

TAJ
SAMUDRA
COLOMBO

Annual Report 2022 / 2023

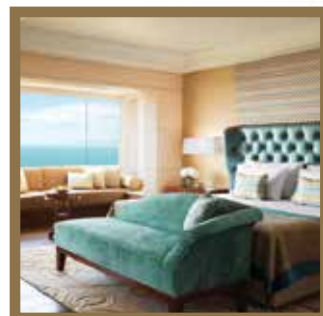
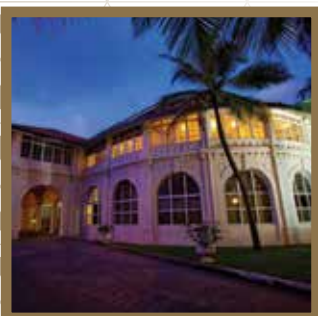




TAL LANKA HOTELS PLC
(Taj Samudra – Colombo)
ANNUAL REPORT – 2022/23

Table of Contents

	Page
01 Notice of Meeting	03
02 Corporate Information	05
03 Review of the Board of Directors	06
04 Board of Directors	08
05 Corporate Social Responsibility	12
06 Annual Report of the Board of Directors on the Affairs	13
07 Corporate Governance	16
08 Statement of the Directors' Responsibilities	20
09 Report on Audit Committee	21
10 Report on Related Party Transactions Committee	22
11 Report on Remuneration Committee	23
12 Independent Auditor's Report	24
13 Statement of Profit or Loss and Other Comprehensive Income	27
14 Statement of Financial Position	28
15 Statement of Changes in Equity	30
16 Statement of Cash Flow	31
17 Summary of Accounting Policies	33
18 Notes to the Financial Statements	46
19 Shareholder Information	76
20 Six Years Financial Summary	79
21 Form of Proxy	80
22 Shareholder Registration Form	83



NOTICE OF MEETING

Notice is hereby given that the Forty Third (43rd) Annual General Meeting of TAL Lanka Hotels PLC will be held online via a virtual platform on Friday, 15th September 2023 at 10.30 a.m. and the business to be brought before the meeting will be as follows:

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st March 2023 and the Report of the Auditors thereon.
2. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. Tilak De Zoysa who is over the age of seventy years.

"IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. Tilak De Zoysa who has reached the age of seventy-six (76) years prior to this Annual General Meeting and that he be reappointed as a Director of the Company."

3. To re-elect as a Director, Mr. B. K. Chaudhary who retires by rotation in terms of Article 86 of the Articles of Association of the Company and being eligible, has offered himself for re-election.
4. To re-elect as a Director, Mr. V. Govindasamy who retires by rotation in terms of Article 86 of the Articles of Association of the Company and being eligible, has offered himself for re-election.
5. To re-elect as a Director, Mr. P. Verma who retires by rotation in terms of Article 86 of the Articles of Association of the Company and being eligible, has offered himself for re-election.
6. To re-elect as a Director, Mr. Samrat Datta, who was appointed as a director of the Company by the board of directors of the Company to fill a casual vacancy in terms of Article 93 of the Articles of Association of the Company.
7. To propose the following resolution as an ordinary resolution;

"IT IS HEREBY RESOLVED THAT KPMG Chartered Accountants be and are hereby re-appointed as the auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting to audit the financial statements of the Company and the Directors of the Company be and are hereby authorized to fix their remuneration as the auditors of the Company, for the aforesaid period."

8. Any other business.



By order of the Board
Corporate Services (Private) Limited
Secretaries
TAL Lanka Hotels PLC
Colombo, on this 25th day of August 2023.

>>> NOTICE OF MEETING

Note :-

Any shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote / speak in his / her stead and a form of proxy is sent herewith for this purpose.

Meeting Guidelines:-

- A) The meeting is to be held in line with the guidelines given by the Colombo Stock Exchange and as per the applicable laws.
- B) The Annual General Meeting will be held in the manner set out below:
 - (i) In order for us to forward the access information necessary for participation at the meeting, which shall include the meeting identification number, access password, and access telephone number, please forward the duly completed registration form including your e-mail address and contact telephone number to the registered address of the Company not less than 48 hours before the time appointed for the holding of the meeting so that the login information could be forwarded to the e-mail addresses so provided.
 - (ii) If the Company is unable to post this Notice due to any situation beyond its control, then, this Notice will be published in one issue of a daily newspaper in the Sinhala, Tamil and English languages and if the circumstances permit, in one issue of the Gazette. The Annual Report, Notice of Meeting, Form of Proxy and Registration Form will also be published on the website of the Colombo Stock Exchange (<https://www.cse.lk/pages/companyprofile/company-profile.component.html?symbol=TAJ.N0000>) and the website of the Company (<https://www.tajhotels.com/en-in/taj/tajsamudra-colombo/>).
 - (iii) Proxy forms are forwarded to the shareholders together with the Notice of Meeting and Registration form. Proxy forms have been uploaded to the Company's website (<https://www.tajhotels.com/en-in/taj/tajsamudra-colombo/meetings-andevents/>) and should be duly completed as per the instructions given therein and sent to the registered address of the Company or e-mailed to deepa.perera@tajhotels.com or corporateservices@corporateservices.lk not less than 48 hours before the time appointed for the holding of the meeting and the proxy so appointed shall participate at the meeting through audio or audio visual means only.
 - (iv) The shareholders who are unable to participate at the Annual General Meeting via Zoom could send their queries, if any, to email address deepa.perera@tajhotels.com or corporateservices@corporateservices.lk at any time before the meeting time and the responses to the same will be included in the minutes of the meeting.
 - (v) Voting in respect of the items in specified in the agenda to be passed will be registered by using the audio or audio and visual means (Zoom) or a designated ancillary online application. All of such procedures will be explained to the shareholders prior to the commencement of the meeting.
 - (vii) For any questions please contact Ms. Deepa Perera (Confidential Secretary) on (071 535 7635) during office hours.

CORPORATE INFORMATION

NAME OF THE COMPANY	TAL LANKA HOTELS PLC - PQ 183 A listed company with limited liability Incorporated in Sri Lanka on 14th June 1980
BOARD OF DIRECTORS	Mr. G. Sanjeevi - Chairman Mr. B. K. Chaudhary Mr. R. K. Chaudhary Mr. V. Govindasamy Mr. T. De Zoysa Mr. R. De Mel Mr. P. Verma Mr. P. Sampat (Resigned on 25th Nov 2022) Mr. S. Datta (Appointed on 25th Nov 2022) Mr. P. Sengupta
COMPANY SECRETARY	Corporate Services (Private) Limited 216, De Saram Place, Colombo 10.
REGISTRARS	Business Intelligence (Private) Limited No. 08, Tickell Road, Colombo 08.
AUDITORS	Messrs KPMG Sri Lanka. Chartered Accountants 32 A, Sir Mohamed Macan Markar Mawatha, Colombo 04.
BANKERS	Hatton National Bank City Office, Colombo 01. Standard Chartered Bank 37, York Street, Colombo 01. Nations Trust Bank No. 242, Union Place, Colombo 02. Commercial Bank No. 240, Panchikawatta Road, Colombo 10.
LAWYERS	Messrs F J & G De Saram 216, De Saram Place, Colombo 10.
REGISTERED OFFICE	25, Galle Face Centre Road, Colombo 03. Phone: 0094 112446622 Website: www.tajhotels.com
HOTEL MANAGER	TAL Hotels and Resorts Ltd, 2001, Central Plaza, 18, Harbour Road, Wanchai, Hong Kong.

REVIEW OF THE BOARD OF DIRECTORS

On behalf of the Board of Directors, I am pleased to present the Annual Report of TAL Lanka Hotels PLC for the financial year ended March 31, 2023.

Economic outlook

The Sri Lankan economy has been in a state of decline since the beginning of 2022. The following are some of the key economic statistics for the period from 1st April 2022 to 31st March 2023:

- GDP growth rate: -9.2%
- Inflation rate: 22.1%
- Unemployment rate: 6.5%
- Foreign debt: \$51 billion
- Current account deficit: \$10.5 billion

The economy has contracted significantly in the past year, due to a number of factors, including:

- The COVID-19 pandemic, which has had a negative impact on tourism and other sectors of the economy.
- The war in Ukraine, which has led to a rise in global oil prices and other commodities.
- The government's economic mismanagement, which has led to a severe balance of payments crisis.

The economic crisis has had a devastating impact on the Sri Lankan people. Many people have lost their jobs, and there are shortages of essential goods, such as food, fuel, and medicine. The government has implemented a number of austerity measures in an attempt to stabilize the economy, but these measures have only made the situation worse for most people.

The Sri Lankan economy is currently in a deep recession, with GDP expected to contract by -9.2% in 2022 and a further -4.2% in 2023. This is due to a number of factors, such as

- A severe balance of payments crisis, caused by a large foreign debt and a decline in tourism revenue.
- A sharp rise in inflation, which reached 69.8% in September 2022.
- A shortage of essential goods, such as fuel, food, and medicine.
- Political instability, which has led to a loss of confidence in the government.

However, it is too early to say whether these measures will be enough to avert a complete economic collapse. The outlook for the Sri Lankan economy in 2023 is uncertain, but it is likely to remain difficult.

Here are some of the key economic indicators for Sri Lanka in 2023:

- GDP growth rate: -4.2%
- Inflation rate: 22.1%
- Unemployment rate: 6.5%
- Foreign debt: \$51 billion
- Current account deficit: \$10.5 billion

The government's economic reform program is still in its early stages, and it is too early to say whether it will be successful. However, if the government is able to implement the reforms, it could help to restore confidence in the economy and lay the foundation for a sustainable recovery.

Industry performance

The tourism industry in Sri Lanka has seen a significant recovery in the past year, after being severely impacted by the COVID-19 pandemic. According to the Sri Lanka Tourism Development Authority (SLTDA), there were 719,978 international tourist arrivals to the country in 2022, a 270.2% increase compared to the 194,495 tourists who visited in 2021.

The growth in tourism was driven by a number of factors, including:

- The easing of travel restrictions by many countries.
- The improvement in the security situation in Sri Lanka.
- The promotion of Sri Lanka as a tourist destination by the SLTDA

The tourism industry is expected to continue to grow in 2023, although the pace of growth is likely to slow down. The SLTDA is targeting 1.55 million tourist arrivals in 2023, which would represent a further 112% increase over 2022. The tourism industry is a major contributor to the Sri Lankan economy, and its growth is essential for the country's economic recovery. The government and the private sector will need to work together to address the challenges facing the tourism industry in order to ensure its continued growth.

>>>REVIEW OF THE BOARD OF DIRECTORS

Tourism Arrivals

There was a significant increase in tourist arrivals in Sri Lanka in 2022, after being severely impacted by the COVID-19 pandemic in 2021. The trend is expected to continue in 2023, with the SLTDA targeting 1.55 million tourist arrivals in the year.

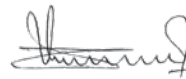
The tourism industry in Sri Lanka is heavily reliant on a small number of source markets. This makes the industry vulnerable to changes in demand from these markets. India is the top source market for tourism in Sri Lanka, followed by the United Kingdom, China, Germany, and the United States. These five markets account for more than half of all tourist arrivals in Sri Lanka.

Other major source markets for tourism in Sri Lanka include France, Australia, the Netherlands, and Canada. These markets account for a further 20% of all tourist arrivals in Sri Lanka.

However, there are some challenges that the tourism industry will need to address in order to sustain its growth. These challenges include the high cost of living in Sri Lanka, the shortage of hotel rooms and other tourism infrastructure, and the lack of skilled workers in the tourism sector.

APPRECIATION

On behalf of the Board of Directors, I wish to express our appreciation of the continued support and cooperation of the Ministry of Tourism, Ceylon Tourist Board, the Financial Institutions and other stakeholders. I also want to thank the shareholders for their continued support. In conclusion, on behalf of the Board of Directors, I extend my sincere thanks to the members of the staff, at all levels, for their dedicated service and contribution to the company.



Vish Govindasamy

Director

08 April 2023

BOARD OF DIRECTORS

Mr. G. Sanjeevi

Non - Executive Non - Independent Director

Giri is a Chartered Accountant (An All India Ranker) and an MBA from IIM Ahmedabad (class of 1987). In a career spanning 31 years, Giri has built a broad-based career, both finance and commercial, - across multiple businesses - consumer businesses, financial services, retail and pharma - and across multiple geographies - Asia and Europe. He has lived and worked in India, Dubai, Singapore and London. Giri joined The Indian Hotels Company Limited from Merck & Co, the American Pharma company, where he was the CFO for South Asia and the Business Head for Pakistan, Bangladesh, Sri Lanka and Nepal. Giri started his career in ITC Ltd, where he did a variety of roles across businesses in India and the Middle East. Subsequently, Giri was with IL&FS as an Investment Banker and head of M&A. In addition, he was also the Head of the operations at Eastern India. Giri spent several years with Diageo plc - he was their Global Business Development Director at London, covering M&A and Strategy. Earlier, he was the Finance Director at Singapore for large parts of Asia. Giri has significant experience in business and financial transformation. At Wockhardt, where he was a Global CFO, such transformation efforts led to a very visible 18x jump in share price. Giri has also built experience in Retail through stints in Shoppers Stop and Aditya Birla Group, where he was the CFO. He has won several awards including Most Influential CFOs of India award from CIMA in 2015 & 2016: CFO for the Year for Excellence in Finance in Managing a Turnaround given out by IMA (2013). Giri loves to build High Performance teams and has led global Finance Director development programs at Merck & Co for high potential talent. Deeply passionate about Authentic Leadership and committed to Doing Well by Doing Good. He is associated with some NGOs and has been on the advisory board of Unltd India, Beyond Sight Foundation.

Mr. P. Verma

Non - Executive Non - Independent Director

Mr. Verma is overseeing the operations of South India; International hotels and the retail brand EXPRESSIONS. He joined IHCL in 1990 as a Management Trainee with the flagship Taj Mahal Palace & Towers. He has been the General Manager of some of the leading hotels of IHCL. Prior to his current role, he was the Senior Vice President - Operations, South. He is a hotel management graduate from IHMCTAN Kolkata, and has also attended the Executive Development Program at IIM, Bangalore. He is the recipient of

many industry accolades including the 'International Cooperation between the UK and India Award' (2012) at the House of Parliament by Asian Voice, PATWA Award.

Mr. R. De Mel

Non- Executive Independent Director

Current appointments :

Serves on the Boards of

- Nations Trust Bank PLC
- Sunshine Teas (Pvt) Ltd. (upto 31.3 2022)

Previous appointments :

- Served on the Boards of Singer Finance Lanka PLC and HDFC Maldives (nominee of IFC) & AIA Insurance PLC
- Served as Director/CEO and Group CEO at NDB Bank and Group
- Vice President of Group Risk Management and Corporate Banking at NDB
- Served on the Boards of over 25 listed and non-listed companies, within & outside NDB Group, in Sri Lanka & Overseas.

Skills and experience :

He is a professional accountant with over 20 years' experience in Development Banking including Project Financing, SME Financing and Merchant Banking and around 9 years of experience in Commercial and Investment Banking. He is a Fellow of the Chartered Institute of Management Accountants & Chartered Global Management Accountants of UK and Fellow of the Certified Management Accountants of Sri Lanka.

>>>BOARD OF DIRECTORS

Mr. S. Datta

Executive Director

Samrat brings his wealth of knowledge and extensive experience across various prestigious properties to the Grand Luxury Hotel of Colombo – The Taj Samudra, Colombo where he has been appointed as the Area Director for Taj Hotels Sri Lanka and Maldives and General Manager of Taj Samudra.

Before this he was the Cluster General Manager for Taj Exotica and Taj Coral Resort and Spa Maldives.

Samrat has consistently worked towards upholding and improving experiential standards and personalized service. Along with his team, he has constantly driven change and innovation with some phenomenal results shown recently in terms of productivity and service efficiencies through the pandemic phase in Maldives.

Being a people's person, Samrat builds strong bonds with his guests and associates alike to create a positive atmosphere of hospitality at its best avatar.

Amongst several coveted awards last year Taj Maldives has been listed in Forbes Guide 2021; featured as a 'Top resort in the Indian Ocean category' by the Conde Nast Traveler Readers' Choice Awards 2019 and 2022; CNT's Favorite Overseas Hotel 2020 and Trip Advisor Readers' Choice Award winner 2021. Also, Taj Samudra, Colombo won 2 prestigious awards at the SATA Awards in 2022.

Samrat has managed iconic properties like the Taj Palace, New Delhi, Taj Bengal Kolkata, Taj Connemara Chennai, and the Jai Mahal Palace. Earlier in life he worked in the Middle East with Fairmont Dubai and Shangri La Muscat. A graduate of Hotel management, Samrat has also done executive programmes at IIM – Ahmedabad; Nanyang University, Singapore and TMTC Pune.

Mr. T. De Zoysa

Non - Executive Independent Director

A well-known figure in the Sri Lankan business community, Tilak de Zoysa, FCMI (UK) FPRI (SL), Honorary Consul for Croatia and Global Ambassador for HelpAge International was conferred the title of "Deshabandu" by His Excellency the President of Sri Lanka in recognition of his services to the Country and was the recipient of "The Order of the Rising Sun. Gold Rays with Neck Ribbon" conferred by His Majesty the Emperor of Japan. Recipient of the LMD lifetime achievers' Award 2017.

In addition to being the, he Chairs Carson Cumberbatch PLC, Associated CEAT (Pvt) Ltd., Amaya Hotels and Resorts USA (Radisson), Jetwing Zinc Journey Lanka (Pvt) Ltd., Trinity Steel (Pvt) Ltd., CG Corp Global Sri Lanka, HelpAge Sri Lanka and Sasakawa Memorial Sri Lanka Japan Cultural Centre Trust.

He is also the Vice Chairman of CEAT Kelani Holdings (Pvt) Ltd., and serves on the boards of several listed and private Companies which include TAL Lanka Hotels PLC (Taj), TAL Hotels and Resorts Ltd, Nawaloka Hospitals PLC, Associated Electrical Corporation Ltd., INOAC Polymer Lanka (Pvt) Ltd., Cinnovation INC., and Varun Beverages Lanka (Pvt) Ltd. (Pepsi).

Mr. Tilak de Zoysa was the past Chairman of the Supervisory Board (AMW) and Advisor to the Al-Futtaim Group of Companies in Sri Lanka, past Chairman of the Ceylon Chamber of Commerce, the National Chamber of Commerce of Sri Lanka, HelpAge International (UK), Colombo YMBA and Board of Governors and served as a Member of the Monetary Board of Sri Lanka (2003-2009).

Also Mr. Tilak de Zoysa is a Member of a Kalutara Bodhi Trust.

>>>BOARD OF DIRECTORS

Mr. V. Govindasamy

Non - Executive Independent Director

Vish Govindasamy is a respected leader, visionary and industry veteran whose experienced skill in the art of socially-responsible entrepreneurship and strategic foresight continues to uplift Sri Lanka's private business landscape. With over 26 years at its helm, Vish is the Group Managing Director of diversified conglomerate Sunshine Holdings PLC (CSE: SUN), which is today one of Sri Lanka's top 50 listed companies. He is also the chairman of the Ceylon Chamber of Commerce (CCC), the country's premier business chamber with a 183-year-old history.

Over the years, his keen understanding of business, thirst for innovation, and robust value system have helped him revolutionize and elevate Sri Lanka's private business sector. The market-leading success enjoyed by Sunshine's brand portfolio today with some of Sri Lanka's most loved consumer brands can also be attributed to his drive to enrich diverse communities.

Before his current position at Sunshine Holdings, Vish was the CEO of Watawala Plantations, a diversified plantation management company in partnership with TATA India. At Watawala, he is largely credited with having played an instrumental role in successfully transforming a government-owned plantation company after privatization into the highest capitalized regional plantation company to be listed on the Colombo Stock Exchange.

In 1998, Vish marked a significant milestone in the history of the Group by entering the branded tea segment in Sri Lanka, with 'Zesta', 'Watawala Tea' and 'Ran Kahata' – brands loved and tasted every day by millions of local and international tea connoisseurs. He was also instrumental in introducing Healthguard, the largest pharmacy chain in Sri Lanka, which is patronized by many for its high-quality range and service.

Vish's international experience and deep understanding of markets, coupled with his drive for innovation, have enabled him to operate in key leadership roles in the Private Sector in Sri Lanka. The 100 Club by LMD magazine recognized Vish Govindasamy as one of the Top 10 CEOs in Sri Lanka in 2019 and 2020.

Vish is passionate about bringing good things to the lives of deserving Sri Lankans through philanthropy. He has been instrumental in conceptualising Sunshine Foundation for Good (SFG), the CSR arm of Sunshine Holdings. SFG was formed with clear objectives to drive change towards sustainability, with health and education as its two central pillars.

As part of The Foundation, Vish initiated 'Suwa Diviya', a non-profit initiative to provide diabetes awareness and education programs. These are created for anyone who wants to be educated on preventing and managing diabetes. Given his passion for philanthropic work, Vish was appointed as a Board Member of the 1990 Suwa Seriya Foundation, Sri Lanka's leading prehospital emergency ambulance service.

Before moving to Sri Lanka, he held several leadership roles in finance and management in an educational institution in the USA. Having completed his primary education at Trinity College Kandy, he holds an MBA and a BSc in Electrical Engineering from the University of Hartford, USA.

He is a passionate wildlife enthusiast, traveller, golfer and avid reader in his spare time.

>>>BOARD OF DIRECTORS

Mr. B. K. Chaudhary

Non - Executive Non-Independent Director

Mr. Binod K. Chaudhary, a Nepali businessman, industrialist and philanthropist is the Chairman of CG Corp Global, a multi-dimensional conglomerate, headquarter in Nepal, consisting 160 companies and 123 brands under 15 different business verticals that cover over 5 continents. Experiencing a rapid global expansion under the esteemed leadership and vision, he is featured as the first Nepali billionaire as listed by Forbes. With over 15,000 employee CG Corp Global is diversified from stainless steel, departmental arcade, trade, food, electronics, finance and power to insurance, realty, education, cement, ayurveda, biotech, telecom and of course, hospitality establishing linkages across verticals.

Mr. R. K. Chaudhary

Non - Executive Non-Independent Director

Mr. Rahul Chaudhary, the Managing Director of CG Corp Global, a multi-dimensional conglomerate with over 160 companies and 123 brands under 15 different business verticals, covering over 5 continents. Rahul Chaudhary heads CG Hospitality Holding, the hospitality arms of CG Corp Global and CG Capital Partners. CG Hospitality Holdings is partners with and owns some of the most iconic assets globally with some of the leading hospitality brands such as Taj, Vivanta, Taj Safari, Jetwing, Radisson, The Farm, Summit, CHC, Fairmont, The Zinc and The Fern. CG Hospitality portfolio comprises of over 160 hotels & resorts in 12 countries and 107 destinations with over 8,633 keys. By 2025, the portfolio is expected to grow to over 200 hotels and 10,000 keys.

Mr. P. Sengupta

Non - Executive Non-Independent Director

Mr. P Sengupta, the global CFO of CG Corp Global. He is qualified Chartered Accountant (Institute of Chartered Accountants of India – India, Kolkata, 1992). He is Qualified senior management professional with 23 years of experience in Finance, M&A, Treasury, eCommerce / digital technology, Corporate Governance, Supply chain. Experience includes VP Finance and Head Supply Chain for Shangri-la Hotels and Resorts with global responsibilities.

CORPORATE SOCIAL RESPONSIBILITY

In the context of changing hotel business models, human capital is exceedingly important. Employee skill development, employee retention, aging workforce, and escalation of employee costs are the most, challenging areas in the present industry scenario.

We continue to engage and encourage our employees to perform to the best of their talents through a performance-oriented culture founded on ethical and transparent behavior which in turn promotes sustainable and profitable growth. We have attracted the best and brightest from the entire pool of available talented associates to build a strong workforce that reflects the diversity of the guests we serve.

Taj Samudra has been successful in molding existing employees according to future requirements. We add value to an organization by providing objective guidance to managers and employees on people-related matters. This work is done through a combination of day-to-day support for employees, project work, and long-term strategic planning.

Hence, maintaining healthy employee relations between the Staff and the Management. The best practices, policies, and procedures are in place to ensure that Taj Samudra is more than just a workplace. We have organized employee recognition activities such as Star awards, Employee Recognition (MD's Club), Inter Department Cricket Tournament, Pirith Ceremony, Taj Samudra Bak Maha Ulela, Vesak Lantern Competition, Carrom Tournament, Employee of the Month, Birthday Celebrations and Vinoda Samaya.

Taj Samudra also won the best workplace award for 5 consecutive years from 2012 to 2017.



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

- The Board of Directors present herewith the Annual Report together with the audited financial statements of TAL Lanka Hotels PLC for the year ended 31 March 2023.

Formation

- TAL Lanka Hotels PLC is a public limited liability company incorporated in Sri Lanka in 1980 and reregistered under the provisions of the Companies Act No 7 of 2007. The re-registration number is P Q 183.

The Company is listed in the Diri Savi Board of the Colombo Stock Exchange. The Registered office and principal place of business is situated at No. 25, Galle Face Centre Road, Colombo 03.

TAL Hotels & Resorts Ltd, which holds 58.14% of the shares, is the parent company of TAL Lanka Hotels PLC.

Principal and other activities

- The principal activity of the Company is the hospitality trade and the Company owns the Taj Samudra Hotel.

Financial statements

- The financial statements which include the statement of profit or loss, statement of financial position, cash flow statement, statement of changes in equity, and the notes to the financial statements of the Company for the year ended 31 March 2023 are set out on pages 27 to 75.

Independent Auditor's report

- The auditor's report is set out on pages 24.

Changes in accounting policies

- The accounting policies adopted in the preparation of the financial statements are given on pages 33 to 45
There were no changes in the accounting policies adopted in the previous year for the Company.

Review of business

- The statement of financial position of the Company as at 31 March 2023 is set out on page 28 and assessment of the financial performance of the Company is set out in the statement of comprehensive income on page 27.

Dividend

- No dividends have been declared during the year under review.

Reserves

- Total reserves and their composition are set out in the statement of changes in equity on page 30 of the Company's financial statements.

Substantial shareholdings

- TAL Hotels & Resorts Limited holds 58.14% of the stated capital of the Company.

The details of the main shareholders of the Company and the percentages held by each of them are given below:

Name of shareholder	Holding percentage	No. of shares
TALHotels & Resorts LTD.	58.14	81,181,580
IHOCO BV.	24.62	34,375,640

As at 31 March 2023 the public holds 17.24% of the issued Share Capital of the Company.

>>>ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Directors

11. The names of the Directors of the Company as at the end of the accounting period:

Mr. G. Sanjeevi - Chairman

Mr. B. K. Chaudhary

Mr. R. K. Chaudhary

Mr. V. Govindasamy

Mr. R. De Mel

Mr. T. De Zoysa

Mr. P. S. Verma

Mr. S. Datta

Mr. P. Sengupta

No entries were made under this heading in the Interests Register.

Amounts payable to the firm holding office as auditor of the Company as audit fees

13. The remuneration payable by the Company to the independent auditors of the Company as audit fees is Rs.1,266,000/- (2022 Rs.1,266,000/-).

Amounts payable to the firm holding office as auditor of the Company for non-audit services

14. No remuneration is payable by the Company to the independent auditors of the Company as non-audit fees.

Interests Register

12. Particulars of entries made in the interests register of the Company during the year under review are as follows:

(a) **Directors' interest in contracts and proposed contracts with the Company**

The Director's interest in the contracts of the Company is disclosed under Note 34 to the financial statements.

b) **Directors' interests in shares of the Company**

None of the Directors hold any shares in the Company.

(c) **Remuneration and other benefits of directors**

Please refer Note 34.3 of the financial statements.

(d) **Particulars relating to authorization to disclose, make use of or act on company information.**

No entries were made under this heading in the Interests Register.

(e) **Particulars of indemnity given, or insurance effected to directors or employees under section 218 of the Companies Act No. 7 of 2007.**

Auditor's relationship or any interest with the Company

15. The Directors are satisfied that, based on written representations made by the independent Auditors to the Board, the Auditors did not have any relationship or any interest with the Company and / or other companies in the group of companies to which TAL Lanka Hotels PLC belongs, that would impair their independence.

Corporate governance

16. The Directors place great emphasis on instituting and maintaining leading edge, internationally accepted Corporate Governance practices and principles with respect to the management and operations of the group of companies to which TAL Lanka Hotels PLC belongs, in order to develop and nurture long-term relationships with our key stakeholders.

The extent to which the Company has complied with the Corporate Governance Rules set out in the Listing Rules of the Colombo Stock Exchange has been set out in pages 16 to 19 of this Annual Report.

>>>ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Statutory payments

17. The Directors confirm that to the best of their knowledge all taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at Balance Sheet date have been paid, or where relevant provided for.

Environmental protection

18. The Company is sensitive to the needs of the environment and makes every endeavor to comply with the relevant environmental laws, regulations and best practices applicable in the country.

Donations

19. No donations have been made by the Company during the year.

Going concern

20. The Directors have reviewed the Company's business plans and are satisfied that the Company has adequate resources to continue as a going concern for the foreseeable future. As such the financial statements have been prepared on that basis.

Future developments

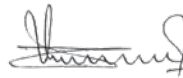
21. The Company plans to continue with the renovation/ development programs and is committed to enhance the image and positioning of the hotel in the market especially in view of growing economy and tourist arrivals in the country.

Post balance sheet events

22. No material events that require adjustments to the financial statements have taken place, subsequent to the date of the Balance Sheet other than those disclosed, if any, in Note to the financial statements.

Auditors

23. The financial statements have been audited by the external Auditors of the Company, Messer's KPMG , Chartered Accountants



V. Govindasamy
Director



T. De Zoysa
Director



Corporate Services (Private) Limited
Secretaries
Colombo
08 April 2023

CORPORATE GOVERNANCE

In view of the current economic downturn corporate governance and its reporting have become a pressing issue for many public listed companies. TAL Lanka Hotels PLC has circumvented these concerns by putting in place the proper controls and monitoring systems that assure a transparent corporate structure powered solely by business needs. This also guarantees a high level of disclosure in relation to going concern reporting, risk management and internal controls.

We take our Corporate Governance initiative beyond mere compliance with the laws and regulations applicable to our business and Sri Lanka. As it is key component of our Environmental, Social and Governance strategy, we set an annual plan and work towards achieving it by adopting best practices based on the highest ethical standards.

The directives of corporate governance of the Company are outlined as :

- Adopting and adapting the principles, policies, and procedures that ensure our accountability to our stakeholders, which includes working through inherent conflict of interest and arriving at a consensus acceptable to all.
- Overseeing the interactions between the shareholders, Board of Directors, and Company Management who shape our corporate performance and the direction taken by the business, by determining the ways in which we could reach the most effective strategic decisions.
- Ensuring transparency, which both safeguards the interests of our shareholders as well as assures strong and balanced economic development for the Company.

GOVERNANCE STRUCTURE

Our Corporate Governance structure is designed to support business needs by ensuring diligence and effective engagement with Board committees and executive management on specific matters, supported by clearly documented mandates that demarcate the role of the Executive Management as trustee rather than the owner of shareholder capital. Our Corporate Governance structure also enables us to align the interests of our wider group of stakeholders and engage effectively with them.

TAL Lanka Hotels PLC also complies with all internal procedures and processes including the following :

- a.) The Article of Association
- b.) The Standard operation procedure and guidelines
- c.) The IT framework, policies and procedures
- d.) HR policies and procedures

BOARD OF DIRECTORS

The Board of Directors is appointed by the shareholders and has the overarching leadership and oversight of the Company as the body that governs operations and delivers shareholder value in line with its strategic and business objectives.

The Directors ensure that the Company has a strong framework of governance in place that embeds its governance culture throughout the organisation with a view to building a successful and sustainable business. Within this framework, the Board fulfils to its shareholders as well as to the Company, three fiduciary duties, namely the duty of loyalty, the duty of care and the duty of disclosure.

APPOINTMENT OF DIRECTORS

All new Board appointments are communicated to the Colombo Stock Exchange (CSE), along with a background document about the new Director, giving details of the nature of the appointment, his experience, areas of speciality, qualification and board appointments held in other companies.

RE-ELECTION OF DIRECTORS

The Directors appointed to the Board serve up to and until the next Annual General Meeting, at which a third of the Board is eligible for re-election by the shareholders. Board members cease to be directors of the Company when they reach 70 years of age.

BOARD COMPOSITION

Board independence is essential to bring objectivity and transparency to the Executive Management in all its dealings on behalf of the Company. In order to ensure this, the Board of Directors appointed comprise three independent non-executive directors, five non-executive directors and one executive director of which the Chairman of the board is a non-executive director. This careful composition ensures the right balance of power and authority needed to execute the various functions of the Board.

>>> CORPORATE GOVERNANCE

BOARD COMMITMENT

The Directors are collectively responsible for ensuring effective and fiscally sound operations and programmes that support the organisation's mission. The Board recognises the importance of a comprehensive system of corporate governance and internal controls, and commits to maintaining the highest standards of integrity, transparency and professionalism in the governance of the Company. It is guided by the Code of Best Practice and the most recent principles of Corporate Governance to achieve this.

BOARD FUNCTIONS

To fulfill its fiduciary duty to act Bona fide for the benefit of the Company in general and its shareholders in particular, the Board has developed corporate governance guidelines that provide the framework for its functions as well as enable it to discharge the Company's corporate responsibility towards its stakeholders. These guidelines establish a solid foundation for management as well as provide oversight and the necessary authority to review and evaluate operations as and when required. They also enable the Board to make decisions that are independent of the senior management of the Company.

These corporate governance guidelines adhere to the Company's philosophy of responsibility, accountability, equity, transparency and fair disclosure. The Board meets regularly to review the Company's operations and takes responsibility for the following :

Area of responsibility	Board oversight on responsibility
Strategic responsibility	• Formulation of policies • Input into and final approval of the Company's corporate strategy including new capital investments and performance objectives • Monitoring senior management's performance and implementation of the corporate strategy and ensuring appropriate resources are available to enable implementation

Financial responsibility	• Approving and monitoring financial and other reporting • Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures • Approving financial facilities whenever is required
Compliance and control responsibility	• Oversight of the Company, including its control and accountability systems • Reviewing and ratifying risk management and internal compliance and control systems, codes of conduct and legal compliance • Updating and maintaining organisational rules and policies to keep in step with changes in the power sector

BOARD MEETINGS

	25/11/2022
Mr. G. Sanjeevi	✓
Mr. R. K. Chaudhary	✓
Mr. V. Govindasamy	✓
Mr. R. De Mel	✓
Mr. P. S. Verma	✓
Mr. P. Sampat	✓
Mr. P. Sengupta	✓

BOARD SUB-COMMITTEES

The Board has appointed sub-committees to discharge its functions, which serve as oversight mechanisms for enhancing its monitoring of compliance and risk management. TAL Lanka Hotels PLC. has three Board Committees, namely the Audit Committee, Remuneration Committee, Related Party Transaction Review Committee, each has its own terms of reference and is mandated by the Listing rules of Colombo Stock Exchange and meets all prescribed criteria of the Rules. All three committees comprise Non-Executive independent Directors and a senior independent director is nominated as the chairperson of each committee. Sufficient resources are provided to enable the board Committees to undertake their specific roles.

>>> CORPORATE GOVERNANCE

The committees work in accordance with an annual work plan with fixed agenda items following key events of relevance to the annual financial reporting cycle. In addition, the committees request topics to be discussed on their meetings from time to time.

SHAREHOLDER COMMUNICATION

The Company considers constructive dialogue with all shareholders and investors to be essential from the perspective of sustainable growth and medium- to long-term enhancement of corporate value, and implements various measures to promote such dialogue. Effective shareholder communication also allows TAL Lanka Hotels PLC to exercise greater control over its capital formation process.

In line with the rule of full and fair disclosure, TAL Lanka Hotels PLC communicates with its shareholders on the business strategies implemented. The financial results achieved as well as various other initiatives introduced to strengthen its reputation and performance into the future. These communications are timed, up-to-date and enable shareholders to understand the value of their investment as well as how their investment is being utilized to enhance their profitability as well as the accountability of the Board. Key point of communication communication are at the Annual General Meeting, via Annual Reports, Interim Financial Statements, press releases and announcements in the Colombo Stock Exchange. Shareholders are also invited to submit their written suggestions and concerns to the Board of Directors through the Company Secretary.

COMPLIANCE

Compliance with corporate governance rules of the colombo stock exchange

The following disclosures are made in conformity with Section 7.10 of the Rules of the Colombo Stock Exchange;

Rule No.	Subject	Extent of Adoption	Compliance Status
7.10.1(a)	Non-Executive Directors (NED)	Eight (8) of the Nine (9) Directors were Non-Executive Directors as at 31st March 2023	Complied
7.10.1(b)	Basis of Calculation of Total Number of Non-Executive Directors	Based on the number as at the conclusion of the immediately preceding AGM	Complied
7.10.2 (a)	Independent Directors (ID)	Three (3) of the Eight (8) Non-Executive Directors were Independent as at 31st March 2023	Complied
7.10.2 (b)	Independent Directors	All Non-Executive Directors have submitted their confirmation of independence as per the criteria set by the CSE rules, which is in line with the regulatory requirements.	Complied
7.10.3 (a)	Disclosure relating to Directors	The Board assessed the independence declared by the Directors and determined the Directors who are independent.	Complied
7.10.3 (b)	Disclosure relating to Directors	The Board has determined that Three (3) Non-Executive Directors satisfy the criteria for "independence" set in the Listing Rules as well as in item A.5.5 of the CASL code table.	Complied
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.	Complied
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief profile of new Director appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the Exchange.	Complied
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Complied

>>> CORPORATE GOVERNANCE

7.10.5 (a)	Composition of Remuneration Committee	The Remuneration Committee comprised of Three (3) Independent Non- Executive Directors as at 31st March 2023.	Complied
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Executive Director(s).	Complied
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Remuneration Committee members and the disclosure of the Remuneration Committee is given on page 23 and the remuneration paid to Directors is given in the Note 34.3 to the Financial Statement on page 67	Complied
7.10.6 (a)	Composition of Audit Committee	Shall comprise of NEDs, a majority of whom will be independent.	Complied
7.10.6 (b)	Audit Committee Functions	Audit Committee functions are stated in the Audit Committee Report Page 21	Complied
7.10.6 (c)	Disclosure in Annual Report relating to Audit Committee	The names of the Audit Committee members given on page 21	Complied
7.13.1	Minimum Public Holding	As a listed company in the Diri Savi Board, the Company maintained the minimum public holding under specified criteria	Complied

This section covers TAL Lanka Hotels PLC's extent of adherence to the requirements of the Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange:

Rule No.	Subject	Extent of Adoption	Compliance Status
9.2.1 & 9.2.3	Related Party Transactions Review Committee (RPTRC)	A listed company shall have a RPTRC. The functions of the Committee are stated in Related Party Transactions Review Committee report in page 22	Complied
9.2.2	Composition of the Related Party Transactions Review Committee	The RPTRC consists of following Directors: • Mr. V. Govindasamy • Mr. Tilak De Zoysa	Complied
9.2.4	Related Party Transactions Review Committee-Meetings	The committee met 04 times during the financial year of 2022/2023	Complied
9.3.2 (a)	Disclosure - Non-recurrent Related Party Transactions	Company has not involved with an Non - recurrent related party transactions with aggregate value exceeds 10% of the equity or 5% total assets whichever is lower. No disclosures required.	Complied
9.3.2 (d)	Declaration by the Boards of Directors	Affirmative statement of the compliance with listing rules pertaining to RPTS	Complied

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under Sections 150 (1), 151, 152 (1) & 153 of the Companies Act No. 7 of 2007, to ensure compliance with the requirements set out therein to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit & loss of the Company for the financial year.

The Directors are also responsible, under Section 148, for ensuring that proper accounting records are kept to enable, determination of financial position with reasonable accuracy, preparation of financial statements and audit of such statements to be carried out readily and properly.

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

They also confirm that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting standards, Companies Act No 07 of 2007 and the listing rules of the Colombo Stock Exchange. Further, the financial statements provide the information required by the Companies Act and the listing rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the company, key operations and specific inquiries that adequate resources exist to support the Company on a going concern basis over the next year. These financial statements have been prepared on that basis.

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

The external Auditors, Messrs KPMG deemed re- appointed in terms of Section 158 of the Companies Act were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, shown on page 24 sets out their responsibilities in relation to the Financial Statements.

Compliance Report

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

By order of the Board



Corporate Services (Private) Limited.

Secretaries

08 April 2023

REPORT OF THE AUDIT COMMITTEE

Composition of the Audit Committee

The Audit Committee, appointed by the Board of Directors of TAL Lanka Hotels PLC comprises of three Non- Executive independent Directors. The Committee is chaired by Mr. Vish Govindasamy. The other two committee members comprise of Mr. Tilak De Zoysa and Mr. Russell De Mel.

Meetings

Four meetings of the Committee were held during the year. The attendance of the members at these meetings is as follows:

Name of Director	Attendance and Meeting Dates				
	11/04/2022	14/07/2022	11/10/2022	10/01/2023	Total
Mr. Vish Govindasamy	✓	✓	✓	✓	4/4
Mr. Tilak De Zoysa	✓	✓	✓	✓	4/4
Mr. Russell De Mel	✓	✓	✓	✓	4/4
By Invitation					
Mr. Samrat Datta	-	-	✓	✓	2/4
Mr. Paras Puri	✓	✓	✓	✓	4/4

Mr. Samrat Datta, Area Director Sri Lanka and Maldives and Mr. Paras Puri, Area Financial Controller Sri Lanka and Maldives/ Director of Finance – Taj Samudra attend the Audit committee meetings by invitation. The other officials of the Company attend the meetings by invitation on a need basis. The external auditors are present at the Audit Committee Meetings when matters pertaining to their functions come up for consideration.

Role of the Committee

The key purpose of the Audit Committee of TAL Lanka Hotels PLC is to assist the Board of Directors in fulfilling its responsibilities for;

1. the integrity of the Financial Statements in accordance with Sri Lanka Accounting Standards.
2. the Company's compliance with legal and regulatory requirements.

3. ensuring the external auditor's independence.
4. the performance of the Company's internal audit functions in order to ensure that the Company's internal controls and risk management are adequate.
5. To make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.

Internal Audits

The Committee assess the effectiveness of the Internal Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. The function of Internal Audits conducted by Messrs. M C Ranganathan & Company in line with an agreed annual audit plan. The Committee has recommended to the Board of Directors that Messrs. M C Ranganathan & Company be re-appointed as the internal auditors of the Company for the next financial year.

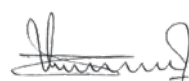
External Audits

The Committee meets the External Auditors at least once a year to review their findings, issues raised, as well as the effectiveness of the internal controls in place.

The Committee has recommended to the Board of Directors that Messrs. KPMG, Chartered Accountants, be re-appointed as the auditors of the Company for the financial year ending 31st March 2024, subject to the approval of the Shareholders at the Annual General Meeting. The Audit Committee is of the view that Messrs. KPMG, is an independent entity as per their declaration made to the Company and the Audit Committee concurs with their declaration.

Conclusion

The Audit Committee is of the view that adequate controls are in place to safeguard the Company's assets and that the financial position and the results disclosed in the Audited Financial Statements are free from any material misstatements.



Vish Govindasamy
Chairman
Audit Committee
08 April 2023

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transaction Review Committee (RPTRC) is appointed by the Board of Directors of TAL Lanka Hotels PLC in terms of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka (SEC).

Composition of the Committee

The committee comprises of the following two Non- Executive Independent Directors.

Mr. Vish Govindasamy – Chairman

Mr. Tilak De Zoysa – Committee Member

Role of the Committee

The key duties of the committee;

- to develop a Related Party Transaction Policy as directed by the CSE and SEC and to recommend the adoption of same to the Board of Directors of the Company.
- to review in advance all related party transactions prior to the execution of the transaction,
- to update the Board of Directors on the related party transactions of each company of the Group,
- to make immediate market disclosures on applicable related party transactions, as required by Section 9 of the Continuing Listing Requirements of the CSE,
- to monitor all related party transactions of the entity which are transacted on normal commercial terms to make sure that they are not prejudicial to the interests of the entity and its minority shareholders.
- to make appropriate disclosures on Related Party Transactions in the Annual Report, as required by Section 9 of the Continuing Listing Requirements of the CSE

Meetings

Four meetings of the Committee were held during the year. The attendance of the members at these meetings is as follows:

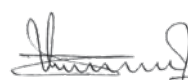
Name of Director	Attendance and Meeting Dates				
	11/04/2022	14/07/2022	11/10/2022	10/01/2023	Total
Mr. Vish Govindasamy	✓	✓	✓	✓	4/4
Mr. Tilak De Zoysa	✓	✓	✓	✓	4/4
By Invitation					
Mr. Russell De Mel	✓	✓	✓	✓	4/4
Mr. Samrat Datta	-	-	✓	✓	2/4
Mr. Paras Puri	✓	✓	✓	✓	4/4

Disclosures

A detailed disclosure of the recurrent related party transactions entered into by the Company during the year under review is disclosed in Note 34.6 to the financial statements given in page 68 of this report. There were no non-recurrent related party transactions during the year under review.

Declaration

It is declared affirmatively by the committee that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the year under review.



Vish Govindasamy

Chairman

Related Party Transaction Review Committee

08 April 2023

REPORT OF THE REMUNERATION COMMITTEE

Composition of the Committee

The Remuneration Committee, appointed by the Board of Directors, currently consists of three Non- Executive Independent Directors as follows.

Mr. Vish Govindasamy - Chairman
Mr. Tilak De Zoysa
Mr. Russell De Mel

The Remuneration Committee has been set up on 22nd December 2022 and will meet more often if required.

Role of the Committee

Its role is to make recommendations to the Board on the following.

- Remuneration policy and emoluments for certain Senior Executives.
- Employee benefits and long term incentive schemes.

Remuneration policy

The Company's remuneration policy is based on the following principles.

- To deliver improved shareholder value by ensuring that individual performance and rewards reflect and reinforce the business objectives of the Company.
- To support the recruitment, motivation and retention of highly qualified staff.
- To ensure that performance is the key factor in determining individual rewards.

The Committee is not responsible for setting the level of remuneration of Non-Executive Directors, which is determined by the Board.



Vish Govindasamy
Chairman
Remuneration Committee
08 April 2023

INDEPENDENT AUDITOR'S REPORT



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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF TAL LANKA HOTELS PLC Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TAL Lanka Hotels PLC ("the Company"), which comprise the statement of financial position as at 31st March 2023, and the statement of profit or loss and other 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 and other explanatory information as set out on pages 27 to 75.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31st March 2023, and of their financial performance and 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 issued 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 our audit of the Company financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

01. Management assessment of the Company ability to continue as going concern

Refer Accounting Policies in Note 2.8 and 29 to the financial statements

Risk Description	Our Responses
The Company has incurred a net loss of Rs. 1,291,194,196/- for the period ended 31st March 2023, as of that date, the Company's had net current liability Rs. 602,909,610/-. As disclosed in note 2.8, the financial statements have been prepared on a going concern basis.	Our audit procedures included Obtaining the Company's cash flow projections covering period of not less than twelve months from the reporting period end date and evaluating these key assumptions used in preparing the projections.
In adopting the going concern basis of preparation of the financial statements, the directors have reviewed the Company's cash flow projections prepared by the management and continuous financial support from its ultimate parent Company, TAL Hotels & Resorts Limited. The cash flow projections were based on management's assumptions and estimation of future cash inflows and outflows, also taking into consideration the impact of economic crisis related estimate uncertainty.	Obtaining a letter of support from the parent company and evaluating their ability to provide the financial support in order to meet the liabilities of the Company as and when they fall due and payable.
Note 29 to the financial statements, which describes increased estimation uncertainty in the preparation of the financial statements, specifically as it relates to the impacts of economic crisis on the Company's future	Evaluating the sensitivity of the projected available cash by considering downside scenarios together with reasonably plausible changes to the key assumptions and considering whether there were any indicators of management bias in the selection of the assumptions.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

C. P. Jayatilake FCA
Ms. S. Joseph FCA
S. T. D. L. Perera
Ms. B. K. D. T. N.
Ms. C.T.K.N. Perera ACA

T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

W. J. C. Perera FCA
W. K. D. C. Abeyrathne FCA
R. M. D. B. Rajapakse FCA
M. N. M. Shameel FCA
Ms. P. M. K. Sumanasekera FCA

Principals - S.R.I. Perera FCMA(UK), LLB. Attorney-at-Law, H.S. Goonewardene ACA,
Ms. F. R. Ziyad FCMA (UK), FTII

Independent Auditor's Report (Contd.)



01. Management assessment of the Company ability to continue as going concern (Contd.)	
Refer Accounting Policies in Note 2.8 and 29 to the financial statements	
Risk Description	Our Responses
prospects, performance and cash flows. Further, the management has described how they plan to deal with these events and circumstances. We have identified the management assessment of the Company's ability to continue as going concern as a key audit matter because the cash flow projections referred to above involves consideration of future events and circumstances which are inherently uncertain, and effect of those uncertainties may significantly impact the resulting accounting estimates. Therefore, the assessment requires the exercise of significant management judgement in assessing future cash inflows and outflow which could be subject to potential management bias.	- Inspecting the facility agreements for the Company's long-term loans to identify any financial covenants or similar terms and assessing the implication of these on the Company's liquidity. - Assessing the adequacy of disclosures in the financial statements in relation to the Company's ability to continue as going concern with reference to the requirements of the prevailing accounting standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent

with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, 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

Independent Auditor's Report (Contd.)



may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 ethical requirements in accordance with the Code of Ethics 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.

However, it should be noted that the Company's net assets are less than half of the stated capital and therefore faces a serious loss of capital situation in terms of Section 220 of the Companies Act No. 07 of 2007.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2618.

A handwritten signature in black ink, appearing to be 'Kul', with a stylized flourish at the end.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka.

08 April 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH,

	Note	2023 Rs.	2022 Rs.
Revenue	5	2,361,374,456	1,147,420,950
Direct cost		(2,179,389,688)	(1,409,814,285)
Gross profit /(loss)		181,984,768	(262,393,335)
Other income	6	894,425	311,784
Marketing expenses		(66,197,946)	(44,306,213)
Administrative expenses		(581,732,908)	(257,421,828)
Loss from operations		(465,051,661)	(563,809,592)
Finance Income	7.1	21,604,632	22,381,841
Finance expenses	7.2	(572,240,906)	(1,114,927,245)
Net Finance Expense	7	(550,636,274)	(1,092,545,404)
Loss before tax	8	(1,015,687,935)	(1,656,354,996)
Income tax expense	9	(275,506,261)	(58,552,349)
Loss for the year		(1,291,194,196)	(1,714,907,345)
Other comprehensive income / (expense), net of income tax			
Items that will not be reclassified subsequently to profit or loss :			
Revaluation gain on building, net of tax	9.3	-	555,784,881
Re-measurement gain/ (loss) on defined benefit plans, net of tax	9.3	(8,440,435)	13,670,803
Equity investments at FVOCI - net change in fair value, net of tax	9.3	(977,843)	2,586,519
Deferred tax on revaluation surplus due to change of tax rate	9.6.2	(320,654,249)	-
Deferred tax on fair value Reserve due to change of tax rate	9.6.2	(921,342)	-
Other comprehensive income for the year, net of tax		(330,993,869)	572,042,203
Total comprehensive expense for the year		(1,622,188,065)	(1,142,865,142)
Loss per share	10	(9.25)	(12.28)

The Accounting Policies and Notes on pages 32 to 75 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH,			
	Note	2023	2022
		Rs.	Rs.
ASSETS			
Non - current assets			
Property, plant and equipment	11	3,638,333,150	4,002,573,608
Intangible assets	12	129,567	872,998
Right of use assets	13	751,884,603	765,075,555
Equity securities designated as at FVOCI	14	17,297,591	18,694,510
Investments in fixed deposits	19	-	808,128,096
		4,407,644,911	5,595,344,767
Current assets			
Inventories	15	93,317,270	63,959,589
Trade and other receivables	16	219,079,479	137,693,801
Amounts receivable from related parties	17	1,634,263	42,071
Deposits, prepayments and advances	18	92,177,599	80,688,993
Current tax asset	9.7	7,410,154	6,283,909
Investments in Fixed Deposits	19	85,245,161	-
Cash and cash equivalents	20	222,789,176	192,195,910
		721,653,102	480,864,273
Total assets		5,129,298,013	6,076,209,040
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	21	1,396,374,941	1,396,374,941
Revaluation reserve	22	1,402,862,337	1,894,365,962
Fair value reserve	23	2,246,850	4,146,035
Accumulated losses		(4,289,862,493)	(3,161,077,238)
Total equity		(1,488,378,365)	133,809,700

STATEMENT OF FINANCIAL POSITION (Contd.)

AS AT 31ST MARCH,			
	Note	2023	2022
		Rs.	Rs.
Non-current liabilities			
Loans and borrowings	24	4,068,842,876	3,676,884,499
Retirement benefit obligation	25	64,705,502	38,077,695
Deferred tax liability	9.6	1,159,565,288	566,519,842
		5,293,113,666	4,281,482,036
Current liabilities			
Trade and other payables	26	771,548,431	504,478,427
Amounts payable to related parties	27	188,463,021	108,129,824
Loans and borrowings	24	364,551,260	947,080,786
Bank Overdraft	20	-	101,228,267
		1,324,562,712	1,660,917,304
Total liabilities		6,617,676,378	5,942,399,340
Total equity and liabilities		5,129,298,013	6,076,209,040

The Accounting Policies and Notes on pages 32 to 75 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

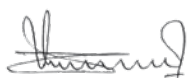
I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



Paras Puri - Area Financial Controller, Sri Lanka and Maldives
Director of Finance, Taj Samudra, Colombo

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

Approved and signed for and on behalf of the Board of Directors of TAL Lanka Hotels PLC.



V. Govindasamy
Director



Tilak De Zoysa
Director

08 April 2023
Colombo

STATEMENT OF CHANGES IN EQUITY

AS AT 31ST MARCH,					
	Stated capital	Revaluation reserve	Fair value reserve	Accumulated losses	Total
Balance as at 01 st April 2021	1,396,374,941	1,472,378,141	1,559,516	(1,593,637,756)	1,276,674,842
Total comprehensive income / (expenses) for the year					
Loss for the year	-	-	-	(1,714,907,345)	(1,714,907,345)
Other comprehensive income / (expense)					
Revaluation gain on building, net of tax	-	555,784,881	-	-	555,784,881
Re-measurement gain/ (loss) on defined benefit plans, net of tax	-	-	-	13,670,803	13,670,803
Equity investments at FVOCI - net change in fair value, net of tax	-	-	2,586,519	-	2,586,519
Total Other comprehensive income / (expenses), net of tax	-	555,784,881	2,586,519	13,670,803	572,042,203
Total comprehensive income / (expenses) for the year	-	555,784,881	2,586,519	(1,701,236,542)	(1,142,865,142)
Transfer of depreciation, net of deferred tax	-	(133,797,060)	-	133,797,060	-
Balance as at 31 st March 2022	1,396,374,941	1,894,365,962	4,146,035	(3,161,077,238)	133,809,700
Balance as at 01 st April 2022	1,396,374,941	1,894,365,962	4,146,035	(3,161,077,238)	133,809,700
Total comprehensive income / (expenses) for the year					
Loss for the year	-	-	-	(1,291,194,196)	(1,291,194,196)
Other comprehensive income / (expense)					
Re-measurement gain/ (loss) on defined benefit plans, net of tax	-	-	-	(8,440,435)	(8,440,435)
Equity investments at FVOCI - net change in fair value, net of tax	-	-	(977,843)	-	(977,843)
Deferred tax on revaluation surplus due to change of tax rate	-	(320,654,249)	-	-	(320,654,249)
Deferred tax on fair value Reserve due to change of tax rate	-	-	(921,342)	-	(921,342)
Total Other comprehensive income / (expenses), net of tax	-	(320,654,249)	(1,899,185)	(8,440,435)	(330,993,869)
Total comprehensive income / (expenses) for the year	-	(320,654,249)	(1,899,185)	(1,299,634,631)	(1,622,188,065)
Transfer of depreciation, net of deferred tax	-	(170,849,376)	-	170,849,376	-
Balance as at 31 st March 2023	1,396,374,941	1,402,862,337	2,246,850	(4,289,862,493)	(1,488,378,365)

The Accounting Policies and Notes on pages 32 to 75 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

AS AT 31ST MARCH,			
	Note	2023	2022
		Rs.	Rs.
Cash flows from operating activities,			
Loss before tax		(1,015,687,935)	(1,656,354,996)
Adjustments for			
Gain on disposal of property, plant and equipment	6	(660,870)	-
Depreciation on property, plant and equipment	11	393,057,842	377,224,480
Amortization of intangible asset	12	743,431	2,754,363
Amortization of Right of use assets	13	13,190,952	13,190,952
Provision for defined benefit plans	8.2.1	14,570,042	7,897,156
Impairment Provision for Trade and Other Receivables	16.1	2,462,819	5,002,320
Impairment Provision for Inventories	15.1	1,496,244	889,693
Interest income	7.1	(21,604,632)	(22,381,841)
Interest expense	7.2	338,406,111	139,969,766
Economic service charge write-off	8	-	9,514,429
Unrealised exchange loss		169,960,015	1,003,266,954
Operating loss before working capital changes		(104,065,981)	(119,026,724)
(Increase) / decrease in inventories		(29,454,297)	(9,640,346)
(Increase) / decrease in trade and other receivables		(83,848,497)	(107,415,970)
(Increase) / decrease in amounts receivable from related companies		(1,592,192)	1,042,273
(Increase) / decrease in deposits, prepayments and advances		(11,488,606)	4,833,410
Increase / (decrease) in current tax asset		(1,126,245)	-
Increase / (decrease) in trade and other payables		267,070,004	105,948,743
Increase / (decrease) in amounts payable to related companies		80,333,197	(11,257,181)
Cash generated from/(Used in) operations		115,827,383	(135,515,795)
Investment in plan asset	25.3	-	(35,000,000)
Retirement benefits paid by the Company		-	(592,373)
Interest paid		(543,253,575)	(10,640,090)
Income tax paid		-	(5,481,210)
Net cash Used in operating activities		(427,426,192)	(187,229,468)
Cash flows from investing activities			
Net proceeds from disposal of property, plant and equipment		660,870	-
Purchase of property, plant and equipment	11	(30,217,012)	(13,318,372)
Interest received		50,415,067	383,406
(Investment) / Withdrawal in Fixed deposits	19	871,560,000	(387,640,000)
Net cash generated from/ (used in) investing activities		892,418,925	(400,574,966)
Cash flows from financing activities			
Borrowings obtained from Related Party	24.1	127,644,250	387,640,000
Borrowings obtained from Bank	24.1	334,044,050	379,000,000
Loan repayments during the year	24.1	(794,859,500)	-
Payment of lease liability		-	(2,000,000)
Net cash (used in)/generated from financing activities		(333,171,200)	764,640,000
Net (decrease)/increase in cash and cash equivalents		131,821,533	176,835,566
Cash and cash equivalents at the beginning of the year		90,967,643	(85,867,923)
Cash and cash equivalents at the end of the year	20	222,789,176	90,967,643
Cash & cash equivalents at the end of the year			
Cash and cash equivalents	20	222,789,176	90,967,643
		222,789,176	90,967,643

The Accounting Policies and Notes on pages 32 to 75 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

ACCOUNTING POLICIES

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST MARCH 2023

1. CORPORATE INFORMATION

1.1. Reporting entity

TAL Lanka Hotels PLC (formerly known as Taj Lanka Hotels PLC) is a limited liability company domicile and incorporated in Sri Lanka in 1980 and listed on the Colombo Stock Exchange in 1982. The registered office and principal place of business is situated at No. 25, Galle Face Centre Road, Colombo 03.

1.2. Principal activities and nature of operations

TAL Lanka Hotels PLC is engaged in the hospitality trade. The Company owns the Taj Samudra Hotel located in Colombo.

1.3. Parent enterprise

The Company's parent company is TAL Hotels & Resorts Limited, Hong Kong (formerly known as Taj Asia Limited).

1.4. Responsibilities for financial statements and approval of financial statements

The Board of directors are responsible for preparation and presentation of the financial statements of the Company as per the provision of Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards. The directors' responsibility over financial statements for the year ended 31st March 2023 is set out in detail in the statement of directors' responsibility.

The financial statements of the Company of the year ended 31st March 2023 were authorized for issue in accordance with resolution of the Board of Directors on 8th April 2023.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements of the Company comprise the statement of financial position, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow together with the notes to the financial statements.

The financial statements have been prepared in accordance with Sri Lanka Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and complies with the requirements of the Companies Act No. 07 of 2007.

2.2. Basis of preparation

All assets and liabilities are classified as current and non-current as per company's normal operating cycle of 12 months which is based on the nature of business of the Company. Current Assets do not include elements which are not expected to be realized within 1 year and Current Liabilities do not include items which are due after 1 year, the period of 1 year being reckoned from the reporting date.

The financial statements have been prepared on a historical cost basis, except for the following line items in the statement of financial position:

Category	Items	Basis of measurement	Note
Assets	Financial instrument measured at fair value through other comprehensive income	At fair value	14
	Building	Measured at "cost at the time of acquisition" and subsequently at revalued amounts which are the fair values at the date of revaluation	11
Liabilities	Employee benefits liabilities	Actuarially valued and recognised at present value of the defined benefit obligation	25

2.3. Functional and Presentation Currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Accordingly, these Financial Statements are presented in Sri Lankan Rupees (LKR), the Company's functional and presentation currency.

There was no change in the Company's presentation and functional currency during the year under review.

2.4. 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 as permitted by the Sri Lanka Accounting Standard-LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative'.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.5. Comparative Information

Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous period in the Financial Statements to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

>>> ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST MARCH 2023

2.6. Use of estimates and judgments

The preparation of the financial statements in conformity with LKAS/SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in amounts recognized in the Financial Statements included in following notes.

Critical accounting assumptions and estimation uncertainties	Note
Fair value of buildings	2.6.1
Useful lifetime of the property, plant, and equipment	2.6.2
Impairment on non-financial assets	3.2.5.2
Measurement of defined benefit obligation: key actuarial assumptions	2.6.3
Provisions for liabilities, commitments, and contingencies	2.6.4
Impairment measurement of financial assets: determination of inputs into the ECL measurement model, including key assumptions and incorporation of forward-looking information	3.2.5.1
Income tax expense and deferred tax liability	9
Going concern basis	2.8

2.6.1. Fair value of buildings

The Company measures buildings at revalued amounts with changes in fair value being recognised in Equity through Other Comprehensive Income (OCI). Valuations are performed every five years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The Company engages independent professional valuer Mr. P. B. Kalugalagedara, Chartered Valuation Surveyor to assess fair value of land and buildings in terms of Sri Lanka Accounting Standard on "Fair Value Measurement" (SLFRS13). Based on the valuation techniques and inputs used, building was classified at level 3 in the fair value hierarchy.

The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the building, and sensitivity analysis are provided in Note 11.10 and 11.11.

2.6.2. Useful lifetime of the property, plant, and equipment

The Company reviews the residual values, useful lives, and methods of depreciation of property, plant, and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. Refer Note 3.4.4 for more details.

2.6.3. Measurement of defined benefit obligation

The cost of defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Refer Note 25.6 for the assumptions used to determine defined benefit obligations. Sensitivity analysis to key assumptions is disclosed in Note 25.9.

2.6.4. Provisions for liabilities and contingencies

Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions. Refer Note 32.

2.7. Measurement of fair values

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

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, Company assesses the evidence obtained from the third parties to support the conclusion that such valuations

>>> ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST MARCH 2023

2.7. Measurement of fair values (Contd)

meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

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

Level 3: Inputs for the asset or liability that are not based on observable market data. (Unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

2.8. Going Concern

The Company has incurred a loss of LKR 1,291,194,196 /- during the period ended 31st March 2023 (31st March 2022: LKR 1,714,907,345/-) and as of that date, accumulated losses amounted to LKR 4,289,862,493/- (31st March 2022: LKR 3,161,077,238/-). Further, the Company's current liabilities exceeded its current assets by LKR 602,909,610/- (31st March 2022: LKR 1,180,053,031/-) as at the reporting date. The current liabilities of the Company include related party loans and borrowings amounting to LKR 226,192,720/- which are due within 12 months from 31st March 2023.

Notwithstanding this, the Financial Statements has been prepared on the going concern basis due to reliance on a letter of support, dated 1st April 2023, provided by the Directors of TAL Hotels & Resorts Limited, the Parent Company. Through this letter of support the Directors of TAL Hotels & Resorts Limited;

- Acknowledges that there are no current plans for the payables to be called for a minimum period of 12 months from the date of signing the Company's 31st March 2023 financial statements, however, should they be called within the 12 months period referred to above, payments will only be required to the extent that they do not impact the entity's ability to meet its financial obligations as and when they fall due and payable.
- Also ensure that it can pay its debts as and when they fall due and payable. This undertaking is provided for a minimum of 12 months period from the date of signing the Financial Statements for the period ended 31st March 2023.

Apart from reliance on parent support, Management in assessing the appropriateness of the use of going concern basis of accounting in the preparation of financial statements has conducted a comprehensive review of the Company's affairs including, but not limited to:

- The cash flow forecast of the Company for the period up to next 12 months.
- The Company's ability of settling the statutory payables and other liabilities when they fall due and payable.
- Revenue and profitability forecasts for the Company for not only the next financial year, but beyond 31st March 2024.
- Impact of rapid change in macroeconomic factors have been considered as in note 29.
- The TAL Hotels and Resorts Limited the Parent Company has provided financial support through a loan facility amounting to USD 5 Mn of which USD 2.35 Mn is available for future utilization.

Further, based on the Company's assessment of the sources of funding available to the Company and strategies to improve performance and the financial position management believe it will be able to generate profits in future. Moreover, the Board of Directors have no plans to liquidate the Company or cease operations in the near future.

In view of the above, the Management continue to have a reasonable expectation that the Company has adequate resources to continue in operations for at least the next 12 months that the going concern basis of accounting remains appropriate.

2.9. Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretation Committee) and as specifically disclose in the accounting policies of the Company.

2.10 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard- LKAS 1 on 'Presentation of Financial Statements'.

>>> ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST MARCH 2023

3. SIGNIFICANT ACCOUNTING POLICIES

The Company have consistently applied the accounting policies to all periods presented in these financial statements.

3.1. Foreign currency

3.1.1. Foreign currency transactions

In preparing the Financial Statements, transactions in currencies other than the entity's functional currency (foreign currency) are recorded in the functional currencies (i.e. Sri Lanka Rupees) using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupees at the foreign exchange rate prevailing as at the reporting date.

Non-monetary assets and liabilities which are stated at historical cost denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate prevailing at the dates of the transactions. Non-monetary assets & liabilities that are stated at fair value denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate prevailing at the dates that the values were determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences which are recognized in other comprehensive income.

3.2. Financial instruments

3.2.1. Recognition and initial measurement

Trade receivable and debt securities issues are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company become a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets

3.2.2. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI - debt investment; FVOCI- equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company change its

business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL.

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets classified under amortised cost includes trade and other receivable, investment in fixed deposits and cash and cash equivalents.

A debt investment is measured at FVOCI if it meets both of the following conditions and it not designated as at FVTPL.

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment

The Company make an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Company's management;

>>> ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST MARCH 2023

Financial assets - Business model assessment (Contd.)

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial Assets -Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value for money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs. (e.g. liquidity risk and administrative costs), as well as a profit margin,

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual cash flow such that it would not meet this condition. In marking this assessment, the Company consider:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets- subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

>>> ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST MARCH 2023

3.2.3. Derecognition

3.2.3.1. Financial asset

The Company derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred in which the Company neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enter into transactions whereby they transfer assets recognized in its statement of financial position but retain either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

3.2.3.2. Financial liabilities

The Company derecognize a financial liability when its contractual obligation are discharged or cancelled, or expire. The Company derecognize a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3.2.4. Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.2.5. Impairment

3.2.5.1 Non-derivative financial assets

Financial instruments and contract assets

The Company recognises allowances for expected credit losses (ECLs) on financial assets measured at amortized cost. Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 180 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or

The disappearance of an active market or a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

3.2.5.2. Non-financial assets

The carrying amount 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, or when annual impairment testing for an asset is required, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

>>> ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST MARCH 2023

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. An impairment loss is recognized if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

3.2.5.2. Non-financial assets (Contd.)

The recoverable amount of an asset or 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 or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

Impairment losses are recognized in Profit or Loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

3.3. Stated capital

Ordinary shares

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved.

3.4. Property, plant and equipment

3.4.1. Recognition and measurement

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 can be reliably measured.

All property, plant and equipment are initially recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use.

If a significant part of an item of property, plant and equipment has different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

3.4.2 Subsequent Measurement

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

Buildings are subsequently shown in the statement of financial position at market value, based on valuations done by external independent valuers, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair value at the end of reporting date every 5 years.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation is charged to profit or loss to the extent that the loss exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. Each year the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings/ accumulated losses.

All other classes of assets included under property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

3.4.3. Subsequent cost

Subsequent cost is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. The costs of day-to-day servicing of property, plant and equipment is recognized in profit or loss as incurred.

3.4.4 Depreciation

Depreciation is charged to profit or loss so as to write off the cost or valuation of assets, over the estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in such estimates accounted for prospectively.

>>> ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST MARCH 2023

3.4.4 Depreciation (Contd.)

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows;

	No of Years
Landscaping	93 years from 1987
Buildings	3 - 40
Hotel equipment	1 - 10
Plant, machinery and equipment	1 - 10
Hotel furniture and fittings	1 - 10
Office furniture and equipment	5 - 10
Motor vehicle	4

Depreciation of an asset begins when it is available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

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

3.4.5 De-recognition

An item of property, plant and equipment is de-recognized upon disposal of or when no future economic benefits are expected from its use or disposal. The gains or losses arising on de-recognition (disposal or retirement) of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized net within 'other income' in the Statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

3.4.6 Capital work-in-progress

Capital work-in-progress represents the accumulated cost of materials and other costs directly related to the construction of an asset. Capital work-in-progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

3.5 Right of Use Assets

3.5.1. Recognition

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3.5.2. ROU assets

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Company applies the cost model for the subsequent measurement of the ROU asset and accordingly, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3.5.2.1 Depreciation expenses

Depreciation expenses has been charged to income statement under other operating and administration expenses.

3.5.3. Lease Liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

>>> ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST MARCH 2023

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

3.5.3.1 Interest expenses on lease liabilities

Interest expense is calculated by using the effective interest rate method and is recognised as finance expenses in the Income Statement.

3.5.4. Presentation of ROU asset and lease liabilities

The Company presents right-of-use assets that do not meet the definition of investment property in separate line as 'Right-of-use assets' and There is no lease liability at the end of the reporting date.

3.5.5. Short term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.6. Intangible assets

3.6.1. Recognition and measurement

An Intangible Asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably

measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

3.6.2. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, are recognized in profit or loss as incurred.

3.6.3. Amortization

Amortization is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is five years.

The estimated useful lives for the current and comparative years are as follows;

	No of Years
Software licenses	5

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.6.4. Derecognition

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in profit or loss when the asset is derecognized.

3.7. Inventories

Stock of food and beverages, other consumables and engineering supplies are carried at the lower of cost (computed on a Weighted Average basis) or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Cost includes the cost of fair value of consideration paid including duties and taxes (other than those refundable), inward freight, and other expenditure directly attributable to the purchase. Trade discounts and rebates are deducted in determining the cost of purchase.

3.8. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

>>> ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST MARCH 2023

3.9. Employee retirement benefits

3.9.1 Short-term employee benefits

The costs of all short-term employee benefits (that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service) are recognised during the period in which the employee renders the related service. The accruals for employee entitlements to benefits such as salaries, bonuses and annual leave represent the amounts which the Company has a present obligation to pay as a result of the employee's services and the obligation can be measured reliably. The accruals have been calculated at undiscounted amounts based on current salary levels at the reporting date.

3.9.2. Defined contribution plans - employees' Provident fund and employees' trust fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the profit or loss as in the periods during which services are rendered by employees.

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

3.9.3. Defined benefit plans

The Company has a Gratuity Cash Accumulation Policy with Life Insurance Corporation (Lanka) Limited to cover its employee's gratuity liability. The Defined Benefit Plans are administrated by LIC (Lanka) covering its employees. When an employee retires or exits from the Company, LIC (Lanka) Ltd will pay his/ her Gratuity to the employee on the date of payment of gratuity/exit. Gratuity of the employee is guaranteed for the past service of the employee subject to the available fund balance with them as contributed by the Company.

One of the salient features of the policy is that in the event of any unfortunate death of an employee during his/her employment with the company, LIC (Lanka) will pay the applicable gratuity for the pending years of service of the employee with the Company from its own fund against a payment of a nominal premium by considering the future balance period of service of the employee.

The Defined Benefit Obligation recognized in the statement of financial position represents the present value of the Defined Benefit Obligation as reduced by the fair value of plan assets.

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service. Liabilities are computed on the basis of half a month's salary for each year of completed service. The Company's

obligations under the said Act is determined based on an actuarial valuation using the projected unit credit method carried out by a professional actuary.

Remeasurements of the defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in OCI. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.9.4 Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

3.10 Borrowings

Bank and other borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. They are subsequently measured at amortised cost. Finance charges, including the transaction costs and any discount or premium on issue, are recognised in the profit or loss using the effective interest rate method.

Borrowings are classified as non-current when the repayment date is more than 12 months from the period-end date or where they are drawn on a facility with more than 12 months to expiry.

3.10.1 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that normally takes a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time the assets are substantially ready for their intended use or sale. Income earned from temporarily investing specific borrowings pending their expenditure on a qualifying asset is deducted from the borrowing costs eligible to be added to the carrying amount. All other borrowing costs are recognized in profit or loss in the year in which they are incurred.

>>> ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST MARCH 2023

3.11 Provisions

Provisions are recognised when the Company has a binding present obligation. This may be either legal because it derives from a contract, legislation or other operation of law, or constructive because the Company created valid expectations on the part of third parties by accepting certain responsibilities. To record such an obligation, it must be probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. The amount recognized as a provision and the indicated time range of the outflow of economic benefits are the best estimate (most probable outcome) of the expenditure required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. Non-current provisions are discounted if the impact is material.

3.12 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain. In the acquisition of subsidiaries by the Company under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

Statement of Profit or Loss and Other Comprehensive Income

3.13 Revenue recognition

3.13.1 Revenue from operations

Revenue is measured at the fair value of the consideration received or receivable. Revenue comprises sale of room nights, food and beverages and rental income.

Revenue is recognised upon rendering of the service, provided persuasive evidence of an arrangement exists, tariff rates are fixed or are determinable and collectability is reasonably certain. Revenue from sale of goods or rendering of services is net of indirect taxes, returns and discounts. Following are the criteria of recognition of difference type of income sources,

Type of service	Nature and timing of the satisfaction of performance obligation
Provision of accommodation	The main obligation in the customer contract is to provide rooms for guests. accommodation. This is represented in the Room Revenue reported in the financial statements. Revenue under this segment is recognised on the rooms occupied on a daily basis over the period of the stay. Invoice is raised to customer on completion of the duration of the stay.
Provision of Food and beverage	The following services are rendered under this performance obligation: i) Provision of BB/HB/FB meal for guests occupying the hotels which is part and partial of the contract entered into. Revenue is recognized at the time of sale and invoice to the customers on the completion of the duration of the stay. ii) Provision of extra food and beverages Revenue is recognised at the time of sale and invoice to the customers at the time of consumption.
Provision of Laundry, Telephone, Water sports, etc	These services are provided to customers as they are implied as business practices in the industry and create a valid expectation of the customer. Revenue is recognised at the time of provision of service and invoice is raised at the time of service is consumed.
Management fee	Management fees earned from hotels managed by the Company is usually under long-term contracts with the hotel owner and are recognised when earned in accordance with the terms of the contract when collectability is certain.
Rental income	Rental income is recognized on a straight-line basis over the term of the lease.

>>> ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST MARCH 2023

3.14 Expenditure recognition

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

For the purpose of presentation in profit or loss, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's performance.

3.15 Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings classified as debt. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in income statement using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities 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.

3.16 Income tax expense

Income tax expense comprises both current and deferred tax. Income tax expense is recognized in income statement except to the extent that it relates to items recognized directly in equity, in which case is recognized in the statement of comprehensive income or statement of changes in equity, in which case it is recognized directly in the respective statements.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

3.16.1 Current taxation

Current Tax expenses are accounted in the same period to which the revenue and expenses relate. Provision for current income tax is made for the tax liability payable on taxable income after considering tax allowances, deductions and exemptions determined in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and as amended subsequently by Inland Revenue (Amendment) Act No 10 of 2021 and (Amendment) Act No 45 of 2022.

3.16.2 Deferred taxation

Deferred Tax is recognised by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred Tax is not recognised for, temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profit will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary difference is insufficient to recognised a differed tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on the business plans. Differed tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reduction is reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates in enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities

3.16.3 Tax exposures

In determining the amount of current and deferred tax, the Company considers the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events.

New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

3.17 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies decisions of the other, irrespective of whether a price is charged.

3.18 Segment reporting

A segment is a distinguishable component engaged in providing services and that is subject to risks and returns that are different to those of other segments. The Company does not have distinguishable components to be identified as a segment as all operations are treated as one segment.

>>> ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST MARCH 2023

3.19 Statement of cash flows

Cash flows are reported using the indirect method, whereby profit/ (loss) before tax is adjusted for the effects of transactions of noncash nature and any deferrals or accruals of past or future cash receipts or payments, as stipulated in LKAS 7- statement of cash flows. Cash flows for the year are classified by operating, investing and financing activities. Cash and cash equivalents comprise of cash in hand, cash at bank and bank overdrafts.

3.20 Earnings Per Share

The Company presents basic Earnings Per Share (EPS) based on profit or loss attributable to the ordinary shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

3.21 Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Company.

4. NEW STANDARDS AND CHANGES TO ACCOUNTING STANDARDS NOT EFFECTIVE AS AT THE REPORTING DATE

A number of new standards are effective for annual periods beginning on or after 01st April 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

4.1. Deferred Tax related to Assets and Liabilities arising from a single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences- e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1st January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

4.2. Classification of Liabilities as Current or Non-Current (Amendments to LKAS 1)

The amendments, as issued on 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 01st January 2023. However, the IASB has subsequently proposed further amendments to LKAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 01st January 2024. Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the financial statements in the period of initial application. The Company is closely monitoring the developments.

4.3. Disclosure of Accounting Policies (Amendments to LKAS 1). The amendment applies to annual reporting period beginning on or after 1 January 2023

The key amendments include,

- requiring companies to disclose their material accounting policies rather than their significant accounting policies.
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Company's financial statements. The Company does not anticipate this amendment to have a significant impact.

4.4. Definition of Accounting Estimates (Amendments to LKAS 8)

The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendment applies to annual reporting periods beginning on or after 1 January 2023.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH,

	2023	2022
	Rs.	Rs.
5. REVENUE		
Revenue from Contracts with Customers		
Accommodation	1,023,910,369	481,785,137
Food & beverage	1,208,988,495	571,262,563
Revenue from Other Sources		
Rent income	53,603,792	41,771,651
Banquet income	33,194,449	34,606,968
Laundry income	3,647,892	2,690,333
Telephone income	34,944	106,606
Other Sources of Revenue	37,994,515	15,197,692
	2,361,374,456	1,147,420,950
5.1 Timing of Revenue Recognition		
Products & services transferred at a point in time	1,283,860,295	623,864,162
Products & services transferred over time	1,077,514,161	523,556,788
Total Revenue	2,361,374,456	1,147,420,950
6. OTHER INCOME		
Gain on disposal of property, plant and equipment	660,870	-
Other income from scrap sale	233,555	311,784
	894,425	311,784
7. NET FINANCE EXPENSE		
7.1 FINANCE INCOME		
Interest income	21,604,632	22,381,841
	21,604,632	22,381,841
7.2 FINANCE EXPENSE		
Interest expenses on bank borrowings	284,395,382	117,154,433
Interest expenses on Intercompany borrowings	54,010,729	22,815,333
Exchange loss (net)	233,834,795	974,957,479
	572,240,906	1,114,927,245
Net Finance Expense	550,636,274	1,092,545,404

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH,		
	2023	2022
	Rs.	Rs.
8. LOSS BEFORE TAX		
Loss before tax for the year is stated after charging all expenses including the following :		
Directors fees	1,542,700	1,212,006
Auditors' remuneration - Audit	1,266,000	1,266,000
Staff costs (Note 8.1)	856,839,437	581,908,177
Depreciation on property, plant and equipment	393,057,842	377,224,480
Amortization of intangible assets	743,431	2,754,363
Amortization of Right of use assets	13,190,952	13,190,952
Repairs and maintenance of property, plant and equipment	97,916,661	51,731,272
Management fee	71,769,650	34,346,976
Legal fees	467,406	265,854
Economic service charge write-off during the year	-	9,514,429
Impairment Provision for Inventories	1,496,244	889,693
Impairment Provision for Trade and Other Receivables	2,462,819	5,002,320
8.1 Staff costs		
Salary cost and Other benefit	774,991,995	531,803,325
Defined benefit plans (Note 8.2.1)	14,570,042	7,897,156
Defined contribution plans	67,277,400	42,207,696
	856,839,437	581,908,177
8.2 Defined benefit plan cost		
8.2.1 Amount recognised in Statement of Profit or Loss		
Current service cost	9,429,553	11,034,703
Past service credit	-	(7,608,658)
Interest cost on RBO	16,669,046	10,485,839
Return on plan assets	(11,528,557)	(6,014,728)
	14,570,042	7,897,156
8.2.2 Amount recognized in other comprehensive income		
Actuarial loss/(gain) on retirement benefit obligation	13,368,379	(16,350,468)
Remeasurement loss /(gain) of plan assets	(1,310,614)	454,186
	12,057,765	(15,896,282)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

9. INCOME TAX EXPENSE

9.1 Applicable Rates of Income Tax

In accordance with the provisions of the Inland Revenue (Amendment) Act No 10 of 2021, the Company is liable for Income Tax at the rate of 14% on its taxable Business income. (2021/2022 - 14%). Income Tax for any other income is computed at 24%. According to the the Inland Revenue Amended Act No 45 of 2022, the tax rate of the Company is increased to 30% from 14% w.e.f 01st October 2022.

Income exempt from tax

As per the Inland Revenue (Amendment) Act, No. 10 of 2021, Interest income received from Savings and Fixed deposits which are denominated in foreign currency have been considered as exempt income.

FOR THE YEAR ENDED 31ST MARCH,	2023	2022
	Rs.	Rs.

9.2 Income tax expense recognised in Profit or Loss

Current tax expense

In respect of the current year (note 9.4)	-	-
Under provision in previous years	-	5,481,210
	-	5,481,210

Deferred tax expense (Note 9.8)

Provision/(Reversal) of net deferred tax Liability	(50,764,257)	53,071,139
Increment of Tax Rate	326,270,518	-
Total Income tax expense recognised in the Income Statement	275,506,261	58,552,349

9.3 Amounts recognised in OCI

	For the year ended 31 st March 2023			For the year ended 31 st March 2022		
--	--	--	--	--	--	--

Items that will not be reclassified to profit or loss	Before Tax	Tax (expense)/ benefit	Net of Tax	Before Tax	Tax (expense)/ benefit	Net of Tax
Revaluation gain on building	-	-	-	646,261,490	(90,476,609)	555,784,881
Actuarial gains / (losses) arising from retirement benefit obligations	(12,057,765)	3,617,330	(8,440,435)	15,896,282	(2,225,479)	13,670,803
Fair value gain / (loss) on investments in equity investments designated as at FVOCI	(1,396,919)	419,076	(977,843)	2,873,910	(287,391)	2,586,519
Total income tax recognised in other comprehensive income	(13,454,684)	4,036,406	(9,418,278)	665,031,682	(92,989,479)	572,042,203

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH,					
		2023		2022	
		Rs.		Rs.	
9.	INCOME TAX EXPENSE (CONTD.)				
9.4	Reconciliation of Accounting Loss to Tax on current year				
	Accounting Loss before income tax expense	(1,015,687,935)		(1,656,354,996)	
	Other Sources of Income / Exempt Income	(22,265,502)		(22,381,841)	
	Aggregate disallowed expenses	1,138,763,110		1,394,984,607	
	Aggregate allowable deductions	(272,712,585)		(252,690,584)	
	Assessable Income from Business	(171,902,912)		(536,442,814)	
	Assessable Interest Income	-		-	
	Taxable Income	-		-	
	Income Tax Expense	-		-	
9.5	Tax Losses Carried Forward				
	Tax Losses brought forward	2,232,232,477		1,716,986,014	
	Adjustments to prior year tax liability and tax losses arising during the year	(3,367,790)		(21,196,351)	
	Tax Losses During the Year	171,902,912		536,442,814	
	Tax Losses carried forward	2,400,767,599		2,232,232,477	
9.6	DEFERRED TAX LIABILITY				
	Deferred tax assets	(53,011,639)		(22,018,784)	
	Deferred tax liabilities	1,212,576,927		588,538,626	
	Net Deferred Tax Liability	1,159,565,288		566,519,842	
9.6.1	Analysis of recognised deferred tax assets / liabilities in the Statement of Financial Position				
		2023		2022	
	Deferred tax assets on,	Temporary difference	Tax effect	Temporary difference	Tax effect
	Inventory provision	13,843,373	4,153,012	12,347,129	1,728,598
	Loss allowance for trade receivables	11,919,503	3,575,851	9,456,684	1,323,936
	Retirement benefit obligation	150,942,585	45,282,776	135,473,217	18,966,250
		176,705,461	53,011,639	157,277,030	22,018,784
	Deferred tax liabilities on,				
	Property, plant and equipment	3,337,699,665	1,001,309,900	3,487,244,709	488,214,259
	Right to use land - Revalued	701,013,634	210,304,090	713,312,113	99,863,696
	Financial assets measured at FVOCI	3,209,791	962,937	4,606,710	460,671
		4,041,923,090	1,212,576,927	4,205,163,532	588,538,626
	Net recognised deferred tax liability	3,865,217,629	1,159,565,288	4,047,886,502	566,519,842

NOTES TO THE FINANCIAL STATEMENTS

9.6 DEFERRED TAX LIABILITY (CONTD.)

9.6.2 Movement of deferred tax assets and liabilities

As at 31 st March 2023	Opening balance	Recognized in P & L		Recognized in OCI		Closing balance
		Timing Difference	Tax rate Change	Timing Difference	Tax rate Change	
Property, plant and equipment	488,214,259	(44,863,513)	240,332,095	-	317,627,059	1,001,309,900
Right to use land - Revalued	99,863,696	(3,689,544)	111,102,748	-	3,027,190	210,304,090
Inventory provision	(1,728,598)	(448,873)	(1,975,541)	-	-	(4,153,012)
Loss allowance for trade receivables	(1,323,936)	(738,846)	(1,513,069)	-	-	(3,575,851)
Retirement benefit obligation	(18,966,250)	(1,023,481)	(21,675,715)	(3,617,330)	-	(45,282,776)
Financial assets measured at FVOCI	460,671	-	-	(419,076)	921,342	962,937
	566,519,842	(50,764,257)	326,270,518	(4,036,406)	321,575,591	1,159,565,288

As at 31 st March 2022	Opening Balance	Recognized in P & L		Recognized in OCI		Closing balance
		Timing Difference	Tax rate Change	Timing Difference	Tax rate Change	
Property, plant and equipment	415,552,927	(17,815,277)	-	90,476,609	-	488,214,259
Right to use land - Revalued	101,305,482	(1,441,786)	-	-	-	99,863,696
Inventory provision	(1,604,041)	(124,557)	-	-	-	(1,728,598)
Loss allowance for trade receivables	(623,611)	(700,325)	-	-	-	(1,323,936)
Retirement benefit obligation	(22,635,703)	1,443,974	-	2,225,479	-	(18,966,250)
Carry forward tax losses	(71,709,110)	71,709,110	-	-	-	-
Financial assets measured at FVOCI	173,280	-	-	287,391	-	460,671
	420,459,225	53,071,139	-	92,989,479	-	566,519,842

2023

2022

Rs.

Rs.

9.6.3 Analysis of Tax Losses

The composition of tax losses is as follows,

Tax losses brought forward	2,232,232,477	1,716,986,014
Adjustment to prior years	(3,367,790)	(21,196,351)
Tax loss during the year	171,902,912	536,442,814
Total carried forward tax losses as at 31st March	2,400,767,599	2,232,232,477
Unrecognized tax loss for deferred tax	(2,400,767,599)	(2,232,232,477)
Carried forward tax losses for deferred tax	-	-

NOTES TO THE FINANCIAL STATEMENTS

9.6 DEFERRED TAX LIABILITY (CONTD.)

9.6.4 Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

	2023		2022	
	Gross Amount	Tax effect	Gross Amount	Tax effect
	Rs.	Rs.	Rs.	Rs.
Carried forward tax losses	2,400,767,599	720,230,280	2,232,232,477	312,512,547
	2,400,767,599	720,230,280	2,232,232,477	312,512,547

9.6.5 Applicable income tax rates as per the Department of Inland Revenue

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes based on the provision of the Inland Revenue Amendment act no 45 of 2022. The deferred tax liability is calculated at the rate of 30% (2021/2022-14%) for the company as at 31st March 2023. The Corporate tax rate increased from 14% to 30%. This change resulted in a loss of LKR 647,846,109/- related to the remeasurement of deferred tax liability of the Company.

9.7 CURRENT TAX ASSETS AND (LIABILITIES)

	2023 Rs.	2022 Rs.
Current tax assets		
Withholding tax recoverable	7,410,154	6,283,909
	7,410,154	6,283,909
Current tax liabilities		
Income tax payable	-	-
	7,410,154	6,283,909

10. EARNINGS/ (LOSS) PER SHARE

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

	2023	2022
For the Year ended 31st March		
Loss attributable to shareholders (Rs.)	(1,291,194,196)	(1,714,907,345)
Weighted average number of shares in issue during the year	139,637,494	139,637,494
Basic Loss per share	(9.25)	(12.28)

10.1 Diluted Earning per share

There were no potential dilutive ordinary shares outstanding of any time during the year. Therefore, diluted Earnings per share is the same as Basic earnings per share above

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

As at 31st March 2022

	Landscaping	Buildings	Plant & machinery	Hotel equipment	Hotel furniture & fittings	Office furniture & equipment	Motor vehicle	Capital work in progress	TOTAL
Opening net book value	6,209,970	2,981,000,000	356,333,205	172,851,560	176,199,102	25,965,623	-	1,658,766	3,720,218,226
Additions during the year	-	680,922	4,227,812	1,947,065	71,339	901,500	-	5,489,734	13,318,372
Transfer from capital work in progress	-	-	-	-	-	100,500	-	(100,500)	-
Depreciation charge for the year	(96,588)	(198,763,412)	(70,421,845)	(39,785,155)	(62,752,690)	(5,404,790)	-	-	(377,224,480)
Revaluation surplus during the year	-	646,261,490	-	-	-	-	-	-	646,261,490
Carrying value	6,113,382	3,429,179,000	290,139,172	135,013,470	113,517,751	21,562,833	-	7,048,000	4,002,573,608
As at 31 st March 2022									
Cost / valuation	8,982,586	3,429,179,000	1,269,967,936	611,646,917	1,157,809,734	104,975,291	13,000,000	7,048,000	6,602,609,464
Accumulated depreciation	(2,869,204)	-	(979,828,764)	(476,633,447)	(1,044,291,983)	(83,412,458)	(13,000,000)	-	(2,600,035,856)
Carrying value	6,113,382	3,429,179,000	290,139,172	135,013,470	113,517,751	21,562,833	-	7,048,000	4,002,573,608

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT (Contd.)

As at 31 st March 2023	Landscaping	Buildings	Plant & machinery	Hotel equipment	Hotel furniture & fittings	Office furniture & equipment	Motor vehicle	Capital work in progress	TOTAL
Opening net book value	6,113,382	3,429,179,000	290,139,172	135,013,470	113,517,751	21,562,833	-	7,048,000	4,002,573,608
Additions during the year	-	-	586,000	8,031,192	-	4,047,313	-	17,552,507	30,217,012
Transfer from capital work in progress	-	5,106,878	17,252,503	-	-	-	-	(22,359,381)	-
De-recognition of CWIP								(1,399,628)	(1,399,628)
Disposals									
- Cost	-	-	(10,249,424)	-	-	-	-	-	(10,249,424)
- Accumulated depreciation	-	-	10,249,424	-	-	-	-	-	10,249,424
Depreciation charge for the year	(96,588)	(228,941,856)	(69,806,452)	(37,042,200)	(52,161,288)	(5,009,458)	-	-	(393,057,842)
Carrying value	6,016,794	3,205,344,022	238,171,223	106,002,462	61,356,463	20,600,688	-	841,498	3,638,333,150
As at 31 st March 2023									
Cost / valuation	8,982,586	3,434,285,878	1,277,557,015	619,678,109	1,157,809,734	109,022,604	13,000,000	841,498	6,621,177,424
Accumulated depreciation	(2,965,792)	(228,941,856)	(1,039,385,792)	(513,675,647)	(1,096,453,271)	(88,421,916)	(13,000,000)	-	(2,982,844,274)
Carrying value	6,016,794	3,205,344,022	238,171,223	106,002,462	61,356,463	20,600,688	-	841,498	3,638,333,150

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

11.1 Property, plant and equipment under construction

Capital work in progress represents the amount of expenditure recognised under property, plant and equipment during the construction of capital assets.

11.2 Title restriction on property, plant and equipment

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date except assets disclosed under note 11.8.

11.3 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired PPE to the aggregate value of Rs. 30.2 million (2021/2022 - Rs. 13.3 million) by means of cash.

11.4 Capitalisation of borrowing cost

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2022/2023 (2021/2022 - Nil).

11.5 Temporarily Idle property, plant and equipment

There are no temporarily idle property, plant or equipment as at the reporting date. (2021/2022 - Nil)

11.6 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of PPE as at 31st March 2023 by considering the impact from the current economic condition as well. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of PPE (2021/2022 - Nil).

11.7 Fully depreciated property, plant and equipment in use

Property, plant and equipment includes fully depreciated assets with a cost of Rs. 1,707,564,397/- (31 March 2022 - Rs. 1,555,621,411/-) which were in use during the year.

11.8 Property, plant and equipment pledged as security for liabilities

The value of the property, plant and equipment pledged as security against borrowings are disclosed in Note 30.

11.9 Valuation of Property, Plant and Equipment

The Company uses the revaluation model of measurement for buildings. The Company engaged P. B. Kalugalagedera & Associates, an accredited independent valuer, to determine the fair value of its buildings. Fair value is determined by reference to Direct capital comparison method. Valuations are based on open market rates, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent valuation was 31st March 2022. There is no major change in value especially as confirmed by the independent valuer on 31st March 2023.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST MARCH 2023

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

11.10 The details of freehold buildings which are stated at valuation are as follows,

Location	No of Buildings	Square Feet	Method of Valuation	Effective date of Valuation	Name of the Independent Valuer	Revalued Amount	Net Book Value before revaluation	Revaluation Gain
Building								
No 25, Galle Face Centre Road, Colombo - 03	2	472,630	Direct capital comparison method	31-03-2022	Mr. P. B. Kalugalagedara Chartered Valuation Surveyor No.521/7, Thimbirigasyaya Road, Colombo 5.	3,434,285,878	3,200,237,144	234,048,734

11.11 Fair value measurement

(a) Fair value hierarchy

The fair value of the Building was determined by an external independent property valuer, having appropriate recognized professional qualifications and experience in the category of the property being valued. The valuer provides the fair value of the property. Based on the valuation techniques used it has been classified under Level 3 in fair value hierarchy.

(b) Valuation techniques and significant unobservable inputs used in measuring fair value

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

Valuation techniques	Significant unobservable inputs	Range of Estimates for unobservable inputs	Interrelationship between key unobservable inputs & fair value measurements
Direct capital comparison method	Estimated constructed cost per square feet	Rs. 4,000 - Rs. 9,500 (Estimated Price per Square Foot)	Positive correlation sensitivity Estimated fair value would increase/ (decrease) if price per Square Foot would increase / (decrease).
The valuation method considers the cost of producing substitute property with equal utility, by calculating the current cost of replacing the subject improvements and subtracting an approximate amount for depreciation.			

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

AS AT 31ST MARCH,

2023

2022

Rs.

Rs.

11.12 If property, plant and equipment were stated on the historical cost basis, their net book amounts would be as follows :

Buildings

Cost	2,371,786,459	2,366,679,581
Accumulated depreciation	(1,707,540,628)	(1,549,761,989)
Carrying value	664,245,831	816,917,592

12. INTANGIBLE ASSETS

Cost		
Balance at the beginning of the year	26,555,844	26,555,844
Balance at the end of the year	26,555,844	26,555,844
Accumulated amortization		
Balance at the beginning of the year	25,682,846	22,928,483
Amortization during the year	743,431	2,754,363
Balance at the end of the year	26,426,277	25,682,846
Carrying value as at 31st March	129,567	872,998

13. RIGHT OF USE ASSETS

Valuation	1,204,004,800	1,204,004,800
Accumulated amortization		
Balance at the beginning of the year	438,929,245	425,738,293
Amortized during the year	13,190,952	13,190,952
Balance at the end of the year	452,120,197	438,929,245
Carrying value as at 31st March	751,884,603	765,075,555

13.1 If the leasehold land was stated at historical cost, the net book value would be as follows :

Leasehold land		
Cost	83,000,000	83,000,000
Accumulated depreciation	(32,129,031)	(31,236,558)
Carrying value	50,870,969	51,763,442

The Company obtained leasehold rights to the land situated at No. 25, Galle Face Centre Road, Colombo 3, for 99 years from the Urban Development Authority on 9 April 1981. The remaining lease period as at 31 March 2023 was 57 years. Based on the then Ruling 11 of the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka, it was stated at revalued amounts. As per the statement of Recommended Practice for Right-to-use of Land on Lease issued by the Institute of Chartered Accountants of Sri Lanka, the carrying value inclusive of revalued amounts of the leased property is amortized over the remaining lease period. However with the adoption of SLFRS 16 Leases and the Application Guidance Notes on SLFRS 16 issued by the The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) the prevailing SoAT has been withdrawn.

NOTES TO THE FINANCIAL STATEMENTS

14. EQUITY SECURITIES DESIGNATED AS AT FVOCI

AS AT 31ST MARCH,	2023	2022
	Rs.	Rs.
Investments in ordinary shares of Lanka Island Resorts Ltd	17,297,591	18,694,510
	17,297,591	18,694,510
Balance as at the beginning of the year	18,694,510	15,820,600
Fair value gain / (loss) on investments	(1,396,919)	2,873,910
Balance as at the end of the year	17,297,591	18,694,510

14.1 Investment in ordinary shares of Lanka Island Resorts Ltd

The Company designated the investments shown below as equity securities at FVOCI because these equity securities represent investments that the Company intends to hold for the long term for strategic purposes.
No strategic investments were disposed of during the year 2022/2023, and there were no transfers to any cumulative gain or loss within the equity relating to these investments.

The investment in ordinary shares of Lanka Island Resorts Ltd has been measured at fair value on a net assets value (Rs. 12.28/- per share) basis and the fair value gain / (loss) has been classified as fair value reserve.

AS AT 31ST MARCH,	2023	2022
	Rs.	Rs.

15. INVENTORIES

Food, beverages and tobacco	55,539,891	31,414,654
Engineering items	5,146,832	2,716,205
Other consumables	46,473,920	42,175,859
	107,160,643	76,306,718
Provision for impairment of inventories (Note 15.1)	(13,843,373)	(12,347,129)
	93,317,270	63,959,589

15.1 Provision for impairment of inventories

Balance at the beginning of the year	12,347,129	11,457,436
Provision during the year	1,496,244	889,693
Balance at the end of the year	13,843,373	12,347,129

16. TRADE AND OTHER RECEIVABLES

Trade receivables	228,409,591	137,096,115
Impairment Provision for trade receivables (Note 16.1)	(10,091,204)	(7,628,385)
Net Trade receivables	218,318,387	129,467,730
Receivables from Airport Garden Hotel Limited	-	7,980,973
Other receivables	2,589,391	2,073,397
Impairment Provision for Other receivables (Note 16.1)	(1,828,299)	(1,828,299)
	219,079,479	137,693,801

NOTES TO THE FINANCIAL STATEMENTS

16. TRADE AND OTHER RECEIVABLES (CONTD.)

AS AT 31ST MARCH,	2023	2022
	Rs.	Rs.

16.1 Impairment Provision for trade receivables

Balance at the beginning of the year	9,456,684	4,454,364
Impairment Provision recognized during the year - Trade Receivables	2,462,819	3,174,021
Impairment Provision recognized during the year - Other Receivables	-	1,828,299
Balance at the end of the year	11,919,503	9,456,684

17. AMOUNTS RECEIVABLE FROM RELATED PARTIES

PIEM Hotels Limited	42,071	42,071
Airport Garden Hotel Limited	341,323	-
Taj Coral Reef Resort & Spa Maldives	1,250,869	-
	1,634,263	42,071

18. DEPOSITS, PREPAYMENTS AND ADVANCES

Deposits	35,305,864	39,326,450
Prepayments	37,923,613	18,383,114
Advances (Note 18.1)	18,948,122	22,979,429
	92,177,599	80,688,993

18.1 The Company has recorded Supplier Advances, Staff Advances and festival Advances under the Advances.

19. INVESTMENT IN FIXED DEPOSITS

Balance at the beginning of the year	774,860,000	138,705,000
Investment during the year	90,787,500	387,640,000
Withdrawals during the year	(962,347,500)	-
Exchange gain/(loss)	177,487,500	248,515,000
Balance at the end of the year	80,787,500	774,860,000
Interest Receivable as at 31 st March	4,457,661	33,268,096
Total Investment in Fixed Deposits as at 31 st March	85,245,161	808,128,096
Non current Assets	-	808,128,096
Current Assets	85,245,161	-
	85,245,161	808,128,096

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 ST MARCH,		2023	2022
		Rs.	Rs.
20.	CASH AND CASH EQUIVALENTS		
	Cash at bank	212,209,045	158,341,163
	Cheques in hand	6,552,308	30,395,467
	Cash in hand - Main cash	1,450,823	1,387,280
	- Petty cash	2,577,000	2,072,000
	Cash and cash equivalents in the statement of financial position	222,789,176	192,195,910
	Bank Overdrafts repayable on demand	-	(101,228,267)
	Cash and cash equivalents in the statement of cash flows	222,789,176	90,967,643
21.	STATED CAPITAL		
	Issued and fully paid		
	139,637,494 ordinary shares	1,396,374,941	1,396,374,941
	Rights of Ordinary Shares		
	The shares of TAL Lanka Hotels PLC are quoted in the Colombo Stock Exchange. All issued shares are fully paid. All shares issued carry equal voting rights. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the meetings of the Company.		
22.	REVALUATION RESERVE (NET OF TAX)	2023	2022
		Rs.	Rs.
	Balance at the beginning of year	1,894,365,962	1,472,378,141
	Revaluation gain during the year	-	646,261,490
	Deferred Tax relating to revaluation of building	-	(90,476,609)
	Depreciation transfer	(170,849,376)	(133,797,060)
	Deferred tax on revaluation surplus due to change of tax rate	(320,654,249)	-
	Balance at the end of year	1,402,862,337	1,894,365,962
	Nature and purpose of revaluation reserve		
	The revaluation reserve relates to free hold building which has been revalued by the Company. On revaluation of an asset, any increase in the carrying amount is recognised in revaluation reserve in equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.		
23.	FAIR VALUE RESERVE	2023	2022
		Rs.	Rs.
	Balance at the beginning of year	4,146,035	1,559,516
	Changes in fair value (Note 14)	(1,396,919)	2,873,910
	Deferred tax relating to changes in fair value	419,076	(287,391)
	Deferred tax on fair value Reserve due to change of tax rate	(921,342)	-
	Balance at the end of year	2,246,850	4,146,035
	Nature and purpose of fair value reserve		
	This represents the cumulative net change in fair value of equity securities designated at FVOCI until the investments are derecognized.		

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 ST MARCH,		2023	2022
		Rs.	Rs.
24.	LOANS AND BORROWINGS		
Current			
Bank borrowings		138,358,540	947,080,786
Related party borrowings - TAL Hotels and Resorts Limited		226,192,720	
		364,551,260	947,080,786
Non-current			
Bank borrowings		3,224,694,341	2,867,870,489
Related party borrowings - TAL Hotels and Resorts Limited		716,504,285	809,014,010
Related party borrowings - IHOCO B.V		127,644,250	-
		4,068,842,876	3,676,884,499
Total borrowings		4,433,394,136	4,623,965,285

24.1	Movement in Loans and Borrowings	Related Party Borrowings		Bank Borrowings		Total	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
	Balance at the beginning of the year	774,848,889	138,697,470	3,557,853,148	2,250,905,443	4,332,702,037	2,389,602,913
	Loans received during the year	127,644,250	387,640,000	334,044,050	-	461,688,300	387,640,000
	Bank Overdraft obtained for long term	-	-	-	379,000,000	-	379,000,000
	Loan repayments during the year	-	-	(794,859,500)	-	(794,859,500)	-
	Effect of movement in exchange rates	81,486,332	248,511,419	265,961,183	927,947,705	347,447,515	1,176,459,124
	Balance at the end of the year	983,979,471	774,848,889	3,362,998,881	3,557,853,148	4,346,978,352	4,332,702,037
	Interest Payable on Loan	86,361,784	34,165,121	54,000	230,536,635	86,415,784	264,701,756
	Interest Payable on Bank Overdraft	-	-	-	26,561,492	-	26,561,492
	Total Loans as at 31st March	1,070,341,255	809,014,010	3,363,052,881	3,814,951,275	4,433,394,136	4,623,965,285
	Current	226,192,720	-	138,358,540	947,080,786	364,551,260	947,080,786
	Non-current	844,148,535	809,014,010	3,224,694,341	2,867,870,489	4,068,842,876	3,676,884,499
	Total Loans as at 31st March	1,070,341,255	809,014,010	3,363,052,881	3,814,951,275	4,433,394,136	4,623,965,285

24.2	Maturity Analysis of Loans And Borrowings		
	Within 1 year	364,551,260	947,080,786
	Between 1 and 2 years	536,469,394	1,324,808,336
	Between 2 and 5 years	3,532,373,482	2,352,076,163
		4,433,394,136	4,623,965,285

NOTES TO THE FINANCIAL STATEMENTS

24. LOANS AND BORROWINGS (CONTD.)

AS AT 31 ST MARCH,	2023	2022
	Rs.	Rs.

24.3 The interest rate exposure on the bank borrowings as at the reporting date are as follows :

- Hatton National Bank (Loan 1- USD 4.00 Mn)	01 M LIBOR USD +3.6%	01 M LIBOR USD +3.6%
- Hatton National Bank (Loan 2 - USD 13.00 Mn)	01 M LIBOR USD +3.6%	01 M LIBOR USD +3.6%
- Hatton National Bank (Loan 3- USD 2.72 Mn)	01 M LIBOR USD +3.6%	01 M LIBOR USD +3.6%
- Hatton National Bank (Loan 4- LKR 250 Mn)	-	3.46% Per Annum
- Hatton National Bank (Loan 5- LKR 25 Mn)	4% Per Annum	4% Per Annum
- Hatton National Bank (Loan 6- LKR 25 Mn)	4% Per Annum	4% Per Annum
- Hatton National Bank (Loan 7- USD 919,851/-)	01 M LIBOR USD +3.6%	-
- Loan From TAL Hotels and Resorts Limited (Loan 8- USD 0.699 Mn)	6% Per Annum	6% Per Annum
- Loan From TAL Hotels and Resorts Limited (Loan 9- USD 0.7 Mn)	5.75% Per Annum	5.75% Per Annum
- Loan From TAL Hotels and Resorts Limited (Loan 10- USD 0.25 Mn)	5.75% Per Annum	5.75% Per Annum
- Loan From TAL Hotels and Resorts Limited (Loan 11- USD 0.5 Mn)	5.00% Per Annum	5.00% Per Annum
- Loan From TAL Hotels and Resorts Limited (Loan 12- USD 0.5 Mn)	5.25% Per Annum	5.25% Per Annum
- Loan From IHOCO BV (Loan 13- USD 0.395 Mn)	3 M LIBOR +3.6%	-

25. RETIREMENT BENEFIT OBLIGATIONS

25.1 Net retirement benefit obligations

Present value of defined benefit obligation (Note 25.2)	150,942,585	135,473,217
Fair value of plan assets (Note 25.3)	(86,237,083)	(97,395,522)
Shortfall	64,705,502	38,077,695
Net retirement benefit obligation as at 31st March	64,705,502	38,077,695

25.2 Movement of the retirement benefit obligation

Balance at the beginning of year	135,473,217	161,683,595
Amount recognised in Statement of Profit or Loss		
- Past service credit	-	(7,608,658)
- Current service cost	9,429,553	11,034,703
- Interest cost	16,669,046	10,485,839
Amount recognized in other comprehensive income		
- Actuarial (gain)/ losses on obligation - Due to change in financial assumptions	15,392,726	(32,324,384)
- Actuarial (gain)/ losses on obligation - Due to experience	(2,024,347)	15,973,916
Benefit payments during the year		
- Regular benefit payments from the fund during the year	(23,997,610)	(23,179,421)
- Regular benefit payments from directly by the Company during the year	-	(592,373)
Balance at the end of year	150,942,585	135,473,217

NOTES TO THE FINANCIAL STATEMENTS

25. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

AS AT 31 ST MARCH,	2023	2022
	Rs.	Rs.

25.3 Movement of the plan asset

Fair value of the plan asset at the beginning of the year	97,395,522	80,014,401
Net Contribution paid into the plan	-	35,000,000
Benefit paid by the plan	(23,997,610)	(23,179,421)
Return on plan assets	11,528,557	6,014,728
Remeasurement (loss) /gain of plan assets	1,310,614	(454,186)
Fair value of the plan asset at the end of the year	86,237,083	97,395,522

25.4 Retirement benefit obligation of TAL Lanka Hotels PLC is partly funded externally through an employees' group gratuity plan at Life Insurance Corporation (Lanka) Limited.

25.5 An actuarial valuation was carried out by an independent professional valuer, Messer's Navin V Iyer, Fellow, Institute of Actuaries of India on 31 March 2023, to ascertain the full liability arising in terms of the Payment of Gratuity Act No 12 of 1983, in respect of all employees of the Company as at 31 March 2023. The valuation method used by the Actuaries to value the liability is the 'Projected Unit Credit Method (PUC)', the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on 'Employee Benefits'.

25.6 The principal assumptions used for this purpose are as follows :

Discount rate per annum	18.50%	13.50%
Annual salary increment rate	12.00%	5.00%
Staff turnover	10.00%	10.00%
Retirement age	60 years	60 years
Weighted average retirement age	7.16 years	7.19 years

Assumption regarding future mortality are based on A67-70 Mortality table, issued the Institute of Actuaries, London, United Kingdom.

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero-coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19.

NOTES TO THE FINANCIAL STATEMENTS

25. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

AS AT 31 ST MARCH,	2023	2022
	Rs.	Rs.

25.7 Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years from the fund as follows,

1st following year	22,657,932	21,473,459
2nd following year	28,030,547	20,802,352
3rd following year	27,776,049	26,247,706
4th following year	28,037,877	22,521,500
5th following year	28,463,722	21,273,161
Sum of years 6 to 10	144,012,672	90,553,563
Years 11 and above	270,632,922	105,697,204

25.8 The composition of Insurance Plan Assets

Major categories of Plan Assets as follows,

Insurer-managed funds	100%	100%
-----------------------	------	------

25.9 Sensitivity of assumptions used in actuarial valuation

Sensitivity analysis is an analysis which will give the movement in liability if the assumption were not proved to be true on different count. This only signifies the change in the liability if the difference between assumed and the actual is not following the parameters of the sensitivity analysis.

	2023	2022
	Rs.	Rs.
Project benefit obligation on current assumption	150,942,585	135,473,217
Effect of +1% change in rate of discounting	(6,382,547)	(5,715,425)
Effect of -1% change in rate of discounting	6,945,683	32,136,902
Effect of +1% change in rate of salary increase	7,299,272	32,473,750
Effect of -1% change in rate of salary increase	(6,795,103)	(11,419,580)

26. TRADE AND OTHER PAYABLES

Trade payables	302,230,644	178,264,180
Social security and other taxes payable	47,210,803	23,668,777
Accrued expenses	143,038,464	139,967,328
Deposits and advances obtained	147,422,293	40,984,668
Other payables	131,646,227	121,593,474
	771,548,431	504,478,427

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 ST MARCH,		2023	2022
		Rs.	Rs.
27.	AMOUNTS PAYABLE TO RELATED PARTIES		
	Lanka Island Resorts Limited	787,484	208,059
	Taj West end	848,573	-
	Taj Exotica Resort & Spa Maldives	2,185,409	-
	The Indian Hotels Company Limited	12,143,892	2,378,295
	TAL Hotels and Resorts Limited - Management fee	172,497,663	105,543,470
		188,463,021	108,129,824

28. EVENTS AFTER THE REPORTING PERIOD

There have been no events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

29. IMPACT OF CURRENT ECONOMIC CONDITION

Current Economic Condition of the Country

During the first half of 2022 all key sectors contracted, amid shortages of inputs and supply chain disruptions with the economic crisis. Year-on-year headline inflation reached an unprecedented 69.8 percent in September 2022, due largely to high food inflation of 94.9 percent. This reflects the impact of rising global commodity prices, monetization of the fiscal deficit and currency depreciation. From October 2022 onwards the year-on-year headline inflation rate started to drop slightly whereas in March 2023 the year-on-year inflation rate is 50.3 percent.

The outlook for the global economy took a positive turn in the first half of 2023 as inflationary pressures began to ease, but ongoing political tensions and domestic challenges in key markets are slowing any return to sustained growth of the business.

Further, global energy prices returning to levels last seen prior to the invasion of Ukraine, combined with easing commodity and food prices, have helped put further downward pressure on inflation for the rest of 2023.

Impact to the Company

The Management assessed the current economic conditions, in preparation of financial statements and is of the view that Company has appropriate processes in place to identify and take necessary actions to minimise any unfavorable business impact. Lack of foreign exchange liquidity in the banking sector has resulted in delayed foreign supplier payments whether for capital or consumable goods creating challenges in sustaining the smooth business operations. However, Company has taken necessary measures to face such challenges to ensure continuous operations.

As per the accounting policies, the Company reviewed the carrying values of property, plant and equipment, intangible assets, inventory, trade and other receivables as at the reporting date, especially the impact the current economic condition could have on these assets and determined that no impairment is necessary. Further, the Company also reviewed the medium term business plans and is satisfied that necessary procedures are in place to mitigate any adverse impact on the operations and to safeguard assets.

Hence, the Board of Directors, is of the view that the economic conditions in the country have not significantly impacted Company performance for the year under review. The Board is satisfied that the Company has business plans with adequate resources to continue the business and mitigate the risks for the next 12 months from the date of approval of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST MARCH 2023

30. ASSETS PLEDGED AS SECURITY

The following assets have been pledged as security for the borrowings :

Nature of assets	Nature of liability	Value of pledged assets as at 31st March		Included under
		2023 Rs.	2022 Rs.	
All machinery and equipment, leasehold land, buildings, fixtures and fittings	Primary concurrent mortgage against loans obtained from HNB and interest thereon	6,392,235,567	6,602,609,464	Property, plant and equipment and leasehold property
Leases hold land and building	Overdraft facility	30,000,000	30,000,000	Property, plant and equipment and leasehold property
Leases hold land and building	Credit facility	-	4,000,000	Property, plant and equipment and leasehold property
Fixed deposit with HNB	Overdraft facility	-	387,640,000	Investments in Fixed Deposits

31. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern
- to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

The Company monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented in the statement of financial position.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or re-lease the property to reduce debt.

32. CONTINGENT LIABILITIES

In the normal course of business, the Company makes various commitments and certain contingent liabilities with legal recourse to its third parties. No material losses are anticipated as a result of such transactions.

	2023	2022
	Rs.	Rs.
- Guarantees outstanding	3Mn	6.6Mn

The amount disclosed represents the bank guarantees obtained by the Company. The extent to which an outflow of funds will be required is dependent on the future operations of the Company being more or less favorable than currently expected.

Bank guarantee was issued by Hatton National Bank for Rs. 3,047,385/- to Airport and Aviation Services (Sri Lanka) Limited on behalf of TAL Lanka Hotels PLC on 6 November 2019. This will be effective from 6 November 2019 to 31 December 2022 and then it was further extended till 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST MARCH 2023

32.1 Pending litigations

- a) There are eleven cases filed by the Colombo Municipal Council at the Maligakanda Magistrate Court for operating a restaurant without obtaining a requisite license in the years 2010 (14148/M), 2011 (15619/M), 2012 (18608/M), 2013 (28129/14), 2014 (16019/15), 2015 (15737/16), 2016 (15725/17), 2017 (15588/18), 2018 (15264/19), 2019 (5216/20) and 2020 (7572/21).

The Hon. Magistrate delivered judgment finding the hotel guilty of the offence and ordering a fine of LKR. 100/- for each case (Total of LKR 1100/-), which has already been paid, on the direction of the Hon. Magistrate.

An appeal has been filed for each case challenging the Judgment and the same is awaiting listing before the High Court.

- b) The writ application (759/2010) was filed by the Company challenging, inter alia, the decision taken by Colombo Municipal Council to levy license fees equivalent to 1% of the annual turnover as a pre-condition to issue Annual Trade License for years 2008, 2009 and 2010 in respect of the restaurant operated at the hotel premises.

Their Lordships of the Court of Appeal gave Judgment on 19th September 2019 dismissing the application, and ordering costs. Costs have not been quantified by their Lordships in the Judgment.

An appeal has been filed challenging the Judgment of the Court of Appeal to the Supreme Court. The matter is pending support of the same.

33. COMMITMENTS

Financial commitments

There were no material financial commitments outstanding at the end of the reporting period.

Capital commitments

There were no material capital commitments outstanding at the end of the reporting period.

34. RELATED PARTY DISCLOSURES

34.1 Parent and ultimate controlling party

The Company's parent company is TAL Hotels & Resorts Limited, Hong Kong (formerly known as Taj Asia Limited).

34.2 Key Management Personnel

Related Parties include Key Management Personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company. Key Management Personnel include members of the Board of Directors of the Company. The directors during the year are as follows :

Mr. G. Sanjeevi - Chairman

Mr. B.K. Chaudhary

Mr. R. De Mel

Mr. R.K. Chaudhary

Mr. T. De Zoysa

Mr. V. Govindasamy

Mr. P. Verma

Mr. S. Datta

Mr. P. Sengupta

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST MARCH 2023

34. RELATED PARTY DISCLOSURES (CONTD.)

Mr. B.K. Chaudhary, Mr. R.K. Chaudhary, Mr. V. Govindasamy, Mr. T. De Zoysa are Directors and Mr. S. Datta is the Head of TAL Hotels & Resorts Limited with whom TAL Lanka Hotels PLC has entered into a Hotel Operating Agreement. The Management Fees comprising of a Basic Fee of Rs. 70,370,974/-(2021/2022 - Rs 34,346,976/-) and an Incentive Fee of Rs. 1,398,676/-(2021/2022 - Nil) are payable to TAL Hotels & Resorts Limited for the period under review.

Mr. V. Govindasamy who is the Director of the Company is also a Director of Watawala Tea Ceylon Limited and Sunshine Consumer Lanka Ltd. During the year the Company has purchased tea from Watawala Tea Ceylon Limited for Rs. 1,826,885/- (2021/2022- Rs. 64,656/-) and Sunshine Consumer Lanka Ltd. Rs 199,036/- (2021/2022- Rs. 1,307,274/-). He is also a Director in Tata Communications Lanka Limited from whom we have received rental income of Rs. 14,989,657/- (2021/2022 - Rs.13,626,884/-). Mr. V. Govindasamy is also a Member of Colombo Club Limited from where we have rental income of Rs 9,450,000/- (2021/2022 - Rs.9,000,000/-) and F & B income of Rs 36,419,011/- (2021/2022 - Rs 17,095,505/-).

Mr. R. De Mel who is the Director of the Company is also a Director of Nations Trust Bank PLC. During the year, the Company has made outward fund transfers for Rs. 72,500,000/- and received inward remittances on credit card transactions for Rs. 75,050,270/-.

34.3	Key Management Personnel compensation	2023	2022
		Rs.	Rs.
	Directors fees	1,542,700	1,212,006

34.4 Related party transactions

Related Company	Relationship	Nature of Transactions	Net transactions during the year	Balance as at 31st March 2023	Balance as at 31st March 2022
			Debit/(Credit) Rs.	Debit/(Credit) Rs.	Debit/(Credit) Rs.
The Indian Hotels Co. Ltd	Parent Company	Reimbursement Expenses	(9,765,596)	(12,143,892)	(2,378,295)
Lanka Island Resorts Ltd	Group Company	Reimbursement Expenses Re Charged Expenses	(782,016) 202,591	(787,484)	(208,059)
TAJ Exotica Maldives Resort (Pvt) Limited	Group Company	Reimbursement Expenses Re Charged Expenses	(5,546,115) 3,360,706	(2,185,409)	-
TAJ Coral Reef & Spa (Pvt) Limited	Group Company	Reimbursement Expenses Re Charged Expenses	(12,670,316) 13,921,185	1,250,869	-
Vivantha Colombo Airport Garden Hotel	Group Company	Reimbursement Expenses Re Charged Expenses	(7,580,560) 7,921,883	341,323	-
PIEM Hotels Limited	Group Company	N/A	-	42,071	42,071
TAL Hotels and Resorts Limited	Parent Company	Management fee	(71,769,650)	(172,497,663)	(105,543,470)
		Settlement of expenses	4,815,457	-	-
		Loan received	-	(856,335,221)	(774,848,889)
		Exchange difference	81,486,332	-	-
		Interest payable on unsecured loan	54,010,729	(86,361,784)	(34,165,121)
		Exchange difference	(1,814,066)	-	-
IHOCO B.V	Group Company	Loan received	(127,644,250)	(127,644,250)	-

Transactions with related parties are carried out in the ordinary course of business have been reviewed and approved by the Related Party Transaction Review Committee of the company. All these transactions were entered into with these related parties on an arm's length basis under normal commercial terms & conditions. No expense has been recognized in the current or prior year for bad and doubtful debts in respect of the amount owed by related parties. No guarantees were given or received for the transactions. There are no related parties or related party transactions other than those in note 17, 24 and 27 in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST MARCH 2023

34. RELATED PARTY DISCLOSURES (CONTD.)

34.5 Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2023 audited financial statements, which required additional disclosures in the 2023 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

34.6 Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue of the Company as per 31 March 2023 audited financial Statements, which required additional disclosures in the 2023 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

35. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

35.1 Accounting classification and fair value of financial instruments

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

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the company's estimate of assumptions that a market participant would make when valuing the instruments. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1 : category of financial assets that are measured in whole or in part by reference to published quotes in an active market

Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 : techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

As at 31st March 2023

	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Financial assets					
- Financial assets measured at FVOCI					
Investments in Lanka Island Resorts Limited	14	17,297,591	-	-	17,297,591
- Assets carried at amortized cost					
Trade and other receivables	16	219,079,479	-	-	-
Amounts due from related parties	17	1,634,263	-	-	-
Deposits	18	35,305,864	-	-	-
Investment in Fixed Deposits	19	85,245,161	-	-	-
Cash and cash equivalents	20	222,789,176	-	-	-
Total financial assets		581,351,535	-	-	17,297,591

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST MARCH 2023

35. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTD.)

As at 31st March 2023

	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Financial liabilities					
- Liabilities carried at amortized cost					
Interest bearing borrowings	24	4,433,394,136	-	-	-
Trade and other payables	26	724,337,628	-	-	-
Amounts payable to related parties	27	188,463,021	-	-	-
Total financial liabilities		5,346,194,785	-	-	-

As at 31st March 2022

	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Financial assets					
- Financial assets measured at FVOCI					
Investments in Lanka Island Resorts Limited	14	18,694,510	-	-	18,694,510
- Assets carried at amortized cost					
Trade and other receivables	16	137,693,801	-	-	-
Amounts due from related parties	17	1,634,263	-	-	-
Deposits	18	39,326,450	-	-	-
Investment in Fixed Deposits	19	808,128,096	-	-	-
Cash and cash equivalents	20	192,195,910	-	-	-
Total financial assets		1,197,673,030	-	-	18,694,510

As at 31st March 2022

	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Financial liabilities					
- Liabilities carried at amortized cost					
Interest bearing borrowings	24	4,623,965,285	-	-	-
Trade and other payables	26	480,809,650	-	-	-
Amounts payable to related parties	27	108,129,824	-	-	-
Bank Overdraft	20	101,228,267	-	-	-
Total financial liabilities		5,314,133,026	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

35. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTD.)

35.1.1 Determination of fair value of financial assets with short maturities

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

35.2 Financial Risk Management

The Company has exposure to the following risks arising from financial instruments;

35.3. Credit risk

35.4. Liquidity risk

35.5. Market risk

Risk Management Framework

Risk management of the Company is the systematic process of identifying, quantifying and managing all risks and opportunities that can affect the achievement of the TAL Lanka Hotels PLC strategic and financial goals.

Financial instruments held by the Company, principally comprise of cash, trade and other receivables, trade and other payables, loans and borrowings and investments held under FVOCI category. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Company.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Financial risk management of the Company is carried out based on guidelines established by the finance division which comes under the purview of the Board of Directors of the Company. The finance division identifies, evaluates and mitigates financial risk in close co-operation with the Group's finance department.

35.3 Credit risk

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Company, such as cash and cash equivalents, Financial Assets measured at FVOCI, the company's exposure to credit risk arises from default of the counterparty. The Company manages its operations to avoid any excessive concentration of counterparty risk and the Company takes all reasonable steps to ensure that the counterparties fulfil their obligations.

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Based on the review of their past performance and credit worthiness the Company has obtained deposits and advances from its major customers.

The requirement for impairment is analyzed at each reporting date on an individual basis for major customers. In order to mitigate settlement and operational risks related to cash and cash equivalents, the Company uses several banks with acceptable ratings for its deposits.

(a) The maximum exposure to credit risk at reporting date

	Notes	2023 Rs.	2022 Rs.
Trade receivables	16	218,318,387	129,467,730
Other receivables	16	761,092	8,226,071
Amounts due from related parties	17	1,634,263	42,071
Deposits	18	35,305,864	39,326,450
Investment in Fixed Deposits	19	85,245,161	808,128,096
Cash at bank	20	212,209,045	158,341,163
		553,473,812	1,143,531,581

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

35.3 Credit risk (Contd.)

(b) The aging of the trade receivable at the reporting date

	Gross Receivables		Impairment Allowance		Carrying Value	
	2023	2022	2023	2022	2023	2022
Past due 0-30 days	147,392,268	120,009,606	956	2,258,380	147,391,312	117,751,226
Past due 31-60 days	58,073,187	7,574,068	31,822	408,042	58,041,365	7,166,026
Past due 61-90 days	4,951,952	3,657,487	50,432	324,389	4,901,520	3,333,098
Past due 91-120 days	5,515,610	94,300	278,509	16,657	5,237,101	77,643
Past due 121-180 days	2,605,282	870,867	845,322	220,108	1,759,960	650,759
More than 180 days	9,871,292	4,889,787	8,884,163	4,400,809	987,129	488,978
Total	228,409,591	137,096,115	10,091,204	7,628,385	218,318,387	129,467,730

	2023	2022
	Rs.	Rs.
(c) Movement in the allowance for impairment in respect of Trade Receivables		
Balance at the beginning of the year	7,628,385	4,454,364
Allowance for impairment recognized during the year	2,462,819	3,174,021
Balance at the end of the year	10,091,204	7,628,385

Impairment for trade receivables is established based on expected credit loss method. The main component of this allowance is a specific loss component that relates to individually significant exposures based on aging of the outstanding's. The loss rate calculated based on the historical provision matrix is adjusted based on the future calibrated probability of default and the loss given default. Forward looking factors that affect customer default rates and macro economic data such as GDP is considered in calculating the probability of default.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to engage with the Company on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

(e) Amounts due from related parties

Amounts due from related Companies are expected to be settled within one year from the reporting date hence the discounting impact would be immaterial. Therefore carrying amount approximate the fair value as at the reporting date. Based on historic default rate the Company believes that, apart from the above, no impairment allowance is necessary in respect of Amounts Due from Related Parties for past dues or past due by up to 365 days.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

35.3 Credit risk (Contd.)

(f) Balances with Banks

Cash at Bank having credit ratings

	2023 Rs.	2022 Rs.
A(lka)	123,061,230	129,368,192
A-(lka)	5,627,437	3,079,537
AAA(lka)	83,520,378	25,893,434
BBB-(lka)	212,209,045	158,341,163
Investment in FD having credit ratings	85,245,161	808,128,096
A(lka)	85,245,161	808,128,096

35.4 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 policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the company has available funds to meet its medium term capital and funding obligations and to meet any unforeseen obligations. The Company holds cash and undrawn committed facilities to enable the company to manage its liquidity risk.

The Company monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Company's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts.

(a) Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

31st March 2023	Contractual maturities				
	Carrying amount Rs.	Total Rs.	Less than 1 Year Rs.	1 - 2 Years Rs.	2 - 5 Years Rs.
Trade and other payables	771,548,431	771,548,431	771,548,431	-	-
Amounts payable to related parties	188,463,021	188,463,021	188,463,021	-	-
Interest-bearing borrowings	4,433,394,136	5,476,832,168	687,883,135	4,334,488,020	454,461,013
	5,393,405,588	6,436,843,620	1,647,894,587	4,334,488,020	454,461,013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2023

35. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTD.)

35.4 Liquidity risk (Contd.)

a) Exposure to liquidity risk

31st March 2022

	Carrying amount Rs.	Total Rs.	Contractual maturities		
			Less than 1 Year Rs.	1 - 2 Years Rs.	2 - 5 Years Rs.
Trade and other payables	364,511,099	364,511,099	364,511,099	-	-
Amounts payable to related parties	108,129,824	108,129,824	108,129,824	-	-
Interest-bearing borrowings	4,623,965,285	4,903,723,686	994,928,023	1,422,665,301	2,486,130,362
Bank Overdraft	101,228,267	109,175,055	101,228,267	-	-
	5,197,834,475	5,485,539,664	1,568,797,213	1,422,665,301	2,486,130,362

35.5 Market Risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to the changes in market prices. Mainly the changes in market prices, such as foreign exchange rates and interest rates will affect 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.

35.5.1 Foreign currency risk

The 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 is exposed to foreign currency risk on revenue, purchases, borrowings and cash deposits denominated in currencies other than the functional currency of the Company. The currencies giving rise to this risk are primarily US Dollars.

(a) Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows,

Financial Assets	As at 31st March 2023		As at 31st March 2022	
	Amount in USD	Amount in LKR	Amount in USD	Amount in LKR
Investments in Fixed Deposits	250,000	80,787,500	2,650,000	774,860,000
Interest Receivables on Fixed Deposits	13,795	4,457,661	113,776	33,268,096
Cash and cash equivalents	279,572	90,343,692	463,988	135,669,957
	529,572	171,131,193	3,227,764	943,798,053
Financial Liability				
Loans and borrowings	10,345,451	3,343,132,298	12,495,561	3,653,702,036
Interest Payables on Loans and borrowings	267,250	86,361,783	905,273	264,701,755
	10,345,451	3,429,494,081	13,400,834	3,918,403,791
Net Finance Liability exposure	(9,815,879)	(3,258,362,888)	(10,173,070)	(2,974,605,738)

Closing average exchange rate as at 31st March 2023 is Rs. 323.15/- (2021/2022- Rs.292.40/-).

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTD.)

35.5.1 Foreign currency risk (Contd.)

(b) Sensitivity to foreign exchange risk

The Company, as at the reporting date holds financial instruments denominated in currencies other than its functional / reporting currency. A reasonable possible strengthening or weakening of the US Dollar (USD) against Sri Lanka Rupee (LKR) as at the reporting date would have affected the measurement of USD denominated Assets and Liabilities and affected equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

The LKR has depreciated against USD significantly after the reporting date, this may lead to substantial negative impact on the future profits of the Company.

As at 31st March 2023	Impact on Profit or Loss		Impact on Equity, net of tax	
	Strengthening Rs.	Weakening Rs.	Strengthening Rs.	Weakening Rs.
Impact of change in 1% USD rate	(32,583,629)	32,583,629	(22,808,540)	22,808,540
Impact of change in 15% USD rate	(488,754,433)	488,754,433	(342,128,103)	342,128,103
As at 31st March 2022				
Impact of change in 1% USD rate	(30,078,738)	30,078,738	(25,867,715)	25,867,715
Impact of change in 15% USD rate	(451,181,075)	451,181,075	(388,015,725)	388,015,725

35.5.2 Interest rate risks

Interest rate risk mainly arises as a result of the Company having interest sensitive assets and liabilities which are directly impacted by changes in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The management monitors the sensitivities on regular basis and ensures that such risks are managed on a timely manner.

The interest rates have increased significantly after the reporting date, this may lead to substantial negative impact on the future profits of the Company.

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTD.)

35.5.2 Interest rate risks (Contd.)

(a) Exposure to interest rate risk

The interest rate profile of the Company's interest bearing financial instruments as reported to the management of the Company is as follows,

	As at 31st March 2023			As at 31st March 2022		
	Variable interest rate	Fixed interest rate	Total	Variable interest rate	Fixed interest rate	Total
Financial Assets						
Investments in Fixed Deposits	-	85,245,161	85,245,161	-	808,128,096	808,128,096
	-	85,245,161	85,245,161	-	808,128,096	808,128,096
Financial liabilities						
Loans and borrowings	3,470,776,741	876,201,611	4,346,978,352	3,257,853,151	1,074,848,886	4,332,702,037
Bank Overdraft	-	-	-	101,228,267	-	101,228,267
	3,470,776,741	876,201,611	4,346,978,352	3,359,081,418	1,074,848,886	4,433,930,304
Maximum exposure	(3,470,776,741)	(790,956,451)	(4,261,733,191)	(3,359,081,418)	(266,720,790)	(3,625,802,208)

(b) Sensitivity analysis

The following table shows the estimated impact on profitability and equity by fluctuation of interest rates assuming that all other variables remain constant on the following financial assets. Floating rate instruments expose the Company to cash flow fluctuations.

	As at 31st March 2023 Variable Rate		As at 31st March 2022 Variable Rate	
	Impact on PBT Rs.	Impact on equity Rs.	Impact on PBT Rs.	Impact on equity Rs.
Increase in 100 basis points Financial assets / liabilities				
Loans and borrowings	(34,707,767)	(24,295,437)	(32,578,532)	(28,017,538)
Bank Overdraft	-	-	(1,012,283)	(870,563)
	(34,707,767)	(24,295,437)	(33,590,815)	(28,888,101)
Decrease in 100 basis points Financial assets / liabilities				
Loans and borrowings	34,707,767	24,295,437	32,578,532	28,017,538
Bank Overdraft	-	-	1,012,283	870,563
	34,707,767	24,295,437	33,590,815	28,888,101

SHARE AND INVESTOR INFORMATION

TAL LANKA HOTELS PLC
ANALYSIS OF SHAREHOLDERS ACCORDING TO THE NO: OF SHARES AS AT 31ST MARCH 2023
(LOCAL : FOREIGN)

NO. OF SHARES HELD			NO. OF SHAREHOLDERS		TOTAL HOLDINGS		PERCENTAGE	
			FOREIGN	LOCAL	FOREIGN	LOCAL	FOREIGN	LOCAL
1	To	1000	57	9,013	26,507	1,843,287	0.02%	1.32%
1001	To	10,000	19	922	83,009	3,182,077	0.06%	2.28%
10,001	To	100,000	4	124	191,627	3,207,884	0.14%	2.30%
100,001	To	1,000,000	2	9	490,875	2,643,138	0.35%	1.89%
1,000,001	&	Above	3	3	117,627,220	10,341,870	84.24%	7.41%
TOTAL			85	10,071	118,419,238	21,218,256	84.80%	15.20%
GRAND TOTAL				10,156		139,637,494		100%

ANALYSIS OF SHAREHOLDERS ACCORDING TO THE NO: OF SHARES AS AT 31ST MARCH 2023
(COMPANY: MEMBER)

NO. OF SHARES HELD			NO. OF SHAREHOLDERS		TOTAL HOLDINGS		PERCENTAGE	
			COMPANIES	MEMBERS	COMPANIES	MEMBERS	COMPANIES	MEMBERS
1	To	1000	88	8,982	29,257	1,840,537	0.02%	1.32%
1001	To	10,000	44	897	241,499	3,023,587	0.17%	2.17%
10,001	To	100,000	31	97	1,069,928	2,329,583	0.77%	1.67%
100,001	To	1,000,000	7	4	2,494,770	639,243	1.79%	0.46%
1,000,001	&	Above	6	-	127,969,090	-	91.64%	0.00%
TOTAL			176	9,980	131,804,544	7,832,950	94.39%	5.61%
GRAND TOTAL				10,156		139,637,494		100%

1.) Share Trading Information for the year ended 31st March

	2023 Rs.	2022 Rs.
Highest	23.20	27.00
Lowest	9.00	11.10
Closing	15.20	13.20

SHARE AND INVESTOR INFORMATION

2.) First Twenty Shareholders as at 31st March 2023

	Name of Shareholder	NO.OF SHARES AS AT 31.03.2023	% OF ISSUED CAPITAL AS AT 31.03.2023
1	TAL HOTELS AND RESORTS LIMITED	81,181,580	58.14
2	IHOCO BV	34,375,640	24.62
3	EMPLOYEE'S PROVIDENT FUND	7,437,832	5.33
4	MOUGIN INVESTMENT COMPANY LIMITED	2,070,000	1.48
5	ASSOCIATED ELECTRICAL CORPORATION LTD	1,600,000	1.15
6	SAMPATH BANK PLC/MR.ARUNASALAM SITHAMPALAM	1,304,038	0.93
7	E.W. BALASURIYA & CO. (PVT) LTD	901,658	0.65
8	BANK OF CEYLON NO. 1 ACCOUNT	447,400	0.32
9	HALLSVILLE TRADING GROUP INC.	343,029	0.25
10	ASHAN DE ZOYSA AND COMPANY PVT LIMITED	265,000	0.19
11	Mr. KANTHIMATHINATHAN MUTHUVINAYAGAM	232,232	0.17
12	COMMERCIAL BANK OF CEYLON PLC A/C NO. 04	212,390	0.15
13	PEOPLE'S LEASING & FINANCE PLC/L.PHAPANGAMA	210,861	0.15
14	MR. ASHISH DUBEY	147,846	0.11
15	MR. NAWALAGE JOSEPH HIRAN MAHINDA COORAY	137,165	0.10
16	MRS. BINANTHI SHAMANI RASANAYAGAM	122,000	0.09
17	SENKADAGALA FINANCE PLC	114,432	0.08
18	NEGOMBO HOTELS LIMITED	100,000	0.07
19	SAMPATH BANK PLC/MR. ABISHEK SITHAMPALAM	98,500	0.07
20	MR. PRIYANK GUPTA	92,600	0.07
	TOTAL	131,394,203	94.10

SHARE AND INVESTOR INFORMATION

3.) Percentage of Public Holding as at 31st March 2023

17.24%

Total No. of Shareholders Represent in Public Holding

Float Adjusted Market Capitalization

10,154

366,020,164.80

The Company complies with option 2 of the Listing Rules 7.13.1 (b) of the Listing Rules of Colombo Stock Exchange

4.) Directors' shareholding as at 31st March	2023 No. of shares	2022 No. of shares
Mr. G. Sanjeevi	NIL	NIL
Mr. B.K. Chaudhary	NIL	NIL
Mr. Tilak De Zoysa	NIL	NIL
Mr. P.S. Verma	NIL	NIL
Mr. V. Govindasamy	NIL	NIL
Mr. R.K. Chaudhary	NIL	NIL
Mr. R. De Mel	NIL	NIL
Mr. P. Sen Gupta	NIL	NIL
Mr. S. Datta	NIL	NIL

SIX YEARS SUMMARY

Year ended 31st March						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accommodation	1,530,247	1,430,313	1,185,957	67,871	481,785	1,024,910
Food and beverage	1,137,728	1,167,284	1,094,976	349,175	571,263	1,208,988
Shop rentals	47,247	52,354	49,765	32,937	41,772	55,603
Other	59,392	40,942	60,885	34,220	52,602	71,873
Total Revenue	2,774,615	2,690,893	2,391,582	484,203	1,147,421	2,361,374
Cost of sales / Direct Costs	-2,059,147	-2,125,783	-1,967,812	-1,098,568	-1,409,814	-2,179,390
Gross profit / (loss)	715,467	565,111	423,770	-614,365	-262,393	181,985
Other operating income	34,885	27,462	74,006	17,795	312	894
Marketing expenses	-102,711	-93,328	-89,678	-41,267	-44,306	-66,198
Administrative expenses	-338,606	-358,246	-378,562	-250,977	-257,422	-581,733
Operating profit / (loss)	309,035	140,999	29,537	-888,815	-563,810	-465,052
Finance income	-	-	1,962	6,992	22,382	21,605
Finance expenses	-180,798	-385,771	-263,586	-179,861	-1,114,927	-572,241
Net Finance expenses	-	-	-261,624	-172,869	-1,092,545	-550,636
Profit / (loss) before tax	128,236	-244,772	-232,088	-1,061,683	-1,656,355	-1,015,688
Income tax expense	-33,362	-38,446	-27,517	-33,523	-58,552	-275,506
Profit / (Loss) for the year	94,875	-283,217	-259,604	-1,095,206	-1,714,907	-1,291,194
Other comprehensive income						
Gain or Revaluation of building, net of tax	-	-	-	490,424	555,785	-
Re-measurement gain / (losses) on defined benefit plans, net of tax	-25,469	-1,684	5,129	-13,451	13,671	-8,440
Fair value gain / (loss) on investments in equity investments designated as at FVOCI	-491	2,340	-747	-5,011	2,587	-978
Deferred Tax on revaluation due to change of tax rate	-	-	-	-	-	-320,654
Deferred Tax on fair value Reserve due to change of tax rate	-	-	-	-	-	-921
Other comprehensive income/(expense)	-25,960	656	4,382	471,962	572,042	-330,993
for the year						
Total comprehensive income / (expense) for the year Operating results	68,915	-282,561	-255,222	-623,244	-1,142,865	-1,622,187
Share capital	1,396,375	1,396,375	1,396,375	1,396,375	1,396,375	1,396,375
Revaluation reserve	2,023,604	1,922,292	1,077,607	1,472,378	1,894,366	1,402,862
Fair Value reserve	4,977	7,317	6,570	1,560	4,146	2,247
Accumulated loss	-983,791	-1,170,843	-580,633	-1,593,638	-3,161,077	-4,289,862
Shareholders' funds	2,441,166	2,155,141	1,899,919	1,276,675	133,810	-1,488,378
Assets employed						
Property, plant and equipment	4,679,436	4,658,607	4,294,719	4,502,112	4,768,522	4,390,347
Investments	19,618	22,218	21,388	156,117	826,823	17,298
Net current assets	-286,556	-536,308	-221,567	-835,394	-1,180,053	-602,910
	4,412,498	4,144,517	4,094,540	3,822,836	4,415,292	3,804,735
Long term liabilities	1,971,332	1,989,376	2,194,621	2,546,161	4,281,482	5,293,114
Key indicators						
Current ratio	0.65	0.45	0.75	0.206	0.29	0.54
Net assets per share	17.48	15.43	13.61	9.143	0.958	(10.659)
Market price per share	16.9	9.4	7.7	12.30	13.20	15.20
Earnings / (Loss) per share - basica	0.68	-2.03	-1.86	-7.843	-12.281	(9.25)

Form of Proxy - TAL LANKA HOTELS PLC

Company Number PQ 183

I/We*.....
 (Full name of Shareholders**) NIC No./Reg No. of Shareholder (**)
 of
being a shareholder/ shareholders* of TAL LANKA HOTELS PLC hereby appoint,
 of

or failing him/them

or failing him /her, Mr. G. Sanjeevi (Chairman of the Company), or failing him, one of the Directors of the Company, as *my/our proxy to vote as indicated hereunder for *me/us and on *my/our behalf at the forty third (43rd) Annual General Meeting of the Company to be held on Friday, 15th of September 2023 at 10.30 a.m. and at every poll which may be taken in consequence of the aforesaid meeting and any adjournment thereof:

	For	Against
1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st March 2023 and the Report of the Auditors thereon.	☐	☐
2. To pass an ordinary resolution to re-appoint Mr. Tilak. De Zoysa as a Director who has reached the age of seventy six (76) years.	☐	☐
3. To re-elect Mr. B. K. Chaudhary as a Director who retires by rotation in terms of Article 86 of the Articles of Association.	☐	☐
4. To re-elect Mr. V. Govindasamy as a Director who retires by rotation in terms of Article 86 of the Articles of Association.	☐	☐
5. To re-elect Mr. P. Verma as a Director who retires by rotation in terms of Article 86 of the Articles of Association.	☐	☐
6. To re-elect Mr. Samrat Datta as a Director, who was appointed as a director of the Company by the board of directors of the Company to fill a casual vacancy in terms of Article 93 of the Articles of Association of the Company	☐	☐
7. To re-appoint Messrs KPMG, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration.	☐	☐

Signed this.....day of.....Two Thousand and Twenty-Three.

.....
 Signature of Shareholder

- Notes :
1. *Please delete the inappropriate words
 2. Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS ON COMPLETION OF THE FORM OF PROXY

1. To be valid, the completed form of proxy should be deposited at the Registered Office of the Company, No. 25, Galle Face Centre Road, Colombo 03 or emailed to deepa.perera@tajhotels.com no later than 48 hours before the time of the meeting.
2. In perfecting the form of proxy, please ensure that all details are legible.
3. Please indicate with an 'X' in the space provided, how your proxy is to vote on each resolution. If no indication is given, the proxy, at his discretion, may vote as he thinks fit.
4. In the case of a company/corporation, the letter of authorization must be signed by placing the common seal of the company/corporation and attested in the manner prescribed by its articles of association.
5. In the case of a proxy signed by the attorney, the Power of Attorney document must be deposited at the Registered Office, No 25, Galle Face Centre Road, Colombo 03, for registration or emailed to deepa.perera@tajhotels.com.

Form of Request ANNUAL REPORT 2022/2023

TAL LANKA HOTELS PLC (PQ 183)
25, Galle Face Centre Road, Colombo 03, Sri Lanka.

To: The Secretary,
Tal Lanka Hotels PLC,
25, Galle Face Centre Road, Colombo 03.

I would like to receive the printed version of the Annual Report of Tal Lanka Hotels PLC.

Full Name of Shareholder	
Number of Shares held as at Date	
Shareholder's NIC/Passport/Company Registration No.	
Address	
Contact Number	

.....
Signature

.....
Date

Notes:

1. Please complete the Form of Request by filling in legibly the required information, signing in the space provided, and filling in the date of signature.
2. Please forward the completed Form of Request to the address given above to reach the Company on or before
3. In the event, the shareholder is a company/corporate, the Form of Request should be signed under common seal or by a duly authorized officer of the company in accordance with its articles of association.

Shareholder Registration Form

1. Full Name of the Shareholder :

.....

2. Membership No. / CDS Account No :

.....

3. Address of Shareholder :

.....

4. NIC No./ P.P. No. / Co. Reg. No. of Shareholder :

.....

5. Contact details of Shareholders

Telephone :

Residence :

Office :

Mobile :

e-mail :

(Please print clearly)

6. Names / NIC No. of Joint holder/s (If any) :

i. Name : NIC No. :

ii. Name : NIC No. :

.....
 Shareholder's Signature /Date

.....
 1st Joint holder's Signature/Date

.....
 1st Joint holder's Signature/Date

INSTRUCTIONS AS TO COMPLETION

- i. Shareholders are advised to complete the form legibly in order to facilitate their participation through the online platform.
- ii. The "Web Link" for participation at the AGM through the online platform will be forwarded to the Shareholder's above noted email address.
- iii. In the case of a Company/Corporation, the Registration must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.
- iv. In the case of the Registration form signed by an Attorney, the Power of Attorney must be deposited at the Registered Office of the Company for registration.
- v. The duly completed Registration Form must be deposited at the Registered Office of the Company at No. 25, Galle Face Centre Road, Colombo 03, or e-mailed to "deepa.perera@tajhotels.com ", 5 days prior to the date of the AGM.



TAJ
SAMUDRA
COLOMBO

Taj Samudra
No. 25, Galle Face Center Rd,
Colombo 03.