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Financial Highlights

	2019	2018
Room Revenue LKR '000	1,171,875	1,219,737
F&B Revenue LKR'000	1,646,118	1,631,492
Other Revenue LKR '000	60,749	59,314
Total Revenue LKR '000	2,878,742	2,910,543
Gross Profit	1,475,059	1,483,379
Gross Profit Margin %	51.24	50.97
Profit/(Loss)before Tax LKR'000	(312,448)	(126,461)
Profit After Tax LKR'000	(325,630)	(127,507)
Revaluation Surplus LKR'000	1,452,978	-
Total Comprehensive Income for the Period LKR'000	1,104,892	(112,512)
Earning/(Loss) per share LKR	0.54	(0.05)
Average Room Rate LKR	21,562	22,944
Occupancy %	49	48
Long Term Interest Bearing Borrowings LKR'000	250,000	Nil
Short Term Debt LKR '000	254,492	432,938
Total Equity LKR '000	15,025,709	13,920,817
Debt/Equity %	3.36	3.11
Total Assets LKR '000	16,605,325	15,330,551
Debt /Total Assets %	3.04	2.82
Current Assets LKR'000	703,208	711,958
Current Liabilities LKR'000	746,976	905,859
Current Ratio (times)	0.94	0.79
Quick Assets Ratio (times)	0.88	0.72

Chairman's Review

“As for the New Beginnings, we at Hotel Developers are committed to transforming the company to a sustainable and profitable entity with optimal use of its assets with concentrated performance-based investment. The company implemented several strategies with a prime focus on investments in expanding event spaces in the property. The much-needed expansion of event spaces secured the opportunity to penetrate the regional markets for the MICE business. As part of new strategy, it has been proposed by the government to create a Premium Real-Estate Portfolio by bringing synergistic institutions under one unit and it is revealed that incorporation of such assets into one umbrella organization, there is potential to further expand these establishments in the future.”

Dear Shareholder

I am pleased to present the Annual Report and Audited Financial Statements for the financial year ending 31st December 2019. As a key player in the hospitality industry in Sri Lanka, strongly supported with the reputed Hilton brand name, Hotel Developers (Lanka) PLC chose to look forward to New Beginnings despite adverse events which took place during 2019. Inspired by the resilience shown by the company, this annual report has been themed, 'New Beginnings', as it embodies our optimistic approach and strategy for the future. Notwithstanding the impact of the 2019 slowdown in tourists post the terrorist attacks, the presidential elections that followed and then the outbreak of COVID-19 which brought global tourism to a virtual standstill, we have risen above the challenges and are forging ahead to chart our own path to recovery.

Industry Conditions in 2019

Tourist arrivals, which recorded the highest-ever quarterly arrivals during the first quarter of 2019, recorded an overall decline of 18.0% to 1,913,702 arrivals in 2019 in comparison to 2,333,796 arrivals recorded in 2018, adversely affected by the Easter Sunday attack. However, remedial measures taken on the policy front, improvement in security conditions, financial support for businesses in the tourism sector, tourism promotion and softening of travel advisories by mid-2019 helped revive tourist arrivals at a faster than anticipated by the end of the year. Accordingly, tourist arrivals gradually recovered, recording only a 4.5% decline on a year-on-year basis in December 2019 from the decline of 70.8% in May.

Tourist arrivals from all major regions, declined in 2019. Europe continued to be the largest tourist origin for Sri Lanka with 887,572 arrivals, accounting for 46.4% of total tourist arrivals. However, tourist arrivals from Europe declined by 12.8% in 2019 in comparison to 2018, despite the increase recorded in arrivals from Central and Eastern Europe, with an impressive growth of arrivals from Russia. The Asia Pacific region recorded the second highest arrivals in 2019 with 839,470 tourists, accounting for 43.9% of total tourist arrivals, despite the overall decline of 23.1%. In terms of tourist arrivals by countries, India remained the leading country of origin with 355,002 arrivals, followed by the UK, China, Germany and Australia. Earnings from tourism declined 17.7% to US dollars 3,607 million in 2019, in comparison to US Dollars 4,381 million in 2018.

Operational Review

During the year, revenue declined by 1% YoY from Rs. 2.91 billion to Rs 2.88 billion. The Rooms Revenue overall declined by 4% while occupancy increased marginally from 48% in 2018 to 49% in 2019 whilst the Average Room rate decreased from Rs 22,944/- in 2018 to Rs 21,562/-. The Food and Beverage Sector performed well despite the setbacks experienced during the peak season and maintained their Revenue at Rs 1.6 billion as in the previous year.

Chairman's Review

Despite the turbulent nature of the year under review, gross profit declined marginally from Rs. 1,483 mn to Rs. 1475 mn in 2019. The trusted Hilton brand name continued to command loyalty. The Gross Profit (GP) margin was maintained at 51%. The Company revalued the assets to reflect the fair value, which resulted in a Revaluation surplus of Rs.1.5 billion and the same was incorporated into the Accounts as at 31st December 2019.

With the refurbishment of F&B completed in the previous year, the outlets continued to attract loyal clientele. Vibrant promotional activities are a signature attraction at the Hilton as it is a preferred venue for both corporate and personal events.

A key pillar of our success is our human capital and we continued to invest in human resource training and development to sustain the high quality of service we are known for.

New Beginnings

As for the New Beginnings, we at Hotel Developers are committed to transform the company to a sustainable and profitable entity with optimal use of its assets with concentrated performance based investment. The company implemented several strategies with prime focus on investments in expanding event spaces in the property. The much-needed expansion of event spaces secured the opportunity to penetrate the regional markets for the MICE business.

As part of new strategy, it has been proposed by the government to create a Premium Real-Estate Portfolio by bringing synergistic institutions under one unit and it is revealed that incorporation of such assets into one umbrella organization, there is potential to further expand these establishments in the future.

Accordingly, the Cabinet of Ministers approved the proposal presented by Prime Minister in his capacity as the minister of Finance, Economic and Policy Development to take necessary actions to bring Canvil Group (Grand Hyatt), Hotel Developers (Pvt) Ltd (Hilton), Grand Oriental Hotels under one institution owned by the Treasury, Bank of Ceylon and Sri Lanka Insurance Corporation, in order to expand these establishments and improve their potential. We believe this strategy has enormous potential and look forward to the implementation.

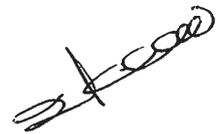
Future Prospects

The country's ability to regain the momentum of economic activity after a terror attack or any other crisis situation at a faster pace depends on the availability of robust contingency plans, disaster recovery programmes and risk management protocols. Therefore, being proactive, rather than reactive, is a critical factor in an event of a crisis. In this aspect, aligning law and order authorities, civil society, tourism authorities and the media to face such crises is essential for the success in improving business and tourism resilience. Sri Lanka has, from time to time, proven its ability to withstand many tragic events. Despite the gradual recovery, the onslaught of the pandemic will prove to be a major setback for the industry and the economy in general. Balancing

lives and livelihoods will be a major challenge going ahead and Hotel Developers is geared to face yet another lean period in the next year.

Appreciation

I would like to express my gratitude to my fellow directors on the Board and the senior management of the company for demonstrating resilience. The General Manager and the staff of Hilton Colombo have been exceptional when it comes to persevering despite all challenges at this critical juncture. All our stakeholders also deserve our sincere gratitude for their faith in our ability and confidence that we will always look to new beginnings.



Sirinimal Perera
Chairman

Directors Profiles

Mr. Sirinimal Perera *Chairman*

Mr. Sirinimal Perera is an Executive Consultant to the Board of Directors of Noritake Lanka Porcelain (Pvt) Ltd., ("Noritake") from 2007 to date and the Chairman of Shore to Shore (Pvt) Ltd., a company engaged in producing of label weaving, box packaging, and garments in IPZ Katunayake. Mr. Perera has more than 30 years executive experience in financial management, accounting, internal auditing and general management including stints with M/s. R.K. Fryer & Co. Chartered Accountants, United Kingdom as an audit senior.

Mr. Perera functioned as the Chairman of Urban Development Authority (UDA) and its subsidiaries, Lanka Logistics & Technologies Co. Ltd., On'ally Co. Ltd., Unidep Company., Waters Edge Company Ltd., Lanka Salt Limited and Managing Director of Sri Lanka Fisheries Corporation. He also served as a Director in the Boards of Peoples Leasing Co. Ltd., Ocean View Co. Ltd., Lanka Ceramic Limited and several other companies. Further he has served for a short period in 2018 as the Chairman of Sri Lanka Tea Board and State Engineering Corporation.

Mr. Nimal Perera completed upto final levels of Association of Chartered and Certified Accountants (ACCA) (UK) and of Higher National Diploma in Business Studies at Luton College of Higher Technology in UK.

Mr. Perera was Conferred with the title "Best Chief Executive" for the best Employee in involvement Organization by the Sri Lanka Association of the advancement of Quality and productivity which functioning under the Ministry of Science Technology.

Mr. Ishan Dantanarayana *Director*

Mr. Ishan Dantanarayana has 30 years of human resources and business partnering experience at senior management level. He is currently the Group Chief People Officer and is also a member of the Corporate Leadership Team of the Brandix Group overlooking operations in Sri Lanka & Global. He additionally serves as a Director of the Board of the Brandix College. Brandix is Sri Lanka's largest exporter & largest employer as confirmed by the Presidential Award currently he is the President of the Association of HR Professionals in Sri Lanka.

He holds a PhD, an MBA, is a Chartered Marketer - FCIM (UK) and has Post Graduate HR and Marketing qualifications. He is also part qualified in Finance - CIMA (UK). He additionally holds an Executive Leadership Certification equivalent to an MBA from Global U21 consisting of Top 26 Universities in the world.

Ms. Dheeshana Amersekere *Director*

Ms. Dheeshana Amersekere holds a Bachelor of Science in Business Administration (specialising in International Marketing) from the American University in Washington DC, USA, and a Bachelor of Science in Travel Industry Management (specialising

in Hotel Management) from the University of Hawaii, USA. Her professional work is as a Hotelier.

She is the Managing Director of the Award-Winning Boutique Hotel - The Theva Residency and Award-Winning Restaurant - The Theva Cuisine in Kandy, Sri Lanka. The Theva Residency and Theva Cuisine have won many International Awards consecutively for the 11 years of their operation. The most recent awards for 2020 – "Leading Boutique Hotel in South Asia"- "Most Romantic Hotels Sri Lanka" at the South Asian Travel Awards (SATA), Haute Grandeur Excellence Awards for "Best Honeymoon Hotels in Asia / Best Small Hotels in Asia. Consecutively for 10 years - The Theva Residency has been awarded as a "Winner of Tripadvisor Service Excellence Award".

Mr. V. Kanagasabapathy *Director*

Mr. Kanagasabapathy, Retired Director General of Public Enterprises, General Treasury currently functions as member of the Finance Commission of Sri Lanka, member of the Council of University of Jaffna, President of the Association of Public Finance Accountants, the Public Sector Wing of CA Sri Lanka; Chairman of the Public Sector Accounting Standards Committee and Member of the Governmental and Public Sector Enterprise Accounting Committee of the South Asian Federation of Accountants. He counts over 40 years of service in the public sector and was the Financial Management Reform Co-ordinator in the Ministry of Finance & Planning.

He holds a Master's Degree in Public Administration from Harvard University and is a Chartered Public Finance Accountant, London. He is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Association of Public Finance Accountants of Sri Lanka, and Institute of Certified Management Accountants of Sri Lanka.

Mr. Priyantha Deniyaya *Director*

Mr. Deniyaya is currently practicing as an Attorney-At-Law, as a Criminal Counsel in the Criminal Private Bar of the Colombo High Court since year 2000, specializes in Defense Counseling.

His appearances include but not limited to the Magistrate's Court, High Court, Court of Appeal and to the Supreme Court. Also successfully appeared In several Fundamental Right Cases representing both Petitioners and Respondents in distinct Landmark Cases and secured the legal concession thereof.

Mr. Deniyaya served as the legal Advisor of the Sustainable Energy Authority [Sri Lanka] from March 2016, and was mainly assigned with the duty of preparing a draft Act, to be presented to the Legal Draftsman with a view to amend the existing Act, to promote Green Energy sector in Sri Lanka.

Directors Profiles

Ms. Visakha Amarasekera

Director

Ms. Amarasekera counts over 15 years' of experience at the Government Treasury, Director of the Department of External Resources of the General Treasury of the Ministry of Finance, Economy and Policy Development.

She was appointed to the Board of Bank of Ceylon on 11th January 2020 as the Non-Executive Ex-Officio Director representing the Ministry of Finance, Economy and Policy Development.

She has represented the Government Treasury on the Boards of several key State-Owned Enterprises including the Ceylon Electricity Board, Ceylon Petroleum Corporation and People's Bank.

Ms. Ameresekere holds a Bachelor of Science (Hons) Degree in Economics and Management from the University of London, UK and Master of Arts in Development Economics from the Vanderbilt University, USA. She is a Member of the Chartered Institute of Management Accountants (CIMA) UK and is also a Chartered Public Finance Accountant.

Mr. P A S Athula Kumara

Director

Mr. Athula Kumara joined the Public Service in 1991 as an Audit Examiner in Auditor General's Department and joined the Department of Public Enterprises, Ministry of Finance in 2007. Currently he is the Director General in Department of Public Enterprises.

He has also been a Director/Board Member of Several Statutory Institutions including Colombo Commercial Fertilizer, Mantai Salt Ltd., Building Material Corporation, Ceylon Agro Industries Ltd., Lanka Hydrolic Ltd., Ceylon Ceramics Corporation.

He holds a B.Sc Management (Public Admin) (Special) degree from the University of Sri Jayawardenapura and in 2015 obtained his Masters degree in Business Studies in University of Colombo. Mr. Athula Kumara is a Class 1 Officer of Sri Lanka Accounts' Services and a member of Chartered Public Accountant in the Institute of Chartered Accountants of Sri Lanka.

Mr. Lal Weerasinghe

Director

Mr. Lal Weerasinghe was a Director for the "Social Security Board" from 2010 to 2013. He also served as a Media Secretary for "Road Development Authority" in 2010.

Mr. Lal Weerasinghe has been working as a Business leader for "Riway International" Singapore since 2017. He also successfully completed the Business Leadership Training Program conducted by Riway Dynamic Leadership Development and Goal Achievement in Malaysia.

Mr. Lal Weerasinghe has won two "Sarasaviya" film awards (Best Actor/Most Popular New Actor). His success in the film industry made him commence his own Film production company L.W. Films and he has produced and directed Sri Lanka movies.

Corporate Governance

The Board of Directors of Hotel Developers (Lanka) PLC is committed and takes responsibility in maintaining highest standards of Corporate Governance in compliance with the Corporate Governance Rules of the Colombo Stock Exchange and the "Code of Best Practice on Corporate Governance" of the Institute of Chartered Accountants of Sri Lanka. The Board of Directors ensures that the Company's responsibility to uphold the highest standards of business integrity, ethical values, transparency and professionalism in all its activities are maintained.

The Board of Directors

It is the responsibility of the Board of Directors to provide entrepreneurial leadership for the Company, formulate corporate strategic goals, values and standards, reviewing performance so that the Company could fulfill its obligations to its stakeholders. The Directors of the Company as at 31st December 2019 were:

The Directors of the Company as at 31st December 2019 were:

Deeshana Swarnarajini Ameresekere	Independent Non Executive Director
Jayamaha Mudalige Upul Priyantha Jayamaha	Non Independent Non Executive Director

None of the above Directors of the Company holds shares in the Company.

Resignation from the Board of Directors during the accounting period

Name of the Director	Resignation with effect from
Dinouk Colombage	01.04.2019
Mohamed Shezmin Mansoor	03.04.2019
Krishantha Prasad Cooray	20.11.2019
Sonali Liyanamana	20.11.2019
Athula Jayantha Senanayake	02.12.2019
Tehani Sharnaz Alenka Mathew	02.12.2019
Pravir Dhanoush Samarasinghe	05.12.2019
Chathuri Priyadarshika Ranasinghe	14.12.2019
Wijewardhane Samarasinghe Lekam Arachchige Dhanuka Ranjith Samarasinghe	16.12.2019
Sanjiv Neville Alles	16.12.2019

The above Directors do not hold shares in the Company.

Appointments to the Board from 1st January 2020 to date

Name of Director	Appointment with effect from
Palihawadana Arachchige Irenius Sirinimal Perera - Independent Non Executive	24.01.2020
Ishan Priyantha Dantanarayana - Independent Non Executive	24.01.2020
Velupillai Kanagasabapathy - Independent Non Executive	24.01.2020
Punchy Hewage Priyantha Deniyaya - Independent Non Executive	24.01.2020
Marakkalage Krishantha Pradeep Kumara - Non Independent Non Executive	31.01.2020
Lal Ranjith Sahabandu Weerasinghe - Independent Non Executive	28.02.2020
Maha Tantrige Indivari Visakha Amarasekera - Non Independent Non Executive	03.07.2020
Patikiri Arachchige Susantha Athula Kumara - Non Independent Non Executive	24.08.2020

None of the above Directors hold shares in the Company.

Resignations from 2020.01.01 up to now

Jayamaha Mudalige Upul Priyantha Jayamaha	(Resigned w.e.f 08.06.2020)
Marakkalage Krishantha Pradeep Kumara	(Ceased w.e.f 24.08.2020)

During the year ended 31st December 2019 the Board met on five (05) occasions and the number of meetings attended by the Directors is given below:

Name of Director	No of Meetings attended
Mr. K. P. Cooray (appointed w.e.f. 08.04.2016)	05
Ms. D. S. Ameresekere (appointed w.e.f. 07.04.2015)	02
Mr. J. M. U. P. Jayamaha (appointed w.e.f. 01.03.2016)	05
Mr. A. Senanayake (appointed w.e.f. 08.04.2016)	04
Ms. T. S. A. Mathew (appointed w.e.f. 08.04.2016)	05
Mr. D. Colombage (appointed w.e.f. 08.04.2016)	01
Mr. M. S. Mansoor (appointed w.e.f. 08.04.2016)	02

Corporate Governance

Name of Director	No of Meetings attended
Mr. W. S. L. A. D. R. Samarasinghe (appointed w.e.f. 08.04.2016)	01
Ms. S. Liyanamana (appointed w.e.f. 08.04.2016)	04
Mr. P. D. Samarasinghe (appointed w.e.f. 29.07.2016)	02

The Directors are provided with Monthly Accounts and Statutory Compliance Statements and all matters of importance are discussed and decisions are taken at the Board Meetings. Further, Board Papers are submitted in advance on issues which require specific approval of the Board. Minutes of all Meetings are properly recorded and maintained by the Company Secretaries.

Internal Controls and Risk Management

The Board has introduced adequate internal controls and risk management systems to safeguard the shareholder investments and the Company's assets. The Board is fully aware that internal controls have inherent limitations and do not provide absolute assurance against fraud and error.

The Board of Directors reviews the Monthly Accounts and the performance of the Company against approved budgets on a regular basis.

Audit Committee

The composition of the Audit Committee during the year ended 31st December 2019 was as follows;

Names of the Directors

Mr. Pravir Dhanoush Samarasinghe	Independent Non-executive Director (Chairman)
Mr. J M U P Jayamaha	Non-independent Non-executive Director (Member)
Mr. M Shezmin Mansoor	Independent Non-executive Director (Member)

The Committee was reconstituted with effect from 29th May 2019 as follows:

Mr. Pravir Samarasinghe (Chairman)	(Independent Non-Executive Director)
Mrs. Chathuri Ranasinghe	(Independent Non-Executive Director)
Mr. W.S.L.A.D.R. Samarasinghe	(Independent Non-Executive Director)

The current composition of the Audit Committee with effect from January 2020 is as follows

Mr. V Kanagasabapathy	Chairman (Independent Non Executive)
Mr. M K P Kumara	Member (resigned on 24.08.20) (Non Independent Non Executive)
Mr. J M U P Jayamaha	Member (resigned on 08.06.2020) (Non Independent Non Executive)
Mr. Priyantha Deniyaye	Member (appointed on 08.06.2020) (Independent Non Executive)

The Audit Committee scrutinize and analyze the Report on the Internal Controls of the Hotel Operations which is prepared by the Internal Auditors Ms. Ernst and Young and ensure application of strict control over the affairs of the Hotel and the Company. The Audit Committee makes recommendations to the Board on necessary improvements to the internal control systems of the Hotel/ Company. Audit Committee also reviews Quarterly Financial Statements which are released to the Colombo Stock Exchange, before recommending to the Board and the Annual Financial Statements before releasing the same for Audit.

Remuneration Committee

The composition of the Remuneration Committee during the year ended 31st December 2019 was as follows:

Names of Directors

Mr. Athula Senanayake	(Chairman, Independent Non Executive)
Mr. Dinuk Colombage	(Member, Independent Non Executive)
Mr. W.S.L.D.A.R.Samarasinghe	(Member, Independent Non Executive)
Mr. Krishantha Cooray	(Independent Non Executive)

The current composition of the Remuneration Committee with effect from January 2020 is as follows:

Names of the Directors

Mr. P A I S Perera	Chairman (Independent Non Executive)
Mr. V Kanagasabapathy	Member (Independent Non Executive)
Mr. Ishan Dantanarayana	Member (Independent Non Executive)

The Remuneration Committee makes recommendation on remuneration matters to the Board.

Related Party Transactions Review Committee

The Related Party Transaction Review Committee was formed as a Board Sub Committee. The Objective of the Committee is to provide independent review and oversight on all related party transactions in compliance with the Listing Rules of the Colombo Stock Exchange.

The composition of the Related Party Transactions Review Committee during the year ended 31st December 2019 was as follows:

Names of Directors

Mr. Athula Senanayake	(Chairman, Independent Non Executive)
Mr. Dinuk Colombage	(Member, Independent Non Executive)
Mr. W.S.L.D.A.R.Samarasinghe	(Member, Independent Non Executive)

The Board has appointed a committee to review Related Party Transactions and the Committee has laid down procedures and policies to identify and review Related Party Transactions.

The current composition of the Related Party Transactions Review Committee with effect from January 2020 is as follows:

Names of the Directors

Mr. V Kanagasabapathy	Chairman (Independent Non Executive)
Mr. J M U P Jayamaha	Member (Resigned on 08.06.2020) (Non Independent Non Executive)
Ms. Deeshana Ameresekere	Member (Independent Non Executive)

The Directors, have disclosed transactions, if any, that could be classified as Related Party Transactions in term of LKAS 24 – “Related Party Disclosures’ and are given in Note 37 to the Financial Statements.

Company Secretaries

Company Secretaries provide advice to the Board on matters relating to the Companies Act and the Colombo Stock Exchange regulations, in order to ensure that the Best Governance practices are adopted by the Board and its Committees.

On 17th June 2020, P.W. Corporate Secretarial (Pvt) Ltd were appointed as the Company Secretaries in place of S.S.P Corporate Services (Private) Ltd.

Compliance with Legal Requirements

All Directors have access to the Financial and Management Information of the Company. The Directors make every endeavor to ensure that the Company complies with Laws and Regulations and to exercise due diligence in managing the affairs of the Company. Additionally, checks and controls are in place to ensure that the policies of the Board are complied with.

Delisting of the Company

The Secretary to the Treasury, the sole Shareholder of the Company pursuant to a recent decision taken by the Cabinet of Ministers dated 26th February 2020, to develop the Company property to reach its full potential as part of an overall development plan of the Government decided to delist the Company..

Accordingly, the Company was delisted from the Colombo Stock Exchange with effect from 25th August 2020.

Obtaining Independent Professional Advice

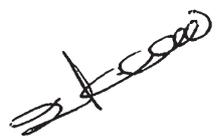
The Board in discharging its duties seeks independent professional advice from external parties when necessary, at the Company's expense.

Dedication to matters of the Board and the Company

The Board of Directors devotes adequate time to the fulfillment of its duties to the Company. The Board has delegated the day to day operations of the Company to the Chief Operating Officer and Chief Financial Officer of the Company.

By Order of the Board

HOTEL DEVELOPERS (LANKA) PLC



P A I S Perera
Director



V. Kanagasabapathy
Director

Colombo
18th December 2020

Annual Report of the Directors on the Affairs of the Company

The Directors of Hotel Developers (Lanka) PLC are pleased to present their Report and the Audited Financial Statements of the Company for the Year ended 31st December 2019.

1. The Principal Activity

The principal activity of the Company is to carry on the business of the proprietors and operators of hotels and for such purpose to construct, purchase, take on a lease or otherwise acquire any lands, buildings and other property and to improve, equip and furnish the same.

2. Financial Statements

The Financial Statements of the Company are given on page 19 to 50.

3. Going Concern

The Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. The financial statements of the Company have accordingly been prepared on a going concern basis.

4. Auditors Report

The Auditors Report on the Financial Statements of the Company is given on page 19 to 20.

5. Change of Secretaries

P W Corporate Secretarial (Pvt) Ltd were appointed Secretaries to the Company on 17th June 2020 in place of the outgoing Secretaries S S P Corporate Services (Private) Limited.

6. Accounting Policy

The significant accounting policies adopted in the Preparation of the Financial Statements are given in Note No 3.

7. Taxation

Provision for taxation has been computed at the rates given in Note 28 to the financial statements.

8. Dividends

The Directors do not recommend a dividend on ordinary shares for the year ended 31st December 2019

9. Board of Directors and their Shareholding

The Directors of the Company as at 31st December 2019 were:

Deeshana Swarnarajini Ameresekere

Jayamaha Mudalige Upul Priyantha Jayamaha

None of the above Directors of the Company holds shares in the Company.

Resignation from the Board of Directors during the accounting period

Name of the Director	Resignation with effect from
Dinuk Colombage	01.04.2019
Mohamed Shezmin Mansoor	03.04.2019
Krishantha Prasad Cooray	20.11.2019
Sonali Liyanamana	20.11.2019
Athula Jayantha Senanayake	02.12.2019
Tehani Sharnez Alenka Mathew	02.12.2019
Pravir Dhanoush Samarasinghe	05.12.2019
Chathuri Priyadarshika Ranasinghe	14.12.2019
Wijewardhane Samarasinghe Lekam Arachchige Dhanuka Ranjith Samarasinghe	16.12.2019
Sanjiv Neville Alles	16.12.2019

The above Directors do not hold shares in the Company.

Appointments to the Board from 1st January 2020 to date

Name of Director	Appointment with effect from
Palihawadana Arachchige Irenius Sirinimal Perera	24.01.2020
Ishan Priyantha Dantanarayana	24.01.2020
Velupillai Kanagasabapathy	24.01.2020
Punchy Hewage Priyantha Deniyaya	24.01.2020
Marakkalage Krishantha Pradeep Kumara	31.01.2020
Lal Ranjith Sahabandu Weerasinghe	28.02.2020
Maha Tantrige Indivari Visakha Amarasekere	03.07.2020
Patikiri Arachchige Susantha Athula Kumara	24.08.2020

None of the above Directors hold shares in the Company.

Resignations from 2020.01.01 up to now

Jayamaha Mudalige Upul Priyantha Jayamaha	(Resigned w.e.f 08.06.2020)
Marakkalage Krishantha Pradeep Kumara	(Ceased w.e.f 24.08.2020)

Mr. P A I S Perera and Mr. V Kanagasabapathy who are over 70 years of age, offer themselves for re-appointment as Directors in pursuance of Section 211 of the Companies Act with the

recommendation of the Directors. Resolutions proposing the re-appointment of Mr. P A I S Perera and Mr. V Kanagasabapathy to the Board of the Company declaring that the age limit of 70 years shall not apply to the said Directors, will be placed before the shareholders at the forthcoming Annual General Meeting.

10. Interest Register

The Directors have made general disclosures as provided for in Section 192 (2) of the Companies Act No. 7 of 2007. Arising from this, details of contracts in which they have an interest, if any, are disclosed in Note 37.1 to the Financial Statements.

11. Remuneration of the Directors

The remuneration and other benefits of Directors during the accounting period are as follows;

Directors' emoluments Rs 3,578,000/- (2018 - Rs 4,405,000/-)

12. Directors Interests / Related Party Transactions

The above details are contained in Note 37 to the financial statements. The Directors have no direct or indirect interest in any contracts or proposed contracts with the Company other than those disclosed.

13. Payments to Auditors

The amount paid or payable to the Auditors for the year ended 31st December 2019 is Rs.3,746,000/- (2018- Rs.2,309,000/-)

14. Donations

The Company has not made any donations during the year ended 31st December 2019.

15. Audit Committee

The Composition of the Audit Committee during the year ended 31st December 2019, was as follows;

Name of the Director

With effect from January 2020

Mr. V Kanagasabapathy	Chairman
Mr. M K P Kumara	Member (resigned on 24.08.20)
Mr. J M U P Jayamaha	Member (resigned on 08.06.2020)
Mr. Priyantha Deniyaye	Member (appointed on 08.06.2020)

16. Remuneration Committee

The composition of the Remuneration Committee is as follows:

Names of the Directors

Mr. P A I S Perera	Chairman
Mr. V Kanagasabapathy	Member
Mr. Ishan Dantanarayana	Member

17. Related Party Transactions Review Committee

The composition of the Related Party Transactions Review Committee is as follows:

Names of the Directors

Mr. V Kanagasabapathy	Chairman
Mr. J M U P Jayamaha	Member (Resigned on 08.06.2020)
Ms. Deeshana Ameresekere	Member

The Directors, have disclosed transactions, if any, that could be classified as Related Party Transactions in term of LKAS 24 – "Related Party Disclosures' and are given in Note 37 to the Financial Statements.

18. Capital Expenditure

The details of material capital commitments are given in to the Financial Statements.

19. Property, Plant And Equipment

The details of the property, plant and equipment are given in Note 12 to the Financial Statements.

20. Stated Capital

The stated Capital of the Company as at 31st December 2019 was Rs. 20,466,456,860/- representing 2,046,645,686 ordinary shares of Rs. 10 each.

21. Directors Responsibilities for the Financial Reporting

The Directors are responsible for the preparation and presentation of the Financial Statements of the Company to reflect a true and fair view of its state of affairs. The Directors confirm that these Financial Statements have been prepared in conformity with the Sri Lanka Accounting Standards and the Companies Act No. 07 of 2007. The Directors are accordingly satisfied that the Financial Statements presented herein give a true and fair view of the state of affairs of the Company as at 31st December 2019 and the profit for the year ended.

Annual Report of the Directors on the Affairs of the Company

22. Statutory Payments

The Directors are satisfied that to the best of their knowledge and belief, all statutory payments due to the Government and the employees of the Company have been made up to date.

23. Post Balance Sheet Events

No events have occurred after the balance sheet date, which would require adjustments to, or disclosure in the Accounts, other than those given in Note 32 to the Financial Statements.

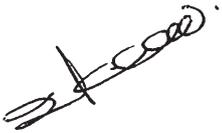
24. Auditors

In terms of the 19th Amendments to the Constitution, Auditor General continues to be the Auditor of the Company.

Notice of Meeting relating to Annual General Meeting of the Company is given on page 51 of the Annual Report.

By Order of the Board

HOTEL DEVELOPERS (LANKA) PLC



P A I S Perera
Director



V. Kanagasabapathy
Director



P W CORPORATE SECRETARIAL (PVT) LTD
Company Secretaries

Colombo
15 December 2020

Risk Management

Being in the forefront of a highly competitive industry that resonates with the demand of attracting and retaining diversified markets amidst numerous challenges, Company considers Risk Management as an integrated process in its pursuit in delivering long term stakeholder value. In its' current business environment where change has become the norm rather than the exception, the Hotel has consistently recognised the pivotal role it plays in balancing strategic planning with business execution and compliance. This facilitates informed decision-making and a conscious evaluation of opportunities and their inherent risks as such, enabling the Hotel to protect or enhance key assets appropriately.

Our Risk Management platform is geared in identifying the types of risk exposure within the company, measuring those potential risks and developing strategies to mitigate and control the same. Risk Management is an essential element of our corporate governance structure and strategic development process and the Hotel has successfully and strategically structured appropriate systems, policies and procedures in all areas of operations with periodical reviews to ensure adequacy and adherence.

Our risk management framework constantly reflects the changing dynamics in the operating environment and are woven into in line with our policy frameworks and international best practices where applicable.

The Management oversees and retain ultimate responsibility for the risk management framework adopted. A Risk Management Team is responsible for the overall implementation of the Board approved risk management policy.

Risk Management Framework

The Risk Management team is headed by the General Manager of the hotel who is assigned the responsibility to implement the risk strategies in consultation with the principal Hilton Worldwide regional office, in fulfilling its statutory, fiduciary and regulatory responsibilities within a well formulated risk management framework. And report to the company Board. Functional heads of the Hotel together with the General Manager make up the Risk Management team. A methodological process ensures that all relevant internal and external risks are identified with intelligence gathering, quality audits, safety audits, internal audits and means such as customer feedback and incidents. These identified risks are then assessed in terms of business impact, likelihood of occurrence and velocity. Risks are mapped in terms of impact and probability, enabling the prioritization of key risk exposures.

The result of these risk rankings are tabulated in a risk grid that rates the risks in scale of 'High to Insignificant', which enables the Hotel to prioritize the risks and to plan out risk mitigation strategies under the classification of preventive, detective and corrective action plans.

The Risk Management Team of the Hotel reviews the identified risks on a monthly basis; the assigned risk owners are responsible for the implementation of any mitigation action and report to the Board through the General Manager. The consolidated financial and operational compliance report is received by the Management. The Risk Management Team has also included the Risk Review on the agenda of Risk Management meetings.

Risk Category & Description	Control Measures and Action Plans to Mitigate Risks
<p>Technology & Information Risk</p> <p>Risk of failure of electronic systems and inadequacy of information systems</p>	<p>Implementation of a fully integrated, property management, material management, Point of Sales and a financial information system, ensuring a seamless flow of information and operational efficiencies.</p> <p>Existence and continuous improvement of a Disaster Recovery Plan in the event of a disruption of failure in the system.</p> <p>The IT Division of the Hotel has implemented controls to safeguard the computer installations of the hotel to reduce downtime and ensure continuity of operation</p> <p>Continuous review of network protection process is carried out to ensure information security and integrity.</p>
<p>Internal Process & Procedures</p> <p>The risk of financial loss and disruption to business and breakdown in Internal Controls</p>	<p>Clearly defined systems & procedures are in place to ensure compliance with internal controls which are periodically reviewed for their continued effectiveness.</p> <p>A periodic Internal Audit process is carried out by the company who directly report to the Audit Committee appointed by the Board. Periodic Reports on adequacy and effectiveness of these systems and level of compliance is submitted to the Audit Committee for review and corrective actions.</p>

Risk Management

Risk Category & Description	Control Measures and Action Plans to Mitigate Risks
Security Risk 	<p>Effective monitoring surveillance systems have been installed meeting the international standards of the Hotel Industry. Investment have been made for increase security equipment and surveillance systems to strengthen the security of the guest and staff. Trained skilled security staff have been deployed and continuous training is provided to ensure the security is maintained effectively.</p>
Natural or Man-made Disasters Loss of property and equipment resulting in significant losses	<p>Adequacy of insurance covers are reviewed regularly and updated when necessary. Crisis management and business recovery plans have been adopted to safeguard the assets and speedy recovery. These are being reviewed periodically.</p> <p>A new sprinkler system has been put in place at the hotel's penthouse level to reduce the risk of fire.</p>
Credit Risk Exposure and losses due to default of settlement debtors	<p>A credit policy and stringent controls are in place to mitigate the impact of default. Credit limits and approval process for new debtors are reviewed on a regular basis.</p> <p>Monthly monitoring and reporting on debtors ageing reports to the management for prompt actions.</p>
Liquidity Risk Inability to meet financial commitments on due dates.	<p>Systems are in place to closely monitor the cash management and credit facilities from suppliers. Banking facilities for operational cash are obtained through close review and approval process to ensure company has the potential to finance the same.</p> <p>Capital investment are reviewed by the management and approved based on sufficient availability of cash flows for financing with realistic cash projections for sustainability.</p>

The company continuously monitor the processes implemented by the hotel to identify, evaluate and manage significant risks that endanger the operations throughout the year in accordance with the guidelines set out by the Hilton Worldwide of USA for management of hotels. Periodic reviews are carried out by the regional office overlooking the Risk Management and reports are submitted for corrective actions.

Below are some of the key items included in the risk register along with the status and mitigation strategies for each, for the financial year ending 31st December 2019.

Risk Category & Description	Control Measures and Action Plans to Mitigate Risks
Operational Risks	
Competitive Risk Reduction in market share, failure to be competitive resulting in lower occupancy and room rates due to the Refurbishment program	<p>Strict adherence to service standards to ensure superior quality in service delivery and value for money</p> <p>Upgrading and enhancing facilities and services.</p> <p>Reviewing and monitoring adherence to Brand Standards and Standard Operational Procedures (SOP).</p> <p>Anticipate competitor strategies and new entrants to market and formulate strategies accordingly.</p> <p>Constant creativity and innovation in products and services.</p> <p>Continuous review of guest feedback and prompt response to issues in order to create customer delight.</p>

Risk Category & Description	Control Measures and Action Plans to Mitigate Risks
<p>Brand Image & Reputational Risk</p> <p>Action that may cause material damage to the brand and reputation of the company</p>	<p>Conduct regular brand audits and mystery audits for guests’ feedback covering both facilities and services.</p> <p>Compliance with environmental, health & safety best practices by obtaining HACCP and other quality certification standards.</p> <p>Food Safety & Hygiene Manager to monitor and manage food safety & hygiene standards as per global Hilton worldwide standards</p> <p>Regular microbiological and chemical analysis of drinking water, swimming pool water, cooling tower water, guest room water & food processing water is carried out by an accredited laboratory to monitor the safety levels and requirements</p> <p>Air quality in the the hotel is regularly tested for Indoor Air Quality (IAQ) parameters.</p> <p>Preventive maintenance programmes are regularly scheduled and conducted to the highest standards to ensure that all food processing/storage equipment are operating at optimum levels</p> <p>Benchmark industry best practices in terms of both product and service.</p> <p>Ensuring key managerial positions are held by suitably qualified and trained staff with sufficient experience in the hotel industry.</p> <p>Innovative service delivery in keeping with the brand promise.</p> <p>Responsible corporate citizenship through CSR initiatives.</p>
<p>Human Resources Risk</p> <p>Risk of losing key personnel and skilled staff; inappropriate labour action</p> <p>Risk of injuries/health hazards due to employees being exposed to hazardous work conditions/chemicals</p>	<p>Structured training programs, cross exposure training opportunities arising from the performance appraisal process.</p> <p>Emphasis on good employer-employee relationships, employee welfare, and an effective and open communication with the labour union to achieve a win-win outcome.</p> <p>Fostering a spirit of unity and self belonging across the organization via associate gatherings, outings, family get-togethers and religious events.</p> <p>Adjusting the salary level of the key team members to be more competitive in the market.</p> <p>Strict adherence to laid down safety standards and procedures.</p>

The Audit Committee Report

Audit Committee Charter

Audit Committee operates as a Sub-Committee of the Board of Directors in terms of the mandates given in the Audit Committee Charter to examine any matters relating to the financial affairs of the Company and to review and monitor the financial reporting.

Role of the Audit Committee

Audit Committee acts as an effective forum to assist the Board of Directors in discharging their responsibilities on ensuring proper systems of Internal Control are in place both in terms of decision making as well as in operations to address the Risk management process and quality of financial reporting covering the following:

- ◆ Integrity of Company Financial Statement and the Company system of Internal Auditing and Financial Controls.
- ◆ Performance of Internal Auditors.
- ◆ Annual Independent Audit of Company's Financial Statement.
- ◆ Impartial review of the reports of internal and external audits and taking into consideration findings and recommendations.
- ◆ Compliance by the Company with statutory requirements.
- ◆ Review of Quarterly Unaudited accounts to be released to the Stock Exchange
- ◆ Adherence to the decisions of the Board of Directors.

Composition of the Audit Committee

Audit Committee comprised of three Non-Executive Directors and the composition is as follows:

Mr. Pravir Samarasinghe	(Chairman) (Independent Non-Executive Director)
Mr.M.Shezmin Manzoor	(Independent Non-Executive Director)
Mr.Priyanatha Jayamaha	(Non-Executive Director and Treasury Representative).

Representatives of the Auditor General attended the meeting as observers. The Committee was reconstituted with effect from 29th May 2019 as follows:

Mr. Pravir Samarasinghe	(Chairman) (Independent Non-Executive Director)
Mrs. Chathuri Ranasinghe	(Independent Non-Executive Director)
Mr. Dhanuka Samarasinghe	(Independent Non-Executive Director)

Mr. Pravir Samarasinghe is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants – UK and holds a Masters Degree in Business Management and counts over 30 years of professional and commercial experience at Senior Management level .

Mr. J.M.U.P. Jayamaha is a member of the Srilanka Government Accountants' service having many years of experience in Financial Management in the public sector.

Mr. Shezmin Manzoor completed his Bachelor's Degree in Science majoring in Supply Chain Management from Arizona State University, USA.

Mr. Dhanuka Samarasinghe has a degree in International Business and Marketing from Deakin University, Australia.

Ms. Chathuri Ranasinghe Ms. Chathuri Ranasinghe Attorney-at-Law and Notary Public. She enrolled as an Attorney-At-Law of the Supreme Court in September 1980, completed the Solicitors Examination, United Kingdom In 1989.

With the reconstitution of the Board, the members of the Audit Committee resigned and the following were appointed as members of the Audit Committee:

With effect from January 2020

Mr. V Kanagasabapathy	Chairman (Independent Non Executive)
Mr. M K P Kumara	Member (resigned on 24.08.20) (Non Independent Non Executive)
Mr. J M U P Jayamaha	Member (resigned on 08.06.2020) (Non Independent Non Executive)
Mr. Priyantha Deniyaye	Member (appointed on 08.06.2020) (Independent Non Executive)

Mr. Kanagasabapathy, is a Retired Director General of Public Enterprises, General Treasury counts over 40 years of service in the public sector and was the Financial Management Reform Co-ordinator in the Ministry of Finance & Planning. Holds a Master's Degree in Public Administration from Harvard University and is a Chartered Public Finance Accountant, London. He is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Association of Public Finance Accountants of Sri Lanka, and Institute of Certified Management Accountants of Sri Lanka.

Mr. Priyanatha Deniyaye is currently practicing as an Attorney-At-Law, as a Criminal Counsel in the Criminal Private Bar of the Colombo High Court since year 2000, specializes in Defense Counselling.

Mr. Marakkalage Krishantha Pradeep Kumara holds a Bachelor of Commerce First Class degree from University of Peradeniya. In addition he has obtained a Post Graduate Diploma in Public Administration from Flinders University. He is currently the Additional Director General of Trade in Department of Trade and Investment Policy.

Audit Committee Meetings

During the year ended 31st December 2019, the Audit Committee had 3 meetings. The Competent Authority, Advisor to the Board, Chief Operating Officer, Chief Financial Officer, Accountant of HDL, General Manager & Director Finance of Hilton Colombo, Internal Auditors Ernst & Young (E & Y), representatives of the Auditor General and Management Auditors of Hilton Colombo attended the Audit Committee Meetings by invitation.

External Auditors

With the enactment of the 19th Amendment to the Constitution the Auditor General continues to be the external Auditor of the Company since 2016. Accordingly, the Financial Statement for the year ending 31st December 2019 was audited by the Auditor General.

Review of Internal Control Systems

E & Y the Internal Auditors of the Company carries out detail audits of the hotel operations on the basis of the Audit Plan approved by the Audit Committee. Internal Audit performs an independent review of the system of internal controls established by the Management and to determine the extent of adherence to the controls by the staff responsible for the function addressing the risk management process. The findings and the contents of the internal Auditors reports are discussed with the Management and corrective measures taken on a timely manner and such reports are presented to the Audit Committee.

Review of Quarterly Financial Statements

Quarterly Financial Statements of the Company were reviewed and recommended by the Audit Committee to the Board for approval before releasing the same to the Colombo Stock Exchange (CSE).

Adoption of IFRS/ SLFRS

The Company prepared its financial statements in accordance with the Sri Lanka Accounting Standards, as applicable for all periods to date.

Review of Compliance Statements.

The committee reviewed the compliance statements to ensure that the company comply with all statutory requirements. In addition, the committee is satisfied that the company adheres to the decision of the Board of Directors.

Review of Draft Financial Statement for the year ended 31st December 2019

The draft Financial Statements for the year ended 31st December 2019 pertaining to the Company were reviewed by the Audit Committee, together with the External Auditors, Internal Auditors and the Management Auditors of the Hotel

Hilton Colombo. The Audit Committee was provided with confirmations and declarations as required, by the Chief Financial Officer. The Audit Committee review facilitated that the said Financial Statements to be prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act, No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

Conclusion

The Audit Committee is of the view that adequate controls are in place to safe guard the Company's assets and financial position and the results disclosed in the audited accounts are free from any material mis-statements.



V. Kanagasabapathy
Chairman
Audit Committee

Financial Statements

Independent Auditor's Report



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NATIONAL AUDIT OFFICE



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எனது இல.
My No.

} MED/C/HDL/1/19/FA-01

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உமது இல.
Your No.

}

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திகதி
Date

} 07 September 2020

Chairman

Hotel Developers (Lanka) PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Hotel Developers (Lanka) PLC for the year ended 31 December 2019 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) PLC (“Company”) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 2019, 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



Independent Auditor's Report



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 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.

1.4 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 scepticism throughout the audit. I also:



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 NATIONAL AUDIT OFFICE

- 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.

Independent Auditor's Report



2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

- I have obtained all the information and explanation that 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) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.
- The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.
- 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.
- 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.

Based on the procedures performed and evidence obtained which limited to matters that are material, nothing has come to my attention;

- 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.
- 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.
- 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.



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- 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 except for;
 - In terms of Paragraph 7.4.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, at least four meetings of Audit and Management Committee should be held per year. However, only three committee meetings had been held during the year under review.

W. P. C. Wickramaratne

Auditor General

Statement of Comprehensive Income

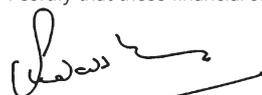
For the 12 Months Ended 31st December 2019		12 Months 31.12.2019	12 Months 31.12.2018
	Notes	Rs. '000	Rs. '000
Revenue	05	2,878,752	2,910,540
Cost of sales		(1,403,693)	(1,427,161)
Gross profit		1,475,059	1,483,379
Investment income	06	10,708	15,627
Other gains and losses	07	20,807	54,355
Administrative expenses		(910,514)	(854,539)
Other expenses		(281,942)	(283,429)
Operating Profit		314,118	415,394
Depreciation		(515,265)	(500,861)
Revaluation Loss		(61,223)	-
Finance costs	08	(50,078)	(40,994)
Profit/(loss) before taxation	09	(312,448)	(126,461)
Income tax expense	10	(13,182)	(1,046)
Profit/(loss) after taxation for the period		(325,630)	(127,507)
Other comprehensive income			
Revaluation surplus		1,452,978	-
Actuarial Gain/(loss)on employee benefit obligations		(22,455)	14,996
Total comprehensive income/ (expense) for the period		1,104,893	(112,512)
Earning per share - Basic (Rs.)	11	0.54	(0.05)

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

Statement of Financial Position

As at 31st December 2019		31.12.2019	31.12.2018
	Notes	Rs. '000	Rs. '000
Assets			
Non-current Assets			
Property, plant & equipment	12	8,728,240	7,485,222
Leasehold land - Main Property	13	6,514,390	6,541,834
Capital work-in-progress		659,487	591,537
Total Non-current Assets		15,902,117	14,618,593
Current Assets			
Inventories	14	47,755	63,494
Trade and other receivables	15	163,642	138,929
Amount due from related parties	16	2,523	5,634
Other assets	17	237,750	255,149
Current financial assets	18	109,990	6,904
Cash and bank balances	19	141,548	241,848
Total Current Assets		703,208	711,958
Total Assets		16,605,325	15,330,551
Equity and Liabilities			
Shareholders' Equity			
Stated capital	20	20,466,456	20,466,456
Revaluation Surplus		1,452,978	-
Reserves	21	43,864	187,217
Accumulated loss		(6,937,588)	(6,732,856)
Total Equity		15,025,710	13,920,817
Non-current Liabilities			
Interest bearing loans and borrowings		250,000	-
Retirement benefit obligations	22	134,550	106,259
Deferred tax liability	23	410,798	397,616
Right to use - Lease Land Liability		37,291	-
Total Non-current Liabilities		832,639	503,875
Current Liabilities			
Trade and other payables	24	349,217	293,987
Amount due to related parties	25	24,619	10,581
Contract Liabilities	26	99,437	106,118
Retention Fees - Refurbishment Project		19,210	62,234
Bank overdraft		254,492	432,938
Total Current Liabilities		746,975	905,859
Total Liabilities		1,579,615	1,409,733
Total Equity and Liabilities		16,605,325	15,330,551
Net Assets pe share - (Rs.)	27	7.34	6.80

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



Sudarshan Sri Rayen
Head of Finance

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 April 2020.



V. Kanagasabapathy
Director



P A I S Perera
Chairman

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

Statement of Changes in Equity

For the 12 Months Ended 31st December 2019	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 2017	20,466,456	-	161,348	(6,594,476)	14,033,329
Profit / (Loss) for the 12 Months period	-	-	-	(127,507)	(127,507)
Actuarial gain/(loss) on employee benefit obligations, net of taxes - loss	-	-	-	14,996	14,996
Replacement of furniture, fittings & equipment	-	-	(90,320)	90,320	-
Transfers to furniture, fittings & equipment reserve	-	-	116,189	(116,189)	-
Balance as at 31st December 2018	20,466,456	-	187,217	(6,732,856)	13,920,817
Profit / (loss) for the 12 Months period	-	-	-	(325,630)	(325,630)
Revaluation Surplus	-	1,452,978	-	-	1,452,978
Actuarial gain/(loss) on employee benefit obligations, net of taxes - loss	-	-	-	(22,455)	(22,455)
Replacement of furniture, fittings & equipment	-	-	(269,904)	269,904	-
Transfers to furniture, fittings & equipment reserve	-	-	126,551	(126,551)	-
Balance as at 31st December 2019	20,466,456	1,452,978	43,864	(6,937,588)	15,025,710

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

STATEMENT OF CASH FLOWS

For the 12 Months Ended 31st December 2019	31.12.2019	31.12.2018
	Rs. '000	Rs. '000
Profit / (Loss) before taxation	(312,448)	(126,461)
Adjustment for		
Depreciation and amortisation	515,265	500,861
Revaluation loss	61,223	-
Provision for defined benefit plans	21,689	21,106
Provision for breakages	(648)	(104)
Interest expenses	50,078	40,994
Profit on sale of property, plant & equipment	-	(6,070)
Unrealized Exchange Gain	1,550	(17,391)
Interest income	(10,708)	(15,627)
Operating profit before working capital changes	326,001	397,308
(Increase)/ decrease in inventories	15,739	(5,485)
(Increase)/ decrease in receivables	(24,712)	12,711
Increase/decrease in amounts dues to related parties	17,149	(6,256)
(Increase)/ decrease in other assets	33,622	11,809
Increase/ (decrease) in trade & other payables	55,878	(117,359)
Increase/(decrease) in contract liabilities	(6,681)	37,890
Cash generated from operations	416,996	330,617
Tax paid	(16,223)	(16,738)
Payment of retirement benefits	(15,853)	(22,432)
Net cash generated from operating activities	384,920	291,447
Cash Flows from Investing Activities		
Purchase of property, plant & equipment	(295,822)	(280,162)
Investment in capital work-in-progress	(110,974)	(283,310)
Proceeds from sale of property, plant & equipment	-	6,070
Net changes in right to use of land lease	(5,972)	1,006
Interest income received	10,708	15,627
Net cash used in investing activities	(402,060)	(540,769)
Cash Flows from Financing Activities		
Interest bearing loans and borrowings	250,000	-
Finance Cost	(50,078)	(40,994)
Net cash used in financing activities	199,922	(40,994)
Net increase/(decrease) in cash & cash equivalents	182,783	(290,317)
Cash & cash equivalents at the beginning of the year (Note 29)	(185,736)	106,130
Cash & cash equivalents at the end of the period	(2,954)	(184,186)

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

Notes to the Financial Statements

Twelve Months Ended 31st December 2019

1. Corporate Information

1.1. General

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

1.2. Principal Activities and Nature of Operations

Hotel Developers (Lanka) PLC 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 22nd April 2020.

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 in accordance with 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 as 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 in accordance with LKAS 01 - presentation of financial statements.

2.5. Materiality & Aggregation

In compliance with LKAS 01 on 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.

Financial assets and financial liabilities are offset and the net amount 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.

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 Iko Tei restaurant at Dutch Hospital and 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, actual 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 nations building tax. 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 purpose of imposition of taxes. Uncertainties exist, with respect to 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.

a) 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 evidences are considered in estimating 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.

b) Useful Life-time of the Property, Plant and Equipment

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

c) Going Concern

The Directors have made an assessment of 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 the going concern basis.

d) Impairment Losses on Financial Assets

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

e) Defined Benefit Plans

The cost of defined benefit plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions which 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 expected future salary increase rate of the Company.

4. Summary of Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of 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 is 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 Customer is recognized when control of the goods or services are 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 rendering of services is recognized when performance obligations are satisfied over a period of time.

Notes to the Financial Statements

Twelve Months Ended 31st December 2019

Room revenue is recognized on the rooms occupied on a daily basis and food and beverage revenue is accounted for at the time of sale. (i.e when performance obligation is satisfied)

(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 FF&E reserve. All other interest income is included in finance income.

(iii) Shop Rental Income

Shop Rental income is recognized on accrual basis.

Turnover based taxes

Turnover based taxes include Value Added Tax, Nation Building Tax, and Tourism Development Levy. Hotel pays such taxes in accordance with 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 on the basis of 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 the purpose of 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 recognised 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 at 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 purpose.

Deferred tax assets are recognized for all deductible differences. Carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will 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 are 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 in accordance with LKAS 16 - property, plant & equipment. Initially property and equipment are measured at cost net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the Property, Plant and Equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major refurbishment is performed, its cost is recognized in the carrying amount of the Property, Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised 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 recognised 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 recognised in the Income Statement, in which case the increase is recognised in the Income Statement. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised 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 assets original cost.

Subsequent Cost

Subsequent expenditure incurred for the purpose of acquiring, extending, or improving assets of a permanent nature by means of which to carry on 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 day-to-day servicing of property, plant and equipment is 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	2.5
Plant and machinery	7.5
Refrigerators & kitchen equipment	7.5
Computers & televisions	20
Motor vehicles	25
Furniture, fittings & equipment	10
Operating Equipment	33

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 its use. Any

gain or loss arising on 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-recognised

4.4.2. Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to 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 less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised 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 recognised 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 recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at 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

Notes to the Financial Statements

Twelve Months Ended 31st December 2019

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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (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 measurement. External valuers are involved for valuation of Property, Plant and Equipment. 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 being amortised 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 of 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 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 the 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 amortised 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. With the exception of trade receivable that do not contain significant financing component for which Hotel has applied the practical expedient, the Hotel initially measures a financial asset at its fair value plus, in the case of financial asset not a fair value through profit or loss, transaction costs. Trade receivable that do not contain a significant financing component for which the Hotel has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

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

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

The Hotel's business model for managing financial assets refers to how it manages financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows selling the financial assets or both.

Purchases or sales of financial assets that require delivery of financial assets within a time frame established by regulation or convention in the market place are recognised 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 in four categories:

- i. Financial assets at amortised 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 amortised cost (debt instruments)

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

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Hotel's financial assets at amortised cost includes cash and bank balances, short term investments, 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 derecognised) 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 recognise the transferred asset to the extent of its continuing involvement. In that case, the Hotel also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the 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 in accordance with 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 in calculating ECLs. Therefore, the Hotel does not track changes in credit risk, but instead recognises 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 and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

Hotel does not have financial liabilities at fair values through profit and loss and derivative financial instruments.

(b) Subsequent measurement

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

Notes to the Financial Statements

Twelve Months Ended 31st December 2019

Loans and borrowings

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

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

(c) De-recognition

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

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 recognised amounts and there is an intention to settle on a net basis, to realise 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 the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

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. The 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 into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised 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 in to financial liabilities at Fair Value Through Profit or Loss (FVTPL) or other financial liabilities in accordance with 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. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognized in profit or loss.

Upon initial recognition, transaction cost are directly attributable to the acquisition are recognized in profit or loss as incurred. The criteria for 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 are directly attributable to the acquisition and subsequently measured at amortised cost using the EIR method. Amortised 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-recognised 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 recognised in profit or loss.

4.12. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 of cash in hand, cash at bank and bank overdrafts.

4.14. Segmental Information

A Segment is a distinguishable component engaged in providing services and that is subject to risks and returns that are different to 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 2019.

Notes to the Financial Statements

Twelve Months Ended 31st December 2019

	31.12.2019	31.12.2018
	Rs. '000'	Rs. '000'
5. Revenue from contracts with customers		
5.1. Gross Revenue from contracts with customers	2,908,639	2,940,886
Less : Tourism Development Levy	(29,886)	(30,346)
Net Revenue from contracts with customers	2,878,752	2,910,540

Value added tax of Rs. 312 Mn (2018 - Rs. 483 Mn) has been deducted in arriving at Revenue.

	31.12.2019	31.12.2018
	Rs. '000'	Rs. '000'
5.2. Revenue		
Room revenue	1,171,875	1,219,736
Food and Beverage revenue	1,646,117	1,631,492
Other operating departments	60,760	59,312
	2,878,752	2,910,540
6. Investment Income		
Interest income - Loans and receivables		
Interest on treasury bills	8,643	-
Interest on staff loans	7	5
Interest on RFC accounts	1,542	1,009
Interest income on FF&E replacement reserve	516	615
Interest on call deposits	-	13,998
	10,708	15,627
7. Other Gains and Losses		
Profit on disposal of plant & equipment	-	6,070
Shop rentals	12,546	9,600
Exchange gain / (loss) unrealized	(1,550)	17,391
Exchange gain realized	1,015	13,273
Sundry income	8,796	8,021
	20,807	54,355
8. Finance Costs		
Bank charges	142	67
Overdraft Interest	47,529	40,927
Concessionary loan facility	2,407	-
	50,078	40,994

	31.12.2019 Rs. '000'	31.12.2018 Rs. '000'
9. Profit for the period		
Profit for the period is stated after charging all expenses including the following:		
Directors' emoluments	3,578	4,405
Auditors' remuneration - Company	1,996	600
- Colombo Hilton	1,750	1,709
Depreciation	515,265	500,861
Staff costs (including the following employee benefit plan costs)	515,394	505,935
- Defined benefit plan cost - Gratuity	21,689	21,106
- Defined contribution plan costs - EPF & ETF	68,571	65,773
Management fees	(10,256)	2,440
Group service & benefit charge - Hilton International	58,195	59,191
Legal fees	1,015	125
10. Income tax expense		
Provision for the period	-	-
Previous year under provision	-	-
Deferred tax (Income) Expense	(13,182)	(1,046)
	(13,182)	(1,046)

During the year no provision has been made in the accounts for income tax in view of accumulated tax losses which could be utilized to set off 100% taxable income for the year. However deferred tax has been provided as per the note 23.

10.1. A reconciliation between Taxable profit and Accounting Profit for the Years Ended 31st December 2019 and 31st December 2018 are as follows

	31.12.2019 Rs. '000'	31.12.2018 Rs. '000'
Accounting Profit Before Income Tax	(312,448)	(126,461)
Aggregate Disallowed Items	560,111	494,820
Aggregate allowable Expense	(511,014)	(639,126)
Trading Profits and Other Sources of Income @ 12%	(263,351)	(270,767)
Other sources of Income Liable @ 28%	10,708	15,627
Total Taxable Profit	10,708	15,627
Loss claimed	(10,708)	(15,627)
Taxable Profit	-	-
Taxable Trading Profit @ 12%	-	-
Taxable other source of Income @ 28%	-	-
Tax on Trading Profit	-	-
Tax on other source of Income	-	-
Current Year Total Tax Expense	-	-

Notes to the Financial Statements

Twelve Months Ended 31st December 2019

	31.12.2019	31.12.2018
	Rs. '000'	Rs. '000'
10.2. Deferred tax		
Deferred tax arising from:		
- Origination and reversal of temporary difference (Note 23)	(13,182)	(1,046)
Total deferred tax charge	(13,182)	(1,046)
10.3. Tax losses carried forward		
Tax losses brought forward	9,687,110	9,702,737
Tax losses set off in the current period	(10,708)	(15,627)
Tax losses carried forward for future periods	9,676,403	9,687,110

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.

	31.12.2019	31.12.2018
	Rs. '000'	Rs. '000'
Profit per ordinary share	0.54	(0.05)
Amount used as the Numerator	31.12.2019	31.12.2018
	Rs. '000	Rs. '000
Profit attributable to the ordinary shareholders	1,104,893	(112,512)
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

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								
Adjusted Balance as at 31st December 2017	8,716,686	562,643	1,634,057	92,938	904,494	294,079	138,897	12,343,796
Additions during the year	142,569	27,491	55,210	-	19,260	8,189	27,524	280,243
Previously reported balance as at 31st December 2018	8,859,256	590,134	1,689,267	92,938	923,754	302,268	166,422	12,624,039
Adjustment - Transfers from Capital Working Progress *	(124)	-	(375)	-	4,853	-	6,363	10,717
Adjusted Balance as at 31st December 2018	8,859,132	590,134	1,688,892	92,938	928,607	302,268	172,784	12,634,756
Additions during the year	46,159	140,812	66,558	-	13,755	13,944	3,877	285,104
Transferred to revaluation reserve	(2,788,845)	(487,270)	(1,278,688)	(92,938)	(478,815)	(293,555)	(163,262)	(5,583,375)
Revaluation Surplus	1,192,554	26,790	61,983	56,020	(61,223)	23,030	92,601	1,391,756
Balance as at 31st December 2019	7,309,000	270,465	538,744	56,020	402,324	45,687	106,000	8,728,240
Accumulated Depreciation								
Balance as at 31st December 2017	2,346,773	457,677	1,121,037	91,693	380,122	258,756	53,612	4,709,669
Charge for the year	219,994	12,819	77,515	1,187	48,625	17,132	51,874	429,146
Previously reported balance as at 31st December 2018	2,566,767	470,496	1,198,552	92,879	428,747	275,888	105,485	5,138,815
Adjustment - Transfers from Capital Working Progress *	(2)	-	(22)	-	212	-	1,225	1,413
Adjusted Balance as at 31st December 2018	2,566,765	470,496	1,198,530	92,879	428,959	275,888	106,710	5,140,228
Charge for the year	222,079	16,774	80,158	58	49,856	17,667	56,552	443,146
Transferred to revaluation reserve	(2,788,845)	(487,270)	(1,278,688)	(92,938)	(478,815)	(293,555)	(163,262)	(5,583,375)
Balance as at 31st December 2019	-	-	-	-	-	-	-	-
Written Down Value								
Balance as at 31st December 2017	6,369,914	104,966	513,020	1,245	524,372	35,323	85,286	7,634,127
Previously reported balance as at 31st December 2018	6,292,489	119,637	490,715	59	495,007	26,380	60,936	7,485,224
Adjusted Balance as at 31st December 2018	6,292,367	119,637	490,362	59	499,648	26,380	66,074	7,494,527
Balance as at 31st December 2019	7,309,000	270,465	538,744	56,020	402,324	45,687	106,000	8,728,240

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

Notes to the Financial Statements

Twelve Months Ended 31st December 2019

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

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

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

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

	31.12.2019 Rs. '000'	31.12.2018 Rs. '000'
Cost	12,919,860	12,634,756
Accumulated Depreciation	(5,583,375)	(5,140,228)
Writtendown Value	7,336,485	7,494,527

12.4. The capitalization of Ballroom renovation in 2018 was based on the estimated cost to completion. The adjustment relating to cost and depreciation is based on the final bills received during the year *.

13.

Rs. "000"	Main Property 99 Year Lease	Shop at Dutch Hospital	UDA Car Park	Total
Balance as at 01. 01. 2018	6,610,530	3,017	-	6,613,547
Amortisation	(70,707)	(1,006)	-	(71,713)
Payments in advance	-	-	-	-
Capitalized Value during the year as per IFRS 16	-	-	-	-
Balance as at 31. 12. 2018	6,539,823	2,011	-	6,541,834
Amortisation	(70,707)	(1,006)	-	(71,713)
Payments in advance	-	-	6,978	6,978
Capitalized Value during the year as per IFRS 16	-	13,784	23,507	37,291
Balance as at 31. 12. 2019	6,469,116	14,789	30,485	6,514,390

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

The amount paid to Urban Development Authority to acquire leasehold land where Ikoi Tei Restaurant of Hilton Colombo situated, is amortised over the lease period of 5 years commencing from 02.12.2016. Further, the company signed leased agreement with UDA for the 30 perch land in front of the hotel for a car park for 5 year period effective from 01 January 2020.

	31.12.2019	31.12.2018
	Rs. '000'	Rs. '000'
14. Inventories		
Food	7,099	15,904
Beverages	29,608	32,538
General stores	7,913	10,482
Engineering stores	3,135	4,570
	47,755	63,494
15. Trade and Other Receivables		
Trade receivables	163,942	140,677
Less: Impairment of debtors	(300)	(1,748)
	163,642	138,929
16. Amounts Due From Related Party		
Hilton Colombo Residence	1,339	1,289
Hilton Weerawila	937	-
Hilton Yala	247	4,344
	2,523	5,634
17. Other Assets		
Deposits, prepayments and advances	101,249	107,999
Other receivables	23,791	24,900
Advances - Refurbishment Expenses	49,962	80,817
Income tax receivable	62,748	41,433
	237,750	255,149
18. Current Financial Assets		
Short-term investments		
Call deposits	102,570	-
	102,570	-
FF&E Reserve Investment		
Call deposits	7,420	6,904
	7,420	6,904
Total Short-term investment	109,990	6,904

Investments for FF&E Reserve are restricted in use and to be used for the replacement of furniture, fittings and equipment as per Article V Section 4 of the Management Agreement entered into between Hilton International Management Corporation and Hotel Developers (Lanka) PLC dated 18th October 2012. Since this investment has been utilized for Hotel Refurbishment, it has now been re classified as Current financial assets from the previous classification of Non current financial assets.

Notes to the Financial Statements

Twelve Months Ended 31st December 2019

	31.12.2019	31.12.2018
	Rs. '000'	Rs. '000'
19. Cash and bank balances		
Saving A/C BOC - US\$	4,567	93,248
Operating Bank A/C	130,596	148,550
Cash	6,386	50
	141,548	241,848

The year end balance in the USD 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.

	31.12.2019	31.12.2018
	Rs. '000'	Rs. '000'
20. Stated Capital		
20.1. Issued and Fully Paid		
2,046,645,686 Ordinary shares	20,466,456	20,466,456
21. Reserves		
Furniture, fittings & equipment replacement reserve (Note 21.1)	43,864	187,217

	31.12.2019	31.12.2018
	Rs. '000	Rs. '000
21.1. Furniture, Fittings and Equipment Replacement Reserves		
Balance at the beginning of the year	187,217	161,348
Add: Provision made during the year	126,551	116,189
Less: Amounts transferred to equity statement Amounts utilized for purchase & replacement - of furniture & fittings	(269,904)	(90,320)
Balance at the end of the year	43,864	187,217

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

	31.12.2019	31.12.2018
	Rs. '000	Rs. '000
22. Retirement Benefit Obligations		
Balance at the beginning of the year	106,259	122,581
Charge for the year	8,938	12,565
Recognition of transitional liability /(asset) and actuarial loss/(gain)	8,019	4,767
Loss/ (gain) arising from changes in the assumptions or due to (over)/under provisions in the previous years	14,436	(19,762)
Interest cost for the year	12,751	8,541
Payments made during the year	(15,853)	(22,432)
Balance at the end of the year	134,550	106,259

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 10.00% (vs 10.25% last year) to reflect the yield rates of the Treasury Bonds The principal assumptions used in determining the cost of employee benefits were:

	31.12.2019	31.12.2018
Discount rate	10.00%	10.25%
Future salary increase	3.00%	6.00%

Sensitivity & maturity profile	Discount Rate		Salary Increment	
	2019	2018	2019	2,018
Increase by one percentage point	(4,172)	(3,353)	4,443	3,578
Decrease by one percentage point	4,538	(3,629)	(4,142)	3,348

	31.12.2019 Rs. '000'
Maturity Analysis of the payments as at 31 December 2019 - Undiscounted	
With in next 12 Months	19,218
Between 1 and 2 years	20,458
Between 2 and 5 years	22,896
Between 5 and 10 years	53,947
Total Expected payments	116,518

	31.12.2019 Rs. '000	31.12.2018 Rs. '000
23. Deferred Tax Liability		
Balance at the beginning of the year	397,616	396,570
Deferred tax expense/(income)	13,182	1,046
Balance at the end of the year	410,798	397,616
23.1. The closing deferred tax liability balance relates to the following:		
Accelerated depreciation for tax purposes	756,919	739,776
Retirement benefit obligation	(18,837)	(14,876)
Deferred tax asset relating to utilisation of brought forward - tax losses	(327,284)	(327,284)
	410,798	397,616

The deferred tax has been calculated at the rate of 14%

Notes to the Financial Statements

Twelve Months Ended 31st December 2019

	31.12.2019	31.12.2018
	Rs. '000	Rs. '000
24. Trade and Other Payables		
Trade payables	166,832	140,763
Sundry creditors and including accrued expenses	86,364	58,473
Management fee payable *	(14,239)	(3,779)
Other liabilities	57,330	44,730
Replacement of breakages	10,185	10,834
Statutory payables	42,745	42,967
	349,217	293,987

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

	31.12.2019	31.12.2018
	Rs. '000	Rs. '000
25. Amounts Due To Related Parties		
Hilton International Asia Pacific	12,322	6,810
Hilton International USA	12,297	3,771
	24,619	10,581
26. Contract Liabilities		
Guest Advance Deposits and Advances	99,437	106,118
	99,437	106,118
27. Net Assets per share		
Net Assets Value (Rs)	15,025,710	13,920,817
Number of ordinary shares "000"	2,046,646	2,046,646
Net Assets per share	7.34	6.80
28. Income Tax Liability		
Opening Balance	(41,481)	(24,681)
Provision for the period	-	-
Previous year under provision	-	-
Tax credit		
Economic Service Charge	(21,128)	(16,738)
Withholding tax	(139)	(62)
Notional tax	-	-
Self assessment payment	-	-
Balance at the end of the year(Current year balance transferred to Other Assets)	(62,748)	(41,481)

	31.12.2019	31.12.2018
	Rs. '000	Rs. '000
29. Notes to the Cash Flow Statement		
29.1. Cash and Cash Equivalents at the Beginning of the Year		
Cash and bank balance	241,848	225,599
Call deposits	6,904	135,608
Bank overdraft	(432,938)	(272,468)
Unrealized exchange gain on USD Saving deposit	(1,550)	17,391
	(185,736)	106,130
29.2. Cash and Cash Equivalents at the end of the Year		
Cash and bank balance	141,548	241,848
Call deposits	109,990	6,904
Bank overdraft	(254,492)	(432,938)
	(2,954)	(184,186)

30. Analysis of financial instruments by measurement basis As at 31st December 2019

Financial assets by categories	Loans and receivables	
	31.12.2019	31.12.2018
	Rs. '000	Rs. '000
Financial instruments in current assets		
Trade and other receivables	163,642	138,929
Other assets	237,750	255,149
Amounts due from related party	2,523	5,634
Other current financial assets	109,990	6,904
Cash in hand and at bank	141,548	241,848
Total	655,453	648,463
Financial liabilities by categories		
Financial liabilities by categories	Financial Liabilities measured at amortized cost	
	31.12.2019	31.12.2018
	Rs. '000	Rs. '000
Financial Instruments in current liabilities		
Trade and other payables	349,217	293,987
Amounts due to related party	24,619	10,581
Bank overdrafts	254,492	432,938
Total	628,329	737,506

Notes to the Financial Statements

Twelve Months Ended 31st December 2019

31. Financial Risk Management

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

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

31.1. 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.

31.2. Credit risk exposure

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

In Rs. "000"	As at 31 December 2019				Total
	Cash in hand and at bank	Short term investments	Trade and other receivable	Amounts due from related parties	
Deposits with bank	-	109,990	-	-	109,990
Trade and other receivables	-	-	163,642	-	163,642
Amounts due from related parties	-	-	-	2,523	2,523
Cash in hand and at bank	136,982	4,567	-	-	141,548
Total credit risk exposure	136,982	114,557	163,642	2,523	417,703

In Rs. "000"	As at 31 December 2018				Total
	Cash in hand and at bank	Short term investments	Trade and other receivable	Amounts due from related parties	
Deposits with bank	-	6,904	-	-	6,904
Trade and other receivables	-	-	138,929	-	138,929
Amounts due from related parties	-	-	-	5,634	5,634
Cash in hand and at bank	147,036	91,269	-	-	238,305
Total credit risk exposure	147,036	98,172	138,929	5,634	389,771

31.3. Trade and other receivables

In Rs. "000"	As at 31 December 2019	As at 31 December 2018
Neither past due nor impaired	109,240	105,527
	30-60	19,240
	61-90	31,042
Past due but not impaired	91-120	285
	121-150	-
	151>	2,220
Gross carrying value	163,942	140,677
Less: impairment provision		
Individually assessed impairment provision	(300)	(1,748)
Total	163,642	138,929

31.4. Amounts due from related parties

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

31.5. 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. (2,953,810/-) as at 31 December 2019 (as at 31 December 2018 - Rs. (184,186,446/-).

31.6. 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 In Rs.	As at 31 December 2019	As at 31 December 2018
Short term investments	109,990	6,904
Cash in hand and at bank	141,548	241,848
Total liquid Assets	251,538	248,752
Bank overdrafts	254,492	432,938
Total Borrowings	254,492	432,938
Net (debt)/cash	(2,954)	(184,186)

Notes to the Financial Statements

Twelve Months Ended 31st December 2019

31.7. Maturity analysis

The table below summarises the maturity profile of the Hotel's financial liabilities at 31 December 2019 based on contractual undiscounted payments.

In Rs.	As at 31 December 2019		As at 31 December 2018	
	Within one year	Total	Within one year	Total
Trade & other payables	349,217	349,217	293,987	293,987
Amounts due to related parties	24,619	24,619	10,581	10,581
Retention Fees - Refurbishment Project	19,210	19,210	62,234	62,234
Bank overdrafts	254,492	254,492	432,938	432,938
	647,539	647,539	799,740	799,740

31.8. 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.

32. Events after the Reporting Date

There have been no material events after reporting date that require adjustment to or disclosure in the financial statements other than the below.

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. The duration and impact of the COVID-19 pandemic remains unclear at this time. Hence, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods. The Company has determined that these events are non-adjusting subsequent events. Therefore, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted.

On 16th March 2020, in response to significant decreases in demand resulting from social distancing efforts, quarantines and border closures related to the spread of COVID-19, the Company had operating losses and negative cash flows from operations for the period from 16th March 2020 to 22nd April 2020. However, the management having considered this as a temporary setback, made contingency plan to sustain the business during this critical period. Management is confident that it can successfully tackle the situation and turn around the company based on the present strength. It has therefore decided to fast track the existing renovation program during the existing lock down to exploit the opportunity of minimal disturbances to operation from construction work envisaging to make the best out of the peak business period from 2021 onward.

33. Capital Commitments

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

33.1. 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 internally generated funds. Capital commitment approved by the Board but not contracted for amounts to approximately US\$ 10 Mn.

	31.12.2019	31.12.2018
	Rs. '000	Rs. '000
33.2. Lease Commitments		
Lease rentals due on non-cancellable operating leases;		
Within one year	7,984	1,005
Between one and five years	37,291	2,011
	45,275	3,017

The lease commitment is related to the Ikoï Tei restaurant at the former Dutch hospital premises which is on 5 year leased property.

34. Contingent Liability

The hotel is a defendant in several lawsuits in respect of termination of employment and compensation for loss and damages due to power interruption during a function. The management is unable to predict the outcome of such cases on the date of the issue of the financial statements. Accordingly, no provision for any liability has been made in these financial statements.

By a Notice Published in the Gazette dated 6th July 2007 the Colombo Municipal Council has revised the license fee in relation to the hotels, restaurants and lodging places for the period applicable from 1st January 2007. Hotels in the city of Colombo including the Hilton Colombo had protested against the increase of the said license fee, hence filed cases in the Magistrate Court. As at 31 December 2019, the Hotel maintains a provision of Rs.16,832,522 (2018: Rs. 6,932,522). The outcome of the said case is unknown as of the reporting date

35. Comparative Information

The presentation and classification of the financial statements have been amended, where relevant for better presentation and comparable information.

For the Year Ended 31 December 2019	Current presentation	As reported previously	Difference
Cost of sales	1,427,161	593,251	833,910
Administrative Expenses	854,539	1,509,457	(654,918)
Other Operating Expenses	283,429	462,421	(178,992)

35.1. Considering the nature of the main business, expenses directly linked to generate the related revenue, which were previously classified under administrative, Sales & Distribution and other expenses were reclassified to cost of sales for better presentation.

36. Assets Pledged as Securities

The Company has mortgaged the main property of the Hotel against the loan agreement signed with DFCC Bank for a loan facility of USD 30Mn for the refurbishment project. However, this loan facility has not been utilized to date.

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 and the Competent Authority who has been appointed in terms of the provisions of the revival of underperforming or under utilized assets act no. 43 of 2011.

Directors' emoluments and payments to Competent Authority paid during the period amounts to Rs. 3,578,000/- (Y/E 2018 - Rs. 4,405,000/-).

37.2. Amounts due from related parties (Refer Note16)

Notes to the Financial Statements

Twelve Months Ended 31st December 2019

37.3 Amounts due to related parties (Refer Note 25)

37.4 Transactions with related parties

	31.12.2019	31.12.2018
	Rs. '000	Rs. '000
Managing Company - Hilton International Management Corporation		
Receiving of services	47,939	61,631
Affiliates/Group Hotel		
I. Hilton Worldwide Manage Ltd - UK Receiving of services	68,053	74,224
II. Hilton Colombo - Residence Rendering of services	49	1,049
III. Hilton Yala Resorts- Rendering of services	248	-
IV. Hilton Weerawila- Rendering of services	29,749	9,830

Terms and conditions of transactions with related parties

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

38. Litigation as of the reporting date

38.1. SC HCCA LA 225/16

This is an Appeal filed by Cornel & Co Ltd against the order of court dated 31st March 2016 in HCCA LA 69/14.

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

[Date of Filing 4/8/1994]

HDL is the Plaintiff in this Action.

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

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

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

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

Notice of Meeting

NOTICE is hereby given that the ANNUAL GENERAL MEETING of HOTEL DEVELOPERS (LANKA) PLC will be held at the Board Room of Hotel Developers (Lanka) PLC, at No.2, Sir Chittampalam A Gadiner Mawatha, Colombo 02 on 23rd December 2020 at 5.00 p.m.

Agenda

1. To pass the following resolution to accept the Notice of Meeting
"RESOLVED that the Notice dated 14th December 2020 convening the Annual General Meeting of the Company be and is hereby accepted as a valid notice irrespective of the fact that the meeting has been called with shorter notice than that specified in the Article of Association and in the Companies Act No. 07 of 2007"
2. To receive and consider the Annual Report of the Board of Directors, Statement of Accounts and the Balance Sheet of the Company for the year ended 31st December 2019 together with the report of the Auditors thereon.
3. To pass the ordinary resolution set out below to appoint Mr. Palihawadana Arachchige Irenius Sirinimal Perera who is 76 years of age as a Director of the Company.
"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. Palihawadana Arachchige Irenius Sirinimal Perera Who is 76 Years of age and that he be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No.07 of 2007."
4. To pass the ordinary resolution set out below to appoint Mr. Veluppillai Kanagasabapathy who is 74 years of age as a Director of the Company.
"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. Veluppillai Kanagasabapathy who is 74 of age and that he be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No.07 of 2007."
5. To note that the Auditor General continues to be the Auditor of the Company pursuant to the 19th Amendment to the Constitution.

By order of the Board of Directors of

HOTEL DEVELOPERS (LANKA) PLC
P W CORPORATE SECRETARIAL (PVT) LTD



Secretaries

Colombo
15th December 2020

Note:

- ◆ A member of the Company is entitled to appoint a Proxy to attend and vote on his or her behalf.
- ◆ A Proxy need not be a member.
- ◆ A Proxy form, which is enclosed should be deposited at the Registered Office of the Company not less than 48 hours before the meeting.

Form of Proxy

I/Weof

Being a member/members of Hotel Developers (Lanka) PLC hereby appoint:

of or falling him/her

Mr. Palihawadana Arachchige Irenius Sirinimal PERERA	of Colombo falling him
Ms. Dheeshana S. Ameresekere	of Colombo falling her
Mr. Ishan Priyantha DANTANARAYANA	of Colombo falling him
Mr. Veluppillai KANAGASABAPATHY	of Colombo falling him
Mr. Punchy Hewage Priyantha DENIYAYA	of Colombo falling him
Mr. Lal Ranjith Sahabandu WEERASINGHE	of Colombo falling him
Ms. Maha Tantrige Indivari Visakha AMARASEKERE	of Colombo falling her
Mr. Patikiri Arachchige Susantha Athula KUMARA	of Colombo falling him

As my/our to represent me/us to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 23rd December 2020 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Agenda Item	For	Against
1. To accept the Notice of Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
2. To receive and consider the Report of the Directors and the statements of Accounts for the year ended 31st December 2019 together with the Report of The Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
3. To pass the ordinary resolution set out under item 3 of the Notice of Meeting For the re-appointment of Mr. P A I S Perera	<input type="checkbox"/>	<input type="checkbox"/>
4. To pass the ordinary resolution set out under item 3 of the Notice of Meeting For the re-appointment of Mr. V Kanagasabapathy	<input type="checkbox"/>	<input type="checkbox"/>
5. To note that the Auditor General continues to be the Auditor of the Company pursuant to the 19th Amendment to the Constitution.	<input type="checkbox"/>	<input type="checkbox"/>

Singed this day of 2020

.....
Signature of the Shareholder

Note:

1. Instructions as to completion are noted on page 54
2. A Proxy need not be a member of the Company
3. Please mark "X" in appropriate cages to indicate your instructions as to voting.

Form of Proxy

Instructions as to Completion of Proxy

1. Kindly perfect the form of Proxy by legibly filling your full name and address, signing in the space provided, and filling in the date of signature.
2. If the Proxy Form is signed by an Attorney, the relative Power of Attorney should also accompany the Proxy form for registration, if such Power of Attorney has not already been registered with the Company.
3. In the case of Company/Corporation, the Proxy must be filled and attested in the legally prescribed manner.
4. The complete Form of Proxy should be deposited at the office of the Secretaries, S S P Corporate Services (Private) Limited, No. 101, Inner Flower Road, Colombo 03, not less than 48 hours, before the Meeting.
5. A shareholder appointing a Proxy (other than a Director of the Company) to attend the meeting should indicate the Proxy holder's National Identity Card (NIC) number on the Form of Proxy and request the Proxy holder to bring his/her National Identity Card with him/her.

Corporate Information

Name of the Company:

HOTEL DEVELOPERS (LANKA) PLC

Legal Form:

A Public Quoted Company with Limited Liability

Date of Incorporation:

15th March 1983

Company Registration No:

PQ 143

Directors:

Mr. Palihawadana Arachchige Irenius Sirinimal Perera - Chairman

Mr. Ishan Priyantha Dantanarayana

Ms. Dheeshana Ameresekere

Mr. Veluppillai Kanagasabapathy

Mr. Punchy Hewage Priyantha Deniyaya

Ms. Maha Tantrige Indivari Visakha Amarasekera

Mr. Patikiri Arachchige Susantha Athula Kumara

Mr. Lal Ranjith Sahabandu Weerasinghe

The above Directors do not hold shares in the company

Registered Office:

Hotel Developers (Lanka) PLC

C/o Hilton Colombo

No. 2 Sr Chittampalam A Gardiner Mawatha,
Colombo 02.

Tel: +94 112433435

Fax: +94 112446545

Email: hdl_hilton@sltnet.lk

Web site: www.hoteldevelopers.lk

Secretaries and Registrars:

P W Corporate Secretarial (Pvt) Ltd

No. 3/17 Kynsey Road,

Colombo 08.

Bankers:

DFCC Bank PLC

73/5 Galle Road,

Colombo 03.

Lawyers:

M/s. D L & F De Saram

Attorneys-at-Law and Notaries Public

47, Alexandra Place,

Colombo 07.

Auditors:

Auditors General

Department of the Auditor General

Polduwa Road,

Battaramulla.

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