



GALADARI

COLOMBO



DELIVERING THE PEOPLE'S PROMISE

ANNUAL REPORT 2023



GALADARI

COLOMBO

Victory for the 05th Consecutive Time!

**SLIM - KANTAR People's
“Hotel Brand of the Year 2024”**



Thank You To All Our Valued Patrons.
Proud To Be The People's Heartfelt Brand



Contents

| | |
|-----------------------------------------------------------|-------|
| Corporate Information | 2 |
| Notice of Meeting | 3 |
| Chairman's Message | 4 |
| Management Discussion and Analysis | 5-6 |
| Board of Directors | 7-8 |
| Statement of Directors' Responsibilities | 9 |
| Annual Report of the Board of Directors | 10-11 |
| Corporate Governance | 12-21 |
| Report of the Audit Committee | 22-23 |
| Report of the Remuneration Committee | 23 |
| Report of the Related Party Transactions Review Committee | 24 |
| Independent Auditor's Report | 25-27 |
| Statement of Financial Position | 28 |
| Statement of Profit or Loss | 29 |
| Statement of Comprehensive Income | 30 |
| Statement of Changes in Equity | 31 |
| Statement of Cash Flows | 32 |
| Notes to the Financial Statements | 33-58 |
| Information to Shareholders | 59 |
| Five Year Summary | 61 |
| Notes | 62 |
| Form of Proxy | 63 |

Corporate Information

COMPANY NAME

Galadari Hotels (Lanka) PLC

COMPANY REGISTRATION NO.

PQ 137

LEGAL STATUS

A quoted Public Company with limited liability incorporated in Sri Lanka

BOARD OF DIRECTORS

Mr. M A I Galadari - Chairman
Mr. S A I H Galadari
Mr. I A I Galadari
Mr. L R De Silva
Dr. J A S Felix PC
Mr. V Radhakrishnan

AUDIT COMMITTEE

Mr. V Radhakrishnan – Chairman
Dr. J A S Felix PC
Mr. L R De Silva

REMUNERATION COMMITTEE

Mr. M A I Galadari - Chairman
Dr. J A S Felix PC
Mr. L R De Silva

RELATED PARTY TRANSACTIONS

REVIEW COMMITTEE

Mr. L R De Silva – Chairman
Mr. V Radhakrishnan
Dr. J A S Felix PC

SECRETARIES & REGISTRARS

Central Corporate and Consultancy Services (Private) Limited
No.48, Rosmead Place,
Colombo 07
Tel: 011 2690037

REGISTERED OFFICE

No.48, Rosmead Place,
Colombo 07

AUDITORS

M/s Ernst & Young,
Chartered Accountants
109, Rotunda Towers
Galle Rd, Colombo 3

LAWYERS

Tiruchelvam Associates
No.48, Rosmead Place
Colombo 07.

BANKERS

Hatton National Bank
City Office, No. 16, Janadhipathi Mawatha,
Colombo 1

Hongkong & Shanghai Banking Corporation
24, Sir Baron Jayatilaka Mawatha,
Colombo 1

Bank of Ceylon - Corporate Branch Head Office
No.4, Bank of Ceylon Mawatha,
Colombo 01

Commercial Bank of Ceylon PLC
World Trade Centre Branch
L03-Wt-01, Third Floor, West Tower
World Trade Centre,
Colombo 01

Sampath Bank, Fort Branch,
No. 98, Chatham Street
Colombo 01

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the 43rd Annual General Meeting of GALADARI HOTELS (LANKA) PLC will be held as a Virtual Meeting emanating from the "Board Room" of Galadari Hotels (Lanka) PLC, No. 64, Lotus Road, Colombo 01, on 27th June 2024 at 3.30 p.m. for the following purposes:

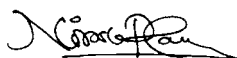
Agenda

1. To receive and consider the Audited Financial Statements for the Year Ended 31st December, 2023 together with the Reports of the Directors' and Auditors' thereon.
2. Subject to Section 9.1.4 (1)(d) and 9.1.4(3) of the Listing Rules, to re-elect Mr. Lalith Rukman De Silva, Director, who retires by rotation in terms of Article 87 and 88 of the Articles of Association of the Company and being over the age of seventy (70), who also retires in terms of Section 210 of the Companies Act No.7 of 2007 (as amended), by the passing of the following ordinary resolution:

"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No.7 of 2007 (as amended) shall not apply to Mr. L.R. De Silva who is seventy-three (73) years of age and that he shall be re-elected as a Director of the Company."

3. Subject to Section 9.1.4(3) of the Listing Rules, to re-elect Dr. John Anthony Shivaji Felix PC, Director, who retires by rotation in terms of Article 87 and 88 of the Articles of Association of the Company.
4. To appoint Messrs. KPMG, Chartered Accountants as the Auditors of the Company in place of Messrs. Ernst & Young, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD



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

04th June 2024
Colombo

Notes:

- A shareholder is entitled to appoint a Proxy to attend and vote instead of him/herself and a Proxy need not be a shareholder of the Company.
- A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be delivered to the office of Central Corporate and Consultancy Services (Private) Limited, Secretaries and Registrars to Galadari Hotels (Lanka) PLC, No. 48, Rosmead Place, Colombo 07 not less than forty-eight (48) hours before the time fixed for the meeting.
- As mentioned in the Circular to the Shareholders dated 04th June 2024, the 43rd Annual General Meeting will be held as a Virtual meeting. Instructions given in the Circular to Shareholders must be followed to join the meeting virtually.

Chairman's Message

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to welcome you to the 43rd Annual General Meeting of Galadari Hotels (Lanka) PLC and present you the Annual Report and Audited Financial Statements of the company for the year ended 31st December 2023.

Company Performance

The hotel remains steadfast focusing on key strengths and long-term calculated objectives which combines operational excellence and continuous brand value enhancements. Having won the prestigious SLIM - Kantar "People's Hotel Brand of the Year", awarded by the Sri Lanka Institute of Marketing (SLIM) for the 5th consecutive time is a clear indicator of strong brand value acknowledgement.

With tourist arrivals indicating a favorable incline the hotel is moving forward with its renovation plans with the intention of better catering to the surge in tourist arrivals. Adding value to its current brand identity a co-branding with an internationally acknowledged giant in the hospitality industry will further strengthen brand appeal locally as well as internationally.

It is with immense pride and gratitude that I present our Company's performance and strength during these challenging times. In the face of complexity, we have demonstrated resilience, adaptability, and determination. We have undertaken proactive measures to optimize our operations, streamline costs, and improve efficiency.

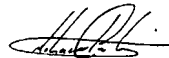
Future Outlook

The recent boost in tourism is encouraging to the hospitality industry adding a positive light on the on the current financial position. The hotel's planned transformation will further heighten its standing in the industry and present an enhanced platform, streamlining it as a key frontline player in

Sri Lanka's tourism industry. We therefore continue with utmost confidence and look forward to better tomorrows regardless of the hurdles that may lay ahead.

Acknowledgement

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



M A I Galadari
Chairman

Management Discussion and Analysis

The County's Macro Business Review

The year 2023 turned out to be a promising one for the country with tourist arrivals indicating a favorable incline. Between January and December 2023, Sri Lanka reached a noteworthy achievement in the overall count of tourist arrivals. The total surpassed the previous year's figure of 719,978, reaching an impressive 1,487,303 visitors. In December 2023, there was a significant upswing in visitors to Sri Lanka, with India, Russia, the United Kingdom, Germany, and Australia standing out as the key source markets.

In December 2023, Sri Lanka experienced a notable increase in the arrival of international tourists, reaching the peak for the entire year. The number of foreign visitors saw a remarkable surge of 128.7%, totaling 210,352 arrivals. This upswing may be linked to the peak tourist season, favorable conditions in Sri Lanka, and the recognition of Sri Lanka as one of the top destinations by travel-related entities.

These countries played a crucial role in propelling the growth in tourist arrivals, contributing significantly to the overall rejuvenation of Sri Lanka's tourism industry. UNWTO (UN Tourism) had predicted a slowdown in the fourth quarter of 2023 due to existing economic and geopolitical challenges. Nevertheless, the total number of international arrivals reached 1.5 million in 2023.

Despite grappling with economic issues such as high inflation and reduced output, as well as specific geopolitical tensions and conflicts, international tourism is on track to approach pre-pandemic levels by 2024. According to the World Travel & Tourism Council's (WTTC) 2023 Economic Impact Research (EIR), the Travel & Tourism sector is nearing its 2019 peak, recovering by over 95%.

Monthly Tourism Arrivals

| Month | 2022 | 2023 | % change 2023/22 |
|--------------|----------------|------------------|---------------------|
| January | 82,327 | 102,545 | 24.5 |
| February | 96,507 | 107,639 | 11.5 |
| March | 106,500 | 125,495 | 17.8 |
| April | 62,980 | 105,498 | 67.5 |
| May | 30,207 | 83,309 | 175.8 |
| June | 32,856 | 100,388 | 205.5 |
| July | 47,293 | 143,039 | 202.4 |
| August | 37,760 | 136,405 | 261.2 |
| September | 29,802 | 111,938 | 275.6 |
| October | 42,026 | 109,199 | 159.8 |
| November | 59,759 | 151,496 | 153.51 |
| December | 91,961 | 210,352 | 128.7 |
| Total | 719,978 | 1,487,303 | 106.6 |

Top Ten Source Markets 2023

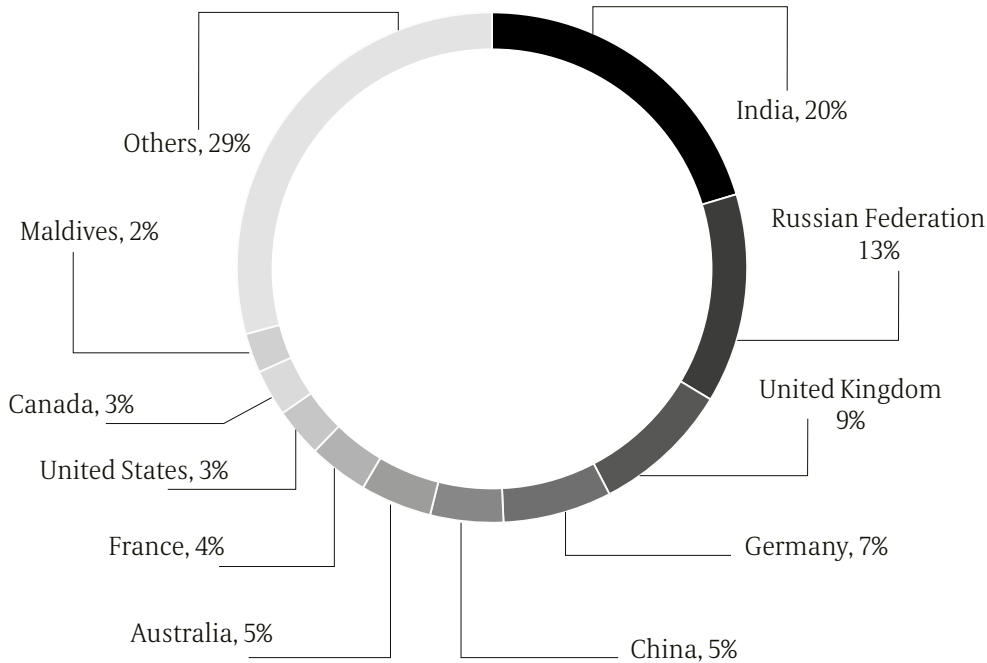
From January to December 2023, Sri Lanka experienced an increase in international tourist arrivals from its primary source markets compared to the corresponding period in 2022. Particularly noteworthy was the significant surge in tourists coming from countries like India, Australia, the USA, Russia and the Maldives, making substantial contributions to the overall growth in tourist numbers for the year 2023. However, it is important to emphasize that tourist arrivals from the United Kingdom, France, and Canada did not exhibit significant growth compared to the same period in the previous year. This suggests evolving travel preferences and patterns specific to these countries.

Top Ten Markets to Sri Lanka 2023

| Rank | Country of Residence | Tourist Arrivals (Jan.-Dec. 2023) | Tourist Arrivals (Jan. - Dec.2022) |
|--------------|----------------------|-----------------------------------|------------------------------------|
| 1 | India | 302,844 | 123,004 |
| 2 | Russian Federation | 197,498 | 91,272 |
| 3 | United Kingdom | 130,088 | 85,187 |
| 4 | Germany | 102,539 | 55,542 |
| 5 | China | 68,789 | 4,715 |
| 6 | Australia | 67,436 | 30,924 |
| 7 | France | 56,251 | 35,482 |
| 8 | United States | 46,344 | 22,230 |
| 9 | Canada | 43,944 | 26,845 |
| 10 | Maldives | 37,328 | 18,880 |
| 11 | Others | 434,242 | 225,897 |
| Total | | 1,487,303 | 719,978 |

Management Discussion and Analysis Contd...

Top ten source markets to Sri Lanka in 2023



Future Outlook

Sri Lanka is targeting 2.3 million tourists in 2024 with India, Russia, China, the United Kingdom, and Germany expected to bring most of the arrivals. India expected to bring in a majority of visitors with a target of 310,000 – 343,000 tourists. Sri Lanka is targeting at least 258,000 tourists from Russia, 251,000 from China, 193,000 from the UK and 151,000 from Germany. Sri Lanka tourist authorities are promoting the country internationally through the use of social media influencers. In addition, several domestic events are also planned in tourist hotspots.

Hotel

The hotel remains unshaken focusing on its key strengths and long-term strategic objectives which combines operational excellence and continuous brand value enhancements despite the economic shockwaves. Having been awarded “The People’s Hotel Brand of the Year”, awarded by the Sri Lanka Institute of Marketing (SLIM) for the 5th consecutive time running is a clear indicator of brand value being acknowledged to the maximum.

As the country moves forward whilst still badly affected by the economic uncertainty, it is clear that a positive shifting towards a more financial and economic stability is certain in the future. The recent boost in tourism is encouraging to the hospitality industry adding a positive light on the current financial crisis.

The hotel’s current facelift will further enhance its standing in the industry and present a better platform for the hotel to be a strong frontline player in Sri Lanka’s tourism industry. We therefore continue with utmost confidence and look forward to better tomorrows regardless of the hurdles that may lay ahead.

Reference

<https://www.sltta.gov.lk/en/tourism-industry-report>

<https://economynext.com/business/>

Sampath Siriwardhana
General Manager

4th June 2024

Board of Directors

MR. MOHAMMED ABDULLATIF IBRAHIM GALADARI

Chairman Non-Executive Director

Skills and Experience

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

Mr. Mohammed Abdullatif Ibrahim Galadari is a decisive and Strategic Expertise Leader, Managing areas of Major risks of the Organization, possessing extensive industry expertise and a fundamental understanding of governance.

Board Sub-Committee memberships
Remuneration Committee

Directorships in other Companies in Sri Lanka
None

Material Business Relationship with other Directors
None

MR. SUHAIL ABDULLATIF IBRAHIM HASSAN GALADARI

Non-Executive Director

Skills and Experience

Mr. Suhail Abdullatif Ibrahim Hassan Galadari is the eldest son of the late Mr. Abdullatif Ibrahim Galadari - Founding Ex-Chairman of Galadari Brothers Co. LLC. Mr. Suhail Abdullatif Ibrahim Hassan Galadari, the Emirati businessman is a Director of Galadari Brothers Co. LLC since 2006. He was also appointed as Co-Chairman of Galadari Brothers Co. LLC and its Subsidiaries.

Mr. Suhail Galadari has over 13 years of leadership experience at Galadari Brothers Co. LLC which is a multibillion, multidiscipline leading group in UAE, well-diversified in different industries such as Media, Printing, Heavy Construction Equipment, Automotive, Hospitality, Food & Beverage, Engineering, Industrial Trading, and Travel & Tourism.

Board Sub-Committee memberships
None

Directorships in other Companies in Sri Lanka
None

Material Business Relationship with other Directors
None

MR. IBRAHIM ABDULLATIF IBRAHIM GALADARI

Non-Executive Director

Skills and Experience

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

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

Board Sub-Committee memberships
None

Directorships in other Companies in Sri Lanka
None

Material Business Relationship with other Directors
None

DR JOHN ANTHONY SHIVAJI FELIX PC

Non-Executive -Independent Director

Skills and Experience

Dr. Shivaji Felix, President's Counsel, was awarded LL. B. (Honours) degrees by the University of Colombo and the University of London in 1994. He passed the final examination for the admission of Attorneys-at-Law with first class honours in 1995 and was admitted and enrolled as an Attorney-at-Law of the Supreme Court of Sri Lanka in 1996. In December 2023 he was appointed a President's Counsel by His Excellency the President of Sri Lanka. He is a Fellow of the Society for Advanced Legal Studies of the University of London. In 2000 he was awarded a Ph. D. degree by the University of London for his work on administrative law. He is a Fellow of the Chartered Institute Taxation of Sri Lanka (FCIT) (2009) and was previously an Associate of the Sri Lanka Institute of Taxation (ATII)(2003). He was awarded a Diploma (cum laude) by the Institute of Federalism, University of Fribourg, Switzerland (2004). In 2005 University College London, appointed him an Honorary Research Fellow of the Faculty of Laws in recognition of his contribution to legal scholarship. He is a member of the Taxes Committee of the International Bar Association, a Fellow of the Royal Society of Arts (England) and a member of the Society of Legal Scholars (United Kingdom and Ireland).

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

Board of Directors Contd...

Board Sub-Committee memberships

Audit Committee, Remuneration Committee and Related Party Transactions Review Committee

Directorships in other Companies in Sri Lanka

Director – Renuka Foods PLC
Director – Law and Society Trust

Material Business Relationship with other Directors

None

MR. LALITH RUKMAN DE SILVA

Non-Executive -Independent Director

Skills and Experience

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

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

Currently serves as the Consultant to the Public Accounts Committee of Sri Lanka Parliament and also act as the Chairman/Managing Director of the Riyohwel Lanka (Private) Limited

Board Sub-Committee memberships

Audit Committee, Remuneration Committee and Related Party Transactions Review Committee

Directorship or Key Management Position in other Companies in Sri Lanka

Riyohwel Lanka (Private) Limited

Material Business Relationship with other Directors

None

MR. VENKATRAMANAN RADHAKRISHNAN

Non-Executive Director

Skills and Experience

Mr. Venkatramanan Radhkrishnan is an accomplished finance professional with over 20 years of international, multi-industry experience. He is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants of India. His extensive career spans across various industry verticals, showcasing his versatility and expertise.

Mr. Ramanan has been with Galadari Brothers Group since Year 2011 and presently serves as the Group Chief Financial officer. He oversees the Group Finance function responsible for Accounting and Reporting, Corporate Finance and Treasury, Strategic Financial Planning, Business Performance Management, Corporate Governance amongst others.

He is also a Cost Accountant and a Certified Information Systems Auditor with a track record of successfully delivering strategic projects and recognized for financial restructuring, fostering banking relationships, Fundraising, successful Mergers and

Acquisitions and implementing Corporate Governance models.

Board Sub-Committee memberships

Audit Committee and Related Party Transactions Review Committee

Directorships in other Companies in Sri Lanka

None

Material Business Relationship with other Directors

None

Statement of Directors' Responsibilities

Directors' Responsibilities for the Preparation of Financial Statements

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

The Directors of the Company are required by the Companies Act No.07 of 2007 (as amended) to prepare Financial Statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of the Profit and Loss and of the Cash flows of the Company for the Financial Year.

The Directors confirm that, the Audited Financial Statements of the Company for the Year Ended 31st December, 2023 presented in the Report have been prepared in accordance with the Sri Lanka Accounting Standards, the Companies Act No.07 of 2007 (as amended) and the Listing Rules of the Colombo Stock Exchange. In preparing the Financial Statements, the Directors have selected the appropriate Accounting Policies and have applied them consistently. Reasonable and prudent judgments and estimates have been made and applicable Accounting Standards have been followed and the Financial Statements have been prepared on a going concern basis.

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

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

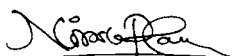
The Directors have also taken all reasonable steps to ensure that, the Company maintain adequate and accurate accounting books of record which reflect the transparency of transactions and provide an accurate disclosure of the Company's financial position.

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

Compliance Report

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

By Order of the Board



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

Secretaries

04th June 2024
Colombo

Annual Report of the Board of Directors

Annual Report of the Board of Directors

The Directors have pleasure in presenting to the Shareholders, the Annual Report of the Board of Directors for the year ended 31st December, 2023. This Report contains information required in terms of section 168 of the Companies Act No.07 of 2007 (as amended) and other necessary information required by the Listing Rules of Colombo Stock Exchange.

Principal Activities

The principal activity of the Company is hoteliering.

Changes to the nature of Business

There were no changes to the Principal Activities of the Company during the Financial Year Ended 31st December, 2023.

Financial Statements

The Financial Statements for the Year Ended 31st December, 2023 are set out on pages 28 to 58 in the Annual Report.

Auditors' Report

The Auditors' Report which is an integral part of the Financial Statements prepared for the Accounting Period Ended 31st December, 2023 is set out in pages 25 to 27 in the Annual Report.

Director's Responsibility for the Financial Statements

The Directors are responsible for preparing and presenting the Financial Statements, which are set-out on pages 28 to 58. The Financial Statements have been prepared in conformity with the Sri Lanka Accounting Standards as laid down by the Institute of Chartered Accountants of Sri Lanka, Companies Act No.07 of 2007 (as amended) and the Listing Rules of the Colombo Stock Exchange. The Directors are satisfied that, the Financial Statements, presented on pages 28 to 58 give a true and fair view of the state of affairs of the Company as well as the profit for the year then ended.

Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements

are given on pages 33 to 41. The Directors consider that, in preparing these Financial Statements, suitable Accounting Policies have been used which are applied consistently and supported by reasonable and prudent judgment and that, all applicable Accounting Standards have been followed. The Financial Statements are prepared on a going concern basis.

Corporate Governance

A description of the Company's Corporate Governance practices is set out on pages 12 to 21.

Directorate

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

Mr. M A I Galadari -Chairman
Mr. S A I H Galadari
Mr. I A I Galadari
Mr. L R De Silva
Dr. J A S Felix PC
Mr. V Radhakrishnan

Mr. M. A. I Galadari was appointed as an Alternate Director to Mr. S. A. I. H. Galadari and I. A. I. Galadari for the sole purpose of attending the Board Meeting on 28th April 2023. Further Mr. M. A. I. Galadari was appointed as an Alternate Director to Mr. S. A. I. H. Galadari for the sole purpose of attending the Board Meeting on 05th June 2023.

Subject to Sections 9.1.4(1)(d) and 9.1.4(3) of the Listing Rules, and in terms of Article 87 and 88 of the Articles of Association of the Company Mr. L R De Silva, Director, retires by rotation and being eligible is recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the Year 2024.

Subject to Section 9.1.4(3) of the Listing Rules, and in terms of Article 87 and 88 of the Articles of Association of the Company Dr. John Anthony Shivaji Felix PC, Director, retires by rotation and being eligible is recommended by the Board of

Directors for re-election by the Members at the Annual General Meeting for the Year 2024.

Board Subcommittees

The following are the Board Sub-Committees:

Audit Committee

Mr. V Radhakrishnan – Chairman
Dr. J A S Felix PC
Mr. L R De Silva

Remuneration Committee

Mr. M A I Galadari - Chairman
Dr. J A S Felix PC
Mr. L R De Silva

Related Party Transactions Review Committee

Mr. L R De Silva – Chairman
Mr. V Radhakrishnan
Dr. J A S Felix PC

The Reports of the Board and Audit, Remuneration and Related Party Transactions Review Committee, being the subcommittees are set out on pages 22 to 24, respectively. The composition of the Board and the sub-committees of the Company and their functions and responsibilities are set out in the Corporate Governance Report appearing on pages 12 to 21 of this Annual Report.

Interest Register

An Interest Register is required to be maintained in terms of Companies Act No.07 of 2007 (as amended), which came into effect on 03rd May, 2007. Directors' Interest in contracts or proposed contracts with the Company are disclosed in Note 29 to the Financial Statements for the period under review.

Directors' Fees and Emoluments

Directors' fees and emoluments in respect of the Company for the Financial year ended 31st December, 2023 is Rs. 1,740,000/- (2022 – Rs. 1,600,000/-)

Donations

There were no charitable contributions made in the Year 2023.

Annual Report of the Board of Directors Contd...

Directors' Shareholding

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

| | 31.12.2023 | 31.12.2022 |
|-------------------------------|------------|------------|
| Mr. M A I Galadari – Chairman | 9,810,017 | 9,810,017 |
| Mr. S A I H Galadari | 9,810,016 | 9,810,016 |
| Mr. I A I Galadari | 9,810,017 | 9,810,017 |
| Mr. L R De Silva | - | - |
| Dr. J A S Felix PC | - | - |
| Mr. V Radhakrishnan | - | - |

Property, Plant & Equipment

The details of the property, plant & equipment of the Company, additions during the year and the depreciation charges for the year are shown in Note 07 to the Financial Statements. The Directors consider the market value of the property, plant & equipment not to be significantly different to the amounts disclosed.

Stated Capital

There has been no change in the Stated Capital of the Company during the year under review. The Stated Capital of the Company as at 31st December 2023 was Rs.8,988,239,455/- consisting of 500,829,564 Ordinary Shares. The Shares of the Company are listed on the Colombo Stock Exchange.

Shareholders

The total Shareholder base of the Company as at 31st December, 2023 was 10,699 (2022 – 10,675). The distribution of the shareholding and a list of the 20 major shareholders are given under Investor Information on page 59.

Statutory Payments

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

Events after the Reporting Date

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

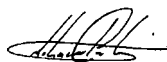
Auditors

The Financial Statements for the period under review have been audited by Messrs. Ernst & Young, Chartered Accountants. Rs. 2,950,000/- (2022 – Rs. 2,650,000/-) has been paid as Audit Fee for the Year Ended 31st December, 2023.

Auditors' Relationship with the Company

Messrs. Ernst and Young, Chartered Accountants, did not provide other consultancy services to the company except tax services during the year under review.

By Order Of the Board



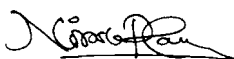
Mr. M A I Galadari

Director



Mr. L R De Silva

Director



CENTRAL CORPORATE AND CONSULTANCY SERVICES (PRIVATE) LIMITED

Secretaries

04th June 2024

Corporate Governance

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

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

Compliance Statement

The Company places utmost importance on the regulatory requirements mainly on the Listing Rules of the Colombo Stocks Exchange (CSE), Companies Act No.7 of 2007 (as amended), Securities and Exchange Commission (SEC) rules and regulations, and Code of Best Practices for Corporate Governance

issued by Institute of Chartered Accountants Sri Lanka.

We declare that the principles of good Corporate Governance are applied consistently and that the Statement confirming the extent of the Company's compliance with the Corporate Governance Rules issued by the Colombo Stock Exchange as required under Section 9.1.3 is provided in the Corporate Governance Annexure.

Board of Directors

The Board of Directors jointly oversees the activities of the Company and is responsible for the Management of the Company. The Company's Board of Directors consists of professionals in varied fields who collectively possess a wide area of knowledge and experience, and are thus eminently suitable to provide leadership and direction required. The Board of Directors of the Company as at the date of this Report comprises of six members who have satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules.

Subject to Section 9.1.4(1)(d) and 9.1.4(3), all Directors other than the Directors nominated by the Foreign Investor retires

by rotation at each Annual General Meeting and those eligible are recommended for re-election. The Board meets as and when the need arises to discuss any prevailing issues, appropriate action in achieving the results and to review the financial performance of the Company.

The Board has constituted three (03) Committees, namely, the Audit, Remuneration and Related Party Transactions Review Committees.

A Statement of Directors' Responsibilities for the preparation of Financial Statements is set out on page 9 of this Annual Report.

Board Sub-Committees

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

As aforesaid, the Board has constituted an Audit Committee, a Remuneration Committee and a Related Party Transactions Review Committee.

The composition of the Board as at the end of the period under Review is set out in the Table below, together with a Record of the Attendance of every Director

| NAME OF THE DIRECTOR | CATEGORY | BOARD | |
|-------------------------------|---------------------------|--------------------|----------|
| | | Eligible to attend | Attended |
| Mr. M A I Galadari - Chairman | Non-Executive | 04 | 04 |
| Mr. S A I H Galadari | Non-Executive | 04 | 03* |
| Mr. I A I Galadari | Non-Executive | 04 | 03* |
| Mr. L R De Silva | Non-executive Independent | 04 | 04 |
| Dr. J A S Felix PC | Non-executive Independent | 04 | 04 |
| Mr. V Radhakrishnan | Non-Executive | 04 | 04 |

* includes meetings attended by an Alternate Director

Corporate Governance Contd...

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

| NAME OF THE COMMITTEE MEMBER | CATEGORY | AUDIT COMMITTEE | |
|--------------------------------|---------------------------|--------------------|----------|
| | | Eligible to attend | Attended |
| Mr. V Radhakrishnan - Chairman | Non-Executive | 04 | 04 |
| Mr. L R De Silva | Non-Executive Independent | 04 | 04 |
| Dr J A S Felix PC | Non-Executive Independent | 04 | 04 |

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

| NAME OF THE COMMITTEE MEMBER | CATEGORY | REMUNERATION COMMITTEE | |
|------------------------------|---------------------------|------------------------|----------|
| | | Eligible to attend | Attended |
| Mr. M A I Galadari Chairman | Non-Executive | 04 | 04 |
| Mr. L R De Silva | Non-Executive Independent | 04 | 04 |
| Dr. J A S Felix PC | Non-Executive Independent | 04 | 04 |

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

| NAME OF THE COMMITTEE MEMBER | CATEGORY | RELATED PARTY TRANSACTIONS REVIEW COMMITTEE | |
|------------------------------|---------------------------|---------------------------------------------|----------|
| | | Eligible to attend | Attended |
| Mr. L R De Silva -Chairman | Non-Executive Independent | 04 | 04 |
| Mr. V Radhakrishnan | Non-Executive | 04 | 04 |
| Dr. J A S Felix PC | Non-Executive Independent | 04 | 04 |

Company Secretaries

Central Corporate and Consultancy Services (Private) Limited was appointed as the Company Secretaries of the Company with effect from 01st April 2023. The Company Secretaries provides Corporate Secretarial Services to the Company. The Company Secretaries play a key role in compliance matters by ensuring that the Company complies with the requirements of the Companies Act, the Colombo Stock Exchange Listing Rules and the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka. The Secretaries also ensure that Board procedures are followed and information is provided to shareholders on a timely basis.

Compliance with Legal Requirements

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

Corporate Governance Contd...

CORPORATE GOVERNANCE ANNEXURE

STATEMENT OF COMPLIANCE

The Statement reflecting the Company's compliance in terms of the Corporate Governance Rules as required in terms of Section 9.1.3 of the Listing Rules issued by the Colombo Stock Exchange up to 31st December 2023, is provided below.

| CSE Rule No | Listing Rule- Description | Compliance status by the Company | Extent of Adoption |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9.2 | Policies | In the process of adoption by the timeline required under the Rules being 1st October 2024 | |
| 9.3 | Board Committees | | |
| 9.3.1 | Listed Entities shall ensure that the Board committees set out in Rule 9.3.1 are established and maintained at a minimum and are functioning effectively. | Complied | <p>Company has formed the following sub-committees details of which are set out in pages 22 to 24.</p> <ul style="list-style-type: none"> - Remuneration Committee - Audit Committee - Related Party Transactions Review Committee <p>Nominations and Governance Committee is in the process of being established by the timeline required under the Rules being 1st October 2024</p> |
| 9.3.2 | Listed entities shall comply with the composition, responsibilities and disclosures required in respect of the Board committees as set out in the Rules. | Complied | <p>Please refer to the pages below for the details regarding the composition, responsibilities and disclosures.</p> <ul style="list-style-type: none"> i) Audit Committee Report- page 22 ii) Remuneration Committee Report – page 23 iii) Related Party Transaction Review Committee Report – page 24 |
| 9.4 | Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders | | |
| 9.4.1 | <p>Listed Entities shall maintain records of all resolutions and the information set out in Rule 9.4.1 relating to such resolutions being considered at any General Meeting of the Entity.</p> <p>The Entity shall provide copies of the same at the request of the Exchange and/or the SEC.</p> | Complied | Complied |

Corporate Governance Contd...

| CSE Rule No | Listing Rule- Description | Compliance status by the Company | Extent of Adoption |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9.4.2 | <p>Communication and relations with shareholders and investors</p> <p>(a) A policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity.</p> <p>(b) Disclose the contact person for such communication.</p> <p>(c) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity.</p> <p>(d) Comply with the Guidelines issued by the Exchange in relation to conducting Shareholder meetings virtually or in hybrid form and publish the same on the website of the Exchange.</p> | Complied as required under the Rules as at 31st December 2023 | <p>All Shareholders have access to the information and advice of the Company Secretaries and major issues and concerns of shareholders (if any) are being notified to the Board at Board Meetings.</p> <p>The Company conducts shareholder meetings through virtual means in compliance with its Articles of Association and the Guidelines issued by the Exchange.</p> <p>The written policy on relations with the shareholders and the investors is in the process of being established within the timeline required under the Rules being 1st October 2024</p> |
| 9.5 | Policy on matters relating to the Board of Directors | | |
| 9.5.1 | Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors | In the process of finalizing and adopting the formal policy in line with the criteria stipulated in Rule 9.5.1 | |
| 9.6 | Chairperson and CEO | | |
| 9.6.1 | The Chairperson of every Listed Entity shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual | Complied | Complied |
| 9.6.2 | A Listed Entity which is not in compliance with Rule 9.6.1 above shall make a Market Announcement as stipulated in Rule 9.6.2. | Not Applicable | |

Corporate Governance Contd...

| CSE Rule No | Listing Rule- Description | Compliance status by the Company | Extent of Adoption |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| 9.6.3 | The Requirement of a SID | Not Applicable | |
| 9.7 | Fitness of Directors and CEOs | | |
| 9.7.1 | The Listed Entities shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of these Rules | Complied | The company conducts Fit and Proper Assessment for all directors, as stipulated in section 9.7.3. |
| 9.7.2 | Listed entities shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper as required in terms of the Listing Rules before such nominations are placed before the shareholders' meeting or appointments are made. | Upon the Nomination and Governance Committee being formed within the timelines stipulated in the Rules (being 1st October 2024), the Committee will take steps to ensure compliance with Rule 9.7.2 | |
| 9.7.4 | Listed entities shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them has continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation. | Complied | |
| 9.7.5 | Disclosures in the Annual Report | Complied | |
| 9.8 | Board Composition | | |
| 9.8.1 | The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors | Complied | Complied. Refer page 12 |
| 9.8.2 | Minimum Number of Independent Directors: (a) The Board of Directors of Listed Entities shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher. (b) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change | Complied | |

Corporate Governance Contd...

| CSE Rule No | Listing Rule- Description | Compliance status by the Company | Extent of Adoption |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9.8.5 | The Board of Directors of listed entities shall require (a) Each Independent Director to annually submit a signed and dated declaration of their “independence” or “non-independence” using the specified criteria and format. | Complied | Each Independent Director has submitted a declaration of independence as per the format in the previous Listing Rules Appendix 7 A, which is applicable as at the date of this report. |
| | (b) Annually assess the “independence” or “non-independence” of each Independent Director based on their declaration and other available information, listing the names of “independent” Directors in the Annual Report. | Complied | The Board has determined that Mr. L R De Silva and Dr. J A S Felix PC be designated as Independent Non-Executive Directors, even though they have served on the Board of the Company for more than 9 years, since they are not directly involved in the day-to-day operations of the Company. Changes to the composition of independent directors shall be made as per the timelines stipulated in the Rules being 1st January 2025. |
| | (c) If the Board finds that the independence of an Independent Director is compromised according to the criteria in Rule 9.8.3, it should immediately issue a market announcement regarding this determination. | Not Applicable | Necessary actions will be taken to issue a Market Announcement, if the Board finds that the independence of an Independent Director is compromised. |
| 9.9 | Alternate Directors | | |
| 9.9 | If a Listed Entity provides for the appointment of Alternate Directors, it shall be required to comply with the requirements set out in Rule 9.9 and such requirements shall also be incorporated into the Articles of Association of the Entity | | Company is in the process of amending the Articles of Association. |
| 9.10 | Disclosures relating to Directors | | |
| 9.10.1 | Listed Entities shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above. | | The maximum number of directorships in Listed Entities that may be held by Directors will be specified in the formal policy to be adopted in terms of Rule 9.5.1 |
| 9.10.2 | Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement in compliance with Rule 9.10.2 | | Relevant market announcements are made when a new Director is appointed to the Board |

Corporate Governance Contd...

| CSE Rule No | Listing Rule- Description | Compliance status by the Company | Extent of Adoption |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9.10.3 | Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees, the details of changes including the capacity of directorship with the effective date thereof. | | Relevant disclosures will be made if any changes in the composition of the Board or any changes in the capacity of directorship arise. |
| 9.10.4 | Listed Entities shall also disclose the details set out in Rule 9.10.4 in relation to the Directors in the Annual Report | Complied | <p>Please refer pages 7 to 8 of this report for the profiles of the Board of Directors.</p> <p>Please refer to the page 12 for the number of Board meetings attended by the Board of Directors during the year.</p> <p>Please refer to the pages below for the details of attendance of Committee Meetings.</p> <p>(i) Audit Committee report – page 13</p> <p>(ii) Related Party Transactions Review Committee report – page 13</p> <p>(iii) Remuneration Committee report – page 13</p> |
| 9.11 | Nominations and Governance Committee | | In the process of formation and adoption by the timeline required under the Rules being 1st October 2024 |
| 9.12 | Remuneration Committee | | |
| 9.12.2 | Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules or 7.10.5(a) of the previous Rules, as applicable. | | Complied as required under the Rules as at 31st December 2023. |
| 9.12.3 | The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration. | Complied | |
| 9.12.4 | Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired. | Complied | |

Corporate Governance Contd...

| CSE Rule No | Listing Rule- Description | Compliance status by the Company | Extent of Adoption |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 7.10.5(a) (previous Listing Rule) | <p>The remuneration committee shall comprise; of a minimum of two independent non-executive directors Or of non-executive directors a majority of whom shall be independent, whichever shall be higher.</p> <p>One non-executive director shall be appointed as Chairman of the committee by the board of directors.</p> | Complied | The Remuneration Committee consists of three members, all of whom are Non-Executive Directors, out of whom a majority are independent. |
| 9.12.7 | <p>The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations.</p> <p>The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.</p> | Complied | Please refer to the Remuneration Committee Report in Page 23 of this report. |
| 9.12.8 | <p>The Annual Report should set out the following:</p> <p>(a) Names of the Chairperson and members of the Remuneration Committee and the nature of directorships held by such members (or persons in the parent company's Remuneration Committee in the case of a group company);</p> <p>(b) A statement regarding the remuneration policy; and,</p> <p>(c) The aggregate remuneration of the Executive and Non-Executive Directors.</p> | Complied | Please refer to the Remuneration Committee Report in Page 23 of this report. |

Corporate Governance Contd...

| CSE Rule No | Listing Rule- Description | Compliance status by the Company | Extent of Adoption |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9.13 | Audit Committee | | |
| 9.13.1 | Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of the Rules | Complied as required under the Rules as at 31st December 2023. | Refer pages 22 to 23 |
| 7.10.6 (a) (previous Listing Rule) | The Audit Committee shall comprise; of a minimum of two independent non-executive directors Or of non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive director shall be appointed as Chairman of the committee by the board of directors. | Complied | The Audit Committee consists of three members, all of whom are Non-Executive Directors, and two of whom are independent. |
| 7.10.6 (b) (previous Listing Rule) | Functions of the Audit Committee | Complied | Please refer to the Audit Committee Report in Pages in 22 to 23 of this report. |
| 7.10.6 (c) (previous Listing Rule) | Disclosure in the Annual Report | Complied | Please refer to the Audit Committee Report in Pages in 22 to 23 of this report. |
| 9.14 | Related Party Transactions Review Committee | | |
| 9.14.1 | Listed Entities shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of these Rules. | Complied as required under the Rules as at 31st December 2023. | Please refer to the Related Party Transaction Review Committee Report in Page in 24 of this report. |
| 9.14.2 | The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity. It may also include executive directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee. | Complied | Related Party Transactions Review Committee consists of three Non-Executive Directors two of whom are Independent. The Chairman is an Independent Director. |

Corporate Governance Contd...

| CSE Rule No | Listing Rule- Description | Compliance status by the Company | Extent of Adoption |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|--------------------------------------------------------------------------------------------------|
| 9.14.3 | Listed Entities shall have a Related Party Transactions Review Committee which shall be responsible for reviewing the Related Party Transactions as set out in the Listing Rule 9.14.3 | Complied | Please refer to the Related Party Transaction Review Committee Report in Page 24 of this report. |
| 9.14.4 | The Related Party Transactions Review Committee shall comply with the general requirements set out in Listing Rule 9.14.4. | | |
| 9.14.5 | Review of Related Party Transactions by the Related Party Transactions Review Committee | Complied | The committee complies with section 9.14.5 when reviewing the Related Party Transactions. |
| 9.14.8 | Disclosure in the Annual Report | Complied | Please refer to the Note 29 in Page 57 of this report |

Report of the Audit Committee

Role of the Audit Committee

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

- Reliability and integrity of the Financial Statements
- Adequacy and effectiveness of Risk Management and Internal Controls
- Independence and qualifications of the External Auditors
- Effectiveness and performance of Internal and External Audits
- Compliance with Statutory and Regulatory requirements

The Audit Committee further make recommendations to the Board pertaining to the appointment, re-appointment or removal of External Auditors and approve the remuneration of the External Auditors.

Composition of the Audit Committee

The Audit Committee comprises of three (03) Members, two of whom are independent Non-Executive Directors:

Mr. V Radhakrishnan
Chairman of the Committee

Dr. J A S Felix PC
Committee Member

Mr. L R De Silva
Committee Member

The Company is in compliance with previous Rule 7.10.6(a), applicable as at the date of this report relating to the composition of the Audit Committee.

Financial Reporting, Financial Control and Compliance

The Audit Committee reviewed the Company's quarterly and annual Financial Statements and made recommendations to the Board for approval .

The Audit Committee has obtained and reviewed assurances received from the General Manager and the Financial Controller that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

Compliance

The Audit Committee has overseen the Company's financial reporting on behalf of the Board of Directors as part of its responsibility and is of the opinion that the Company's financial reporting is in compliance with Sri Lanka Accounting Standards and other Regulatory requirements pertaining to financial reporting.

Risk Management and Internal Controls

The Audit Committee reviews the risk policies on an annual basis and oversees the processes to ensure that the Company's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.

Internal Audit

The Audit Committee reviews the Internal Audit carried out by Messrs. KPMG, Chartered Accountants, its effectiveness and independence, performance and objectivity of the Internal Auditors and ensures the follow up of the recommendations for corrective measures.

Following are the functions of the Audit Committee.

- Reviewed and approved the Annual Internal Audit Plan.
- Coordinate with Internal and External Auditors.
- Reviewed and discussed the periodic reports submitted by the Internal Auditors with management comments on financial and operational audits, IT Security, and risk assessments carried out in line with the approved audit plan.

External Audit

The Audit Committee also reviews the progress of the Audit carried out by the External Auditors, Messrs. Ernst & Young, Chartered Accountants and resolves any audit related issues with the External Auditors.

The Audit Committee has obtained written assurance from the External Auditors confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The External Auditor has been engaged for 5 number of years and the Audit Partner has been engaged for 1 out of the said 5 years.

In consideration that the non-audit work (tax related services) was provided by the Tax Partner and team of the External Auditor (which is distinct and separate to the Audit Partner and Audit team), and also considering the reasonable fees paid for such non-audit services, the objectivity and independence of the External Auditors was well safeguarded. Further, as there were no shares held by the External Auditors, the confirmation received from the External Auditors and the periodic rotation of the Audit Partner, the Committee considers that Ernst & Young, Chartered Accountants are independent.

The Audit Committee has recommended to the Board that Messrs. KPMG, Chartered Accountants (who were Internal Auditors of the Company for the financial year ended 31st December 2023) be appointed as the External Auditors of the Company for the financial year ending 31st December 2024 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

Meetings and reporting to the Board

Four (04) Meetings of the Committee were held during the period under review and attendance of the Members at these Meetings is given on page 13 of

Report of the Audit Committee Contd...

the Annual Report. The General Manager and the Financial Controller of the Company attended the Audit Committee Meetings of the Company.

| Director | Category | Position |
|---------------------|---------------------------|------------------|
| Mr. V Radhakrishnan | Non-Executive | Chairman |
| Mr. L R De Silva | Non-Executive Independent | Committee Member |
| Dr J A S Felix PC | Non-Executive Independent | Committee Member |

The Chairman of the Audit Committee reports to the Board at each meeting on the activities of the Committee. Minutes of the Audit Committee meetings are also tabled at the Board Meetings.

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



Mr. V Radhakrishnan
Chairman – Audit Committee

04th June 2024

Report of the Remuneration Committee

The remuneration committee is committed to the principles of accountability and transparency and ensuring that remuneration arrangements align with performance.

Composition

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

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

The Company is in compliance with previous Rule 7.10.5 (a) relating to the composition of the Remuneration Committee which is applicable as at the date of this report.

Responsibilities and functions of the Committee

The primary purpose of the Remuneration Committee is to review the performance of the General Manager and recommend appropriate remuneration benefits and other payments based on the Remuneration Policy of the Company.

Meetings


Four (04) Meetings of the Committee were held during the period under review and attendance of the Members at these Meetings is given on page 13 of the Annual Report.

Remuneration Policy

The Company follows a formal and transparent procedure to ascertain the remuneration package for the General Manager, which is based on market and industry factors to sufficiently motivate, attract and retain talented and useful resources. There was no changes to the policy during the year under review.

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

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



Mr. M A I Galadari
Chairman – Remuneration Committee

04th June 2024

Report of the Related Party Transactions Review Committee

Objective

The objective of the Committee is to constitute and maintain a committee to review the categories of persons who are considered as “related parties” and to provide assistance to the Board in fulfilling its responsibility relating to review of all Related Party Transactions in compliance with the Listing Rules.

Accordingly, the Committee has reviewed the Related Party Transactions during the Financial Year and has communicated its comments/ observations to the Board of Directors prior to the completion of the Transaction as per the rules laid down under Section 9 of the Listing Rules.

Policies and Procedures

The committee has clear procedures and processes in place for the identification, clarification and reporting the Related Party Transactions across the Company’s operations.

This include;

- Evaluating any proposed Related Party Transactions quarterly,
- Reviewing any post quarter confirmations on Related Party Transactions
- Reviewing the threshold for Related Party Transactions, which require either Shareholders’ approval or immediate market disclosures
- Reviewing criteria of Key Management personnel.
- Obtaining Board approval for Related Party Transactions, and,
- Regularly report to the Board on Committee’s activities

There had been no Related Party Transactions with the key management personnel except for the transactions stated in the Note No 29.1 to these Financial Statements. The other transactions with related parties are stated in Note 29.2 to these Financial Statements.

Composition

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

| NAME OF THE COMMITTEE MEMBER | CATEGORY | Position |
|------------------------------|---------------------------|------------------|
| Mr. L R De Silva | Non-Executive Independent | Chairman |
| Mr. V Radhakrishnan | Non-Executive | Committee Member |
| Dr. J A S Felix PC | Non-Executive Independent | Committee Member |

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

The Committee has also obtained ‘self-declarations’ (prepared in line with the format set out in the Listing Rules) from each Director and Key Management Personnel of the Company, in order to identify parties related to them.

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

Where necessary, the Committee obtains appropriate professional and expert advice from appropriately qualified persons to better assess all aspects of proposed Related Party Transactions.

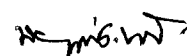
The proceedings of the Committee are reported to the Board of Directors who will in turn make the final determination based on the recommendations of the Committee.

Meetings

Four (04) meetings of the Related Party Transactions Review Committee had been convened during the year under review, i.e. the Year Ended 31st December, 2023. The Audit Committee meetings are properly documented and communicated to the Board of Directors

Declaration by the Board

A declaration is made by the Board of Directors in terms of Section 9.14.8(4) of the Listing Rules confirming compliance by the Company of the Listing Rules relating to Related Party Transaction.



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

04th June 2024

Independent Auditor's Report



Ernst & Young
Chartered Accountants
Rotunda Towers
No, 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email: eysi@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF GALADARI HOTELS (LANKA) PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Galadari Hotels (Lanka) PLC (“the Company”), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (“SLAuSs”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with Code of Ethics for Professional Accountants 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shaktivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

Independent Auditor's Report Contd...

| Key audit matter | How our audit addressed the key audit matter |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Assessment of fair value of buildings</p> <p>Property, Plant and Equipment include buildings carried at fair value. The fair value of buildings were determined by an external valuer engaged by the Company.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> the materiality of the reported fair value of buildings which amounted to Rs.5,662 Mn representing 49% of the Company's total assets as of the reporting date; and the degree of assumptions, judgements and estimation uncertainties associated with fair valuation of buildings using depreciated replacement cost approach. <p>Key areas of significant judgments, estimates and assumptions used in assessing the fair value of buildings, as disclosed in Notes 3.4.5. and 7 to the financial statements, included judgements involved in ascertaining the appropriate valuation technique and estimates such as estimated construction cost per square foot.</p> | <p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> assessed the competence, capability and objectivity of the external valuer engaged by the Company. read the external valuer's report and understood the key estimates made and the valuation approach taken by the valuer in determining the valuation of the property. assessed the reasonableness of significant assumptions, judgements and estimates made by the valuer such as estimated construction cost per square foot and valuation technique in assessing the fair value of the property. <p>We also assessed the adequacy of the disclosures made in notes 3.4.5. and 7 to the financial statements.</p> |

Other information included in the Company's 2023 Annual Report

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent Auditor's Report Contd...

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the

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

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

The Institute of CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3755.



04th June 2024
Colombo

Statement of Financial Position

As at 31st December

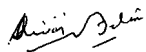
| | Note | 2023 Rs. | 2022 Rs. |
|--------------------------------------------------------------|------|-----------------------|-----------------------|
| Assets | | | |
| Non Current Assets | | | |
| Property plant & equipment | 7 | 6,706,655,378 | 5,884,299,165 |
| Right of use asset | 8 | 1,316,363,645 | 1,339,870,137 |
| Intangible assets | 9 | 34,390,855 | 23,706,261 |
| Total Non Current Assets | | 8,057,409,878 | 7,247,875,563 |
| Current Assets | | | |
| Inventories | 10 | 82,830,996 | 74,472,684 |
| Trade and other receivables | 11 | 188,553,646 | 108,079,850 |
| Income tax receivable | 12 | 65,256,847 | - |
| Investments | 13 | 2,804,442,455 | 2,998,726,873 |
| Cash and cash equivalents | 14 | 266,780,832 | 106,154,574 |
| Total Current Assets | | 3,407,864,776 | 3,287,433,981 |
| Total Assets | | 11,465,274,654 | 10,535,309,544 |
| Equity | | | |
| Stated capital | 15 | 8,988,239,455 | 8,988,239,455 |
| Revaluation reserve | 16 | 8,165,259,991 | 7,759,252,293 |
| Reserve for replacement of furniture, fittings and equipment | 17 | 934,390,805 | 826,131,063 |
| Accumulated losses | | (9,426,747,032) | (9,470,358,097) |
| Total Equity | | 8,661,143,219 | 8,103,264,714 |
| Non-Current Liabilities | | | |
| Deferred tax liabilities | 18 | 1,663,012,498 | 1,411,174,881 |
| Retirement benefit obligations | 19 | 87,683,866 | 75,895,291 |
| Total Non-Current Liabilities | | 1,750,696,364 | 1,487,070,172 |
| Current Liabilities | | | |
| Trade and other payables | 20 | 778,052,280 | 662,363,868 |
| Income tax payable | 12 | - | 7,227,999 |
| Provisions | 21 | 275,382,791 | 275,382,791 |
| Total Current Liabilities | | 1,053,435,071 | 944,974,658 |
| Total Liabilities | | 2,804,131,435 | 2,432,044,830 |
| Total Equity & Liabilities | | 11,465,274,654 | 10,535,309,544 |

Notes from the pages no. 33 to 58 form an integral part of these Financial Statements.
These Financial Statements are in compliance with the requirement of the Companies Act No.07 of 2007.

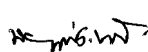


M. G. U. Perera
Financial Controller

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board of Directors.



Dr. J. A. S. Felix
Director



L. R. D. Silva
Director

04th June 2024

Statement of Profit or Loss

| For the year ended 31st December, | | 2023 | 2022 |
|------------------------------------------|------|----------------------|---------------|
| | Note | Rs. | Rs. |
| Revenue | 22 | 1,606,029,441 | 1,183,219,555 |
| Cost of sales | | (862,173,517) | (713,350,054) |
| Gross profit | | 743,855,924 | 469,869,501 |
| Other income | 23 | 5,525,634 | 5,831,003 |
| Marketing expenses | | (18,815,045) | (9,463,512) |
| Administrative expenses | | (490,093,524) | (376,899,659) |
| Other operating expenses | | (501,645,800) | (354,094,642) |
| Results from operating activities | 24 | (261,172,811) | (264,757,309) |
| Finance income | 25 | 553,639,767 | 330,330,519 |
| Profit before tax | | 292,466,956 | 65,573,210 |
| Income tax expense | 26 | (138,778,265) | (183,464,925) |
| Profit /(loss) for the year | | 153,688,691 | (117,891,715) |
| Basic profit /(loss) per share | 27 | 0.31 | (0.24) |

Figures in brackets indicate deductions.

Notes from the pages no. 33 to 58 form an integral part of these Financial Statements.

Statement of Comprehensive Income

For the year ended 31st December,

| | Note | 2023 Rs. | 2022 Rs. |
|------------------------------------------------------------------|------|--------------------|----------------------|
| Profit for the year | | 153,688,691 | (117,891,715) |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Change in revaluation surplus of Property, Plant & Equipment | 7.1 | 519,846,143 | 616,937,519 |
| Re measurements of retirement benefit obligation | 19 | (2,596,977) | (3,338,372) |
| Impact on deferred tax | 18.3 | (113,059,352) | (775,960,493) |
| Total other comprehensive income for the year, net of tax | | 404,189,814 | (162,361,346) |
| Total comprehensive income for the year | | 557,878,505 | (280,253,061) |

Figures in brackets indicate deductions.

Notes from the pages no. 33 to 58 form an integral part of these Financial Statements.

Statement of Changes in Equity

| | Notes | Stated Capital | Revaluation Reserve | Reserve for Replacement of FF & E* | Accumulated Losses | Total |
|-------------------------------------------------------------------------------|-------|----------------|---------------------|------------------------------------|--------------------|---------------|
| | | Rs. | Rs. | Rs. | Rs. | Rs. |
| Balance as at 1st January 2022 | | 8,988,239,455 | 7,919,276,779 | 750,079,760 | (9,274,078,219) | 8,383,517,775 |
| Total comprehensive income for the year | | | | | | |
| Loss for the year | | - | - | - | (117,891,715) | (117,891,715) |
| Other comprehensive income | | | | | | |
| Surplus on revaluation of Property, Plant & Equipment | 16 | - | 616,937,519 | - | - | 616,937,519 |
| Deferred tax adjustment on revaluation surplus | 18 | - | (776,962,005) | - | 1,001,512 | (775,960,493) |
| Net actuarial loss from gratuity actuarial valuation | 19 | - | - | - | (3,338,372) | (3,338,372) |
| Total comprehensive income for the year | | - | (160,024,486) | - | (120,228,575) | (280,253,061) |
| Transactions with owners of the company, recognized directly in equity | | | | | | |
| Provision for Reserve of replacement of furniture, fittings and equipment | 17 | - | - | 76,051,303 | (76,051,303) | - |
| Replacement of furniture, fittings and equipment during the year | 17 | - | - | - | - | - |
| Total transactions with owners of the company | | - | - | 76,051,303 | (76,051,303) | - |
| Balance as at 31st December 2022 | | 8,988,239,455 | 7,759,252,293 | 826,131,063 | (9,470,358,097) | 8,103,264,714 |
| Balance as at 1st January 2023 | | 8,988,239,455 | 7,759,252,293 | 826,131,063 | (9,470,358,097) | 8,103,264,714 |
| Total comprehensive income for the year | | | | | | |
| Profit for the year | | - | - | - | 153,688,691 | 153,688,691 |
| Other Comprehensive income | | | | | | |
| Surplus on revaluation of Property, Plant & Equipment | 16 | - | 519,846,143 | - | - | 519,846,143 |
| Deferred tax adjustment on revaluation surplus | 18 | - | (113,838,445) | - | 779,093 | (113,059,352) |
| Net actuarial loss from gratuity actuarial valuation | 19 | - | - | - | (2,596,977) | (2,596,977) |
| Total comprehensive income for the year | | - | 406,007,698 | - | 151,870,807 | 557,878,505 |
| Transactions with owners of the company, recognized directly in equity | | | | | | |
| Provision for Reserve of replacement of furniture, fittings and equipment | 17 | - | - | 108,259,742 | (108,259,742) | - |
| Replacement of furniture, fittings and equipment during the year | 17 | - | - | - | - | - |
| Total transactions with owners of the company | | - | - | 108,259,742 | (108,259,742) | - |
| Balance as at 31st December 2023 | | 8,988,239,455 | 8,165,259,991 | 934,390,805 | (9,426,747,032) | 8,661,143,219 |

Figures in brackets indicate deductions.

Notes from the pages no. 33 to 58 form an integral part of these Financial Statements.

* FF & E - Furniture, Fittings and Equipment

Statement of Cash Flows

For the year ended 31st December,

| | Note | 2023 Rs. | 2022 Rs. |
|-----------------------------------------------------------------------|-----------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 292,466,956 | 65,573,210 |
| Adjustments for | | | |
| Allowance of impairment for bad and doubtful receivables | 11.1 | (1,017,896) | 347,896 |
| Provision reversal for impairment of slow moving inventories | 10.1 | (3,293) | - |
| Depreciation and amortization | 7 & 8 & 9 | 244,759,680 | 194,972,790 |
| Provision for retirement benefit obligations | 19 | 20,139,199 | 12,823,893 |
| Interest for provision for litigation settlement | 21 | - | 7,589,643 |
| Payment and Reversal of litigation | 21 | - | (17,600,000) |
| Interest Income | 25 | (536,138,580) | (358,021,011) |
| Operating profit / (loss) before working capital changes | | 20,206,066 | (94,313,579) |
| Increase in inventories | | (8,355,019) | (32,660,924) |
| Increase in trade & other receivables | | (79,455,900) | (3,714,919) |
| Increase in trade & other payables | | 115,688,412 | 247,732,127 |
| Total working capital changes | | 27,877,493 | 211,356,284 |
| Cash generated from operations | | 48,083,559 | 117,042,705 |
| Retirement benefits paid | 19 | (10,947,601) | (6,389,808) |
| Income tax paid | 12 | (72,484,846) | (33,781,976) |
| Net cash flows (used in) / from operating activities | | (35,348,888) | 76,870,921 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property, plant & equipment | 7 | (534,447,852) | (296,231,304) |
| Interest received | 24 | 536,138,580 | 358,021,011 |
| Interest reinvested in Fixed deposits and Repos | 13 | (493,276,434) | (349,525,231) |
| New investment in Repos | 13 | (2,608,021,953) | - |
| Withdrawal of Fixed deposits | 13 | 3,295,582,805 | 222,259,734 |
| Net cash flows (used in) / generated from investing activities | | 195,975,146 | (65,475,790) |
| Net change in cash & cash equivalents | | 160,626,258 | 11,395,131 |
| Cash and cash equivalents at the beginning of the year | | 106,154,574 | 94,759,443 |
| Cash and cash equivalents at the end of the year (Note A) | | 266,780,832 | 106,154,574 |
| Note A | | | |
| Cash in hand | | 1,805,000 | 1,605,000 |
| Cash at bank | | 264,975,832 | 104,549,574 |
| | | 266,780,832 | 106,154,574 |

Figures in brackets indicate deductions.

Notes from the pages no. 33 to 58 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31st December 2023

1. REPORTING ENTITY

1.1 Domicile and Legal Form

Galadari Hotels (Lanka) PLC, is a company with limited liability incorporated & domiciled in Sri Lanka. The address of the Company's registered office was No. 9/5, Thambiah Avenue, Colombo 07 and from 1st April 2023 it is No.48, Rosmead Place, Colombo 07. Principal place of business is situated at No. 64, Lotus Road, Colombo 01.

1.2 Principal Activities and Nature of Operations

The principle activity of the Company is hoteliering.

1.3 Principal and Ultimate Parent

The Parent Company is Galadari Brothers Co. LLC and the Ultimate Parent Company is Abdul Latif Galadari Holdings Limited.

1.4 Number of Employees

Number of employees as at 31st December 2023 was 530. (2022 - 481)

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act No 7 of 2007 and the listing rules of the Colombo Stock Exchange.

The Financial Statements were authorized for issue by the Board of Directors on 04th June 2024.

2.2. Basis of Measurement

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

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

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

2.3. Going Concern

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

2.4. Changes in accounting policies

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

2.5. Comparative Information

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

2.6. Functional & Presentation Currency

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

2.7. Use of Estimates & Judgements

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

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

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

2.8. Materiality and Aggregation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Foreign Currency Transactions

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

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets

Notes to the Financial Statements Contd...

For the year ended 31st December 2023

and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in Income Statement.

3.2. Financial Instruments

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

Financial assets

a) Initial Recognition and Measurement

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Subsequent Measurement

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

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

Financial assets at amortised cost (Debt instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial Assets at Fair Value Through OCI (Debt Instruments)

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

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

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

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

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for

Notes to the Financial Statements Contd...

For the year ended 31st December 2023

trading. The classification is determined on an instrument-by-instrument basis.

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

Financial Assets at Fair Value through Profit or Loss

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

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes short term investments which the Company had

not irrevocably elected to classify at fair value through OCI. Income from these investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

b) Derecognition

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

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

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

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

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

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

measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

c) Impairment of Financial Assets

- Trade receivables

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

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

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

Notes to the Financial Statements Contd...

For the year ended 31st December 2023

account any credit enhancements held by the Company.

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

Financial Liabilities

Initial Recognition and Measurement

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

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

Subsequent Measurement

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

Loans and Borrowings (Financial liabilities at amortised cost)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR (Effective Interest Rate) method.

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

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

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

Derecognition

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

Fair Value Measurement

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

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient

data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

3.3. Non-Financial Assets

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

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present

Notes to the Financial Statements Contd...

For the year ended 31st December 2023

value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are companyed together into the smallest company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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

3.4. Property, Plant and Equipment

3.4.1 Basis of Recognition

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

3.4.2 Initial and Subsequent Measurement

An item of Property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Subsequently items of property,

plant and equipment are stated at cost (except for Building, Motor Vehicles, Cutlery, and Crockery & Linen) less accumulated depreciation and accumulated impairment losses if any.

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

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

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

3.4.3 Subsequent Expenditure

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

3.4.4 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de recognition

of an item of property, plant and equipment is included in profit or loss when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalization, the remaining carrying amount of the previous cost is derecognised.

3.4.5 Revaluation

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

As a result of revaluation if the carrying amount is increased, the increased amount is credited to equity under the heading of Revaluation Reserve on Revaluation of Property, Plant & Equipment. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

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

Notes to the Financial Statements Contd...

For the year ended 31st December 2023

3.4.6 Depreciation

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

| Assets Category | Estimated Useful Lives |
|--------------------------------|------------------------|
| Buildings | 2 to 37 Years |
| Electrical installations | 20 Years |
| Furniture, fixtures & fittings | 2 to 20 Years |
| Furnishing | 4 Years |
| Kitchen equipment & utensils | 20 Years |
| Generator | 20 Years |
| Plant & machinery | 20 Years |
| Air conditioning equipment | 20 Years |
| Laundry equipment | 20 Years |
| Computers | 4 Years |
| Elevators | 2 to 20 Years |
| Electrical equipment | 5 Years |
| Motor vehicles | 4 Years |
| Cutlery, crockery & linen | 2 Years |

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal Company that is classified as held for sale) and the date that the asset is derecognized. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

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

3.5 Intangible Assets

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

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

Computer software 08 years

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

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

consistent with the function of the intangible asset.

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

3.6 Inventories

Inventories are valued at the lower of cost and net realizable value, after making do allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae.

Food and Beverage -
At weighted average cost

Other Consumables -
At weighted average cost

Engineering Supplies -
At weighted average cost

Fuel Stock -
At actual cost on FIFO basis

3.7. Stated Capital

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

3.8 Liabilities and Provisions

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

3.9 Leases

With effect from 1st January 2019, the Company applies this standard to

Notes to the Financial Statements Contd...

For the year ended 31st December 2023

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

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

Company as a lessee

As per SLFRS 16, when the Company has determined that a contract contains a lease component and one or more additional lease components or non-lease components, the consideration in the contract is allocated to each lease component on the basis of relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. At the commencement date, the Company recognises right-of-use of an asset and a lease liability which is measured at the present

value of the lease payments that are payable on that date. Lease payments are discounted using the IBR. After initial recognition, the Company applies cost model for the right-of-use of an asset and depreciate the asset from commencement date to the end of the useful life of the underlying asset. Where the right does not transfer the ownership of the asset, the Company depreciates it from commencement date to the earlier of the end of the useful life of the right-of-use asset or end of the lease term. In addition, interest expense on the lease liability is recognised in the profit or loss.

3.10. Provisions

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

3.11 Employee Benefits

a) Defined Benefit Plan - Gratuity

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

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

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

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

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

4. INCOME STATEMENT

4.1 Revenue Recognition

4.1.1. Revenue from contracts with Customers

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

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

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

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

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the

Notes to the Financial Statements Contd...

For the year ended 31st December 2023

entity will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.

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

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

a) Room Revenue

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

b) Food & Beverage Revenue

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

c) Other Hotel Related Revenue

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

4.1.2 Other income sources

a) Interest income

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

b) Other income

Other income is recognised on an accrual basis.

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

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a Company of similar transactions

which are not material, are aggregated, reported and presented on a net basis.

4.2. Expenditure

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

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

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

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

4.3. Finance Income & Finance Cost

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

Finance costs comprise interest expenses on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available for sale financial assets, impairment losses recognized on financial assets (other than trade receivables). Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest rate method. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

4.4. Income Tax Expenses

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

a. Current Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Companies which undertake promotion of tourism in Sri Lanka are liable to tax at the rate of 14% of taxable income.

b. Sales Tax

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

c. Deferred Tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except, when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax assets are

Notes to the Financial Statements Contd...

For the year ended 31st December 2023

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

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

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

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

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

4.5. Basic Earnings Per Share

The financial statements present basic earnings per share (EPS) data for its ordinary shareholders.

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

5. STATEMENT OF CASH FLOWS

5.1. Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

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

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

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

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective

SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance

contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

This standard is not applicable to the Company and is currently assessing the impact the amendments will have on current practice

Notes to the Financial Statements Contd...

7. PROPERTY, PLANT & EQUIPMENT

7.1 Reconciliation of Carrying Value

| | Building | Electrical installations | Furniture, fixtures & fittings | Kitchen equipment & utensils | Generator | Plant & machinery | Air conditioning equipment |
|----------------------------------------|----------------------|--------------------------|--------------------------------|------------------------------|-------------------|-------------------|----------------------------|
| Cost/ Revalued amounts | | | | | | | |
| Balance as at 01/01/2023 | 5,303,885,700 | 24,750,000 | 15,525,179 | 27,354,959 | 17,570,000 | 45,479,432 | 5,159,605 |
| Additions | - | - | 26,332 | - | - | - | - |
| Disposals during the year | - | - | - | - | - | - | - |
| Transferred from CWIP | - | - | - | - | - | - | - |
| Transferred to intangible assets | - | - | - | - | - | - | - |
| Transferred to revaluation | (161,540,843) | - | - | - | - | - | - |
| Revaluation surplus (Note 16) | 519,846,143 | - | - | - | - | - | - |
| Balance as at 31/12/2023 | 5,662,191,000 | 24,750,000 | 15,551,511 | 27,354,959 | 17,570,000 | 45,479,432 | 5,159,605 |
| Depreciation | | | | | | | |
| Balance as at 01/01/2023 | - | - | - | - | - | - | - |
| Charge for the year | 161,540,843 | - | 6,805,845 | 2,044,890 | 898,948 | 3,511,626 | 670,034 |
| On disposals | - | - | - | - | - | - | - |
| Adjustment on revaluation | (161,540,843) | - | - | - | - | - | - |
| Balance as at 31/12/2023 | - | - | 6,805,845 | 2,044,890 | 898,948 | 3,511,626 | 670,034 |
| Net Book Value as at 31/12/2023 | 5,662,191,000 | 24,750,000 | 8,745,666 | 25,310,069 | 16,671,052 | 41,967,806 | 4,489,571 |
| Net Book Value as at 31/12/2022 | 5,303,885,700 | 24,750,000 | 15,525,179 | 27,354,959 | 17,570,000 | 45,479,432 | 5,159,605 |

7.2 Hotel building situated at No. 64, Lotus Road, Colombo 1, was revalued on 31st December 2023 by P. B. Kalugalagedera, which resulted in a revaluation surplus of Rs. 519,846,143/- and this was transferred to revaluation reserve. The Company policy is to revalue its building every year. Other property, plant and equipment except for motor vehicle, cutlery and crockery, linen and capital work in progress were revalued on 31st December 2022 by P. B. Kalugalagedera and were incorporated in the Financial Statements as at that date. All assets were valued based on cost approach considering Depreciated replacement cost.

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

| Year | Building | Electrical installation | Furniture, fixtures & fittings | Kitchen equipment & utensils | Generator | Plant & machinery |
|------|-------------|-------------------------|--------------------------------|------------------------------|-----------|-------------------|
| 2023 | 740,466,509 | - | 49,582,446 | 24,246,743 | 458,311 | 29,026,371 |
| 2022 | 761,622,695 | - | 58,239,815 | 26,409,567 | 586,154 | 31,796,989 |

| | Laundry equipment | Computers | Elevators | Electrical equipment | Cutlery, crockery and linen | Capital Work in Progress | Total | |
|--|-------------------|-------------------|------------------|----------------------|-----------------------------|--------------------------|----------------------|----------------------|
| | | | | | | | 2023 | 2022 |
| | 17,228,375 | 60,332,146 | 3,794,300 | 45,788,361 | 83,701,405 | 309,594,742 | 5,960,164,204 | 5,401,861,686 |
| | - | - | - | 482,000 | 4,814,389 | 529,125,131 | 534,447,852 | 295,679,059 |
| | - | - | - | - | (15,669,262) | - | (15,669,262) | (16,567,056) |
| | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | (15,955,046) | (15,955,046) | (25,568,301) |
| | - | - | - | - | - | - | (161,540,843) | (312,178,703) |
| | - | - | - | - | - | - | 519,846,143 | 616,937,519 |
| | 17,228,375 | 60,332,146 | 3,794,300 | 46,270,361 | 72,846,532 | 822,764,827 | 6,821,293,048 | 5,960,164,204 |
| | - | - | - | - | 75,865,039 | - | 75,865,039 | 235,558,784 |
| | 2,054,962 | 17,282,519 | 1,897,150 | 9,032,315 | 10,243,604 | - | 215,982,736 | 169,052,014 |
| | - | - | - | - | (15,669,262) | - | (15,669,262) | (16,567,056) |
| | - | - | - | - | - | - | (161,540,843) | (312,178,703) |
| | 2,054,962 | 17,282,519 | 1,897,150 | 9,032,314 | 70,439,381 | - | 114,637,670 | 75,865,039 |
| | 15,173,413 | 43,049,627 | 1,897,150 | 37,238,047 | 2,407,150 | 822,764,827 | 6,706,655,378 | - |
| | 17,228,375 | 60,332,146 | 3,794,300 | 45,788,361 | 7,836,366 | 309,594,741 | - | 5,884,299,165 |

| | Air conditioning equipment | Laundry equipment | Computers | Elevators | Electrical equipment | Cutlery, crockery and linen | Total |
|--|----------------------------|-------------------|------------|-----------|----------------------|-----------------------------|-------------|
| | 8,372,718 | 11,469,350 | 14,708,999 | 412,794 | 2,626,380 | 2,407,150 | 883,777,771 |
| | 10,013,668 | 13,436,418 | 5,866,943 | 440,314 | 6,064,838 | 7,836,366 | 922,313,767 |

Notes to the Financial Statements contd...

7.4 Fully depreciated property, plant & equipment as at the reporting date is Rs. 1,144,090,736/- (2022 - Rs. 1,119,166,214/-)

7.5 Assets pledged as Securities

The Company does not have Property, Plant and Equipment pledged as securities as at 31st December 2023.

7.6 Fair Value Measurement

(a) Fair Value Hierarchy

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

The valuer provides the fair value of the Property every year. Fair value measurements of the property has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

(b) Valuation Techniques and Significant Unobservable Inputs

The following table shows the valuation techniques used in measuring fair value of the Building and quantitative information, as well as the significant unobservable inputs used in the valuation.

| Year | Valuation Techniques | Significant unobservable inputs | Value per square foot (Range) | Interrelationship between key unobservable inputs and fair value measurements |
|------|---------------------------------------------------|--------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| 2023 | Depreciated replacement cost method | Estimated constructed cost per square foot | Rs. 4,000/- to Rs. 16,500/- (Average is Rs. 13,743/-) | increase or decrease in cost per square feet by Rs. 1,000/- would change fair value by Rs. 414 mn |
| 2022 | Income approach considering Highest and Best use. | Estimated constructed cost per square foot | Rs. 3,500/- to Rs. 15,250/- (Average is Rs. 12,232/-) | increase or decrease in cost per square feet by Rs. 1,000/- would change fair value by Rs. 414 mn |

7.7 Disposals during the year.

During the year the Company disposed Rs. 15,669,262/- (2022 - 16,567,056/-) worth of assets which were fully depreciated.

Notes to the Financial Statements contd...

| As at 31st December, | 2023 | 2022 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------|
| | Rs. | Rs. |
| 8. RIGHT OF USE ASSETS | | |
| 8.1 Reconciliation of Carrying Value | | |
| Balance as at 01st January | 2,118,078,571 | 2,118,078,571 |
| Balance as at 31st December | 2,118,078,571 | 2,118,078,571 |
| Accumulated Amortization | | |
| Balance as at 01st January | (778,208,434) | (754,701,942) |
| Charge for the year | (23,506,492) | (23,506,492) |
| Balance as at 31st December | (801,714,926) | (778,208,434) |
| Net Balance as at 31st December | 1,316,363,645 | 1,339,870,137 |
| 8.2 The leasehold property is amortized on a straight line basis over 99 years. Remaining lease period as at 31st December 2023 was 56 years. The extent of the land is 3 Acres 1 Rood and 37.422 Perches. There is a renewable option in the lease agreement at the end of 99 years. | | |
| 8.3 The Company does not foresee any indications of impairment of right-of-use asset as at the reporting date. | | |
| 9. INTANGIBLE ASSETS | | |
| Cost | | |
| Balance as at 01/01/2023 | 26,120,547 | - |
| Additions | - | 552,246 |
| Transferred from CWIP (Note 7.1) | 15,955,046 | 25,568,301 |
| Balance as at 31/12/2023 | 42,075,593 | 26,120,547 |
| Amortisation | | |
| Balance as at 01/01/2023 | 2,414,286 | - |
| Charge for the year | 5,270,452 | 2,414,286 |
| Balance as at 31/12/2023 | 7,684,738 | 2,414,286 |
| Net Book Value as at 31 st December | 34,390,855 | 23,706,261 |
| 10. INVENTORIES | | |
| Food and beverage | 36,151,517 | 38,825,187 |
| Other consumables | 14,471,170 | 10,496,463 |
| Engineering supplies | 15,414,236 | 9,806,506 |
| Fuel inventories | 16,848,052 | 15,401,800 |
| | 82,884,975 | 74,529,956 |
| Less: Impairment provision for slow moving inventories (Note 10.1) | (53,979) | (57,272) |
| | 82,830,996 | 74,472,684 |
| 10.1 Impairment provision for slow moving inventories | | |
| As at 1st January | 57,272 | 57,272 |
| Reversal during the year | (3,293) | - |
| As at 31st December | 53,979 | 57,272 |

Notes to the Financial Statements contd...

| As at 31st December, | 2023 Rs. | 2022 Rs. |
|---------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------|
| 11. TRADE AND OTHER RECEIVABLES | | |
| Trade receivables | 114,738,300 | 87,045,758 |
| Less: Allowance for impairment of doubtful receivables (Note 11.1) | (11,977,402) | (12,995,298) |
| | 102,760,898 | 74,050,460 |
| Deposits, advances and other receivables | 71,937,888 | 27,720,738 |
| Prepayments | 10,465,433 | 4,643,755 |
| Advances to staff (Note 11.2) | 3,389,427 | 1,664,897 |
| | 188,553,646 | 108,079,850 |
| 11.1 Allowance for impairment of doubtful receivables | | |
| As at 1st January | (12,995,298) | (12,647,402) |
| Reversal / (Provision) for allowance for impairment | 1,017,896 | (347,896) |
| As at 31st December | (11,977,402) | (12,995,298) |
| 11.2 Advances to staff | | |
| As at 1st January | 1,664,897 | 1,881,499 |
| Granted during the year | 16,303,041 | 6,064,882 |
| Repayments | (14,578,511) | (6,281,484) |
| As at 31st December | 3,389,427 | 1,664,897 |
| 11.3 The Company's exposure to credit risk and impairment losses for trade and other receivables is given on Note No 28. | | |
| 12. INCOME TAX (RECEIVABLE) / PAYABLE | | |
| As at 1st January | 7,227,999 | 17,268,816 |
| Income tax expenses for the year (Note 26.1) | - | 23,741,159 |
| Payments during the year | (72,484,846) | (33,781,976) |
| As at 31st December | (65,256,847) | 7,227,999 |
| 13. INVESTMENTS | | |
| 13.1 Investment classified as Loans and Receivables | | |
| Fixed deposits (Note 13.2) | 67,682,936 | 2,998,726,873 |
| Repurchase agreements (Note 13.3) | 2,736,759,519 | - |
| | 2,804,442,455 | 2,998,726,873 |
| 13.2 Fixed Deposits Movement Schedule | | |
| At the beginning of the year | 2,998,726,873 | 2,871,461,376 |
| Interest reinvested during the year | 364,538,868 | 349,525,231 |
| Withdrawals during the year | (3,295,582,805) | (222,259,734) |
| At the end of the year | 67,682,936 | 2,998,726,873 |

Notes to the Financial Statements contd...

As at 31st December,

| | 2023 Rs. | 2022 Rs. |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| 13.3 Repurchase Agreements Movement Schedule | | |
| At the beginning of the year | - | - |
| Investments during the year | 2,608,021,953 | - |
| Interest reinvested during the year | 128,737,566 | - |
| At the end of the year | 2,736,759,519 | - |
| <p>During the year the Company has withdrawn its investments in fixed deposits and reinvested in government securities i.e. repurchase agreements with the objective of getting better return.</p> | | |
| 14. CASH AND CASH EQUIVALENTS | | |
| Cash in hand | 1,805,000 | 1,605,000 |
| Cash at bank | 264,975,832 | 104,549,574 |
| Cash and Cash Equivalents for cash flow purpose | 266,780,832 | 106,154,574 |
| 15. STATED CAPITAL | | |
| As at 1st January | 8,988,239,455 | 8,988,239,455 |
| As at 31st December | 8,988,239,455 | 8,988,239,455 |
| <p>The number of shares included in the stated capital is 500,829,564 .</p> | | |
| 16. REVALUATION RESERVE | | |
| As at 1st January | 7,759,252,293 | 7,919,276,779 |
| Revaluation surplus during the year (Note 7.1) | 519,846,143 | 616,937,519 |
| Recognition of deferred tax liabilities on revaluation deficit (Note 18.3) | (113,838,445) | (776,962,005) |
| As at 31st December | 8,165,259,991 | 7,759,252,293 |
| 17. RESERVE FOR REPLACEMENT OF FURNITURE, FITTINGS AND EQUIPMENTS | | |
| As at 1st January | 826,131,063 | 750,079,760 |
| Provision for the year | 108,259,742 | 76,051,303 |
| Replacement during the year | - | - |
| As at 31st December | 934,390,805 | 826,131,063 |

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

Notes to the Financial Statements contd...

| As at 31st December, | 2023 Rs. | 2022 Rs. |
|-----------------------------------------------------------------|----------------------|----------------------|
| 18. DEFERRED TAX LIABILITIES | | |
| 18.1 Net Movement During the year | | |
| Balance as at 1st January | 1,411,174,881 | 475,490,622 |
| Impact on tax rate change (14% to 30%) to opening balance | - | 543,435,258 |
| Income statement expense (Note 25.1) | 138,778,265 | (479,005,216) |
| Deferred tax on revaluation surplus of buildings (Note 16) | 113,838,445 | 874,448,725 |
| Deferred tax on remeasurement of retirement benefit obligations | (779,093) | (3,194,508) |
| Balance as at 31st December | 1,663,012,498 | 1,411,174,881 |

Deferred tax liabilities are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2022 - 30%).

18.2 Deferred tax assets

| | Deferred tax asset arising from | | | Total |
|------------------------------------------|-----------------------------------------------|----------------------------|--------------------------------|----------------------|
| | Unrealised gain on valuation of related party | Carried forward tax losses | Retirement benefit obligations | |
| At 1 January 2022 | - | (221,348,110) | (9,257,197) | (230,605,307) |
| Credited to income statement | - | - | (12,509,791) | (12,509,791) |
| Charged to other comprehensive income | - | - | (1,001,512) | (1,001,512) |
| At 31 December 2022 | - | (221,348,110) | (22,768,500) | (244,116,610) |
| At 1 January 2023 | - | (221,348,110) | (22,768,500) | (244,116,610) |
| Charged / (credited) to income statement | (6,947,099) | 160,449,662 | (2,757,567) | 150,744,996 |
| Charged to other comprehensive income | - | - | (779,093) | (779,093) |
| At 31 December 2023 | (6,947,099) | (60,898,448) | (26,305,160) | (94,150,707) |

18.3 Deferred tax liabilities

| | Deferred tax liabilities arising from | | | Total |
|-------------------------------------------------|---------------------------------------|---------------------------------|-------------------------------------------|----------------------|
| | Accelerated tax on amortisation | Accelerated tax on depreciation | Fair value gains on buildings revaluation | |
| At 1 January 2022 | - | 13,190,186 | 692,905,743 | 706,095,929 |
| Release to income statement | 400,121 | 55,370,130 | 116,463,306 | 172,233,557 |
| Deferred tax on revaluation surplus of building | - | - | 776,962,005 | 776,962,005 |
| At 31 December 2022 | 400,121 | 68,560,316 | 1,586,331,054 | 1,655,291,491 |
| At 1 January 2023 | 400,121 | 68,560,316 | 1,586,331,054 | 1,655,291,491 |
| Release to income statement | (316,147) | (5,612,351) | (6,038,233) | (11,966,731) |
| Deferred tax on revaluation surplus of building | - | - | 113,838,445 | 113,838,445 |
| At 31 December 2023 | 83,974 | 62,947,965 | 1,694,131,266 | 1,757,163,205 |

Notes to the Financial Statements contd...

18.4 Deferred tax asset as at the reporting date has been tested for recoverability and management is of the view that taxable losses can be set off in future and accordingly the entire amount of the future tax savings of Rs. 60,898,448/- (2022-221,348,110/-) related to the tax losses amounting to Rs. 202,994,827/- (2022-737,827,033/-) has been recognized as deferred tax assets as at 31 December 2023. These tax losses under the Inland Revenue Act No 24 of 2017 will expire in the year of assessment 2024/2025.

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

| Key assumption | Details | Stress condition and sensitivity | Indication of recoverability of tax loss if the assumed stress condition occurs |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------------------|
| Interest income on fixed deposits and Repos | Expecting taxable interest income for the year of assessment 2024/25 in the amount of Rs 202 Mn, under applicable tax rate of 8% respectively. | Anticipated decrease in interest rate up to 20%. | Recoverable |
| Holding period of fixed deposits | Management hold the existing fixed deposits up to maturity and renew the fixed deposits at prevailing interest rate up to 31 st December 2024. | Up to 30% withdrawable from existing fixed deposits. | Recoverable |

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

18.5 Deferred tax assets and liabilities

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

As at 31st December,

| | 2023 Rs. | 2022 Rs. |
|--------------------------------------------|----------------------|---------------|
| Total Deferred tax assets (Note 18.2) | (94,150,707) | (244,116,610) |
| Total Deferred tax liabilities (Note 18.3) | 1,757,163,205 | 1,655,291,491 |
| | 1,663,012,498 | 1,411,174,881 |

Notes to the Financial Statements contd...

| As at December, | 2023 Rs. | 2022 Rs. |
|--------------------------------------------|-------------------|-------------------|
| 19. RETIREMENT BENEFITS OBLIGATIONS | | |
| As at 1st January | 75,895,291 | 66,122,835 |
| Current service cost | 6,478,046 | 5,219,766 |
| Interest cost | 13,661,153 | 7,604,126 |
| Benefits paid | (10,947,601) | (6,389,808) |
| Actuarial loss | 2,596,977 | 3,338,372 |
| As at 31st December | 87,683,866 | 75,895,291 |

19.1 Actuarial valuation was carried out as at 31 December, 2023 by Mr. M. Poopalanathan ,AIA, of Actuarial & Management Consultants (Pvt) Ltd. The valuation method used by the actuary was "Projected Unit Credit Method".

19.2 Principal actuarial assumptions as at the reporting date are,

| | | |
|---------------------------------|--------|--------|
| Discount rate as at 31 December | 13.00% | 18.00% |
| Future salary increases | 10.00% | 15.00% |
| Staff turnover rate | 2.50% | 2.50% |

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

19.4 Sensitivity analysis

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

| Discount Rate | Salary Escalation Rate | Staff Turnover Rate | Present Value of Defined Benefit Obligation as at 31/12/23 (Rs.) |
|-------------------|------------------------|---------------------|------------------------------------------------------------------|
| 1% point increase | 10.00% | 2.50% | 81,344,405 |
| 1% point decrease | 10.00% | 2.50% | 94,837,425 |
| 13.00% | 1% point increase | 2.50% | 95,168,462 |
| 13.00% | 1% point decrease | 2.50% | 80,958,750 |
| 13.00% | 10.00% | 1% point increase | 88,856,909 |
| 13.00% | 10.00% | 1% point decrease | 86,386,484 |

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

| Future Working Life Time | As at 31st December | |
|---------------------------|---------------------|-------------------|
| | 2023 | 2022 |
| Within the next 12 months | 2,959,079 | 2,470,098 |
| Between 1-2 years | 9,518,420 | 5,858,179 |
| Between 2 -5 years | 18,021,939 | 16,974,162 |
| Between 5 -10 years | 34,782,320 | 28,536,362 |
| Beyond 10 years | 22,402,107 | 22,056,490 |
| Total | 87,683,865 | 75,895,291 |

Notes to the Financial Statements contd...

| As at December, | 2023 | 2022 |
|-------------------------------------|--------------------|--------------------|
| | Rs. | Rs. |
| 20. TRADE AND OTHER PAYABLES | | |
| Trade payables | 243,702,745 | 256,511,035 |
| Directors fees payable | 6,026,614 | 9,262,232 |
| Related party payable | 281,712,828 | 215,416,938 |
| Annual fee received in advance | 113,928 | 533,503 |
| Advances and deposits | 67,551,524 | 66,858,152 |
| VAT payable | 65,508,805 | 22,478,976 |
| Accrued expenses | 85,968,406 | 72,063,463 |
| Other creditors | 27,467,430 | 19,239,569 |
| | 778,052,280 | 662,363,868 |

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

21. PROVISIONS

21.1 Legal cases

| | | |
|------------------------------------------------------|--------------------|--------------------|
| As at 1st January | 234,904,812 | 244,915,169 |
| Legal interest accrued during the year (Note 21.1.1) | - | 7,589,643 |
| Provision reversal during the year (Note 21.1.2) | - | (13,600,000) |
| Payment of claim during the year | - | (4,000,000) |
| Balance as at 31 December | 234,904,812 | 234,904,812 |

21.1.1 The part of the Provision represents the award delivered by the Arbitrator in favour of Phil East Asia Construction Corporation (PEACC) on 24 April 2008 in relation to claims in litigation for construction of the hotel. The award is for a sum of Rs. 101,465, 814/- together with legal interest thereon from 23rd May 2008 until payment in full. Although an appeal was filed by GHIL in the Supreme Court challenging the Judgment of the High Court, which enforced the said arbitral award, the Supreme Court dismissed the said appeal on 01.11.2022. Accordingly, the arbitral award now stands enforced. The Hotel intends on honouring the Judgment and making payment of the total amount payable to Phil East Asia. However, GHIL is waiting for steps to be taken in the Commercial High Court, to execute the Judgment, in order to ascertain for certain, the total amount payable by GHIL as both capital and interest.

21.2 CMC Licence

| | | |
|---------------------|-------------------|-------------------|
| As at 31st December | 40,477,979 | 40,477,979 |
| | 40,477,979 | 40,477,979 |

21.2.1 The provision represents the amount provided for a licence fee imposed by the Local Government Body. There was no change in the provision during the year.

| | | |
|-------------------------|--------------------|--------------------|
| Total Provisions | 275,382,791 | 275,382,791 |
|-------------------------|--------------------|--------------------|

Notes to the Financial Statements contd...

For the year ended 31 December,

| | 2023 Rs. | 2022 Rs. |
|---------------------------------------------------------------------------------------------------------|----------------------|---------------|
| 22. REVENUE | | |
| Revenue | 1,606,029,441 | 1,183,219,555 |
| | 1,606,029,441 | 1,183,219,555 |
| 22.1 Revenue analysis | | |
| Room revenue | 444,549,991 | 290,131,004 |
| Food and beverage revenue | 1,046,532,854 | 800,416,033 |
| Rental income | 63,903,030 | 56,680,763 |
| Other hotel related revenue | 51,043,566 | 35,991,755 |
| | 1,606,029,441 | 1,183,219,555 |
| 23. OTHER INCOME | | |
| Taxi charges | 258,784 | 123,931 |
| Profit on disposal of motor bike | - | 198,182 |
| Sundry income | 5,266,850 | 5,508,890 |
| | 5,525,634 | 5,831,003 |
| Sundry income includes cleaning charges, sale of scrap iron and profit from sales with tenant's outlet. | | |
| 24. RESULTS FROM OPERATING ACTIVITIES | | |
| Results from operating activities is stated after charging all expenses including the followings; | | |
| Auditors remuneration - Audit services | 2,950,000 | 2,650,000 |
| - Other services | 299,500 | 286,200 |
| Other consultancy services | 400,000 | 400,000 |
| Directors' remuneration | 1,740,000 | 1,600,000 |
| Depreciation | 215,982,736 | 169,052,014 |
| Right of use asset amortization | 23,506,492 | 23,506,492 |
| Intangible assets amortisation | 5,270,452 | 2,414,286 |
| Advertising | 1,902,302 | 2,018,900 |
| Legal fees | 3,005,104 | 5,069,430 |
| (Reversal) / Allowance for impairment of doubtful receivables | (1,017,896) | 347,896 |
| Staff cost (Note 24.1) | 394,986,688 | 291,238,725 |
| 24.1 Staff cost | | |
| Salaries | 245,492,509 | 197,315,647 |
| Casual wages | 76,356,422 | 36,719,885 |
| EPF and ETF | 50,401,581 | 41,040,929 |
| Defined benefit plan- gratuity | 22,736,176 | 16,162,264 |
| | 394,986,688 | 291,238,725 |
| 25. FINANCE INCOME | | |
| Interest income | 536,138,580 | 358,021,011 |
| Exchange gain / (loss) | 17,501,187 | (27,690,492) |
| | 553,639,767 | 330,330,519 |

Notes to the Financial Statements contd...

For the year ended 31 December,

| | 2023 | 2022 |
|-----------------------------------------------------------------|----------------------|--------------------|
| | Rs. | Rs. |
| 26. INCOME TAX EXPENSES | | |
| 26.1 Income tax expense | | |
| Current tax | | |
| On current year profits (Note 26.4) | - | 23,741,159 |
| Current tax charge to income statement | - | 23,741,159 |
| Deferred tax | | |
| Reversal / (Origination) of deferred tax liability | (5,928,498) | 55,770,251 |
| (Reversal) / Origination of deferred tax asset | 150,744,996 | (12,509,791) |
| Reversal from revaluation of Property Plant and Equipments | (6,038,233) | 116,463,306 |
| Deferred tax charge to income statement | 138,778,265 | 159,723,766 |
| Total tax expenses | 138,778,265 | 183,464,925 |
| 26.2 Tax reconciliation statement | | |
| Profit before income tax expense | 292,466,956 | 65,255,545 |
| Other sources of income | (536,138,580) | (358,021,011) |
| Aggregate allowable items | (53,053,046) | (41,038,641) |
| Aggregate disallowable items | 268,984,251 | 229,882,080 |
| Business loss (Note 26.3) | (27,740,419) | (103,922,027) |
| Interest income (excluding USD interest income) | 534,832,206 | 357,856,351 |
| Set off interest income (only 2nd 6 months in 2022) | (534,832,206) | (258,934,856) |
| Taxable income | - | 98,921,495 |
| Interest income for 1st 6 months | - | 98,921,495 |
| Interest income for 2nd 6 months | - | 258,934,856 |
| Tax rate at 30% for interest income (2022 - 24%) | - | 23,741,159 |
| Income tax expense for the year | - | 23,741,159 |
| 26.3 Tax losses | | |
| As at 1st January | 4,387,180,434 | 4,527,062,910 |
| Adjusted in respect of prior period | 29,136,337 | 15,130,353 |
| Business loss generated during the year | 27,740,419 | 103,922,027 |
| Set off interest income (only 2nd 6 months in 2022) (Note 26.2) | (534,832,206) | (258,934,856) |
| As at 31st December | 3,909,224,984 | 4,387,180,434 |

26.4 In accordance with the provisions of the Inland Revenue Act, No. 24 of 2017 (as amended), the Company is liable to pay income tax on its taxable income at 30%. The tax loss from business which includes both losses brought forward and incurred during the year is deductible from both business and investment income.

27. BASIC EARNINGS / (LOSS) PER SHARE

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

| | | |
|------------------------------------------------|--------------------|---------------|
| Profit / (Loss) after tax | 153,688,691 | (117,891,715) |
| Number of ordinary shares | 500,829,564 | 500,829,564 |
| Basic Earnings / (loss) per share - Rs. | 0.31 | (0.24) |

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

Notes to the Financial Statements contd...

For the year ended 31 December,

| | 2023 Rs. | 2022 Rs. |
|------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| 28. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT | | |
| 28.1 Financial instruments by category | | |
| 28.1.1 Financial Assets | | |
| Fixed deposits (Note 13.2) | 67,682,936 | 2,998,726,873 |
| Repurchase agreements (Note 13.3) | 2,736,759,519 | - |
| Trade and other receivables (excluding prepayments) (Note 11) | 178,088,213 | 103,436,095 |
| Cash at bank (Note 14) | 264,975,832 | 104,549,574 |
| | 3,247,506,500 | 3,206,712,542 |
| 28.1.2 Financial Liabilities | | |
| Trade and other payable (Note 20) (Excluding statutory payable & annual fees received in advance) | 712,429,548 | 639,351,389 |
| | 712,429,548 | 639,351,389 |

28.2 Financial Risk Management

28.2.1 Introduction & overview

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

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

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

28.2.2 Risk Management Framework

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

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

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

28.2.3 Credit Risk

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

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

Notes to the Financial Statements contd...

i) Exposure to Credit Risk

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

| As at 31st December | 2023 Rs. | 2022 Rs. |
|---------------------------------------------------------------|----------------------|----------------------|
| Trade and other receivables (excluding prepayments) (Note 11) | 178,088,213 | 103,436,095 |
| Fixed deposit (Note 13) | 67,682,936 | 2,998,726,873 |
| Repurchase agreements (Note 13) | 2,736,759,519 | - |
| Cash at Bank (Note 14) | 264,975,832 | 104,549,574 |
| | 3,247,506,500 | 3,206,712,542 |

ii) Age analysis of trade receivables

| | 2023 | | | 2022 | | |
|--------------------------------|------------------------------|-----------------------------|----------------------------|------------------------------|-----------------------------|----------------------------|
| | Gross Carrying amount Rs. | Impairment allowance Rs. | Net Carrying amount Rs. | Gross Carrying amount Rs. | Impairment allowance Rs. | Net Carrying amount Rs. |
| Neither past due, nor impaired | 85,471,309 | - | 85,471,309 | 54,711,648 | - | 54,711,648 |
| more than 60 days | 15,574,906 | - | 15,574,906 | 12,724,099 | - | 12,724,099 |
| more than 120 days | 1,714,683 | - | 1,714,683 | 5,223,430 | - | 5,223,430 |
| more than 180 days | - | - | - | 1,391,283 | - | 1,391,283 |
| more than 365 days | 11,977,402 | (11,977,402) | - | 12,995,298 | (12,995,298) | - |
| Total | 114,738,300 | (11,977,402) | 102,760,898 | 87,045,758 | (12,995,298) | 74,050,460 |

iii) Investments

The Company limits its exposure to credit risk by investing only in fixed deposits and repurchase agreements with selected bankers with the Board approval. During the year majority of fixed deposits were converted to Repurchase agreements with the motive of high return.

Credit quality of Investments and cash at bank

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

| Financial Instrument | Credit Rating as at 31st December 2023 | Balance as at 31st December 2023 (Rs.) |
|-----------------------|-------------------------------------------|-------------------------------------------|
| Fixed Deposit | A | 67,682,936 |
| Cash at bank | AA- | 332,704 |
| Cash at bank | A | 264,643,127 |
| Repurchase agreements | A | 2,736,759,519 |

iv) Cash and Cash Equivalents

The Company held cash at bank of Rs. 264.9 Mn as at 31st December 2023 (2022 - Rs. 104.5 Mn) which represent its maximum credit exposure on these assets. The cash and cash equivalents are held with banks which have better rankings based on Fitch Ratings.

Notes to the Financial Statements contd...

28.2.4 Market Risk

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

a. Currency Risk

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

Sensitivity Analysis for Currency Risk

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

| | Value of USD savings deposits (Rs.) | | | |
|------------------------------------------|----------------------------------------------------|--------------------|----------------------------------------------------|--------------------|
| | As at 31st December 2023 [1 USD = Rs. 319.18] | | As at 31st December 2022 [1 USD = Rs. 360.41] | |
| | Increase by Rs. 50 | Decrease by Rs. 50 | Increase by Rs. 50 | Decrease by Rs. 50 |
| USD Savings Account Balance | 160,576,237 | 117,077,549 | 16,302,400 | 12,330,177 |
| Impact to Income Statement - Gain/(Loss) | 21,749,344 | (21,749,344) | 1,986,186 | (1,986,186) |

b. Interest Rate Risk

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

Exposure to Interest Rate Risk

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

28.2.5 Liquidity Risk

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

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

| Other Current Financial Assets and Cash & Cash Equivalent | 0-6 months (Rs.) | 7-12 Months (Rs.) |
|-----------------------------------------------------------|------------------|-------------------|
| Fixed Deposits (LKR) | - | 67,682,936 |
| Cash at bank (LKR) | 126,148,938 | - |
| Cash at bank (USD) | 138,826,893 | - |
| Cash in hand (LKR) | 1,805,000 | - |
| Repurchase agreements (LKR) | 1,685,429,382 | 1,051,330,137 |

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

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

Notes to the Financial Statements contd...

| | Carrying Value Rs. | Contractual Cash Flows | |
|-----------------------------------------------------------------|-----------------------|------------------------|---------------------|
| | | Up to 1 Year Rs. | Above 1 Year Rs. |
| As at 31st December 2023 | | | |
| Trade and other payable (Note 20) | | | |
| (Excluding statutory payable & annual fees received in advance) | 712,429,547 | 712,429,547 | - |
| | 712,429,547 | 712,429,547 | - |
| As at 31st December 2022 | | | |
| Trade and other payable (Note 20) | | | |
| (Excluding statutory payable & annual fees received in advance) | 639,351,389 | 639,351,389 | - |
| | 639,351,389 | 639,351,389 | - |

29. RELATED PARTIES TRANSACTIONS

29.1 Transactions with key management personnel

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

| For the year ended 31st December | 2023 Rs. | 2022 Rs. |
|----------------------------------|------------------|------------------|
| Director's fees for the year | 1,740,000 | 1,600,000 |
| | 1,740,000 | 1,600,000 |

Directors fees payable as at 31st December 2023 is Rs. 6,026,614/- (2022 – 9,262,232/-).

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

29.2 Transactions with related parties

| | Transactions During The Year | | Balance As At 31st December | |
|------------------------------------|------------------------------|--------------------|-----------------------------|--------------------|
| | 2023 Rs. | 2022 Rs. | 2023 Rs. | 2022 Rs. |
| Galadari Brothers Co. LLC. | 1,898,597 | 52,908,680 | 104,254,177 | 102,355,580 |
| Galadari Engineering Works Co. LLC | 64,397,294 | 100,842,289 | 177,458,652 | 113,061,358 |
| | 66,295,891 | 153,750,969 | 281,712,829 | 215,416,938 |

The balance payable to both Company's as at the reporting date consist of capital expenses incurred by them on behalf of the Company. All transactions during the year were related to the hotel renovation project. Impact on exchange rates also included in the balances as at 31st December 2023.

The Company carried out transactions in the ordinary course of business at arm's length price with all the related parties.

29.3 Terms and Conditions

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

Notes to the Financial Statements contd...

29.4 Recurrent / Non-Recurrent Related Party Transactions

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

30. CAPITAL COMMITMENTS AND CONTINGENCIES

30.1 Capital Commitments

| As at 31st December | 2023 Rs. | 2022 Rs. |
|---------------------------------------------------|----------------------|-------------|
| Capital Commitments Contracted but partially paid | 6,014,332,393 | 919,675,636 |
| | 6,014,332,393 | 919,675,636 |

All the contracts are related to the hotel renovation project.

30.2 Contingencies

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

31. EVENTS OCCURRING SUBSEQUENT TO THE REPORTING DATE

Refurbishment of the hotel commenced in February 2024 and currently the hotel has shut down a majority of rooms for this purpose. An Extra Ordinary General Meeting was held on 18th April 2024 with the intention of obtaining a loan from Mashreq Bank Dubai amounting to USD 20 million for which the necessary approvals are at present in progress.

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

32. COMPARATIVE INFORMATION

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

33. SEGMENT REPORTING

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

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

34. CAPITAL MANAGEMENT

The Board's intention is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's objective for managing its capital is to ensure that Company will be able to continue as a going concern while maximizing the return to shareholders, as well as sustaining the future development of its business. Further information of capital and reserves are included in Note 15 and 16.

35. DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Please refer to the page No 09 for the Statement of Directors Responsibility for Financial Reporting.

Information to Shareholders

(i) Ordinary Shareholders as at 31st December, 2023

Number of Shareholders 10,699 (2022 - 10,675)

| Range (shareholdings) | No. of Shareholders | Total No. of Shares | Percentage |
|--------------------------|------------------------|------------------------|---------------|
| 1-1000 | 8,994 | 1,973,289 | 0.39 |
| 1001-5000 | 1,062 | 2,762,342 | 0.55 |
| 5001-10000 | 253 | 1,947,142 | 0.39 |
| 10001-50000 | 278 | 6,689,600 | 1.34 |
| 50001-100000 | 42 | 3,267,984 | 0.65 |
| 100001-500000 | 47 | 10,042,466 | 2.01 |
| 500001-1000000 | 7 | 4,788,351 | 0.96 |
| 1000001-100000000 | 15 | 150,962,886 | 30.14 |
| 100000001- & above | 1 | 318,395,504 | 63.57 |
| | 10,699 | 500,829,564 | 100.00 |

(ii) Major Shareholders as at 31st December, 2023

| Name of Shareholder | Total Holding | Percentage |
|------------------------------------------------------------|---------------|------------|
| GALADARI BROTHERS CO.(LLC) | 318,395,504 | 63.57 |
| ICEBERG 2 LIMITED | 29,510,817 | 5.89 |
| EMPLOYEE'S PROVIDENT FUND | 23,712,200 | 4.73 |
| CALGARY HOLDINGS S.A. | 18,146,303 | 3.62 |
| I.A.I. GALADARI | 9,810,017 | 1.96 |
| M.A.I. GALADARI | 9,810,017 | 1.96 |
| SUHAIL A.I.H. GALADARI | 9,810,016 | 1.96 |
| SABAH A.E. GALADARI | 8,865,064 | 1.77 |
| SUAD A.I. GALADARI | 8,865,064 | 1.77 |
| SAMIYA A.I. GALADARI | 8,865,064 | 1.77 |
| DUBAI BANK LTD. | 6,760,390 | 1.35 |
| SALWA A.I. GALADARI | 4,905,000 | 0.98 |
| Z.A.I. GALADARI | 4,905,000 | 0.98 |
| F.I. ABBAS | 3,166,094 | 0.63 |
| F.N.M. KHAN | 2,802,861 | 0.56 |
| INDUSTRIAL ASPHALTS (CEYLON) PLC | 1,028,979 | 0.2 |
| SEYLAN BANK PLC/ANUJA CHAMILA JAYASINGHE | 805,000 | 0.16 |
| MERCHANT BANK OF SRI LANKA & FINANCE PLC/K.K.KARUNAMOORTHY | 759,773 | 0.15 |
| SANDWAVE LIMITED | 734,386 | 0.15 |
| CITIZENS DEVELOPMENT BUSINESS FINANCE PLC/T.RUCHIRA | 699,070 | 0.14 |

Information to Shareholders contd...

| (iii) Directors' Shareholding as at 31st December | 31st December 2023 | 31st December 2022 |
|---------------------------------------------------|--------------------|--------------------|
| M. A. I. Galadari | 9,810,017 | 9,810,017 |
| S. A. I. H. Galadari | 9,810,016 | 9,810,016 |
| I. A. I. Galadari | 9,810,017 | 9,810,017 |
| L. R. De Silva | - | - |
| Dr. J. A. S. Felix | - | - |
| V. Radhakrishnan | - | - |

| (iv) Market Price of share | 31st December 2023 | 31st December 2022 |
|-------------------------------|-----------------------|-----------------------|
| Higest Market Value per share | 18.80 (02.10.2023) | 16.20 (03.10.2022) |
| Lowest Market Value per share | 15.70 (21.12.2023) | 12.10 (12.10.2022) |
| Last Traded Price | 16.10 (29.12.2023) | 12.70 (30.12.2022) |

| (v) Public holding | 2023 | 2022 |
|-----------------------------------------------------------|---------------|-------------|
| As at 31st December | | |
| Percentage of Public Shareholding | 12.57 | 12.57 |
| Total No. of Shareholders Represent in the Public Holding | 10,699 | 10,619 |
| Float Adjusted Market Capitalisation (Rs.) | 1,013,563,847 | 799,519,308 |

The Company complies with option 1 of Section 7.13.1(i)(b) of the listing rules, which requires to maintain 7.5% of minimum public holding of the Company if the float adjusted market capitalisation is more than Rs. 1 Billion.

The Company is in compliance of this requirement.

Five Year Summary

| Year ended 31st December In Rs. '000 | 2023 | 2022 | 2021 | 2020 | 2019 |
|----------------------------------------------------------------------------|------------------|------------------|------------------|------------------|-------------------|
| FINANCIAL PERFORMANCE | | | | | |
| Revenue | 1,606,029 | 1,183,220 | 554,025 | 569,905 | 1,336,914 |
| Profit / (Loss) after tax but before interest expenses and other income | 159,213 | (116,133) | (334,750) | (566,677) | 80,556 |
| Profit / (Loss) before taxation | 292,467 | 65,573 | (281,742) | (224,971) | 107,024 |
| Taxation / (provision) | (138,778) | (183,465) | (60,690) | (351,873) | (22,594) |
| Profit / (Loss) after taxation on ordinary activities | 153,688 | (117,892) | (342,431) | (576,844) | 84,430 |
| As at 31st December | 2023 | 2022 | 2021 | 2020 | 2019 |
| SHARE CAPITAL AND RESERVES | | | | | |
| Stated capital | 8,988,239 | 8,988,239 | 8,988,239 | 8,988,239 | 8,988,239 |
| Capital reserves | 8,165,260 | 7,759,252 | 7,919,277 | 8,292,790 | 9,286,564 |
| Revenue reserves | (9,426,747) | (9,470,358) | (9,274,078) | (8,909,838) | (8,297,856) |
| Provision for replacement of furniture Fittings & equipment | 934,391 | 826,131 | 750,080 | 716,484 | 678,972 |
| Shareholder's Funds | 8,661,143 | 8,103,264 | 8,383,518 | 9,087,675 | 10,655,919 |
| ASSETS EMPLOYED | | | | | |
| Current assets | 3,407,865 | 3,287,434 | 3,112,745 | 3,115,743 | 3,184,430 |
| Current liabilities | (1,053,435) | (944,976) | (717,293) | (578,955) | (566,399) |
| Working capital | 2,354,430 | 2,342,458 | 2,395,452 | 2,536,788 | 2,618,031 |
| Property, plant & equipment | 6,706,655 | 5,884,299 | 5,166,303 | 5,783,359 | 7,115,754 |
| Intangible assets | 34,391 | 23,706 | - | - | - |
| Right of use assets | 1,316,364 | 1,339,870 | 1,363,377 | 1,386,883 | 1,410,390 |
| Deferred tax assets | 94,151 | 244,117 | 230,605 | 261,572 | 586,951 |
| Long term liabilities | (1,844,848) | (1,731,186) | (772,219) | (880,927) | (1,075,207) |
| | 8,661,143 | 8,103,264 | 8,383,518 | 9,087,675 | 10,655,919 |
| RATIOS & STATISTICS | | | | | |
| Current ratio (times) | 3.24 | 3.48 | 4.34 | 5.38 | 5.62 |
| Earnings / (Loss) per share | 0.31 | (0.24) | (0.68) | (1.15) | 0.17 |
| Net assets value per share | 17.29 | 16.18 | 16.74 | 18.15 | 21.28 |

Form of Proxy

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

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

as my/our* Proxy to represent me/us* and to vote and**.....as indicated hereunder for me/us* and on my/our* behalf at the FORTY THIRD ANNUAL GENERAL MEETING of the Company to be held on 27th June 2024 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

I /We* the undersigned hereby authorise my/our* proxy to vote on my/our* behalf in accordance with the preference indicated below:-

| | For | Against |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| 1. To receive and consider the Audited Financial Statements for the Year Ended 31st December, 2023 and the Reports of the Auditors' and of the Directors' thereon | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Directors | | |
| (i) Subject to Section 9.1.4 (1)(d) and 9.1.4(3) of the Listing Rules, to re-elect Mr. Lalith Rukman De Silva, Director, who retires by rotation in terms of Article 87 and 88 of the Articles of Association of the Company and being over the age of seventy (70), who also retires in terms of Section 210 of the Companies Act No.7 of 2007 (as amended), by the passing of the following ordinary resolution: "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No.7 of 2007 (as amended) shall not apply to Mr. L.R. De Silva who is seventy-three (73) years of age and that he shall be re-elected as a Director of the Company." | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) Subject to Section 9.1.4(3) of the Listing Rules to re-elect Dr. John Anthony Shivaji Felix PC, Director, who retires by rotation in terms of Article 87 and 88 of the Articles of Association of the Company | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To appoint Messrs. KPMG, Chartered Accountants as the Auditors of the Company in place of Messrs. Ernst & Young, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |

Signed on thisday ofTwo Thousand and Twenty Four.

.....
Signature of Shareholder

*Please delete as appropriate.

Notes:

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

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

A Proxy holder need not be a shareholder of the Company

As mentioned in the Circular to the Shareholders dated 04th June 2024, the 43rd Annual General Meeting will be held as a virtual meeting. Instructions given in the Circular to Shareholder must be followed to join the meeting virtually.

Instruction as to Completion

1. The duly completed Form of Proxy should be posted or delivered to the Registered Office of the Company at No. 48, Rosmead Place, Colombo 07 or forwarded by email to agm@galadari.lk and/or cccs@tiruchelvam.com in order to enable the Company to receive the same not less than forty eight (48) hours prior to the time appointed for the holding of the Meeting.
2. The full name and address of the Proxy holder and of the Shareholder appointing the Proxy holder should be entered legibly in the Form of Proxy.
3. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy, please insert the relevant details overleaf and initial against this entry.
4. In the case of a Company/Corporation, the Proxy must be under its Common Seal (if applicable), which should be affixed and attested in the manner prescribed by its Articles of Association.
5. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy if it had not already been registered with the Company



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

Galadari Hotel Annual Report - 2023



