



GALADARI

COLOMBO



MILESTONES

ANNUAL REPORT 2022



04th Consecutive Time Running!

SLIM - KANTAR People's
“Hotel Brand of the Year 2023”



**Thanking All Our Valued Patrons!
Honored To Be The People's Heartfelt Brand**





Contents

Corporate Information	2
Notice of Meeting	3
Chairman's Message	4
Management Discussion and Analysis	5-6
Board of Directors	7-8
Statement of Directors' Responsibilities	8
Annual Report of the Board of Directors	9-10
Corporate Governance	11-14
Report of the Audit Committee	15
Report of the Remuneration Committee	16
Report of the Related Party Transactions Review Committee	16
Independent Auditor's Report	17-19
Statement of Financial Position	20
Statement of Profit or Loss	21
Statement of Comprehensive Income	22
Statement of Changes in Equity	23
Statement of Cash Flows	24
Notes to the Financial Statements	25-50
Information to Shareholders	51-52
Five Year Summary	53
Notes	54
Form of Proxy	55-56

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

Mr. M A I Galadari - Chairman

Mr. S A I H Galadari

Mr. I A I Galadari

Mr. M Y Kazi Meeran

(resigned w.e.f 31 December 2022)

Mr. L R De Silva

Dr. J A S Felix

Mr. V Radhakrishnan

AUDIT COMMITTEE

Mr. M Y Kazi Meeran - Chairman

(resigned w.e.f 31 December 2022)

Dr. J A S Felix

Mr. L R De Silva

REMUNERATION COMMITTEE

Mr. M A I Galadari - Chairman

Dr. J A S Felix

Mr. L R De Silva

RELATED PARTY TRANSACTIONS

REVIEW COMMITTEE

Mr. L R De Silva - Chairman

Mr. M Y Kazi Meeran

(resigned w.e.f 31 December 2022)

Dr. J A S Felix

SECRETARIES & REGISTRARS

Jacey & Company (up to 1st April 2023)

No.9/5, Thambiah Avenue,

Colombo 07

Tel: 4335159 - 62

Central Corporate and Consultancy Services (Private) Limited
(w.e.f 1st April 2023)

No.48, Rosmead Place,

Colombo 07

Tel: 0112690037

REGISTERED OFFICE

No.9/5, Thambiah Avenue,

Colombo 07 (up to 1st April 2023)

Tel: 4335159 - 62

No.48, Rosmead Place,

Colombo 07 (w.e.f 1st April 2023)

Tel: 0112690037

AUDITORS

M/s Ernst & Young,

Chartered Accountants

201, De Saram Place

Colombo 10

LAWYERS

Tiruchelvam Associates

No.48, Rosmead Place,

Colombo - 07

BANKERS

Hatton National Bank

City Office, No. 16, Janadhipathi Mawatha,

Colombo 1

Hongkong & Shanghai Banking Corporation

24, Sir Baron Jayatilaka Mawatha,

Colombo 1

Bank of Ceylon - Corporate Branch Head Office

No.4, Bank of Ceylon Mawatha,

Colombo 01

Commercial Bank of Ceylon PLC

World Trade Centre Branch

L03-Wt-01, Third Floor, West Tower

World Trade Centre,

Colombo 01

Sampath Bank, Fort Branch,

No. 98 Chatham street

Colombo 01

Notice of Meeting

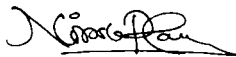
NOTICE IS HEREBY GIVEN THAT THE 42ND ANNUAL GENERAL MEETING OF GALADARI HOTELS (LANKA) PLC will be held as a Virtual Meeting emanating from the “Board Room” of Galadari Hotels (Lanka) PLC, No. 64, Lotus Road, Colombo 01, on 6th July 2023 at 4.30pm (IST) for the following purposes:

Agenda

1. To receive and consider the Audited Financial Statements for the Year Ended 31st December, 2022 together with the Reports of the Directors’ and Auditors’ thereon.
2. To re-elect Mr. Lalith Rukman De Silva, Director, who retires by rotation in terms of Article 87 and 88 of the Articles of Association of the Company and being over the age of seventy (70), who also retires in terms of Section 210 of the Companies Act No.7 of 2007 (as amended), by the passing of the following ordinary resolution:

“IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No.7 of 2007 (as amended) shall not apply to Mr. L.R. De Silva who is seventy-two (72) years of age and that he shall be re-elected as a Director of the Company.”
3. To re-elect Dr. John Anthony Shivaji Felix, Director, who retires by rotation in terms of Article 87 and 88 of the Articles of Association of the Company.
4. To re-appoint the Auditors Messrs. Ernst & Young, Chartered Accountants, 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



**CENTRAL CORPORATE AND CONSULTANCY
SERVICES (PRIVATE) LIMITED**
SECRETARIES

6th June 2023,
Colombo

Notes:

- A shareholder is entitled to appoint a Proxy to attend and vote instead of him/herself and a Proxy need not be a shareholder of the Company. **The Form of Proxy can be found on the Company’s website (www.galadarihotel.lk)**
- The duly completed forms of proxy should be posted or delivered to the Registered Office of the Company at No. 48, Rosmead Place, Colombo 07 or forwarded by email to agm@galadari.lk and/or cccs@tiruchelvam.com or by fax on (+94)-11-4790600 in order to enable the Company to receive the same not less than forty-eight (48) hours prior to the time appointed for the holding of the AGM.
- As mentioned in the Circular to the Shareholders dated 6th June 2023, the 42nd Annual General Meeting will be held as a Virtual meeting. Instructions given in the Circular must be followed to join the meeting virtually. **The Circular dated 6th June 2023 and the Registration Form for the Virtual Meeting can be found on the Company’s website (www.galadarihotel.lk).**
- **The Annual Report of the Company including the Audited Financial Statements can be found on the Company’s website(www.galadarihotel.lk) and the Colombo Stock Exchange website (www.cse.lk).**

Chairman's Message

Dear Shareholders,

On behalf of the Board of Directors, it gives me immense pleasure to welcome you to the 42nd 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 2022.

Company Performance

It is with great pride and gratitude that I present our Company's performance and resilience during these challenging times. The economic crisis, compounded by external factors, has presented unprecedented challenges. However, despite the headwinds, I am pleased to report that Galadari Hotel has weathered the storm and emerged stronger. In the face of adversity, we have demonstrated resilience, adaptability, and determination. We have undertaken proactive measures to optimize our operations, streamline costs, and improve efficiency.

I am delighted to report that the Company's profit before taxation has improved compared to last year. This impressive growth is a testament to our talented employees' dedication and hard work, who consistently go above and beyond to meet and exceed our customers' expectations.

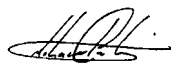
Future Outlook

While the future outlook for the tourism and hotel sector in Sri Lanka is positive, uncertainties remain. External factors such as global economic conditions, geopolitical developments, and changes in travel patterns can impact the industry. However, with strategic planning, innovation, and a focus on sustainability, the sector is poised to rebound and contribute to Sri Lanka's economic growth and development.

With the government spearheading plans to revive the tourism industry, we are also moving towards ensuring that the hotel's renovation plans are set in motion. The Galadari brand has won the hearts of the people many times over. This has been proved beyond doubt with the hotel securing the SLIM - Kantar People's Hotel Brand of the Year award for the 4th consecutive time running. With the Board of Directors, it is my humble opinion that a new iconic Galadari Hotel will be brought to life with the renovation. This will give us the required leverage to compete on par with other city hotels in Colombo.

Acknowledgement

On behalf of the Board of Directors, I would like to express our sincere gratitude to the Government of Sri Lanka for its vision and continued support to the hotel. I wish to take this opportunity to thank my fellow board members for their invaluable efforts and support. I sincerely appreciate the management team and the staff for their untiring efforts and commitment during this challenging year. Finally, I thank our shareholders for the confidence and trust they have relentlessly placed in Galadari Hotels (Lanka) PLC.



M A I Galadari
Chairman

Management Discussion and Analysis

Sri Lanka's Macro Economic Review

For the little island nation, 2022 was a year of hope that eventually turned into unrest. Unprecedented levels of inflation were caused by Sri Lanka's acute economic crisis, which was made public by the depletion of foreign reserves and twin deficits. The Central Bank then adopted a much tighter monetary policy stance in response. However, the economy has begun to revive thanks to IMF bailout and the introduction of responsible policy changes in the budget for the year 2023.

A variety of tax reforms were included in the budget for 2023 and the Inland Revenue Amendment Bill, including the elimination of various VAT exemptions, adjustments to both corporate and individual taxes, strategies to boost non-tax revenue, and reductions in several non-essential spending.

Early in the year, a number of factors dominated, including rising inflation and a severe fuel and energy crisis. The primary reasons for this reduction are attributed to a lack of inputs necessary for manufacturing processes as well as their high pricing. Additionally, the decline in real income of people overall has led to a decline in demand for both necessities and non-necessities.

The Sri Lankan economy, which experienced severe headwinds and increased uncertainty in the first half of 2022, has begun to show signs of stability in the latter half of the year. aided by a variety of multifaceted policy interventions designed to guide the country's economy toward a path of steady and sustainable growth over the long term.

Global Economic Overview

The year 2022 was a difficult one for the world's economies, with various fluctuations coming from growing inflation, supply shocks brought on by the conflict between the Ukraine and Russia, and rising interest rates. However, the COVID-19 pandemic's negative economic effects were lessened, which aided in the overall recovery.

The performance of developed economies, particularly the US and Eurozone, which were anticipated to grow in 2022, was where the majority of the economic slowdown was most visible. Despite a few brief significant rises in cases of the Omicron form, especially in January 2022 around the globe and later that year in China, COVID-19's effects were generally less severe in 2022 than in 2021.

Russia's announcement of a military campaign into Ukraine in February 2022 sparked many rounds of sanctions and increased geopolitical tensions between the West and Russia. Global commodity prices, particularly those of crude oil, increased as a result of the conflict and the accompanying geopolitics in many frontier markets, including Pakistan, Ghana, and Sri Lanka.

Tourism Sector

The performance of international tourism increased significantly in 2022 compared to 2021. Despite the ongoing economic condition in the country, which is recovering from the worst economic crisis in decades, Sri Lanka welcomed over 700,000 tourists in year the year 2022. This represents a sharp rise from the pandemic's peak in the year 2021. According to Sri Lanka's Tourism Development Authority (SLTDA), there were fewer than 195,000 tourists that visited the country in the year 2021.

The country's tourism industry in 2022 was under danger due to political upheaval in Sri Lanka. In the midst of the worst economic crisis the nation has ever experienced, Sri Lanka has witnessed a wave of anti-government demonstrations over rising food, fuel and medical shortages as well as unprecedented power outages. In May 2022, the nation endured a curfew and a state of emergency. The tourism ministry put a lot of effort into making sure that tourist attractions always had access to fuel and electricity. Sri Lanka Tourism has launched campaigns to regain the tourism business that had been affected by the events linked to the economic crisis.

Outlook

Future economic prospects for Sri Lanka call for careful management of the country's debt sustainability. To help the bankrupt nation get through its worst economic crisis and save people's livelihoods, the IMF said in September that it would lend Sri Lanka USD 2.9 billion over four years as part of a tentative arrangement. The government maintains its confidence that the revival of the economy, notably tourism, and assistance from international and bilateral partners will allow the nation to repay its debts.

A total of 719,978 foreign tourists had traveled to Sri Lanka as of December 31, 2022. Despite this expansion, the tourism sector may not fully recover due to economic obstacles including high inflation and rising oil prices brought on by the conflict in Ukraine.

The number of visitors increased significantly in the year 2022 compared to last year, as seen in table 1. This indicates an increase in visitors from outside the country, which may be the result of things like the lifting of travel restrictions and enhanced aviation accessibility in Sri Lanka.

Month	2021	2022	% change 2022/21
January	1,682	82,327	4,794.6
February	3,366	96,507	2,767.1
March	4,581	106,500	2,224.8
April	4,168	62,980	1,411.4
May	1,497	30,207	1,917.8
June	1,614	32,856	1,935.7
July	2,429	47,293	1,847.1
August	5,040	37,760	649.2
September	13,547	29,802	119.9
October	22,771	42,026	84.5
November	44,294	59,759	34.9
December	89,506	91,961	2.7
TOTAL	194,495	719,978	270.2

Table 01: The total number of international tourist arrivals to Sri Lanka 2021-2022

Management Discussion and Analysis contd...

India, the Russian Federation, the United Kingdom, Germany, and France were Sri Lanka's top five international tourist destinations from January to December 2022. 17% of all visitors to Sri Lanka came from India, which was the country from which most tourists arrived. The availability of on-arrival visas for Indian tourists may have influenced the rise in arrivals from that country. Germany and France each accounted for 8% and 5% of the overall traffic, while the Russian Federation and the UK each contributed 13% and 12%. Due to improved air connectivity via direct and charter flights from Russia as well as welcoming conditions inside Sri Lanka, the Russian Federation continued to be a leading source of tourism to Sri Lanka.

Rank	Country of Residence	Tourist Arrivals (Jan ~ December 2022)	Tourist Arrivals (Jan ~ December 2021)
1	India	123,004	56,268
2	Russian Federation	91,272	16,894
3	United Kingdom	85,187	16,646
4	Germany	55,542	12,442
5	France	35,482	6,549
6	Australia	30,924	4,421
7	Canada	26,845	5,079
8	United States	22,230	6,124
9	Maldives	18,880	6,272
10	Poland	18,107	15,195
11	Others	212,505	48,605
Total		719,978	194,495

Figure 1 : Top ten source markets to Sri Lanka, January to December 2022

Belgium, Norway, Saudi Arabia, Austria, and Sweden have been recognized as Sri Lanka's top potential markets between January and December 2022.

An review of visitor arrivals by reason for travel finds that 55% of visitors came to Sri Lanka for enjoyment or holiday, while 20% came primarily to visit friends and family. Only 4% of visitors came for work-related reasons. 6% of visitors came for MICE, while 1.1% and 0.6% went for sports, ayurveda, or health-related reasons.

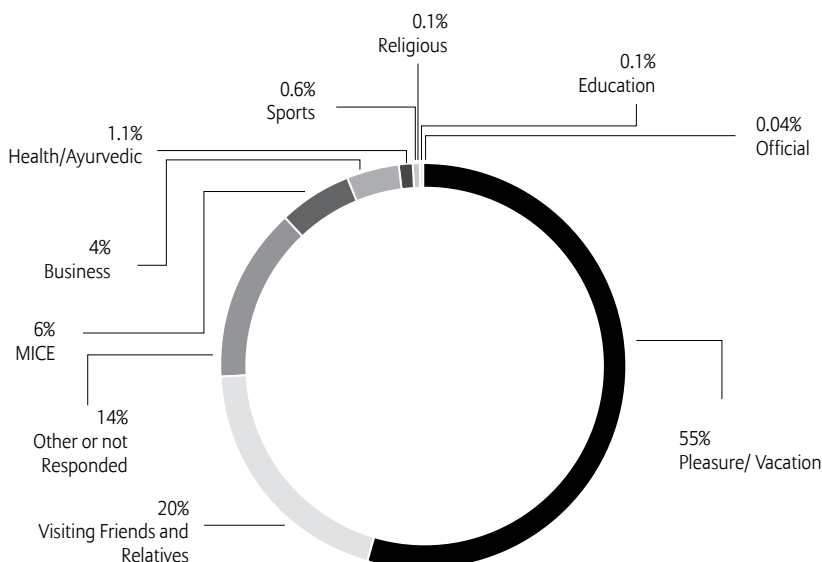


Figure 2: Tourist arrivals by purpose of visit, December 2022

Hotel

We remained dedicated to our long-term strategic objectives of operational excellence and brand value enhancement despite the economic shocks. The Sri Lanka Institute of Marketing awarded us the People's Hotel Brand of the Year 2023 title for the fourth consecutive year, despite the fact that the past few years have been exceedingly challenging for the tourism industry.

The current state of affairs leaves little opportunity for conjecture or strategic planning, particularly given that the nation is experiencing economic uncertainty. However, we are cautiously confident that even after the pandemic, travelers will continue to be drawn to our image as a chic and distinctive Sri Lankan hospitality hub. In the interim, our attention is on updating the hotel, enhancing the amenities, and creating marketing plans to attract additional visitors in the near future.

We continue to have confidence that Galadari will weather the upcoming months and emerge in a stronger position than before, regardless of the exceptionally challenging operating climate that prevailed during the previous financial year and the fact that our most challenging hurdles are still ahead of us.


Sampath Siriwardhana
 General Manager

5th June 2023

Board of Directors

MR. MOHAMMED ABDULLATIF IBRAHIM GALADARI

Mr. Mohammed Abdullatif Ibrahim Galadari is a son of Late Mr. Abdullatif Ibrahim Galadari Ex-Chairman of Galadari Brothers Co. LLC. Mr. Mohammed Abdullatif Ibrahim Galadari the Emirates businessman, is the Co-Chairman and Group CEO of Galadari Group of Companies and he has rich experience in Business Management for the last half-decade. He is a qualified Bachelors in Finance from Suffolk University Boston. He has endowed a vast knowledge to the Galadari Group of Companies which is a multinational Company.

Mr. Mohammed Abdullatif Ibrahim Galadari is a decisive and Strategic Expertise Leader, Managing areas of Major risks of the Organization. Having essential governance understanding and vast knowledge of the industry.

MR. SUHAIL ABDULLATIF IBRAHIM HASSAN GALADARI

Mr. Suhail Abdullatif Ibrahim Hassan Galadari is the eldest son of the late Mr. Abdullatif Ibrahim Galadari - Founding Ex-Chairman of Galadari Brothers Co. LLC. Mr. Suhail Abdullatif Ibrahim Hassan Galadari, the Emirati businessman is a Director of Galadari Brothers Co. LLC since 2006. He was also appointed as Co-Chairman of Galadari Brothers Co. LLC and Its Subsidiaries. Mr. Suhail Galadari has over 13 years of leadership experience at Galadari Brothers Co. LLC which is a multibillion, multidiscipline leading group in UAE, well-diversified in different industries such as Media, Printing, Heavy Construction Equipment, Automotive, Hospitality, Food & Beverage, Engineering, Industrial Trading, and Travel & Tourism.

Galadari Brothers, the home of international corporations based in the UAE for over 50 years has become an expert in global business, having successfully introduced over 30 global brands into the region. The business is multi-industry, multi-product, multiservice and multi-national,

overseeing operations across the Gulf, Asia, and Australia. Some of the Brands' portfolios of Galadari Brothers include Khaleej Times Daily English Newspaper, Komatsu, JCB, Mazda, and Baskin Robbins.

MR. IBRAHIM ABDULLATIF IBRAHIM GALADARI

Mr. Ibrahim Abdullatif Ibrahim Galadari is a son of Late Mr. Abdul Latif Ibrahim Galadari Ex-Chairman of Galadari Brothers Co. LLC. Mr. Ibrahim Abdullatif Ibrahim Galadari the Emirates businessman, is the Group Chief Investment Officer of the Galadari Group of Companies. He is a qualified Bachelor in Business Management from American University in Dubai. He has endowed a vast knowledge to the Galadari Group of Companies which is a multinational Company.

Mr. Ibrahim Abdullatif Ibrahim Galadari has essential governance understanding and vast knowledge of the Industry.

MR. MOHAMED YAHYA KAZI MEERAN

Mr. Mohamed Yahya Kazi Meeran is an experienced and qualified Chartered Accountant and a fellow member of the Institute of Chartered Accountants of India. He joined the Galadari Group, a multinational conglomerate based in Dubai, United Arab Emirates in 1980. Kazi served the company in different intensities, with an impressive career portfolio spanning over 40 years.

His career experience was enriched by being part of this diversified business conglomerate engaged in various industries ranging from Media and Publishing, Food and Beverage, Automotive, Heavy Equipment, Hospitality, Trading, Engineering, Real Estate, Travel and Tourism to Entertainment.

He represents Galadari Brothers Group holding Directorships in various overseas entities connected to the Group in UAE, Australia, United Kingdom, India and Sri Lanka.

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. He is a 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 has taught and functioned as an examiner at the Faculty of Law, University of Colombo.

Board of Directors contd...

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 Operations in the Ministry of Finance, Deputy Secretary to the Treasury, Secretary Ministry of Trade, Marketing Development Cooperatives and Consumer Services.

Currently serves as the Consultant to the Public Accounts Committee of Sri

Lanka Parliament and also act as the Chairman/Managing Director of the Riyohwel Lanka (Private) Limited.

MR. VENKATRAMANAN RADHAKRISHNAN

An accomplished Finance Professional with over 20 years of international multi-industry experience spanning across varied industry verticals.

Mr. Ramanan has been with Galadari Brothers Group since Year 2011. Currently, he leads the Finance Function for the Group as Group Chief Financial Officer and is responsible for Accounting and Reporting, Corporate Finance and

Treasury, Strategic Financial Planning, Business Performance Management, Corporate Governance and Risk Management.

A qualified Chartered Accountant, Cost Accountant and a Certified Information Systems Auditor with a track record of successfully delivering strategic projects and recognized for financial restructuring, fostering banking relationships, Fundraising, successful Mergers and Acquisitions and implementing Corporate Governance models.

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 the Company are required by the Companies Act No.07 of 2007 (as amended) 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 Cash flows of the Company for the Financial Year.

The Directors confirm that, the Financial Statements of the Company for the Year Ended 31st December, 2022 presented in the Report have been prepared in accordance with the Sri Lanka Accounting Standards, the Companies Act No.07 of 2007 (as amended) and the Listing Rules of the Colombo Stock Exchange. 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, in order to continue operations 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.

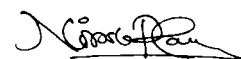
The Directors have also taken all reasonable steps to ensure that, the Company maintain adequate and accurate accounting books of record which reflect the transparency of transactions and provide an accurate disclosure of the Company's financial position.

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



CENTRAL CORPORATE AND CONSULTANCY SERVICES (PRIVATE) LIMITED
Secretaries Colombo

5th June 2023

Annual Report of the Board of Directors

Annual 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, 2022. This Report contains information required by section 168 of the Companies Act No.07 of 2007 (as amended) 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 were no significant changes to the Principal Activities of the Company during the Financial Year Ended 31st December, 2022.

Financial Statements

The Financial Statements for the Year Ended 31st December, 2022 are set out on pages 20 to 50 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, 2022 is set out in page 17 to 19 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 20 to 50. 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. 07 of 2007 (as amended) and the Listing Rules of the Colombo Stock Exchange. The Directors are satisfied that, the Financial Statements, presented on pages 20 to 50 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 25 to 33. 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 11 to 14.

Directorate

The Directors of the Company as at date are 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:

Mr. M A I Galadari -Chairman

Mr. I A I Galadari

Mr. S A I H Galadari

Mr. M Y Kazi Meeran (resigned with effect from 31st December 2022)

Mr. L R De Silva

Dr. J A S Felix

Mr. V Radhakrishnan

Mr. M Y Kazi Meeran was appointed as an Alternate Director to Mr. M A I Galadari and Mr. S A I Galadari for the sole purpose of attending the Board Meeting on 28th February 2022. Mr. M Y Kazi Meeran resigned with effect from 31st December 2022.

In terms of Article 87 and 88 of the Articles of Association of the Company Mr. L R 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 2022.

In terms of Article 87 and 88 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 2022.

Board Subcommittees

The following are the Board Sub-Committees:

Audit Committee

MR. M.Y.Kazi Meeran - Chairman (resigned with effect from 31st December 2022)

Dr. J A S Felix

Mr. L R De Silva

Remuneration Committee

Mr. M A I Galadari - Chairman

Dr. J A S Felix

Mr. L R De Silva

Related Party Transactions Review Committee

Mr. L R De Silva - Chairman

Mr. M.Y.Kazi Meeran (resigned with effect from 31st December 2022)

Dr. J A S Felix

The Reports of the Board and Audit, Remuneration and Related Party Transactions Review Committee, being the subcommittees are set out on pages 15 and 16, respectively. The composition of the Board and the sub-committees of the Company and their functions and responsibilities are set out in the Corporate Governance Report appearing on pages 11 to 14 of this Annual Report.

Interest Register

An Interest Register is required to be maintained in terms of Companies Act No. 07 of 2007 (as amended), 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.

Directors' Fees and Emoluments

Directors' fees and emoluments in respect of the Company for the Financial Year Ended 31st December, 2022 are as follows.

Directors' Fees and emoluments Rs 1,600,000/- (2021 - Rs. 1,636,452/-)

Donations

There were no charitable contributions made in the Year 2022.

Annual Report of the Board of Directors contd...

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:

	31.12.2022	31.12.2021
Mr. M A I Galadari – Chairman	9,810,017	9,810,017
Mr. I A I Galadari	9,810,017	9,810,017
Mr. S A I H Galadari	9,810,016	9,810,016
Mr. M Y Kazi Meeran (resigned with effect from 31st December 2022)	-	-
Mr. L R De Silva	-	-
Dr. J A S Felix	-	-
Mr. V. Radhakrishnan	-	-

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 2022 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, 2022 was 10,675 (2021 - 10,341). The distribution of the shareholding and a listing of the 20 major shareholders are given under Investor Information on page 51.

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.

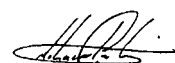
Auditors

The Financial Statements for the period under review have been audited by Messrs Ernst & Young, Chartered Accountants. Rs. 2,650,000/- (2021 - Rs. 2,300,000) has been paid as Audit Fee for the Year Ended 31st December, 2022.

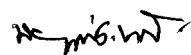
Auditors' Relationship with the Company

Messrs. Ernst and Young, Chartered Accountants, provided other consultancy services related to taxation to the company during the year under review.

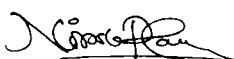
By Order Of the Board



Mr. M A I Galadari
Director



Mr. L R De Silva
Director



**CENTRAL CORPORATE AND CONSULTANCY
SERVICES (PRIVATE) LIMITED**
Secretaries

5th June 2023

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 is in compliance 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 as at the date of this Report 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 three (03) Committees, namely, the Audit, Remuneration and Related Party Transactions Review Committees. A Statement of Directors' Responsibilities for the preparation of Financial Statements is set out on page 8 of this Annual Report.

Board Sub-Committees

The Board sub-committees scrutinize and analyse the areas under their purview and make recommendations to the Board on necessary improvements and modifications to the systems and processes of the Company.

As aforesaid, the Board has constituted an Audit sub-Committee, a Remuneration Sub-Committee and a Related Party Transactions Review 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. M A I Galadari - Chairman	Non-Executive	03	03*
Mr. S A I H Galadari	Non-Executive	03	03*
Mr. I A I Galadari	Non-Executive	03	03
Mr. M Y Kazi Meeran (resigned w.e.f 31st December 2022)	Non-Executive	03	03
Mr. L R De Silva	Non-executive Independent	03	03
Dr. J A S Felix	Non-Executive Independent	03	03
Mr. V Radhakrishnan	Non-Executive	03	02

*includes meetings attended by an Alternate Director

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. M Y Kazi Meeran - Chairman (resigned w.e.f 31st December 2022)	Non-Executive	03	03
Mr. L R De Silva	Non-Executive Independent	03	03
Dr J A S Felix	Non-Executive Independent	03	03

The Composition of the Remuneration 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	REMUNERATION COMMITTEE	
		Eligible to attend	Attended
Mr. M A I Galadari Chairman	Non-Executive	1	1
Mr. L R De Silva	Non-Executive Independent	1	1
Dr. J A S Felix	Non-Executive Independent	1	1

The Composition of the Related Party Transactions Review 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	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE	
		Eligible to attend	Attended
Mr. L R De Silva - Chairman	Non-Executive Independent	03	03
Mr. M Y Kazi Meeran (resigned w.e.f 31st December 2022)	Non-Executive	03	03
Dr. J A S Felix	Non-Executive Independent	03	03

Company Secretaries

Jacey & Company provided Corporate Secretarial Services to the Company for the period under review. However, with effect from 1st April 2023 the Company Secretaries to the Company are Central Corporate and Consultancy Services (Private) Limited. 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 Listing Rules and the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka. 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 contd...

Corporate Governance Report - Levels of Compliance as per the Listing Rules of the Colombo Stock Exchange

Rule No:	Subject	Applicable requirement	Compliance Status
7.6	Contents of Annual Report	Annual Report to inter alia contain the matters set out in Section 7.6 of the Rules	Complied
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 are Non-Executive Directors	Complied
7.10.2	Independent Directors	At least 1/3 of Non-Executive Directors should be independent Out of the Seven Non-Executive Directors of the Board two Directors, namely, Dr. J A S Felix and Mr. L R De Silva**, were considered Independent Directors. Each Non-Executive Director has submitted a declaration of independence/non independence in the prescribed format. **The Board has determined that Mr. L R De Silva and Dr. J A S Felix be designated as Independent Non-Executive Directors, even though they have served on the Board of the Company for more than 9 years, since they are not directly involved in the Management of the Company.	Complied Complied
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 16 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. It is confirmed that, the functions of the Audit Committee were in accordance with Rule 7.10.6 (b). The Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. A Report of the Audit Committee setting out the manner of compliance by the Company in relation to the foregoing, during the period to which the Annual Report relates.	Complied Complied Complied Please refer page 15 of the Annual Report Complied Complied Please refer page 15 of the Annual Report

Corporate Governance contd...

Rule No:	Subject	Applicable requirement	Compliance Status
9.2.2	Related Party Transactions Review (RPTR) Committee	A listed Company shall have a Related Party Transactions Review Committee and shall comprise of a combination of Non-Executive Directors and Independent Non-executive Directors. An Independent Non-executive Director shall be appointed as the Chairman of the Related Party Transactions Review Committee. Annual Report should set out the following information: (a). In the case of Non-Recurrent Related Party Transactions, if aggregate value of the Non-Recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements, the said information must be presented in the Annual Report as per the format prescribed in Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange. (b). In the case of Recurrent Related Party Transactions, if the aggregate value of the Recurrent Related Party Transactions exceeds 10% of the gross revenue/ income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of Recurrent Related Party Transactions entered into during the financial year in its Annual Report. The name of the Related Party and the corresponding aggregate value of the Related Party Transactions entered into with the same Related Party must be presented as per the format prescribed in Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange. (c). Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following details: - Names of the Directors comprising the Committee - A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/observations to the Board of Directors. - The policies and procedures adopted by the Committee for reviewing the Related Party Transactions. - The number of times the Committee has met during the Financial Year - A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transactions.	Complied Complied Please refer page 16 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 Controls
- 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 (03) Members, two of whom are independent Non-Executive Directors:

Mr. M. Y. Kazi Meeran
Chairman of the Committee

Dr. J A S Felix
Committee Member

Mr. L R De Silva
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. KPMG, Chartered Accountants and follows up the recommendations for corrective measures.

External Audit

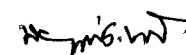
The Audit Committee also reviews the progress of the Audit carried out by the External Auditors, Messrs. Ernst & Young, Chartered Accountants and resolve the audit related issues with them. The Audit Committee has determined that Messrs. Ernst & Young,

Chartered Accountants, Auditors were independent on the basis that, they did not carry out any management related functions of the Company.

Meeting and Attendance

Three (03) Meetings of the Committee were held during the period under review and attendance of the Members at these Meetings is given on page 12 of the Annual Report. The General Manager and the Financial Controller of the Company attended the Audit Committee Meetings of the Company.

Based on the reports submitted by the External and Internal Auditors of the Company, and the discussions with the Management, the Audit Committee is of the view that the control environment of reasonable assurance that the financial position of the company is adequately monitored.



Mr. L. R. De Silva
Member – Audit Committee

5th June 2023

Director	Category	Position
Mr. M Y Kazi Meeran (resigned w.e.f 31st December 2022)	Non-Executive	Chairman
Mr. L R De Silva	Non-Executive Independent	Committee Member
Dr J A S Felix	Non-Executive Independent	Committee Member

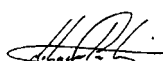
Report of the Remuneration Committee

The Remuneration Committee appointed by the Board comprised of three (03) Members two (02) of whom were Independent Non-Executive Directors. The Committee is as follows

NAME OF THE COMMITTEE MEMBER	CATEGORY	POSITION
Mr. M A I Galadari	Non-Executive	Chairman
Mr. L R De Silva	Non-Executive Independent	Committee Member
Dr. J A S Felix	Non-Executive Independent	Committee Member

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.

The aggregate remuneration paid to Directors is set out in Note 29 to the Financial Statements. 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.



Mr. M A I Galadari
Chairman – Remuneration Committee

5th June 2023

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee appointed by the Board comprised of three (03) Members, two of whom were Independent Non-Executive Directors. The Committee is as follows.

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 29 to the Financial Statements.

NAME OF THE COMMITTEE MEMBER	CATEGORY	POSITION
Mr. L R De Silva -Chairman	Non-Executive Independent	Chairman
Mr. M Y Kazi Meeran (resigned w.e.f 31st December 2022)	Non-Executive Independent	Committee Member
Dr. J A S Felix	Non-Executive	Committee Member

The primary purpose of the Related Party Transactions Review Committee is to review the categories of persons who are considered as "related parties" as per the Listing Rules of Colombo Stock Exchange.

In accordance of the said Listing Rules, the Company has formulated a Related Party Transactions Policy. It has also obtained 'self-declarations' (prepared in line with the Format set out in the Listing Rules) from each Director and Key Management Personnel of the Company, in order to identify parties related to them.

Based on these details disclosed by the Directors the Company has developed a system that enables the Company to retrieve data on Related Party Transactions throughout the Company's network.

The proceedings of the Committee are reported to the Board of

Three (03) meetings of the Related Party Transactions Review Committee had been convened during the year under review, i.e. the Year Ended 31st December, 2022, and the Company ensures the Board that, it shall take steps to organize and convene such meetings more frequently as prescribed by the Listings Rules of the Colombo Stock Exchange, i.e. to meet at least once a calendar quarter.

The Committee's key focus is to review all proposed related Party Transactions prior to the completion of the Transaction as per the guidelines laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange.

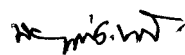
The policies adopted by the Committee for reviewing the Related Party Transactions

- Evaluate any proposed Related Party Transactions quarterly,

- Review any post quarter confirmations on Related Party Transactions
- Review the threshold for Related Party Transactions, which require either Shareholders' approval or immediate market disclosures
- Review criteria of Key Management personnel. Obtain Board approval for Related Party Transactions if any, and,
- Regularly report to the Board on Committee's activities

There were no any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company during the year which required additional disclosures. There were no any recurrent related party transactions which in aggregate value exceeds 10% of the revenue of the Company during the year which required additional disclosures.

There had been no Related Party Transaction by the Board of Directors Except for the transactions with the Key Management Personnel as stated in the Note No 29 to these Financial Statements.



Mr. L. R. De Silva
Chairman – Related Party Transactions Review Committee

5th June 2023

Independent Auditor's Report



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

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF GALADARI HOTELS (LANKA) PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Galadari Hotels (Lanka) PLC ("the Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuSs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issue by CA Sri Lanka ("Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Measurement of fair value of the hotel building	
The hotel building of the Company as at 31st December 2022 is reflected at fair value amounting to Rs. 5,303 Mn, after a revaluation increase of Rs 475 Mn. At present, approximately half of the room capacity is used to generate revenue, as it has not been subject to timely refurbishment in the past. Given the current status of the building and the use of the room capacity, determining the valuation premise that is appropriate for the fair value measurement consistently with highest and best use of the building, was subject to significant judgment. In particular, the external valuer used a significant assumption of certain proportion of the room capacity to be used as a hotel while the balance is used on a space for rent in the appraised fair value of the building. More details are given in note 7. Accordingly, we considered the measurement of fair value of the building due to it being subject to such significant judgment, as a key audit matter.	Our audit procedures included the following. - We assessed the competence, capability and objectivity of the external valuer engaged by the Company. - We read the external valuer's report and understood the significant judgements and assumptions made and the approach taken by the external valuer in determining the fair value of the building. - We assessed the reasonableness of the significant judgements made by the external valuer including the appropriateness of the valuation premise, valuation techniques, significant assumptions such as proportion of room capacity to be used as a hotel and space for rent, occupancy, value per square foot and future rental rates used in the measurement of fair value of the building We have also assessed the adequacy of the disclosures made in notes 3.4 and 7 to the financial statements relating to the significant judgements, assumptions, valuation techniques and estimates used by the external valuer.

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA FCMA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACA, D L B Karunathilaka ACA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Independent Auditor's Report contd...

Management's Assessment of Recoverability of Deferred Tax Asset on Tax Losses Carried Forward	
The Company has recognized a deferred tax asset amounting to Rs. 221 Mn as of the period end. Management has carried out an assessment on whether adequate future taxable profits will be available to set-off against unused tax losses on which the deferred tax asset has been recognized. We considered the management's assessment of the recoverability of deferred tax asset on tax losses carried forward as a key audit matter due to the involvement of significant management judgement and assumptions such as amount of future taxable interest income available and expected holding period of fixed deposits. details of which are disclosed in Note 17.4.	Our audit procedures included the following: • We reviewed the future taxable income forecast prepared by the management. • We assessed the reasonableness of significant management judgements and assumptions used such as future taxable interest income and expected holding period of fixed deposits. • We also evaluated the sensitivity of the forecast taxable income by considering possible changes in key assumptions applying relevant scenarios. • We assessed the adequacy of the disclosures made in Note 17.4 in the Financial Statements.

Other information included in the Company's 2022 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with SLAuSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report contd...

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

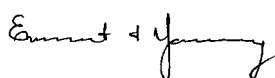
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Report on other legal and regulatory requirements

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

The Institute of CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2199.



05 June 2023
Colombo

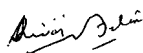
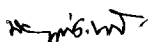
Statement of Financial Position

As at 31st December

	Note	2022 Rs.	2021 Rs.
Assets			
Non Current Assets			
Property plant & equipment	7	5,884,299,165	5,166,302,902
Right of use asset	8	1,339,870,137	1,363,376,629
Intangible assets	9	23,706,261	-
Total Non Current Assets		7,247,875,563	6,529,679,531
Current Assets			
Inventories	10	74,472,684	41,811,760
Trade and other receivables	11	108,079,850	104,712,827
Investments	12	2,998,726,873	2,871,461,376
Cash and cash equivalents	13	106,154,574	94,759,443
Total Current Assets		3,287,433,981	3,112,745,406
Total Assets		10,535,309,544	9,642,424,937
Equity			
Stated capital	14	8,988,239,455	8,988,239,455
Revaluation reserve	15	7,759,252,293	7,919,276,779
Reserve for replacement of furniture, fittings and equipment	16	826,131,063	750,079,760
Accumulated losses		(9,470,358,097)	(9,274,078,219)
Total Equity		8,103,264,714	8,383,517,775
Non-Current Liabilities			
Deferred tax liabilities	17	1,411,174,881	475,490,622
Retirement benefit obligations	18	75,895,291	66,122,835
Total Non-Current Liabilities		1,487,070,172	541,613,457
Current Liabilities			
Trade and other payables	19	662,363,868	414,631,741
Income tax payable	20	7,227,999	17,268,816
Provisions	21	275,382,791	285,393,148
Total Current Liabilities		944,974,658	717,293,705
Total Liabilities		2,432,044,830	1,258,907,162
Total Equity & Liabilities		10,535,309,544	9,642,424,937

Notes from the pages no 25 to 50 form an integral part of these Financial Statements.

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


M. G. U. Perera
Financial ControllerThe Board of Directors is responsible for these Financial Statements.
Approved and signed for and on behalf of the Board of Directors.

Dr. J. A. S. Felix
Director

L. R. D. Silva
Director

5th June 2023

Statement of Profit or Loss

For the year ended 31st December

	Note	2022 Rs.	2021 Rs.
Revenue	22	1,183,219,555	554,024,830
Cost of sales		(713,350,054)	(366,930,771)
Gross profit		469,869,501	187,094,059
Other income	23	5,831,003	2,587,158
Marketing expenses		(9,463,512)	(6,458,060)
Administrative expenses		(376,899,659)	(352,440,945)
Other operating expenses		(354,094,642)	(247,311,939)
Results from operating activities	24	(264,757,309)	(416,529,727)
Finance income	25	330,330,519	134,788,068
Profit / (Loss) before tax		65,573,210	(281,741,659)
Income tax expense	26	(183,464,925)	(60,689,511)
Loss for the year		(117,891,715)	(342,431,170)
Basic Loss Per Share	27	(0.24)	(0.68)

Figures in brackets indicate deductions.

Notes from the pages no 25 to 50 form an integral part of these Financial Statements.

Statement of Comprehensive Income

For the year ended 31st December

	Note	2022 Rs.	2021 Rs.
Loss for the year		(117,891,715)	(342,431,170)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Change in revaluation surplus of property, plant & equipment	7.1	616,937,519	(458,813,861)
Re measurements of retirement benefit obligation	18	(3,338,372)	13,706,224
Impact on deferred tax	17.1	(775,960,493)	83,382,009
Total other comprehensive income for the year, net of tax		(162,361,346)	(361,725,628)
Total comprehensive income for the year		(280,253,061)	(704,156,798)

Figures in brackets indicate deductions.

Notes from the pages no 25 to 50 form an integral part of these Financial Statements.

Statement of Changes in Equity

Notes	Stated Capital	Revaluation Reserve	Reserve for Replacement of FF & E *	Accumulated Losses	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January 2021	8,988,239,455	8,292,789,760	716,483,696	(8,909,838,338)	9,087,674,573
Total comprehensive income for the year					
Loss for the year	-	-	-	(342,431,170)	(342,431,170)
Other comprehensive income					
Deficit on revaluation of Property, Plant & Equipment	15	(458,813,861)	-	-	(458,813,861)
Deferred tax adjustment on revaluation / (actuarial gain)	17	-	85,300,880	(1,918,871)	83,382,009
Net actuarial gain from gratuity actuarial valuation	18	-	-	13,706,224	13,706,224
Total comprehensive income for the year	-	(373,512,981)	-	(330,643,817)	(704,156,798)
Transactions with owners of the company, recognized directly in equity					
Provision for reserve of replacement of furniture, fittings and equipment	16	-	34,570,003	(34,570,003)	-
Replacement of furniture, fittings and equipment during the year	16	-	(973,939)	973,939	-
Total transactions with owners of the company	-	-	33,596,064	(33,596,064)	-
Balance as at 31st December 2021	8,988,239,455	7,919,276,779	750,079,760	(9,274,078,219)	8,383,517,775
Balance as at 1st January 2022	8,988,239,455	7,919,276,779	750,079,760	(9,274,078,219)	8,383,517,775
Total comprehensive income for the year					
Loss for the year	-	-	-	(117,891,715)	(117,891,715)
Other Comprehensive income					
Surplus on revaluation of Property, Plant & Equipment	15	-	616,937,519	-	616,937,519
Deferred tax adjustment on revaluation / actuarial loss	17	-	(776,962,005)	1,001,512	(775,960,493)
Net actuarial loss from gratuity actuarial valuation	18	-	-	(3,338,372)	(3,338,372)
Total comprehensive income for the year	-	(160,024,486)	-	(120,228,575)	(280,253,061)
Transactions with owners of the company, recognized directly in equity					
Provision for reserve of replacement of furniture, fittings and equipment	16	-	76,051,303	(76,051,303)	-
Replacement of furniture, fittings and equipment during the year	16	-	-	-	-
Total transactions with owners of the company	-	-	76,051,303	(76,051,303)	-
Balance as at 31st December 2022	8,988,239,455	7,759,252,293	826,131,063	(9,470,358,097)	8,103,264,714

Figures in brackets indicate deductions.

Notes from the pages no 25 to 50 form an integral part of these Financial Statements.

* FF & E - Furniture, Fittings and Equipment

Statement of Cash Flows

For the year ended 31st December

	Note	2022 Rs.	2021 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before tax		65,573,210	(281,741,659)
Adjustments for			
Allowance of impairment for bad and doubtful receivables	11.1	347,896	1,373,408
Provision reversed for impairment of slow moving inventories	10.1	-	(5,876)
Depreciation and amortization	7,8 & 9	194,972,790	201,224,244
Provision for retirement benefit obligations	18	12,823,893	5,605,890
Interest for provision for litigation settlement	21.1	7,589,643	10,268,340
(Payment and Reversal) / Provision for litigation	21.2	(17,600,000)	17,600,000
Interest Income	25	(358,021,011)	(138,182,440)
Operating loss before working capital changes		(94,313,579)	(183,858,093)
Increase in inventories		(32,660,924)	(2,445,939)
Decrease in trade & other receivables		(3,714,919)	(39,035,059)
Increase in trade & other payables		247,732,127	93,201,475
Total working capital changes		211,356,284	51,720,477
Cash generated from / (used in) operations		117,042,705	(132,137,616)
Retirement benefits paid	18	(6,389,808)	(13,840,330)
Income tax paid	20	(33,781,976)	(647,200)
Net cash flows from / (used in) operating activities		76,870,921	(146,625,146)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant & equipment	7 & 9	(296,231,304)	(19,475,431)
Interest received	25	358,021,011	138,182,440
Interest reinvested in fixed deposits	12.2	(349,525,231)	(135,096,970)
New investment in fixed deposits	12.2	-	(350,000,000)
Withdrawal of fixed deposits	12.2	222,259,734	571,797,696
Net cash flows (used in) / generated from investing activities		(65,475,790)	205,407,735
Net change in cash & cash equivalents		11,395,131	58,782,589
Cash and cash equivalents at the beginning of the year		94,759,443	35,976,854
Cash and cash equivalents at the end of the year (Note A)		106,154,574	94,759,443
Note A			
Cash in hand		1,605,000	1,450,000
Cash at bank		104,549,574	93,309,443
		106,154,574	94,759,443

Figures in brackets indicate deductions.

Notes from the pages no 25 to 50 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31st December 2022

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 was No. 9/5, Thambiah Avenue, Colombo 07 and from 1st April 2023 it is No.48, Rosmead Place, Colombo 07. Principal place of business is situated at No. 64, Lotus Road, Colombo 01.

1.2 Principal Activities and Nature of Operations

The principle activity of the Company is hoteliering.

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 2022 was 481. (2021 - 421)

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 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 5th June 2023.

2.2. Basis of Measurement

The Financial Statements have been prepared on a historical cost basis except for:

- Property Plant and Equipment excluding cutlery, crockery, linen and motor vehicles

- The liability for Defined Benefit Obligations are actuarially valued and recognized at the present value.

2.3. Going Concern

These Financial Statements are prepared on a going concern basis as the Board of Directors has assessed and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast signification doubt upon the Company's ability to continue as a going concern. Therefore, these Financial Statements continue to be prepared on the going concern basis.

2.4. Changes in accounting policies

The accounting policies adopted by the Company are consistent with those of the previous financial year.

2.5. Comparative Information

The presentation and classification of the Financial Statements of the previous year has been amended, where relevant for better presentation and to be comparable with those of the current year.

2.6. 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 have been rounded to the nearest rupee, except when otherwise indicated.

2.7. Use of Estimates & Judgements

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (LKAS/SLFRS) requires management to make judgements, 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 recognised 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 recognised in the Financial Statements is included in the following notes.

- Impairment of Financial Assets	(Note 3.2.c)
- Revaluation	(Note 3.4.5)
- Employee Benefits	(Note 3.11)
- Current Taxation	(Note 4.4.a)
- Deferred Taxation	(Note 4.4.c)

2.8. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currency 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 amortised cost in the

Notes to the Financial Statements contd...

For the year ended 31st December 2022

functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised 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 recognised in Income Statement.

3.2. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

a) Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial asset at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables do not contain a significant financing component.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it

needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (Debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (Debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes cash and short-term deposits, trade and other receivables and other financial assets.

Financial Assets at Fair Value Through OCI (Debt Instruments)

Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Notes to the Financial Statements contd...

For the year ended 31st December 2022

Financial Assets Designated at Fair Value Through OCI (Equity Instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial Assets at Fair Value through Profit or Loss

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

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value

through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes short term investments which the Company had not irrevocably elected to classify at fair value through OCI. Income from these investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

b) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; Or
- The Company has transferred

its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- (a) the Company has transferred substantially all the risks and rewards of the asset, or
- (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

c) Impairment of Financial Assets

- Trade receivables

The Company recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Notes to the Financial Statements contd...

For the year ended 31st December 2022

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent Measurement

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

Loans and Borrowings (Financial liabilities at amortised cost)

After initial recognition, interest-bearing loans and borrowings are subsequently

measured at amortised cost using the EIR (Effective Interest Rate) method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

This category generally applies to interest-bearing loans and borrowings.

Derecognition

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

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability,
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability the principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- **Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- **Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the Financial Statements contd...

For the year ended 31st December 2022

3.3. 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 Companyed together into the smallest Company 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 (except for Building, Motor Vehicles, Cutlery, and Crockery & Linen) 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 labor, 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 Income Statement.

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 derecognition 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 property plant and equipment except Motor Vehicles, Cutlery, Crockery, Linen and capital WIP are revalued once in every 5 years and Building is revalued every year.

As a result of revaluation if the carrying amount is increased, the increased amount is credited to equity under the heading of Revaluation Reserve

Notes to the Financial Statements contd...

For the year ended 31st December 2022

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 Building is reflected at fair value by reference to specific factors such

as nature, location, condition and age of the building, with the assistance of an independent professional valuer. Valuations of buildings are performed frequently enough to ensure that the fair value of a revalued land does not differ materially from its carrying amount, and of recent years such valuations were carried out annually. To determine the appropriate valuation technique, the valuer has determined using his judgement that the depreciated replacement cost method to be most appropriate given the current status and use of the building.

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.

Assets Category	Estimated Useful Lives
Buildings	45 Years
Electrical installations	20 Years
Furniture, fixtures & fittings	20 Years
Furnishing	4 Years
Kitchen equipment & utensils	20 Years
Generator	20 Years
Plant & machinery	20 Years
Air conditioning equipment	20 Years
Laundry equipment	20 Years
Computers	4 Years
Elevators	20 Years
Electrical equipment	5 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 Company that is classified as

held for sale) and the date that the asset is derecognized. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

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

3.5 Intangible Assets

The Company's intangible assets include the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software 08 years

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

3.6 Inventories

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

Notes to the Financial Statements contd...

For the year ended 31st December 2022

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

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

3.7. 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.

Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

3.9 Leases

With effect from 1st January 2019, the Company applies this standard to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4, without reassessing whether a contract contains a lease at the date of initial application as a practical expedient. For the contracts entered on or after the effective date of transition, the Company assesses at the inception of a contract, whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration as per the guidelines of SLFRS 16. This assessment

considers whether, throughout the period of use, the lessee has both the right to obtain all of the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used. After the assessment of whether a contract is, or contains, a lease, the Company determines whether it contains additional lease or non-lease (service) components based on the detailed guidance provided in SLFRS 16. Accordingly, the right to use of an identifying asset is a separate lease component if the lessee can benefit from the use of underlying asset either on its own or together with other resources readily available to the lessee and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

Company as a lessee

As per SLFRS 16, when the Company has determined that a contract contains a lease component and one or more additional lease components or non-lease components, the consideration in the contract is allocated to each lease component on the basis of relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. At the commencement date, the Company recognises right-of-use of an asset and a lease liability which is measured at the present value of the lease payments that are payable on that date. Lease payments are discounted using the IBR. After initial recognition, the Company applies cost model for the right-of-use of an asset and depreciate the asset from commencement date to the end of the useful life of the underlying asset. Where the right does not transfer the ownership of the asset, the Company depreciates it from commencement date to the earlier of the end of the useful life of the right-of-use asset or end of the lease term. In addition,

interest expense on the lease liability is recognised in the profit or loss.

3.10. Provisions

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

3.11 Employee Benefits

a) Defined Benefit Plan - Gratuity

The Company measures the present value of the promised retirement benefits of gratuity, which is a defined benefit plan with the advice of an independent professional actuary each year using the Projected Unit Credit method. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income.

This item is stated under Retirement Benefit Obligations in the Statement of Financial Position. The gratuity liability is not externally funded.

The Company is liable to pay gratuity in terms of the Gratuity Act No.12 of 1983.

b) Defined Contribution Plans- Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 15% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund

Notes to the Financial Statements contd...

For the year ended 31st December 2022

respectively.

4. INCOME STATEMENT

4.1 Revenue Recognition

4.1.1. Revenue from contracts with Customers

SLFRS 15 "Revenue from Contracts with Customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within SLFRS. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

Step 1: Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that create enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2: Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer that is distinct.

Step 3: Determine the transaction price: Transaction price is the amount of consideration to which the entity expects to be entitled to in exchange for transferring the promised goods and services to a customer, excluding amounts collected from third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the entity will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Accordingly, the revenue from contract with customers of the Company are accounted as follows.

a) Room Revenue

Revenue is recognized on the rooms occupied on daily basis and after completing all other obligation related to the Room.

b) Food & Beverage Revenue

Food & Beverage Revenue is accounted at the time of sale.

c) Other Hotel Related Revenue

Other Hotel Related Revenue is accounted when such service is rendered.

4.1.2 Other income sources

a) Interest income

Interest income is accrued on a time basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimates future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

b) Other income

Other income is recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment has been accounted for in the Statement of Profit or Loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a Company 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 statement of profit or loss, the Directors are of the opinion that function of expense method present fairly the elements of the enterprise's performance, hence such presentation method is adopted.

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

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

The profit incurred by the Company before taxation as shown in the statement of profit or loss is after making provision for all known liabilities and for the depreciation of property, plant & equipment.

4.3. Finance Income & Finance Cost

Finance income comprises interest income on funds invested (Amortized cost financial assets). Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs 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

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

a. Current Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax

Notes to the Financial Statements contd...

For the year ended 31st December 2022

laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Companies which undertake promotion of tourism in Sri Lanka are liable to tax at the rate of 14% of taxable income.

b. Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or as a part of the expense items as applicable and receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

c. Deferred Tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except, when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except, when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or

loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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. STATEMENT OF CASH FLOWS

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 statement of cash flows, 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 statement of cash flows 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 statement of cash flows.

6. EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Classification of liabilities as current or non-current (Amendments to LKAS 1) - effective for annual periods beginning on or after 1st January 2023.
- Disclosure of accounting policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) - effective for annual periods beginning on or after 1st January 2023.
- Definition of accounting estimates (Amendments to LAS 8) - effective for annual periods beginning on or after 1st January 2023.
- Lease liability in a sale and leased back (Amendment to SLFRS 16) - effective for annual periods beginning on or after 1st January 2024.

Notes to the Financial Statements contd...

7. PROPERTY, PLANT & EQUIPMENT

7.1 Reconciliation of Carrying Value

	Building	Electrical installations	Furniture, fixtures & fittings	Kitchen equipment & utensils	Generator	Plant & machinery	Air conditioning equipment
Cost/ Revalued amounts							
Balance as at 01/01/2022	4,966,471,000	50,000,000	17,443,973	32,665,815	4,168,555	46,940,179	6,484,184
Additions	-	-	203,624	93,500	-	16,000	1,394,000
Disposals during the year	-	-	-	-	-	-	-
Transferred from CWIP	-	-	-	-	-	-	-
Transferred to intangible assets	-	-	-	-	-	-	-
Transferred to revaluation	(138,077,764)	(50,000,000)	(17,011,368)	(8,943,545)	(3,236,587)	(14,616,024)	(2,844,134)
Revaluation surplus (Note 15)	475,492,464	24,750,000	14,888,950	3,539,189	16,638,032	13,139,277	125,555
Balance as at 31/12/2022	5,303,885,700	24,750,000	15,525,179	27,354,959	17,570,000	45,479,432	5,159,605
Depreciation							
Balance as at 01/01/2022	-	50,000,000	13,575,352	7,075,614	2,572,985	11,692,232	2,204,009
Charge for the year	138,077,764	-	3,436,016	1,867,931	663,602	2,923,792	640,125
On disposals	-	-	-	-	-	-	-
Adjustment on revaluation	(138,077,764)	(50,000,000)	(17,011,368)	(8,943,545)	(3,236,587)	(14,616,024)	(2,844,134)
Balance as at 31/12/2022	-	-	-	-	-	-	-
Net Book Value as at 31/12/2022	5,303,885,700	24,750,000	15,525,179	27,354,959	17,570,000	45,479,432	5,159,605
Net Book Value as at 31/12/2021	4,966,471,000	-	3,868,621	25,590,201	1,595,570	35,247,947	4,280,175

7.2 Hotel building situated at No. 64, Lotus Road, Colombo 1, was revalued on 31st December 2022 by P. B. Kalugalagedera, which resulted in a revaluation surplus of Rs. 475,492,464/- 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 and crockery, linen and capital work in progress were also revalued on 31st December 2022 by P. B. Kalugalagedera and were incorporated in the Financial Statements as at that date. All assets were valued based on income approach considering Highest and Best use.

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

Balance as at 31st December	Building	Electrical installation	Furniture, fixtures & fittings	Kitchen equipment & utensils	Generator	Plant & machinery
2022	761,622,695	-	58,239,815	26,409,567	586,154	31,796,989
2021	782,778,881	-	66,824,863	28,478,892	1,607,025	34,551,607

Laundry Equipment	Computers	Elevators	Electrical equipment	Motor Vehicles	Cutlery, crockery and linen	Capital Work in Progress	2022	Total 2021
9,958,634	12,788,276	5,800,392	75,552,997	271,900	87,592,862	85,722,919	5,401,861,686	5,995,754,453
831,250	7,591,102	-	1,914,954	-	12,403,699	271,230,930	295,679,059	19,475,431
-	-	-	-	(271,900)	(16,295,156)	-	(16,567,056)	(4,076,199)
-	21,790,806	-	-	-	-	(21,790,806)	-	-
-	-	-	-	-	-	(25,568,301)	(25,568,301)	-
(6,795,649)	(17,143,053)	(5,800,392)	(47,710,187)	-	-	-	(312,178,703)	(150,478,138)
13,234,140	35,305,015	3,794,300	16,030,597	-	-	-	616,937,519	(458,813,861)
17,228,375	60,332,146	3,794,300	45,788,361	-	83,701,405	309,594,741	5,960,164,204	5,401,861,686
5,406,040	12,124,468	4,612,794	39,474,853	210,723	86,609,714	-	235,558,784	212,395,369
1,389,609	5,018,585	1,187,598	8,235,334	61,177	5,550,481	-	169,052,014	177,717,752
-	-	-	-	(271,900)	(16,295,156)	-	(16,567,056)	(4,076,199)
(6,795,649)	(17,143,053)	(5,800,392)	(47,710,187)	-	-	-	(312,178,703)	(150,478,138)
-	-	-	-	-	75,865,039	-	75,865,039	235,558,784
17,228,375	60,332,146	3,794,300	45,788,361	-	7,836,366	309,594,741	5,884,299,165	-
4,552,594	663,808	1,187,598	36,078,144	61,177	983,148	85,722,919	-	5,166,302,902

Air conditioning equipment	Laundry equipment	Computers	Elevators	Electrical equipment	Motor vehicle	Cutlery, crockery and linen	Total
10,013,668	13,436,418	5,866,943	440,314	6,064,838	-	7,836,366	922,313,767
10,754,512	14,672,236	599,396	467,833	9,670,442	61,177	983,148	951,450,012

Notes to the Financial Statements contd...

7.4 Fully depreciated property, plant & equipment as at the reporting date is Rs. 1,119,166,214/- (2021 - Rs. 1,123,808,929/-)

7.5 Assets pledged as Securities

The Company does not have Property, Plant and Equipment pledged as securities, as at 31st December 2022.

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 of the Building and quantitative information, as well as the significant unobservable inputs used in the valuation.

Year	Valuation Techniques	Significant unobservable inputs	Value per square foot (Range)	Interrelationship between key unobservable inputs and fair value measurements
2022	Income approach considering Highest and Best use.	Estimated constructed cost per square foot	Rs. 4,000/- to Rs. 15,600/- (Average is Rs. 12,884/-)	increase or decrease in cost per square feet by Rs. 1,000/- would change fair value by Rs. 414 mn
2021	Depreciated replacement cost method	Estimated constructed cost per square foot	Rs. 3,500/- to Rs. 15,250/- (Average is Rs. 12,232/-)	increase or decrease in cost per square feet by Rs. 1,000/- would change fair value by Rs. 414 mn

7.7 Disposals during the year.

During the year the Company disposed Rs. 16,567,056 (2021- 4,076,199/-) worth of assets which were fully depreciated.

Notes to the Financial Statements contd...

As at 31st December	2022 Rs.	2021 Rs.
8. RIGHT OF USE ASSET		
8.1 Reconciliation of Carrying Value		
Balance as at 01st January	2,118,078,571	2,118,078,571
Balance as at 31st December	2,118,078,571	2,118,078,571
Accumulated Amortization		
Balance as at 01st January	(754,701,942)	(731,195,450)
Charge for the year	(23,506,492)	(23,506,492)
Balance as at 31st December	(778,208,434)	(754,701,942)
Net Balance as at 31st December	1,339,870,137	1,363,376,629
8.2 The leasehold property is amortized on a straight line basis over 99 years. Remaining lease period as at 31st December 2022 was 57 years. The extent of the land is 3 Acres 1 Rood and 37.422 Perches. There is a renewable option in the lease agreement at the end of 99 years.		
8.3 The Company does not foresee any indications of impairment of right-of-use asset as at the reporting date.		
9. INTANGIBLE ASSETS		
Cost		
Balance as at 01/01/2022	-	-
Additions	552,246	-
Transferred from CWIP (Note 7.1)	25,568,301	-
Balance as at 31/12/2022	26,120,547	-
Amortisation		
Balance as at 01/01/2022	-	-
Charge for the year	2,414,286	-
Balance as at 31/12/2022	2,414,286	-
Net Book Value as at 31/12/2022	23,706,261	-
9.1 During the year, the Company implemented new Enterprise Resource Planning (ERP) and its computer software has been recognised as Intangible Assets.		
10. INVENTORIES		
Food and beverage	38,825,187	16,573,156
Other consumables	10,496,463	12,502,847
Engineering supplies	9,806,506	7,813,092
Fuel inventories	15,401,800	4,979,937
	74,529,956	41,869,032
Less: Impairment provision for slow moving inventories (Note 10.1)	(57,272)	(57,272)
	74,472,684	41,811,760
10.1 Impairment provision for slow moving inventories		
As at 1st January	57,272	63,148
Reversal during the year	-	(5,876)
As at 31st December	57,272	57,272

Notes to the Financial Statements contd...

As at 31st December	2022 Rs.	2021 Rs.
11. TRADE AND OTHER RECEIVABLES		
Trade receivables	87,045,758	78,342,460
Less: Allowance for impairment of doubtful receivables (Note 11.1)	(12,995,298)	(12,647,402)
	74,050,460	65,695,058
Deposits, advances and other receivables	27,720,738	32,091,849
Prepayments	4,643,755	5,044,421
Advances to staff (Note 11.2)	1,664,897	1,881,499
	108,079,850	104,712,827
11.1 Allowance for impairment of doubtful receivables		
As at 1st January	(12,647,402)	(11,273,994)
Provision for allowance for impairment	(347,896)	(1,373,408)
As at 31st December	(12,995,298)	(12,647,402)
11.2 Advances to staff		
As at 1st January	1,881,499	211,572
Granted during the year	6,064,882	7,790,610
Repayments	(6,281,484)	(6,120,683)
As at 31st December	1,664,897	1,881,499
11.3 The Company's exposure to credit risk and impairment losses for trade and other receivables is given on Note No 28.		
12. INVESTMENTS		
Fixed Deposits (Note 12.1)	2,998,726,873	2,871,461,376
	2,998,726,873	2,871,461,376
12.1 Investments classified as amortised cost		
Fixed Deposits	2,998,726,873	2,871,461,376
	2,998,726,873	2,871,461,376
12.2 Fixed Deposits Movement Schedule		
At the beginning of the year	2,871,461,376	2,958,162,102
New investments during the year	-	350,000,000
Interest reinvested during the year	349,525,231	135,096,970
Withdrawals during the year	(222,259,734)	(571,797,696)
At the end of the year	2,998,726,873	2,871,461,376

12.3 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	2022 Rs.	2021 Rs.
13. CASH AND CASH EQUIVALENTS		
Cash in hand	1,605,000	1,450,000
Cash at bank	104,549,574	93,309,443
Cash and Cash Equivalents for cash flow purpose	106,154,574	94,759,443
14. STATED CAPITAL		
As at 1st January	8,988,239,455	8,988,239,455
As at 31st December	8,988,239,455	8,988,239,455
The number of shares included in the stated capital is 500,829,564 .		
15. REVALUATION RESERVE		
As at 1st January	7,919,276,779	8,292,789,760
Surplus/(Deficit) on revaluation during the year (Note 7.1)	616,937,519	(458,813,861)
(Reversal)/Recognition of deferred tax liabilities on revaluation (surplus)/deficit (Note 17.3)	(776,962,005)	85,300,880
As at 31st December	7,759,252,293	7,919,276,779
16. RESERVE FOR REPLACEMENT OF FURNITURE, FITTINGS AND EQUIPMENTS		
As at 1st January	750,079,760	716,483,696
Provision for the year	76,051,303	34,570,003
Replacement during the year	-	(973,939)
As at 31st December	826,131,063	750,079,760

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

Notes to the Financial Statements contd...

As at 31st December	2022 Rs.	2021 Rs.
17. DEFERRED TAX LIABILITIES		
17.1 Net Movement During the year		
Balance as at 1st January (Note 17.5)	475,490,622	531,291,935
Impact on tax rate change (14% to 30%) to opening balance	543,435,258	-
Income statement charge	(479,005,216)	27,580,696
Deferred tax on revaluation surplus / (deficit) of buildings	874,448,725	(85,300,880)
Deferred tax on remeasurement of retirement benefit obligations	(3,194,508)	1,918,871
Balance as at 31st December (Note 17.5)	1,411,174,881	475,490,622

Deferred tax liabilities are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2021 - 14%).

	Deferred tax asset arising from		Total
	Carried forward tax losses	Retirement benefit obligations	
17.2 Deferred tax assets			
At 1 January 2021	(249,242,862)	(12,328,890)	(261,571,752)
Charged to income statement	27,894,752	1,152,822	29,047,574
Charged to other comprehensive income	-	1,918,871	1,918,871
At 31 December 2021	(221,348,110)	(9,257,197)	(230,605,307)
At 1 January 2022	(221,348,110)	(9,257,197)	(230,605,307)
Credited to income statement	-	(12,509,791)	(12,509,791)
Charged to other comprehensive income	-	(1,001,512)	(1,001,512)
At 31 December 2022	(221,348,110)	(22,768,500)	(244,116,610)

	Accelerated tax amortisation	Accelerated tax depreciation	Fair value gains on building revaluation	Total
17.3 Deferred tax liabilities				
At 1 January 2021	-	134,370,131	658,493,556	792,863,687
Charged / (release) to income statement	-	(121,179,945)	119,713,067	(1,466,878)
Deferred tax on revaluation deficit of buildings	-	-	(85,300,880)	(85,300,880)
At 31 December 2021	-	13,190,186	692,905,743	706,095,929
At 1 January 2022	-	13,190,186	692,905,743	706,095,929
Release to income statement	400,121	55,370,130	116,463,306	172,233,557
Deferred tax on revaluation surplus of buildings	-	-	776,962,005	776,962,005
At 31 December 2022	400,121	68,560,316	1,586,331,054	1,655,291,491

Notes to the Financial Statements contd...

17.4 Deferred tax asset as at the reporting date has been tested for recoverability and management is of the view that taxable losses can be set off in future and accordingly the entire amount of the future tax savings of Rs. 221,348,110/- (2021 - 221,348,110/-) related to the tax losses amounting to Rs. 1,581,057,932/- (2021 - 1,581,057,932/-) has been recognized as deferred tax assets as at 31 December 2022. These tax losses under the Inland Revenue Act No 24 of 2017 will expire in the year of assessment 2024/2025.

The recoverable value for the above test was estimated based on the availability of projected profit forecast against which the tax losses that can be set off. The key assumptions used to determine the recoverable amount are as follow.

Key Assumption	Details	Stress Condition and Sensitivity	Indication of Recoverability of Tax loss if the assumed stress condition occurs
Interest income on fixed deposits	Expecting taxable interest income for year of assessment 2023/24 and 2024/25 in the amount of Rs 737 Mn, under applicable tax rate of 22% and 14% respectively.	Anticipated decrease in interest rate upto 36%.	Recoverable
Holding period of fixed deposits	Management hold the existing fixed deposits up to maturity and renew the fixed deposits at prevailing interest rate up to 31st December 2024.	Up to 30% withdrawable from existing fixed deposits.	Recoverable

*Above stated stress factors are assumed to take place mutually exclusively, without any bearing on other key assumptions simultaneously.

17.5 Deferred tax assests and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The offset amounts are as follows.

As at 31st December	2022 Rs.	2021 Rs.
Total Deferred tax assets (Note 17.2)	(244,116,610)	(230,605,307)
Total Deferred tax liabilities (Note 17.3)	1,655,291,491	706,095,929
Deferred tax liabilities (net)	1,411,174,881	475,490,622

Notes to the Financial Statements contd...

As at 31st December	2022 Rs.	2021 Rs.
18. RETIREMENT BENEFITS OBLIGATIONS		
As at 1st January	66,122,835	88,063,499
Current service cost	5,219,766	4,900,402
Past Service cost	-	(6,110,627)
Interest cost	7,604,126	6,816,115
Benefits paid	(6,389,808)	(13,840,330)
Actuarial loss / (gain)	3,338,372	(13,706,224)
As at 31st December	75,895,291	66,122,835

18.1 Actuarial valuation was carried out as at 31st December, 2022 by Mr. M. Poopalanathan ,AIA, of Actuarial & Management Consultants (Pvt) Ltd. The valuation method used by the actuary was "Projected Unit Credit Method".

18.2 Principal actuarial assumptions as at the reporting date are,

Discount rate as at 31 December	18.00%	11.50%
Future salary increases	15.00%	9.00%
Staff turnover rate	2.50%	2.50%

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

18.4 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	Staff Turnover Rate	Present Value of Defined Benefit Obligation as at 31/12/22
1% point increase	15.00%	2.50%	70,324,340
1% point decrease	15.00%	2.50%	82,164,113
11.50%	1% point increase	2.50%	82,438,914
11.50%	1% point decrease	2.50%	70,003,508
11.50%	15.00%	1% point increase	76,969,143
11.50%	15.00%	1% point decrease	74,709,719

18.5 The following table explains the retirement benefit obligations which are expected in the future years.

Future Working Life Time	As at 31st December	
	2022 (Rs.)	2021 (Rs.)
Within the next 12 months	2,470,098	1,635,337
Between 1-2 years	5,858,179	4,116,026
Between 2 -5 years	16,974,162	10,280,228
Between 5 -10 years	28,536,362	25,086,187
Beyond 10 years	22,056,490	25,005,057
Total	75,895,291	66,122,835

18.6 The Company Weighted Average Duration of Defined Benefit Obligation is 9.1 years. (2021 - 10.39)

Notes to the Financial Statements contd...

As at 31st December	2022 Rs.	2021 Rs.
19. TRADE AND OTHER PAYABLES		
Trade payables	256,511,035	173,380,796
Directors fees payable (Note 29.1)	9,262,232	8,212,232
Related party payable (Note 29.2)	215,416,938	28,908,969
Annual fee received in advance	533,503	224,794
Advances and deposits	66,858,152	61,540,504
VAT payable	22,478,976	7,879,787
Accrued expenses	72,063,463	110,878,116
Other creditors	19,239,569	23,606,543
	662,363,868	414,631,741
20. INCOME TAX PAYABLE		
As at 1st January	17,268,816	(2,466,797)
Income tax expenses for the year (Note 26.1)	23,741,159	33,152,793
Over provision in respect of prior years (Note 26.1)	-	(43,978)
Payments during the year	(33,781,976)	(647,200)
WHT and ESC set off against IT	-	(12,726,002)
As at 31st December	7,227,999	17,268,816
21. PROVISIONS		
21.1 Legal case		
As at 1 January	244,915,169	217,046,829
Legal interest accrued during the year (Note 21.1.1)	7,589,643	10,268,340
Provision (reversal)/ made during the year (Note 21.2)	(13,600,000)	17,600,000
Payment of claim during the year (Note 21.2)	(4,000,000)	-
Balance as at 31 December	234,904,812	244,915,169
21.1.1 The 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 award is for a sum of Rs. 101,465, 814/- together with legal interest thereon from 23rd May 2008 until payment in full. The legal interest for the year 2022 is 16.97% (2021 - 10.12%) per annum, as per the relevant Government Gazette.		
Although an appeal was filed by GHIL in the Supreme Court challenging the Judgment of the High Court, which enforced the said arbitral award, the Supreme Court dismissed the said appeal on 01.11.2022. Accordingly, the arbitral award now stands enforced.		
21.2 Claim from Supplier		
Rs. 17,600,000/- was made as a provision for a claim in relation to the refurbishment of the Grand Ballroom of Galadari Hotel. This case was filed by the contractor, in the Commercial High Court for Rs. 17.6 million in 2018. The case has been settled by the Hotel, by making payment to supplier a sum of Rs. 4,000,000/-.		
21.3 Claim from Local Government Authority		
As at 31st December	40,477,979	40,477,979
	40,477,979	40,477,979
21.3.1 The provision represents the amount provided for a licence fee imposed by a Local Government Body. There was no change in the provision during the year.		
Total Provisions	275,382,791	285,393,148

Notes to the Financial Statements contd...

For the year ended 31st December

	2022 Rs.	2021 Rs.
22. REVENUE		
Revenue	1,183,219,555	554,024,830
Total revenue	1,183,219,555	554,024,830
22.1 Revenue analysis		
Room revenue	290,131,004	134,985,616
Food and beverage revenue	800,416,033	341,501,689
Rental income	56,680,763	57,864,759
Other hotel related revenue	35,991,755	19,672,766
	1,183,219,555	554,024,830
23. OTHER INCOME		
Taxi charges	123,931	39,289
Profit on disposal of motor bike	198,182	-
Sundry income	5,508,890	2,547,869
	5,831,003	2,587,158
24. RESULTS FROM OPERATING ACTIVITIES		
Results from operating activities is stated after charging all expenses including the followings;		
Auditors remuneration	2,650,000	2,300,000
Other consultancy services	400,000	350,000
Directors' remuneration	1,600,000	1,636,452
Depreciation	169,052,014	177,717,752
Right of use asset amortization	23,506,492	23,506,492
Advertising	2,018,900	1,483,964
Legal fees	5,069,430	1,238,038
Allowance for impairment of doubtful receivables	347,896	1,373,407
Staff cost (Note 24.1)	291,238,725	238,788,958
24.1 Staff cost		
Salaries	197,315,647	164,666,112
Casual wages	36,719,885	41,542,473
EPF and ETF	41,040,929	34,570,080
Defined benefit plan- gratuity	16,162,264	(1,989,707)
	291,238,725	238,788,958
25. FINANCE INCOME		
Interest income	358,021,011	138,182,440
Exchange loss	(27,690,492)	(3,394,372)
Net finance income	330,330,519	134,788,068

Notes to the Financial Statements contd...

For the year ended 31st December

	2022 Rs.	2021 Rs.
26. INCOME TAX EXPENSES		
26.1 Income tax expense		
Current tax		
On current year profits (Note 26.2)	23,741,159	33,152,793
Over provision in respect of prior years	-	(43,978)
Current tax charge to income statement	23,741,159	33,108,815
Deferred tax		
(Reversal) / Origination of deferred tax liability	55,770,251	(121,179,945)
Reversal of deferred tax asset	(12,509,791)	29,047,574
Reversal from revaluation of Property Plant and Equipments	116,463,306	119,713,067
Deferred tax charge to income statement	159,723,766	27,580,696
Total tax expenses	183,464,925	60,689,511
26.2 Tax reconciliation statement		
Profit/(Loss) before income tax expense	65,255,545	(281,741,659)
Other sources of income	(358,021,011)	(138,136,638)
Aggregate allowable items	(41,038,641)	(28,876,725)
Aggregate disallowable items	229,882,080	260,210,065
Business loss (Note 26.3)	(103,922,027)	(188,544,957)
Interest Income (excluding USD interest income)	357,856,351	138,136,638
Taxable income	357,856,351	138,136,638
Interest income for 1st 6 months	98,921,495	-
Interest income for 2nd 6 months	258,934,856	-
Tax rate at 24% for interest income for 1st 6 months (2021 - 24%)	23,741,159	33,152,793
Income tax expense for the year	23,741,159	33,152,793
26.3 Tax losses		
As at 1st January	4,527,062,910	4,338,371,787
Adjusted in respect of prior period	15,130,353	146,166
Business loss generated during the year	103,922,027	188,544,957
Set off interest income for 2nd 6 months (Note 26.2)	(258,934,856)	-
As at 31st December	4,387,180,434	4,527,062,910

26.4 In accordance with the provisions and amendments of Inland Revenue Act No 24 of 2017, the Company is liable to pay income tax on other sources of income i.e. interest income on two six months periods during the year. However, the Company was entitled to set off tax on interest income for the second six months as both tax rates are equal at 30%.

Notes to the Financial Statements contd...

27. BASIC LOSS PER SHARE

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

As at 31st December	2022 Rs.	2021 Rs.
Loss after tax	(117,891,715)	(342,431,170)
Number of ordinary shares	500,829,564	500,829,564
Basic loss per share - Rs.	(0.24)	(0.68)

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.

28. Financial Instruments - Fair values and Risk Management

28.1 Financial instruments by category

28.1.1 Financial Assets

Fixed deposits (Note 12)	2,998,726,873	2,871,461,376
Trade and other receivables (excluding prepayments) (Note 11)	103,436,095	99,668,406
Cash at bank (Note 13)	104,549,574	93,309,443
	3,206,712,542	3,064,439,225

28.1.2 Financial Liabilities

Trade and other payable (Note 19) (Excluding statutory payable & annual fees received in advance)	639,351,389	406,527,160
	639,351,389	406,527,160

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 of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees 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 Committee is 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.

Notes to the Financial Statements contd...

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.

The Company is responsible for managing and analysing the credit risk for each of their new customers before standard payment and delivery terms and conditions are offered. The management assesses the credit quality of the customer taking into account its financial position, past experience and other factors. The utilisation of credit limit is regularly monitored.

i) 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	2022 Rs.	2021 Rs.
Trade and other receivables (excluding prepayments) (Note 11)	103,436,095	99,668,406
Investments (Note 12)	2,998,726,873	2,871,461,376
Cash at Bank (Note 13)	104,549,574	93,309,443
	3,206,712,542	3,064,439,225

ii) Age analysis of trade receivables

	2022			2021		
	Gross Carrying amount Rs.	Impairment allowance Rs.	Net Carrying amount Rs.	Gross Carrying amount Rs.	Impairment allowance Rs.	Net Carrying amount Rs.
Neither past due, nor impaired	54,711,648	-	54,711,648	44,926,079	-	44,926,079
more than 60 days	12,724,099	-	12,724,099	7,823,627	-	7,823,627
more than 120 days	5,223,430	-	5,223,430	2,796,212	-	2,796,212
more than 180 days	1,391,283	-	1,391,283	10,149,140	-	10,149,140
more than 365 days	12,995,298	12,995,298	-	12,647,402	12,647,402	-
Total	87,045,758	12,995,298	74,050,460	78,342,460	12,647,402	65,695,058

iii) Investments

The Company limits its exposure to credit risk by investing only in fixed deposits with selected bankers with the Board approval.

Credit quality of Investments and cash at bank

Credit quality of financial assets that are not impaired can be assessed by reference to historical information about counterparty default rate.

Financial Instrument	Credit Rating as at 31st December 2022	Balance as at 31st December 2022 (Rs.)
Fixed Deposit	AA-	2,998,726,873
Cash at bank	AA-	104,280,530
Cash at bank	A	269,044

Notes to the Financial Statements contd...

iv) Cash and Cash Equivalents

The Company held cash at bank of Rs.104.5 Mn as at 31st December 2022 (2021 - Rs. 93.3 Mn) which represent its maximum credit exposure on these assets. The cash and cash equivalents are held with banks 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 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.

	Value of USD savings deposits (Rs.)			
	As at 31st December 2022 [1 USD 360.41]		As at 31st December 2021 [1 USD 198.50]	
	Increase by Rs. 50	Decrease by Rs. 50	Increase by Rs. 50	Decrease by Rs. 50
USD Savings Account Balance	16,302,400	12,330,177	7,846,286	4,688,827
Impact to Income Statement - Gain/(Loss)	1,986,186	(1,986,186)	1,578,730	(1,578,730)

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 have exposure 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.

Other Current Financial Assets and Cash & Cash Equivalent	0-6 months (Rs.)	7-12 Months (Rs.)
Fixed Deposits (LKR)	491,273,973	2,507,452,900
Cash at bank (LKR)	90,233,360	-
Cash at bank (USD)	14,316,214	-
Cash in hand (LKR)	1,605,000	-

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

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

Notes to the Financial Statements contd...

	Contractual Cash Flows		
	Carrying Value Rs.	Up to 1 Year Rs.	Above 1 Year Rs.
As at 31st December 2022			
Trade and other payable (Note 19)			
(Excluding statutory payable & annual fees received in advance)	639,351,389	639,351,389	-
	639,351,389	639,351,389	-
As at 31st December 2021			
Trade and other payable (Note 19)			
(Excluding statutory payable & annual fees received in advance)	406,527,160	406,527,160	-
	406,527,160	406,527,160	-

29. RELATED PARTY TRANSACTIONS

29.1 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 its parent Company and their close family members are classified as Key Management Personnel of the Company.

For the year ended 31st December	2022 Rs.	2021 Rs.
Director's fees for the year	1,600,000	1,636,452
	1,600,000	1,636,452

Directors fees payable as at 31st December 2022 is Rs. 9,262,232/- (2021 – 8,212,232-).

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

29.2 Transactions with related parties

	Transactions During The Year		Balance As At 31st December	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Galadari Brothers Co. LLC.	52,908,680	10,021,255	102,355,580	28,908,969
Galadari Engineering Works Co. LLC	100,842,289	-	113,061,358	-
	153,750,969	10,021,255	215,416,938	28,908,969

The balance payable to both Company's as at the reporting date consist of operational expenses incurred by them on behalf of the Company. All transactions during the year were related to the hotel renovation project. Impact on exchange rates also included in the balances as at 31st December 2022.

The Company carried out transactions in the ordinary course of business at arm's length price with the parent company.

29.3 Terms and Conditions

All related party transactions have been conducted on relevant commercial terms with the parent company. All related party outstanding balances at the year end are unsecured and interest free. All dues are to be settled in cash or its equivalents.

29.4 Recurrent / Non-Recurrent Related Party Transactions

There were no any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company during the year which required additional disclosures. There were no any recurrent related party transactions which in aggregate value exceeds 10% of the revenue of the Company during the year which required additional disclosures.

Notes to the Financial Statements contd...

30. CAPITAL COMMITMENTS AND CONTINGENCIES

30.1 Capital Commitments

As at 31st December	2022 Rs.	2021 Rs.
Capital Commitments Contracted but partially paid	919,675,636	124,975,000
	919,675,636	124,975,000

Most of the contracts are related to the hotel renovation project.

30.2 Contingencies

A claim in relation to the refurbishment of the Grand Ballroom of Galadari Hotel was filed by a supplier in the Commercial High Court for Rs. 17.6 million in 2018. A provision of Rs. 17.6 million was made in the Financial Statements last year. During the year the case was settled by the Hotel, by making payment to the supplier a sum of Rs. 4,000,000/-.

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

31. EVENTS OCCURRING SUBSEQUENT TO THE REPORTING DATE

The Inland Revenue (Amendment) Act of 2023 was passed in Parliament and certified by the Hon. Speaker on May 8, 2023. There is no effect on the Company's Financial Statements from these amendments.

There have been no events subsequent to the reporting date other than above, which require disclosure in the Financial Statements.

32. COMPARATIVE INFORMATION

The presentation and classification of the Financial Statements of the previous year has been amended, where relevant for better presentation and to be comparable with those of the current year.

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 to make decisions about resource to be allocated & assess its performance. Accordingly, no operating segment within the Company is identified & reported.

34. CAPITAL MANAGEMENT

The Board's intention is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's objective for managing its capital is to ensure that Company will be able to continue as a going concern while maximizing the return to shareholders, as well as sustaining the future development of its business. Further information of capital and reserves are included in Note 14 and 15.

35. DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Please refer to the page No 8 for the Statement of Directors Responsibility for Financial Reporting.

Information to Shareholders

(i) Ordinary Shareholders as at 31st December, 2022

Number of Shareholders 10,675 (2021 - 10,341)

Range (shareholdings)	No. of Shareholders	Total No. of Shares	Percentage
1-1000	9,000	1,988,114	0.40
1001-5000	1,080	2,776,564	0.55
5001-10000	256	2,020,311	0.40
10001-50000	242	5,385,929	1.08
50001-100000	35	2,664,935	0.53
100001-500000	38	8,150,463	1.63
500001-1000000	7	4,930,583	0.99
1000001-100000000	16	154,517,161	30.85
100000001- & above	1	318,395,504	63.57
	10,675	500,829,564	100.00

(ii) Major Shareholders as at 31st December, 2022

Name of Shareholder	No of Shares	% holding
GALADARI BROTHERS CO.(LLC)	318,395,504	63.57
ICEBERG 2 LIMITED	29,510,817	5.89
EMPLOYEE'S PROVIDENT FUND	23,712,200	4.73
CALGARY HOLDINGS S.A.	18,146,303	3.62
M.A.I. GALADARI	9,810,017	1.96
I.A.I. GALADARI	9,810,017	1.96
S.A.I.H. GALADARI	9,810,016	1.96
S.A.I. GALADARI	8,865,064	1.77
S.A.I. GALADARI	8,865,064	1.77
S.A.E. GALADARI	8,865,064	1.77
DUBAI BANK LTD.	6,760,390	1.35
Z.A.I. GALADARI	4,905,000	0.98
S.A.I. GALADARI	4,905,000	0.98
F.I. ABBAS	3,166,094	0.63
F.N.M. KHAN	2,802,861	0.56
HATTON NATIONAL BANK PLC- GEETH BALASURIYA	2,533,578	0.51
HATTON NATIONAL BANK PLC- ALPHA FUND	2,060,064	0.41
HATTON NATIONAL BANK PLC - MUHANDIRAMLAGE LASANTHA KUMARA SOMARATNE & MUNASINGHE LIYANA ARACHCHIGE SAGARI INDUKA	1,050,000	0.21
MUTIARA HOLDINGS (PRIVATE) LIMITED	817,191	0.16
DFCC BANK PLC- HG BALASURIYA	792,265	0.16

Information to Shareholders contd...

(iii) Directors' Shareholding as at 31st December	2022	2021
M. A. I. Galadari	9,810,017	9,810,017
S. A. I. H. Galadari	9,810,016	9,810,016
I. A. I. Galadari	9,810,017	9,810,017
M. Y. Kazi Meeran (resigned w.e.f 31 December 2022)	-	-
L. R. De Silva	-	-
Dr. J. A. S. Felix	-	-
V. Radhakrishnan	-	-

(iv) Market Price of share	31st December 2022	31st December 2021
Higest Market Value per share	Rs. 16.20 (03/10/2022)	Rs. 26.60 (15.11.2021)
Lowest Market Value per share	Rs. 12.00 (23/12/2022)	Rs. 7.00 (16.08.2021)
Closing price	Rs. 12.50 (31/12/2022)	Rs. 22.20 (31.12.2021)

v) Public holding

As at 31st December	2022	2021
Percentage of Public Shareholding	12.57	12.57
Total No. of Shareholders Represent in the Public Holding	10,619	10,328
Float Adjusted Market Capitalisation (Rs.)	786,928,452	1,397,584,932

The Company complies with option 5 of Section 7.13.1(b) of the listing rules requires to maintain 10% of minimum public holding of the Company if the float adjusted market capitalisation is less than Rs 1 Billion.

The Company is in compliance of this requirement.

Five Year Summary

Year ended 31st December In Rs.000	2022	2021	2020	2019	2018
TRADING RESULTS					
Revenue	1,183,220	554,025	569,905	1,336,914	1,560,072
(Loss) / Profit after tax but before Interest expenses and other income	(116,133)	(334,750)	(566,677)	80,556	216,801
Profit / (Loss) before taxation	65,573	(281,742)	(224,971)	107,024	288,634
Income Tax Expense	(183,465)	(60,690)	(351,873)	(22,594)	(71,317)
(Loss) / Profit after taxation on ordinary activities	(117,892)	(342,431)	(576,844)	84,430	217,317
As at 31st December	2022	2021	2020	2019	2018
SHARE CAPITAL AND RESERVES					
Stated capital/Share capital	8,988,239	8,988,239	8,988,239	8,988,239	8,988,239
Capital reserves	7,759,252	7,919,277	8,292,790	9,286,564	9,296,331
Revenue reserves	(9,470,358)	(9,274,078)	(8,909,838)	(8,297,856)	(8,303,950)
Provision for replacement of furniture Fittings & equipment	826,131	750,080	716,484	678,972	599,101
Shareholder's Funds	8,103,264	8,383,518	9,087,675	10,655,919	10,579,721
ASSETS EMPLOYED					
Current assets	3,287,434	3,112,745	3,115,743	3,184,430	2,893,795
Current liabilities	(944,976)	(717,293)	(578,955)	(566,399)	(576,581)
Working capital	2,342,458	2,395,452	2,536,788	2,618,031	2,317,214
Property, plant & equipment	5,884,299	5,166,303	5,783,359	7,115,754	7,291,851
Intangible assets	23,706	-	-	-	-
Right of use assets	1,339,870	1,363,377	1,386,883	1,410,390	1,433,896
Deferred tax assets	244,117	230,605	261,572	586,951	638,070
Long term liabilities	(1,731,186)	(772,219)	(880,927)	(1,075,207)	(1,101,310)
	8,103,264	8,383,518	9,087,675	10,655,919	10,579,721
RATIOS & STATISTICS					
Current ratio (times)	3.48	4.34	5.38	5.62	5.01
(Loss) / Earnings per share (Rs.)	(0.24)	(0.68)	(1.15)	0.17	0.43
Net assets value per share (Rs.)	16.18	16.74	18.15	21.28	21.13

Form of Proxy

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

MR. MOHAMMED ABDULLATIF IBRAHIM GALADARI	(whom failing)
MR. SUHAIL ABDULLATIF IBRAHIM HASSAN GALADARI	(whom failing)
MR. MOHAMMED ABDULLATIF IBRAHIM GALADARI	(whom failing)
MR. LALITH RUKMAN DE SILVA	(whom failing)
DR. JOHN ANTHONY SHIVAJI FELIX	(whom failing)
MR. VENKATRAMANAN RADHAKRISHNAN	

as my/our* Proxy to represent me/us* and to vote and**...as indicated hereunder for me/us* and on my/our* behalf at the FORTY SECOND ANNUAL GENERAL MEETING of the Company to be held on 6th July 2023 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, 2022 and the Reports of the Auditors' and of the Directors' thereon	☐	☐
2. Directors		
(i) To re-elect Mr. Lalith Rukman De Silva, Director, who retires by rotation in terms of Article 87 and 88 of the Articles of Association of the Company and being over the age of seventy (70), who also retires in terms of Section 210 of the Companies Act No.7 of 2007 (as amended), by the passing of the following ordinary resolution: "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No.7 of 2007 (as amended) shall not apply to Mr. L.R. De Silva who is seventy-two (72) years of age and that he shall be re-elected as a Director of the Company".	☐	☐
(ii) To re-elect Dr. John Anthony Shivaji Felix, Director, who retires by rotation in terms of Article 87 and 88 of the Articles of Association of the Company	☐	☐
3. To re-appoint the Auditors Messrs. Ernst & Young, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.	☐	☐

As witness my/our hand thisday ofTwo Thousand and Twenty Three.

.....
 Signature of Shareholder

Notes:

If you wish your Proxy to speak at the Meeting you should insert the words "to speak and" in the place indicated with two asterisks () and initial such insertion.**

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/she thinks fit.

A Proxy holder need not be a shareholder of the Company

As mentioned in the Circular to the Shareholders dated 6th June 2023, the 42nd Annual General Meeting will be held as a virtual meeting. Instructions given in the Circular to Shareholder must be followed to join the meeting virtually.

INSTRUCTION AS TO COMPLETION

1. The duly completed forms of proxy should be posted or delivered to the Registered Office of the Company at No. 48, Rosmead Place, Colombo 07 or forwarded by email to agm@galadari.lk and/or cccs@tiruchelvam.com or by fax on (+94)-11-4790600 in order to enable the Company to receive the same not less than forty eight (48) hours prior to the time appointed for the holding of the AGM.
2. 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.
3. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy, please insert the relevant details overleaf and initial against this entry.
4. In the case of a Company/Corporation, the Proxy must be under its Common Seal (if applicable), which should be affixed and attested in the manner prescribed by its Articles of Association.
5. 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 had not already been registered with the Company.



The Professionals in
Banqueting & Conferencing
Place your faith in us, we can make it happen.

Galadari Hotel Annual Report-2022



