

# Luxury

*Redefined*

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# Luxury

*Redefined*

Hilton promises and delivers a world of authentic experiences so typically us. It's the familiar signature style that has endured and endeared us to our guests. And yet, we remain in sync with demands of tomorrow's global traveler. When our guests step into our portals, they come to savour our inimitable signature style.



# Financial Highlights

|                                                | 2015<br>09 Months<br>(Actual) | 2014<br>09 Months<br>(Proportionate) | 2014 / 2015<br>12 Months<br>(Actual) |
|------------------------------------------------|-------------------------------|--------------------------------------|--------------------------------------|
| Room Revenue LKR '000                          | 734,422                       | 809,654                              | 1,079,538                            |
| F&B Revenue LKR '000                           | 797,303                       | 931,923                              | 1,242,564                            |
| Other Revenue LKR '000                         | 39,978                        | 44,872                               | 59,829                               |
| Total Revenue LKR '000                         | 1,571,704                     | 1,786,448                            | 2,381,931                            |
| Gross Profit Margin %                          | 82%                           | 81%                                  | 81%                                  |
| Profit/(Loss) before Tax LKR '000              | 91,713                        | 206,771                              | 275,695.00                           |
| Profit After Tax LKR '000                      | 26,609                        | 122,639                              | 163,519.00                           |
| Earning/(Loss) Per Share LKR                   | 0.01                          | 0.06                                 | 0.08                                 |
| Average Room Rate                              | 20,326                        | 18,588                               | 18,906                               |
| Occupancy                                      | 38%                           | 43%                                  | 41%                                  |
|                                                | <b>As at 31.12.2015</b>       | <b>As at 31.03.2015</b>              |                                      |
| Long Term Interest Bearing Borrowings LKR '000 |                               |                                      | -                                    |
| Total Equity LKR '000                          | 13,636,951                    |                                      | 13,620,031                           |
| Debt/Equity %                                  | 0.93%                         |                                      | 0.21%                                |
| Total Assets LKR '000                          | 14,772,000                    |                                      | 14,414,174                           |
| Debt/Total Assets %                            | 0.86%                         |                                      | 0.20%                                |
| Current Assets LKR '000                        | 1,667,899                     |                                      | 1,900,447                            |
| Current Liabilities LKR '000                   | 551,801                       |                                      | 261,437                              |
| Current Ratio (times)                          | 3.02                          |                                      | 7.27                                 |
| Quick Assets Ratio (times)                     | 2.95                          |                                      | 7.12                                 |







A handwritten signature in black ink, appearing to be 'KPC' with a stylized flourish underneath.

**Krishantha Prasad Cooray**  
Chairman



## Chairman's Message

Dear Shareholder,

It gives me great pleasure to announce to you the eagerly awaited reinstatement of the Hilton Colombo to its rightful position as the crowning glory of Sri Lankan hospitality. The current year marks the beginning of a new era where luxury has been redefined under the aegis of the Hilton brand to satisfy the most discerning expectations of sophisticated international travellers. Following months of renovations and modernisation, the Hilton is now poised to regain its position as the leading international luxury leisure and hospitality services provider in Sri Lanka and is ideally positioned to support the national tourism development goals with premium products and services internationally associated with the Hilton Brand. It is against this propitious backdrop that I present the Annual Report and Statement of Accounts of Hotel Developers (Lanka) PLC for the 9 months period ended 31st of December 2015. I am pleased to report that Your Company has achieved a profit and contributed positively towards the national tourism industry and overall national economic growth, despite a challenging year where all operational activities were conducted within the backdrop of ongoing renovations and internal changes.

I take this opportunity to provide you with an overview of the industry during the period under review, our achievements amidst these challenges and our future strategy to sustain growth, whilst contributing to the development of the tourism industry and the economy of Sri Lanka.

### Global Tourism Scenario

Tourism remained one of the leading international revenue generators across the globe in 2015, with international tourist arrivals growing by 4.4% to reach a total of 1,184 million, according to the latest UNWTO statistics. Asia and the Pacific recorded 13 million more international tourist arrivals, while Oceania and South-East Asia accounted for the major share of growth. China, the US and the UK saw the strongest outbound travel growth in 2015 where China was the fastest growing outbound destination. Tourism in the Russian Federation and Brazil declined significantly, reflecting the economic constraints in both countries.

The sentiment remains largely positive for 2016, though at a slightly lower level as compared to the previous two years. Based on the

*"I am confident the Hilton Colombo will stay ahead of the curve, upon completion of refurbishment, despite the rising tide of competition in the city hotels segment."*

## *Chairman's Message*

current trend and this outlook, UNWTO projects international tourist arrivals to grow by 4% worldwide in 2016.

### **Local Sector Growth**

The global growth trend in tourism was reflected in Sri Lanka, where the tourism industry maintained an upward trajectory in the peaceful and stable context of the post-conflict era supported by conducive national policies that have earmarked the tourism sector as a key growth sector of the local economy. Tourism is a major foreign exchange generator, while also opening up diverse employment opportunities across the country. It has almost unlimited potential for growth given the natural and cultural endowments Sri Lanka has been blessed with, and the country has commenced the process of realising this potential.

On track with industry growth objectives tourist arrivals exceeded the target of 1.5 million, reflecting an increase of 13% in 2015, which is exceptional. This growth can be attributed to an effective tourism policy and to the support rendered to the industry by the government. The Hilton Colombo is proud to have been an active and significant contributor to this industry revival through a range of high-end, state-of-the-art leisure services that have set new industry benchmarks by reinventing the concept of luxury leisure.

Sri Lanka saw sustained growth in tourist arrivals from the non traditional markets of South East Asia supported by the widespread tourism promotional campaigns conducted by the country as part of the national tourism development strategy. The higher inflows from South

East Asia contributed towards offsetting the decline in arrivals from traditional European markets. The arrivals from China, India, East Europe, UK, Japan and Germany were the key contributors to the upsurge in tourist arrivals, with China being the biggest contributor. However, over 60% of the arrivals have been recorded as leisure travel, while the business travel segment showed a slower rate of growth. In addition, the tourism sector is currently experiencing a boom. Therefore, it is vital that marketing and promotional campaigns to reposition Sri Lanka as an emerging tourism destination be sustained in the coming years.

The domestic tourism industry has been greatly uplifted by the post-conflict investment drive in tourism-related infrastructure development that has directly contributed towards capacity expansion of the leisure and tourism sector, while also enhancing product and service quality and expanding the tourism product portfolio of the country. This expansion will fuel future industry growth by establishing Sri Lanka among premier global tourism destinations in the region by catering to diverse customer segments from business travellers, to sun-and-sand tourists, to cultural tourists and other segments of leisure travellers. I believe the business segment in particular presents a growth opportunity for Sri Lanka's tourism sector as business travel, not only from outside the region, but also within the region, and continues to grow, fuelled by unstoppable globalisation forces. Sri Lanka is ideally positioned to capitalise on this movement of business travellers by providing secure, customised and luxury accommodation for business travellers from all parts of the globe. The 2016 National Budget that targets growth in FDIs, aims to establish a suitable business environment to attract foreign investments is a positive step in this direction.

Given the many opportunities for national growth and development offered through regulated and sustainable tourism growth the domestic tourism Industry has the potential to become a leading economic sector of the country. Therefore, the tourism policy of Sri Lanka must focus on harnessing the opportunities in the global tourism market to extend beyond traditional boundaries to make Sri Lanka an exciting destination for tourists. The Hilton Colombo is now ideally positioned to become a channel to cater to such specialised travel and tourism needs and is poised to support the country in its development drive.

## Company Outlook

Your Company has taken the lead in reinventing the concept of luxury accommodation in Sri Lanka, by incorporating opulent details into all aspects of the Hilton Colombo from its overall ambience, to design and art décor elements, to all products and services. We are incorporating superior value across the Hilton experience to enable the Hilton brand to sustain its position as the leading international 5-star hotel in Sri Lanka. This extensive capital investment will enhance the value of the property while also boosting brand equity and opening up new opportunities for growth across international markets. In addition, our partnership with the internationally renowned Hilton brand provides an unparalleled competitive advantage against the rising competition, where the Hilton brand has an unrivalled reputation for luxury and the highest International service standards coveted by elite travellers from across the globe. Therefore, I am confident the Hilton Colombo will stay ahead of the curve upon completion of refurbishment, despite the rising tide of competition in the city hotels segment.

Our growth strategy will harness the advantages of our brand strength and improved facilities, to penetrate tourism markets across the globe. The Hilton brand loyalty, new and improved ambience, state-of-the-art facilities and sumptuous product range, will make it possible to position the Hilton Colombo on the global luxury tourism map. We are strengthening our marketing drive and support services in line with this objective and we are equipped with the correct mix of skills and experience to drive this process. Therefore, I am confident we will be able to generate a healthy return on investment for the refurbishment, over the short to medium term.

## Conclusion

As we look towards the future, I am confident the Hilton Colombo is equipped to overcome all challenges that come our way by harnessing our expertise in the domestic and international tourism industry. I would like to thank my fellow board members for their support and the senior management and the entire staff of the company and hotel for their tireless efforts in ensuring uninterrupted business operations while also accommodating on-going refurbishments to the property. I take this opportunity to thank the outgoing Board of Directors for their contributions made to the success of our performance in the past. I also wish to convey my sincere gratitude to our valued guests for patronising the Hilton Colombo and for their support in this difficult time, which reflects brand loyalty and the service level maintained by our staff.

Finally, I wish to acknowledge you, our shareholder, with gratitude for continuing to be an integral part of our company and supporting us throughout this challenging period. I look forward for your continued support in the years ahead.



## *Board of Directors*

### **Mr. Krishantha Prasad Cooray**

Chairman

Mr. Cooray, whose academic training has been in Political Science and Law, is a senior professional with many years of experience in the corporate sector. Upon obtaining a Bachelor of Arts (Honours) degree in Political Science and Law from the University of Middlesex, Krishantha Cooray joined the Richard Peiris Group as the Head of Business Development and went on to found the first completely independent publishing house owned by a public-quoted company. He has held several executive positions in leading and innovative corporate entities including the Ceylinco Group, the Richard Pieris Group and the Maharaja Organization. He was instrumental in setting up Rivira Media Corporation (Pvt) Ltd. under the Richard Pieris Group and served as a Founding Director and the Chief Executive Officer. The two flagship newspapers launched under his direction, Rivira and The Nation, quickly made their mark as independent and highly popular newspapers that could compete strongly with older and better established products in the industry. As a Consultant to the Maharaja Group, in addition to other responsibilities, Krishantha Cooray supervised, streamlined and ensured the executive

coordination of news broadcasts by the company's TV and Radio stations. He is a regular contributor to national newspapers in both English and Sinhala and writes on a wide range of topics. At present he is a Board Director of DFCC Bank.



### **Ms. Padma Maharaja**

Director

Ms. Padma Maharaja is a successful fashion designer with a private clientele under the exclusive label, 'Vati'. Her fundraising expertise has led her to organize gala events, proceeds from which have gone to obtain and install the first Laparoscopy & Mammography machines for the National Hospital of Sri Lanka in 1998 and 2000. She has held several prominent positions, namely, Additional Secretary (Protocol) to HE Chandrika Bandaranaike Kumaratunga in 1994; appointed as Government Nominee Director of Hotel Developers (Lanka) Ltd in November 1994; and been an active supporter of the AIDEX Sports Meet for disabled soldiers and war victims to obtain artificial limbs for them for the last 15 years.



### **Ms. Dheeshana Ameresekere**

Director

Ms. Dheeshana Ameresekere is the Managing Director of the Award-Winning Boutique Hotel - The Theva Residency and Award-Winning Restaurant - The Theva Cuisine in Kandy. The Theva Residency has been nominated for "World Luxury Hotel Award for 2016" and is a "Winner of Trip Advisor Service Excellence Award" for the last 6 years consecutively. The Theva Cuisine Restaurant has been selected as a "Winner of World Luxury Restaurant Award 2016" and is a "Winner of Trip Advisor Service Excellence Award for 2016". She holds a Bachelor of Science in Business Administration (specialising in International Marketing) from the American University in Washington DC, USA, a Bachelor of Science in Travel Industry Management (specialising in Hotel Management) from the University of Hawaii, USA; and a Diploma in Restaurant, Travel & Tourism Management, Kapiolaani College, Hawaii, USA. She was previously the Resident Manager at The Park Street Hotel, Taru Villas, Colombo; and Food & Beverage Coordinator and Guest Relations Executive at Hilton Colombo.

## Board of Directors



### Mr. Athula Senanayake

Director

Mr. Athula Senanayake is a hospitality professional who completed his higher studies at the renowned Institute of Hotel Management and Tourism in Salzburg, Austria, graduating with distinction.

He went on to work at Hilton International in the UK for five years at Park Lane, Kensington and Stratford-Upon-Avon hotels, rising to manage the fine dining operation. On his return to Sri Lanka, he was employed as Assistant Food and Beverage Manager at the Hotel Lanka Oberoi (now Cinnamon Grand) and was then recruited to the launch team of the Colombo Hilton in 1987 in the capacity of Food and Beverage Manager. He was involved in the pre- and post- opening stages of the hotel that established itself as the premier hotel in Colombo.

In 1991, he left to successfully launched Don Stanley's group which specializes in fine restaurant operation, niche market food supply and bespoke catering services.

During his experience in the field that spans 40 years, he has acquired an in-depth knowledge in dealing with international hotel chain operators and is cognizant of all aspects of hotel operation with an accent on food and beverage services.



### Mr. J. M. U. P. Jayamaha

Director

Mr. Jayamaha is the Additional Director General of the Department of Public Enterprises of the General Treasury, Member of Board of Directors of National Water Supply & Drainage Board, Lankaputhra Development Bank and Institute of Fundamental Studies. A Member of the Sri Lanka Government Accountants' service, with nearly 25 years of experience in Financial and Accounting fields, he served in several key government entities including Ministries and Departments. He holds a Masters Degree in Development Studies from University of Colombo, Post-Graduate Diploma in Accounting and Financial Management from University of Sri Jayewardenepura, Diploma in Public Financial Management from Sri Lanka Institute of Development Administration (SLIDA) and Licentiate Certificate from the Institute of Chartered Accountants of Sri Lanka. He was a member of the Board of Directors of the Sri Lanka Convention Bureau.

**Ms. Sonali Liyanamana**

Director

Ms. Sonali Liyanamana is a senior travel and tourism industry expert with over 25 years of experience in working with both local and international companies. She has implemented company policy and strategy for including maximizing bottom-line performance through P&L, staff management, loss-control, airline incentive negotiations and product development. She has expertise in product development and marketing of international destinations, group travel and leisure FIT travel planning, and is presently working as the CEO of Interglobe Travel (Pvt) Ltd., a member of the World Link Group of Companies. She is also serving as the Vice-President of the Italian Business Council of Sri Lanka.

**Ms. Tehani Mathew**

Director

Ms. Tehani Mathew holds a Bachelor of Arts in Political Science from Columbia University, New York, USA, and Master of Science in Applied Psychology from University of Colombo. She is the Chief Trustee of Expo 80 Foundation (Tyronne Fernando Foundation), Moratuwa and Director of Vision Packaging (Pvt) Ltd, Packwell Lanka (Pvt) Ltd and LJM Peiris & Co. Ltd. She was the President of the Seva Vanitha Movement, Ministry of Information and Broadcasting from 1990 to 1993, Ministry of Foreign Affairs from 2002- 2004 and Volunteer Counsellor at Women in Need, from 1996-2003. She is a member of the American Alumni Association of Sri Lanka and Women's Chamber of Industry and Commerce, Sri Lanka.

## Board of Directors



### Mr. Dhanuka Ranjith Samarasinghe

Director

Mr. Dhanuka Samarasinghe followed a course in B.Com at the University of Deakin. In 2003, he joined his family business in rubber and plantations. Under his stewardship in 2006, the company expanded into rubber manufacturing and trading. In 2010, he diversified the family business into real estate and forayed into the hospitality sector as well. His latest business venture is in hydro power generation. He serves as Executive Director in the following companies: DHA Holdings (PVT) Ltd - Real estate, Singhe International (Pvt) Ltd, Dhakan Lanka (Pvt) Ltd, Smart Metro Pvt Ltd and TAD Lanka Investments Pvt Ltd and Erathna Power Company (Pvt) Ltd. He is currently pursuing a Masters degree in History at University of Colombo.



### Mr. Shezmin Mansoor

Director

Mr. Mansoor completed his Bachelor's Degree in Science, majoring in Supply Chain Management from Arizona State University, USA. He was awarded a Scholarship during his degree and featured in the prestigious Dean's List, awarded for outstanding academic results. Having over 19 years of experience across a diverse range of industries including the Garments and Clothing industry in Sri Lanka where he setup franchised brands, produced and exported attire, he worked as Supply Chain & Logistics Director in various companies in USA and recently set up his own company in the Gem & Jewellery industry. He is a member of the Federation of Chamber of Commerce and Industry of Sri Lanka (FCCISL) and a member of the Sri Lanka Gem & Jewellery Association.



**Mr. Dinouk Colombage**

Director

Mr. Colombage pursued a Bachelor of Arts degree at the University of Sydney in Australia and majored in 20th Century History. After graduation in 2009, he returned to Sri Lanka where he worked briefly at the British High Commission, then at the Sunday Leader as a Deputy Sports editor. His tenure as the Deputy Sports Editor saw him cover the 2011 World Cup hosted by Bangladesh, Sri Lanka and India. In 2012 he was appointed Features Editor of the Sunday Leader. While holding this post he was sponsored by the US Embassy in Colombo for a reporting tour of the US during the US Presidential Election. In 2013, he was recruited by Al-Jazeera English to report from Sri Lanka. During his time with Al-Jazeera, he has covered numerous issues including the Commonwealth Heads of Government Meeting (CHOGM) which was hosted in Sri Lanka in 2013.

## *Competent Authority and Advisor to the Board*



### **Mr. C. Ramachandra**

Competent Authority

Mr. Ramachandra also functions as Independent Non-executive Director of UB Finance Ltd and Asia Asset Finance PLC, and holds over 40 years experience in the fields of Auditing, Tea Exports, Financial Services and Packaging. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka (ICASL). He served as a Partner of Messrs Hulugalle, Samarasinghe & Company from 1975-78, then joined Lipton Ceylon Ltd in 1978 and left in 1992 as Chief Accountant/Company Secretary, serving six months in the UK Head Office of Lipton UK. Later, he functioned as General Manager of Commercial Bank of Ceylon's Fund Management Company; Finance Manager/Company Secretary of Varna Ltd; and Chief Financial Officer of Uni Walkers Group. In early 2005, he was appointed to the Board of Uni Walker Packaging Ltd. He also served as Non Executive Director of Sathosa Retail Ltd, and as independent Director on the Boards of Capital Reach Holdings Ltd, Capital Reach Credit Ltd and Capital Reach Leasing Ltd (now Softlogic Finance).



### **Mr. V. Kanagasabapathy**

MPA (HARVARD), CPFA (LONDON)  
 FCA, FPFA, FCMA, FMAAT

Advisor to the Board

Mr. Kanagasabapathy functions as a member of the Finance Commission, Council Member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), President of the Association of Public Finance Accountants; 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 Coordinator 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 Member of CA Sri Lanka, Association of Public Finance Accountants, Institute of Certified Management Accountants of Sri Lanka and Association of Accounting Technicians of Sri Lanka.

Past President of the Institute of Public Finance and Development Accountancy of Sri Lanka. He was also the Financial Management Advisor to the Ministry of Finance & Planning and Senior Financial Consultant of the Academy of Financial Studies. He served as Board member of Bank of Ceylon and was Director of People's Bank, Merchant Bank of Sri Lanka and State Mortgage & Investment Bank. He served as Director/Financial Consultant of Associated Newspapers of Ceylon Limited.

## *Senior Management Team*



### **Mr. Sudarshan Sri Rayen**

MBA, B.SC (HONS), FCCA, ACMA

Chief Financial Officer

Mr. Sudarshan Sri Rayen holds a Masters Degree in Business Administration from the University of Colombo and a Bachelors Degree with Honours in Physical Science from the University of Peradeniya. He is also a Fellow Member of the Chartered Association of Certified Accountants - UK and an Associate Member of the Chartered Institute of Management Accountants - UK. He has been with the Company since December 1987.



### **Mr. Shamahil Mohideen**

ACMA - UK

Chief Operating Officer

Mr. Shamahil Mohideen was appointed as Chief Operating Officer in May 2013. He is an associate of the Chartered Institute of Management Accountants (CIMA UK). His post qualifying experience spans almost 20 years in the field of management and finance, serving in managerial positions in several leading companies in Sri Lanka and overseas. Prior to joining HDL, he served as a director/ Vice president of Aitken Spence Power, owned by the Aitken Spence group. He also served in several other leading companies both in Sri Lanka and overseas in the senior managerial level.

*Senior Management Team***Mr. Jude Wickramaratne**

Accountant

Mr. Jude Wickramaratne is a passed finalist of Chartered Institute of Management Accountants - UK. He counts 7 years of experience in the field of accounting and joined the Company in October 2012.







# Management Discussion and Analysis

Economic growth in Sri Lanka slowed marginally from 4.9% in 2014 to 4.8% in 2015. The growth was driven by the services sector which grew by 5.3% and contributed 56.6% of GDP. The continued increase in tourist arrivals and higher spending by tourists resulted in a growth in earnings from tourism, which contributed substantially to the improved performance of the services account during the year. Meanwhile, Industry activities, which account for 26.2% of GDP, grew by 3.0% mainly supported by the growth in manufacturing activities, while the agricultural sector expanded at a faster rate of 5.5%.

Growth during the year was largely consumption led, with public sector consumption expenditure growing at a high rate, reflecting increase in salaries and wages of public sector employees in 2015. However, investment activities decelerated during 2015. Earnings from exports, which grew at a healthy rate in 2014, contracted by 5.6% in 2015 reflecting the decline across all major export categories.

Inflation remained below mid-single digit levels, supported by the downward adjustment of prices of several key consumer items, favourable supply side developments in the domestic and international markets, and well contained inflation expectations.

The Sri Lankan tourism industry, being one of the fastest growing industries of the post conflict economy, achieved much success during 2015. Tourist arrivals recorded 1,798,380 arrivals, almost achieving the revised target of 1.8 million arrivals set for the year. Significant increase in investment in the tourism industry, tourism related infrastructure development, introduction of new tourist attractions and strategic promotional campaigns conducted by the private sector and the government in order to attract more tourists in to the country, helped achieve this success.

Tourist arrivals from all major regions, except Eastern Europe, increased in 2015. Western Europe continued to be the largest tourist origin for Sri Lanka with the number of tourist arrivals increasing by 15.3% to 552,442. However, continuing the trend observed since 2012, tourist arrivals from Western Europe, as a share of total arrivals, fell further to 30.7% in 2015, from 37.1% in 2012, reflecting the growth in tourist arrivals from non-traditional sources. The share of tourist arrivals from East Asia increased continuously since 2010, mainly due to the impact of China dominating the region at an impressive growth rate. In terms of individual country basis, India remained as

the leading country of tourist arrivals to Sri Lanka.

## Global Tourism and Marketing Initiatives

In spite of the occasional shocks, world over the tourism industry has been one of the most resilient industries showing virtually uninterrupted growth throughout the decade. Despite persistent instability in some parts of the world the World Tourism Organization (UNWTO) anticipates that International tourist arrivals worldwide would increase by an average 3.3% a year between 2010 and 2030 to reach 1.8 billion by 2030.

In 2015, international tourist arrivals sustained a 4.4% growth despite a turbulent global political scenario. Some 50 million more tourists travelled to international destinations around the world last year as compared to 2014 and 2015 marked the 6th consecutive year of above-average growth, with international arrivals increasing by 4% or more every year since the post-crisis year of 2010. Demand was strong overall, although with mixed results across individual destinations due to unusually strong exchange rate fluctuations, the drop in oil prices and other commodities which increased disposable income in importing countries but weakened demand in exporters, as well as increased safety and security concerns. Tourist arrivals in the developed economies such as Europe, the Americas, Asia and the Pacific region increased at the rate of 5% and marginally exceeded that of emerging economies at 4%. Meanwhile,



arrivals in the Middle East increased at a slower rate of 3% while arrivals in Africa decreased by 3%. Asia and the Pacific saw a 5% growth that translated into 13 million more international tourist arrivals but with uneven results across destinations.

When it comes to tourism expenditure, a few leading source markets have driven this aspect in 2015, supported by a strong currency and economy. Among the world's top source markets, China, with double-digit growth in expenditure every year since 2004, continued to lead global outbound travel, benefiting Asian destinations such as Japan and Thailand, as well as the United States and various European destinations.

Tourist arrivals are expected to grow by 4% worldwide in 2016. By region, growth is expected to be stronger in Asia and the Pacific and the Americas, followed by Europe. The projections for Africa and the Middle East are positive, though with a larger degree of uncertainty and volatility.

In this backdrop of a dynamic and highly competitive global tourism industry, Your Company's strategic and focused marketing drive was instrumental in sustaining growth of revenues and profitability. This is a particularly significant achievement given that the Hilton Colombo was handicapped by lower room capacity due to refurbishment and also refurbishment related disruptions to other services.

The strong marketing process ensured that the publicity and promotional activities regarding the Hilton Colombo was maintained by sustaining annual events that our clients look forward to. For instance, the Hilton Colombo continued to be associated with the premier fashion event of the country - the Colombo Fashion Week - by hosting some of the

main events. The Colombo Fashion week witnesses the convergence of local and foreign designers, models and fashion industry experts and students, and the crème de la crème to witness the latest fashion trends. The hotel successfully catered to the expectations of these high valued customers in terms of ambience, facilities, services, cuisine and other hospitality exclusives. Hilton Colombo all-time favourite celebrations such as Mother's Day, Father's Day and Valentine's Day were also held by popular demand for clients who have celebrated these special days with Hilton Colombo over the years.

The innovative and aggressive marketing strategy ensured maximum exposure for the hotel and continuous revenue inflows for the company through all available revenue sources. All available facilities were strongly marketed through special promotions and by leveraging on the global Hilton Honours services, as 40% of the room revenue is driven by the Hilton Honours Loyalty Program. Hilton Colombo always makes its presence felt at international hospitality trade fairs and other forums. During 2015, the company was represented at the ATM Dubai fair, China - Hilton Greater China Showcase, ITB Asia in Singapore, WTM in UK, Showcase in India, OTM China and ITB Berlin in Germany.

As the Hilton standard of food and beverages have an unrivalled market position internationally, food promotional events played a central role in boosting revenues. Food promotions were held during the year and received an overwhelming response. The hotel's culinary team won F&B Master 2015 hotel level, F&B Master 2015 Regional level, Culinary Arts 2015 and Food Asia 2016 awards, which reaffirms the high standards of excellence pursued by the culinary team.

We are pleased to announce that the Hilton Colombo remained the preferred hospitality partner for international heads of state and cultural and entertainment heavyweights. During the year, His Excellency Dr. Abdul Kalam, Former President of India, His Excellency Hamid Karzai, the President of Afghanistan and Børge Brende, Norway's Foreign Minister revealed in our world-class hospitality. Singing sensations Shreya Ghoshal and Sean Paul also enjoyed their stay with us.

### **Operational Review**

We are happy to report a strong operational performance despite the disruptions from on-going refurbishment work at the Hilton Colombo. In addition, it must be noted that the current financial year's performance is based on only 9 months of operations due to changing the financial year to align with the financial period of Hilton Colombo. Previously, the financial year of the Company constituted the 12 months period from April 1st to March 31. However, from the

## *Management Discussion and Analysis*

current year, the financial year has been changed to constitute the 12 months starting from January 1st to December 31. This has resulted in a shorter 9 months financial period for the current year under review.

Due to ongoing refurbishment, only 80% of our rooms were in operation during the year. Available room capacity was further reduced due to the need to accommodate our tenants, mainly offices and shops, in the available rooms. This temporary accommodation arrangement, until such time that the retail space is refurbished, resulted in reducing the number of room keys for the period. However, despite the refurbishment, customers continued to select the Hilton Colombo as their preferred hotel. This customer loyalty can be attributed to the fact that refurbishment is being carried out with minimum inconvenience to guests, without compromising the familiar high service levels they are used to at the Hilton Colombo, thereby sustaining customer confidence.

During the 9 months of operating in a state of partial closure, we were able to achieve, an average occupancy of 38% against the 43% occupancy for the comparative 9 months period in the previous financial year due to the internationally recognised strength of the Hilton brand coupled with our marketing and sales activities. While revenues were impacted by the lower occupancy and the distractions associated with renovations, and lower interest incomes, we are happy to report a strong revenue for the year. The company's F&B revenues dipped from Rs 932 mn to Rs 797 mn, due to the fact that substantial parts of F&B outlets were under refurbishment, and were unable to serve guests. Meanwhile, investment revenues fell from Rs 95 million to Rs 42 million on the back of a drop in the interest rates experienced during the year. Further, the Equity funds which were invested were utilised to finance the Renovation Program. Nevertheless, our total revenues for the 9 months period of the current financial year reached Rs 1572 mn against Rs 1786 mn in the comparative period of the previous year. Therefore, although we expected profits to be much lower than the previous year, we nevertheless managed to generate reasonable profits. As a result, we exceeded our modest forecasts for the year with a gross profit of Rs 1292 mn against 1445 mn in the previous year, while total profit before tax achieved was Rs 92 mn compared to 207 mn, for the comparative period, in the previous year.

Another noteworthy achievement during the year, was that we were able to reduce our debt exposure by utilising internal resources. As a result our dependence on the Overdraft facility was considerably

reduced which resulted in the finance cost being slashed by 98% to Rs 1 mn from Rs 28 mn in the comparative period of the previous year.

During the year, staff morale was boosted by facilitating many learning and development opportunities. The human element in our operation is what drives the brand standards and despite the lower revenues, we continued to invest in our people during the year. Training and development programmes were organized to sustain and improve service levels. Further, information about our approach to human capital and our CSR initiatives is given in the Sustainability Report on page 36.

The current year's financial performance reflects the strong growth potential of the company that will be significantly augmented when refurbishment work of the Hilton Colombo is completed. With the reinstatement of the Hilton Colombo to its original position as the leader in luxury accommodation in Sri Lanka in the near future, the company will see significant revenue growth and much stronger profitability over the short to medium term.

### **Future Outlook**

The outlook for the hotel and tourism sector in Sri Lanka looks bright, particularly given the emphasis placed upon the sector by national policy makers and efforts at developing the sector by both the state and private operators. It is a case in point that despite the global recession and the oil price slump, Sri Lanka continued to attract reasonable tourist arrivals during 2015. The government's investor-friendly

policies and the positive outlook for FDIs and other investment in the country, will contribute towards growth of the city hotel market in the new financial year. In the mid to short term, we can anticipate sustained growth of the industry fuelled by government plans to add capacity to the industry. The Minister of Tourism has announced plans to build 45,000 luxury hotel rooms by Q1 2017, to facilitate the increasing number of tourists arriving in the country and a tourist arrivals target of 2.2 million has been set from 2016 by the government. We believe these governments lead efforts to increase the revenue base from tourism will drive tourism to become a major income earner.

The next frontier for the tourism industry should be to attract high-end tourists to Sri Lanka to improve profit margins. In order to achieve this, we need to offer a higher level hospitality product and matching service levels. Training and development efforts need to be doubled in the industry to produce professional hospitality staff to meet a more superior level of service, so that Sri Lanka can successfully compete against emerging regional tourist destinations.

The entry of new international hotel chains into Sri Lanka market thereby will gain a critical mass of branded hotels, improving ratio of rooms to tourists across all categories. Colombo will attract higher tourist numbers and ensure adequate business for all. Therefore, our combined focus should be on marketing Sri Lanka as a destination with more room nights in Colombo.

We are happy to report that Phase I of the refurbishment programme is on track and is now nearing completion. The refurbishment will upgrade the

appearance of the hotel to differentiate the Hilton Colombo from the competition and position it as the most opulent luxury hotel in the country.

The opening of the second ballroom, Blue, which became operational in August 2015 was the first addition to the multi-function banquet facilities for the hotel. The expansion of banquet facilities is already generating returns in the face of rising demand for high-end services in this segment. Looking ahead, we expect our multi-event venues to garner greater F&B revenues by catering to personal and corporate events.

On the conclusion of the renovations, the Hilton Colombo will stand out as the crowning glory of Colombo city with plush art decor floorings, fittings and fixtures, coupled with state of the art facilities and modern technology to reflect the premium standards associated with the Hilton brand internationally. The Hilton Colombo has been placed on par with international technology trends, with the introduction of a new software system that seamlessly blends front office systems with back room operations, to add value to the guest experience in terms of convenience and speed. In addition, our operator being a globally reputed hotel operator, confers a distinct identity to the property, which is consolidated by a strong heritage of impeccable operations over the last three decades in Sri Lanka. In this backdrop, the relaunch of the Hilton Colombo following the current extensive face lift will give the hotel a matchless competitive advantage that will position the property head and shoulders above the competition. The internationally renowned brand name, backed by the latest in luxury facilities will also significantly enhance the ability to attract high end clientele from across the globe. In addition, revenues will be enhanced by multiple revenue sources when the range of envisaged services and facilities come on line, following completion of the renovations.

Overall, we envisage positive growth potential for tourism and we are gearing up to seize opportunities as they emerge. Simultaneously, we are cognizant of the need to sustain our service levels in order to outclass competition. At the end of the day, we believe it is the people element that breathes life into the Hilton brand and our cutting edge hospitality team is willing and eager to meet that challenge once the refurbishment is concluded. The Hilton Colombo is about to blaze a new trail in luxury tourism in Sri Lanka by providing an unparalleled tourism experience for all our clients.

## 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, and reviewing performance so that the Company could fulfill its obligations to its stakeholders. The Directors of the Company as at 31st December 2015 were:

Ms. Sagarica Delgoda

Independent – Non Executive

Ms. Dheeshana S. Amereseker

Independent – Non Executive

Ms. Padma Maharaja

Independent – Non Executive

Mr. J. M. U. P. Jayamaha

Non Independent – Non Executive

Mr. Janaprit S. Fernando

Independent – Non Executive

Mr. S. Priyanka Dissanayake

Independent – Non Executive

Mr. Athula Senanayake

Independent – Non Executive

Mr. Joseph M. Soosaithasan

Independent – Non Executive

Mr. Ananda De Silva

Independent – Non Executive

During the nine-months period ended 31st December 2015 the Board met on nine (09) occasions and the number of meetings attended by the Directors is given below:

| Name of Director             | No of Meetings attended |
|------------------------------|-------------------------|
| Ms. Sagarica Delgoda         | 08                      |
| Ms. Dheeshana S. Ameresekere | 08                      |
| Ms. Padma Maharaja           | 09                      |
| Mr. J. M. U. P. Jayamaha     | 08                      |
| Mr. Janaprit S. Fernando     | 06                      |
| Mr. S. Priyanka Dissanayake  | 09                      |
| Mr. Athula Senanayake        | 06                      |
| Mr. Joseph Soosaithasan      | 08                      |
| Mr. Ananda De Silva          | 06                      |

The Directors of the Company as at date are:

1. Mr. Krishantha Prasad Cooray  
Independent – Non Executive
2. Ms. Dheeshana S. Ameresekere  
Independent – Non Executive
3. Ms. Padma Maharaja  
Independent – Non Executive
4. Mr. J. M. U. P. Jayamaha  
Non Independent – Non Executive
5. Mr. Athula Senanayake  
Independent – Non Executive

6. Ms. Tehani S. A. Mathew  
Independent – Non Executive
7. Mr. Dinouk Colombage  
Independent – Non Executive
8. Mr. M. Shezmin Mansoor  
Independent – Non Executive
9. Mr. W.S.L.A.D.R. Samarasinghe  
Independent – Non Executive
10. Ms. Sonali Liyanamana  
Independent – Non Executive

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**

During nine-months period ended 31st December 2015, the Board has constituted an Audit Committee which consisted of the following three Members.

- Mr. Joseph M. Soosaitasan - Chairman
- Mr. J. M. U. P. Jayamaha
- Mr. S. Priyanka Dissanayake

The following members were appointed to the Audit Committee of the Company with effect from 28th April 2016 in place of the above members:

- Ms. Tehani Mathew - Chairperson
- Mr. J. M. U. P. Jayamaha

- Mr. Shezmin Mansoor
- Mr. Nishan Fernando

The Audit Committee scrutinize and analyse the Report on the Internal Controls of the Hotel Operations which is prepared by the Internal Auditors M/s. 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. Report of the Audit Committee is set out on page 50 of this report.

### **Remuneration Committee**

During the nine-months period ended 31st December 2015 the Remuneration Committee of the Company comprised the following members:

- Mr. Janaprieth Fernando - Chairman
- Mr. Ananda De Silva
- Mr. Athula Senanayake

The following members were appointed to the Remuneration Committee of the Company with effect from 28th April 2016 in place of the above members:

- Mr. Athula Senanayake - Chairman
- Ms. Padma Maharaja
- Mr. Dinouk Colombage
- Mr. Dhanuka Samarasinghe

### **Company Secretaries**

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

## Corporate Governance

### Compliance with Legal Requirements

All Directors have access to the Financial and Management Information of the Company. The Directors makes every endeavour 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.

As per Section 7.10 of the Listing Rules of the Colombo Stock Exchange the following disclosures are made accordingly and have complied with the Corporate Governance Rules during the period under review is set out in the table below.

| Rule No.            | Subject                          | Applicable requirement                                                                                              | Compliance Status | Details                                                                                               |
|---------------------|----------------------------------|---------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------------------|
| 7.10.1              | Non Executive Directors          | At least 1/3 of the total number of Directors should be Non-executive Directors                                     | Complied          | All Directors are Non-executive Directors                                                             |
| 7.10.2<br>(a) & (b) | Independent Directors            | 2 or 1/3 of non-executive Directors, which is higher should be independent                                          | Complied          |                                                                                                       |
|                     |                                  | Each non executive Director should submit a declaration of independence/ Non independence in the prescribed format. | Complied          |                                                                                                       |
| 7.10.3              | Disclosure relating to Directors | (a) Names of Independent Directors should be disclosed in the Annual Report                                         | Complied          | Please refer to information pertaining to the Directors and Board sub Committees in the Annual Report |
| 7.10.5              | Remuneration Committee           | (a) There shall be a Remuneration Committee comprising of a minimum of two independent non-executive Directors      | Complied          | Please refer to information pertaining to the Directors and Board sub Committees in the Annual Report |

| Rule No. | Subject                                   | Applicable requirement                                                                                    | Compliance Status | Details                                                                            |
|----------|-------------------------------------------|-----------------------------------------------------------------------------------------------------------|-------------------|------------------------------------------------------------------------------------|
| 7.10.6   | Audit Committee                           | The Company shall have an Audit Committee                                                                 | Complied          | The Board has constituted an Audit Committee                                       |
|          | 7.10.6 (a) Composition of Audit Committee | a) Shall Comprise of non-executive Directors a majority of whom shall be independent                      | Complied          | Audit Committee consists of 3 non-executive Directors two of whom are independent. |
|          |                                           | b) The Chairman of the Audit Committee or one member should be a member of a professional accounting body | Complied          | One member of the Audit Committee is member of a Professional Accounting Body.     |

## Other Policies and Practices

### Obtaining Independent Professional Advice

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

### Dedication to matters of the Board and the Company

The Board of Directors devotes adequate time to the fulfilment of its duties of 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



Mr. Dhanuka Ranjith Samarasinghe  
Director



S S P CORPORATE SERVICES (PRIVATE) LIMITED  
Secretaries

31st May 2016

# Risk Management

## RISK MANAGEMENT

Being an operator in a dynamic industry that is subjected to frequent changes, Hilton Colombo has identified the importance of an effective Risk Management framework in order to strive as a business entity. Therefore, Risk Management is intertwined with the hotel's strategic planning process and also considered an integral component of Hilton Colombo Governance Framework. Hence, risk identification, analysis; evaluation and management are woven into the fabric of the company's strategy, creating and improved, stable risk profile.

The responsibility of maintaining and effective system of internal control and risk management lies with the Management. A Risk Management Team has been appointed by the management towards this end.

## THE MANAGEMENT FRAMEWORK

The Risk Management Team of Hilton Colombo, headed by the General Manager carries out the risk management process in accordance to the teamwork established by the Risk Management Division of Hilton Worldwide. Functional heads of the hotel together with the General Manager compose the Risk Management Team of the hotel. The risk management team takes the responsibility for the early identification of potential risks. They are identified through various means including 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. The product of these risk rankings are tabulated in a risk grid that rates the risks in scale of " High to insignificant' which enables the company to priorities 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 quarterly basis; the assigned risk owners are responsible for the implementation of any mitigation action. 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><b>Technology &amp; Information Risk</b></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 systems, 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 to 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> |



| Risk Category & Description                                                                                                                        | Control Measures and Action Plans to Mitigate Risks                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Internal Process &amp; procedures</b></p> <p>The risk of financial loss and disruption to business and to breakdown in internal Controls</p> | <p>Clearly defined systems &amp; procedures are in place to ensure compliance with internal controls which are periodically reviewed for their continued effectiveness</p> <p>An external Audit Team from Hilton Worldwide carries out regular review and report on the adequacy and effectiveness of these systems and level of compliance.</p> |
| <p><b>Natural or man-made disasters</b></p> <p>Loss of property and equipment resulting in significant losses</p>                                  | <p>Adequacy of insurance covers are reviewed regular 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><b>Credit Risk</b></p> <p>Exposure and losses due to default of settlement debtors</p>                                                          | <p>Credit policy and stringent controls are in place to mitigate the impact of default. Credit limits are reviewed on a regular basis.</p> <p>Constant monitoring and review of debtor balances with collection targets and adapt progressive action.</p>                                                                                        |
| <p><b>Liquidity Risk</b></p> <p>Inability to meet financial commitments on due dates.</p>                                                          | <p>Regular review of mechanisms in place to monitor the performance of the company against approved budget targets to achieve a balance between liquidity and profitability. Capital investments are planned so as not to adversely impact Cash Flows and gearing of the Company.</p>                                                            |

The Hilton Colombo confirms that a process for identifying, evaluating and managing significant risks that endanger the achievement of the strategic plan of the Hotel has been in place throughout the year in accordance with the guidelines set out by the Hilton Worldwide of USA. Industry Best practice and Potential Financial Risks in compliance with the Sri Lanka Accounting Standards (SLAS) are taken into account. The Risk Management Team has reviewed the Business Risk Management process by the Hotel and has noted the risk management exercises had been conducted.

For the financial period ending 31st December 2015, below are some of the key items included in the risk register of The Hilton Colombo along with the status and action plan for each,

## Risk Management

| Risk Category & Description                                                                                                                            | Control Measures and Action Plans to Mitigate Risks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Operational Risks                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p><b>Competitive Risk</b></p> <p>Reduction in market share, failure to be competitive resulting in lower occupancy and room rates.</p>                | <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>                                              |
| <p><b>Brand Image &amp; Reputational Risk</b></p> <p>Any event or 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 &amp; safety best practices by obtaining HACCP and other quality certification standards</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> |

| Risk Category & Description                                                                                                                                                                                                          | Control Measures and Action Plans to Mitigate Risks                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Human Resources Risk</b></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 through organization of associate gatherings, outings, family get-togethers and religious events.</p> <p>Strict adherence to laid down safety standards and procedures.</p> |





# Sustainability Report

## Approach to Sustainability

The Hilton Colombo has adopted group global best practices in the hospitality trade that extend beyond providing signature Hilton hospitality to touching the lives of the community in which we operate. Since ours is a 'people intensive' business, we have abundant opportunities to make a difference to people through focused social responsibility initiatives.

We have identified our valued stakeholders and ensure that our interaction with them on every level reflects transparency, sustainability and ethical dealings. As a leading hospitality brand, our brand promise has also to be seen to have been delivered; and towards that end, we maintain the highest standards in service and guest relations.

As a pioneer in the industry, the company has achieved many firsts in hospitality initiatives in the country and continues to do so through innovative promotions and marketing initiatives, and far-reaching CSR projects that impact communities and the environment. Our vision guides our actions every single day and our employees remain committed to working towards a common purpose - a higher goal that underpins our journey.

Hilton Colombo engages further with guests through SALT, the satisfaction and loyalty tracking survey online, which enables us to quantify and qualify customer experiences through a 10-point rating system. The resulting

feedback inspires us to improve our services and incorporate suggestions, while addressing any customer complaints.

## BLUE ENERGY SPREADS WARMTH

Every Hilton Hotel has a Blue Energy Committee that unites our team in continuing to deliver our promise - 'To ensure every Guest feels cared for, valued and respected'. Blue Energy is our passion to live our values, deliver our promise and celebrate our stories. It's an expression of the unique spirit we show to our guests, our communities and to each other. The Blue Energy Committee was born out of a global Hilton team initiative spearheaded by the Listen and Learn Team, whose enthusiasm in nurturing brand values, brand promise and brand delivery in a sustainable context, formed the core of the ultimate Blue Energy concept.

The Blue Energy Committee is strongly backed by the management and focuses on Community Relations, Team Relations, Guest Relations and Sustainability. The committee's foremost responsibility is to maintain a service culture that will support the hotel team's ability to live our values, deliver our promise and celebrate our stories - continually focused on the experience we are creating for our Guests, Team Members and Communities. The Committee is a volunteer group of approximately 40 to 50 Team Members grouped under its four core areas. Most of the initiatives are conducted in collaboration with the Human Resources (HR) team. Some of the activities carried out by Hilton Colombo during this year were:

### Team Party

All the team members and their spouses were invited for this annual event held in the Grand Ball Room and the event provided an ideal platform for fellowship and bonding with co-workers.

### Bakmahaullela

This annual event was held in the months of April in the gardens of the hotel. A full-day event, it was filled with many traditional games and competitions, culminating with the selection of Hilton Colombo Avuru Kumaraya and Kumarayi.

### **Kiddies Party**

The children of Hilton team members were invited to Excel World, the theme park, for half a day of fun, with valuable gifts. Expenses were borne by the hotel.



### **Lantern Competition**

The annual competition was held across all departments during the vesak season, encouraging staff to ponder over the true meaning of vesak, while testing their skills at creating lanterns.

### **Inter-department Cricket Tournament**

An Inter-department cricket tournament was held in August 2015, where all departments represented the tournament with their respective team. This was a fun-filled day with their families cheering them and exciting games for kids.

## **HUMAN CAPITAL**

Human Capital refers to the collective value of the intellectual capital we possess, which includes people and processes. At Hilton Colombo, the human element is highly valued as the knowledge, skills and attitude of our people breathes life into our brand. Our HR team at Hilton Colombo focuses on attracting, developing and retaining individuals so that we can provide a unique brand of service. People form the core of our business and our aim is to develop them into a talented team that delivers our vision to be the best in the industry. Globally, we are associated with a certain standard in hospitality and we are committed to consistently achieving the same standard.

The General Manager provides strong leadership and guidance to foster team member engagement. We believe that associate engagement results in higher levels of customer satisfaction and improves the performance of our property. To assist in the HR vision of Hilton Colombo is 'To become the Employer of Choice in Sri Lanka', while our mission is 'To become an HR business partner,

adding value to the business through HR Leadership, Learning & Development, Performance Management, Team Member Engagement and Retention'.

Aligned to the company's strategic plan, Hilton Colombo develops an annual Human Capital Plan, wherein the strategic objectives are established with SMART Action Plans.

The uniqueness of the company is derived from the fact that we encompass diverse cultures serving diverse guests. We seek to understand our global communities, while developing culture, talent and marketplace strategies that foster a work environment of inclusiveness. This also means that our team is expected to possess the highest standards of integrity, ethics and service excellence.

### **Learning & Development**

The Hilton Colombo believes strongly in optimising the knowledge levels of our impressive team, as it is our constant thirst for knowledge that enables us to remain ahead of the intense competition and deliver service levels beyond expectation. This lifelong learning process begins at orientation when, upon recruitment, team members participate in a comprehensive first-day welcome programme. The progressive learning and development milieu then moves on to offer team members a diverse array of learning and development opportunities throughout their careers with the hotel, designed to empower these individuals to achieve their career goals, while contributing their maximum to the company's goals and ambitions.

The comprehensive HR processes enables the HR Department to identify individual learning and development needs based on competencies, capabilities, knowledge levels, skills and talent, aligning them to the business

## *Sustainability Report*

requirements, goals and objectives of the Company. These training opportunities therefore could range from the simple preparation of a salad to management development programmes conceptualised to groom team members with leadership abilities for upward mobility, including progress towards senior management or General Manager positions.

On par with global standards, all team members of the hotel are granted access to the Hilton Online University. This is an online training platform comprising of thousands of programmes which can be accessed by logging into the system and undertaking various courses and training programmes which add significant value to individual career goals. Courses are assigned based on developmental needs and operational requirements.

Our comprehensive Performance Development Reviews, which appraises employee performance across the organisation on a structured non-ambiguous platform, ensures that meritocracy and transparency are inextricably blended into the ultimate progression and succession plan for any team member. Team members are recommended for promotions, based on their level of performance and potential to take on additional responsibilities. Career progression also relies on the team members' leadership qualities, competencies, capabilities, observed future potential and current performance.

### **LIFE AFTER WORK**

Led by a strong belief that a good work-life balance is centric to retention and motivation, the Hilton Colombo's HR Department in collaboration with the Blue Energy Team facilitates numerous initiatives that ensure an optimal work-life balance. The in-house team restaurant, dormitory, recreation room and lockers are facilities that have been introduced over the years but are periodically upgraded to ensure that facilities are functional and on par with the team's expectations. In addition, the Blue Energy Committee also organises a slew of activities to foster unity, camaraderie and team spirit amongst all employees. These include the annual team party, children's party, quarterly Blue Energy Awards and New Year celebrations. The Inter-departmental cricket tournament was held and witnessed a proactive participation by talented teams.

During the year, a 'Team member appreciation week' was held in June 2015 as an initiative of Hilton Worldwide, which specifically assigns 1 week to conduct various activities appreciating our team members.

### **APPRENTICE PROGRAMME**

The Hilton Colombo Kitchen Apprentice Programme, which was initiated in 1988, targeted at attracting youth, is a comprehensive two and half-year programme that aims to groom potential professional chefs. Successful candidates are provided with a systematic and professional training that covers both theoretical and practical aspects. Kitchen Apprentices have the rare opportunity of being exposed to different kitchens and learning various styles of cooking such as Chinese, Italian, Sri Lankan, etc. The hotel also successfully initiated the first-ever Hospitality Engineering Apprentice Programme in 2014 and the Housekeeping, Food & Beverage and Kitchen Stewarding Apprentice Programmes for youth across the island which are currently in progress.

The apprentice training helped improve the efficiency of the hotel and the leadership capabilities of each department, which automatically augmented the service levels of the hotel and helped ensure guests enjoyed world-class levels of satisfaction. Local youth were able to join the apprentice programme in the hotel's Engineering, Housekeeping, Food & Beverages, Kitchen Stewarding and Kitchen Apprentice programmes. This comprehensive training enabled youth and industry entrants to learn about the basics of the trade and the expert skills required in their respective areas, which in turn added



value to their careers. The rigorous practical and theoretical training conducted through classroom sessions and on the job, with periodic assessment and continuous feedback/ guidance tremendously helped in achieving superior results.

This has supported our existing team members to move ahead in their professional lives in the capacity of supervisors. They also learn how to play a role in training the next generation which strengthens their skill set. The Kitchen Apprentice Programme is the only one of its kind in the Hilton Worldwide, South-East Asia region.

### **Upgrading Skills**

The Hilton Colombo conducted many initiatives this year that have enhanced the skills of the team members that work at the local property. The hotel focused on enriching team members and simultaneously brought stability to the local property which enabled the hotel's operations to thrive. Hilton Colombo has ensured that local youth and existing team members receive the best training and access to opportunities in the hospitality industry through an island-wide apprentice programme in collaboration with NAITA (National Apprentice and Industrial Training Authority), industrial training in collaboration with SLITHM (Sri Lanka Institute of Tourism & Hotel Management) and other recognised hotel schools and internships.

### **Offering Equal Opportunity**

Hilton Colombo has also played a crucial role in providing individual stability for youth facing disabilities. For the local hotel industry, initiatives of this nature enhance the hotel's position as an equal opportunities employer. It helps local youth to access professional training opportunities that strengthen their creative and professional abilities and the opportunity to be independent. The Hilton Kitchen Apprentice Programme has contributed immensely to the industry. More than 100 competent chefs have completed the programme and are currently employed in top positions nationally and internationally in branded star-class properties.

Existing hotel team members also benefited from the initiative by learning how to interact with individuals who are differently-abled. The initiative strengthened the team's ability to be empathetic and make a positive impact on the lives of their colleagues. This experience also helped the team understand how to interact with guests with a greater sense of empathy. The local community benefited from these personalized training initiatives as certain individuals received specially crafted education and life-skills development opportunities. It also helped team members learn how to work with colleagues with

special needs, and understood how to make them feel cared for, valued and respected as a part of the hotel and industry.

## **COMMUNITY**

### **EMPOWERING YOUTH**

One of the ways in which we develop future leaders is to engage the youth of the country to enter the hospitality industry. Year after year, the hotel drives this engagement to a higher level by involving industry stakeholders. Whilst training and inspiring youth, the company has also helped enrich the local talent pool which has brought stability to many individuals and the tourism industry in Sri Lanka at large. The hotel contributed to the global talent pool by making available employment opportunities at other Hilton Worldwide hotels by encouraging and providing individuals with the opportunity to pursue a brighter future and career. All youth related programmes conducted in line with the Hilton Worldwide initiative: "Bright Blue Futures"; a global initiative that encourages team members to donate their time and experience to benefit young people preparing for their future.

The Hilton Colombo was awarded the 'Bright Blue Futures Award (APAC): Brand Awards 2015' for demonstrating its engagement towards 'Bright Blue Futures' during 2015.

### **Industrial Training**

The Hilton Colombo's Training & Development team has also worked closely with the Sri Lanka Institute of Tourism and Hospitality Management (SLITHM) with support from the Heads

## *Sustainability Report*

of Departments of Hilton Colombo. The Training & Development team conducted monthly engagement meetings with the industrial trainees. This infused the property with increased levels of efficiency and enabled us to absorb the best future talent following graduation. For the local youth, the training enhanced the technical skills they acquired at school and gave them the opportunity to practice what they studied in the setting of a five-star hotel with training simulations. For the industry, this produces a competent set of talent employable anywhere in the world. The team members and new recruits were able to develop their management, teamwork and organizational skills and contribute to quarterly assignments and special training programmes in collaboration with industry experts. This aspect of training had a positive impact on the local industry by introducing a fresh set of skilled and motivated young employees that are better equipped to serve the industry.

### **YOUTH FORUM 2015**

The company has played a crucial role in enriching the industry talent pool, primarily by conducting the Hilton Youth Forum 2015, which helped provide youth in Sri Lanka with career information and guidance. Young people continuously face challenging employment prospects and find it difficult to acquire information and advice about the options available and the skills and attributes they need for their chosen careers. Hilton Colombo together with the Hilton Colombo Residencies organized a career

guidance event as Hilton Worldwide takes a global initiative to touch one million youth by year 2019.

The forum helped raise awareness amongst youth about the rich variety of career opportunities that exist in the hospitality industry and also brought youth from all walks of life together to learn more about a career in the industry. As it helps attract youth to the industry, this initiative provides the industry with a steady stream of fresh talent.

Apart from the above activities various others were organized to create awareness among youth, about the hospitality industry. The "Careers@Hilton Live: Youth in Hospitality Month Award for 2015 (APAC)" was presented to the Hilton Colombo by the Hilton Worldwide, for all youth related activities organized during the Youth in Hospitality Month in 2015. The award was presented under the 'Commitment Category' recognizing 'continued commitment towards youth'.

### **CSR INITIATIVES**

#### **Room To Read Project**

The hotel actively participated in the global "Room to Read" project which works to keep girls in school and offers participants a special hotel familiarization tour. The initiative helped the company contribute toward the development of youth and further enhanced its social responsibility efforts. Youth participating in the project were also able to acquire a solid introduction to the hospitality industry and add technical experience to their education. The project enabled youth to develop knowledge and share their skills with less fortunate children. The hotel team gave them an introduction to the Hilton Worldwide brand and also provided 15 female A/L students the opportunity to meet and speak to heads of department at the hotel, and hosted them for a one night stay. By implementing a global initiative at the local property, the hotel was able to further add value to the global brand and give rural youth from across the country an understanding of the career opportunities available in the industry.

Career guidance workshops and familiarization tours were held for selected groups at the hotel and key personnel from the hotel visited various hotel schools for knowledge sharing sessions.

## SUNSHINE GAMES

The Sunshine Games is a sports meet for differently-abled children, which was created by the hotel to uplift children with special needs. For the local hotel industry, initiatives of this nature help improve the sustainability of overall operations and help the hotel contribute towards the development of potential young leaders. It also provides youth with special needs with the chance to improve their athletic and team building skills as well as their social interaction skills. This initiative helped team members develop a strong sense of social responsibility, which is an integral aspect of the hotel's operations. It also helped them get actively involved in the process of giving back to the community: they were able to help provide basic needs, prepare food and co-ordinate activities and also acquired organizational and people management skills. This event helped improve the overall participation in social responsibility activities and also upheld the company's strong value system. Hilton Colombo took part by providing 600 lunch packs and helped distribute them at the event.

## ENVIRONMENT

### Health & Safety

Our stringent Safety & Security programme is audited every quarter by the regional office to ensure compliance to global Hilton hotels standards. We also conduct fire drills in the hotel in partnership with the Fire Brigade authorities.



The hotel has earned the ISO 22000:2005 and HACCP food safety management system standards. Food handlers in the kitchen regularly receive medical check ups and vaccinations. A vaccination programme is also in place for staff.

Preventive maintenance programmes are conducted regularly to ensure that all food processing/storage equipment are operating at optimum levels. Kitchen staff regularly go through food safety & hygiene training and food allergy training is also imparted to ensure all customer preferences are met appropriately.

Regular microbiological & chemical analysis of drinking water, swimming pool water, cooling tower water, guest's room water & food processing water is carried out by an accredited laboratory to monitor the safety levels & requirements.

Regular microbiological testing of foods, food handler hygiene inspections, cleaning effectiveness monitoring to ensure the highest level of food hygiene is maintained. Hilton Colombo is the first city 5 star hotel to have a Food Safety & Hygiene Manager to monitor and manage the entire food safety & hygiene standards in the hotel as per global Hilton worldwide standards.

Moreover, the air quality in the rooms and the hotel is regularly tested for Indoor Air Quality (IAQ) parameters. A new sprinkler system has been put in place at the hotel's penthouse level to reduce the risk of fire. We have successfully minimized inconvenience to guests during the refurbishment by minimizing noise levels.

*Sustainability Report*



| Organization                                                      | Our Service                                                                                                                                                                                                                            |
|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Odusudan Village                                                  | Hilton Colombo donated a large amount of stationary items through the military forces of the area to the war-affected village in the heart of the North, where many children are poverty stricken and cannot afford their daily needs. |
| The Deaf & Blind School                                           | Provided lunch packs for students visiting Colombo on their annual school trip.                                                                                                                                                        |
| Colombo Friends-In-Need Society- Jaipur Foot programme.           | Provided snacks for their annual sports meet. The event was witnessed by Hilton Colombo team members.                                                                                                                                  |
| Disabled Soldiers at the 'Mihidu Seth Medura, Ratmalana Sri Lanka | Provided Buffet Lunch after which the Hilton Colombo team spent time with them. A Calypso band and a few of the team members from the hotel entertained them. Also provided bath towels for the inmates.                               |
| Sneha Child Development Institute                                 | Organized a Kiddies Christmas party for 20 kids at the hotel. We provided short eats, stationery and entertainment.                                                                                                                    |
| Church of the Four Square Gospel of Sri Lanka                     | Provided snacks and a tour around the hotel & a 'Christmas Decoration with Santa' session.                                                                                                                                             |
| Cancer Hospital - Kandy                                           | Hosted a Magician from abroad with complimentary rooms. Proceeds from the magic show were donated to build the cancer hospital in Kandy.                                                                                               |
| Colombo Nawam Maha Perahera                                       | Hilton Colombo took part in this memorable religious event by providing lunch & dinner packs for 2 days.                                                                                                                               |

**ENERGY CONSERVATION**

Hilton Colombo is synonymous with highly sustainable operations and aligning with this, the ongoing refurbishment in the hotel will include a wide variety of energy-saving features built into the design of the newly-refurbished areas. New energy-saving equipment such as energy efficient air conditioning systems and LED lighting will be incorporated in the new facelift. Ambient room temperatures and other advanced forms of energy saving features will be incorporated across the refurbishment. We are confident that in the long run these aspects will help bring down the energy costs of the company.

**WASTE MANAGEMENT**

Segregation of organic and non organic waste is routinely undertaken at the hotel. The organic waste is collected and then sent as animal feed. The waste is further segregated into dry and wet garbage along with separation of glass and metal waste. PET bottles are recycled as per our contract with a recycling company. Furthermore, the hotel undertook a poster campaign to raise awareness about food wastage amongst employees.

Regular training & awareness programmes among team members ensure their environmental commitment & sustainability in the hotel.





## *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 9 months period ended 31st December 2015.

### **1. REVIEW OF THE PERIOD**

Review of the Company business and its performance during the 9 months period ending 31st December 2015, with comments on financial results and future strategic developments, are contained in the Chairman's statement (Page 07).

### **2. THE PRINCIPAL ACTIVITY**

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

### **3. FINANCIAL STATEMENT**

The Financial Statements of the Company are given on page 53 to 82.

### **4. 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.

### **5. AUDITORS REPORT**

The Auditors Report on the Financial Statements of the Company is given on page 54.

### **6. ACCOUNTING POLICY**

The significant accounting policies adopted in the Preparation of the Financial Statements are given in Note 4 on page 62.

### **7. TAXATION**

Provision for taxation has been computed at the rates given in Note 10 to the financial statements.

### **8. DIVIDENDS**

The Directors do not recommend a dividend on ordinary shares for the 9 months period ended 31st December 2015.

### **9. BOARD OF DIRECTORS AND THEIR SHAREHOLDING**

The Directors of the Company as at 31st December 2015 were:

|                              |             |
|------------------------------|-------------|
| Ms. Sagarica Delgoda         | Chairperson |
| Ms. Dheeshana S. Ameresekere | Director    |
| Ms. Padma Maharaja           | Director    |
| Mr. J. M. U. P. Jayamaha     | Director    |
| Mr. Janaprit S. Fernando     | Director    |
| Mr. S. Priyanka Dissanayake  | Director    |
| Mr. Athula Senanayake        | Director    |
| Mr. Joseph Soosaithasan      | Director    |
| Mr. Ananda De Silva          | Director    |

The Directors of the Company as at date are:

|                                    |
|------------------------------------|
| Mr. Krishantha Prasad Cooray       |
| Ms. Dheeshana S. Ameresekere       |
| Ms. Padma Maharaja                 |
| Mr. J. M. U. P. Jayamaha           |
| Mr. Athula Senanayake              |
| Ms. Tehani S. A. Mathew            |
| Mr. Dinouk Colombage               |
| Mr. M. Shezmin Mansoor             |
| Mr. W. S. L. A. D. R. Samarasinghe |
| Ms. Sonali Liyanamana              |

None of the above Directors hold any shares in the Company.



## 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 34.1 to the Financial Statements.

## 11. REMUNERATION OF THE DIRECTORS

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

Director's emoluments Rs. 4,600,000/-

## 12. DIRECTORS INTEREST/ RELATED PARTY TRANSACTIONS

The above details are contained in Note 25 and 34 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 payable to the Auditors for the 9 months period ended 31st December 2015 is yet to be determined. The provision for Audit fees has been made in the accounts as per last year is Rs. 464, 341/-

## 14. DONATIONS

The Company has not made any donations during the 9 months period ended 31st December 2015.

## 15. CORPORATE GOVERNANCE

The Company has put in place systems and procedures to ensure the implementation of sound Corporate Governance Principles. An overview of such practices adopted within the Company is given on pages 26 to 29 of the Annual Report.

## 16. AUDIT COMMITTEE

The Audit Committee of the Company during the 9 months period ended 31st December 2015 comprised the following members:

Mr. Joseph M. Soosaithasan - Chairman  
Mr. J. M. U. P. Jayamaha - Member  
Mr. S. Priyanka Dissanayake - Member

The following members were appointed to the Audit Committee of the Company with effect from 28th April 2016 in place of the above members:

Ms. Tehani Mathew - Chairperson  
Mr. J. M. U. P. Jayamaha - Member  
Mr. Shezmin Mansoor - Member  
Mr. Nishan Fernando - Member

The report of the Audit Committee is given on page 50 of the Annual Report.

## 17. Remuneration Committee

The Remuneration Committee of the Company during the year ended 31st December 2015 comprised the following members:

Mr. Janaprith Fernando - Chairman  
Mr. Ananda De Silva - Member  
Mr. Athula Senanayake - Member

The following members were appointed to the Remuneration Committee of the Company with effect from 28th April 2016 in place of the above members:

Mr. Athula Senanayake - Chairman  
Ms. Padma Maharaja - Member  
Mr. Dinouk Colombage - Member  
Mr. Dhanuka Samarasinghe - Member

## 18. CAPITAL EXPENDITURE

The details of material capital commitments are given in Note 31 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.

## *Annual Report of the Directors on the affairs of the Company*

### **20. STATED CAPITAL**

The Stated Capital of the Company as at 31st December 2015 was Rs. 20,466,456,858/- representing 2,046,645,686 ordinary shares.

### **21. DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING**

The Directors are responsible for the preparation of the financial statements of the Company to reflect a true and fair view of its state of affairs. The Directors are of the view 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 2015 and the profit for the period then ended.

### **22. STATUTORY PAYMENTS**

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

### **24. AUDITORS**

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

### **25. NOTICE OF MEETING**

Notice of Meeting relating to Annual General Meeting of the Company is given on page 83 of the Annual Report.

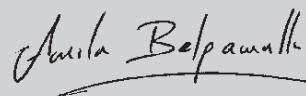
By Order of the Board of  
HOTEL DEVELOPERS (LANKA) PLC



Mr. Dhanuka Ranjith Samarasinghe  
Director



Mr. Dinouk Colombage  
Director



S S P CORPORATE SERVICES (PRIVATE) LIMITED  
Company Secretaries

31st May 2016  
Colombo

## Directors' Responsibility for Financial Reporting

The Company's Financial Statements for the year ended 31st December 2015 have been prepared and presented in conformity with the requirements of the Sri Lanka Accounting standards, the Listing Rules of the Colombo Stock Exchange & the Companies Act No. 7 of 2007.

These Financial statements present a true and fair view of the operations and the position of the Company for the year under review.

The Directors have put in place systems and procedures which enable adequate information to be captured, and which facilitate the maintenance of accurate records.

Appropriate accounting policies have been adopted.

Internal controls have been implemented.

The Directors believe that they have taken all reasonable steps to safeguard the assets of the Company, to ensure the integrity, accuracy and safeguarding of operational data, and to prevent and detect fraud and other irregularities.

The Directors also confirm to the best of their knowledge that all taxes, duties and levies payable by the Company as at the Balance Sheet date have been paid or where relevant provided for.

Auditor General has examined the financial and other records of the Company. His opinion is given in the Independent Auditors Report.

While the accounts were approved by the Board for purpose of the Audit on the 19th March 2016, Annual Report and Accounts were authorized for publication on 31st May 2016.

On behalf of the Board



**Mr. Dhanuka Ranjith Samarasinghe**  
Director



**Mr. Dinouk Colombage**  
Director

31st May 2016  
Colombo

# 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 ensuring the quality of financial reporting relating to ;

- Integrity of the 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 regard to statutory requirements.
- Adherence to the decisions of the Board of Directors.

## Composition of the Audit Committee

Audit Committee as at 31st December 2015 comprised of three Independent Non-executive Directors

- Mr. Joseph Soosaithasan – Committee Chairman (Independent Non-executive Director).
- Mr. Priyankara Dissanayake – Committee Member (Independent Non-executive Director).
- Mr. Priyanatha Jayamaha Committee Member (Non-executive Director, Treasury Representative).

Mr. Joseph Soosaithasan (FCMA) is a Fellow member of Chartered Institute of Management Accountants – UK and counts for many years of experience at Senior Management level in the Manufacturing & Leisure Sectors in Sri Lanka and overseas.

Mr. Priyankara Dissanayake has a Diploma in Management from the Ambassador University in Sri Lanka (Affiliated to the Ambassador University in USA) and is a Chartered Member of the Logistics and Transportation Institute of Australia

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. Jayamaha holds a Master Degree in Development Studies from University of Colombo, Post Graduate Diploma in Accounting and Financial Management from University of Sri Jaywardenepura, Diploma in Public Financial Management from Sri Lanka Institute of Development Administration (SLIDA) and Licentiate Certificate from the Institute of Chartered Accountants of Srilanka.

With the appointment of a new Board of Directors on 8th April 2016, a new Audit Committee was appointed on 28th April 2016 as follows:

- Ms. Tehani Mathew - Chairperson
- Mr. J. M. U. P. Jayamaha - Member
- Mr. Shezmin Mansoor - Member

In the absence of a professionally qualified accountant in the Board, the company requested a nominee from the Institute of Chartered Accountants to serve as member of the Committee. Accordingly, Mr Nishan Fernando a fellow member of the Institute of Chartered Accountants was nominated to serve on the Audit committee.

Ms. Tehani Mathew has a Bachelor of Arts in Political Science from Columbia University, New York, United State of America and Master of Science in Applied Psychology from University of Colombo. She is a Chief Trustee of Expo 80 Foundation (Tyronne Fernando Foundation), Moratuwa and Director of several Companies.

Mr. Shezmin Mansoor completed his Bachelor's Degree in Science majoring in Supply Chain Management from Arizona State University, USA. He was also awarded a Scholarship during his degree and was in the prestigious Dean's List, awarded for outstanding academic results.

### **Audit Committee meetings**

During the 9 months period ended 31st December 2015, the Audit Committee had 4 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 from External Auditors and Management Auditors of Hilton Colombo attended the Audit Committee Meetings by invitation.

### **Review of Internal Control Systems**

E & Y the Internal Auditors of the Company carried out detailed audits in respect of the hotel operations on the basis of the audit plan approved by the Audit Committee. Objectives of the Internal Audit were to have 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. The findings and the contents of the internal Auditors reports have been discussed with the Management to ensure corrective measures are taken in a timely manner.

### **Review of Quarterly Financial Statements**

Quarterly Financial Statements of the Company have been reviewed and recommended to the Board for approval before releasing the same to the Colombo Stock Exchange (CSE).

### **Adoption of IFRS/ SLFRS**

For all periods up to and including the year ended 31st March 2012, the Company prepared their financial statements in accordance with the Sri Lanka Accounting Standards, which were effective up to that date.

Following the convergence of the Sri Lanka Accounting Standards with the International Financial Reporting Standards (IFRSs), all existing / new Sri Lanka Accounting Standards were prefixed as SLFRS and LKAS (referred to as "SLFRS" in these financial statements) and with effect from the financial periods beginning on or after 1st April 2012, it became mandatory for the Company to comply with the requirements of the said / revised Sri Lanka Accounting Standards (LKAS/SLFRS). The adoption of new/revised financial reporting framework required amendments to the basis of recognition, measurement and disclosure of transactions and balances in the financial statements of the Company which are duly addressed in the financial statements for the 9 months ended 31st December 2015. The transition and the resultant impact arising from the adoption of new/revised accounting standards on the financial statements of the Company were audited by the Auditor General during the 9 months period ended 31st December 2015.

### **Change of Financial year from 1st April to 31st March to the Calendar Year.**

Financial year from 1st April to 31st March was changed to Calendar year with effect from 1st April 2015. Accordingly, the Financial Statement for this period has been prepared for 9 months from 1st April to 31st December 2015.

### **Change of External Auditors**

With the enactment of 19th amendment to the constitution the Auditor General became the external Auditor of the Company. Accordingly the Financial Statement for the 9 months period ending 31st December 2015 was audited by the Auditor General.

### **Review of Draft Financial Statement for the 9 months period ended 31st December 2015**

The draft financial statements for the 9 months period ended 31st December 2015 pertaining to the Company were reviewed by the Audit Committee, together

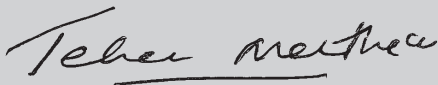
## *The Audit Committee Report*

with the External Auditors, Internal Auditors of the company 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 that the said financial statements were 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 period 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 misstatements.

I am submitting this report on behalf of the previous audit committee which was in existence up to 01st April 2016.



**Ms. Tehani Mathew**  
Chairperson Audit Committee

31st May 2016

# *Financial Statements*

# Independent Auditor's Report



## විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } MED/C/HDL/6/15/401  
எனது இல. }  
My No. }

ඔබේ අංකය }  
உமது இல. }  
Your No. }

දිනය } 19 April 2016  
திகதி }  
Date }

To the Shareholders of Hotel Developers (Lanka) PLC

### Report of the Auditor General on the Financial Statements of the Hotel Developers (Lanka) PLC for the nine months period ended 31 December 2015

The audit of the financial statements of the Hotel Developers (Lanka) PLC ("Company") for the nine months period ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

#### Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

#### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



2

**Opinion**

In my opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and its financial performance and cash flows for the nine months period then ended in accordance with Sri Lanka Accounting Standards.

**Emphasis of Matter**

I draw attention to Note 12.3 to the financial statements which describe the recognition of the fair value related to the fully depreciated assets and continue to be used by the company which will be replaced or refurbished under the renovation programme which is expected to be completed by 2017. My opinion is not qualified in respect of this matter.

**Report on Other Legal and Regulatory Requirement**

As required by Section 163 (2) of the Companies Act No.07 of 2007, I state the followings:

- A. The basis of opinion and scope and limitations of the audit are as stated above
- B. In my opinion :
  - 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
  - The financial statements of the company give a true and fare view of the financial position of the company as at 31 December 2015 and of its financial position and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards
  - The financial stamens of the company comply with the requirement of Section 151 and 153 of thy Companies Act No. 07 of 2007

**Report to Parliament**

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.



**H.M. Gamini Wijesinghe**  
Auditor General

## Statement of Comprehensive Income

FOR THE NINE MONTHS ENDED 31ST DECEMBER 2015

|                                                                  | Note | 09 Months<br>31.12.2015<br>Rs. '000 | 12 Months<br>2014/2015<br>Rs. '000 |
|------------------------------------------------------------------|------|-------------------------------------|------------------------------------|
| Revenue                                                          | 5    | 1,571,704                           | 2,381,930                          |
| Cost of sales                                                    |      | (280,647)                           | (455,737)                          |
| Gross profit                                                     |      | 1,291,057                           | 1,926,193                          |
| Investment income                                                | 6    | 41,957                              | 126,273                            |
| Other gains and losses                                           | 7    | 40,750                              | 37,452                             |
| Administrative expenses                                          |      | (1,081,220)                         | (1,489,628)                        |
| Other expenses                                                   |      | (200,213)                           | (286,964)                          |
| Finance costs                                                    | 8    | (617)                               | (37,632)                           |
| Profit before taxation                                           | 9    | 91,713                              | 275,695                            |
| Income tax expense                                               | 10   | (65,104)                            | (112,175)                          |
| Profit for the year                                              |      | 26,609                              | 163,519                            |
| <b>Other comprehensive income</b>                                |      |                                     |                                    |
| Actuarial Gain/( loss )on employee benefit obligations           |      | (9,689)                             | 19,207                             |
| Other comprehensive income/ (expense) for the period, net of tax |      | (9,689)                             | 19,207                             |
| <b>Total comprehensive income/ (expense) for the period</b>      |      | <b>16,920</b>                       | <b>182,726</b>                     |
| Earning per share - Basic (Rs.)                                  | 11   | 0.01                                | 0.08                               |

The accounting policies and notes from 1 to 35 form an integral part of these financial statements.

*Statement of Financial Position*

AS AT 31ST DECEMBER 2015

|                                     | Note | 31.12.2015<br>Rs. '000 | 31.03.2015<br>Rs. '000 |
|-------------------------------------|------|------------------------|------------------------|
| <b>Assets</b>                       |      |                        |                        |
| <b>Non-current Assets</b>           |      |                        |                        |
| Property, plant & equipment         | 12   | 5,038,545              | 5,186,747              |
| Leasehold land                      | 13   | 6,751,945              | 6,804,975              |
| Capital work-in-progress            |      | 1,313,612              | 522,006                |
|                                     |      | <b>13,104,101</b>      | <b>12,513,728</b>      |
| <b>Current Assets</b>               |      |                        |                        |
| Inventories                         | 14   | 38,110                 | 38,700                 |
| Trade and other receivables         | 15   | 150,235                | 96,289                 |
| Amounts due from related party      | 16   | 163                    | 2,091                  |
| Other assets                        | 17   | 386,311                | 402,811                |
| Current financial assets            | 18   | 877,867                | 1,178,992              |
| Cash and bank balances              | 19   | 215,214                | 181,564                |
|                                     |      | <b>1,667,899</b>       | <b>1,900,447</b>       |
| <b>Total Assets</b>                 |      | <b>14,772,000</b>      | <b>14,414,174</b>      |
| <b>Equity and Liabilities</b>       |      |                        |                        |
| <b>Shareholders' Equity</b>         |      |                        |                        |
| Stated capital                      | 20   | 20,466,456             | 20,466,457             |
| Reserves                            | 21   | 117,421                | 223,381                |
| Accumulated loss                    |      | (6,946,927)            | (7,069,806)            |
| <b>Total Equity</b>                 |      | <b>13,636,951</b>      | <b>13,620,031</b>      |
| <b>Non-current Liabilities</b>      |      |                        |                        |
| Retirement benefit obligations      | 22   | 104,524                | 90,192                 |
| Deferred tax liability              | 23   | 478,724                | 442,513                |
|                                     |      | <b>583,248</b>         | <b>532,705</b>         |
| <b>Current Liabilities</b>          |      |                        |                        |
| Trade and other payables            | 24   | 397,145                | 197,790                |
| Amounts due to related party        | 25   | 15,865                 | 12,219                 |
| Income tax payable                  | 26   | 12,377                 | 22,220                 |
| Bank overdraft                      |      | 126,414                | 29,207                 |
| <b>Total Current Liabilities</b>    |      | <b>551,801</b>         | <b>261,437</b>         |
| <b>Total Liabilities</b>            |      | <b>1,135,049</b>       | <b>794,142</b>         |
| <b>Total Equity and Liabilities</b> |      | <b>14,772,000</b>      | <b>14,414,174</b>      |
| <b>Net Assets per share (Rs.)</b>   |      | <b>7/-</b>             | <b>7/-</b>             |

I certify that these financial statements comply 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 29th March 2016.



**Joseph M. Soosaithasan**  
Director



**J. M. U. P. Jayamaha**  
Director

The accounting policies and notes from 1 to 35 form an integral part of these financial statements.

## Statement of Changes In Equity

FOR THE NINE MONTHS ENDED 31ST DECEMBER 2015

|                                                                            | Shares to<br>be allotted<br>Rs. '000 | Stated<br>Capital<br>Rs. '000 | Furniture,<br>Fittings &<br>Equipment<br>Replacement<br>Reserves<br>Rs. '000 | Accumulated<br>Loss<br>Rs. '000 | Total<br>Rs. '000 |
|----------------------------------------------------------------------------|--------------------------------------|-------------------------------|------------------------------------------------------------------------------|---------------------------------|-------------------|
| <b>Balance as at 31st March 2014</b>                                       | 2,350,300                            | 18,116,157                    | 301,378                                                                      | (7,330,529)                     | 13,437,306        |
| Profit for the period                                                      | -                                    | -                             | -                                                                            | 163,519                         | 163,519           |
| <b>Other comprehensive income</b>                                          |                                      |                               |                                                                              |                                 |                   |
| Actuarial gain/(loss) on employee benefit obligations, net of taxes - loss | -                                    | -                             | -                                                                            | 19,207                          | 19,207            |
| Replacement of furniture, fittings & equipment                             | -                                    | -                             | (186,007)                                                                    | 186,007                         | -                 |
| Transfers to furniture, fittings & equipment reserve                       | -                                    | -                             | 108,010                                                                      | (108,010)                       | -                 |
| Shares allotted                                                            | (2,350,300)                          | 2,350,300                     | -                                                                            | -                               | -                 |
| <b>Balance as at 31st March 2015</b>                                       | -                                    | 20,466,457                    | 223,381                                                                      | (7,069,806)                     | 13,620,032        |
| Profit for the period                                                      | -                                    | -                             | -                                                                            | 26,609                          | 26,609            |
| <b>Other comprehensive income</b>                                          |                                      |                               |                                                                              |                                 |                   |
| Actuarial gain/(loss) on employee benefit obligations, net of taxes - loss | -                                    | -                             | -                                                                            | (9,689)                         | (9,689)           |
| Replacement of furniture, fittings & equipment                             | -                                    | -                             | (188,139)                                                                    | 188,139                         | -                 |
| Transfers to furniture, fittings & equipment reserve                       | -                                    | -                             | 82,179                                                                       | (82,179)                        | -                 |
| <b>Balance as at 31st December 2015</b>                                    | -                                    | 20,466,457                    | 117,421                                                                      | (6,946,927)                     | 13,636,952        |

The accounting policies and notes from 1 to 35 form an integral part of these financial statements.

*Statement of Cash Flows*

NINE MONTHS ENDED 31ST DECEMBER 2015

|                                                                  | 31.12.2015<br>Rs. '000 | 2014/2015<br>Rs. '000 |
|------------------------------------------------------------------|------------------------|-----------------------|
| Profit before taxation                                           | 91,713                 | 275,695               |
| <b>Adjustment for</b>                                            |                        |                       |
| Depreciation and amortisation                                    | 249,682                | 337,297               |
| Provision for defined benefit plans                              | 12,184                 | 19,205                |
| Interest expenses                                                | 617                    | 37,632                |
| Profit on sale of property, plant & equipment                    | (6,756)                | (4,731)               |
| Interest income                                                  | (41,957)               | (126,273)             |
| Operating profit before working capital changes                  | 305,484                | 538,825               |
| (Increase)/ decrease in inventories                              | 590                    | 5,362                 |
| (Increase)/ decrease in receivables                              | (53,946)               | 4,453                 |
| Increase/decrease in amounts due to related parties              | 5,574                  | (405)                 |
| (Increase)/ decrease in other assets                             | 16,500                 | (294,572)             |
| Increase/ (decrease) in trade & other payables (Note 27.3)       | 117,910                | (82,771)              |
| Cash generated from operations                                   | 392,111                | 170,891               |
| Tax paid                                                         | (38,737)               | (50,313)              |
| Payment of retirement benefits                                   | (7,541)                | (15,986)              |
| Net cash generated from operating activities                     | 345,833                | 104,593               |
| <b>Cash Flows from Investing Activities</b>                      |                        |                       |
| Purchase of property, plant & equipment                          | (48,450)               | (128,102)             |
| Investment in capital work-in-progress (Note 27.3)               | (710,161)              | (288,829)             |
| Proceeds from sale of property, plant & equipment                | 6,756                  | 4,731                 |
| Investments in financial assets - (Note 27.4)                    | 282,906                | 858,077               |
| Interest income received (27.4)                                  | 60,177                 | 250,882               |
| Net cash used in investing activities                            | (408,773)              | 696,759               |
| <b>Cash Flows from Financing Activities</b>                      |                        |                       |
| Overdraft Interest                                               | (617)                  | (37,632)              |
| Net cash used in financing activities                            | (617)                  | (37,632)              |
| Net increase/(decrease) in cash & cash equivalents               | (63,557)               | 763,720               |
| Cash & cash equivalents at the beginning of the year (Note 27.1) | 152,357                | (611,363)             |
| Cash & cash equivalents at the end of the year (Note 27.2)       | 88,800                 | 152,357               |

The accounting policies and notes from 1 to 35 form an integral part of these financial statements.

# *Notes to the Financial Statements*

NINE MONTHS ENDED 31ST DECEMBER 2015

## **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 authorised for issue by the Board of Directors on 29th March 2016.

## **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:

- 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 reporting period of the company has been changed from 31st March to 31st December effective from 31st December 2015. Therefore current period information comprises a period of nine months from 1st April 2015 to 31st December 2015. The comparative amounts comprise as at and for the 12 months ended 31st March 2015. Therefore, amounts presented in the financial statements are not entirely comparable.

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. 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.

### 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.

*Notes to the Financial Statements*

NINE MONTHS ENDED 31ST DECEMBER 2015

**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 indicated.

**4.1 Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value

of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

**a) Services**

Revenue from rendering of services is recognized in the accounting period in which the services are rendered or performed.

**b) Rooms and Outlet Revenue**

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.

**c) Interest**

Interest income is recognized using the Effective Interest Rate (EIR) method.

**d) Rental Income**

Rental income is recognized on 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. Unrecognised 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

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.

##### Cost Model

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

##### 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 prorated basis. The rates of depreciations based on the estimated useful lives are as follows:

*Notes to the Financial Statements*

NINE MONTHS ENDED 31ST DECEMBER 2015

| 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  |
| Other facilities                  | 20  |

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 derecognised 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 derecognised.

**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.

**4.5 Prepaid Lease Rental**

The leasehold land is being amortised on an equal annual basis over 99 years, which is the period of the lease. The amortization commenced from June 2012.

**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****4.7.1 Initial Recognition**

All financial assets are initially recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time-frame generally established by regulation or convention in the market place.

**4.7.2 Initial Measurement**

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value including transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

**4.7.3 Subsequent Measurement**

The Company subsequently measures non-derivative financial assets categorizing them in to the categories of financial assets at fair value through profit or loss, held-to maturity investments, loans and receivables and available-for-sale financial assets.

**a) Financial assets at Fair Value Through Profit or Loss (FVTPL)**

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated at fair value through profit of loss.

### **b) Held-to-maturity Financial Investments**

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company has the intention and ability to hold to maturity. Subsequent to initial measurement, held to maturity financial investments are measured at amortized cost using the Effective Interest Rate (EIR), less impairment.

### **c) Loans and Receivables**

Loans & receivables include non- derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Company intends to sell immediately or in the near term and those that the Company, upon initial recognition, designates as at fair value through profit or loss
- Those that the Company, upon initial recognition, designates as available for sale
- Those for which the Company may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, loans and receivables are subsequently measured at amortised cost using the EIR method less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in 'impairment gain/ (loss) on loans and receivables'.

The Company may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short

term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss. Where the loan, on drawdown, is expected to be retained by the Company, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss.

### **d) Available-for-sale Financial Investments**

Available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. The Company has not designated any loans or receivables as available-for-sale.

After initial measurement, available-for-sale financial investments are measured at fair value. Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the "available-for-sale reserve". When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognised in the statement of comprehensive income in other operating income.

#### **4.7.4 Reclassification of Financial Assets**

The Company may reclassify non-derivative financial assets other than those designated at FVTPL upon initial recognition, in certain circumstances:

- Out of the held-for-trading category and into the available for sale, loans and receivables, or held-to-maturity categories.
- Out of the 'available-for-sale' category and into the 'loans and receivables', 'held for trading category' or 'held-to-maturity'. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. For a financial asset reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference

*Notes to the Financial Statements*

NINE MONTHS ENDED 31ST DECEMBER 2015

between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the statement of comprehensive income statement.

- Out of the 'held-for-trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase are recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of the management, and is determined on an instrument by instrument basis.

**4.7.5 De-recognition of Financial Assets**

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

- The rights to receive cash flows from the asset have expired.
- The Company 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:
  - The Company has transferred substantially all the risks and rewards of the asset or
  - The Company has neither transferred nor retained substantially all the

risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company 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 Company 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 Company could be required to repay.

**4.7.6 Identification, Measurement and Assessment of Impairment**

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

The Company writes off loans and advances and investment securities when they are determined to be uncollectible.

**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 of the salary of each employee to the approved Provident Fund.

##### b) Employees' Trust Fund

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

#### 4.11 Financial Liabilities

##### 4.11.1 Initial Recognition and Measurement

The Company classifies financial liabilities into financial liabilities at Fair Value Through Profit or Loss (FVTPL) or other financial liabilities 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.

*Notes to the Financial Statements*

NINE MONTHS ENDED 31ST DECEMBER 2015

**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 as 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**

Standards issued but not yet effective up to the date of issuance of the financial statements are set out below. The Company will adopt these standards when they become effective. Pending a detailed review, the financial impact is not reasonably estimated as at the date of publication of these financial statements.

SLFRS 9 - Financial instruments: classification and measurement

SLFRS 12 - Disclosure of interests in other entities

SLFRS 13 - Fair value measurement

|                                                | 09 Months<br>31-12-2015<br>Rs. '000 | 12 Months<br>2014/2015<br>Rs. '000 |
|------------------------------------------------|-------------------------------------|------------------------------------|
| <b>5. Revenue</b>                              |                                     |                                    |
| Room revenue                                   | 734,422                             | 1,079,538                          |
| Food and Beverage revenue                      | 797,303                             | 1,242,564                          |
| Other operating departments                    | 39,978                              | 59,829                             |
|                                                | <b>1,571,704</b>                    | <b>2,381,930</b>                   |
| <b>6. Investment Income</b>                    |                                     |                                    |
| <b>Interest income - Loans and receivables</b> |                                     |                                    |
| Interest on treasury bills                     | 8,910                               | 10,927                             |
| Interest on staff loans                        | 4                                   | 2                                  |
| Interest on RFC accounts                       | 662                                 | 102                                |
| Interest on fixed deposits                     | 26,947                              | 95,895                             |
| Interest income on FF&E replacement reserve    | 5,434                               | 16,701                             |
| Interest on call deposits                      | -                                   | 2,646                              |
|                                                | <b>41,957</b>                       | <b>126,273</b>                     |
| <b>7. Other Gains and Losses</b>               |                                     |                                    |
| Profit on disposal of plant & equipment        | 6,756                               | 4,731                              |
| Shop rentals                                   | 8,924                               | 28,102                             |
| Exchange gain                                  | 19,990                              | 1,871                              |
| Sundry income                                  | 5,080                               | 2,748                              |
|                                                | <b>40,750</b>                       | <b>37,452</b>                      |
| <b>8. Finance Costs</b>                        |                                     |                                    |
| Overdraft Interest                             | 595                                 | 34,100                             |
| Bank charges                                   | 23                                  | 3,531                              |
|                                                | <b>617</b>                          | <b>37,632</b>                      |

*Notes to the Financial Statements*

NINE MONTHS ENDED 31ST DECEMBER 2015

|                                                                                      | 09 Months<br>31-12-2015<br>Rs. '000 | 12 Months<br>2014/2015<br>Rs. '000 |
|--------------------------------------------------------------------------------------|-------------------------------------|------------------------------------|
| <b>9. Profit for the period</b>                                                      |                                     |                                    |
| Profit for the period is stated after charging all expenses including the following: |                                     |                                    |
| Directors' emoluments                                                                | 4,600                               | 7,700                              |
| Auditors' remuneration - Company                                                     | 464                                 | 717                                |
| - Colombo Hilton                                                                     | 1,297                               | 1,860                              |
| Depreciation                                                                         | 249,682                             | 337,297                            |
| Staff costs (including the following employee benefit plan costs)                    | 258,985                             | 348,453                            |
| - Defined benefit plan cost - Gratuity                                               | 12,184                              | 19,205                             |
| - Defined contribution plan costs - EPF & ETF                                        | 32,255                              | 37,881                             |
| Management fees                                                                      | 10,111                              | 25,224                             |
| Group service & benefit charge - Hilton International                                | 31,831                              | 49,655                             |
| Legal fees                                                                           | 378                                 | 2,734                              |
| Allowance for bad & doubtful debts                                                   | 10,905                              | 7,300                              |
| <b>10. Income tax expense</b>                                                        |                                     |                                    |
| Provision for the period (Note 10.1)                                                 | 28,894                              | 61,700                             |
| Under/(over) provision of previous years taxes/ adjustments for notional tax credits |                                     | -                                  |
| Deferred tax expense (Note 10.2)                                                     | 36,210                              | 50,475                             |
|                                                                                      | <b>65,104</b>                       | <b>112,175</b>                     |



**10.1** A reconciliation between Taxable profit and Accounting Profit for the Years Ended 31st March 2015 and Nine months ended 31st December 2015 are as follows

|                                                              | 09 Months<br>31-12-2015<br>Rs. '000 | 12 Months<br>2014/2015<br>Rs. '000 |
|--------------------------------------------------------------|-------------------------------------|------------------------------------|
| Accounting Profit Before Income Tax                          | 91,713                              | 275,695                            |
| Aggregate Disallowed Items                                   | 327,009                             | 481,893                            |
| Aggregate allowable Expense                                  | (103,359)                           | (134,659)                          |
| Trading Profits and Other Sources of Income                  | (41,292)                            | (126,075)                          |
| Taxable Profit 12%                                           | 274,071                             | 496,854                            |
| Other sources of Income Liable @ 28%                         | 41,292                              | 126,075                            |
| Total Taxable Profit                                         | 315,363                             | 622,928                            |
| Loss claimed                                                 | (110,377)                           | (218,025)                          |
| <b>Taxable Profit</b>                                        | <b>204,986</b>                      | <b>404,903</b>                     |
| Statutory Tax Rate - Taxable Profits                         | 12%                                 | 12%                                |
| - Other Source of Income                                     | 28%                                 | 28%                                |
| Taxable Profit                                               | 178,146                             | 322,955                            |
| Taxable other source of Income Liable                        | 26,845                              | 81,948                             |
| Current Year Tax Expense                                     | 28,894                              | 61,700                             |
| <b>10.2 Deferred tax</b>                                     |                                     |                                    |
| Deferred tax arising from:                                   |                                     |                                    |
| - Origination and reversal of temporary difference (Note 23) | 36,210                              | 50,475                             |
| Total deferred tax charge                                    | 36,210                              | 50,475                             |
| <b>10.3 Tax losses carried forward</b>                       |                                     |                                    |
| Tax losses brought forward                                   | 9,893,110                           | 10,111,135                         |
| Tax losses set off in the current year                       | (110,377)                           | (218,025)                          |
| Tax losses carried forward for future years                  | 9,782,733                           | 9,893,110                          |

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**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.

|                                                                                         | 09 Months<br>31-12-2015<br>Rs. '000 | 12 Months<br>2014/2015<br>Rs. '000 |
|-----------------------------------------------------------------------------------------|-------------------------------------|------------------------------------|
| Profit per ordinary share                                                               | 0.01                                | 0.08                               |
| <b>Amount used as the Numerator</b>                                                     | <b>Rs. '000</b>                     | <b>Rs. '000</b>                    |
| Profit attributable to the ordinary<br>Shareholders                                     | 26,609                              | 163,519                            |
| <b>Amount Used as the Denominator</b>                                                   | <b>Nos. '000</b>                    | <b>Nos. '000</b>                   |
| Weighted average number of ordinary shares for the purpose of basic profit<br>per share | 2,046,646                           | 1,948,717                          |

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| 12. Property, Plant and equipment                 | Buildings<br>on<br>leasehold<br>land<br>Rs. '000 | Plant &<br>machinery<br>Rs. '000 | Hotel<br>furniture &<br>fittings<br>Rs. '000 | Motor<br>vehicle<br>Rs. '000 | Refrigerator<br>& kitchen<br>equipment<br>Rs. '000 | Television<br>&<br>computers<br>Rs. '000 | Total<br>Rs. '000 |
|---------------------------------------------------|--------------------------------------------------|----------------------------------|----------------------------------------------|------------------------------|----------------------------------------------------|------------------------------------------|-------------------|
| <b>Cost/ Revaluation</b>                          |                                                  |                                  |                                              |                              |                                                    |                                          |                   |
| Balance as at 31st March 2014                     | 6,662,460                                        | 469,869                          | 1,056,702                                    | 84,803                       | 384,475                                            | 224,637                                  | 8,882,948         |
| Additions during the year                         | 103                                              | 11,540                           | 49,381                                       | 8,790                        | 46,100                                             | 12,190                                   | 128,104           |
| Disposals                                         | -                                                | -                                | -                                            | -                            | -                                                  | -                                        | -                 |
| Previously Reported Balance as at 31st March 2015 | 6,662,563                                        | 481,409                          | 1,106,083                                    | 93,593                       | 430,576                                            | 236,827                                  | 9,011,052         |
| Adjustment                                        | 705                                              | -                                | -                                            | (654)                        | -                                                  | (705)                                    | (654)             |
| Reclassified Balance as at 31st March 2015        | 6,663,268                                        | 481,409                          | 1,106,083                                    | 92,939                       | 430,576                                            | 236,123                                  | 9,010,398         |
| Additions during the year                         | 4,320                                            | 708                              | 11,107                                       | -                            | 6,899                                              | 25,414                                   | 48,450            |
| Disposals                                         | -                                                | -                                | -                                            | -                            | -                                                  | -                                        | -                 |
| Balance as at 31st December 2015                  | 6,667,589                                        | 482,118                          | 1,117,191                                    | 92,939                       | 437,475                                            | 261,537                                  | 9,058,848         |
| <b>Accumulated Depreciation</b>                   |                                                  |                                  |                                              |                              |                                                    |                                          |                   |
| Balance as at 31st March 2014                     | 1,662,754                                        | 406,678                          | 950,850                                      | 57,182                       | 280,543                                            | 199,709                                  | 3,557,717         |
| Charge for the year                               | 166,571                                          | 14,833                           | 34,661                                       | 18,479                       | 18,894                                             | 13,151                                   | 266,589           |
| Disposals                                         | -                                                | -                                | -                                            | -                            | -                                                  | -                                        | -                 |
| Previously Reported Balance as at 31st March 2015 | 1,829,325                                        | 421,511                          | 985,511                                      | 75,662                       | 299,438                                            | 212,860                                  | 3,824,306         |
| Adjustment                                        | -                                                | -                                | -                                            | (654)                        | -                                                  | -                                        | (654)             |
| Reclassified Balance as at 31st March 2015        | 1,829,325                                        | 421,511                          | 985,511                                      | 75,007                       | 299,438                                            | 212,860                                  | 3,823,652         |
| Charge for the year                               | 124,967                                          | 11,182                           | 25,614                                       | 9,562                        | 14,683                                             | 10,644                                   | 196,652           |
| Disposals                                         | -                                                | -                                | -                                            | -                            | -                                                  | -                                        | -                 |
| Balance as at 31st December 2015                  | 1,954,293                                        | 432,694                          | 1,011,125                                    | 84,569                       | 314,121                                            | 223,504                                  | 4,020,304         |
| <b>Written Down Value</b>                         |                                                  |                                  |                                              |                              |                                                    |                                          |                   |
| Balance as at 31st March 2014                     | 4,999,707                                        | 63,191                           | 105,852                                      | 27,621                       | 103,932                                            | 24,928                                   | 5,325,231         |
| Previously Reported Balance as at 31st March 2015 | 4,833,238                                        | 59,898                           | 120,573                                      | 17,932                       | 131,138                                            | 23,968                                   | 5,186,746         |
| Reclassified Balance as at 31st March 2015        | 4,833,943                                        | 59,898                           | 120,573                                      | 17,277                       | 131,138                                            | 23,263                                   | 5,186,746         |
| Balance as at 31st December 2015                  | 4,713,296                                        | 49,424                           | 106,066                                      | 8,370                        | 123,354                                            | 38,033                                   | 5,038,544         |

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

*Notes to the Financial Statements*

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- 12.2** A bridge was constructed in 1998 linking the World Trade Centre and Hilton Hotel at a cost of USD 360,000. Overseas Realty Ltd and Hilton International contributed US \$ 180,000 and US \$ 90,000 respectively, and the company contributed the balance amount. USD 90,000 incurred by the company has been capitalised in the financial statements under buildings.
- 12.3** Property, plant & equipment at a cost of Rs. 1,625,979,070/- (2014/2015 - 1,561 Mn) have been fully depreciated and continue to be in use by the company. The Company is currently under-going a major refurbishment programme after 25 years and these assets are either being replaced or refurbished under the renovation programme and they will reflect new values on completion of the refurbishment programme which is expected to be completed by 2017.
- 12.4** The building was revalued in 2010 by the Government Chief Valuer at Rs. 5,600Mn

The company elected to recognize the revalued amount of the building as the deemed cost under the previous accounting standard (SLAS) at the date of transition to SLFRS. As a result, the company has transferred the evaluation reserve of 4,706,460 (LKR'.000) to retained earnings at the date of transition.

- 12.5** Last year Audited figures in above schedule was corrected due the classification error between Buildings & Television & Computers and also Motor vehicles Accumulated Depreciation & Cost was adjusted by Rs. 654,475/- with regard to previous year disposal which has no impact on carrying value.

|                                | 31.12.2015<br>Rs. '000 | 31.03.2015<br>Rs. '000 |
|--------------------------------|------------------------|------------------------|
| <b>13. Leasehold Land</b>      |                        |                        |
| Capitalised Value B/F          | 6,804,975              | 6,875,682              |
| Amortization during the period | (53,030)               | (70,707)               |
|                                | 6,751,945              | 6,804,975              |

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.

|                                        | 31.12.2015<br>Rs. '000 | 31.03.2015<br>Rs. '000 |
|----------------------------------------|------------------------|------------------------|
| <b>14. Inventories</b>                 |                        |                        |
| Food                                   | 8,498                  | 7,363                  |
| Beverages                              | 22,327                 | 18,935                 |
| General stores                         | 4,227                  | 9,462                  |
| Engineering stores                     | 3,059                  | 2,939                  |
|                                        | 38,110                 | 38,700                 |
| <b>15. Trade and Other Receivables</b> |                        |                        |
| Trade receivables                      | 161,141                | 113,456                |
| Less: Impairment of debtors            | (10,905)               | (17,166)               |
|                                        | 150,236                | 96,289                 |

|                                           | 31.12.2015<br>Rs. '000 | 31.03.2015<br>Rs. '000 |
|-------------------------------------------|------------------------|------------------------|
| <b>16. Amounts Due From Related Party</b> |                        |                        |
| Hilton Maldives                           | -                      | 601                    |
| Hilton Singapore                          | -                      | 224                    |
| Hilton Colombo Residencies                | 163                    | 1,255                  |
| Hilton Pataya                             | -                      | 11                     |
|                                           | <b>163</b>             | <b>2,091</b>           |
| <b>17. Other Assets</b>                   |                        |                        |
| Deposits, prepayments and advances        | 66,553                 | 51,984                 |
| Other receivables                         | 16,691                 | 6,295                  |
| Advances - Refurbishment Expenses         | 303,067                | 344,531                |
|                                           | <b>386,311</b>         | <b>402,811</b>         |
| <b>18. Current Financial Assets</b>       |                        |                        |
| <b>Short-term investments</b>             |                        |                        |
| Treasury bills                            | -                      | 285,540                |
| Fixed deposits                            | 561,334                | 653,844                |
| Call deposits                             | 205,696                | 27,816                 |
|                                           | <b>767,031</b>         | <b>967,201</b>         |
| <b>FF&amp;E Reserve Investment</b>        |                        |                        |
| Call deposits                             | 51,511                 | 59                     |
| Treasury Bills repurchases                | 59,325                 | 211,733                |
|                                           | <b>110,836</b>         | <b>211,792</b>         |
| Total Short-term investment               | <b>877,867</b>         | <b>1,178,992</b>       |

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.

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|                                                                     | 31.12.2015<br>Rs. '000 | 31.03.2015<br>Rs. '000 |
|---------------------------------------------------------------------|------------------------|------------------------|
| <b>19. Cash and bank balances</b>                                   |                        |                        |
| Saving A/C BOC - US\$                                               | 159,000                | 100,327                |
| Current A/C BOC - US\$                                              | -                      | 27,187                 |
| Cash & Bank                                                         | 56,214                 | 54,050                 |
|                                                                     | 215,214                | 181,564                |
| <b>20. Stated Capital</b>                                           |                        |                        |
| <b>20.1 Issued and Fully Paid</b>                                   |                        |                        |
| 2,046,645,685 Ordinary shares                                       | 20,466,456             | 20,466,456             |
| <b>21 Reserves</b>                                                  |                        |                        |
| Furniture, fittings & equipment replacement reserve (Note 21.1)     | 117,422                | 223,381                |
| <b>21.1 Furniture, Fittings and Equipment Replacement Reserves</b>  |                        |                        |
| Balance at the beginning of the year                                | 223,381                | 301,378                |
| Add: Provision made during the year                                 | 82,179                 | 108,010                |
| Less: Amounts transferred to equity statement                       |                        |                        |
| Amounts utilized for purchase & replacement of furniture & fittings | (188,139)              | (186,007)              |
| Balance at the end of the year                                      | 117,422                | 223,381                |

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

|                                                                          | 31.12.2015<br>Rs. '000 | 31.03.2015<br>Rs. '000 |
|--------------------------------------------------------------------------|------------------------|------------------------|
| <b>22. Retirement Benefit Obligations</b>                                |                        |                        |
| Balance at the beginning of the year                                     | 90,192                 | 106,179                |
| Charge for the year                                                      | 5,081                  | 7,730                  |
| Recognition of transitional liability /(asset) and actuarial loss/(gain) |                        |                        |
| Loss/ (gain) arising from changes in the assumptions                     | 9,689                  | (19,207)               |
| or due to (over)/under provisions in the previous years                  |                        |                        |
| Interest cost for the year                                               | 7,103                  | 11,475                 |
| Payments made during the year                                            | (7,541)                | (15,986)               |
| Balance at the end of the year                                           | 104,524                | 90,192                 |

The retirement benefit obligation of the company is based on the actuarial valuation carried out by Messrs. Piyal S. Goonetilleke and Associates. The principal assumptions used in determining the cost of employee benefits were:

|                                                                                  | 31.12.2015<br>Rs. '000 | 31.03.2015<br>Rs. '000 |
|----------------------------------------------------------------------------------|------------------------|------------------------|
| Discount rate                                                                    | 10.0%                  | 10.5%                  |
| Future salary increase                                                           | 9%                     | 9%                     |
| <b>23. Deferred Tax Liability</b>                                                |                        |                        |
| Balance at the beginning of the year                                             | 442,513                | 392,038                |
| Deferred tax expense/(income)                                                    | 36,210                 | 50,475                 |
| Balance at the end of the year                                                   | 478,724                | 442,513                |
| <b>23.1 The closing deferred tax liability balance relates to the following:</b> |                        |                        |
| Accelerated depreciation for tax purposes                                        | 577,829                | 590,258                |
| Retirement benefit obligation                                                    | (12,543)               | (10,823)               |
| Deferred tax asset relating to utilisation of brought forward tax losses         | (86,563)               | (136,922)              |
|                                                                                  | 478,724                | 442,513                |
| <b>24. Trade and Other Payables</b>                                              |                        |                        |
| Trade payables                                                                   | 98,896                 | 43,826                 |
| Other payables                                                                   | 25,863                 | 2,096                  |
| Accrued Telephone charges                                                        | 10                     | 12                     |
| Stamp duty on promissory notes                                                   | -                      | 2,821                  |
| Sundry creditors and including accrued expenses                                  | 80,337                 | 35,904                 |
| Management fee payable                                                           | 7,579                  | 2,312                  |
| Deposits payable                                                                 | 103,428                | 69,267                 |
| Other liabilities                                                                | 5,350                  | 19,985                 |
| Replacement of breakages                                                         | 9,707                  | 8,563                  |
| Statutory payables                                                               | 18,452                 | 12,153                 |
| VAT Payable                                                                      | -                      | 850                    |
| Retention Fees - Contractor - Refurbishment                                      | 47,522                 | -                      |
|                                                                                  | 397,145                | 197,790                |

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|                                                                    | 31.12.2015<br>Rs. '000 | 31.03.2015<br>Rs. '000 |
|--------------------------------------------------------------------|------------------------|------------------------|
| <b>25. Amounts Due To Related Parties</b>                          |                        |                        |
| Hilton International Asia Pacific                                  | 13,445                 | 9,949                  |
| Hilton International USA                                           | 2,420                  | 2,271                  |
|                                                                    | <b>15,865</b>          | <b>12,219</b>          |
| <b>26. Income Tax Liability</b>                                    |                        |                        |
| Opening Balance                                                    | 22,220                 | 10,833                 |
| Provision for the period                                           | 28,894                 | 61,700                 |
| Previous year under provision                                      |                        |                        |
| <b>Tax credit</b>                                                  |                        |                        |
| Economic Service Charge                                            | (4,501)                | (6,821)                |
| Withholding tax                                                    | (2,695)                | (9,852)                |
| Notional tax                                                       | (1,274)                | (2,759)                |
| Self assessment payment                                            | (30,268)               | (30,880)               |
| Balance at the end of the year                                     | <b>12,377</b>          | <b>22,220</b>          |
| <b>27. Notes to the Cash Flow Statement</b>                        |                        |                        |
| <b>27.1 Cash and Cash Equivalents at the Beginning of the Year</b> |                        |                        |
| Cash and bank balance                                              | 181,564                | 40,787                 |
| Bank overdraft                                                     | (29,207)               | (652,150)              |
|                                                                    | <b>152,357</b>         | <b>(611,363)</b>       |
| * Comparative information was corrected for reclassification       |                        |                        |
| <b>27.2 Cash and Cash Equivalents at the end of the Year</b>       |                        |                        |
| Cash and bank balance                                              | 215,214                | 181,564                |
| Bank overdraft                                                     | (126,414)              | (29,207)               |
|                                                                    | <b>88,800</b>          | <b>152,357</b>         |

\* Comparative information was corrected for reclassification

**27.3** Comparative information was corrected for reclassification**27.4** Comparative information was corrected for reclassification



**28 Analysis of financial instruments by measurement basis as at 31st December 2015**

| Financial assets by categories                 | Loans and Receivables<br>at amortised cost |                  |
|------------------------------------------------|--------------------------------------------|------------------|
|                                                | 31.12.2015                                 | 31.03.2015       |
| <b>Financial instruments in current assets</b> |                                            |                  |
| Trade and other receivables                    | 150,235                                    | 96,289           |
| Other assets                                   | 386,311                                    | 402,811          |
| Amounts due from related party                 | 163                                        | 2,091            |
| Other current financial assets                 | 877,867                                    | 1,178,992        |
| Cash in hand and at bank                       | 215,214                                    | 181,564          |
| <b>Total</b>                                   | <b>1,629,789</b>                           | <b>1,861,747</b> |

| Financial liabilities by categories                 | Financial liabilities<br>measured at amortised<br>cost |                |
|-----------------------------------------------------|--------------------------------------------------------|----------------|
|                                                     | 31.12.2015                                             | 31.03.2015     |
| <b>Financial Instruments in current liabilities</b> |                                                        |                |
| Trade and other payables                            | 397,145                                                | 197,790        |
| Amounts due to related party                        | 15,865                                                 | 12,219         |
| Bank overdrafts                                     | 126,414                                                | 29,207         |
| <b>Total</b>                                        | <b>539,424</b>                                         | <b>239,217</b> |

**29 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.

**a) Credit risk**

Credit policy and stringent controls are in place to mitigate the impact of default. Credit limits are reviewed on a regular basis. Constant monitoring and review of debtor balances with collection targets and adapt progressive action.

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**b) Liquidity risk**

Regular review mechanisms are in place to monitor the performance of the company against approved budget targets to achieve a balance between liquidity and profitability. Capital investments are planned so as not to adversely impact on cash flows and gearing of the Company.

**30. Events after the Reporting Date**

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

**31. Capital Commitments**

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

Hotel Developers (Lanka) PLC has not carried out any major refurbishment of the hotel since inception and a major refurbishment program has been planned. Accordingly Hilton Colombo has been undergoing major renovations from September 2014, which will see improvement across the property including rooms, food and beverage outlets and meeting spaces. It has been estimated at US \$ 35Mn ( excluding duties) & will be financed by USD loan amounting to US\$ 27Mn and the balance from internally generated funds.

Two existing generators purchased in 1994 at the cost of Rs. 26Mn will be restored at the cost of Rs. 31Mn and the restoration cost of generators are in the above refurbishment budget.

**32. Contingency 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 and the matter is under negotiation with the ministry of Tourism which has intervened to resolve the matter. Based on the minute of Tourist Hotel Association of Sri Lanka dated on 28 July 2011, hotel is providing provision of Rs. 50,000/- per month. The management is confident that the license fee claimed by the CMC will not be paid as a similar claim made by the CMC in respect of 2006 License fee was successfully challenged in Courts by Hotel Developers (Lanka) PLC

**33. Assets Pledged as Securities**

Company has pledged fixed deposits as security against overdraft facility taken from the Bank of Ceylon amounting to Rs. 540,000,000

The company has mortgaged the main property of the Hotel against the loan agreement signed with Bank of Ceylon & Sampath Bank PLC for the syndicated Loan facility of USD 27Mn for refurbishment project. But this loan facility has not been utilized to date.

## 34. Related Party Disclosures

### 34.1 Transaction with Key Management Personnel

Related Parties include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company. Key management personnel include members of the Board of Directors of the company.

Directors' emoluments paid during the period amounts to Rs. 4,600,000/- (2014/2015 - Rs. 7,700,000/=).

Ms. Sagarica Delgoda, Ms. Padma Maharaja, Ms. Dheeshana Ameresekere, Mr. Janaprith Fernando, Mr. Priyantha Jayamaha, Mr. Priyankara Disanayake, Mr. Athula Senanayake and Mr. Ananda De Silva were nominated as the Directors by the Government of Sri Lanka. The Government of Sri Lanka presently holds 100% of the Ordinary Share Capital

## 35. Litigation as of the reporting date

### 35.1 HCCA 59/2014

This is a final Appeal application filed by Cornel & Co. Ltd against the District court order dated 26th May 2014 in case No.5095/SPL.

HDL is the 5th Defendant respondent. The Appellant has filed this matter to set aside the said Judgement of the District Court.

This case is fixed for Argument on 31st March 2016.

### 35.2 HCCA 69/2014

This is a Leave to appeal application filed by Cornel & Co. Ltd against the District court order dated 26th May 2014 in case No.5095/SPL

HDL is the 5th Defendant Respondent. The Appellant has filed this action seeking leave to appeal against the said order of the District Court.

Written submission had been filed on 4th March 2016 and the case is fixed for order on 31st March 2016

### 35.3 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 ex parte 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].

*Notes to the Financial Statements*

NINE MONTHS ENDED 31ST DECEMBER 2015

**35.4 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]

**35.5 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].

## *Notice of Meeting*

**NOTICE** is hereby given that the **ANNUAL GENERAL MEETING of HOTEL DEVELOPERS (LANKA) PLC** will be held at the Opel 2 (3rd floor) of Hilton Colombo, No 2, Sir Chittampalam A Gardiner Mawatha, Colombo 02 on 8th July 2016 at 10.30 a.m.

### **AGENDA**

1. To pass the following resolution to accept the Notice of Meeting.

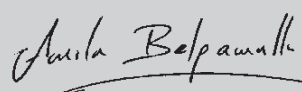
“RESOLVED that the Notice dated 1st July 2016 convening the Annual General Meeting of the Company be and is hereby accepted as a valid notice irrespective of the fact that the meeting has been called with shorter notice than that specified in the Articles of Association and in the Companies Act No. 07 of 2007”.

2. To receive and consider the Annual Report of the Board of Directors, Statement of Account and the Balance Sheet of the Company for the period ended 31st December 2015 together with the report of the Auditors thereon.
3. To note that the Auditor General continues to be the Auditor of the Company pursuant to the 19th Amendment to the Constitution.
4. To pass the ordinary resolution set out below to re-elect Mrs. Padma Maharaja who retires in terms of section 210 of the Companies Act No. 7 of 2007:

“RESOLVED that Mrs. Padma Maharaja, who is 71 years be and is hereby re-elected as a Director of the Company and it is hereby declared as provided for in Section 211 of the Companies Act. No.07 of 2007 that the age limit of 70 years referred to in Section 210 of the said Companies Act shall not apply to Mrs. Padma Maharaja”

By order of the Board of Directors of

HOTEL DEVELOPERS (LANKA) PLC



**S S P CORPORATE SERVICES (PRIVATE) LIMITED**  
SECRETARIES

Colombo  
1st July 2016

### **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.

Notes

A series of horizontal dotted lines for writing notes.







*Form of Proxy*

I/We ..... of  
.....

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

..... of  
..... or failing him/her

- |                                    |                        |
|------------------------------------|------------------------|
| Mr. Krishantha Prasad Cooray       | of Colombo failing him |
| Ms. Dheeshana S. Ameresekere       | of Colombo failing her |
| Ms. Padma Maharaja                 | of Colombo failing her |
| Mr. J. M. U. P. Jayamaha           | of Colombo failing him |
| Mr. Athula Senanayake              | of Colombo failing him |
| Ms. Tehani S. A. Mathew            | of Colombo failing her |
| Mr. Dinouk Colombage               | of Colombo failing him |
| Mr. M. Shezmin Mansoor             | of Colombo failing him |
| Mr. W. S. L. A. D. R. Samarasinghe | of Colombo failing him |
| Ms. Sonali Liyanamana              | of Colombo failing her |

as my/our proxy 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 8th July 2016 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

| <b>Agenda Item</b>                                                                                                                                                              | <b>For</b>               | <b>Against</b>           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| 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 period ended 31st December 2015 together with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-appoint the Auditor General as the Auditor of the Company pursuant to the 19th Amendment to the Constitution                                                           | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To pass the ordinary resolution to re-elect Mrs. Padma Maharaja as set out in the Notice of Meeting                                                                          | <input type="checkbox"/> | <input type="checkbox"/> |

Signed this ..... day of .....2016

Signature of the Shareholder .....

**NOTE :**

1. Instructions as to completion are noted on page 88.
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.

### **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 completed 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

|                                   |   |                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Name of the Company</b>        | : | HOTEL DEVELOPERS (LANKA) PLC                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Legal Form</b>                 | : | A Public Quoted Company with Limited Liability                                                                                                                                                                                                                                                                                                                                                |
| <b>Date of Incorporation</b>      | : | 15th March 1983                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Company Registration No.</b>   | : | PQ 143                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Competent Authority</b>        | : | Mr. Chandrakumar Ramachandra                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Directors</b>                  | : | Mr. Krishantha Prasad Cooray - Chairman<br>Ms. Dheeshana S. Ameresekere - Director<br>Ms. Padma Maharaja - Director<br>Mr. J. M. U. P. Jayamaha - Director<br>Mr. Athula Senanayake - Director<br>Ms. Tehani S. A. Mathew - Director<br>Mr. Dinouk Colombage - Director<br>Mr. M. Shezmin Mansoor - Director<br>Mr. W.S.L.A.D. R. Samarasinghe - Director<br>Ms. Sonali Liyanamana - Director |
| <b>Registered Office</b>          | : | Hotel Developers (Lanka) PLC<br>C/o Hilton Colombo<br>Echelon Square,<br>No. 2, Sir Chittampalam A Gardiner Mawatha, Colombo 02.<br>Tel : + 94 11 2433435<br>Fax : + 94 11 2446545<br>E-mail : hdl_hilton@sltnet.lk<br>Web site : www.hoteldevelopers.lk                                                                                                                                      |
| <b>Secretaries and Registrars</b> | : | S S P Corporate Services (Private) Limited<br>No. 101, Inner Flower Road, Colombo 03                                                                                                                                                                                                                                                                                                          |
| <b>Bankers</b>                    | : | Bank of Ceylon<br>Corporate Branch<br>No. 4, Bank of Ceylon Mawatha, Colombo 01<br>Hongkong & Shanghai Banking Corporation Ltd.<br>No. 24, Sir Baron Jayathilaka Mawatha, Colombo 01                                                                                                                                                                                                          |
| <b>Lawyers</b>                    | : | M/s. D.L & F. de Saram<br>Attorneys-at-Law and Notaries Public<br>47, Alexandra Place, Colombo-7.                                                                                                                                                                                                                                                                                             |
| <b>Auditors</b>                   | : | Auditor General<br>Department of Auditor General<br>Polduwa Road, Battaramulla, Sri Lanka.                                                                                                                                                                                                                                                                                                    |



