

**HOTEL DEVELOPERS (LANKA) LTD**

**FINANCIAL STATEMENTS FOR THE  
YEAR ENDED**

**31ST DECEMBER 2024**

Unaudited Financial Statements 2024

**HOTEL DEVELOPERS (LANKA) LTD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2024**

		<b>12 Months 31.12.2024 Rs. '000</b>	<b>12 Months 31.12.2023 Rs. '000</b>
Revenue	<b>05</b>	5,393,089	4,346,751
Cost of sales		(2,708,885)	(2,445,618)
<b>Gross profit</b>		<b>2,684,204</b>	<b>1,901,133</b>
Other gains and losses	<b>06</b>	28,621	13,175
Administrative Expenses		(1,077,648)	(904,197)
Sales & Marketing Expenses		(151,347)	(148,227)
Other expenses		(611,748)	(698,548)
<b>Operating Profit Before Depreciation</b>		<b>872,082</b>	<b>163,336</b>
Depreciation		(560,672)	(367,193)
<b>Operating Profit After Depreciation</b>		<b>311,410</b>	<b>(203,857)</b>
Finance Income	<b>07</b>	10,740	18,037
Finance Charges	<b>08</b>	(590,497)	(598,546)
<b>Profit/(loss) before taxation</b>	<b>09</b>	<b>(268,347)</b>	<b>(784,366)</b>
Income Tax Expense	<b>10</b>	(71,490)	95,654
<b>Profit/(loss) After Taxation for the Period</b>		<b>(339,837)</b>	<b>(688,712)</b>
<b>Other Comprehensive Income</b>			
Revaluation surplus - net of tax		-	704,527
Actuarial Gain/ (Loss) on employee benefit obligations		(11,801)	(31,688)
<b>Total comprehensive Income/ (Expense) for the period</b>		<b>(351,638)</b>	<b>(15,873)</b>
<b>Earnings Per Share - Basic (Rs.)</b>	<b>11</b>	<b>(0.17)</b>	<b>(0.01)</b>

**HOTEL DEVELOPERS (LANKA) LTD**  
**STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2024**

Assets		31.12.2024 Rs. '000	31.12.2023 Rs. '000
<b>Non-Current Assets</b>			
Property, Plant & Equipment	12	14,323,547	11,553,379
Leasehold Land	13	6,141,189	6,215,377
Capital Work-in-Progress		89,016	1,705,375
Total Non-Current Assets		<u>20,553,752</u>	<u>19,474,131</u>
<b>Current Assets</b>			
Inventories	14	109,792	97,317
Trade and Other Receivables	15	343,568	230,329
Amount Due From Related Parties	16	88,407	42,820
Other Assets	17	160,708	385,056
Current Financial Assets	18	66,766	61,947
Cash and Bank Balances	19	103,596	275,356
Total Current Assets		<u>872,837</u>	<u>1,092,825</u>
<b>Total Assets</b>		<u><u>21,426,589</u></u>	<u><u>20,566,956</u></u>
<b>Equity and Liabilities</b>			
<b>Shareholders' Equity</b>			
Stated Capital	20	20,466,456	20,466,456
Revaluation Surplus		2,157,505	2,157,505
Reserves	21	303	-
Accumulated Loss		(10,709,007)	(10,357,067)
Total Equity		<u>11,915,257</u>	<u>12,266,894</u>
<b>Non-current Liabilities</b>			
Interest Bearing Loans and Borrowings	22	3,354,136	3,067,766
Retirement Benefit Obligations	23	123,261	117,655
Deferred Tax Liability	24	1,552,104	1,480,613
Right to Use - Lease Land Liability	13	19,105	24,645
Total Non-Current Liabilities		<u>5,048,606</u>	<u>4,690,679</u>
<b>Current Liabilities</b>			
Trade and other payables	25	1,696,975	1,156,620
Amount due to related parties	26	32,776	215,996
Contract Liabilities	27	304,541	226,786
Interest Bearing Loans and Borrowings	22	595,824	58,333
Right to Use - Lease Land Liability	13	6,505	4,446
Retention Fees - Refurbishment Project		166,709	162,012
Bank overdraft		1,659,396	1,785,189
Total Current Liabilities		<u>4,462,726</u>	<u>3,609,382</u>
Total Liabilities		<u>9,511,332</u>	<u>8,300,062</u>
Total Equity and Liabilities		<u><u>21,426,589</u></u>	<u><u>20,566,956</u></u>
Net Assets per share - (Rs.)	28	5.82	5.99

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  
Jude Wickramaratne

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board on 21st February 2025

.....  
Director  
B.A.T Rodrigo

.....  
Chairman  
Pravir Samarasinghe

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 2024**

	Stated Capital	Revaluation Surplus	Furniture, Fittings & Equipment Replacement Reserves	Accumulated Loss	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Balance as at 01st January 2022</b>	<b>20,466,456</b>	<b>1,452,978</b>	<b>178,230</b>	<b>(9,814,896)</b>	<b>12,282,767</b>
Profit / (Loss) for the Period	-	-	-	(688,712)	(688,712)
Actuarial gain/(loss) on employee benefit obligations, net of taxes - loss	-	-	-	(31,688)	(31,688)
Revaluation Surplus (net of tax)	-	704,527	-	-	704,527
Replacement of furniture, fittings & equipment Reserve	-	-	-	-	-
Transfers to furniture, fittings & equipment reserve	-	-	(178,230)	178,230	-
<b>Balance as at 31st December 2023</b>	<b>20,466,456</b>	<b>2,157,505</b>	<b>-</b>	<b>(10,357,067)</b>	<b>12,266,894</b>
Profit / (Loss) for the period	-	-	-	(339,837)	(339,837)
Actuarial Gain/(Loss) on Employee Benefit Obligations, net of taxes - loss	-	-	-	(11,801)	(11,801)
Revaluation Surplus (net of tax)	-	-	-	-	-
Replacement of Furniture, Fittings & Equipment	-	-	207,816	(207,816)	-
Transfers to Furniture, Fittings & Equipment Reserve	-	-	(207,513)	207,513	-
<b>Balance as at 31st December 2024</b>	<b>20,466,456</b>	<b>2,157,505</b>	<b>303</b>	<b>(10,709,007)</b>	<b>11,915,257</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 2024**

	Notes	31.12.2024 Rs. '000	31.12.2023 Rs. '000
Profit / (Loss) before taxation		(268,347)	(784,366)
<b>Adjustment for</b>			
Depreciation	12	482,573	291,682
Land Amortization	13	78,099	75,511
Changes in Impairment of Debtors	15	2,350	7,643
Provision for Defined Benefit Plans	23	28,460	22,462
Provision for Breakages	25	2,798	4,647
Interest Expenses	8	590,497	598,546
Unrealized Exchange (Gain)/Loss	6	(35)	(2,955)
Profit on Sale of Property, Plant & Equipment	6	(10,674)	(3,188)
Interest Income	7	(10,740)	(18,037)
<b>Operating Profit Before Working Capital Changes</b>		<b>894,981</b>	<b>191,944</b>
(Increase)/ Decrease in Inventories	14	(12,476)	35,287
(Increase) / Decrease in Receivables	15	(115,588)	(96,078)
(Increase) / Decrease in Amount Due From Related Parties	16/26	(228,806)	105,713
(Increase) / Decrease in Other Assets	17	224,349	(50,641)
Increase / (Decrease) in Trade & Other Payables	25	(164,289)	89,961
Increase /(Decrease) in Contract Liabilities	27	77,755	47,342
<b>Cash generated from operations</b>		<b>675,926</b>	<b>323,527</b>
Income Tax Paid	29	-	(254)
Payment of Retirement Benefits	23	(34,656)	(13,963)
<b>Net cash generated from operating activities</b>		<b>641,270</b>	<b>309,310</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant & equipment	12	(197,527)	(193,842)
Net Change in Right to Use - Lease Land Liability	13	(7,392)	(4,806)
Investment in Capital Work-in-Progress		(740,144)	(1,289,918)
Proceeds from sale of property, plant & equipment		18,541	5,625
Interest income received	7	10,740	18,037
<b>Net cash used in investing activities</b>		<b>(915,781)</b>	<b>(1,464,903)</b>
<b>Cash Flows from Financing Activities</b>			
Repayment of long term borrowings	22	-	(500,040)
Proceeds from long term borrowings	22	823,861	1,626,139
Finance Cost	8	(590,497)	(598,546)
<b>Net cash used in financing activities</b>		<b>233,364</b>	<b>527,553</b>
Net Increase/(Decrease) in Cash & Cash Equivalents		(41,146)	(628,038)
Cash & Cash Equivalents at the Beginning of the Year (Note 30)		(1,447,886)	(822,800)
Unrealized Exchange Gain /(Loss) on USD Savings Deposits		35	2,955
<b>Cash &amp; Cash Equivalents at the End of the Year</b>		<b>(1,488,998)</b>	<b>(1,447,886)</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 2024**

**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 21<sup>st</sup> February 2025

**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, 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 Contribution 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.

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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 Contribution 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 Asset**

### **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 loss, 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 in 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 Rental**

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 food and beverage inventory category is determined on the weighted average basis and cost of the engineering store inventory is determined on the First in First Out (FIFO) 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.

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 Rate (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 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 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 cancelled 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 2023.

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	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>Rs. '000'</b>	<b>Rs. '000'</b>
<b>5. Revenue from contracts with customers</b>		
<b>5.1</b> Gross Revenue from contracts with customers	5,445,959	4,389,326
Less : Tourism Development Levy	(52,870)	(42,575)
Net Revenue from contracts with customers	<u><b>5,393,089</b></u>	<u><b>4,346,751</b></u>
Value added tax of Rs. 1,033 Mn (2023 - Rs. 720 Mn) has been deducted in arriving at Revenue.		
<b>5.2 Revenue</b>		
Room revenue	1,848,222	1,137,293
Food and Beverage revenue	3,342,408	3,034,962
Other operating departments	56,153	55,845
Social Security Contribution Levy	146,306	118,651
	<u><b>5,393,089</b></u>	<u><b>4,346,751</b></u>
<b>6. Other Gains and Losses</b>		
Profit on disposal of plant & equipment	10,674	3,188
Shop Rentals	15,168	15,673
Exchange Gain / (Loss) Unrealized	35	2,955
Exchange gain realized	(82)	(13,668)
Sundry Income	2,826	5,027
	<u><b>28,621</b></u>	<u><b>13,175</b></u>
<b>7 Finance Income</b>		
<b>Interest income - Loans and receivables</b>		
Interest on MoneyMarket/ Treasury Bills	4,941	961
Interest on Staff Loans	436	609
Interest on RFC Accounts	30	409
Interest on Savings Accounts	2,623	2,507
Interest income on FF&E Replacement Reserve	2,712	13,551
	<u><b>10,740</b></u>	<u><b>18,037</b></u>
<b>8 Finance Charges</b>		
Overdraft Interest	209,850	296,254
Term Loan Facility	379,638	299,097
Interest on Right to Use Lease	1,008	3,195
	<u><b>590,497</b></u>	<u><b>598,546</b></u>

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	<b>31.12.2024</b>	<b>31.12.2023</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	24,515	18,806
Auditors' remuneration - Company	1,952	1,200
- Colombo Hilton	2,600	2,240
Depreciation	560,672	367,193
Staff costs (including the following employee benefit plan costs)	740,983	606,880
- Defined benefit plan cost - Gratuity	28,460	22,462
- Defined contribution plan costs - EPF & ETF	87,842	75,780
Group service & benefit charge - Hilton International	105,273	85,008
Legal fees	12,057	6,337
Electricity	276,784	349,175

**9.1 Reclassification Expenses**

In previous years, the cost of the staff cafeteria related to revenue centers, which was reclassified to the cost of sales, was inadvertently credited to Other Operating Expenses, while the original cost was recorded under Administrative Expenses. Additionally, from 2024 onwards, the Social Security Contribution Levy has been grossed up with revenue, and the corresponding cost has been adjusted under Administrative Expenses for both the current and previous years. This has now been correctly reclassified in the current year.

	<b>As previously recorded</b>	<b>Impact of correction of</b>	<b>As Restated</b>
Operating Expenses	616,505	82,043	698,548
Administrative Expenses	867,590	(82,043)	785,547
Social Security Contribution Levy	-	118,651	118,651
<b>Reclassified Administration Expenses</b>	<b>867,590</b>	<b>36,607</b>	<b>904,197</b>

**10. Income tax expense**

Under/(Over) Provision adjustments from previous years	-	(17,731)
Deferred tax (Income) Expense	71,490	(77,923)
	<b>71,490</b>	<b>(95,654)</b>

The applicable Income Tax Rate is 30%

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

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	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>Rs. '000'</b>	<b>Rs. '000'</b>
<b>10.1</b>		
A reconciliation between Taxable profit and Accounting Profit for the Years Ended 31st December 2024 and 31st December 2023 are as follows		
	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>Rs. '000'</b>	<b>Rs. '000'</b>
Accounting Profit Before Income Tax	(268,347)	(784,367)
Aggregate Disallowed Items	618,814	383,516
Aggregate allowable Expense	(717,714)	(625,103)
Trading Profits and Other Sources of Income @ 30%	(367,247)	(1,025,954)
Other sources of Income Liabile @ 30%	-	-
Total Taxable Profit	-	-
<b>Taxable Profit</b>	-	-
Taxable other source of Income @ 30%	-	-
Current Year Total Tax Expense	-	-
<b>10.2</b>		
<b>Deferred Tax</b>		
Deferred tax arising from:		
- Origination and reversal of temporary difference (Note 24)	71,490	(77,923)
<b>Total deferred tax charge</b>	<b>71,490</b>	<b>(77,923)</b>
<b>10.3</b>		
<b>Tax losses carried forward</b>		
Tax losses carried forward	14,048,889	13,022,935
(-) Loss expired during the year	(9,937,175)	-
Tax losses incurred during the year	367,247	1,025,954
Tax losses carried forward for future periods	4,478,961	14,048,889
<b>11.</b>		
<b>Earning Per Share - Basic</b>		
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	(0.17)	(0.01)
<b>Amount used as the Numerator</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
Profit attributable to the ordinary shareholders	(351,638)	(15,873)
<b>Amount Used as the Denominator</b>	<b>Nos. '000</b>	<b>Nos. '000</b>
'Weighted average number of ordinary shares for the purpose of basic profit per share	2,046,646	2,046,646

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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 2022</b>	<b>6,123,575</b>	<b>407,765</b>	<b>564,166</b>	<b>56,020</b>	<b>474,650</b>	<b>52,060</b>	<b>151,330</b>	<b>7,829,566</b>
Disposal			(2,272)		(593)	(978)	-	(3,844)
Additions during the year	48,754	10,315	52,266	-	3,844	29,260	49,403	193,842
Transfer from WIP – Capitalization of Room renovation	2,085,124		204,743	-	-	-	-	2,289,866
Transfer from WIP - Building structure	1,123,560							1,123,560
Revaluation Gain	1,396,705	-	-	107,785	-		124,683	1,629,173
Transfer to WIP	(318,342)							(318,342)
Transferred to Revaluation Reserve	(486,616)			(56,020)			(142,216)	(684,852)
<b>Balance as at 31st December 2023</b>	<b>9,972,759</b>	<b>418,080</b>	<b>818,903</b>	<b>107,785</b>	<b>477,901</b>	<b>80,342</b>	<b>183,200</b>	<b>12,058,970</b>
Disposal	-	(818)	(7,378)	-	(3,337)	(3,018)	-	(14,550)
Additions during the year	21,838	7,936	43,744	-	34,522	65,631	23,855	197,527
Transfer from WIP – Capitalization of Room renovation	2,190,940	-	179,278	-				2,370,219
Transfer from WIP - Building structure	692,862							692,862
<b>Balance as at 31st December 2024</b>	<b>12,878,400</b>	<b>425,199</b>	<b>1,034,548</b>	<b>107,785</b>	<b>509,086</b>	<b>142,956</b>	<b>207,055</b>	<b>15,305,028</b>
<b>Accumulated Depreciation</b>								
			223,023					
<b>Balance as at 31st December 2022</b>	<b>365,629</b>	<b>73,533</b>	<b>166,047</b>	<b>42,015</b>	<b>97,361</b>	<b>30,017</b>	<b>125,564</b>	<b>900,166</b>
Charge for the year	120,987	30,862	61,167	14,005	35,678	12,331	16,652	291,682
Disposal	-		(682)		(133)	(585)		(1,400)
Transferred to Revaluation Reserve	(486,616)			(56,020)			(142,216)	(684,852)
<b>Balance as at 31st December 2023</b>	<b>-</b>	<b>104,395</b>	<b>226,532</b>	<b>-</b>	<b>132,905</b>	<b>41,763</b>	<b>-</b>	<b>505,595</b>
Charge for the year	207,369	31,533	90,922	26,946	37,756	24,326	63,722	482,573
Disposal		(327)	(2,941)	-	(1,001)	(2,414)		(6,683)
<b>Balance as at 31st December 2024</b>	<b>207,369</b>	<b>135,600</b>	<b>314,512</b>	<b>26,946</b>	<b>169,661</b>	<b>63,672</b>	<b>63,722</b>	<b>981,481</b>
<b>Written Down Value</b>								
<b>Balance as at 31st December 2022</b>	<b>5,757,946</b>	<b>334,232</b>	<b>398,119</b>	<b>14,005</b>	<b>377,289</b>	<b>22,043</b>	<b>25,766</b>	<b>6,929,400</b>
<b>Balance as at 31st December 2023</b>	<b>9,972,759</b>	<b>313,685</b>	<b>592,371</b>	<b>107,785</b>	<b>344,996</b>	<b>38,579</b>	<b>183,200</b>	<b>11,553,379</b>
<b>Balance as at 31st December 2024</b>	<b>12,671,031</b>	<b>289,599</b>	<b>720,036</b>	<b>80,839</b>	<b>339,425</b>	<b>79,284</b>	<b>143,333</b>	<b>14,323,547</b>

Hotel Developers (Lanka) Ltd has full possession and control of the property, plant & equipment of the hotel. 21

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**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 capitalized in the financial statements under the building.

**12.3** The Company uses the revaluation model of measurement for property, plant and equipment (PPE) effective from 31st December 2019. The Fair Value of the Building, Motor Vehicles & Operating Equipment was determined by means of revaluation during the Financial year 2023 by 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 2023.

<b>Property</b>	Buildings (Extent - 445,175 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 2023
<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>31.12.2024</b>	<b>31.12.2023</b>
	<b>Rs. '000'</b>	<b>Rs. '000'</b>
Cost	19,726,510	17,158,765
Accumulated Depreciation	(7,487,792)	(7,005,220)
Writtendown Value	<u>12,238,718</u>	<u>10,153,545</u>

<b>13</b>	<b>Rs. "000"</b>	<b>Main Property</b>	<b>UDA Car Park</b>	<b>Total</b>
		<b>99 Year Lease</b>		
	Balance as at 31. 12. 2022	6,256,992	4,806	6,261,798
	Amortisation	(70,705)	(4,806)	(75,511)
	Addition	-	29,091	29,091
	<b>Balance as at 31. 12. 2023</b>	<b>6,186,287</b>	<b>29,091</b>	<b>6,215,377</b>
	Amortisation	(70,707)	(7,392)	(78,099)
	Addition		3,911	3,911
	<b>Balance as at 31. 12. 2024</b>	<b>6,115,580</b>	<b>25,609</b>	<b>6,141,189</b>

**13.1** The leasehold land of the main property is for a period of 99 years effective from 28th June 2012. The leasehold land value amounting to Rs. 7 Bn. has been capitalized and shares issued to the Government of Sri Lanka.

**13.2** In accordance with the Cabinet decision dated 13th December 2016, the lease term for the 1.8-acre parcel of land on which the Sports Complex is located was extended until June 2111, in alignment with the lease of the main building. Furthermore, a subsequent Cabinet decision dated 3rd March 2022 determined that the lease premium of Rs. 4,440 million, representing the total lease premium for the period, will be deferred until a sub-lease agreement is finalized with an investor as part of the company's capital restructuring.

**13.3** Additionally, the company has a leasing arrangement with the UDA for the 52-perch land adjacent to the hotel, designated for use as a car park facility. This lease is renewable every 5 years, with effect from 1st January 2020. A provision has been made for the next 5 years, pending the completion of a valuation based on the actual lease premium paid over the previous 5 years. This provision will be adjusted once the valuation is finalized and the renewed lease agreement is obtained.

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	31.12.2024 Rs. '000'	31.12.2023 Rs. '000'
<b>14. Inventories</b>		
Food	42,554	32,200
Beverages	58,872	56,516
Engineering Stores (Fuel & Furnance Oil)	8,366	8,600
	<u>109,792</u>	<u>97,317</u>
<b>15 Trade and Other Receivables</b>		
Trade receivables	356,109	240,521
Less: Impairment of debtors	(12,542)	(10,192)
	<u>343,568</u>	<u>230,329</u>
<b>16 Amounts Due From Related Party</b>		
Hilton Colombo Residence	3,852	5,309
Hilton Weerawila	1,829	6,803
Hilton Yala	10,997	4,277
Hilton Kuala Lumpur	-	2,031
Hilton Shah Alam 1-City	-	42
Ministry of Finance	71,728	24,358
	<u>88,407</u>	<u>42,820</u>
<b>17 Other Assets</b>		
Deposits, prepayments and advances	90,426	116,003
Other receivables	36,052	40,257
Advances - Refurbishment Expenses	-	194,941
Income tax receivable - <b>Note 29</b>	34,231	33,855
	<u>160,708</u>	<u>385,056</u>
<b>18 Current Financial Assets</b>		
<i>Short-term investments</i>		
Call deposits	961	836
Debt Services Reserve (DSR) - A/C	65,805	61,111
Total Short-term investment	<u>66,766</u>	<u>61,947</u>
<b>19 Cash and bank balances</b>		
Foreign Currency Savings	43,791	113,297
FFE Reserve A/C (Savings A/C)	20,909	112,249
Debt Services Reserve (DSR) - A/C	36	36
Cash & Operating Bank A/C	38,860	49,774
	<u>103,596</u>	<u>275,356</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.

	31.12.2024 Rs. '000	31.12.2023 Rs. '000
<b>20 Stated Capital</b>		
<b>Issued and Fully Paid</b>		
2,046,645,685 Ordinary shares	20,466,456	20,466,456

The Secretary to the Treasury of the Government of Sri Lanka presently holds 100% of the ordinary share capital of the Company. The divestment of Hotel Developers (Lanka) Ltd as per the Cabinet Decision No. 23/0431/604/046 of 14th March 2023 with respect to the Cabinet Memorandum No MF/018/CM/2023/055 dated 27th February 2023, is currently put on hold pending new policy directions of the Government of Sri Lanka.

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	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>21 Reserves</b>		
Furniture, fittings & equipment replacement reserve (Note 21.1)	303	-
<b>21.1 Furniture, Fittings and Equipment Replacement Reserves</b>		
Balance at the beginning of the year	-	178,228
Add: Provision made during the year	207,816	-
Less: Amounts transferred to equity statement	-	-
Amounts utilized for purchase & replacement of furniture & fittings	(207,513)	(178,228)
Balance at the end of the year	303	-

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

**22 INTEREST BEARING BORROWINGS**

	2024			2023		
	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.
Term Loan - Sampath Bank PLC	262,500	2,187,500	2,450,000	-	1,626,139	1,626,139
Term Loan - Peoples Bank	333,324	1,166,636	1,499,960	58,333	1,441,627	1,499,960
	<b>595,824</b>	<b>3,354,136</b>	<b>3,949,960</b>	<b>58,333</b>	<b>3,067,766</b>	<b>3,126,099</b>
<b>Security and Repayment Terms</b>				-		

**22.1 Term Loans**

	Balance as at 01.01.2023	Loans draw down	Repayment	Balance as at 31. 12. 2023
Term Loan - Peoples Bank	2,000,000	-	(500,040)	1,499,960
Term Loan - Sampath Bank	-	1,626,139	-	1,626,139
	<b>2,000,000</b>	<b>1,626,139</b>	<b>(500,040)</b>	<b>3,126,099</b>

	Balance as at 01.01.2024	Loans draw down	Repayment	Balance as at 31. 12. 2024
Term Loan - Peoples Bank	1,499,960	-	-	1,499,960
Term Loan - Sampath Bank	1,626,139	823,861	-	2,450,000
	<b>3,126,099</b>	<b>823,861</b>	<b>-</b>	<b>3,949,960</b>

<b>Financial Institution</b>	<b>People's Bank</b>	<b>Sampath Bank</b>
Nature of the facility	Term Loan	Term Loan
Amount	Rs.1,500 Mn	Rs. 2,450 Mn
Rate of interest	AWPLR +1.5%	AWPLR +1.5%
Security	Property Morgaged	Property Morgaged
Repayment period	7 Years	7 Years

Primary concurrent mortgage bond was executed for Rs. 3,050 Mn in March 2023 favour of Sampath Bank PLC over the leasehold rights of the Hilton Colombo Hotel Property ranking equal and pari-passu with existing primary Mortgage executed in favor of Peoples Bank. The total banking facility from Sampat Bank comprises of an Overdraft facility of Rs. 600Mn and a term loan of Rs. 2,450Mn which includes partial settlement of Peoples Bank existing loan by Rs. 500Mn.

As per the primary concurrent mortgage bond which was executed in favour of Sampath Bank PLC on 28th March 2023, a new term loan facility of Rs. 2,450Mn was granted with 2 year grace period to partly finance the ongoing refurbishment project and partial settlement of Peoples Bank existing loan by Rs. 500Mn. Accordingly, repayment of next capital installments of both facilities will fall due only in 2025.

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<b>23 Retirement Benefit Obligations</b>	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Balance at the beginning of the year	117,655	77,467
Charge for the year	11,972	8,131
Interest cost for the year	16,488	14,332
Recognition of transitional liability /(asset) and actuarial loss/(gain)	11,801	8,648
Loss/ (gain) arising from changes in the assumptions or due to (over)/under provisions in the previous years	-	23,041
Payments made during the year	(34,656)	(13,963)
<b>Balance at the end of the year</b>	<b>123,261</b>	<b>117,655</b>

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 14% (vs 18.50% 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	14.00%	14.00%
Future salary increase	6.00%	6.00%
Retirement Age	60 Years	60 Years

<b>Sensitivity &amp; maturity profile</b>	<b>Discount Rate</b>		<b>Salary Increment</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Increase by one percentage point	(6,353)	(5,957)	6,971	6,632
Decrease by one percentage point	6,992	6,551	(6,432)	(6,110)

Maturity Analysis of the payments as at - Undiscounted

	<b>31.12.2024</b>	<b>31.12.2023</b>
With in next 12 Months	2,203	1,137
Between 1 and 2 years	311	7,383
Between 2 and 5 years	34,625	35,558
Between 5 and 10 years	82,194	135,450
<b>Total Expected payments</b>	<b>119,334</b>	<b>179,529</b>

Weighted average duration of defined benefit obligation is 6.2 Years (2023 - 6.1 years)

**24. Deferred Tax Liability**

Deferred tax is recognized using the Statement of Financial Position liability method, which accounts for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective amounts for taxation purposes. The provision for deferred tax is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax assets, including those arising from tax effects of income tax losses and credits available for carryforward, are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are adjusted downward if it is no longer probable that the related tax benefit will be realized.

	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Balance at the beginning of the year	1,480,613	633,891
Recognised in statement of profit or loss	71,491	(77,923)
Recognised in other comprehensive income	-	924,645
<b>Balance at the end of the year</b>	<b>1,552,104</b>	<b>1,480,613</b>

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	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>24.1 The closing deferred tax liability balance relates to the following:</b>		
Accelerated depreciation for tax purposes	1,954,762	1,717,385
Revaluation Surplus for tax purposes	924,645	924,645
Retirement benefit obligation	(36,978)	(35,297)
Impairment of Debtors	(705)	(2,293)
Deferred tax asset relating to utilization of brought forward tax losses	(1,289,620)	(1,123,828)
	<u>1,552,104</u>	<u>1,480,613</u>
The deferred tax has been calculated at the rate of 30% .		
<b>25. Trade and Other Payables</b>		
Trade payables	358,956	342,641
Sundry creditors and including accrued expenses	184,789	130,785
Accured - Refurbishment Expenses	701,881	321,198
Management fee payable	11,318	-
Management fee payable *	(4,806)	(4,806)
Other liabilities	71,412	66,197
Replacement of breakages	18,804	16,006
Statutory payables	354,620	284,598
	<u>1,696,975</u>	<u>1,156,620</u>
* The receivable balance, which reflects the management fee reversal (receivable) from Hilton International LLC for the year 2018 and 2019.		
	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>26. Amounts Due To Related Parties</b>		
Hilton International Asia Pacific	12,662	19,966
Hilton International LLC	16,318	163,604
Hilton Kuala Lumpur	-	25,565
Hilton Hotel management (Shangha) Co.Ltd	-	3,666
Hilton Weerawila	387	301
Hilton Colombo Residence	3,410	2,894
	<u>32,776</u>	<u>215,996</u>
<b>27. Contract Liabilities</b>		
City Ledger Credits	157,055	68,702
Guest Advance Deposits	147,487	158,084
	<u>304,541</u>	<u>226,786</u>
<b>28. Net Assets per share</b>		
Net Assets Value (Rs)	11,915,257	12,266,894
Number of ordinary shares "000"	2,046,646	2,046,646
Net Assets per share	5.82	5.99
<b>29. Income Tax Liability</b>		
Opening Balance	(33,855)	(11,858)
Payment for the period	-	(254)
Under/(Over) Provision Adjustments from previous years	-	(17,730)
<b>Tax Credit</b>		
WHT	(377)	(4,014)
Balance at the end of the year (Current year balance transferred to Other Assets - Note 17)	<u>(34,231)</u>	<u>(33,855)</u>
<b>30. Notes to the Cash Flow Statement</b>		
<b>30.1 Cash and Cash Equivalents at the Beginning of the Year</b>		
Cash and bank balance	49,774	7,141
Call Desposits	836	836
Debt Services Reserve (DSR) - (MM A/C)	61,111	-
FFE Reserve A/C (Savings A/C)	112,249	49,989
Debt Services Reserve (DSR) - A/C	36	-
Foreign Currency Savings	113,297	242,521
Repo Investment	-	15,016
Fixed Deposit	-	10,444
Bank overdraft	(1,785,190)	(1,148,747)
	<u>(1,447,886)</u>	<u>(822,800)</u>

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**30 Notes to the Cash Flow Statement (Continue.....)**

	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>30.2 Cash and Cash Equivalents at the end of the Year</b>		
Cash and bank balance	38,860	49,774
Call deposits	961	836
Debt Services Reserve (DSR) - (MM A/C)	65,805	61,111
FFE Reserve A/C (Savings A/C)	20,909	112,249
Debt Services Reserve (DSR) - A/C	36	36
Foreign Currency Savings	43,791	113,297
Bank overdraft	(1,659,396)	(1,785,189)
	<b>(1,489,033)</b>	<b>(1,447,885)</b>

**31 Analysis of financial instruments by measurement basis As at 31<sup>st</sup> December 2024**

**Financial assets by categories**

**Financial instruments in current assets**

	<b>Loans &amp; Receivables</b>	
	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Trade and other receivables	343,568	230,330
Other assets	160,708	385,056
Amounts due from related party	88,407	42,820
Other current financial assets	66,766	61,947
Cash in hand and at bank	103,596	275,356
<b>Total</b>	<b>763,044</b>	<b>995,511</b>

**Financial liabilities by categories**

**Financial Instruments in current liabilities**

	<b>Financial Liabilities</b>	
	<b>measured at amortized cost</b>	
	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Trade and other payables	1,696,975	1,156,620
Amounts due to related party	32,776	215,996
Bank overdrafts	1,659,396	1,785,189
Contract Liabilities	304,541	226,786
<b>Total</b>	<b>3,693,687</b>	<b>3,384,590</b>

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable and willing parties, other than in a forced or liquidation sale.

The management assessed that cash in hand and at bank, short term investment, amount due from related parties, trade and other receivables, trade and other payables, amount due to related parties and bank overdrafts approximate their carrying amounts largely due to the short-term maturities of these instruments.

**32 Financial Risk Management Objectives and Policies**

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.

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**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.

<b>As at 31st December 2024</b>					
<b>In Rs. "000"</b>	<b>Cash in hand and at bank</b>	<b>Short term investments</b>	<b>Trade and other receivable</b>	<b>Amount due from related parties</b>	<b>Total</b>
Deposits with bank	-	66,766	-		66,766
Trade and other receivables	-	-	343,568		343,568
Amounts due from related parties	-	-	-	88,407	88,407
Cash in hand and at bank	82,688	20,909	-		103,596
<b>Total credit risk exposure</b>	<b>82,688</b>	<b>87,675</b>	<b>343,568</b>	<b>88,407</b>	<b>602,337</b>

<b>As at 31st December 2023</b>					
<b>In Rs. "000"</b>	<b>Cash in hand and at bank</b>	<b>Short term investments</b>	<b>Trade and other receivable</b>	<b>Amount due from related parties</b>	<b>Total</b>
Deposits with bank	-	61,947	-		61,947
Trade and other receivables	-	-	230,329		230,329
Amounts due from related parties	-	-	-	42,820	42,820
Cash in hand and at bank	163,108	112,249	-		275,356
<b>Total credit risk exposure</b>	<b>163,108</b>	<b>174,196</b>	<b>230,329</b>	<b>42,820</b>	<b>610,453</b>

**32.3 Trade and other receivables**

*In Rs. "000"*

	<b>As at 31st December 2024</b>	<b>As at 31st December 2023</b>
<b>Neither past due nor impaired</b>	216,374	193,808
<b>Past due but not impaired</b>		
30-60	86,223	32,571
61-90	8,690	9,311
91-120	2,346	1,710
121-150	21,242	-
151>	21,233	3,121
<b>Gross carrying value</b>	356,110	240,520
<b>Less: impairment provision</b>		
Individually assessed impairment provision	(12,542)	(10,192)
<b>Total</b>	<b>343,568</b>	<b>230,329</b>

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**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 authorized 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.(1,489 Mn) as at 31 December 2024 (as at 31 December 2023 - Rs. (1,447 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.

<b>Net (debt)/cash</b>	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Short term investments	66,766	61,947
Cash in hand and at bank	103,596	275,356
<b>Total liquid Assets</b>	<b>170,362</b>	<b>337,304</b>
Bank overdrafts	(1,659,396)	(1,785,189)
<b>Total Borrowings</b>	<b>(1,659,396)</b>	<b>(1,785,189)</b>
<b>Net (debt)/cash</b>	<b>(1,489,033)</b>	<b>(1,447,885)</b>

**32.7 Maturity analysis**

The table below summarizes the maturity profile of the Hotel's financial liabilities at 31st December 2023 based on contractual undiscounted payments.

<b>Rs.</b>	<b>As at 31st December 2024</b>		<b>As at 31st December 2023</b>	
	<b>Within one year</b>	<b>Total</b>	<b>Within one year</b>	<b>Total</b>
Trade & other payables	1,696,975	1,696,975	1,156,620	1,156,620
Amounts due to related parties	32,776	32,776	215,996	215,996
Retention Fees - Refurbishment Project	166,709	166,709	162,012	162,012
Bank overdrafts	1,659,396	1,659,396	1,785,189	1,785,189
<b>Total</b>	<b>3,555,855</b>	<b>3,555,855</b>	<b>3,319,816</b>	<b>3,319,816</b>

**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 requires adjustment to or disclosure in the financial statements.

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**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 embarked on a comprehensive refurbishment program of the hotel from October 2014 in terms of the Management Agreement signed with Hilton Worldwide. The renovation program was carried out in a 2 phases, 1) Public Areas and Service Augmentation, 2) 264 Guest rooms. The project was finance by internally generated funds and debt finance via term loan. The project has been successfully completed in November 2024.

The estimated Values of the Contracts that the Company has already entered into on the room renovation and the balance outstanding as at 31st December 2024 are as follows:

<b>Supply Item</b>	<b>Total Estimated</b>	<b>Payment made to</b>	<b>Estimated</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
Main Contractor (CIVIL/ID/MEP)	2,377,482	1,766,157	611,325
Client Supplied Items	831,873	645,910	185,963
ICT Contract - Phace 01 ,02 & 03	295,436	253,545	41,891
Current Consultant	160,510	151,636	8,874
	<b>3,665,301</b>	<b>2,817,248</b>	<b>848,054</b>

**34.2 Lease Commitments**

	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Lease rentals due on non-cancellable operating leases;		
Within one year	6,505	4,446
Between one and five years	19,105	24,645
	<b>25,610</b>	<b>29,091</b>

The lease commitment is related to 52 Perch UDA Car Park which is on 5 year leased property.

**35. Contingencies**

- 35.1** The hotel is a defendant in a lawsuit in respect of the damages due to an accident at the function. The Plaintiff has to take steps to serve summons on the Defendant with notice to Hotel developers (Lanka) Limited and get the case listed. Up to date, notice has not been received. (DMR 01012/2014). The management is unable to predict the outcome of such case on the date of the issue of the financial statements. Accordingly, no provision for the above-mentioned lawsuits has been made in these financial statements.
- 35.2** In accordance with SLFRS 37 the company has made a provision relating to a disputed licenses fees payable to Colombo Municipal Council by Hotels, Restaurant and Lodging establishments. The Colombo Municipal Council issued a Gazette notice on 6<sup>th</sup> July 2007 announcing a revision to the rate of licenses fees to be charges with effect from 1<sup>st</sup> Jan 2007. A case was filed with the Magistrate Court collectively by the Colombo City Hotels including Hilton Colombo in 2007 disputing the said revision. The outcome of the case remains uncertain. Further details are given in Note No 38.6 under litigation matters.
- 35.3** As of reporting date, there exists certain tax assessments raised by the Department of Inland Revenue. Management having obtained the advice of experts have determined that there is unlikely to be any material liabilities that would arise from such pending assessments. Accordingly, Management has not made any related provisions as of 31 December 2024.

**36 Assets Pledged as Securities**

The company has mortgaged the Hilton Colombo Property against the loan agreement signed with Peoples Bank and Sampath Bank for Rs. 2,750Mn and 3,050 Mn respectively for financing the refurbishment projects and working capital requirements.

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**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, directing and controlling the activities of the company. Key management personnel include members of the Board of Directors of the company.

Directors' emoluments paid during the period amounts to Rs.24,515,000/- (Y/E 2022 - Rs. 18,806,000/-).

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

**37.3 Amounts due to related parties (Refer Note 26)**

<b>37.4 Transactions with related parties</b>	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>Managing Company - Hilton International Management Corporation</b>		
Receiving of services	60,567	172,416
Payment for the Services	(190,191)	(80,124)
Management Fees	11,318	-
<b>Affiliates/Group Hotel</b>		
<b>I. Hilton Worldwide Manage Ltd - UK</b>		
GSB Payments	(112,577)	(65,042)
GSB Charges	105,273	85,008
<b>II. Hilton Colombo - Residence Rendering of services (net)</b>		
	(1,972)	(1,676)
<b>III. Hilton Yala Resorts - Rendering of services (net)</b>		
	6,719	(4,165)
<b>IV. Hilton Weerawila - Rendering of services (net)</b>		
	(5,060)	1,750
<b>V. Hilton Kuala Lumpur -(Singapore)- Rendering of services (net)</b>		
	23,534	(16,282)
<b>VI. Hilton Shah Alam 1-City (Malaysia) - Rendering of services (net)</b>		
	(42)	42
<b>VII. Hilton Hotel Management (Shanghai) co Ltd - Rendering of services (net)</b>		
	(3,666)	3,666

**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

**37.5 Related Party Disclosure**

Name of Related Party	Common Director	Nature of the Transaction	Contract Value	Amount Paid	Amount Due
			Rs.	Rs.	Rs.
Overseas Realty (Ceylon) PLC	Mr. Prvir Samarasinghe	Supply & Installation of Decorative Lights for the Hilton Colombo 253 Guest Room Refurbishment Project.	46,071,660	29,817,491	16,254,168

**HOTEL DEVELOPERS (LANKA) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 12 MONTHS ENDED 31ST DECEMBER 2024**

**38. Litigationas 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 possibility of a settlement the case will be mentioned again on 28th May 2025.

**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 Agreements.

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 Judgment 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 Case No. H.C. ( Civil) 754/2018/MR (Date of filing: 26/10/2018)**

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

The interim injunctions was vacated in December 2021 and February 2023. The case is in the Pre trail stage.

An Amended Plaintiff filed by the Plaintiff on 04.04.24 was dismissed by the Court on 17.01.25. Pleadings will now be filed based on the original Plaintiff on 17th March 2025.

**38.5 HC (CIVIL) 116/96 (1)**

Mr. Nihal Sri Ameresekera has filed a petition in the Commercial High Court on 24th September 2024 stating that, he is seeking the execution of Writ pursuant to a settlement decree entered in the matter.

The matter has been fixed for 5th March 2025 to file Objections.

**38.6 Colombo Municipal Council Case**

There are fifteen cases filed by the Colombo Municipal Council at the Maligakanda Magistrate Court for operating a restaurant without obtaining a requisite license in the years 2009 (13224/M), 2010 (14155/M), 2011 (15461/M), 2012 (17966/M), 2013 (28928/14), 2014 (16394/15), 2015 (15577/16), 2016 (15591/17), 2017 (16908/18, 16910/18), 2018 (16248/19), 2019 (4691/20), 2020 (7576/21), 2021 (11637/22), 2022 (25125/23), 2023 (37682/24)

Case filed for 2009 to 2018 have concluded in the Magistrate's Court with the Hon. Magistrate holding against Hilton Colombo. Appeals have been filed against the Judgements in the said cases, and the same are pending listing before the High Court.

The write application (179/2011) filed by Hotel Developers (Lanka) Limited challenging, inter alia, the decision taken by Colombo Municipal Council to levy license fees equivalent to 0.5% of the total annual turnover as a pre-condition to the issue of the Annual Trade License for the years 2009 and 2010 in respect of the restaurant operated at hotel premises. Judgment was delivered on 19th September 2019, and their Lordships of the Court of Appeal dismissed the application and ordered costs. Costs have not been determined as of date. The case was appealed to the Supreme Court, however, the appeal has yet to be supported and cases are filed in the years 2020 (08/2020), 2020 (32/2020), 2019 (134/2019), 2019 (124/2019), 2020 (96/2020), 2020 (01/2020) and 2020 (204/2020).As at 31 December 2024, the Hotel maintains a provision.

**38.7 D.C Colombo Case No DMR 1012/2014**

Gangaram Moolchand Dhansingali vs Hotel Developers and Hilton Worldwide. This action was filed by Mr. Moolchand in order to recover damages in a sum of Rs 5 Mn due to an accident in a function. The Plaintiff is required to serve summons on Hilton Worldwide with Notice to Hotel Developers and have the Case listed. HDL has not received notice to date.