

**HOTEL DEVELOPERS (LANKA) LTD**

**FINANCIAL STATEMENTS FOR THE  
YEAR ENDED**

**31ST DECEMBER 2022**

**HOTEL DEVELOPERS (LANKA) LTD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2022**

		<b>12 Months 31.12.2022 Rs. '000</b>	<b>12 Months 31.12.2021 Rs. '000</b>
Revenue	<b>05</b>	2,887,267	1,178,381
Cost of sales		<u>(1,825,497)</u>	<u>(922,695)</u>
<b>Gross profit</b>		<b>1,061,770</b>	<b>255,686</b>
Investment income	<b>06</b>	18,162	11,222
Other gains and losses		206,589	31,191
Administrative expenses		(855,887)	(585,498)
Other expenses		<u>(302,759)</u>	<u>(167,921)</u>
<b>Operating Profit</b>		<b>127,876</b>	<b>(455,320)</b>
Depriciation		(371,065)	(386,618)
Finance costs	<b>08</b>	<u>(389,574)</u>	<u>(134,477)</u>
<b>Profit/(loss) before taxation</b>	<b>09</b>	<b>(632,763)</b>	<b>(976,415)</b>
Income tax expense	<b>10</b>	<u>(3,907)</u>	<u>19,190</u>
Profit/(loss) after taxation for the period		(636,671)	(957,225)
<b>Other comprehensive income</b>			
Revaluation surplus		-	-
Actuarial Gain/( loss )on employee benefit obligations		2,970	22,630
<b>Total comprehensive income/ (expense) for the period</b>		<u>(633,701)</u>	<u>(934,595)</u>
<b>Earning per share - Basic (Rs.)</b>	<b>11</b>	<b>(0.31)</b>	<b>(0.46)</b>

The accounting policies and notes from 1 to 38 form an integral part of these financial statements.

**HOTEL DEVELOPERS (LANKA) LTD**  
**STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2022**

Assets		31.12.2022 Rs. '000	31.12.2021 Rs. '000
<b>Non-Current Assets</b>			
Property, Plant & Equipment	12	6,929,402	8,722,182
Leasehold Land	13	6,261,798	6,337,962
Capital Work-in-Progress		2,600,378	766,764
<b>Total Non-Current Assets</b>		<u>15,791,578</u>	<u>15,826,908</u>
<b>Current Assets</b>			
Inventories	14	132,604	53,034
Trade and Other Receivables	15	141,894	74,740
Amount Due From Related Parties	16	8,988	2,242
Other Assets	17	828,764	578,988
Current Financial Assets	18	26,296	110,111
Cash and Bank Balances	19	299,651	122,354
<b>Total Current Assets</b>		<u>1,438,197</u>	<u>941,469</u>
<b>Total Assets</b>		<u><u>17,229,775</u></u>	<u><u>16,768,381</u></u>
<b>Equity and Liabilities</b>			
<b>Shareholders' Equity</b>			
Stated Capital	20	20,466,456	20,466,456
Revaluation Surplus		1,452,978	1,452,978
Reserves		178,228	53,801
Accumulated Loss		(9,566,443)	(8,808,317)
<b>Total Equity</b>		<u>12,531,219</u>	<u>13,164,918</u>
<b>Non-current Liabilities</b>			
Interest Bearing Loans and Borrowings	22	2,000,000	1,098,372
Retirement Benefit Obligations	23	77,467	97,982
Deferred Tax Liability	24	385,440	396,138
Right to Use - Lease Land Liability	13	4,806	10,264
<b>Total Non-Current Liabilities</b>		<u>2,467,713</u>	<u>1,602,756</u>
<b>Current Liabilities</b>			
Trade and other payables	25	744,285	418,936
Amount due to related parties	26	100,808	26,475
Contract Liabilities	27	179,444	158,114
Interest Bearing Loans and Borrowings	22	-	16,600
Retention Fees - Refurbishment Project		57,559	48,252
Bank overdraft		1,148,746	1,332,328
<b>Total Current Liabilities</b>		<u>2,230,842</u>	<u>2,000,705</u>
<b>Total Liabilities</b>		<u>4,698,555</u>	<u>3,603,461</u>
<b>Total Equity and Liabilities</b>		<u><u>17,229,775</u></u>	<u><u>16,768,381</u></u>

Net Assets pe share - (Rs.) 28                      6.12                      6.43

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

.....  
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board on 28th February 2023

.....  
Director

.....  
Director

The accounting policies and notes from 1 to 38 form an integral part of these financial statements.

**HOTEL DEVELOPERS (LANKA) LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2022**

	Rs'000 Stated Capital	Rs'000 Revaluation Surplus	Rs'000 Furniture, Fittings & Equipment Replacement Reserves	Rs'000 Accumulated Loss	Rs'000 Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Balance as at 01st January 2021</b>	<b>20,466,456</b>	<b>1,452,978</b>	<b>1,649</b>	<b>(7,821,569)</b>	<b>14,099,514</b>
Profit / (Loss) for the 12 Months period	-	-	-	(957,226)	(957,226)
Actuarial gain/(loss) on employee benefit obligations, net of tax	-	-	-	22,630	22,630
Replacement of furniture, fittings & equipment	-	-	(16,477)	16,477	-
Transfers to furniture, fittings & equipment reserve	-	-	68,629	(68,629)	-
<b>Balance as at 31st December 2021</b>	<b>20,466,456</b>	<b>1,452,978</b>	<b>53,801</b>	<b>(8,808,317)</b>	<b>13,164,918</b>
Profit / (Loss) for the 12 Months period	-	-	-	(636,671)	(636,671)
Actuarial gain/(loss) on employee benefit obligations, net of	-	-	-	2,970	2,970
Replacement of furniture, fittings & equipment	-	-	148,687	(148,687)	-
Transfers to furniture, fittings & equipment reserve	-	-	(24,262)	24,262	-
<b>Balance as at 31st December 2022</b>	<b>20,466,456</b>	<b>1,452,978</b>	<b>178,228</b>	<b>(9,566,443)</b>	<b>12,530,798</b>

The accounting policies and notes from 1 to 38 form an integral part of these financial statements

**HOTEL DEVELOPERS (LANKA) LTD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2022**

	Note	31.12.2022 Rs. '000	31.12.2021 Rs. '000
Profit / (Loss) before taxation		(632,763)	(976,414)
<b>Adjustment for</b>			
Depreciation	12	294,897	303,511
Land Amortization	13	76,168	76,907
Changes in Impairment of Debtors	15	649	(4,457)
Provision for Defined Benefit Plans	23	20,135	5,991
Provision for Breakages	25	6,868	2,094
Interest Expenses	8	389,574	134,476
Profit on Sale of Property, Plant & Equipment	7	(19,083)	(12,560)
Unrealized Exchange (Gain)/Loss		(7,745)	358
Interest Income	6	(18,162)	(11,222)
<b>Operating Profit Before Working Capital Change</b>		<b>110,538</b>	<b>(481,316)</b>
(Increase)/ Decrease in Inventories	14	(79,570)	(5,193)
(Increase)/ Decrease in Receivables	15	(67,803)	(42,470)
Increase/Decrease in Amount Due From Related Parties	16/26	67,587	24,642
Increase/Decrease in Right to Use of Land Lease	13	(5,458)	6,200
(Increase)/ Decrease in Other Assets	17	(566)	(11,703)
Increase/ (Decrease) in Trade & Other Payables	25	347,102	86,776
Increase/(Decrease) in Contract Liabilities	27	21,330	98,222
<b>Cash generated from operations</b>		<b>393,159</b>	<b>(324,842)</b>
Payment of Retirement Benefits	23	(37,680)	(33,577)
<b>Net cash generated from operating activities</b>		<b>355,479</b>	<b>(358,419)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant & equipment	12	(5,231)	(999)
Investment in capital work-in-progress		(618,663)	(796,973)
Proceeds from sale of property, plant & equipment		24,117	31,029
Interest income received	8	18,162	11,222
Net cash used in investing activities		(581,614)	(755,721)
<b>Cash Flows from Financing Activities</b>			
Repayment of Interest bearing loans and borrowings	22	(16,600)	(234,036)
New Interest bearing loans and borrowings	22	901,628	1,098,372
Finance Cost	8	(389,574)	(101,739)
Net cash used in financing activities		495,454	762,597
Net increase/(decrease) in cash & cash equivalents		269,319	(351,543)
Cash & cash equivalents at the beginning of the year (Note 30)		(1,092,118)	(748,322)
<b>Cash &amp; cash equivalents at the end of the period</b>		<b>(822,799)</b>	<b>(1,099,865)</b>

The accounting policies and notes from 1 to 38 form an integral part of these financial statements.

**HOTEL DEVELOPERS (LANKA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**TWELVE MONTHS ENDED 31<sup>ST</sup> DECEMBER 2022**

**1. CORPORATE INFORMATION**

**1.1. General**

Hotel Developers (Lanka) Ltd is a limited liability company incorporated and domiciled in Sri Lanka. The registered office and the principal place of business of the company are located at No. 02, Sir Chittampalam Gardiner Mawatha, Colombo 2.

**1.2. Principal Activities and Nature of Operations**

Hotel Developers (Lanka) Ltd is engaged in the business of hospitality trade, owning Hilton Colombo Hotel.

**1.3. Date of Authorization for Issue**

The financial statements were authorized for issue by the Board of Directors on 28<sup>th</sup> February 2023.

**2. BASIS OF PREPARATION**

**2.1. Statement of Compliance**

The financial statements of the company (statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows together with accounting policies and notes) are prepared by Sri Lanka Accounting Standards, commonly referred to as SLFRS as issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.07 of 2007.

**2.2. Basis of Measurement**

The financial statements have been prepared on the historical cost basis except for the following material item in the statement of financial position:

- Property, Plant, and Equipment which were subsequently measured at fair value.
- Liability of defined benefit obligation is recognized at the present value of the defined benefit obligation.

**2.3. Functional and Presentation Currency**

The financial statements are presented in Sri Lankan Rupees, which is the Company's functional currency and presentational currency. All financial information presented in Sri Lanka Rupees is rounded to the nearest rupee unless otherwise stated.

**2.4. Comparative Information**

The accounting policies have been consistently applied by the Company with those of the previous financial by LKAS 01 - presentation of financial statements.

**2.5. Materiality & Aggregation**

In compliance with LKAS 01 on the presentation of financial statements, each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions too are presented separately, if they are material as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements and amendments to the LKAS 1 which was effective from January 01, 2020.

**2.6 Offsetting**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the

liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

### **3. Accounting Policies**

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year except for changes in accounting policies stated in note 3.1.

#### **Comparative information**

The presentation and classification of the financial statements of the previous year have been amended, where relevant for better presentation and to be comparable with those of the current year.

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of the previous period in the Financial Statements. In addition, the Company presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

### **3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

#### **New and amended standards and interpretations**

##### **SLFRS 16 Leases**

SLFRS 16 provides a single lessee accounting model, requiring leases to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27 Evaluating the Substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

Land lease rights of UDA Car Park of Hilton Colombo will have an impact when adopting SLFRS 16 with effect from 1 January 2019.

### **3.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS**

The preparation of financial statements requires the application of certain critical accounting assumptions relating to the future. Further, it requires the management of the Company to make judgments, estimates, and assumptions that affect the reported amounts of income, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods. Hence, experience and results may differ from these judgments and estimates.

In the process of applying the company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the financial statements:

**a) Taxation**

The Company is subject to income taxes and other taxes including value-added taxation and Social Security Levy. Significant judgment was required to determine the total provision for current, deferred, and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the financial statements and the taxable profit for the imposition of taxes. Uncertainties exist, concerning the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Company recognized assets and liabilities for current, deferred, and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income, deferred, and tax amounts in the period in which the determination is made.

**b) Revaluation of Property, Plant, and Equipment.**

The Property, Plant, and Equipment of the Company are reflected at fair value. When current market prices of similar assets are available, such evidence is considered in estimating the fair values of these assets. In the absence of such information the Company determines within reasonable fair value estimates, amounts that can be attributed as fair values, with the assistance of an independent professional valuer.

**c) Useful lifetime of the Property, Plant, and Equipment**

The Company reviews the residual values, useful lives, and methods of depreciation of assets at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, and methods and hence they are subject to uncertainty.

**d) Going Concern**

The Directors have assessed the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the financial statements continue to be prepared on a going concern basis.

**e) Impairment Losses on Financial Assets**

The company assesses at each reporting date or more frequently to determine whether there is any objective evidence of whether an impairment loss should be recorded in the statement of comprehensive income.

**f) Defined Benefit Plans**

The cost of defined benefit plans is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions, and their long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the yield of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and the expected future salary increase rate of the Company.



#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied by the Company in preparation for its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

##### **4.1 Revenue Recognition**

###### **(i) Revenue from Contracts with Customers**

The Hotel is in the business of providing hospitality and leisure services.

Revenue from contracts with the Customer is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Hotel expects to be entitled in exchange for these goods and services.

The Hotel has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Management has assessed the impact of applying SLFRS 15 as disclosed below:

###### **(a) Rendering of services**

Revenue from the rendering of services is recognized when performance obligations are satisfied over some time.

Room revenue is recognized on the rooms occupied daily and food and beverage revenue is accounted for at the time of sale. ( i.e when performance obligation is satisfied). Other Hotel Related Revenue is account for ted when such service is rendered.

###### **(ii) Interest**

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income on the non-financial assets is included in the FF&E reserve. All other interest income is included in finance income.

###### **(iii) Shop Rental Income**

Shop Rental income is recognized on an accrual basis.

###### **Turnover based taxes**

Turnover-based taxes include Value Added Tax, Tourism Development Levy, and Social Security Levy. The hotel's taxes are by the respective statutes.

###### **Other income**

Other income is recognized on an accrual basis.

##### **4.2 Expenditure Recognition**

Expenses are recognized in the statement of comprehensive income based on a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred

in running the business and in maintaining property, plant, and equipment in a state of efficiency has been charged to the statement of comprehensive income.

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

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive income.

### **4.3 Taxation**

#### **4.3.1 Current Tax**

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as of the reporting date.

#### **4.3.2 Deferred Tax**

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

Deferred tax assets are recognized for all deductible differences. Carry forward of unused tax credits and unused tax losses, to the extent that taxable profits will probably be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at the reporting date.

### **4.4 Non-financial Assets**

#### **4.4.1 Property, Plant, and Equipment**

##### **a) Recognition and Measurement**

##### **At Initial Recognition**

Property, plant & equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably by LKAS 16 - property, plant & equipment. Initially property and equipment are measured at cost net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the Property, Plant, and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, Plant, and Equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major refurbishment is performed, its cost is recognized in the carrying amount of the Property, Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the profit or loss as incurred.

### **At Subsequent Measurement**

All Property, Plant, and Equipment are subsequently measured at fair value less accumulated depreciation and such valuation are carried by external independent valuers. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recognized in other comprehensive income and credited to the revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the Income Statement, in which case the increase is recognized in the Income Statement. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal or de-recognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the asset's original cost.

### **Subsequent Cost**

Subsequent expenditure incurred to acquire, extend, or improve assets of a permanent nature by means of which to using the business or to increase the earning capacity of the business is treated as capital expenditure, and such expenses are recognized in the carrying amount of an asset. The costs associated with the day-to-day servicing of property, plant, and equipment are recognized in the statement of comprehensive income as incurred.

### **Depreciation**

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation is charged from the date of purchase to the date of disposal on prorated basis. The rates of depreciations based on the estimated useful lives are as follows:

<b>Category of asset</b>	<b>%</b>
Buildings	1.82
Plant and machinery	7.50
Refrigerators & kitchen equipment	7.50
Computers & televisions	20.00
Motor vehicles	25.00
Furniture, fittings & equipment	10.00
Operating Equipment	33.00

The asset's residual values, useful lives, and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end.

### **De-recognition**

Property, plant, and equipment are derecognized on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on the de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'other operating income' in the statement of comprehensive income in the year the asset is derecognized. The revaluation surplus included in the equity in respect of an item of Property, Plant, and Equipment is transferred directly to equity when the assets are de-recognized.

## **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

### **4.4.2 Impairment of Non-financial Assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to selling and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in the Income Statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Company estimates the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Income Statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

### **4.4.3 Fair Value Measurement**

The Company measures all Property, Plant, and Equipment at fair value. 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

- 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.

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

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorized 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 is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the Financial Statements regularly, 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.

The Company's management determines the policies and procedures for both recurring fair value measurements. External valuers are involved in the valuation of Property, Plant, and Equipment. The involvement of external valuers is decided by the management after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence, and whether professional standards are maintained.

#### **4.5 Prepaid Lease Rentals**

The leasehold lands are amortized on an equal annual basis over the period of the lease and charged to the Income Statement on a straight-line basis over the period of the lease.

#### **4.6 Inventories**

Inventories are valued at the lower cost and estimated net realizable value, after making due allowances for obsolete and slow-moving items. Net realizable value is the price at which inventories can be sold in the normal course of business after allowing for the cost of realization and/ or cost of conversion from their existing state to saleable condition.

The cost of each category of inventory is determined on a weighted average basis.

#### **4.7 Financial Assets – Recognition and Measurement**

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 amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Hotel's business model for managing them. Except for trade receivable that does not contain significant financing components for which Hotel has applied the practical expedient, the Hotel initially measures a financial asset at its fair value plus, in the case of a financial asset not a fair value through profit or loss, transaction costs. Trade

receivables that do not contain a significant financing component for which the Hotel has applied the practical expedients measured at the transaction price determined under SLFRS 15.

For a financial asset to be classified and measured at amortized cost or fair value through OCI it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding.

For a financial asset to be classified and measured at amortized 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.

The Hotel's business model for managing financial assets refers to how it manages financial assets 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 financial assets within a time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Hotel commits to purchase or sell the asset.

#### **(b) Subsequent measurement**

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

- i. Financial assets at amortized cost (debt instruments)
- ii. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- iii. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- iv. Financial assets at fair value through profit or loss

#### **Financial assets at amortized cost (debt instruments)**

This category is the most relevant to the Hotel. The Hotel measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model to hold financial assets 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 amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired.

The Hotel's financial assets at amortized cost include cash and bank balances, short-term investments, the amount due from related parties, trade receivables, and non-current investments.

The Hotel does not classify financial assets at fair value through OCI (debt instruments) and financial assets at fair value through OCI (equity instruments) and financial assets at fair value through profit or loss.

### **(c) De-recognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized) when:

- The rights to receive cash flows from the asset have expired Or
- The Hotel 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 Hotel has transferred substantially all the risks and rewards of the asset, or

(b) the Hotel has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

When the Hotel has transferred its rights to receive cash flows from an asset or has entered into a pass-through 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 Hotel continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Hotel also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Hotel 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 Hotel could be required to repay.

### **(d) Impairment**

The Hotel 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 by the contract and all the cash flows that the Hotel 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.

For trade receivables, the Hotel applies a simplified approach to calculating ECLs. Therefore, the Hotel does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Hotel has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## **Financial liabilities**

### **(a) Initial recognition and measurement**

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

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Hotel's financial liabilities include trade and other payables, amounts due to related parties including bank overdrafts.

The hotel does not have financial liabilities at fair value through profit and loss and derivative financial instruments.

#### **(b) Subsequent measurement**

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

##### **Loans and borrowings**

This is the category most relevant to the Hotel. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

#### **(c) De-recognition**

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

##### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

#### **4.8 Cash and Bank Balances**

Cash and bank balances are defined as cash in hand and balances with banks. For a 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.

#### **4.9 Stated Capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

#### **4.10 Retirement Benefit Obligations**

##### **4.10.1 Defined Benefit Plan – Gratuity**

The liability recognized in the statement of financial position represents the present value of the defined benefit obligation at the reporting date estimated based on actuarial valuation using the projected unit credit method. Actuarial valuations involve making assumptions about discount



rates and future salary increases. A defined benefit obligation is highly sensitive to changes in these assumptions. These benefits are not externally funded.

The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in the other comprehensive income.

However, as per the Payment of Gratuity Act No. 12 of 1983, the liability to pay gratuity arises only on completion of 5 years of continued service.

#### **4.10.2 Defined Contribution Plan**

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

##### **a) Employees' Provident Fund**

The company and employees contribute 12% and 8% respectively on the salary of each employee to the approved Provident Fund.

##### **b) Employees' Trust Fund**

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

#### **4.11 Financial Liabilities**

##### **4.11.1 Initial Recognition and Measurement**

The Company classifies financial liabilities into financial liabilities at Fair Value Through Profit or Loss (FVTPL) or other financial liabilities by the substance of the contractual arrangement and the definitions of financial liabilities.

The Company recognizes financial liabilities in the statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

##### **a) Financial Liability at FVTPL**

Financial liabilities at FVTPL include financial liabilities held for trading or designated as such upon initial recognition. After initial recognition, financial liabilities at FVTPL are measured at fair value and changes therein are recognized in profit or loss.

Upon initial recognition, transaction cost directly attributable to the acquisition is recognized in profit or loss as incurred. The criteria for the designation of financial liabilities at FVTPL upon initial recognition are the same as those of financial assets at FVTPL.

##### **b) Other Financial Liabilities**

Other financial liabilities including deposits, debt issued by the Company, and the other borrowed funds are initially measured at fair value less transaction cost that is directly attributable to the acquisition and subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

##### **4.11.2 De-recognition of Financial Liabilities**

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

#### **4.12 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and an outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

#### **4.13 Statement of Cash Flows**

The cash flow statement has been prepared using the indirect method, as stipulated in LKAS 7- statement of cash flows. Cash and cash equivalents comprise cash in hand, cash at the bank, and bank overdrafts.

#### **4.14 Segmental Information**

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

#### **4.15 Standards Issued But Not Yet Effective**

The company has adopted all the relevant standards and interpretations that are issued as of 31 December 2022.

**HOTEL DEVELOPERS (LANKA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2022**

	31.12.2022 Rs. '000'	31.12.2021 Rs. '000'
<b>5. Revenue from contracts with customers</b>		
<b>5.1</b> Gross Revenue from contracts with customers	2,916,464	1,190,331
Less : Tourism Development Levy	(29,197)	(11,950)
Net Revenue from contracts with customers	<u>2,887,267</u>	<u>1,178,381</u>
Value added tax of Rs. 382 Mn (2021 - Rs. 104Mn) has been deducted in arriving at Revenue.		
<b>5.2 Revenue</b>		
Room revenue	666,637	236,944
Food and Beverage revenue	2,185,005	925,077
Other operating departments	35,625	16,360
	<u>2,887,267</u>	<u>1,178,381</u>
<b>6. Investment Income</b>		
<b>Interest income - Loans and receivables</b>		
Interest on treasury bills	425	2,439
Interest on staff loans	4	7
Interest on RFC accounts	4,100	1,068
Interest on fixed deposits	9,055	7,708
Interest income on FF&E replacement reserve	4,578	-
	<u>18,162</u>	<u>11,222</u>
<b>7. Other Gains and Losses</b>		
Profit on disposal of plant & equipment	19,083	12,560
Shop rentals	7,197	1,676
Exchange Gain / (Loss) Unrealized	7,745	(358)
Exchange gain realized	167,094	14,407
Sundry income	5,470	2,906
	<u>206,589</u>	<u>31,191</u>
<b>8. Finance Costs</b>		
Bank charges	72	31,118
Overdraft Interest	225,754	80,258
Concessionary loan facility	-	5,125
Term Loan Facility	161,206	16,176
Lease Assets	2,542	1,800
	<u>389,574</u>	<u>134,477</u>

**HOTEL DEVELOPERS (LANKA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2022**

	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>Rs. '000'</b>	<b>Rs. '000'</b>
<b>9. Profit for the period</b>		
<b>Profit for the period is stated after charging all expenses including the following:</b>		
Directors' emoluments	3,575	3,725
Auditors' remuneration - Company	1,200	600
- Colombo Hilton	2,018	1,915
Depreciation	371,065	386,618
Staff costs (including the following employee benefit plan costs)	562,147	506,207
- Defined benefit plan cost - Gratuity	20,135	5,991
- Defined contribution plan costs - EPF & ETF	68,136	66,972
Management fees	-	-
Group service & benefit charge - Hilton International	58,117	23,864
Legal fees	4,175	611
<b>10. Income tax expense</b>		
Provision for the period	654	1,260
Tax Credit Write off	13,951	16,610
Deferred tax (Income) Expense	(10,698)	(37,060)
	<u>3,907</u>	<u>(19,190)</u>

As per the tax revisions certified on 19th December 2022, standard rate of income tax has increased from 14% to 30% with effect from 01st October 2022. Therefore, Company will be liable to tax at the rate of 30% from the year 2022 onwards (2021 - 14%).

The rate of 30% has been used for deferred tax and the resultant impact has been recognized in the statement of the comprehensive income.

**10.1** A reconciliation between Taxable profit and Accounting Profit for the Years Ended 31st December 2022 and 31st December 2021 are as follows

	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>Rs. '000'</b>	<b>Rs. '000'</b>
Accounting Profit Before Income Tax	(632,763)	(976,414)
Aggregate Disallowed Items	392,211	363,122
Aggregate allowable Expense	(480,929)	(483,031)
Trading Profits and Other Sources of Income @ 30%	(721,481)	(1,096,323)
Other sources of Income Liabile @ 30%/24%	2,724	5,251
Total Taxable Profit	2,724	5,251
<b>Taxable Profit</b>	<u>2,724</u>	<u>5,251</u>
Taxable other source of Income @ 24%/30%	654	1,260
Current Year Total Tax Expense	<u>654</u>	<u>1,260</u>

**HOTEL DEVELOPERS (LANKA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2022**

**31.12.2022**                      **31.12.2021**  
**Rs. '000'**                              **Rs. '000'**

**10.2 Deferred tax**

Deferred tax arising from:

- Origination and reversal of temporary difference (Note 24)

(10,698)                      (37,060)

Total deferred tax charge

(10,698)                      (37,060)

**10.3 Tax losses carried forward**

Tax losses carried forward

12,313,013                      11,216,690

Tax losses incurred during the year

721,481                      1,096,323

Tax losses set off in the current period - from Investment Income

(2,724)                      -

Tax losses carried forward for future periods

13,031,770                      12,313,013

**11. Earning Per Share - Basic**

Basic earning per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the ordinary shares outstanding during the year.

Profit per ordinary share

(0.31)                      (0.46)

**Amount used as the Numerator**

**Rs. '000**

**Rs. '000**

Profit attributable to the ordinary shareholders

(636,671)

(934,596)

**Amount Used as the Denominator**

**Nos. '000**

**Nos. '000**

'Weighted average number of ordinary shares for the purpose of basic profit per share

2,046,646

2,046,646

**HOTEL DEVELOPERS (LANKA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2022**

12

Property, Plant and Equipment	Buildings on leasehold land	Plant & machinery	Hotel furniture & fittings	Motor vehicle	Refrigerator & kitchen equipment	Television & computers	Operational Equipment	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost/ Revaluation</b>								
<b>Balance as at 31st December 2020</b>	7,337,207	270,259	561,588	56,020	402,832	50,562	106,000	8,784,468
Disposal	(3,527)	(7,140)	(6,454)	-	(24)	(121)	-	(17,266)
Additions during the year	287,975	140,883	14,522	-	71,942	999	45,330	561,639
<b>Balance as at 31st December 2021</b>	<b>7,621,655</b>	<b>404,002</b>	<b>569,644</b>	<b>56,020</b>	<b>474,750</b>	<b>51,440</b>	<b>151,330</b>	<b>9,328,841</b>
Disposal	-	(40)	(5,714)	-	(100)	(572)	-	(6,426)
Additions during the year		3,803	236	-	-	1,192	-	5,231
Transfer to WIP	(1,498,080)							(1,498,080)
<b>Balance as at 31st December 2022</b>	<b>6,123,575</b>	<b>407,765</b>	<b>564,166</b>	<b>56,020</b>	<b>474,650</b>	<b>52,061</b>	<b>151,330</b>	<b>7,829,567</b>
<b>Accumulated Depreciation</b>								
<b>Balance as at 31st December 2020</b>	133,197	20,279	55,335	14,005	30,206	9,865	35,333	298,220
Charge for the year	134,818	23,249	56,100	14,005	31,564	10,187	39,788	309,711
Disposal	(64)	(535)	(645)	-	(2)	(24)	-	(1,270)
<b>Balance as at 31st December 2021</b>	<b>267,951</b>	<b>42,993</b>	<b>110,790</b>	<b>28,010</b>	<b>61,768</b>	<b>20,028</b>	<b>75,121</b>	<b>606,661</b>
Charge for the year	97,678	30,546	56,400	14,005	35,608	10,218	50,443	294,897
Disposal	-	(6)	(1,143)	-	(15)	(229)	-	(1,393)
<b>Balance as at 31st December 2022</b>	<b>365,628</b>	<b>73,532</b>	<b>166,046</b>	<b>42,015</b>	<b>97,361</b>	<b>30,017</b>	<b>125,565</b>	<b>900,166</b>
<b>Written Down Value</b>								
<b>Balance as at 31st December 2020</b>	7,204,010	249,981	506,253	42,015	372,626	40,697	70,667	8,486,249
<b>Balance as at 31st December 2021</b>	<b>7,353,704</b>	<b>361,009</b>	<b>458,854</b>	<b>28,010</b>	<b>412,982</b>	<b>31,412</b>	<b>76,209</b>	<b>8,722,180</b>
<b>Balance as at 31st December 2022</b>	<b>5,757,947</b>	<b>334,233</b>	<b>398,120</b>	<b>14,005</b>	<b>377,289</b>	<b>22,044</b>	<b>25,765</b>	<b>6,929,402</b>

Hotel Developers (Lanka) PLC has full possession and control of the property, plant & equipment of the hotel.

**HOTEL DEVELOPERS (LANKA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2022**

**12.2** A bridge was constructed in 1998 linking the World Trade Centre and Hilton Hotel at a cost of USD 360,000. Overseas Realty Ltd and Hilton International contributed US \$ 180,000 and US \$ 90,000 respectively, and the company contributed the balance amount. USD 90,000 incurred by the company has been capitalised in the financial statements under buildings.

**12.3** The Company uses the revaluation model of measurement for property, plant and equipment (PPE) effective from 31st December 2019. The Company engaged G.W.G. Abeygunawardene, an accredited independent valuer, to determine the fair value of company owned PPE. Fair value is determined by reference to market-based evidence. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property, all of which falls under level 3 of the fair value measurement hierarchy. The date of the valuation was 31st December 2019.

<b>Property</b>	Buildings (Extent - 431,286 sq. ft.) No.02, Sir Chittampalam A Gardiner Mawatha Colombo 02 and other movable assets
<b>Method of valuation</b>	Based on depreciated replacement cost approach
<b>Effective date of valuation</b>	31st December 2019
<b>Property Valuer</b>	Mr. G.W.G. Abeygunawardene, Chartered Valuation Surveyor

If the PPE is presented at Cost less depreciation, the carrying value would be as follows

	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>Rs. '000'</b>	<b>Rs. '000'</b>
Cost	13,551,496	13,546,265
Accumulated Depreciation	(6,713,538)	(6,418,641)
Writtendown Value	<u>6,837,958</u>	<u>7,127,624</u>

**12.4** The company embarked on a comprehensive renovation of 273 hotel guest rooms out of the total room keys of 382 in two stages. Accordingly, the renovation commenced in July 2021. Hence, the hotel on an average currently operates with 153 room keys, which is a utilization of only 40% of the total room inventory. Considering the fact that the said rooms have now been handed over to the appointed contractor for the construction, the carrying value of said rooms was transferred to the Capital Work-in-Progress until such time it is available for commercial operations.

<b>13</b>	<b>Rs. "000"</b>	<b>Main Property 99 Year Lease</b>	<b>Shop at Dutch Hospital</b>	<b>UDA Car Park</b>	<b>Total</b>
	Balance as at 31. 12. 2020	6,398,409	6,453	16,465	6,421,327
	Amortisation	(70,707)	-	(6,200)	(76,907)
	Write off		(6,453)		(6,453)
	Balance as at 31. 12. 2021	<u>6,327,702</u>	-	10,264	6,337,966
	Amortisation	(70,710)	-	(5,458)	(76,168)
	Balance as at 31. 12. 2022	<u>6,256,992</u>	-	4,806	<u>6,261,798</u>

The leasehold land is for a period of 99 years effective from 28th June 2012. The leasehold land value amounting to Rs. 7 Bn. has been capitalised and shares issued to the Government of Sri Lanka. Further, approval of Cabinet of Ministers was granted on 3<sup>rd</sup> October 2012 to lease the land in which the Sport Complex is built for a period of 5 years on a rent free basis commencing from 28th June 2012. Interm of the cabinet decision dated 13/12/2016, the lease of this land has been extended up to June 2111 in line with the lease of the main building and the lease terms are yet to be finalized.

Further, the company signed lease agreement with UDA for the 30 perch land in front of the hotel for a car park for 4 year period effective from 01 January 2020.

**HOTEL DEVELOPERS (LANKA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2022**

	31.12.2022	31.12.2021
	Rs. '000'	Rs. '000'
<b>14. Inventories</b>		
Food	56,050	23,483
Beverages	60,996	27,937
General stores	15,558	1,614
	<u>132,604</u>	<u>53,034</u>
<b>15. Trade and Other Receivables</b>		
Trade receivables	144,443	76,640
Less: Impairment of debtors	(2,549)	(1,900)
	<u>141,894</u>	<u>74,740</u>
<b>16. Amounts Due From Related Party</b>		
Hilton Colombo Residence	4,091	1,030
Hilton Weerawila	4,785	1,161
Hilton Yala	112	51
	<u>8,988</u>	<u>2,242</u>
<b>17. Other Assets</b>		
Deposits, prepayments and advances	63,128	68,823
Other receivables	71,115	64,855
Advances - Refurbishment Expenses	682,663	418,847
Income tax receivable - Note 29	11,858	26,463
	<u>828,764</u>	<u>578,988</u>
<b>18. Current Financial Assets</b>		
<i>Short-term investments</i>		
Call deposits	836	110,111
Repo Bank Of Ceylon	15,016	-
Fixed Deposits - BOC	10,444	-
Total Short-term investment	<u>26,296</u>	<u>110,111</u>
	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>Rs. '000'</b>	<b>Rs. '000'</b>
<b>19. Cash and bank balances</b>		
Foreign Currency Savings	242,521	99,844
FFE Reserve A/C	49,989	-
Cash & Operating Bank A/C	7,141	22,510
	<u>299,651</u>	<u>122,354</u>
The year end balance in the foreign currency saving account has been translated to functional currency of Sri Lankan Rupees at the closing rate as at Balance Sheet date in terms of the accounting standards.		
	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>20. Stated Capital</b>		
<b>Issued and Fully Paid</b>		
2,046,645,685 Ordinary shares	<u>20,466,456</u>	<u>20,466,456</u>
	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>Rs. '000'</b>	<b>Rs. '000'</b>
<b>21. Reserves</b>		
Furniture, fittings & equipment replacement reserve (Note 21.1)	<u>178,226</u>	<u>53,801</u>
<b>21.1. Furniture, Fittings and Equipment Replacement Reserves</b>		
Balance at the beginning of the year	53,801	1,649
Add: Provision made during the year	144,109	68,629
Less: Amounts transferred to equity statement	4,578	-
Amounts utilized for purchase & replacement		
- of furniture & fittings	(24,262)	(16,477)
Balance at the end of the year	<u>178,226</u>	<u>53,801</u>

An amount equivalent to USD 700,000 has been transferred to furniture, fittings & equipment reserve during the year.



**HOTEL DEVELOPERS (LANKA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2022**

**22 INTEREST BEARING BORROWINGS**

	2022			2021		
	Amounts due within one year	Amounts due after one year	Total	Amounts due within one year	Amounts due after one year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Peoples Bank - Post Covid Working Capital Loan	-	-	-	16,600	-	16,600
Term Loan - Peoples Bank	-	2,000,000	2,000,000	1,098,372	-	1,098,372
	-	2,000,000	2,000,000	16,600	-	1,114,972

**Security and Repayment Terms**

**22.1 Term Loans**

	Balance as at 01.01.2022	Loans draw down	Repayment	Balance as at 31.12.2022
Term Loan - Peoples Bank	1,098,372	901,628	-	2,000,000
Peoples Bank - Post Covid Working Capital Loan	16,600	-	(16,600)	-
	1,114,972	901,628	(16,600)	2,000,000

**Financial Institution**

	People's Bank	People's Bank
Nature of the facility	Term Loan	Term Loan
Amount	Rs.2,000Mn	Rs.16.6 Mn
Rate of interest	AWPLR +1.5%	4% p.a
Security	Property Morgaged	Nil
Repayment period	7 Years including 2 years of grace period	18 Installment

**23 Retirement Benefit Obligations**

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
Balance at the beginning of the year	97,982	148,198
Charge for the year	9,151	(4,383)
Recognition of transitional liability /(asset) and Loss/ (gain) arising from changes in the assumptions or due to (over)/under provisions in the previous period	(2,970)	3,250
Interest cost for the year	10,984	10,374
Payments made during the year	(37,680)	(33,577)
Balance at the end of the year	77,467	97,982

The retirement benefit obligation of the company is based on the actuarial valuation carried out by Messrs. Piyal S. Goonetilleke and Associates. All assumptions remain the same, except for the discount rate assumption and the annual basic salary increase and No material change is expected in the contribution to the defined benefit plan for the next annual reporting period. The discount rate was revised to 18.50% (vs 11.21% last year) to reflect the yield rates of the Treasury Bonds. The principal assumptions used in determining the cost of employee benefits were:

Discount rate	18.50%	11.21%
Future salary increase	6.00%	3.00%
Retirement Age	60 Years	60 Years

**Sensitivity & maturity profile**

	Discount Rate		Salary Increment
	2022	2021	2022
Increase by one percentage point	(3,383)	(4,628)	3,390
Decrease by one percentage point	3,687	5,126	(3,609)

**Maturity Analysis of the payments as at 31 December 2022 - Undiscounted**

With in next 12 Months	-
Between 1 and 2 years	7,980
Between 2 and 5 years	31,712
Between 5 and 10 years	74,080
Total Expected payments	113,772

**24. Deferred Tax Liability**

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
Balance at the beginning of the year	396,138	433,198
Deferred tax expense/(income)	(10,698)	(37,060)
Balance at the end of the year	385,440	396,138

**24.1 The closing deferred tax liability balance relates to the following:**

Accelerated depreciation for tax purposes	1,521,797	805,208
Retirement benefit obligation	(23,240)	3,862
Deferred tax asset relating to utilisation of brought forward - tax losses	(1,113,117)	(412,932)
	385,440	396,138

The deferred tax has been calculated at the rate of 30% (14% 2021)

**HOTEL DEVELOPERS (LANKA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2022**

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
<b>25. Trade and Other Payables</b>		
Trade payables	394,966	166,864
Sundry creditors and including accrued expen	100,843	110,126
Management fee payable *	(4,806)	(14,239)
Other liabilities	33,506	33,488
Replacement of breakages	11,360	4,492
Statutory payables	208,416	118,204
	744,285	418,935
	744,285	418,935
* Negative balance represents the over payment of Management fees to Hilton International		
	31.12.2022 Rs. '000	31.12.2021 Rs. '000
<b>26. Amounts Due To Related Parties</b>		
Hilton International Asia Pacific	9,291	-
Hilton International LLC	91,517	26,475
	100,808	26,475
	100,808	26,475
<b>27. Contract Liabilities</b>		
City Ledger Credits	51,931	-
Guest Advance Deposits	127,513	158,114
	179,444	158,114
	179,444	158,114
<b>28. Net Assets per share</b>		
Net Assets Value (Rs)	12,531,219	13,164,918
Number of ordinary shares "000"	2,046,646	2,046,646
Net Assets per share	6.12	6.43
<b>29. Income Tax Liability</b>		
Opening Balance	(26,463)	(44,333)
Provision for the period	654	1,260
<b>Tax credit</b>		
Economic Service Charge	13,951	16,610
Balance at the end of the year(Current year balance transferred to Other Assets - Note 17)	(11,858)	(26,463)
	(11,858)	(26,463)
	(11,858)	(26,463)
<b>30. Notes to the Cash Flow Statement</b>	31.12.2022	31.12.2021
<b>30.1 Cash and Cash Equivalents at the Beginning of the Year</b>	Rs. '000	Rs. '000
Cash and bank balance	122,354	47,106
Call Deposits	110,111	150,970
Bank overdraft	(1,332,328)	(946,040)
Unrealized exchange Gain/Loss on USD Saving deposit	7,745	(358)
	(1,092,118)	(748,322)
	(1,092,118)	(748,322)
<b>30.2 Cash and Cash Equivalents at the end of the Year</b>		
Cash and bank balance	299,651	122,354
Call deposits	836	110,111
Repo Investment	15,016	-
Fixed Deposit	10,444	-
Bank overdraft	(1,148,746)	(1,332,328)
	(822,799)	(1,099,863)
	(822,799)	(1,099,863)
<b>31 Analysis of financial instruments by measurement basis As at 31<sup>st</sup> December 2022</b>		
<b>Financial assets by categories</b>		<b>Loans and receivables</b>
	-	31.12.2022 31.12.2021
<b>Financial instruments in current assets</b>	Rs. '000	Rs. '000
Trade and other receivables	141,894	74,740
Other assets	828,764	578,988
Amounts due from related party	8,988	2,242
Other current financial assets	26,296	110,111
Cash in hand and at bank	299,651	122,354
Total	1,305,594	888,435
	1,305,594	888,435
<b>Financial liabilities by categories</b>	<b>Financial</b>	<b>31.12.2021</b>
	31.12.2022	Rs. '000
<b>Financial Instruments in current liabilities</b>	Rs. '000	Rs. '000
Trade and other payables	744,285	418,936
Amounts due to related party	100,808	26,475
Bank overdrafts	1,148,746	1,332,328
Total	1,993,839	1,777,739
	1,993,839	1,777,739

**HOTEL DEVELOPERS (LANKA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2022**

**32 Financial Risk Management**

The Company's activities are exposed to a variety of financial risks such as market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management process focuses on the unpredictability of financial risks and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is performed by the finance department under policies approved by the Board of Directors.

The principal financial instruments of the Company comprise of short term deposits, money market investments, and cash. The main purpose of these financial instruments is to raise and maintain liquidity for the Company's operations, and maximize returns on the Company's financial reserves. The Company has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

**32.1 Credit risk**

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Hotel is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities.

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

With respect to credit risk arising from the other financial assets of the Hotel, such as cash and cash equivalents, other non financial assets and amounts due from related parties, the Hotel's exposure to credit risk arises from default of the counterparty. The Hotel manages its operations to avoid any excessive concentration of counterparty risk and takes all reasonable steps to ensure the counterparties fulfil their obligations.

**32.2 Credit risk exposure**

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Following table shows the maximum risk positions.

In Rs. "000"	As at 31 December 2022				Total
	Cash in hand and at bank	Short term investments	Trade and other receivable	Amount due from related parties	
Deposits with bank	-	26,296	-	-	26,296
Trade and other receivables	-	-	141,893	-	141,893
Amounts due from related parties	-	-	-	8,988	8,988
Cash in hand and at bank	249,662	49,989	-	-	299,651
Total credit risk exposure	249,662	76,285	141,893	8,988	476,829

In Rs. "000"	As at 31 December 2021				Total
	Cash in hand and at bank	Short term investments	Trade and other receivable	Amount due from related parties	
Deposits with bank	-	110,111	-	-	110,111
Trade and other receivables	-	-	74,740	-	74,740
Amounts due from related parties	-	-	-	2,242	2,242
Cash in hand and at bank	22,510	99,844	-	-	122,354
Total credit risk exposure	22,510	209,955	74,740	2,242	309,447

**32.3 Trade and other receivables**

In Rs. "000"

	As at 31 December 2022	As at 31 December 2021
Neither past due nor impaired	122,236	112,244
Past due but not impaired	30-60	14,475
	61-90	4,443
	91-120	1,461
	121-150	-
	151>	1,827
<b>Gross carrying value</b>	144,443	76,640
<b>Less: impairment provision</b>		
Individually assessed impairment provision	(2,549)	(1,900)
<b>Total</b>	141,893	74,740

**HOTEL DEVELOPERS (LANKA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2022**

**32.4 Amounts due from related parties**

The balance consists of amount due from affiliate companies of Hiton Chain.

**32.5 Credit risk relating to cash and cash equivalents**

The company maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Hotel held cash and cash equivalents of Rs.(822 Mn) as at 31 December 2022 (as at 31 December 2021 - Rs. (1099 Mn)).

**32.6 Liquidity risk**

The Company's policy is to hold cash at a level sufficient to ensure that the Company has available funds to meet its short and medium term funding obligations, including organic growth, and to meet any unforeseen obligations and opportunities.

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

Net (debt)/cash	31.12.2022 Rs. '000	31.12.2021 Rs. '000
Short term investments	26,296	110,111
Cash in hand and at bank	299,651	122,354
Total liquid Assets	<u>325,947</u>	<u>232,465</u>
Bank overdrafts	(1,148,746)	1,332,328
Total Borrowings	<u>(1,148,746)</u>	<u>1,332,328</u>
Net (debt)/cash	<u>(822,799)</u>	<u>(1,099,863)</u>

**32.7 Maturity analysis**

The table below summarises the maturity profile of the Hotel's financial liabilities at 31 December 2022 based on contractual undiscounted payments.

In Rs.	As at 31 December 2022		As at 31 December 2021	
	Within one year	Total	Within one year	Total
Trade & other payables	744,285	744,285	418,936	418,936
Amounts due to related parties	100,808	100,808	26,475	26,475
Retention Fees - Refurbishment Project	57,559	57,559	48,252	48,252
Bank overdrafts	1,148,746	1,148,746	1,332,328	1,332,328
	<u>2,051,398</u>	<u>2,051,398</u>	<u>1,825,991</u>	<u>1,825,991</u>

**32.8 Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Hotel is exposed to market risk through its use of financial instruments and specially to currency risk, and certain other price risks.

**33 Events after the Reporting Date**

There have been no material events occurring after the reporting period that require adjustments to or disclosure in the financial statements

**34 Capital Commitments**

There were no capital commitments or contingent liabilities that requires disclosures in these financial statements other than the following:

**34.1** The company has commenced a major refurbishment of the hotel from October 2014. Accordingly, Hilton Colombo has been undergoing major renovations from 2014, which will see improvements across the property including rooms, food and beverage outlets and meeting spaces. The

**34.2 Lease Commitments**

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
Lease rentals due on non-cancellable operating leases;		
Within one year	4,806	5,458
Between one and five years	-	4,805
	<u>4,806</u>	<u>10,263</u>

The lease commitment is related to 30 Perch UDA Car Park which is on 5 year leased property.

**35. Contingent Liability**

The hotel is a defendant in several lawsuits in respect of termination of employment and compensation for loss and damages By a Notice Published in the Gazette dated 6th July 2007 the Colombo Municipal Council has revised the license fee in

**36 Assets Pledged as Securities**

The Company has mortgaged the main property of the Hotel against the loan agreement signed with Peoples Bank for a loan

**37. Related Party Disclosures**

**37.1 Transaction with Key Management Personnel**

Related Parties include key management personnel defined as those persons having authority and responsibility for planning, Directors' emoluments and payments to Competent Authority paid during the period amounts to Rs. 3,725,000/- (Y/E 2021 - Rs. 3,725,000-).

**HOTEL DEVELOPERS (LANKA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2022**

**37.2 Amounts due from related parties (Refer Note16)**

**37.3 Amounts due to related parties (Refer Note 25)**

<b>37.4 Transactions with related parties</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>Managing Company - Hilton International Management Corporation</b>		
Receiving of services	72,942	23,864
<b>Affiliates/Group Hotel</b>		
I. Hilton Worldwide Manage Ltd - UK Receiving of services	(2,272)	29,586
II. Hilton Colombo - Residence Rendering of services	(3,061)	7,342
III. Hilton Yala Resorts- Rendering of services	(61)	34
IV. Hilton Weerawila- Rendering of services	(3,515)	5,830

**Terms and conditions of transactions with related parties**

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

**38. Litigation as of the reporting date**

**38.1 SC HCCA LA 225/16**

This is an Appeal filed by Cornel & Co Ltd against the order of court dated 31st March 2016 in HCCA LA 69/14. AS the parties are exploring the possibiity of a settlement the case will be mentioned again on 19 July 2023

**38.2 H.C. [Civil] 1/98 [2] [ Date of filing 31/3/1998]**

This case has been filed by Cornel & Co Ltd., against Mitsui & Co Ltd, Taisei Corporation and 9 other Defendants, including HDL [5th Respondent].

The Plaintiff filed action in the High Court of the Western Province and supported and obtain an exparte Enjoining Orders in terms of prayers [m] and [n] of the Plaint, preventing the implementation of the Settlement This case has been laid by since 29.10.2003 pending a settlement [if any].

**38.3 D.C.COLOMBO CASE NO. 21819/MR**

This action has been instituted by Mr. Nihal Sri Amarasekera for Judgement against the 1st Defendant, Mr. Gamini Lakshman Pieris in a sum of Rs. 35,938,000.00 and Rs. 36,071,000.00. HDL is the 2nd defendant.

The case has been laid by since 17<sup>th</sup> March 2004 pending a settlement [if any]

**38.4 D.C.Colombo Case No. 15322/MR**

**[Date of Filing 4/8/1994]**

HDL is the Plaintiff in this Action.

This action has been instituted for Judgement against the Defendant Mr. Nihal Sri Amarasekera to recover a sum of Rs. 26,626,613.00 with legal interest thereon.

The case has been laid by since 28th February 2007 pending a settlement [if any].

**38.5 Case No. H.C. ( Civil) 754/2018/MR**

This case had been instituted by Mr. Nihal Sri Amarasekera seeking an Enjoining Order to restrain the Company and the Company Secretaries from taking any steps to transfer the shares of the Company.

**HOTEL DEVELOPERS (LANKA) LTD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 12 MONTHS ENDED 31ST DECEMBER 2022**

**38.6 S.C. Case No 182/2021 (FR)**

Mr. Kapila Renuka Perera (Petitioner) has instituted a Fundamental Rights Application (in his capacity as a concerned citizen of Sri Lanka (i.e. a public interest litigation)) against *inter alia* Selendiva Investment Limited, Selendiva Leisure Investment Limited, the Hon Attorney General, the Prime Minister, the Minister of Finance, Secretary to the Treasury, Securities and Exchange Commission including Hotel Developers (Lanka) Ltd and several others, on 7th July 2021. The said Fundamental Rights Application is filed on the premise that his Fundamental Rights guaranteed under Article 12 of the Constitution of Sri Lanka has been purportedly violated. The violation alleged by him is that several State-owned Assets are being systematically and/or strategically divested to the private sector (i.e. privatized). No Interim-orders/stay-orders have been granted by the Supreme Court and the matter has not been supported for Leave to Proceed as at the date hereof. This matter will be called for the Caption of the action to be amended in view of the change of designations/portfolios of certain Public officers/Ministers named as Respondents in the said action.

Unaudited Financial Statements

Unaudited Financial Statements