HOTEL DEVELOPERS (LANKA) LTD

DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED

31ST DECEMBER 2023

HOTEL DEVELOPERS (LANKA) LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE 12 MONTHS ENDED 31ST DECEMBER 2023

		12 Months 31.12.2023 Rs. '000	12 Months 31.12.2022 Rs. '000
Revenue	05	4,228,100	2,887,267
Cost of sales		(2,445,618)	(1,825,497)
Gross profit		**1,782,483**	**1,061,770**
Other gains and losses	**06**	13,227	206,589
Administrative expenses		(1,015,817)	(855,887)
Other expenses		(616,505)	(302,759)
Operating Profit Before Depriciation		**163,387**	**109,714**
Depriciation		(367,193)	(371,065)
Operating Profit After Depriciation		**(203,805)**	**(261,352)**
Finance Income	**07**	18,037	18,162
Finance Charges	**08**	(598,546)	(389,574)
Profit/(loss) before taxation	**09**	**(784,314)**	**(632,763)**
Income Tax expense	**10**	91,068	(252,358)
Profit/(loss) after taxation for the period		**(693,246)**	**(885,122)**
Other comprehensive income			
Revaluation surplus - net of tax		704,527	-
Actuarial Gain/(loss)on employee benefit obligations		(31,688)	2,970
Total comprehensive income/ (expense) for the period		**(20,407)**	**(882,152)**
Earning per share - Basic (Rs.)	**11**	**(0.01)**	**(0.43)**

HOTEL DEVELOPERS (LANKA) LTD
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2023

Assets		**31.12.2023 Rs. '000**	**31.12.2022 Rs. '000**
Non-Current Assets			
Property, Plant & Equipment	**12**	11,553,379	6,929,402
Leasehold Land	**13**	6,214,024	6,261,798
Capital Work-in-Progress		1,705,375	2,600,378
Total Non-Current Assets		19,472,778	15,791,578
Current Assets			
Inventories	**14**	97,317	132,604
Trade and Other Receivables	**15**	230,330	141,894
Amount Due From Related Parties	**16**	18,462	8,988
Other Assets	**17**	409,465	828,764
Current Financial Assets	**18**	61,947	26,296
Cash and Bank Balances	**19**	275,356	299,651
Total Current Assets		**1,092,877**	**1,438,197**
Total Assets		**20,565,655**	**17,229,775**
Equity and Liabilities			
Shareholders' Equity			
Stated Capital	**20**	20,466,456	20,466,456
Revaluation Surplus		2,157,505	1,452,978
Reserves	**21**	-	178,230
Accumulated Loss		(10,361,603)	(9,814,896)
Total Equity		12,262,358	12,282,768
Non-current Liabilities			
Interest Bearing Loans and Borrowings	**22**	3,126,099	2,000,000
Retirement Benefit Obligations	**23**	117,656	77,467
Deferred Tax Liability	**24**	1,485,199	633,891
Right to Use - Lease Land Liability	**13**	27,737	-
Total Non-Current Liabilities		4,756,691	2,711,358
Current Liabilities			
Trade and other payables	**25**	1,156,625	744,286
Amount due to related parties	**26**	215,996	100,809
Contract Liabilities	**27**	226,786	179,444
Right to Use - Lease Land Liability	**13**	-	4,806
Retention Fees - Refurbishment Project		162,012	57,559
Bank overdraft		1,785,189	1,148,746
Total Current Liabilities		**3,546,607**	**2,235,650**
Total Liabilities		**8,303,298**	**4,947,008**
Total Equity and Liabilities		**20,565,655**	**17,229,775**
Net Assets per share - (Rs.)	**28**	**5.99**	**6.00**

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

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Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board on 27 Februray 2024

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Director **Director**

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

HOTEL DEVELOPERS (LANKA) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE 12 MONTHS ENDED 31ST DECEMBER 2023

	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 2022	**20,466,456**	**1,452,978**	**53,803**	**(8,808,317)**	**13,164,920**
Profit / (Loss) for the 12 Months period	-	-	-	(885,122)	(885,122)
Actuarial gain/(loss) on employee benefit obligations, net of taxes - loss	-	-	-	2,970	2,970
Replacement of furniture, fittings & equipment Reserve	-	-	148,689	(148,689)	-
Transfers to furniture, fittings & equipment reserve	-	-	(24,262)	24,262	-
Balance as at 31st December 2022	**20,466,456**	**1,452,978**	**178,230**	**(9,814,896)**	**12,282,768**
Profit / (Loss) for the 12 Months period	-	-	-	(693,246)	(693,246)
Actuarial gain/(loss) on employee benefit obligations, net of taxes - loss	-	-	-	(31,688)	(31,688)
Revaluvation Surplus (net of tax)	-	704,527	-	-	704,527
Replacement of furniture, fittings & equipment	-	-	-	-	-
Transfers to furniture, fittings & equipment reserve	-	-	(178,228)	178,228	-
Balance as at 31st December 2023	20,466,456	2,157,505	-	(10,361,603)	12,262,358

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 2023

	Note	31.12.2023 Rs. '000	31.12.2022 Rs. '000
Profit / (Loss) before taxation		**(784,314)**	**(632,763)**
Adjustment for			
Depreciation	12	291,682	294,897
Land Amortization	13	75,511	76,168
Changes in Impairment of Debtors	15	7,643	649
Provision for Defined Benefit Plans	23	22,462	20,135
Provision for Breakages	25	4,647	6,868
Interest Expenses	8	598,546	389,574
Unrealized Exchange (Gain)/Loss		-	(7,745)
Profit on Sale of Property, Plant & Equipment	6	(2,738)	(19,083)
Interest Income	7	(18,037)	(18,162)
Operating Profit Before Working Capital Changes		**195,401**	**110,538**
(Increase)/ Decrease in Inventories	14	35,287	(79,570)
(Increase)/ Decrease in Receivables	15	(96,078)	(67,803)
Increase/Decrease in Amount Due From Related Parties	16/26	105,713	67,587
(Increase)/ Decrease in Other Assets	17	(50,693)	(566)
Increase/ (Decrease) in Trade & Other Payables	25	89,961	344,561
Increase/(Decrease) in Contract Liabilities	27	47,342	21,330
Cash generated from operations		**326,933**	**396,076**
Income Tax Paid		(254)	-
Payment of Retirement Benefits	23	(13,963)	(37,680)
Net cash generated from operating activities		**312,716**	**358,396**
Cash Flows from Investing Activities			
Purchase of property, plant & equipment	12	(194,015)	(5,231)
Net Change in Right to Use - Lease Land Liability	13	(4,806)	(5,458)
Investment in Capital Work-in-Progress		(1,289,745)	(618,663)
Proceeds from sale of property, plant & equipment		5,175	24,117
Interest income received	7	18,037	18,162
Net cash used in investing activities		**(1,465,354)**	**(587,072)**
Cash Flows from Financing Activities			
Repayment of Interest bearing loans and borrowings	22	(500,040)	(16,600)
New Interest bearing loans and borrowings	22	1,626,139	901,628
Finance Cost	8	(598,546)	(387,031)
Net cash used in financing activities		**527,553**	**497,997**
Net increase/(decrease) in cash & cash equivalents		(625,086)	269,322
Cash & cash equivalents at the beginning of the year (Note 30)		(822,799)	(1,099,864)
Unrealized exchange Gain/Loss on USD Savings Deposits		-	7,746
Cash & cash equivalents at the end of the period		**(1,447,885)**	**(822,799)**

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 2023

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 Authorisation for Issue

The financial statements were authorized for issue by the Board of Directors on 27th February 2024

2. BASIS OF PREPARATION

2.1. Statement of Compliance

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

2.2 Basis of Measurement

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

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

2.3 Functional and Presentation Currency

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

2.4 Comparative Information

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

2.5 Materiality & Aggregation

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

2.6 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

3. Accounting Policies

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

Comparative information

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

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

SLFRS 16 Leases

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

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

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

3.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

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

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

a) Taxation

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

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

b) Revaluation of Property, Plant, and Equipment.

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

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

The Company reviews the residual values, useful lives, and methods of depreciation of assets at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, and met and hods 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 constantias.

e) Impairment Losses on Financial Assets

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

f) Defined Benefit Plans

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Revenue Recognition

(i) Revenue from Contracts with Customers

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

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

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

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

(a) Rendering of services

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

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

(ii) Interest

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

(iii) Shop Rental Income

Shop Rental income is recognized on an accrual basis.

Turnover based taxes

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

Other income

Other income is recognized on an accrual basis.

4.2 Expenditure Recognition

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

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

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

4.3 Taxation

4.3.1 Current Tax

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

4.3.2 Deferred Tax

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

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

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

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

4.4 Non-financial Asset

4.4.1 Property, Plant, and Equipment

a) Recognition and Measurement

At Initial Recognition

Property, plant & equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably by LKAS 16 - property, plant & equipment. Initially property and eq,uipment are measured at cost net of accumulated depreciation and accumulated impairment losse, if any. Such cost includes the cost of replacing parts of the Property, Plant, and Equipment and borrowing costs forlong-termm 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, Plan,t and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs arerecognizedd in the profit or loss as incurred.

At Subsequent Measurement

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

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

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

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

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

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

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

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

Borrowing Costs

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

4.4.2 Impairment of Non–financial Assets

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

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

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

4.4.3 Fair Value Measurement

The Company measures all Property, Plant, and Equipment at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

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

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

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input is significant to the fair value measurement is directly or indirectly observable

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

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

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

4.5 Prepaid Lease Rental

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

4.6 Inventories

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

The cost of 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 (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired.

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

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

(c) De-recognition

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

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

(a) the Hotel has transferred substantially all the risks and rewards of the asset, or

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

When the Hotel has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Hotel continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Hotel also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Hotel has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Hotel could be required to repay.

(d) Impairment

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

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

Financial liabilities

(a) Initial recognition and measurement

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

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

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

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

(b) Subsequent measurement

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

Loans and borrowings

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

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

(c) De-recognition

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

Offsetting of financial instruments

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

4.8 Cash and Bank Balances

Cash and bank balances are defined as cash in hand and balances with banks. For a statement of cash flows, cash, and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

4.9 Stated Capital

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

4.10 Retirement Benefit Obligations

4.10.1 Defined Benefit Plan – Gratuity

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

rates and future salary increases. A defined benefit obligation is highly sensitive to changes in these assumptions. These benefits are not externally funded.
The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in the other comprehensive income.

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

4.10.2 Defined Contribution Plan

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

a) Employees' Provident Fund

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

b) Employees' Trust Fund

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

4.11 Financial Liabilities

4.11.1 Initial Recognition and Measurement

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

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

a) Financial Liability at FVTPL

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

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

b) Other Financial Liabilities

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

4.11.2 De-recognition of Financial Liabilities

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

4.12 Provisions

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

4.13 Statement of Cash Flows

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

4.14 Segmental Information

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

4.15 Standards Issued But Not Yet Effective

The company has adopted all the relevant standards and interpretations that are issued as of 31 December 2023.

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		31.12.2023 Rs. '000'	31.12.2022 Rs. '000'
5.	**Revenue from contracts with customers**		
5.1	Gross Revenue from contracts with customers	4,270,705	2,916,464
	Less : Tourism Development Levy	(42,605)	(29,197)
	Net Revenue from contracts with customers	4,228,100	2,887,267

Value added tax of Rs. 720 Mn (2022 - Rs. 382Mn) has been deducted in arriving at Revenue.

		31.12.2023 Rs. '000'	31.12.2022 Rs. '000'
5.2	**Revenue**		
	Room revenue	1,137,293	666,637
	Food and Beverage revenue	3,034,962	2,185,005
	Other operating departments	55,845	35,625
		4,228,100	2,887,267
6.	**Other Gains and Losses**		
	Profit on disposal of plant & equipment	3,188	19,083
	Shop Rentals	15,673	7,197
	Exchange Gain / (Loss) Unrealized	2,955	7,745
	Exchange gain realized	(13,668)	167,094
	Sundry Income	5,079	5,470
		13,227	206,589
7	**Finance Income**		
	Interest income - Loans and receivables		
	Interest on Treasury Bills	961	425
	Interest on Staff Loans	609	4
	Interest on RFC Accounts	409	4,100
	Interest on Fixed Deposits	2,507	9,055
	Interest income on FF&E Replacement Reserve	13,551	4,578
		18,037	18,162
8	**Finance Charges**		
	Overdraft Interest	296,254	225,826
	Term Loan Facility	299,097	161,206
	Lease Assets	3,195	2,542
		598,546	389,574

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		31.12.2023 Rs. '000'	31.12.2022 Rs. '000'
9.	**Profit for the period**		
	Profit for the period is stated after charging all expenses including the following:		
	Directors' emoluments	18,806	3,575
	Auditors' remuneration - Company	1,200	1,200
	- Colombo Hilton	2,240	2,018
	Depreciation	367,193	371,065
	Staff costs (including the following employee benefit plan costs)	606,880	562,147
	- Defined benefit plan cost - Gratuity	22,462	20,135
	- Defined contribution plan costs - EPF & ETF	75,780	68,136
	Management fees	-	-
	Group service & benefit charge - Hilton International	85,008	58,117
	Legal fees	6,337	4,175
	SSCL Expenses	118,651	29,784
10.	**Income tax expense**		
	Provision for the period	-	654
	Under/(Over) Provision adjutments from previous years	(17,731)	-
	Tax Credit Write off	-	13,951
	Deferred tax (Income) Expense	(73,337)	237,753
		(91,068)	**252,358**

Company will be liable to pay tax at the rate of 30% for the year 2023 (2022 - 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.

10.1 A reconciliation between Taxable profit and Accounting Profit for the Years Ended 31st December 2023 and 31st December 2022 are as follows

	31.12.2023 Rs. '000'	31.12.2022 Rs. '000'
Accounting Profit Before Income Tax	(784,314)	(632,764)
Aggregate Disallowed Items	383,315	392,211
Aggregate allowable Expense	(594,660)	(480,929)
Trading Profits and Other Sources of Income @ 30%	(995,659)	(721,482)
Other sources of Income Liable @ 30%	-	2,724
Total Taxable Profit	-	2,724
Taxable Profit	-	2,724
Taxable other source of Income @ 30%	-	654
Current Year Total Tax Expense	-	654

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		31.12.2023 Rs. '000'	31.12.2022 Rs. '000'
10.2	**Deferred Tax**		
	Deferred tax arising from:		
	- Origination and reversal of temporary difference (Note 24)	(73,337)	237,753
	Total deferred tax charge	**(73,337)**	**237,753**
10.3	**Tax losses carried forward**		
	Tax losses carried forward	13,057,368	12,308,628
	Tax losses incurred during the year	995,659	748,741
	Tax losses set off in the current period - from Investment Income	(14,246)	-
	Expired loss - 2018/2019	(9,957,362)	-
	Tax losses carried forward for future periods	4,081,419	13,057,368

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.

	31.12.2023	31.12.2022
Profit per ordinary share	(0.01)	(0.43)
Amount used as the Numerator	**Rs. '000**	**Rs. '000**
Profit attributable to the ordinary shareholders	(20,407)	(882,152)
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
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/ Revaluation								
Balance as at 31st December 2021	**7,621,655**	**404,002**	**569,644**	**56,020**	**474,750**	**51,440**	**151,330**	**9,328,841**
Disposal	-	(40)	(5,714)	-	(100)	(572)	-	(6,426)
Additions during the year		3,803	236	-	-	1,192	-	5,231
Transfer to WIP	(1,498,080)							(1,498,080)
Balance as at 31st December 2022	**6,123,575**	**407,765**	**564,166**	**56,020**	**474,650**	**52,060**	**151,330**	**7,829,567**
Disposal			(2,272)		(593)	(978)	-	(3,844)
Additions during the year	48,926	10,315	52,266	-	3,844	29,260	49,403	194,015
Transfer from WIP	3,208,511		204,743					3,413,254
Revaluvation Gain	1,396,705	-	-	107,785	-		124,683	1,629,173
Transfer to WIP	(318,342)							(318,342)
Transferred to Revaluvation Reserve	(486,616)			(56,020)			(142,216)	(684,852)
Balance as at 31st December 2023	**9,972,759**	**418,080**	**818,903**	**107,785**	**477,901**	**80,342**	**183,200**	**12,058,970**
Accumulated Depreciation								
Balance as at 31st December 2021	**267,951**	**42,993**	**110,790**	**28,010**	**61,768**	**20,028**	**75,121**	**606,661**
Charge for the year	97,678	30,546	56,400	14,005	35,608	10,218	50,443	**294,897**
Disposal	-	(6)	(1,143)	-	(15)	(229)	-	**(1,393)**
Balance as at 31st December 2022	**365,629**	**73,533**	**166,047**	**42,015**	**97,361**	**30,017**	**125,564**	**900,166**
Charge for the year	120,987	30,862	61,167	14,005	35,678	12,331	16,652	291,682
Disposal	-		(682)		(133)	(585)		(1,400)
Transferred to Revaluvation Reserve	(486,616)			(56,020)			(142,216)	(684,852)
Balance as at 31st December 2023	**-**	**104,394**	**226,531**	**-**	**132,905**	**41,760**	**-**	**505,592**
Written Down Value								
Balance as at 31st December 2021	**7,353,704**	**361,009**	**458,854**	**28,010**	**412,982**	**31,412**	**76,209**	**8,722,180**
Balance as at 31st December 2022	**5,757,946**	**334,232**	**398,119**	**14,005**	**377,289**	**22,043**	**25,766**	**6,929,402**
Balance as at 31st December 2023	**9,972,759**	**313,686**	**592,372**	**107,785**	**344,995**	**38,582**	**183,200**	**11,553,379**

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

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

12.3 The Company uses the revaluation model of measurement for property, plant and equipment (PPE) effective from 31st December 2019. The Fair Value of the Building, Motor Vehicles & Operating Equipment was determined by means of revaluation during the Financial year 2023 by G.W.G. Abeygunawardene, an accredited independent valuer, to determine the fair value of company owned PPE. Fair value is determined by reference to market-based evidence. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property, all of which falls under level 3 of the fair value measurement hierarchy.The date of the valuation was 31st December 2023.

Property	Buildings (Extent - 431,286 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 depriciation, the carrying value would be as follows:

	31.12.2023	**31.12.2022**
	Rs. '000'	**Rs. '000'**
Cost	17,158,765	13,551,496
Accumulated Depreciation	(7,005,220)	(6,713,538)
Writtendown Value	10,153,545	6,837,958

13

Rs. "000"	**Main Property 99 Year Lease**	**UDA Car Park**	**Total**
Balance as at 31. 12. 2021	6,327,702	10,264	6,337,966
Amortisation	(70,710)	(5,458)	(76,168)
Balance as at 31. 12. 2022	6,256,992	4,806	6,261,798
Amortisation	(70,705)	(4,806)	(75,511)
Addition	-	27,737	27,737
Balance as at 31. 12. 2023	6,186,287	27,737	6,214,024

The leasehold land is for a period of 99 years effective from 28th June 2012. The leasehold land value amounting to Rs. 7 Bn. has been capitalized and shares issued to the Government of Sri Lanka. Further, approval of Cabinet of Ministers was granted on 3rd October 2012 to lease the land in which the Sport Complex is built for a period of 5 years with a nominal rent of Rs 50,000/- commencing from 28th June 2012. In terms of the cabinet decision dated 13/12/2016, the lease of this land has been extended up to June 2111 in line with the lease of the main building by a further Cabinet Decision dated 03rd March 2022 , it has been decided that the lease premium of Rs, 4,440 Mn which is the total lease premium for the period, will be deferred until such time a sub-lease agreement is finalized as part of the capital restructure of the company.

Further, the company has leasing arrangement with UDA for the 30 perch land adjacent to the hotel for the use of car park facility renewable every 5 years effective from 01st January 2020. The provision has been made for the next 5 years until such time the valuation is concluded based on the actual lease premium paid during the last 5 years. Provision will be adjusted upon receiving the valuation and the renewed lease agreement

		31.12.2023 Rs. '000'	31.12.2022 Rs. '000'
14.	**Inventories**		
	Food	32,200	56,050
	Beverages	56,516	60,996
	Engineerings Stores (Fuel & Furnance Oil)	8,600	15,558
		97,317	132,604
15	**Trade and Other Receivables**		
	Trade receivables	240,521	144,443
	Less: Impairment of debtors	(10,192)	(2,549)
		230,330	141,894
16	**Amounts Due From Related Party**		
	Hilton Colombo Residence	5,309	4,091
	Hilton Weerawila	6,803	4,785
	Hilton Yala	4,277	112
	Hilton Kuala Lampur	2,031	-
	Hilton Shah Alam 1-City	42	-
		18,462	8,988
17	**Other Assets**		
	Deposits, prepayments and advances	116,003	63,128
	Other receivables	64,615	71,115
	Advances - Refurbishment Expenses	194,941	682,663
	Income tax receivable - **Note 29**	33,907	11,858
		409,465	828,764
18	**Current Financial Assets**		
	Short-term investments		
	Call deposits	836	836
	Debt Services Reserve (DSR) - A/C	61,111	-
	Repo Bank Of Ceylon	-	15,016
	Fixed Depsoit - BOC	-	10,444
	Total Short-term investment	61,947	26,296
19	**Cash and bank balances**		
	Foreign Currency Savings	113,297	242,521
	FFE Reserve A/C (Savings A/C)	112,249	49,989
	Debt Services Reserve (DSR) - A/C	36	-
	Cash & Operating Bank A/C	49,774	7,141
		275,356	299,651

The year end balance in the foreign currency saving account has been translated to functional currency of Sri Lankan Rupees at the closing rate as at Balance Sheet date in terms of the accounting standards.

		31.12.2023 Rs. '000	31.12.2022 Rs. '000
20	**Stated Capital**		
	Issued and Fully Paid		
	2,046,645,685 Ordinary shares	20,466,456	20,466,456
21	**Reserves**		
	Furniture, fittings & equipment replacement reserve (Note 21.1)	-	178,228
21.1	**Furniture, Fittings and Equipment Replacement Reserves**		
	Balance at the beginning of the year	178,228	53,801
	Add: Provision made during the year	-	144,109
	Less: Amounts transferred to equity statement	-	4,580
	Amounts utilized for purchase & replacement of furniture & fittings	(178,228)	(24,262)
	Balance at the end of the year	-	178,228

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

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22 INTEREST BEARING BORROWINGS

	2023			2022		
	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	-	1,626,139	1,626,139	-		-
Term Loan - Peoples Bank	-	1,499,960	1,499,960	-	2,000,000	2,000,000
	-	**3,126,099**	**3,126,099**	**-**	**2,000,000**	**2,000,000**

Security and Repayment Terms

22.1 Term Loans

	Balance as at 01.01.2023	**Loans draw down**	**Repayment**	**Balance as at 31. 12. 2023**
Term Loan - Peoples Bank	2,000,000	1,626,139	(500,040)	3,126,099
	2,000,000	**1,626,139**	**(500,040)**	**3,126,099**

Financial Institution	**People's Bank**	**Sampth Bank**
Nature of the facility	Term Loan	Term Loan
Amount	Rs.1,500 Mn	1,626,139
Rate of interest	AWPLR +1.5%	AWPLR +1.5%
Security	Property Morgaged	Property Morgaged
Repayment period	7 Years	7 Years

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

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

23 Retirement Benefit Obligations

	31.12.2023	**31.12.2022**
	Rs. '000	**Rs. '000**
Balance at the beginning of the year	77,467	97,982
Charge for the year	8,131	9,151
Recognition of transitional liability /(asset) and	8,648	(2,970)
Loss/ (gain) arising from changes in the assumptions or due to (over)/under provisions in	23,041	-
Interest cost for the year	14,332	10,984
Payments made during the year	(13,963)	(37,680)
Balance at the end of the year	**117,656**	**77,467**

The retirement benefit obligation of the company is based on the actuarial valuation carried out by Messrs. Piyal S. Goonetilleke and Associates. All assumptions remain the same, except for the discount rate assumption and the annual basic salary increase and No material change is expected in the contribution to the defined benefit plan for the next annual reporting period. The discount rate was revised to 14% (vs 18.50% last year) to reflect the yield rates of the Treasury Bonds.The principal assumptions used in determining the cost of employee benefits were:

	2023	**2022**
Discount rate	14.00%	18.50%
Future salary increase	6.00%	6.00%
Retirement Age	60 Years	60 Years

Sensitivity & maturity profile	**Discount Rate**		**Salary Increment**	
	2023	**2022**	**2023**	**2022**
Increase by one percentage point	(5,957)	(3,383)	6,632	3,390
Decrease by one percentage point	6,551	3,687	(6,110)	(3,609)

Maturity Analysis of the payments as at - Undiscounted

	31-Dec-23	**31-Dec-22**
With in next 12 Months	1,137	-
Between 1 and 2 years	7,383	7,980
Between 2 and 5 years	35,558	31,712
Between 5 and 10 years	135,450	74,080
Total Expected payments	**179,529**	**113,772**

Weighted avearge durantion of defined benefit obigation is 6.1 Years (2022 -4.4 years)

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	31.12.2023 Rs. '000	31.12.2022 Rs. '000
24. Deferred Tax Liability		
Balance at the beginning of the year	633,891	396,138
Deferred tax net expense/(income)	851,308	237,753
Balance at the end of the year	1,485,199	633,891

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

	31.12.2023 Rs. '000	31.12.2022 Rs. '000
Accelerated depreciation/RevaluvationSurplus for tax purposes	2,642,030	1,770,054
Retirement benefit obligation	(35,297)	(23,240)
Impairment of Debtors	2,293	195
Deferred tax asset relating to utilisation of brought forward tax losses	(1,123,828)	(1,113,117)
	1,485,199	633,892

The deferred tax has been calculated at the rate of 30%.

	31.12.2023 Rs. '000	31.12.2022 Rs. '000
25. Trade and Other Payables		
Trade payables	342,641	394,966
Sundry creditors and including accrued expenses	451,984	100,843
Management fee payable *	(4,806)	(4,806)
Other liabilities	66,202	33,506
Replacement of breakages	16,006	11,360
Statutory payables	284,598	208,416
	1,156,625	744,286

* Negative balance represents the over payment of Management fees to Hilton International Management LLC.

	31.12.2023 Rs. '000	31.12.2022 Rs. '000
26. Amounts Due To Related Parties		
Hilton International Asia Pacific	19,966	9,291
Hilton International LLC	163,604	91,517
Hilton Kuala Lampur	25,565	-
Hilton Hotel management (Shangha) Co.Ltd	3,666	-
Hilton Weerawila	301	-
Hilton Colombo Residence	2,894	-
	215,996	100,809
27. Contract Liabilities		
City Ledger Credits	68,702	51,931
Guest Advance Deposits	158,084	127,513
	226,786	179,444
28. Net Assets per share		
Net Assets Value (Rs)	12,262,358	12,282,768
Number of ordinary shares “000”	2,046,646	2,046,646
Net Assets per share	5.99	6.00
29. Income Tax Liability		
Opening Balance	(11,858)	(26,463)
Over Provision for the period	-	654
Payment for the period	(254)	-
Under/(Over) Provision adjutments from previous years	(17,730)	-
Tax credit		
Economic Service Charge	-	13,951
WHT	(4,065)	-
Balance at the end of the year(Current year balance transferred to Other Assets - Note 17)	(33,907)	(11,858)

	31.12.2023 Rs. '000	31.12.2022 Rs. '000
30. Notes to the Cash Flow Statement		
30.1 Cash and Cash Equivalents at the Beginning of the Year		
Cash and bank balance	7,141	122,354
Call Desposits	836	110,111
FFE Reserve A/C (Savings A/C)	49,989	-
Foreign Currency Savings	242,521	-
Repo Investment	15,016	-
Fixed Deposit	10,444	-
Bank overdraft	(1,148,747)	(1,332,329)
	(822,799)	(1,099,864)
30.2 Cash and Cash Equivalents at the end of the Year		
Cash and bank balance	49,774	7,141
Call deposits	836	836
Debt Services Reserve (DSR) - A/C	61,111	-
FFE Reserve A/C (Savings A/C)	112,249	49,989
Debt Services Reserve (DSR) - A/C	36	-
Foreign Currency Savings	113,297	242,521
Repo Investment	-	15,016
Fixed Deposit	-	10,444
Bank overdraft	(1,785,189)	(1,148,746)
	(1,447,885)	(822,799)

31 Analysis of financial instruments by measurement basis As at 31st December 2023

Financial assets by categories	**Loans & Receivables**	
	31.12.2023	**31.12.2022**
Financial instruments in current assets	**Rs. '000**	**Rs. '000**
Trade and other receivables	230,330	141,894
Other assets	409,465	828,764
Amounts due from related party	18,462	8,988
Other current financial assets	61,947	26,296
Cash in hand and at bank	275,356	299,651
Total	995,561	1,305,594

Financial liabilities by categories	**Financial Liabilities measured at amortized cost**	
	31.12.2023	**31.12.2022**
Financial Instruments in current liabilities	**Rs. '000**	**Rs. '000**
Trade and other payables	1,156,625	744,285
Amounts due to related party	215,996	100,808
Bank overdrafts	1,785,189	1,148,746
Total	3,157,809	1,993,839

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

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

32 Financial Risk Management Objectives and Policies

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

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

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 2023				
	Cash in hand and at bank	Short term investments	Trade and other receivable	Amount due from related parties	Total
Deposits with bank	-	61,947	-		61,947
Trade and other receivables	-	-	230,330		230,330
Amounts due from related parties	-	-	-	18,462	18,462
Cash in hand and at bank	163,108	112,249	-		275,356
Total credit risk exposure	163,108	174,196	230,330	18,462	586,096

In Rs. "000"	As at 31st December 2022				
	Cash in hand and at bank	Short term investments	Trade and other receivable	Amount due from related parties	Total
Deposits with bank	-	26,296	-		26,296
Trade and other receivables	-	-	141,894		141,894
Amounts due from related parties	-	-	-	8,988	8,988
Cash in hand and at bank	249,662	49,989	-		299,651
Total credit risk exposure	249,662	76,285	141,894	8,988	476,830

32.3 Trade and other receivables

In Rs. "000"

		As at 31st December 2023	As at 31st December 2022
Neither past due nor impaired		193,808	122,236
Past due but not impaired	30-60	32,571	14,475
	61-90	9,311	4,443
	91-120	1,710	1,461
	121-150	-	-
	151>	3,122	1,827
Gross carrying value		240,522	144,442
Less: impairment provision			
Individually assessed impairment provision		(10,192)	(2,549)
Total		230,330	141,893

32.4 Amounts due from related parties

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

32.5 Credit risk relating to cash and cash equivalents

The company maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Hotel held cash and cash equivalents of Rs.(1,448 Mn) as at 31 December 2023 (as at 31 December 2022 - Rs. (823 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	**31.12.2023** **Rs. '000**	**31.12.2022** **Rs. '000**
Short term investments	61,947	26,296
Cash in hand and at bank	275,356	299,651
Total liquid Assets	**337,304**	**325,947**
Bank overdrafts	(1,785,189)	(1,148,746)
Total Borrowings	(1,785,189)	(1,148,746)
Net (debt)/cash	**(1,447,885)**	**(822,799)**

32.7 Maturity analysis

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

	As at 31st December 2023		**As at 31st December 2022**	
Rs.	**Within one year**	**Total**	**Within one year**	**Total**
Trade & other payables	1,156,601	1,156,601	744,285	744,285
Amounts due to related parties	183,569	183,569	100,808	100,808
Retention Fees - Refurbishment Project	162,012	162,012	57,559	57,559
Bank overdrafts	1,785,189	1,785,189	1,148,746	1,148,746
Total	**3,287,370**	**3,287,370**	**2,051,398**	**2,051,398**

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 occuring after the reporting period that requires adjustment to or disclosure in the financial statements

34 Capital Commitments

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

34.1 The company has commenced a major refurbishment of the hotel from October 2014. Accordingly, Hilton Colombo has been undergoing major renovations from 2014, which will see improvements across the property including rooms, food and beverage outlets and meeting spaces. The Refurbishment program has been reduced to budget of US $ 10Mn including duties and will be financed by long term debt and internaly generated funds. Capital commitment approved by the Board amounts to approximately US$ 10 Mn.

34.2 Lease Commitments

	31.12.2023 Rs. '000	31.12.2022 Rs. '000
Lease rentals due on non-cancellable operating leases;		
Within one year	-	4,806
Between one and five years	27,737	-
	27,737	**4,806**

The lease commitment is related to 52.38 Perch UDA Car Park which is on 5 year leased property.

35. Contingencies

35.1 The hotel is a defendant in a lawsuit in respect of the damages due to an accident at the function. The Plaintiff has to take steps to serve summons on the Defendant with notice to Hotel developers (Lanka) Limited and get the case listed. Up to date, notice has not been received. (DMR 01012/2014). The management is unable to predict the outcome of such case on the date of the issue of the financial statements. Accordingly, no provision for the above-mentioned lawsuits has been made in these financial statements.

35.2 Surath Wickramasinghe Associates (SWA) made its Claim No. 2 for Additional Work and/or alterations and/or modifications on 13.10.2016, through the document titled ***'Consultancy fee for Extra Work carried out on Colombo Hilton Refurbishment Project after September 2014 to date'*** claiming a sum of **Rs. 60,914,081.77.** (USD 368,377.31, at a rate of 1 USD = Rs. 146.05), for purported additional work done and had delayed in submitting its claim for 2 years after the completion of the work. HDL obtained an independent report from '**Perigon Lanka (Pvt) Ltd.**' which is a company engaged in quantity surveying, and Claim No. 2 of the Claimant was submitted to Perigon Lanka (Pvt) Ltd for review, assessment and certification in terms of which, the amount certified is Rs 13,846,243.96 and accordingly the Company has provided for the same under Contingent liability. This matter has now been referred to arbitration. . Further details are given in Note No 38.5 under litigation matters.

35.3 In accordance with SLFRS 37 the company has made a provision of Rs. 174,911,678 (2022 – Rs.133, 182,480) relating to a disputed licenses fees payable to Colombo Municipal Council by Hotels, Restaurant and Lodging establishments. The Colombo Municipal Council issued a Gazette notice on 6th July 2007 announcing a revision to the rate of licenses fees to be charges with effect from 1st Jan 2007. A case was filed with the Magistrate Court collectively by the Colombo City Hotels including Hilton Colombo in 2007 disputing the said revision. The outcome of the case remains uncertain. Further details are given in Note No 38.7 under litigation matters.

36 Assets Pledged as Securities

The company has mortgaged the Hilton Colombo Property against the loan agreement signed with Peoples Bank and Sampath Bank for Rs. 2,750Mn and 3,150 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 and payments to Competent Authority paid during the period amounts to Rs. 18,727,500/- (Y/E 2022 - Rs. 3,575,000/-).

37.2 Amounts due from related parties (Refer Note16)

37.3 Amounts due to related parties (Refer Note 26)

37.4	**Transactions with related parties**	**31.12.2023 Rs. '000**	**31.12.2022 Rs. '000**
	Managing Company - Hilton International Management Corporation		
	Receiving of services	72,086	72,942
	Affiliates/Group Hotel		
	I. Hilton Worldwide Manage Ltd - UK		
	Receiving of services	10,675	(2,272)
	GSB Charges	85,008	58,117
	II. Hilton Colombo - Residence Rendering of services (net)	(1,676)	(3,061)
	III. Hilton Yala Resorts - Rendering of services (net)	4,165	(61)
	IV. Hilton Weerawila - Rendering of services (net)	1,750	(3,624)
	V. Hilton Kuala Lampur -(Signapore)- Rendering of services (net)	(16,282)	-
	VI. Hilton Shah Alam 1-City (Malaysia) - Rendering of services (net)	42	-
	VII. Hilton Hotel Managemnt (Shanghai) co Ltd - Rendering of services (net)	3,666	

Terms and conditions of transactions with related parties

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

38. Litigation /Aribtraion as of the reporting date

38.1 SC HCCA LA 225/16

This is an Appeal filed by Cornel & Co Ltd against the order of court dated 31st March 2016 in HCCA LA 69/14. As the parties are exploring the possibiity of a settlement the case will be mentioned again on 24 February 2024

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

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

The Plaintiff filed action in the High Court of the Western Province and supported and obtain an exparte Enjoining Orders in terms of prayers [m] and [n] of the Plaint, preventing the implementation of the Settlement Agreements.

This case has been laid by since 29.10.2003 pending a settlement [if any].

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

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

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

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

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

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

38.5 Arbitration – SLNAC/ARB/16-10-2021 Surath Wickramasinghe Associates Vs. Hotel Developers (Lanka) Ltd.

M/s. Surath Wickramasinghe Associates (SWA) who were the Lead Consultants/Architects for Phase 1 of the Refurbishment Program under which the Public Areas were refurbished, are claiming Rs 60 Mn for the additional work performed by them. We have disputed the claim based on the certification from quantity surveyors of Rs 13 Mn. Subsequently, we also obtained a certification from our Internal Auditors M/s. Ernst and Young confirmed that only Rs 9 Mn was payable based on the services rendered. The Company has also filed a Counterclaim of Rs 10.6 Mn stating that a huge loss was incurred by the Company due to the faulty Air Conditioning system designed and installed by SWA. The matter has been referred to Arbitration by SWA and currently both parties are in the process of filing the Witness Statements before the Arbitration Tribunal.

38.6 D.C COL 3155/Spl 116/1996(1) S.C./HC/LA57/2023

Nihal Ameresekera has filed a Leave to Appeal application in the Supreme Court against the Order delivered in the Commercial High Court in Case No 116/ 96. The Case will be taken up for Support on 4th April 2024.

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

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 0.1% of the total annual turnover as a pre-condition to the issue of the Annual Trade License for the years 2009 and 2010 in respect of the restaurant operated at hotel premises. Judgment was delivered on 19th September 2019, and their Lordships of the Court of Appeal dismissed the application and ordered costs. Costs have not been determined as of date. The case was appealed to the Supreme Court, however, the appeal has yet to be supported and cases are filed in the years 2020 (08/2020), 2020 (18/2020), 2020 (93/2020), 2020 (32/2020), 2019 (134/2019), 2019 (124/2019), 2020 (96/2020), 2020 (01/2020) and 2020 (204,2020).

As at 31 December 2023, the Hotel maintains a provision of Rs.174,911,678. (2022 - Rs.133,182,480). Cases filed in 2019 and 2021 are appeals against the Judgment of the Court of Appeal dated 19th September 2019 in CA (Writ) 179/2011 and dated 06th August 2021 in HCMCA 18/2020, dismissing the appeal. The matter is yet to be supported. (394/2019), (218/2021)

38.8 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