

HOTEL SERVICES (CEYLON) PLC.

Co. Reg. No. PQ 203

Infinite Experience



Annual Report 2010/ 2011

HOTEL SERVICES (CEYLON) PLC.

Co. Reg. No. PQ 203

Infinite Experience

Annual Report 2010/ 2011

Vision

To be the iconic luxury city hotel and spa in Sri Lanka,
offering guests the highest standard in hospitality
and excellence in service

Table of Contents

Corporate Structure	1
Information to Shareholders	3
Financial Summary	5
Chairman's Statement	7
Board of Directors	9
Annual Report of the Directors	13
Corporate Governance	19
Risk Management	27
Statement of Director's Responsibility	31
Audit Committee Report	33
Independent Auditor's Report	35
Income Statement	37
Balance Sheet	39
Statement of Changes in Equity	41
Cash Flow Statement	43
Notes to the Financial Statements	45
Notice of Annual General Meeting	61
Form of Proxy	63

Corporate Structure

LEGAL FORM

A Public Limited Company, Incorporated in Sri Lanka on 4th May 1969

COMPANY NUMBER

PQ 203

DIRECTORS

A. M. Pandithage (Chairman)	-	(Appointed w.e.f 22/04/2010)
S. C. Ganegoda	-	(Appointed w.e.f 22/04/2010)
S. P. Dissanayake	-	(Appointed w.e.f 22/04/2010)
S. J. Wijesinghe	-	(Appointed w.e.f 22/04/2010)
N. J. De S Deva Aditya		
L. T. Samarawickrama	-	(Appointed w.e.f 22/04/2010)
J. D. Bandaranayake	-	(Appointed w.e.f 22/04/2010 and resigned w.e.f. 02/02/2011)
L. N. De S Wijeyeratne	-	(Appointed w.e.f 22/04/2010)
U. D. Gamage	-	(Appointed w.e.f 01/07/2010)
K. D. D. Perera	-	(Appointed w.e.f 30/07/2010)
Ms. R. N. Ponnambalam	-	(Appointed w.e.f 30/07/2010)
W. D. N. H. Perera	-	(Appointed w.e.f 22/04/2010, resigned w.e.f. 30/07/2010 and re-appointed on 02/02/2011)

AUDIT COMMITTEE

L. N. De S. Wijeyeratne (Chairman)		
L. T. Samarawickrama		
J. D. Bandaranayake	-	(Resigned w.e.f. 02/02/2011)
Ms. R. N. Ponnambalam	-	(Appointed w.e.f. 30/07/2010)
W. D. N. H. Perera	-	(Resigned w.e.f. 30/07/2010)

SECRETARIES

Hayleys Group Services (Private) Limited

400, Deans Road, Colombo.10. Sri Lanka

Telephone: 2627650-3 (4 Lines)

Fax: 2627645

AUDITORS

PricewaterhouseCoopers

Chartered Accountants

P.O. Box 918

100, Braybrooke Place, Colombo 02. Sri Lanka

STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

REGISTERED OFFICE

Ceylon Continental Hotel Colombo

48, Janadhipathi Mawatha, Colombo 01. Sri Lanka

Information to Shareholders

ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2011

NO. OF SHARES HELD	RESIDENTS			NON RESIDENTS			TOTAL		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	2,474	1,180,583	0.67	6	2,840	0.00	2,480	1,183,423	0.67
1,001 - 5,000	1,334	3,614,277	2.05	11	35,000	0.02	1,345	3,649,277	2.07
5,001 - 10,000	364	3,014,780	1.71	3	30,000	0.02	367	3,044,780	1.73
10,001 - 50,000	328	8,046,960	4.57	9	274,300	0.16	337	8,321,260	4.73
50,001 - 100,000	71	5,349,200	3.04	1	100,000	0.06	72	5,449,200	3.10
100,001 - 500,000	50	11,951,500	6.79	6	1,362,600	0.77	56	13,314,100	7.56
500,001 - 1,000,000	11	7,093,800	4.03				11	7,093,800	4.03
OVER 1,000,000	16	132,694,160	75.39	1	1,250,000	0.71	17	133,944,160	76.10
	4,648	172,945,260	98.26	37	3,054,740	1.74	4,685	176,000,000	100.00
CATEGORY									
Individuals	4,405	26,978,391	15.56	30	1,742,110	0.99	4,435	28,720,501	16.32
Institutions	243	147,279,416	82.71	7	1,312,630	0.75	250	147,279,499	83.68
	4,648	172,945,260	98.26	37	3,054,740	1.74	4,685	176,000,000	100.00

FIRST TWENTY SHAREHOLDERS AS AT 31ST MARCH 2011

NAME OF SHAREHOLDER	NO OF SHARES AS AT 31.03.2011	%	NO OF SHARES AS AT 31.03.2010	%
HAYLEYS PLC NO.3 SHARE INVESTMENT ACCOUNT	66,762,690	37.93	89,760,000	51.00
CARBOTELS (PVT) LIMITED	23,000,000	13.07	-	-
EMPLOYEES PROVIDENT FUND	12,917,700	7.34	-	-
BANK OF CEYLON - NO.2 ACCOUNT	7,833,500	4.45	4,506,500	2.56
MERCHANT BANK OF SRI LANKA LTD ACCOUNT NO.1	2,792,870	1.58	3,083,070	1.75
SEYLAN BANK PLC - ACCOUNT NO.3	2,350,000	1.34	-	-
RENUKA HOTELS LIMITED	2,222,300	1.26	-	-
DEUTSCHE BANK AG - NATIONAL EQUITY FUND	2,200,000	1.25	-	-
RENUKA CITY HOTELS LIMITED	2,166,500	1.23	-	-
PREMIUM BRANDS (PVT) LIMITED	1,928,700	1.10	-	-
NATIONAL SAVINGS BANK	1,748,900	0.99	-	-
DEUTSCHE BANK AG NAMAL ACUITY VALUE FUND	1,650,000	0.94	-	-
RENUKA CONSULTANTS & SERVICES LIMITED	1,510,100	0.86	510,100	0.29
Mr. V. LINTOTAWELA	1,373,100	0.78	-	-
Ms. A. N. DE SILVA	1,250,000	0.71	-	-
WALDOCK MACKENZIE LIMITED/ Mr. L. P. HAPANGAMA	1,227,700	0.70	-	-
CARGO BOAT DEVELOPMENT COMPANY LIMITED	1,010,100	0.57	510,100	0.29
UNION BANK OF COLOMBO LTD	1,000,000	0.57	-	-
Mrs. P. A. WIJENAYAKE	750,000	0.43	-	-
Ms. G. RAJENDREN	675,700	0.38	-	-
TOTAL	136,369,860	77.48	98,369,770	55.89

Financial Summary

5 YEAR FINANCIAL SUMMARY AND KEY INDICATORS

	2010/11		2009/10		2008/09		2007/08		2006/07	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Revenue										
Rooms	277,689	46	111,385	33	134,799	32	172,073	35	170,522	33
Food & Beverages	310,342	51	213,013	62	277,645	65	300,087	62	320,253	63
Other Operating Income	18,517	3	17,013	5	14,753	3	15,533	3	21,404	4
Total Revenue	606,548	100	341,411	100	427,197	100	487,693	100	512,179	100
Direct cost										
Food Cost	123,313	20	75,613	22	98,492	23	91,120	19	98,059	19
Total Expenses	123,313	20	75,613	22	98,492	23	91,120	19	98,059	19
Gross Operating Profit	483,235	80	265,798	78	328,705	77	396,573	81	414,120	81
Expenses										
Administration & General	206,129	34	136,289	40	151,508	35	180,473	37	180,087	35
Advertising & Sales	54,328	9	19,282	6	28,674	7	22,335	5	25,968	5
Heat, light & power	77,512	13	49,218	14	53,354	12	49,108	10	49,877	10
Repairs & Maintenance	21,624	4	10,703	3	12,687	3	19,864	4	18,561	4
Total Deductions	359,593	59	215,492	63	246,223	58	271,780	56	274,493	54
Operating profit	123,642	20	50,306	15	82,482	19	124,793	26	139,627	27
Other Income	1,042	0	1,540	0	7,380	2	1,921	0	3,645	1
	124,684	21	51,846	15	89,862	21	126,714	26	143,272	28
Interest Expenses/(Income)	(4,727)	(1)	1,476	0	4,382	1	(3,220)	(1)	5,639	1
Depreciation	62,751	10	46,294	14	47,522	11	48,199	10	50,175	10
	58,024	10	47,770	14	51,904	12	44,979	9	55,814	11
Profit Before Taxation	66,660	11	4,076	1	37,958	9	81,735	17	87,458	17
Tax	(13,961)	(2)	3,132	1	(9,745)	(2)	(15,201)	(3)	(16,120)	(3)
Profit after Taxation	52,699	9	7,208	2	28,213	7	66,534	14	71,338	14
OPERATING RESULTS										
Total revenue	606,548		341,411		427,197		487,693		512,179	
Sales growth %	77.66		(20.08)		(12.40)		(4.78)		(16.64)	
Operating profit	123,642		50,306		82,473		124,793		139,627	
Profit before taxation	66,660		4,076		37,949		81,735		87,458	
Interest expenditure	(4,727)		1,476		4,382		(3,220)		5,639	
Depreciation	62,751		46,294		47,522		48,199		50,175	
CAPITAL EMPLOYED										
Share Capital	176,000		176,000		176,000		176,000		176,000	
Revaluation & other reserves	1,227,417		962,933		141,825		143,320		172,964	
Retained earnings	193,762		120,695		111,728		102,876		140,190	
Shareholder's fund	1,597,179		1,259,628		429,553		422,196		489,154	
ASSETS EMPLOYED										
Non current assets	1,729,487		1,453,958		529,185		579,871		602,339	
Net current assets	67,588		12,544		(16,981)		(56,822)		(12,609)	
	1,797,075		1,466,502		512,204		523,049		589,730	
Long term liabilities	9,939		10,802		22,826		38,414		46,935	
Deferred liabilities	189,957		196,072		59,829		62,439		53,641	
	1,597,179		1,259,628		429,553		422,196		489,154	
KEY INDICATORS										
Current ratio	1.48		1.15		0.79		0.68		0.84	
Net assets per share	9.07		7.16		24.41		23.99		27.79	
Market price per share	23.10		23.50		152.25		145.00		114.00	
Earnings per share	0.30		0.04		1.59		3.78		4.05	

Chairman's Statement

"Chaos in the world brings uneasiness, but it also allows the opportunity for creativity and growth." - Tom Barrett -

Dear Shareholder,

It gives me great pleasure to present the Annual Report for your Company for the financial year 2010/2011.

For an organization that has moved hands from one to another, this year has gone past swiftly. This year, Hotel Services (Ceylon) PLC has seen a significant level of activity, accomplishment and growth. The promising market conditions and increased customer confidence have generated a significant increase in earnings vis-à-vis the previous financial year.

Managing growth is a challenge for any company; and Hotel Services (Ceylon) PLC is no exception. Our employees at all levels have understood the foundation of our success and the core values that have been explicitly adopted as our goals, beliefs and principles. Hence, I would like to congratulate the frontline teams, management and directors who have contributed to the turnaround of your Company.

DIRECTORATE

In 2010/11, Mr. K.D.D Perera, Mr. W.D.N.H Perera, Mrs. R.N. Ponnambalam and Mr. U.D. Gamage were appointed to the Board of Hotel Services (Ceylon) PLC. I have no doubt that their expertise, skills and experience will be invaluable in our efforts to grow value in our business.

I would also like to acknowledge the services rendered by Mr. J.D. Bandaranayake who resigned from the Board in February 2011. I thank him for his valuable contributions and wish him well for the future.

PERFORMANCE OVERVIEW

Hotel services (Ceylon) PLC has celebrated this year with excellent growth in revenue and further improvements in profitability. As expected, performance at the Ceylon Continental Hotel has reflected the economic upsurge. Total revenue from its operations showed a 78% increase in earnings to Rs. 606.5 million from Rs. 341.4 million in 2009/ 2010, with pretax profit up by 1535% to Rs.66.7 million versus Rs. 4.1 million from the previous year.

INITIATIVE AND DEVELOPMENT

Though faced with many challenges, the Company has held firmly to our commitments to strengthen the foundations of our business and to secure future growth along with long-term competitiveness. As the refurbishment gets underway, our priorities still remain the same, to improve the quality of our products whilst investing in top-quality technology, marketing and human resource capabilities.

The refurbishment of the Ceylon Continental Hotel was undertaken by reputed Architect Firms MICD Associates and DDN Design (Pvt.) Ltd. The Hotel Refurbishment commenced in December 2010, and this entails a complete redesign and upgrade of the rooms, main and reception lobbies, restaurants and other public areas of the hotel. This significant renovation programme is scheduled for full completion by mid-2012. Once renovations are completed, the hotel's improved product and facilities would help the Company to regain its position at being the forefront of the Colombo city hotels as a preeminent luxury 5-star hotel, providing a strong platform for future growth.

Human resource management remains critical to the overall success of our growth strategy. Thus, particular attention is paid to ensure that our employees are fully equipped and competent to deliver our business objectives. From the beginning of 2011, we have focused on human resource training programs to improve employee performance and skills, whilst developing management and leadership capabilities. Thus, guaranteeing consistent delivery of high standards of service to our customers.

Focus is also on managing of costs, to enhance profitability without compromising on the company's strategic objectives. Hence, we have implemented a series of measures to direct cost management and amplify operating efficiencies in all areas of our business. Consequently, Hotel Services will move towards a new efficient cost structure via ongoing initiatives which will further streamline our existing business processes.

Sales and marketing efforts have been intensified through promotional activity and introducing new and innovative restaurant and bar concepts. Technology remains critical to the overall success of our growth strategy. We shall need to continue to invest in new and robust IT systems and infrastructure technologies to provide a reliable operating platform for our businesses, in order to sustain our competitive edge in the industry.

FOCUSING ON THE FUTURE

Sri Lanka has seen an uninterrupted improvement in tourist arrivals and the economy has shown both tremendous potential and endless possibilities for our company. Whilst the current refurbishment is already progressing efficiently, a rebranding of the hotel is necessary with a new positioning strategy, namely, "distinct contemporary Sri Lankan with cutting edge technology and truly Sri Lankan hospitality", thus cementing our place as a leading 5-star hotel in Colombo.

CONCLUSION AND APPRECIATION

I take this opportunity, to thank my colleagues on the board, for their strong commitment and invaluable counsel throughout the past year.

On behalf of the Board, I thank all our employees for their dedication, passion and hard work during the year under review. I have no doubt that they would continue to work diligently facing challenges in the years ahead with determination and enthusiasm. Last not least, I wish to thank all of you, our shareholders, for the support that you extended during the past year and look forward to your participation in the years to come.

Overall, the FY 2010/11 has been a turnaround year for Hotel Services (Ceylon) PLC. With exciting prospects ahead of us, I'm confident that the Company would perform exceptionally well in the years to come.

Mohan Pandithage
Chairman
 13th May 2011

Board of Directors

MR. A. M. PANDITHAGE (CHAIRMAN)

Mr. Pandithage joined Hayleys in 1969. Appointed Group Executive Director in 1996 and to the Board in 1998. Appointed Deputy Chairman of Hayleys in January 2007 and Chairman & Chief Executive in July 2009. Chief Executive of Hayleys Advantis from its inception. Appointed to the Board and as Chairman of Hotel Services on 22nd April 2010. Fellow of the Chartered Institute of Logistics & Transport. Director, Sri Lanka Port Management & Consultancy Services. Member of the Presidential Committee on Maritime Matters. Committee Member of the Ceylon Chamber of Commerce.

MR. SARATH CLEMENT GANEGODA*

Mr Ganegoda is a fellow member of Institute of Chartered Accountants of Sri Lanka and member of the Institute of Certified Management Accountants of Australia. He holds an MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura. He has worked for Hayleys PLC and Diesel & Motor Engineering PLC between 1987 and 2002 and ultimately as an Executive Director of the latter. Subsequently he has held several senior management positions in private sector entities in Sri Lanka and Overseas. He rejoined Hayleys in March 2007 and functioned as Head, Strategic Business Development until July 2009. He was appointed to the Board of Hayleys PLC in September, 2009 and to several other Boards of Hayleys Group Companies.

MR. K. D. D. PERERA*

Appointed to the Board in 2008, Mr. Dhammika Perera is the Secretary to the Ministry of Transport, Sri Lanka and a well-known prominent entrepreneur and investor whose business interests include Hydropower Generation, Manufacturing, Hospitality, Entertainment, Banking and Finance.

He serves as the Chairman of LB Finance PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC, Vallibel Finance PLC, Greener Water Ltd, Vallibel One Ltd and holds directorships in his other private sector companies. He is the Deputy Chairman of Amaya Leisure PLC and Royal Ceramics Lanka PLC. Director Sampath Bank PLC, Sri Lanka Insurance Corporation LTD, Hayleys PLC, Haycarb PLC, Hayleys-MGT Knitting Mills PLC, Hunas Falls Hotels PLC, Dipped Products PLC, Nirmalapura Wind Power Pvt Ltd and Alutec Anodising & Machine Tools (Private) Ltd.

He is also a Member of the Board of Directors of Strategic Enterprise Management Agency (SEMA).

MR. S. P. DISSANAYAKE*

Joined Hayleys in July 2007. Appointed to the Group Management Committee in the same month. Graduate in Hotel Management and awarded Honorary Membership of the Institute of Personnel Management. Is a non Executive Director of Hotel Services (Ceylon) PLC and Director of Hayleys Group Services (Pvt) Ltd. Prior to joining Hayleys, held several senior management positions in large private sector entities in Sri Lanka and overseas in Human Resources Management and previously in Hotel Management. Has held significant honorary and advisory positions in Human Resources and the Hotel Industry. Is a former President of the Ceylon Hotel School Graduates Association and a former Member of the Hotel Classification Committee of Sri Lanka Tourism Authority. Is a member of the Ceylon Chamber of Commerce Steering Committee for HR and Education and is also a Steering Committee Member of the Lanka Business Coalition (LBCH) for prevention of AIDS. Has responsibility for Group Human Resources and other Group services.

Board of Directors

MR. S. J. WIJESINGHE*

Joined Hayleys in October 2008 as CEO of Civaro International and later moved on to take over his current position as Head of the Leisure and Aviation sector in 2009. He was appointed to the Group Management Committee in 2011. Johann holds a MBA from the University of Leicester (UK) and is a Member of the Chartered Institute of Marketing (UK). Johann has over 20 years experience in the Aviation industry with the National Carrier SriLankan Airlines. Prior to joining Hayleys, he was the Head of Worldwide Cargo at SriLankan Airlines responsible for the entire air freight business sector of the organisation. He also held several senior positions for the airline including management positions in Europe, Middle East, and Far East and at the Head Office in Colombo. Johann also has over 5 years experience in the Hotel industry having served as the Director Marketing & Sales at The Lanka Oberoi.

MR. N. J. DE S. DEVA - ADITYA**

Mr. Deva-Aditya was the First Asian MP elected to Conservative Party in the House of Commons and Bachelor Technology (Honors) Upper Second, Aeronautical Engineering and Design, Research Fellow, University of Loughborough, Graduate of the Royal Aeronautical Society and Institute of Mechanical Engineers and he holds directorships in six companies.

MS. R. N. PONNAMBALAM**

Mrs. Ponnambalam held several senior management positions in large private sector entities. She served as the Assistant Manager – Overseas Recruitment (Grants), Joint Managing Director of “Cars R Us (Pvt) Ltd”, Director of McBolon Polymer (Pvt) Ltd, McLarens Holding Ltd and GAC Shipping Ltd. She currently serves as the CEO/ Managing Director of MacBertan (Pvt) Ltd. She has also been in roles of international and local business development and negotiations.

MR. UPUL GAMAGE

Mr. Upul Gamage was Director / General Manager of Ceylon Continental Hotel and presently he is the General Manager of Hotel and Resort Development of Hayleys Leisure holdings and Director of Hotel Services PLC.

He holds an MBA from the Post Graduate Institute of Management, Sri Jayawardenapura University and is a Graduate of the Ceylon Hotel School. He also possesses a Post Graduate Diploma in Hotel Management from the Oberoi School of Hotel Management - India.

He was the Assistant Vice President/Regional General Manager of Aitken Spence Hotel Holdings PLC prior to joining Ceylon Continental in May 2010. Upul had a 6 year stint at The Lanka Oberoi in various management positions from 1986 to 1994. After leaving the city hotels for Resort Management, he was the Assistant Manager Neptune Hotel Beruwala and General Manager Ramada Resort Kalutara.

Upul is a Past President of Ceylon Hotel School Graduates Associations, Kalutara Hotels Association and Nalanda Past Cricketers' Association.

He is an old boy of Nalanda College where he captained the First XI cricket team in Golden Jubilee Year.

MR. L. N. DE S. WIJEYERATNE**

Mr. De Silva Wijeyeratne is a fellow member of the Institute of Chartered Accountants of Sri Lanka. and counts over thirty years experience in finance and general management, both locally and overseas. He was the former Group Finance Director of Richard Pieris & Company PLC and is presently a Director of several listed and unlisted companies.

MR. W. D. N. H. PERERA*

Mr. Perera was appointed to the Board of Hayleys in July 2009. He serves as the Managing Director of Royal Ceramics Lanka PLC and the Director of Fortress Resorts PLC. Deputy Chairman of the Pan Asia Banking Corporation PLC., and Vallibel One Ltd., Director Finance of Amaya Leisure PLC ., Director LB Finance PLC., Sathosa Motors PLC and Vallibel Finance Ltd.

MR. L. T. SAMARAWICKRAMA**

Mr. Samarawickrama serves as the Managing Director of Amaya Leisure PLC. He is an internationally qualified Hotelier having gained most of his Management experience in UK, Working for large international hotel chains over a long period of time. First Sri Lankan Manager to be appointed by the Beaufort International chain of Hotels to run the first seaside boutique resort in the island. He is a Member of the Institute of Hospitality UK (formerly HCIMA) and of the Royal Society of Health, London. He counts over 38 years experience in the trade. Having specialized in Hotel design, he has been responsible for the careful planning and execution of Amaya Resorts & Spa's refurbishment and rehabilitation programs. He is also a Director of the Fortress Resorts PLC, Hunas Falls PLC, Royal Ceramics Lanka PLC and Kelani Valley Plantations PLC.

* *Non-Executive*

** *Non-Executive Independent*

Annual report of the directors on the affairs of the company

The Board of Directors is pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31st March 2011. The details set out herein provide pertinent information required by the Companies Act, No.7 of 2007, the Colombo Stock Exchange Listing rules and are guided by recommended best accounting practices.

REVIEW OF THE YEAR

The Chairman's Review describes the Company's affairs and mentions important events of the year.

PRINCIPAL ACTIVITY

The Principal Activity of the Company is hotelier and is the owner of Ceylon Continental Hotel Colombo.

FINANCIAL STATEMENTS

The financial statements of the Company are given in pages 37 to 59

AUDITOR'S REPORT

The Auditor's report on the financial statements is given on page 35

ACCOUNTING POLICIES

The accounting policies adopted in preparation of Financial Statements are given on pages 46 to 49. There were no material changes in the Accounting Policies adopted.

INTEREST REGISTER

The Company in compliance with the Companies Act No. 7 of 2007, maintains an interest register. Particulars of the entries in the Register are detailed below.

Directors' Interests in Transactions

The Directors of the Company have made the general disclosure provided for in section 192(2) of the Companies Act No. 7 of 2007. Note 26 to the Financial Statements dealing with related party disclosure includes details of their interests in transactions.

Directors' interests in shares

Directors' Interests in shares are given later in this Report. There were no changes to the relevant interests in shares during the year.

DIRECTORS REMUNERATION AND OTHER BENEFITS

Directors' remuneration in respect of the Company for the financial year ended 31st March 2011 is given in Note 5 to the financial statements.

Executive Directors' remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2011 is Rs. 5,701,000, which includes the value of perquisites, granted to them as part of their terms of service, and is hereby formally approved. The total remuneration of Non Executive Directors for the year ended 31st March 2011 is Rs. 780,000 determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the company.

CORPORATE DONATIONS

Donations made during the year was nil.

Annual report of the directors on the affairs of the company

DIRECTORATE

Directors of the Company as at 31st March 2011

Mr. A. M. Pandithage

Mr. S. C. Ganegoda*

Mr. S. P. Dissanayake*

Mr. S. J. Wijesinghe*

Mr. N. J. De Silva Deva - Aditya**

Mr. L. T. Samarawickrama**

Mr. L. N. De S. Wijeyeratne**

Mr. U. D. Gamage

Mr. K. D. D. Perera*

Ms. R. N. Ponnambalam**

Mr. W. D. N. H. Perera*

* *Non-executive Directors*

** *Independent Non-executive*

Mr. U. D. Gamage was appointed to the Board on 1st July, 2010. Mr. K. D. D. Perera and Ms. R. N. Ponnambalam were appointed to the Board with effect from 30th July, 2010. Mr. W. D. N. H. Perera resigned from the Board on 30th July, 2010 and was appointed to the Board effective 2nd February, 2011.

In terms of Article 94 of the Articles of Association of the Company, the shareholders are requested to re-elect the Directors who were appointed to the Board since the last Annual General Meeting.

Mr. J D Bandaranayake resigned from the Board on 2nd February, 2011.

In terms of the Article 87 of the Articles of Association of the Company Messrs. S. C. Ganegoda and S. P. Dissanayake retire by rotation and being eligible offers themselves for re-election.

DIRECTORS' SHAREHOLDINGS

Non of the Directors held shares directly in the Company as at 31st March 2011.

Mr. K. D. D. Perera held 30% of the total issued shares of Hayleys PLC which in turn holds 66,762,690 shares in Hotel Services (Ceylon) PLC.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance rules laid down under the listing rules of the Colombo Stock Exchange. The corporate governance section on page 19 to 26 discuss this further.

EMPLOYMENT

No. of persons employed by the Company was 417.

INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Company's system of internal control. The system is designed to give assurance, *inter alia*, regarding the safeguarding the assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with its effectiveness for the period upto the date of signing the Financial statements

GOING CONCERN

The Directors, after making necessary inquiries and reviews including the reviews of the Company's budget for the ensuing year, Capital Expenditure requirement, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future.

Therefore, the going concern basis has been adopted in the preparation of the financial statements.

AUDITORS

The financial statements for the year ended 31st March 2011 have been audited by Messrs PricewaterhouseCoopers, Chartered Accountants.

The Auditors Messrs PricewaterhouseCoopers were paid Rs 306,000 (2010- Rs 360,000) as audit fees by the Company. In addition they were paid Rs 250,000 (2010 – Rs 96,000) by the Company for non-audit related work.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest with the Company.

A resolution proposing Messrs Ernst & Young, chartered accountants to be appointed as auditors of the Company for the year 2011/2012 and authorising directors to determine their remuneration will be submitted at the Annual General Meeting.

DIVIDENDS

The Directors do not recommend the payment of dividends for the financial year ended 31st March 2011.

INVESTMENTS

Details of investments held by the Company are disclosed in Note 13 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

An analysis of the property, plant and equipment of the Company, additions and disposals made during the year and depreciation charged during the year are set out in Note 11 to the financial statements.

A Revaluation Report issued on 9th April 2011 by K. Arthur Perera, an Independent Valuer of all the Property, Plant and Equipment except for linen and furnishing of the Company as at 31st March 2011, indicated that due to an oversight in the Valuation Report dated 27th day of March 2009 made by another Independent Valuer, the value of the Property, Plant and Equipment of the Company has been overstated and reflected in the Audited Statements of the Company during the Financial Years 2008/ 2009 and 2009/ 2010.

On the 3rd May 2011, the Independent Valuer who submitted the Valuation Report in 2009 (which overstated erroneously the values) informed the Chairman in writing that the valuation had been inadvertently overstated and therefore withdrew the Valuation Report issued by him on 27th March 2009.

Consequently, it became necessary to restate the corresponding figures in the current year to reflect the reversal of the revaluation in view of the Report being subsequently withdrawn as aforesaid.

On reversal in the Financial Statements, for the period ended 31st March 2011, of the revaluation incorporated in the Books of Account as at 31st March 2009, the revaluation in relation to Building as at 31st March 2010 (which were not previously incorporated in the Books of Account as at 31st March 2010, as the difference in value from the previous revaluation in 2009 was not considered significant) were also incorporated by restating the correspondence figures, and additionally the results of the re-valuation as at 31st March 2011 was incorporated, as more fully set out in Note 11 to the Financial Statements herein.

The shareholders are further advised that the present Board of Directors of the Company were appointed on 22nd April 2010, pursuant to the majority shares of the Company being acquired by Hayleys PLC.

Annual report of the directors on the affairs of the company

CAPITAL COMMITMENTS

There were no material capital commitments during the financial year 2010/11. (2009/2010 – Nil)

STATED CAPITAL

The Stated Capital of the Company is Rs.176, 000,000/- comprising 176,000,000 shares.

RESERVES

Total Group reserves as at 31st March 2011 amounts to Rs 263.26 Mn (2010 – Rs 190.19 Mn.) Movements are shown in the Statement of Changes in Equity in the Financial Statements.

TAXATION

The tax position of the Company is given in Note 8 and 16 to the Financial Statements.

EMPLOYEES AND INDUSTRIAL RELATIONS

There have been no material issues pertaining to employees and industrial relations of the Company during the Financial Year.

DISCLOSURE AS PER COLOMBO STOCK EXCHANGE RULE NO.7.6.XI

	31/03/2011	31/03/2010
Market price per share as at 31st March	23.10	23.50
Highest share price during the year	32.00	180.00
Lowest share price during the year	22.30	15.00
Net Asset per share	9.07	7.16
Ordinary shares in issue	176,000,000	176,000,000*

*At the Board meeting held on 6th March 2009 and the Extraordinary General meeting held on 30th April 2009, it had been agreed and approved that each of the ordinary share of the Company be subdivided in to 10 shares based on the shareholding as of 30th April 2009. Accordingly the total number of ordinary shares in issue as at that date of 17,600,000 was subdivided in to 176,000,000 shares.

SHAREHOLDING

The number of registered shareholders of the Company as at 31st March 2011 was 4,685.

MAJOR SHAREHOLDERS

The twenty largest shareholders of the Company as at 31st March 2011, together with an analysis are given on page 4 of the Annual Report.

PUBLIC SHAREHOLDING

As at 31st March 2011, 49% of the issued capital of the Company was held by the public.

STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the government and the employees have been made and provided.

CONTINGENT LIABILITIES

There were no material contingent liabilities outstanding as at 31st March 2011 other than that described in Note 21 to the financial statements.

POST BALANCE SHEET EVENTS

Subsequent to the date of the Balance Sheet no circumstances have arisen which would require adjustments to the accounts. Significant post balance sheet events which in the opinion of the Directors require disclosure are described in Note 27 to the financial statements.

ANNUAL GENERAL MEETING

The 42nd Annual General Meeting of the Company will be held at the Ceylon Continental Hotel Colombo, Sapphire Ballroom on 28th June 2011, at 10.00a.m.

For and on behalf of the Board

HOTEL SERVICES (CEYLON) PLC

A. M. Pandithage

S. J. Wijesinghe

Hayleys Group Services (Pvt) Ltd.

Secretaries

13th May 2011

Corporate Governance

Hotel Services (Ceylon) PLC is committed to achieve the highest standards in Corporate Governance practices in conducting its business.

We set out below the corporate governance practices adopted by the Company in line with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange.

BOARD OF DIRECTORS

The Board of Hotel Services (Ceylon) PLC comprise 11 Directors; the Chairman and Director/General Manager are the two Executive Directors and nine Non Executive Directors of which four are independent. The names of the Directors and their profiles are available on page 9 of this report.

The Board meets quarterly as a practice and adhoc meetings are held whenever necessary. During the year under review the Board met on 7 occasions. The attendance of these meetings were:

NAME OF DIRECTOR	EXECUTIVE/ NON-EXECUTIVE	ATTENDANCE
Mr. A. M. Pandithage - Chairman (Appointed w.e.f 22/04/2010)	Executive	7/7
Mr. S. C. Ganegoda (Appointed w.e.f 22/04/2010)	Non-Executive	7/7
Mr. S. P. Dissanayake (Appointed w.e.f 22/04/2010)	Non-Executive	6/6
Mr. S. J. Wijesinghe (Appointed w.e.f 22/04/2010)	Non-Executive	6/6
Mr. N. J. De S Deva - Aditya	Non-Executive	1/7*
Mr. L. T. Samarawickrama (Appointed w.e.f 22/04/2010)	Non-Executive	4/6
Mr. J. D. Bandaranayake (Appointed w.e.f 22/04/2010 and resigned w.e.f. 02/02/2011)	Non-Executive	1/4
Mr. L. N. De S Wijeyeratne (Appointed w.e.f 22/04/2010)	Non-Executive	4/6
Mr. U. D. Gamage (Appointed w.e.f. 01/07/2010)	Executive	5/5
Mr. K. D. D. Perera (Appointed w.e.f. 30/07/2010)	Non-Executive	3/5
Ms. R. N. Ponnambalam (Appointed w.e.f. 30/07/2010)	Non-Executive	4/5
Mr. W. D. N. H. Perera (Appointed w.e.f 22/04/2010, resigned w.e.f. 30/07/2010 and Re-appointed on 02/02/2011)	Non-Executive	0/2
*Mr. N. J. De S Deva - Aditya participated in 01 of these meetings via conference call.		

Corporate Governance

RESPONSIBILITIES

The directors of the Company are responsible for:

- Enhancing shareholder value, formulating, communicating, Implementing and monitoring of business policies and strategies.
- Ensuring due compliance with applicable legal, ethical, health, environment and safety standards and regulations.
- Ensuring that due attention is given to appropriate accounting policies and practices and setting priorities and communicating values and ethical standards for management.
- Ensuring that appropriate systems of internal controls are in place to safeguard the assets of the Company.
- Reviewing and approving Annual Budgets and periodic monitoring of performance against the budgets.
- Approving of major investments on business proposals and adopting annual and interim financial statements prior to publication.
- Evaluating and monitoring the performance of the Company on a regular basis and initiating remedial action where necessary.
- Adopting annual and interim accounts and recommending dividend for approval by the shareholders.

The Board is ultimately responsible for the Company's financial performance. It is in control of the Company's affairs and conscious of its obligation to all stakeholders.

COMPANY SECRETARY

The service and advice of the Company Secretary are made available to Directors as necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming in to effect which are relevant to them as individual Directors and collectively to the Board.

BOARD BALANCE

The composition of the Executive and Non Executive Directors (the latter are over one third of the total number of Directors) satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange.

The balance of Executive and Non- Executive Directors on the Board ensures that decision making is transparent and not dominated by any individual or small group.

The Board comprises of Executive Chairman and Executive Director/General Manager, 5 Non – Executive Directors and 4 Independent Non-Executive Directors in a total of eleven. Their profiles reflect their caliber and the weight their views carry in Board deliberations.

The Board has determined that the Directors: Mr.N.J.De S Deva-Aditya, Ms.R.N.Ponnambalam, Mr.L.N. De S Wijeyeratne and Mr.L.T.Samarawickrama satisfy the criteria for 'independence' set out in the Listing Rules.

The Independent Non-Executive Directors are free from any relationship that can interfere with the affairs of the Company.

The Chairman of the Company is also the Chairman of Hayleys PLC. Chief Executive Authority is vested in the Director/General Manager (CEO) of the Company. The distinction between the Chairman and Officers wielding executive powers in the Company ensures the balance of power and authority.

FINANCIAL ACUMEN

The Board includes two senior Chartered Accountants who possess the necessary knowledge and competence to offer the Board Guidance on matters of finance.

SUPPLY OF INFORMATION

Directors are provided with quarterly reports on performance and appropriate documentation in advance of each Board meeting for individual directors to study matters under discussion.

APPOINTMENTS TO THE BOARD

The Board as a whole decides on the appointment of Directors in accordance with the Articles of association of the Company.

RE-ELECTION OF DIRECTORS

The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting, and seek re-appointment by the shareholders at that meeting.

The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/re-appointment. Retiring Directors are generally eligible for re-election.

The Chairman does not retire by rotation.

REMUNERATION COMMITTEE

The Remuneration Committee was formed on 21st May 2010. Mr. J.D. Bandaranayake who was the Chairman of the remuneration Committee resigned with effect from 2nd February 2011 and Mr.W.D.N.H. Perera a Non Executive Director resigned from the Committee with effect from 30th July 2010. Mr. L.T. Samarawickrama was appointed the Chairman of the Committee with effect from 9th May 2011.

All members of the Remuneration Committee are independent Non Executive Directors.

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. L. T. Samarawickrama (Chairman)	-	Independent Non Executive Director
Mr. L. N. De. S. Wijeyeratne	-	Independent Non Executive Director

Remuneration Committee of Hayleys PLC, the parent Company of Hotel Services (Ceylon) PLC is responsible for laying down guidelines and parameters for the compensation structures of all management staff within the group.

The Remuneration Committee of Hotel Services (Ceylon) PLC is guided to work with the above given parameters and design compensation levels appropriate for the hotel within the group and commensurate with each employees level of expertise and contribution, bearing in mind the business' performance and shareholder returns.

The total of Directors' remuneration is reported in Note 5 to the financial statements.

RELATIONS WITH SHAREHOLDERS

The Notice of Meeting is included in the Annual Report. The Notice contains the Agenda for the AGM as well as instructions on voting, including appointments of proxies. A Form of Proxy is enclosed with the Annual Report. The period of notice prescribed by the Companies Act No. 7 of 2007 has been met.

CONSTRUCTIVE USE OF ANNUAL GENERAL MEETING

The Board considers the Annual General Meeting as a means of continuing effective dialogue with shareholders and encourages their participation.

The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them.

The Annual General Meeting also used to adopt the financial statement for the year.

Corporate Governance

COMMUNICATION WITH SHAREHOLDERS

Shareholders are provided with the Annual Report and also with Quarterly Financial Statements via Colombo Stock Exchange website, which the company considers as its principal communication with them and other stakeholders.

Shareholders may bring up concerns they have, either with the Chairman or the Company Secretary as appropriate. The Company maintains an appropriate dialogue with them.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board places great emphasis on complete disclosure of financial and non financial information within the bounds of commercial reality, and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the Sri Lanka accounting Standards. Revisions to existing accounting standards and adoption of new standards are carefully monitored.

The Statement of Directors' Responsibilities for the Financial Statements is given in page 31 of this report.

GOING CONCERN

The Directors, after making necessary inquiries and reviews including reviews of the company budget for the ensuing year, capital expenditure requirements, future prospects, and risk, cash flows, borrowing facilities, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

INTERNAL CONTROLS

The Board is responsible for the Company's internal controls and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It is important to state that any system can ensure only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within reasonable time.

Hayleys Group's Management Audit & System Review Department plays a major role in assessing the effectiveness and successful implementation of the existing controls and strengthening these and establishing new controls where necessary.

The Board has reviewed the effectiveness of the System of financial controls for the period up to the date of signing the accounts.

AUDIT COMMITTEE

The Audit Committee was formed on 22nd April 2010 and is chaired by Mr. L. N. De. S. Wijeyeratne, a Fellow member of the Institute of Chartered Accountants of Sri Lanka.

The Director/ General Manager and the Financial Controller attends the meetings of the Audit Committee by invitation.

The Audit Committee has written terms of reference and is empowered to examine any matters relating to the financial affairs of the Company and its internal and external audits. It helps the Company to strike the proper balance between conformance and performance.

Mr. J. D. Bandaranayake and Mr. W. D. N. H. Perera, Independent Non Executive Directors resigned from the Audit Committee with effect from 30th July 2010 and from 2nd February 2011 respectively. Ms. R. N. Ponnambalam an Independent Non Executive Director was appointed to the Audit Committee with effect from 1st November 2010.

MEMBERS OF THE AUDIT COMMITTEE

Mr. L. N. De.S. Wijeyeratne (Chairman)	-	Independent Non Executive Director
Mr. L. T. Samarawickrama	-	Independent Non Executive Director
Ms. R. N. Ponnambalam	-	Independent Non Executive Director

The Audit Committee report appears in page 33 of this report.

Levels of compliance with the CSE's New Listing Rules - Section 7.10, Rules on Corporate Governance as at 31st March, 2011 are given in the following table;

RULE NO.	SUBJECT	APPLICABLE REQUIREMENT	COMPLIANCE STATUS	DETAILS
7.10. 1(a)	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors	Compliant	Nine out of the eleven Directors are Non-Executive Directors
7.10.2(a)	Independent Directors	Two or one third of Non - Executive Directors, whichever is higher should be Independent	Compliant	Four out of the nine Non-Executive Directors are Independent Directors
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format	Compliant	Non-Executive Directors have submitted the declaration
7.10.3(a)	Disclosure relating to Directors	The Board shall annually make a determination as to the independence or other wise of the Non Executive Directors and names of Independent Directors should be disclosed in the Annual Report	Compliant	Please refer 'Board of Directors' on pages 9 to 12
7.10.3(b)	Disclosure relating to Directors	The basis for the Board to determine a Director is independent when the criteria specified for independence is not met	Compliant	Please refer page 21 under the heading of Board balance
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the areas of Expertise	Compliant	Please refer 'Board of Directors' on pages 9 to 12
7.10.3(d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a),(b) and (c) to the Exchange	Compliant	A brief resume provided to the Exchange
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Names of the members of the Remuneration Committee are stated on page 22
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent	Compliant	The Committee consists of two Independent Non- Executive Directors
7.10.5(b)	Remuneration Committee Functions	Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Compliant	Please refer remuneration procedure on page 22 of this Report

Corporate Governance

RULE NO.	SUBJECT	APPLICABLE REQUIREMENT	COMPLIANCE STATUS	DETAILS
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	a) Names of Directors comprising the Remuneration Committee b) Statement of remuneration policy c) Aggregated remuneration paid to Executive and Non-executive Directors	Compliant	Please refer page 22 Please refer page 22 Please refer page 14
7.10.6	Audit Committee	The company shall have an Audit Committee	Compliant	Names of the members of the Audit Committee are stated on page 24
7.10.6(a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent	Compliant	Audit Committee consists of three independent Non - Executive Directors
7.10.6(b)	Audit Committee Functions	A Non-Executive Director shall be appointed as the Chairman of the Committee	Compliant	Chairman of the Audit Committee is an Independent Non - Executive Director
		Chief Executive Officer and Chief Financial Officer should attend Audit Committee meetings	Compliant	Director/ General Manager (CEO) and Financial Controller (CFO) has attended the Audit Committee meetings
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	Chairman of the Audit Committee is a Chartered Accountant
7.10.6(c)	Audit Committee Functions	Functions shall include: <ul style="list-style-type: none"> Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards Assessment of the independence and performance of the external auditors Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditors 	Compliant	Chairman of the Audit Committee is an Independent Non - Executive Director

RULE NO.	SUBJECT	APPLICABLE REQUIREMENT	COMPLIANCE STATUS	DETAILS
7.10.6(d)	Disclosure in the Annual Report relating to Audit Committee	a) Names of Directors comprising the Audit Committee	Compliant	Please refer page 24
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Please refer Audit Committee Report on page 34
		c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions	Compliant	Please refer Audit Committee Report on page 34

Risk Management

Managing risk is of strategic importance to the Company. It's an integral part of the business process which flows throughout and helps to strike the correct balance in achieving Company's objectives whilst safeguarding its Assets and enhancing Share holder value.

The Company, being a leading city hotel in Sri Lanka, is exposed to various external and internal risks in the course of its operations. The risk management process identifies these risks, analyse them and assess the impact of the risk to the Company with the view of accepting the said risk, finding means of mitigating it or eliminating the risk completely. The Board of Directors with the support of the management takes necessary actions to mitigate or minimize the impact of these risks with control plans implemented with the agreed time frames.

Most importantly, the company understands that the risk is an intrinsic component of business operations and after going through the above process accepts the necessary risk after carefully evaluating the risk and return of its ventures ensuring adequate returns.

The Board of Directors' are responsible for the risk management process of the Company. At the Board meetings the matters related to the risk management are discussed and deliberated extensively.

The major risks the Company is exposed to and the ways in which the Company deals with them are given below.

MAJOR RISKS

RISK TYPE: COMPETITION

Recent improvement in the countries outlook has attracted various new business opportunities and positively affected the hotel performance and tourism industry in general. However this could have an adverse effect on the hotel both from the existing competition and new competition entering the market.

The risk of price competition on lodging is minimized with the prevailing minimum room rates whereby city hotels have to adhere to the specified minimum rates for their clients. The company through innovation whereby various food and event promotions, through driving for service excellence and continuous improvements mitigates the effect of the said risks of competition.

Risk Rating	Likelihood Rating
Moderate	High

RISK TYPE: GOVERNMENT POLICY RISK

While benefiting from various opportunities and growth in the country, government policy decision is a major factor that influences the hotel operations and financial performance.

- Factors such as recent rate changes to electricity tariffs have affected the performance of the hotel where it is difficult to transfer these costs to the customers in the short term.
- Recently introduced visa regime and minimum rates could have an effect during the off season where it might be difficult to attract new clients.

The Company maintains a strong relationship with the regulatory bodies through Hayleys PLC and other lobby groups. Through them the Company campaigns for clear and indisputable laws to facilitate the business.

Risk Rating	Likelihood Rating
Moderate	Low

Risk Management

RISK TYPE: FAILURE TO COMPLY WITH HEALTH AND SAFETY REGULATIONS

Failure to comply with health and safety regulations could affect the Company in bad publicity and claims through legal action against the Company.

The health and safety standards are of primary importance to the Company and are subjected to continuous direct supervision where deviations are directly reported to the senior management and actions taken to rectify them at the highest levels. The Company is in the process of obtaining the HACCP certificate which is the international standard on food safety process control systems, through same, policies and procedures will be implemented in line to ensure the health and safety regulations are effectively practiced.

Risk Rating	Likelihood Rating
High	Moderate

RISK TYPE: INTEREST RATE RISK

Company's major refurbishment project is planned to be funded through external borrowings. Depending on the fluctuations, interest rates could impact the company earnings, cash flow and economic value.

The Company works closely with the Treasury department of Hayleys PLC to negotiate favourable terms and conditions for loans. The Treasury department continuously monitors interest rates and financial markets and are in a position to implement necessary hedging techniques if required.

Risk Rating	Likelihood Rating
High	Moderate

RISK TYPE: IT SYSTEMS RISK

Failure of the various IT systems utilized by the hotel could have a temporary effect on the hotel operations depending on the extent of the damage. Current major IT systems of the hotel include Property management software, Stock system, Accounting software, online booking engines, email, internet, etc.

The risk of data loss and down time is mitigated by the IT department of the Company, which has implemented safeguards to taking timely backups and storing them on remote locations and reduces the down time and ensures continuity of operations through the implementation of the Hayleys Groups disaster recovery policy.

Risk Rating	Likelihood Rating
High	Moderate

RISK TYPE: EXCHANGE RATE RISK

Exchange rate risk represents a major risk for the hotel where revenue could be adversely affected through exchange rate fluctuations.

The company continuously monitors the Exchange rate movements and country's outlook of major currencies. Currently the pricing policy of the hotel is to provide rates in USD terms or to give equivalent rupee rates. However, should the USD depreciate unexpectedly the hotel with the consent of respective authorities could provide rates in Sri Lanka rupees mitigating the effects from long term adverse currency fluctuations.

Risk Rating	Likelihood Rating
High	Moderate

RISK TYPE: BREAKDOWN OF INTERNAL CONTROLS AND PROCEDURES

Breakdown of internal process and procedures could result in frauds, errors effecting in loss of Share holder wealth and resulting in material misstatements on its financial statements.

The company through its Audit Committee carries out reviews and assessments of its internal control environment. Internal audits are carried out quarterly by the Group Management Audit and Systems Review Department of Hayleys PLC and its findings are reported to the Audit Committee meetings, which convenes quarterly. Findings are reviewed, corrective actions are taken and the implications of same are monitored as a continuous improvement process on Audit Committee meetings.

Risk Rating	Likelihood Rating
High	Moderate

Statement of Directors Responsibility

The Directors are responsible, under section 150 (1), 151 of the Companies Act No. 7 of 2007, to ensure compliance with the requirements set out therein to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit & loss of the Company for the financial year. The Directors are also responsible, under section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the financial statements.

The Board accepts responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that in preparing the financial statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting standards. The financial statements provide the information required by the Companies Act and the listing rules of the Colombo Stock Exchange.

The Directors have taken reasonable measures to safeguard the assets of the Company and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The external Auditors, Messrs PricewaterhouseCoopers, re- appointed in terms of Section 158 of the Companies Act No. 7 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, shown on page 35 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company as at the Balance Sheet date have been paid or where relevant, provided for.

By order of the Board

HAYLEYS GROUP SERVICES (PVT) LTD

Secretaries

13th May, 2011

Audit Committee Report

ROLE

The primary role of the Audit Committee is to review and monitor the financial reporting process of the Company, so as to provide additional assurance on the reliability of the financial statements through a process of independent and objective review. As such, the Audit committee acts as an effective forum in assisting the Board of Directors in discharging their responsibilities of ensuring the quality of financial reporting and related communications to the shareholders and the public.

The Audit Committee is empowered amongst other functions to examine any matters relating to the financial affairs of the Company and to review the adequacy of the internal control procedures, role and performance of the external auditors, disclosures of accounting policies, compliance with statutory and corporate governance requirements.

COMPOSITION

The Audit committee comprises of three independent non executive directors. The chairman of the audit committee is Mr. L. N. De S. Wijeyeratne, a fellow member of the Institute of Chartered Accountants of Sri Lanka. The names of the members are given below on this report and a brief profile of each member is given on page 9. The Director/General Manager, The Financial Controller and the Head of Internal Audit of Group Management Audit and Systems Review Department of Hayleys PLC attend the meeting of the Audit Committee by invitation. The Chairman of the company and other Directors attend the meetings as required.

MEETINGS

The Committee met formally three times during the financial year ended 31st March 2011. The attendance of the members at these meetings is as follows:

Mr. L. N. De. S. Wijeyeratne (Chairman)	–	3/3
Mr. J. D. Bandaranayake (Resigned w.e.f 02/02/2011)	–	0/3
Mr. L. T. Samarawickrama	–	1/3
Mr. W. D. N. H. Perera (Resigned w.e.f 30/07/2010)	–	0/1
Ms. R. N. Ponnambalam (Appointed w.e.f 01/11/2010)	–	1/1

TASKS OF THE AUDIT COMMITTEE

FINANCIAL REPORTING SYSTEM

The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and annual statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted in their compliance with the Sri Lanka Accounting Standards and other statutory and regulatory requirements. The Committee recommended the financial statements to the Board for its publication.

INTERNAL CONTROLS AND INTERNAL AUDIT

The Committee reviewed the processes in place to assess the effectiveness of the Internal Financial Controls that are in place to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements.

The Hayleys PLC's Group Management Audit and Systems Review Department act as the Internal Auditors for the Company. Internal Audits are outsourced to audit firms in line with an agreed annual audit plan. At Audit Committee meetings detailed Internal Audit Reports were reviewed and audit concerns and recommendations for improvement of financial and operational control systems with the management responses were tabled, discussed and appropriate actions were initiated.

EXTERNAL AUDITS

The Committee had discussions with the external auditors Messrs. PricewaterhouseCoopers, to review the nature, approach, scope of the audit and the Audit Management letter of the Company. The Committee also reviewed the non audit services provided by the Auditors to ensure that the provision of such services does not impair their independence.

CONCLUSION

The audit committee is satisfied that the company's accounting policies and operational controls provide a reasonable assurance that the affairs of the company are managed in accordance with the company's policies and the company assets are properly accounted for and adequately safeguarded.

Independent Auditor's Report

TO THE MEMBERS OF HOTEL SERVICES (CEYLON) PLC.

REPORT ON THE FINANCIAL STATEMENTS

1 We have audited the accompanying financial statements of Hotel Services (Ceylon) PLC, which comprise the balance sheet as at 31 March 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 37 to 59.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2 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

3 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 principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

OPINION

4 In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2011 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2011 and of its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

5 These financial statements also comply with the requirements of Sections 151 (2) of the Companies Act, No. 07 of 2007.

CHARTERED ACCOUNTANTS
COLOMBO
13th May 2011

Income Statement

(All amounts in Sri Lanka Rupees thousands)

	Notes	Year ended 31 March	
		2011	2010 Restated
Turnover	3	606,548	341,411
Cost of sales		<u>(271,001)</u>	<u>(178,928)</u>
Gross profit		335,547	162,483
Other income	4	1,042	1,540
Administrative expenses		(219,898)	(139,189)
Marketing expenses		<u>(53,585)</u>	<u>(19,282)</u>
Operating profit	5	63,106	5,552
Net finance costs	7	<u>3,554</u>	<u>(1,476)</u>
Profit before tax		66,660	4,076
Tax	8	<u>(13,961)</u>	<u>3,132</u>
Net profit		<u>52,699</u>	<u>7,208</u>
Basic earnings per share (Rs.)	9	<u>0.30</u>	<u>0.04</u>

The notes on pages 45 to 59 form an integral part of these financial statements

Independent auditor's report - page 35

Balance Sheet

(All amounts in Sri Lanka Rupees thousands)

	Notes	31 March	
		2011	2010 Restated
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,693,636	1,453,857
Capital work in progress	12	35,850	Nil
Investments	13	Nil	100
		1,729,486	1,453,957
Current assets			
Inventories	14	16,035	10,899
Receivables and prepayments	15	84,825	30,853
Cash and cash equivalents	17	106,404	51,779
		207,264	93,531
Total assets		1,936,750	1,547,488
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	23	176,000	176,000
Revaluation reserves	24	1,157,917	893,433
Revenue reserve		69,500	69,500
Retained earnings		193,762	120,695
		1,597,179	1,259,628
Non-current liabilities			
Borrowings	19	Nil	4,042
Retirement benefit obligations	20	9,939	6,759
Deferred tax liability	16	189,957	196,073
		199,896	206,873
Current liabilities			
Trade and other payables	18	105,040	58,525
Borrowings	19	26,024	20,900
Current taxation		8,611	1,561
		139,675	80,986
Total liabilities		339,571	287,860
Total equity and liabilities		1,936,750	1,547,488

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.

R. K. NANAYAKKARA

Financial Controller

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were authorised for issue by the Board of Directors on 13th May 2011.

A. M. PANDITHAGE

Chairman/ Director

S. J. WIJESINGHE

Director

The notes on pages 45 to 59 form an integral part of these financial statements

Independent auditor's report - page 35

Statement of Changes in Equity

(All amounts in Sri Lanka Rupees thousands)

	Notes	Stated capital	Revaluation and other reserves	Revenue reserve	Retained earnings	Total
Balance at 1 April 2009						
As previously reported		176,000	1,305,693	69,500	111,728	1,662,921
Adjustment for reversal of revaluation - 2009	11/11(b)	Nil	(1,233,368)	Nil	Nil	(1,233,368)
As restated		176,000	72,325	69,500	111,728	429,553
Net profit		Nil	Nil	Nil	7,208	7,208
Transfer from revaluation reserve	24	Nil	(1,759)	Nil	1,759	Nil
Deferred tax on transfer	16	Nil	264	Nil	Nil	264
		176,000	70,830	69,500	120,695	437,025
Recognition of revaluation - 2010		Nil	967,768	Nil	Nil	967,768
Deferred tax on revaluation - 2010		Nil	(145,165)	Nil	Nil	(145,165)
		176,000	893,433	69,500	120,695	1,259,628
Balance at 1 April 2010						
As previously reported		176,000	1,241,169	69,500	132,848	1,619,517
Adjustment for reversal of revaluation - 2009	11/11(b)	Nil	(1,170,339)	Nil	(12,153)	(1,182,492)
Impact on revaluation-2010	11/11(c)	Nil	967,768	Nil	Nil	967,768
Deferred tax on revaluation - 2010		Nil	(145,165)	Nil	Nil	(145,165)
		176,000	893,433	69,500	120,695	1,259,628
Net profit		Nil	Nil	Nil	52,699	52,699
Transfer from revaluation reserve	24	Nil	(1,759)	Nil	1,759	Nil
Revaluation during the year	11/11(c)	Nil	285,708	Nil	Nil	285,708
Transfer from revaluation reserve	24	Nil	(18,609)	Nil	18,609	Nil
Deferred tax on revaluation		Nil	(34,285)	Nil	Nil	(34,285)
Effect on different tax rates		Nil	30,374	Nil	Nil	30,374
Deferred tax on transfer	16	Nil	3,055	Nil	Nil	3,055
		176,000	1,157,917	69,500	193,762	1,597,179

The notes on pages 45 to 59 form an integral part of these financial statements

Independent auditor's report - page 35

Cash Flow Statement

(All amounts in Sri Lanka Rupees thousands)

	Notes	Year ended 31 March	
		2011	2010 Restated
Operating activities			
Cash generated from operations	25	117,247	60,731
Interest received	7	5,367	1,510
Interest paid	7	(1,838)	(2,923)
Tax paid		(13,886)	(6,300)
Retirement benefit paid	20	(1,127)	(4,124)
Net cash generated from operating activities		105,763	48,894
Investing activities			
Capital work in progress	12	(35,850)	Nil
Purchases of property, plant and equipment	11	(17,622)	(3,298)
Proceeds from disposal of property, plant and equipment		1,250	Nil
Net cash used in investing activities		(52,222)	(3,298)
Financing activities			
Payments on long term borrowings		(20,243)	(1,975)
Net cash used in financing activities		(20,243)	(1,975)
Net increase in cash and cash equivalents		33,298	43,621
Movement in cash and cash equivalents			
At start of year		51,249	7,628
Net increase		33,298	43,621
At end of year	17	84,547	51,249

The notes on pages 45 to 59 form an integral part of these financial statements

Independent auditor's report - page 35

Notes to the Financial Statements

01 GENERAL INFORMATION

Hotel Services (Ceylon) PLC is engaged in the hotel business and is the owner of Ceylon Continental Hotel Colombo, the first Five Star Hotel established in Colombo.

The Company is a limited liability company incorporated in Sri Lanka and listed on the Colombo Stock Exchange. The address of its registered office is No. 48, Janadhipathi Mawatha, Colombo 1.

The financial statements were authorised for issue by the Board of Directors on 13th May 2011.

02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with and comply with Sri Lanka Accounting Standards (SLAS). The financial statements are prepared under the historical cost convention of accounting as modified by the revaluation of property, plant and equipment.

The preparation of financial statements in conformity with SLAS requires the use of certain critical estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The Company will adopt Sri Lanka Financial Reporting Standards (SLFRS) effective 1 April 2012.

2.2 FOREIGN CURRENCIES

(a) Functional and presentation currency

Items included in the financial statements of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.3 INVESTMENTS

Fixed asset investments are shown at cost and provision is only made where, in the opinion of the directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

2.4 PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is initially recorded at cost.

All property, plant and equipment except motor vehicles and, linen and furnishing are subsequently own at fair value, based on valuations by external independent valuers, less subsequent depreciation. Motor vehicles and, linen and furnishing are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Notes to the Financial Statements

2.4 PROPERTY, PLANT AND EQUIPMENT (CONT.)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation reserve, except that it is credited to the income statement to the extent that it reverses a previous deficit recognised as an expense. Any revaluation deficit that offsets previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognised as an expense. Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings. The difference between depreciation based on the assets original cost and the depreciation based on the revalued amount is transferred from revaluation reserve to retained earnings.

Depreciation is calculated on the straight line method to allocate the cost of each asset or its revalued amount, to their residual values over their estimated useful life as follows:

Buildings	50 years
Sports complex	50 years
Motor vehicles	5 years
Sign board	5 years
Plant, machinery and equipment	8 years
Furniture and fittings	10 years
Linen and furnishing	10 years
Linen and furnishing (food & beverages & house keepings)	3 years

The assets' residual values are reviewed, and adjusted as appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

2.5 IMPAIRMENT OF ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.6 OPERATING LEASES

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.7 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of the inventory comprises purchase price, taxes (other than those subsequently recoverable by the Company from the tax authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods. It excludes the borrowing costs. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.8 TRADE RECEIVABLES

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

2.10 STATED CAPITAL

Ordinary shares are classified as stated capital.

2.11 TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.13 EMPLOYEE BENEFITS

(a) Defined contribution plans

All employees of the Company are members of the Employees' Provident Fund and the Employees' Trust Fund, to which the Company contributes 12% and 3% respectively of such employees' basic or consolidated wage or salary and cost of living and all other allowances.

The Company's contributions to the defined contribution plans are charged to the income statement in the year to which they relate.

(b) Defined benefit plan

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date together with past service cost. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of treasury bills 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 pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to the income statement.

2.14 OPERATING LEASES

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.15 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

2.16 (a) TAXATION

The tax charge is computed on the results for the year in accordance with the provisions of the Inland Revenue Act No. 10 of 2006.

Notes to the Financial Statements

(b) DEFERRED TAXATION

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. The temporary differences arise from the depreciation on property, plant and equipment, provision for retirement benefit obligations and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.17 REVENUE RECOGNITION

Sales are recognised upon customer acceptance, of product or services, net of sales taxes and discounts.

Other revenues earned by the Company are recognised on the following bases:

Interest income - on an accrual basis.

Dividend income - when the shareholder's right to receive payments is established.

2.18 COMPARATIVES

The corresponding figures have been restated in relation to adjustments made on reversal of revaluation recognised in 2009 and revaluation of buildings in 2010.

3 TURNOVER

Turnover is shown net of indirect taxes and service charge. Turnover comprise accommodation sales, outlet sales including banquets and other related income from Hotel operations.

4 OTHER INCOME

	2011	2010
Profit on disposal of property, plant and equipment	450	Nil
Shop commission	Nil	720
Scrap sales	260	469
Sundry income	332	351
	1,042	1,540

5 OPERATING PROFIT

The following items have been charged /(credited) in arriving at operating profit:

	2011	2010 Restated
Directors' emoluments	6,481	11,632
Auditors remuneration	306	360
- audit fees	250	96
- non audit fees	62,751	46,295
Depreciation on property, plant and equipment (Note 11)	21,624	10,703
Repair and maintenance expenditure	2,462	2,462
Operating lease rentals on property	104,840	70,460
Staff costs (Note 6)	77,512	40,630
Electricity charges and fuel for generator	450	Nil
Profit on disposal of property, plant and equipment	18,791	Nil
Management fee		

6 STAFF COSTS

	2011	2010
Wages and salaries	80,594	55,223
Cost of meals	10,419	6,068
Defined contribution plans	9,520	5,834
Defined benefit plans (Note 20)	4,307	3,335
	104,840	70,460
Monthly average number of employees during the year	417	301

7 NET FINANCE INCOME/ (COSTS)

	2011	2010
Interest income	5,367	1,510
Interest expenses	(1,838)	(2,923)
Net foreign exchange gain/(loss)	25	(63)
	3,554	(1,476)

8 TAX

	2011	2010 Restated
Current tax	20,798	5,524
Under provision in previous year	135	Nil
Deferred tax (Note 16)	(6,972)	(8,656)
	13,961	(3,132)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable to profits of the Company as follows:

	2011	2010 Restated
Profit before tax	66,660	4,076
Tax calculated at a rate of 15% (2010 - 15%)	9,999	611
Expenses not deductible for tax purposes	834	(4,126)
Effect of different tax rates	2,816	302
Social responsibility levy on tax at a rate of 1.5% (2010 - 1.5%)	312	81
	13,961	(3,132)

Further information about deferred tax and tax rates are presented in Note 16.

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2011	2010 Restated
Net profit attributable to shareholders	52,699	7,208
Weighted average number of ordinary shares in issue (thousands) (Note 23)	176,000	162,800
Basic earnings per share (Rs)	0.30	0.04

Notes to the Financial Statements

10 DIVIDENDS PER SHARE

In respect of the year ended 31 March 2011, an interim dividend has not been declared by the Board of Directors (2010 -Nil).

11 PROPERTY, PLANT AND EQUIPMENT

(a) The Hotel building is constructed on land obtained from the Ceylon Tourist Board on a 99 years lease commencing from 9 May 1970, for which the Company pays a sum of Rs 2.5 Mn annually as operating lease rental (Note 22).

(b) The Company's assets had been initially revalued in 1996 and furniture and fittings revalued again in 2001 by independentvaluers. All property, plant and equipment except motor vehicles, thereafter were revalued as at 31 March 2009 by an independent professional valuer, Messrs A. Y. Daniel & Son and the values incorporated to the books of account as at that date. However, on 3 May 2011 the valuer informed the Chairman of the Company in writing that the valuation had been inadvertently overstated and withdrew the valuation report dated 27 March 2009. Accordingly the corresponding figures in the current year have been restated for the reversal of the revaluation withdrawn.

(c) The leasehold rights and buildings of the Company were again revalued as at 31 March 2010, by an independent professional valuer, K Arthur Perera, Valuer and Consultant. The revaluation in respect of the buildings not incorporated to the books of account as at 31 March 2010, as the difference in value from the previous revaluation was not considered as significant. On reversal of the revaluation incorporated to the books of account as at 31 March 2009 in the current year the revaluation in relation to buildings as at 31 March 2010 was incorporated to the current year financial statements by restating the corresponding figures.

(d) All property, plant and equipment of the Company except for linen and furnishing were revalued as at 31 March 2011, by the independent professional valuer, who performed the valuation of leasehold land and buildings constructed thereon in 2010. The results of such revaluation were incorporated to the books of account and these financial statements effective 31 March 2011.

(e) The Hotel building has been pledged to Bank of Ceylon as security for the loan of Rs 100,000,000 obtained at a rate of interest of 6% p.a.

(f) If the property, plant and equipment except motor vehicles and linen and furnishing, which have not been revalued are stated at historical cost, the amounts would be as follows:

Asset category	Cost	Accumulated depreciation	Net book value
Buildings	492,288	130,502	361,786
Plant, machinery and equipment	165,770	123,252	42,518
Sports complex	12,787	3,276	9,511
Furniture and fittings	127,027	97,183	29,844
Sign boards	741	699	42
	798,613	354,911	443,702

(g) The sports complex which comprised only the value of buildings to 30 March 2011, now comprises the value of buildings and the value of plant, machinery and equipment used in the sports complex, subsequent to the valuation carried out and incorporated to the books of account effective 31 March 2011.

11 PROPERTY, PLANT AND EQUIPMENT (CONT.)

	Buildings	Sports complex	Plant, machinery & equipment	Furniture & fittings	Motor vehicles	Sign board	Linen & furnishing	Total
At 31 March 2009								
Cost/valuation	492,288	12,772	155,673	123,189	3,000	742	40,626	828,290
Accumulated depreciation	(110,810)	(2,764)	(86,238)	(72,469)	(1,350)	(581)	(25,790)	(300,002)
Surplus on revaluation [Note 11(b)]	875,991	7,986	370,728	160,561	Nil	592	35,163	1,451,021
	1,257,469	17,994	440,163	211,281	1,650	753	49,999	1,979,309
Reversal of revaluation on withdrawal of report [11 (b)]	(875,991)	(7,986)	(370,728)	(160,561)	Nil	(592)	(35,163)	(1,451,021)
Net book amount - restated	381,478	10,008	69,435	50,720	1,650	161	14,836	528,288
Year ended 31 March 2010								
Opening net book amount	1,257,469	17,994	440,163	211,281	1,650	753	49,999	1,979,309
Reversal of revaluation on withdrawal of report [11 (b)]	875,991	7,986	370,728	160,561	Nil	592	35,163	1,451,021
Opening net book amount - restated	381,478	10,008	69,435	50,720	1,650	161	14,836	528,288
Additions	Nil	Nil	1,913	Nil	Nil	Nil	1,385	3,298
Transfers from capital work in progress (Note 12)	Nil	Nil	Nil	Nil	Nil	Nil	798	798
Depreciation charge (Note 5)	(25,149)	(360)	(55,160)	(21,128)	(600)	(150)	(5,746)	(108,293)
Reversal of depreciation on revaluation reversed	15303	104	35561	8809	Nil	72	2149	61,998
Closing net book amount- restated	371,632	9,752	51,749	38,401	1,050	83	13,422	486,089
At 31 March 2010								
Cost / valuation	492,288	12,772	157,586	123,189	3,000	742	42,809	832,386
Accumulated depreciation	(120,656)	(3,020)	(105,837)	(84,788)	(1,950)	(659)	(29,387)	(346,297)
Net book amount - restated	371,632	9,752	51,749	38,401	1,050	83	13,422	486,089
Revaluation in 31 March 2010 11(c)	967,768	Nil	Nil	Nil	Nil	Nil	Nil	967,768
Net book value restated - 31 March 2010	1,339,400	9,752	51,749	38,401	1,050	83	13,422	1,453,857
Year ended 31 March 2011								
Opening net book amount - restated	1,339,400	9,752	51,749	38,401	1,050	83	13,422	1,453,857
Additions	Nil	Nil	8,224	3,811	Nil	Nil	5,587	17,622
Depreciation charge (Note 5)	(26,788)	(256)	(17,417)	(12,394)	(250)	(39)	(5,607)	(62,751)
Disposals - Cost	Nil	Nil	Nil	Nil	(3,000)	Nil	Nil	(3,000)
- Accumulated depreciation	Nil	Nil	Nil	Nil	2,200	Nil	Nil	2,200
	1,312,612	9,496	42,556	29,818	Nil	44	13,402	1,407,928
Surplus on revaluation	156,718	42,482	50,675	35,859	Nil	(26)	Nil	285,708
Closing net book amount	1,469,330	51,978	93,231	65,677	Nil	18	13,402	1,693,636
At 31 March 2011								
Cost/valuation	1,339,400	12,772	165,810	127,000	Nil	742	48,396	1,694,120
Accumulated depreciation	(26,788)	(3,276)	(123,254)	(97,182)	Nil	(698)	(34,994)	(286,192)
Net book amount	1,312,612	9,496	42,556	29,818	Nil	44	13,402	1,407,928
Surplus on revaluation [11(b)]	156,718	42,482	50,675	35,859	Nil	(26)	Nil	285,708
Net book amount after revaluation	1,469,330	51,978	93,231	65,677	Nil	18	13,402	1,693,636

Notes to the Financial Statements

12 CAPITAL WORK IN PROGRESS

	2011	2010
At beginning of year	Nil	798
Cost incurred during the year	35,850	Nil
Amount transferred to property, plant and equipment (Note 11)	Nil	(798)
At end of year	35,850	Nil

13 INVESTMENTS

	2011	2010
Opening net book amount	100	100
Provision for diminution in value	(100)	Nil
Closing net book amount	Nil	100

14 INVENTORIES

	2011	2010
Food, beverages and tobacco (at cost)	6,619	3,321
Consumables (at cost)	2,191	2,061
Kitchen utensils (at cost)	7,225	5,517
	16,035	10,899

15 RECEIVABLES AND PREPAYMENTS

	2011	2010
Trade receivables	84,655	31,045
Less: Provision for bad debts	(15,554)	(10,695)
	69,101	20,350
Intercompany receivables [Note 26 (iv)]	873	915
Prepayments	2,171	461
Other receivables	12,680	9,127
	84,825	30,853

Other receivables include refundable deposits of Rs 8,189,365 (2010 - Rs 8,390,805) paid for utilities. Other receivable also include an amount receivable from Wijesuriya Holdings (Private) Limited in which company Mr M W A D J N Wijesuriya, the former Chairman of the Company was also the Chairman and which company held 0.95% of the issued share capital of the Company. The balance which was extended as an interest free loan without specific repayment terms had been fully provided for in the current year.

16 DEFERRED INCOME TAXES

Deferred income taxes are calculated on timing differences under the liability method using a principal tax rate of 12% (2010 - 15%).

The movement on the deferred income tax account is as follows:

	2011	2010
Deferred tax assets		
At beginning of year	2,618	1,132
Income statement release (Note 8)	563	1,486
At end of year	3,181	2,618
Deferred tax liabilities		
At beginning of year	260,056	278,612
Impact on reversal of revaluation- 2009 [Note 11(b)]	(206,530)	(217,653)
Effect of revaluation - 2010 [Note 11(c)]	145,165	Nil
As restated	198,691	60,959
Income statement release (Note 8)	(6,409)	(7,170)
	192,282	53,789
Deferred tax on amount transferred from revaluation reserve (Note 24)	(3,055)	(264)
Effect on different tax rates (Note 24)	(30,374)	Nil
Deferred tax on current year revaluation (Note 24)	34,285	145,165
At end of year	193,138	198,691
Deferred income tax liabilities (net)	189,957	196,073

Deferred tax assets and liabilities in the balance sheet, deferred tax charge/ (release) in the income statement and deferred tax charge/ (credit) in equity, are attributable to provision for retirement benefit obligations, accelerated tax depreciation and asset revaluation. The deferred tax on amount transferred from revaluation reserve to retained earnings represents the deferred tax on the difference between the depreciation on revalued property, plant and equipment and the equivalent depreciation based on the historical cost of property, plant and equipment.

17 CASH AND CASH EQUIVALENTS

	2011	2010
Cash at bank and in hand	3,262	7,499
Short term deposits	103,142	44,280
	106,404	51,779

The weighted average effective interest rate on short term deposits was 6% (2010 -17%).

For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

	2011	2010
Cash and bank balances	106,404	51,779
Bank overdraft (Note 19)	(21,857)	(530)
	84,547	51,249

Notes to the Financial Statements

18 TRADE AND OTHER PAYABLES

	2011	2010
Trade payables	40,548	22,244
Intercompany payables [Note 26(v)]	18,871	Nil
Social security and other taxes payable	1,412	710
Accrued expenses [Note (a)]	9,204	7,771
Other payables [Note (b)]	35,005	27,800
	105,040	58,525

(a) Accrued expenses includes service charge payable amounting to Rs 3,192,287 (2010 - Rs 2,661,715) and electricity payable amounting to Rs 2,697,130 (2010 - Rs 2,718,386).

(b) Other payables include advances received from customers amounting to Rs 18,165,254 (2010 - Rs 18,529,218) and VAT payable amounting to Rs 4,032,076 (2010 - Rs 2,335,066).

19 BORROWINGS

	2011	2010
Current		
Bank overdraft (Note 17)	21,857	530
Bank borrowings	4,167	20,370
	26,024	20,900
Non-current		
Bank borrowings	Nil	4,042
Total borrowings	26,024	24,942

Weighted average effective interest rates on borrowing are as follows:

	2011	2010
Bank overdraft	19%	19%
Bank borrowings	6%	6%

The bank borrowings are secured by the Hotel buildings of the Company [Note 11(e)].

20 RETIREMENT BENEFIT OBLIGATIONS

	2011	2010
At beginning of year	6,759	7,548
Current service cost (Note 6)	4,307	3,335
Benefits paid	(1,127)	(4,124)
At end of year	9,939	6,759

The defined benefit obligation as at 31 March 2010 was calculated using the projected unit credit method based on the formula prescribed in Sri Lanka Accounting Standard No: 16, Employee Benefits.

	2011	2010
Discount rate	11%	12%
Expected annual average salary increment	12%	8%
Staff turnover factor	2.85%	Nil
Retiring age	55 years	55 years

An actuarial valuation was carried out by an independent professional actuary, Messrs Actuarial & Management Consultants (Private) Limited, in March 2011, to ascertain the full liability arising in respect of all employees of the Company as at 31 March 2011.

21 CONTINGENCIES

Contingent liabilities

There were no contingent liabilities outstanding at the balance sheet date, except for pending litigation in relation to:

(a) The application filed by legal counsel on behalf of the Company objecting the order made by the Learned Magistrate of Maligakanda Magistrate Court for the Company to pay 1% of the turnover of the Hotel as license fees to the Colombo Municipal Council. On support of the application for interim relief and notice the learned High Court Judge issued notice on the Respondent and an interim order staying further proceeding of the Magistrate Court in November 2009. However, by judgment dated 14 January 2011 the revision application was dismissed and the stay order vacated. Legal council have filed a Petition of Appeal on 21 January 2011 in the Court of Appeal, challenging the judgment and the appeal is yet to be listed for hearing.

(b) In addition to the above there are two other cases filed by the Colombo Municipal Council at the Maligakanda Magistrate Court for operating a restaurant without obtaining a requisite license in the years 2009 and 2010, whereby the Legal Counsel on behalf of the Company had informed the Magistrate Court that the decision to levy license fees equivalent to 1% of the turnover as a pre-condition is challenged. The matters are to be called in Courts on 13 June 2011. The Legal Counsel has also filed a writ application on behalf of the Company and the Court issued notice on the Respondents to file objection for which Court has granted time to 27 May 2011.

(c) The Company has sought writs of certiorari and Prohibition challenging the decision of the Provincial Commissioner of Revenue - Western Province to charge turnover tax on sale of liquor and cigarettes in the course of providing hotel services to its customers. Court of Appeal had granted leave of this application and the matter is expected to be taken up in Courts on 12 May 2011.

Liability has not been assessed on the above pending litigations as of the balance sheet date.

22 COMMITMENTS

(a) Capital commitments

There were no material capital commitments outstanding at the balance sheet date.

(b) Operating lease commitments

The future aggregate minimum lease payments under non cancellable operating lease are as follows:

	2011	2010
Not later than 1 year	2,500	2,500
Later than 1 year and no later than 5 years	10,000	10,000
Later than 5 years	135,000	137,500
	147,500	150,000

(c) Financial commitments

The Company has an annual commitment to pay a sum of Rs 2.5 Mn to Ceylon Tourist Board as operating lease rental for the land on which the hotel building has been constructed.

Notes to the Financial Statements

23 STATED CAPITAL

	Number of shares (thousands)	Ordinary shares Rs '000
At 31 March 2010	176,000	176,000
At 31 March 2011	176,000	176,000

24 REVALUATION RESERVE

The revaluation surplus, comprises gains on revaluation of property, plant and equipments made in 1996, 2002, 2010 and 2011. The movement in the revaluation reserve is as follows.

	2011	2010
At beginning of year		
- As previously reported	1,241,169	1,305,693
- Adjustment for reversal of revaluation - 2009	(1,170,339)	(1,233,368)
- Recognition of revaluation - 2010	967,768	Nil
- Deferred tax on revaluation - 2010	(145,165)	Nil
- As restated	893,433	72,325
Released to equity	5,846	264
Revaluations during the year (Note 11)	285,708	967,768
Effect on different tax rates	30,374	Nil
Transfer to retained earnings [Note (a)]	(1,759)	(1,759)
Transfer to retained earnings [Note (b)]	(18,609)	Nil
Deferred tax on current year revaluation (Note 16)	(34,285)	(145,165)
At end of year	1,160,708	893,433

(a) Transfer to retained earnings amounting to Rs 1,759,000 represents the difference between depreciation charge for the year based on cost and depreciation charge based on revalued amounts of the assets revalued in 1996.

(b) Transfer to retained earnings amounting to Rs 18,609,000 represents the difference between depreciation charge for the year based on cost amounting to Rs 8,179,000 and depreciation charge based on the revalued amount of Rs 26,788,000 of the building revalued in 2010.

25 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations.

	2011	2010
Profit before tax	66,660	4,076
Adjustments for:		
Depreciation on property, plant and equipment (Note 11)	62,751	46,295
Provision for diminution in value of investments (Note 13)	100	Nil
Interest income (Note 7)	(5,367)	(1,510)
Interest expense (Note 7)	1,838	2,923
Profit on disposal of property, plant and equipment (Note 4)	(450)	Nil
Changes in working capital:		
- receivable and prepayments	(53,971)	10,074
- inventories	(5,136)	(586)
- payables	46,515	(3,876)
- retirement benefits (Note 20)	4,307	3,335
Cash generated from operations	117,247	60,731

Non cash transactions

There were no major non cash transactions during the year.

26 RELATED PARTY TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS WITH THE COMPANY

- (i) Hayleys PLC holds 51% controlling interest of Hotel Services (Ceylon) PLC.
- (ii) Hayleys PLC is the ultimate parent Company of all Companies that are listed as related parties in note (iii).
- (iii) Transactions with the related companies during the year were as follows:

Name of the Company	Nature of the transaction	Value of transaction	
		2011	2010
Hayleys PLC	Banquet sales	2,581	Nil
Hayleys PLC	Reimbursement of legal and administrative expenses	4,420	Nil
Hayleys Advantis Limited	Banquet sales	520	Nil
Haycarb PLC	Banquet sales	1,006	Nil
Hayleys Consumer Products Limited	Banquet sales	359	Nil
Hayleys MGT Knitting Mills PLC	Banquet sales	171	Nil
Hayleys Agro Products PLC	Banquet sales	252	Nil
Hayleys Ltd - Fibre Cluster	Banquet sales	172	Nil
Hayleys Travels & Tours (Private) Limited	Room sales	3,109	Nil
MIT Cargo (Private) Limited	Banquet sales	116	Nil
Dipped Products PLC	Banquet sales	150	Nil
Air Global (Private) Limited	Reimbursement of administrative expenses	6,665	Nil
Hayleys Leisure Holdings (Private) Limited	Banquet sales	393	Nil
Hayleys Consumer Products Limited	Purchase of electrical items	133	Nil
Hayleys Leisure Holdings (Private) Limited	Management fee	18,791	Nil
Talawakella Tea Estates PLC	Purchase of tea	257	Nil

All transactions with the above related companies were carried out at arms length basis.

- (iv) Outstanding receivables balance arising from the above transactions:

Name of the Company	2011	2010
Hayleys PLC	192	Nil
Hayleys Advantis Limited	51	Nil
Haycarb PLC	11	Nil
Hayleys Consumer Products Limited	Nil	Nil
Hayleys MGT Knitting Mills PLC	77	Nil
Hayleys Agro Products PLC	77	Nil
Hayleys Ltd - Fibre Cluster	171	Nil
Hayleys Travels & Tours (Private) Limited	264	Nil
MIT Cargo (Private) Limited	Nil	Nil
Dipped Products PLC	Nil	Nil
Air Global (Private) Limited	Nil	Nil
Hayleys Leisure Holdings (Private) Limited	30	Nil
Wijesuriya Holdings (Private) Limited	Nil	915
	873	915

Notes to the Financial Statements

(v) Outstanding payable balance arising from the above transactions:

	2011	2010
Hayleys Consumer Products Limited	31	Nil
Talawakella Tea Estates PLC	49	Nil
Hayleys Leisure Holdings (Private) Limited	18,791	Nil
	18,871	Nil

(vi) Key management compensation

	2011	2010
Salaries and other short term employee benefits	5,419	11,632
Defined contribution plans	813	Nil
Defined benefit plans	1,290	Nil
	7,522	Nil

27 POST BALANCE SHEET EVENTS

The independent professional valuer who was responsible for the revaluation of property, plant and equipment as at 31 March 2009, issued a letter subsequent to the balance sheet date (3 May 2011) withdrawing his valuation report stating that he has inadvertently over valued the said property, plant and equipment. Accordingly, the financial statements in respect of the current year was adjusted by restating the corresponding figures in relation to the revaluation. No other events have occurred since the balance sheet date which would require adjustments to, or disclosure in the financial statements.

Notice of Annual General Meeting

HOTEL SERVICES (CEYLON) PLC

Company No. PQ 203

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty Second Annual General Meeting of Hotel Services (Ceylon) PLC, will be held at Ceylon Continental Hotel Colombo Sapphire Ballroom on Tuesday ,28th June 2011 at 10.00 a.m. and the business to be brought before the meeting will be:

AGENDA

- 1) To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2011.
- 2) To re-elect Mr. U.D Gamage who has been appointed by the Board, since the last Annual General Meeting, a Director.
- 3) To re-elect Mr. K.D.D. Perera, who has been appointed by the Board, since the last Annual General Meeting, a Director.
- 4) To re-elect Ms. R.N. Ponnambalam, who has been appointed by the Board, since the last Annual General Meeting, a Director.
- 5) To re-elect Mr. W.D.N.H. Perera, who has been appointed by the Board, since the last Annual General Meeting, a Director.
- 6) To re-elect Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting a Director.
- 7) To re-elect Mr. S.P. Dissanayake, who retires by rotation at the Annual General Meeting a Director.
- 8) To authorize the Directors to determine contributions to Charities.
- 9) To appoint M/s Ernst & Young, chartered accountants as auditors of the Company for the year 2011/2012 and to authorize the Directors to determine their remuneration.
- 10) To consider any other business of which due notice has been given.

Note:

A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office No.48, Janadhipathi Mawatha, Colombo 01 by 10.00 a.m on 26th June 2011.

By Order of the Board

HOTEL SERVICES (CEYLON) PLC

Hayleys Group Services (Private) Limited

Secretaries

Colombo
25th May, 2011

Form of Proxy

I/We* _____

of _____

being a shareholder/ shareholders* of HOTEL SERVICES (CEYLON) PLC hereby appoint,

1. _____

of _____

or failing him/them,*

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our* proxy to attend and vote as indicated hereunder for me/us* and on my/our* behalf at the Forty Second Annual General Meeting of the Company to be held on Tuesday, 28th June 2011 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof:

	For	Against
1. To consider and adopt the Annual Report of the Board and the Statements of Accounts for the year ended 31March 2011 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. U. D. Gamage who has been appointed by the Board, since the last Annual General Meeting, a Director	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. K. D. D. Perera,who has been appointed by the Board, since the last Annual General Meeting, a Director	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Ms. R. N. Ponnambalam, who has been appointed by the Board, since the last Annual General Meeting, a Director	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. W. D. N. H. Perera who has been appointed by the Board, since the last Annual General Meeting, a Director	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mr. S. C. Ganegoda who retires by rotation at the Annual General Meeting a Director.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect Mr. S. P. Dissanayake who retires by rotation at the Annual General Meeting a Director.	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the Directors to determine contributions to Charities.	<input type="checkbox"/>	<input type="checkbox"/>
9. To appoint M/s Ernst & Young, chartered accountants as auditors of the Company for the year 2011/2012 and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

(**) The proxy may vote as he thinks fit on any other resolution brought before the Meeting.

As witness my/our* hands this day of2011

Signature of Shareholder

Witnesses

NOTE: *Please delete the inappropriate words
 1. A proxy need not be a member of the Company
 2. Instructions as to completion appear on the reverse

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. To be valid, this Form of Proxy must be deposited at the Registered Office of the Company, No.48, Janadhipathi Mawatha, Colombo 01 by 10.00 a.m. on 26th June 2011
2. In perfecting the Form of Proxy, please ensure that all details are legible.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at 1 overleaf and initial against this entry.
4. Please indicate with an X in the space 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. Please also delete (**) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the case of a Company / Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.



*Ceylon
Continental Hotel
Colombo*

CEYLON CONTINENTAL HOTEL

48, Janadhipathi Mawatha, Colombo 01
Tel: +94 11 5421221/ 2421221 Fax : +94 11 2447326
Email: hotel@ceyloncontinental.com
www.ceyloncontinental.com