

**Hotel Developers (Lanka) PLC  
Financial Statements  
For the Three Months Ended  
31<sup>st</sup> March 2019**

**HOTEL DEVELOPERS (LANKA) PLC**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE 03 MONTHS ENDED 31ST MARCH 2019**

		<b>03 Months 31 03. 2019 Rs. '000</b>	<b>03 Months 31. 03. 2018 Rs. '000</b>
Revenue		823,328	716,627
Cost of sales		-	-
		<u>(168,826)</u>	<u>(133,086)</u>
<b>Gross profit</b>		<b>654,502</b>	<b>583,541</b>
Investment income		1,282	4,200
Other gains and losses		3,944	8,645
Administrative expenses		(400,980)	(355,852)
Other expenses		(122,164)	(112,011)
Finance costs		<u>(14,980)</u>	<u>(6,909)</u>
<b>Profit before depreciation</b>		<b>121,604</b>	<b>121,614</b>
Depreciation		<u>(126,701)</u>	<u>(121,600)</u>
<b>Profit after depreciation</b>		<b>(5,097)</b>	<b>14</b>
Income tax expense	03	<u>12,422</u>	<u>9,440</u>
Profit/(loss) after taxation for the period		7,325	9,454
<b>Other comprehensive income</b>			
Actuarial Gain/( loss )on employee benefit obligations		-	-
<b>Total comprehensive income/ (expense) for the period</b>		<u>7,325</u>	<u>9,454</u>
<b>Earning per share - Basic (Rs.)</b>	04	<b>0.004</b>	<b>0.005</b>

**HOTEL DEVELOPERS (LANKA) PLC**  
**STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2019**

Assets		Unaudited 31. 03. 2019 Rs. '000	Unaudited 31. 03. 2018 Rs. '000	Audited 31. 12. 2018 Rs. '000
<b>Non-current Assets</b>				
Property, plant & equipment	05	7,406,074	7,745,534	7,485,222
Leasehold land - Main Property	05	6,522,146	6,592,853	6,539,823
Right to use of land on lease		1,760	2,766	2,011
Capital work-in-progress		614,222	267,686	591,537
<b>Total Non-current Assets</b>		<b>14,544,203</b>	<b>14,608,839</b>	<b>14,618,593</b>
<b>Current Assets</b>				
Inventories		58,833	61,007	63,494
Trade and other receivables		201,047	181,005	138,929
Amount due from related parties		3,038	4,434	5,634
Other assets	06	279,818	258,477	255,149
Current financial assets	07	7,045	46,982	6,904
Cash and bank balances		245,982	179,377	241,848
<b>Total Current Assets</b>		<b>795,763</b>	<b>731,281</b>	<b>711,958</b>
<b>Total Assets</b>		<b>15,339,965</b>	<b>15,340,119</b>	<b>15,330,551</b>
<b>Equity and Liabilities</b>				
<b>Shareholders' Equity</b>				
Stated capital		20,466,456	20,466,456	20,466,456
Reserves		184,631	169,631	187,217
Accumulated loss		(6,722,946)	(6,572,812)	(6,732,856)
<b>Total Equity</b>		<b>13,928,142</b>	<b>14,063,275</b>	<b>13,920,817</b>
<b>Non-current Liabilities</b>				
Retirement benefit obligations		115,899	113,682	106,259
Deferred tax liability	08	385,194	385,953	397,616
<b>Total Non-current Liabilities</b>		<b>501,093</b>	<b>499,636</b>	<b>503,875</b>
<b>Current Liabilities</b>				
Trade and other payables		255,518	285,210	293,987
Amount due to related parties		13,269	14,877	10,581
Contract Liabilities		132,587	101,312	106,118
Retention Fees - Refurbishment Project		1,955	111,028	62,235
Bank overdraft		507,401	264,782	432,938
<b>Total Current Liabilities</b>		<b>910,730</b>	<b>777,209</b>	<b>905,859</b>
<b>Total Liabilities</b>		<b>1,411,823</b>	<b>1,276,844</b>	<b>1,409,734</b>
<b>Total Equity and Liabilities</b>		<b>15,339,965</b>	<b>15,340,119</b>	<b>15,330,551</b>
<b>Net Assets pe share - (Rs.)</b>	<b>09</b>	<b>6.81</b>	<b>6.87</b>	<b>6.80</b>

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

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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 12th June 2019.

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Director

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Director

**HOTEL DEVELOPERS (LANKA) PLC**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 02 MONTHS ENDED 31ST MARCH 2019**

	Stated Capital	Furniture, Fittings & Equipment Replacement Reserves	Accumulated Loss	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 01st January 2018</b>	20,466,456	161,348	(6,573,984)	14,053,820
Profit for the 12 Months period			9,454	9,454
Replacement of furniture, fittings & equipment		(19,411)	19,411	
Transfers to furniture, fittings & equipment reserve		27,693	(27,693)	
<b>Balance as at 31st March 2018</b>	20,466,456	169,631	(6,572,812)	14,063,274
Profit for the 09 Months period	-	-	(157,453)	(157,453)
Actuarial gain/(loss) on employee benefit obligations, net of taxes - loss	-	-	14,996	14,996
Replacement of furniture, fittings & equipment	-	(70,909)	70,909	-
Transfers to furniture, fittings & equipment reserve	-	88,495	(88,495)	-
<b>Balance as at 31st December 2018</b>	20,466,456	187,217	(6,732,856)	13,920,818
Profit for the 03 Months period	-	-	7,325	7,325
Actuarial gain/(loss) on employee benefit obligations, net of taxes - loss	-	-	-	-
Replacement of furniture, fittings & equipment	-	(34,318)	34,318	-
Transfers to furniture, fittings & equipment reserve	-	31,733	(31,733)	-
<b>Balance as at 31st March 2019</b>	20,466,456	184,631	(6,722,946)	13,928,142

**HOTEL DEVELOPERS (LANKA) PLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE 12 MONTHS ENDED 31ST MARCH 2019**

	31.03.2019 Rs. '000	31.03.2018 Rs. '000
Profit before taxation	(5,097)	14
<b>Adjustment for</b>		
Depreciation and amortisation	126,701	121,600
Provision for defined benefit plans	9,640	(8,899)
Provision for breakages		
Interest expenses	14,980	6,909
Profit on sale of property, plant & equipment	-	(2,218)
Unrealized Exchange Gain	3,209	(1,253)
Interest income	(1,282)	(4,200)
Operating profit before working capital changes	<u>148,151</u>	<u>111,952</u>
(Increase)/ decrease in inventories	4,662	(2,998)
(Increase)/ decrease in receivables	(62,118)	(29,365)
Increase/decrease in amounts dues to related parties	5,284	(761)
(Increase)/ decrease in other assets	(19,899)	(63,109)
Increase/ (decrease) in trade & other payables	(38,469)	(103,499)
Increase/(decrease) in contract liabilities	26,469	
Cash generated from operations	<u>64,079</u>	<u>(87,779)</u>
Tax paid	(4,770)	(4,924)
Payment of retirement benefits		
Net cash generated from operating activities	<u>59,309</u>	<u>(92,703)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant & equipment	(29,877)	(20,774)
Investment in capital work-in-progress	(82,965)	(14,448)
Proceeds from sale of property, plant & equipment	-	2,218
Net changes in right to use of land lease	251	
Interest income received	1,282	4,200
Net cash used in investing activities	<u>(111,309)</u>	<u>(28,803)</u>
<b>Cash Flows from Financing Activities</b>		
Finance Cost	(14,980)	(6,909)
Net cash used in financing activities	<u>(14,980)</u>	<u>(6,909)</u>
Net increase/(decrease) in cash & cash equivalents	(66,979)	(128,415)
Cash & cash equivalents at the beginning of the year	(187,396)	89,992
Cash & cash equivalents at the end of the period	<u>(254,375)</u>	<u>(38,423)</u>

**Hotel Developers (Lanka) PLC**  
**Notes to the Financial Statements**

**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.

**2.0 Statement of Compliance**

These Interim Financial Statements are in compliance with the Sri Lanka Accounting standards (SLAS) LKAS 34-Interim Financial Reporting and have been prepared in accordance with the Accounting Policies and methods of computations followed in the Annual Report for the year ended 31<sup>st</sup> December 2017.

<b>3.0 Income Tax Expenses</b>	<b>31.03.2019</b>	<b>31.03.2019</b>
	<b>Rs. "000"</b>	<b>Rs. "000"</b>
Provision for the period	-	1,176
Deferred Tax (Income)/Expense (Note 08)	<u>(12,422)</u>	<u>(10,616)</u>
Income Tax (Income)/ Expenses	( 12,422)	(9,440)

**4.0 Basic earnings Per Share**

Basic earnings per share is calculated by dividing the Profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	<b>31.03.2019</b>	<b>31.03.2018</b>
	Rs.0.004	Rs. 0.005
Earnings per ordinary Share		
	<b>31.03.2019</b>	<b>31.03.2018</b>
	<b>"000"</b>	<b>"000"</b>
<b>Amount used as the Numerator</b>		
Profit/(Loss) attributable to the ordinary shareholders	Rs. 7,325	Rs. 9,454
<b>Amount used as the Denominator</b>		
Weighted number of ordinary shares for the purpose of Basic Profit / Loss per share	2,046,646	2,046,646

05	Property, Plant and equipment	Buildings on leasehold land Rs. '000	Plant & machinery Rs. '000	Hotel furniture & fittings Rs. '000	Motor vehicle Rs. '000	Refrigerator & equipment Rs. '000	Television & computers Rs. '000	Operational Equipment Rs. '000	Total Rs. '000
<b>Cost/ Revaluation</b>									
	Balance as at 31st December 2017	9,028,150	562,643	1,556,409	92,939	876,338	288,770	121,871	12,527,119
	Additions during the year	15,108	384	6,410	-	5,659	2,831	826	31,218
	Previously reported balance as at 31st March 2018	9,043,258	563,027	1,562,819	92,939	881,997	291,601	122,697	12,558,338
	Adjustment - Transfers from Capital Working Progress *	(311,464)	-	77,648	-	28,156	5,309	17,027	(183,323)
	Adjusted Balance as at 31st March 2018	8,731,794	563,027	1,640,467	92,939	910,153	296,911	139,724	12,375,014
	Additions during the period	127,462	27,107	48,799	-	13,601	5,357	26,698	249,024
	Balance as at 31st December 2018	8,859,256	590,134	1,689,267	92,939	923,754	302,268	166,422	12,624,039
	Additions during the period	6,364	1,266	13,836	-	3,310	5,100	-	29,876
	Balance as at 31st March 2019	8,865,620	591,399	1,703,103	92,938	927,064	307,368	166,422	12,653,915
<b>Accumulated Depreciation</b>									
	Balance as at 31st December 2017	2,356,921	457,674	1,114,187	91,693	378,824	257,451	51,934	4,708,683
	Charge for the period	56,592	3,065	17,028	549	11,668	4,919	10,298	104,119
	Balance as at 31st March 2018	2,413,513	460,740	1,131,215	92,242	390,491	262,370	62,232	4,812,802
	Adjustment - Transfers from Capital Working Progress *	(10,148)	3	6,850	-	1,298	1,305	1,678	986
	Adjusted Balance as at 31st March 2018	2,403,365	460,742	1,138,065	92,242	391,789	263,676	63,909	4,813,788
	Charge for the period	163,403	9,754	60,487	637	36,957	12,213	41,576	325,029
	Balance as at 31st December 2018	2,566,767	470,496	1,198,552	92,879	428,747	275,888	105,485	5,138,817
	Charge for the period	56,051	3,347	19,588	58	12,267	4,336	13,378	109,024
	Balance as at 31st March 2019	2,622,818	473,843	1,218,139	92,938	441,014	280,224	118,863	5,247,841
<b>Written Down Value</b>									
	Balance as at 31 <sup>st</sup> December 2016	6,671,229	104,968	442,222	1,246	497,514	31,319	69,937	7,818,436
	Previously reported balance as at 31st March 2018	6,629,745	102,287	431,605	697	491,505	29,231	60,465	7,745,535
	Adjusted Balance as at 31st March 2018	6,328,429	102,285	502,403	697	518,363	33,235	75,814	7,561,226
	Balance as at 31st December 2018	6,292,489	119,637	490,715	60	495,007	26,380	60,936	7,485,222
	Balance as at 31st March 2019	6,242,802	117,556	484,964	-	486,050	27,144	47,558	7,406,073

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

<b>5.1</b>	<b>Leasehold Land</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
		<b>Rs. "000"</b>	<b>Rs. "000"</b>
	Capitalized Value B/F	6,539,823	6,610,530
	Amortization during the period	<u>(17,677)</u>	<u>(17,677)</u>
		<u>6,522,146</u>	<u>6,592,853</u>
<b>6.0</b>	<b>Other Assets</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
		<b>Rs. "000"</b>	<b>Rs. "000"</b>
	Deposits, prepayments and advances	279,818	258,477
<b>7.0</b>	<b>Financial Assets</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
		<b>Rs. "000"</b>	<b>Rs. "000"</b>
	<b><u>FF&amp;E Reserve Investment</u></b>		
	Call Deposit	7,045	3,302
	<b><u>Current Financial Assets</u></b>		
	Call Deposits	<u>-</u>	<u>43,680</u>
	Total Short-term investment	<u>7,045</u>	<u>46,982</u>
<b>8.0</b>	<b>Deferred Tax Liability</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
		<b>Rs. "000"</b>	<b>Rs. "000"</b>
	Balance at the beginning of the year	397,616	396,569
	Deferred tax expense/(Income)	<u>(12,422)</u>	<u>( 10,616)</u>
	Balance at the end of the period	<u>385,194</u>	<u>385,953</u>



## 9.0 Share Information

### 9.01 Shareholding of the company

Shareholder	31.03.2019		31.03.2018	
	Shareholding	%	Shareholding	%
The Secretary to the Treasury (No. of Shares)	2,046,645,700	100%	2,046,645,700	100%

### 9.02 Net Assets per share

	31.03.2019	31.03.2018
Net Assets Value (Rs) "000"	13,928,142	14,063,275
Number of ordinary shares "000"	2,046,646	2,046,646
Net Assets per share (Rs)	6.81	6.87

## 10.0 Events after the Balance Sheet Date

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

## 11.0 Commitments & Contingencies

There are no Contingent liabilities or Capital Commitments that requires disclosures in these financial statements other than the following.

The company is in the process of a major refurbishment of the hotel in 2 separate phases at a cost \$ 52 million. The 1<sup>st</sup> Phase was completed in Aug 2017 at a cost of \$ 20 million. The 2<sup>nd</sup> Phase is planned for implementation during 2019/ 2020 at an estimated cost of US\$ 32 million, which will see improvements across the property including rooms, food and beverage outlets. The Refurbishment will be financed by US\$ term loan of US\$ 30Mn and the balance from internally generated funds.

The contracts committed by the company and balance outstanding are as follows.

	USD "000"		
	Contract Value	Amount Paid	Balance
MEO / IT Contracts	3,636	919	2,716
Consultancy Contracts	5,840	5,597	243
	<u>9,476</u>	<u>6,516</u>	<u>2,959</u>

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 27th July, 2011, hotel is providing provision of Rs. 50,000/- per month. The management believes the license fee claimed by the CMC will not be paid as similar claims made by the CMC in respect of year 2007, 2008, 2014 and 2015 were successfully challenged in Courts by Hotel Developers (Lanka) PLC and the said claims made by CMC were dismissed by the Magistrate Court of Sri Lanka. However, Hilton, Colombo maintains a provision of LKR 6,932,522 as at December 31, 2018 in respect of the said legal case. The outcome of the said case is unknown as of the reporting date.