

# Horizons <sup>Fresh</sup>



## Galadari Hotel Annual Report - 2015

**GALADARI**

HOTEL COLOMBO

64, Lotus Road, Colombo 01, Sri Lanka  
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# Experience a New Dimension in Hospitality

Aptly located in the heart of Colombo the Galadari Hotel is the ideal location for that perfect relaxing getaway or that well planned business trip. We believe in providing superior services that will spoil you beyond your imagination. At the Galadari Hotel Colombo we have the expertise to cater to a wide range of clientele with diverse needs.

Our food and beverage offerings are exceptional and fit to suit royalty.

Come and experience an unending range of culinary delights in our most sought after restaurants and cafes. Step into the Sheherezade our Arabic restaurant, the Coffee Shop or the Flavors the best place into town for Indian cuisine and be delightfully entertained. Experience the very pinnacle of fine dining at the California Grill where the view is just as splendid as the food menus on offer. Let us not forget the ever so popular Café 64 where the best breads, pastries and cakes and much more are on offer.



Yet another crowning glory of the Galadari is its spacious rooms which are magnificent and luxurious. Relax to your hearts desire whilst also making maximum use of our Gym, Sauna, Steam and Massage facilities that will take you to higher level of relaxation. The Galadari Hotel invites you to experience a new and improved level of relaxation and pleasure. Come to the Galadari Hotel Colombo and be a part of a hotel experience that is a class apart, a place where you will get to know the true meaning of Hospitality Redefined.



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# Corporate Information

COMPANY NAME	:	Galadari Hotels (Lanka) PLC
COMPANY REGISTRATION NO.	:	PQ 137
LEGAL STATUS	:	A quoted Public Company with limited liability incorporated in Sri Lanka
BOARD OF DIRECTORS	:	Khaled Aly Aly Soliman - Chairman Sharif Mir Hashem Ahmed Khoory Lalith Rukman De Silva Dr. John Anthony Shivaji Felix Mohamed Hisham Abdel Wahab Al Garf Hatim Abdelaziz Mohamed Munesh Bhat
AUDIT COMMITTEE	:	Munesh Bhat - Chairman Dr. John Anthony Shivaji Felix Mohamed Hisham Abdel Wahab Al Garf
REMUNERATION COMMITTEE	:	Khaled Aly Aly Soliman - Chairman Mohamed Hisham Abdel Wahab Al Garf Dr. John Anthony Shivaji Felix
SECRETARIES & REGISTRARS	:	Jacey & Company No.9/5, Thambiah Avenue, Colombo 07 Tel: 4335159 - 62
REGISTERED OFFICE	:	No.9/5, Thambiah Avenue, Colombo 07 Tel: 4335159 - 62
AUDITORS	:	M/s KPMG, Chartered Accountants No. 32A, Sir Mohamad Macan Markar Mawatha, P.O.Box 186, Colombo 03
LAWYERS	:	Tiruchelvam Associates No.116/10, Rosmead Place, Colombo 07
BANKERS	:	Hatton National Bank City Office, No. 16, Janadhipathi Mawatha, Colombo 01  Hongkong & Shanghai Banking Corporation No. 24, Sir Baron Jayatilaka Mawatha, Colombo 01.  Bank of Ceylon Corporate Branch Head Office No.4, Bank of Ceylon Mawatha, Colombo 01

# Notice of Meeting

NOTICE is hereby given that the 35th Annual General Meeting of Galadari Hotels (Lanka) PLC will be held at the Ballroom of Galadari Hotel, No.64, Lotus Road, Echelon Square, Colombo 01, on Monday 20th June 2016 at 4.00 p.m. for the following purposes :

1. To receive and consider the Audited Financial Statements for the Year Ended 31st December, 2015 together with the Reports of the Directors' and Auditors' thereon.
2. (i) To re-elect Mr. Lalith Rukman De Silva, Director, who retires by rotation in terms of Article 87 of the Articles of Association of the Company.  
  
(ii) To re-elect Dr. John Anthony Shivaji Felix, Director, who retires by rotation in terms of Article 87 of the Articles of Association of the Company.  
  
(iii) To elect Mr. Munesh Bhat, Director, who retires in terms of Article 93 of the Articles of Association of the Company.
3. To appoint Messrs. PricewaterhouseCoopers, Chartered Accountants, as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD



**JACEY & COMPANY**  
SECRETARIES

16th May 2016

Colombo

NOTE:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS/HER STEAD.
2. A PROXY NEED NOT BE A MEMBER OF THE COMPANY
3. THE COMPLETED FORM OF PROXY MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY AT NO.9/5, THAMBIAH AVENUE, COLOMBO 07 NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.

# Chairman's Message

## Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to welcome you to the 35th Annual General Meeting of Galadari Hotels (Lanka) PLC and present you the Annual Report and Audited Financial Statements of the company for the year ended 31st December 2015.

## Company Performance

The company has achieved a Profit after Tax of Rs. 211.1 million. With a continuous challenging competitive market and rapid pace of new hotel developments, we have managed to maintain our stance to be more in line with last year's performance. This is truly a noteworthy achievement considering the obstacles faced.

## Future Outlook

Sri Lanka's tourism industry will remain optimistic in growth. By 2020, number of tourists will reach almost double (4 mil) as compared to 2016 which is expected to be 2.5 mil. A steady influx of International hotel names will add to the competitive scene while innovative marketing strategies to retain customers will arise in the coming years. We foresee many more opportunities and new challenges to Galadari Hotels (Lanka) PLC to capitalize on in the near future.

## Acknowledgement

On behalf of the Board of Directors I would like to express our gratitude to the Government of Sri Lanka for

its vision and continued support to the Hotel. I also wish to recognize the management team and the staff for their unstinted contribution to Galadari Hotels (Lanka) PLC. I thank my fellow Board members for their constructive support during the year. Finally I would like to thank our Shareholders for the confidence and trust they have relentlessly placed in Galadari Hotels (Lanka) PLC.



**Mr. Khaled Aly Soliman**  
Chairman

# Board of Directors

## MR KHALED SOLIMAN - CHAIRMAN

For over 3 decades, Mr. Khaled Aly Soliman has motivated and equipped thousands to navigate change, build high levels of trust and become fully engaged at work and home.

Mr. Soliman distinguishes himself as a change specialist, currently on his 5th year as Group CEO of Galadari Brothers. The group is a multibillion, multidiscipline leading group in the UAE and part of the ICD (Investment Corporation of Dubai).

As an expert in leadership, Mr. Soliman brought significant changes to multinational operations in the Middle East and North Africa across industries such as construction, real-estate, press-printing, food and beverage, retail, hotels, overseas investments, technology, entertainment, automotive, and heavy construction equipment.

With a business and engineering background, his presentations and discussions project key drivers to success which have achieved perpetual team operational and leadership excellence.

## MR. SHARIF HASHIM AHMED KHOORY

Mr Khoory holds a B.Sc Degree in Economics from Portland State University, USA and is currently the Group Head of Business Development at Galadari Brothers Co. LLC, Dubai and Director in Palm Oasis Ventures Pty Ltd, Australia.

## MR MOHAMED HISHAM ALGARF

Mr Algarf holds a Degree in B.Sc. Architecture & Planning from the Faculty of Engineering, Cairo University and at present is Principal and Managing Partner at Living D'art Company LLC in UAE, Iran & Egypt.

## MR MUNESH BHAT

Mr. Munesh Bhat is a qualified Chartered Accountant; Company Secretary; Certified Management Accountant and Certified IFRS professional. He has over 30 years of experience in industries such as FMCG, Oil & Gas, Gems & Jewellery, Electronics and Engineering etc. His specialization includes advising and leading complex

corporate restructuring, business strategy, performance management, treasury, business valuations, M&As, transfer pricing, securitization, risk management, corporate governance, shared services etc. Munesh is the present Group Chief Financial Officer of Galadari Brothers Group which is a multibillion, multidisciplinary and one of the leading groups in the UAE.

The Group, a part of Investment Corporation of Dubai (ICD), has a well diversified investment portfolio including Automotive, Heavy construction equipment, Food & Beverage, Hospitality, Media, Engineering, Industrial Trading and Travel & Tourism etc.

## MR HATIM ABDELAZIZ MOHAMED

Mr. Hatim Abdelaziz Mohamed was awarded a university law degree of "License en Droit", Bachelor of Law (LL.B) from Cairo University - Khartoum branch in 1993.

Mr. Mohamed is admitted to the Egyptian Bar Association and holds a license to practice law and appear before competent courts; he is also a listed Arbitrator in Khartoum Centre of Arbitration and attends many legal courses, postgraduate seminars and workshops. Mr. Mohamed has above 20 years' experience practicing in law, specialising in; Corporate and Commercial law, Employment and Litigations. Mr. Mohamed currently serves as Group General Counsel - Head at Galadari Brothers Co. (L.L.C.) of Dubai, U.A.E. a leading company following his services with leading companies in UAE and law firm, Sultanate of Oman.

## DR JOHN ANTHONY SHIVAJI FELIX

Dr Shivaji Felix was awarded LL. B. (Honours) degrees by the University of Colombo and the University of London in 1994. He passed the final examination for the admission of Attorneys-at-Law with first class honours in 1995 and was admitted and enrolled as an Attorney-at-Law of the Supreme Court of Sri Lanka in 1996. In 1999 he was elected an Associate Fellow of the Society for Advanced Legal Studies of the University of London. In 2000 he was awarded a Ph. D. degree by the University of London for his work on

administrative law. He is a Fellow of the Sri Lanka Institute of Taxation (FTII) (2009) and was previously an Associate of the Institute (ATII)(2003). He was awarded a Diploma (cum laude) by the Institute of Federalism, University of Fribourg, Switzerland (2004). In 2005 University College London, appointed him an Honorary Research Fellow of the Faculty of Laws in recognition of his contribution to legal scholarship. He is a member of the Taxes Committee of the International Bar Association, a Fellow of the Royal Society of Arts (England) and a member of the Society of Legal Scholars (United Kingdom and Ireland).

Dr Felix has many locally and internationally refereed publications to his credit. He has also functioned as a consultant to the World Bank in its Country Financial Accountability Assessment Study for Sri Lanka (CFAA). He is a Council Member of the Sri Lanka Institute of Taxation and a Committee member of the Sri Lanka Branch of the International Fiscal Association. Dr Felix practices as an Attorney-at-Law with a focus on public law and revenue law. He teaches and functions as an examiner at the Faculty of Law, University of Colombo.

## MR.LALITH RUKMAN DE SILVA

Mr. Lalith De Silva holds a special degree in economics and a post graduate diploma in Public Financial Management. He is a fellow member of the institute of Public Finance and Development Accountancy.

He has held several senior positions in the public service, including the Director General of Treasury Operation in the Ministry of Finance, Dy. Secretary to the Treasury, Secretary Minister of Trade Marketing Development Cooperatives and Consumer Services.

Currently serves as the advisor to the Public Accounts Committee of Sri Lanka Parliament and heads a Committee appointed by the Government of Sri Lanka to look into the matters relating to unsettled commitments by all Government Institutions and Semi Government Institutions and attached to Ministry of Finance. He is also the Chairman/Managing Director of the Riyohwel Lanka (Private) Limited.

# Statement of Directors' Responsibilities

## Directors' Responsibilities for the Preparation of Financial Statements

This Statement of Directors' Responsibilities is to be read in conjunction with the Auditors' Report and is made to distinguish the respective responsibilities of the Directors and of the Auditors in relation to the Financial Statements contained in this Annual Report.

The Directors of your Company are required by the Companies Act No.7 of 2007 to prepare Financial Statements which give 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 and Loss and of the Cashflows of the Company for the financial year.

The Directors confirm that the Financial Statements of the Company for the year ended 31st December, 2015 presented in the Report have been prepared in accordance with the Sri Lanka Accounting Standards and the Companies Act No.7 of 2007. In preparing the Financial Statements, the Directors have selected the appropriate accounting policies and have applied them consistently. Reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed and

the Financial Statements have been prepared on a going concern basis.

The Directors are of the view that adequate funds and other resources are available within the Company for the Company to continue in operation for the foreseeable future.

The Directors have taken all reasonable steps expected of them to safeguard the assets of the Company and to establish appropriate systems of internal controls in order to prevent, deter and detect any fraud, misappropriation or other irregularities.

The Directors have also taken all reasonable steps to ensure that the Company maintain adequate and accurate accounting books of record which reflect the transparency of transactions and provide an accurate disclosure of the Company's financial position.

The Directors are required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate for the purpose of enabling them to give their Audit Report. The Directors are of the view that they have discharged their responsibilities in this regard.

## Compliance Report

The Directors confirm that, to the best of their knowledge, all taxes and levies payable by the Company and all contributions, levies and taxes payable on behalf of the employees of the Company, and all other known statutory obligations as at the balance sheet date have been paid or provided for in the Financial Statements.

By Order of the Board



**JACEY & COMPANY**  
Secretaries

16th May 2016  
Colombo

# Report of the Board of Directors

The Directors have pleasure in presenting to the shareholders the Annual Report of the Board of Directors for the year ended 31st December, 2015.

This Report contains information required by Section 168 of the Companies Act No. 7 of 2007 and other necessary information required by the Listing Rules of Colombo Stock Exchange.

## Principal Activities

The Principal activity of the Company is hoteliering.

## Changes to the nature of Business

There was no significant changes to the principle activities of the Company during the financial year ended 31st December, 2015.

## Financial Statements

The Financial Statements for the Year ended 31st December, 2015 are set out on pages 15 to 43 in the Annual Report.

## Auditors' Report

The Auditors' Report which is an integral part of the Financial Statements prepared for the Accounting period ended 31st December, 2015 is set out in the pages 13 to 14 in the Annual Report.

## Director's Responsibility for the Financial Statements

The Directors are responsible for preparing and presenting the Financial Statements, which are set-out on pages 15 to 43. The Financial Statements have been prepared in conformity with the Sri Lanka Accounting Standards as laid down by the Institute of Chartered Accountants of Sri Lanka, Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Directors are satisfied that the Financial Statements, presented on pages 15 to 43 give a true and fair view of the state of affairs of the Company

as well as the profit for the year then ended.

## Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 20 to 26.

The Directors consider that, in preparing these Financial Statements, suitable accounting policies have been used which are applied consistently and supported by reasonable and prudent judgment and that all applicable accounting standards have been followed. The Financial Statements are prepared on a going concern basis.

## Corporate Governance

A description of the Company's Corporate Governance practices is set out on pages 9 to 11.

## Directorate

The Directors of the Company as at date is set out under "Corporate Information" on page 2. The Directors of the Company who held office during the year are set out below together with the respective dates of change:

Khaled Aly Aly Soliman - Chairman  
Sharif Mir Hashem Ahmed Khoory  
Lalith Rukman De Silva

Dr. John Anthony Shivaji Felix  
Mohamed Hisham Abdel Wahab Al Garf  
Hatim Abdelaziz Mohamed  
Amit Chib  
-Resigned w.e.f. 25/11/2015  
Munesh Bhat  
- Appointed w.e.f. 16/02/2016

In terms of Article 87 of the Articles of Association of the Company Mr. Lalith Rukman De Silva, Director, retires by rotation and being eligible is recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the year 2016.

In terms of Article 87 of the Articles of Association of the Company Dr. John Anthony Shivaji Felix, Director, retires by rotation and being eligible is recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the year 2016.

In terms of Article 93 of the Articles of Association of the Company Mr Munesh Bhat, retires and being eligible is recommended by the Board of Directors for election by the Members at the Annual General Meeting for the year 2015.

## Board Subcommittees

The following Board Sub-Committees were established by the Company:

### Audit Committee

Munesh Bhat - Chairman  
Dr. John Anthony Shivaji Felix  
Mohamed Hisham Abdel Wahab Al Garf

### Remuneration Committee:

Khaled Aly Aly Soliman - Chairman  
Mohamed Hisham Abdel Wahab Al Garf  
Dr. John Anthony Shivaji Felix

The Reports of the Board Audit and Remuneration Subcommittees are set out on page 12 in the Annual Report.

The Composition of the above Board Sub-Committees, and their functions and responsibilities are set out in the Corporate Governance Report appearing on pages 9 to 11 of this Annual Report.

## Interest Register

An interest Register is required to be maintained in terms of Companies Act No. 7 of 2007, which came into effect on 03rd May, 2007.

Directors' Interest in Contracts or proposed contracts with the Company are disclosed in Note 29 to the Financial Statements for the period under review.

## Report of the Board of Directors' contd...

### Directors' Fees and Emoluments

Directors' fees and emoluments in respect of the Company for the financial year ended 31st December, 2015 are as follows.

Directors' Fees and emoluments  
Rs. 1,197,500/- (2014 - Rs.1,240,000-).

### Donations

During the year the Company has not made charitable contributions. (There were no charitable contributions made in 2014).

### Directors' Shareholding

The shares held by the Directors at the beginning and at the end of the financial year were as follows. The Articles of Association of the Company do not stipulate a share qualification for Directors:

	31.12.2015	31.12.2014
Khaled Aly Aly Soliman - Chairman	-	-
Sharif Mir Hashem Ahmed Khoory	-	-
Lalith Rukman De Silva	-	-
Dr. John Anthony Shivaji Felix	-	-
Mohamed Hisham Abdel Wahab Al Garf	-	-
Amit Chib	-	-
Hatim Abdelaziz Mohamed	-	-

### Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments in relation to the government had been made upto date.

### Events After the Reporting Date

No circumstances have arisen since the reporting date, which would require adjustment to, or disclosure in the Financial Statements.

### Auditors

The Financial Statements for the period under review have been audited by

### Property, Plant & Equipment

The details of the property, plant & equipment of the Company, additions during the year and the depreciation charges for the year are shown in Note 7 to the Financial Statements. The Directors consider the market value of the property, plant & equipment not to be significantly different to the amounts disclosed.

### Stated Capital

There has been no change in the Stated Capital of the Company during the

year under review. The Stated Capital of the Company as at 31st December, 2015 was Rs. 8,988,239,455/- consisting of 500,829,564 Ordinary Shares. The Shares of the Company are listed on the Colombo Stock Exchange.

### Shareholders

The total shareholder base of the Company as at 31st December, 2015 was 11,285 (2014 - 11,468). The distribution of the shareholding and a listing of the 20 major shareholders are given under Investor Information on page 44.

Messrs KPMG, Chartered Accountants. Rs.1,200,000/- (2014 - Rs. 1,200,000) has been paid as Audit Fee for the year ended 31st December, 2015.

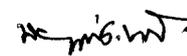
### Auditors' Relationship with the Company

Messrs KPMG, Chartered Accountants, also provided other Consultancy Services to the Company during the year under review for which a fee of Rs. 50,000/- (2014 - 391,173/-) was paid to them.

### By Order Of the Board



Mr. M Bhat  
Director



Mr. L R De Silva  
Director



JACEY & COMPANY  
Secretaries

16th May 2016

# Corporate Governance

The fundamental concern of Corporate Governance is to ensure that the Company's Directors and Managers act in the best interest of the company and its various stakeholders. Whilst good Corporate Governance helps improve public understanding of the activities of the Company it is also a powerful tool for protecting investors. Accordingly, timely and accurate disclosure of information regarding the financial stability, performance and ownership are important aspects of Corporate Governance.

The Company recognises that controls and procedures play an integral part in maintaining high standards and that transparency, disclosure, financial controls and accountability are pillars of any good system of Corporate Governance.

## Compliance with the Code of Best Practice

The Company currently complies with the requirements set out in the Code of

Best Practice for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Rules on Corporate Governance contained in the Listing Rules of the Colombo Stock Exchange.

## Board of Directors

The Board of Directors jointly oversees the activities of the Company and is responsible for the management of the Company. The Company's Board of Directors consists of professionals in varied fields who collectively possess a wide area of knowledge and experience, and are thus eminently suitable to provide leadership and direction required. The Board of Directors of the Company presently comprises of seven members.

All Directors other than the Directors nominated by the Foreign Investor retires by rotation at each Annual General Meeting and those eligible are recommended for re-election.

The Board meets as and when the need arises to discuss any prevailing issues, appropriate action in achieving the results and to review the financial performance of the Company.

In accordance with the Listing Rules of the Colombo Stock Exchange, the Board has constituted two committees, namely, the Audit and Remuneration Committee.

A Statement of Directors' Responsibilities for the preparation of Financial Statements is set out on page 6 of this Annual Report.

## Board Sub-Committees

The Board sub-committees scrutinize and analyze the areas under their purview and make recommendations to the Board on necessary improvements and modifications to the systems and processes of the Company. The Board has constituted an Audit sub-Committee and a Remuneration Sub-Committee.

**The Composition of the Board as at the end of the Period Under Review is set out in the Table below, together with a Record of the Attendance of Every Director.**

Name of the Director	Category	Board	
		Eligible to attend	Attended
Mr. K A A Soliman	Non-Executive Non-Independent	4	4
Mr. L R De Silva	Non-Executive Independent	4	4
Dr. J A S Felix	Non-Executive Independent	4	4
Mr. S M H A Khoory	Non-Executive Non-Independent	4	4
Mr. M H A W Al Garf	Non-Executive Independent	4	0
Mr. A Chib	Non-Executive Non-Independent	4	4
Mr. Hatim Abdelaziz Mohamed	Non-Executive Non-Independent	4	3

## Corporate Governance contd...

The Composition of the Audit Committee as at the end of the Period Under Review is set out in the Table below, together with a Record of the Attendance of Every Committee Member.

Name of the Committee Member	Category	Audit Committee	
		Eligible to attend	Attended
Mr. A Chib	Non-Executive Non Independent	5	5
Dr. J A S Felix	Non-Executive Independent	5	5
Mr. M H A W Al Garf	Non-Executive Independent	5	0

### Company Secretaries

Jacey & Company provides Corporate Secretarial Services to the Company. The Company Secretaries play a key role in compliance matters by ensuring that the Company complies with the requirements of the Companies Act, the Colombo Stock Exchange and other regulatory bodies. The Secretaries also ensure that Board procedures are followed and information is provided to shareholders on a timely basis.

### Compliance with Legal Requirements

All Directors have access to the advice and services of the Company Secretaries as well as to the Financial Information of the Company. The Directors make every endeavour to ensure that the Company Complies with Laws and Regulations.

### Corporate Governance Report Levels of Compliance as per Section 07 of the Listing Rules of the Colombo Stock Exchange

Rule No:	Subject	Applicable requirement	Compliance Status
7.10.1	Non-Executive Directors	At least 1/3 of the total number of Directors should be Non-Executive Directors at the immediately preceding Annual General Meeting.  All Directors of the Board were Non-Executive Directors	Complied
7.10.2	Independent Directors	At least 1/3 of Non Executive Directors should be independent  Of the Seven Non-Executive Directors, Dr. J A S Felix, *Mr. L R De Silva and Mr. M Al Garf, were considered Independent Directors.  Each Non-Executive Director should submit a declaration of independence/non independence in the prescribed format.  *The Board has determined that Mr. L R De Silva be designated as an Independent Non Executive Director, even though he has served on the Board of the Company for more than 9 years, since he is not directly involved in the management of the Company.	Complied  Complied

**Corporate Governance contd...**

<b>Rule No:</b>	<b>Subject</b>	<b>Applicable requirement</b>	<b>Compliance Status</b>
7.10.3	Disclosure relating to Directors	Names of independent Directors should be disclosed in the Annual Report  The Board shall make a determination annually as to the independence or non independence of each non-executive Director based on the Declaration  A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied  Complied  Complied
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee and shall comprise of Non-Executive Directors a majority of whom will be independent	Complied Please refer page 12 of the Annual Report
7.10.6	Audit Committee	A Listed entity shall have an Audit Committee comprising of Non-Executive Directors a majority of whom shall be independent  A Non Executive Director shall be appointed as the Chairman of the Audit Committee  Unless otherwise determined by the Committee the Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee Meetings  The Chairman or one Member of the Committee should be a member of a recognized professional accounting body	Complied  Complied Please refer page 12 of the Annual Report

## Report of the Audit Committee

### Role of the Audit Committee

The Audit Committee assists the Board of Directors in discharging its responsibilities over the accounting and financial reporting process and audit of financial statements of the company by monitoring:

- Reliability and integrity of the financial statements
- Adequacy and effectiveness of internal control
- Independence and qualifications of the External Auditors
- Effectiveness and performance of internal and external audits
- Compliance with Statutory and Regulatory requirements

### Composition of the Audit Committee

The Audit Committee comprises of three Members of whom two are independent Non-Executive Directors:

Mr. M Bhat  
Committee Chairman  
Dr. J A S Felix  
Committee Member  
Mr. M H A W Al Garf  
Committee Member

### Review of Financial Statements

The Audit Committee has discharged its duties by reviewing the Annual Financial Statements together with the Auditors Report and quarterly Financial Statement before recommending the same to the Board for approval.

### Compliance

The Audit Committee assisted the Board in ensuring compliance with Sri Lanka Accounting Standards and other Regulatory requirements pertaining to financial reporting.

### Internal Audit

The Audit Committee reviews the Internal Audit carried out by Messrs. PricewaterhouseCoopers, Chartered Accountants and follows up the recommendations for corrective measures.

### External Audit

The Audit Committee also reviews the progress of the Audit carried out by the External Auditors, Messrs. KPMG, Chartered Accountants and resolve the audit related issues with them.

The Audit Committee has determined that Messrs. KPMG, Chartered Accountants, Auditors were independent on the basis that they did not carry out any management related functions of the Company.

### Meetings and Attendance

Five Meetings of the Committee were held during the period under review and attendance of the Members at these Meetings is given on page 10 of the Annual Report.



**Mr M Bhat**  
Chairman - Audit Committee  
16th May 2016

## Report of the Remuneration Committee

The Remuneration Committee appointed by the Board comprised of three Members of whom two were Independent Non-Executive Directors. The Committee is headed by Mr. K A A Soliman, and the members include Mr. M H A W Al Garf and Dr. J A S Felix.

The primary purpose of the Remuneration Committee is to review the performance of the General Manager and recommend appropriate

remuneration benefits and other payments based on the remuneration policy of the Company, which has been formulated on market and industry factors and performance of the General Manager.

The proceedings of the Committee are reported to the Board of Directors who will in turn make the final determination based on the recommendations of the Committee.

The aggregate remuneration paid to Directors is set out in Note 24 to the Financial Statements.



**Mr. K A A Soliman**  
Chairman - Remuneration Committee  
16th May 2016

# Independent Auditors' Report



**KPMG**  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300,  
Sri Lanka.

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
+94 - 11 230 7345  
Internet : [www.lk.kpmg.com](http://www.lk.kpmg.com)

TO THE SHAREHOLDERS OF GALADARI HOTELS (LANKA) PLC

## Report on the Financial Statements

We have audited the accompanying financial statements of Galadari Hotels (Lanka) PLC, (the "Company"), which comprise the statement of financial position as at December 31, 2015, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 15 to 43.

## Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne ACA	S.T.D.L. Perera FCA
G.A.U. Karunaratne ACA	R.M.D.B. Rajapakse ACA	Ms. B.K.D.T.N. Rodrigo ACA
R.H. Rajan ACA		
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law. H.S. Goonewardene ACA		

## Independent Auditors' Report contd...



### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and the financial statements of the Company comply with the requirements of section 151 of the Companies Act.

A handwritten signature in black ink, appearing to read 'KPMG' in a cursive, stylized font.

**CHARTERED ACCOUNTANTS**

16th May 2016  
Colombo

# Statement of Financial Position

As at 31 December,	Note	2015 Rs.	2014 Rs. Restated	2014.01.01 Rs. Restated
<b>Assets</b>				
<b>Non Current Assets</b>				
Property plant & equipment	7	6,709,871,078	7,088,501,575	6,934,515,810
Leasehold property	8	1,504,415,581	1,527,922,075	1,551,428,569
<b>Total Non Current Assets</b>		<b>8,214,286,659</b>	8,616,423,650	8,485,944,379
<b>Current Assets</b>				
Inventories	9	49,291,640	40,120,745	35,637,232
Trade and other receivables	10	199,272,755	251,427,642	246,943,638
Investments	11	1,356,393,880	957,076,566	711,248,890
Cash and cash equivalents	12	90,282,029	67,941,820	206,450,175
<b>Total Current Assets</b>		<b>1,695,240,304</b>	1,316,566,773	1,200,279,935
<b>Total Assets</b>		<b>9,909,526,963</b>	9,932,990,423	9,686,224,314
<b>Equity</b>				
Stated capital	13	8,988,239,455	8,988,239,455	8,988,239,455
Revaluation reserve	14	8,735,564,242	8,949,310,018	8,665,231,039
Reserve for replacement of furniture, fittings and equipment	15	360,213,423	282,582,248	210,521,538
AFS Reserve		(814,554)	(88,245)	(144,675)
Accumulated losses		(8,921,002,574)	(9,058,833,151)	(9,155,068,186)
<b>Total Equity</b>		<b>9,162,199,992</b>	9,161,210,325	8,708,779,171
<b>Non-Current Liabilities</b>				
Deferred tax liabilities	16	143,333,705	176,153,511	125,981,056
Employee Benefits	17	78,988,267	76,157,725	64,832,480
<b>Total Non-Current Liabilities</b>		<b>222,321,972</b>	252,311,236	190,813,536
<b>Current Liabilities</b>				
Trade and other payables	18	343,316,130	341,615,461	292,008,684
Interest bearing borrowings	19	-	-	334,694,194
Provisions	20	171,123,401	163,249,654	152,758,089
Current taxation	21	10,565,468	14,587,187	7,163,010
Bank Overdraft	12	-	16,560	7,630
<b>Total Current Liabilities</b>		<b>525,004,999</b>	519,468,862	786,631,607
<b>Total Liabilities</b>		<b>747,326,971</b>	771,780,098	977,445,143
<b>Total Equity &amp; Liabilities</b>		<b>9,909,526,963</b>	9,932,990,423	9,686,224,314

Notes from the pages 20 to 43 form an integral part of these Financial Statements.

These Financial Statements are in compliance with the requirement of Companies Act No.07 of 2007.



M. G. U. Perera  
**Financial Controller**

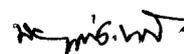
The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board of Directors.



M. Bhat  
**Director**

16th May 2016



L. R. D. Silva  
**Director**

# Income Statement

For the year ended 31st December,

	Note	2015 Rs.	2014 Rs Restated
Revenue	22	1,537,418,293	1,575,772,533
Cost of sales		(645,074,001)	(629,296,974)
<b>Gross profit</b>		<b>892,344,292</b>	946,475,559
Other income	23	6,312,430	4,119,771
Marketing expenses		(24,807,733)	(35,971,587)
Administrative expenses		(374,717,700)	(352,374,766)
Other operating expenses		(338,631,195)	(397,236,679)
<b>Results from operating activities</b>	24	<b>160,500,094</b>	165,012,298
Finance income	25	76,672,251	58,083,914
<b>Profit before tax</b>		<b>237,172,345</b>	223,096,212
Income tax expense	26	(25,992,258)	(50,148,659)
<b>Profit for the year</b>		<b>211,180,087</b>	172,947,553
Basic earnings per share	27	0.42	0.36

Figures in brackets indicate deductions.

Notes from the pages 20 to 43 form an integral part of these Financial Statements.

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December,

	Note	2015 Rs.	2014 Rs. Restated
Profit for the year		211,180,087	172,947,553
<b>Other comprehensive income</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Change in revaluation of Property, Plant & Equipment	7	(242,892,927)	322,817,022
Re measurements of Defined Benefit Liability	17	4,865,528	(4,651,808)
Related taxes		28,563,288	(38,738,043)
		(209,464,111)	279,427,171
<b>Items that are or may be reclassified to profit or loss</b>			
Net (loss) / gain on re measuring Available For Sale Financial Assets		(837,384)	56,430
Related taxes		111,075	-
		(726,309)	56,430
<b>Total other comprehensive (loss) / income for the year, net of tax</b>		<b>(210,190,420)</b>	<b>279,483,601</b>
<b>Total comprehensive income for the year</b>		<b>989,667</b>	<b>452,431,154</b>

Figures in brackets indicate deductions.

Notes from the pages 20 to 43 form an integral part of these Financial Statements.

# Statement of Changes in Equity

	Stated Capital Rs.	Revaluation Reserve Rs.	Reserve for Replacement Rs.	Available for sale reserve Rs.	Accumulated Losses Rs.	Total Rs.
<b>Balance as at 1st January 2014</b>	8,988,239,455	8,665,231,039	210,521,538	(144,675)	(9,363,294,939)	8,500,552,418
Prior period adjustment (Note 16.5)	-	-	-	-	208,226,753	208,226,753
<b>Restated balance as at 1st January 2014</b>	8,988,239,455	8,665,231,039	210,521,538	(144,675)	(9,155,068,186)	8,708,779,171
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	172,947,553	172,947,553
<b>Other comprehensive income</b>						
Change in revaluation of property, plant & equipment	-	322,817,022	-	-	-	322,817,022
Deferred tax adjustment on revaluation	-	(38,738,043)	-	-	-	(38,738,043)
Net change in fair value of available for sale financial assets	-	-	-	56,430	-	56,430
Net Actuarial Loss from gratuity actuarial valuation	-	-	-	-	(4,651,808)	(4,651,808)
<b>Total comprehensive income for the year</b>	-	284,078,979	-	56,430	168,295,745	452,431,154
<b>Transactions with owners of the company, recognized directly in equity</b>						
Provision for reserve of replacement of furniture, fittings and equipment	-	-	82,224,685	-	(82,224,685)	-
Replacement of furniture, fittings and equipment during the year	-	-	(10,163,975)	-	10,163,975	-
<b>Total transactions with owners of the company</b>	-	-	72,060,710	-	(72,060,710)	-
<b>Balance as at 31st December 2014</b>	8,988,239,455	8,949,310,018	282,582,248	(88,245)	(9,058,833,151)	9,161,210,325
Balance as at 1st January 2015	8,988,239,455	8,949,310,018	282,582,248	(88,245)	(9,058,833,151)	9,161,210,325
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	211,180,087	211,180,087
<b>Other comprehensive income</b>						
Change in revaluation of property, plant & equipment	-	(242,892,927)	-	-	-	(242,892,927)
Deferred tax adjustment on revaluation	-	29,147,151	-	-	-	29,147,151
Net change in fair value of available for sale financial assets	-	-	-	(837,384)	-	(837,384)
Net Actuarial Loss from gratuity actuarial valuation	-	-	-	-	4,865,528	4,865,528
Related taxes	-	-	-	111,075	(583,862)	(472,787)
<b>Total comprehensive income for the year</b>	-	(213,745,776)	-	(726,309)	215,461,752	989,667
<b>Transactions with owners of the company, recognized directly in equity</b>						
Provision for reserve of replacement of furniture, fittings and equipment	-	-	81,086,375	-	(81,086,375)	-
Replacement of furniture, fittings and equipment during the year	-	-	(3,455,200)	-	3,455,200	-
<b>Total transactions with owners of the company</b>	-	-	77,631,175	-	(77,631,175)	-
<b>Balance as at 31st December 2015</b>	8,988,239,455	8,735,564,242	360,213,423	(814,554)	(8,921,002,574)	9,162,199,992

Figures in brackets indicate deductions.

Notes from the pages 20 to 43 form an integral part of these Financial Statements.

# Statement of Cash Flow

For the year ended 31st December,		2015	2014
	Note	Rs.	Rs.
<b>Cash flows from operating activities</b>			
Profit before income tax		237,172,345	223,096,212
<b>Adjustments for</b>			
Allowance of impairment for bad and doubtful receivables	10.1	1,250,053	4,651,733
Reversal of provision for slow moving inventories	9.1	(32,225)	(8,641)
Depreciation and amortization	7 & 8	234,415,604	221,321,540
Provision for employee benefits	17	13,000,484	12,151,397
Interest of provision for litigation settlement	20	7,873,747	10,491,565
Interest income	25	(74,097,774)	(55,650,186)
<b>Operating profit before working capital changes</b>		<b>419,582,234</b>	<b>416,053,620</b>
Increase in inventories		(9,138,670)	(4,474,872)
(Increase) / Decrease in trade & other receivables		45,655,415	(16,365,807)
Increase in trade & other payables		1,700,668	49,606,776
<b>Total working capital changes</b>		<b>38,217,413</b>	<b>28,766,097</b>
<b>Cash generated from operations</b>		<b>457,799,647</b>	<b>444,819,717</b>
Gratuity paid	17	(5,304,414)	(5,477,960)
Current tax paid	21	(28,910,000)	(24,060,000)
<b>Net cash flows from operating activities</b>		<b>423,585,233</b>	<b>415,281,757</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant & equipment	7	(75,171,540)	(28,983,789)
Interest received	25	74,097,774	55,650,186
Withdrawal / (Investment) in fixed deposits	11	16,960,813	(173,156,646)
Net investment on government securities	11	(417,115,511)	(72,614,599)
<b>Net cash flows used in investing activities</b>		<b>(401,228,464)</b>	<b>(219,104,848)</b>
<b>Cash flows from financing activities</b>			
Repayment of term loan	19	-	(334,694,194)
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>(334,694,194)</b>
<b>Net change in cash &amp; cash equivalents</b>		<b>22,356,769</b>	<b>(138,517,285)</b>
Cash and cash equivalents at the beginning of the year		67,925,260	206,442,545
<b>Cash and cash equivalents at the end of the year (Note A)</b>		<b>90,282,029</b>	<b>67,925,260</b>
<b>Note A</b>			
Cash in hand		1,190,000	1,250,000
Cash at bank		89,092,029	66,691,820
Bank overdraft		-	(16,560)
		<b>90,282,029</b>	<b>67,925,260</b>

Figures in brackets indicate deductions.

Notes from the pages 20 to 43 form an integral part of these Financial Statements.

# Notes to the Financial Statements

For the year ended 31st December 2015

## 1. REPORTING ENTITY

### 1.1 Domicile and Legal Form

Galadari Hotels (Lanka) PLC, is a company with limited liability incorporated & domiciled in Sri Lanka. The address of the Company's registered office is No. 9/5, Thambiah Avenue, Colombo 07 and the principal place of business is situated at No. 64, Lotus Road, Colombo 01.

### 1.2 Principal Activities and Nature of Operations

The main business of the Company is to carry on the business of an Hotelier.

### 1.3 Principal and Ultimate Parent

The parent and the ultimate parent of the Company is Galadari Brothers Co. (LLC).

### 1.4 Number of Employees

Number of employees as at 31st December 2015 was 725 (2014 - 729)

## 2. BASIS OF PREPARATION

### 2.1. Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards prefixed both SLFRSs (corresponding to IFRS) and LKASs (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act No 7 of 2007 and the listing rules of the Colombo Stock Exchange.

The Financial Statements were authorized for issue by the Board of Directors on 16th May 2016.

### 2.2. Basis of Measurement

The Financial Statements have been prepared on historical cost basis, except as indicated below.

Financial assets classified as available for sale - Fair Value

Property plant and equipments - Revalued amounts (Except for Leasehold Land, Motor Vehicles, Cutlery, Crockery and Linen)

Defined benefit obligation - Actuarially valued and recognized at present value of the defined benefit obligation.

### 2.3. Functional & Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees, which is the Company's functional currency. All the financial information presented in Sri Lanka Rupees has been rounded to the nearest thousands, except when otherwise indicated.

### 2.4. Use of Estimates & Judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (LKAS/SLFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the Financial Statements is included in the following notes.

- Impairment (Note 3.3)
- Revaluation (Note 3.4.5)
- Employee Benefits (Note 3.9)
- Contingencies (Note 3.10)
- Current Taxation (Note 4.4.a)
- Deferred Taxation (Note 4.4.b)

## 2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

## 2.6 Measurement of Fair Value

A number of Company's accounting policies and disclosures require the measurement of the fair values, for both financial and non-financial assets and liabilities.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than the quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair values are categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfer between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## Notes to the Financial Statements contd...

For the year ended 31st December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies set out below have been consistently applied to all period presented in these Financial Statements.

#### 3.1. Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

#### 3.2. Financial Instruments

##### 3.2.1 Financial Assets

###### Initial recognition and measurement

Financial assets are recognized when and only when the Company becomes a party to the contractual provisions of the financial instruments. Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, Loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective

hedge, as appropriate. The Company determine the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commit to purchase or sell the asset. However, as at each reporting date, the Company holds on the financial assets categorized as loans and receivables, Available for sale financial assets and financial assets at Held to maturity.

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

###### Subsequent measurement

The subsequent measurement of financial assets depends on their classification and the Company only holds financial assets categorized as Loans & receivables, Available for sale financial assets and Held to maturity.

###### a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the profit or loss.

Loans and receivables comprise of cash and cash equivalents, loans to related party, amounts due from related parties and trade and other receivables.

**Cash and cash equivalents** - Cash & cash equivalents are defined as cash in hand and deposits at banks. For the purpose of Statement of cash flows, cash and cash equivalents comprise of cash in hand and deposit at banks, net of outstanding bank overdrafts.

**Trade and Other receivables** - Trade and other receivables are stated at their cost less impairment losses.

**Amounts due from related parties** - Amounts due from related parties are stated at their cost less impairment losses.

###### b) Available for Sale financial Assets

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognized in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. Available for Sale financial Assets comprise of short term and long term investments.

###### c) Held to Maturity Financial Assets

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

###### De-recognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire; it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards

## Notes to the Financial Statements contd...

For the year ended 31st December 2015

of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset.

### 3.2.2 Financial Liabilities

#### Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

When a financial liability is recognized initially, an entity shall measure it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of financial liability. The Company classifies financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs.

#### Subsequent measurement

The measurement of financial liabilities depends on their classification and the Company only holds financial liabilities categorized as other financial liabilities.

#### a) Other financial liabilities

After initial recognition, other liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the profit or loss and when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the profit or loss.

#### De-recognition

A financial liability is de-recognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

#### Offsetting of financial instruments

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

### 3.2.3 Amortized cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, less principal repayments and any impairment and plus/minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount.

### 3.3 Impairment

#### 3.3.1 Non Derivative Financial Assets

Financial assets not classified as fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is deemed to be impaired if, and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the

financial asset that can be estimated reliably.

#### Impairment losses on financial assets carried at amortized cost

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

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

#### Impairment of Financial Investments - Available for Sale (AFS)

For financial assets classified as AFS, the Company assesses at each reporting date whether there is objective evidence that an individual asset is impaired.

In the case of equity investments classified as AFS, objective evidence includes a significant or prolonged decline in the fair value of the investment below cost. In the case of debt securities classified as AFS, impairment is assessed based on the same criteria as for loans.

If there is evidence of impairment, any amounts previously recognized in other comprehensive income, are recognized in the profit or loss for the period, reported in net gains (losses) on financial assets available for sale. The impairment loss for the period is determined as the difference between the acquisition cost (net of any principal repayments and amortization) and current fair value of the asset less any impairment loss on that

## Notes to the Financial Statements contd...

For the year ended 31st December 2015

investment previously recognized in the Statement of profit or loss and other comprehensive income.

When an AFS debt security is impaired, subsequent decreases in fair value are recognized in the profit or loss as it is considered further impairment. Any subsequent increases are also recognized in the profit or loss until the asset is no longer considered impaired. When the fair value of the AFS debt security recovers to at least amortized cost it is no longer considered impaired and subsequent changes in fair value are reported in other comprehensive income.

Reversals of impairment losses on equity investments classified as AFS are not reversed through the Statement of profit or loss; increases in their fair value after impairment are recognized in Statement of other comprehensive income.

### 3.3.2 Non-Financial Assets

The carrying amounts of the Company's non-financial assets other than, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The Company's corporate assets do not generate separate cash inflows. If there

is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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

### 3.4. Property, Plant and Equipment

#### 3.4.1 Basis of Recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

#### 3.4.2 Initial and Subsequent Measurement

An item of Property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Subsequently, items of property, plant and equipment are stated at cost and valuation less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed asset includes the cost of materials and direct labour, the initial estimate, when relevant of the cost of the dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of overheads.

The cost of acquisition includes purchase cost together with any incidental expenses incurred in bringing the assets to its working condition for the intended use.

When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

#### 3.4.3 Subsequent Expenditure

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

#### 3.4.4 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalization, the remaining carrying amount of the previous cost is derecognised.

#### 3.4.5 Revaluation

The Company's property, plant & equipment except for Motor Vehicles, Cutlery, and Crockery & Linen were

## Notes to the Financial Statements contd...

For the year ended 31st December 2015

revalued once in 3 to 5 years except for building. Building will be revalued each year. As a result of revaluation if the carrying amount is increased, the increased amount is credited to equity under the heading of Capital Reserve on Revaluation of Property, Plant & Equipment. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized

as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Accordingly, the costs of inventories are accounted as follows:

Type of Inventory	Method
Food and Beverage	At weighted average cost
Other Consumables	At weighted average cost
Engineering Supplies	At weighted average cost
Fuel Stock	At actual cost on FIFO basis

### 3.4.6 Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives of the assets are as follows.

	At cost	At revaluation
Buildings	45 Years	45 years
Electrical installations	20 Years	5 years
Furniture, fixtures & fittings	20 Years	10 - 18 years
Furnishing	4 Years	-
Kitchen equipment & utensils	20 Years	5 - 14 years
Generator	20 Years	10 - 18 years
Plant & machinery	20 Years	10 - 17 years
Air conditioning equipment	20 Years	14 - 19 years
Laundry equipment	20 Years	15 - 18 years
Computers	4 Years	5 - 9 years
Elevators	20 Years	5 years
Electrical Equipment	5 Years	14 - 19 years
Motor Vehicles	4 Years	-
Cutlery Crockery & Linen	2 Years	-

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognized.

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

### 3.5 Leasehold Property

#### a. Basis of Valuation

Leasehold property comprising of land use rights are stated at cost, is amortised on a straight line basis

over the period of the lease. Leasehold property is tested for impairment annually and is written down where applicable.

#### b. Amortisation

The lease period is for 99 years commencing 8th December 1979 and the leasehold land is being amortised over a period of 99 years which commenced from 1st January 1980. The impairment loss if any is recognized in the profit or loss.

### 3.6 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 3.7 Stated Capital

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

### 3.8. Liabilities and Provisions

Liabilities classified as current liabilities on the balance sheet are those, which fall due for payment on demand or within one year from reporting date. Noncurrent liabilities are those balances that fall due for payment after one year from the reporting date.

#### 3.8.1. Provisions

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

### 3.9. Employee Benefits

#### a. Defined contribution plans

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

## Notes to the Financial Statements contd...

For the year ended 31st December 2015

plans are recognized as expense in the Income Statement in the period during which related services are rendered by employees.

### **Employees' Provident Fund**

The Company and Employees' contribute 15% & 10% respectively on the salary of each employee respectively. Said provident fund is being managed by the Central Bank of Sri Lanka.

### **Employees Trust Fund**

The company contributes 3% of the salary of each employee to the Employees' Trust Fund contributions to defined contribution plans are recognized as an expense in the Income Statement as incurred.

### **b. Defined benefit plans**

#### **Retiring Gratuity**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

In accordance with revised Sri Lanka Accounting Standard 19 "Employee Benefits", the Company has adopted the actuarial valuation method and the valuation method used by the actuary is "Projected Unit Credit Method".

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continuous service. Any actuarial gains or losses arising are recognized immediately in the other comprehensive income.

The liability was not externally funded.

### **3.10. Capital Commitments & Contingencies**

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

Capital commitment and contingent liabilities of the Company are disclosed in the respective notes to the Financial Statements.

### **3.11. Events Occurring after the Reporting Date**

The Materiality of the events occurring after the reporting date has been considered and appropriate adjustments and provisions have been made in the Financial Statements wherever necessary.

## **4. INCOME STATEMENT**

### **4.1. Revenue Recognition**

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

#### **a. Room Revenue**

Apartment revenue is recognized based on the daily room occupation.

#### **b. Food and Beverage Revenue**

Food and Beverage revenue is accounted at the time of the sale.

#### **c. Rental Income**

Rental income is recognized on an accrual basis.

#### **d. Interest**

Interest income is recognized on an accrual basis.

#### **e. Others**

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

other non-current assets, including investments, are accounted for in the income statement, after deducting from the proceeds from disposal, the carrying amount of such assets and the related selling expenses.

Gains and Losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

### **4.2. Expenditure**

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

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

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

The profit earned by the company before taxation as shown in the Income Statement is after making provision for all known liabilities and for the depreciation of property, plant & equipments.

### **4.3. Finance Income & Finance Cost**

Finance income comprises interest income on funds invested (including available for sale financial assets), gains on the disposal of available for sale financial assets. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

## Notes to the Financial Statements contd...

For the year ended 31st December 2015

Finance cost comprise interest expenses on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available for sale financial assets, impairment losses recognized on financial assets (other than trade receivables).

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

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

#### 4.4. Income Tax Expenses

An income tax expense comprises current and deferred tax. An income tax expense is recognized directly in Income Statement except to the extent that if it relates to items recognized directly in equity, in which case it is recognized in equity or other comprehensive income.

##### a. Current tax

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

##### b. Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying

amount of assets and liabilities, using tax rates enacted by the reporting date.

Deferred tax assets including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### 4.5. Basic Earnings Per Share

The Financial Statements present basic earnings per share (EPS) data for its ordinary shareholders.

The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### 5. CASH FLOW STATEMENT

#### 5.1. Cash and Cash Equivalents

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

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

The Cash Flows Statements has been prepared using the "Indirect method".

Interest paid are classified as operating cash flows, interest and dividend received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting of cash flow statement.

### 6. NEW ACCOUNTING STANDARDS NOT EFFECTIVE AS AT THE REPORTING DATE

A number of new standards and amendments to the standards were issued but they were not effective as at the year end.

#### 6.1 Sri Lanka Accounting Standard - SLFRS 9 "Financial Instruments Classification and Measurement"

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 is effective for annual period beginning on or after 1st January 2018 with early adoption permitted.

The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS.

Given the nature of the Company's operations, this standard is expected to have an impact on the Financial Statements.

#### 6.2 Standards issued but not yet adopted which may not have significant impact

SLFRS 15 Revenue from contracts with customers - effective from 1st January 2018.

#### 6.3 Standards issued but not yet adopted which is not expected to have an impact

The following new or amended standards are not expected to have an impact of the Company's Financial Statements.

(a) SLFRS 14 - Regulatory Deferral Accounts - effective from 01st January 2016

(b) Agriculture: Bearer Plants (Amendments to LKAS 16 and LKAS 41) - effective from 01st January 2016

## Notes to the Financial Statements contd...

### 7. PROPERTY, PLANT & EQUIPMENT

#### 7.1 Reconciliation of Carrying Value

Cost/ Revalued amounts	Building	Electrical installations	Furniture, fixtures & fittings	Kitchen equipment & utensils	Generator	Plant & machinery	Air conditioning equipment	Laundry equipment	Computers	Elevators	Electrical equipment	Motor vehicles	Cutlery, crockery and linen	Total 2015	Total 2014
Opening Balance	6,836,457,000	50,000,000	66,134,659	10,169,449	4,689,600	20,302,365	10,451,523	34,528,601	22,584,851	7,000,000	81,685,456	5,527,490	77,174,286	7,226,705,280	7,037,527,591
Additions	2,476,250	-	3,713,741	7,672,731	-	33,977,321	423,189	-	1,243,074	-	6,325,988	-	19,339,246	75,171,540	28,983,789
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-	-	(7,614,297)	(7,614,297)	(9,992,100)
Transferred to revaluation	(160,009,323)	-	-	-	-	-	-	-	-	-	-	-	-	(160,009,323)	(152,631,022)
Change on revaluation (Note 14)	(242,892,927)	-	-	-	-	-	-	-	-	-	-	-	-	(242,892,927)	322,817,022
<b>Balance as at 31/12/2015</b>	<b>6,436,031,000</b>	<b>50,000,000</b>	<b>69,848,400</b>	<b>17,842,180</b>	<b>4,689,600</b>	<b>54,279,686</b>	<b>10,874,712</b>	<b>34,528,601</b>	<b>23,827,925</b>	<b>7,000,000</b>	<b>88,011,444</b>	<b>5,527,490</b>	<b>88,899,236</b>	<b>6,891,360,274</b>	<b>7,226,705,280</b>
<b>Depreciation</b>															
Opening Balance	-	20,000,000	8,760,047	844,843	921,066	1,570,078	1,134,658	4,094,630	7,631,737	2,800,000	12,712,034	5,370,459	72,364,153	138,203,705	103,011,781
Charge for the year	160,009,323	10,000,000	4,760,466	811,610	460,533	2,617,287	646,349	2,063,508	4,310,748	1,400,000	8,655,734	52,344	15,121,208	210,909,110	197,815,046
On disposals	-	-	-	-	-	-	-	-	-	-	-	-	(7,614,297)	(7,614,297)	(9,992,100)
Transferred to revaluation	(160,009,323)	-	-	-	-	-	-	-	-	-	-	-	-	(160,009,323)	(152,631,022)
<b>Balance as at 31/12/2015</b>	<b>-</b>	<b>30,000,000</b>	<b>13,520,513</b>	<b>1,656,453</b>	<b>1,381,599</b>	<b>4,187,365</b>	<b>1,781,007</b>	<b>6,158,138</b>	<b>11,942,485</b>	<b>4,200,000</b>	<b>21,367,768</b>	<b>5,422,803</b>	<b>79,871,064</b>	<b>181,489,195</b>	<b>138,203,705</b>
<b>Net Book Value as at 31/12/2015</b>	<b>6,436,031,000</b>	<b>20,000,000</b>	<b>56,327,887</b>	<b>16,185,727</b>	<b>3,308,001</b>	<b>50,092,321</b>	<b>9,093,705</b>	<b>28,370,463</b>	<b>11,885,440</b>	<b>2,800,000</b>	<b>66,643,676</b>	<b>104,687</b>	<b>9,028,171</b>	<b>6,709,871,078</b>	<b>-</b>
as at 31/12/2014	6,836,457,000	30,000,000	57,374,612	9,324,606	3,768,534	18,732,287	9,316,865	30,433,971	14,953,114	4,200,000	68,973,422	157,031	4,810,133	-	7,088,501,575

#### Net Book Value

as at 31/12/2015	6,436,031,000	20,000,000	56,327,887	16,185,727	3,308,001	50,092,321	9,093,705	28,370,463	11,885,440	2,800,000	66,643,676	104,687	9,028,171	6,709,871,078	-
as at 31/12/2014	6,836,457,000	30,000,000	57,374,612	9,324,606	3,768,534	18,732,287	9,316,865	30,433,971	14,953,114	4,200,000	68,973,422	157,031	4,810,133	-	7,088,501,575

7.2 Hotel building situated at No. 64, Lotus Road, Colombo 1, was revalued on 31st December 2015 by P. B. Kalugalagedera, which resulted in a revaluation deficit of Rs. 242,892,927/- and this was transferred to revaluation reserve. The Company policy is to revalue its building every year. Other property, plant and equipment except for motor vehicle, cutlery crockery and linen, were last revalued on 31st December 2012 by P. B. Kalugalagedera and was incorporated in the Financial Statements as at that date. All assets were valued based on "open market value for existing use" basis.

7.3 The carrying amount of revalued assets that would have been included in the Financial Statements, had the assets been carried at cost less depreciation, is as follows:

Year	Building	Electrical installation	Furniture, fixtures & fittings	Kitchen equipment & utensils	Generator	Plant & machinery	Air conditioning equipment	Laundry equipment	Computers	Electrical equipment	Total
2015	621,374,194	2,818,482	109,269,700	17,671,680	7,664,975	48,225,472	20,580,899	26,543,656	7,782,881	28,881,276	890,815,214
2014	632,018,855	3,178,467	118,998,345	11,483,928	9,252,645	17,392,259	23,064,059	29,834,863	8,819,375	40,696,634	894,739,430

## Notes to the Financial Statements contd...

**7.4** Fully depreciated property, plant & equipment as at the reporting date is Rs. 858,053,334/- (2014 - Rs. 858,053,334/-)

### **7.5 Assets pledged as Securities**

The Company does not have Property, Plant and Equipment pledged as securities.

### **7.6 Fair Value Measurement**

#### **(a) Fair Value Hierarchy**

The fair value of the building was determined by external independent property valuer, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The valuer provides the fair value of the Property every year.

Fair value measurements of the property has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

#### **(b) Valuation Techniques and Significant Unobservable Inputs**

The following table shows the valuation techniques used in measuring fair value, as well as the significant unobservable inputs used.

Valuation Techniques	Significant unobservable inputs	Interrelation ship between key unobservable inputs & fair value measurements
Valuation on Cost / Summation Method	Estimated constructed cost per square feet	Positive correlated sensitivity

## Notes to the Financial Statements contd...

As at 31st December	2015 Rs.	2014 Rs.
<b>08. LEASEHOLD PROPERTY</b>		
<b>8.1 Reconciliation of Carrying Value</b>		
Balance Brought Forward	2,118,078,571	2,118,078,571
<b>Accumulated Amortization</b>		
Opening Balance	(590,156,496)	(566,650,002)
Charge for the Year	(23,506,494)	(23,506,494)
Closing Balance	(613,662,990)	(590,156,496)
Carrying value	1,504,415,581	1,527,922,075
<b>8.2</b> The Company obtained leasehold rights to the land situated in No. 64, Lotus road, Colombo 01 for a period of 99 years from 5th December 1980 from Urban Development Authority.		
<b>8.3</b> The leasehold property is amortized on a straight line basis over 99 years. Remaining lease period as at 31 st December 2015 was 64 years. The extent of the land is 3 A 1 R 37.422 P.		
<b>09. INVENTORIES</b>		
Food and beverage	22,324,387	16,836,379
Other consumables	11,620,617	8,194,753
Engineering supplies	13,394,932	11,990,855
Fuel inventories	2,054,331	3,233,610
	49,394,267	40,255,597
Less: Impairment provision for slow moving inventories ( <b>Note 9.1</b> )	(102,627)	(134,852)
	49,291,640	40,120,745
<b>9.1 Impairment provision for slow moving inventories</b>		
As at 1st January	134,852	143,493
Reversal during the year	(32,225)	(8,641)
As at 31st December	102,627	134,852

## Notes to the Financial Statements contd...

As at 31st December	2015 Rs.	2014 Rs.
<b>10. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	167,559,896	213,040,801
Less: Allowance for impairment of doubtful receivables (Note 10.1)	(24,696,878)	(23,446,825)
	<b>142,863,018</b>	189,593,976
Deposits, advances and other receivables	48,344,593	52,059,070
Prepayments	4,376,258	5,642,295
Advances to staff (Note 10.2)	3,688,886	4,132,301
	<b>199,272,755</b>	251,427,642
<b>10.1 Allowance for impairment of doubtful receivables</b>		
As at 1st January	(23,446,825)	(18,795,092)
Provision for doubtful receivables	(1,250,053)	(4,651,733)
As at 31st December	<b>(24,696,878)</b>	(23,446,825)
<b>10.2 Advances to staff</b>		
As at 1st January	4,132,301	3,135,035
Granted during the year	12,585,142	11,471,229
Repayments	(13,028,557)	(10,473,963)
As at 31st December	<b>3,688,886</b>	4,132,301
<b>10.3</b> Information about the Company's exposure to credit risk and impairment losses for trade and other receivables is included in Note No 28.		
<b>11. INVESTMENTS</b>		
Fixed Deposits (Note 11.1)	156,195,833	173,156,646
Treasury Bills (Note 11.2)	457,551,059	181,836,829
Treasury Bonds (Note 11.3)	71,456,359	196,713,174
Reverse Repos (Note 11.1)	671,190,629	405,369,917
	<b>1,356,393,880</b>	957,076,566
<b>11.1 Investment classified as Loans and Receivables</b>		
Fixed Deposits	156,195,833	173,156,646
Reverse Repos	671,190,629	405,369,917
	<b>827,386,462</b>	578,526,563
<b>11.2 Investment classified as Available for sale investments</b>		
Treasury Bills	457,551,059	181,836,829
	<b>457,551,059</b>	181,836,829
<b>11.3 Investment classified as Held to Maturity</b>		
Treasury Bonds	71,456,359	196,713,174
	<b>71,456,359</b>	196,713,174
<b>11.4</b> The Company's exposure to credit risk and market risk in relation to investments is given on Note No 28.		

## Notes to the Financial Statements contd..

As at 31st December	2015 Rs.	2014 Rs.
<b>12. CASH AND CASH EQUIVALENTS</b>		
Cash in hand	1,190,000	1,250,000
Cash at bank	89,092,029	66,691,820
	<b>90,282,029</b>	67,941,820
Bank overdraft	-	16,560
	-	16,560
Cash and Cash Equivalents for cash flow purpose	<b>90,282,029</b>	67,925,260
<b>13. STATED CAPITAL</b>		
Issued and fully paid ordinary shares	8,988,239,455	8,988,239,455
The number of shares included in the stated capital is 500,829,564 .		
<b>14. REVALUATION RESERVE</b>		
As at 1st January	8,949,310,018	8,665,231,039
(Deficit)/ Surplus on revaluation during the year (Note 7.1)	(242,892,927)	322,817,022
Recognition of deferred tax on revaluation deficit / (surplus) (Note 16.2)	29,147,151	(38,738,043)
As at 31st December	<b>8,735,564,242</b>	8,949,310,018
<b>15. RESERVE FOR REPLACEMENT OF FURNITURE, FITTINGS AND EQUIPMENT</b>		
As at 1st January	282,582,248	210,521,538
Provision for the year	81,086,375	82,224,685
Replacement during the year	(3,455,200)	(10,163,975)
As at 31st December	<b>360,213,423</b>	282,582,248

This reserve is used to bear the cost incurred in replacements of the items in nature of furniture, fittings and equipment.

## Notes to the Financial Statements contd...

As at 31st December,	2015 Rs.	2014 Rs. Restated	2013 Rs. Restated
<b>16 DEFERRED TAX ASSETS/ LIABILITIES</b>			
Deferred tax assets (Note 16.1)	648,910,753	664,688,005	689,859,461
Deferred tax liabilities (Note 16.2)	(792,244,458)	(840,841,516)	(815,840,517)
	<b>(143,333,705)</b>	<b>(176,153,511)</b>	<b>(125,981,056)</b>
<b>16.1 Deferred tax assets</b>			
As at 1st January	664,688,005	689,859,461	623,709,535
Reversal of deferred tax assets	(15,304,465)	(25,171,456)	66,149,926
Amount recognized in other comprehensive income	(472,787)	-	-
As at 31st December	<b>648,910,753</b>	<b>664,688,005</b>	<b>689,859,461</b>
<b>16.2 Deferred tax liabilities</b>			
As at 1st January as originally reported	(840,841,516)	(815,840,517)	(980,990,051)
Less : Amount reversed related to revaluation (Note 16.5)	-	-	208,226,753
As at 1st January as restated	(840,841,516)	(815,840,517)	(772,763,298)
Provision for temporary differences	3,632,304	(2,560,934)	(5,293,356)
Amount reversed related to revaluation	15,817,603	16,297,978	-
Amount recognised related to revaluation deficit/(surplus) during the year	29,147,151	(38,738,043)	(37,783,863)
As at 31st December	<b>(792,244,458)</b>	<b>(840,841,516)</b>	<b>(815,840,517)</b>

## 16.3 The amount recognized as deferred tax asset is as follows:

	Amount as at 31st December 2015 Rs.	Deferred tax as at 31st December 2015 Rs.	Amount as at 31st December 2014 Rs.	Deferred tax as at 31st December 2014 Rs.
Tax loss	5,327,675,710	639,321,085	5,462,908,982	655,549,078
Gratuity	78,988,267	9,478,592	76,157,725	9,138,927
AFS reserve	925,629	111,076	-	-
	<b>5,407,589,606</b>	<b>648,910,753</b>	<b>5,539,066,707</b>	<b>664,688,005</b>

The Management believes that there will be future taxable profits available in order to recover the brought forward tax losses, hence full deferred tax asset on brought forward income tax losses has been recognized in the Financial Statements as at 31st December 2015.

## Notes to the Financial Statements contd...

### 16.4 The amount recognized as deferred tax liability is derived as follows:

	Deferred tax as at 31st December 2015 Rs.	Deferred tax as at 31st December 2014 Rs.
Temporary differences on property plant & equipments	93,957,754	97,590,058
Revaluation reserve	698,286,704	743,251,458
	<b>792,244,458</b>	<b>840,841,516</b>

**16.5** The Company has not released the effect on deferred tax liability recognized in relation to revaluation gains, to profit or loss over useful lifetime of the revalued assets, over the previous years. In order to rectify this error, the Company has released relevant deferred tax liability as a correction of prior period error in accordance with LKAS - 08 "Accounting Policies, Changes in Accounting estimates and Errors". Accordingly impacts of Rs. 15,817,603/- and 16,297,978/- were charged to income statement current year and prior year respectively. The cumulative impact amounting to Rs. 208,226,753/- was adjusted through retained earnings.

As at 31st December,

	2015 Rs.	2014 Rs.
<b>17. EMPLOYEE BENEFITS</b>		
As at 1st January	76,157,725	64,832,480
Current service cost and interest	13,000,484	12,151,397
Benefits paid	(5,304,414)	(5,477,960)
Actuarial (gain) / loss	(4,865,528)	4,651,808
As at 31st December	<b>78,988,267</b>	<b>76,157,725</b>

**17.1** Actuarial valuation was carried out as at 31 December, 2015 by Mr. M. Poopalanathan ,AIA, of Actuarial & Management Consultants (Pvt) Ltd. The valuation method used by the actuary was "Projected Unit Credit Method".

**17.2** Principal actuarial assumptions as at the reporting date are,

Discount rate as at 31 December	9.5%	9.5%
Future salary increases	9.0%	9.5%

**17.3** Assumptions regarding future mortality are based on A67/70 Mortality table, issued by the Institute of Actuaries, London, United Kingdom.

### 17.4 Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Discount Rate	Salary Escalation Rate	Present Value of Defined Benefit Obligation (Rs'000.)
1% point increase	9%	74,594
1% point decrease	9%	83,967
9.5%	1% point increase	84,038
9.5%	1% point increase	74,465

**Notes to the Financial Statements contd...**

As at 31st December,	2015 Rs.	2014 Rs.
<b>18. TRADE AND OTHER PAYABLES</b>		
Trade payables	159,532,936	132,605,571
Amounts payable to non-residential directors	5,249,613	5,643,349
Annual fee received in advance	3,103,460	3,657,590
Advances and Deposits	49,301,667	50,758,314
VAT Payable	13,390,027	14,620,348
Accrued Expenses	48,462,267	49,949,186
Other Creditors	64,276,160	84,381,103
	<b>343,316,130</b>	<b>341,615,461</b>

18.1 The Company's exposure to liquidity risk is given on Note No 28.

As at 31st December,	2015 Repayable Within 1 Year Rs.	2015 Repayable After 1 Year Rs.	2015 Total Rs.	2014 Repayable Within 1 Year Rs.	2014 Repayable After 1 Year Rs.	2014 Total Rs.
<b>19. INTEREST BEARING BORROWINGS</b>						
Government of Sri Lanka (Note 19.1)	-	-	-	-	-	-
Galadari Brothers Co. LLC (Note 19.2)	-	-	-	-	-	-
	-	-	-	-	-	-

As at 31st December,	2015 Rs.	2014 Rs.
<b>19.1 Government of Sri Lanka</b>		
Balance as at 1st January	-	263,682,318
Repayments during the year	-	(263,682,318)
Balance as at 31st December	-	-
<b>19.2 Galadari Brothers Co. LLC</b>		
Balance as at 1st January	-	71,011,876
Repayments during the year	-	(71,011,876)
Balance as at 31st December	-	-

**19.3 Repayment of Galadari Brothers loan**

The Company settled the amount outstanding to Galadari Brothers Co. LLC amounting to Rs. 71,011,876/- on 27th January 2014.

**19.4 Repayment of Government of Sri Lanka loan**

The Company settled the amount outstanding to Government of Sri Lanka amounting to Rs. 263,682,318/- on 18th March 2014.

**Notes to the Financial Statements contd..**

As at 31st December,	2015 Rs.	2014 Rs.
<b>20. PROVISIONS</b>		
As at 1st January	163,249,654	152,758,089
Legal interest accrued during the year	7,873,747	10,491,565
Balance as at 31st December	<b>171,123,401</b>	163,249,654
<p><b>20.1</b> Provision represents the award delivered by the Arbitrator in favour of Phil East Asia Construction Corporation (PEACC) on 24 April, 2008 in relation to claims in litigation for construction of the hotel. The legal interest of 7.76% (2014 - 10.34%) per annum over the Award has been accrued based on the Gazette published by the Government.</p>		
<b>21. CURRENT TAXATION</b>		
As at 1st January	14,587,187	7,163,010
Provision for the year	32,314,079	33,039,856
(Over) / Under provision in respect of prior years	(2,176,379)	5,674,391
WHT and Notional tax set off	(5,249,419)	(7,230,070)
Payments during the year	(28,910,000)	(24,060,000)
As at 31st December	<b>10,565,468</b>	14,587,187
For the year ended 31st December,	2015 Rs.	2014 Rs.
<b>22. REVENUE</b>		
Gross revenue	1,935,299,118	1,996,884,599
Less: Tourism development levy	(16,498,411)	(16,399,229)
Value added tax	(192,418,625)	(212,128,111)
Nation Building Tax	(35,217,978)	(36,012,594)
Service charge	(153,745,811)	(156,572,132)
Net revenue	<b>1,537,418,293</b>	1,575,772,533
<b>22.1 Revenue analysis</b>		
Room revenue	612,985,841	618,939,778
Food and beverage revenue	817,762,894	846,991,501
Other hotel related revenue	106,669,558	109,841,254
	<b>1,537,418,293</b>	1,575,772,533
<b>23. OTHER INCOME</b>		
Taxi charges	639,012	822,027
Other income	5,673,418	3,297,744
	<b>6,312,430</b>	4,119,771

**Notes to the Financial Statements contd...**

For the year ended 31st December,

	2015 Rs.	2014 Rs.
<b>24. RESULTS FROM OPERATING ACTIVITIES</b>		
Results from operating activities is stated after charging all expenses including the followings;		
Auditors remuneration (Note 24.1)	1,250,000	1,591,175
Other consultancy services	145,000	285,415
Directors' remuneration	1,197,500	1,240,000
Depreciation	210,909,110	197,815,046
Leasehold property amortization	23,506,494	23,506,494
Advertising	1,027,834	8,291,190
Legal fees	4,375,978	3,568,964
Impairment provision for bad & doubtful receivables	1,250,053	4,651,733
Reversal of provision for inventories	32,225	8,641
Staff cost (Note 24.2)	243,372,979	225,899,290
<b>24.1 Auditors remuneration</b>		
Audit fee	1,200,000	1,200,000
Audit related services	50,000	167,915
Non audit related services	-	223,260
	<b>1,250,000</b>	<b>1,591,175</b>
<b>24.2 Staff cost</b>		
Salaries	160,061,560	149,032,290
Casual wages	38,753,402	34,845,331
EPF and ETF	31,557,533	29,870,272
Defined benefit plan- gratuity	13,000,484	12,151,397
	<b>243,372,979</b>	<b>225,899,290</b>
<b>25. FINANCE INCOME</b>		
Interest income	74,097,774	55,650,186
Exchange gain	2,574,477	2,433,728
Total finance income	<b>76,672,251</b>	<b>58,083,914</b>

## Notes to the Financial Statements contd..

For the year ended 31st December,	2015 Rs.	2014 Rs. Restated
<b>26. INCOME TAX EXPENSES</b>		
<b>Current tax</b>		
On current year profits (Note 26.1)	32,314,079	33,039,857
(Over) / Under provision in respect of prior years	(2,176,379)	5,674,390
	<b>30,137,700</b>	<b>38,714,247</b>
<b>Deferred tax</b>		
(Reversal) / Origination of deferred tax liability	(3,632,304)	2,560,934
Reversal of deferred tax asset	15,304,465	25,171,456
Amount reversed related to revaluation	(15,817,603)	(16,297,978)
	<b>(4,145,442)</b>	<b>11,434,412</b>
<b>Total tax expenses</b>	<b>25,992,258</b>	<b>50,148,659</b>
<b>26.1 Tax reconciliation statement</b>		
Profit before income tax expense	237,172,345	223,096,212
Disallowable items	283,831,054	297,174,268
Allowable items	(180,689,702)	(152,180,977)
Other sources of income- interest income	73,969,372	55,498,398
Loss utilized during the year (Note 26.2)	(144,999,074)	(148,255,765)
<b>Taxable profit</b>	<b>269,283,995</b>	<b>275,332,136</b>
<b>Tax payable @ 12%</b>	<b>32,314,079</b>	<b>33,039,857</b>
<b>26.2 Tax losses</b>		
As at 1st January	5,462,908,982	5,683,996,361
Adjusted in respect of prior period	9,765,802	(72,831,614)
Utilized during the year	(144,999,074)	(148,255,765)
<b>As at 31st December</b>	<b>5,327,675,710</b>	<b>5,462,908,982</b>

**27. BASIC EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders and the number of ordinary shares outstanding during the year.

Profit after tax	211,180,087	172,947,553
Number of ordinary shares	500,829,564	500,829,564
<b>Basic earnings per share - Rs.</b>	<b>0.42</b>	<b>0.35</b>

There were no potential dilutive ordinary shares at any time during the year. Therefore dilutive earnings per share is as same as basic earnings per share.

## Notes to the Financial Statements contd...

## 28. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

## 28.1 ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured subsequently on the ongoing basis either at fair value or amortised cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

**As at 31 December 2015****Financial Assets**

	Carrying Amount Rs.	Fair Value		
		Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
<b>AFS Financial Assets</b>				
Treasury Bills	457,551,059	457,551,059	-	-
<b>HTM Financial Assets</b>				
Treasury Bond	71,456,359	70,154,000	-	-
<b>Assets Carried at Amortized Cost</b>				
Fixed Deposit	156,195,833	-	-	-
Reverse Repos	671,190,629	-	-	-
Trade and Other Receivables (excluding prepayments)	194,896,497	-	-	-
Cash at bank	89,092,029	-	-	-
	<b>1,640,382,406</b>	<b>527,705,059</b>	-	-
<b>Liabilities carried at Amortised cost</b>				
Trade and other payable (excluding accrued expenses & annual fees received in advance)	291,750,402	-	-	-
	<b>291,750,402</b>	-	-	-

**As at 31 December 2014**

	Carrying Amount Rs.	Fair Value		
		Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
<b>AFS Financial Assets</b>				
Treasury Bills	181,836,829	181,836,829	-	-
<b>HTM Financial Assets</b>				
Treasury Bond	196,713,174	200,667,108	-	-
<b>Assets Carried at Amortized Cost</b>				
Fixed Deposit	173,156,746	-	-	-
Reverse Repos	405,369,917	-	-	-
Trade and Other Receivables (excluding prepayments)	245,785,347	-	-	-
Cash at bank	66,691,820	-	-	-
	<b>1,269,553,833</b>	<b>382,503,937</b>	-	-
<b>Liabilities carried at Amortised cost</b>				
Trade and other payable (excluding accrued expenses & annual fees received in advance)	288,008,685	-	-	-
Bank Overdraft	16,560	-	-	-
	<b>288,025,245</b>	-	-	-

## 28.1.1 Determination of fair value of financial assets with short maturities

Carring values of financial assets and liabilities that have a short term maturity such as trade and other receivables and payables, reverse repo, fixed deposits and cash and cash equivalent are reasonable approximation of their fair value. Therefore fair value hierarchy is not applicable.

## Notes to the Financial Statements contd...

### 28. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (Contd.)

#### 28.2 FINANCIAL RISK MANAGEMENT

##### 28.2.1. Introduction & overview

The Company is exposed to the following risks from its use of financial instruments:

1. Credit risk
2. Market risk
3. Liquidity risk

This note presents information about the Company's exposure to each of the above risk categories, Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

##### 28.2.2. Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committees oversee how management monitors compliance with the Company risk management processes/guidelines and procedures and reviews the adequacy of the risk management framework in relation to the risks. The Audit Committees are assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

##### 28.2.3. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers, related parties, deposits with banks and other financial instruments.

##### a. Exposure to Credit Risk

The carrying amounts of financial assets represent maximum credit exposure. The maximum exposure to credit risk as at the reporting date was as follows.

As at 31st December	2015 Rs.	2014 Rs.
Trade and Other Receivables (excluding prepayments)	194,896,497	245,785,347
Investments	1,356,393,880	957,076,566
Cash at bank	89,092,029	66,691,820
	<b>1,640,382,406</b>	1,269,553,733

**Notes to the Financial Statements contd...****28. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (Contd.)****28.2 FINANCIAL RISK MANAGEMENT (Contd.)****a. Exposure to Credit Risk (Contd.)****i) Impairment of Receivables**

The aging of trade receivables at the end of the reporting period before impairment is as follows.

<b>As at 31st December 2015</b>	<b>Upto 90 Days</b>	<b>Above 90 Days</b>	<b>Total</b>
Trade Receivables	128,633,515	38,926,381	167,559,896
Provision for Impairments	-	(24,696,878)	(24,696,878)
<b>Non impaired trade receivables</b>	<b>128,633,515</b>	<b>14,229,503</b>	<b>142,863,018</b>

Allowance for impairment of Rs.24.6 Mn (2014 - Rs. 23.4 Mn) has been made in respect of trade receivables, as at the reporting date. Unimpaired amounts are considered collectable in full, based on historic payment behaviour and analysis of customers' credit risk.

**ii) Investments**

The Company limits its exposure to credit risk by investing only in government debt securities, repos and in short term deposits with selected bankers with Board approval.

**iii) Cash and Cash Equivalents**

The Company held cash at bank of Rs. 89.09 Mn as at 31 December 2015 (2014 - Rs. 66.69 Mn) which represent its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which have better rankings based on Fitch Ratings.

**28.2.4 Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates affecting the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

**a. Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuating due to changes in foreign exchange rates. The Company, as at the reporting date does not hold 'financial instruments' denominated in currencies other than its functional / reporting currency except for cash at bank balances.

**Sensitivity Analysis for Currency Risk**

A reasonably possible strengthening (weakening) of the US Dollar (USD) against Sri Lankan Rupee (LKR) as at the reporting date would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

## Notes to the Financial Statements contd...

### 28. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (Contd.)

#### 28.2 FINANCIAL RISK MANAGEMENT (Contd.)

##### a. Currency Risk (Contd.)

As at 31 December 2015 - [ 1 USD = Rs. 144.05 ]	Value of Saving and fixed deposits	
	Increase in 5 unit	Decrease in 5 unit
USD denominated deposits	13,778,032	12,853,642
Impact to Income Statement - Gain/(Loss)	462,310	(462,310)

As at 31 December 2014 - [ 1 USD = Rs. 132.20 ]	Value of Saving and fixed deposits	
	Increase in 5 unit	Decrease in 5 unit
USD denominated deposits	12,532,042	11,618,628
Impact to Income Statement - Gain/(Loss)	456,707	(456,707)

##### b. Interest Rate Risk

Interest rate risk mainly arises as a result of the Company is having interest sensitive assets and liabilities which are directly impacted by changes in the interest rates. Management monitors the sensitivities on regular basis and ensures that such risks are managed on a timely manner.

##### Exposure to Interest Rate Risk

As the Company does not have any borrowings and floating rate investments as at the reporting date, the Company does not expose to interest rate risk.

#### 28.2.5 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach of managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures its liquidity is maintained by investing in short, medium and long-term financial instruments to support operational and other funding requirements.

Short and medium-term funds requirements are regularly reviewed and managed by the finance team.

The following are the remaining contractual maturities of financial liabilities held at the end of the reporting period.

	Carrying Value Rs.	Contractual Cash Flows		
		Total Rs.	Upto 1 Year Rs.	Above 1 Year Rs.
<b>As at 31 December 2015</b>				
Trade and other payable (excluding accrued expenses & annual fees received in advance)	291,750,402	291,750,402	291,750,402	-
	<b>291,750,402</b>	<b>291,750,402</b>	<b>291,750,402</b>	-
<b>As at 31 December 2014</b>				
Trade and other payable (excluding accrued expenses & annual fees received in advance)	288,008,685	288,008,685	288,008,685	-
Bank overdraft	16,560	16,560	16,560	-
	<b>288,025,245</b>	<b>288,025,245</b>	<b>288,025,245</b>	-

## Notes to the Financial Statements contd...

### 29 RELATED PARTIES

#### 29.1 Parent & ultimate controlling party

The parent and the ultimate controlling party of the Company is Galadari Brothers Company LLC which is incorporated in Dubai, UAE.

#### 29.2 Transactions with key management personnel

According to Sri Lanka Accounting Standard (LKAS) 24, Related Party Disclosure, Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly the Directors (including Executive and Non Executive Directors) of the Company and their immediate family members have been classified as Key Management Personnel of the Company.

Key management personal compensation comprised of;

For the year ended 31st December	2015 Rs.	2014 Rs.
Director's fees	1,197,500	1,240,000
	1,197,500	1,240,000

Except for the above there were no other transactions with KMP during the year.

#### 29.3 Transactions with parent entity

There were no transactions between Galadari Brothers Co.(LLC) and the Company during the financial year.

### 30. CAPITAL COMMITMENTS AND CONTINGENCIES

**30.1** The Department of Inland Revenue had raised assessment for additional income tax for the year of assessment 2009/10 amounting to Rs. 575 Million. The Company has lodged an appeal against the assessment.

#### 2009/10 Assessment

On 14th July 2014 the appeal for the assessment for the year of assessment 2009/10 for Rs. 575 million, was determined by the Commissioner General of Inland Revenue against the Company.

The Company decided to make an appeal to the Tax Appeals Commission and made the appeal on 25th September 2014. The initial hearing of the appeal was held on 11th November 2014. Both parties have sent their written submissions to the Commission. No hearing was done during the financial year.

The Company submitted a Bank Guarantee to the Tax Appeals Commission for Rs. 143,947,271/- effective from 23rd September 2014 to 29th March 2016 as a requirement for the appeal.

No provision has been made in these Financial Statements for this assessment, as the Company strongly believes this tax assessment will be favourable for the Company.

**30.2** A customer had instituted a case against the Company for breach of agreement claiming Rs. 25,000,000/- together with legal interest. The Company is contesting the case.

There have been no significant Contingent Assets or Contingent Liabilities as at the reporting date other than disclosed above which require disclosures in these Financial Statements.

## Notes to the Financial Statements contd..

### 31. EVENTS OCCURRING SUBSEQUENT TO THE REPORTING DATE

No circumstances have arisen since the reporting date which have to be disclosed in these Financial Statements.

### 32. COMPARATIVE INFORMATION

Comparative Figures have been re - arranged & reclassified wherever necessary to conform with the current year's presentation.

### 33. SEGMENT REPORTING

An operating segment is a component within the Company that engage in business activities for which it may earn distinguish revenue and expenses for such segment.

The operating results arising from business of the Company as a whole is reviewed regularly by the Management of the Company to make decisions about resource to be allocated & assess its performance. Accordingly no operating segment within the Company is identified & reported.

### 34. DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Please refer to the page 6 for the Statement of Directors Responsibility for Financial Reporting.

# Information to Shareholders

## (1) Ordinary Shareholders as at 31st December, 2015

Number of Shareholders - 11,285 (As at 31.12.2014 -11,468)

Range (Shareholdings)	No. of Shareholders	Total No. of Shares	Percentage
1-1000	9,681	2,239,119	0.45
1001-5000	1,104	2,798,849	0.56
5001-10000	249	1,931,198	0.39
10001-50000	200	4,270,384	0.85
50001-100000	16	1,171,692	0.23
100001-500000	17	3,994,224	0.80
500001-100000000	17	166,028,594	33.15
100000001 & above	1	318,395,504	63.57
<b>TOTAL</b>	<b>11,285</b>	<b>500,829,564</b>	<b>100.00</b>

## (2) (i) Major Shareholders as at 31st December, 2015

Name of Shareholder	Total Holding	Percentage
Galadari Brothers Co. (LLC)	318,395,504	63.57
Iceberg 2 Limited	29,510,817	5.89
Employees Provident Fund	23,712,200	4.73
Calgary Holdings S.A	18,146,303	3.62
Pershing LLC S/A Averbach Grauson & Co.	14,840,300	2.96
M. A. I. Galadari	9,810,017	1.96
I.A.L.I. Galadari	9,810,017	1.96
Suhail Abdul Latif Ebrahim Galadari	9,810,016	1.96
Sabah Abdul Rahim Galadari	8,865,064	1.77
Suaad Abdul Rahim Galadari	8,865,064	1.77
Samia Abdul Rahim Galadari	8,865,064	1.77
Dubai Bank Limited	6,760,390	1.35
Z.A.I. Galadari	4,905,000	0.98
S.A I.Galadari	4,905,000	0.98
F. E. Abdul Qader	3,166,094	0.63
F. N. M. Alam Khan	2,802,861	0.56
People's Leasing & Finance PLC/M.I.M. Rizly & FR Hassan	664,000	0.13
Merchant Bank of Sri Lanka Ltd A/c No. 1	590,387	0.12
N H Abdul Husein	495,266	0.10
J.Rudra	477,000	0.10

(ii) The percentage of Shares held by the Public as at 31st December, 2015 -12.57% in the hands of 11,272 Public Shareholders. (2014 - 12.57%, 11,455)

## (iii) Directors' Shareholdings as at 31st December

	2015	2014
Mr K A A Soliman	-	-
Mr L R De Silva	-	-
Mr S M H A Kooray	-	-
Dr J A S Felix	-	-
Mr M H A W Al Garf	-	-
Mr H A Mohamed	-	-
Mr. A Chib	-	-

## (3) Market Price of Share

	31.12.2015 Rs.	31.12.2014 Rs.
Highest Market Value per Share	Rs. 16.00 (09.01.15)	Rs. 16.40 (09.09.14)
Lowest Market Value per Share	Rs. 10.20 (16.12.15)	Rs. 10.00 (26.02.14)
Closing Price	Rs. 10.50 (31.12.15)	Rs. 14.50 (31.12.14)

# Five Year Summary

Year ended 31st December In Rs. 000	2015	2014	2013	2012	2011
<b>TRADING RESULTS</b>					
Turnover net of turnover based taxes	1,537,418	1,575,773	1,510,346	1,724,264	1,297,419
Profit/(loss) after tax but before interest expenses and other income	197,195	110,744	155,269	(741,920)	(164,054)
Profit/(loss) before taxation	237,172	223,096	254,455	(826,370)	(220,984)
Taxation (provision) / reversal	(25,992)	(50,149)	31,363	(34,705)	(45,072)
Profit/(loss) after taxation on ordinary activities	211,180	172,948	285,818	(861,075)	(266,056)
<b>SHARE CAPITAL AND RESERVES</b>					
Stated capital/Share capital	8,988,239	8,988,239	8,988,239	1,824,341	1,824,341
Capital reserves	8,735,564	8,949,310	8,665,231	8,388,149	7,980,735
Revenue reserves	(8,921,816)	(9,058,920)	(9,155,212)	(9,579,074)	(8,686,628)
Provision for replacement of furniture Fittings & equipment	360,213	282,582	210,522	141,070	73,418
Shareholder's Funds	9,162,200	9,161,211	8,708,780	774,486	1,191,866
<b>ASSETS EMPLOYED</b>					
Current assets	1,695,240	1,316,567	1,200,280	1,187,007	705,441
Current liabilities	(525,005)	(519,469)	(786,632)	(868,070)	(761,407)
Working capital	1,170,235	797,098	413,648	318,938	(55,966)
Property, plant & equipment	6,709,871	7,088,502	6,934,516	6,729,584	6,272,891
Leased assets	1,504,416	1,527,922	1,551,429	1,574,935	1,598,441
Deferred tax assets	648,911	664,688	689,859	623,710	622,767
Long term liabilities	(871,233)	(916,999)	(880,672)	(8,472,680)	(7,246,267)
	9,162,200	9,161,211	8,708,780	774,486	1,191,866
<b>RATIOS &amp; STATISTICS</b>					
Gearing ratio (times)	-	-	0.04	10.11	5.56
Current ratio (times)	3.23	2.53	1.53	1.37	0.93
Earnings per share	0.42	0.35	0.84	(4.72)	(1.46)
Net assets value per share	18.29	18.29	17.39	4.25	6.53



# Form of Proxy

I/We the undersigned .....  
of.....  
.....  
being a member/members of Galadari Hotels (Lanka) PLC do hereby appoint.....  
.....  
of.....whom failing

KHALED ALY ALY SOLIMAN	(whom failing)
SHARIF MIR HASHEM AHMED KHOORY	(whom failing)
LALITH RUKMAN DE SILVA	(whom failing)
DR. JOHN ANTHONY SHIVAJI FELIX	(whom failing)
MOHAMED HISHAM ABDEL WAHAB AL GARF	(whom failing)
HATIM ABDELAZIZ MOHAMED	(whom failing)
MUNESH BHAT	

as my/our Proxy to represent me/us and to vote on my/our behalf at the THIRTY FIFTH ANNUAL GENERAL MEETING of the Company to be held on Monday 20th June 2016 at 4.00 p.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof. I /We the undersigned hereby authorise my/our proxy to vote on my/our behalf in accordance with the preference indicated below:-

	For	Against
1. To receive and consider the Audited Financial Statements for the year ended 31st December, 2015 and the Reports of the Auditors' and of the Directors' thereon	<input type="checkbox"/>	<input type="checkbox"/>
2. Directors		
(i) To re-elect Mr. Lalith Rukman De Silva, Director, who retires by rotation in terms of Article 87 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To re-elect Dr. John Anthony Shivaji Felix, Director, who retires by rotation in terms of Article 87 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
(iii) To elect Mr. Munesh Bhat, Director, who retires in terms of Article 93 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To appoint Messrs. PricewaterhouseCoopers, Chartered Accountants, as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand this .....day of .....Two Thousand and Sixteen .

.....  
Signature of Shareholder

## Notes:

Please indicate with an "x" in the space provided how your Proxy is to vote. If there is in the view of the Proxy holder doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder shall vote as he thinks fit.

A Proxy holder need not be a member of the Company.

Instructions as to completion appear on the reverse hereof.

#### **INSTRUCTIONS AS TO COMPLETION**

1. To be valid this Form of Proxy must be deposited at the Registered Office of the Company at 9/5, Thambiah Avenue, Colombo 07 not less than 48 hours before the time appointed for the holding of the Meeting.
2. The instrument appointing a Proxy shall in the case of an individual be signed by the appointor or by his Attorney and in the case of a Company/Corporation, the Proxy Form must be executed under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association or other constitutional documents.
3. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy if it has not already been registered with the Company.
4. The full name and address of the Proxy holder and of the Shareholder appointing the Proxy holder should be entered legibly in the Form of Proxy.



## The Galadari Grand Ballroom

Make your fairytale wedding a reality at the Galadari Grand Ballroom the ideal venue for the wedding of your dreams. The hotel prides itself on the elegant beauty of its Grand Ballroom which has become one of the hallmarks of its success. Magnificent and luxurious the Grand Ballroom will take your breath away. This added together with the superior services of our staff who make it their priority to ensure that your needs are met to the fullest provide the ideal package to make your wedding an unforgettable one.

Our services are never ending be it the cakes, floral decorations to the ice carvings and much more, we have everything and more of what you will desire. With our expertise in perfecting every little detail, exceptional menus and impeccable service levels we are undoubtedly the unmatched venue when it comes to weddings. The Galadari is a heaven for celebrations be it the most intimate to the more extravagant wedding reception we are the masters of it all. Nothing compares to our ability of making your dream wedding a reality that you will always treasure.



[www.galadarihotel.lk](http://www.galadarihotel.lk)

## **GALADARI**

HOTEL COLOMBO

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