

**ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2014**

The Board of Directors of WelcomHotels Lanka (Private) Limited hereby submit their Second Annual Report for the financial year ended 31st March, 2014:

**Nature of the business of the Company**

The Company, a wholly-owned subsidiary of ITC Limited, India, was incorporated with the objective of constructing, building and operating a mixed use development project ('Project') including a luxury hotel at Colombo. The Board of Investment of Sri Lanka provided to the Company about 5.86 acres of prime sea facing land in Colombo on a 99 years lease for this purpose.

**Performance of the Company**

The Company is in the process of developing its designs as well as obtaining all statutory permissions required to commence the physical construction activity at site.

Based on current estimates it is expected that excavation and allied activities would commence shortly.

The Financial Statements, including the Auditors Report thereon, for the year ended 31st March, 2014 are attached to this Report.

**Accounting Policies**

The Accounting Policies adopted in the preparation of the Financial Statements are provided in pages 121 to 122 of the attached Financial Statements.

**Entries made in the Interests Register**

The Directors have no interest in any contract with the Company.

**Remuneration and other benefits of Directors**

The Directors are not entitled to and nor have they received any remuneration or other benefit during the year ended 31st March, 2014.

**Donations**

The Company has not made any donation during the year ended 31st March, 2014.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WELCOMHOTELS LANKA (PRIVATE) LIMITED****Report on the Financial Statements**

We have audited the accompanying financial statements of WelcomHotels Lanka Private Limited, which comprise the statement of financial position as at 31st March, 2014, and the statement of comprehensive income statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

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

**Scope of Audit and Basis of Opinion**

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes

**Directors of the Company**

The Directors of the Company, who are on the Board as on 31st March, 2014, are as follows:

- |                                |                                   |
|--------------------------------|-----------------------------------|
| 1. Mr. Biswa Behari Chatterjee | Chairman & Non Executive Director |
| 2. Mr. Arun Pathak             | Non Executive Director            |
| 3. Mr. Supratim Dutta          | Non Executive Director            |
| 4. Ms. Devkanya Roy Choudhury  | Non Executive Director            |

Mr. Mohan Bhatnagar resigned from the office of Non-Executive Director of the Company with effect from close of business on 11th September, 2013 on his retirement from the holding company.

Mr. Arun Pathak was appointed as a Non-Executive Director of the Company with effect from 17th October, 2013.

**Audit Fees**

The Audit Fee payable to the Auditors of the Company, SJMS Associates, Chartered Accountants, at 2, Castle Lane, Colombo 4, Sri Lanka, for Statutory Audit of the Accounts of the Company, is set out in Note 15 on page 123 of the Financial Statements.

The said Auditors were not engaged for rendering any other services by the Company and hence there were no other fees paid or payable to them.

The Auditors do not have any other relationship (other than that of Auditor) with the Company.

Arun Pathak Director	Supratim Dutta Director
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Corporate Services (Private) Limited  
Secretaries

On this 11th day of April, 2014

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**

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

**Report on Other Legal and Regulatory Requirements**

In our opinion, these financial statements also comply with the requirements of section 151 (2) of the Companies Act No.7 of 2007.

SJMS ASSOCIATES  
Chartered Accountants  
Colombo  
Date : 11th April, 2014

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH, 2014

	Note	2013/2014 Rs.	2013/2014 INR	2012/2013 Rs.	2012/2013 INR
Revenue		—	—	—	—
Cost of sales		—	—	—	—
Gross profit		—	—	—	—
Other income	3	4,783,764	2,152,694	641,161	275,699
Administrative expenses	4	(562,766)	(253,245)	(1,015,960)	(436,863)
Finance cost	5	(177,682,341)	(79,957,053)	(25,200,000)	(10,836,000)
Pre operating loss before tax	6	(173,461,343)	(78,057,604)	(25,574,799)	(10,997,164)
Taxation	7	—	—	—	—
Pre operating loss for the year		(173,461,343)	(78,057,604)	(25,574,799)	(10,997,164)
Other comprehensive income		—	—	—	—
Other comprehensive income		—	—	—	—
Total comprehensive loss for the year		(173,461,343)	(78,057,604)	(25,574,799)	(10,997,164)
Loss per share	8	(2.36)	(1.06)	(7.02)	(3.02)

The accounting policies and notes from 1 to 21 form an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2014

Assets	Note	31.03.2014 Rs.	31.03.2014 INR	31.03.2013 Rs.	31.03.2013 INR
<b>Non Current Assets</b>					
Capital work in progress	9	478,077,051	219,915,443	346,936,991	149,182,906
Prepaid lease rental	10	9,318,363,160	4,286,447,054	9,318,363,160	4,006,896,159
		<u>9,796,440,211</u>	<u>4,506,362,497</u>	<u>9,665,300,151</u>	<u>4,156,079,065</u>
<b>Current Assets</b>					
Prepayments	11	660,094	303,643	1,448,400	622,812
Cash and bank balances	12	71,293,841	32,795,167	73,456,716	31,586,388
		<u>71,953,935</u>	<u>33,098,810</u>	<u>74,905,116</u>	<u>32,209,200</u>
<b>Total Assets</b>		<u>9,868,394,146</u>	<u>4,539,461,307</u>	<u>9,740,205,267</u>	<u>4,188,288,265</u>
<b>Equity and Liabilities</b>					
<b>Capital and Reserves</b>					
Stated capital	13	10,066,398,682	4,605,769,426	374,387,257	158,436,321
Accumulated loss		(199,036,142)	(66,782,658)	(25,574,799)	(8,446,964)
		<u>9,867,362,540</u>	<u>4,538,986,768</u>	<u>348,812,458</u>	<u>149,989,357</u>
<b>Non Current Liabilities</b>					
Interest bearing borrowings	14	—	—	9,061,200,000	3,896,316,000
		—	—	<u>9,061,200,000</u>	<u>3,896,316,000</u>
<b>Current Liabilities</b>					
Other payables	15	1,031,606	474,539	330,192,809	141,982,908
		<u>1,031,606</u>	<u>474,539</u>	<u>330,192,809</u>	<u>141,982,908</u>
<b>Total Liabilities</b>		<u>1,031,606</u>	<u>474,539</u>	<u>9,391,392,809</u>	<u>4,038,298,908</u>
<b>Total Equity and Liabilities</b>		<u>9,868,394,146</u>	<u>4,539,461,307</u>	<u>9,740,205,267</u>	<u>4,188,288,265</u>

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

Subi Koshy George  
Vice President

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board.

Arun Pathak  
Director  
11th April 2014

Supratim Dutta  
Director  
11th April 2014

The accounting policies and notes from 1 to 21 form an integral part of these financial statements.

Figures in brackets indicate deductions.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2014

	Stated Capital Rs.	Stated Capital INR	Retained earnings Rs.	Retained earnings INR	Total Rs.	Total INR
Shares issued during the year	376,500,000	159,344,800	—	—	376,500,000	159,344,800
Pre operating loss for the year	—	—	(25,574,799)	(10,997,164)	(25,574,799)	(10,997,164)
Share issue cost	(2,112,743)	(908,479)	—	—	(2,112,743)	(908,479)
Other comprehensive income for the year	—	—	—	—	—	—
Foreign Exchange Translation Reserve	—	—	—	2,550,200	—	2,550,200
Balance as at 31st March 2013	<u>374,387,257</u>	<u>158,436,321</u>	<u>(25,574,799)</u>	<u>(8,446,964)</u>	<u>348,812,458</u>	<u>149,989,357</u>
Shares issued during the year	9,740,715,000	4,469,736,750	—	—	9,740,715,000	4,469,736,750
Pre operating loss for the year	—	—	(173,461,343)	(78,057,604)	(173,461,343)	(78,057,604)
Share issue cost	(48,703,575)	(22,403,645)	—	—	(48,703,575)	(22,403,645)
Foreign Exchange Translation Reserve	—	—	—	19,721,910	—	19,721,910
Balance as at 31st March 2014	<u>10,066,398,682</u>	<u>4,605,769,426</u>	<u>(199,036,142)</u>	<u>(66,782,658)</u>	<u>9,867,362,540</u>	<u>4,538,986,768</u>

The accounting policies and notes from 1 to 21 form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2014

	2013/2014 Rs.	2013/2014 INR	2012/2013 Rs.	2012/2013 INR
<b>Cash Flows From Operating Activities</b>				
Pre operating loss before tax	(173,461,343)	(78,057,604)	(25,574,799)	(10,997,164)
<b>Adjustments For:</b>				
Exchange difference on loan conversion	169,200,000	76,140,000	25,200,000	10,836,000
Loss before working capital changes	(4,261,343)	(1,917,604)	(374,799)	(161,164)
<b>Changes in Working Capital</b>				
(Increase)/decrease in trade & other receivables	788,306	362,621	(1,448,400)	(622,812)
(Decrease)/increase in trade and other payables	(329,161,203)	(151,414,153)	330,192,809	141,982,908
Cash generated from/(used in) operations	(332,634,240)	(152,969,137)	328,369,610	141,198,932
Net cash flow generated from /(used in) operating activities	(332,634,240)	(152,969,137)	328,369,610	141,198,932
<b>Cash Flows From Investing Activities</b>				
Capital work in progress	(131,140,060)	(60,324,428)	(346,936,991)	(149,182,906)
Prepaid lease rental	—	—	(9,318,363,160)	(4,006,896,159)
Net cash flow from/(used in) investing activities	(131,140,060)	(60,324,428)	(9,665,300,151)	(4,156,079,065)
<b>Cash Flows From Financing Activities</b>				
Proceeds from issue of shares	510,315,000	240,132,750	376,500,000	159,344,800
Share issue cost	(48,703,575)	(22,403,645)	(2,112,743)	(908,479)
Loan obtained	—	—	9,036,000,000	3,885,480,000
Net cash flow from/(used in) investing activities	461,611,425	217,729,106	9,410,387,257	4,043,916,321
Net increase/(decrease) in cash and cash equivalents	(2,162,875)	4,435,541	73,456,716	29,036,188
Cash and cash equivalents at the beginning of the period	73,456,716	31,586,388	—	—
Foreign Exchange Translation (Gain)/ Loss	—	(3,226,762)	—	2,550,200
Cash and cash equivalents at the end of the period (Note 16.1)	<u>71,293,841</u>	<u>32,795,167</u>	<u>73,456,716</u>	<u>31,586,388</u>

The accounting policies and notes from 1 to 21 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014

## 1. Company Information

## 1.1. Domicile And Legal Form

WelcomHotels Lanka Private Limited is a limited liability company incorporated in Sri Lanka on April 23, 2012 under the Companies Act No.07 of 2007. The registered office of the Company is at 216, DeSaram Place, Colombo 10.

## 1.2. Principal activity and nature of operations

WelcomHotels Lanka Private Limited is engaged in the business of hospitality trade. WelcomHotels Lanka Private Limited is currently engaged in developing a mixed use project comprising of hotel, residential condominium, retail space, etc. on a plot of land in Colombo leased from the Board of Investment of Sri Lanka for 99 years.

## 1.3. Parent Entity

The Company's parent entity is ITC Ltd. which is incorporated in India.

## 1.4. Date of Authorisation for issue

The financial statements of the Company for the year ended 31st March, 2014 were authorised for issue by the Directors on 11th April, 2014.

## 2. Summary of Key Accounting Policies

## 2.1. Statement of Compliance

The Statement of Financial Position, Total Comprehensive Income, Changes in Equity, Cash Flow and Notes together with the Summary of Significant Accounting Policies (being the "Financial Statements") of the Company have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS/LKAS) as issued by The Institute

of Chartered Accountants of Sri Lanka (CA) which is based on International Financial Reporting Standards and International Accounting Standards ("IFRSs" & "IAS"), as issued by the International Accounting Standards Board.

## 2.2. Basis of Preparation

The financial statements, presented in Sri Lankan rupees, have been prepared on a historical cost basis, except where otherwise stated in the accounting policies below.

## 2.3. Significant Accounting Policies

The accounting policies have been consistently applied by the Company with those of the previous financial year.

## 2.4. Comparative Information

Previous year's figures and phases are rearranged, wherever necessary, to confirm to the current year's presentation.

## 2.5. Going Concern

When preparing the financial statements the Directors have assessed the ability of the Company to continue as a going concern. The Directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. The Company does not foresee a need for liquidation or cessation of business activities taking into account all available information about the future. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

## 2.6. Use of Estimates and Judgments

The preparation of the Company's financial statements require

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014**

management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. Actual results may differ from these estimates.

**2.7. Functional and Presentation Currency**

These financial statements are being presented in Sri Lankan rupees which is the Company's functional currency.

**2.8. Events after the date of Statement of Financial Position**

All material events after the Statement of Financial Position date have been considered and appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

**2.9. Foreign Currency Transactions**

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 Total Comprehensive Income Statement.

**2.10. Leased Assets**

Leasing contracts which transfers substantially all the risks and rewards incidental to ownership of the assets are treated as finance lease. All other leases are classified as operating lease. Payments made under operating leases are charged to the Total Comprehensive Income Statement on a straight-line basis over the period of the lease unless another systematic basis is more representative of the time pattern of the user's benefit.

**2.11. Taxation**
**Current Taxes**

The provision for income taxes are based on the elements of income and expenditure as reported in the financial statements and computed in accordance with provisions of the Inland Revenue Act, No 10 of 2006 and amendments thereto. The Company is exempted from income tax for a period of ten years as described in Note 7 to the financial statements.

**2.11 Property, Plant and Equipment**
**2.11.1 Cost**

Property, Plant and equipment, including owner-occupied property, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The cost of property, plant and equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its condition for its intended use.

**2.11.2 Depreciation**

Depreciation is charged to statement of comprehensive income so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any change in estimate accounted for on a prospective basis.

**2.11.3 Capital Work In Progress**

All expenses which are directly related to the project are reflected in capital work-in-progress till it is ready for the intended use.

**2.12 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.

**2.13 Cash and Cash Equivalents**

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

**2.14 Stated Capital**

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

**2.15 Financial instruments**

Trade and other receivables are initially recognised at the transaction price. All sales are made on the basis of normal credit terms, and the receivables do not bear interest. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in statement of comprehensive income.

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs.

Subsequent to initial measurement, financial liabilities are recognised at amortised cost unless they are a part of a fair value hedge relationship. The difference between the initial carrying amount of the financial liability and their redemption value is recognised in the Total Comprehensive Income Statement over the contractual terms using the effective interest rate.

This category includes the following classes of financial liabilities: trade and other payables, and other financial liabilities.

Financial liabilities at amortised cost are further classified as current and non-current depending whether these will fall due within 12 months after the date of statement of financial position or beyond.

Financial liabilities are derecognised when either the Company is discharged from its obligation; they expire, are cancelled or replaced by a new liability with substantially modified terms.

**2.16 Provisions, Contingent Assets and Contingent Liabilities**

Provisions are made for all obligations existing as at the date of statement of financial position when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. All contingent liabilities are disclosed as a note to the financial statement unless the outflow of resources is remote.

Contingent assets are disclosed where inflow of economic benefits is probable.

**2.17 Borrowing Costs**

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of a Qualifying Asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset.

**2.18 Cash Flow Statement**

The cash flow statement has been prepared using the "indirect method".

**2.19 Revenue Recognition**
**2.19.1 Revenue from operations**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes.

**2.19.2 Interest income**

Interest income is recognised using the Effective Interest Rate (EIR) method.

**2.19.3 Other income**

Other income is recognised on an accrual basis.

**2.20 Expenditure recognition**

Expenses are recognised in the statement of comprehensive income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in running the business and in maintaining property, plant and equipment in a state of efficiency has been charged to the statement of comprehensive income.

For the purpose of presentation of the statement of comprehensive income, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's performance.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	2013/2014	2013/2014	2012/2013	2012/2013
	Rs.	INR	Rs.	INR
<b>3. Other Income</b>				
Foreign exchange gain	<u>4,783,764</u>	<u>2,152,694</u>	<u>641,161</u>	<u>275,699</u>
<b>4. Administrative Expenses</b>				
BOI processing fees	—	—	446,880	192,158
Audit fees	459,000	206,550	514,080	221,054
Secretarial fees	103,766	46,695	55,000	23,650
	<u>562,766</u>	<u>253,245</u>	<u>1,015,960</u>	<u>436,863</u>
<b>5. Finance Charges</b>				
Foreign exchange loss	<u>177,682,341</u>	<u>(79,957,053)</u>	<u>25,200,000</u>	<u>(10,836,000)</u>
<b>6. Pre-operating Loss</b>				
The following items have been charged in arriving at the pre-operating loss				
BOI processing fees	—	—	446,880	192,158
Audit fees	459,000	206,550	514,080	221,054
Secretarial fees	103,766	46,695	55,000	23,650
<b>7. Taxation</b>				
The Company had entered into a Project Agreement with the Board of Investment of Sri Lanka on 04th May, 2012. Thereafter, the mixed use project of the Company has been duly declared a Strategic Development Project under the Strategic Development Projects Act, 2008. By virtue of the same, the provisions of the Inland Revenue Act 2006 relating to the imposition of income tax on the Company on the profit and income from the mixed use project shall not apply for a period of 10 years (tax exemption period). The tax exemption period shall commence from the first year in which the Company makes taxable profits or three years after commencement of commercial operations, whichever falls first. After the expiration of the aforesaid tax exemption period, the profits and income of the Company shall be charged at a concessionary tax rate which shall be the lower of 6% or 50% of the prevailing tax rate for the hotel industry, for a period of 15 years immediately succeeding the last date of the tax exemption period.				
<b>8. Loss Per Share</b>				
Loss per share is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of shares in issue during the year.				
<b>Amount used as the Numerator</b>				
Loss attributable to ordinary shareholders	<u>(173,461,343)</u>	<u>(78,057,604)</u>	<u>(25,574,799)</u>	<u>(10,997,164)</u>
<b>Amount used as the Denominator</b>				
Weighted average no of ordinary shares in issue	<u>73,354,005</u>	<u>73,354,005</u>	<u>3,644,257</u>	<u>3,644,257</u>
Loss Per Share	<u>(2.36)</u>	<u>(1.06)</u>	<u>(7.02)</u>	<u>(3.02)</u>
<b>9. Capital Work In Progress</b>				
Market research fees	520,000	239,200	260,000	111,800
Architects competition fees	13,285,172	6,111,179	13,285,172	5,712,624
Legal fees	394,640	181,534	394,640	169,695
Legal expenses	39,880	18,345	39,880	17,148
Architect fees	32,116,000	14,773,360	—	—
Rates and taxes	1,248,729	574,416	—	—
Site development	13,954,944	6,419,274	—	—
Consultancy charges	82,115	37,773	—	—
Travelling and stay expenses	234,698	107,961	—	—
Local architects expenses	405,000	186,300	405,000	174,150
Nation building tax	17,152	7,890	17,152	7,375
Value added tax	48,449	22,287	103,529	44,517
Interest on loan	411,633,591	189,351,452	329,678,729	141,761,853
Bank charges	31,667	14,567	16,182	6,958
Annual lease rent for land	37,044	17,040	24,182	10,398
Annual project management fee	4,027,969	1,852,866	2,712,525	1,166,386
	<u>478,077,051</u>	<u>219,915,443</u>	<u>346,936,991</u>	<u>149,182,906</u>
<b>10 Prepaid Lease Rental</b>				
Prepaid lease rentals (note 10.1)	<u>9,318,363,160</u>	<u>4,286,447,054</u>	<u>9,318,363,160</u>	<u>4,006,896,159</u>

**10.1 Prepaid Lease Rental**

Prepaid lease rentals amounting to LKR 9,224,250,000 (USD 73,500,000) was paid to the Board of Investment of Sri Lanka (BOI) on 4th May, 2012 to obtain 5.86 acres of land on a 99 year lease for developing a mixed use project.

On completion of the project, the prepaid lease rentals for the leasehold land area will be amortised on a straight line basis over the balance period of the lease.

The details of the land and stamp duty on lease are as follows:

	Rs.	INR		
Prepaid lease premium for land	9,224,250,000	4,243,155,000		
Stamp duty on lease of land	94,113,160	43,292,054		
	<u>9,318,363,160</u>	<u>4,286,447,054</u>		
	31.03.2014	31.03.2014	31.03.2013	31.03.2013
	Rs.	INR	Rs.	INR
<b>11 Prepayments</b>				
Advance - Annual project management fee	118,931	54,708	1,434,375	616,781
Advance - Annual lease rental	1,163	535	14,025	6,031
Advance - I.M.S Satyaprasad	540,000	248,400	—	—
	<u>660,094</u>	<u>303,643</u>	<u>1,448,400</u>	<u>622,812</u>
<b>12. Cash and Bank balances</b>				
CITI Bank (SFC a/c)	—	—	73,456,716	31,586,388
CITI Bank (FCBU a/c)	71,293,841	32,795,167	—	—
	<u>71,293,841</u>	<u>32,795,167</u>	<u>73,456,716</u>	<u>31,586,388</u>
<b>13. Stated Capital</b>				
Opening balance	374,387,257	158,436,321	—	—
Issued during the year	9,740,715,000	4,469,736,750	376,500,000	159,344,800
Share issue cost	(48,703,575)	(22,403,645)	(2,112,743)	(908,479)
Closing balance	<u>10,066,398,682</u>	<u>4,605,769,426</u>	<u>374,387,257</u>	<u>158,436,321</u>
No. of Shares issued:- 2013/ 2014 - 97,407,150 and 2012/2013 - 3,765,000				
<b>14 Interest Bearing Borrowings</b>				
Opening balance	9,061,200,000	3,896,316,000	—	—
Loan obtained during the year	—	—	9,036,000,000	3,885,480,000
Exchange difference on conversion	169,200,000	76,140,000	25,200,000	10,836,000
Converted to equity	(9,230,400,000)	(4,229,604,000)	—	—
Foreign Exchange Translation Reserve	—	257,148,000	—	—
Closing balance	<u>—</u>	<u>—</u>	<u>9,061,200,000</u>	<u>3,896,316,000</u>
<b>15. Other Payables</b>				
Audit fees payable	459,000	211,140	514,080	221,054
Interest payable - ITC LTD	—	—	329,678,729	141,761,853
Security deposit payable	572,606	263,399	—	—
	<u>1,031,606</u>	<u>474,539</u>	<u>330,192,809</u>	<u>141,982,908</u>
<b>16. Notes to the Cash Flow Statement</b>				
<b>16.1 Cash and Cash Equivalents at the End of the Year</b>				
Cash at bank	71,293,841	32,795,167	73,456,716	31,586,388
	<u>71,293,841</u>	<u>32,795,167</u>	<u>73,456,716</u>	<u>31,586,388</u>
<b>17 Operating Lease</b>				
Lease rental for land payable to Board of Investment of Sri Lanka.				
Not later than one year	19,346	8,899	18,458	7,937
Later than one year and not later than five years	77,383	35,596	73,834	31,748
Later than five years	1,779,811	818,713	1,698,175	730,215
<b>18. Contingencies and Commitments</b>				
There were no significant contingent liabilities and / or commitments as at the date of statement of financial position.				
<b>19. Events after the date of Statement of Financial Position</b>				
There were no significant events occurring after the date of statement of financial position.				

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

## 20. Related Party Transactions

20.1 The company had the following transactions with its related parties during the financial year.

Related Party	Nature of Relationship	Nature of Transaction	Transaction Value		Outstanding Balance as at the date of Statement of Financial Position	
			Rs.	INR	Rs.	INR
ITC Ltd	Parent Company	Share issue	510,315,000	240,132,750	510,315,000	240,132,750
ITC Ltd	Parent Company	Interest paid on loan	420,115,932	197,072,843	Nil	Nil
ITC Ltd	Parent Company	Loan conversion	9,230,400,000	4,229,604,000	9,230,400,000	4,229,604,000

## 21 Transactions with the Key Management Personnel of the Company

The key management personnel of the company are the members of the Board of Directors.

	2013/2014	
	Rs.	INR
<b>Key Management Personnel Compensation</b>		
Short term employee benefits	NIL	NIL

No other significant transactions had taken place involving key management personnel and their close family members.