

HOTEL DEVELOPERS (LANKA) LTD

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED**

31ST DECEMBER 2025



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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எனது இல.
My No.

TIP/C/HDL/FA/2025/06

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உமது இல.
Your No.

දිනය
திகதி
Date

18 June 2026

Chairman
Hotel Developers (Lanka) Limited.

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Hotel Developers (Lanka) Limited for the year ended 31 December 2025 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Hotel Developers (Lanka) Limited (“Company”) for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Other information included in the Company's 2025 Annual Report.

The other information comprises the information included in the Company's 2025 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

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

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Company's 2025 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154(6) of the Constitution that will be tabled in due course.

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

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

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

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



2. Report on Other Legal and Regulatory Requirements

- 2.1 National Audit Act, No. 19 of 2018 and Companies Act, No 07 of 2007 include specific provisions for following requirements.
- 2.1.1 I have obtained all relevant information and explanation that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.
- 2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- 2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.
- 2.2 Based on the procedures performed and evidence obtained which were limited to matters that are material, nothing has come to my attention;
- 2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- 2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.
- 2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.
- 2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No.19 of 2018.

L.S.I. Jayaratna

L.S.I. Jayaratna
Auditor General

HOTEL DEVELOPERS (LANKA) LTD
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE 12 MONTHS ENDED 31ST DECEMBER 2025

		12 Months 31.12.2025 Rs. '000	12 Months 31.12.2024 Rs. '000
Revenue	05	5,384,547	5,393,089
Cost of sales		(2,484,683)	(2,708,885)
Gross profit		2,899,864	2,684,204
Other gains and losses	06	34,654	28,621
Administrative Expenses		(1,014,342)	(1,077,648)
Sales & Marketing Expenses		(191,770)	(151,347)
Other expenses		(508,256)	(611,748)
Operating Profit Before Depreciation		1,220,151	872,082
Depreciation & Amortization	12/13	(474,409)	(560,672)
Operating Profit After Depreciation		745,742	311,410
Finance Income	07	16,041	10,740
Finance Charges	08	(622,709)	(590,497)
Profit/(loss) before taxation	09	139,074	(268,347)
Income Tax Expense	10	(90,576)	(71,490)
Profit/(Loss) After Taxation for the Period		48,498	(339,837)
Other Comprehensive Income			
Revaluation surplus - net of tax	12/24	88,105	-
Actuarial Gain/ (Loss) on employee benefit obligations		(44,680)	(11,801)
Total comprehensive Income/ (Expense) for the period		91,923	(351,638)
Earnings Per Share - Basic (Rs.)	11	0.02	(0.17)

HOTEL DEVELOPERS (LANKA) LTD
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2025

		31.12.2025 Rs. '000	31.12.2024 Rs. '000
Assets			
Non-Current Assets			
Property, Plant & Equipment	12	14,105,479	14,323,547
Leasehold Land	13	6,065,539	6,141,189
Capital Work-in-Progress		139,732	89,016
Total Non-Current Assets		20,310,750	20,553,752
Current Assets			
Inventories	14	122,536	109,792
Trade and Other Receivables	15	281,206	360,246
Amount Due From Related Parties	16	71,728	71,728
Other Assets	17	178,687	160,708
Current Financial Assets	18	99,223	66,766
Cash and Bank Balances	19	251,090	103,596
Total Current Assets		1,004,470	872,837
Total Assets		21,315,220	21,426,589
Equity and Liabilities			
Shareholders' Equity			
Stated Capital	20	20,466,456	20,466,456
Revaluation Surplus		2,245,610	2,157,505
Reserves	21	86,736	303
Accumulated Loss		(10,791,622)	(10,709,007)
Total Equity		12,007,180	11,915,257
Non-current Liabilities			
Interest Bearing Loans and Borrowings	22	3,248,210	3,354,136
Retirement Benefit Obligations	23	161,590	123,261
Deferred Tax Liability	24	1,680,438	1,552,104
Right to Use - Lease Land Liability	13	14,471	19,105
Total Non-Current Liabilities		5,104,709	5,048,606
Current Liabilities			
Trade and other payables	25	1,168,660	1,700,772
Amount Due to Related Parties	26	72,640	28,979
Contract Liabilities	27	297,053	304,541
Interest Bearing Loans and Borrowings	22	439,290	595,824
Right to Use - Lease Land Liability	13	6,195	6,505
Retention Fees - Refurbishment Project		170,429	166,709
Bank overdraft		2,049,064	1,659,396
Total Current Liabilities		4,203,331	4,462,726
Total Liabilities		9,308,040	9,511,332
Total Equity and Liabilities		21,315,220	21,426,589

Net Assets per share - (Rs.) 28 5.87 5.82

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 22nd May 2026

.....
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 2025

	Stated Capital	Revaluation Surplus	Furniture, Fittings & Equipment Replacement Reserves	Accumulated Loss	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January 2023	20,466,456	2,157,505	-	(10,357,067)	12,266,894
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 Reserve	-	-	207,816	(207,816)	-
Transfers to furniture, fittings & equipment reserve	-	-	(207,513)	207,513	-
Balance as at 31st December 2024	20,466,456	2,157,505	303	(10,709,007)	11,915,257
Profit / (Loss) for the period	-	-	-	48,498	48,498
Actuarial Gain/(Loss) on Employee Benefit Obligations, net of taxes - loss	-	-	-	(44,680)	(44,680)
Revaluation Surplus (net of tax)	-	88,105	-	-	88,105
Replacement of Furniture, Fittings & Equipment	-	-	208,234	(208,234)	-
Transfers to Furniture, Fittings & Equipment Reserve	-	-	(121,801)	121,801	-
Balance as at 31st December 2025	20,466,456	2,245,610	86,736	(10,791,622)	12,007,180

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 2025

	Notes	31.12.2025 Rs. '000	31.12.2024 Rs. '000
Profit / (Loss) before taxation		139,074	(268,347)
Adjustment for			
Depreciation	12	396,662	482,573
Land Amortization	13	77,747	78,099
Changes in Impairment of Debtors	15	(3,958)	2,350
Provision for Defined Benefit Plans	23	26,811	28,460
Provision for Breakages	25	1,397	2,798
Interest Expenses	8	622,709	590,497
Unrealized Exchange (Gain)/Loss	6	1,316	(35)
Profit on Sale of Property, Plant & Equipment	6	937	(10,674)
Interest Income	7	(16,041)	(10,740)
Operating Profit Before Working Capital Changes		1,246,653	894,981
(Increase)/ Decrease in Inventories	14	(12,743)	(12,476)
(Increase) / Decrease in Receivables	15	82,998	(115,588)
(Increase) / Decrease in Amount Due From Related Parties	16/26	43,663	(228,806)
(Increase) / Decrease in Other Assets	17	(17,980)	224,349
Increase / (Decrease) in Trade & Other Payables	25	(533,509)	(164,289)
Increase / (Decrease) in Retention Fees - Refurbishment Project		3,720	-
Increase /(Decrease) in Contract Liabilities	27	(7,489)	77,755
Cash generated from operations		805,313	675,926
Income Tax Paid	29	-	-
Payment of Retirement Benefits	23	(33,162)	(34,656)
Net cash generated from operating activities		772,151	641,270
Cash Flows from Investing Activities			
Purchase of property, plant & equipment	12	(59,464)	(171,388)
Net Change in Right to Use - Lease Land Liability	13	(7,039)	(7,392)
Investment in Capital Work-in-Progress		(50,716)	(766,318)
Unrealized Exchange (Gain)/Loss		(1,316)	35
Proceeds from sale of property, plant & equipment		5,794	18,541
Interest income received	7	16,041	10,740
Net cash used in investing activities		(96,699)	(915,781)
Cash Flows from Financing Activities			
Repayment of long term borrowings	22	(1,762,460)	-
Proceeds from long term borrowings	22	1,500,000	823,861
Finance Cost	8	(622,709)	(590,497)
Net cash used in financing activities		(885,169)	233,364
Net Increase/(Decrease) in Cash & Cash Equivalents		(209,717)	(41,146)
Cash & Cash Equivalents at the Beginning of the Year (Note 30)		(1,489,033)	(1,447,886)
Unrealized Exchange Gain /(Loss) on USD Savings Deposits		(1,316)	35
Cash & Cash Equivalents at the End of the Year		(1,700,066)	(1,488,998)

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 31ST DECEMBER 2025

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 22nd May 2026

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.\
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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.

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 Aasset

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 on the valuation of all property, plant and equipment, to write off the depreciable amount over their estimated useful economic lives. Depreciation is charged from the date of purchase to the date of disposal on prorate basis. The rates of depreciations based on the estimated useful lives are as follows:

<u>Category of Asset</u>	<u>2025 (%)</u>	<u>2024 (%)</u>
Buildings	1.16	1.82
Plant and Machinery	2.85 to 33.33	7.5
Refrigerators & Kitchen Equipment	7.5	7.5
Computers & Televisions	20	20
Motor Vehicles	25	25
Furniture, Fittings & Equipment	10	10
Operating Equipment	33	33

*Software is classified under “Computers and Television” and as it represents an ancillary component that is not material in value and does not contribute directly to revenue generation

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

During the year, the Company reassessed the useful lives of its Building and Plant & Machinery in order to ensure that depreciation charges more appropriately reflect the pattern in which the future economic benefits of these assets are expected to be consumed.

This reassessment was supported by independent technical evaluations obtained from a Structural Engineer in respect of the Building and a Chartered Mechanical, Electrical and Plumbing (MEP) Engineer in respect of critical Plant and Machinery. The experts provided detailed assessments of the remaining useful economic lives of the assets.

Based on these expert assessments and Management’s recommendations, the Board of Directors approved the following revisions, effective from 01 January 2025:

- The Building’s remaining useful life has been revised to 86 years, aligned with the lease term of the underlying land. Accordingly, a depreciation rate of 1.16% per annum has been applied to the carrying value of additions recognised prior to this date.
- The useful lives of Plant and Machinery have been revised to a range of 3 to 35 years, depending on the respective asset categories, with corresponding revised depreciation rates applied prospectively.

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 or cash-generating unit’s fair value, fewer costs to sell 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 and fewer 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, if market participants act in their best economic 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 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.

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 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 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 considering 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 considering 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) because 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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	31.12.2025 Rs. '000'	31.12.2024 Rs. '000'
5. Revenue from contracts with customers		
5.1 Gross Revenue from contracts with customers	5,437,667	5,445,959
Less : Tourism Development Levy	(53,121)	(52,870)
Net Revenue from contracts with customers	<u>5,384,547</u>	<u>5,393,089</u>
Value added tax of Rs. 1,069 Mn (2024 - Rs. 1,033 Mn) has been deducted in arriving at Revenue.		
5.2 Revenue		
Room revenue	1,823,949	1,848,222
Food and Beverage revenue	3,362,594	3,342,408
Other operating departments	51,871	56,153
Social Security Contribution Levy	146,133	146,306
	<u>5,384,547</u>	<u>5,393,089</u>
6. Other Gains and Losses		
Profit on disposal of plant & equipment	(937)	10,674
Shop Rentals	10,651	15,168
Exchange Gain / (Loss) Unrealized	(1,316)	35
Provision reversals of Trade Receivables	3,958	-
Exchange gain realized	-	(82)
Sundry Income	22,298	2,826
	<u>34,654</u>	<u>28,621</u>
7 Finance Income		
Interest income - Loans and receivables		
Interest on Money Market/ Treasury Bills	4,303	4,941
Interest on Staff Loans	196	436
Interest on RFC Accounts	27	30
Interest on Savings Accounts	8,310	2,623
Interest income on FF&E Replacement Reserve	3,206	2,712
	<u>16,041</u>	<u>10,740</u>
8 Finance Charges		
Overdraft Interest	205,485	209,850
Term Loan Facility	416,264	379,638
Interest on Right to Use Lease	960	1,008
	<u>622,709</u>	<u>590,497</u>

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	31.12.2025	31.12.2024
	Rs. '000'	Rs. '000'
9. Profit for the period		
Profit for the period is stated after charging all expenses including the following:		
Directors' emoluments	5,778	24,515
Auditors' remuneration - Company	1,200	1,952
- Colombo Hilton	2,117	2,600
Depreciation	474,409	560,672
Staff costs (including the following employee benefit plan costs)	638,675	740,983
- Defined benefit plan cost - Gratuity	26,810	28,460
- Defined contribution plan costs - EPF & ETF	94,804	87,482
Management Fee -Group Service Benefits Charges and Management Incentive	140,573	116,592
Legal fees	2,683	12,057
Electricity	173,922	276,784
10. Income tax expense		
Under/(Over) Provision adjustments from previous years	-	-
Deferred tax (Income) Expense	90,576	71,490
	<u>90,576</u>	<u>71,490</u>

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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	31.12.2025 Rs. '000'	31.12.2024 Rs. '000'
10.1	A reconciliation between Taxable profit and Accounting Profit for the Years Ended 31st December 2025 and 31st December 2024 are as follows	
	31.12.2025 Rs. '000'	31.12.2024 Rs. '000'
	Accounting Profit Before Income Tax	139,074 (268,347)
	Aggregate Disallowed Items	598,906 641,339
	Aggregate allowable Expense	(736,437) (723,812)
	Adjusted Taxable Business Profit/(Loss)	1,543 (350,820)
	Investment Income	18,160 22,821
	Tax Loss claimed during the year - Investment Income	(18,160) (22,821)
10.2	Deferred Tax	
	Deferred tax arising from:	
	- Origination and reversal of temporary difference (Note 24)	
	90,576	71,490
	Total deferred tax charge	90,576 71,490
10.3	Tax losses carried forward	
	Tax losses carried forward	4,462,535 14,048,890
	(-) Loss expired during the year	(248,630) (9,914,354)
	Tax losses incurred during the year	- 350,820
	(-) Loss claimed during the year - Business Income	(1,543) -
	(-) Loss claimed during the year - Investment Income	(18,160) (22,821)
	Tax losses carried forward for future periods	4,194,202 4,462,535
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	0.02 (0.17)
	Amount used as the Numerator	Rs. '000 Rs. '000
	Profit attributable to the ordinary shareholders	91,923 (351,638)
	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

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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
	Cost/ Revaluation	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Balance as at 31st December 2023	9,972,759	418,080	818,903	107,785	477,901	80,342	183,200	12,058,970
	Disposal		(818)	(7,376)		(3,337)	(3,018)	-	(14,549)
	Additions during the year	18,391	7,936	43,744	-	34,522	42,940	23,855	171,388
	Transfer from WIP – Capitalization of Room renovation	2,194,388		179,278	-	-	22,691	-	2,396,357
	Transfer from WIP - Building structure	692,862							692,862
	Balance as at 31st December 2024	12,878,400	425,199	1,034,549	107,785	509,086	142,955	207,055	15,305,029
	Disposal	-	(1,427)	(7,244)	-	(3,548)	(935)		(13,154)
	Additions during the year	31,283	554	15,226	1,107	8,023	27,494	7,810	91,498
	Transfer from WIP – Capitalization of Room	(52,508)		2,541		-	5,961		(44,006)
	Transfer from WIP – Other Projects	9,261	-	453		1,168	1,091		11,973
	Revaluation Gain		113,979	5,823		2,907	3,155		125,864
	Transferred to Revaluation Reserve		(135,065)	(310,890)		(168,330)	(62,740)	-	(677,025)
	Balance as at 31st December 2025	12,866,435	403,241	740,458	108,892	349,305	116,982	214,865	14,800,178
	Accumulated Depreciation								
	Balance as at 31st December 2023	-	104,395	226,532	-	132,905	41,763	-	505,595
	Charge for the year	207,369	31,533	90,922	26,946	37,756	24,326	63,722	482,573
	Disposal	-		(2,941)		(1,001)	(2,414)		(6,356)
	Transferred to Revaluation Reserve	-			-			-	-
	Balance as at 31st December 2024	207,369	135,600	314,513	26,946	169,661	63,675	63,722	981,486
	Charge for the year	146,859	21,112	72,786	26,947	40,955	19,589	68,415	396,662
	Disposal		(535)	(3,622)	-	(1,331)	(935)		(6,423)
	Transferred to Revaluation Reserve		(135,065)	(310,890)		(168,330)	(62,740)		(677,025)
	Balance as at 31st December 2025	354,228	21,112	72,787	53,893	40,955	19,589	132,137	694,700
	Written Down Value								
	Balance as at 31st December 2023	9,972,759	313,685	592,371	107,785	344,996	38,579	183,200	11,553,379
	Balance as at 31st December 2024	12,671,031	289,599	720,036	80,839	339,425	79,280	143,333	14,323,547
	Balance as at 31st December 2025	12,512,207	382,129	667,672	54,999	308,350	97,393	82,729	14,105,479

Hotel Developers (Lanka) Ltd has full possession and control over the property, plant and equipment of the hotel. The operation of these assets has been entrusted to Hilton International LLC under the signed management agreement.

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- 12.2** The Company adopted the revaluation model for the measurement of Property, Plant and Equipment (PPE) with effect from 31 December 2019.

The fair value of Buildings, Motor Vehicles, and Operating Equipment was determined through a revaluation conducted during the financial year 2023

During the financial year 2025, the fair values of Plant and Machinery, Furniture, Fittings and Equipment, Refrigerators and Kitchen Equipment, and Computers and Televisions were determined based on a revaluation carried out by G.W.G. Abeygunawardene, an accredited independent valuer, to assess the fair value of the Company's owned PPE. The effective date of this valuation was 1 January 2025.

Fair value was determined with reference to market-based evidence. The valuations were based on open market prices, adjusted where necessary for differences in the nature, location, and condition of the specific assets. These valuations are categorized under Level 3 of the fair value measurement hierarchy.

Property	Buildings (Extent - 445,175 Sq. ft.) No.02, Sir Chittampalam A Gardiner Mawatha Colombo 02 and other movable assets
Method of valuation	Based on depreciated replacement cost approach
Effective date of valuation	31st December 2023
Property Valuer	Mr. G.W.G. Abeygunawardene, Chartered Valuation Surveyor

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

	31.12.2025	31.12.2024
	Rs. '000'	Rs. '000'
Cost	19,818,008	19,726,510
Accumulated Depreciation	(7,970,365)	(7,487,792)
Written down Value	<u>11,847,643</u>	<u>12,238,718</u>

- 12.3** The renovation of 264 guest rooms was completed progressively, with final completion in November 2024. since the assets were put in use and required capitalization, the related costs were capitalized based on estimated costs to completion provided by the Cost Consultant (Quantity Surveyor) as the final contractor invoices for work completion are pending submission. Upon receipt of the final certified contractor invoices, the capitalized amounts will be reviewed and, where necessary, adjusted to reflect the actual costs incurred.

13	Rs. "000"	Main Property 99 Year Lease	UDA Car Park	Total
	Balance as at 31. 12. 2023	6,186,287	29,091	6,215,377
	Amortization	(70,707)	(7,392)	(78,099)
	Addition	-	3,911	3,911
	Balance as at 31. 12. 2024	6,115,580	25,610	6,141,189
	Amortization	(70,707)	(7,040)	(77,747)
	UDA Car Park Lease Adjustment	-	2,096	2,096
	Balance as at 31. 12. 2025	6,044,873	20,666	6,065,539

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Notes to the Leasehold Land (Continue.....)

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 The Company has a lease agreement with the Urban Development Authority (UDA) for a 52-perch parcel of land adjacent to the hotel, intended for use as a car park facility. The lease term is 30 years, effective from 1 January 2020, with lease payments subject to revision every five years, as determined by the Government Chief Valuer. In accordance with SLFRS 16, the lease has been recognized as a right-of-use asset on the statement of financial position. The lease rental for the subsequent five-year period, commencing 1 January 2025, has been capitalized at Rs. 8,000,000 per annum based on the previous valuation, pending receipt of the revised valuation from the Government Chief Valuer. Lease liabilities are measured at the present value of future lease payments and are updated when revised valuations are received

	31.12.2025 Rs. '000'	31.12.2024 Rs. '000'
14. Inventories		
Food	58,353	42,554
Beverages	58,280	58,872
Engineering Stores (Fuel & Furnace Oil)	5,903	8,366
	<u>122,536</u>	<u>109,792</u>
15 Trade and Other Receivables		
Trade receivables	289,789	372,787
Less: Impairment of debtors	(8,584)	(12,542)
	<u>281,206</u>	<u>360,246</u>
16 Amounts Due From Related Party		
Ministry of Finance	71,728	71,728
	<u>71,728</u>	<u>71,728</u>
17 Other Assets		
Deposits, prepayments and advances	118,552	90,426
Other receivables	25,529	36,052
Income tax receivable - Note 29	34,607	34,231
	<u>178,687</u>	<u>160,708</u>
18 Current Financial Assets		
<i>Short-term investments</i>		
Call deposits	29,493	961
Debt Services Reserve (DSR) - A/C	69,731	65,805
Total Short-term investment	<u>99,223</u>	<u>66,766</u>
19 Cash and bank balances		
Foreign Currency Savings	86,375	43,791
FFE Reserve A/C (Savings A/C)	102,418	20,909
Debt Services Reserve (DSR) - A/C	35	36
Cash & Operating Bank A/C	62,262	38,860
	<u>251,090</u>	<u>103,596</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.

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	31.12.2025 Rs. '000	31.12.2024 Rs. '000
20 Stated Capital		
Issued and Fully Paid		
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.

21 Reserves		
Furniture, fittings & equipment replacement reserve (Note 21.1)	86,736	303
21.1 Furniture, Fittings and Equipment Replacement Reserves		
Balance at the beginning of the year	303	-
Add: Provision made during the year	208,234	207,816
Less: Amounts transferred to equity statement	-	-
Amounts utilized for purchase & replacement of furniture & fittings	(121,801)	(207,513)
Balance at the end of the year	86,736	303

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

**22 INTEREST BEARING
BORROWINGS**

	2025			2024		
	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	350,000	1,837,500	2,187,500	262,500	2,187,500	2,450,000
Term Loan - Peoples Bank	-	-	-	333,324	1,166,636	1,499,960
Term Loan - PABC	89,290	1,410,710	1,500,000	-	-	-
	439,290	3,248,210	3,687,500	595,824	3,354,136	3,949,960
Security and Repayment Terms						

22.1 Term Loans

	Balance as at 01.01.2025	Loans draw down	Repayment	Balance as at 31. 12. 2025
Term Loan - Peoples Bank	1,499,960	-	(1,499,960)	-
Term Loan - Sampath Bank	2,450,000		(262,500)	2,187,500
Term Loan - PABC Bank	-	1,500,000	-	1,500,000
	3,949,960	1,500,000	(1,762,460)	3,687,500
	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
	3,126,099	823,861	-	3,949,960

Financial Institution	People's Bank	Sampath Bank	PABC Bank
Nature of the facility	Term Loan	Term Loan	Term Loan
Loan Obtained:	Rs.1,500 Mn	Rs. 2,450 Mn	Rs.1,500 Mn
Rate of interest	AWPLR +1.5%	AWPLR +1.5%	AWPLR +1.4%
Security	Property Mortgaged	Property Mortgaged	Property Mortgaged
Repayment period	7 Years	7 Years	7 Years

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Notes to the Interest Baring Borrowings (Continue.....)

In March 2023, the Company executed a primary concurrent mortgage bond in favour of Sampath Bank PLC for Rs. 3,050 million over the leasehold rights of the Hilton Colombo Hotel Property. The total banking facility from Sampath Bank comprised an overdraft facility of Rs. 600 million and a term loan of Rs. 2,450 million.

Subsequently, under a primary concurrent mortgage bond executed in favour of PABC on 31 August 2025, ranking equal and pari-passu with the existing primary mortgage in favour of Sampath Bank, the Company obtained a new term loan facility of Rs. 1,500 Mn, with a two-year grace period, to refinance the loan previously obtained from Peoples Bank. In addition, a working capital facility of Rs. 1,750 million was provided under this arrangement. Pursuant to this refinancing, all facilities previously obtained from Peoples Bank, comprising a term loan of Rs. 1,500 million and a working capital facility of Rs. 1,350 million, were fully settled and the corresponding mortgage in favour of Peoples Bank was formally released on 31 August 2025.

23 Retirement Benefit Obligations	31.12.2025	31.12.2024
	Rs. '000	Rs. '000
Balance at the beginning of the year	123,261	117,655
Charge for the year	12,019	11,972
Interest cost for the year	14,791	16,488
Recognition of transitional liability /(asset) and actuarial loss/(gain)	44,680	(343)
Loss/ (gain) arising from changes in the assumptions or due to (over)/under provisions in the previous years	-	12,144
Payments made during the year	(33,162)	(34,656)
Balance at the end of the year	161,590	123,261

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 10.3% (vs 12% 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	10.30%	12.00%
Future salary increase	6.00%	6.00%
Retirement Age	60 Years	60 Years

Sensitivity & maturity profile	Discount Rate		Salary Increment	
	2025	2024	2025	2024
Increase by one percentage point	(9,552)	(6,353)	(10,555)	6,971
Decrease by one percentage point	10,606	6,992	9,665	(6,432)

Maturity Analysis of the payments as at - Undiscounted

	31.12.2025	31.12.2024
With in next 12 Months	17,731	2,203
Between 1 and 2 years	24,612	311
Between 2 and 5 years	49,398	34,625
Between 5 and 10 years	186,527	82,194
Total Expected payments	278,269	119,334

Weighted average duration of defined benefit obligation is 6.2 Years (2024 - 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.

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Notes to the Deferred Tax Liability (Continue.....)		31.12.2025	31.12.2024
		Rs. '000	Rs. '000
Balance at the beginning of the year		1,552,104	1,480,614
Recognized in statement of profit or loss		90,576	71,490
Recognized in other comprehensive income		37,759	-
Balance at the end of the year		<u>1,680,438</u>	<u>1,552,104</u>
24.1 The closing deferred tax liability balance relates to the following:			
Accelerated depreciation for tax purposes		2,051,239	1,954,762
Revaluation Surplus for tax purposes		962,404	924,645
CMC Sales Tax General Provision		(24,000)	-
Retirement benefit obligation		(48,477)	(36,978)
Impairment of Debtors		(2,575)	(705)
Deferred tax asset relating to utilization of brought forward tax losses		<u>(1,258,152)</u>	<u>(1,289,620)</u>
		<u>1,680,438</u>	<u>1,552,104</u>
The deferred tax has been calculated at the rate of 30% .			
25. Trade and Other Payables			
Trade payables		402,103	358,956
Sundry creditors and including accrued expenses		150,310	188,585
Accrued - Refurbishment Expenses		316,909	701,881
Management fee payable		22,281	11,319
Management fee payable *		(4,806)	(4,806)
Other liabilities		60,732	71,412
Replacement of breakages		20,201	18,804
Statutory payables		200,929	354,620
		<u>1,168,660</u>	<u>1,700,772</u>
* The receivable balance, which reflects the management fee reversal (receivable) from Hilton International LLC for the year 2018 and 2019.			
26. Amount Due to Related Parties			
Hilton International LLC		48,980	16,317
Hilton Worldwide Manage Ltd UK		23,660	12,662
		<u>72,640</u>	<u>28,979</u>
27. Contract Liabilities			
City Ledger Credits		145,684	157,055
Guest Advance Deposits		151,368	147,487
		<u>297,053</u>	<u>304,541</u>
28. Net Assets per share			
Net Assets Value (Rs)		12,007,180	11,915,257
Number of ordinary shares "000"		2,046,646	2,046,646
Net Assets per share		5.87	5.82
29. Income Tax Liability			
Opening Balance		(34,231)	(33,855)
Payment for the period		-	-
Under/(Over) Provision Adjustments from previous years		-	-
Tax Credit			
WHT		(377)	(377)
Balance at the end of the year (Current year balance transferred to Other Assets - Note 17)		<u>(34,607)</u>	<u>(34,231)</u>
30 Notes to the Cash Flow Statement			
30.1 Cash and Cash Equivalents at the Beginning of the Year			
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		<u>(1,659,395)</u>	<u>(1,785,190)</u>
		<u>(1,489,033)</u>	<u>(1,447,887)</u>

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

	31.12.2025 Rs. '000	31.12.2024 Rs. '000
30.2 Cash and Cash Equivalents at the end of the Year		
Cash and bank balance		
Call deposits	62,262	38,860
Debt Services Reserve (DSR) - (MM A/C)	29,493	961
FFE Reserve A/C (Savings A/C)	69,731	65,805
Debt Services Reserve (DSR) - A/C	102,418	20,909
Foreign Currency Savings	35	36
Bank overdraft	86,375	43,791
	<u>(2,049,064)</u>	<u>(1,659,396)</u>
	<u>(1,698,751)</u>	<u>(1,489,033)</u>

31 Analysis of financial instruments by measurement basis As at 31st December 2025

Financial assets by categories

Financial instruments in current assets

	Loans & Receivables 31.12.2025 Rs. '000	31.12.2024 Rs. '000
Trade and other receivables	281,206	360,246
Other assets	178,687	160,708
Amounts due from related party	71,728	71,728
Other current financial assets	99,223	66,766
Cash in hand and at bank	251,090	103,596
Total	<u>881,934</u>	<u>763,045</u>

Financial liabilities by categories

Financial Instruments in current liabilities

	Financial Liabilities measured at amortized cost 31.12.2025 Rs. '000	31.12.2024 Rs. '000
Trade and other payables	1,168,660	1,700,772
Bank overdrafts	2,049,064	1,659,396
Amount Due to Related Parties	72,640	28,979
Retention Fees - Refurbishment Project	170,429	166,709
Contract Liabilities	297,053	304,541
Total	<u>3,757,845</u>	<u>3,860,396</u>

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 minimize 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.

In Rs. "000"		As at 31st December 2025				
	Cash in hand and at bank	Short term investments	Trade and other receivable	Other Assets	Amount due from related parties	Total
Deposits with bank	-	99,223	-			99,223
Trade and other receivables	-	-	281,206			281,206
Other Assets				178,687		178,687
Amounts due from related parties:	-	-	-		71,728	71,728
Cash in hand and at bank	148,672	102,418	-			251,090
Total credit risk exposure	148,672	201,641	281,206	178,687	71,728	881,934

In Rs. "000"		As at 31st December 2024				
	Cash in hand and at bank	Short term investments	Trade and other receivable	Other Assets	Amount due from related parties	Total
Deposits with bank	-	66,766	-			66,766
Trade and other receivables	-	-	360,246			360,246
Amounts due from related parties:	-	-	-		71,728	71,728
Other Assets				160,708		160,708
Cash in hand and at bank	82,687	20,909	-			103,596
Total credit risk exposure	82,687	87,675	360,246	160,708	71,728	763,045

32.3 Trade and other receivables

In Rs. "000"

		As at 31st December 2025	As at 31st December 2024
Neither past due nor impaired		230,220	233,052
Past due but not impaired	30-60	45,052	86,223
	61-90	3,898	8,690
		1,693	2,346
	121-150	94	21,242
	151>	8,833	21,233
Gross carrying value		289,790	372,787
Less: impairment provision			
Individually assessed impairment provision		(8,584)	(12,542)
Total		281,206	360,246

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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.(1,699 Mn) as at 31 December 2025 (as at 31 December 2024 - Rs. (1,489 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	31.12.2025 Rs. '000	31.12.2024 Rs. '000
Short term investments	99,223	66,766
Cash in hand and at bank	251,090	103,596
Total liquid Assets	<u>350,313</u>	<u>170,362</u>
Bank overdrafts	(2,049,064)	(1,659,396)
Total Borrowings	<u>(2,049,064)</u>	<u>(1,659,396)</u>
Net (debt)/cash	<u>(1,698,751)</u>	<u>(1,489,034)</u>

32.7 Maturity analysis

The table below summarizes the maturity profile of the Hotel's financial liabilities at 31st December 2025 based on contractual undiscounted payments.

The following are the contractual maturities of Financial Liabilities, Including estimated interest payments.

As at 31st December 2025	Carrying Amount	Contractual Cash Flows	12 Months or Less	1- 2 Years	2 to 5 Years	More than 5Years
Interest Bearing Borrowings	3,687,500	(5,029,125)	(778,830)	(868,601)	(3,233,861)	(147,834)
Trade and Other Payables	1,168,660	(1,168,660)	(1,168,660)	-	-	-
Amounts due to Related Companies	72,640	(72,640)	(72,640)	-	-	-
Contract Liabilities	297,053	(297,053)	(297,053)	-	-	-
Retention Fees	170,429	(170,429)	(170,429)	-	-	-
Bank Overdraft	2,049,064	(2,049,064)	(2,049,064)	-	-	-
	<u>7,445,345</u>	<u>(8,786,971)</u>	<u>(4,536,675)</u>	<u>(868,601)</u>	<u>(3,233,861)</u>	<u>(147,834)</u>

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32.7 Maturity analysis (Continue.....)

As at 31st March 2024	Carrying Amount	Contractual Cash Flows	12 Months or Less	1- 2 Years	2 to 5 Years	More than 5Years
Interest Bearing Borrowings	3,949,960	(6,545,591)	(725,194)	(1,124,256)	(4,606,347)	(89,795)
Trade and Other Payables	1,700,772	(1,700,772)	(1,700,772)	-	-	-
Amounts due to Related Companies	28,979	(28,979)	(28,979)	-	-	-
Contract Liabilities	304,541	(304,541)	(304,541)	-	-	-
Retention Fees	166,709	(166,709)	(166,709)	-	-	-
Bank Overdraft	1,659,396	(1,659,396)	(1,659,396)	-	-	-
	<u>7,810,356</u>	<u>(10,405,988)</u>	<u>(4,585,590)</u>	<u>(1,124,256)</u>	<u>(4,606,347)</u>	<u>(89,795)</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 requires adjustment to or disclosure in the financial statements. Other than following.

On 16 December 2025, the Cabinet of Ministers approved a reduction of the stated capital of Hotel Developers (Lanka) Ltd as part of a balance sheet restructuring exercise. Accordingly, the accumulated retained losses amounting to Rs. 10,709,007,364 as at 31 December 2024 will be set off against the stated capital of Rs. 20,466,456,850, resulting in a reduced stated capital of Rs. 9,757,449,486

The necessary statutory procedures will be carried out during 2026, and the effect of this capital reduction will be reflected in the financial statements for the year ending 31 December 2026.

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 2025 are as follows:

Supply Item	Total Estimated	Payment made to	Estimated
	Rs.'000	Rs.'000	Rs.'000
Main Contractor	2,373,308	2,068,468	304,840
Client Supplied Items	801,029	687,452	113,577
ICT Contract - Phase 01 ,02	297,105	256,360	40,744
Current Consultant	183,733	172,922	10,812
	<u>3,655,175</u>	<u>3,185,202</u>	<u>469,973</u>

34.2 Lease Commitments

	31.12.2025	31.12.2024
	Rs. '000	Rs. '000
Lease rentals due on non-cancellable operating leases;		
Within one year	6,195	6,505
Between one and five years	14,471	19,105
	<u>20,666</u>	<u>25,610</u>

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

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35. Contingencies

- 35.1** The Hotel Developers (Lanka) Limited and Hilton International are named as defendants in a legal claim relating to damages arising from an accident that occurred during a function. The plaintiff is required to take the necessary steps to serve summons on Hilton International and to issue notice to Hotel Developers (Lanka) Limited. As these steps have not yet been completed, the matter remains abated at this stage. Given the matter under the case file from 2014, management is confident that no significant liability will arise. Accordingly, no provision has been recognized in these financial statements.
- 35.2** In the year 2009, the Colombo Municipal Council (CMC) revised the license fee rates for all the hotels with in the city limits with subsequent gazettted amendments. In response, a case was filed in 2009 before the Magistrate's Court collectively by the Colombo city hotels, including Hilton Colombo, challenging the said revision. Subsequently, the hoteliers, together with the Tourist Hotels Association of Sri Lanka (THASL), have been engaged in negotiations with the CMC through court for which the resolution is still pending as at the reporting date. Management and the Board of Directors, based on the legal advice obtained and the information currently available, are of the opinion that the final resolution of the legal proceedings is likely to be favorable to the Company and is not expected to have a material adverse impact on the Company's financial position or results of operations. Further, the provision recognized in the financial statements is considered adequate based on the applicable legal requirements and assessments without prejudice to the legal position of the Company or the outcome of such proceedings." Further details are disclosed in Note 38.4 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 2025.

36 Assets Pledged as Securities

The company has mortgaged the Hilton Colombo Property against the loan agreement signed with Sampath Bank PLC & Pan Asia Banking Corporation PLC for Rs. 3,050 Mn and 3,200 Mn respectively for financing the refurbishment projects and working capital requirements.

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. 5,778,000/- (Y/E 2024 - Rs. 24,515,000/-).

37.2 Amounts due from related parties (Refer Note 16)

37.3 Amounts due to related parties (Refer Note 26)

37.4 Transactions with related parties

	31.12.2025 Rs. '000	31.12.2024 Rs. '000
Ministry of Finance	-	(47,371)
Management Entity - Hilton International LLC		
Receiving of Services	133,908	60,567
Payments for the Services	(101,223)	(190,191)
Management Incentive Payments	35,117	11,318
Others	21	-
Management Entity - Hilton Worldwide Manage Ltd - UK		
Group Service Benefit Payments	(94,458)	(112,577)
Group Service Benefits Charges	105,456	105,273

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.

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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.	40,122,806	34,711,068	5,411,739

38. Litigations of the reporting date

38.1 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 exported 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].

38.2 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 17th March 2004 pending a settlement [if any]

38.3 HC (CIVIL) 116/96 (1)

SC/HC/LA/118/2025

Mr. Nihal Ameresekere has filed a Leave to Appeal application in the Supreme Court against the Order delivered in the Commercial High Court on 09/12/2025 in Case No H.C. (Civil) 116/96 (1)

The case is listed for hearing on 05.03.2026 in the Supreme Court .

38.4 Colombo Municipal Council Case

There are seventeen 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), 2025(34652/25).

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 (01/2020,2020 (08/2020), 2020 (32/2020), 2019 (134/2019), 2019 (124/2019),2020 (102/2020),2020 (107/2020), 2020 (96/2020), and 2020 (204,2020).

38.5 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.