bronze medals at the Competition and managed to become highest medal winner of the Central Province.

Argentinean Wine Promotion was held from 3rd August.

The New Indian Menu was implemented in the Grand Indian Restaurant.

Theme nights were planned & started from the 15th of the month. Every Tuesdays – Middle Eastern, Thursdays – Mexican, Saturdays – BBQ and Sundays – Sri Lankan Nights.

Flambé Desserts were introduced on 25th August at the “Magnolia All Day Dining”.

Environmental Day Program was conducted on 22nd August to clean the Grand Hotel Road and the Lane.



## September 2013

The Argentinean Wine Promotion continued during the month of September.

Indian Hyderabad Biryani Promotion commenced on 18th of September.

The Environmental day for September was held on 19th September where the road leading to the Executive Quarters was cleaned.



## October 2013

The Hydrebadhi Biryani Promotion continued during the first two weeks of October as well.

Saraswathy Pooja conducted on 9th October 2013 with the participation of staff, school children and other dignitaries of Nuwara Eliya.

During the Environmental Program conducted for the month, the identified Nature Trail was cleaned and cleared as we intend promoting the trail to guests and also to have a camping site.

Ten Staff members participated in a Environmental Program to clean and plant trees in the Lake Gregory vicinity. This program was organized by the Nuwara Eliya Municipal Council in concurrence with the Local Government Week.



## November 2013

Ocktoberfest organized for the very first time at the Grand Hotel on 1st, 2nd and 3rd November which was a tremendous success. It was definitely a novel experience for the fun lovers of the central hills to experience the Oktoberfest out of the Colombo region.

A colourful and tastefully designed “Indoor Play Room” for kids below the age of 6 years was declared open by Isabelle and Ivana Ondaatjie, daughters of the Managing Director of Grand Hotel Mr. Gerard Ondaatjie, in the presence of Mrs. Christobel Ondaatjie, wife of the Chairman of Grand Hotel and mother of the Managing Director, on 3rd November. This newly added feature would definitely keep the little kids entertained while up in the cool climes where there are very few activities for these youngsters. It is also a rare initiative by Grand Hotel to embark on generating a Play Room for these tender age kids when most Hotels focus on establishing and providing more and more entertainment features for the adults. The Play Room is situated in protective indoor surroundings and a trained Child Care Assistant is in attendance.

The Annual Thanksgiving Mass was celebrated by His Excellency Rt. Rev. Dr. Joseph Spiteri, Apostolic Nuncio in Sri Lanka on 4th November amidst a large gathering of parishioners of Nuwara Eliya and the staff.

The Traditional Cake Mixing Ceremony was held on 5th November.

The Chairman’s 80th Birthday was celebrated on 5th November, when a large cake was cut and distributed among the staff.



...November 2013 (contd.)

The Fire Training for the entire staff was held on 7th and 8th November.

A mega Health Camp was organized at the Nuwara Eliya Municipal Grounds Car Park on 9th November. More than 600 people obtained medical assistance and this was the first time that a private organization had come forward to conduct a Medical Camp of such magnitude. Patients were screened for various illnesses ranging from diabetes, heart, skin, ears, nose and throat, gynecology etc. A physiotherapist was also in attendance and the prescribed medicines were also issued to the patients free of charge.

Mr. Janaka Wijegunawardena, Bar Tender was able to secure the 1st Runner-up position in the Absolut Bartender Challenge held among the Kandy Hotels.

The Grand Hotel Staff Welfare Day was held on 24th November, where most of the members and the families participated to a day outing filled with games, delicious food and entertainment.

The newly refurbished and renovated Junior Suite was open for guest stay. A value addition to our available services was the commencement of the dry cleaning facility with the installation of the new dry cleaning machine.

The camping site for the intended Kids Camping night at the Farm was prepared by the staff as the Environmental Program for the month which was conducted on 21st November.

...December 2013 (contd.)

The Environmental day for the month was held on 17th to clean the debris and rubble near the newly constructed Grand Thai Restaurant area and to tidy up the road leading to the Grand Hotel.

Commencing from 26th to 30th December, the Executive Chef and the Kitchen Brigade carried out some exciting Theme Nights varying from Middle Eastern, to Chef's Night, Seafood Market, Asian Night and Continental Night for which some excellent food comments were received from Guests.

## January 2014

The New Year began at Grand Hotel with the meritorious deed of distributing School Books and other essential school items for the children of the members of the Grand Hotel Staff Welfare Society on 1st January.

Chef Boonsong Keawlawieng, a Speciality Chef in Thai Cuisine possessing experience in working in an array of international hotels was recruited for the "Grand Thai".

The Environmental day for the month was held on 23rd January to paint the Departmental Stores and clear all the dump and refuse. It was major effort by the staff to clean the area and discard of all unnecessary items.



## December 2013



The Christmas Party for the deserving children selected from poor homes and orphanages were held on 8th December which officially signified the commencement of the Christmas and New Year Celebrations at the Hotel.

Followed by the Christmas Party, singing of the Christmas Carols by the children of the Paynter Home and lighting of the Traditional Christmas Tree was held at 7.00 p.m. on the same day.

The Grand Kiddies Party was held on 14th in a splendid manner with around 114 kids and 65 Parents being entertained at the event. This year too, the entire event was coordinated by Party Magic Entertainments and there were much activities lined up for the kids including a mega bouncer, popcorn, candy floss, face painting, balloon modeling, magic show, Games and dance along with cartoon characters.

## February 2014

The 66th Independence Day Commemoration was held on 4th with hoisting of the National Flag at the auspicious time of 8.50 a.m. the event was patronized by the guests and staff members.

The Grand "Sithuvam 2014" an Art Exhibition which was conducted among 24 schools in the Nuwara Eliya Zone was held on 15th February. There were 185 entries for this keenly competed event and the prize giving was held on 28th February, where the Zonal Director of Education Mr. Amarasiri Piyadasa was the Chief Guest, while Mr. Charles Dayananda, a prominent Artist and head of the Panel of Judges, Mrs. Hemalatha Bandara, Assistant Director of Aesthetic Studies and Mr. Gerard Ondaatjie, Managing Director being Guests of Honour.

A Fondue and Bar Snacks promotion was introduced at the Tea Lounge and Bar commencing from 19th February.

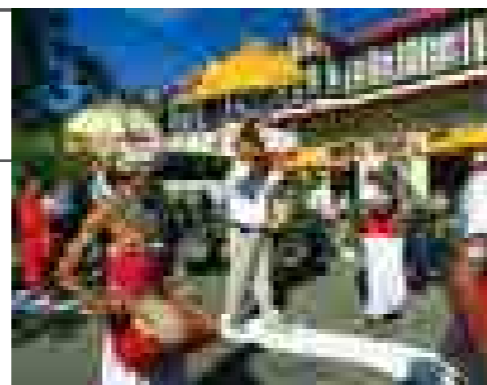
A Happy Hour Promotion commenced from 10th February at the Bar.

The presently available TVs in Guest Rooms were replaced with 30" LED TVs providing an enhanced service to guests.



## March 2014

The Mediterranean Theme Night was introduced on 3rd March. Mediterranean cuisine is the food from the cultures adjacent to the Mediterranean Sea. Although this region spans a wide variety of cultures, the historical connections of the region, as well as the impact of the Mediterranean Sea on the region's climate and economy, have led to there being many common elements in the foods.



A common Shramadana Program was conducted at the Galways Bird Sanctuary on 8th March where 4 staff members participated from Grand Hotel. Grand Hotel also provided the refreshments for 180 participants for this program.

The Monthly Environmental Day program was held on 13th March to paint the exterior wall of Good Rest Convent, Nuwara Eliya and to clean the compound. The paints were donated by a well-wisher and this was the second outside community project for the month.

The Annual Pirith Pinkama was held on 20th March, with 43 Buddhist Clergy from all the temples in the Nuwara Eliya area being present for this Ceremony.

Hon. Basil Rajapakse, Minister of Economic Development was hosted for lunch during his visit to Nuwara Eliya to attend the District Development Committee Meeting and several other development programs on 10th March.



# Who We Are

**One Company – The Nuwara Eliya Hotels Co. PLC that does the right thing for Our Guests, Our People and Our Communities.**

Our Goal is to build the iconic professional Hotel Service Company, because we aim to be the best. We set the standard and we drive the agenda for our profession. We value our past but look to invest in our future to leave the Company even stronger than when we inherited it. We will achieve the three pillars of our vision by living and breathing a common set of behaviors.

## ■ One Company

We are One Company, an extensively organized organization that aims to bring the best of Grand Hotel to our guests each and every time. We combine rigour with fun and relish the most complex challenges. We create a flow of people and ideas. We will;

- aim to deliver more value than our client expects
- be agile and flexible
- share knowledge and bring fresh insights
- always act in the interest of the whole Company

## ■ Strong Brand

Our clients and people feel and benefit from the energy and power of the Company. We have talented, enterprising and intellectually curious people who will strive with our clients to achieve success. It is this purpose that enables us to attract, develop and excite the best people and inspire confidence in our clients. We will;

- be positive and energize others
- invest in personal relationships
- listen with interest and curiosity, encouraging diverse views
- have a thirst for learning and developing others

## ■ Do the Right Thing

We will deliver exceptional value with integrity, confidence and humility. We support one another and our communities. We have the courage to express our views, even when they may not be popular. We will;

- put ourselves in our clients' shoes
- never be satisfied with second best
- treat people in a way we would like to be treated
- always be brave enough to challenge the unacceptable
- Act with integrity and enhance our reputation.

We must accept personal responsibility to play our part in driving our Company, demonstrating these values and behaviors opting out is not acceptable. Put simply, this is how we define success.



## Financial Calendar

### 2013/2014

Approval of Financial Statements	May	20	2014
Interim Financial Statements - 4th Quarter - 31st March 2014	May	20	2014
Despatch of Annual Report 2013/2014	June	05	2014
Payment of Dividend - Interim Dividend	December	02	2013
122nd Annual General Meeting 2013/2014	June	30	2014
Interim Financial Statements - 1st Quarter - 30th Jun 2013	August	06	2013
Interim Financial Statements - 2nd Quarter - 30th Sept 2013	November	06	2013
Interim Financial Statements - 3rd Quarter - 31st Dec 2013	February	06	2014
Financial Year - End	March	31	2014

### 2012/2013

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

## The Board, Senior Management & their Responsibilities

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**Deshabandu G.L.A. Ondaatjie**  
Chairman

**Nationality** Sri Lankan

**Key Strengths** Leadership  
Strategic Overview  
Entrepreneur  
Financier  
Hotelier

**Position** Chairman Since 1977 Counts over 36 years' 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 "Desabandu" 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 "Pioneer 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

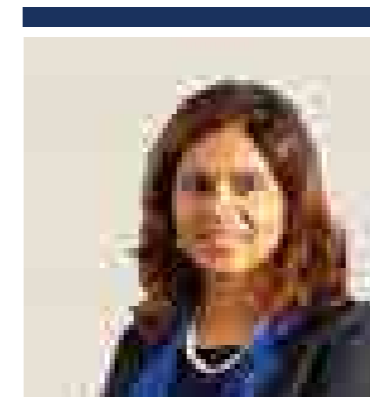
**Key Strengths** Leadership  
Strategic Overview  
Financier  
Hotelier

**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 B.Sc Degree in Accountancy from Arizona State University, U.S.A.



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

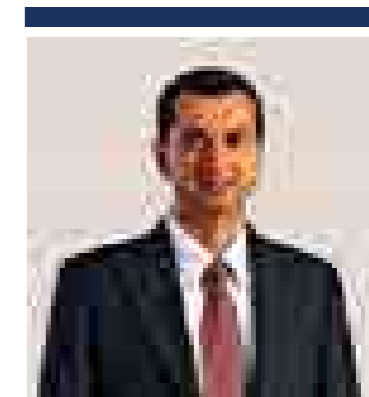
**Nationality** Sri Lankan

**Key Strengths** Leadership  
Strategic Overview  
Engineering  
Hotelier

**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 B.Sc Degree from the Massachusetts Institute of Technology, U.S.A.



**T.J. Ondaatjie** B.Sc  
Executive Director

**Nationality** Sri Lankan

**Key Strengths** Leadership  
Strategic Overview  
Financier  
Hotelier

**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 B.Sc Degree from Arizona State University, USA.

He has over 15 years experience in the Tourism and the Financial Services Sectors.



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

**Nationality** Sri Lankan

**Key Strengths** Leadership  
Corporate Overview  
Legal Expert

**Position** He was appointed to the Board on 1st June 2005.

**Key Appointments** He is a Senior Partner and Founder of Paul Ratnayake 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 Silva Wijeyeratne** FCA  
Independent Non-Executive Director

**Nationality** Sri Lankan

**Key Strengths** Leadership  
Financial Expert

**Position** He was appointed to the Board on 22nd January 2009.

**Key Appointments** He was the Group Finance Director of Richard Peries PLC from January 1997 to June 2008 and also held Senior Management positions at Aitken Spence & Company, Brooke Bonds Ceylon 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.B. Galagoda**  
Non-Executive Director

**Nationality** Sri Lankan

**Key Strengths** Engineering

**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' of 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. Abeyesundara**  
Independent Non-Executive Director

**Nationality** Sri Lankan

**Key Strengths** Interior Designer

**Position** He was appointed to the Board on 8th April 2013.

**Skills and Experience** 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.

# 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**

Financial Controller / Asst. Manager

**A.A. Lakshman Silva**

Asst. Manager / Food & Beverage Manager



The Directors have pleasure in submitting their report together with the Audited Financial Statements of the Company for the year ended 31st March 2014, which were approved by the Board of Directors on the 20th of May 2014. The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007 and the Colombo Stock Exchange Listing Rules.

## Review of the Year

A Review of operational and financial performance and the future plans of the Group are described in greater detail in the Chairman's Message, Managing Director's Review, Management Discussion & Analysis and the Financial Review of the Annual Report.

## Principal Activity

The Principal Activity of the Company which is hoteliering, remains unchanged.

## Corporate Governance

The Board of Directors of the Company 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 56 to 81.

## Internal Controls

The Statement of Corporate Governance and the Statement of Directors Responsibilities on pages 56 to 212 respectively, give a detailed description of the Company's internal control system.

## Risk Management

The Board has established and adhere to a comprehensive Risk Management framework. The categories of risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted. A detailed overview of this process is outlined in the Risk Management Report on pages 198 to 206.

## 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 2014 are 343 (31st March 2013 - 334), the total remuneration paid during the year amounted to Rs. 89.7 Mn (2012/13 - Rs. 74.8 Mn). As a socially responsible "Equal Opportunity Employer", the Company's recruitment and employment policies are non discriminatory. Our employment policies are reviewed periodically by the relevant committees and the Board of Directors.

## 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 126 to 185.

## 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.

## Profit and Appropriations

	Company		Group	
	Rs. Mn		Rs. Mn	
	2013/14	2012/13	2013/14	2012/13
Profit Before Taxation	233	242	348	334
Taxation	(25)	(38)	(54)	(61)
Profit after Tax	208	204	294	273
Balance Brought Forward from Previous Year	382	217	752	517
Actuarial Loss on Defined Benefit Plan/Obligation	(1)	(1)	(1)	(1)
Transferred to Retained Earnings	2	2	3	3
Amount Available for Appropriation	591	422	1,048	792
<b>Appropriations</b>				
Dividend Paid	(45)	(40)	(45)	(40)
Retained Profit for the Year	546	382	1,003	752

## Provision for Taxation

A detailed Statement of Income Tax and a reconciliation of the accounting profits with the taxable profits for the Group is disclosed in Note 9 on page 234 in this Report.

## Donations

During the year Donations amounting to Rs. 194,500/- (2013 - Rs. 172,500/-) were made to various charities.

## Dividend

The Board of Directors declared an Interim Dividend of Rs. 22.50 per share. The interim dividend would be the final dividend for the year ended 31st March 2014.

## Revenue

The Revenue of the Company and the Group for the year ended 31st March 2014 was Rs. 503,244,948/- and Rs. 829,893,643/- respectively. (2013 - Rs. 464,033,382/- and Rs. 772,903,510/-)

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 this dividend.

## Capital Expenditure

The total Capital Expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 375 Mn (2012/13 - Rs. 46 Mn), details of which are given in Note 11 to the Financial Statements.

## Property, Plant & Equipment

Details of Property, Plant & Equipment of the Company and Group are shown in the Note 11 to the Financial Statements.

### Stated Capital

The Stated Capital of the Company and Group as at 31st March 2014 is Rs. 80,171,740/- (2012/13 - 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 as at 31st March 2014 stand at Rs. 2,015 Mn (2012/13 - Rs. 1,854 Mn) and comprising Revaluation Reserves of Rs. 1,462 Mn, Available for Sale Reserves of Rs. 6 Mn and Retained Earnings of Rs. 547 Mn. The Total Reserves of the Group as at 31st March 2014 stand at Rs. 2,623 Mn (2012/13 - Rs. 2,389 Mn) and comprising Revaluation Reserves of Rs. 1,566 Mn, Available for Sale Reserves of Rs. 54 Mn and Retained Earnings of Rs. 1,003 Mn.

### Statement of Changes in Equity

The movement in equity is shown in the Statement of Changes in Equity on pages 217 to 218.

### Contingent Liabilities

The details of Contingent Liabilities are disclosed in Note 31 to the Financial Statements on page 245.

### Events Occurring After the Reporting Date

Grand Hotel (Pvt) Ltd., the wholly owned subsidiary of The Nuwara Eliya Hotels Co. PLC amalgamated with its Parent Company with effect from 1st April 2014 and the amalgamated company shall continue as "The Nuwara Eliya Hotels Co. PLC".

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	2013/14	
		No. of Meetings Held	Attended
Deshabandu G.L.A. Ondaatjie	Executive Director	4	1
Mr. Gerard G. Ondaatjie	Executive Director	4	4
Ms. Angeline Ondaatjie	Executive Director	4	2
Mr. T.J. Ondaatjie	Executive Director	4	3
Mr. J.H.P. Ratnayeke	Independent Non-Executive Director	4	4
Mr. L.N.de S. Wijeyeratne	Independent Non-Executive Director	4	4
Mr. S.K. Abeyesundara	Independent Non-Executive Director	4	0
Mr. M.K.K.K.B. Galagoda	Non-Executive Director	4	3

Subsequent to the Date of the Statement of Financial Position, no other circumstances have arisen which would require adjustments to or disclosure in the Financial Statements.

### Changes in Accounting Policies

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

### 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.

### Board of Directors

The Board of Directors of The Nuwara Eliya Hotels Co. PLC as at 31st March 2014 comprise of:

Deshabandu G.L.A. Ondaatjie  
 Mr. Gerard G. Ondaatjie  
 Ms. A.M. Ondaatjie  
 Mr. T.J. Ondaatjie  
 Mr. J.H.P. Ratnayeke  
 Mr. L.N. de Silva Wijeyeratne  
 Mr. M.K.K.K.B. Galagoda  
 Mr. S.K. Abeyesundara

The Profiles of the Directors are given on pages 44 to 47 of the Annual Report.

### New Appointments to the Board

Mr. M.K.K.K.B. Galagoda and Mr. S.K. Abeyesundara 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, Mr. L.N. de Silva Wijeyeratne and Mr. T.J. Ondaatjie retire by rotation, and being eligible to 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 Directors serve as members of the Audit, Remuneration and Nomination Committees.

- **Audit Committee**  
 Mr. J.H.P. Ratnayeke  
 Mr. L.N. de Silva Wijeyeratne

The Report of the Audit Committee is given on pages 82 & 83 of this report.

- **Remuneration Committee**  
 Mr. J.H.P. Ratnayeke  
 Mr. L.N. de Silva Wijeyeratne

The Report of the Remuneration Committee is given on pages 85 & 86 of this report.

- **Nomination Committee**  
 Mr. J.H.P. Ratnayeke  
 Mr. Gerard G. Ondaatjie  
 Mr. L.N. de Silva Wijeyeratne

The Report of the Nomination Committee is given on page 84 of this report.

### 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.

### Directors' Remuneration

The aggregate emoluments paid to the Directors in respect of the Company and the Group for the financial year 2013/2014 amounted to Rs. 3,533,200/- given in Note 8 to the Financial Statements on page 233.

### Directors' Shareholding

The Directors of the Company held 837,548 Ordinary Shares (41.80%) and 3,155 7% Cumulative Participating Preference Shares (54%) as at 31st March 2014.

### Directors' Interest in Shares in the Company

The Directors' holding in shares as at the date of Consolidated Statement of Financial Position is as follows:

Name of Director	2014	2013
<b>Ordinary Shares</b>		
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 Silva Wijeyeratne	-	-
Mr. M.K.K.K.B. Galagoda	-	-
Mr. S.K. Abeyesundara	-	-
<b>Preference Shares</b>		
Mr. G.L.A. Ondaatjie	3,155	3,155

### Shareholders' Information

The distribution of Shareholders is indicated on pages 262 to 264 in the Annual Report. There were 656 registered shareholders as at 31st March 2014.

### Share Information

Information on share trading is given on pages 262 to 264 of the Annual Report.

### Public Holding

The number of ordinary shares held by the public as at 31st March 2014 was 217,155 (2012/13 - 217,318) which amounted to 10.84% (2012/13 - 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 2014 signed by the Group Financial Controller, the Managing Director and another Director of the Company are given on pages 214 to 251 which form an integral part of the Annual Report of the Company.

### 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.

### Auditors

Messrs. KPMG, Chartered Accountants retire and being eligible to offer themselves for re-election. A resolution to re-appoint them as Auditors and authorizing the Board to fix their remuneration will be proposed at the Annual General Meeting.

The amount payable to Auditors Messrs. KPMG, Chartered Accountants for the year ended 31st March 2014 is Rs. 453,600/- as Audit Fees. Fees for Non-Audit Services of Rs. 92,310/- was also incurred by the Group.

As far as the Directors are aware, the Auditor does 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. Ondaatje**  
Managing Director

  
**T.J. Ondaatje**  
Executive Director

Sgd.  
Mercantile Investments & Finance PLC  
Secretaries

Colombo  
20th May 2014



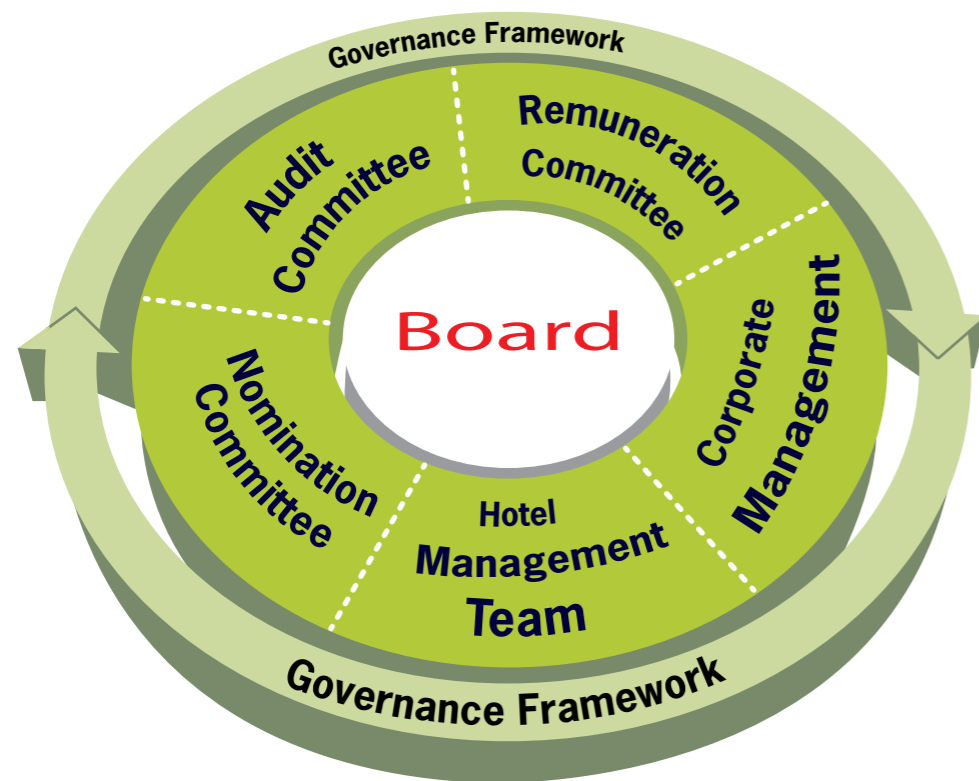
## Good Governance is not just a matter for the Board and our aim always is to foster a culture of strong Governance throughout the Group

The Board of Directors is responsible for both the Stewardship and Governance of the Company. 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. Good Governance is not just a matter for the Board and our aim always is to foster a culture of strong Governance throughout the Group. A good Corporate Governance structure encourages us to create value through entrepreneurship, innovation and

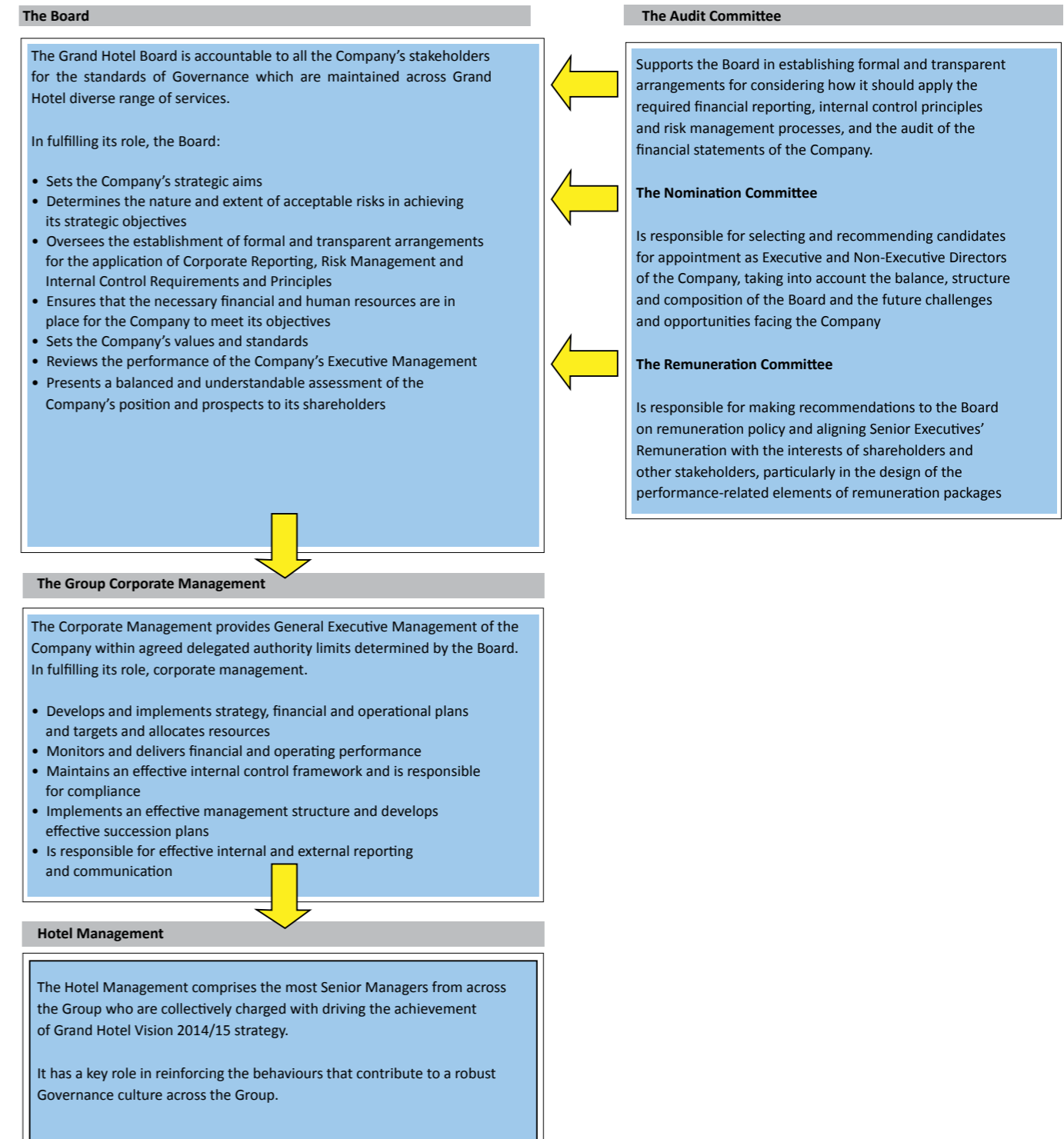
establishes accountability and transparency commensurate with the inherent risks and opportunities available to the Company. It influences how the objectives of the Company are set and achieved, risks identified and managed and organizational performance optimized, which will ultimately add value to 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 2013/2014, and the extent of compliance with same.



## Corporate Governance Framework



## Effective Corporate Governance is central to the Group's ability to operate successfully, and as a Board, we take seriously our responsibility for setting high standards of accountability & ethical behavior

### Board of Directors

The Board's primary responsibility is to promote the long-term success of the Company by creating and delivering sustainable shareholder value. The Board seeks to achieve this through setting out its strategy, monitoring its strategic objectives and providing oversight of its implementation by the Management Team. In establishing and monitoring its strategy, the Board considers the impact of its decisions on wider stakeholders including employees, suppliers and the environment. Effective Corporate Governance is central to the Group's ability to operate successfully, as a Board, we take seriously our responsibility for setting high standards of accountability & ethical behavior.

A number of key decisions and matters are reserved for the Board's approval and are not delegated to management. These include matters relating to the Group's strategy, approval of major acquisitions, disposals, capital expenditure, financial results and overseeing the Group's systems of internal control, governance and risk management. The Board delegates certain responsibilities to the management, to assist it in carrying out its functions of ensuring independent oversight.

### Board Composition and Directors' Independence

At the last Annual General Meeting (AGM) of The Nuwara Eliya Hotels Co. PLC held on 28th June 2013, the Board consisted of eight Directors comprising of:

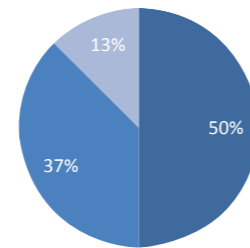
- Four Executive Directors (ED) – includes the Chairman and Managing Director

- Three Non-Executive Independent Directors (NED/ID)
- One Non-Executive Director (NED)

As at 31st March 2014, the Board consists of eight Directors comprising of:

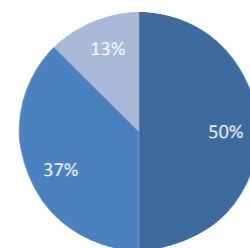
- Four Executive Directors (ED) – includes the Chairman and Managing Director
- Three Non-Executive Independent Directors (NED/ID)
- One Non-Executive Director (NED)

**Board 2013/14**



- Executive Directors - 4 (50%)
- Non-Executive Independent Directors - 3 (37%)
- Non-Executive Directors - 1 (13%)

**Board 2012/13**



- Executive Directors - 4 (50%)
- Non-Executive Independent Directors - 3 (37%)
- Non-Executive Directors - 1 (13%)

The presence of Non-Executive Independent Directors, 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 2014 in accordance with Section 07 of the CSE listing regulations on Corporate Governance. The biographical details of the Directors are set out on pages 44 to 47 of this report.

The composition of the Board is shown in the table below:

Name of Director/ Capacity	Significant Shareholding	Management	Material Business Relationship	Employee of the Company	Family Member Director	Nine Years of Continuous Service
<b>Executive Directors</b>						
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
<b>Non-Executive Independent Directors</b>						
Mr. J.H.P. Ratnayake	No	No	No	No	No	No
Mr. L.N. de Silva Wijeyeratne	No	No	No	No	No	No
Mr. S.K. Abeyesundara	No	No	No	No	No	No
<b>Non-Executive Director</b>						
Mr. M.K.K.K.B. Galagoda	No	Yes	Yes	No	No	No

### 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

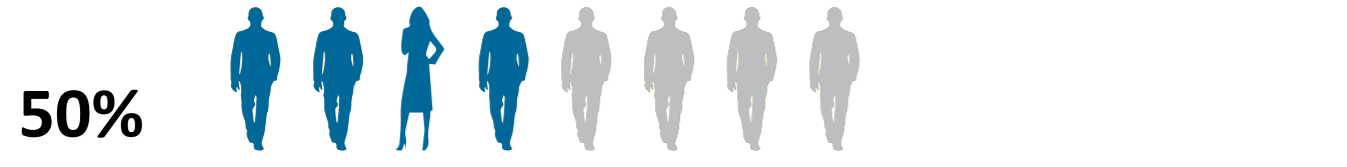
**Board Balance**

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.

This year we continued to make progress in shaping our Board for the future, ensuring that diversity, in its broadest definition, is at its heart. There were two new appointments made during the year, namely Mr. S.K. Abeysundara an independent Non-Executive Director and Mr. M.K.K.K.B. Galagoda a Non-Executive Director, who's profiles are available on page 47. From a practical perspective, our focus on diversity means we look hard at our mix of skills and experience. New Board appointments will always seek to complement these as well as ensuring that a good balance of skill set, and international experience maintained.

**Board Balance**

**Chairman & Executive Directors**

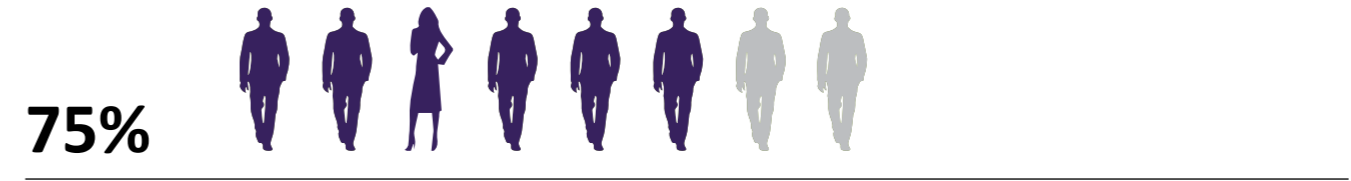


**Non-Executive Directors**



**Board Experience**

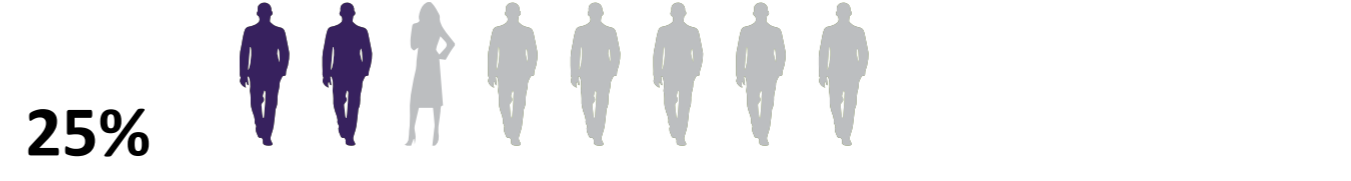
**Tourism**



**Consumer**

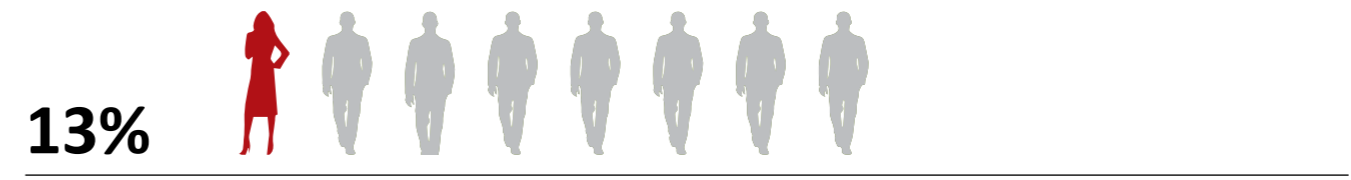


**Finance**



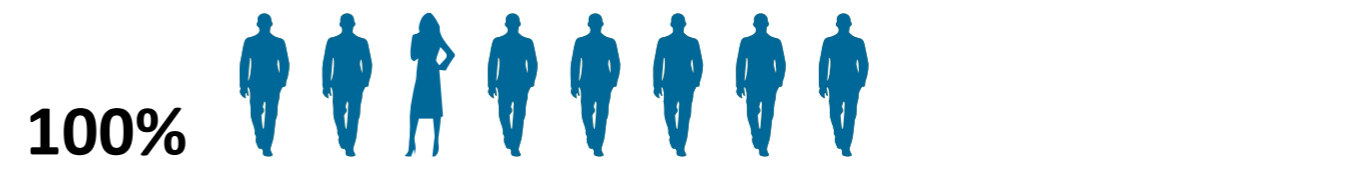
**Gender Split of Directors**

**Women on the Board**



**Nationality**

**Sri Lankan**



**Non-Executive Board Tenure**



**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 2013/14 there was a total of four 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	Attendance at Board Meeting				Meetings Attended
	17th May 2013	6th Aug. 2013	6th Nov. 2013	6th Feb. 2014	
<b>Executive Directors</b>					
Mr. G.L.A. Ondaatjie - Chairman	-	-	-	✓	1/4
Mr. Gerard G. Ondaatjie	✓	✓	✓	✓	4/4
Ms. A.M. Ondaatjie	✓	✓	-	-	2/4
Mr. T.J. Ondaatjie	✓	✓	✓	-	3/4
<b>Non-Executive Independent Directors</b>					
Mr. J.H.P. Ratnayake	✓	✓	✓	✓	4/4
Mr. L.N. de Silva Wijeyeratne	✓	✓	✓	✓	4/4
Mr. S.K. Abeyesundara	-	-	-	-	0/4
<b>Non-Executive Directors</b>					
Mr. M.K.K.K.B. Galagoda	✓	-	✓	✓	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.

**Nomination Committee**

The main objective of the Nomination 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 reappointment 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 Nomination 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 Silva Wijeyeratne (NED)
- Mr. Gerard G. Ondaatjie (ED)

The Nomination Committee met once during the financial year.

Name of Director	Attendance at Nomination Committee Meeting	
	6th Feb. 2013	Meetings Attended
Mr. J.H.P. Ratnayeke (NED) - Chairman	✓	1/1
Mr. L.N. de Silva Wijeyeratne (NED)	✓	1/1
Mr. Gerard G. Ondaatjie (ED)	✓	1/1

**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 Silva Wijeyeratne
- Mr. Manil Jayasinghe - 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 Silva Wijeyeratne and Mr. Manil Jayasinghe 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 pages 82 & 83.

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

Name of Member	Attendance at Audit Committee Meeting				Meeting Attended
	17th May 2013	6th Aug. 2013	6th Nov. 2013	6th Feb. 2014	
Mr. J.H.P. Ratnayeke - Chairman	✓	✓	✓	✓	4/4
Mr. L.N. de Silva Wijeyeratne	✓	✓	✓	✓	4/4
Mr. Manil Jayasinghe - Consultant	✓	-	✓	-	2/4

**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 Silva Wijeyeratne
- Mr. Manil Jayasinghe - Consultant

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 in Note 8 on page 233 of this report.

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

The Remuneration Committee met once during the financial year.

Name of Director	Attendance at Remuneration Committee Meeting	
	6th Feb. 2014	Meetings Attended
Mr. J.H.P. Ratnayeke - (NED/ID)	✓	1/1
Mr. L.N. de Silva Wijeyeratne - (NED/ID)	✓	1/1
Mr. Manil Jayasinghe - Consultant	-	0/1

**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 Meeting/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 2014, 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 2014 is presented on page 213 of this Annual Report. The Annual Report of the Board of Directors is presented on pages 50 to 54 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 acknowledges its responsibilities for the system of internal control to facilitate the identification, assessment and management of risk, the protection of shareholders’ investments and the Group’s assets. The Directors recognize that they are responsible for providing return to shareholders, which is consistent with the responsible assessment and mitigation of risk. 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 Financial 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 the Statement 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 Managing Director’s Review. A detailed review of the Hotel’s Performance during the year is covered in the Integrated Management Discussion & Analysis.

**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	<ul style="list-style-type: none"> <li>The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors</li> <li>Names of Independent Directors should be disclosed in the Annual Report.</li> </ul>	Compliant Compliant	Corporate Governance Corporate Governance/ Board of Directors' Profile
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
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	<ul style="list-style-type: none"> <li>Names of Directors comprising the Remuneration Committee</li> <li>Statement of Remuneration Policy</li> <li>Aggregated Remuneration paid to Directors</li> </ul>	Compliant Compliant Compliant	Corporate Governance Corporate Governance 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

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.6 (a)	Composition of Audit Committee	<ul style="list-style-type: none"> <li>Shall comprise of Non-Executive Directors a majority of whom will be independent</li> </ul>	Compliant	Corporate Governance and the Audit Committee Report
		<ul style="list-style-type: none"> <li>A Non-Executive Director shall be appointed as the Chairman of the Committee</li> </ul>	Compliant	Corporate Governance and the Audit Committee Report
		<ul style="list-style-type: none"> <li>CEO (Managing Director) &amp; Chief Financial Officer should attend Audit Committee Meetings</li> </ul>	Compliant	Corporate Governance and the Audit Committee Report
		<ul style="list-style-type: none"> <li>The Chairman of the Audit Committee or one member should be a member of a professional accounting body</li> </ul>	Compliant	Corporate Governance and the Audit Committee Report
7.10.6 (b)	Audit Committee Functions	<p>Functions shall include: Overseeing of the -</p> <ul style="list-style-type: none"> <li>Preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Financial Reporting Standards</li> <li>Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements</li> </ul>	Compliant	Corporate Governance and the Audit Committee Report

Rule No.	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.6 (b) (contd..)		<ul style="list-style-type: none"> <li>Processes to ensure that the Internal Controls and Risk Management are adequate to meet the requirements of the Sri Lanka Auditing Standards</li> </ul>		
		<ul style="list-style-type: none"> <li>Assessment of the independence and performance of the External Auditors</li> </ul>		
		<ul style="list-style-type: none"> <li>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</li> </ul>		
7.10.6 (C)	Disclosure in the Annual Report relating to Audit Committee	<ul style="list-style-type: none"> <li>Names of Directors comprising the Audit Committee</li> </ul>	Compliant	Corporate Governance and the Audit Committee Report
		<ul style="list-style-type: none"> <li>The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination</li> </ul>	Compliant	Corporate Governance and the Audit Committee Report
		<ul style="list-style-type: none"> <li>The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions</li> </ul>	Compliant	Corporate Governance and the Audit Committee Report

**Adoption of Joint Code of Best Practice – Checklist**

Code Ref	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
<b>A.1 Directors - Board</b>				
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	<ul style="list-style-type: none"> <li>• Formulation and implementation of strategy</li> <li>• Skill adequacy of management and succession</li> <li>• Integrity of information, internal controls and risk management</li> <li>• Compliance with laws, regulations and ethical standards</li> <li>• Code of conduct</li> <li>• Adoption of appropriate Accounting Policies</li> </ul>	Compliant	Corporate Governance
A.1.3	Access to Professional Advice	<ul style="list-style-type: none"> <li>• Procedures to obtain independent professional advice</li> </ul>	Compliant	Corporate Governance
A.1.4	Company Secretary	<ul style="list-style-type: none"> <li>• Ensures adherence to Board Procedures and applicable rules and regulations</li> <li>• All Directors to have access to the services of Company Secretary</li> </ul>	Compliant Compliant	Corporate Governance
A.1.5	Independent Judgement	<ul style="list-style-type: none"> <li>• Directors should exercise independent judgement on issues of strategy, resources, performance and standard of business judgement</li> </ul>	Compliant	Corporate Governance
A.1.6	Dedication of adequate time and effort by Directors	<ul style="list-style-type: none"> <li>• Directors should devote adequate time and effort to discharge their responsibilities to the Company satisfactorily</li> </ul>	Compliant	Corporate Governance

Code Ref	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.1.7	Training of Directors	<ul style="list-style-type: none"> <li>• Directors should receive appropriate training, have skills and expand knowledge to effectively perform duties</li> </ul>	Compliant	Corporate Governance
<b>A.2 Directors – Chairman &amp; Chief Executive Officer</b>				
A.2	Division of Responsibilities to ensure no individual has unfettered powers of decision	<ul style="list-style-type: none"> <li>• A balance of power and authority to be maintained by separating responsibility for conducting Board business from that of executive decision making.</li> </ul>	Compliant	Corporate Governance
<b>A.3 Role of Chairman</b>				
A.3	Ensure Good Corporate Governance	<ul style="list-style-type: none"> <li>• Chairman to preserve order and facilitate effective discharge of Board Functions by proper conduct of Board Meetings</li> </ul>	Compliant	Corporate Governance
<b>A.4 Directors – Financial Acumen</b>				
A.4	Possession of Adequate Financial Acumen	<ul style="list-style-type: none"> <li>• Board to ensure adequacy of financial acumen and knowledge within Board</li> </ul>	Compliant	Corporate Governance
<b>A.5 Directors – Board Balance</b>				
A.5.1	Composition of Board	<ul style="list-style-type: none"> <li>• The Board should include a sufficient number of Non-Executive Independent Directors</li> </ul>	Compliant	Corporate Governance
A.5.2	Proportion of Independent Directors	<ul style="list-style-type: none"> <li>• Two or one third of the Non-Executive Directors should be independent</li> </ul>	Compliant	Corporate Governance
A.5.3	Test of Independence	<ul style="list-style-type: none"> <li>• 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</li> </ul>	Compliant	Corporate Governance
A.5.4	Declaration of Independence	<ul style="list-style-type: none"> <li>• Non-Executive Directors should submit a signed and dated declaration of their Independence/Non-Independence</li> </ul>	Compliant	Corporate Governance

Code Ref	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.5.5	Annual determination of criteria of Independence/Non-Independence and declaration of same by Board	<ul style="list-style-type: none"> <li>The Board should annually determine and disclose the names of Directors deemed to be independent</li> </ul>	Compliant	Corporate Governance
A.5.6	Appointment of Senior Independent Director	<ul style="list-style-type: none"> <li>If the roles of Chairman and CEO (Managing Director) are combined, a Non-Executive Director should be appointed as a Senior Independent Director</li> </ul>	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	<ul style="list-style-type: none"> <li>The Chairman should meet the Non-Executive Independent Directors at least once a year</li> </ul>	Compliant	Corporate Governance
A.5.9	Directors Concerns to be Recorded	<ul style="list-style-type: none"> <li>When matters are not unanimously resolved, Directors to ensure their concerns are recorded in Board Minutes</li> </ul>	N/A	
<b>A.6 Directors – Supply of information</b>				
A.6.1	Provision of adequate information to the Board	<ul style="list-style-type: none"> <li>Management to ensure Board is provided timely and appropriate information</li> </ul>	Compliant	Corporate Governance
A.6.2	Adequacy of Notice and Formal Agenda to be discussed at Board Meetings	<ul style="list-style-type: none"> <li>Board minutes, agenda and papers should be circulated at least seven days before the Board Meeting</li> </ul>	Compliant	Corporate Governance

Code Ref	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
<b>A.7 Directors – Appointments to the Board</b>				
A.7.1	Nomination Committee	<ul style="list-style-type: none"> <li>Nomination Committee to make recommendations to the Board on new Board Appointments</li> </ul>	Compliant	Corporate Governance
A.7.2	Annual Assessment of Board Composition	<ul style="list-style-type: none"> <li>Nomination Committee of the Board should annually assess the composition of the Board</li> </ul>	Compliant	Corporate Governance
A.7.3	Disclosure of New Board Appointments	<ul style="list-style-type: none"> <li>Profiles of new Board Appointments to be communicated to shareholders</li> </ul>	Compliant	Board of Directors' Profile
<b>A.8 Directors – Re election</b>				
A.8.1	Appointment of Non-Executive Directors	<ul style="list-style-type: none"> <li>Appointment of Non-Executive Directors should be for a specified term and re-election should not be automatic</li> </ul>	Compliant	Corporate Governance
A.8.2	Shareholders approval of Appointment of Directors	<ul style="list-style-type: none"> <li>The appointment of all Directors should be subject to election by shareholders at the first opportunity</li> </ul>	Compliant	Corporate Governance
<b>A.9 Directors – Appraisal of board performance</b>				
A.9.1	Annual Appraisal of Board Performance	<ul style="list-style-type: none"> <li>The Board should annually appraise how effectively it has discharged its key responsibilities</li> </ul>	To be complied	
A.9.3	Declaration of Basis of Performance Evaluation	<ul style="list-style-type: none"> <li>The Board should disclose how performance evaluations have been carried out</li> </ul>	To be complied	
<b>A.10 Directors – Disclosure of Information in Respect of Directors</b>				
A.10.1	Biographical Profiles and relevant details of Directors to be disclosed	<ul style="list-style-type: none"> <li>Annual Report should disclose the Biographical details of Directors and attendance at Board / Committee Meetings</li> </ul>	Compliant	Directors' Profile/ Corporate Governance

Code Ref	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
<b>A.11 Directors – Appraisal of Chief Executive Officer</b>				
A.11.1	Short, Medium and Long-term, Financial and Non-Financial objectives to be set	<ul style="list-style-type: none"> <li>The Board should set out the short, medium and long-term, Financial and Non-Financial objectives at the commencement of each year</li> </ul>	Compliant	Corporate Governance
A.11.2	Evaluation of CEO (Managing Director) Performance	<ul style="list-style-type: none"> <li>The performance of the CEO (Managing Director) should be evaluated by the Board at the end of the year</li> </ul>	To be complied	
<b>B.1 Directors Remuneration – Remuneration Procedure</b>				
B.1.1	Appointment of Remuneration Committee	<ul style="list-style-type: none"> <li>Remuneration Committee to make recommendations on Directors Remuneration</li> </ul>	Compliant	Corporate Governance
B.1.2	Composition of Remuneration Committee	<ul style="list-style-type: none"> <li>Board to appoint only Non-Executive Directors to serve on Remuneration Committee</li> </ul>	Compliant	Corporate Governance
B.1.3	Disclosure of Members of Remuneration Committee	<ul style="list-style-type: none"> <li>The Annual Report should disclose the Chairman and Directors who serve on the Remuneration Committee</li> </ul>	Compliant	Corporate Governance
B.1.4	Remuneration of Non-Executive Directors	<ul style="list-style-type: none"> <li>Board to determine the level of remuneration of Non-Executive Directors</li> </ul>	Compliant	Corporate Governance
B.1.5	Access to Professional Advice	<ul style="list-style-type: none"> <li>Remuneration Committee should have access to professional advice in order to determine appropriate remuneration for Executive Directors</li> </ul>	Compliant	Corporate Governance
<b>B.2 Directors Remuneration – Level and Make up of Remuneration</b>				
B.2.1	Remuneration Packages for Executive Directors	<ul style="list-style-type: none"> <li>Packages should be structured to attract, retain and motivate Executive Directors</li> </ul>	Compliant	Corporate Governance
B.2.2	Remuneration Package	<ul style="list-style-type: none"> <li>Packages should be comparable and relative to that of the other companies as well as the relative performance of the Company</li> </ul>	Compliant	Corporate Governance

Code Ref	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
B.2.3	Appropriateness of remuneration and conditions in relation to other Group companies.	<ul style="list-style-type: none"> <li>When determining annual increases, the Remuneration Committee should be sensitive to that of other group companies</li> </ul>	Compliant	Corporate Governance
B.2.4	Performance related elements of remuneration	<ul style="list-style-type: none"> <li>Performance related elements of remuneration should be aligned with interests of the Company.</li> </ul>	Compliant	Corporate Governance
B.2.5	Share Options	<ul style="list-style-type: none"> <li>Executive share options should not be offered at a discount</li> </ul>	N/A	
B.2.9	Remuneration Packages of Non-Executive Directors	<ul style="list-style-type: none"> <li>Should reflect the commitment and responsibilities of role and in line with existing market practice</li> </ul>	Compliant	Corporate Governance
<b>B.3 Directors Remuneration – Disclosure of Remuneration</b>				
B.3.1	Disclosure of Details of Remuneration	<ul style="list-style-type: none"> <li>The Annual Report should disclose the Remuneration paid to Directors</li> </ul>	Compliant	Financial Statements - Note 8
<b>C.1 Relations with Shareholders</b>				
C.1.1	Proxy Votes to be Counted	<ul style="list-style-type: none"> <li>The Company should count and indicate the level of Proxies lodged for and against in respect of each resolution</li> </ul>	Compliant	Corporate Governance
C.1.2	Separate Resolutions	<ul style="list-style-type: none"> <li>Separate resolutions should be proposed for substantially separate issues</li> </ul>	Compliant	Corporate Governance/ Notice of Meeting
C.1.3	Availability of Committee Chairman at AGM	<ul style="list-style-type: none"> <li>The Chairman of Board Committees should be available to answer any queries at the AGM</li> </ul>	Compliant	Corporate Governance
C.1.4	Notice of AGM	<ul style="list-style-type: none"> <li>15 working days notice to be given to shareholders</li> </ul>	Compliant	Notice of Meeting
C.1.5	Procedure for Voting at Meetings	<ul style="list-style-type: none"> <li>Company to circulate the procedure for voting with Notice of Meeting</li> </ul>	Compliant	Notice of Meeting

Code Ref	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
<b>C.2 Major Transactions</b>				
C.2.1	Disclosure of Major Transactions	<ul style="list-style-type: none"> <li>Transactions that have a value which are greater than half of the net assets of the Company should be disclosed</li> </ul>	No major transactions during the current period	Annual Report of the Board of Directors
<b>D.1 Accountability and Audit – Financial Reporting</b>				
D 1.1	Presentation of Public Reports	<ul style="list-style-type: none"> <li>Should be balanced , understandable and comply with statutory requirements</li> </ul>	Compliant	Financial Statements
D 1.2	Directors Report	<p>The Directors’ Report should be included in the Annual Report and confirm that:</p> <ul style="list-style-type: none"> <li>The Company has not contravened laws or regulations in conducting its activities</li> <li>Material interests in contracts have been declared by Directors</li> <li>The Company has endeavoured to ensure equitable treatment to shareholders</li> <li>That the business is a “Going Concern”</li> <li>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</li> </ul>	Compliant	Annual Report of the Board of Directors / Financial Statements/ Corporate Governance/ Risk Management
D.1.3	Respective Responsibilities of Directors and Auditors	<ul style="list-style-type: none"> <li>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</li> </ul>	Compliant	Statement of Directors Responsibilities / The independent Auditors’ Report
D.1.4	Management Discussion and Analysis	<ul style="list-style-type: none"> <li>Annual Report to include a section on management Discussion and Analysis</li> </ul>	Compliant	Management Discussion

Code Ref	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.1.5	Going Concern	<ul style="list-style-type: none"> <li>Directors to substantiate and report that the business is a going concern or qualify accordingly</li> </ul>	Compliant	Annual Report of the Board of Directors
D.1.6	Serious Loss of Capital	<ul style="list-style-type: none"> <li>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.</li> </ul>	N/A	
<b>D.2 Accountability and Audit – Internal Control</b>				
D.2.1	Effectiveness of System of Internal Controls	<ul style="list-style-type: none"> <li>Directors to Annually conduct a review of the effectiveness of the system of internal controls. The responsibility may be delegated to the Audit Committee</li> </ul>	Compliant	Audit Committee Report / Risk Management
<b>D.3 Audit Committee</b>				
D.3.1	Chairman and Composition of Audit Committee	<ul style="list-style-type: none"> <li>Should comprise of a minimum of two Independent, Non-Executive Directors</li> <li>Audit committee chairman should be appointed by the Board</li> </ul>	Compliant	Audit Committee Report
D.3.2	Duties of Audit Committee	<p>Should include:</p> <ul style="list-style-type: none"> <li>Review of scope and results of audit and its effectiveness</li> <li>Independence and objectivity of the Auditors</li> </ul>	Compliant	Corporate Governance
D.3.3	Terms of Reference / Charter	<ul style="list-style-type: none"> <li>The Audit Committee should have a written terms of reference which define the purpose of the committee and its duties and responsibilities</li> </ul>	Compliant	Corporate Governance

Code Ref	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.3.4	Disclosures	<ul style="list-style-type: none"> <li>The Annual Report should disclose the names of Directors serving on the Audit Committee</li> <li>The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination</li> <li>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</li> </ul>	Compliant	Audit Committee Report / Corporate Governance
<b>D.4 Code of Business Conduct &amp; Ethics</b>				
D.4.1	Adoption of Code of Business Conduct and Ethics	<ul style="list-style-type: none"> <li>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</li> </ul>	To be complied	
D.4.2	Chairman's Affirmation	<ul style="list-style-type: none"> <li>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</li> </ul>	To be complied	
<b>D.5 Corporate Governance Disclosures</b>				
D.5.1	Corporate Governance Report	<ul style="list-style-type: none"> <li>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</li> </ul>	Compliant	Corporate Governance

Code Ref	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
<b>E. Industrial Investors – Structured Dialogue</b>				
E.1	Structured dialogue with Shareholders	<ul style="list-style-type: none"> <li>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</li> </ul>	Compliant	Corporate Governance
E.2	Evaluation of Governance Disclosures by Institutional Investors	<ul style="list-style-type: none"> <li>Institutional investors should be encouraged to consider the relevant factors drawn to their attention with regard to Board structure and composition</li> </ul>	Compliant	Corporate Governance
<b>F. Other Investors – Investment / Divestment Decisions</b>				
F.1	Individual Investors	<ul style="list-style-type: none"> <li>Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment/divestment decisions</li> </ul>	Compliant	Corporate Governance
F.2	Shareholder Voting	<ul style="list-style-type: none"> <li>Individual shareholders should be encouraged to participate and exercise their voting rights</li> </ul>	Compliant	Corporate Governance

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

## Operation of the Audit Committee

The Audit Committee met on four occasions during the year. Details of the attendance at Audit Committee Meetings are set out in the Corporate Governance Report on page 56 and also in this Audit Committee Report. The Statutory Auditors, the Internal Auditors, the Group Financial Controller, the Financial Controller and the General Manager of the Hotel attended these meetings of the Audit Committee at the invitation of the Chairman of the Audit Committee. The External Auditors are regularly invited by the Audit Committee to advise them of any matters which they consider should be brought to the Audit Committee's attention without the Managing Director's presence. The External Auditors may also request a meeting with the Audit Committee if they consider it necessary.

The Company Secretary acts as secretary to the Audit Committee. The members of the Audit Committee can, where they judge it necessary to discharge their responsibilities, obtain independent professional advice at the Company's expense.

## The Audit Committee's Duties include:

- Monitoring the financial reporting process.
- Monitoring the statutory audit of the Group's Financial Statements.
- Reviewing the Group's Financial Statements and the material financial reporting judgements contained therein.
- Monitoring the effectiveness of the Group's Internal Control and Risk Management systems.
- Reviewing and monitoring the independence of the External Auditors and the provision of additional services to the Group.
- Advising the Board on the appointment and removal of the External Auditors and the remuneration and terms of engagement of the External Auditors.

The minutes of the Audit Committee meetings were sent to the Board of Directors for acknowledgement. Significant issues arising therefrom were discussed by the Board of Directors.

## Internal Control and Risk Management

The Board is responsible for the Group's system of internal control and risk management and for reviewing its effectiveness. The Audit Committee monitors and reviews each year the effectiveness of, and the framework for, the Group's system of internal control and risk management. The Audit Committee undertook a review of the effectiveness of, and the framework for, the Group's system of internal control and risk management, including financial, operational and compliance controls during the year. In addition to this review, the external auditors and Internal Auditors provided the Audit Committee with comprehensive reports of the results of their testing of controls that were carried out as part of the external audit. The Audit Committee also reviewed on a quarterly basis, the key risks that the Group faces and the actions being taken by management to mitigate and manage them.

## Attendance at Audit Committee Meetings

Name of Member	1st Quarter 17th May 2013	2nd Quarter 6th Aug. 2013	3rd Quarter 6th Nov. 2013	4th Quarter 6th Feb. 2014	Meetings Attended 2013/14
Mr. J.H.P. Ratnayake - (NED/ID)	✓	✓	✓	✓	4/4
Mr. L.N. de Silva Wijeyeratne - (NED/ID)	✓	✓	✓	✓	4/4
Mr. Manil Jayasinghe - Consultant	✓	-	✓	-	2/4

## Review of the Work of the External Auditors

Subject to the annual appointment of the External Auditors by shareholders, the Audit Committee regularly reviews the relationship between the Group and the External Auditors. This review includes an assessment of their performance, cost effectiveness, objectivity and independence. The Audit Committee is responsible for ensuring that an appropriate relationship is maintained between the Group and the External Auditors.

The Group has implemented a policy of controlling the provision of non-audit services by the External Auditors in order to ensure that their objectivity and independence is safeguarded. The Audit Committee also continued with the appointment of other accountancy firms to provide certain non-audit services to the Group in connection with tax, other services and anticipates that this will continue in 2014/15.

The Audit Committee, having considered the External Auditors' performance during their period in office, recommends their re-appointment. A full breakdown of the audit and non-Audit related fees are set out in Note 8 to the Consolidated Financial Statements on page 233.

This report was approved by the Board and signed on its behalf by:



**J.H.P. Ratnayake**

Chairman - Audit Committee

20th May 2014

# Nomination Committee Report

The Nomination Committee presents a separate report herewith in relation to the financial year ended 31st March 2014.

## Composition of the Nomination Committee

The Committee comprises of the two independent Non-Executive Directors and the Executive Managing Director. External advisors may be invited to attend meetings when necessary. The Nomination Committee met once during the financial year 2013/14 and was attended as follows. The biographies of members of the Nomination Committee is set out on page 84.

Nomination Committee Meeting		
Name of Director	2013/14 6th Feb. 14	Meetings Attended 2013/14
Mr. J.H.P. Ratnayake - (NED/ID)	✓	1/1
Mr. L.N. de Silva Wijeyeratne - (NED/ID)	✓	1/1
Mr. Gerard G. Ondaatjie - (ED)	✓	1/1

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.

In accordance with its terms of reference, the Nomination Committee's responsibilities include the following:

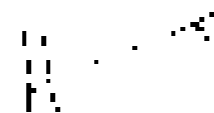
- Determination of the Board's structure, size and composition;
- Determination of the skills, experience and knowledge of

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.

Following the changes to the composition of the Board during the year, the Committee firmly believes that the current composition represents a strong, well balanced and diverse Board. The Board membership is made up of specialists in accounting, legal, engineering and architectural and possesses considerable knowledge, experience and skills to meet the current and future requirements of the Group.

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. Ratnayake**

Chairman - Nomination Committee  
20th May 2014

# Remuneration Committee Report

This Annual Report which has been prepared in accordance with the Accounting Regulations under the Companies Act 2007, also meets the relevant requirements of the Listing Rules of the Securities and Exchange Commission. Accordingly, this Report describes how the Board has applied the principles relating to Directors' Remuneration in the Combined Code on Corporate Governance (version effective 1st January 2013), and the corresponding requirements as per Companies Act 2007 through the Remuneration Committee.

## Membership of the Remuneration Committee

The Committee comprises of the following members:

- Mr. J.H.P. Ratnayake - Independent Non-Executive Director
- Mr. L.N. de Silva Wijeyeratne - Independent Non-Executive Director
- Mr. Manil Jayasinghe - Consultant (Chartered Accountant)

Remuneration Committee Meeting		
Name of Director	2013/14 6th Feb. 14	Meetings Attended 2013/14
Mr. J.H.P. Ratnayake - (NED/ID)	✓	1/1
Mr. L.N. de Silva Wijeyeratne - (NED/ID)	✓	1/1
Mr. Manil Jayasinghe - Consultant	-	0/1

## Scope and Objectives of the Committee

Attracting, retaining and motivating Directors of appropriate calibre and experience are essential to the Company's future success and therefore primary objectives of the Committee. The other objectives of the remuneration policy are to:

- pay a base salary, benefits and other perks which compares with other companies of comparable size and complexity but does not exceed relevant market levels in accordance with the remuneration policy
- use short-term and long-term increments to encourage Executive Directors to out-perform targets, thereby linking their rewards to the interests of shareholders and other stakeholders and giving them the opportunity to increase their earnings

- encourage Executive Directors to hold shares in the Company
- facilitate effective succession planning

## The Remuneration Policy

The Executive Directors' remuneration packages comprised of the following:

- Base salary
- Company maintained car or allowance in lieu
- Performance linked bonus
- Private healthcare insurance, Life assurance

A review of the remuneration policy is set out below:

## Review of Remuneration

During the year, the Committee conducted a review of all elements of the remuneration packages of Executive Directors and Key management personnel, particularly the performance-related elements. The Committee concluded, following consultation with Managing Director, that fixed elements of the package should remain broadly unchanged and that a bonus potential of 100% of salary remained as an appropriate measure of short-term incentives.

## 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 high quality resources in the 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.

#### 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 in Note 8 on page 233.

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**J.H.P. Ratnayake**

Chairman - Remuneration Committee

20th May 2014



# Combined Management Discussion and Analysis

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# Combined Management Discussion and Analysis

## About The Nuwara Eliya Hotels Co. PLC

An elegant High Tea on a manicured lawn; sip a stiff brandy by the blazing fire after a round of golf in the chill air. Is it England in the Days of the Raj? It may be the 21st century, but colonial splendour still reigns in all its past glory at the Grand Hotel. Built in 1891, this was the palatial residence of the former Governor of Sri Lanka, Sir Edward Barnes; today we offer the ultimate in comfort and the best of traditions from the 'good old days' to all who seek the charms of our famed hill country landmark.

## International Tourism on the Rise

While global economic growth is in low gear, international tourism continues to produce above average results in most world regions, offering vital opportunities for employment and local economies. This is particularly important for Europe, where unemployment is a major concern in many destinations and where the tourism sector has been a source of job growth in the last decade. Furthermore, through its value chain, tourism creates businesses and jobs in many other sectors and produces significant export revenues which contribute favourably to the balance of payments in many countries.

Demand for international tourism remained strong throughout the first eight months of 2013, according to the latest UNWTO World Tourism Barometer. Between January and August, the number of international tourists worldwide grew by 5%, driven by strong results in Europe, Asia and the Pacific and the Middle East. UNWTO's Panel of Experts confirms this positive trend. Its evaluation of the May to August period shows a significant improvement in confidence, while prospects for the last four months of 2013 remain upbeat.

In the first eight months of the year, international tourist arrivals grew by 5% to reach a record 747 million worldwide, some 38 million more than in the same period of 2012.

After a solid start of the year, demand for international tourism maintained its strength throughout the Northern Hemisphere peak season. The months of June to August have shown sound results – in absolute numbers, international arrivals topped

125 million in both July and August, while in June, the 100 million arrivals mark was exceeded for the first time.

## International Tourist Numbers Grow in All Regions

**Europe** (+5%) benefited the most from the growth of tourism in the first eight months of 2013, with an estimated 20 million more arrivals in the region. Given that Europe is the world's largest tourism region with many mature destinations, a 5% growth rate is very positive. Central and Eastern Europe (+7%) and Southern and Mediterranean Europe (+6%) performed particularly well.

**Asia and the Pacific** (+6%) continued to show robust growth bolstered by South-East Asia (+12%) adding some ten million arrivals.

**The Americas** (+3%), which gained four million additional arrivals in the first eight months of the year, reported comparatively weaker results, with North America (+4%) in the lead.

**Africa** (+5%) where growth was led by the recovery of North Africa (+6%), received two million extra arrivals, while in the Middle East arrivals rebounded by 7% after two years of decline.

## Growth in Tourism Receipts Trails Arrivals

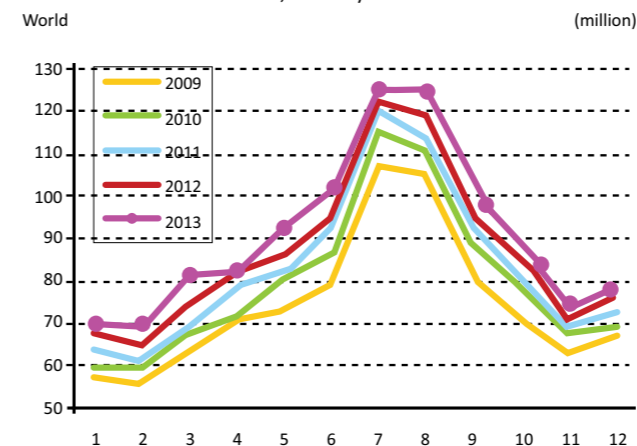
With very few exceptions, the positive results in arrivals are also reflected in the international tourism receipts reported for the first six to eight months of the year. Among the 25 largest international tourism earners, receipts grew by double-digits in Thailand (+27%), Hong Kong (China) (+25%), Turkey (+22%), Japan (+19%), the United Kingdom (+18%), Greece (+15%), India (+14%), Malaysia (+12%) and the United States (+11%).

## Emerging Economies Continue to Drive International Tourism Spending

Emerging economies continue to lead international tourism expenditure, with all BRIC countries except India, reporting a double-digit growth. China posted an extraordinary 31% increase in spending, while the Russian Federation (+28%) and Brazil (+15%) likewise saw a sound increase during the period.

Tourism spending was slower in the advanced economy source markets of Canada (+4%), the United Kingdom (+2%), France (+2%), the United States (+1%) and Germany (0%), while Japan, Australia and Italy saw declines in expenditure.

International Tourists Arrivals, Monthly Evolution (million)



Source: World Tourism Organization (UNWTO)©

## Ten-Year Outlook and New World Order: 2013 - 2023

- Travel & Tourism's direct contribution to world GDP is set to grow by 4.4% on average per year over the next ten years, and outpace growth in the wider economy and other industries, notably retail and public services.
- By 2023, Travel & Tourism's total economic contribution is forecast to rise to US\$ 10.5 trillion in GDP (2012 prices), almost 340 million in jobs, over US\$ 1.3 trillion in investment (2012 prices) and almost US\$ 2.0 trillion in exports (2012 prices).
- The growing importance of Travel & Tourism in the global economy will mean that by 2023, Travel & Tourism's total contribution will account for 10.0% of GDP and 1 in 10 jobs. Total Travel & Tourism employment is forecast to increase by over 70 million jobs over the next decade, with two-thirds of the additional jobs in Asia.

- Asia will continue to lead growth of the global Travel & Tourism industry over the next decade, with annual average growth of over 6%. Asia's growth will be driven by increasing wealth among its middle classes. This will impact on the wider global industry via increased destination competition but also create opportunities to grow outbound spending. Destinations within and outside Asia will need to be prepared to invest in infrastructure suitable for these new sources of demand to achieve the clear growth potential that exists.
- Africa, Latin America and the Middle East will also outperform world industry growth over the next ten years, with growth of 5.1%, 4.7% and 4.8% respectively. More mature markets in North America and the Caribbean are forecast to see annual average growth rates of 3.4% and 3.3% respectively in Travel & Tourism total contribution to GDP. Industry growth in Europe is forecast to pick up in 2014, but overall long-term growth of Travel & Tourism's total contribution to GDP is forecast at 2.7% in Europe and 2.6% in Oceania, the weakest two regions.
- As a result of these long-term regional outlooks, there will be a shift in the 'world order' of Travel & Tourism over the next decade. By 2023, China will lead the world in the total contribution that Travel & Tourism makes to GDP, overtaking the current leader, USA. This will be fuelled by the scale of its domestic and investment Travel & Tourism spending. China is also set to become the largest outbound Travel & Tourism market in 2023 in spending terms. However as a destination, both in terms of visitor exports and its share of global foreign arrivals, China will still be a long way behind the US in 2023. Excluding arrivals from Macau, Taiwan and Hong Kong would actually push China well down the global league table for foreign arrivals in 2023, behind mature markets such as France, Spain and Italy.

### 435 Million Tourists Expected to Travel Abroad During the Tourism Peak Season

Prospects remain positive for the period May to August, the Northern Hemisphere's summer season. Around 435 million tourists are expected to travel abroad during these four months that account for as much as 40 per cent of all international tourist arrivals registered in a year. The pace of growth might slow somewhat, as shoulder seasons tend to show faster growth than the peak season.

For the full year of 2013, international tourist arrivals are expected to increase by 3 per cent to 4 % in line with UNWTO's long-term forecast of 3.8 % per year for the period 2010 to 2020.

### Sri Lanka Economic Outlook

The Sri Lankan economy is projected to accelerate further over the medium term benefiting from favorable economic conditions domestically and the restoration of growth globally. Steadied by a 7.3 per cent growth in 2013, the economy is expected to grow by 7.8 per cent in 2014, before moving to a higher growth path of over 8 per cent in the medium-term.

This expansion is expected to be broad based with all major sectors, i.e., agriculture, industry and services, contributing positively in the coming years. Expansion of infrastructure facilities and adoption of advanced technology, especially in the Agriculture and Industry sectors are expected to result in greater capacity and improved productivity. Growth in trade in services especially in the areas of tourism, transport, telecommunication, ports and financial services is expected to provide the required impetus for the envisaged growth momentum.

The gradual recovery in the global economy is expected to maintain Sri Lanka's external demand at favorable levels, sustaining a higher growth trajectory over the medium term. Augmenting investments to a level above 30 per cent of GDP is vital for maintaining a higher growth path. The GDP deflator is expected to decline to around 5 per cent over the medium

term, supported by the added capacity in the economy and policy measures aimed at maintaining low inflation, thereby encouraging more productive investment.

With the favorable developments in the economy, per capita income is expected to surpass US dollars 4,000 in 2015, highlighting the need to continue proactive measures to avoid the 'middle income trap', while fostering growth in all sectors of the economy.

### Future Development of Sri Lanka

The challenge of developing Sri Lanka into an internationally competitive commercial hub will exert an enormous pressure on existing public utilities and infrastructure facilities. The Services Sector has already become one of the fastest growing sectors in the global economy accounting for around 6 per cent of global output and 19 per cent of global exports. In Sri Lanka, the contribution of the Services sector to GDP is around 60 per cent while services exports account for around 30 per cent of total exports of goods and services.

The growth in the export of services over the past decade highlights the scope for service exports to be a key driver of growth going forward. Capitalizing on the country's strategic location and competitive advantage, the Government's strategy to develop five hubs plus tourism has thrust the Services sector as the main engine of growth in the medium term.

In the light of the rapid developments taking place to position Sri Lanka as a commercial hub in the region, it is necessary to ensure that the capacity of the major public utilities and infrastructure facilities such as water, electricity, sewerage and storm water drainage, fire protection services and transportation infrastructure are developed to meet the growing demand arising from the emerging economic activities.

### Development of Tourism in Sri Lanka

Tourism which is one of the fastest growing sectors in the economy requires a clear, market driven strategy as it aims to reach its target of 2.5 million tourist arrivals by 2016. The tourist industry has witnessed a rapid growth since the end of

the conflict with tourist arrival expanding the tourism industry further, the industry faces many challenges, such as the need for more trained staff, improved service standards, an increase in room capacity and better promotional efforts particularly in non-traditional markets. The number of trained hospitality staff is inadequate to meet the needs of a growing industry. Hence, there is an urgent need to establish new training schools, encourage current employees to obtain higher certification, multi-skill development and to provide incentives to Sri Lankan hoteliers working abroad to return to the country. This would increase the pool of skilled workers, thereby improving the service standards in the industry. The ongoing mega projects in the Hotel sector are expected to raise the capacity in the industry to meet requirements of the targeted tourist arrivals, and therefore, the timely completion of these projects are vital. The continuing collaboration between the state and private sector would be necessary for the sustainable development of the industry. Further, continuing to conduct promotional campaigns in untapped potential markets are expected to attract tourists from a wider geographic base thereby strengthening the resilience of the industry.

### New Strategic Development Plan for Sri Lanka Tourism

Ministry of Economic Development officially launched the Tourism Development Strategy for the five year period from 2011 to 2016. According to the newly launched Tourism Development Strategy, the main target of the tourism sector in these five years is to achieve a target number of 2.5 million tourists by 2016 being in line with the January 2010 visionary statement unveiled by "Mahinda Chinthanaya" spelling out plans for 2011 Tourism Development Policy including details of Visit Sri Lanka 2011 initiative. The 5 Year Master Plan Strategy Document of Economic Development Ministry halfway through refers to 2020 plans as envisaged by Finance Ministry as well.

A 36-page document puts together the expectations set for the development of tourism industry in the said time period covering all aspects of infrastructure development, standardization of products and services, improving the brand awareness and finally gearing all efforts towards achieving sustainability in the long run as booming sector directly contributing a large share

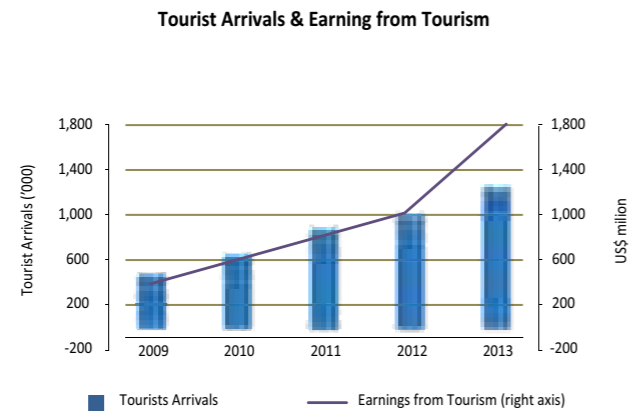
to Sri Lanka's Economic Development. Ministry of Economic Development is implementing the plan at the correct time to draw attention of all stakeholders to contribute to achieve the set goals spelt out in the publication focusing plans and targets until 2020.

The initiatives and policies of the newly launched publication will act as a benchmark for tourism sector for the said five years to come with the stretched goal of preparing the industry to move forward to achieve targets specified up to year 2020.

With a tag line "Refreshingly Sri Lanka" "The Wonder of Asia" the SLTDA has drawn up a specific strategies related to the five year plan. Are mentioned below:

- Creating an environment conducive for tourism;
- Attracting the right type of tourists;
- Ensuring that departing tourists are happy;
- Improving domestic tourism and
- Contributing towards improving the global image of Sri Lanka. The unique selling propositions of destination Sri Lanka are,
  - Authenticity
  - Compactness and
  - Diversity

SLTDA's goal is to promote Sri Lanka and its Tourism Resources to the World. Developing the current markets and creating new markets is vital and the SLTDA is focused on building market confidence, ensuring profitability and developing investor confidence amongst its various stakeholders.



The Sri Lanka Tourism Development Authority has decided to re forecast arrivals for 2013, changing the original estimated figure of 1.25 million to 1.1 million. The tourist arrivals during the year however had been 1.27 million. Tourist arrivals have increased drastically over the past four years, according to the statistics. Last year, the country recorded just over one million arrivals whereas during the last six months, we have attracted almost 500,000. SLTA forecast is 1.1 million for the year. According to sources, the average growth rate is likely to be around 28 per cent.

**Reflection of Sri Lankan Economy on Our Hotel Operations**

The challenge before the industry is to attract the right mix of tourists in a manner that benefits all stakeholders of the industry; this should strike a balance among the various categories of tourists such as high net worth tourists that generate high value; business tourists that demand service precision, modern facilities and entertainment options, charter tourists who seek sun sea and sand, and historical attractions, as well as the growing segment of low cost independent international travelers which generates formidable business for the informal tourism sector.

In this developing scenario within the tourism industry, there has been a raging argument whether the current room rates are too expensive or not, especially given the fact that arrivals have lost steam and in the face of rising competition from other destinations.

With these development and new hotels coming up, The Grand Hotel has to face a tough challenge with the competitors. Arrival of 1.27 million tourists this year is a notable achievement and we got a sizable tourist influx to our Hotel during the financial year.

However, it needs to be emphasized of the significance of the image to be built as a safe tourist destination and hence the Government and the Tourism Authorities should take steps to eradicate the adverse but isolated incidents noted during the past years on sexual harassment over tourists and other negative incidents to avoid adverse impacts on tourism. Under these conditions Grand Hotel has taken many proactive steps to overcome such situations within its controlled environment. We have trained our staff to provide quality service and have improved the standards to take it to the highest levels, whilst assuring safety of our guests.

The Katunayake Expressway has given Sri Lanka tourism a big boost and the Outer Circular Expressway and the extension of the Southern Highway to Matara will certainly create greater 28% tourist movements. The commencement of the Kandy Highway is indeed an important step for the development of tourism and all tourism stakeholders look forward to the speedy completion and commissioning of this Expressway.

**Competition We Face in Our Operations**

The Hotel industry is highly competitive and the Hotel in which we operate is subject to competition from other hotels for guests. Competition is based on a number of factors, most notably convenience of location, brand affiliation, price, range of services, guest amenities or accommodations offered and quality of customer service.

Competition is often specific to the individual markets in which our Hotel is located and includes competition from existing and new hotels. Increased competition could have a material adverse effect on the occupancy rate, average daily room rate and room revenue per available room of our Hotel or may require us to make capital improvements that we otherwise would not have to make, which may result in decreases in our profitability.

We face increased competition from providers of less expensive accommodations, such as select service hotels or independent owner-managed hotels, during periods of economic downturn when leisure and business travellers become more sensitive to room rates.

**Risks Related to Our Business**

The performance of the lodging industry has traditionally been closely linked with the performance of the general economy and, specifically, growth in the Sri Lanka gross domestic product.

The financial crisis and general economic slowdown, which began in late 2007, harmed the operating performance of the Hotel industry generally. If these or similar events occur again in the future, our operating and financial results may be harmed by declines in occupancy, average daily room rates and/or other operating revenues.

Our Hotel is classified as upscale star classified property. In an economic downturn, this type of hotel may be more susceptible to a decrease in revenue, as compared to hotels in other categories that have lower room rates. This characteristic may result from the fact that upscale hotels generally target

business and high-end leisure travellers. In periods of economic difficulties, business and leisure travellers may seek to reduce travel costs by limiting travel or seeking to reduce costs on their trips. Any economic recession will likely have an adverse effect on our business.

**Information Technology**

We are increasingly dependent on information technology, and potential disruptions such as cyber-attacks, security problems, and expanding social media vehicles present new risks. We and our Hotel Managers increasingly rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifying information, reservations, billing and operating data etc.

We purchase some of our information technology from outside vendors, on whom our systems depend, and we rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential tour operator and other customer information, such as individually identifiable information, including information relating to financial accounts. Any significant breakdown, invasion, destruction, or interruption of these systems could negatively impact our operations. In addition, there is a risk of business interruption and reputational damage from leakage of confidential information.

The inappropriate use of certain media vehicles could cause brand damage or information leakage. Negative posts or comments about the Company on any social networking web site could damage our reputation. In addition, the disclosure of non-public Company sensitive information through external media channels, whether by employees or others, could lead to information loss. Identifying new points of entry as social media continues to expand presents new challenges. Any business interruptions or damage to our reputation could negatively impact our financial condition, results of operation, and the market price of our equity securities.

### Capital Expenditures to Maintain Our Hotel Property

Our Hotel has an on-going need for renovations and other capital improvements, including replacements of furniture, fixtures, and equipment. Refurbishment of rooms may also require periodic capital improvements as a condition of maintaining the property generally; we are responsible for the cost of these capital improvements, which gives rise to the following Risks:

- Cost Overruns and Delays;
- Renovations can be disruptive to operations and can displace revenue at the Hotels, including revenue lost while rooms or restaurants under renovation are out of service
- The cost of funding renovations and the possibility that financing for these renovations may not be available on attractive terms
- The risk that the return on our investment in these capital improvements will not be what we expect
- Possible Environmental Problems
- Health and Safety Risks

In view of these risk factors, it is needed to manage the same and carry out the capital improvements projects at the Hotel. Therefore, extensive planning involving many angles and impacts are needed in carrying out any capital development at the Hotel.

### Dividend Policy

Company paid an Interim Dividend of Rs. 22.50 per share amounting to Rs. 45.1 million in respect of the year ended 31st March 2014, an increase Rs. 2.50 per share in comparison to last year. In comparison during 2012/13 an amount of Rs. 40 million was paid out as dividends, a first Interim Dividend of Rs. 10/- per share, and a second Dividend of Rs. 10/- per share was paid.

### Managing the Effects of Inflation

We rely entirely on the performance of our Hotel and the ability of the Hotel to increase revenues to keep pace with inflation.

As hotel operators we can generally increase room rates rather quickly, but competitive pressures may limit our ability to raise rates faster than inflation. Our general and administrative costs, taxes, and other operational expenses are subject to inflation as well, but gets adjusted much faster than we could adjust the revenue side components. Therefore, we are under constant pressure to maintain an adequate margin to cushion off these effects of inflation.

### Our Commitment to Corporate Social Responsibility

The Company is engaged in a number of community development and social service efforts. During the year under review the Company has supported education for underprivileged children as the cornerstone of its Future Corporate Social Responsibility. The Company contributed medicines and books to needy women and children and provides professional training and career guidance to underprivileged people of the locality in cooking, cleaning and gardening. Contributions of linen and food are made to religious institutions. On environment conservation, Grand Hotel has undertaken water harvesting, water re-cycling and energy saving initiatives.

Grand Hotel responsibility platform, "Grand Thrive", is designed to help make our communities places where our associates want to work, our guests want to visit, our neighbours want to live and hotel management want to invest. It reflects our belief that no one better understands a community's most pressing issues—and their solutions—than those who live and work there. Harnessing the power of our more than 5000 associates in and around the Hotel location, "Grand Thrive" brings together teams of passionate people to focus on positive local efforts that create a significant global impact.

"Grand Thrive" focuses on four key pillars that we believe are essential to a thriving community:

- Environmental Sustainability
- Economic Development & Investment
- Education & Personal Advancement and
- Health & Wellness

We achieve our goals through programs like "Grand Earth" and "Grand Community". "Grand Earth" drives environmental stewardship across our Hotels, while "Grand Community" strengthens our community impact through volunteerism, philanthropy and many other reliefs.

This concept is broadened into the Corporate Social Responsibility and Sustainability, and expanded in our CSR and Sustainability Reports.

### Our Marketing Strategy

Our marketing strategy is designed to maintain and build brand value and awareness while meeting the specific business needs of hotel operations. Building and differentiating our brand is critical in increasing Grand's Brand Preference. We are focused on targeting the distinct guest segments so that our brand serves and supports the needs of the Hotel by thorough analysis and application of data and analytics.

Tangerine Tours is our primary online distribution channel providing customers with an efficient source of information about our hotel and an effective booking experience.

The following strategies are adopted by us in executing our overall marketing strategy.

#### 1. Accessing New Emerging Markets

The best new emerging market is the ever growing Chinese Market. With more flights operating out of China, we have seen a considerable growth in terms of arrivals from the orient. Secondly with the turnaround in some of the European economies, we have seen a slight growth in arrivals from Italy and East European markets such as Poland, Hungary, Romania and the Czech Republic. We may get a few FIT bookings from Armenia and the Italian market with their economy being more stable than it was four years ago.

#### 2. Comparison of the Current Performance Against the Coming Year Expected Performance

In the long-term TUI Germany is planning to feature Sri Lanka as one of their key destinations with their investment in the South. TUI is very optimistic of doubling their arrivals from 4,500 pax to 10,000 pax for 2014/2015 and a scheduled charter flight operation from November 2015. From winter they plan to bring in more numbers from Switzerland through VogeLe Reisen, direct seller. Furthermore, in the short-term we may get guest who opt to avoid the crisis ridden tourist destinations such as Thailand and Egypt.

#### 3. Expansion of the Portfolio Travel Agents Who Wish to Operate with Us

We have been aggressive in our sales and marketing strategies and relationships established, and have expanded our portfolio of agents to over 500 local destination management companies. We hosted our key supporting decision making agents and the media to cocktails in Colombo last year, which is done every two years to improve the sustainable working relationships and our image building.

#### 4. Setting-out Forecasted Occupancy Levels for 2014/15 & ARR

The projected forecasts and occupancy levels are based on market conditions that contribute to our success. The Grand Hotel will not only continue to command the highest rate, the Hotel has established herself as a 'must visit' location even for clients staying in other hotels and boutique hotels during their Nuwara Eliya city tour.

- Occupancy figures for the month of July have been forecasted lower than last year because of the Ramadhan fasting period beginning end June for 30 days.
- Over the past 02 years, we have seen a drastic change in the meal plan booked by clients resulting in the ARR dropping year on year and this year will not be an exception.

III. We hope to benefit from the Chinese and other Far East markets this year in summer, and are active with us requesting rates on bed & breakfast and the length of stays are not more than two nights.

Chinese and Indian trade fairs. The Hotel will continue to host foreign journalists representing newspapers and life style magazines and film crews on the direction of the SLTPB (Sri Lanka Tourism Promotion Bureau).

**5. Pricing Policy**

Even though we have not finalized prices for 2014/15 as yet, we will continue to command the highest rate above the market price in the region or the round tour circuit.

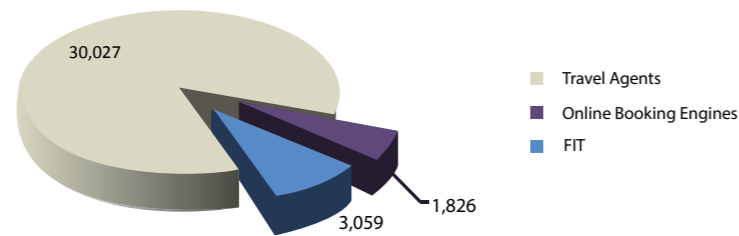
**6. Promotional Activities**

In terms of overseas marketing and awareness, we will be attending key trade fairs such as ITB – Berlin, WTM in London and ATM in Dubai, in addition to the Russian,

**7. New Marketing Strategies**

Over the years, the Grand Hotel has earned the reputation for serving some of the best meals and variety. Therefore in order to move forward, the F&B Team will be working on a calendar of events to generate more F&B business, since most guests staying in neighboring hotels and bungalows visit the Grand for Lunch and dinner. F&B Team and the Executive Chef will come up with an events calendar of food promotions and activities to stimulate sales through all mediums of distribution.

**The Analysis of Our Business by Sources**



**Business by Sources**

Travel Agents	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Grand Total	%
Online Booking Engines	5,210	7,709	7,745	9,363	30,027	86%
FIT	446	400	402	578	1,826	5%
Grand Total	1,076	594	797	592	3,059	9%
	6,732	8,703	8,944	10,533	34,912	0%

**Our Opportunities, Threats, Risks & Concerns**

Growth in hotel supply in recent times has outstripped demand in a number of Sri Lankan cities. Escalating land prices, increasing energy costs, depleting water levels and a scarcity of trained manpower are challenges that will need to be addressed and overcome. Domestic travel and tourism is experiencing rapid growth as is domestic corporate travel. These segments

will require due attention while we continue to focus on our traditional markets. Source markets are changing with demand from the neighbouring nations, China, Japan and the Middle-East growing steadily.

**Development in Human Resources and Industrial Relations**

Industrial Relations (Staff Welfare) remained stable throughout the year. The Company's people management systems and processes are designed to enhance employee engagement, organisational capability and superior guest services. The Grand is known for her impeccable service, attributable to the quality of her people. The Human Resource philosophy focuses on attracting and retaining quality talent. The Company believes that its real asset and strength lies in the quality of its manpower.

As on 31st March, 2014 the number of people employed by the Group was 343. The more detailed analysis of this area is presented in the latter part of this report.

**Efficient Internal Control Systems**

The Company has a well-structured internal control system. Various policies and standard operating procedures are issued by the Management covering all critical and important activities viz. revenue assurance, hotel operations, purchasing and procurement operations, finance, human resources, etc. These policies & procedures are updated from time to time.

Under the guidance and supervision of an Independent Audit Committee, the internal audits are carried out by a firm of Chartered Accountants on a regular basis and such audits are conducted to ensure that control systems and procedures are adhered to.

The main focus of the Internal Audit Team is:

- Identifying weaknesses and areas of improvement
- Checking of compliance with defined policies and processes
- Safeguarding of tangible and intangible assets
- Management of business and operational risks
- Compliance with applicable statutes

The Audit Committee of the Board oversees the adequacy of internal control environment through regular reviews of

the audit findings and monitoring the implementation of preventive/corrective steps.

**Health and Safety Management System**

Health and Safety Management System in the Company aims to reduce, eliminate or control workplace hazards and associated risks of illness or injuries to the employees, customers and contractors who might be affected by the Company's work activities. Our Company is committed to ensure a healthy and safe working environment for all concerned and to improve the Health and Safety performance.

Through a systematic process, the Company aims to:

- comply with the requirements of all relevant statutory, regulatory and other provisions
- provide and maintain a safe & healthy work place through operational procedures, safe systems and methods of work
- provide sufficient information, instruction, training and supervision to enable all employees to identify, minimize and manage hazards and to contribute positively to safety at work
- conduct audits and mock drills on site to ensure that operations are in compliance with Health and Safety Management requirements and for emergency preparedness
- ensure that appropriate resources are available to fully implement Health and Safety policy and continuously review the policy's relevance with respect to legal and business development

**Adding Business Value**

We will adopt the following steps in adding business value to our operations.

**Step 1**

Make and keep realistic promises on service, quality and delivery. This will give us more credibility with our customers. By making and keeping promises to our employees, we can also build employee loyalty, confidence and morale. Keeping promises and delivering consistent results is a key to proving

the reliability of our company, product or service, and this is a major intangible business value.

**Step 2**

Use information technology to create business value by having in place an IT plan and investing to support the IT development that we need to meet the goals of our IT plan. IT systems that improve transaction speed, allow easier and faster information sharing, and are adaptable to changing business needs and conditions can also add value by increasing productivity and performance.

**Step 3**

Develop and encourage effective decision making practices by employees. This can be achieved through leadership training programs, delegation of responsibility, and encouraging and supporting employees to take more day-to-day control of their own projects. This leaves our top management free to focus more on strategic issues, and gives employees more experience and confidence, so they can step into higher roles. Giving employees opportunities for career advancement can also help us retain and attract the best workers and will add to our business value.

**Step 4**

Strengthen our core competencies by investing in development and spending more time and money on those areas that are most important to our long-term success and growth. For example, if our business plan involves driving growth by developing new products or new versions of your products, then we should invest a higher than average amount in research and development. This will increase our chances of success, increase employee and investor confidence in our future growth, and increase our business value.

**Step 5**

Increase our business value by building capability within our business. This includes focusing on attracting and retaining good employees; making sure customers are satisfied and our

business has a good reputation; having in place procedures that ensure high performance; encouraging collaboration and cooperation across the business; developing leaders who can support and motivate employees and supporting employees to develop the skills and knowledge they need to innovate. All of these factors will increase our ability to compete effectively and add intangible value to the business.

**Our Food Outlets**

The breadth and quality of our menu is an asset that cannot be easily copied by our peers. It is a competitive barrier for us and an area that we continually improve each year to further enhance our reputation as a leader in casual dining.

More outlets in operation shall mean that the quality of our menu will become a value added commodity.

**Capital Expenditure**

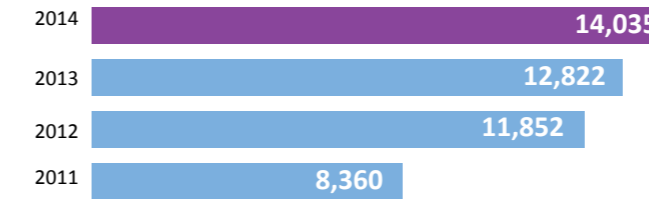
The Group invested Rs. 375 million on capital nature spending during the year 2014 compared to Rs. 46 million in 2013. This shows an increase of 717% year on year. Major part of these expenditure was spent on Fair View Hotel (Pvt) Ltd., and improving facilities and comforts of Hotel guests and also, in improving facilities to the staff.

**Market Value of Shares of the Company**

The gains made by The Nuwara Eliya Hotels Co. PLC shares in the previous year continued during the financial year 2013/14, recording the highest price at Rs. 1,500/- marginally lower than the comparative figure in the prior year of Rs. 1,550/-. During the year the share price fluctuated, falling to a low of Rs. 1,098/- which was proportionately higher than previous year's low of Rs. 995/- and closed at Rs. 1,250/- for the financial year ended 31st March 2014. The Company recorded a market capitalization of Rs. 2.5 Billion and a share turnover of Rs. 10.7 million Which was a result of 8,258 number of shares being traded during year under review.

**Key Performance Indicator**

**Average Room Rate**  
Rs.



**2014 Performance**

We are pleased to report a significant growth in Average Room Rate to Rs. 14,035/-, an increase of 9.5%.

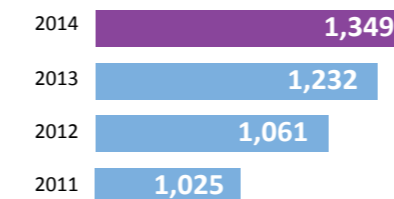
**Occupancy**  
%



**2014 Performance**

During the period Occupancy was maintained at 62%.

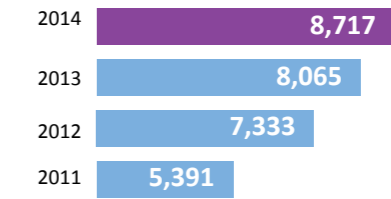
**Net Asset per Share**  
Rs.



**2014 Performance**

Net Asset Per Share increased by 9% to Rs. 1,349/-, which was a result of increased retained earnings.

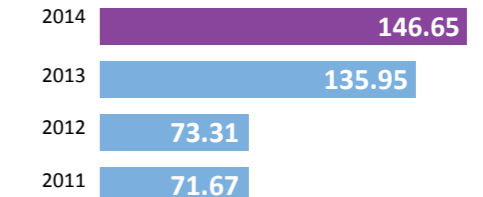
**Rev PAR**  
Rs.



**2014 Performance**

Improved Revenue generation has been achieved with Rev PAR increasing by 8% to Rs. 8,717/-, driven by a combination of maintained occupancy and growth in average room rate.

**Earnings per Share**  
Rs.



**2014 Performance**

Earnings per Share was at an all time high of Rs. 146.65, an increase of 8% in comparison to prior year.

**Guest Satisfaction**  
%



**2014 Performance**

During the period Guest Satisfaction was maintained at 97%, which was primarily driven by the strong ratings received for guest service.

# Financial Review

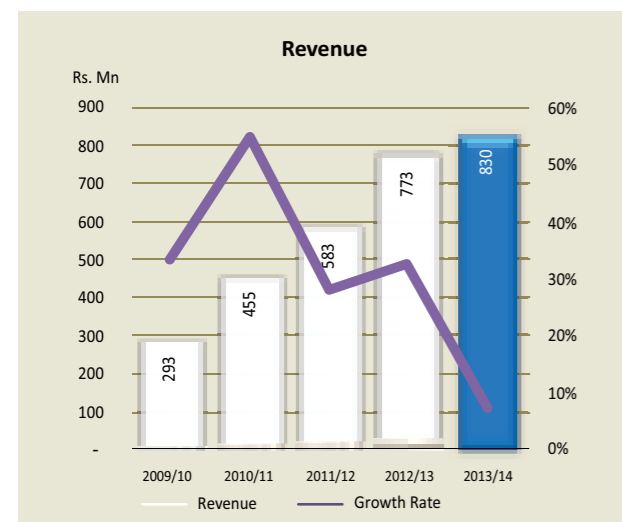
The Nuwara Eliya Hotels Co. PLC's detail financial review presented below should be read in concurrence with the Audited Consolidated Financial Statements of the Group and the Company for the financial period ended 31st March 2014.

The 'Group' refers to The Nuwara Eliya Hotels Co. PLC and its subsidiaries Grand Hotel (Pvt) Ltd., and Fair View Hotel (Pvt) Ltd.

## Basis of Preparation and Comparative Figures

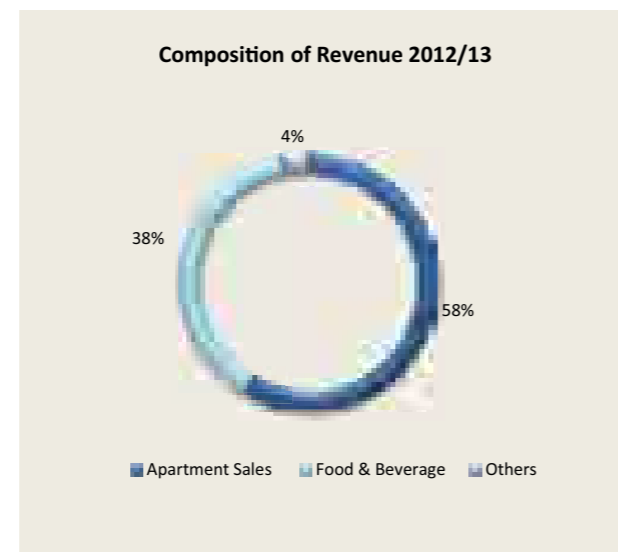
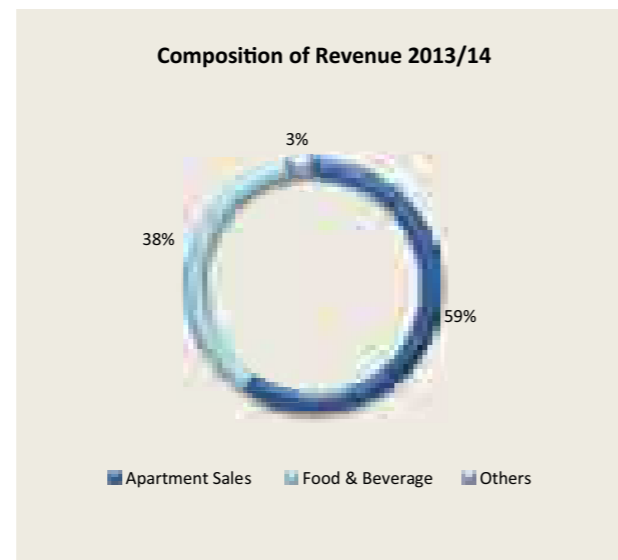
### Revenue

The Nuwara Eliya Hotels Co. PLC Group recorded a revenue of Rs. 830 million during the financial year an increase of Rs. 57 million which is a 7 per cent increase against the Rs. 773 million achieved during the corresponding year. Revenue of the Company escalated from Rs. 464 million to Rs. 503 million which is a 8 per cent growth.



The year on year revenue growth of 7 per cent was mainly driven by increased Apartment and Food & Beverage Sales. During the financial year the Hotel underwent renovations and also introduced a variety of cuisines which complemented to the escalation of our Revenues; which resulted in us recording the highest Turnover in the Grand Hotel history.

Composition of Group Revenues can be Presented as follows:



## The Analysis of the Revenue Generated from Operations

	Company		Group	
	2013/14 Rs.	2012/13 Rs.	2013/14 Rs.	2012/13 Rs.
Apartment Sales	255,531,852	240,533,793	489,988,966	450,415,861
Food Sales	179,214,106	164,746,411	266,928,291	256,452,677
Bar Sales	46,319,566	36,524,833	46,570,051	40,065,921
Gift Shop Sales	18,193,161	17,337,524	18,193,161	17,337,524
Telephone Income	90,624	99,232	90,624	100,735
Laundry Sales	-	-	4,226,911	3,739,204
Billiard Income	286,603	309,393	286,603	309,392
Farm Sales	3,609,036	4,482,196	3,609,036	4,482,196
	<b>503,244,948</b>	464,033,382	<b>829,893,643</b>	772,903,510

The Group has recorded a Total Revenue of Rs. 830 million during the financial year, compared to Rs. 773 million in year 2013. Apartment sales are forming 59 per cent of the total revenue with Rs. 490 million where 38 per cent is contributed by Food & Beverage Sales with Rs. 314 million during the year.

The Hotel has succeeded in increasing the Apartment Sales and Food & Beverage sales by 9 per cent and 6 per cent respectively over previous year.

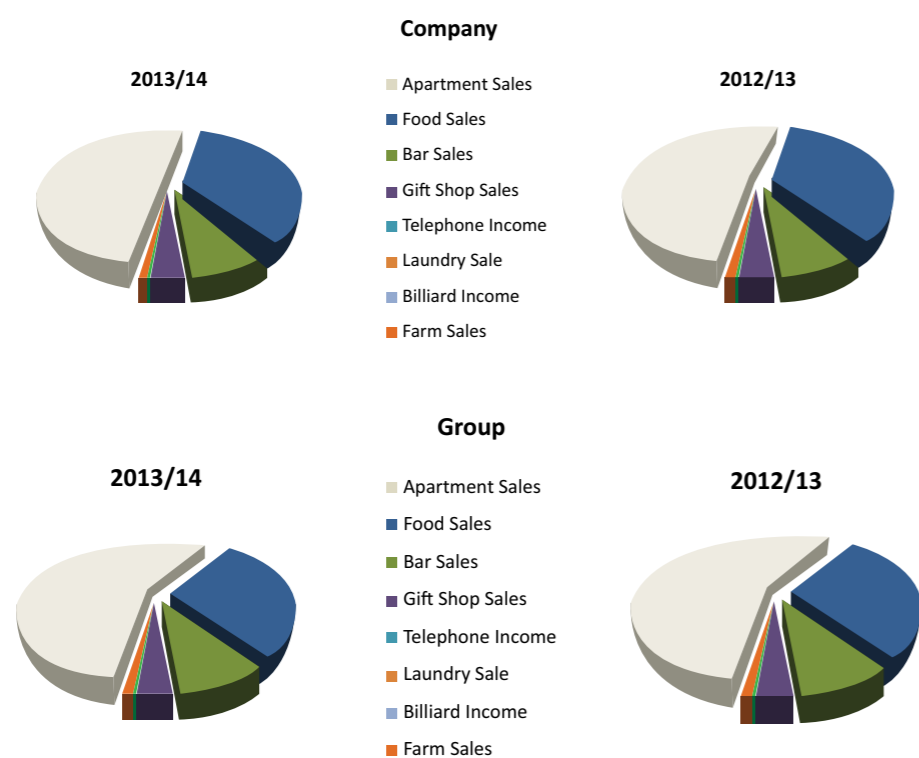
Growth in apartment sales is mainly due to higher ARR, a result of diligently calculated price adjustments on room rates in general. The ARR for the year recorded as Rs. 14,035/- compared to last year's Rs. 12,822/-, a 9 per cent increase Year On Year (YOY).

A 4 per cent YOY increase in Food Revenue was achieved with the contribution of high performing food outlets The Grand Indian and the Magnolia All Day Dining, where these outlets have marked a record revenue with 55 per cent and 11 per cent increase YOY respectively. The new outlook given to the

Grand Indian by the renovation carried out last year and the authentic Indian Menu introduced by the Indian Chef has paid its dividend, while the Magnolia All Day Dining is growing in popularity through the year.

Beverage Revenue for the year has increased by 16 per cent over last year. An aggressive upselling and appropriate pricing strategies followed during the year, resulted in this achievement. Elegantly designed Dilmah Tea Lounge has become one of the most favorite places in the Hotel amongst the guests and has contributed to record breaking Tea and Coffees Sales by recording Rs. 4 million, a 165 per cent increase YOY. Further, Sales of fresh Juices, Malt Beverages and Wines too marked higher growth rate in revenue with 28 per cent, 14 per cent and 9 per cent respectively YOY.

During the year, Food Revenue per person has increased by 5 per cent YOY from Rs. 3,589/- to Rs. 3,771/-. Increase in Beverage per person was 17 per cent from Rs. 561/- to Rs. 658/- YOY.



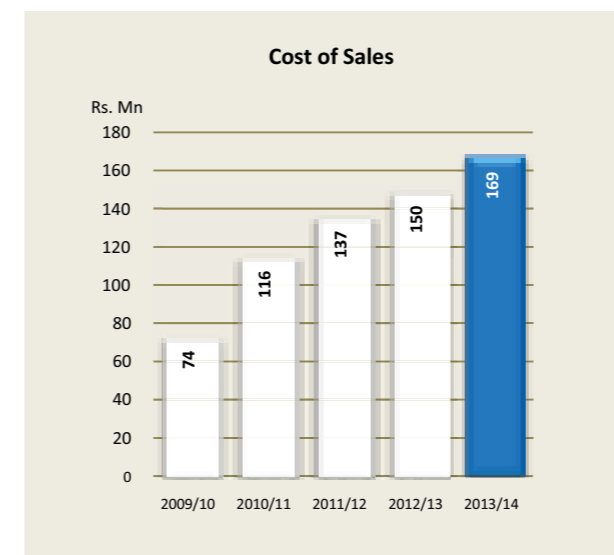
**Expenses & Profit Before Tax as a Percentage of Revenue**

	2013/14		2012/13	
	Rs. Mn.	%	Rs. Mn.	%
Revenue	<b>830</b>		773	
Staff Costs	<b>104</b>	<b>13%</b>	88	11%
Depreciation	<b>48</b>	<b>6%</b>	47	6%
Other Operating Expenses - Direct	<b>169</b>	<b>20%</b>	150	19%
Other Operating Expenses - Indirect	<b>225</b>	<b>27%</b>	209	27%
Profit Before Tax	<b>348</b>	<b>42%</b>	334	43%

**Cost of Sales**

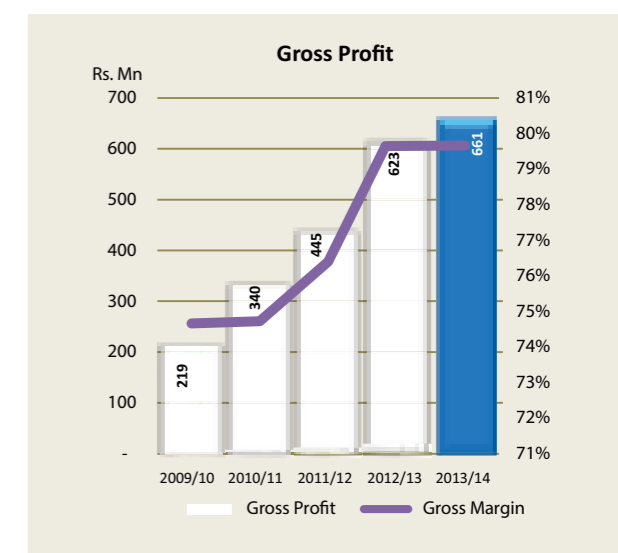
A Cost of Sales of Rs. 169 million was incurred during the period under review, being a Rs. 19 million increase compared to the prior year, an increase of 13 per cent. Food and commodity prices continued to increase throughout the year that had an adverse impact on operational costs of the Group.

Cost of Sales are the direct operating costs, namely cost of rooms, food and beverage. Cost of Sales in relation to the revenue has marginally increased to 20 per cent compared to previous year's figure of 19 per cent.



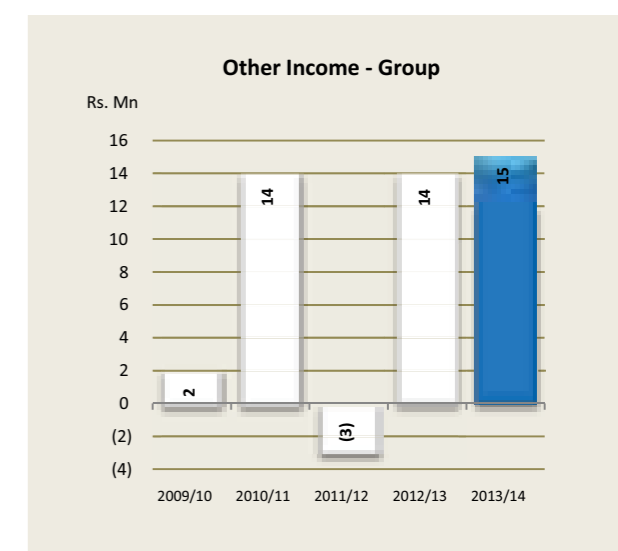
**Gross Profit**

The Group recorded a Gross Profit of Rs. 661 million for the financial year under review, compared to Rs. 623 million recorded in the previous year, an increase of 6 per cent. The Group's Gross Margin percentage remained at 80 in the current year. The Company achieved a Gross Profit of Rs. 380 million as against Rs. 361 million in the previous year, an increase of 5 per cent.



**Other Income**

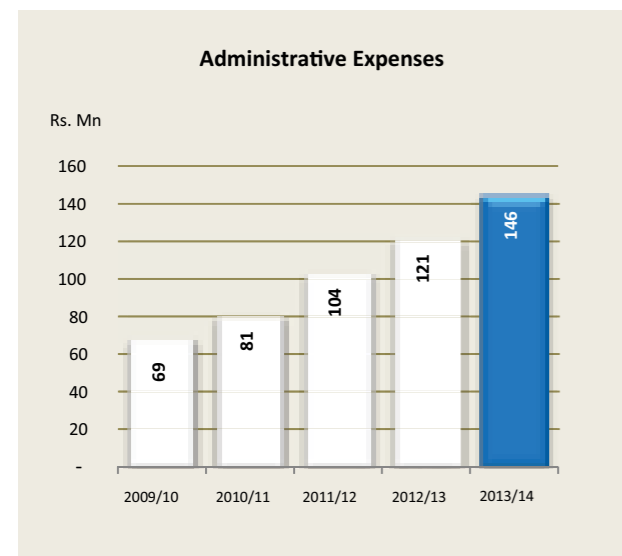
The Group's Other Income increased to Rs. 15 million from previous year's figure Rs. 14 million, the increase is mainly due the increase in sundry income and dividend received in comparison to last year.



### Administrative Expenses

Administrative Expenses of the Group increased over prior year by 21 per cent from Rs. 121 million in 2013 to Rs. 146 million in 2014. Administrative Expenses of Company also escalated when compared to last year by 26 per cent from Rs. 69 million to Rs. 87 million.

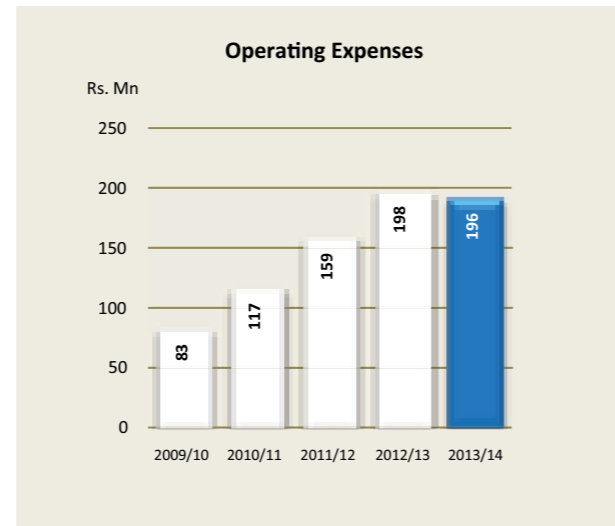
The Administrative Expenses of the Company and Group increased during the year under review mainly due to staff relate expenditure such as staff payroll, staff bonus and staff welfare. In addition to these expenses the security services expense also increased.



### Operating Expenses

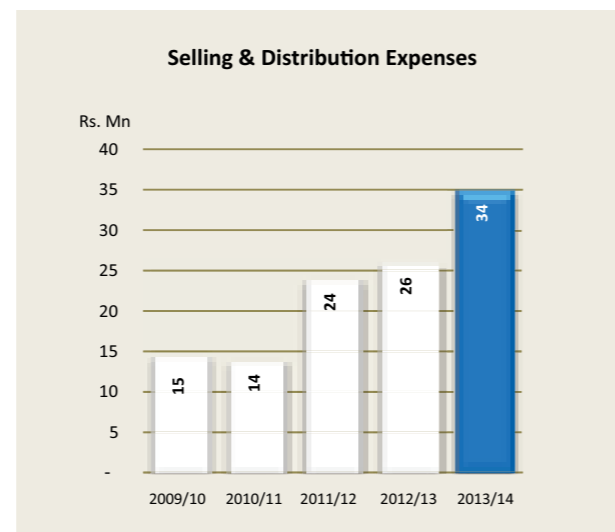
Operating Expenses of the Group decreased by 1 per cent over prior year from Rs. 198 million to Rs. 196 million. The reduction is mainly due to the derecognition of assets of Rs. 15 million in the fixed asset register in the previous year. Company's Operating Expenses reduced from Rs. 120 million to 117 million in the current year.

The Group Operating Expenses decreased mainly due to the aforesaid reason eventhough the escalation in energy costs, building maintenance expense and housekeeping expense which are in line with operational requirements linked with general price increases experienced during the period under review.



### Selling & Distribution Expenses

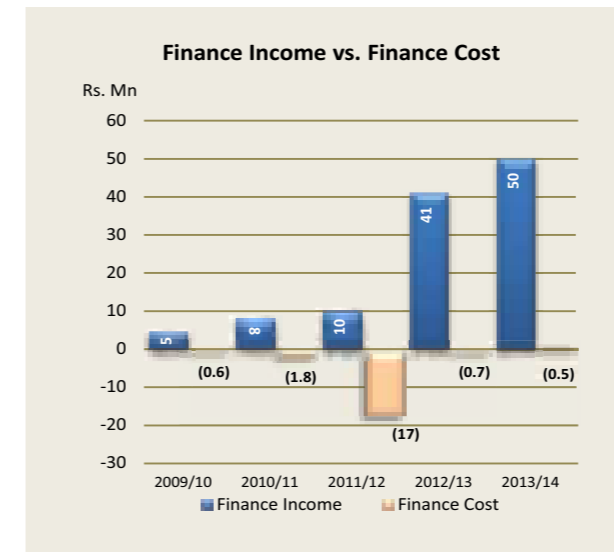
Selling & Distribution Expenses of the Group increased over prior year by 36 per cent from Rs. 26 million in 2013 to Rs. 34 million in 2014. This increase was mainly due to the increased sales promotion and advertising expenditure. Selling & Distribution expenses of Company increased over last year by 33 per cent from Rs. 15 million to Rs. 20 million.



### Finance Income Vs. Finance Costs

There was a notable increase in the Finance Income even though interest rates depleted significantly. Finance income increased from Rs. 41 million to Rs. 50 million, an increase of 22 per cent, due to increased value of investments in Fixed Deposits and in the Money Market.

There was a significant improvement in the Finance Cost for the Group during the financial year under review, comprising of 41 per cent reduction in Bank Charges amounting to Rs. 425,853/- in comparison to Rs. 719,591/- recorded in the previous year. In addition the favorable change in fair value of assets held for trading for Rs. 1.8 million made a favorable impact to the Finance Cost.

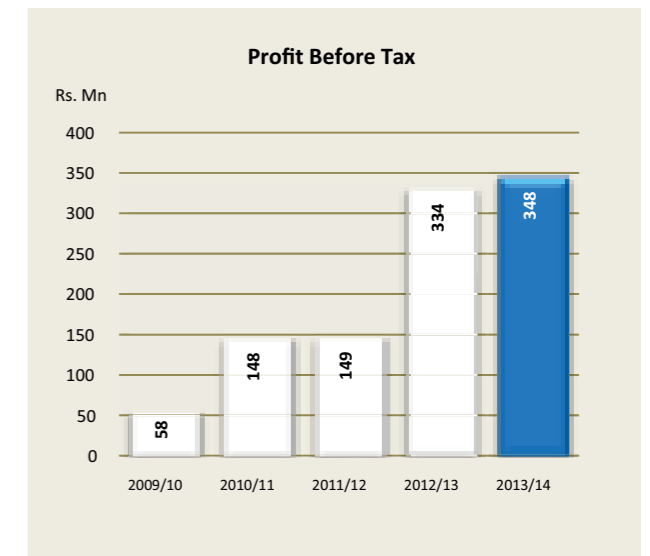


### Income Tax Expenses

Income Tax Expenses of the Group was Rs. 54 million as against Rs. 61 million in 2013, Income Tax Expenses for the Company decreased from Rs. 38 million to Rs. 25 million.

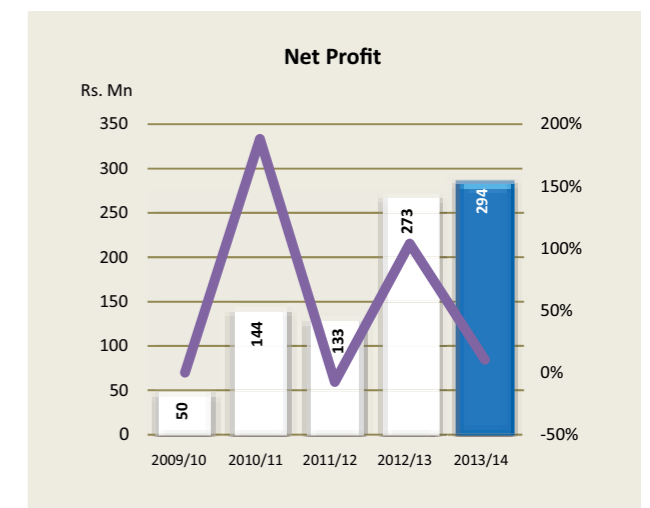
### Profit Before Tax

Profit Before Tax increased to Rs. 348 million as against the previous year Rs. 334 million. As a percentage, an increase of 4 per cent. A series of overhead management strategies adopted across the Group against the backdrop of an ever increasing cost of supplies and energy costs etc enabled us to achieve this growth.



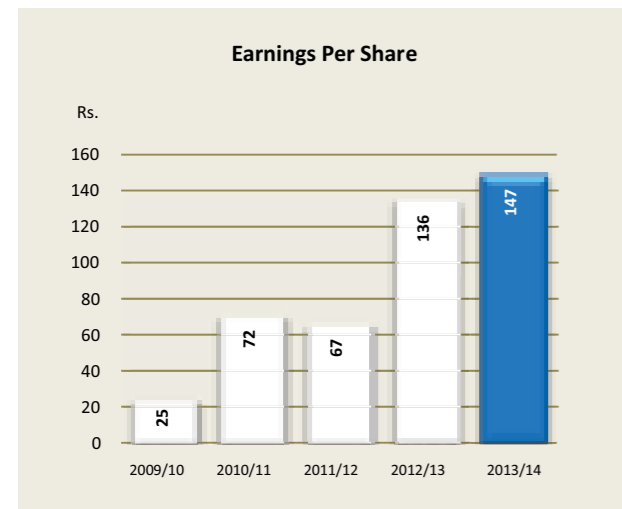
### Profit for the Year

The Group recorded it's highest ever Net Profit of Rs. 293 million after tax for the financial period 2013/2014 under review. This represents a growth of Rs. 21 million or 8 per cent over the preceding year mainly a result of increased revenues and operational efficiencies. The increase in Finance Income by Rs. 9 million also contributed to the growth in Net Profit. The Group, profit attributable to shareholders was Rs. 294 million as against Rs. 773 million in 2013.



### Earnings per Share

The Group recorded an Earnings per Share (EPS) of Rs. 146.65 for 2013/14 as against Rs. 135.95 in year 2012/13. Earnings per Share of the Company was Rs. 103.97 as against Rs. 101.45 in year 2013.

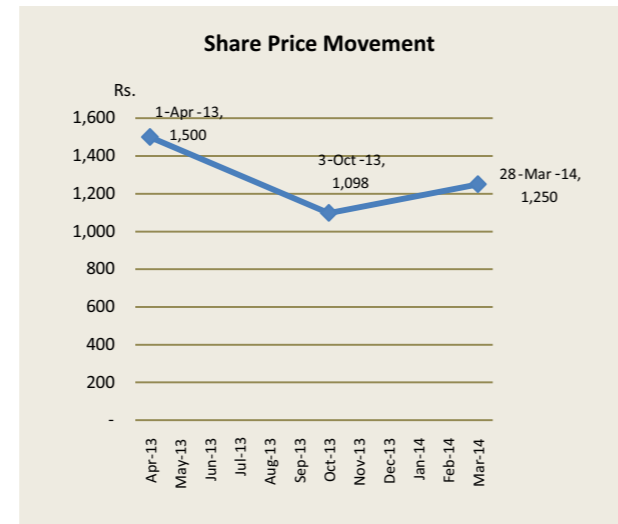


### Price Earnings Ratio

The Price to Earnings Ratio of the Company as at 31st March 2014 was 12.02 times against 12.81 times as at 31st March 2013.



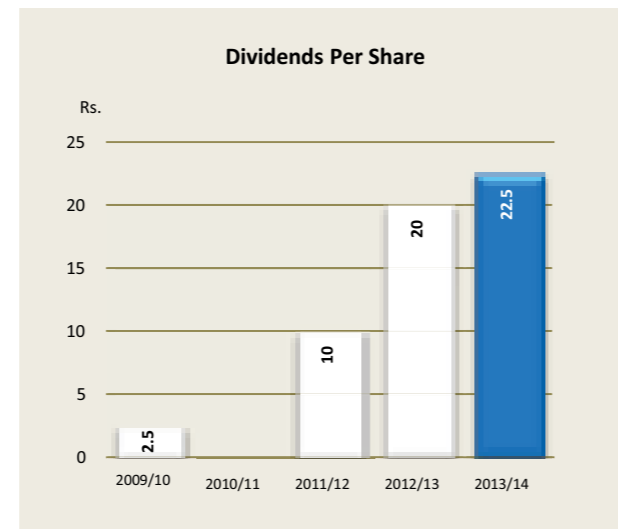
During the financial year under review, the Company's share price fluctuated between Rs. 1,098/- and Rs 1,500/-, closing at Rs. 1,250/-



### Dividend per Share

Company paid an Interim Dividend of Rs. 22.50 per share amounting to Rs. 45.1 million in respect of the year ended 31st March 2014, an increase Rs. 2.50 per share in comparison to last year. This was the highest dividend payout recorded by the Company.

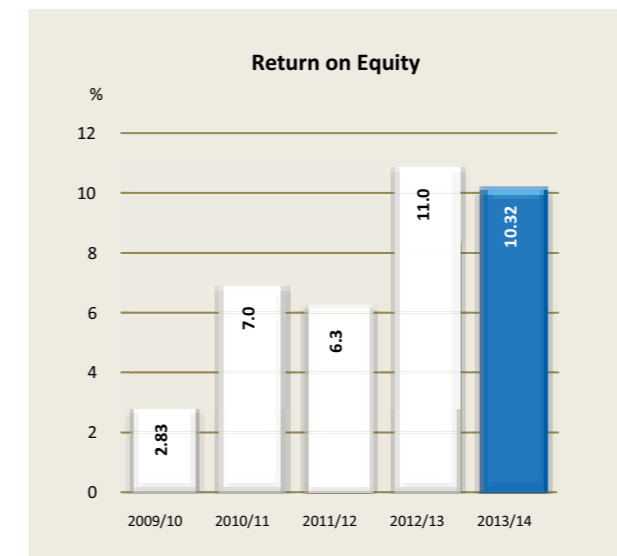
In comparison during 2012/13 an amount of Rs. 40 million was paid out as dividends, a first Interim Dividend of Rs. 10/- per share, and a second Interim Dividend of Rs. 10/- per share was paid.



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 Auditor's before declaring the Dividend.

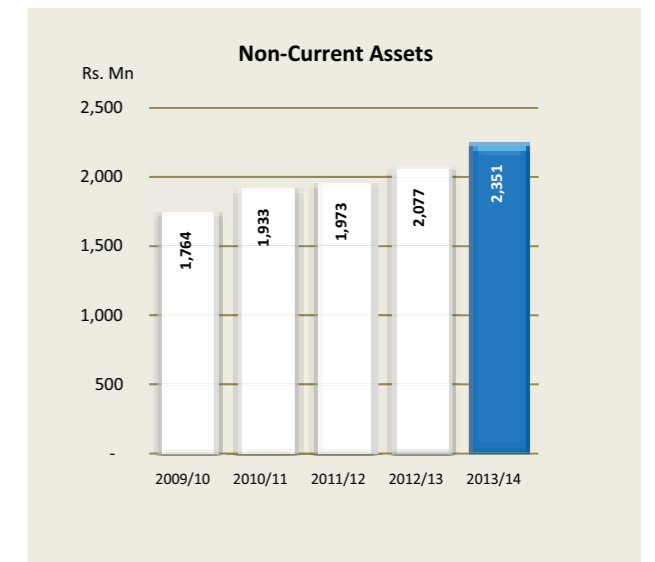
### Return on Equity

Return on Group Equity for the financial period ended is 10.32 per cent whilst in the previous year it was 11.0 per cent. Return on Equity of the Company was 10.0 per cent compared to 10.4 per cent in the previous year.



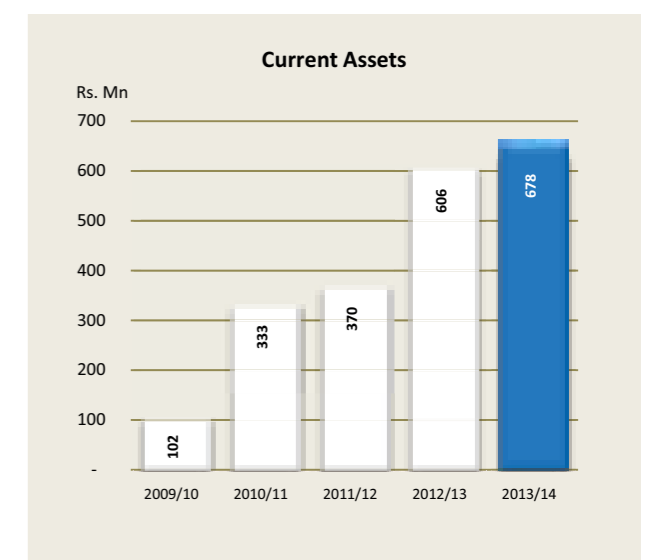
### Non-Current Assets

Non-current Assets of the Group increased from Rs. 2,077 million in 2013 to Rs. 2,351 million 2014, an increase of Rs. 274 million. Non-Current assets of the Company increased from Rs. 1,827 million to Rs. 1,993 million, an increase of Rs. 166 million.



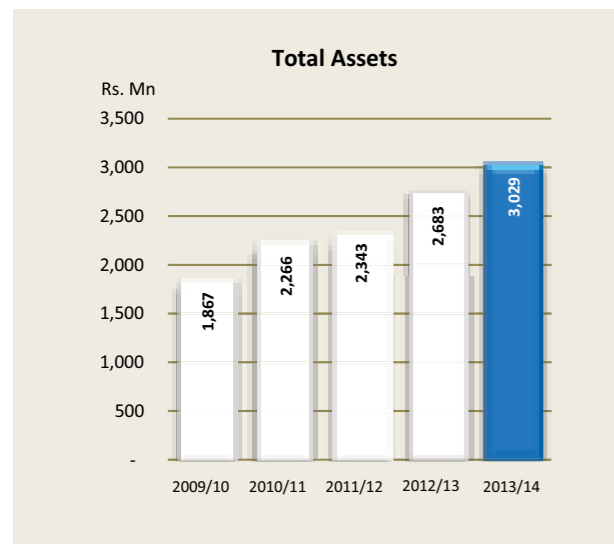
### Current Assets

Current Assets of the Group increased from Rs. 606 million in 2013 to Rs. 678 million as at 31st March 2014, an increase of Rs. 72 million which is a 12 per cent increase. The increase is attributable to higher inventories, Cash & Cash Equivalents and increase in Fixed Deposits which grew from Rs. 337 million to Rs. 359 million. Current Assets of the Company increased from Rs. 271 million to Rs. 561 million in 31st March 2014.



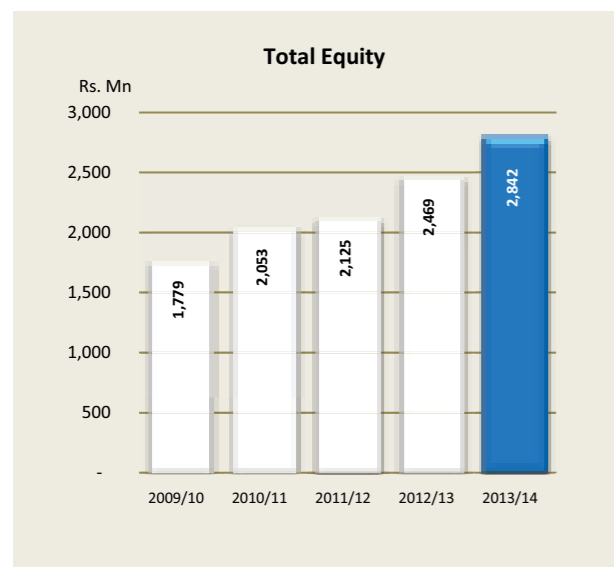
**Total Assets**

Total Assets of the Group increased from Rs. 2,683 million to Rs. 3,029 million an increase of 13 per cent. The Total Assets of the Company increased by 22 per cent from Rs. 2,098 million to 2,554 million for the year ended 31st March 2014.



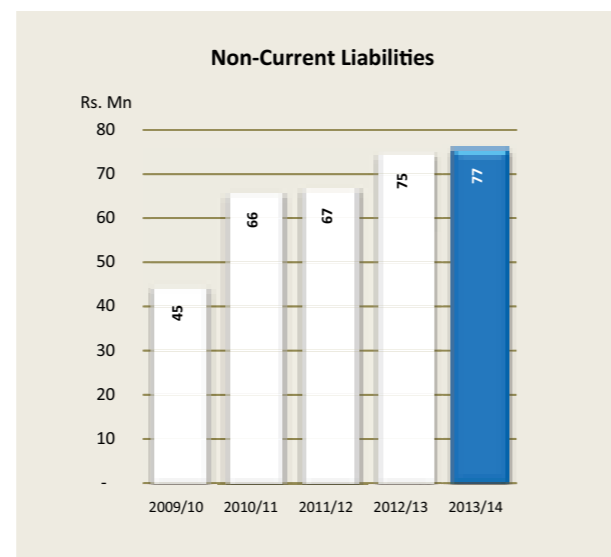
**Total Equity**

Total Group Equity has increased from Rs. 2,469 million in previous year to Rs. 2,842 million, this increase was due to increase in retained earnings. Total Company Equity increased by Rs. 160 million over the previous year and is at Rs. 2,095 million, the increase in retained earnings contributed to this.



**Non-Current Liabilities**

Non-Current Liabilities of the Group increased from Rs. 75 million to Rs. 77 million. Non-Current liabilities of the Company increased from Rs. 50 million to Rs. 53 million. The increase was mainly due to the increase in the retirement benefit obligation at both Group and Company level.



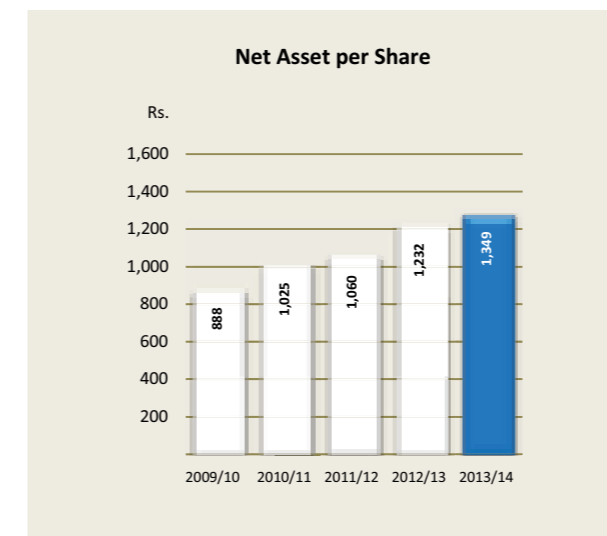
**Current Liabilities**

Current Liabilities of the Group decreased from Rs. 139 million in 2013 to Rs. 110 million as at 31st March 2014, a decrease of Rs. 29 million. Current Liabilities mainly decrease due to reduced tax liability and bank overdraft.



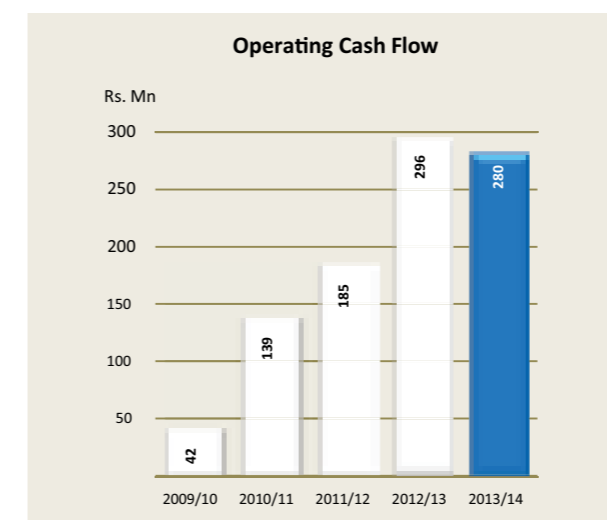
**Net Asset per Share**

Net Asset per Share increased from Rs. 1,232/- in the previous year to Rs. 1,349/- as at 31st March 2014 at Group level, this is mainly due to the higher retained profits during the period under review. The Company net asset per share also increased from Rs. 965/- to Rs. 1,045/- for the year ended 31st March 2014.



**Operating Cash Flow**

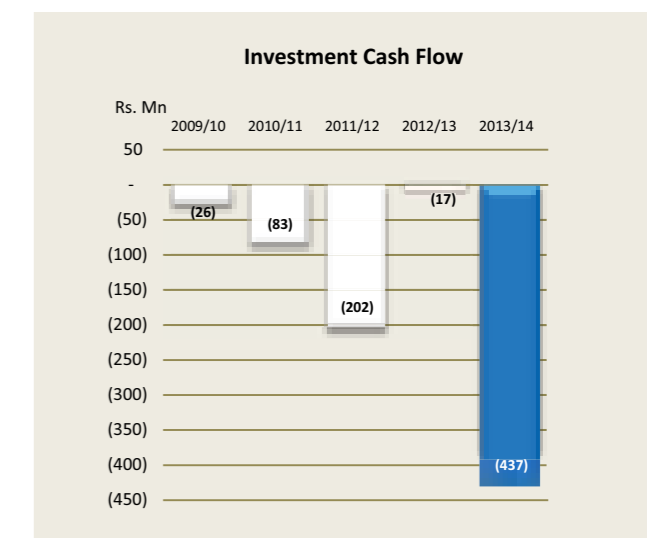
Group Net Operating Cash Flow during the financial year was Rs. 280 million against that of prior year Rs. 296 million. This is mainly due to the growth in profit before tax, and increase in trade and other receivables by Rs. 29 million.



**Investment Cash Flow**

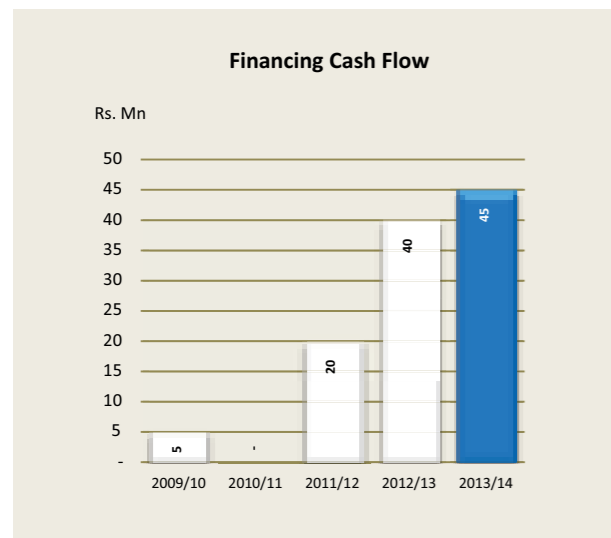
During the year the Group's Net Cash Flow used in investment activities reached the highest ever of Rs. 437 million. This was mainly due to increased investments in fixed deposits by Rs. 225 million, investment in subsidiary company by Rs. 160 million and purchase Property, Plant & Equipment of Rs. 88 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.

The Company's Net Cash Flow used in investment activities reached Rs. 401 million, mainly due to investments made in fixed deposits and subsidiary.



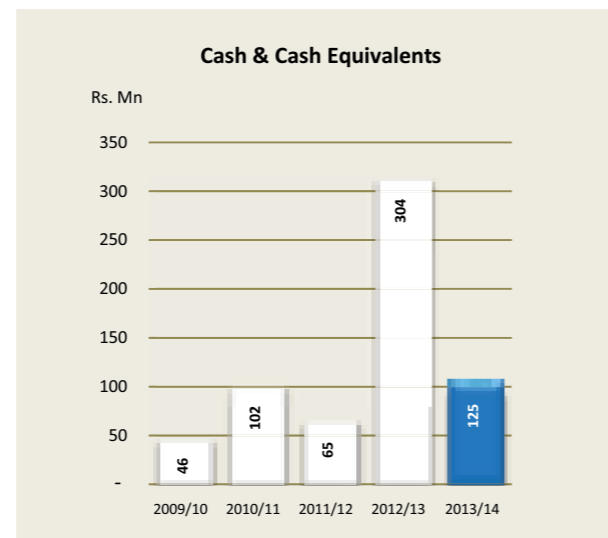
### Financing Cash Flow

This year Grand Hotel paid a dividend of Rs. 22.50 per share, being the highest paid so far. In respect of this Interim Dividend for the financial year 2013/14 a sum of Rs. 45 million was paid out to shareholders. In comparison during 2012/13 an amount of Rs. 40 million was paid out as dividends, a first Interim Dividend of Rs. 10/- per share and a second interim Dividend of Rs. 10/- per share was paid in the prior year.



### Cash and Cash Equivalents

For the year under review the Cash and Cash Equivalents of the Group decreased by Rs. 179 million from Rs. 304 million to Rs. 125 million. The reason being considerable cash outflows, due to high investment in Fixed Deposits and the investment in Fair View Hotel (Pvt) Ltd., during 2013/14.



## Operational Review

Improving upon the successful performances of the markets from where visitors come in to Sri Lanka, Grand Hotel was able to attract higher number of visitors from regions such as Middle East, China, and observe a developing trend of increased traffic from the Indo-China markets whereas the number arriving from the traditional European markets remained lower in comparison. Looking at the numbers of visitors from the major markets (which have performed well), Arab travelers have increased from 18,611 in 2012/2013 to 20,544 in 2013/2014 while the Chinese Travelers have increased from 2,808 in 2012/2013 to 4,811 in 2013/2014.

There was an overall improvement of the revenue generated from occupancy during the year under review and the best figures of occupancy (89%) and revenue (Rs. 108 Mn) were observed in August 2013.

### Improvements of Facilities for Guests in Terms of Product Development and Value Addition

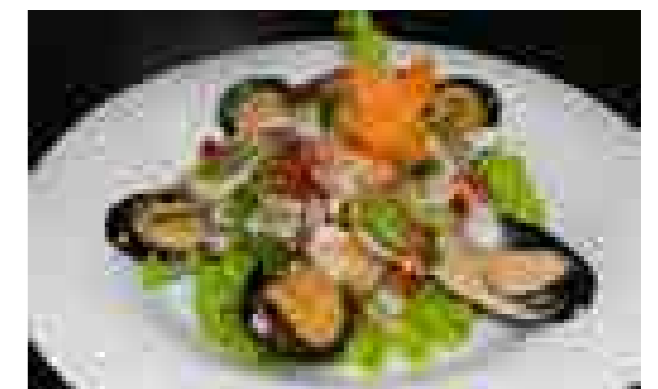
In order to provide our guests with yet another unique dining experience, the establishment of an authentic Thai Restaurant was embarked upon in June 2013. By this time it was more than evident that the least popular dining option offered by us to guests was the “Supper Club”. Therefore it was decided to replace the existing “Supper Club-Fusion Restaurant” with an authentic Thai Restaurant by the name of “Grand Thai”. Since the Supper Club’s Dining and Bar areas were occupying a large space (much larger than required) utmost care had to be taken in designing the new dining area – The “Grand Thai” and the balance space to be effectively utilized for a Banquet Room by the name of “Prince George Suite” .

“Prince George Suite” is to be a state-of-the-art Banquet Room equipped with all hi-tech audio visual and other equipment, facilitating the hosting of events such as trainings, seminars, conferences, workshops, in addition to private functions such as small wedding receptions, birthday parties etc. The capacity in this room is approximately 80 persons for a Theatre

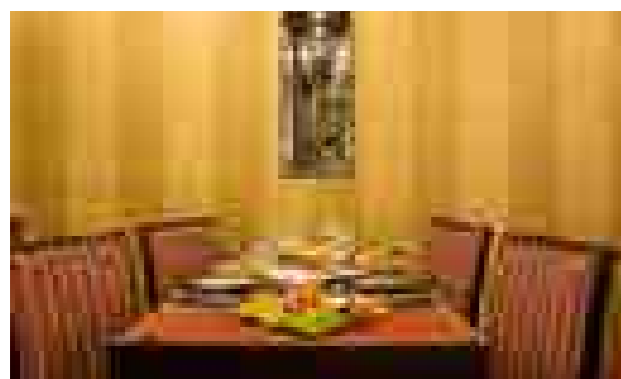
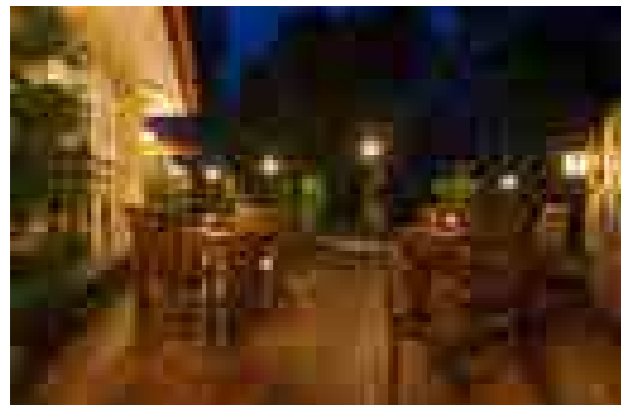
Style program and 60 -70 persons for a Sit-Down Dining or a Wedding/Birthday Function.

The nucleus of the idea of establishing a dining outlet with a far Eastern flavor such as Thai was conceived as a result of the envisaged increase of Far-Eastern visitors that we observed which paved the way to make this strategic move. In order to provide the best dining experience and authentic Thai Cuisine in this 44 cover Restaurant, an ethnic **Thai National** with over 30 years of culinary expertise was recruited as the Chef (in-charge of the “Grand Thai” Kitchen).

An investment of approximately Rs. 20 million is envisaged by the time this project is completed and opened to guests. Although the opening of the “Grand Thai” and the “Prince George Suite” have been scheduled for the coming financial year, the recruitment of the **Thai Chef** a few months early was done with the intention of giving him sufficient time to train the selected staff which task has been successfully executed by now.



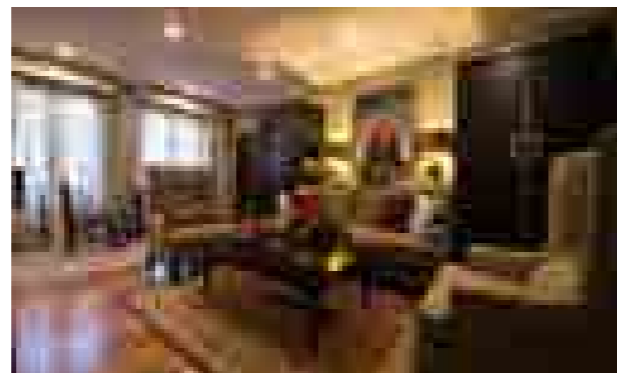
Whilst we are on the topic of dining options for our guests, it is also noteworthy that the **“Grand Indian”** which underwent an extensive refurbishment program during the previous financial year (2012/2013), an ethnic **Indian Chef** was recruited to head the kitchen brigade of this already successful restaurant. The **Indian Chef** came on board in May 2013 and introduced a comprehensive à la carte Menu w.e.f. 1st August 2013 which has proven to be a resounding success. Looking back the monthly average revenue of the **“Grand Indian”** prior to the arrival of the **Indian Chef** which stood at approximately Rs. one million has now shot up to an average of Rs. three million, which itself is sufficient proof for the prudence of the decision made with regard to the recruitment of the Expatriate Chef.



A fashionable ‘Coffee Bar’ would be set-up in partnership with a company by the name of “Cafe’ Gallery”, a Sri Lankan registered business who operates a chain of Coffee Bars in Thailand (both in Bangkok & Chiang Mai) in partnership with a Thai Brand - “Nacha Coffee” grown & processed by a family (an extended part of the Royal Family of Thailand). The location identified

for the Coffee Bar is where the “Grand Pastry Shop” is situated at present. There would be extensive modifications / changes done on the present structure & a host of new equipment installed when the facility is established. In-depth training on all aspects of Coffee would be provided to the selected staff, by our strategic partner, M/s Cafe Gallery, including exposure overseas as a part of their investment in the project. Work on this project is to be started in May 2014 & hopefully the facility would open to guests in August / September 2014.

Our constant drive towards the upliftment of guest facilities was given a further boost by the latest addition to our Guest accommodation facilities; the “Queen Elizabeth Suite” located on the first floor of the Golf Wing. This was, once again, a conversion of a heavily under-utilized space we had hitherto, which was called the “Board Room”, a meeting room with an adjacent set of toilets, totaling a space of 654.5 Sq.Ft.

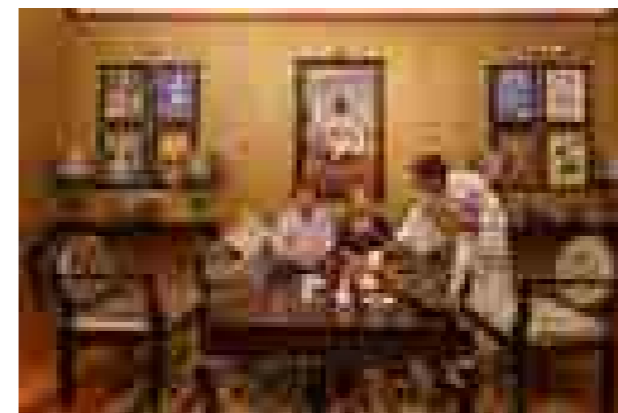


The work on this project was completed in three months and was offered to guests with effect from 4th November 2013 and has hitherto earned many a praise from all users. The theme of this suite would now be followed through all rooms at the next round of refurbishment planned to be carried out in the year 2015.

Extending beyond the traditional thinking of any hotel, to provide all facilities with the adult clientele in mind, we embarked on “yet another first” by introducing an unique indoor play area for children under 6 years of age. A space of 227.5 sq.ft. that was in relative disuse in the shopping arcade area on the lower ground floor, was effectively converted to this unique facility

with the expertise of a Child Care Specialist who was hired to do the concept and design of this enclosure. This facility enables parents of children below 6 years, who usually become quite restless when allowed to idle, to be kept occupied and looked after by a trained Child Care Assistant. This facility also allows parents to leave their kids in the safe custody of the Child Care Assistant for a couple of hours and have time for themselves to indulge in excursions, nature trails, work-outs, reading, etc whilst holidaying at the Grand Hotel. It has hitherto become very popular once again earning many a praise.

One of the most fashionable Outlets, as per what is discussed within the Hotel circles, the “T-Lounge at the Grand by Dilmah” saw the introduction of a ‘new generation high tea’ (held from 3.30 p.m. to 6.00 p.m. daily) and a variety of ‘fondues’ both of which were to gain unexpectedly high level of popularity no sooner having been introduced. With regard to ‘fondues’, a special mention should be made here since it was a very popular European practice which existed many years ago but had suffered a natural death during the past 10 – 15 years. The esteemed activity which originated in Switzerland and embraced by many countries in Western Europe had never done well in the Asian Region, thus a forgotten practice by the time Grand Hotel introduced same and to witness unprecedented popularity. All types of ‘fondues’ namely meat, seafood, cheese and chocolate were introduced and by the present day all variations are in equally high demand.



One other, noteworthy achievement is the “Oktoberfest” which was organized for the first time at the Grand Hotel being the first of it’s kind in a Hotel known as a “Round-Trip Hotel”. Being an event of fun and frolic and an Annual Bavarian Tradition, the in-house guests together with outsiders who walked-in were seen enjoying to the highest! Special brews of beer, with typical Bavarian Food Specialties were available to guests in addition to the many other items of food and drink. The event was held for three days ending on 3rd November 2013.

The **“Hydrebadi Biryani Festival”** held at the Grand Indian for four weeks beginning on 18th September was received favourably by an extremely satisfied clientele.



Beginning 15th August, a special calendar of “Theme Nights” was introduced to the Barnes Hall Restaurant. Initially a variety of four namely, Arabic Night (Tuesdays), Mexican Night (Thursdays), BBQ Night (Saturdays) and Sri Lankan Night (Sundays) was later complemented with Mediterranean Night and Tastes of Asia.



The festive period of December beginning on 24th December saw yet another set of **Exciting Theme Nights** taking place at the Barnes Hall. Chef’s Night, Seafood Market, Asian Delights and Continental Dreams to name a few that earned the highest plaudits from the most discerning clientele present during the said period. If a brief description is to be given, the Chef’s Night saw the entire Barnes Hall Restaurant being transformed to a complete kitchen ambience with the some of the equipment the guest would otherwise not see in a Restaurant, all being brought in for display purposes.

In addition to the accommodation and culinary experiences mentioned above, yet another new facility to be introduced during the year under review was the **Dry Cleaning Facility**, added to the laundry operation. This certainly gave us an edge over many hotels known as ‘Round -Trip Hotels’, a facility which is quite rare amongst this category of hotels at present.

### Brand Identity

With the intention of ensuring a strong identity in the market, **the Logo of the Hotel was carefully re-designed** together with the logos and names of the outlets in the Hotel. The corporate colours of the Hotel having been “Royal-Blue on Brilliant-White” (for many years in the past) was also changed to a “Dull-Gold on Brilliant-White” in keeping with the re-defined theme of the Hotel.

The following outlets in the Hotel received new logos of identity, Namely; The Magnolia, The Barnes Hall, Grand Indian, Grand Thai, T-Lounge, Piano Lounge and the Wine Bar. We firmly believe that this new brand identity would add to a strong presence of the Grand Hotel amongst other hospitality brands in the market place.

### Human Resource Development

Having felt the need for a closer tab on the routine operation of the Hotel during nights and emerging requirement of guests, safety and security of guests and hotel property, etc, services of a **Night Manager** was added to the Grand Hotel’s routine operations during the year under review. We have had, from time to time, guests needing special attention with regard to ill health/hospitalization, unwelcome intruders attempting their way-in causing disturbance to guests and staff, balance inquiries and early settlement of bills by guests, unidentified signatures appearing on guests’ bills, which were totally ironed-out with the introduction of the **Night Manager** being assigned the additional responsibility of handling the **“Night Audit”** function of the Hotel.

With the increasing demand for the **“Grand Outdoors”** – the much acclaimed nature program of Grand Hotel – a dire need was felt for the services of an additional **Nature Specialist**,

specifically with the ever increasing Arabian Travelers and their significant enthusiasm with regard to outdoor, nature/ adventure related activities, and the demand by the Traditional European Clientele for bird watching, hiking, biking, etc. A fully-rounded person with skills and knowledge of all above areas was recruited in the capacity of **“Naturalist”** to cater to this demand.

Keeping to the theme of the year, **“2013–Year of Empowerment”** some of the key personnel in the Management Team were promoted to positions of higher designations (not to mention the higher degree of responsibilities) paving the way for personnel below them to be elevated up, both as a means of rewarding excellent performance and further motivation for even better results. This included Mr.A.R.NazeemMohamed-Assistant Manager/Chief Accountant being promoted to Financial Controller/Assistant Manager. Mr. A.A. Lakshman Silva - Food and Beverage Manager being promoted as Assistant Manager/Food and Beverage Manager, Mr. M.A.M. Riyad - Assistant Accountant being promoted as Accountant. Mr. L.G.C.K. Udayasiri, a Senior Member & a remarkable high - performer of the Kitchen Brigade who has served the Grand Hotel for over 17 years with absolute dedication, loyalty, diligence and integrity, was promoted to the post of Sous - Chef in the Executive Cadre from the Non-Executive Ranks.

Grand Hotel being a strong believer in Employee Satisfaction and Contentment as a key to achieving excellence in service

standards, embarked on establishing a state-of-the-art dining facility for the team of staff which is now nearing completion. The facility consist of two well-appointed Dining Areas together with modern catering equipment and a Show Kitchen that would serve a limited à la carte Menu – yet another first by a resort hotel outside Colombo. The 80 cover dining space would be complete very soon with tables and chairs especially imported from Thailand for this purpose and an enhanced menu in comparison to the present menu in operation. Located on the same building together with the aforementioned dining facilities, would be a fully-fledged Training Room which would be known as the **“Learning Centre”** that can accommodate 40 persons in one sitting with all the modern audio visual equipment and furniture. A special building was constructed for this purpose at an estimated cost of approximately Rs. 18 million.

### Sustainability

In recognizing our continued efforts to maintain a bird friendly environment, the Field Ornithology Group of Sri Lanka (FOGSL) identified the Grand Hotel as a **“Bird Friendly Hotel”** and presented a Certificate of Recognition which is of enormous value, considering the demand of all travelers for ‘Bird-watching’ and their interest towards caring for Mother Nature. Grand Hotel can now, with pride, identify itself in the distinctive market place as a **Bird Friendly Institution.**

## Our Engagement of Human Capital

The widely accepted idea of man, material, machines, methods and money as the primary ingredients of managing a successful business entity prevails, in spite of the many technological advances of recent decades. Some argue that Manpower is more than a resource and thus deserves a more holistic approach in the context of business.

Human Capital encompasses competencies, knowledge, habits, skills, social and personality attributes, including creativity and cognitive abilities. At the Grand Hotel, investment in people has been a hallmark of the organization's philosophy, and is embodied in every facet of its operation. For instance, the Hotel has been known to provide the best accommodation facilities for its non-resident staff, and has been a bench mark for other resorts in the country.

"To empower staff to take more decisions and to achieve superior customer service" is one of the core values of the Company. The word empower in this context, has a broader meaning, in addition to a degree of authority or power cascaded down to provide a value to the customer, it also means empowering persons, with knowledge, skills, attitudes and making a positive change in their lifestyles.

In this regard, the Learning Master Plan, includes inputs in skills, knowledge and attitude development and also includes social skills and life skills. More emphasis is given to learning, as against "training" with all levels of employees provided opportunity to learn and develop. Daily departmental briefings, weekly and monthly meetings and even one-to-one discussions with subordinates and peers is considered a learning opportunity, and Supervisors and Managers are encouraged to design such encounters to facilitate learning. The classroom style training sessions are scheduled on a monthly basis and are designed based on the training needs communicated by the Heads of Departments.

The year 2013 was declared the year of empowerment, to focus on adding value to the employees which in turn will have a direct positive impact on the customer care provided to our guests. The guest comments both at the Hotel and through the postings in websites such as Trip Advisor and agoda.com have indicated a positive curve with regards to customer care. There is a distinct change in the customer relations, especially in the frontline staff. Three essentials of customer service at the Grand, which were communicated throughout the year, have been instrumental in this transformation.

### Three Customer Care Essentials

- Greet with sincerity and warmth – Use Guest's name
- Anticipate, understand and fulfill guest needs & wants
- Bid Farewell - give a warm goodbye and invite guest to visit again

The year 2014 was declared the "Year of Precision" which gives emphasis on improving our processes to achieve corporate objectives. At operational level many initiatives such as developing written operating procedures have commenced, and is expected to further improve the overall performance of the Hotel.

A new state-of-the-art Learning Centre, complete with a computer lab and library will be commissioned in May 2014, alongside the new Staff Dining facility. All this is designed to make the Grand Hotel the most sought after resort in Sri Lanka.

### Labour Relations

We are recognizing that employees are our most important assets also we do recognize 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

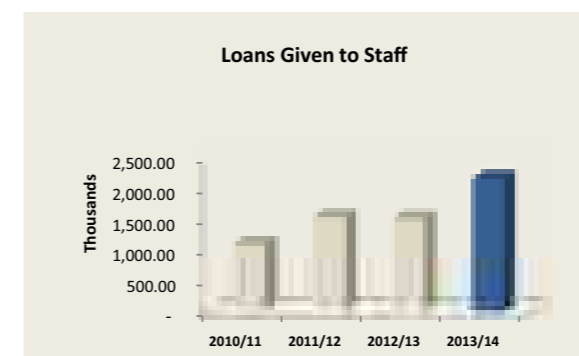
feedback about individual's performance, ability and potential. Finally we accept that career growth is a commitment from both sides. Similarly, this year too (2014), the Hotel has promoted five Kitchen Stewards to the level of Trainee Cooks, a Telephone Operator to the level of a Receptionist and a Receptionist to the level of a Reservation Assistant.

### Welfare Society

The Hotel Welfare Society plays a major role with regard to employee's basic requirements. The Society and its committee always welcome, employees' new ideas relating to uplift the Society by generating more funds in order to provide more returns to the Members. Further, loans are granted to all employees on request from the Welfare Society. Maximum of Rs. 15,000/- can be obtained by an employee and the rate of interest is 7% per annum. This amount was increased from Rs. Ten Thousand to Rs. 15,000/- in 2014.

Loans Granted to the Members are as follows:

During 2010/11 - Rs. 1,110,000/- for 126 Members  
 During 2011/12 - Rs. 1,550,000/- for 155 Members  
 During 2012/13 - Rs. 1,520,000/- for 152 Members  
 During 2013/14 - Rs. 2,155,000/- for 192 Members



In addition to this, the society has a scheme of granting distress loans as well which is an interest free loan. During the year 2013/14, the society has increased the loan amount from Rs. 10,000/- to Rs. 25,000/-.

Distress Loans granted to the Members are as follows:

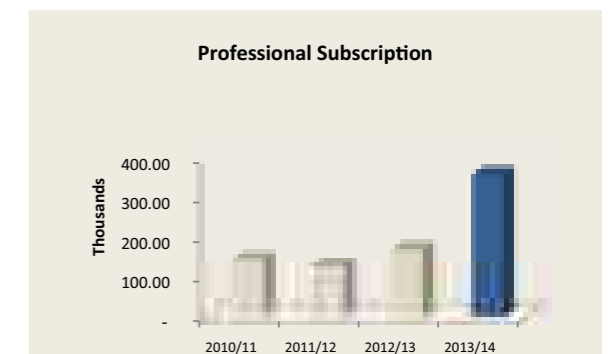
Rs. 140,000/- in 2010/11 for 14 Members  
 Rs. 140,000/- in 2011/12 for 14 Members  
 Rs. 70,000/- in 2012/13 for 7 Members  
 Rs. 55,000/- in 2013/14 for 4 Members

### Professional Subscription

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

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

Rs. 143,898/- during 2010/11  
 Rs. 127,068/- during 2011/12  
 Rs. 169,276/- during 2012/13  
 Rs. 357,025/- during 2013/14



### Death Donations

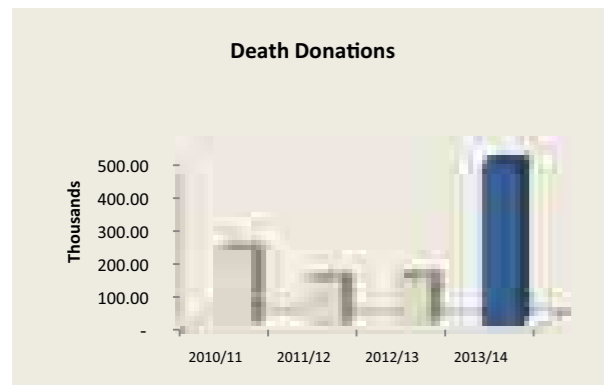
Death Donations are met by the Welfare Society and the Beneficiaries are as follows:

- Parent
- Spouse
- Children
- Father/Mother in Law

Rs. 100/- from each member is collected for a death of a Member and hand it over to his/her family. Funeral Expenses in the event of a death of a Member is 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
- Rs. 491,875/- in 2013/14



**Medical Benefits**

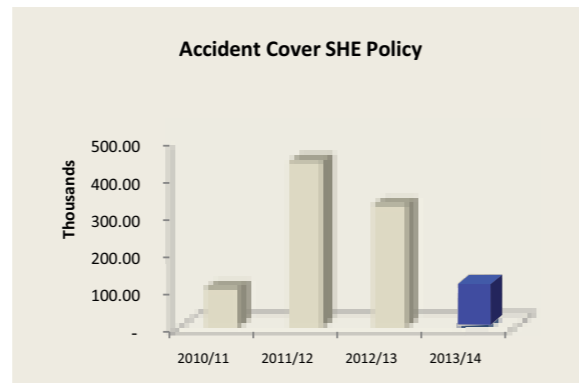
If an employee falls sick or meet with an accident whilst on duty, medical expenses are being paid by the Company. In addition to this, transport too is provided to transport the patient to the nearest hospital. A register is maintained in order to record the accidents. During the year 2010/11 seven accidents, during 2011/12 one accident, during 2012/13 one accident and during 2013/14 three accidents were reported. Maximum effort is put to maintain zero accident level.

**Accident Cover SHE Policy**

All senior and junior Executives are covered with Surgical & Hospital Expenses Insurance Policy. Beneficiaries are spouses and children if married.

Medical Benefits paid as follows:

- Rs. 101,941/- in 2010/11
- Rs. 440,932/- in 2011/12
- Rs. 326,030/- in 2012/13
- Rs. 110,000/- in 2013/14

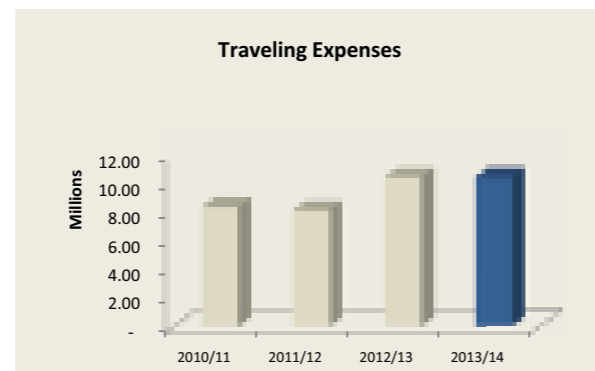


**Travel Expenses**

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

The Company has paid 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
- Rs.10,471,322/- during the period 2013/14



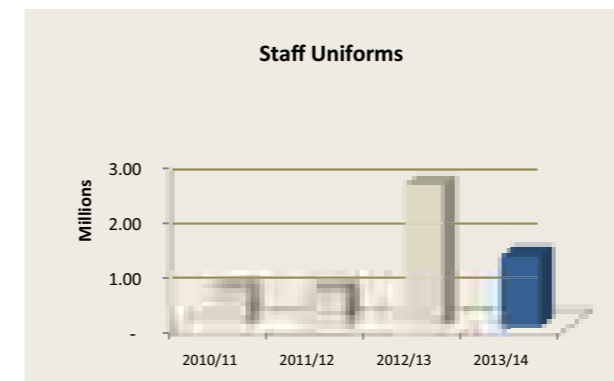
**Staff Discounts on Hotel Items**

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

**Uniforms**

Staff in all Guest Contact areas are provided with uniforms in order to maintain proper attiring. Different types of Uniforms are provided to them in order to identify the employees those who are employed in different categories. The costs of the uniforms are borne by the Company and the amount spent in order to turn out Uniforms for the past three financial years are as follows. In addition to this, Uniforms are provided to the Food and Beverage Staff for different Theme Nights in operation.

- Rs. 681,272/- during 2010/11
- Rs. 670,794/- during 2011/12
- Rs. 2,577,058/- during 2012/13
- Rs. 1,296,716/- during 2013/14



**Accommodation**

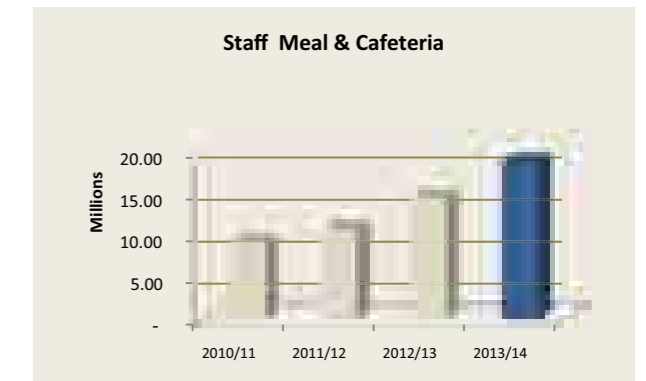
Lodging is provided to all categories of staff those who are away from Nuwara Eliya. Family accommodations and Bachelor Accommodations inclusive of meals too provided for them in order to maintain smooth functioning of the business thus effects they feel that they are at home although away from home. Hotel maintains and upkeep staff quarters periodically. Weekly inspections are carried out by the General Manager to inspect the quarters.

**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/she has to make his comments in the log book kept in the cafeteria. Adverse comments with regard to staff meal will be informed to the Executive Chef immediately. A new staff Dining Room will be opened shortly for all staff including the Executive Staff. The costs of the staff meal for the past three years are as follows:

- Rs. 9,279,624/- during 2010/11
- Rs. 10,918,594/- during 2011/12
- Rs. 14,559,374/- during 2012/13
- Rs. 18,912,212/- during 2013/14



**Recreational Facilities**

Sport is a key factor 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 McDermott. Each House has their Captains too. In order to practice indoor games, the Hotel had 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 in the cadre.

**Medical Assistant**

The entire Staff of Grand Hotel made a financial assistance amounting to Rs. 158,000/- to an ex-employee namely Mr. K.M.N.C. Niroshan attached to the Kitchen Department for his Kidney Transplant and the surgery was successful.

The surgery was done during the month of January 2014. This was the highest single contribution for his treatment.

**Staff Annual Get-together**

Hotel Welfare Society organizes 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 the children of the Members. Prize distribution for the winners of house meet also taking place on the day of staff get-together.

**HR Policy Code of Conduct**

**1. Annual Leave**

Annual Leave is granted to all permanent employees. An employee earns Annual Leave during a year to be availed in the following year.

**2. Bonus**

A three month's salary was paid as Bonus to all eligible employees during the financial year. All permanent employees who have been in service for one year or more are considered as eligible for the bonus.

**3. Salary Increments**

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

**Grievance Handling and Reporting**

Employees have the freedom to bring before 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, Municipality, Colombo with regard to Fire Safety annually. This training is focused on all staff of all departments of the Hotel.

Annual Medical check-up of all Food Handlers is carried out as per the requirements of the Tourist Board and all International Travel Agents maintaining the standards of same.

Employees will receive a comprehensive training on proper usage of equipment's etc; on a routine basis.

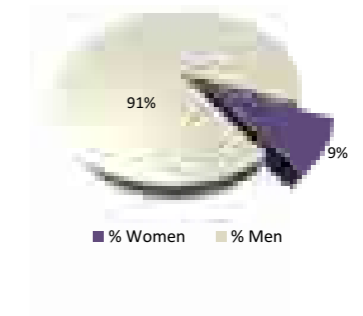
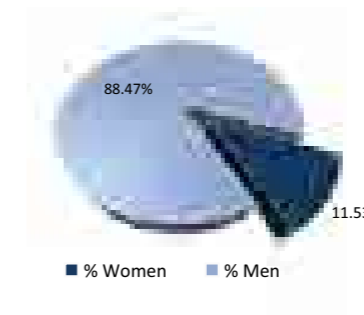
**Training Needs and Development**

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 is conducting training programs for all staff. Training programs already conducted during the period 2013/14 are as follows:

- Role of Security
- Career Planning and Personal Development
- Productivity
- Customer Relationship Management
- Train the Trainer
- Keeping Food Safe
- Power of Hospitality
- Nature Activities at the Grand
- Branding and Positioning
- Leading Work Team
- Moments of Truth
- Back to Basics
- HACCP 01 – Why Food Hygiene is Important
- Effective Communication for Front Office Dept.
- Preventive Maintenance
- Spirits – 2
- Social Etiquette
- Team Working

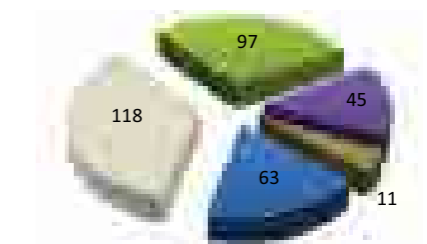
**Human Resources Indicators**

	2013/14	2012/13
Number of Employees	343	334
% Women	11.53%	9%
% Men	88.47%	91%
% Under Permanent Contract	53.90%	51.60%
% Women	11.32%	10.12%
% Men	88.68%	89.88%
% Under Fixed Terms Contract	46.10%	48.40%
% Women	8.69%	5.23%
% Men	91.31%	94.77%



**Employees by Age**

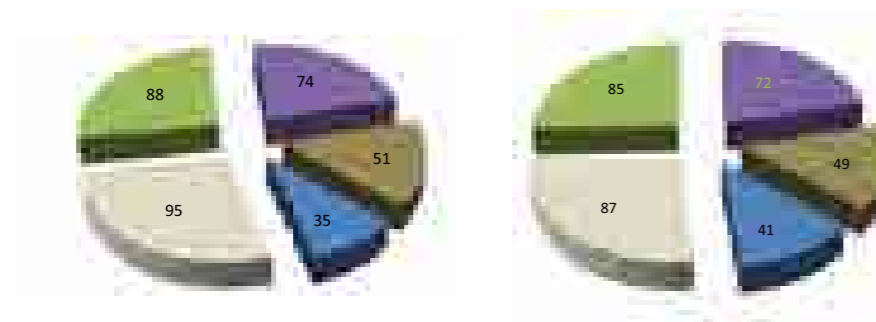
	2013/14	2012/13
Under 25	64	63
25 to 34 years	120	118
35 to 44 years	96	97
45 to 54 years	49	45
Over 55 years	14	11



■ Under 25 ■ 25 to 34 Years ■ 35 to 44 Years ■ 45 to 54 Years ■ Over 55 Years

**Employees by Seniority**

	2013/14	2012/13
Under 6 Months	35	41
6 months to 2 Years	95	87
2 to 5 Years	88	85
5 to 10 Years	74	72
Over 10 Years	51	49



■ Under 6 months ■ 6 months to 2 years ■ 2 to 5 years ■ 5 to 10 years ■ Over 10 years

**Managers by Age**

	2013/14	2012/13
Under 25 Years	0	0
25 to 34 Years	5	3
35 to 44 Years	12	10
45 to 54 Years	16	15
Over 55 Years	6	6



■ Under 25 years ■ 25 to 34 years ■ 35 to 44 years ■ 45 to 54 years ■ Over 55 years

**Training**

	2013/14	2012/13
Number of Days of Training	29	31
Number of Days of Training for Managers	1	3
Number of Days of Training for Non-Managers	28	28
Number of Employees having Attended at Least One Training Course	276	262
Number of Managers having Attended at Least One Training Course	31	29
Number of Non-Managers having Attended at Least one Training Course	245	233
Average Number of Days of Training (2)	3	4

**Occupational Accidents**

Lost-time incident frequency rate per 1 million hrs.	147	59
Number of fatal accidents in the workplace	0	0
Number of fatal accidents commuting	0	0

**Staff Turnover**

	2013/14	2012/13	2011/12	2010/11	2009/10
<b>Staff Turnover by Gender</b>					
Male	60	65	72	73	49
Female	6	2	6	10	5
Total Staff Turnover Rate (%)	20	21	25	29	19

**Conclusion**

This Integrated Management Discussion and Analysis along with Financial Review, Operational Review and report of our engagement of Human Capital has set out together the entire modus operandi and its resultant impact on the Group as well as on the Grand Hotel.

This is the key operational report of the Company. This is the report of achieving growth and stability by the Company. This report, along with the rest of the Annual Report is presented to gain an insight of the sustainability of the financial and operational segments of the Company.

# Sustainability Report

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Considerate Near Our Hotel  
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Grand Kiddies Party  
Give Life Give Blood - Blood Donation Campaign 2013  
Grand Sithuvam 2014" Art Competition Among School Children of Nuwara Eliya  
Underprivileged Kiddies Party  
Career Guidance Workshop

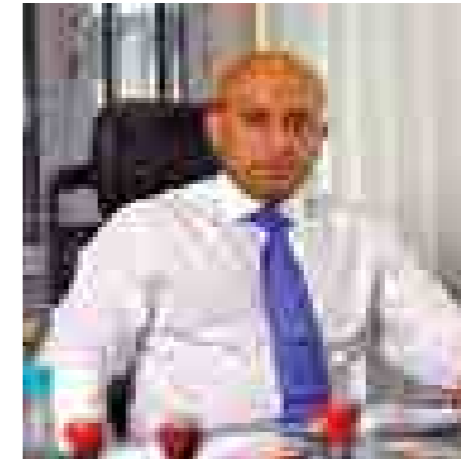
### Customers

### Supply Chain

Proof of Success of Our Approach to Sustainability  
Sustainability & Social Responsibility Awards Won by Grand Hotel

# Sustainability Report

## Managing Director's Message

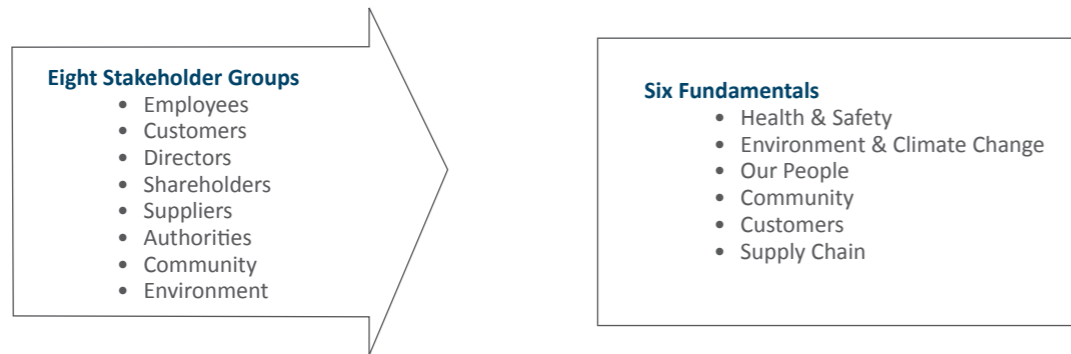


“Besides looking internally to reduce our environmental footprint, we have also continually looked for opportunities to contribute to meaningful projects that have a positive environmental impact”.

More than ever before, it is expected that corporate entities be environmentally and socially responsible. I firmly believe that a successful business and its corporate responsibility for sustainable development go hand-in-hand. For us, sustainability should not be an additional task to consider and do. It should be integrated into everything we do.

It is with great pride that I introduce Grand Hotel's Sixth Public Sustainability Report for the years 2009 through 2014, which gives an account of what is happening within the Company now, what we will be focusing on going forward and a little about our journey up to now. Our journey in Sustainability Reporting has so far been evolved by embracing the vision of “People = Planet = Profit” in our approach to sustainability and the identification of eight distinct stakeholder groups. In the latest initiative, we move forward that sustainability is embedded in our business strategy.

To ensure we embed sustainability into our business strategy, we have identified the six fundamentals of sustainable business based on eight stakeholder groups. These define areas of responsibility help us to communicate with and engage our people.



Each fundamental presents opportunities and risks for us. If we act promptly, we can save money by reducing the risk of increasing waste management costs or our use of natural resources. We can operate sustainably and help us to further improve the quality of our product, increasing customer satisfaction levels and strengthen our brand. We can also progress if we acquire new skills and techniques, keep our people safe and provide them with the right training and development.

As a growing business, we play an ever-greater role in delivering environmentally and socially responsible projects, with a positive legacy for our business and society. We have helped building houses, school computer labs, sanitary facilities, hospital cleaning and colour washing, flood defences, cleaning roads and critical infrastructure in sectors such as water, which are vital for the long-term economic growth of Nuwara Eliya area. Our legacy depends on the quality of these projects and how we engage with our stakeholders and the communities in which we operate.

Our approach to sustainability is about ensuring our organisation contributes lasting benefits through the consideration of social, ethical and environmental aspects in all that we do. We will only be successful when our workforce returns home safe and healthy every day, and we remain resolute in achieving this. Our overarching goal for environmental management is to minimise, and where possible eliminate, any impact of our operations on the environment. We recognise that the efficient and responsible use of natural resources is critical to the sustainability of our environment and we will continue to focus on reducing our greenhouse gas emissions and on improving our energy usage and efficiency.

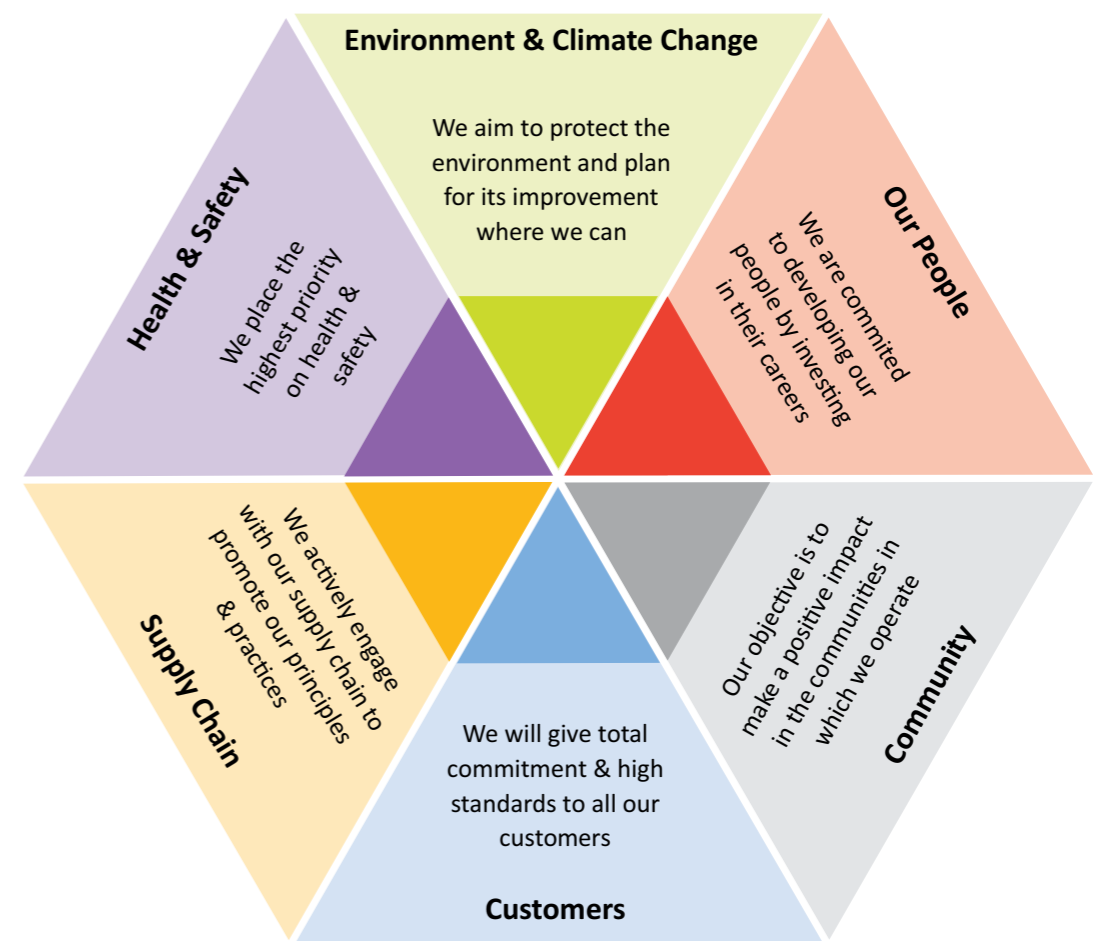
Our vision delivered through six fundamentals show how we consider and drive sustainability throughout the business. Our commitment to achieving this vision is reflected in the independent, external recognition we receive. I am proud that the Grand's efforts in this area have been recognised.

I would like to sincerely thank each of Our Employees and Senior Management for their efforts and persistence in continuing to make a difference as we work together to achieve our sustainability objective, and I look forward to reporting our progress in the future.

• • •

**Gerard G. Ondaatjie**  
 Managing Director  
 20th May 2014

### Constructing a Sustainable Future by Six Fundamentals



## Sustainability Constructing a Sustainable Future

### Health & Safety

We place the highest priority on health & safety.

Health & safety is the first priority and the focus for everyone involved with the Group, for themselves and their colleagues.

Our 'Challenging Beliefs, Affecting Behaviour' initiative complements our training room based safety courses and extends it to anywhere where people are working together to encourage the use of safer working practices.

### Community

Our objective is to make a positive impact in the communities in which we operate.

Our business benefits society by providing the various types of community services and projects all depend on. However we can only do this if our communities support our work.

### Environment & Climate Change

We aim to protect the environment and plan for its improvement.

Delivering our projects inevitably means using materials, waste, fuels and other resources.

This has environmental impacts, so we aim to cut waste and energy use to reduce these and to save money. We report our waste and carbon performance annually, to ensure visibility in the business and to help us continually improve.

### Customers

We give total commitment and high standards to all our customers.

Our customers want exceptional service Standards that deliver high performance.

### Our People

We are committed to developing our people by investing in their careers.

Maintaining our innovative approach requires an effective training and development programme, including investing in developing tools such as e-learning. We also develop talent for the future, through our regular training programmes in house and sending for cross exposure training for overseas.

### Supply Chain

We actively engage with our supply chain, to promote our principles and practices.

We ensure our supply chain partners' skills, and the goods they supply, meet our customers' expectations and our environmental and social standards. We set high standards for our preferred suppliers and encourage our suppliers to buy from them as well, to maintain these high standards

## The Concept of Sustainability in the Corporate Governance Structure of the Group

Grand Hotel is managed by The Nuwara Eliya Hotels Co. PLC, and its Board of Directors led by its Managing Director, Mr. Gerard G. Ondaatjie, and consists of eight Directors. The Hotel is operating in Nuwara Eliya and the registered office is in Colombo. A sustainability committee is led by Mr. Palaka Perera, General Manager, and comprises four Executive Committee Members along with the other staff members. This committee oversees all Corporate Social Responsibility Operational Activities of the Group in regard to sustainability, including performance management, project management and implementation, communications and issues management.

The Chairman and Managing Director report and consult with the Board of Directors of the Company whenever they need assistance and consultation for matters. All team members have channels through which they communicate to top management of any issues or ideas relating to Corporate Governance, responsibility or sustainability in general. These include an annual employee survey, an independent whistle-blower system for reporting any non-compliance or inappropriate behaviour, local sustainability etc., team members stationed at the Hotel and an online information sharing tool.

## Our Strategy on Corporate Social Responsibility

We 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



### Our Approach to Sustainability

**“Sustainability is good business: it means being profitable, being a fair employer, taking care of our customers and respecting the environment”.**

Sustainability is assessed at the corporate level with contributions from our hotel sustainability committee members to understand what it means to the Group, what is relevant (or material), and what risks and opportunities exist.

The Sustainability Statement adopted by the Group defines the high-level standards which our hotel and team members must comply with. The internal and external standards and statements for environment, quality and health and safety all support our top-level sustainability statement and apply to our hotel. Our statement defines how we operate and the minimum levels we work towards.

To ensure that we improve our sustainability performance and to demonstrate to the public that we take our corporate responsibility seriously, we make commitments. These are key goals or targets that are to be achieved over a certain time period. Our performance in fulfilling these commitments is monitored and reported in a transparent way, both internally and to our stakeholders. Our commitments are a mix of quantitative and qualitative deliverables and our hotel is required to develop and implement initiatives to support the application of the corporate statement and standards. To ensure that the Company is on its way to meeting the commitments that have been agreed upon and communicated, we extensively track and monitor our performance.

We have adopted and continue to develop the six fundamentals to go forward in building a sustainable business.

### The People Who Keep Us in Business

- Guest Questionnaires
- Social Media
- Marketing Campaigns
- Formal Market Research
- Sales Encounters
- Face to Face Guest Interaction
- Websites

**Guests**

- Executive Management Meetings
- Skills Development
- Welfare Meetings
- Newsletter
- Employee Training Programs
- Staff Meetings
- Staff Get together
- Staff Annual Trips

**Employees**

- Annual General Meeting
- Open Door Policy on Investor Relations
- Quarterly Accounts
- Annual Report

**Shareholders**

- Visit the Suppliers
- Regular Meetings with the Suppliers
- Purchasing Committees
- Quality Control Meetings
- Weekly Purchasing Meeting with the HOD's

**Suppliers**

- Social Investments
- Shramadana Work
- Tree Planting Campaigns
- Helping the Needy People
- CSR Activities

**Communities**

- Membership Hoteliers Association
- Employees Federation

**Businesses Associates**

- Trip Advisor
- Press
- Trade Publications
- LMD Business Journal
- Interviews
- Public Relations

**The Media**

- Tourist Board of Sri Lanka
- Department of Inland Revenue
- Municipal Council
- Provincial Council

**Government Regulatory Authorities**

## Health and Safety

### “Creating a Healthy and Safe Culture for Our People and Our Stakeholders”



Spot the Health and Safety Hazards in this Illustration



Health and Safety Cartoon Highlighting Safety Hazards in a Hall

#### Our Number One Priority

In the past years, health & safety across the Hotel Industry has been transformed, leading to continued improvement in accident frequency rates. The Grand Hotel has an excellent record of reducing its accident frequency rate year-on-year but we cannot ever assume the job is done. Our investment in health & safety continues through our ‘Challenging Beliefs, Affecting Behaviour’ programme, and is supported by a team Health, safety and environment advisers. We aim to reach everyone within and connected to our business, whether they are an employee or guests.

The health and safety of our employees, contractors, suppliers, guests and surrounding communities is paramount to us and is at the forefront of what we do in all areas we operate and beyond the day-to-day operations. Our belief that all incidents and injuries are avoidable is at the core of our comprehensive health and safety policies and programs. Each year a significant time and resources are invested in improving our health and safety performance. This includes targeted training programs and education for all employees and management.

In pursuit of an accident free workplace we have implemented an overarching health and safety framework with annual improvement targets marked ‘Specific’, ‘Measurable’, ‘Achievable’, ‘Realistic’ and ‘Time framed’ (SMART). Additionally, we developed the Grand Hotel Health, Safety and Environment Compliance Standards Manual, which is based on industry’s best practices. This manual was rolled out across the organisation in late 2012. Prior to the end of the year and into 2013, we commenced auditing our performance against it.

In 2013, we will continue to work hard at reducing all injury types using our comprehensive training programs and health and safety policies with the goal of posting an improved result in 2013.

#### Safe Behaviour Discussions (SBDs)

In an SBD, our staff work with operatives on hotel and garden to constantly identify an operation’s risks and agree on the steps to make it safer. By challenging unsafe acts and reinforcing safe working methods, this partnership approach encourages management and embeds

behaviours more effectively than just issuing instructions. Our Managing Director also leads in delivering Safe Behaviour Discussions, one of the key tools in our behavioural programme.

#### Health and Safety Training

Each year, our Grand Hotel operations and exploration business units undertake numerous health and safety training programs to ensure our employees, contractors and guests are fully equipped with the knowledge and expertise required to operate safely at all times. The areas covered and implemented by such programs are the following:

- Fatigue management
- Fire brigade and ambulance training
- Incident root cause analysis training
- Pre hospital emergency care

#### The Annual Fire Training Program

The Annual Fire Training program and Awareness for the Employees of Grand Hotel was held on 7th and 8th November with the participation of majority of the Staff. The first 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 wellbeing of the Employees. The Training is conducted by the Superintendent and other officials of the Fire Department of the Colombo Municipal Council.



### Management of Health and Safety Risks

All Grand Hotel employees were also offered complementary flu vaccinations and were subject to random drug and alcohol testing in 2013. Retraining and increased task based observations commenced in the latter half of 2013 with an aim to reinforce the importance of working safely at all times and that lost time due to injuries are unacceptable.

Our hotel operations are susceptible to a high exposure to serious diseases, such as HIV/AIDS, malaria and tuberculosis, have education, training and counselling programs in place to assist employees. We also offer prevention and risk-control programs to employees and, where appropriate, to employees' families and local communities. We help manage the impact of disease and protect the viability of our operations by assisting in caring for our employees and the wellbeing of our host communities.

## Environment and Climate Change

### 'Saving Money and Reducing Our Environmental Impact'

#### Our Approach

We engage in hotel operations and continue to improve our understanding of the sources, scope and extent of our resource use, environmental emissions, and impacts and transparently report our performance. Our overarching goal for environmental management is to avoid or, where this is not possible, minimise our impacts while contributing to lasting environmental benefits across in the location where we operate. We assess, plan and manage our environmental impacts across all phases of our business, from exploration to development, operation and closure. Our approach to environmental management is based on the robust identification and assessment of material risks. Where ever we can, we implement opportunities to avoid resource use, pollution or contamination.

Where such preventive actions are not feasible, we investigate and implement options to minimise our impact. We then look to close this gap by implementing compensatory actions to address our residual impacts on the environment. In addition to our direct environmental management actions, we look at opportunities, such as conservation, to deliver lasting environmental benefits. Throughout this process, we engage with stakeholders and take their perspectives and knowledge into account in our decision-making.

This strategy is developed from the global sustainability policy, from which a number of activities and principles are drawn and is also included in the Company's Strategic Plan. The strategic lever for Sustainability Positioning includes the Company's undertaking to do everything in its power to limit its contribution to climate change. The approaches and strategies adopted in this sense are described in this chapter. These are then developed into a series of actions or projects that contribute to reducing the hotel's environmental impact and ensure the protection of their surroundings during day-to-day operations.

These 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 impact of our business on the planet.

Our ability to operate this business is dependent on our adherence to sound practices in environmental regulations and statutes. We cannot overstate our commitment to managing the environmental impact of our activities and wherever possible we strive to exceed

industry benchmarks through the implementation of innovative environmental programs and research across our operations. We are committed to reducing the environmental impact of our business wherever we can, and focus, in particular, on energy and water consumption and on the amount of waste produced by the business.

Therefore, we remain focused on key areas that we use to evaluate our environmental management performance each year as elaborated below:

- Environmental Compliance
- Energy use and greenhouse gas emissions
- Water use
- Waste and tailings management
- Land use and biodiversity

With a focus on risk management, we will look for opportunities in 2015 to further expand on our risk management program as it pertains to the environment including the impacts of climate change to which we believe that the above areas are directly responsible. We also monitor and evaluate our performance using accepted environmental management data protocols which include key performance indicators (KPI). Each year our environmental programs and policies are reviewed.

#### Environmental Compliance

Our environmental compliance and management program is applicable across our development of CSR projects and in the Farm operations. At each location, environmental monitoring programs allow us to address a range of environmental factors including:

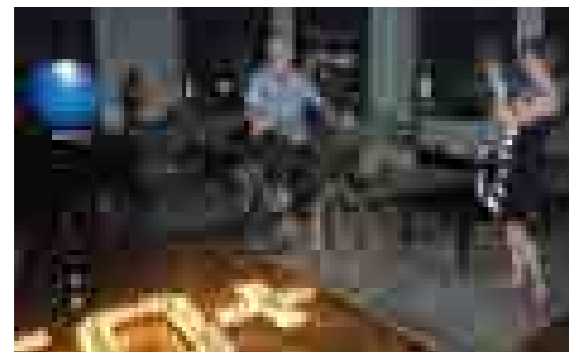
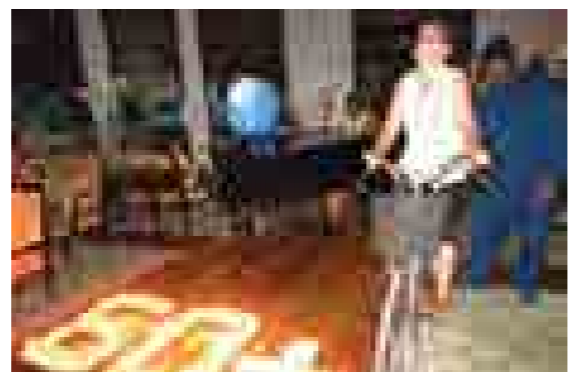
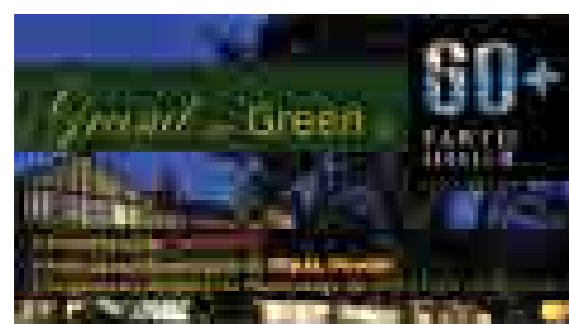
- Ground and surface water quality
- Stream sediments
- Site biodiversity
- Wildlife protection
- Aquatic biodiversity
- Noise and dust pollution

We make our commitment to environmental compliance more meaningful by encouraging positive environmental interactions with the society.

**Earth Hour**

The now global phenomena began about seven years ago as a mere lights-off event in Sydney, Australia. A lot of people globally have since caught on to this movement which is organized by the World Wide Fund for Nature (WWF). But despite its increasing popularity and now boasting participation by thousands of cities around the world, the movement still holds little meaning for some.

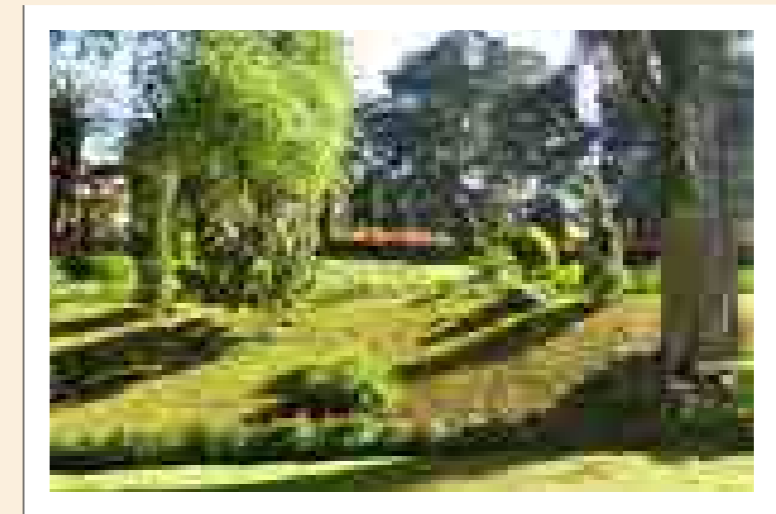
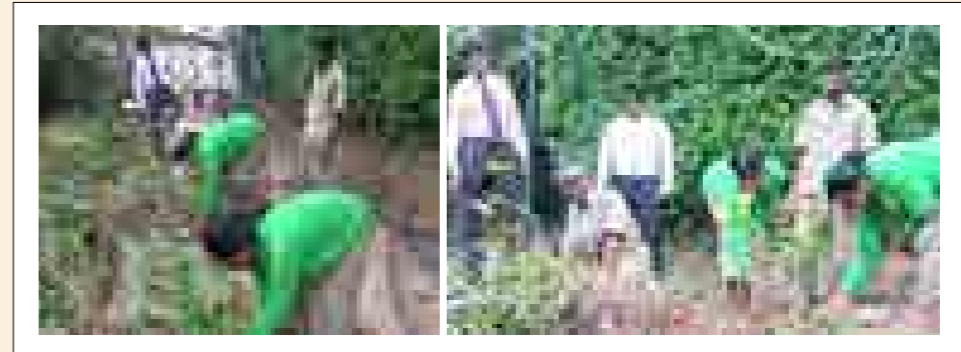
For those not yet in the know, Earth Hour is a movement where every year, about or on the last Saturday of March, people around the world switch off their lights for an hour to symbolize their commitment to conserving the planet. While switching off your lights and staying in the dark for one hour once a year doesn't even start to solve global environmental problems, it is the awareness generated by Earth Hour that is of importance. It is with this in mind that the organizers of the movement have started to encourage people to do environmental conservation activities 'beyond the hour'.



**The Tree Planting Campaign in 2013 titled 'Greener City'**

The Tree Planting Campaign in 2013 titled 'Greener City' was actively participated by the hotel staff and management with the blessings of the Hotel.

Tree planting and re-planting Campaign was held at the Lake Gregory in October 2013 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.

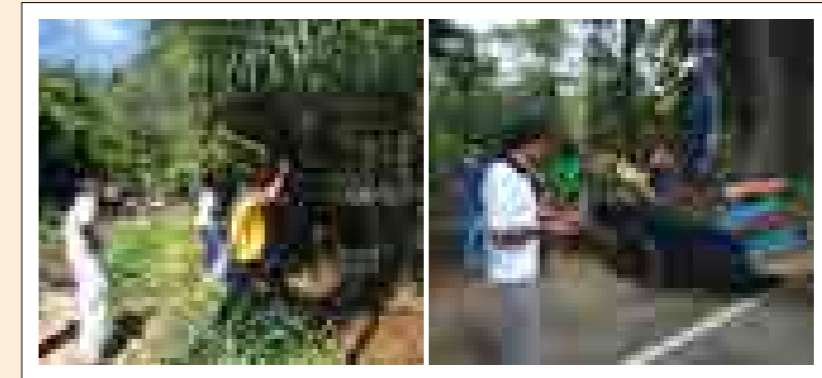


**Environmental Day Program at Siri Piyatissa School – 23rd May 2013**

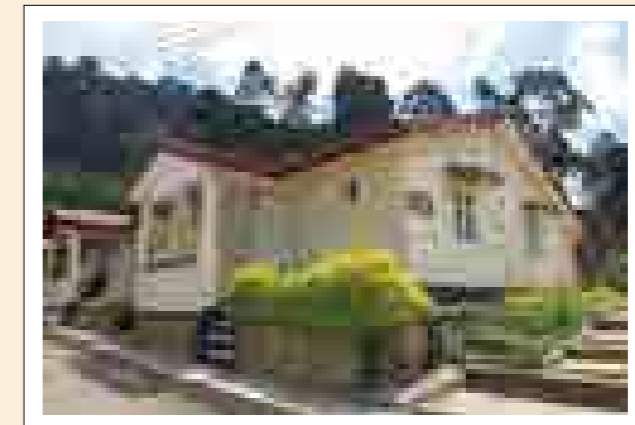
Grand Hotel conducted an extensive “shramadana” program, whereby the entire school compound was cleaned and unwanted shrubs cleared. The Hotel was also able to repaint the Children Play equipment and install a Water Tank and provide a pipe line connection which was financially assisted by the Lions Club of Nuwara Eliya.



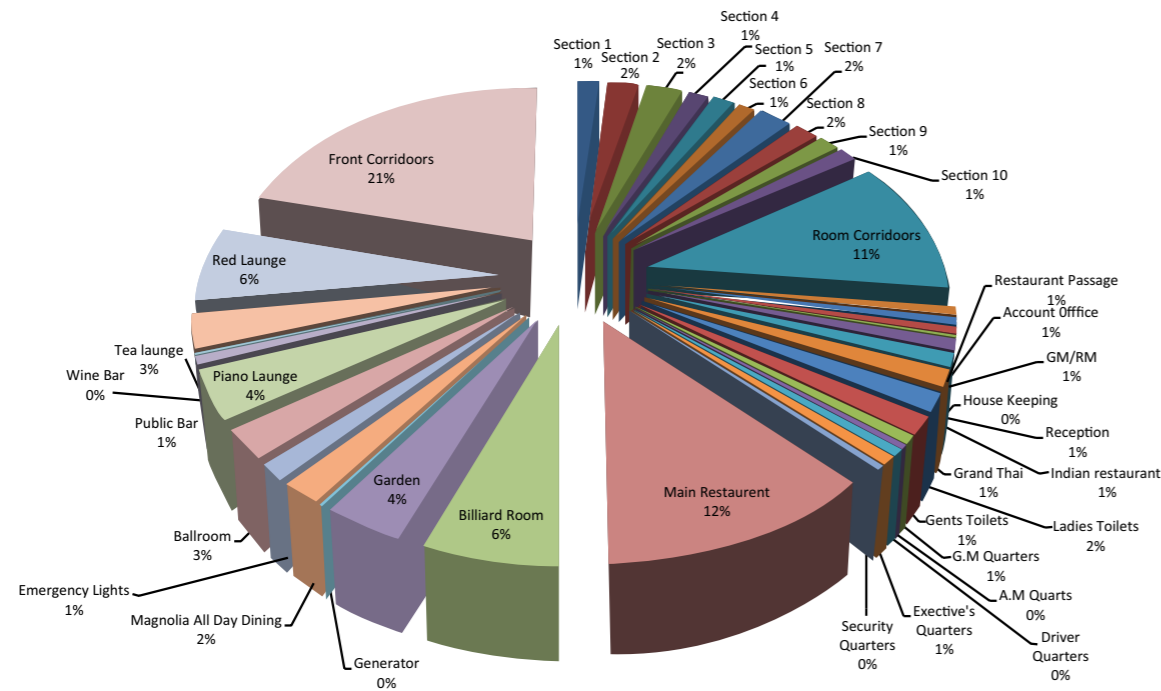
**Cleaning of the Grand Hotel Road,  
Road Leading to the Executive Quarters and the Grand Hotel Farm**



After the Shramadana



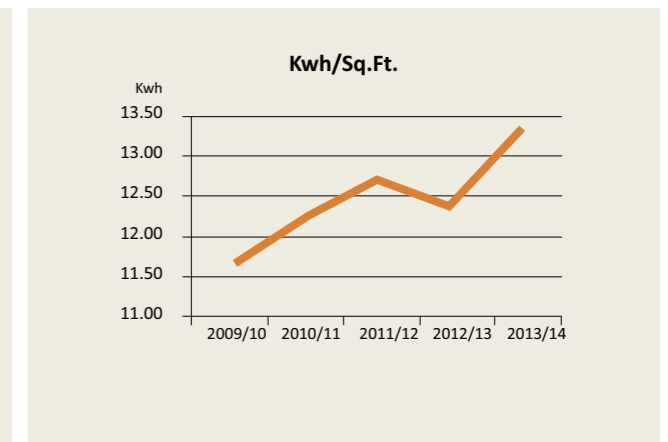
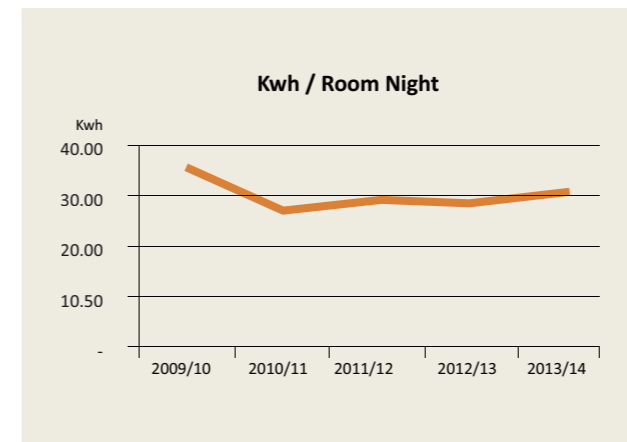
**Total Lighting Consumption - Section-wise**



Total lighting energy consumption per day assuming 100% occupancy 688kWh  
 Total lighting cost per day assuming 100% occupancy (Rs 21/unit) Rs. 14,451  
 Estimated Daily Carbon Foot Print due to lighting at 100% occupancy 433Kg of CO<sub>2</sub>e

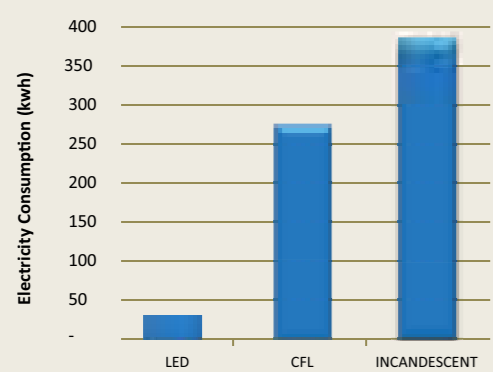
**Electricity Consumption**

Financial Year	Kwh/year	Occupancy Room Nights	Total Floor Area Sq.Ft.	Kwh/ Room Night	Kwh/ Sq.ft.
2009/2010	945,731	26,696	80,146	35.43	11.80
2010/2011	987,180	36,246	80,146	27.24	12.32
2011/2012	1,018,575	34,816	80,146	29.26	12.71
2012/2013	998,553	35,129	80,146	28.43	12.42
<b>2013/2014</b>	<b>1,067,487</b>	<b>34,782</b>	<b>80,146</b>	<b>30.69</b>	<b>13.27</b>

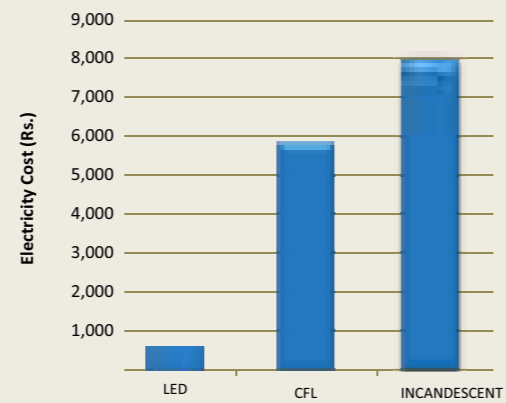


Annual Carbon Foot Print due to Electricity Consumption 672,517 Kg of CO<sub>2</sub> e

**Total Energy Consumption for Lighting per Day**

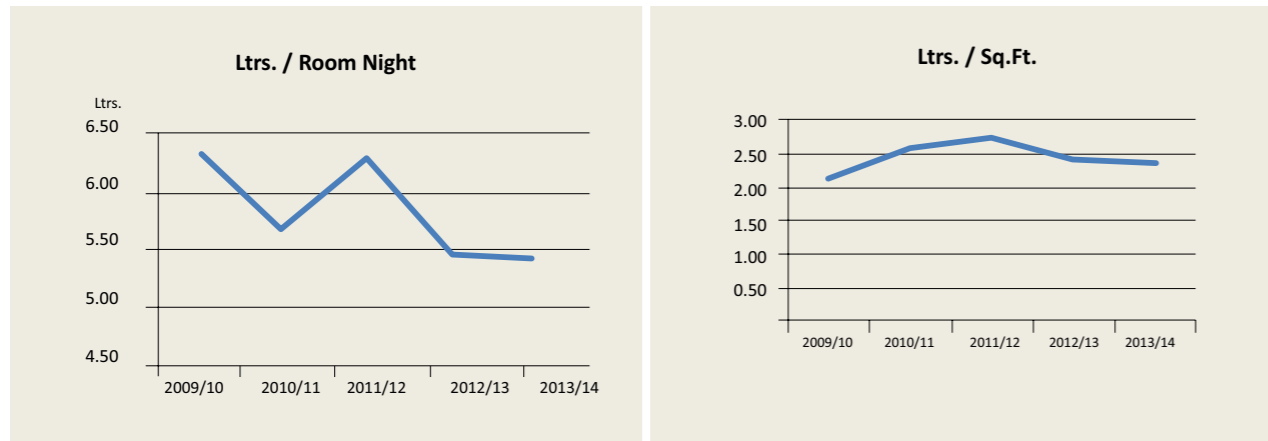


**Total Cost of Lighting per Day**



**Fuel Consumption**

Financial Year	Total Consumption (l)	Occupancy Room Nights	Total Floor Area Sq.Ft.	Ltrs/ Room Night	Ltrs/ Sq.Ft.
2009/2010	169,221	26,696	80,146	6.34	2.11
2010/2011	205,790	36,246	80,146	5.68	2.57
2011/2012	219,085	34,816	80,146	6.29	2.73
2012/2013	192,452	35,129	80,416	5.48	2.39
<b>2013/2014</b>	<b>188,571</b>	<b>34,782</b>	<b>80,416</b>	<b>5.42</b>	<b>2.34</b>



Annual Carbon Foot Print due to Fuel Consumption 509,142 Kg of CO<sub>2</sub> e

**Water Use**

The sustainability of our operations relies on our ability to obtain the appropriate quality and quantity of water and to use this resource responsibly.

Increased competition for water due to population growth, urbanisation and industrialisation, is affecting the quantity and quality of available water resources and poses a potential operational risk for our business. The social, cultural, environmental, ecological and economic values of water have led to greater scrutiny of responsible water use and expectations from our stakeholders for improved resource stewardship. We are experiencing greater governance, regulation and performance requirements in response to these expectations.

The range of potential water-related risks and their potential impacts on water resources, biodiversity and communities makes managing water a complex task for our businesses. To ensure these impacts are managed to an acceptable level, all operations are required to develop a Water Management Plan. This plan takes into consideration the baseline quantity and quality of water potentially affected, and quantifies the acceptable level of impact to water resources, taking into account regulatory requirements and stakeholder expectations. It also details the preventive and mitigating controls necessary to achieve the acceptable level of impact, with each operation required to implement a monitoring and review program that verifies the effectiveness of these controls.

Water is the main source of nourishment for life on this planet and its importance can never be overestimated. According to the second UN World Water Development Report published in March 2006, if present levels of consumption continue, two-thirds of the global population will live in areas of water stress by 2025. Increasing human demand for water from population and economic growth coupled with the effects of climate change mean that the future of our water supply is not secure. As of now, 2.6 billion people do not have access to safe drinking water. In running our global operations, we recognize this growing water scarcity problem. Therefore, promoting water efficiency is an important part of our overall strategy and efforts to ensure that human demand and water supplies are in balance and that the risk of disasters such as droughts and floods are reduced. We believe that sustainable and effective water resource management ensures accessibility of this precious resource for all. Their environmental management system, Grand Hotel also installed leakage detectors to identify underground water pipe leaks where necessary plumbing and repair work are immediately carried out to avoid further wastage.

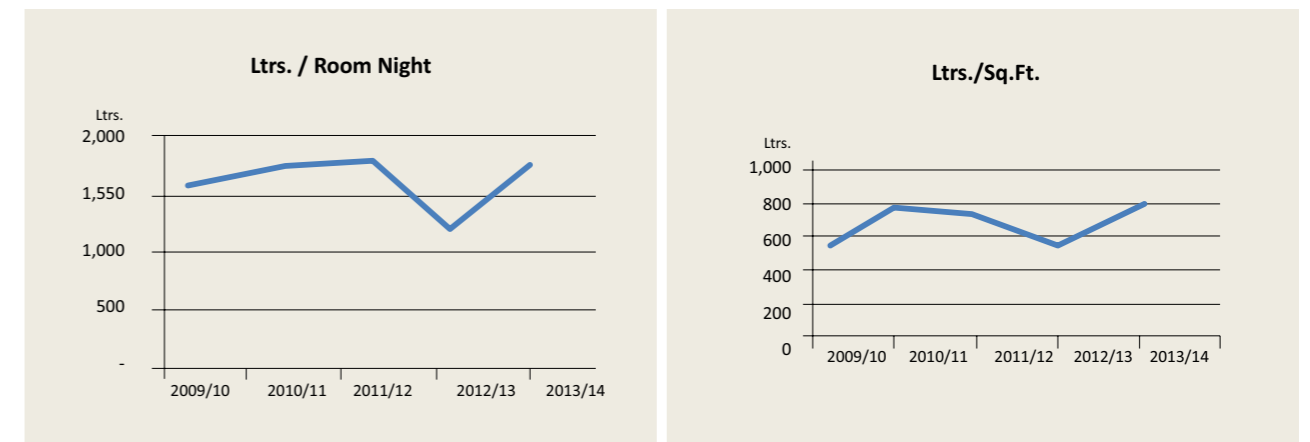
At Grand Hotel, we strive to be responsible stewards of water and to reduce the impacts of our business on the water supply around us. We encourage all of our Business Units to ensure a water-sustainable operation by minimizing water use, exploring alternative ways to generate clean water, developing efficient ways to recycle water from our operations and protecting surrounding water sources where feasible.

We have been analyzing its water use statistics to gain an insight into the impacts of its operations by water consumption. Accordingly, the segmenting the water use by purpose is under way. The main objective of this program is to establish the usage patterns and develop alternatives to using water for non-edible and direct contact uses.

The main method to ensure reduced water usage is to recycle and reuse the water in the Hotel premises. The Hotel needs to develop quality assured facilities and means to do this, and is presently under positive consideration.

**Water Consumption**

Financial Year	Cubic Meter	Occupancy Room Nights	Total Floor Area Sq.Ft.	Units/ Room Night	Ltrs/ Room Night	Units/ Sq.Ft.	Ltrs/ Sq.Ft.
2009/2010	45,036	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	0.747	747
2012/2013	42,201	35,129	80,416	1.201	1,201	0.525	525
<b>2013/2014</b>	<b>62,552</b>	<b>34,782</b>	<b>80,416</b>	<b>1.798</b>	<b>1,798</b>	<b>0.778</b>	<b>778</b>



**Waste and Tailings Management**

Our objective to eliminate waste focuses on our consumable hotel waste excluding hazardous and technical equipment waste sources. In accordance with our hotel Waste Policy and hotel waste Management Plan, we continue to follow the Waste Hierarchy, committing to reduce, reuse, recover and recycle prior to disposal. Each department has segregated bins to capture recyclable, non-recyclable and degradable waste.

Our Environment Policy also guides our waste objectives which are managed through our awareness programs. During the year, we identified opportunities to further enhance our waste management program. We introduced a more thorough waste reporting register which has resulted in more accurate record keeping and reporting than in previous years. As a result of having more detailed data and information, we are better positioned to identify opportunities to reduce waste in general and to reduce waste.

**Waste Water**

Hotels can generate considerable quantities of waste water, both grey water from washing machines, sinks, showers and baths, as well as black water from dishwashers and toilets. If waste water is not treated properly, it may cause ground and surface water contamination, as well as the degradation of lakes and water stream habitats. It can also cause infections and gastro-intestinal diseases.

Our hotel being situated in a highest elevation in Sri Lanka and the source of many water feeders of the island, it is of utmost importance that we act very responsibly with our waste water generated by our operations.

**Kitchen Waste Management**

Under the Waste Management system of the hotel, the waste produced by the kitchen is segregated at the point of origin. All waste bins are divided and marked as follows:

1. Wet
2. Plastic
3. Glass
4. Paper
5. Metal

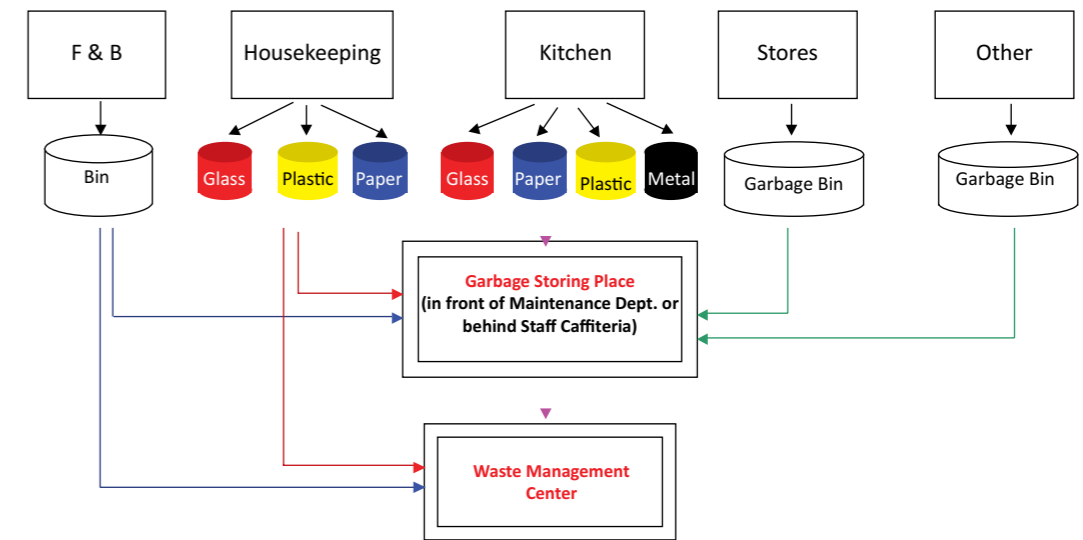
The Wet garbage is taken to a site where they are further sorted to separate the material that is suitable for animal feed, while another part is used for composting. Whatever items that are unsuitable for the above is taken away from the Waste Management Centre, by the Municipality on a daily basis. The glass, plastic, metal and paper are brought to waste management center and then disposed of periodically.

**Food Waste**

The hospitality industry consumes a large volume of food and beverage products through in-house restaurants, catering and guest room services. Through careful menu planning we can reduce food waste and make use of seasonally available ingredients. We can also reduce food wastage by offering options in bulk dispensers rather than individual packages. We suggest that our hotels set up or make use of food donation programmes where possible.

**E-Waste Management**

Rapid changes in technology, changes in media (tapes, software, MP3), falling prices, and planned obsolescence have resulted in a fast-growing surplus of electronic waste around the globe. The Grand Hotel recognizes electronic waste as a “rapidly expanding” issue and has in place a system of disposing E-waste in a responsible manner. 75% of the 4000 plus bulbs used in the Hotel are either CFL or LED. Once these light bulbs are fused, they are removed by the suppliers for recycling. Redundant computers and other electronic devices are sold to a contractor for reuse.



**Land Use and Biodiversity**

The complex web of inter-dependent ecosystems which constitute life on Earth includes us. We are part of that web and are entirely dependent on clean air, fresh water and healthy food for our survival. Some people would argue that as the species at the top of the food chain capable of acting on the planet’s ecosystems to create profound change, we have a responsibility to act as stewards of the planet, protecting nature for its own sake and ensuring our consumption levels are sustainable.

Others take a more utilitarian approach and argue that we should protect nature on the basis of the present and potential use of elements of biodiversity as biological resources, and focus on maintaining the biosphere in a state which supports human life.

While some may prefer the ‘nature for nature’s sake’ approach, many of the individuals, organizations and corporations whose activities are putting the planet’s ecosystems under immense pressure are more responsive to utilitarian arguments framed in concrete and measurable terms.

### Threats to the Biodiversity

These include:

- The unsustainable harvesting of natural resources, including plants, animals and marine species.
- The loss, degradation or fragmentation of ecosystems through land conversion for agriculture, forest clearing etc.
- Invasive non-native or 'alien' species being introduced to ecosystems to which they are not adapted i.e. where they have no, or not enough, predators, to maintain an ecological balance.
- Pollution
- Climate change

The first two have taken place throughout human history, although not on the current scale. The introduction of invasive species is certainly facilitated, if not caused, by the level of international transport and traffic of goods of our trade system. The latter two are definitely products of an industrial age.

Securing access to land use and managing it effectively are essential components of our commitment to operate in a responsible and sustainable manner. We depend upon biodiversity and the related benefits derived from ecosystems such as food, air and water.

### Biodiversity and Land use is a Complex Issue

We appreciate the importance of preserving biodiversity and the challenge this presents to all land users. Government and communities are seeking a greater demonstration of effective land stewardship as a critical component in their decision to grant land access. This is exacerbated by growing competition for land, whether it is for mining, agriculture, forestry, farming, water supply or biodiversity conservation. Consequently, this requires broader consideration of how we manage land use and biodiversity at our operations and how this is balanced with other societal needs. Obtaining community support is most challenging when there is strong competition for the use of the land, such as the competition between resource development and agriculture.

### Biodiversity, Land and Our Business

We assess and manage the potential land and biodiversity impacts of our operations throughout their life cycle. Our operations are required to have Land and Biodiversity Management Plans that incorporate baseline and impact assessments, controls designed to mitigate impacts on biodiversity and the related benefits derived from ecosystems, and monitoring programs to verify effectiveness of controls. Operations are required to adhere to a formal management hierarchy that begins with avoiding disturbance, followed by mitigating negative impacts, rehabilitating land (both during operations and at closure) and undertaking compensatory actions, such as biodiversity offsets, at our operations. We rehabilitate disturbed areas consistent with the pre disturbance land use or alternative land uses developed in consultation with stakeholders. We have explicit commitments relating to areas of high environmental sensitivity.

These are:

- We do not explore or extract resources within the boundaries of World Heritage listed properties.
- We do not explore or extract resources adjacent to World Heritage listed properties unless the proposed activity is compatible with the World Heritage outstanding universal values. (Grand Hotel itself is one of the heritage properties identified by the world Heritage organization)
- Identify any local IUCN Red List Threatened Species and do not operate where the direct impact will result in their extinction in the wild.

### Strategies, Current Actions and Future Plans for Managing Impacts on Biodiversity

We have set up the following committees and structures in place to enhance the sustainability of the Hotel Operations.

- Green Committee – to look at the cleanliness and eco friendliness of the environment around the property
- Community Social Responsibility Committee – To focus on meaningful ways of sharing the dividends of business
- Bird friendly committee – to create awareness of high density and endemism of avian fauna.
- Green Resource and Community Relation Department – A structure responsible for positive interaction between operation and community and environment
- Interpreter Service of the Nature by a Qualified Naturalist – A service value addition to hotel guests through two qualified Natural History Experts
- Fire Fighting Committee – to ensure the preparedness for fire emergency
- Health and Safety Committee – to focus on occupational safety & health of customers and employees
- '5 S' Committee – to enhance the productivity of Hotel operation

Significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas:

- As results of guest and other human activity a large quantity of brown water is accumulated. That brown water and sewage is treated at the waste water treatment plant and released on to the environment according to accepted standards
- The Hotel generator is equipped with a sound proof muffler and is regularly serviced to ensure a minimum sound pollution
- The Japanese '5s' productivity improvement system is adopted and accordingly all waste such as wet garbage, glass, plastic, paper and e-waste are separated and disposed
  - Wet garbage- used as animal food for piggery
  - Glass, polythene, plastic, steel and paper-reused and/or sold
  - E-waste –sold
- Carbon dioxide produced by human and other activity is absorbed by the garden and the adjoining 8 acre forest reducing the carbon foot print.

Location and size of land owned, leased, managed in hotel operations and its status of being adjacent to, and protected areas and areas with high biodiversity value outside protected areas:

The Hotel is located within 10 acres of land and is surrounded by a formal English garden. The main buildings consist of the 154 guest rooms and the other smaller buildings, restaurants, maintenance department and staff cafeteria and quarters. This set up enables the vast array of hotel operational activities to be confined to this area totally under the responsible control of the Hotel, thereby enabling the implementation and conduct of environmentally sustainable practices under its total control and responsibility.

## Our People

### ‘Engaging Our Employees Through Development’



The Hotel industry operations are simply not possible without an effectively motivated work force to carry out the various operations. The human touch in all operations is vital for the sustainability of other factors, such as guest satisfaction and also the delivery and acceptance of the value added products offered to the market.

Therefore, our people are our lifeblood and our greatest asset. With over 300 employees, it is vital that we attract and retain the best people and developing and nurturing talent is essential to our continued success and the future growth of our business

#### Employee Engagement

We take very seriously the engagement and well-being of our employees. Last year we set ourselves a challenge to improve on our employee engagement, demonstrated by our annual attitude survey. We were pleased that not only did we see an improvement, from 70% to 80%, but we also achieved that score with a response rate of 85%, representing some 250 people and a 20% increase in responses on our last full survey. We will use the data collected to improve the business and our working lives. The survey results identified specific areas for improvement and we will be taking these forward.

Geographical Locations of Grand Hotel Employees					
	2010	2011	2012	2013	2014
Nuwara Eliya	108	115	118	135	149
Kandy	47	59	54	62	64
Colombo	42	43	39	57	53
Others	89	92	97	80	77

#### Developing Our Talent

Grand hotel recognises the wider benefits of developing internal talent and career paths that support increased employee retention, employee engagement and provide long-term career opportunities.

Grand Hotel carries out annual processes to identify staff members with talent and draws up career and development plans for them. This process is divided into 3 phases:

- Identification by the manager
- Candidate validation
- Assessment of potential by Human Resources

In order to access these plans, candidates must have been with the Company for at least one year, have demonstrated outstanding performance in their functions and have the necessary skills for the post they are opting for.

Modifications were made in 2012 to both the business unit development plan, details of which are given in the next section, and the corporate unit development plan. These changes are essentially due to the intention to convert those employees who have been identified as having a high degree of potential into top performing leaders for the future, and who will hold key posts, carrying out critical functions in order to maintain Grand Hotel International’s and local competitive advantage.

#### Enhancing Our Capabilities

The Grand Hotel needs a well-trained and engaged workforce. We want employees who are happy to work for us and who feel they can progress. We therefore focus on providing opportunities throughout their careers, and aim to deliver the equivalent of at least two training days each on a monthly basis. Training is driven by individual needs, identified through annual personal development reviews. During the year we completed mandatory training on equality and diversity training.

This was delivered through e-learning, which saves significant costs and time. Successful businesses draw on diverse talent but we recognise that our sector has a lower rate of gender and ethnic diversity than society as a whole. To begin to address this, to raise awareness and challenge pre-conceptions about peoples’ suitability for employment we have rolled out equality and diversity training. Our training is not limited to compliance based issues, but also looks to develop the wider skill set needed by a multidisciplinary company, such as health, safety and environment, technical, commercial, information technology and planning.

#### Understanding Our People’s Views

Our annual survey helps us to understand if we are meeting employees’ expectations. We aim to maintain, and in some areas improve, our performance each year. We made significant changes to our 2013/14 survey to gain better insight, so the results are not comparable with those of 2012/13. However we believe these changes will provide a more robust benchmark for us in the future. We have also started to monitor employee sickness and absence rates, which should be lower in a satisfied workforce. This allows us to identify trends and offer help through our employee support programme.

#### Keeping Our People Informed

Communicating with employees helps them to understand and question our business model, performance and strategy. Our channels include news alerts, our welfare meetings, staff briefings and most significantly, our Managing Directors’ dinner with all the department heads. We encourage as many department heads as possible to attend, with 30% being our minimum target. This year we achieved 34%, enabling nearly 350 employees to listen to and question our Managing Director and General Manager.

**Employee Satisfaction Survey (ESS) 2013**

The Annual Employee Satisfaction Survey, ESS 2013, was held on 3rd and 4th of December 2013. The findings of the Survey were presented to the Management Team at the December Monthly Management Meeting. This survey is held every year with the aid of a questionnaire prepared in English, Sinhala & Tamil, which is completed by all employees, who are required to indicate only their departments and not their names, while filling the questionnaire. The findings are discussed at the Monthly Executive Meeting, and the printed reports are given to the respective Department Heads. This initiative has greatly helped the Management Team to improve overall productivity by making subtle but critical changes in their people management practices.

Subsequent to ESS 2012 (Employment Satisfaction Survey 2012) many departments were able to identify both strengths and areas for improvement in their units and make positive changes. For Example, almost all participants had stated that they felt proud about working at the Grand Hotel, in 2013. At the same time most employees felt that all members in their unit were not treated equally. This has resulted in the development and introduction of a Performance Appraisal System, which has contributed immensely to the overall performance of the organization.

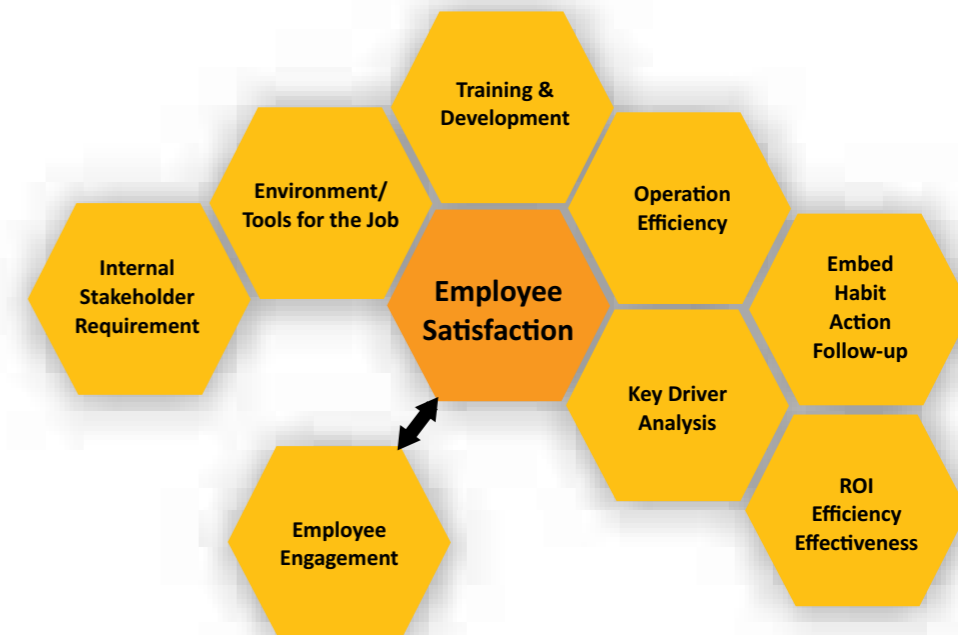
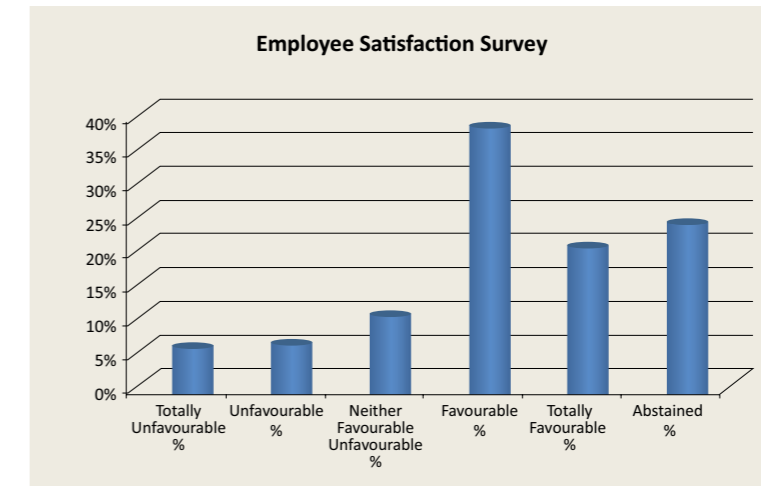
Results of ESS 2013 has shown that there is a general acceptance of the ESS itself and the Performance Appraisals, by the staff of all categories, both of which have been introduced within the last 18 months. The ESS 2013 shows a more favorable curve in terms of equal treatment of employees, while employees have expressed their approval of the new assessment and reward programs such as employee of the month and employee of the year programs.

**Measures Taken to Improve Staff Turnover**

Attendance of all employees is monitored daily and unauthorized absence is maintained at a very minimal rate. Any unauthorized leave is regarded as No Pay leave, which also means the employee concerned is not entitled to the service charge which is a large part of his take home remuneration. The Employee Turnover in the hotel industry in Sri Lanka is relatively high, mainly due to the many lucrative job opportunities that are available, particularly in the Middle East and the Maldives. However, amidst all these industry situations, the Grand Hotel has been able to maintain a Turnover of 22% which is well under the industry ratio.

The management has taken the following steps during the last 18 month to make a positive change in the staff turnover:

- Performance Based Rewards
- Improvement of Lodging and Dining facilities
- A Formulation and implementation of a Systematic Training Plan
- Installation of a Learning Centre
- Overseas Training Opportunities
- More Emphasis on Internal Promotions and Elevation Programs



Employee Satisfaction and Customer Satisfaction Go Hand-in-Hand.  
A Happy and Engaged Workforce is more willing and able to provide great Customer Service.

**Human Rights and Religious Freedom**

We have a staunch commitment to the respect and protection of human rights across our local operation. For us, this means honouring the cultures and practices of indigenous peoples and upholding the human rights of employees and members of the communities where we operate. We support the Voluntary Principles on Security and Human Rights which were developed to guide companies in maintaining the safety and security of their operations within an operating framework that ensures respect for human rights and fundamental freedoms including religious freedom. Our support for these principles is practically demonstrated by our commitment to doing the following:

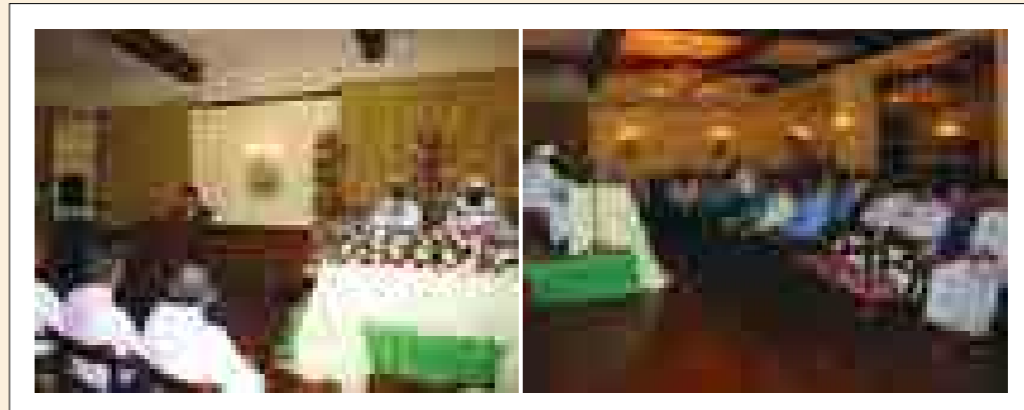
- Creating effective engagement strategies that encourage dialogue, participation, transparency and resolution of issues
- Ensuring our employees, contractors, supply chain and stakeholders are aware of their human rights and our commitment to uphold these rights
- Identifying and mitigating any impacts associated with our activities to proactively pursue the health and well-being of our employees, neighbours and communities and,
- Recognising the significance of cultural practices that are identified by our employees and local indigenous peoples.

**Annual Buddhist Rituals – Pirith Pinkama**



**Muslim Religious Observance**

This year the religious observances commenced with the Muslim Religious Observance on 5th June 2013 which was officiated by Moulavi Mohamed Raafi.



**Hindu Religious Observances - Saraswathy Pooja**

The Annual Saraswathy Pooja to invoke Blessings on Grand Hotel, the Management and the Staff was held on 8th October 2013 with the Pooja being conducted by Kurukkal Krishnamoorthy.



### Christian Religious Observances - Annual Thanksgiving Mass

The Annual Thanksgiving Mass was celebrated by His Excellency Rt. Rev. Dr. Joseph Spiteri, Apostolic Nuncio in Sri Lanka on 4th November 2013 amidst a large gathering of Christian devotees. The Mass was also celebrated in Thanksgiving for the 80 bountiful years of the Chairman Deshabandu George Ondaatjie, who was also present. The Managing Director, and other dignitaries including Mr. Paul Ratnayake, a Board Director was also present for the Mass.



### Workplace Profile and Diversity

Our people are the key to our growth and success. To promote workplace productivity and better care for our people we have put considerable thought and effort into our human capital programs that highlight the following areas:

#### Honesty and Integrity

- Values
- Diversity
- Equity
- Harassment
- Talent Management

Our aim is a proactive approach to people management that fosters employee loyalty and productivity by ensuring our people are happy, inspired and rewarded. Our Employee Code of Conduct is a tool by which our employees abide by in their day-to-day activities. The latest version of our Employee Code of Conduct can be found in our human resources department.

### Staff Turnover

Staff Turnover in Grand Hotel was reduced from 24% in 2012/13 to approximately 20% in 2013/14. This can be attributed to the introduction of more flexible shift schedules, greater professional and personal development and specialised training opportunities.

	2013/14	2012/13
<b>Number of Employees</b>		
Total Number of Employees	343	334
Percentage of Women	12%	9%
Percentage of Men	88%	91%
Average Monthly Number of Employees	328	321
Number of Full-time Employees Under Permanent Contracts	343	334
Number of Part-time Employees Under Permanent Contracts	0	0
<b>Casual Employees</b>		
Number of Persons Hired Under Contracts	0	0
Percentage of Women	0	0
Percentage of Men	0	0
Number of Persons Hired under Fixed-Term Contracts	0	0
<b>Absenteeism Rate – By Cause</b>		
Sick Leave	8%	5%
Workplace and Commuting Accidents	1%	2%
Maternity, Paternity and Adoption Leave	0%	0%
Paid Leave for Family Reasons	0%	0%
Unpaid Leave (Unpaid Vacation, Parental Leave)	0%	0%

	2013/14	2012/13
<b>Health and Safety Conditions</b>		
Number of Meetings of Health, Safety and Working Conditions Committees	2	3
Number of Employees Receiving Onsite Safety Training	1	1
<b>Employee Relations</b>		
Collective Agreements Signed	0	0
Total Hours Used for Employee Delegate Activities	0	0
Number of Meetings with Employee Representatives	2	3
<b>Employee Benefits</b>		
Bonus	3	3

**Talent Management**

We view our personal and professional employee development as a shared responsibility between individual employees, their Managers, Supervisors and the Company. In Grand Hotel, we have continued the innovative training program introduced in 2009 to better assess, deliver and monitor training, development and succession planning. Training programmes rates as one of our most successful workplace initiatives to date and offers our Grand Hotel employees a range of useful courses to improve their skills, knowledge and preparedness for further responsibility within Grand Hotel. Examples of training models offered include:

- Turning Point - personal development of leaders;
- The Learning Wave - core skills in supervisory and front line management;
- Key Skills - computer training; and,
- Human Resources Seminars - internal training and performance management coaching.

**Training Programs Conducted During for the Period April 2013 to March 2014**

**Month of May 2013**

Date	Topic	For	No. of Staff Who Participated
2nd & 3rd May	Team Working	All Staff	178

**Month of June 2013**

Date	Topic	For	No. of Staff Who Participated
4th and 5th June	Social Etiquette	All Staff	180
10th June	Spirits	F & B	19
12th June	Spirits	F & B	12
22nd & 23rd June	Preventive Maintenance	Maintenance Staff	21
24th & 25th June	Effective Communication for Front Office Dept.	FO Staff	15

**Month of July 2013**

Date	Topic	For	No. of Staff Who Participated
23rd July	HACCP – 01 Why Food Hygiene is important	F & B / Kitchen	28

**Month of August 2013**

Date	Topic	For	No. of Staff Who Participated
6th August	Back to Basics	F & B Staff	19
30th & 31st August	Moments of Truth	All Staff	173

**Month of September 2013**

Date	Topic	For	No. of Staff Who Participated
3rd & 4th September	Leading Work Teams	Designated Supervisors	21
17th September	Branding & Positioning	All Executives	28

**Month of October 2013**

Date	Topic	For	No. of Staff Who Participated
17th & 18th October	Power of Hospitality	Front Office	11
29th & 30th October	Nature Activities at the Grand	All Staff	81

**Month of November 2013**

Date	Topic	For	No. of Staff Who Participated
6th November	SWOT Analysis	HK Supervisors	11
14th & 15th November	Power of Hospitality	All Staff	140

**Month of December 2013**

Date	Topic	For	No. of Staff Who Participated
5th & 6th December	Keep Food Safe	Stewarding Staff	13

**Month of January 2014**

Date	Topic	For	No. of Staff Who Participated
24th & 25th January	Train the Trainer	Supervisory Staff	20

**Month of March 2014**

Date	Topic	For	No. of Staff Who Participated
13th & 14th March	Customer Relationship Management	Front Office	16
27th & 28th March	Productivity 2	All staff	

**Developing Employee Relationship**

The Hotel has made it customary to recognize exceptional performance of employees rendered to the hotel in achieving its operational goals. Accordingly, many events are held to recognize such feats.

Further, the entire work force is bound with harmony, friendliness and brotherhood as one family at the events such as welfare day and multi religious observances which are usually attended by the top most management of the Hotel.

**Staff Welfare Day**

The Grand Hotel Staff Welfare Society annually organizes a family get together and this year it was held on 24th November 2013 at the Nuwara Eliya Municipal Council Grounds. Majority of the staff along with the families participated at this day which consisted of games, entertainment and delicious food.



**Employee of the Year**

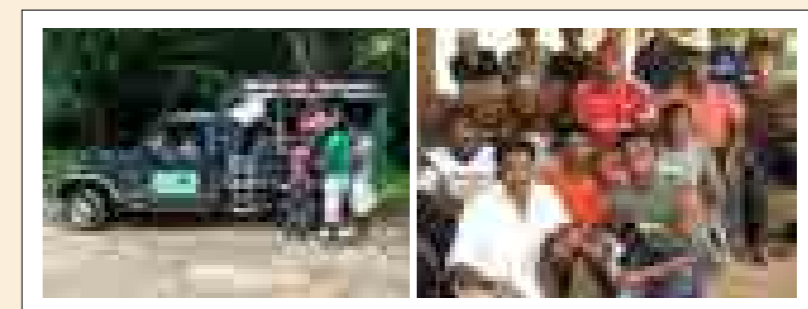
In order to motivate and encourage the Staff who work with excellence and efficiently, Employees are nominated from each Department monthly and the best Employee is selected as the "Employee of the Month". Employees are selected both for the Operational areas and back of the House operations. From these selected Employees, the "Employee of the Year" is selected. The "Employee of the year" for the back of the house operations was Mr. L.G.C.K. Udayasiri, Senior Sous Chef.



**Staff Trip**

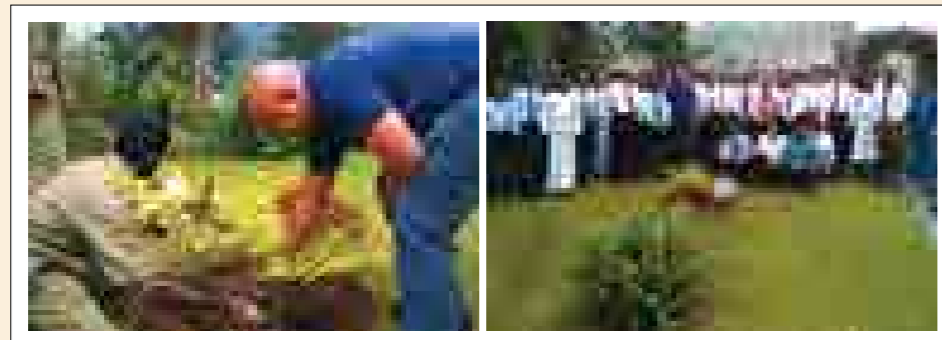
Annually the staff are provided a two day trip to a place of their choice. The entire staff participate in these trips in three batches so that the operation of the hotel is carried out without any hindrance. The staff trip for the year was to the Wasgamuwa National Park.

	2013/14	2012/13
No. of Staff who participated in the trip	119	150
Expenditure	Rs. 406,050	Rs. 474,400



**Remembering Former Resident Manager Who Passed Away  
After Serving 25 Years with Grand Hotel**

**Cyathea crinite**, an endemic to the Southern Western Ghats and Sri Lanka was planted on the Hotel Garden by the Managing Director on 21st of April 2013 in commemoration of the former Resident Manager, Late Raju N. Veerasingham who had diligently served the organization for 25 years as a token of appreciation and gratitude towards his service to the Hotel.



## Community

### ‘Stakeholder Management: Our Foundation for Success, Yesterday, Today and Tomorrow’

#### Our Approach

We engage regularly, openly and honestly with people and organisations interested in and affected by our operations. We take their views and concerns into account in our decision-making and strive for mutually beneficial outcomes. All of our operations are required to establish platforms for dialogues that acknowledge cultural requirements, which enable us to identify and work with our stakeholders to develop strategies that address their concerns and aspirations. Developing partnerships that foster the sustainable development of our host communities, enhance economic benefits from our activities, contribute to poverty alleviation and deliver lasting benefits is integral to how we operate. We work with local government and other organisations to create transparency of the broad economic benefits to communities generated from our operations. However, we do not make any political contributions, in cash or in-kind, or participate directly in the activities of any political party.

We acknowledge our activities have the potential to have an impact on human rights in many ways. Therefore, we actively commit to respecting the rights of employees, guests and our communities and promote fundamental human rights consistent with the articles set out in the United Nations Universal Declaration of Human Rights. In addition, we encourage cultural sensitivity and respect the traditional rights of Indigenous people by recognising, respecting and valuing sites, places, structures and objects that are culturally or traditionally significant.

Engaging openly with our local communities, local government body and other key stakeholders is important when trying to ensure that our activities positively enhance the lives of people who live near our operations and society more broadly. Through meaningful engagement we improve our understanding of and can work towards addressing potential impacts and concerns about our operations and create opportunities that are aligned with the interests of our stakeholders.

#### Networking the Community with the Hotel

The Grand Hotel interacts with thousands of people who live near our Hotel. We take our responsibility seriously to make a contribution to the communities in which we are working. Each division in the hotel reports its studies at its monthly CSR Meetings, with each division head’s proposals notified in the monthly Executive Corporate Responsibility Report, based on their proposals and recommendations CSR Committee initiate the projects.

During the year under review, Grand Hotel and its subsidiaries continued to embark on various community outreach initiatives locally. In the spirit of giving and sharing, various activities were carried out during the year to provide contributions and spread cheer to the needy and less fortunate especially during the festive seasons.

### Book Distribution 2014

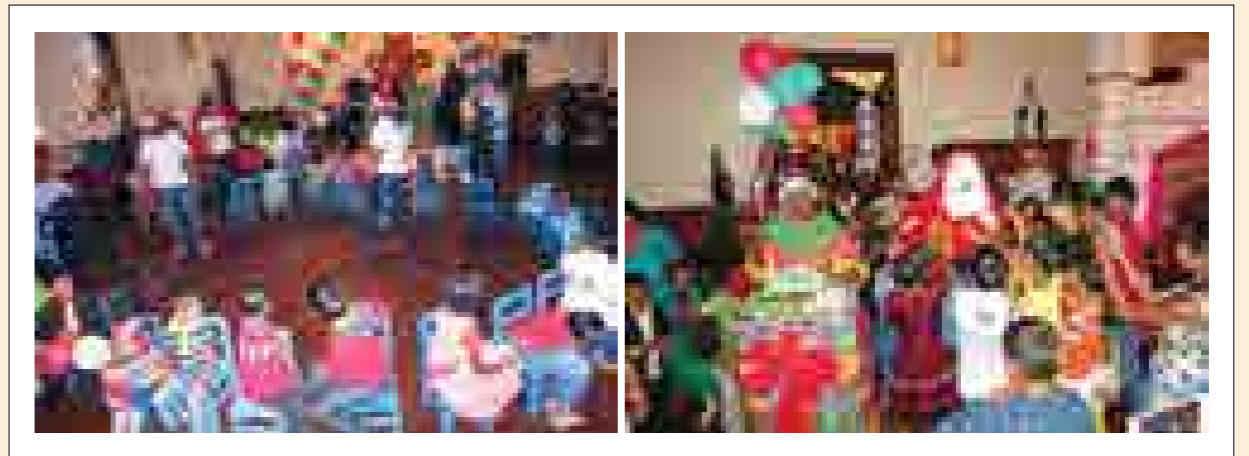
School Books and other Stationery items required by children were distributed to the Children of the Members of the Grand Hotel Staff Welfare Society. This effort by the Welfare Society is greatly appreciated by the members as each book pack is valued at more than Rs. 1,500/- . A Book pack consists of Exercise Books, Drawing books, pens, pencils, colour pencils, Mathematical Instrument Boxes, Bottle of gum, pair of scissors, A4 papers etc to name a few of the items that go into these packs.



	2013/14	2012/13
No. of Children	236	171
Value of School Book Pack (Rs.)	316,100	295,920

### Grand Kiddies Party

Giving the opportunity for children of Staff members too, to participate in the Grand Kiddies Party, the most sought after Kiddies Party of Nuwara Eliya, 50% of the Ticket Price was borne by the Grand Hotel Staff Welfare Society. The Grand Kiddies Party was held on 14th December 2013 and there was a large participation of children as well as parents



	2013/14	2012/13
No. of Children of Staff Members who participated	36	36
Cost incurred (Rs.)	17,820	18,000

### Free Medical Camp

A team of Specialist Doctors led by Dr. Lakshman Weerasena, volunteered to conduct a Free Medical Camp for the residents of Nuwara Eliya, which saw over 600 persons of all ages and all walks of life making use of this opportunity. "Although Nuwara Eliya has a very good hospital, it cannot cope with the demand for medical consultations, which makes this medical camp extremely beneficial to the community." said Mahinda Dodampegama, Mayor of Nuwara Eliya, who declared open the camp along with the Director of Health, Dr. Aruna Jayasekera.

This event which was organized by Grand Hotel with the assistance of the Rotary Club of Nuwara Eliya and other well-wishers was held at the Municipality Car park on 9th November 2013.



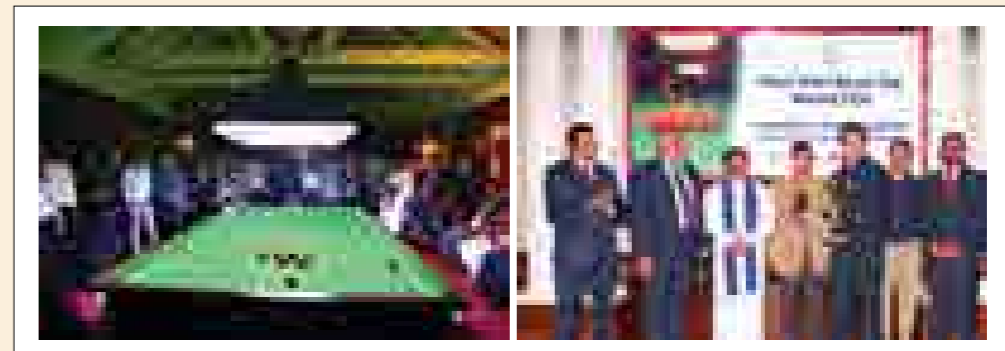
	2013/14
No. of Patients Screened	600
Accommodation Charges for 15 members of Specialists & Consultant Doctors who Attended the Camp (Rs.)	388,400
Cost of Medicines Purchased from State Pharmaceuticals Corporation (Rs.)	70,926
Marquee	Free of Charge
Tips for Erecting 100'x40' Marquee (Rs.)	5,000
Refreshments for Doctors – Colombo to Nuwara Eliya (Rs.)	5,100
Stationery, Publicity and Meals (Rs.)	17,740
Transport Charges for Doctors (Rs.)	31,250

### Our Projects are Made Known Island-wide



### Annual Deshabandu George Ondaatjie Snooker Tournament 2013

"Deshabandu George Ondaatjie Annual Snooker Tournament" was held at the Grand Hotel Billiards Room on 27th and 28th April 2013 for the fifth consecutive year with a record breaking 160 entries received. The Winner of the Deshabandu George Ondaatjie Challenge Trophy was Mr. Ravzan Ali – MICH Club, the First-Runner up was Mr. A.Z.M. Zulfy of Romaanz Pool Parlour and the 2nd Runner-up Mr. M.Y.M. Ariff of MICH Club.



### Give Life Give Blood - Blood Donation Campaign 2013

The Nuwara Eliya General Hospital made a request to assist in conducting a Blood Donation Campaign, as the Hospital was short of blood and hence the Annual Blood Donation Campaign was conducted for the third successive year on 31st July 2013. Seventy three donors donated blood which included members of the staff, and few outsiders.

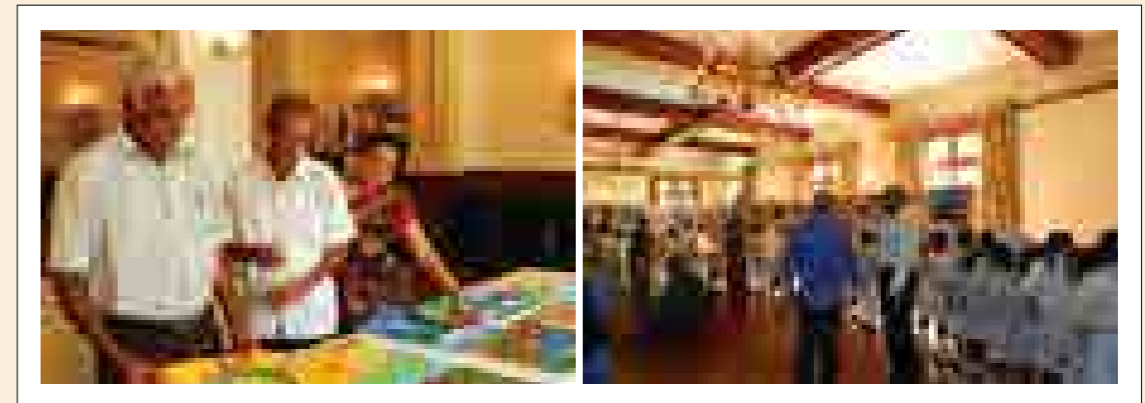


### “Grand Sithuvam 2014” Art Competition among School Children of Nuwara Eliya”

Grand Hotel Nuwara Eliya organized the “Grand Sithuvam” Art Competition among 24 schools within the Education Zone of Nuwara Eliya under their Corporate Social Responsibility Initiatives. The objective of the competition was to promote Art, as Art is a universal expression which transcends all barriers of Caste, creed language and ethnicity.

The Competition was held with the fullest cooperation, guidance and monitoring of the Zonal Director of Education, Mr. Amarasiri Piyadasa and the Assistant Director of Aesthetic Studies, Mrs. Hemalatha Bandara. The Competition was held under three age groups i.e. under 12 years, 12 – 16 years and under 19 years, and worked out in three stages, where the schools were given the liberty of selecting the best five students from each category and nominating them for the Competition. The Competition was held on 15th February 2014 in two locations, namely the Our Lady’s School, for the under 12 years and the Grand Hotel Ballroom for the 12 – 16 years and under 19 years categories. Judging of the Competition was done by Mr. Charles Dayananda, prominent artist.

The Prize Giving was held on 28th February at the Grand Hotel Ballroom and the 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. The Chief Guest for the Prize Giving was the Zonal Director of Education, Mr. Amarasiri Piyadasa and the Managing Director of Grand Hotel, Mr. Gerard Ondaatjie, Mr. Charles Dayananda, Head of the Panel of Judges and the Assistant Director of Aesthetic Studies, Mrs. Hemalatha Bandara were the Guests of Honour. The Exhibition was held prior to the Prize Giving on 27th and 28th February, a large number In-House Guests, as well as Students, and others had a glimpse of all the exhibits.



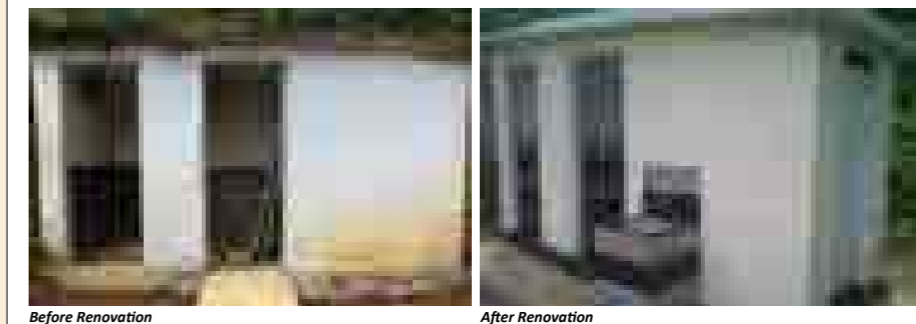
**“Grand Sithuvam 2014” Art Competition Among School Children of Nuwara Eliya**



**Renovation of Three Toilets for Siri Piyatissa School, Bambarakelle**

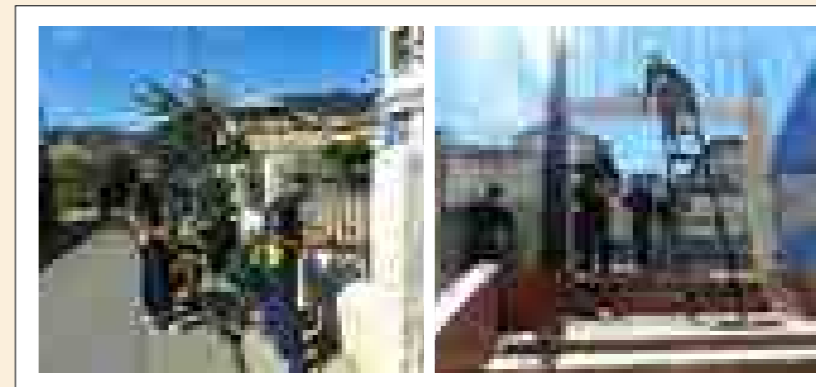
The Siri Piyatissaa School, Bambarakelle which is situated at the entrance to the city of Nuwara Eliya is deprived of most of the basic facilities a normal school enjoys. With our initiative last year, we donated a fully equipped Computer room which has been put to great use by the staff and students and a monthly monitoring visit is being done for the upkeep of the Computer Lab.

This year, it was decided to renovate the existing toilets and provide the children with awareness of best sanitation practices. Hence the CSR Team carried out a Shramadana and cleared the vicinity and three Toilets are being renovated. Since it is a mix school, one toilet has been assigned for the boys, and one for the girls and one toilet for the staff. A wash basin too has been installed just outside of the toilets for the children to wash their hands. The total cost for the project was Rs. 99,920/-. It is indeed a pleasant sight to see the children using the newly renovated toilets and practicing the best hygienic practices as well.



**Painting of the Exterior Walls of the Good Rest Convent, Nuwara Eliya and Cleaning of the Surroundings**

An Environmental Day Program was held on 13th March 2014 to paint the exterior walls of the Good Rest Convent and clean the surroundings of the school.



### Underprivileged Kiddies Party

The Underprivileged Kiddies Party was held on 8th December 2013 for the 6th 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. 120,087/- Each child was given a pair of School Shoes, Exercise Books, Pencil Cases / Lunch Boxes etc. and a toy.

The children were treated to some delicious and yummy food both sweet and spicy with ice creams, milk shakes etc. All the children were also given a pack of goodies to take home and share with their siblings or other children in their Homes.



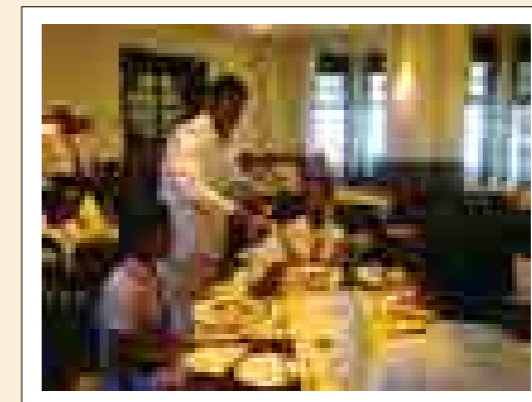
### Career Guidance Workshop

The Grand Hotel, Nuwara Eliya with the assistance of the Zonal Department of Education hosted 100 Senior Students from the Nuwara Eliya district to an one day Career Guidance Program, at the Hotel Premises on 28th June 2013.

The participants who were all A-level students were provided inputs on, choosing a career, the growing opportunities in the IT Sector, Social & Table etiquette and a presentation on Hospitality as a career. The program was coordinated by Ms. Dharshani Karthigesu, an experienced Career Guidance Counsellor. The other resource persons Included Dr. S.G.M. Ramasubbu, from PACK Software (Pvt) Ltd., Mr. Rienzie Jayawardene, Senior Lecturer-in-Charge, Sri Lanka Institute of Tourism & Hotel Management, Bandarawela and Mr. Tyrone David, Resident Manager, Grand Hotel.

The youngsters were given a rare opportunity to practice and polish their table etiquette, when they were hosted by the Staff of Grand Hotel to a sumptuous International Buffet at the Barnes Restaurant. "This is an once-in-a-lifetime opportunity for the school children and a great exhibition of the commitment of Grand Hotel towards the younger generation" were the words of Mrs. Anoja Ratnayake, In-services-Advisor of the Department of Education.

The total cost of this project was Rs. 110,000/-.



## Customers

### ‘We Believe the Satisfaction, Security, Safety and Open Dialogue of Our Stakeholders is Not Only Desirable But Absolutely Necessary’

The Grand Hotel is a place where positive experiences are sold. The feedback of the success of such experiences sold is the degree of satisfaction that the guests get from its services. This has created a passion for ever improving and value added guest services in the culture of the Grand.

Grand hotel has over many years of experience in the professional measurement of guest satisfaction. With an online survey tool implemented in 2009, the quantity of feedback has increased immensely over the past years. This supports the properties’ initiatives to exceed customer expectations and to improve customer retention. Customer feedback is constantly analysed by management and team members in order to implement corrective and preventative actions accordingly. Furthermore, designated quality heads are supporting departments in their activities by conducting quality meetings in which key findings, data and Specific guest comments are discussed. Our quality heads participate regularly in conference calls to share comments, successes and challenges. The strong commitment of all team members ensures a consistently high level of guest satisfaction.

We are committed to meeting and exceeding the expectations of our guests through our Unremitting dedication to every aspect of our guests. The hotel aims at leadership in the hospitality industry by understanding its guests, designing, delivering products and Services. The grand hotel demonstrates utmost care from the time guests walk in to the Hotel. Whilst being welcomed by the colorful, manicured gardens and the Tudor style façade of the building, the arriving guests will notice 10 national flags fluttering cheerfully in the front lawn, and will almost certainly see his own national symbol amongst them, because each morning the front office team look at the list of arriving guests and try to include all nationalities in the flag posts.

The new reception counters have a regal finish and a whiff of elegance which certainly takes the breath away. Retrospectively, the check-ins were done at the counter, however, of late they are ushered to one of the lounges and front office staff members meet them personally giving them a feel of individual attention. The staff members do not forget to offer hotel made coffee bean chocolates to children on arrival. If any arriving or departing guests do feel like having something a little more substantial than the famed coffee bean chocolates, a few Red & Green apples are always at hand at the Reception. Warm towels are given on arrivals in addition to steaming vanilla tea in the day time and delicious Vegetable soup in the evening. Each guest is met and ushered by professional front office staff members.

Our guest relations team receives feedback from each guest and thereafter personal attention is given to all guest comments. Thereafter, a reply is sent to all guests individually.

All repeaters are given express check in, choice of welcome drinks, choice of newspapers, complimentary chocolates, cookies and fruits. With 70:30 ratio of Sri Lankans to foreigners during April season, the Grand Hotel average room rate and the revenue increases enormously. It all winds down to hard core target marketing of Grand Hotel. In effect, it is the rapport of crème de la crème of society that drives the revenues to higher level. The guests are made to feel the experiential luxury at the grand hotel.

The Grand Hotel is increasingly becoming popular amongst the guests from Western Asia and numbers increase multi fold annually. A carefully planned prayer area, displaying prayer direction in all rooms, total dedication to halal concept in food have made them feel at home. The doormen converse in Arabic language which makes these guests feels at home.

With India being the number one originator in terms of number of tourist arrivals, the Hotel attracts a large number of these visitors both as individuals and groups. Catering to visitors from the different regions of the Indian sub-continent as for long been a challenge for many Hotels. However, since the arrival of the Indian Chef in May 2013, the Grand is at a huge advantage, as the hotel is able to customize the menus to suit the particular guest preferences. The Last 12 months has seen many Indian groups visiting some as big as 140 persons requiring Jain or vegetarian food, and all of them had excellent comments on the food. This in turn has made way for more groups on the Ramayana Trail to patronize the hotel as the favored service provider in Nuwara Eliya. Gastronomically, they have a very strict choice of food and our chefs are fully conversant with their food habits which entirely facilitate their stay with us.

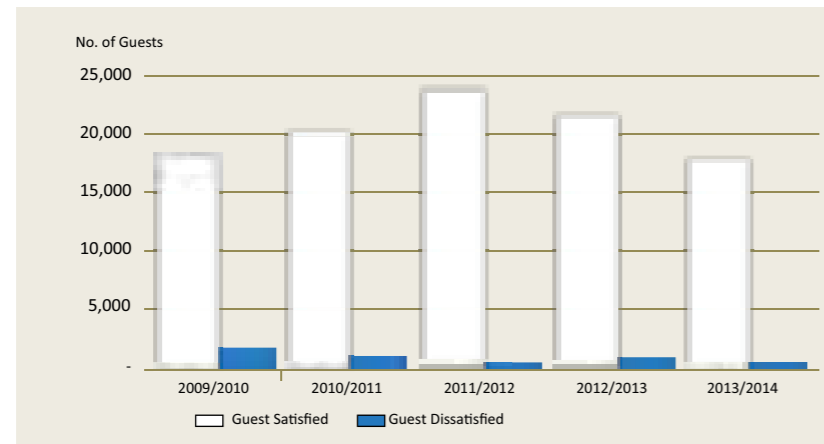
The Front office staff will always exemplify attention to detail, warmth and concern. Guests celebrating anniversaries and birth days are photographed and a framed copy is given at the time of departure. This pleasantly surprises the guests and makes them overly happy. Grand hotel is a committed and responsive organization where decision making is encouraged at every level and which accepts change. We see a multinational workforce that has been exposed to different cultures, levels of service etc. The staff are nurtured by continuous training programmes, development and encouraged personally and professionally.

Grand hotel is recognized for imparting the best training and developing the staff at every juncture. The grand hotel is conscious of its role to the community, supporting social needs and helping the needy. We committed to protect the environment using natural Products, recycling items thus ensuring proper use of the diminishing natural Resources. An authentic copy of Grand Hotel coffee table book is available in the lobby for the reading pleasure of the guests. This gives comprehensive information about the grand hotel history.

### Guest Satisfaction Survey Results

	2009/10	2010/11	2011/12	2012/13	2013/14
Repeat Guest	130	85	250	192	<b>120</b>
Guest Satisfied	18,500	20,200	23,722	21,744	<b>17,835</b>
Guest Dissatisfied	1,300	712	327	742	<b>463</b>
Total Questionnaire	19,800	20,912	24,049	22,486	<b>18,298</b>
Guest Satisfaction	93%	97%	99%	97%	<b>97%</b>
Guest Dissatisfaction	7%	3%	1%	3%	<b>3%</b>
Sri Lankan Guest Nights	11,428	7,024	954	974	<b>4,300</b>
Sri Lankan Room Nights	5,475	3,229	456	502	<b>2,260</b>
Total Room Nights	26,698	36,246	34,816	35,129	<b>34782</b>
Total Guest Nights	53,041	74,618	71,461	71,340	<b>70786</b>

### Guest Satisfaction



The Grand has been rated as number 1 out of 19 properties in the area, with over 750 reviews by the world’s most popular travellers’ website Tripadvisor.com. This is an ample testimony to the acceptance of the services offered by the hotel by the guests. Grand Outdoors, the revamped nature program now has a waterfall tour, bird watching options and a new trekking program to keep the visitors engaged for a minimum of 2 nights, while Air Rifle shooting in the range situated in the hotel grounds is particularly popular among the West Asian guests. The Farm tour conducted by the Naturalists has grown in popularity as well and is a favourite among families with young children.

Being located at the heart of the Tea county, the hotel’s T-Lounge by Dilmah has become a must visit location to any visitor to Nuwara Eliya, even if they do not have the luxury of being a resident guest at the Grand. This exquisitely styled venue attracts guests throughout the day to savour the exciting flavours of Tea on offer, while some others will make a date to relish the exotic High tea each afternoon. For those who enjoy a flavoursome “Shisha”, this lounge offers an ideal setting. During Dinner, the T-Lounge transforms itself to an elegant dining area with live music and soft lighting, and is much sort after by special groups of 20 to 25 persons.

Guests visiting the hotel during national & religious festivals will see the respective observances in the hotel premises and will have the opportunity of learning the significance of these events.

The last year has seen the Grand Indian Restaurant increasing its stature as a free standing restaurant both in terms of revenue and customer acceptance. The advent of an experienced Chef from Uttara Chand Pradesh, and the new look menu has made the Grand Indian the most sought after restaurant in town.

With the diversity and quality of the culinary program of the Grand Hotel increasing in leaps and bounds, the interest in the corporate clientele to host their residential programs and activities has seen an upward trend. During the period in review we have seen corporates such as Holcim, Dilmah, HSBC, Club Med, Pre Meg and other companies using the Grand Hotel for their events.

With the idea of adding value to the diverse profile of guests, the hotel has introduced many new features. One of which is the Kiddies play area with a trained childcare specialists who will take care of the Juniors while the parents are engaged in some activity or patronising one of the many restaurants or bars. The Gym assistant conducts a deep breathing and stretching program in the garden each morning, in the lower lawn, accompanied by a glass of fresh fruit juice.

The Grand Pastry, which is a take away outlet serving savouries, sweets and cakes continues to make additions to their repertoire of goodies, which are much acclaimed both by the residents and visitors to Nuwara Eliya.

However, the Hotel Garden with its vibrant colours, lines and shapes is most certainly the Jewel in the crown. It lives up to its reputation as one of the best kept gardens in the country and even earned itself an unannounced visit from the country’s First Lady, Madam Shiranthi Rajapakshe in April 2013, just to see the beauty of the Garden.

With all these positive developments, it can be seen that the Grand has developed an enormous capital and potential to offer more and more positive experiences to its guests thereby ensuring guest satisfaction to the highest level. This will enable a higher level of sustainability in Hotel operations by attracting more and more guests so that the occupancy levels, ARR and revenue figures will put up an attractive show in the years to come.

## Supply Chain

### ‘We Select Suppliers that Align with Our Business Principles’

We prefer to develop long term, sustainable relationship with suppliers who have a proven record of actions and the capability in respect of delivery and sustainability but we are open to collaborating with new suppliers.

We have designed and adopted 12 core principles to be followed in engaging suppliers in our supply chain as follows:

1. Suppliers should comply with the management rules and regulations.
2. As a minimum, we require our suppliers to respect local and country’s laws including in particular, all environmental, health and safety and labour laws.
3. Our suppliers must not use forced bonded or compulsory labour.
4. No child labour – we refuse to accept the use of child labour in the supply chain.
5. We refuse to accept unlawful discrimination of any kind of working relations and we expect equality and diversity to be promoted.
6. Where applicable, suppliers should give consideration to flexible working conditions to foster a work/life balance and the personal development and training of team members.
7. Employees must be treated with respect and dignity.
8. A safe and healthy working environment for all employees must be provided in accordance with the local standards, laws and regulation.
9. We require our suppliers, sub suppliers and their team members to preserve the confidentiality of any information to which they have access in accordance with applicable laws.
10. Offer bribes to our employees and corruption in business practices when supplying goods is prohibited.
11. We continue to focus on reducing our environmental risks and impacts, and on improving our overall environmental performance.
12. A risk assessment of every supplier is carried out on the Core Principles of sustainable Procurement.

**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 thus to apply supplier management criteria that meet internal customer needs (hotel and corporate offices) in a balanced and sustainable way. Furthermore, a series of additional criteria are included for consideration when choosing a supplier. These are essential in order to ensure that suppliers provide appropriate and quality service:

- 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 build up long-lasting relations with its suppliers that guarantee satisfactory service and quality for the Grand Hotel.

**Acknowledging the Food Safety Concepts**

The Hotel is encouraging the use of plastic crates in vegetable and fruits transportation by the suppliers to avoid waste and contamination. This is in line with the national initiatives on post harvesting crop preservation practices directed to benefit the consumers and farmers.



**Proof of Success of our Approach to Sustainability**

**Operational Results**

There is no other result better than our own operational results to show our success in controlled business environment of the Hotel. The management discussion and analysis sets out the picture in more detail and colour.

Operational Results	2013/14 (Rs.'000)	2012/13 (Rs.'000)	Variance (Rs.'000)	Remarks
Occupancy (%)	62%	63%	-1%	Occupancy decreased compared to previous year by 1%.
ARR (Rs.)	14,035	12,822	1,213	ARR increased as a result of revision in rates.
ARR with Board Meal (Rs.)	19,071	17,898	1,174	Due to the revision of rates.
Revenue	829,894	772,904	56,990	Mainly due to increase in revenue from apartment, food and beverages sales.
Cost of Sales	(169,313)	(150,361)	(18,952)	Increase in cost of sales is in proportion to the increase in revenue and rise in cost of food.
Gross Profit	660,581	622,542	38,038	Decrease in Gross P margin is mainly due to increase in cost of food.
Other Income	15,029	14,138	891	Mainly due to higher Dividend income and gain in fair value of Biological Assets.
Administrative & Operating Expenses	(342,704)	(318,481)	(24,224)	Mainly due to increase in Salaries & Wages (15.3m), Energy Cost (5.3m), Staff food cost (4.7m), Amalgamation expenses (4.1m), Building Maintenance (2m) and Linen (3.3m).
Selling & Distribution Expenses	(34,424)	(25,577)	(8,847)	Marketing expenses increased mainly due to increase in Sales Promotions(5.9m), Music & Guest Entertainment (2m) and Disc. & commissions (1m).
Profit from Operations	298,482	292,623	5,859	Result of higher revenue.
Net Finance Income	49,709	40,415	9,294	Net financial Income increased due to higher interest income.
Share of Profit/(Loss) of Associate	(437)	510	(947)	Fair View Hotel (Pvt) Ltd. Associate loss.
Profit Before Tax	347,754	333,548	14,205	Due to aforesaid reasons.
Income Tax Expenses	(54,397)	(60,999)	6,602	Income tax expenses decreased due to payment made in last year pertaining to previous years income tax.
Profit for the Period	293,357	272,549	20,807	
EPS (Rs.)	146.65	135.95	7.64	EPS increased as a result of higher net profits in comparison to previous year.

### Sustainability & Social Responsibility Awards Won by Grand Hotel

The Grand Hotel has been able to participate in many public competitions in diverse areas reflecting its commitment to sustainability. Accordingly, it has been able to sweep many such competitions due to the deserving profile of such activities.

#### Grand Hotel "Garden Team" Wins "Commercial Large" Category Award at the April Blooms 2013

Amidst growing public interest, April Blooms 2013, the premier flower show in the island, organized by the Municipal Council of Nuwara Eliya, so many individuals and commercial entities giving their best with colourful and innovative entries. Following their success in the past years, Grand Hotel walked away with top honours for the Best Garden, Lawn and Fences & Hedges, in the large commercial category, along with over 60 other awards including the best collection of Cut Flowers.

The awards ceremony was held under the patronage of First Lady, Shiranthi Rajapakse at the Victoria Park on 19th April, and was attended by a large and enthusiastic crowd.

1. April Seasonal Blooms 2013
  - Best Garden - Commercial Large - 1st Place
  - Best Lawn - Commercial Large - 1st Place
  - Best Fences & Hedges - Commercial Large - 1st Place
  - Best Floral Arrangement - Commercial Large - 2nd 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" (Gardens for the City) – 1st Place in the District and Central Province 3rd Place.



#### The Award Winning Garden of the Grand Hotel



### Grand Hotel was Awarded a Certificate from Bird Friendly Society

In acknowledgement of its services, the Hotel was awarded a certificate as a "Bird Friendly" Resort, which is depictable of its commitment to biodiversity.



### Our Bartender Bagged 1st Runner-up of the 'Absolute' Bartender Challenge Competition in the Kandy Hotel Region

Our Bartender, Janka Wijegunawardena brought pride and repute to Grand Hotel, when he became the 1st Runner-up in the Absolute Bartender Challenge Cocktail Competition held among the Hotels of the Central Province. The Novel Cocktail preparation turned out by Janaka was commended by the Panel of Judges for its blend of 'Taste and Novelty'.



**Grand Bagged, 3-Gold, 6-Silver and 9-Bronz at the “Culinary Art 2013”  
Gold Medal Entry “Nature’s Beauty”**

Sri Lanka’s foremost Food and Hospitality Trade Show for 2013, Culinary Art 2013 was held at the BMICH Exhibition Centre from August 2nd to 5th, presented by the Chefs Guild of Lanka. The event has gained recognition as “the premier meeting place for industry professionals which showcases products and services that range from raw materials to finished food products and equipment”.

The Culinary Art Show with its many diverse competition categories carried more than 30 trophies and around 2,000 participants.



**Annual Reports Awards 2013**

Co-winner of the Bronze Medal for the Best Annual Report in the Tourism and Hospitality Category conducted by the Institute of Chartered Accountants of Sri Lanka.



**Global Reporting Initiatives 3.1 Index**

Profile Disclosure	Description	Reported	Reference
<b>1. Strategy and Analysis</b>			
1.1	Statement from the most senior decision maker of the organization (eg. Managing Director, CEO, Chairman or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	Managing Director's Review	18 - 25
1.2	Description of key impacts, risks, and opportunities.	Risk Management	198 - 206
<b>2. Organizational Profile</b>			
2.1	Name of the organization	Corporate Information	276 & Inner Back Cover (IBC)
2.2	Primary brands, products, and/or services.	Management Discussion & Analysis Our Brand Overview	90 - 185 14
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Management Discussion & Analysis	90 - 185
2.4	Location of organization's headquarters.	Corporate Information	276 & IBC
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	90 - 185
2.6	Nature of ownership and legal form.	Corporate Information	276 & IBC
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries).	Management Discussion & Analysis	90 - 185
2.8	Scale of the reporting organization, including: <ul style="list-style-type: none"> <li>• Number of employees;</li> <li>• Number of operations;</li> <li>• Net sales (for private sector organizations) or net revenues (for public sector organizations);</li> </ul>	Management Discussion & Analysis Financial Statements Financial Highlights	90 - 185 214 - 251 12 - 13
2.9	Significant changes during the reporting period regarding size, structure, or ownership including:	Managing Director's Review Management Discussion & Analysis Financial Statements	18 - 25 90 - 185 214 - 251
2.10	Awards received in the reporting period.	Sustainability Report	126 - 185

Profile Disclosure	Description	Reported	Reference
<b>3. Report Parameters</b>			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Annual Report of the Board of Directors	50 - 54
3.2	Date of most recent previous report (if any).	31st March 2013	-
3.3	Reporting cycle (annual, bi-annual, etc.)	Annual	-
3.4	Contact point for questions regarding the report or its contents.	Corporate Information	276 & IBC
3.5	Process for defining report content, including: <ul style="list-style-type: none"> <li>• Determining materiality;</li> <li>• Prioritizing topics within the report; and</li> <li>• Identifying stakeholders the organization expects to use the report.</li> </ul>	Sustainability Report	126 - 185
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	126 - 185
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. & Fair View 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 Statements	214 - 251
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	126 - 185
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 Statements	214 - 251
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Financial Statements Management Discussion & Analysis	214 - 251 90 - 185
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
<b>4. Governance, Commitments and Engagement</b>			
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	56 - 81
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	56 - 81
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	56 - 81
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Annual Performance Evaluation - Investor Feedback Form	273
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	56 - 81
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate Governance A.1 The Board	56 - 81
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	56 - 81
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	126 - 185
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	56 - 81

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	56 - 81
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Risk Management	198 - 206
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Financial Statements Sustainability Report	214 - 251 126 - 185
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization:	Sustainability Report	126 - 185
4.14	List of stakeholder groups engaged by the organization.	Sustainability Report	126 - 185
4.15	Basis for identification and selection of stakeholders with whom to engage.	Sustainability Report	126 - 185
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Sustainability Report	126 - 185
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	126 - 185

Profile Disclosure	Description	Reported	Reference
<b>Economic Performance Indicators</b>			
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	254
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 (Note 25)	243
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	126 - 185
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Sustainability Report	126 - 185
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Sustainability Report	126 - 185
EC8	Development and impact of infrastructure investments and services provided primarily "for public benefit through commercial, in kind, or pro bono engagement."	Sustainability Report	126 - 185
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Sustainability Report	126 - 185

Profile Disclosure	Description	Reported	Reference
<b>Environmental Performance Indicators Materials</b>			
EN1	Materials used by weight or volume.	Sustainability Report	126 - 185
EN2	Per centage of materials used that are recycled input materials.	Sustainability Report	126 - 185
<b>Energy</b>			
EN3	Direct energy consumption by primary energy source.	Sustainability Report	126 - 185
EN4	Indirect energy consumption by primary energy source.	Sustainability Report	126 - 185
EN5	Energy saved due to conservation and efficiency improvements.	Sustainability Report	126 - 185
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	126 - 185
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Sustainability Report	126 - 185
<b>Water</b>			
EN8	Total water withdrawal by source.	Sustainability Report	126 - 185
EN9	Water sources significantly affected by withdrawal of water.	Sustainability Report	126 - 185
EN10	Percentage and total volume of water recycled and reused.	Sustainability Report	126 - 185
<b>Bio-diversity</b>			
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	126 - 185
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	126 - 185
EN14	Strategies, current actions, and future plans for managing impacts on bio-diversity.	Sustainability Report	126 - 185

Profile Disclosure	Description	Reported	Reference
<b>Emissions, Effluents and Waste</b>			
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	126 - 185
EN17	Other relevant indirect greenhouse gas emissions by weight.	Sustainability Report	126 - 185
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Sustainability Report	126 - 185
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	126 - 185
EN22	Total weight of waste by type and disposal method.	Sustainability Report	126 - 185
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 percentage 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
<b>Products and Services</b>			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Sustainability Report	126 - 185
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Nil	
<b>Compliance</b>			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non compliance with environmental laws and regulations.	Nil	
<b>Transport</b>			
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	126 - 185
<b>Overall</b>			
EN30	Total environmental protection expenditures and investments by type.	Sustainability Report	126 - 185

Profile Disclosure	Description	Reported	Reference
<b>Labour Practices and Decent Work Performance Indicators - Employment</b>			
LA1	Total workforce by employment type, employment contract and region, broken down by gender.	Sustainability Report	126 - 185
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region.	Sustainability Report	126 - 185
LA3	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation.	Sustainability Report	126 - 185
<b>Labor/Management Relations</b>			
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	126 - 185
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	126 - 185
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	Sustainability Report	126 - 185
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	126 - 185
LA9	Health and safety topics covered in formal agreements with trade unions.	Sustainability Report	126 - 185
<b>Training and Education</b>			
LA10	Average hours of training per year per employee by gender, and by employee category.	Sustainability Report	126 - 185
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Sustainability Report	126 - 185
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Sustainability Report	126 - 185
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	126 - 185
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	126 - 185
LA15	Return to work and retention rates after parental leave, by gender.	Sustainability Report	126 - 185

Profile Disclosure	Description	Reported	Reference
<b>Human Rights Performance Indicators Investment and Procurement Practices</b>			
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	126 - 185
<b>Non-Discrimination</b>			
HR4	Total number of incidents of discrimination and corrective actions taken.	Sustainability Report	126 - 185
<b>Freedom of Association and Collective Bargaining</b>			
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	126 - 185
<b>Child Labour</b>			
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	
<b>Forced and Compulsory Labour</b>			
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	126 - 185
<b>Security Practices</b>			
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	126 - 185
<b>Indigenous Rights</b>			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Nil	
<b>Assessment</b>			
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	Nil	
<b>Remediation</b>			
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Nil	

Profile Disclosure	Description	Reported	Reference
<b>Society</b>			
<b>Performance Indicators</b>			
<b>Local Communities</b>			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Sustainability Report	126 - 185
SO9	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 impacts on local communities.	Nil	
<b>Corruption</b>			
SO2	Percentage and total number of business units analyzed for risks related to corruption.	100% Risk Management	198 - 206
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	100% Risk Management	198 - 206
SO4	Actions taken in response to incidents of corruption.	Risk Management	198 - 206
<b>Public Policy</b>			
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	
<b>Anti-Competitive Behavior</b>			
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	Nil	
<b>Compliance</b>			
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
<b>Product Responsibility</b>			
<b>Performance Indicators</b>			
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	126 - 185
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	

As with all businesses, we face risk and uncertainty, which could impact the delivery of our strategy. The Board has overall accountability for ensuring that risks are effectively managed across the Group, and there is a system for internal control. The Board is responsible for implementing and maintaining the system of controls.

## Overview

Effective Risk Management is essential to the achievement of our strategic objectives and the long-term sustainable growth of our business. The Board has overall accountability for ensuring that risk is effectively managed across the Organisation and, on behalf of the Board, the Audit Committee reviews the effectiveness of the Risk Process.

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.

In evaluating risk, we consider external competitor and economic factors, our core day-to-day operations, business change activity and potential future risks.

We continue to drive improvements to our Risk Management process and the quality of risk information generated, whilst at the same time maintaining a simple and practical approach.

During the year we have focused on a number of key areas:

### 1. Evolving Risk Descriptions

As time progresses, the nature of some of the Company's risks is evolving. To ensure we continue to address the most important risks facing the Company.

### 2. Action Plans for Key Risks

We continue to assess whether sufficient additional mitigating activities are underway to reduce the net risk position of the Company's key risks. By considering net risk we are able to identify when mitigating activities will result in a tangible risk reduction. We also continue to review the ongoing appropriateness of actions to ensure they are as relevant, timely and measurable as possible.

### 3. Influence of Risk Tolerance

Risk tolerance and appetite are important considerations in strategic decision-making at Board level. We also recognise the value in applying the concept of risk tolerance in discussions across all levels of the organisation. It is especially beneficial when determining the nature of mitigating activities and their role in addressing risk likelihood or impact.

### Risk Management Framework

We continue to drive improvements to our Risk Management framework and the quality of risk information generated, whilst at the same time maintaining a simple and practical approach.

Risks are assessed according to the likelihood of an event 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.



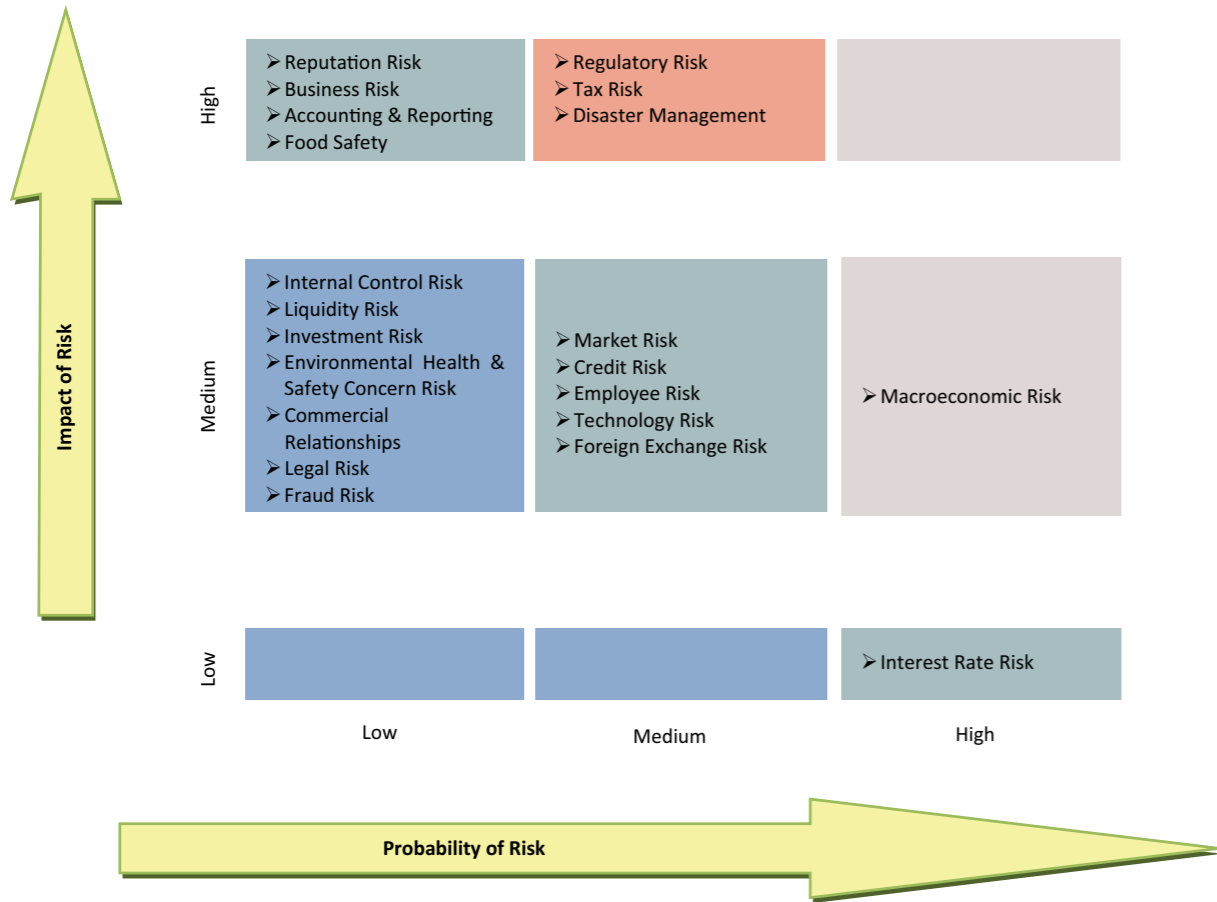
The probability of risk is based on past experience and preventive measures in place. A ranking of high, medium and low in terms of the probability of occurrence is assigned for each risk.

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 2013/14.

Risks / Opportunities			
Strategic	Operational	Compliance	Financial
• Macroeconomic Changes	• Innovation Process	• Legal	• Treasury
• Changes in Industry/Market	• Supply Chain	• Market Practices	• Tax
• Growth Emerging Markets	• IT	• Regulatory	• Accounting & Reporting
	• People	• General Business Principle	
	• Product Liability	• Internal Controls	
	• Reputation	• Data privacy	
<b>Corporate Governance</b>			
<b>Grand Business Control Framework</b>			
<b>Grand General Business Principles</b>			

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



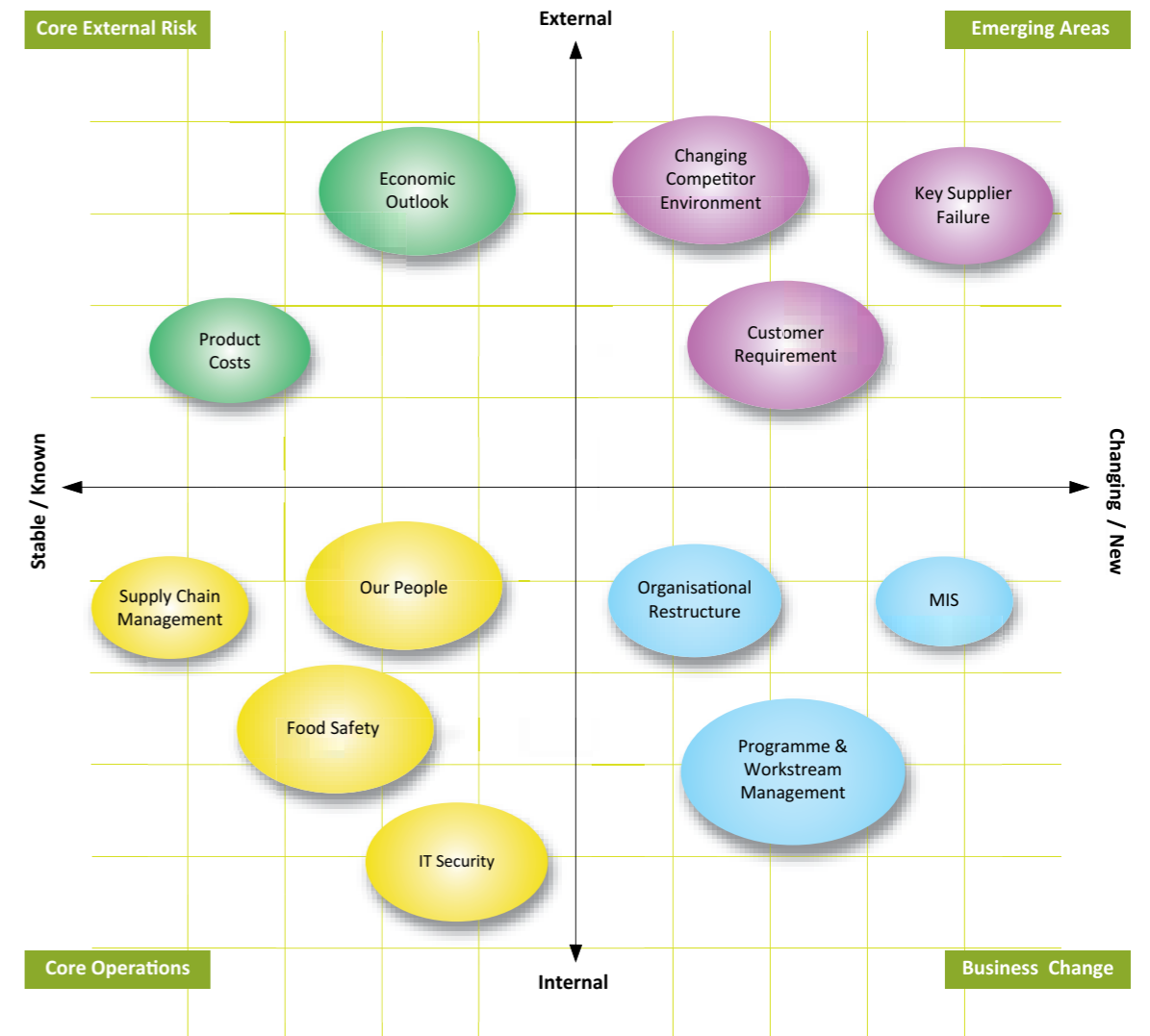
**Our Principal Risks and Uncertainties**

As with any business, we face risks and uncertainties on a daily basis. It is the effective management of these that places us in a better position to be able to achieve our strategic objectives and to embrace opportunities as they arise.

To achieve a holistic view of the risks facing our business, both now and in the future, we consider those that are:

- external to our business;
- core to our day-to-day operation;
- related to business change activity; and
- those that could emerge in the future.

The 'Risk Radar' below maps our principal risks against these categories. This tool is also used to facilitate wider Executive and Board discussions on risk, including potential emerging Risks.



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.

**Food Safety**

**Risk**

- If we fail to deliver excellent standards of hygiene and safety in food.

**Mitigation**

- The Company has stringent food safety policy. Regular audits on all outlets are carried out to measure their performance against a range of health & safety standards including Food Standards.
- Regular supplier assessments undertaken to ensure adherence to standards.

**Risk Rating**  
Low

**Business Risk**

**Risk**

- Risk of Non-Implementation of Strategic Plans, Revenue Improvement Strategies & Cost Saving Initiatives.
- The performance of the Company could be adversely affected by local as well as global factors impacting the tourism in Sri Lanka.

**Mitigation**

- 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 has in place contingency and recovery plans to enable it to respond to major incidents or crisis.

**Risk Rating**  
Low

**Market Risk and Competition**

**Risk**

- Decline in market share and industry over capacity in a high growth competitive environment.

**Mitigation**

- 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, in existing, potential and emerging markets.
- Refurbishment of the hotel to meet the changing requirements of guests and thus benchmarking with global competition.
- Measures have been initiated within the Hotel for the introduction of new services, improvement of quality, effective and efficient usage of resources.

**Risk Rating**  
Medium

**Internal Operational Processes**

**Risk**

- Potential losses as a result of inadequate internal controls, failures of internal processes, people and systems, natural and man-made disasters.

**Mitigation**

- 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.

**Risk Rating**  
Low

**Employee Risk**

**Risk**

- Execution of the Company's Strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude.

**Mitigation**

- 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 Rating**  
Medium

**Commercial Relationships**

**Risk**

- The Company benefits from close commercial relationships with a number of key customers and suppliers. The disruption of this can have negative consequences.

**Mitigation**

- 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.

**Risk Rating**  
Low

**Reputation Risk**

**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.

**Mitigation**

- 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.
- Innovative service in keeping with the brand promise.
- Maintenance of the highest ethical standards at all times in all business activities.
- Proper adherence to the statutory and environmental regulations.

**Risk Rating**  
Low

**Credit Risk**

**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.

**Mitigation**

- 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.
- Credit Control Checks are carried out on parties to significant contracts, along with the continuing auditing & monitoring of those contracts.

**Risk Rating**  
Medium

**Interest Rate Risk**

**Risk**

- The probability of income losses arising from adverse interest rates.

**Mitigation**

- 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.

**Risk Rating**  
High

**Foreign Exchange Rate Risk**

**Risk**

- Risk from adverse exchange rate fluctuations.

**Mitigation**

- 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 Rating**  
Medium

**Technology and Information Protection Risk**

**Risk**

- Failure to upgrade systems with developments in technology, leads to disruption of operations and loss of competitive advantage.

**Mitigation**

- 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.
- Documented business continuity and disaster recovery plans in the event of technical disruption or failure.

**Risk Rating**  
Medium

**Investment Risk**

**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.

**Mitigation**

- 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 agreements 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.

**Risk Rating**  
Low

**Legal and Regulatory Risk**

**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.

**Mitigation**

- 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.

**Risk Rating**  
Low

**Fraud Risk**

**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.

**Mitigation**

- All major procurement decisions 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.

**Risk Rating**  
Low

**Disaster Management**

**Risk**

- Risk associated with natural and man-made disasters. Loss of assets resulting a significant loss to the Company.

**Mitigation**

- 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.

**Risk Rating**  
Medium

**Liquidity Risk**

**Risk**

- Unavailability of sufficient funds may interrupt the smooth function of the Company's day to day operations.

**Mitigation**

- 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.

**Risk Rating**  
Low

### Safety, Health and Environment

#### Risk

- 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.

#### Mitigation

- 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.
- 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.
- Details of progress made in improving the Company's management systems are contained in Sustainability Report.

#### Risk Rating

Low





As you  
**READ**  
through our Annual Report, you will notice the difference

**Between**  
our cautious optimism of previous years and the  
confidence of today

**THE**  
results have validated our strategy, and as we push  
onward,

We expect our bottom  
**LINE**  
to continue to improve



## Group Financial Reports Contents

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# Statement of Directors' Responsibilities

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 on page 213.

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 through pages 214 to 251 appropriate Accounting Policies have been selected and applied in a consistent manner, supported by reasonable and prudent judgment and that all applicable Sri Lanka 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 Reporting date have been paid or where relevant, provided for.

By order of the Board

Sgd  
Mercantile Investments & Finance PLC.  
Secretaries

Colombo  
20th May 2014

# Independent Auditors' Report



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

Tel : + 94 - 11 542 6426  
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+ 94 - 11 244 6058  
+ 94 - 11 254 1249  
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Internet : www.lk.kpmg.com

## Independent Auditors' Report

### To The Shareholders of The Nuwara Eliya Hotels Company PLC Report on the Financial Statements

We have audited the accompanying financial statements of The Nuwara Eliya Hotel Company PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31st March 2014, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 220 to 251 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 2014 and the financial statements give a true and fair view of the financial position of the Company as at 31st March 2014 and of its financial performance and its cash flows 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 2014 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report on Other Legal and Regulatory Requirements

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

Chartered Accountants  
20th May 2014  
Colombo

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

M.R. Mihular FCA  
T. J. S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne ACA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Aberathne 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 Income Statement

For the Year ended 31st March	Note	Company		Group	
		2014 Rs.	2013 Rs. Reclassified	2014 Rs.	2013 Rs. Reclassified
<b>Revenue</b>	5	<b>503,244,948</b>	464,033,382	<b>829,893,643</b>	772,903,510
Cost of Sales		<b>(123,026,506)</b>	(102,581,785)	<b>(169,313,034)</b>	(150,361,287)
<b>Gross Profit</b>		<b>380,218,442</b>	361,451,597	<b>660,580,609</b>	622,542,223
Other Income	6	<b>61,070,047</b>	61,477,049	<b>15,029,343</b>	14,138,278
Administrative Expenses		<b>(86,624,222)</b>	(68,857,556)	<b>(146,357,775)</b>	(120,554,965)
Selling and Distribution Expenses		<b>(20,380,144)</b>	(15,375,669)	<b>(34,424,152)</b>	(25,577,096)
Other Operating Expenses		<b>(116,920,723)</b>	(119,973,448)	<b>(196,346,364)</b>	(197,925,607)
<b>Profit from Operations</b>		<b>217,363,400</b>	218,721,973	<b>298,481,661</b>	292,622,833
Net Finance Income	7	<b>15,917,805</b>	22,983,464	<b>49,709,157</b>	40,415,413
Share of Profit / (Loss) of the Associate (Net of Tax)		-	-	<b>(437,197)</b>	510,136
<b>Profit Before Tax</b>	8	<b>233,281,205</b>	241,705,437	<b>347,753,621</b>	333,548,382
Income Tax Expense	9	<b>(24,809,806)</b>	(38,298,526)	<b>(54,397,061)</b>	(60,998,903)
<b>Profit for the Year</b>		<b>208,471,399</b>	203,406,911	<b>293,356,560</b>	272,549,479
<b>Profit Attributable to :</b>					
Owners of the Company		<b>208,471,399</b>	203,406,911	<b>294,013,949</b>	272,549,479
Non-Controlling Interests		-	-	<b>(657,389)</b>	-
<b>Profit for the Year</b>		<b>208,471,399</b>	203,406,911	<b>293,356,560</b>	272,549,479
<b>Basic Earnings per Share</b>	10	<b>103.97</b>	101.45	<b>146.65</b>	135.95
<b>Dividend per Share</b>	10.1	<b>22.50</b>	20.00	<b>22.50</b>	20.00

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 220 to 251.

# Consolidated Statement of Comprehensive Income

For the Year ended 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>Profit for the Year</b>	<b>208,471,399</b>	203,406,911	<b>293,356,560</b>	272,549,479
<b>Other Comprehensive Income</b>				
Surplus on Revaluation of Property, Plant & Equipment	-	147,758,227	-	173,344,985
Deferred Tax Adjustment on Revaluation	-	(5,490,037)	-	(8,069,273)
Actuarial Loss on Retirement Benefit Obligation	<b>(1,238,757)</b>	(1,227,004)	<b>(1,238,757)</b>	(1,227,004)
Net Change in Fair Value of Available for Sale Financial Assets	<b>(1,250,000)</b>	(4,800,000)	<b>(13,750,000)</b>	(52,800,000)
<b>Other Comprehensive Income for the Year</b>	<b>(2,488,757)</b>	136,241,186	<b>(14,988,757)</b>	111,248,708
<b>Total Comprehensive Income for the Year</b>	<b>205,982,642</b>	339,648,097	<b>278,367,803</b>	383,798,187
<b>Total Comprehensive Income Attributable to :</b>				
Owners of the Company	<b>205,982,642</b>	339,648,097	<b>279,025,192</b>	383,798,187
Non-Controlling Interests	-	-	<b>(657,389)</b>	-
<b>Total Comprehensive Income for the Year</b>	<b>205,982,642</b>	339,648,097	<b>278,367,803</b>	383,798,187

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 220 to 251.

# Consolidated Statement of Financial Position

As at 31st March	Note	Company		Group	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	11	1,665,078,791	1,656,663,907	2,263,061,980	1,935,359,073
Intangible Assets	12	908,928	1,077,759	2,855,552	1,077,759
Biological Assets	13	2,803,564	3,673,097	2,803,564	3,673,097
Investment Property	14	36,918,828	36,918,828	-	-
Investment in Subsidiaries	15	280,000,000	120,000,000	-	-
Investment in Associate	16	-	-	-	40,626,285
Available for Sale Investments	17	7,500,000	8,750,000	82,500,000	96,249,999
		<b>1,993,210,111</b>	<b>1,827,083,591</b>	<b>2,351,221,096</b>	<b>2,076,986,213</b>
<b>Current Assets</b>					
Inventories	18	28,901,985	15,402,097	29,256,672	15,908,275
Trade and Other Receivables	19	43,807,322	59,784,353	121,867,353	112,999,143
Amounts Due from Related Companies	20	5,500,000	62,344,243	5,500,000	-
Held for Trading Investments	21	68,878,281	46,875,790	78,491,000	56,529,910
Loans & Receivables - Fixed Deposits		316,674,099	68,460,885	316,674,099	91,727,698
Cash & Cash Equivalents	22	97,157,433	17,945,893	125,883,368	328,706,210
		<b>560,919,120</b>	<b>270,813,261</b>	<b>677,672,492</b>	<b>605,871,236</b>
<b>Total Assets</b>		<b>2,554,129,231</b>	<b>2,097,896,852</b>	<b>3,028,893,588</b>	<b>2,682,857,449</b>
<b>Equity &amp; Liabilities</b>					
<b>Equity</b>					
Stated Capital	23	80,171,740	80,171,740	80,171,740	80,171,740
Revaluation Reserve		1,462,044,457	1,464,515,721	1,566,176,366	1,569,651,882
Available for Sale Reserve		6,097,572	7,347,572	53,604,952	67,354,952
Retained Earnings		546,536,545	382,050,214	1,002,832,143	751,835,739
<b>Equity Attributable to Owners of the Company</b>		<b>2,094,850,314</b>	<b>1,934,085,247</b>	<b>2,702,785,201</b>	<b>2,469,014,313</b>
Non-Controlling Interests		-	-	138,964,941	-
<b>Total Equity</b>		<b>2,094,850,314</b>	<b>1,934,085,247</b>	<b>2,841,750,142</b>	<b>2,469,014,313</b>
<b>Liabilities</b>					
<b>Non-Current Liabilities</b>					
Deferred Taxation	24	38,586,880	38,410,427	62,956,600	63,993,278
Retirement Benefit Obligation	25	14,301,330	11,140,040	14,301,330	11,140,040
		<b>52,888,210</b>	<b>49,550,467</b>	<b>77,257,930</b>	<b>75,133,318</b>
<b>Current Liabilities</b>					
Trade and Other Payables	26	74,300,198	64,820,830	87,605,313	71,204,331
Tax Liability		7,233,312	24,894,834	19,704,663	41,344,857
Amounts Due to Related Companies	27	323,865,404	248,541	1,529,428	1,216,555
Bank Overdraft		991,793	24,296,933	1,046,112	24,944,075
		<b>406,390,707</b>	<b>114,261,138</b>	<b>109,885,516</b>	<b>138,709,818</b>
<b>Total Liabilities</b>		<b>459,278,917</b>	<b>163,811,605</b>	<b>187,143,446</b>	<b>213,843,136</b>
<b>Total Equity and Liabilities</b>		<b>2,554,129,231</b>	<b>2,097,896,852</b>	<b>3,028,893,588</b>	<b>2,682,857,449</b>

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 220 to 251. 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. Ondaatje**  
Managing Director

Colombo, 20th May 2014

**T.J. Ondaatje**  
Director

# Consolidated Statement of Changes in Equity

For the Year ended 31st March	Stated Capital Rs.	Revaluation Reserve Rs.	Available for Sale Reserve Rs.	Retained Earnings Rs.	Total Rs.
<b>Company</b>					
Balance as at 1st April 2012	80,171,740	1,324,718,795	12,147,572	217,592,443	1,634,630,550
Profit for the Year	-	-	-	203,406,911	203,406,911
<b>Other Comprehensive Income</b>					
Surplus on Revaluation of Property, Plant & Equipment	-	147,758,227	-	-	147,758,227
Deferred Tax Adjustment on Revaluation Surplus	-	(5,490,037)	-	-	(5,490,037)
Actuarial Loss on Retirement Benefit Obligation	-	-	-	(1,227,004)	(1,227,004)
Net Change in Fair Value of Available for Sale Financial Assets	-	-	(4,800,000)	-	(4,800,000)
<b>Total Comprehensive Income for the Year</b>	<b>-</b>	<b>142,268,190</b>	<b>(4,800,000)</b>	<b>202,179,907</b>	<b>339,648,097</b>
<b>Transactions with Owners of the Company, Recognized Directly in Equity</b>					
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)
<b>Total Transactions with Owners of the Company</b>	<b>-</b>	<b>(2,471,264)</b>	<b>-</b>	<b>(37,722,136)</b>	<b>(40,193,400)</b>
<b>Balance as at 31st March 2013</b>	<b>80,171,740</b>	<b>1,464,515,721</b>	<b>7,347,572</b>	<b>382,050,214</b>	<b>1,934,085,247</b>
<b>Balance as at 1st April 2013</b>	<b>80,171,740</b>	<b>1,464,515,721</b>	<b>7,347,572</b>	<b>382,050,214</b>	<b>1,934,085,247</b>
Profit for the Year	-	-	-	208,471,399	208,471,399
<b>Other Comprehensive Income</b>					
Actuarial Loss on Retirement Benefit Obligation	-	-	-	(1,238,757)	(1,238,757)
Net Change in Fair Value of Available for Sale Financial Assets	-	-	(1,250,000)	-	(1,250,000)
<b>Total Comprehensive Income for the Year</b>	<b>-</b>	<b>-</b>	<b>(1,250,000)</b>	<b>207,232,642</b>	<b>205,982,642</b>
<b>Transactions with Owners of the Company, Recognized Directly in Equity</b>					
Transferred to Retained Earnings	-	(2,471,264)	-	2,471,264	-
Dividend Paid - Preference Shares	-	-	-	(130,500)	(130,500)
- Ordinary Shares	-	-	-	(45,087,075)	(45,087,075)
<b>Total Transactions with Owners of the Company</b>	<b>-</b>	<b>(2,471,264)</b>	<b>-</b>	<b>(42,746,311)</b>	<b>(45,217,575)</b>
<b>Balance as at 31st March 2014</b>	<b>80,171,740</b>	<b>1,462,044,457</b>	<b>6,097,572</b>	<b>546,536,545</b>	<b>2,094,850,314</b>

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 220 to 251.

# Consolidated Cash Flow Statement

For the Year ended 31st March	Attributable to the Equity Holders of the Parent Company					Non-Controlling Interest	Total
	Stated Capital	Revaluation Reserve	Available for Sale Reserve	Retained Earnings	Total		
	Rs.	Rs.	Rs.	Rs.	Rs.		
<b>Group</b>							
Balance as at 1st April 2012	80,171,740	1,407,851,686	120,154,952	517,231,148	2,125,409,526	-	2,125,409,526
Profit for the Year	-	-	-	272,549,479	272,549,479	-	272,549,479
<b>Other Comprehensive Income</b>							
Surplus on Revaluation of Property, Plant & Equipment	-	173,344,985	-	-	173,344,985	-	173,344,985
Deferred Tax Adjustment on Revaluation Surplus	-	(8,069,273)	-	-	(8,069,273)	-	(8,069,273)
Actuarial Loss on Retirement Benefit Obligation	-	-	-	(1,227,004)	(1,227,004)	-	(1,227,004)
Net Change in Fair Value of Available for Sale Financial Assets	-	-	(52,800,000)	-	(52,800,000)	-	(52,800,000)
<b>Total Comprehensive Income for the Year</b>	-	165,275,712	(52,800,000)	271,322,475	383,798,187	-	383,798,187
<b>Transactions with Owners of the Group, Recognized Directly in Equity</b>							
Transferred to Retained Earnings	-	(3,475,516)	-	3,475,516	-	-	-
Dividend Paid - Preference Shares	-	-	-	(116,000)	(116,000)	-	(116,000)
- Ordinary Shares	-	-	-	(40,077,400)	(40,077,400)	-	(40,077,400)
<b>Total Transactions with Owners of the Group</b>	-	(3,475,516)	-	(36,717,884)	(40,193,400)	-	(40,193,400)
<b>Balance as at 31st March 2013</b>	<b>80,171,740</b>	<b>1,569,651,882</b>	<b>67,354,952</b>	<b>751,835,739</b>	<b>2,469,014,313</b>	<b>-</b>	<b>2,469,014,313</b>
<b>Balance as at 1st April 2013</b>	80,171,740	1,569,651,882	67,354,952	751,835,739	2,469,014,313	-	2,469,014,313
<b>Profit for the Year</b>	-	-	-	294,013,949	294,013,949	(657,389)	293,356,560
<b>Other Comprehensive Income</b>							
Actuarial Loss on Retirement Benefit Obligation	-	-	-	(1,238,757)	(1,238,757)	-	(1,238,757)
Net Change in Fair Value of Available for Sale Financial Assets	-	-	(13,750,000)	-	(13,750,000)	-	(13,750,000)
<b>Total Comprehensive Income for the Year</b>	-	-	(13,750,000)	292,775,192	279,025,192	(657,389)	278,367,803
<b>Transactions with Owners of the Group, Recognized Directly in Equity</b>							
Transferred to Retained Earnings	-	(3,475,516)	-	3,475,516	-	-	-
Dividend paid - Preference Shares	-	-	-	(130,500)	(130,500)	-	(130,500)
- Ordinary Shares	-	-	-	(45,087,075)	(45,087,075)	-	(45,087,075)
Acquisition of Non-Controlling interest without a Change in Control	-	-	-	(36,729)	(36,729)	-	(36,729)
Acquisition of Subsidiary	-	-	-	-	-	139,622,330	139,622,330
<b>Total Transactions with Owners of the Group</b>	-	(3,475,516)	-	(41,778,788)	(45,254,304)	139,622,330	94,368,026
<b>Balance as at 31st March 2014</b>	<b>80,171,740</b>	<b>1,566,176,366</b>	<b>53,604,952</b>	<b>1,002,832,143</b>	<b>2,702,785,201</b>	<b>138,964,941</b>	<b>2,841,750,142</b>

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 220 to 251.

For the Year ended 31st March	Company		Group	
	2014	2013	2014	2013
	Rs.	Rs. Reclassified	Rs.	Rs. Reclassified
<b>Cash Flows from Operating Activities</b>				
Profit Before Tax	233,281,205	241,705,437	347,753,620	333,548,382
<b>Adjustments for</b>				
Depreciation	30,301,432	31,859,839	47,579,254	46,912,430
Amortization of Intangible Assets	168,831	164,980	168,831	164,980
Change in Fair Value of Investment Property	-	(2,307,258)	-	-
Provision for Retirement Benefit Obligation	3,025,048	2,344,179	3,025,048	2,344,179
Interest Expenses	382,980	668,644	425,953	719,591
Interest Income	(14,467,944)	(18,251,124)	(48,343,669)	(33,921,268)
Dividend Income	(47,820,013)	(44,703,540)	(6,414,857)	(3,348,544)
Share of (Profit) / Loss of Associate (Net of Tax)	-	-	437,197	(510,136)
Fair Value Gain on of Biological Assets	(2,425,277)	(29,507)	(2,425,277)	(29,507)
Write-off of Property, Plant & Equipment	-	16,757,921	-	16,682,708
Write-off of Goodwill	-	-	42,215	-
Gain on Disposal of Held for Trading of Investments	(270,437)	(108,722)	(270,437)	(108,722)
Profit on Disposal of Property, Plant & Equipment	(110,000)	(4,638,393)	(210,000)	(6,156,250)
Fair Value Gain on Held for Trading Investments	(1,832,841)	(5,400,984)	(1,791,441)	(7,213,736)
<b>Operating Profit Before Working Capital Changes</b>	<b>200,232,984</b>	<b>218,061,472</b>	<b>339,976,437</b>	<b>349,084,107</b>
<b>Working Capital Changes</b>				
(Increase) / Decrease in Inventories	(13,309,784)	440,105	(13,158,293)	571,808
(Increase) / Decrease in Trade and Other Receivables	15,977,032	(21,667,789)	29,540,605	(39,994,123)
(Increase) / Decrease in Amounts Due from Related Companies	56,844,243	(52,898,233)	(5,500,000)	9,369,608
Increase in Trade and Other Payables	9,479,367	12,976,434	7,096,269	7,116,814
Increase in Amounts Due to Related Companies	323,616,863	248,541	312,873	582,859
<b>Cash Generated from Operations</b>	<b>592,840,705</b>	<b>157,160,530</b>	<b>358,267,891</b>	<b>326,731,073</b>
Income Tax Paid	(42,294,874)	(14,172,628)	(77,073,931)	(27,987,421)
Interest Paid	(382,980)	(668,644)	(425,953)	(719,591)
Gratuity Paid	(1,102,515)	(2,220,947)	(1,102,515)	(2,220,947)
<b>Net Cash from Operating Activities</b>	<b>549,060,336</b>	<b>140,098,311</b>	<b>279,665,492</b>	<b>295,803,114</b>
<b>Cash Flows from Investing Activities</b>				
Purchase of Property, Plant & Equipment	(38,716,316)	(22,384,033)	(87,849,150)	(46,420,610)
Proceeds from Disposal of Property, Plant & Equipment	110,000	4,638,393	210,000	6,156,250
Purchase of Intangible Assets	-	(115,500)	(1,946,624)	(115,500)
Proceeds on Disposal of Held for Trading Investments	4,875,187	6,837,721	4,875,187	6,838,292
Investment in Held for Trading Investments	(24,774,400)	(12,839,501)	(24,774,399)	(13,581,440)
Dividend Received	47,820,013	44,703,540	6,414,857	3,348,544
Investment in Subsidiary	(160,000,000)	-	(160,000,000)	-
Investment in Fixed Deposits	(248,213,214)	(68,460,885)	(224,946,401)	(7,487,920)
Proceeds from Disposal of Biological Assets	3,104,705	261,346	3,104,704	261,346
Interest Received	14,467,944	18,251,124	48,343,669	33,921,268
<b>Net Cash Used in Investing Activities</b>	<b>(401,326,081)</b>	<b>(29,107,795)</b>	<b>(436,568,157)</b>	<b>(17,079,770)</b>
<b>Cash Flows from Financing Activities</b>				
Dividend Paid	(45,217,575)	(40,193,400)	(45,217,575)	(40,193,400)
<b>Net Cash Used in Financing Activities</b>	<b>(45,217,575)</b>	<b>(40,193,400)</b>	<b>(45,217,575)</b>	<b>(40,193,400)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>102,516,680</b>	<b>70,797,116</b>	<b>(202,120,240)</b>	<b>238,529,944</b>
Cash & Cash Equivalents at the Beginning of the Year	(6,351,040)	(77,148,156)	303,762,135	65,232,191
Cash and Cash Equivalents on Acquisition of Subsidiary	-	-	23,195,361	-
<b>Cash &amp; Cash Equivalents at the End of the Year</b>	<b>96,165,640</b>	<b>(6,351,040)</b>	<b>124,837,256</b>	<b>303,762,135</b>
<b>Analysis of Cash &amp; Cash Equivalents</b>				
Cash at Bank and in Hand	97,157,433	17,945,893	125,883,368	328,706,210
Bank Overdraft	(991,793)	(24,296,933)	(1,046,112)	(24,944,075)
	<b>96,165,640</b>	<b>(6,351,040)</b>	<b>124,837,256</b>	<b>303,762,135</b>

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 220 to 251.

# Notes to the Consolidated Financial Statements

## 1. Corporate Information

### 1.1 Reporting Entity

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 2014 comprise the Company and its subsidiaries namely Grand Hotel (Pvt) Ltd., and Fair View Hotel (Pvt) Ltd., (together referred to as the "Group"). Grand Hotel (Pvt) Ltd., will be merged with The Nuwara Eliya Hotels Co. PLC with effect from 1st of April 2014.

### 1.3 Principal Activity and Nature of the Operations

The Principal Activity of the Company and its subsidiary, Grand Hotel (Pvt) Ltd., is the provision of Hotel Services. The Fair View Hotel (Pvt) Ltd., is currently engaged in constructing a hotel for the provisioning of hotel services.

### 1.4 Number of Employees

Number of Employees of the Group at the end of the year was 343 (2012/13 - 334).

## 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 Income, 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 LKAS) issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007 and the listing rules of the Colombo Stock Exchange.

### 2.2 Approval of Financial Statements

These Consolidated Financial Statements were authorized for issue in accordance with a resolution of the Board of Directors on 20th May 2014.

### 2.3 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.

### 2.4 Basis of Measurement

The Consolidated Financial Statements are prepared based on the historical cost convention except for followings:

Financial Assets Classified as Available for Sale	- Fair Value
Financial Assets Classified as Held for Trading	- 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
Retirement Benefit Obligation	- Actuarially valued and recognized at present value of the defined benefit obligation
Investment Property	- Fair Value

### 2.5 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.

### 2.6 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 the following Notes.

Note 11	- Revaluation of Land and Buildings
Note 24	- Measurement of Deferred Tax Liabilities/Assets
Note 25	- Measurement of Retirement Benefit Obligation
Note 30 & 31	- Commitments and Contingencies

### 2.7 Changes in Accounting Policy

#### Retirement Benefit Obligation

The Group adopted LKAS 19 *Employee Benefits* (Revised in 2013) with effect from 1st January 2013 in accordance with the transitional provisions in the standard and changed its basis for recognizing the actuarial gain or loss related to Retirement Benefit Obligation.

As a result of the change, the Group now recognizes all the re-measurements of the net defined benefit liability in other comprehensive income. Re-measurements of the net defined benefit liability comprise Actuarial Gain or Loss. Previously, the Company recognized Actuarial Gain or Losses in income statement.

#### Impact of Change in Accounting Policy

The Change in Accounting Policy has been applied retrospectively. The following table summarizes the financial effects on the Financial Statements on implementation of the new Accounting Policy.

	For the Year Ended 31st March	
	2014 Rs.	2013 Rs.
<i>Decrease in</i>		
Administrative Expenses	(1,238,757)	(1,227,004)
<i>Increase in</i>		
Other Comprehensive Income	1,238,757	1,227,004

The change in Accounting Policy has no impact on Net Assets as at 31st March 2014 or 31st March 2013 and had immaterial impact on Income Tax and the Deferred Tax computations as at the above dates.

## 3. Significant Accounting Policies

The Accounting Policies set out below have been applied consistently to all periods presented in these Financial Statements unless otherwise indicated.

### 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 acquiree: 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.

**(b) Acquisition of Non-Controlling Interests**

For each business combination the Group elects to measure any Non-Controlling Interest at their proportionate share of the acquirer identifiable net assets, which are generally at Fair Value.

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 no 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 and other comprehensive income 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.

**(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 reporting date. 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 functional 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 Statement of Comprehensive Income.

**3.3 Financial Instruments**

**3.3.1 Initial Recognition of Financial Instruments**

The Group 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 timeframe generally established by regulation or convention in the market place. Those trades are initially recognizes on the settlement date.

**3.3.2 Initial Measurement of Financial Instruments**

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

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

**3.3.3 Classification and Subsequent Measurement of Financial Assets**

The Group classifies non-derivative Financial Assets into the following categories;

- (a) Loans and Receivables
- (b) Available for Sale
- (c) Fair Value through Profit or Loss
- (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 and other receivables, fixed deposits.

**(b) Cash and Cash Equivalents**

Cash and Cash Equivalents comprise cash balances and fixed deposits 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.

**(c) Available for Sale**

Available for Sale Financial Assets are non-derivative 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 recognized 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 Sale Financial Assets comprise of investment in quoted and unquoted shares.

**(d) 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. 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.

**(e) 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 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 during the year.

**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 amortized cost using the effective interest method. Other financial liabilities comprise,

- (a) Trade Payables
- (b) Other Payables

**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.

**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 retain 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 recognized by reclassifying the loss that was accumulated in Fair Value resale in equity. 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 and biological 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 costs or valuation less accumulated depreciation (See Accounting Policy 3.6 (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 costs 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 & 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) Derecognition**

An item of Property, Plant & Equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds

and the carrying amount of the asset), is recognized in “Other 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 2013). 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:

Depreciation is calculated using the strait line basis over the estimated useful life of the asset.

Asset	Rate
Buildings	1% - 10%
Plant, Machinery	3.6% - 10%
Farm Structure	15%
Motor Vehicles	25%
Furniture & Fittings	20%
Fixtures	5%
Electrical Installation	10%
Office Equipments	10%
Soft Furniture	25%
Crockery, Cutlery & Glassware	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 part.

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 the Group 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.

**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 a 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 cost.

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 and Equipment is sold, any related

amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as Property, Plant & 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 & 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

### (b) Defined Benefit Obligation – Retiring Gratuity

A Defined Benefit Obligation 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 effective for financial period beginning on or after 1st January 2013.

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 other comprehensive come. The liability is not externally funded.

### 3.13 Capital Commitments and Contingent Liabilities

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 Commitments 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.

### 3.11 Liabilities and Provisions

#### 3.11.1 Liabilities

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

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 the Company 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.

## 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.

- Apartment Revenue is recognized based on the daily rooms occupation whilst other outlet sales are accounted for at the time of sales
- Food and Beverage Revenue is accounted at the time of the sale
- Rental Income is recognized on an accrual basis
- 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 and Equipment and other non-current assets, including investments, are accounted for in the income statement, after deducting from the proceeds from disposal, the carrying amount of such assets and the related selling expenses.

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

### 3.16 Revenue Expenditure

Expenditure incurred in running of the business and in maintaining the Property, Plant and 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 and Equipment.

### 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:

- Interest expense calculated using the effective interest method as described in LKAS 39 on "*Financial Instruments: Recognition and Measurement*";
- Finance charges in respect of finance Leases recognised in accordance with LKAS 17 *Leases*; and
- 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 and Finance Costs

Finance income comprises interest income on funds invested and Fair Value gain on financial assets at Fair Value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance cost comprises interest expenses on borrowings, impairment losses on financial assets and Fair Value through profit or loss.

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 it relates to items recognized directly in equity, in which case it is recognized in equity.

#### (a) Current Tax

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

#### (b) Deferred Tax

Deferred tax is provided using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided

is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted by the reporting date.

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

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 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

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

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

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

This SLFRS defines *Fair Value*, sets out in a single SLFRS a framework for measuring Fair Value; and requires disclosures about Fair Value measurements.

This SLFRS has become effective for the Company from 1st April 2014. Earlier application is permitted.

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

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

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information

to users of Financial Statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.

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

The application of this standard has been currently deferred by the Institute of Chartered Accountants of Sri Lanka, consequent to the Internationally Accounting Standard Board’s (IASB) decision to defer the mandatory effective date of IFRS 9. However SLFRS 9 will be available for early adoption.

- **Sri Lanka Accounting Standards – SLFRS 10 “Consolidated Financial Statements”**

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

An investor is expected to control an investee if and only if the investor has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee ; and
- the ability to use its power over the investee to affect the amount of the investor’s returns

This Standard will require the Company to review the Group structure in the context of the new Standard and its requirements. Accordingly adoption of this standard is expected to have an impact on the Group structure, and consolidated reporting.

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

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>For the Year ended 31st March</b>				
<b>5. Revenue</b>				
Apartment Sales	255,531,852	240,533,793	489,988,966	450,415,861
Food Sales	179,214,106	164,746,411	266,928,291	256,452,677
Bar Sales	46,319,566	36,524,833	46,570,051	40,065,921
Laundry Income	-	-	4,226,911	3,739,204
Gift Shop Sales	18,193,161	17,337,524	18,193,161	17,337,524
Telephone Income	90,624	99,232	90,624	100,735
Billiard Income	286,603	309,393	286,603	309,392
Farm Sales	3,609,036	4,482,196	3,609,036	4,482,196
	<b>503,244,948</b>	<b>464,033,382</b>	<b>829,893,643</b>	<b>772,903,510</b>
<b>6. Other Income</b>				
Vehicle Hire	23,363	69,339	639,726	594,276
Sundry Income	1,480,385	646,650	2,369,258	900,115
Gain on Foreign Currency Exchange	704,436	638,068	1,305,604	1,434,579
Profit on Sale of Property, Plant and Equipment	110,000	4,638,393	210,000	6,156,250
Dividend Income	47,820,013	44,703,540	6,414,857	3,348,544
Gain on Sale of Held for Trading Investments	270,437	108,722	270,437	108,722
Change in Fair Value of Biological Assets (Note 13)	2,425,277	29,507	2,425,277	29,507
Change in Fair Value of Investment Property	-	2,307,258	-	-
Rental Income	8,236,136	8,335,572	1,394,184	1,566,285
	<b>61,070,047</b>	<b>61,477,049</b>	<b>15,029,343</b>	<b>14,138,278</b>
<b>7. Net Finance Income</b>				
<b>Finance Income</b>				
Interest income	14,467,944	18,251,124	48,348,569	33,921,268
Net Change in Fair Value of Financial Assets Held for Trading	1,832,841	5,400,984	1,832,841	7,213,736
	<b>16,300,785</b>	<b>23,652,108</b>	<b>50,181,410</b>	<b>41,135,004</b>
<b>Finance Costs</b>				
Interest on Bank Overdraft	(382,980)	(668,644)	(430,853)	(719,591)
Net Change in Fair Value of Financial Assets Held for Trading	-	-	(41,400)	-
	<b>(382,980)</b>	<b>(668,644)</b>	<b>(472,253)</b>	<b>(719,591)</b>
<b>Net Finance Income</b>	<b>15,917,805</b>	<b>22,983,464</b>	<b>49,709,157</b>	<b>40,415,413</b>
<b>8. Profit Before Tax</b>				
Profit Before Tax is stated after charging all the expenses including the following:				
Directors’ Emoluments	3,533,200	2,861,440	3,533,200	2,861,440
Depreciation	30,301,432	31,859,839	47,579,254	46,912,430
Auditors’ Remuneration				
- Audit Services	308,000	275,000	453,600	405,000
- Non-Audit Services	92,310	779,720	92,310	705,640
Impairment of Goodwill on Acquisition (Note 32)	-	-	42,215	-
Personnel Costs (Note 8.1)	64,594,145	49,566,806	104,394,039	86,862,055
<b>8.1 Personnel Costs</b>				
Salaries, Wages and Other related Costs	54,480,063	45,089,363	89,697,418	74,837,698
Retirement Benefit Obligation	3,025,048	2,344,179	3,025,048	2,133,264
Defined Contribution Plan Costs	7,089,034	2,133,264	11,671,573	9,680,178
	<b>64,594,145</b>	<b>49,566,806</b>	<b>104,394,039</b>	<b>86,862,055</b>

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>For the Year ended 31st March</b>				
<b>9. Income Tax Expense</b>				
Income Tax on Profit For the Year (Note 9.1)	<b>24,633,353</b>	36,821,519	<b>50,393,739</b>	57,647,001
Deferred Tax Charge/(Reversal) (Note 24)	<b>176,453</b>	1,477,007	<b>(1,036,678)</b>	(1,243,098)
Withholding Tax on Dividend	-	-	<b>5,040,000</b>	4,595,000
	<b>24,809,806</b>	38,298,526	<b>54,397,061</b>	60,998,903
<b>9.1 Reconciliation Between Taxable Profit and Accounting Profit</b>				
Accounting Profit Before Tax	<b>233,281,205</b>	241,705,437	<b>347,753,620</b>	333,548,382
Aggregate Disallowed Expenses	<b>37,365,367</b>	30,099,606	<b>58,854,497</b>	48,625,998
Aggregate Allowable Income	<b>(64,391,235)</b>	(67,855,009)	<b>(52,771,760)</b>	(34,242,401)
Aggregate Allowed Expenses	<b>(34,735,940)</b>	(25,877,626)	<b>(46,690,194)</b>	(34,781,564)
Statutory Income from Business	<b>171,519,397</b>	178,072,408	<b>307,146,163</b>	313,150,415
Interest & Other Sources of Income	<b>14,467,944</b>	27,969,303	<b>48,343,569</b>	44,455,453
Total Statutory Income	<b>185,987,341</b>	206,041,711	<b>355,489,732</b>	357,605,868
Taxable Income	<b>185,987,341</b>	206,041,711	<b>355,489,732</b>	357,605,868
Income Tax at 12%	<b>20,582,329</b>	21,022,411	<b>36,857,540</b>	37,231,771
Income Tax at 10%	-	288,565	-	288,565
Income Tax at 28%	<b>4,051,024</b>	7,831,405	<b>13,536,199</b>	12,447,527
Under Provision in Respect of Previous Years	-	7,679,138	-	7,679,138
Total Tax Expense for the Year	<b>24,633,353</b>	36,821,519	<b>50,393,739</b>	57,647,001

The Profits and Income of the Company arising on provision of tourism related services is liable for taxation at the rate of 12% (2013-12%) in terms of section 46 of Inland Revenue Act No. 10 of 2006 and amendments thereto. Qualified profit from agricultural undertakings 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 with the fifth schedule of the Act. Income from other sources are taxed at the rate of 28% (2013 - 28%).

Grand Hotel (Pvt) Ltd., 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%. (2013 - 28%)

The profits of Fair View Hotel (Pvt) Ltd., is exempt from income tax under section 17 of Board of Investment Law No.4 of 1978 for a Period of 5 years commencing from the year of assessment not later than 5 years reckoned from the date of its commercial operations, whichever is earlier as determined by the Board of Investment of Sri Lanka.

## 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	
	2014	2013	2014	2013
<b>For the Year ended 31st March</b>				
<b>Amount Used as the Numerator</b>				
Profit for the Year (Rs.)	<b>208,471,399</b>	203,406,911	<b>294,013,949</b>	272,549,479
Less : Preference Dividend Paid (Rs.)	<b>(130,500)</b>	(116,000)	<b>(130,500)</b>	(116,000)
Profit Attributable to Ordinary Shareholders (Rs.)	<b>208,340,899</b>	203,290,911	<b>293,883,449</b>	272,433,479
<b>Amount Used as the Denominator</b>				
Weighted Average Number of Ordinary Shares	<b>2,003,870</b>	2,003,870	<b>2,003,870</b>	2,003,870
Basic Earnings per Share (Rs.)	<b>103.97</b>	101.45	<b>146.65</b>	135.95
<b>10.1 Dividend per Share</b>				
Dividend Declared and Paid During the Year (Rs.)				
Final Dividend	<b>45,087,075</b>	40,077,400	<b>45,087,075</b>	40,077,400
Number of Ordinary Shares	<b>2,003,870</b>	2,003,870	<b>2,003,870</b>	2,003,870
Dividend per Share (Rs.)	<b>22.50</b>	20.00	<b>22.50</b>	20.00

11. Property, Plant & Equipment

As at	Balance as at 1-Apr-13 Rs.	Additions Rs.	Disposals/ Transfers Rs.	Balance as at 31-Mar-14 Rs.
<b>Company</b>				
<b>Cost / Revaluation</b>				
<b>At Valuation</b>				
Freehold Land	1,191,163,235	-	-	1,191,163,235
Buildings	402,308,500	20,179,726	-	422,488,226
Farm Structure	3,422,500	-	-	3,422,500
	1,596,894,235	20,179,726	-	1,617,073,961
<b>At Cost</b>				
Plant & Machinery	50,547,521	7,311,707	(3,525,841)	54,333,387
Motor Vehicles	3,942,936	2,600,000	(323,460)	6,219,476
Furniture & Fittings	45,953,242	2,985,302	3,525,841	52,464,385
Fixtures	2,460,346	102,000	-	2,562,346
Office Equipment	7,764,052	1,066,771	-	8,830,823
Electrical Installation	12,896,008	571,900	-	13,467,908
Soft Furniture	12,318,172	1,104,010	-	13,422,182
Crockery, Cutlery & Glassware	6,615,028	3,056,195	(1,859,112)	7,812,111
	142,497,305	18,797,885	(2,182,572)	159,112,618
<b>Capital Work-in-Progress</b>	482,582	221,287	(482,582)	221,287
<b>Total at Cost/Revaluation</b>	1,739,874,122	39,198,898	(2,665,154)	1,776,407,866
<b>Accumulated Depreciation</b>				
<b>At Valuation</b>				
Buildings	-	20,347,771	-	20,347,771
Farm Structure	-	825,963	-	825,963
	-	21,173,734	-	21,173,734
<b>At Cost</b>				
Plant & Machinery	22,278,261	3,530,735	(479,821)	25,329,175
Motor Vehicles	2,853,964	1,119,108	(323,460)	3,649,612
Furniture & Fittings	35,786,511	4,532,216	479,821	40,798,548
Fixtures	416,216	109,839	-	526,055
Office Equipment	2,487,688	(448,081)	-	2,039,607
Electrical Installation	8,775,943	(3,066,562)	-	5,709,381
Soft Furniture	6,811,416	2,048,406	-	8,859,822
Crockery, Cutlery & Glassware	3,800,216	1,302,037	(1,859,112)	3,243,141
	83,210,215	9,127,698	(2,182,572)	90,155,341
<b>Total Depreciation on Cost/Revaluation</b>	83,210,215	30,301,432	(2,182,572)	111,329,075
<b>Net Book Value</b>	1,656,663,907			1,665,078,791
			<b>31-Mar-13 Rs.</b>	<b>31-Mar-14 Rs.</b>
At Cost			59,769,672	69,178,564
At Revaluation			1,596,894,235	1,595,900,227
<b>Net Book Value</b>			1,656,663,907	1,665,078,791
<b>Gross Carrying Amount of Fully Depreciated Property, Plant &amp; Equipment</b>			58,228,871	67,157,334

11. Property, Plant & Equipment (Contd...)

As at	Balance as at 1-Apr-13 Rs.	Additions* Rs.	Disposals/ Transfers Rs.	Balance as at 31-Mar-14 Rs.
<b>Group</b>				
<b>Cost / Revaluation</b>				
<b>At Valuation</b>				
Freehold Land	1,226,500,000	-	-	1,226,500,000
Buildings	613,316,498	25,081,726	-	638,398,224
Farm Structure	3,422,500	-	-	3,422,500
	1,843,238,998	25,081,726	-	1,868,320,724
<b>At Cost</b>				
Plant & Machinery	74,709,123	16,753,627	(5,178,341)	86,284,409
Motor Vehicles	21,957,650	2,600,000	(323,460)	24,234,190
Furniture & Fittings	57,581,005	3,114,835	3,525,841	64,221,681
Fixtures	5,462,358	102,000	-	5,564,358
Office Equipment	7,764,052	1,066,771	-	8,830,823
Electrical Installation	15,322,568	1,863,283	-	17,185,851
Soft Furniture	21,446,672	4,634,210	-	26,080,882
Crockery, Cutlery & Glassware	7,055,821	2,326,201	(1,859,112)	7,522,911
	211,299,249	32,460,927	(3,835,072)	239,925,105
<b>Capital Work-in-Progress</b>	982,583	318,222,089	(482,582)	318,722,090
<b>Total at Cost/Revaluation</b>	2,055,520,830	375,764,742	(4,317,654)	2,426,967,919
<b>Accumulated Depreciation</b>				
<b>At Valuation</b>				
Buildings	-	30,872,717	-	30,872,717
Farm Structure	-	825,963	-	825,963
	-	31,698,680	-	31,698,680
<b>At Cost</b>				
Plant & Machinery	36,902,060	4,852,508	(2,132,321)	39,622,247
Motor Vehicles	5,311,194	5,622,786	(323,460)	10,610,520
Furniture & Fittings	45,213,226	5,459,763	479,821	51,152,810
Fixtures	486,376	220,866	-	707,242
Office Equipment	2,487,689	(448,081)	-	2,039,608
Electrical Installation	9,722,419	(3,308,908)	-	6,413,511
Soft Furniture	15,797,785	2,179,603	-	17,977,388
Crockery, Cutlery & Glassware	4,241,008	1,302,037	(1,859,112)	3,683,933
	120,161,757	15,880,574	(3,835,072)	132,207,259
<b>Total Depreciation on Cost/Revaluation</b>	120,161,757	47,579,254	(3,835,072)	163,905,939
<b>Net Book Value</b>	1,935,359,073			2,263,061,980
			<b>31-Mar-13 Rs.</b>	<b>31-Mar-14 Rs.</b>
At Cost			92,120,075	426,439,936
At Revaluation			1,843,238,998	1,836,622,044
<b>Net Book Value</b>			1,935,359,073	2,263,061,980
<b>Gross Carrying Amount of Fully Depreciated Property, Plant &amp; Equipment</b>			90,577,938	100,749,454

\*Note: The additions during the year include costs of Property, Plant & Equipment of Fair View Hotel (Pvt) Ltd., amounting to Rs. 253,127,552/- at the time of acquisition of the control of this new subsidiary. Since the Hotel Project of this new subsidiary is under construction at present carrying value of work-in-progress as at the date of acquisition have been added to capital work-in-progress additions during the year.

**11. Property, Plant & Equipment (Contd...)**

Freehold land and buildings of the Parent and its Subsidiary Grand Hotel (Pvt) Ltd. 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 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	Accumulated Depreciation	Net Book Value 2014	Net Book Value 2013
	Rs.	Rs.	Rs.	Rs.
Freehold Land	773,000	-	773,000	773,000
Buildings	112,587,459	4,389,712	108,197,746	102,721,834
	113,360,459	4,389,712	108,970,746	103,494,834
<b>Group</b>				
Freehold Land	773,000	-	773,000	773,000
Buildings	234,293,327	24,398,263	209,895,064	230,080,945
	235,066,327	24,398,263	210,668,064	230,853,945

**12. Intangible Assets**

As at 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>Cost</b>				
Balance as at 1st April	1,688,301	1,572,801	1,688,301	1,572,801
Additions during the Year	-	115,500	1,946,624	115,500
Balance as at 31st March	1,688,301	1,688,301	3,634,925	1,688,301
<b>Accumulated Amortization</b>				
Balance as at 1st April	610,542	445,562	610,542	445,562
Amortized during the Year	168,831	164,980	168,831	164,980
Balance as at 31st March	779,373	610,542	779,373	610,542
<b>Net Book Value</b>	908,928	1,077,759	2,855,552	1,077,759

The cost incurred on purchase of General Inventory Control System, Front Office Management System, Computerized Accounting Software and Microsoft Office Software have been recognized as Intangible Assets and amortized over a period of 10 years on a Straight Line Basis.

**13. Biological Assets**

As at 31st March	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Balance as at 1st April	3,673,097	3,714,831	3,673,097	3,714,831
Increase due to Purchases	123,400	5,089,165	123,400	5,089,165
Decrease due to Sales	(3,418,210)	(5,160,406)	(3,418,210)	(5,160,406)
Change in Fair Value Less Cost to Sell	2,425,277	29,507	2,425,277	29,507
Balance as at 31st March	2,803,564	3,673,097	2,803,564	3,673,097

Biological Assets comprise of piggery, cattle & goat stock, which have been valued at each reporting date including the 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 livestock by:

- (a) Weight
- (b) Pregnancy
- (c) Age
- (d) Rates as per 52/2011 Circular

**14. Investment Property**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Balance as at 1st April	36,918,828	34,611,570	-	-
Change in Fair Value	-	2,307,258	-	-
Balance as at 31st March	36,918,828	36,918,828	-	-

Land extent of 15,060 sq.ft owned by The Nuwara Eliya Hotels Co. PLC had been rented out to its fully owned subsidiary Grand Hotel (Pvt Ltd.), to put up the Hotel building. This building is located at Grand Hotel Road, Nuwara Eliya. This has been identified as Investment Property in Company's Statement of Financial Position. The Valuer has confirmed that there is no change in Fair Value of the Investment Property during the year ended 31st March 2014.

**15. Investment in Subsidiaries**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Grand Hotel (Pvt) Ltd.	120,000,000	120,000,000	-	-
Fair View Hotel (Pvt ) Ltd.	160,000,000	-	-	-
	280,000,000	120,000,000	-	-

**16. Investment in Associate**

Fair View Hotel (Pvt) Ltd.				
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Balance as at 1st April	-	-	40,626,285	40,116,149
Share of Profit After Tax for the Year	-	-	(437,197)	510,136
Transferred to Investment in Subsidiary	-	-	(40,189,088)	-
Balance as at 31st March	-	-	-	40,626,285

The Group acquired 59% of the Issued Share Capital of Fair View Hotel (Pvt) Ltd., during the year ended 31st March 2014 and accordingly this Associate is now accounted as a subsidiary of the Group.

**17. Available for Sale Investments**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Investment in Quoted Shares (Note 17.1 & 17.3)	7,500,000	8,750,000	82,500,000	96,249,999
Investment in Unquoted Shares (Note 17.2 & 17.4)	-	-	-	-
	7,500,000	8,750,000	82,500,000	96,249,999

**17.1 Investment in Quoted Shares**

Company	2014		2013	
	No. of Shares	Market Value Rs.	Cost Rs.	Market Value Rs.
Royal Palm Beach Hotels PLC	250,000	7,500,000	1,402,428	8,750,000
		7,500,000	1,402,428	8,750,000

17.2	Investments in Unquoted Shares	No. of Shares	2014 Cost Rs.	2013 Cost Rs.
	Ceylon Glass Manufacturing Co. Ltd. Less: Provision for Impairment Losses	20,000	200,000 (200,000)	200,000 (200,000)
			-	-

17.3	Group Investment in Quoted Shares	2014		2013		
		No. of Shares	Market Value Rs.	Cost Rs.	Market Value Rs.	Cost Rs.
	Royal Palms Beach Hotels PLC	2,750,000	82,500,000	28,895,047	96,249,999	28,895,047
			82,500,000	28,895,047	96,249,999	28,895,047

17.4	Investments in Unquoted Shares	No. of Shares	2014 Cost Rs.	2013 Cost Rs.
	Ceylon Glass Manufacturing Co. Ltd. Less: Provision for Impairment Loss	20,000	200,000 (200,000)	200,000 (200,000)
			-	-

18.	Inventories	Company		Group	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
	Food & Beverage	10,569,629	7,281,054	10,755,822	7,577,454
	General	14,728,602	5,400,200	14,897,096	5,609,978
	Grand Boutique	3,603,754	2,720,843	3,603,754	2,720,843
		28,901,985	15,402,097	29,256,672	15,908,275

19.	Trade and Other Receivables	2014	2013	2014	2013
	Trade Receivables	34,309,989	41,724,558	71,967,907	82,200,277
	Economic Service Charge	-	309,347	-	516,035
	Other Receivables	2,792,867	2,700,804	6,254,113	4,392,871
	Payments made in Advance	6,041,560	14,386,738	42,982,427	25,227,054
	Trade Deposits	662,906	662,906	662,906	662,906
		43,807,322	59,784,353	121,867,353	112,999,143

20.	Amounts Due from Related Companies	2014	2013	2014	2013
	Mercantile Fortunes (Pvt) Ltd.	5,500,000	-	5,500,000	-
	Grand Hotel (Pvt) Ltd.	-	62,344,243	-	-
		5,500,000	62,344,243	5,500,000	-

21.	Held for Trading Investments	2014		2013	
		No. of Shares	Market Value Rs.	No. of Shares	Market Value Rs.
	Company				
	John Keells Hotels PLC	500,000	6,250,000	500,000	6,600,000
	Overseas Realty (Ceylon) PLC	750,750	15,390,375	750,750	10,510,500
	Dialog Axiata PLC	2,640,000	23,760,000	2,640,000	23,760,000
	Ceylon Investment PLC	1,703	126,874	1,703	134,622
	Ceylon Guardian Investment Trust PLC	566	100,691	566	126,208
	The Lighthouse Hotel PLC	506,323	22,480,741	6,323	299,710
	Hunas Falls Hotels PLC	16,000	769,600	16,000	840,000
	Commercial Bank of Ceylon PLC	-	-	40,750	4,604,750
			68,878,281		46,875,790

21.	Group	2014		2013	
		No. of Shares	Market Value Rs.	No. of Shares	Market Value Rs.
	John Keells Hotels PLC	500,000	6,250,000	500,000	6,600,000
	Overseas Realty (Ceylon) PLC	750,750	15,390,375	750,750	10,510,500
	Dialog Axiata PLC	3,640,000	32,760,000	3,640,000	32,760,000
	Ceylon Investment PLC	1,703	126,874	1,703	134,622
	Ceylon Guardian Investment Trust PLC	566	100,691	566	126,208
	The Lighthouse Hotels PLC	520,123	23,093,460	20,123	953,830
	Hunas Falls Hotels PLC	16,000	769,600	16,000	840,000
	Commercial Bank of Ceylon PLC	-	-	40,750	4,604,750
			78,491,000		56,529,910

21.	Company	Group	
		2014 Rs.	2013 Rs.
		2014 Rs.	2013 Rs.

22.	Cash and Cash Equivalents	2014	2013	2014	2013
	Cash in Hand	354,800	452,800	358,800	458,800
	Cash at Bank	54,150,728	7,275,293	82,872,663	82,749,542
	Fixed Deposits	42,651,905	10,217,800	42,651,905	245,497,868
		97,157,433	17,945,893	125,883,368	328,706,210
	Bank Overdraft	(991,793)	(24,296,933)	(1,046,112)	(24,944,075)
	Cash and Cash Equivalents for the Cash Flow Purpose	96,165,640	(6,351,040)	124,837,256	303,762,135

23.	Stated Capital	2014	2013	2014	2013
	2,003,870 Ordinary Shares	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
		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 passu in the division of any then remaining balance.

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Balance as at 1st April	38,410,427	31,443,383	63,993,278	57,167,103
Tax Effect on Revaluation Surplus Charge / (Reversal) for the Year	176,453	1,477,007	(1,036,678)	(1,243,098)
Balance as at 31st March	38,586,880	38,410,427	62,956,600	63,993,278

**24. Deferred Taxation**

Balance as at 1st April	38,410,427	31,443,383	63,993,278	57,167,103
Tax Effect on Revaluation Surplus Charge / (Reversal) for the Year	176,453	1,477,007	(1,036,678)	(1,243,098)
Balance as at 31st March	38,586,880	38,410,427	62,956,600	63,993,278

**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	2014		2013	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
On Property, Plant & Equipment	335,858,661	40,303,039	285,476,623	34,257,195
On Retirement Benefit Obligation	(14,301,330)	(1,716,160)	(11,140,040)	(1,336,805)
On Revaluation Reserve	-	-	45,750,308	5,490,037
	321,557,331	38,586,879	320,086,891	38,410,427

Group	2014		2013	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
On Property, Plant & Equipment	538,939,651	64,672,758	477,173,423	57,260,810
On Retirement Benefit Obligation	(14,301,330)	(1,716,159)	(11,140,040)	(1,336,805)
On Revaluation Reserve	-	-	67,243,940	8,069,273
	524,638,321	62,956,599	533,277,323	63,993,278

**25. Retirement Benefit Obligation**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Balance as at 1st April	11,140,040	9,789,804	11,140,040	9,789,804
Interest Cost	1,114,004	978,980	1,114,004	978,980
Current Service Cost	1,911,044	1,365,199	1,911,044	1,365,199
Actuarial Loss on Obligation	1,238,757	1,227,004	1,238,757	1,227,004
	15,403,845	13,360,987	15,403,845	13,360,987
Less: Payments During the Year	(1,102,515)	(2,220,947)	(1,102,515)	(2,220,947)
Balance as at 31st March	14,301,330	11,140,040	14,301,330	11,140,040

- (a) The Retirement Benefit Obligation of the Company is based on the Actuarial Valuation carried out by Mr. M. Pooplanathan (AIA) of Actuarial & Management Consultants (Pvt) Ltd.
- (b) The projected Unit Credit Method is used to determine the present value of the Defined Benefit Obligation and the Current Service Cost.
- (c) The key assumption used in determining above were as follows:
- (i) Rate of Discount 10% (2012/13 - 10%)
  - (ii) Salary Increment 10% (2012/13 - 10%)
  - (iii) Staff Turnover Rates:
 

Age	Rates
20-39	19%
40-49	1%
>50	0%
- (iv) Staff Retirement Age - 55 Years

(d) The calculation of the Retirement Benefit Obligation is sensitive to the assumption set out above. The following table summarises how the impact on the Retirement Benefit Obligation at the end of the reporting period would have increased/ (Decreased) as a result of a change in respective assumption by one percent.

Discount Rate	Present Value of Defined Benefit Obligation (Rs.)
1% less	14,838,513
1% more	(13,803,080)
Salary Increment Rate	
1% less	(13,751,764)
1% more	14,884,141

**26. Trade and Other Payables**

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Trade Payables	38,257,536	32,570,198	38,404,699	33,927,656
Accrued Expenses	20,712,702	21,716,498	31,864,714	23,390,530
Sundry Creditors	14,845,735	10,049,909	16,741,675	13,291,920
Deposits Received	484,225	484,225	594,225	594,225
	74,300,198	64,820,830	87,605,313	71,204,331

**27. Amounts Due to Related Companies**

Tangerine Beach Hotels PLC	14,490	14,490	14,490	14,490
Royal Palm Beach Hotels PLC	-	-	151,145	140,882
Tangerine Tours (Pvt) Ltd.	307,643	204,027	469,126	283,139
Security Ceylon (Pvt) Ltd.	320,071	30,024	868,619	778,044
Grand Hotel (Pvt) Ltd.	323,223,200	-	-	-
Mercantile Investments & Finance PLC	-	-	26,048	-
	323,865,404	248,541	1,529,428	1,216,555

**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	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>(a) Transactions with Subsidiary Companies</b>					
Grand Hotel (Pvt) Ltd.	Funds Received	333,981,278	30,304,117	(323,223,200)	62,344,243
	Rental Income	7,480,076	7,855,728		
	Rental Expenses	(429,320)	(550,000)		
	Dividend Received	45,359,996	43,404,996		
	Vehicle Hire Expense	(672,000)	-		
Fair View Hotel (Pvt) Ltd.	Purchase of Shares	(160,000,000)	-	-	-
<b>(b) Transactions with Other Related Companies</b>					
Security Ceylon (Pvt) Ltd.	Security Services	(6,582,576)	(3,080,368)	(320,071)	(30,024)
	Security Staff Meals	2,676,308	1,832,277		
	Dividend Paid	(1,368,945)	(1,216,840)		
Tangerine Beach Hotels PLC	Staff Salaries	(173,880)	(147,901)	(14,490)	(14,490)
Tangerine Tours (Pvt) Ltd.	Staff Salaries	(949,344)	(1,724,463)	(307,643)	(204,027)
	Revenue from Tour Operations	12,737,149	12,646,135		
	Administration Fee	(672,000)	(672,000)		
	Dividend Paid	(3,098,520)	(2,754,240)		
Mercantile Investments & Finance PLC	Fixed Deposits	(482,244,558)	(76,326,405)	359,326,004	78,678,685
	Repairs & Services to Fleet Vehicles	(1,331,265)	(2,459,148)		
	Interest Income	13,873,060	17,816,559		
	Rental Expense	(1,224,480)	(1,224,480)		
	Dividend Paid	(11,778,300)	(10,469,600)		
Royal Palms Beach Hotels PLC	Dividend Received	360,000	180,000	-	-
Nilaveli Beach Hotels (Pvt) Ltd.	Dividend Paid	(4,281,615)	(3,805,880)	-	-
Mercantile Fortunes (Pvt) Ltd.	Payment for Flooring	(5,897,247)	-	5,500,000	-

**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.

	2014 Rs.	2013 Rs.
Short-term Employee Benefits	3,533,200	2,861,440
	<b>3,533,200</b>	<b>2,861,440</b>

**29. Events Occurring After the Reporting Date**

The Board of Directors of the Company at their meeting on the 6th February 2014 had resolved to Amalgamate with Grand Hotel (Pvt) Ltd., its wholly owned subsidiary in accordance with Section 242 of the Companies Act No. 07 of 2007. The Amalgamation will be effective from 1st April 2014. The Surviving entity will be The Nuwara Eliya Hotels Co. PLC. The Amalgamation will not result in any changes either to the number of shares in issue in the Company or its Stated Capital.

Subsequent to the Date of Financial Position, no other circumstances have arisen which would require adjustments to or disclosure in the Financial Statements what is disclosed above.

**30. Capital Commitments**

There were no material Capital Commitments as at the date of Financial Position, other than the commitments for Capital Expenditure approved by the Directors of Fair View Hotel (Pvt) Ltd., amounting to Rs. 60 Mn.

**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 7th July 2014.

There were no Contingent Liabilities outstanding as at the date of Financial Position other than disclosed above.

### 32. Acquisition of Subsidiary

The Group acquired 59% of the shares of Fair View Hotel (Pvt) Ltd., together with the stake of 22% held by Grand Hotel (Pvt) Ltd, during the year ended 31st March 2014. With this acquisition, the Group has obtained the control of Fair View Hotel (Pvt) Ltd.

The identifiable assets and liabilities acquired as at the date of acquisition can be summarized as follows.

	<b>Amount Rs.</b>
Property, Plant & Equipment	253,127,552
Advance Receivable	63,951
Advances to Suppliers	16,487,109
Income Tax Receivable	107,136
Cash and Bank	19,367,364
Accrued Exepenses	(80,000)
<b>Total Identifiable Assets and Liabilities</b>	<b><u>289,073,112</u></b>
Purchase Consideration	149,558,804
Amount of Net Identifiable Assets Acquired	149,516,589
Goodwill	42,215

The Group has written-off the Goodwill on acquisition of Fair View Hotel (Pvt) Ltd.

### 33. Financial Risk Management

#### 33.1 Introduction and Overview

The Group has exposure to following risks 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 risks, 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 Group risk management policies and processes are established to identify, assess, monitor and analyse the risks faced by the Group, 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 Group activities.

The Audit Committee has been delegated the responsibility for reviewing the effectiveness of the risk management framework, oversee how management monitors compliance with the Group risk management processes/ guidelines and procedures and reviews the adequacy of the risk management framework in relation to the risks. The Audit Committee, assisted in its overseeing 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 Group 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:

<b>As at 31st March</b>	<b>2014 Rs.</b>	<b>2013 Rs.</b>
Trade and Other Receivables	<b>121,867,353</b>	112,999,143
Held for Trading Investments	<b>78,491,000</b>	56,529,910
Available for Sale Investments	<b>82,500,000</b>	96,249,999
Amount due from Related Companies	<b>5,500,000</b>	-
Cash at Bank and Fixed Deposits	<b>125,524,568</b>	328,247,410
	<b><u>413,882,921</u></b>	<u>594,026,462</u>

#### Trade and Other Receivables

The Group 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 Group maintains a history of credit loyal pattern of individual customers and reviews the credit worthiness annually to recommend the credit period and value limit to offer. In addition an 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, it is the Group Policy that credit transactions are entered only with corporate customers to minimize the risk.

As at 31st March	2014	2013
	Rs.	Rs.
Debtors - Over 90 Days	610,494	907,348
Percentage of Debtors of over 90 Days	2%	2%

The Group believes that unimpaired amounts that are due for more than 90 days are still collectible, based on historic payment behavior.

The maximum exposure to Credit Risk for Trade Receivables at the reporting date by the type of counter parties are as follows:

	2014	2013
	Rs.	Rs.
Individual Debtors	-	-
Corporate Debtors	71,967,907	82,200,277
	<b>71,967,907</b>	<b>82,200,277</b>

#### Held for Trading & Available for Sale Investments

The Group limits its exposure to credit risk by investing in Quoted Public Companies and Term Deposits with selected Quoted Companies with Board approval.

#### Cash and Cash Equivalents

Cash and Cash Equivalents 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 Group will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The Group'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 Group reputation.

The Group 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.

#### Maturity Analysis of Non-Derivative Financial Liabilities

The following are the remaining contractual maturities of Financial Liabilities, as at the reporting date:

31st March 2014	Amount	0 - 6 months	6 - 12 months
<b>Financial Liabilities (Non-Derivatives)</b>			
<b>Group</b>			
Bank Overdrafts	1,046,112	1,046,112	-
Trade and Other Payables	87,605,313	87,605,313	-
	<b>88,651,425</b>	<b>88,651,425</b>	-
<b>31st March 2013</b>			
<b>Financial Liabilities (Non-Derivatives)</b>			
<b>Group</b>			
Bank Overdrafts	24,944,075	24,944,075	-
Trade and Other Payables	71,204,331	71,204,331	-
	<b>96,148,406</b>	<b>96,148,406</b>	-

#### C. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity price will affect the Group 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 optimizing the return.

#### (C.i) Currency Risk

The Group 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.

The following significant exchange rates were applied during the year.

	Average Rate		Spot Rate	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
USD	129.83	126.60	130.70	125.31
GBP	206.39	195.83	217.22	189.22
EUR	174.03	166.56	179.56	159.39

**(C.ii) Interest Rate Risk**

Interest rate risk mainly arises as a result of Group 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 were as follows:

	2014 Rs.	2013 Rs.
<b>Fixed Rate Instruments</b>		
Fixed Deposits - Loans and Receivables	<b>316,674,099</b>	91,727,698
Fixed Deposits - Cash and Cash Equivalent	<b>42,651,905</b>	245,497,868
	<b>359,326,004</b>	337,225,566

The Group mitigates interest rate 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 consists 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.

**33.3 Fair Value of Financial Instruments Carried at Amortised Cost**

The following table summarises the carrying amounts and the Company's Estimate of Fair Values of those Financial Assets and Liabilities not presented on the Company's Statement of Financial Position at Fair Value.

	2014	
	Carrying Amount Rs.	Fair Value Rs.
<b>Assets</b>		
Loans and Receivables - Fixed Deposits	<b>316,674,099</b>	<b>316,674,099</b>
Cash and Cash Equivalents	<b>125,883,368</b>	<b>125,883,368</b>
Trade and Other Receivables	<b>121,867,353</b>	<b>121,867,353</b>
<b>Liabilities</b>		
Trade and Other Payables	<b>87,605,313</b>	<b>87,605,313</b>

**Cash and Cash Equivalents**

The carrying amount of the Cash and Cash Equivalents and the Fixed Deposits approximate the Fair Value as these are short-term in nature.

**Trade and Other Receivables**

Trade and Other Receivables are expected to be settled within one year from the reporting date and hence the discounting impact would be immaterial. Therefore carrying amount approximate the Fair Value as at the reporting date.

**Trade and Other Payables**

Trade and Other Payables are expected to be settled within one year from the reporting date and hence the discounting impact would be immaterial. Therefore carrying amount approximate the Fair Value as at the reporting date.

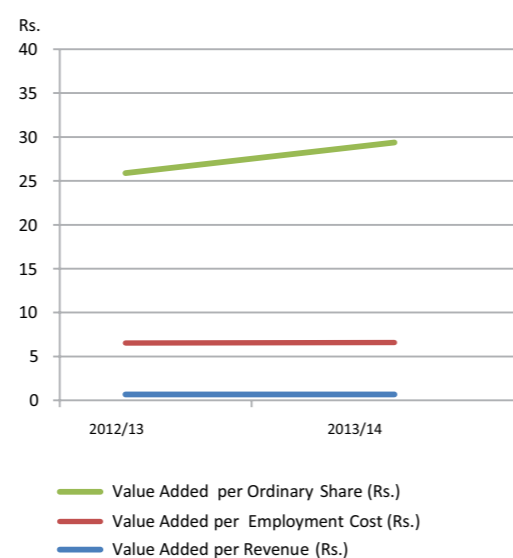
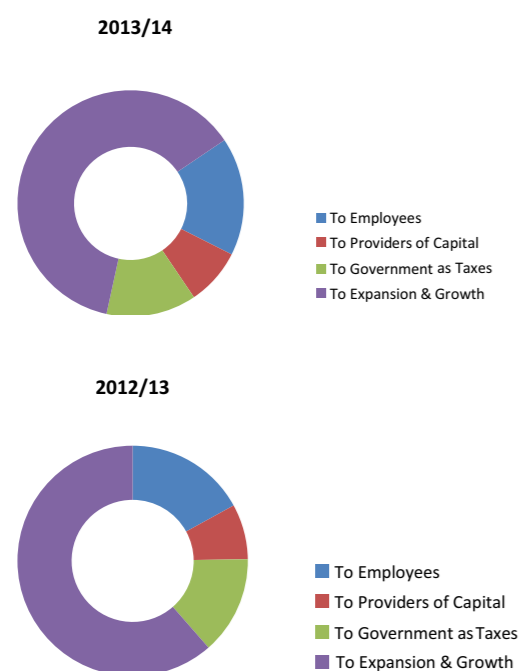
## Other Information

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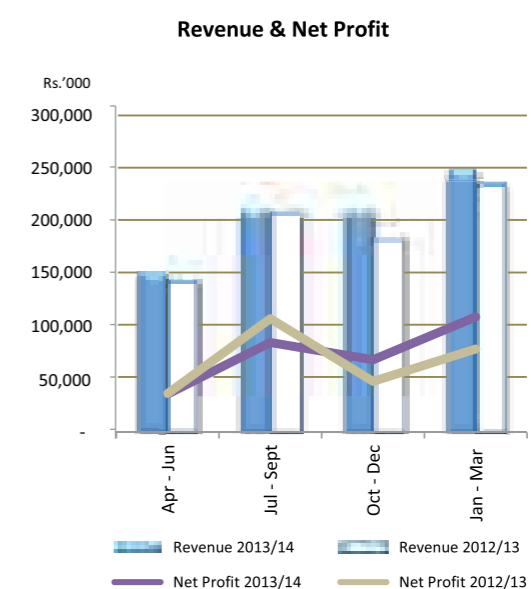
# Value Added Statement

Year ended 31st March	2013/14 Rs.' 000	%	2012/13 Rs.' 000	%
<b>Value Added</b>				
Income Earned by Providing Hotel Services	829,894		772,904	
Cost of Services	(292,776)		(267,870)	
Value Added by Hotel Services	537,118		505,034	
Other Operating Income	15,029		14,138	
<b>Total Value Added</b>	<b>552,147</b>	100	519,172	100
<b>Value Allocated to Employees</b>				
Salaries, Wages & Other Benefits	94,138	17	88,099	17
<b>To Providers of Capital</b>				
Dividends to Shareholders	45,218	8	40,194	8
<b>To Government as Taxes</b>				
	71,855	13	71,418	14
<b>To Expansion &amp; Growth</b>				
Retained Income	293,357	53	272,549	52
Depreciation	47,579	9	46,912	9
	<b>340,936</b>	62	319,461	62
	<b>552,147</b>	100	519,172	100
Value Added per Revenue (Rs.)	0.67		0.67	
Value Added per Employment Cost (Rs.)	5.87		5.89	
Value Added per Ordinary Share (Rs.)	27.55		25.91	



# Quarterly Income Statement

Group Income Statement for 2013/2014					
In Rs.'000s	1st Quarter Apr - Jun'13	2nd Quarter Jul - Sept'13	3rd Quarter Oct - Dec'13	4th Quarter Jan - Mar'14	Total
<b>Revenue</b>	153,334	213,174	212,617	250,769	829,894
<b>Cost of Sales</b>	<b>(32,364)</b>	<b>(41,799)</b>	<b>(44,529)</b>	<b>(50,621)</b>	<b>(169,313)</b>
<b>Gross Profit</b>	<b>120,970</b>	<b>171,375</b>	<b>168,088</b>	<b>200,148</b>	<b>660,581</b>
Other Income	2,699	4,159	1,258	6,913	15,029
Administration & Operating Expenses	(86,186)	(78,016)	(87,264)	(91,238)	(342,704)
Selling and Distribution Expenses	(7,492)	(8,422)	(11,072)	(7,438)	(34,424)
<b>Profit from Operation</b>	<b>29,990</b>	<b>89,097</b>	<b>71,010</b>	<b>108,385</b>	<b>298,482</b>
Finance Income	14,362	14,636	9,556	11,622	50,176
Finance Cost	(646)	(4,265)	4,515	(71)	(467)
Share of Profit of Associate	-	-	-	510	(437)
<b>Profit Before Tax</b>	<b>43,706</b>	<b>99,468</b>	<b>85,081</b>	<b>120,446</b>	<b>347,754</b>
Income Tax Expenses	(7,531)	(14,424)	(16,398)	(16,044)	(54,397)
<b>Profit for the Period</b>	<b>36,175</b>	<b>85,044</b>	<b>68,683</b>	<b>104,402</b>	<b>293,357</b>



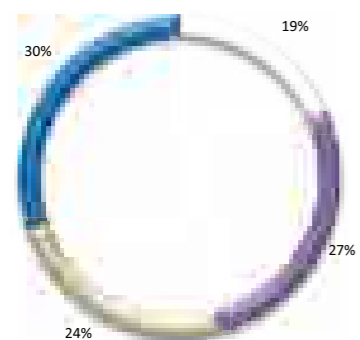
# Real Estate Portfolio

Group Income Statement for 2012/ 2013

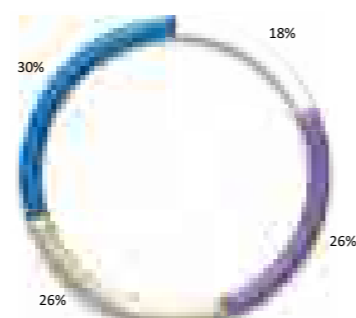
In Rs.'000s	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
	Apr - Jun '12	Jul - Sept '12	Oct - Dec '12	Jan - Mar '13	
Revenue	144,026	208,999	184,504	235,375	772,904
Cost of Sales	(29,903)	(38,951)	(35,589)	(45,918)	(150,361)
<b>Gross Profit</b>	<b>114,123</b>	<b>170,048</b>	<b>148,915</b>	<b>189,457</b>	<b>622,543</b>
Other Income/(Loss)	(2,202)	18,956	(2,341)	(275)	14,138
Administration & Operating Expenses	(63,928)	(65,600)	(84,863)	(104,090)	(318,461)
Selling and Distribution Expenses	(6,542)	(7,802)	(5,182)	(6,051)	(25,577)
<b>Profit from Operation</b>	<b>41,451</b>	<b>115,602</b>	<b>56,528</b>	<b>79,042</b>	<b>292,623</b>
Finance Income	3,307	9,130	9,687	19,011	41,135
Finance Cost	(308)	(108)	(240)	(63)	(719)
Share of Profit of Associate	-	-	-	510	510
<b>Profit Before Tax</b>	<b>44,450</b>	<b>124,624</b>	<b>65,975</b>	<b>98,500</b>	<b>333,548</b>
Income Tax Expenses	(7,733)	(17,066)	(17,779)	(18,421)	(60,999)
<b>Profit for the Period</b>	<b>36,717</b>	<b>107,558</b>	<b>48,196</b>	<b>80,079</b>	<b>272,549</b>

Company and Location	Buildings (in Sq.Ft.)		Land in Acres		Net Book Value	
	2013/14	2012/13	Freehold Property		Rs.'000	Rs.'000
			2013/14	2012/13	2013/14	2012/13
The Nuwara Eliya Hotels Co. PLC Nuwara Eliya	115,808	115,808	19.10	19.10	1,617,073	1,596,894
Grand Hotel (Pvt) Ltd. Nuwara Eliya	52,752	52,752	-	-	215,910	211,008
Fair View Hotel (Pvt) Ltd. Wellawatte	25,872	-	0.11	-	245,124	-
<b>Total</b>	<b>194,432</b>	<b>168,560</b>	<b>19.21</b>	<b>19.10</b>	<b>2,078,107</b>	<b>1,807,902</b>

Revenue 2012/13



Revenue 2013/14



■ Apr - Jun '12    ■ Jul - Sept '12  
■ Oct - Dec '12    ■ Jan - Mar '13

■ Apr - Jun '13    ■ Jul - Sept '13  
■ Oct - Dec '13    ■ Jan - Mar '14



# Indicative Consolidated Statement of Comprehensive Income US \$

	Company		Group	
	2014 US \$	2013 US \$	2014 US \$	2013 US \$
<b>For the Year ended 31st March</b>				
<b>Revenue</b>	<b>3,897,030</b>	3,581,057	<b>6,426,534</b>	5,964,682
Cost of Sales	<b>(952,693)</b>	(791,648)	<b>(1,311,127)</b>	(1,160,374)
<b>Gross Profit</b>	<b>2,944,337</b>	2,789,409	<b>5,115,407</b>	4,804,308
Other Income	<b>472,914</b>	474,433	<b>116,384</b>	109,108
Administrative Expenses	<b>(670,801)</b>	(531,390)	<b>(1,133,366)</b>	(939,821)
Selling and Distribution Expenses	<b>(157,820)</b>	(118,658)	<b>(266,574)</b>	(197,385)
Other Operating Expenses	<b>(905,411)</b>	(925,864)	<b>(1,520,468)</b>	(1,527,439)
<b>Profit from Operations</b>	<b>1,683,220</b>	1,687,930	<b>2,311,383</b>	2,248,772
Net Finance Income	<b>123,264</b>	177,369	<b>384,938</b>	311,895
Share of Profit/(Loss) of the Associate	-	-	<b>(3,386)</b>	3,937
Profit Before Tax	<b>1,806,484</b>	1,865,299	<b>2,692,936</b>	2,564,604
Income Tax Expense	<b>(192,122)</b>	(295,559)	<b>(421,240)</b>	(470,743)
<b>Profit for the Year</b>	<b>1,614,362</b>	1,569,740	<b>2,271,696</b>	2,093,861
<b>Other Comprehensive Income</b>				
Surplus on Revaluation of Property, Plant & Equipment	-	1,165,745	-	1,367,613
Deferred Tax Adjustment on Revaluation	-	(43,314)	-	(63,663)
Actuarial Loss on Retirement Benefit Obligation	<b>(9,478)</b>	(9,469)	<b>(105,203)</b>	(9,681)
Net Change in Fair Value of Available for Sale Financial Assets	<b>(9,564)</b>	(37,870)	<b>(9,478)</b>	(416,568)
Foreign Exchange Differences	<b>(479,491)</b>	170,748	<b>(615,896)</b>	233,148
<b>Other Comprehensive Income for the Year</b>	<b>(498,533)</b>	1,245,841	<b>(730,577)</b>	1,110,850
<b>Total Comprehensive Income for the Year</b>	<b>1,115,828</b>	2,815,581	<b>1,541,119</b>	3,204,711
<b>Profit Attributable to :</b>				
Owners of the Company	<b>1,614,362</b>	1,569,740	<b>2,276,786</b>	2,093,861
Non-Controlling Interest	-	-	<b>(5,091)</b>	-
<b>Profit for the Year</b>	<b>1,614,362</b>	1,569,740	<b>2,271,696</b>	2,093,861
<b>Total Comprehensive Income Attributable to:</b>				
Owners of the Company	<b>1,115,828</b>	2,815,581	<b>1,546,209</b>	3,204,711
Non-Controlling Interest	-	-	<b>(5,091)</b>	-
<b>Total Comprehensive Income for the Year</b>	<b>1,115,828</b>	2,815,581	<b>1,541,119</b>	3,204,711
<b>Exchange Rates</b>	<b>129.14</b>	129.58	<b>129.14</b>	129.58

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 Auditor's opinion and Financial Statements set out on pages 213 to 251.

The Exchange Rates prevailing 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 Statement of Comprehensive 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	
	2014 US \$	2013 US \$	2014 US \$	2013 US \$
<b>As at 31st March</b>				
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, Plant & Equipment	<b>12,739,700</b>	13,070,327	<b>17,314,935</b>	15,269,105
Intangible Assets	<b>6,954</b>	8,503	<b>21,848</b>	8,503
Biological Assets	<b>21,450</b>	28,979	<b>21,450</b>	28,979
Investment Property	<b>282,470</b>	291,273	-	-
Investment in subsidiaries	<b>2,142,311</b>	946,746	-	-
Investment in Associate	-	-	-	320,523
Available for Sale Investments	<b>57,383</b>	69,034	<b>631,217</b>	759,369
	<b>15,250,269</b>	14,414,861	<b>17,989,450</b>	16,386,479
<b>Current Assets</b>				
Inventories	<b>221,132</b>	121,516	<b>223,846</b>	125,510
Trade and Other Receivable	<b>335,175</b>	471,671	<b>932,420</b>	891,512
Amounts Due from Related Companies	<b>42,081</b>	491,868	<b>42,081</b>	-
Held for Trading Investments	<b>526,995</b>	369,829	<b>600,543</b>	445,995
Loans & Receivables - Fixed Deposits	<b>2,422,908</b>	540,125	<b>2,422,908</b>	723,690
Cash & Cash Equivalents	<b>743,362</b>	141,585	<b>963,147</b>	2,593,343
	<b>4,291,654</b>	2,136,594	<b>5,184,946</b>	4,780,050
<b>Total Assets</b>	<b>19,541,923</b>	16,551,454	<b>23,174,396</b>	21,166,529
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Stated Capital	<b>632,519</b>	625,853	<b>632,519</b>	625,853
Revaluation Reserve	<b>11,535,457</b>	11,444,220	<b>12,357,250</b>	12,266,785
Available for Sale Reserve	<b>48,405</b>	56,959	<b>426,197</b>	521,410
Retained Earnings	<b>3,811,549</b>	3,132,023	<b>7,263,401</b>	6,065,355
<b>Equity Attributable to Owners of the Company</b>	<b>16,027,929</b>	15,259,055	<b>20,679,367</b>	19,479,403
Non-Controlling Interests	-	-	<b>1,063,175</b>	-
<b>Total Equity</b>	<b>16,027,929</b>	15,259,055	<b>21,742,542</b>	19,479,403
<b>Non-Current Liabilities</b>				
Deferred Taxation	<b>295,232</b>	303,041	<b>481,688</b>	504,878
Retirement Benefit Obligation	<b>109,421</b>	87,890	<b>109,421</b>	87,890
	<b>404,653</b>	390,931	<b>591,109</b>	592,768
<b>Current Liabilities</b>				
Trade and Other Payables	<b>568,479</b>	511,407	<b>670,278</b>	561,770
Current Tax Liability	<b>55,343</b>	196,409	<b>150,763</b>	326,192
Amounts due to Related Companies	<b>2,477,930</b>	1,961	<b>11,702</b>	9,598
Bank Overdraft	<b>7,588</b>	191,692	<b>8,004</b>	196,797
	<b>3,109,340</b>	901,469	<b>840,746</b>	1,094,358
<b>Total Liabilities</b>	<b>3,513,993</b>	1,292,399	<b>1,431,855</b>	1,687,125
<b>Total Equity and Liabilities</b>	<b>19,541,923</b>	16,551,454	<b>23,174,396</b>	21,166,529
<b>Exchange Rates</b>	<b>130.70</b>	126.75	<b>130.70</b>	126.75

# Consolidated Statement of Changes of Equity US \$

... Consolidated Statement of Changes of Equity US \$

## For the Year Ended 31st March

Company	Stated Capital	Revaluation Reserve	Available for Sale Reserve	Retained Earnings	Total
Balance as at 1st April 2012	625,853	10,341,286	94,829	1,698,614	12,760,582
Profit for the Year	-	-	-	1,569,740	1,569,740
<b>Other Comprehensive Income</b>					
Revaluation of Property, Plant & Equipment	-	1,165,745	-	-	1,165,745
Deferred Tax Adjustment on Revaluation	-	(43,314)	-	-	(43,314)
Actuarial Loss on Retirement Benefit Obligation	-	-	-	(9,469)	(9,469)
Net Change in Fair Value of Available for Sale Financial Assets	-	-	(37,870)	-	(37,870)
Foreign Exchange Differences	-	-	-	170,748	170,748
<b>Total Comprehensive Income for the Year</b>	-	<b>1,122,431</b>	<b>(37,870)</b>	<b>1,731,019</b>	<b>2,815,581</b>
<b>Transactions with Owners of the Company, Recognized Directly in Equity</b>					
Transferred to Retained Earnings	-	(19,497)	-	19,497	(915)
Dividend Paid - Preference Shares	-	-	-	(915)	(316,193)
- Ordinary Shares	-	-	-	(316,193)	(317,108)
<b>Total Transactions with Owners of the Company</b>	-	<b>(19,497)</b>	-	<b>(297,611)</b>	
<b>Balance as at 31st March 2013</b>	<b>625,853</b>	<b>11,444,220</b>	<b>56,959</b>	<b>3,132,023</b>	<b>15,259,055</b>
<b>Balance as at 1st April 2013</b>	632,519	11,554,365	57,969	3,014,203	15,259,055
<b>Profit for the Year</b>	-	-	-	1,614,362	1,614,362
<b>Other Comprehensive Income</b>					
Actuarial Loss on Retirement Benefit Obligation	-	-	-	(9,478)	(9,478)
Net Change in Fair Value of Available for Sale Financial Assets	-	-	(9,564)	-	(9,564)
Foreign Exchange Differences	-	-	-	(479,491)	(479,491)
<b>Total Comprehensive Income for the Year</b>	-	-	<b>(9,564)</b>	<b>1,125,393</b>	<b>1,115,829</b>
<b>Transactions with Owners of the Company, Recognized Directly in Equity</b>					
Transferred to Retained Earnings	-	(18,908)	-	18,908	-
Dividend Paid - Preference Shares	-	-	-	(998)	(998)
- Ordinary Shares	-	-	-	(345,957)	(345,957)
<b>Total Transactions with Owners of the Company</b>	-	<b>(18,908)</b>	-	<b>(328,048)</b>	<b>(346,955)</b>
<b>Balance as at 31st March 2014</b>	<b>632,519</b>	<b>11,535,457</b>	<b>48,405</b>	<b>3,811,549</b>	<b>16,027,929</b>

## For the Year Ended 31st March

Group	Attributable to the Equity Holders of the Parent					Non-Controlling Interest	Total
	Stated Capital	Revaluation Reserve	Available for Sale Reserve	Retained Earnings	Total		
Balance as at 1st April 2012	625,853	10,990,255	937,978	4,037,714	16,591,800	-	16,591,800
Profit for the Year	-	-	-	2,093,861	2,093,861	-	2,093,861
<b>Other Comprehensive Income</b>							
Revaluation of Property, Plant & Equipment	-	1,367,613	-	-	1,367,613	-	1,367,613
Deferred Tax Adjustment on Revaluation	-	(63,663)	-	-	(63,663)	-	(63,663)
Actuarial Loss on Retirement Benefit Obligation	-	-	-	(9,681)	(9,681)	-	(9,681)
Net Change in Fair Value of Available for Sale Financial Assets	-	-	(416,568)	-	(416,568)	-	(416,568)
Foreign Exchange Differences	-	-	-	233,148	233,148	-	233,148
<b>Total Comprehensive Income for the Year</b>	-	<b>1,303,950</b>	<b>(416,568)</b>	<b>2,317,328</b>	<b>3,204,711</b>	-	<b>3,204,711</b>
<b>Transactions with Owners of the Company, Recognized Directly in Equity</b>							
Transferred to Retained Earnings	-	(27,420)	-	27,420	-	-	-
Dividend Paid - Preference Shares	-	-	-	(915)	(915)	-	(915)
- Ordinary Shares	-	-	-	(316,193)	(316,193)	-	(316,193)
<b>Total Transactions with Owners of the Company</b>	-	<b>(27,420)</b>	-	<b>(289,687)</b>	<b>(317,108)</b>	-	<b>(317,108)</b>
<b>Balance as at 31st March 2013</b>	<b>625,853</b>	<b>12,266,785</b>	<b>521,410</b>	<b>6,065,355</b>	<b>19,479,403</b>	-	<b>19,479,403</b>
<b>Balance as at 1st April 2013</b>	632,519	12,383,841	531,400	5,931,643	19,479,403	-	19,479,403
<b>Profit for the Year</b>	-	-	-	2,276,787	2,276,787	(5,091)	2,271,696
<b>Other Comprehensive Income</b>							
Actuarial Loss on Retirement Benefit Obligation	-	-	-	(9,478)	(9,478)	-	(9,478)
Net Change in Fair Value of Available for Sale Financial Assets	-	-	(105,203)	-	(105,203)	-	(105,203)
Foreign Exchange Differences	-	-	-	(615,896)	(615,896)	-	(615,896)
<b>Total Comprehensive Income for the Year</b>	-	-	<b>(105,203)</b>	<b>1,651,412</b>	<b>1,546,209</b>	<b>(5,091)</b>	<b>1,541,119</b>
<b>Transactions with Owners of the Company, Recognized Directly in Equity</b>							
Transferred to Retained Earnings	-	(26,592)	-	26,592	-	-	-
Dividend Paid - Preference Shares	-	-	-	(998)	(998)	-	(998)
- Ordinary Shares	-	-	-	(344,966)	(344,966)	-	(344,966)
Acquisition of Non Controlling Interest Without a Change in Control	-	-	-	(281)	(281)	-	(281)
Acquisition of Subsidiary	-	-	-	-	-	1,068,266	1,068,266
<b>Total Transactions with Owners of the Company</b>	-	<b>(26,592)</b>	-	<b>(319,654)</b>	<b>(346,246)</b>	<b>1,068,266</b>	<b>722,020</b>
<b>Balance as at 31st March 2014</b>	<b>635,519</b>	<b>12,357,250</b>	<b>426,197</b>	<b>7,263,401</b>	<b>20,679,367</b>	<b>1,063,175</b>	<b>21,742,542</b>

# Shareholder & Investor Information

The Nuwara Eliya Hotels Co. PLC. is a public quoted company, the issued ordinary shares of which have been listed with the Colombo Stock Exchange. The Stock Exchange Code for The Nuwara Eliya Hotels Co. PLC shares is "NEH-N-0000"

## Distribution of Shareholders

There were 656 registered Shareholders as at 31st March 2014 (665 as at 31st March 2013), distributed as follows:

No. of Shares Held	No. of Shareholders	As at 31 <sup>st</sup> March 2014		As at 31 <sup>st</sup> March 2013				
		%	Shareholding	%	No. of Shareholders	%	Shareholding	%
1 - 1,000	617	94.05	42,313	2.11	626	94.14	46,626	2.33
1,001 - 10,000	24	3.66	59,932	2.99	24	3.61	56,747	2.83
10,001 - 100,000	10	1.52	258,137	12.88	10	1.50	257,009	12.83
100,001 - 1,000,000	5	0.76	1,643,488	82.02	5	0.75	1,643,488	82.02
1,000,001 & above	-	-	-	-	-	-	-	-
<b>Total</b>	<b>656</b>	<b>100.00</b>	<b>2,003,870</b>	<b>100</b>	<b>665</b>	<b>100.00</b>	<b>2,003,870</b>	<b>100.00</b>

## Composition of Shareholders

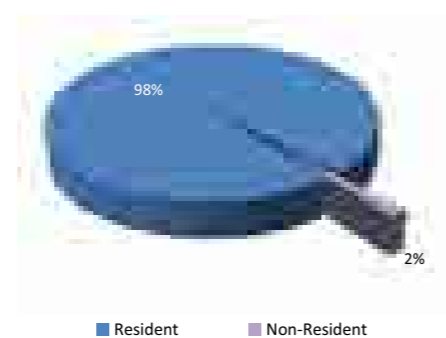
Category	As at 31 <sup>st</sup> March 2014		As at 31 <sup>st</sup> March 2013	
	Shareholding	%	Shareholding	%
Resident	1,968,798	98.25	1,968,117	98.22
Non-Resident	35,072	1.75	35,753	1.78
<b>Total</b>	<b>2,003,870</b>	<b>100.00</b>	<b>2,003,870</b>	<b>100.00</b>

Category	As at 31 <sup>st</sup> March 2014		As at 31 <sup>st</sup> March 2013	
	Shareholding	%	Shareholding	%
Individuals	1,008,440	50.32	1,008,908	50.35
Corporate	995,430	49.68	994,962	49.65
<b>Total</b>	<b>2,003,870</b>	<b>100.00</b>	<b>2,003,870</b>	<b>100.00</b>

## Public Holding

	31st March 2014		31st March 2013	
	Shareholding	%	Shareholding	%
No. of Ordinary Shares Held	217,155	10.84	217,318	10.84

Composition of Shareholders



## Market Information on Ordinary Shares of the Company

	2013/14	Date	2012/13	Date
<b>Share Information</b>				
Highest Price (Rs.)	1,550.00	01-Apr-13	1,550	16-Oct-12
Lowest Price (Rs.)	1,098.00	03-Oct-13	995	31-May-12
As at Period End (Rs.)	1,250.00	28-Mar-14	1,300	28-Mar-13

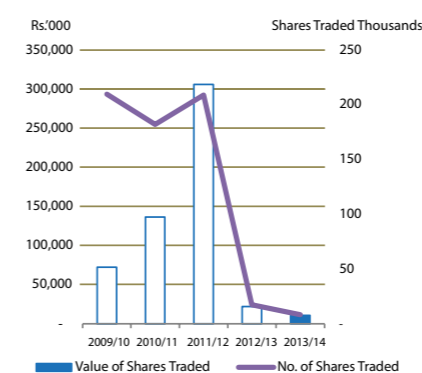
## Trading Statistics

No. of Transactions	332	126
No. of Shares Traded	8,258	17,393
% of Total Shares in Issue	0.00	0.01
Share Turnover (Rs.)	10,677,955	22,117,883
Average Daily Turnover (Rs.)	43,942,20	92,543
Market Capitalisation (Rs.)	2,504,837,500	2,605,031,000

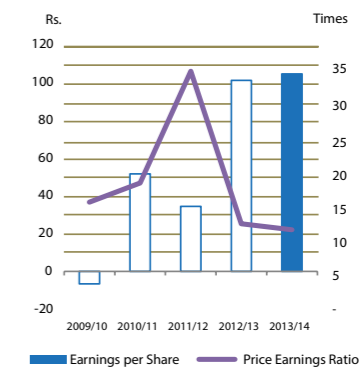
## Ratios

Earnings per Share - Company (Rs.)	103.97	101.44
Price Earnings Ratio - Company (Times)	12.02	12.81
Net Asset per Share - Company (Rs.)	1,045.40	965.17
Dividends per Share (Rs.)	22.50	20.00
Dividend Yield (%)	1.80%	1.54%

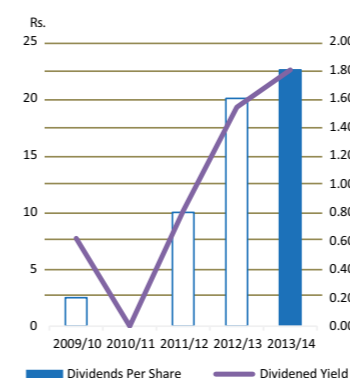
Value of Shares Traded vs Number of Shares Traded



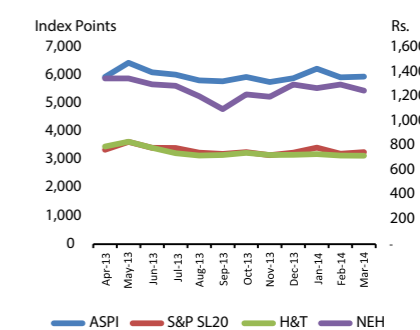
EPS & PE Ratio



Dividends Per Share Vs Dividend Yield



The Nuwara Eliya Hotels Co. PLC Relative Performance Vs. Market



# Decade at a Glance

## Directors' Shareholding

Name of Directors'	As at 31 <sup>st</sup> March 2014		As at 31 <sup>st</sup> March 2013	
	Shareholding	%	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. Ratnayake	300	0.01	300	0.01
Mr. L.N. de Silva Wijeyeratne	-	0.00	-	0.00
Mr. M.K.K.K.B. Galagoda	-	0.00	-	0.00
Mr. S.K. Abeyesundara	-	0.00	-	0.00
	<b>837,548</b>	<b>41.80</b>	837,548	41.80

## Twenty Largest Shareholders of the Company

Name of Shareholder	31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2013	
	No. of Shares	%	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
Mr. J.R. De Silva	30,527	1.52	29,665	1.48
Ms. 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.	20,811	1.04	20,545	1.03
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	7,642	0.38	6,302	0.31
Mr. F.A.A. Mack	6,357	0.32	3,995	0.20
Mr. R.A.L. White	5,531	0.28	5,530	0.28
Mr. A.D. Dadabhoy	5,176	0.26	5,176	0.26
Mr. S.A. Abishek	3,900	0.19	3,900	0.19
Mr. V.B. Navaratne	2,702	0.13	2,600	0.13
	<b>1,932,933</b>	<b>96.46</b>	1,928,000	96.21
Shares Held by Balance Shareholders	70,937	3.54	75,870	3.79
Total	<b>2,003,870</b>	<b>100.00</b>	2,003,870	100.00

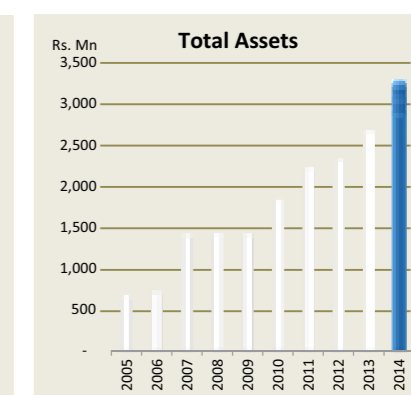
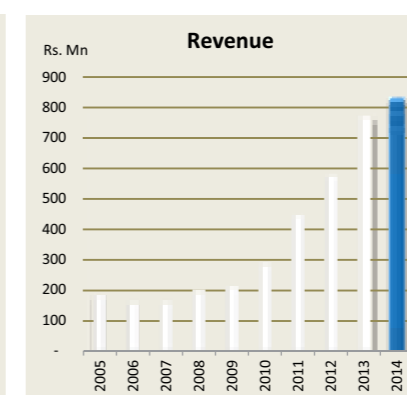
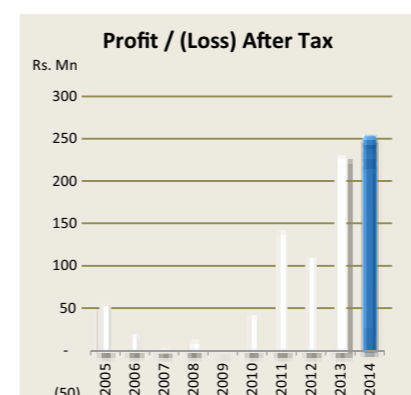
Year ended 31st March	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Group</b>										
<b>Trading Results</b>										
Gross Turnover	829,894	772,904	582,516	455,808	293,200	219,437	201,634	172,508	169,992	190,025
Profit Before Tax	347,754	333,548	149,028	148,449	57,959	1,326	17,381	7,659	29,480	63,284
Provision for Tax	(54,397)	(60,999)	(15,556)	(4,834)	(7,477)	(2,030)	(1,836)	(778)	1,882	(5,842)
Profit / (Loss) for the Year	293,357	272,549	133,472	143,615	50,482	(704)	15,545	6,881	31,362	57,442
Preference Dividend	(131)	(116)	(58)	-	(15)	-	-	-	(23)	-
Ordinary Dividend	(45,087)	(40,077)	(20,039)	-	(5,010)	-	-	-	(8,015)	-
<b>Retained Profit / (Loss)</b>	<b>248,139</b>	<b>232,356</b>	<b>113,375</b>	<b>143,615</b>	<b>45,458</b>	<b>(704)</b>	<b>15,545</b>	<b>6,881</b>	<b>23,323</b>	<b>57,442</b>

## 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	2,622,613	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
Non-Controlling Interest	138,965	-	-	-	-	-	-	-	-	-
<b>Total Equity</b>	<b>2,841,750</b>	<b>2,469,014</b>	<b>2,125,410</b>	<b>2,053,284</b>	<b>1,746,339</b>	<b>1,386,307</b>	<b>1,386,941</b>	<b>1,371,396</b>	<b>679,139</b>	<b>671,560</b>
Non-Current Assets	2,351,221	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
Current Assets	677,672	605,871	370,447	332,641	112,510	51,717	58,633	54,078	73,184	44,727
Current Liabilities	(109,886)	(138,710)	(151,278)	(146,541)	(42,839)	(29,489)	(33,402)	(33,018)	(41,023)	(33,488)
Net Current Assets	567,786	467,161	219,169	186,100	69,671	22,228	25,231	21,060	32,160	11,239
Non-Current-Liabilities	(77,258)	(75,133)	(66,957)	(66,216)	(77,648)	(29,700)	(31,519)	(31,729)	(21,132)	(7,768)
<b>Net Assets</b>	<b>2,841,750</b>	<b>2,469,014</b>	<b>2,125,410</b>	<b>2,053,284</b>	<b>1,746,339</b>	<b>1,386,307</b>	<b>1,386,941</b>	<b>1,371,396</b>	<b>679,139</b>	<b>671,560</b>

## Ratios & Statistics

Gearing Ratio (Times)	0.00	0.00	0.01	0.04	0.01	0.00	0.01	0.00	0.01	0.00
Current Ratio (Times)	6.17	4.37	2.45	2.27	2.63	1.75	1.76	1.64	1.78	1.34
Earnings Per Share	146.65	135.95	66.58	71.67	25.18	(0.35)	7.76	3.43	15.64	28.67
Net Assets Per Share	1,348.78	1,232.12	1,060.65	1,024.66	871.48	691.81	692.13	684.37	338.91	84.73
Interest Cover (Times)	745.25	464.52	9.95	83.42	13.74	3.66	26.31	11.03	36.51	32.02
Return on S/Holders Fund (%)	10.85	11.04	6.28	6.99	2.89	(0.05)	1.12	0.50	4.62	8.55
Return on Total Assets (%)	9.69	10.60	5.70	6.34	2.70	(0.05)	1.07	0.48	4.23	8.05
Price Earning Ratio (Company)	12.02	12.81	35.91	19.04	40.39	(41.18)	(493.81)	(93.48)	610.70	62.08
Dividends Per Share (Rs.)	22.50	20.00	10.00	-	2.50	-	-	-	1.00	3.00
Market Value Per Share (Rs.)	1,250.00	1,300.00	1,233.20	980.00	405.50	270.00	690.00	650.25	625.00	500.00



## 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 date of the Statement of Financial Position due to past events, where the financial effect is not recognised because:

- a) the obligation is crystallised 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 divided 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 of 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 the recoverable amount of an asset is less than its carrying amount.

## 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 significant 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 122nd Annual General Meeting of The Nuwara Eliya Hotels Company PLC will be held at the Ivy Room, Cinnamon Grand Hotel, Colombo 3 on Monday the 30th of June 2014 at 3.30 pm 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 2014 with the Report of the Auditors thereon.
2. To elect Mr. L.N. de Silva Wijeyeratne who retires in terms of Article 88(i) of the Articles of Association as a Director of the Company.
3. To elect Mr. T.J. Ondaatjie who retires in terms of Article 88(i) of the Articles of Association as a Director of the Company.
4. 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 Sections 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr. George Lawrence Andrew Ondaatjie who is 79 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.”

5. To re-appoint Messrs. KPMG as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.
6. To authorize the Directors to determine payments for charitable and other purposes for year 2014/15.

By Order of the Board  
Mercantile Investments and Finance PLC  
Secretaries

Colombo  
20th May 2014

**Notes:**

*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 ..... 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. Ratnayake          | or failing him |
| Mr. L.N. de Silva 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 on Monday the 30th of June 2014 at 3.30 pm at the Ivy Room, Cinnamon Grand Hotel, Colombo 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 2014, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To elect Mr. L.N. de Silva Wijeyeratne retiring in terms of Article 88(i) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3) To elect Mr. T.J. Ondaatjie retiring in terms of Article 88(i) of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4) To elect Mr. G.L.A. Ondaatjie in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
5) To appoint Auditors and authorize Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6) To authorize the Directors to determine payments for charitable and other purposes for the year 2014/15.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our\* hand this .....day of .....2014.

.....  
Signature of Shareholder/s

**Note:**  
\*Please delete the inappropriate words.  
(Instructions as to completion are noted on the reverse hereof)

# 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.

### 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, 48 hours before the time appointed for the meeting.

**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

... Corporate Information

## Name of the Company

The Nuwara Eliya Hotels Co. PLC

## Company Registration No.

PQ 101

## Communication Registered Office

236, Galle Road, Colombo 03, Sri Lanka  
P.O. Box 195, Colombo  
Tel : 2343720-7  
Fax : 2434524, 2448279  
Website : www.tangerinehotels.com

## Nomination Committee

- J.H.P. Ratnayeke - Chairman
- L.N. de Silva Wijeyeratne
- Gerard G. Ondaatjie

## External Auditors

KPMG  
Chartered Accountants

## 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 Silva Wijeyeratne
- M.K.K.K.B. Galagoda
- S.K. Abeysundara

## Tax Payer Identification Number

204000492

## Hotel

Grand Hotel Road, Nuwara Eliya.  
Tel : 052-2222881-7  
Fax : 052-222264/5  
E-mail : admin@grandhotel.lk

## Remuneration Committee

- J.H.P. Ratnayeke - Chairman
- L.N. de Silva Wijeyeratne
- Manil Jayasinghe - Consultant

## Internal Auditors

Ernst & Young Advisory Services (Pvt) Ltd.  
Chartered Accountants

## Management Team

- Palaka D.L. Perera - General Manager
- J.T.D. David - Resident Manager
- Nazeem Mohamed - Financial Controller/Asst. Manager
- A.A. Lakshman Silva - Asst. Manager/Food & Beverage Manager
- R. Muthuramesh - Front Office Manager
- S. Anbalagan - Maintenance Manager
- T. Brian Simms - Executive Housekeeper
- 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
- L. Kolandasamy - Stores Executive
- V. Jesudason - Asst. Housekeeper
- M.A.M. Riyad - Accountant
- P. Harinee De Costa - Secretary
- K.K. Vageesha Maduranga - Asst. IT Manager
- I.M.A. Ransara Illangasinghe - Asst. Accountant
- S.D. Senarathna - Green Resources & Community Development Executive

## Status & Legal Form

Public quoted company with limited liability  
Incorporated in Sri Lanka in 1892

## VAT Registration Number

204000492 7000

## Secretaries

Mercantile Investments & Finance PLC

## Audit Committee

- J.H.P. Ratnayeke - Chairman
- L.N. de Silva Wijeyeratne
- Manil Jayasinghe - Consultant

## Bankers

- Hatton National Bank
- Commercial Bank of Ceylon
- Deutsche Bank
- Nations Trust Bank

## Corporate Management

- Palaka D.L. Perera - General Manager
- J.T.D. David - Resident Manager
- M.I. Shahabdeen - Group Financial Controller
- Manil Galagoda - Group Engineer
- Ravi Fernando - Group Accountant
- Nazeem Mohamed - Financial Controller/Asst. Manager
- A.A. Lakshman Silva - Asst. Manager/Food & Beverage Manager

- R.L. Luckshalyan - Reservations Executive
- A. Weerasinghe - Cash Control & Disbursement Executive
- M.K. Chandana Perera - Food & Beverage Executive
- D.P.N.S. Embuldeniya - Collection Executive
- 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
- A.S. Fernando - Purchasing Executive
- D.N. Wirasinha - Food & Beverage Cost Controller
- K.M. Dinesh Dammika - Front Office Executive (Night Operations)
- L.G.C.K. Udayasiri - Sous Chef
- Ranbir Singh - Indian Sous Chef
- Boonsong Keawlawieng - Thai Chef
- D.M.N. Dissanayake - Asst. Food & Beverage Manager
- M.H. Shakir - Food & Beverage Executive
- D.R.R.W. Gunasekera - Senior Naturalist
- W.W.M.J. Wijeyarathne - Deputy Maintenance Engineer



GRAND HOTEL