

EXOTIC



citrus[®]

Leisure PLC

ANNUAL REPORT 2013/14



“ Citrus Leisure.
There’s no other
word for it. It’s
simply exotic.”

Welcome to a chain of distinctive hotels and resorts that are benchmarked against the best in the world. Citrus offers exceptional hospitality experiences in Sri Lanka by redefining exotic luxury for every guest we serve.

citrus[®]
Leisure PLC

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Vision

Our vision is to be the ultimate hospitality brand in Sri Lanka.

Mission

Our mission is to own and manage hotels & resorts where we can deliver an exceptional hospitality experience by going beyond the call of duty and extending a personalised, friendly and professional service at every given opportunity.



Management information





Chairman's Review

“Tourism is a large consumer of natural resources and uncontrolled development could result in the depletion of our natural resource base.”

Sri Lankan tourism has seen exponential growth since the war ended, galloping from a half a million to over one and a half million arrivals this year. Within the space of the next 6 years the industry is also expected to see a 200% increase in arrivals, which exceeds industry predictions. The income generated by tourist arrivals has also increased from US\$ 1 billion about 3 years ago, to nearly US\$ 1.7 billion during this financial year. This is a nearly 70 % increase and thus we see an extremely favourable environment in which to operate.

Distribution in the landscape of tourism has changed dramatically. Arrivals seem to be moving from the formal hotel sector to the informal sector. There are 20,000 registered rooms in the formal sector and an additional 50% unregistered in the informal sector, where an increased interest can be seen. Price levels and travels trends are such that visitors wish to spend time in smaller places with more privacy, while online access has driven the changes in distribution as well. People do not depend on travel agents anymore. They can now book their airlines and hotel rooms through the internet, from the comfort of their home or office. In fact some tourists choose to simply arrive in Sri Lanka and Google their way through the country, often using public transport to gain a more authentic experience.



304,707,799

Revenue



The income generated by tourist arrivals has also increased from US\$ 1 billion earnings about 3 years ago, to close to US\$ 1.7 billion during this financial year.

Prema Cooray
Chairman

Chairman's Review

In light of these changes, these are the new avenues that we need to focus on. Sri Lanka does not yet have a research body to assess the growing trends of global tourism. During the time of the war this would have been impossible but over the last 5 years the rapid changes that have taken place islandwide have brought unprecedented growth in potential.

I would like to emphasise the fact that with these changes it is now imperative to generate research for tourism statistics and to discover the current dynamics of the distribution system. It is vital that a research-based cell be created by a recognised tourism institution in order to update all stakeholders on the exact trends in the tourism arena, in terms of arrivals, income, traveller geographies and so on.

Soon after the war, Dr. P. B. Jayasundera invited us to present a way forward for the tourism industry. In the final document we indicated that by 2016, 25% of the population in Sri Lanka would be dependent on tourism. As a country and as an industry, are we ready for this challenge? There are numerous global hotel chains and local brands appearing across the island. Adding to this, the refurbishments of the existing hotels will allow Colombo to double its formal number of rooms in about 3 - 4 years. Even though the hardware of the product is stable, we still have a problem with the software. Are we ready to meet the human capital needs of the industry? The skills that are required are not available with the existing resources, and the service level is woefully inadequate to deal with this exponential growth.





Chairman's Review

“With many new hotel projects adding to the existing room stock and an expected 4 million tourists by 2020, we have to cater to a rising demand. There is debate about whether encouraging mass scale tourism is the way forward.”

These questions add to the numerous challenges we see for our Company and for the industry as a whole, because within the next few years, we need to leverage on the available infrastructure and resources, to meet these challenges and do so with immediate effect.

There is also the question of attracting the right type of people to the industry. There is a sad lack of quality, skills and talent within the industry and this needs to be improved upon. Our industry has the potential for anyone to grow in, and we have to make a conscious effort to work with school leavers and show them what we have to offer and thus create an appetite for tourism. The lack of skill and talent is mainly because of the lack of awareness about tourism and it is the responsibility of the industry to promote itself as a lucrative career path for the youth of the nation.

With many new hotel projects adding to the existing room stock and an expected 4 million tourists by 2020, we have to cater to a rising demand. There is debate about whether encouraging mass scale tourism is the way forward. Tourism is a large consumer of natural resources and uncontrolled development could result in the depletion of our natural resource base. Over the past century Sri Lanka has lost much of its forest cover and this is disturbing. The very future of our industry will depend on how well we preserve our natural resources and it is imperative that we balance development with conservation in mind. However, we need to recognise the vast potential of around 120 million tourists expected to travel annually from India and China. The Chinese market has had a significant impact in all tourism-generating countries and Sri Lanka is no exception. It is thus a challenge for us

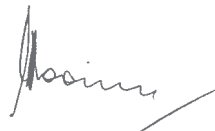
and for the whole world, to cater to tourists from these emerging markets. A clear knowledge of language, culture and preferences is a necessity for further growth. Sri Lanka has a huge challenge in this sense as opposed to other regional players like Singapore, Malaysia and Thailand who understand the requirements of the Chinese tourist much better.

When we take a closer look at Citrus as a group, our ethos is to share a true Sri Lankan experience with every tourist and even the corporate world. Citrus Hikkaduwa came back strong this year with an excellent performance, progressing from 57.8 million to 88.2 million. We are enjoying high occupancy in the 3-star category, showing a very positive future uptake.

I am also happy to state that Citrus Waskaduwa was declared open by His Excellency President Mahinda Rajapaksa on the 6th of April this year. This exceptional example of fine architecture was well accepted by people. The property already enjoys a favourable market response and is expected to post positive results by 31st March next year.

We are also hoping to step into the area of amusement/theme parks by introducing Citrus Kalpitiya in the near future and are currently on the lookout for joint venture partners. We have taken a firm stand that will see the company eventually achieve levels of development which will add a new dimension to Sri Lanka's tourism profile.

I take this opportunity to thank the Members of the Board for their cooperation and advice and also in a special manner thank the leadership team of the Group and all staff for their contributions in steering our Group to be among the leaders of this dynamic industry.



Prema Cooray
Chairman

Colombo
18 August 2014



Citrus Hikkaduwa experienced a very successful year. Hikkaduwa as a product as well as a brand was very well accepted by all stakeholders in the industry.

Chandana Talwatte
Director/ CEO

Group CEO's Review

South East Asia, currently known as the hotspot for tourism, has opened a portal to a refreshing experience in Sri Lanka today. In the past year, the wonder of Asia has blossomed in the tourism industry by topping the target of 1.2 million tourists in 2013. As a result, Sri Lanka has attracted the top guns in the hotel and tourism industry with many international chains coming in. Taking these large investments into consideration, we at Citrus have taken that to our own advantage.

Citrus Hikkaduwa

Citrus Hikkaduwa experienced a very successful year. Hikkaduwa as a product as well as a brand was very well accepted by all stakeholders in the industry. During the season the hotel ran at a 100% occupancy its web-based bookings increasing by 20% being a noteworthy fact. This increase in online booking is higher than the usual industry norms and is still on the increase.

With the recently concluded refurbishments, which included a slight upgrade to the superior rooms and the

banquet halls during the off-season, Citrus Hikkaduwa is all set and ready to welcome the new season with a warm 'Ayubowan' and Star quality standards.

Citrus Waskaduwa

Citrus Waskaduwa, currently the most attractive and luxurious resort in the South of the island, was declared open by his Excellency President Mahinda Rajapaksa with a grand banquet on the 6th of April 2014. The day was also significant as it coincided with our national cricketers battling it out at the T20 World cup finals which ended in a victory for Sri Lanka.

“ Citrus Waskaduwa, currently the most attractive and luxurious resort in the South of the island, was declared open by his Excellency President Mahinda Rajapaksa with a grand banquet on the 6th of April 2014. ”



304,707,799

Revenue



Group CEO's Review

Following its launch, the Hotel was well accepted by local and international guests and has already obtained several bookings for the upcoming winter season. In addition the hotel received several banquet bookings which includes a few international shows and events. It houses 150-rooms which are segmented into 140 Superior Rooms, 6 Deluxe Rooms, 1 Luxury Suite and 1 Presidential Suite, along with 5 restaurants, all the while boasting a breathtaking view of the ocean.

Citrus Kalpitiya

The peninsula is about to ignite with a proposed hotel and villa project together with an up-market Ayurveda/Wellness spa and a water sport theme park. Kalpitiya is renowned for its various tourist attractions, and water sport enthusiasts arrive in large numbers. This will undoubtedly make the western coastal region an exquisite experience and will allow for an experience of nature at its best.

Citrus Travels and Inbound

Citrus Vacations Limited, the travel arm of the group continued its impressive run during the year under review. The Company is now fully geared to handle both Outbound and Inbound travel requirements of discerning travelers, both locally and worldwide.

The company has gained a reputation for developing travel products which are unique and imaginatively designed with the highest levels of service delivery. This has helped Citrus Vacations to be considered as one of the most progressive travel companies in the island.

The Colombo Project

Plans and operations are underway to manage a 50 room boutique property in the heart of Colombo during this financial year.

Achievements

Compliance Award for the Annual Report 2013 under the category of Hotel Companies organised by Institute of Chartered Accountants of Sri Lanka.

Award for Excellence 2013 for most progressive travel company in the country from Travelport Galileo.





Group CEO's Review

Future Plans

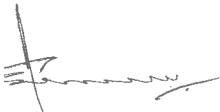
Citrus, having now successfully establishing its brand, is on the lookout for strategic partners with whom to add value and manage properties throughout the country. Our future focus is to take advantage of the premise of Sri Lankan hospitality and convert it into a true Citrus experience that will delight our valuable customers. This is the mission and hallmark of our service.

Conclusion

We are all about creating 'Happiness moments.' Every one of our employees have been trained and advised to allow us to deliver on this promise throughout our Citrus Group activities.

I would like to extend my gratitude to our stakeholders for their unimaginable level of support, advice and strength and my sincere appreciation to our management team and staff. Thank you so much for being a part of our Citrus family and for your dedication to deliver this promise

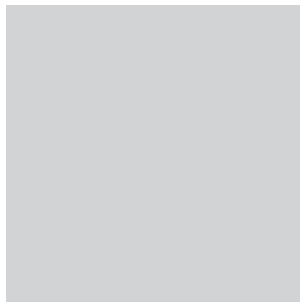
We invite everyone to come and enjoy a refreshing Sri Lanka through a true Citrus Experience.



Chandana Talwatte
Director/CEO

18 August 2014

Board of Directors



Chairman

1. Prema Cooray

Directors

2. Chandana Talwatte

3. Dilith Jayaweera

4. Varuni Fernando

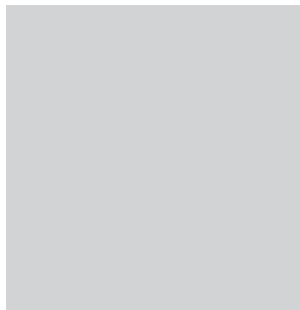
5. Suresh De Mel

6. Manoj Piliimalawwe

7. Sarva Ameresekere

8. Vasula Premawardhana

9. Rajinda Seneviratne



Board of Directors

Prema Cooray

Mr. Prema Cooray, the immediate Past Chairman of Aitken Spence PLC counts well over 30 years experience in travel and tourism. He led the Hotel Sector of Aitken Spence for several years making a significant contribution in making Aitken Spence a leading player in the development of resorts both in Sri Lanka and Maldives.

He is acknowledged for the pivotal role played in the development of sustainable tourism and especially for his leadership in developing the renowned Kandalama Hotel which has won many global accolades for its contribution to environmental management, food and beverage excellence and service standards of a truly exceptional nature. These attributes signaled the entry of Sri Lanka's tourism to the world map of the hospitality industry.

He also led the pioneering effort of large scale expansion to the Republic of Maldives in early '90s and this regional development contributed exceptionally to the overall profile and growth of Aitken Spence.

Mr. Cooray was selected by USAID to lead the Tourism Cluster from 2001 to 2008 which introduced the concept of 'going beyond beaches'. The diversity in the profile of Sri Lanka's tourism today is mainly attributed to the efforts made by this Cluster.

He is a Past President of the Tourist Hotels Association of Sri Lanka (1998-2000) and was the Chairman of the Sri Lanka Convention Bureau (2007-2009). Presently he

Chairs a rainforest initiative partnered by the private sector which bench-marks the best practices for Eco Tourism development in Sri Lanka.

He serves as a Member of the Tourism Cluster of National Council for Economic Development (NCED) and also serves as a Member of the Grants Board of ICTA. He is also a Board Member of Rainforest Ecolodge (Pvt) Ltd and Lighthouse Hotel PLC.

He served as the Secretary-General/CEO of the Ceylon Chamber of Commerce (2003-2008) and presently heads the Project Management Arm of the Chamber – CCC Solutions (Pvt) Ltd.

Mr. Cooray has an MBA from the University of Sri Jayawardenepura, is a Certified Management Accountant and he is also a Member of the Institute of Hospitality, UK.

Dilith Jayaweera

Dilith is the co-founder of a dynamic conglomerate of 22 companies with diverse interests in communications, mass media, leisure, finance, property development and manufacturing. An entrepreneur committed to building strong and sustainable Sri Lankan businesses, Dilith has built a reputation for challenging convention with his can-do spirit. An Attorney-at-Law, Dilith holds an LLB from the University of Colombo and an MBA from the University of Wales.

Varuni Amunugama Fernando

Varuni is the co-founder of a youthful and growing diversified group which currently consists of 22 subsidiaries across sectors such as communication, mass media, leisure, finance, property development and manufacturing. Her stamp on corporate Sri Lanka is accentuated by her belief that 'Sri Lanka Can', which has been the driving principle behind the Group's ventures. Varuni read for her LLB at the University of Colombo and holds a Diploma in Advertising from L'Ecole-de-Publicitaire, Paris.

Sarva Ameresekere

Sarva, Director/CEO of Triad is responsible for the day-to-day operations and management of one of Sri Lanka's leading advertising agencies. Under his purview, Triad together with its group of companies in the communication industry offer clients a comprehensive integrated business solution. Sarva is also involved in the macro management and strategic planning of a diversified portfolio strategic investments across many sectors. Qualified in both Business and Engineering, Sarva brings on board extensive local and foreign exposure including business, fund management, operations, research and analysis. Sarva holds a Masters in Engineering Management from the University of Southern California, Los Angeles and a Degree in Industrial and Operations Engineering from the University of Michigan, Ann Arbor.

Rajinda Seneviratne

Mr. Seneviratne's family established Reefcomber Hotel in Hikkaduwa in the 1980s. The family has diversified into trading in tea, packaging and warehousing through Corona T Stores Ltd. Mr. Rajinda Seneviratne is the Managing Director of Corona T Stores Ltd.

Manoj Pilimatalawwe

Mr. Manoj Pilimatalawwe currently works in the capacity of Head of Group Information and Communication Technology of Brandix Lanka Ltd. Prior to this Manoj was employed at PricewaterhouseCoopers Lanka Ltd, and has experience in areas of general management, management consultancy, IT operations and technology strategy formulation.

Manoj holds a Master's Degree in Information Technology from The Keele University in U.K. and a Bachelor of Science Honours Degree in Information Systems from Manchester Metropolitan University in U.K. and is a member of the British Computer Society (MBCS). He is also a Chartered Information Technology Professional (CITP) and counts over 14 years corporate experience.

Board of Directors

Suresh De Mel

Mr. Suresh De Mel is the Managing Director of Lanka Fishing Flies (Pvt) Ltd., a US-Sri Lanka Joint Venture since 1981 producing Umpqua brand fishing flies. Lanka Fishing Flies which currently employs 250 workers in factories in Colombo and Tangalla, has a reputation for being one of the largest producers of high quality hand tied fishing flies in the world.

Before taking over the family business in 1990, Suresh worked as a Student Engineer and then as an Agricultural and Environmental Engineer for CH2M Hill Inc., USA, for 10 years. He continues to be a liaison for CH2M Hill in Sri Lanka.

Suresh is also the Chairman of Asian Angling Adventures (Pvt) Ltd., a company promoting “catch and release” sports fishing in Sri Lanka, Maldives and Malaysia, and the Chairman/Managing Director of Lanka Eco Adventure Frontiers (Pvt) Ltd., a company promoting the conservation of rainforests and wet lands through “responsible” tourism.

He is the Immediate Past Chairman of the Board and a founder member of the Business for Peace Alliance - Sri Lanka's Regional Chambers of Commerce network for Conflict Transformation, Reconciliation, Regional Empowerment, and Corporate Social Responsibility and is a Founder Member and the Vice President of the

Association of Small and Medium Enterprises in Tourism Sri Lanka. He also serves as a Director on the Boards of the Hambantota District Chamber of Commerce, the American Chamber of Commerce in Sri Lanka, and Navajeevana Rehabilitation Tangalla, a project “bringing new life to the Disabled”.

He holds a Bachelor of Science Degree in Agricultural Engineering from Cal Poly State University, San Luis Obispo, California, USA, and is a Member of the American Society of Civil Engineers. He is also a Member of the International Eco-tourism Society.

Suresh is a social entrepreneur who actively promotes investments that sustain “people, planet and profit”.

Chandana Talwatte

Chandana Talwatte was appointed to the Board of Citrus Leisure PLC in 2012 and serves in the capacity of Director/CEO of the Citrus Group.

Mr. Talwatte is a well respected corporate leader with a proven track record of driving businesses forward under challenging conditions. He served most recently as Director – Sales and Marketing of Cinnamon Lakeside, Colombo. He has been part of the leadership team at John Keells Holdings PLC from 1993, serving as Director/CEO at several group companies including, Mackinnon Mackenzie & Co of Ceylon Ltd, Bosanquet and Skrine

Ltd, Mackinnons Travels, Mack International Freight (Pvt) Ltd, Whittals Boustead Cargo, and as Head of Sales and Marketing and Customer Development of the Transportation Group of JKH. Following the Asian tsunami of 2004, Talwatte was seconded to serve the government of Sri Lanka as Director, Task Force for Rebuilding the Nation (TAFREN) overseeing the funding pledged by international donors.

Vasula Premawardhana

Mr. Premawardhana was appointed to the Board of Citrus Leisure PLC as an Independent Non-Executive Director with effect from 02nd May 2012. He is an accomplished professional with over 15 years of comprehensive management experience comprising local and international hands-on experience in the fields of Capital Markets and Risk Management. He holds an MA in Financial Economics from the University of Colombo and a BSc in Computer Science from the University of Southern California- USA.

Mr. Premawardhana is the Managing Director of First Derivatives (Pvt) Ltd and he is a former Director of the Securities and Exchange Commission of Sri Lanka.

Corporate Governance

Board of Directors

The Board of Directors is committed to maintain the highest standards of corporate governance and ethical business conduct in the operations and decision making process. In this regard, the Board of Directors is responsible for the governance of the Company whilst the shareholders role in governance is to appoint the Directors and the Auditors to satisfy themselves that an appropriate governance structure is in place.

The Board of Directors of the Company currently comprises of Nine members. There is a balance of Executive and Non Executive Directors to ensure that the decisions taken by the Board are collective decisions. One third of the Directors retire by rotation at each Annual General Meeting but they are eligible for re-election.

Each Non-Executive Director has submitted a Declaration of his independence or non-independence as required under the Listing Rules of the Colombo Stock Exchange.

The Board has determined that Messrs E.P.A Cooray, Mr. Rajinda Seneviratne, Mr. J.M.B Pilimatalawwe, Mr. S.D De Mel and P.V.S. Premawardhana, are independent directors while Mr. S.A. Ameresekere is a Non Executive Director.

Board Sub Committees

Audit Committee

The Audit Committee functions under a written Charter. The primary function of the Committee is to assist the

Board in fulfilling its responsibilities by reviewing the financial information provided to Shareholders. The Audit Committee also oversees the relationship between the Company and the Auditor and reviews the Company's financial reporting system.

The Board has appointed an Audit Committee consisting of three Non-executive Directors, all of whom are independent. The Report of the Audit Committee appears on Page 42

Mr. E.P. A Cooray serves as Chairman of the Audit Committee. Mr Cooray is a Certified Management Accountant.

The Report of the Audit Committee appears on Page 42.

The names of the members of the Audit Committee are as follows.

Mr. E.P.A Cooray-Chairman
Mr. R. Seneviratne
Mr. S.D. De Mel

Remuneration Committee

The Remuneration Committee consists of three Non-executive Directors all of whom are Independent. The Committee reviews the remuneration of Senior Management and the Executive Directors.

Report of the Remuneration Committee appears on Page 44.

The names of the members of the Remuneration Committee are as follows

Mr J.M.B. Pilimathalawwe - Chairman
 Mr. Rajinda Seneviratne
 Mr. Suresh D. De Mel

Compliance with Code of Best Practice

The Code of Best Practice on Corporate Governance issued Jointly by The Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, has been adopted by the Board which is on page 24.

Effectiveness of the Board

The Board members meet the Directors and the Senior Management staff of the Managing Company regularly and as the need arises to consider among other matters, the performance and financial statements for the period.

Decisions relating to Capital Expenditure over Rs.500,000 and investment require the approval of the Board of Directors.

Company Secretaries

P W Corporate Secretarial (Pvt) Ltd who act as Secretaries to the Company are qualified to act as Secretaries as per the provisions of the Companies Act No. 07 of 2007.

Compliance with Legal Requirements

The Board makes every endeavour to ensure that the Company complies with Laws and Regulations. Checks and controls are in place to ensure that the policies of the Board are complied with.

The Board of Directors ensure that the Financial Statements of the Company are prepared in accordance with Sri Lanka Accounting Standards and in accordance with the requirements of the Colombo Stock Exchange. Maximum information is provided to shareholders and full disclosure is made subject only to any sensitive information, which could directly impact the business of the Company.

Board Meetings

The Board meets regularly to discharge their duties effectively. The Board's functions include the assessment of the adequacy and effectiveness of internal controls, compliance with applicable laws and regulations, review of management and operational information, adoption of annual and interim accounts before they are published, review of exposure to key business risks, strategic direction of operational and management units, approval of annual budgets, monitoring progress towards achieving the budgets, approvals relating to key appointments, sanctioning major capital expenditure etc.

The Board met 12 times during the period under review and the attendance is given below.

Corporate Governance

Name	Date of Meeting from 1st April 2013 to 31st March 2014											
	24. 04. 13	22. 05. 13	19. 06. 13	17. 07. 13	21.0 8. 13	25. 09. 13	23. 10. 13	20. 11. 13	30. 12. 13	29. 01. 14	19. 02. 14	26. 03. 14
Mr E P A Cooray	√	√	X	√	√	√	√	√	√	√	√	√
Mr R Seneviratne	√	X	√	√	X	√	√	X	√	√	X	√
Mr D Jayaweera	√	√	√	√	√	√	√	√	√	√	√	√
Ms V S F Amunugama	X	√	X	X	√	√	√	√	√	√	√	√
Mr S A Ameresekere Appointed on 11.11.13	-	-	-	-	-	-	-	√	√	√	X	√
Mr S D De Mel	√	√	X	X	√	√	√	X	√	√	X	X
Mr P C B Talwatte	√	√	√	√	√	√	√	√	√	√	√	√
Mr P V S Premawardhana	X	√	√	√	X	√	√	X	X	√	√	√

By order of the board of
Citrus Leisure PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
18 August 2014

Compliance with continuing listing Rules - Check cost

√ Complied X Non Complied

Rule Ref.	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
7.10.1 (a)	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executives.	√	Corporate Governance
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors whichever is higher should be Independent.	√	Corporate Governance
7.10.2 (b)	Independent Directors (ID)	Each Non-Executive Director should submit a declaration of Independence, non independence in the prescribe format.	√	Available with the Secretaries for review
7.10.3 (a)	Disclosure relating to Directors	<ul style="list-style-type: none"> The board shall annually determine the independence or otherwise of the non Independency. Names of the ID should be Disclosed in the Annual Report. 	√	Corporate Governance
7.10.3 (b)	Disclosure relating to Directors	The basis for Board to determine a Directors as independent, if specified criteria for independence is not met.	√	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.	√	Board of Directors (Profile) Section in the AR.
7.10.3 (d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a,b,c & d) to the CSE.	√	Corporate Governance and Board of directors (profile) section in the AR

Corporate Governance

√ Complied X Non Complied

Rule Ref.	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
7.10.4 (a-h)	Determination of Independence	Requirements for meeting criteria	√	Corporate Governance
7.10.5	Remuneration Committee	A Listed company shall have a Remuneration Committee.	√	Corporate Governance
7.10.5 (a)	Composition of Remuneration Committee.	Shall comprise of Non-Executive Directors a majority of whom will be independent.	√	Corporate Governance
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Non-Executive Directors.	√	Corporate Governance
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out (a) Names of Directors comprising the Remuneration Committee. (b) Statement of Remuneration Policy. (c) Aggregated remuneration paid to NED/ NID/ID. (d) Statement of remuneration committee.	√	Corporate Governance and the Board Committee Reports.
7.10.6	Audit Committee	The Company shall have an Audit Committee.	√	Corporate Governance

√ Complied X Non Complied

Rule Ref.	Subject	Applicable requirement	Compliance Status	Applicable section in the Annual Report
7.10.6 (a)	Composition of an Audit Committee	<ul style="list-style-type: none"> • Shall comprise of Non-Executive Directors and majority of whom should be independent. • Non-Executive Directors shall be appointed as the Chairman of the Audit Committee. • Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings. • The Chairman of the Audit Committee or one member should be a member of a professional accounting body. 	√	Corporate Governance and the Board Committee Reports.
7.10.6 (b)	Audit Committee Functions	Should be as outlined in the Section 7 of the listing rules	√	Corporate Governance and the Board Committee Reports.
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee.	<p>(a) Names of the Directors comprising the Audit Committee.</p> <p>(b) The Audit Committee shall make a determination of the independence of the Auditors and disclose for such determination.</p> <p>(c) The Annual Report Shall contain a Report of the Audit Committee setting out of the manner of compliance of the functions.</p>	√	Corporate Governance and the Board Committee Reports.

Corporate Governance

Adoption of joint code of best practices - Check list

√ Complied X Non Complied

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.1 DIRECTORS – Board				
A.1.1	Frequency of Board Meetings	Board should meet regularly, at least once in every quarter	√	Corporate Governance / AR of the BOD
A.1.2	Responsibilities of the Board	Formulation and implementation of strategy Skill adequacy of management and succession Integrity of information, internal controls and risk management Compliance with laws, regulations and ethical Standards Code of conduct Adoption of appropriate accounting policies	√	Corporate Governance
A.1.3	Access to professional advice	Procedures to obtain independent professional Advice	√	Corporate Governance
A.1.4	Company Secretary	Ensure adherence to board procedures and applicable rules and regulations Procedure for Directors to access services of Company Secretary	√	Corporate Governance
A.1.5	Independent Judgment	Directors should exercise independent judgment on issues of strategy, resources , performance and standards of business Judgments.	√	Corporate Governance

√ Complied X Non Complied

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.1.6	Dedication of adequate time and effort by Directors	Directors should devote adequate time and effort to discharge their responsibilities to the Company satisfactorily	√	Corporate Governance
A.1.7	Training for Directors	Directors should receive appropriate training, hone skills and expand knowledge to more effectively perform duties	√	Corporate Governance
A.2 DIRECTORS - Chairman & Chief Executive Officer				
A.2.	Division of responsibilities to ensure no individual has unfettered powers of decision.	A balance of power and authority to be maintained by separating responsibility for conducting Board business from that of executive decision making	√	Corporate Governance
A.3 DIRECTORS - Role of Chairman				
A.3	Ensure good corporate governance	Chairman to preserve order and facilitate effective discharge of board functions by proper conduct of Board meetings.	√	Corporate Governance
A.4 DIRECTORS - Financial Acuman				
A.4	Possession of adequate financial acumen	Board to ensure adequacy of financial acuman and knowledge within Board.	√	Corporate Governance
A.5 DIRECTORS - Board Balance				
A.5.1	Composition of Board	Board should include a sufficient number of Non-Executive Independent Directors	√	Corporate Governance
A.5.2	Proportion of independent Directors	Two or one third of the Non-Executive directors should be independent.	√	Corporate Governance

Corporate Governance

√ Complied X Non Complied

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.5.3	Test of independence	Independent Directors should be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment.	√	Corporate Governance
A.5.4	Declaration of independence	Non-Executive Directors should submit a signed and dated declaration of their Independence /Non-Independence	√	Corporate Governance/ Annual Report of the Board of Directors
A.5.5	Annual determination of criteria of independence/non - independence and declaration of same by Board	The Board should annually determine and disclose the name of Directors deemed to be independent	√	Corporate Governance
A.5.6	Appointment of senior Independent Director	If the roles of Chairman / CEO are combined, a Non-Executive should be appointed as a Senior Independent Director.	N/A	
A.5.7	Availability of Senior Independent Director (SID) to other Directors	If warranted the SID should be available to the other directors for confidential discussions.	N/A	
A.5.8	Interaction between Chairman and Non-Executive Independent Directors	The Chairman should meet the Non-Executive Independent Directors at least once a year	√	Corporate Governance

√ Complied X Non Complied

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.5.9	Directors concerns to be recorded	When matters are not unanimously resolved, directors to ensure their concerns are recorded in Board minutes.	N/A	
A.6 DIRECTORS - Supply of information				
A.6.1	Provision of adequate information to Board	Management to ensure the Board is provided with timely and appropriate information	√	Corporate Governance
A.6.2	Adequacy of Notice and formal agenda to be discussed at board meetings	Board minutes , agenda and papers should be circulated at least seven days before the Board meeting.	√	Corporate Governance
A.7 DIRECTORS - Appointment to the Board				
A.7.1	Nomination Committee	Nomination committee of parent may function as such for the Company and make recommendations to the Board on new Board Appointments.	√	Corporate Governance
A.7.2	Annual assessment of Board Composition	Nomination committee or Board should annually assess the composition of Board.	√	Corporate Governance
A.7.3	Disclosure of new Board appointments	Profiles of new Board appointments to be communicated to Shareholders.	√	Corporate Governance/ Notice of Meeting
A.8 DIRECTORS - Re – election				
A.8.1	Appointment of Non-Executive Directors	Appointment of Non-Executive directors should be for specified terms and re - election should not be automatic	√	Corporate Governance / Annual Report of the Board of Directors

Corporate Governance

√ Complied X Non Complied

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.8.2	Shareholder approval of appointment of all Directors	The appointment of all Directors should be subject to election by shareholders at the first opportunity	√	Corporate Governance / Annual Report of the Board of Directors / Notice of Meeting
A.9 DIRECTORS - Appraisal of Board Performance				
A.9.1	Annual appraisal of Board performance	The Board should annually appraise how effectively it has discharged its key responsibilities	√	Corporate Governance
A.9.2	Self evaluation of Board and Board Committees	The Board should evaluate its performance and that of its committees annually	√	Corporate Governance/ Audit Committee Report
A.9.3	Declaration of basis of performance evaluation	The Board should disclose how performance evaluations have been carried out	√	Corporate Governance
A.10 DIRECTORS - Disclosure of information in respect of Directors				
A.10.1	Biographical profiles and relevant details of Directors to be disclosed	Annual Report should disclose the biographical details of directors and attendance at Board/ Committee meetings	√	Board of Directors , Corporate Governance / Audit Committee Report
A.11 DIRECTORS - Appraisal of Chief Executive Officer				
A.11.1	Short, medium and long term, financial and non - financial objectives to be set	The Board should set out the short, medium and long term, financial and non - financial objectives at the commencement of each year	√	Corporate Governance

√ Complied X Non Complied

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
A.11.2	Evaluation of CEO performance	The performance of the CEO should be evaluated by the Board at the end of the year	√	Corporate Governance
B. 1 DIRECTORS REMUNERATION - Remuneration Procedure				
B.1.1	Appointment of Remuneration Committee	Remuneration Committee of parent may function as such for the Company to make recommendations on Directors remuneration	√	Corporate Governance
B.1.2	Composition of Remuneration Committee	Board to appoint only Non-Executive Directors to serve on Remuneration Committee	√	Corporate Governance
B.1.3	Disclosure of members of Remuneration Committee	The Annual Report should disclose the Chairman and Directors who serve on the Remuneration Committee	√	Corporate Governance
B.1.4	Remuneration of Non-Executive Directors	Board to determine the level of remuneration of Non-Executive Directors	√	Corporate Governance
B.1.5	Access to professional advice	Remuneration Committee should have access to professional advice in order to determine appropriate remuneration for Executive Directors.	√	Corporate Governance
B. 2 DIRECTORS REMUNERATION - Level and Make up of Remuneration				
B.2.1	Remuneration packages for Executive Directors	Packages should be structured to attract, retain and motivate Executive Directors	√	Corporate Governance
B.2.2	Remuneration packages to be appropriately positioned	Packages should be comparable and relative to that of other companies as well as the relative performance of the Company	√	Corporate Governance

Corporate Governance

√ Complied X Non Complied

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	When determining annual increases remuneration committee should be sensitive to that of other Group companies	√	Corporate Governance
B.2.4	Performance related elements of Remuneration	Performance related elements of remuneration should be aligned with interests of Company		Corporate Governance
B.2.5	Share options	Executive share options should not be offered at a discount	N/A	Corporate Governance
B.2.6	Remuneration packages fro Non-Executive Directors	Should reflect time commitment and responsibilities of role and in line with existing market practice	N/A	
B. 3 DIRECTORS REMUNERATION - Disclosure of Remuneration				
B.3.1	Disclosure of details of remuneration	The Annual Report should disclose the remuneration paid to Directors	√	Financial Statements - Note 8
C. 1 RELATIONS WITH SHAREOLDERS – Constructive use and conduct of Annual General Meeting				
C.1.1	Proxy votes to be counted	The Company should count and indicate the level of proxies lodged for and against in respect of each resolution	√	Corporate Governance
C.1.2	Separate resolutions	Separate resolutions should be proposed for substantially separate issues	√	Corporate Governance/ Notice of Meeting

√ Complied X Non Complied

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
C.1.3	Availability of Committee chairmen at AGM	The chairmen of Board committees should be available to answer any queries at AGM	√	Corporate Governance
C.1.4	Notice of AGM	15 calendar days notice to be given to shareholders	√	Notice of Meeting
C.1.5	Procedure for voting at meetings	Company to circulate the procedure for voting with Notice of Meeting	√	Notice of Meeting
C. 2 MAJOR TRANSACTIONS				
C.2.1	Disclosure of Major Transactions	Transactions that have a value which are greater than half of the net assets of the Company should be disclosed	√	Corporate Governance Annual Report of the Board of Directors
D.1 ACCOUNTABILITY AND AUDIT - Financial Reporting				
D.1.1	Presentation of public reports	Should be balanced, understandable and comply with statutory and regulatory requirements	√	Corporate Governance Risk Management Financial Statements

Corporate Governance

√ Complied X Non Complied

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.1.2	Director's Report	<p>The Director's Report should be included in the Annual Report and confirm that</p> <ul style="list-style-type: none"> • the Company has not contravened laws or regulations in conducting its activities • Material interests in contracts have been declared by Directors • the Company has endeavoured to ensure equitable treatment of shareholders • that the business is a "going concern" • that there is reasonable assurance of the effectiveness of the existing business systems following a review of the internal controls covering financial, operational and compliance 	√	<p>Annual Report of the Board of Directors</p> <p>Audit Committee Report</p> <p>Annual Report of the Board of Directors</p> <p>Financial Statements</p> <p>Corporate Governance</p> <p>Annual Report of the Board of Directors</p> <p>Audit Committee Report</p> <p>Risk Management</p>
D.1.3	Respective responsibilities of Directors and Auditors	The Annual Report should contain separate statements setting out the responsibilities of the Directors for the preparation and presentation of the financial statements and the reporting responsibilities of the Auditors	√	Statement of Directors' Responsibility and Independent Auditors' Report
D.1.4	Management Discussion and Analysis	Annual Report to include section on Management Discussion and Analysis	√	Group CEO's Message

√ Complied X Non Complied

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.1.5	Going Concern	Directors to substantiate and report that the business is a going concern or qualify accordingly	√	Annual Report of the Board of Directors
D.1.6	Serious Loss of Capital	Directors to summon an Extraordinary General Meeting in the event that the net assets of the Company falls below 50% of the value of Shareholder's Funds	N/A	
D.2 ACCOUNTABILITY AND AUDIT - Internal Control				
D.2.1	Effectiveness of system of internal controls	Directors to annually conduct a review of the effectiveness of the system of internal controls. This responsibility may be delegated to the Audit Committee	√	Audit Committee Report Risk Management
D.3 AUDIT COMMITTEE				
D.3.1	Chairman and Composition of Audit Committee	Should comprise of a minimum of two Independent, Non- Executive Directors Audit Committee Chairman should be appointed by the Board	√	Audit Committee Report
D.3.2	Duties of Audit Committee	Should include <ul style="list-style-type: none"> Review of scope and results of audit and its effectiveness Independence and objectivity of the Auditors 	√	Corporate Governance
D.3.3	Terms of Reference / Charter	The Audit Committee should have a written Term of Reference which define the purpose of the Committee and its duties and responsibilities	√	Corporate Governance

Corporate Governance

√ Complied X Non Complied

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
D.3.4	Disclosures	<ul style="list-style-type: none"> The Annual Report should disclose the names of Directors serving on the Audit Committee The Audit Committee should determine the independence of the Auditors and disclose the basis of such determination The Annual Report should contain a report by the Audit Committee setting out the manner of the compliance of the Company during the period to which the Report relates 	√	Corporate Governance Audit Committee Report Corporate Governance Audit Committee Report
D.4 CODE OF BUSINESS CONDUCT AND ETHICS				
D.4.1	Adoption of Code of Business Conduct and Ethics	The Company must adopt a Code of Business Conduct and Ethics for directors and members of the senior management team and promptly disclose any violation of the Code	√	Corporate Governance
D.4.2	Chairman's affirmation	The Annual Report must include an affirmation by the Chairman that he is not aware of any violation of the Code of Business Conduct and Ethics	√	Chairman's Message / Annual Report of the Board of Directors
D.5 CORPORATE GOVERNANCE DISCLOSURES				
D.5.1	Corporate Governance Report	The Annual Report should include a report setting out the manner and extent to which the Company has adopted the principles and provisions of the Code of Best Practice on Corporate Governance	√	Corporate Governance

√ Complied X Non Complied

Code Ref.	Subject	Applicable Requirement	Adoption Status	Applicable Section in the Annual Report
E. INSTITUTIONAL INVESTORS – Structured Dialogue				
E.1	Structured Dialogue with Shareholders	A regular and structured dialogue should be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman	√	Corporate Governance
E.2	Evaluation of Governance Disclosures by Institutional Investors	Institutional investors should be encouraged to consider the relevant factors drawn to their attention with regard to Board structure and composition	√	Corporate Governan
F. OTHER INVESTORS – Investment/Divestment decisions				
F.1	Individual Investors	Individual shareholders should be encouraged to carry out adequate analysis and seek professional advice when making their investment/divestment decisions	√	Corporate Governance
F.2	Shareholder Voting	Individual shareholders should be encouraged to participate and exercise their voting rights	√	Corporate Governance / Form of Proxy

Audit Committee Report

The Audit Committee of Citrus Leisure PLC is comprised of three Independent Non-Executive Directors of the main Board of the Group, namely E. P. A. Cooray (Chairman) and Mr. R. Seneviratne and Mr. S. D. De Mel.

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 Statutory Auditors, the Internal Auditors, Finance Manager and the General Managers of the Hotels 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 Chief Executive Officer'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 judgments 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.

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.

Review of the Work of the External Auditors

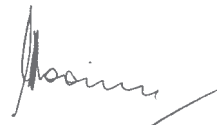
Subject to the annual appointment of the External Auditors by shareholders, the Audit Committee regularly reviews the relationship between the Group and the External Auditors.

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 No 8 to the Consolidated Financial Statements on page 83.

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



Prema Cooray
Chairman - Audit Committee

18 August 2014

Report of the Remuneration Committee

The Remuneration Committee, appointed by and responsible to the Board of Directors, comprises of three Non-Executive Independent Directors.

Mr J.M.B. Pilimathalawwe - Chairman

Mr. Rajinda Seneviratne

Mr. Suresh D. De Mel

Policy

The remuneration policy of the Company endeavours to attract, motivate and retain quality management in a competitive environment with the relevant expertise necessary to achieve the objectives of the Company. The Committee focuses and is responsible to ensure that the total package is competitive to attract the best talent for the benefit of the Company. The remuneration framework of the Company for the Chairman, Chief Executive Officer and Corporate Management is designed to create and enhance value to all stakeholders of the Company and to ensure alignment qua the short and long-term interest of the Company and its Executives and in designing competitive compensation packages, the Committee consciously balances the short-term performance with medium to long-term goals of the Company.

Scope

The Committee reviews all significant changes in the corporate sector in determining salary structures and terms and conditions relating to staff at Senior Executive level. In this decision making process, necessary information and recommendations are obtained from the Chief Executive Officer. The Committee deliberates and recommends to the Board of Directors the remuneration packages and annual increments and bonuses of the Chief Executive Officer, members of the Corporate Management and Senior Executive staff and lays down guidelines for the compensation structure for all Executive staff and overviews the implementation thereof.

The Chief Executive Officer who is responsible for the overall management of the Company attends all meetings by invitation and participates in the deliberations except when his own performance and compensation package is discussed.

Fees

Non of the Non-Executive Directors receive a fee for attendance at Board Meetings. They do not receive any performance or incentive payment too. The total remuneration to Directors is shown in Note 28 in page 111.

Meetings

The Committee met during the financial year under review. A report of the decisions approved and recommended to the Board by the Board of Directors.

Professional Advice

The Committee has the authority to seek external professional advice on matters within its purview.

Committee Evaluation

Self-Assessment by Committee members was complied with at the commencement.



J.M.B. Pilimathalawwe
Chairman
Remuneration Committee

18 August 2014

Statement of Directors' Responsibility

The Companies Act No. 07 of 2007 stipulates that Directors are responsible for the preparation of financial statements for each financial year and to place before a general meeting Financial Statements, comprising a Statement of Comprehensive Income & Statement of Financial Position which presents a true and fair view of the state of affairs of the Company as at the end of the financial year which comply with the requirements of the above Act.

The financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards. In preparing the financial statements, appropriate accounting policies have been selected and applied consistently, whilst reasonable and prudent judgments and estimates have been made.

As per Section 148 of the Act, the Directors are required to maintain sufficient accounting records to disclose with reasonable accuracy the financial position of the Group and to ensure that the financial statements presented comply with the requirements of the Companies Act.

The Directors are also responsible for devising proper internal controls for safeguarding the assets of the Group against unauthorized use or disposition, and prevention and detection of fraud and for reliability of financial information used within the business or for publication.

The Directors continue to adopt the going concern basis in preparing accounts and after making inquiries and following a review of the Company's budget for the financial year 2013/2014, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

The Board of Directors is of the opinion that the Board has discharged its responsibilities as set out above.

By order of the Board of
Citrus Leisure PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
18 August 2014

Annual Report of the Board of Directors on the Affairs of the Company

The Directors of Citrus Leisure PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Group for the year ended 31st March 2014.

General

Citrus Leisure PLC is a Public Limited Company which was incorporated under the Companies' Ordinance No. 51 of 1938 as a Limited Company on 5th December 1973, and listed on the Colombo Stock Exchange in 1984. The Company was re-registered as per the Companies Act No. 7 of 2007 on 27th November 2008 with PQ 211 as the new number assigned to the Company and the name was changed as "Citrus Leisure PLC" on 23rd December 2010.

Principal Activities

During the year, the principal activities of the Company were investing and managing subsidiaries and provision of food and beverage, lodging, and other hospitality industry related activities.

Review of Operations

The Chairman's review covers the operations of the Group during the financial year under review.

Financial Statements

The complete Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 54 to 115.

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on page 54.

Accounting Policies

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 63 to 115 and are consistent with those of the previous period.

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 20 to 23.

Executive Directors

Mr. Dilith Susantha Jayaweera
Ms. Varuni Sonali Fernando Amunugama
Mr. Priya Chandana Bandara Talwatte

Non Executive Director

Mr. Sharvajana Anandaraj Ameresekere

Independent Non-Executive Directors

Mr. Emilianus Prema Alphonse Cooray - Chairman
Mr. Rajinda Seneviratne
Mr. Janesh Manoj Bandara Pilmatalawwe
Mr. Suresh Dayanath De Mel
Mr. Pathiranage Vasula Sanjeeva Premawardhana

Annual Report of the Board of Directors on the Affairs of the Company

In terms of Article 84 of the Articles of Association of the Company, Ms. Varuni Sonali Fernando Amunugama and, Mr. Janesh Manoj Bandara Pilimatalawwe retire by rotation and being eligible are recommended by the Directors for re-election.

In terms of Article 91, Mr. Sharvajana Anandaraj Ameresekere retires and being eligible is recommended by the Directors for re-election.

Directors of subsidiary Companies

Waskaduwa Beach Resort PLC

Mr. Emilianus Prema Alphonse Cooray
Mr. Dilith Susantha Jayaweera
Mr. Rajinda Seneviratne
Ms. Varuni Sonali Fernando Amunugama
Mr. Janesh Manoj Bandara Pilimatalawwe
Mr. Suresh Dayanath De Mel
Mr. Sharvajana Anandaraj Ameresekere

Kalpitiya Beach Resort PLC

Mr. Emilianus Prema Alphonse Cooray
Mr. Dilith Susantha Jayaweera
Mr. Rajinda Seneviratne
Ms. Varuni Sonali Fernando Amunugama
Mr. Janesh Manoj Bandara Pilimatalawwe
Mr. Suresh Dayanath De Mel
Mr. Sharvajana Anandaraj Ameresekere

Hikkaduwa Beach Resort PLC

Mr. Emilianus Prema Alphonse Cooray
Mr. Dilith Susantha Jayaweera
Mr. Rajinda Seneviratne
Mr. Hemantha Ratnayake
Mr. Pathiranage Vasula Sanjeewa Premawardhana
Mr. Sharvajana Anandaraj Ameresekere

Citrus Aqua Limited

Mr. Emilianus Prema Alphonse Cooray
Mr. Dilith Susantha Jayaweera
Ms. Varuni Sonali Fernando Amunugama
Mr. Rajinda Seneviratne
Mr. Suresh Dayanath De Mel
Mr. Janesh Manoj Bandara Pilimatalawwe
Mr. Hendawitharanage Chandrakumar De Silva
Mr. Howard Spencer Martenstyn
Mr. Pathiranage Vasula Sanjeewa Premawardhana
Mr. Damith Malinda Wickremasinghe

Citrus Vacations Limited

Mr. Emilianus Prema Alphonse Cooray
Mr. Dilith Susantha Jayaweera
Ms. Varuni Sonali Fernando Amunugama
Mr. Suresh Dayanath De Mel
Mr. Janesh Manoj Bandara Pilimatalawwe
Mr. Pathiranage Vasula Sanjeewa Premawardhana
Mr. Perera Tennakoon Arachchilage Thomas Christopher Lasantha Alfred Aloysius

Interests Register

The Company maintains an interest Register in terms of the Companies Act No. 7 of 2007, which is deemed to form part and parcel of this Annual Report and is available for inspection upon request.

All related party transactions which encompass the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interest Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant interests of Directors as at 31st March 2014 as recorded in the Interest Register are given in this report under Directors' Interest in Contracts and Directors' Shareholding.

Directors' Remuneration

The Directors' remuneration is disclosed under key management personnel compensation in Note 28 to the Financial Statements on page 112.

Directors' interests in contracts

Related party disclosures as required by the Sri Lanka Accounting Standards No.30 are detailed in Note 28 to the financial statements.

The Company carried out transactions in the ordinary course of its business at commercial rates with the following director related entities.

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Group to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 46.

Auditors

Messrs Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provide non audit/consultancy services.

A total amount of Rs.210,000/- is payable by the Group to the Auditors for the year under review comprising Rs.175,000/- as audit fees.

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company as at 31 March 2014 was Rs.2,403,272,542/- representing 96,650,338. Ordinary shares (Rs.2,403,272,542/- representing 96,650,338 ordinary shares as at 31st March 2013).

Directors' Shareholding

Directors' interest in the shares of the Company as at 31st March 2014 and 31st March 2013 were as follows:

Annual Report of the Board of Directors on the Affairs of the Company

	As at 31.03.2014	As at 31.03.2013
Mr. Emilianus Prema Alphonse Cooray	11,500	11,500
Mr. Dilith Susantha Jayaweera	30,240	30,240
Mr. Rajinda Seneviratne	429,665	248,665
Ms. Varuni Sonali Fernando Amunugama	30,240	30,240
Mr. Janesh Manoj Bandara Pilimatalawwe	Nil	Nil
Mr. Suresh Dayanath De Mel	100,000	100,000
Mr. Priya Chandana Bandara Talwatte	Nil	Nil
Mr. Pathirana Vasula Sanjeewa Premawardhana	Nil	Nil
Mr. Sharvajana Anandaraj Ameresekere	Nil	N/A

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings per share, dividends per share, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 120 under Shareholders' Information.

Employment Policy

The Company's employment policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of the gender, race or religion.

As at 31st March 2014, 19 persons were in employment (13 persons as at 31st March 2013).

Statutory Payments

The Directors confirm that to the best of their knowledge, all payments in respect of statutory liabilities including EPF,ETF, and PAYE tax have been made within the stipulated periods during the financial year.

Reserves

The reserves of the Company with the movements during the year are given in the financial statements on page 60.

Land Holdings

The Company does not hold any free hold land.

Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Notes 10 to the Financial Statements on page 86.

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2014 are given in Notes 13, 14 and 15 to the Financial Statements on page 94 to 98.

Material Foreseeable Risk Factors

As part of the governance process, the Board on a continuous basis reviews and evaluates the Internal Controls and risks of the Group and takes any measures required to mitigate risk.

Donations

Rs.73,193 were made by the Group during the year under review.

Dividends

Directors do not recommend a dividend for the year under review.

Corporate Governance

The Board of Directors confirm that the Company is compliant with section 7.10 of the Listing Rules of the Colombo Stock Exchange.

The report on Corporate Governance is given on page 24 of the Annual Report.

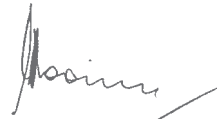
Post Balance Sheet Events

There were no post Balance Sheet events which would require adjustment to or disclosure in the Financial Statements.

Annual General Meeting

The Annual General Meeting of the Company will be held at The Institute of Chartered Accountants of Sri Lanka, Level 6, 30A, Malalasekera Mawatha, Colombo 07 on 25th September 2014 at 9.00 a.m. The Notice of the Annual General Meeting is on 112 of this Report.

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



Prema Cooray
Chairman



Chandana Talwatte
Director/CEO



P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
18 August 2014



Financial statements

A photograph of an outdoor seating area for Citrus Leisure. In the foreground, there are several wooden tables and chairs arranged on a green lawn. A white wall runs across the middle ground, with the word "citrus" written on it in a red, lowercase, sans-serif font. Behind the wall, there are several tall palm trees and a building with a red-tiled roof. The sky is overcast and grey.

citrus

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Independent Auditors' Report



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

Independent Auditor's Report

To the Shareholders of the Citrus Leisure PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of The Citrus Leisure PLC, the Consolidated Financial Statements of the Company and its subsidiaries which comprise the statement of financial position as at 31 March 2014, and the Statements of Comprehensive Income, Statements of Changes in Equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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.

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H Fernando FCA FCMA
W K B S P Fernando FCA FCMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

A member firm of Ernst & Young Global Limited

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

Opinion

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

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

Without qualifying our opinion we draw attention to Note 25.1 to the consolidated financial statements. Passikudah Beach Resorts Limited is a defendant to a legal action filed, whereby the plaintiff claims title of the land belongs to the plaintiff. The said land was purchased by the Passikudah Beach Resorts Limited for Rs 176 Million and is included in Property Plant and Equipment as Freehold Land under Note 10 to these Financial Statements. The Passikudah Beach Resorts Limited is defending ownership right to the title, and the outcome of the legal action is pending.

Report on Other Legal and Regulatory Requirements

In our opinion, these Financial Statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.



18 August 2014
Colombo

Statement of Comprehensive Income

Year ended 31 March	Note	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Revenue	5	304,707,799	237,199,977	2,873,227	6,914,171
Cost of Sales		(76,629,920)	(74,604,348)	-	-
Gross Profit		228,077,879	162,595,629	2,873,227	6,914,171
Other Income	6	12,106,888	18,086,058	4,686,634	7,210,105
Marketing Expenses		(18,194,068)	(14,095,574)	(2,335,370)	(4,328,968)
Administrative Expenses		(183,461,544)	(163,762,514)	(30,642,672)	(29,392,851)
Finance Cost	7.1	(141,958,131)	(144,528,180)	(2,705,903)	(3,368,228)
Finance Income	7.2	41,956,564	66,041,720	40,282,558	60,716,755
Share of Profit of Investments in Associate		12,024,835	(17,883,579)	-	-
Profit/(Loss) before Tax	8	(49,447,577)	(93,546,440)	12,158,474	37,750,984
Tax Expenses	9	(5,102,076)	(9,029,722)	(5,798,903)	(15,577,420)
Profit/(Loss) for the year		(54,549,653)	(102,576,162)	6,359,571	22,173,565
Other Comprehensive Income					
Actuarial Gain/ (Loss) on Defined Benefit Plan		29,723	-	(10,616)	-
Income tax effect		(3,561)	-	-	-
Other Comprehensive Income for the year, net of tax		26,162	-	(10,616)	-
Total Comprehensive Income for the year, net of tax		(54,523,491)	(102,576,162)	6,348,955	22,173,576

Year ended 31 March	Note	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Profit Attributable to:					
Equityholders of the Parent		(18,840,680)	(48,476,717)		
Non Controlling Interest		(35,708,973)	(54,099,445)		
		(54,549,653)	(102,576,162)		
Total Comprehensive Income Attributable to:					
Equityholders of the Parent		(18,814,518)	(48,476,717)		
Non Controlling Interest		(35,708,973)	(54,099,445)		
		(54,523,491)	(102,576,162)		
Basic Loss Per Share	24	(0.22)	(0.57)		

The Accounting Policies and Notes on pages 63 through 115 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 March	Note	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	10	4,099,846,375	2,081,558,048	8,719,206	11,759,250
Leasehold Property	11	77,086,312	77,890,782	54,710,553	55,281,944
Intangible Assets	12	166,667	333,333	-	-
Investments in Subsidiaries	13	-	-	2,777,736,239	2,777,736,239
Investment in Associates	14	1,335,326,753	1,323,301,918	-	-
Deferred Tax Asset		2,589,974	1,865,258	-	-
		5,515,016,081	3,484,949,339	2,841,165,998	2,844,777,433
Current Assets					
Inventories	16	5,299,675	3,977,373	-	-
Trade and Other Receivables	18	171,859,777	153,962,503	368,183,176	242,040,686
Advance and Prepayment	19	686,592,294	1,149,321,976	5,987,572	2,161,320
Tax Receivables		7,716,921	1,830,976	4,800,752	-
Other Current Financial Assets	15	379,667,664	407,080,322	345,047,107	349,405,387
Cash and Cash Equivalents	20	37,205,984	34,536,608	1,229,410	4,472,304
		1,288,342,315	1,750,709,759	725,248,017	598,079,697
Total Assets		6,803,358,397	5,235,659,098	3,566,414,017	3,442,857,130
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	21	2,403,272,542	2,403,272,542	2,403,272,542	2,403,272,542
Retained Earnings		436,131,155	454,945,673	440,158,415	433,809,460
		2,839,403,697	2,858,218,215	2,843,430,957	2,837,082,002
Non Controlling Interest		1,199,526,105	1,235,557,492	-	-
Total Equity		4,038,929,802	4,093,775,707	2,843,430,957	2,837,082,002

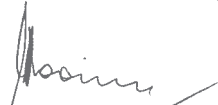
AS at 31 March	Note	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	17	1,203,404,371	15,244,115	-	-
Retirement Benefit Obligation	23	6,341,410	5,330,287	374,892	138,802
Advance Received for Leasehold Rights	22.2	-	-	170,328,281	172,121,213
		1,209,745,781	20,574,403	170,703,173	172,260,015
Current Liabilities					
Trade and Other Payables	22	277,819,195	109,908,530	529,289,105	428,220,350
Tax Payables		55,280	3,514,538	-	3,254,512
Interest Bearing Loans and Borrowings	17	1,276,808,339	1,007,885,921	22,990,782	2,040,251
		1,554,682,814	1,121,308,989	552,279,887	433,515,113
Total Equity and Liabilities		6,803,358,397	5,235,659,098	3,566,414,017	3,442,857,130

These Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.



Ravindra Dissanayake
Finance Manager

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by;



Prema Cooray
Chairman



Chandana Talwatte
Director/CEO

The Accounting Policies and Notes on pages 63 through 115 form an integral part of these Financial Statements.

18 August 2014
Colombo

Statement of Changes in Equity

Year ended 31 March 2014

Group	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.	Non-Controlling Interest Rs.	Total Equity Rs.
Balance as at 01 April 2012	1,866,570,532	478,823,847	2,345,394,379	1,204,477,051	3,549,871,430
Issue of Shares	536,702,010	-	536,702,010	-	536,702,010
Loss for the year	-	(48,476,717)	(48,476,717)	(54,099,445)	(102,576,162)
Effect of change in Group Holding	-	24,598,543	24,598,543	85,179,886	109,778,429
Balance as at 31 March 2013	2,403,272,542	454,945,673	2,858,218,215	1,235,557,492	4,093,775,707
Loss for the year	-	(18,840,680)	(18,840,680)	(35,708,973)	(54,549,653)
Other Comprehensive Income	-	26,162	26,162	-	26,162
Dividend Paid to Non Controlling Interest	-	-	-	(322,414)	(322,414)
Balance as at 31 March 2014	2,403,272,542	436,131,155	2,839,403,697	1,199,526,105	4,038,929,802

Company	Stated Capital Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01 April 2012	1,866,570,532	411,635,895	2,278,206,428
Issue of Shares	536,702,010	-	536,702,010
Profit for the year	-	22,173,565	22,173,565
Balance as at 31 March 2013	2,403,272,542	433,809,460	2,837,082,002
Profit for the year	-	6,359,571	6,359,571
Other Comprehensive Income	-	(10,616)	(10,616)
Balance as at 31 March 2014	2,403,272,542	440,158,415	2,843,430,957

The Accounting Policies and Notes on pages 63 through 115 form an integral part of these Financial Statements.

Cash Flow Statement

Year ended 31 March	Note	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Cash Flows From/(Used in) Operating Activities					
Profit/(Loss) before Income Tax Expense		(49,447,577)	(93,546,440)	12,158,474	37,750,984
Adjustments for					
Depreciation	10	47,747,635	47,818,979	1,394,357	1,977,616
Amortisation of Intangible assets	12	166,667	166,667	-	-
Amortisation of Leasehold Property	11	804,470	804,470	571,390	571,390
Share of Lease hold right (Net of Tax)		-	-	(1,792,930)	(1,792,930)
Share of Profit of Associate		(12,024,835)	17,883,579	-	-
Finance Cost	7.1	133,586,803	144,528,180	2,705,903	3,368,228
Dividend Income	5.1	(159,856)	-	-	-
Provision for Defined Benefit Plans	23	1,505,590	1,479,598	225,474	138,802
Gain on Investments Disposals	6.1	(109,851)	(1,768,104)	(87,250)	-
Fair value gain on financial assets	7.1	8,371,327	6,981,992	-	687,480
Provision for Bad Debts		1,691,511	1,546,969	1,691,511	1,546,969
Profit/(Loss) on Disposal of Leased Vehicle		-	1,163,082	-	1,163,082
Operating Profit before Working Capital Changes		132,131,884	127,058,972	16,866,930	45,411,621
Increase/(Decrease) in Inventories		(1,322,302)	538,697	-	-
Increase/(Decrease) in Trade and Other Receivables		(19,588,785)	25,377,995	(127,834,001)	49,719,806
Decrease in Advance and Prepayment		(4,082,317)	(1,044,208,854)	(3,826,252)	800,173
Increase/(Decrease) in Trade and Other Payables		167,910,665	(112,050,402)	101,068,755	(594,346,627)
Cash Generated from Operations		275,049,146	(1,003,283,593)	(13,724,568)	(498,415,028)
Finance Cost Paid		(133,586,803)	(144,528,180)	(2,705,903)	(3,368,228)
Income Tax Paid		(14,447,281)	(22,742,943)	(13,854,167)	(12,631,172)
Defined Benefit Plan Cost Paid		(464,745)	(624,966)	-	-
Net Cash Flow From/(Used in) Operating Activities		126,550,317	(1,171,179,682)	(30,284,638)	(514,414,428)

Cash Flow Statement

Year ended 31 March	Group		Company		
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	
Cash Flows from/(Used in) Investing Activities					
Acquisition of Property, Plant and Equipment	10.1.3	(1,607,284,019)	(378,346,518)	(4,823,621)	(1,198,140)
Acquisition of Intangible Asset		-	(500,000)	-	-
Acquisition of Leasehold Properties		-	(13,706,674)	-	-
Investment in Subsidiaries		-	-	-	(207,499)
Investment in Fixed Deposits		-	(427,767,891)	-	(16,962,210)
Dividend Income	6.1	159,856	-	-	-
Proceeds from Sale of Investments		30,564,990	33,976,478	4,445,530	-
Proceeds from Disposal of Fixed Assets		7,512,378	13,808,087	6,469,306	-
Proceeds from Withdrawal of Fixed Deposits		-	802,574,708	-	4,438,238
Net Cash Flow Used in Investing Activities		(1,569,046,795)	30,038,190	6,091,214	(13,929,610)
Cash Flows from/(Used in) Financing Activities					
Proceeds from Interest Bearing Loans and Borrowings	17.1	1,475,392,702	398,000,300	-	-
Repayment of Interest Bearing Loans and Borrowings	17.1	211,427,514	(157,927,149)	(641,180)	(5,920,149)
Investment in Fixed Deposits and Treasury Bills		(11,594,408)	-	-	-
Payments for Commercial Papers and Promissory Notes		-	(461,320,186)	-	-
Principal Payments under Lease Liabilities	17.2	(3,560,286)	(8,282,912)	-	(7,760,272)
Net Proceeds From Issuance of Share Capital		-	536,702,010	-	536,702,010
Net Proceeds from Issue of Shares by Subsidiaries		-	109,536,771	-	-
Dividend Paid to Non Controlling Interest		(322,414)	-	-	-
Net Cash flows From/(Used in) Financing Activities		1,248,488,080	416,708,834	(641,180)	523,021,589
Net Increase in Cash and Cash Equivalents		(194,008,399)	(724,432,658)	(24,834,603)	(5,322,449)
Cash and Cash Equivalents at the beginning of the year	20	(724,648,542)	(215,884)	3,073,232	8,395,681
Cash and Cash Equivalents at the end of the year	20	(918,656,941)	(724,648,542)	(21,761,371)	3,073,232

The Accounting Policies and Notes on pages 63 through 115 form an integral part of these Financial Statements.

Notes to the Financial Statements

Year ended 31 March 2014

1. CORPORATE INFORMATION

1.1 Reporting Entity

The Citrus Leisure PLC (“the Company”) is a public limited liability Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The registered office of the Company is located at No 7/5, Gregory’s Road, Colombo 07.

The Consolidated Financial Statements of the Company for the year ended 31 March 2014 comprise the Company and its subsidiary (together referred to as “the Group”).

1.2 Principal Activities and Nature of Operations

Company

During the year, the principal activities of the Company were investing and managing subsidiaries and provision of food and beverages, lodging, and other hospitality related activities.

Subsidiaries

Hikkaduwa Beach Resort PLC, Waskaduwa Beach Resort PLC, Passikudah Beach Resorts Limited, Citrus Aqua Limited

The principal activities of above subsidiaries are provision of food and beverage, lodging, other hospitality industry related activities.

Kalpitiya Beach Resort PLC

The planned principal activities of the Company are provision of food and beverages, lodging, and other hospitality related activities. The commercial operations have not been commenced and the Company is in the process of constructing the hotel. Construction activities are in the initial phase during the current year.

The Company also holds an equity investment of 20.22% in Colombo Land and Development PLC which accounts for as an equity accounted investee in these financial statements.

Citrus Vacations Limited

Principal activities of the Company are carrying out inbound and outbound travels and business of travel agents.

1.3 Parent Entity and Ultimate Parent Entity

At present the Company does not have an identifiable parent or an ultimate parent entity of its own.

1.4 Date of Authorization for Issue

The Consolidated Financial Statements of the Group for the year ended 31 March 2014 were authorized for issue in accordance with a resolution of the Board of Directors on 18 August 2014.

Notes to the Financial Statements

Year ended 31 March 2014

2.1 Basis of preparation

2.1.1 Basis of Preparation

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 07 of 2007.

2.1.2 Basis of Measurement

The Financial Statements have been prepared on a historical cost convention except certain items of financial instruments, that have been measured at fair value.

2.1.3 Comparative Information

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation.

The Group applied LKAS 19-Employee Benefits (Revised 2013) in the current period. Accordingly Actuarial Gain and Loss is recognized in full in other comprehensive income whereas it was previously recognized in full in the income statement. The Financial Statements for the previous year have not been restated as the effect is immaterial.

2.1.4 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2014 and the Financial Statements of all Companies in the Group are prepared for a common financial year, which ends on 31 March.

The Financial Statements of the subsidiaries are prepared in compliance with the Group's accounting policies.

The subsidiary and its controlling percentage of the Group, which have been consolidated, are as follows:

Name of the Subsidiary	Holding Percentage	
	2014	2013
Hikkaduwa Beach Resort PLC	88.8%	88.8%
Kalpitiya Beach Resort PLC	69.26%	69.26%
Waskaduwa Beach Resort PLC	59.30%	59.30%
Passikudah Beach Resorts Limited	100%	100%
Citrus Aqua Limited	51%	51%
Citrus Vacations Limited	51%	51%

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities

which is evident when the Group controls the composition of the Board of Directors of the entity or holds more than 50% of the issued shares of the entity or 50% of the voting rights of the entity or entitled to receive more than half of every dividend from shares carrying unlimited right to participate in distribution of profits or capital.

Entities that are subsidiaries of another entity which is a subsidiary of the Company are also treated as subsidiaries of the Company.

The interest of outside shareholders in Group Companies is disclosed separately under the heading of "Non- controlling Interest".

The results of subsidiaries acquired or incorporated during the period have been consolidated from the date of acquisition or incorporation, while the results of subsidiaries disposed, have been accounted up to the date of disposal. Non- controlling Interest is measured at the proportionate share of the acquiree's identifiable net assets.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest

- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Transactions with non-controlling interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under the heading "Non-controlling Interest".

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

Notes to the Financial Statements

Year ended 31 March 2014

2.1.3.1 Investment in Associates

The Group's investment in associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried at cost plus post acquisition changes in the Company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

In case of associates, where the reporting dates are different to Group reporting dates, adjustments are made for any significant transactions or events up to 31st March.

2.1.4 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupee, which is the Group's functional currency.

2.1.5 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 and operations.

2.1.6 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

3.1 Functional and Presentation Currency

The Group's Consolidated Financial Statements are presented in Sri Lanka Rupees, which is the functional and presentation currency of the Group. Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rulings applicable on the dates of the transaction.

Transactions in foreign currencies are initially recorded by the Group at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement.

3.2.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

Room revenue

Room revenue is recognized on the rooms occupied on a daily basis and food and beverage and other hotel related sales are accounted for at the point of sales.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Gains and losses on Disposal of Assets

Gains and losses on disposal of Assets are determined by comparing the net sales proceeds with the carrying amounts of the Assets and are recognised net within “other operating income” in the Statement of Income.

Dividend Income

Dividend income is recognised in statement of income on the date the entity’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

3.2.2 Taxation

Current Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

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

Waskaduwa Beach Resort PLC

Pursuant to agreement dated 19 March 2012, entered into with Board of Investments of Sri Lanka under section 17 of the Board of Investment Law No. 04 of 1978, the provision of the Inland Revenue

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Act No. 10 of 2006 relating to the imposition, payment and recovery of income tax in respect of the profit and income of the Company shall not apply for a period of twelve (12) years reckoned from the year of assessment as may be determined by the Board ("the tax exemption period").

Hikkaduwa Beach Resort PLC

a. Hotel Operations

The profit relating to the hotel operation is exempt from income tax for 6 years reckoned from the commencement of the year of assessment in which such undertaking commences to make profits from transactions entered in to in that year of assessment or from the commencement of the year of assessment immediately succeeding the year of assessment in which such undertaking completes a period of two years reckoned from the date on which such undertaking commences to carry on commercial operations, whichever occurs earlier. Accordingly tax exemption will expire in 2016/17.

b. Interest Income

Interest income is taxed at the rate of 28%.

Deferred Taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the

extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables that are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.2.3 Expenses

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

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

3.2.4 Borrowing cost

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset.

3.2.5 Finance cost

Finance costs comprise interest expense on borrowings that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.3 Assets and bases of their valuation

3.3.1 Property, Plant and Equipment

3.3.1.1 Recognition and measurement

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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Year ended 31 March 2014

3.3.1.2 Owned assets

The cost of Property, Plant and Equipment includes expenditure 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 costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 April 2011.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.3.1.3 Subsequent Costs

The cost of replacing a component of an item of Property, Plant and Equipment is recognised 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 derecognised in accordance with the derecognition policy given below.

The costs of the day-to-day servicing of Property, Plant and Equipment are recognised in profit and loss as incurred.

3.3.1.4 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Gains and losses on derecognition are recognised in statement of income and gains are not classified as revenue.

3.3.1.5 Depreciation

Depreciation is recognised in the Statement of Income on a straight-line basis over the estimated useful lives of each part of an item of Property, Plant and Equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Freehold land is not depreciated.

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

Buildings	40 Years
Furniture and Fittings	6 Years
Entertainment Equipments	4 Years
Office Equipments	6 Years
Sundry Equipments	5 Years
Linen and Furnishing	3 years
Kitchen Utensils and Other Equipments	10 years
Electrical Fittings	10 years
Crockery and Cutlery	3 Years
Motor Vehicles	4 Years

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

3.3.1.6 Lease assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

3.3.1.7 Group as a lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the

leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

3.4 Current Assets

Assets classified as current assets on the Statement of Financial Position are cash and bank balances and those which are expected to be realised in cash during the normal operating cycle or within one year from the reporting date, whichever is shorter.

3.4.1 Inventories

Inventories are valued at the lower of cost and estimated net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the

Notes to the Financial Statements

Year ended 31 March 2014

estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae.

House keeping and Maintenance	} At actual cost on weighted average basis
Food and Beverages	
Printing & Stationary	
Consumables and Other	

3.4.2 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.4.3 Impairment of non-financial assets

The carrying amounts of the Group's non-financial 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. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently, if events or changes in circumstances indicate that they might be impaired.

3.4.3.1 Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, 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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets.

3.4.3.2 Impairment / Reversal of impairment

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in statement of income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation

or amortisation, if no impairment loss had been recognised.

3.5 Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance income or finance costs in the income statement.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under LKAS 39 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly

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changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) The Group has transferred substantially all the risks and rewards of the asset, or
 - (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a 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 (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar

credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent

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year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are

recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), 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.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 17.3

3.6 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

3.6.1 Post-Employment Benefits

i) Defined Benefit Plan-Gratuity

A defined benefit plan is a post-employment benefit plan. The defined benefit is calculated by independent actuaries using Projected Unit

Credit (PUC) method as recommended by LKAS 19 on "Employee Benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. Any actuarial gains or losses arising are recognized in other comprehensive income.

The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 23. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 on "Employee Benefits". However, under the payment of gratuity act No.12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded.

ii) Defined Contribution Plans-Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further

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amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in statement of income in the periods during which services are rendered by employees.

The Company contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

3.6.2 Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.6.3 Stated Capital

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

3.7 General

Earnings/ (Loss) Per Share

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.8 Cash Flow Statement

The Cash Flow Statement has been prepared using the "indirect method". Interest paid is classified as

an operating cash flow. Grants received, which are related to purchase and construction of Property, Plant and Equipment are classified as investing cash flows. Dividend and interest income are classified as cash flows from investing activities.

Dividends paid are classified as financing cash flows and Dividends received are classified as investing cash flows.

3.9 Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the Group's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the Financial Statements. Use of available information, estimates and assumptions and application of judgment is inherent in the preparation of the Financial Statements as they affect the application of accounting policies and the recorded amounts in the Financial Statements.

The Group believes its estimates including the valuation of assets and liabilities are appropriate. Estimates and underline assumptions are reviewed on a continuous basis. However, the actual results may differ from those estimates. The most significant uses of judgment and estimates are as follows.

Deferred Taxation

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can

be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Employee Benefit Liability – Gratuity

The cost of the defined benefit plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Further details about defined benefit obligations are given in Note 23.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that

have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements.

(i) SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 01 January 2015. However, the original effective date has been deferred and revised effective date is yet to be announced.

(ii) SLFRS 13 -Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. This standard will be effective for annual periods beginning on or after 01 January 2014. However use of fair value measurement principles contained in this standard are currently recommended.

In addition to the above, following standards will also be effective for annual periods commencing on or after 01 January 2014.

SLFRS 10 -Consolidated Financial Statements

SLFRS 11 – Joint Arrangements

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SLFRS 12 -Disclosure of Interests in Other Entities

The above package of three standards will impact the recognition, measurement and disclosure aspects currently contained in LKAS 27-Consolidated and separate financial statements, LKAS 28 - Investments in associates, LKAS 31-Interest in joint ventures and SIC-12 and SIC 13 which are on consolidation of special purpose entities(SPEs) and jointly controlled entities respectively.

Establishing a single control model that applies to all entities including SPEs and removal of the option to proportionate consolidate Jointly controlled entities

are the significant changes introduced under SLFRS 10 and SLFRS 11 respectively.

SLFRS 12 establishes a single standard on disclosures related to interests in other entities. This incorporates new disclosures as well as disclosures currently required under (as per ones previously captured in earlier versions of) LKAS 27, LKAS 28 and LKAS 31.

The Group will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

5. REVENUE

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Gross Revenue (Note 5.1)	307,685,387	239,501,186	2,873,227	6,914,171
Tourism Development Levy	(2,977,588)	(2,301,209)	-	-
	304,707,799	237,199,977	2,873,227	6,914,171
5.1 Gross Revenue				
Hotel Income	283,231,856	225,462,166	-	-
Villa Income	1,671,947	1,858,448	-	-
Air Ticketing Income	22,541,821	12,013,600	-	-
Water Sports Related Income	239,763	166,972	-	-
Management Fees	-	-	2,873,227	6,914,171
	307,685,387	239,501,186	2,873,227	6,914,171

6. OTHER INCOME AND GAINS

6.1 Other Income

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Income from sublease	-	-	1,792,930	1,792,930
Dividend Income	159,856	1,316,776	2,556,358	87,668
Non Refundable Deposits Income	-	157,910	-	-
Other Income from Hotel Related Activities	-	5,404,147	-	5,329,507
Exchange Gain	272,158	4,435,244	-	-
Service charges on Air line ticketing activities	6,634,711	2,782,376	-	-
Travel Insurance Commission	548,471	713,028	-	-
Laundry Income	716,897	325,022	-	-
Swimming Pool Income	104,565	142,153	-	-
Ayurvedic Centre Income	843,587	1,286,020	-	-
Bad debt recovery	-	618,962	-	-
Commissions and Service Charge Income	-	880,496	-	-
Profit on Sale of Shares	109,851	-	87,250	-
Sundry Income	208,480	-	250,096	-
Written Back of Creditors	2,460,121	-	-	-
	12,106,888	18,086,058	4,686,634	7,210,105

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7. FINANCE COSTS AND INCOME

7.1 Finance Cost

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Interest Expenses on Bank Overdrafts	129,337,605	79,570,780	2,158,223	706,923
Interest Expenses on Finance Leases	3,548,072	3,987,713	-	1,419,303
Interest Expenses on Bank Loans	701,126	2,417,766	-	554,523
Interest Expenses on Commercial papers	-	51,112,801	-	-
Fair value loss on financial assets at fair value through profit or loss	8,371,327	7,439,120	547,680	687,480
	141,958,131	144,528,180	2,705,903	3,368,228
7.2 Finance Income				
Interest Income	41,956,564	63,816,489	40,282,558	60,716,755
Fair value gain on financial assets at fair value through profit or loss	-	457,128	-	-
Gain on Disposal of Investments	-	1,768,104	-	-
	41,956,564	66,041,721	40,282,558	60,716,755

8. PROFIT BEFORE TAX

Stated after Charging/(Crediting)	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Included in Administrative Expenses				
Employees Benefits including the following	301,271,077	28,235,937	7,962,843	9,464,551
- Defined Benefit Plan Costs-Gratuity	1,505,590	1,479,598	225,474	138,802
- Defined Contribution Plan Costs-EPF and ETF	2,157,321	2,462,977	-	-
Depreciation	48,235,510	47,818,979	1,965,747	9,269,703
Amortisation of Intangible Assets	250,183	166,667	-	-
Audit Fees	1,094,500	981,000	200,000	175,000
Included in Selling and Distribution Costs				
Advertising Costs	2,962,323	1,008,151	-	-

9. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 March are as follows :

Income Statement	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Current Income Tax				
Current Income Tax charge (Note 9.1)	7,339,342	12,368,449	7,331,426	11,746,119
Under provision	(1,512,550)	2,076,176	(1,532,523)	3,831,301
	5,826,792	14,444,625	5,798,903	15,577,420
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (Note 9.3)	(724,716)	(5,414,903)	-	-
Income tax expense reported in the Income Statement	5,102,076	9,029,722	5,798,903	15,577,420

Notes to the Financial Statements

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9.1 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Accounting Profit/(Loss) before income tax	(48,200,727)	(93,546,439)	12,158,474	37,750,984
Allowable Items	(102,240,288)	(100,755,855)	(4,525,840)	(1,687,116)
Disallowable Items	66,686,708	199,600,658	10,815,970	7,700,656
Interest Income	(40,174,234)	(62,609,207)	(40,282,558)	(60,716,755)
Business loss	-	59,132,272	-	16,952,231
Profit and Income Exempt from Tax	(34,850,641)	-	-	-
Taxable Profit/ (Loss)	(158,779,182)	1,821,429	(21,833,954)	-
Interest Income	40,174,234	62,609,207	40,282,558	60,716,755
Trade income	-	1,821,429	-	-
Total Statutory Income	40,174,234	64,430,636	40,282,558	60,716,755
Tax Losses Brought Forward and Utilised	(14,098,895)	(20,257,605)	(14,098,895)	(18,766,331)
Assessable/Taxable Income	26,075,339	44,173,031	26,183,663	41,950,424
Statutory Tax Rate 28%	7,339,342	12,368,449	7,331,426	11,746,119
	7,339,342	12,368,449	7,331,426	11,746,119

9.2 Deemed Dividend Tax

The Company hasn't recorded a distributable profit for the year ended 31 March 2014, therefore deemed dividend tax does not apply.

9.3 Deferred Tax Assets , Liabilities and Income Tax relates to the followings

Group

	Statement of Financial Position		Income Statement	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Deferred Tax Liability				
Capital Allowances for Tax Purposes	-	-	-	(9,122,538)
	-	-	-	(9,122,538)
Deferred Income Tax Asset				
Capital allowances for tax purposes	1,937,088	1,269,454	(667,634)	(1,269,454)
Retirement Benefit Obligation				
- Through Income Statement	656,448	595,804	(60,644)	(147,603)
Retirement Benefit Obligation				
- Through Other Comprehensive Income	(3,561)	-	-	-
Business Loss	-	-	-	5,124,693
	2,589,974	1,865,258		3,980,635
Deferred income tax Income			(728,278)	(1,434,267)
Net Deferred Tax Asset	2,589,974	1,865,258		

Group

	2014 Rs.	2013 Rs.
9.3.1 Reconciliation of Deferred Tax Charge / (Reversal)		
Deferred Tax Charge reported in the Income Statement	(728,278)	(5,414,903)
Deferred Tax Charge reported in Other Comprehensive Income	3,561	-
	(724,717)	(5,414,903)

9.4 Deemed Dividend Tax

The Group has a carried forward tax loss amounting to Rs.43,013,334/- (2013 - Rs.15,567,728/-) that is available indefinitely for offset against future statutory Income of the Group subject to limitation of 35% of statutory income in each year of assessment. A deferred tax asset amounting to Rs.8,655,033/- (2013 – Rs.1,868,127) has not been recognised in respect of this tax loss and other temporary differences which has resulted deferred tax assets as it is anticipated that the deferred tax asset will not realise in the foreseeable future.

Notes to the Financial Statements

Year ended 31 March 2014

10. PROPERTY, PLANT AND EQUIPMENT

10.1 Group

	Balance As At 1.04.2013 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As At 31.03.2014 Rs.
10.1.1 Gross Carrying Amounts				
At Cost				
Freehold Land	1,009,742,105	22,682,250	-	1,032,424,355
Buildings	483,913,642	17,614,237	(4,225,135)	497,302,744
Motor Vehicles	590,560	-	-	590,560
Furniture and Fittings	41,689,770	501,144	(223,947)	41,966,967
Plant & Machinery	3,896,143	167,511	(371,320)	3,692,334
Equipments :				
Entertainment Equipment	5,398,810	-	(373,870)	5,024,940
Office Equipment	6,765,798	1,054,272	-	7,820,070
Gardening and Other Equipment	392,341	18,169	-	410,510
Sundry Equipment	18,386,820	491,942	-	18,878,762
Furnishing and Linen	9,035,847	1,748,806	(895,802)	9,888,851
Kitchen Utensils and Other Equipment	13,006,484	1,037,049	(419,255)	13,624,278
Air Condition	59,348,441	125,195	-	59,473,636
Computer Equipments	832,763	241,839	-	1,074,602
Generator	10,497,393	-	-	10,497,393
Electrical Fittings	23,853,891	4,557,313	(239,606)	28,171,598
Crockery and Cutlery	3,853,709	154,037	(1,316,676)	2,691,070
	1,691,204,517	50,393,764	(8,065,611)	1,733,532,670
10.1.2 Assets on Finance Leases				
Electrical Fittings	4,084,816	-	(2,543,134)	1,541,682
Motor Vehicle	28,257,648	-	-	28,257,648
	32,342,464	-	(2,543,134)	29,799,330
Total Value of Depreciable Assets	1,723,546,981	50,393,764	(10,608,745)	1,763,332,001
10.1.3 In the Course of Construction				
Building Work in Progress	411,533,801	2,035,262,314	(11,560,060)	2,435,236,055
Total Gross Carrying Amount	2,135,080,783	2,085,656,078	(22,168,805)	4,198,568,056

	Balance As At 1.04.2013 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As At 31.03.2014 Rs.
10.1.4 Depreciation				
At Cost				
Buildings	14,640,229	12,138,850	(298,963)	26,480,116
Motor Vehicles	271,686	147,639	-	419,325
Furniture and Fittings	7,524,658	7,016,513	(76,780)	14,464,392
Plant & Machinery	570,782	527,187	(133,440)	964,528
Equipments :				
Entertainment Equipment	1,552,716	1,418,245	(142,200)	2,828,761
Office Equipment	966,442	1,349,602	-	2,316,045
Gardening and Other Equipment	78,294	61,125	-	139,419
Sundry Equipment	6,137,781	3,710,291	-	9,848,073
Furnishing and Linen	3,272,891	3,244,078	(563,390)	5,953,579
Kitchen Utensils and Other Equipment	1,665,885	1,421,214	(267,451)	2,819,648
Air Condition	4,183,558	4,552,602	-	8,736,160
Computer Equipments	461,869	375,959	-	837,828
Generator	994,243	812,950	-	1,807,193
Electrical Fitting	1,803,663	2,520,184	(82,386)	4,241,461
Crockery and Cutlery	1,583,515	1,180,585	(984,079)	1,780,020
	45,708,212	40,477,023	(2,548,689)	83,636,546
10.1.5 Assets On Finance Leases				
Electrical Fittings	1,334,366	206,200	-	1,540,566
Motor Vehicle	6,480,157	7,064,412	-	13,544,569
	7,814,523	7,270,612	-	15,085,135
Total Depreciation	53,522,735	47,747,635	(2,548,689)	98,721,681

Notes to the Financial Statements

Year ended 31 March 2014

10. PROPERTY, PLANT AND EQUIPMENT (Contd.)

10.1 Group

	2014 Rs.	2013 Rs.
10.1.6 Net Book Values		
At Cost		
Freehold Land	1,032,424,355	1,009,742,105
Buildings	470,822,629	469,273,413
Motor Vehicles	171,235	318,874
Furniture and Fittings	27,502,575	34,165,111
Plant & Machinery	2,727,806	3,325,361
Equipments :		
Entertainment Equipment	2,196,179	3,846,094
Office Equipment	5,504,025	5,799,356
Gardening and Other Equipment	271,091	314,047
Sundry Equipment	9,030,689	12,249,039
Furnishing and Linen	3,935,272	5,762,956
Kitchen Utensils and Other Equipment	10,804,630	11,340,599
Air Condition	50,737,476	55,164,883
Computer Equipments	236,775	370,894
Generator	8,690,200	9,503,150
Electrical Fittings	23,930,137	22,050,228
Crockery and Cutlery	911,050	2,270,195
	1,649,896,125	1,645,496,305
Assets on Finance Leases		
Electrical Fittings	1,116	2,750,450
Motor Vehicle	14,713,079	21,777,491
	14,714,195	24,527,941
In the Course of Construction		
Building Work in Progress	2,435,236,055	411,533,801
Total Carrying Amount of Property, Plant and Equipment	4,099,846,375	2,081,558,048

10.1.7 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.2,085,656,078/- (2013 Rs.1,576,988,879/-). Cash payment amounting to Rs.1,607,284,019 (2013-Rs. 378,346,518/-) were made during the year for purchase of Property, Plant and Equipment.

10.1.8 Information on the Freehold Land, Freehold Buildings and Leasehold Land of the Group.

Company	Location	Ownership	Extent	Lease Period	No. of Buildings
Hikkaduwa Beach Resort PLC	Hikkaduwa	Freehold	312 Perches	-	1
Waskaduwa Beach Resort PLC	Waskaduwa	Freehold	1,322 Perches	-	-
Kalpitiya Beach Resort PLC	Kalpitiya	Leasehold	5,680 Perches	99 years	-
Kalpitiya Beach Resort PLC	Kalpitiya	Freehold	6,772 Perches	-	-
Passikudah Beach Resorts Limited	Passikudah	Freehold	1,986 Perches	-	-

	Balance As At 1.04.2013 Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	Balance As At 31.03.2014 Rs.
10.2.3 Depreciation				
At Cost				
Buildings	219,742	148,649	(298,963)	69,428
Furniture and Fittings	740,221	617,144	-	1,357,365
Equipments :				
Office Equipment	175,348	211,521	-	386,869
Sundry Equipment	24,938	11,220	-	36,158
Furnishing and Linen	62,147	30,715	-	92,862
Kitchen Utensils and Other Equipment	167,831	130,072	-	297,903
Electrical Fitting	-	1,316	-	1,316
Motor Vehicle	51,594	37,520	-	89,114
	1,441,820	1,188,157	(298,963)	2,331,014
Assets On Finance Leases				
Electrical Fittings	1,334,366	206,200	-	1,540,566
	1,334,366	206,200	-	1,540,566
Total Depreciation	2,776,186	1,394,357	(298,963)	3,871,580

Notes to the Financial Statements

Year ended 31 March 2014

10. PROPERTY, PLANT AND EQUIPMENT (Contd.)

	2014 Rs.	2013 Rs.
10.2.4 Net Book Values		
At Cost		
Buildings	3,633,361	4,005,393
Furniture and Fittings	2,345,497	2,962,641
Equipments :		
Office Equipment	1,303,228	800,422
Sundry Equipment	19,942	31,162
Furnishing and Linen	881	31,596
Kitchen Utensils and Other Equipment	1,355,331	1,078,897
Electrical Fittings	-	1,316
Motor Vehicle	60,966	98,486
	8,719,206	9,009,914
Assets on Finance Leases		
Electrical Fittings	-	2,749,334
	-	2,749,334
Total Carrying Amount of Property, Plant and Equipment	8,719,206	11,759,248

10.2.5 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.4,823,621 /- (2013-Rs. 1,198,140/-). Cash payment amounting to Rs.4,823,621/- (2013-Rs. 1,198,140/-) were made during the year for purchase of Property, Plant and Equipment.

11. LEASEHOLD PROPERTY

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
As at 01 April	77,890,782	78,695,253	55,281,944	55,853,333
Amortisation for the year	(804,470)	(804,470)	(571,390)	(571,390)
At 31 March	77,086,312	77,890,782	54,710,553	55,281,944

12. INTANGIBLE ASSETS-GROUP

12.1 Cost

	Balance As at 1.04.2013 Rs.	Additions Transfers Rs.	Disposals/ Rs.	Balance As at 31.03.2014 Rs.
Website Development Cost	500,000	-	-	500,000
	500,000	-	-	500,000

Notes to the Financial Statements

Year ended 31 March 2014

12. INTANGIBLE ASSETS-GROUP (Contd.)

12.2 Amortization

	Balance As at 01.04.2013 Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2014 Rs.
Website Development Cost	166,667	166,667	-	333,333
	166,667	166,667	-	333,333
Net Book Values Intangible Assets			166,667	333,333
			166,667	333,333

* The above website development cost include the cost incurred for underwater video recording, which published in their website and intend to use more than one year that could promote their water sports and tourism business.

* Intangible Asset is amortized over 03 years

13. INVESTMENT IN SUBSIDIARIES-COMPANY

	2014 Rs.	2013 Rs.
Investments in Quoted Subsidiaries (Note 13.1)	2,765,124,239	2,765,124,239
Investments in Non-Quoted Subsidiaries (Note 13.2)	12,612,000	12,612,000
Total Carrying Value of Investments in Subsidiaries	2,777,736,239	2,777,736,239

13.1 Quoted Investment in Subsidiaries

	Holding		Cost	Market	Cost	Market
	2014 %	2013 %	Value 2014 Rs.	Value 2014 Rs.	Value 2013 Rs.	Value 2013 Rs.
Waskaduwa Beach Resort PLC	59.30	59.30	931,207,498	701,258,080	931,207,498	489,035,271
Kalpitiya Beach Resort PLC	69.26	69.26	1,174,079,461	636,388,624	1,174,079,461	614,059,198
Hikkaduwa Beach Resort PLC	88.80	88.80	659,837,280	961,194,819	659,837,280	909,250,447
Total Quoted Investment in Subsidiaries			2,765,124,239	2,298,841,523	2,765,124,239	2,012,344,916

13.2 Non-Quoted Investment in Subsidiaries

	Holding		Cost	Directors'	Cost	Directors'
	2014 %	2013 %	Valuation 2014 Rs.	Valuation 2014 Rs.	Valuation 2013 Rs.	Valuation 2013 Rs.
Citrus Aqua Limited	51.00%	51.00%	12,000,000	12,000,000	12,000,000	12,000,000
Citrus Vacations Limited	51.00%	51.00%	612,000	612,000	612,000	612,000
Total Non-Quoted Investment in Subsidiaries			12,612,000	12,612,000	12,612,000	12,612,000

14. INVESTMENT IN ASSOCIATES

Cost of investment in Associate

The Group acquired a 20.22% interest in Colombo Land & Development Company PLC which is involved in leasing out investment property under operating leases and also involved in development of investment property. The cost of investment as at acquisition date is Rs.1,303,303,398/-.

Notes to the Financial Statements

Year ended 31 March 2014

14. INVESTMENT IN ASSOCIATES (Contd.)

14.1 Quoted

	Number of Shares		2014	2013
	2014	2013	Rs.	Rs.
Colombo Land & Development Company PLC	40,413,200	40,413,200	1,323,301,918	1,341,185,497
Post Acquisition Profit			12,024,835	(17,883,579)
Carrying Value of the Investments			1,335,326,753	1,323,301,918

The following table illustrates the summarised financial information of the Company's investment in Colombo Land & Development Company PLC

	2014	2013
	Rs.	Rs.
Statement of Financial Position		
Current Assets	12,420,944	17,629,211
Non- Current Assets	912,251,990	780,904,892
Current Liabilities	(62,678,563)	(17,568,147)
Non- Current Liabilities	(304,759,075)	(235,862,863)
Non Controlling Interest	(154,279)	43,675
Net Assets	557,081,018	545,146,769
Fair value, Good will and other adjustments	778,155,149	778,155,149
Carrying amount of the Investment	1,335,326,753	1,323,301,918

Income Statement	2014	2013
	Rs.	Rs.
Revenue	25,370,034	21,213,206
Profit before Income Tax	23,762,140	(1,958,307)
Income Tax	(11,412,977)	(16,353,127)
Other Comprehensive Income	(324,329)	427,855
Profit after tax	12,024,834	(17,883,579)

14.2 Market value of the investment as at 31 March,

	2014 Rs.	2013 Rs.
Market Value of a Share	35.60	30.50
Market Value of the Investment	1,438,709,920	1,232,602,600

15. OTHER FINANCIAL ASSETS

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Fair value through profit or loss				
Investment in Quoted Securities (Note 15.1)	17,553,434	56,560,500	-	4,358,280
Other Financial Assets				
Investments in Fixed Deposits	359,618,083	350,519,822	345,047,107	345,047,107
Treasury Bills	2,496,147	-	-	-
Total Other Financial Assets	379,667,664	407,080,322	345,047,107	349,405,387
Current	379,667,664	407,080,322	345,047,107	349,405,387
Total Financial Assets	379,667,664	407,080,322	345,047,107	349,405,387

Notes to the Financial Statements

Year ended 31 March 2014

15.1 Investment in Quoted Securities-Current-Group

	No. of Shares		Carrying	Market	Carrying	Market
	2014	2013	Value 2014	Value 2014	Value 2013	Value 2013
			Rs.	Rs.	Rs.	Rs.
Quoted						
Asian Hotels and Properties PLC	9,200	9,200	644,000	540,960	734,160	5,002,100
John Keells Holdings PLC	-	100	-	-	20,600	24,700
Aitken Spense Hotel Holdings PLC	102,900	117,150	7,638,225	7,203,000	8,199,972	8,669,100
Royal Ceramics Lanka PLC	123,698	474,600	17,094,856	9,809,474	54,587,760	42,864,600
	-	-	25,377,081	17,553,434	63,542,492	56,560,500
Less; Fall in Value of Investment			(7,823,647)	-	(6,981,992)	-
Total Investments in Quoted Securities			17,553,434	17,553,434	56,560,500	56,560,500

15.2 Investment in Quoted Securities-Current-Company

	No. of Shares		Carrying	Market	Carrying	Market
	2014	2013	Value 2014	Value 2014	Value 2013	Value 2013
			Rs.	Rs.	Rs.	Rs.
Quoted						
Royal Ceramics Lanka PLC	-	43,800	-	-	5,045,760	4,358,280
Less; Fall in Value of Investment	-	-	-	-	(687,480)	-
		-	-	-	4,358,280	4,358,280

16. INVENTORIES

	Group	
	2014 Rs.	2013 Rs.
House Keeping and Maintenance	1,518,698	1,057,965
Food	1,426,577	751,779
Beverage	2,019,880	1,723,979
Printing and Stationary	334,520	443,650
	5,299,675	3,977,373

17. INTEREST BEARING LOANS AND BORROWINGS

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Other Financial Liabilities				
Current Interest -bearing loans and borrowings				
Obligations under finance leases	3,069,405	5,383,290	-	-
Interest Bearing Borrowings (Note 17.1)	277,876,008	243,317,481	-	641,180
Related Party Loans (Note 17.2)	40,000,000	-	-	-
Bank Overdraft	955,862,925	759,185,150	22,990,782	1,399,071
	1,276,808,339	1,007,885,921	22,990,782	2,040,251
Non-Current Interest -bearing loans and borrowings				
Obligations under finance leases	10,680,713	11,927,114	-	-
Interest Bearing Borrowings (Note 17.1)	1,192,723,658	3,317,000	-	-
	1,203,404,371	15,244,114	-	-
Total Interest-bearing loans and borrowings	2,480,212,710	1,023,130,035	22,990,782	2,040,251

Notes to the Financial Statements

Year ended 31 March 2014

17. INTEREST BEARING LOANS AND BORROWINGS (Contd.)

17.1 Bank Loans-Group

	Rate of Interest %	Term of Repayment	As at 1.04.2013 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2014 Rs.
Hatton National Bank PLC-Loan I	6%	60 Installments	478,085	-	(478,085)	-
Hatton National Bank PLC-Loan II	11%	54 Installments	163,095	-	(163,095)	-
Sampath Bank Loan I	AWPLR + 2.5% p.a	71 installments	240,000,300	755,392,701	-	995,393,001
Sampath Bank Loan II	AWPLR + 2.5% p.a	36 installments	5,993,000	-	(2,453,000)	3,540,000
Bank of Ceylon-500 Mn Loan	AWPLR + 2.5% with a floor of 14.75% pa	60 equal monthly installments	-	480,000,000	(8,333,334)	471,666,666
Bank of Ceylon-200 Mn Short Term Loan	16.75% pa	Maximum 6 Months	-	200,000,000	(200,000,000)	-
			246,634,480	1,435,392,700	(211,427,514)	1,470,599,666
					2014 Rs.	2013 Rs.
Current					277,876,008	243,317,480
Non Current					1,192,723,658	3,317,000
					1,470,599,666	246,634,480

17.2 Related Party Loans

	As at 1.04.2013 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.03.2014 Rs.
George Steuart Finance PLC	-	40,000,000	-	40,000,000
	-	40,000,000	-	40,000,000

	2014 Rs.	2013 Rs.
Current	40,000,000	-
	40,000,000	-

Terms and conditions;

Rate of Interest - 26% p.a.

Security offered -Loan Agreement 40/- Mn.

* This Loan has been fully settled on 21 July 2014

Bank Loans-Company

	Rate of Interest %	Term of Repayment	As at 1.04.2013 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2014 Rs.
Hatton National Bank PLC-Loan I	6%	60 Installments	478,085	-	(478,085)	-
Hatton National Bank PLC-Loan II	11%	54 Installments	163,095	-	(163,095)	-
			641,180	-	(641,180)	-

Notes to the Financial Statements

Year ended 31 March 2014

17. INTEREST BEARING LOANS AND BORROWINGS (Contd.)

17.2 Related Party Loans (Contd.)

Securities

Hikkaduwa Beach Resort PLC property at Hikkaduwa along with the buildings, civil structures and other fixed assets thereon are pledged as security for the above HNB loans.

Lien over cash deposits of Rs.520 Mn and Rs.400 Mn belonging to the subsidiary companies Waskaduwa Beach Resort PLC and Kalpitiya Beach Resort PLC respectively and property of Waskaduwa Beach Resort PLC for the above Pan Asia Bank Loan.

Corporate Guarantee of Citrus Leisure PLC for Rs.240 Mn/- for above Sampath Bank Loan I

Mortgage over FC Wilson sound proof Generator at Hikkaduwa Beach Resort PLC and Corporate Guarantee of Citrus Leisure PLC for Sampath Bank Loan II

17.2 Finance Lease

	As at 1.04.2013	New Lease Obtained	Repayment	As at 31.03.2014
	Rs.	Rs.	Rs.	Rs.
Group				
Asia Commerce Limited	11,745,640	-	(3,568,760)	8,176,880
National Development Bank PLC	2,313,416	-	(382,843)	1,930,573
George Steuart Finance PLC	12,063,420	-	(2,883,360)	9,180,060
Gross Liability	26,122,476	-	(6,834,963)	19,287,513
Finance Charges Allocated to Future Periods	(8,812,072)	-	3,274,677	(5,537,395)
Net Liability	17,310,404	-	(3,560,286)	13,750,118

17.3 Fair Values-Group

	Carrying Amount		Fair Values	
	2014	2013	2014	2013
Financial Assets				
Trade and Other Receivables	171,859,777	153,962,503	171,859,777	153,962,503
Short Term Deposits	379,667,664	407,080,322	379,667,664	407,080,322
Cash and cash equivalents other than bank over draft	37,205,984	34,536,608	37,205,984	34,536,608
Total	588,733,425	595,579,433	588,733,425	595,579,433
Financial Liabilities				
Interest Bearing Loans and Borrowings	1,470,599,666	246,634,481	1,510,599,667	246,634,481
Financial Lease	13,750,118	17,310,404	13,750,118	17,310,404
Trade and other payables	277,819,195	109,908,530	277,819,195	109,908,530
Bank Overdraft	955,862,925	759,185,150	955,862,925	759,185,150
Total	2,718,031,904	1,133,038,565	2,758,031,905	1,133,038,565

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Cash and short term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

Long term fixed-rate and variable -rate receivable / borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 March 2014, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

Fair value of quoted investments designated as available for sale and fair value through profit or loss is derived from quoted market price of Colombo Stock Exchange as at each reporting date.

Notes to the Financial Statements

Year ended 31 March 2014

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Trade Debtors	98,707,095	92,857,988	-	1,691,511
Less-Impairment made from Trade Debtors	(200,000)	-	-	-
	98,507,095	92,857,988	-	1,691,511
Other Receivables - Related Parties (Note 18.1)	229,015	-	349,868,298	239,451,187
- Others	73,123,667	61,104,515	18,314,878	897,988
	171,859,777	153,962,503	368,183,176	242,040,686

As at 31 March, the ageing analysis of trade receivables are as follows:

Group	Total Rs.	Neither past due or nor Impaired Rs.	< 30	31-60	61-90	91-120	> 120
			days Rs.	days Rs.	days Rs.	days Rs.	days Rs.
2014	98,507,095	-	64,984,943	23,177,077	6,198,675	1,645,186	2,501,214
2013	92,857,988	-	42,303,437	12,269,915	10,152,008	6,250,950	21,881,708

18.1 Other Receivables-Related Parties

		Group		Company	
		2014	2013	2014	2013
		Rs.	Rs.	Rs.	Rs.
Relationship					
Waskaduwa					
Beach Resort PLC	Subsidiary Company	-	-	140,591,897	-
Kalpitiya					
Beach Resort PLC	Subsidiary Company	-	-	-	-
Hikkaduwa					
Beach Resort PLC	Subsidiary Company	-	-	-	32,696,583
Citrus Aqua Limited	Subsidiary Company	-	-	473,407	-
Citrus Vacations Limited	Subsidiary Company	-	-	28,545,453	26,831,165
Citrus Silver Limited	Subsidiary Company	-	-	99,474	88,274
Passikudah					
Beach Resorts Limited	Subsidiary Company	-	-	180,148,867	179,831,564
Citrus Villas Kalpitiya Limited	Subsidiary Company	-	-	9,201	3,601
		-	-	349,868,298	239,451,187

19. ADVANCES AND PREPAYMENTS

		Group		Company	
		2014	2013	2014	2013
		Rs.	Rs.	Rs.	Rs.
Advance paid to George Steuart Engineering (Pvt) Ltd		547,089,233	1,143,767,817	-	-
Other Advances and Prepayments		129,867,085	5,554,159	5,987,572	2,161,320
		686,592,294	1,149,321,976	5,987,572	2,161,320

Notes to the Financial Statements

Year ended 31 March 2014

20. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Favourable Cash and Cash Equivalent Balances				
Cash and Bank Balances	37,205,984	34,536,608	1,229,410	4,472,304
Unfavourable Cash and Cash Equivalent Balances				
Bank Overdraft	(955,862,925)	(759,185,150)	(22,990,782)	(1,399,071)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(918,656,941)	(724,648,542)	(21,761,371)	3,073,233

21. STATED CAPITAL

	2014		2013	
	Number	Rs.	Number	Rs.
Fully paid Ordinary Shares (Note 21.1)	96,650,338	2,403,272,542	96,650,338	2,403,272,542
21.1 Fully Paid Ordinary Shares				
Balance at beginning of the year	96,650,338	2,403,272,542	78,653,255	1,866,570,532
Issue of shares for cash	-	-	17,997,083	536,702,010
Balance at end of the year	96,650,338	2,403,272,542	96,650,338	2,403,272,542

22. TRADE AND OTHER PAYABLES

		Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Current					
22.1	Trade Payables	5,648,906	10,999,717	-	-
	Other Payables to Related Parties (Note 22.3)	19,615,984	2,615,984	512,089,376	410,584,343
	Sundry Creditors including Accrued Expenses	189,190,235	68,712,133	15,406,799	15,843,077
	Retention Payables	63,364,070	27,580,696	-	-
	Advance Received for Leasehold Rights	-	-	1,792,930	1,792,930
		277,819,195	109,908,530	529,289,105	428,220,350
22.2 Non Current					
	Advance Received for Leasehold Rights	-	-	170,328,281	172,121,213
		-	-	170,328,281	172,121,213

This amount reflects the advance amount received from Kalpitiya Beach Resort PLC on leasehold land.

22.3 Other Payables to Related Parties

		Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
	Relationship				
	Waskaduwa Beach Resort PLC	-	-	-	22,553,510
	Kalpitiya Beach Resort PLC	-	-	329,030,688	384,948,532
	Triad (Private) Limited	-	-	2,615,985	2,615,985
	Citrus Vacations Limited	-	-	-	-
	Citrus Aqua Limited	-	-	-	466,316
	Hikkaduwa Beach Resort PLC	-	-	180,442,703	-
		-	-	512,089,376	410,584,343
22.4 Advance Received for Leasehold Rights					
	Current	-	-	1,792,930	1,792,930
	Non-Current	-	-	170,328,281	172,139,317
		-	-	172,121,211	173,932,247

Notes to the Financial Statements

Year ended 31 March 2014

23. RETIREMENT BENEFIT OBLIGATIONS GRATUITY

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Balance as at 01 April	5,330,288	4,475,656	138,802	-
Current Service Cost	938,112	1,479,598	211,594	138,802
Interest Cost	567,478	(624,966)	13,880	-
Actuarial (Gain)/Loss	(29,723)	-	10,616	-
Payments made during the period	(464,745)	-	-	-
Balance as at 31 March	6,341,410	5,330,288	374,892	138,802

The defined benefit obligation of the Group is based on the Messers. Actuarial and Management Consultants (Private) Limited, actuaries. Appropriate and compatible assumptions were used in determining the cost of defined benefits.

The principle assumptions used were as follows,

Assumptions regarding the future mortality are based on a 67/70 mortality table, issued by the Institute of Actuaries, London.

23.1 Assumptions Used

	2014	2013
Discount Rate	10%	11%
Future Salary Increment Rate	9%	10%
Retirement Age	60	60

Sensitivity of the principal assumptions used

	Expected Future Salaries		Discount Rate	
	1% increase Rs.	1% decrease Rs.	1% increase Rs.	1% decrease Rs.
Change in Present value of Defined Benefit Obligation	399,539	362,699	362,665	399,897

24. LOSS PER SHARE

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	Group	
	2014 Rs.	2013 Rs.
Amounts used as the Numerator		
Net Profit attributable to Equityholders of the Parent for Basic Loss per Share	(17,916,244)	(48,476,717)
Number of Ordinary Shares Used as the Denominator		
Weighted Average Number of Ordinary Shares in issue applicable to Basic Loss Per Share	85,150,970	85,150,970

25. COMMITMENTS AND CONTINGENCIES

- 25.1 Passikudah Beach Resort Limited is a defendant to a legal action filed against the Company, whereby the plaintiff claims that the title of the land belongs to the plaintiff. The said land was purchased by the Company for Rs 176 Million and is included in Property, Plant and Equipment as Freehold Land under Note 10 to these Financial Statements. The Company is defending the title, and the outcome of the legal action is pending as hearing had been postponed.

Notes to the Financial Statements

Year ended 31 March 2014

26. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included under
		2014 Rs.	2013 Rs.	
Generator	Mortgage for Interest Bearing Loan of Rs.8 Million from Sampath Bank	8,690,200	9,503,150	Property, Plant & Equipment
Freehold Land and Building	Mortgage for Interest Bearing Loan of Rs.500 Million from Bank of Ceylon	727,663,738	-	Property, Plant & Equipment of Hikkaduwa Beach Resort PLC
Freehold Land and Building	Mortgage for Interest Bearing Loan of Rs.1,048 Million from Sampath Bank	2,821,288,394	-	Property, Plant & Equipment of Waskaduwa Beach Resort PLC

27. EVENTS OCCURRING AFTER THE REPORTING DATE

Waskaduwa Beach Resort PLC has opened ceremonially the Hotel on 6th April 2014.

There were no events which required adjustments or disclosure in these financial statements, subsequent to the reporting date.

28. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

Transaction with the parent and related entities

Nature of Transaction	Subsidiaries**		Other Related Parties***		Total	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
As at 1 April	(171,133,156)	(712,271,250)	(2,615,985)	(2,615,985)	(173,749,141)	(714,887,235)
Fund Transfer from	(338,727,480)	(154,655,680)	-	-	(338,727,480)	(154,655,680)
Fund Transfer to	339,219,075	688,318,326	-	-	339,219,075	688,318,326
Expenses incurred	24,344,121	19,882,493	-	-	24,344,121	19,882,493
Services Received	(18,867,009)	(12,407,045)	-	-	(18,867,009)	(12,407,045)
Transfer of Assets	2,943,371	-	-	-	2,943,371	-
As at 31 March	(162,221,078)	(171,133,156)	(2,615,985)	(2,615,985)	(164,837,063)	(173,749,141)
Included in						
Trade and Other Receivables	349,868,298	239,451,187	-	-	349,868,298	239,451,187
Trade and Other Payables	(512,089,376)	(410,584,343)	(2,615,985)	(2,615,985)	(514,705,361)	(413,200,328)
	(162,221,078)	(171,133,156)	(2,615,985)	(2,615,985)	(164,837,063)	(173,749,141)

* The transactions with Waskaduwa Beach Resort PLC , Kalpitiya Beach Resort PLC, Hikkaduwa Beach Resort PLC, Citrus Aqua Limited, Citrus Vacations Limited, Citrus Silver Limited and Passikudah Beach Resort Limited are included here.

** The transactions with Triad (Private) Limited are included here.

Notes to the Financial Statements

Year ended 31 March 2014

28. RELATED PARTY DISCLOSURES (Contd.)

28.1 Transactions with Key Management Personnel of the Company and its Parent

The Key Management Personal (KMP's) includes the Board of Directors of the Company.

a) Key Management Personnel Compensation

	2014 Rs.	2013 Rs.
Expenses Incurred on behalf of the KMP's	5,352,000	5,352,000
	5,352,000	5,352,000

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

29.1 Risk management framework

The Group's principal financial liabilities comprise Interest Bearing loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds investments designated under fair value through profit or loss.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest rate risk

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

The Group's interest rate's are stated in Note 17 in these financial statements.

Notes to the Financial Statements

Year ended 31 March 2014

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

29.1 Risk management framework (Contd.)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase/decrease in basis points	Effect on profit before tax
2014	+50	(5,110,493)
	-50	4,867,136
2013	+50	(5,203,014)
	-50	4,955,252

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the borrowings.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Credit risk

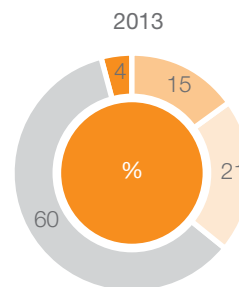
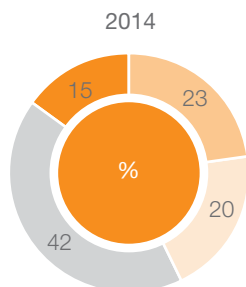
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans, and finance leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Statement of Value Added

	2014		2013	
Turnover	380,374,011		297,363,796	
Other Income	12,106,888		18,086,058	
	396,274,285		315,449,854	
Less - Cost of Materiel & Services bought in	76,629,920		74,604,348	
	315,850,979		240,845,506	
Value Allocated to Employees				
Salaries & Wages and other benefits	71,352,799	23%	35,484,800	15%
To Government				
GST,NSL,VAT,TT & Income Tax	64,112,720	20%	50,716,320	21%
To Providers of Capital				
Loan Interest & Dividend	133,586,803	42%	144,528,180	60%
To Expansion & Growth				
Depreciation & Retained in Business	46,798,657	15%	10,116,206	4%
	315,850,979	100%	240,845,506x	100%



Five Year Summery

		2009/10 Company	2010/11 Group	2011/12 Group	2012/13 Group	2013/14 Group
TRADING RESULTS						
Turnover and Other Income	Rs.'000s	71,106	108,274	245,657	255,286	316,813
Profit/(Loss) before Tax	Rs.'000s	2,216	20,447	3,571	(93,546)	(48,201)
Income Tax (Expense) / Reversal	Rs.'000s	(1,020)	(5,960)	-	(9,030)	(5,102)
Net Profit/ (Loss)	Rs.'000s	1,196	14,487	3,458	(102,576)	(53,549)
ASSETS						
Non-Current Assets	Rs.'000s	292,509	1,125,540	3,192,399	3,484,949	5,515,016
Current Assets	Rs.'000s	30,918	2,226,612	1,155,098	1,750,710	1,288,342
Total Assets	Rs.'000s	323,427	3,352,152	4,347,497	5,235,659	6,803,358
EQUITY AND LIABILITIES						
Capital and Reserves						
Stated Capital	Rs.'000s	157,306	932,178	1,866,571	2,403,273	2,403,273
Revaluation Reserve	Rs.'000s	125,036	274,246	-	-	-
Revenue Reserve	Rs.'000s	(14,392)	231,141	521,445	454,945	436,131
Non-Controlling Interest	Rs.'000s	-	903,670	1,228,082	1,235,557	1,199,526
Total Equity	Rs.'000s	267,950	2,341,235	3,616,098	4,093,775	4,038,930
Non-Current Liabilities						
Interest Bearing Borrowings	Rs.'000s	5,741	6,718	15,206	15,244	1,203,404
Deferred Tax Liabilities	Rs.'000s	16,956	19,172	3,550	-	-
Provisions for Liabilities and Charges	Rs.'000s	2,384	3,227	4,018	5,330	6,341
	Rs.'000s	25,081	29,117	22,774	20,574	1,209,745
Current Liabilities	Rs.'000s	30,396	981,800	708,626	1,121,310	1,554,683
Total Liabilities	Rs.'000s	55,477	1,010,917	731,400	1,141,884	2,764,428
Total Equity and Liabilities	Rs.'000s	323,427	3,352,152	4,347,498	5,235,659	6,803,358
VALUE TO SHAREHOLDERS						
Earnings/(Loss) per Share - Basic	Rs.	(0.03)	0.46	(0.15)	(0.57)	(0.22)
Earnings/(Loss) per Share - Diluted	Rs.	-	0.15	(0.09)	(0.57)	(0.22)
Net Asset per Share	Rs.	1.69	49.61	30.87	29.57	29.38
Debt to Equity Ratio	Times	0.02	0.00	0.00	0.00	0.30
Current Ratio	Times	1.53	2.27	1.63	1.56	0.83
Quick Asset Ratio	Times	1.48	2.27	1.62	1.56	0.83
Interest Cover	Times	0.41	0.37	1.03	0.72	1.00

Share Information

Ordinary Shareholders

There were 3,938 registered shareholders as at 31st March 2014, distributed as follows.

Shareholders Categorized Summary Report – As At 31st March 2014

From	To	No of Holders	No of Shares	%
1	1,000	2,589	731,673	0.76
1,001	10,000	1,015	3,565,204	3.69
10,001	100,000	276	7,921,707	8.20
100,001	1,000,000	46	11,261,899	11.65
Over 1,000,000		12	73,169,853	75.70
Total		3,938	96,650,336	100.00

Categories of Shareholders

Category	No of Holders	No of Shares	%
Shareholders			
Local Individuals	3,705	17,074,313	17.67
Local Institutions	200	79,152,512	81.89
Foreign Individuals	28	270,516	0.28
Foreign Institutions	5	152,995	0.16
Total	3,938	96,650,336	100.00

The percentage of issued shares held by the public as at 31st March 2014 was 60.43% (31.03.2013)

Share prices for the year

Market prices per share	2013/ 2014	2012/ 2013
Highest during the year	Rs.27.50 (10.05.2013)	Rs.39.30 (20.06.2012)
Lowest during the year	Rs.13.50 (12.09.2013)	Rs.18.10 (06.03.2013)
As at end of the year	Rs.16.40	Rs.19.30

Warrants – 2015 (W- 19)

There were 2,384 registered warrant holders as at 31st March 2014, distributed as follows.

Shareholders Categorized Summary Report – As At 31st March 2014

From	To	No of Holders	No of Shares	%
1	1,000	1,191	443,408	0.70
1,001	10,000	793	3,172,375	5.05
10,001	100,000	310	10,321,428	16.40
100,001	1,000,000	83	20,153,949	32.03
Over 1,000,000		7	28,831,444	45.82
Total		2,384	62,922,604	100.00

Categories of Shareholders

Category	No of Holders	No of Shares	%
Shareholders			
Local Individuals	2,280	31,329,563	49.79
Local Institutions	95	31,168,271	49.53
Foreign Individuals	7	324,450	0.52
Foreign Institutions	2	100,320	0.16
Total	2,384	62,922,604	100.00

Share Information

20 Major Shareholders

Name	No of Shares As At 31.03.2014	(%)	No of Shares As At 31.03.2013	(%)
1 Pan Asia Banking Corporation PLC /Divasa Equity (Pvt) Limited	34,332,570	35.52	34,332,570	35.52
2 Seylan Bank PLC / George Steuart Engineering (Pvt) Ltd	8,389,400	8.68	-	-
George Steuart Engineering (Pvt) Ltd	-	-	8,389,400	8.68
3 Vallibel One PLC	7,727,589	8.00	5,615,356	5.81
4 Pan Asia Banking Corporation PLC /Mr. A S R Silva	7,042,868	7.29	6,902,553	7.14
5 Seylan Bank PLC/ Capital Trust Holdings (Pvt) Ltd	3,962,945	4.10	1,612,202	1.67
6 Royal Ceramics Lanka PLC	2,768,276	2.86	2,768,276	2.86
7 Commercial Bank Of Ceylon PLC / Capital Trust Holdings (Private) Limited	2,161,391	2.24	94,160	0.10
8 Corona T Stores (Private) Limited	1,585,331	1.64	1,585,331	2.02
9 Laugfs Gas Limited	1,500,000	1.55	1,500,000	1.90
10 George Steuart & Co Ltd	1,305,000	1.35	1,305,000	1.35
11 Mr C N Samarathunga and Mrs W M Botheju	1,263,428	1.31	1,253,428	1.30
12 Seylan Bank PLC / Jayantha Dewage	1,131,055	1.17	1,131,055	1.17
13 Divasa Equity (Pvt) Ltd	907,060	0.94	-	-
Nws Financial Services (Pvt) Ltd/Divasa Equity (Pvt) Ltd	-	-	907,060	0.94
Seylan Bank PLC / Divasa Equity (Pvt) Ltd	-	-	5,900	0.01
14 Mr M S F Haqqe	686,290	0.71	-	-
Waldock Mackenzie Ltd/ Mr. M.s.f. Haqqe	-	-	331,690	0.34
15 Pan Asia Banking Corporation PLC / Mr Ravindra Erle Rambukwella	650,000	0.67	720,000	0.74
16 Mrs W M Botheju	568,300	0.59	568,300	0.59
17 Mr T G Thoradeniya	562,985	0.58	562,985	0.58
18 George Steuart Finance PLC	541,000	0.56	541,000	0.58
19 Mrs K M Goonewardene	486,519	0.50	486,519	0.50
20 Mrs W K J Karannagoda	472,640	0.49	-	-
	78,044,647	80.75	70,612,785	73.80
Others	18,605,689	19.25	26,037,551	26.20
Total	96,650,336	100.00	96,650,336	100.00

20 Major Warrantholders

Name	No of Warrants At 31.03.2014	(%)	No of Warrants At 31.03.2013	(%)
1 Pan Asia Banking Corporation PLC / Divasa Equity (Pvt) Limited	18,364,740	29.19	18,364,740	28.73
2 Seylan Bank PLC / Tharana Gangul Thoradeniya	3,575,718	5.68	3,675,718	5.75
3 Mr W G T Disala	2,000,000	3.18	15,000	0.02
4 Corona T Stores Ltd	1,316,708	2.09	1,316,708	2.06
5 Ms W P N Y Perera	1,298,285	2.06	412,213	0.64
6 Mr W P A S Perera	1,253,509	1.99	658,799	1.03
7 Seylan Bank PLC / Jayantha Dewage	1,022,484	1.63	1,022,484	1.60
8 Seylan Bank PLC / George Steuart Engineering (Pvt) Ltd	1,000,000	1.59	-	-
George Steuart Engineering (Pvt) Ltd	-	-	1,000,000	1.56
9 Pan Asia Banking Corporation PLC /Mr Ravindra Erle Rambukwelle	750,000	1.19	810,000	1.27
10 Mr R Serasinghe	657,214	1.04	-	-
11 Mr S Gobinath	611,626	0.97	-	-
12 Mrs K M Goonewardene	566,100	0.90	566,100	0.89
13 Mr T G Thoradeniya	516,536	0.82	516,536	0.81
14 Mr H L D Hewagamage	510,000	0.81	10,000	0.02
15 Mr P V S Premawardhana	506,063	0.80	-	-
16 (i) Ms E K A I Wasanthi	500,000	0.80	-	-
(ii) Pan Asia Banking Corporation PLC / Mr S Gobinath	500,000	0.80	-	-
17 Mrs L A I Silva	492,200	0.78	492,200	0.77
18 George Steuart Finance PLC	417,280	0.66	417,280	0.65
19 Mr S R Fernando	403,161	0.64	403,161	0.63
20 Mr R E Rambukwelle	393,900	0.63	343,900	0.54
Others	36,655,524	58.26	30,024,839	46.97
Total	26,267,080	41.74	33,897,765	53.03
	62,922,604	100.00	63,922,604	100.00

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Second Annual General Meeting of Citrus Leisure PLC will be held at The Institute of Chartered Accountants of Sri Lanka, Level 6, 30A, Malalasekera Mawatha, Colombo 07 on 25th September 2014 at 9.00 a.m. for the following purposes.

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st March 2014 and the Report of the Auditors thereon.
2. To re-elect Ms. Varuni Sonali Fernando Amunugama who retires by rotation in terms of Article 84 of the Articles of Association as a Director of the Company.
3. To re-elect Mr. Janesh Manoj Bandara Pilimatalawwe, who retires by rotation in terms of Article 84 of the Articles of Association as a Director of the Company.
4. To re-elect Mr. Sharvajana Anandaraj Ameresekere, who retires in terms of Article 91 of the Articles of Association as a Director of the Company.
5. To re-appoint M/s Ernst & Young, as Auditors of the Company and to authorize the Directors to determine their remuneration.

6. To authorize the Directors to determine and make Donations to Charities.

By order of the Board of
Citrus Leisure PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
18 August 2014

Note:

- i) A Shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend instead of him/her. A Proxy may vote on a poll (and join in demanding a poll) but note on a show of hands.
- ii) A Form of Proxy is enclosed in this Report
- iii) The completed form of proxy should be deposited at the Registered Office of the Secretaries; 3/17, Kynsey Road, Colombo 8 not later than 48 hours before the Meeting.

Form of Proxy

I/Weof being a Shareholder / Shareholders of Citrus Leisure PLC, do hereby appoint.....ofor failing him /her

Mr. Emilianus Prema Alphonse Cooray	or failing him
Mr. Dilith Susantha Jayaweera	or failing him
Mr. Rajinda Seneviratne	or failing him
Ms. Varuni Sonali Fernando Amunugama	or failing her
Mr. Janesh Manoj Bandara Pilimatalawwe	or failing him
Mr. Suresh Dayanath De Mel	or failing him
Mr. Priya Chandana Bandara Talwatte	or failing him
Mr. Pathirana Vasula Sanjeewa Premawardhana	or failing him
Mr. Sharvajana Anandaraj Ameresekere	

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 The Institute of Chartered Accountants of Sri Lanka, Level 6, 30A, Malalasekera Mawatha, Colombo 07 on 25th September 2014 at 9.00 a.m. and any adjournment thereof and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
i) To receive and consider the Report of the Directors, the Statement of Accounts for the year ended 31st March 2014, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
ii) To re-elect Ms. Varuni Sonali Fernando Amunugama who retires by rotation in terms of Article 84 of the Articles of Association as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
iii) To re-elect Mr. Janesh Manoj Bandara Pilimatalawwe who retires by rotation in terms of Article 84 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
iv) To re-elect Mr. Sharvajana Anandaraj Ameresekere who retires in terms of Article 91 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
v) To re-appoint M/s Ernst & Young, as Auditors of the Company and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
vi) To authorize the Directors, to determine and make donations to Charities	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2014

Notice *

1. Please delete the inappropriate words.
2. Instructions as to completion are noted on the reverse hereof.
3. If you wish your proxy to speak at the meeting you should interpolate the words "and to speak" immediately after the words "to vote"

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name address and signing in the space provided and filling in the date of signature.
2. A shareholder entitled to attend and vote at the meeting is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him. 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 you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointer is a Company / Incorporated body this Form must be executed in accordance with the Articles of Association / Statute.
6. The completed Form of Proxy should be deposited at the Registered Office of the Secretaries; 3/17, Kynsey Road, Colombo 8 not later than 48 hours before the meeting.

Corporate Information

Name of Company

Citrus Leisure PLC

Legal Form

Public Quoted Company with limited liability
Incorporated in Sri Lanka.

Stock Exchange Listing

The Shares of the Company are listed on the
Colombo Stock Exchange.

Registered Office

No. 7/5, Gregory's Road, Colombo 7.
Telephone: 0115755055
Fax : 0115470000
E-mail : direct@citrusleisure.com
Website : www.citrusleisure.com

Board of Directors

Mr. Prema Cooray (Chairman)
Mr. Dilith Jayaweera
Ms. Varuni Fernando
Mr. Sarva Ameresekere
Mr. Chandana Talwatte
Mr. Vasula Premawardhene
Mr. Rajinda Seneviratne
Mr. Manoj Pilimatalawwe
Mr. Suresh De Mel

Director/ CEO

Mr.Chandana Talwatte

Director Operations

Mr. Hemantha Ratnayake

Director Sales & Marketing

Mr. Mani Sugathapala

Company Secretaries

P W Corporate Secretarial (Pvt) Ltd.
No.3/17, Kynsey Road, Colombo 08.

Auditors

Ernst & Young
Chartered Accountants
201, De Saram Place, Colombo 10.

Bankers

Sampath Bank PLC
Bank of Ceylon
Pan Asia Bank PLC
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Nations Trust Bank PLC

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