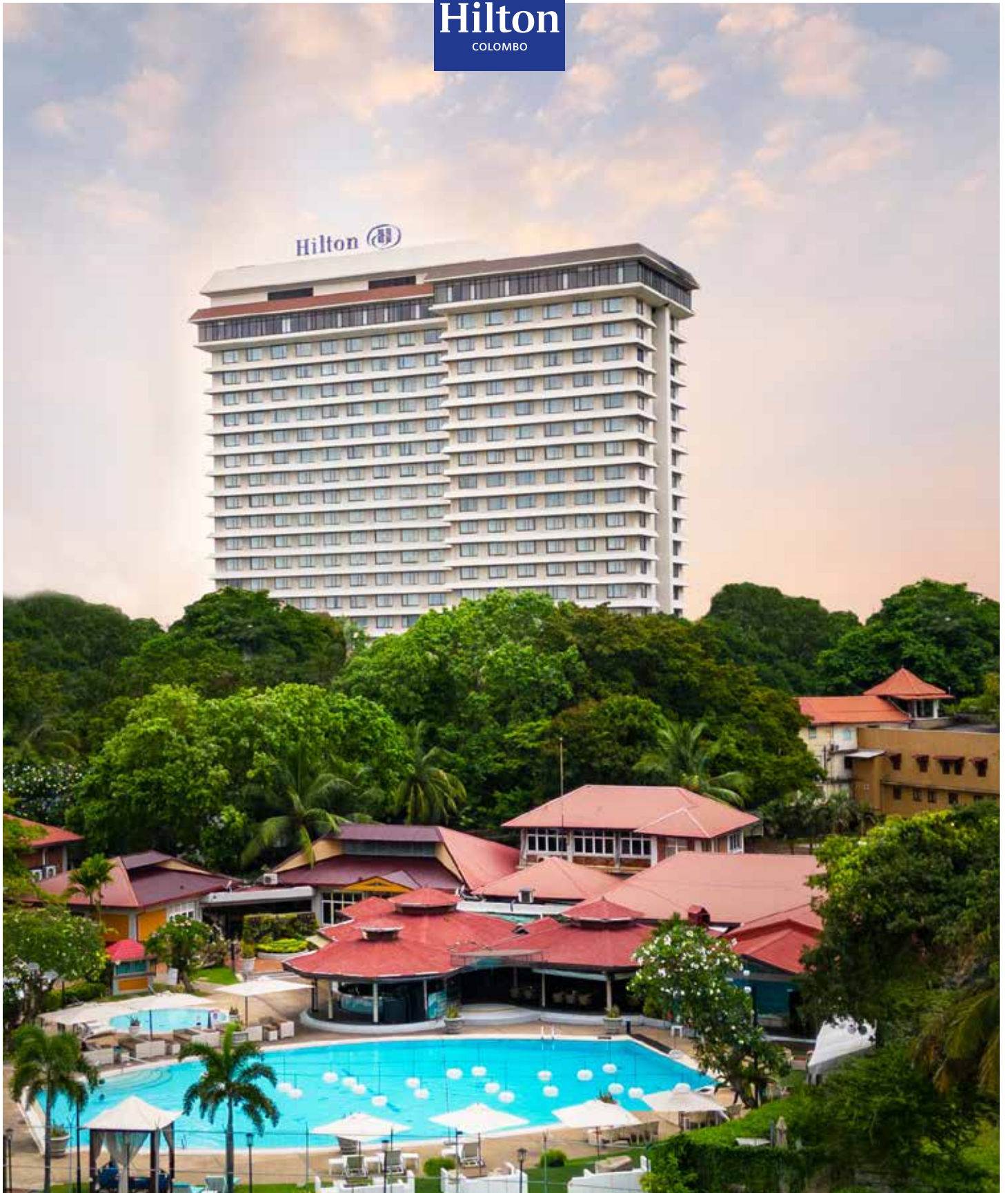




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CORPORATE INFORMATION

INSIDE BACK COVER



FINANCIAL HIGHLIGHTS

	2022	2021
Room Revenue LKR '000	666,637	236,944
F&B Revenue LKR'000	2,185,005	925,077
Other Revenue LKR '000	35,625	16,360
Total Revenue LKR '000	2,887,267	1,178,381
Gross Profit LKR '000	1,061,770	255,686
Gross Profit Margin %	36.77%	21.70
Profit/(Loss) before Tax LKR'000	(632,764)	(976,415)
Profit After Tax LKR'000	(885,123)	(957,225)
Total Comprehensive Income for the Period LKR '000	(882,153)	(934,595)
Earning/(Loss) per share LKR	(0.43)	(0.46)
Average Room Rate LKR	29,776	16,754
Occupancy %	19.45%	9.50%
Long Term Interest Bearing Borrowings LKR'000	2,000,000	1,098,372
Short Term Debt	1,148,746	1,348,928
Total Equity LKR '000	12,282,767	13,164,918
Debt/Equity %	25.64%	18.59%
Total Assets LKR '000	17,229,775	16,768,381
Debt /Total Assets %	18.28%	14.59%
Current Assets LKR'000	1,438,197	941,469
Current Liabilities LKR'000	2,235,648	2,006,163
Current Ratio (times)	0.64	0.47
Quick Assets Ratio (times)	0.58	0.44

OPERATIONAL HIGHLIGHTS



Our Team

OUR TEAM

603 Employees (2021: 557)

TRAINING AND DEVELOPMENT HOURS

19,261 Annual Training Hours
(2021: 18,909)

PAYMENTS TO EMPLOYEES

Rs. 731 Mn (2021: Rs. 506 Mn)



Health and Safety Certificates

FOOD SAFETY MANAGEMENT SYSTEMS:

- ISO 22000: 2018 Food Safety Management Systems
- HACCP

SAFE & SECURE CERTIFICATION

By Sri Lanka Tourism Development Authority - 2022



Awards & Accolades



CHAIRMAN'S REVIEW

Hilton Colombo expects to complete a large portion of its room renovation during 2023 which will enable it to expand room revenue coupled with the popularity of its dining offerings. The newly-refurbished rooms and public spaces will place the property on par with standards of the Hilton Brand. The completion of the 273 guest rooms should result in higher revenues as part of a new price strategy, which will be adopted to penetrate the profitability on a premium grade product, as also to stay ahead of other international hotel chains in the city. Further, the recovery of the industry should open doors for regional MICE events to be held in Sri Lanka, a segment in which Hilton Colombo had been the market leader. Consolidating this position will also enhance cross-selling opportunities.

It gives me great pleasure to present to you the Annual Report and the Audited Financial Statements of Hotel Developers (Lanka) Ltd for the period ending 31st December 2022. The optimism that I expressed for the recovery of the tourism industry from the pandemic in the last annual report was undermined by the severe economic crisis that unfolded in 2022. Coming so quickly after the global pandemic and its accompanying disruptive border closures and lockdowns, dealt a heavy blow to Sri Lanka's travel and tourism industry. The uptick in tourist arrivals seen in late 2021 and early 2022 slowed to a trickle as the economic crisis unfolded.

INDUSTRY OVERVIEW

The economic crisis hampered the tourism recovery expected in 2022 even though there was a trend of increasing arrivals throughout the year, with fluctuations in specific months. However, the spread of the Omicron variant, Russian invasion of Ukraine, challenging economic conditions, rising inflation and stagflation had a negative impact on tourist arrivals. The fact that Sri Lanka's economic crisis and the food and fuel shortages made global headline news discouraged tourists even though conditions were improving.

PERFORMANCE

The external conditions severely impacted the overall operations of Hilton Colombo, which had to mainly rely on local F&B activities due to the lack of tourist arrivals to Sri Lanka and the ongoing room renovation project at Hilton Colombo, which reduced the available room inventory of the hotel to cater to demand.

During the year under review, Hilton Colombo operations were restricted to limited room keys of 153 against the total available of 382. Amidst this limitation and the economic crisis, the Company was resilient in overcoming the difficult time for the industry by reporting an Operating Profit Before Depreciation of Rs. 110 Mn in 2022 after a lapse of 2 years, which gives the required momentum and ample confidence of a stronger performance in the next financial year - with a progressive recovery of the industry expected based on improvement in arrival data.

The Company recorded some key achievements during the year to negate the impact of the economic crisis and industry setback by focusing on cost reduction and risk mitigations. The existing term loan of Rs 2 Bn was restructured, with an extended repayment plan and enhancement of the facility by a further Rs. 3 Bn to expedite the refurbishment project and operational capital requirements. The prudent financial management and sustainable approach to operations of Hilton Colombo enabled the Company to remain resilient despite the volatile external economic and industry circumstances.

A steady growth in the hotel performance was noted with revenue from October to December - recording an increase of 97% compared to the corresponding period in 2021, with the gradual improvement in the economy supporting industry recovery. Overall, the exceptional efforts of the entire team backed by the visionary board members and senior management steered the Company to deliver a resilient performance during one of the most challenging years in the nation's history. Despite the challenges encountered during 2022, the year-on-year revenue increased by 145% to Rs, 2,887 Mn, while reducing Loss Before Tax by Rs. 344 Mn to Rs. 632 Mn through resilient business and cost reduction strategies, even though the finance cost increased by Rs. 255 Mn due to the market interest rates.

FUTURE OUTLOOK

The prospects for the Sri Lankan economy are looking more promising, thanks to the arrangement with the International Monetary Fund (IMF), which instills confidence in the country's economic recovery. Already, there is a steady uptick of tourism inflows into the island, which is expected to gather momentum as the tourism authorities exert marketing efforts in source markets. With greater social, economic and political stability, the industry is poised to record earnings that better reflect the potential of Sri Lanka as a destination.

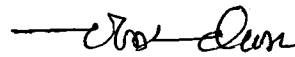
The industry trend of rising inbound tourists into Sri Lanka provides ample hope for a better year ahead. Sri Lanka Tourism has upwardly revised the tourist arrivals forecast for 2023 from 1.55 million to an ambitious goal of 2 million based on a sharp rise of tourists in March 2023, coupled with lifting of travel restrictions by China, which implies that the pent-up demand amongst Chinese tourists will see them travelling in greater numbers for the first time since the outbreak of the pandemic. Tourism is poised to make a strong comeback in 2023, evidenced by rising numbers. The growth in tourist arrivals in the first quarter of 2023/24 is 18% compared to the same period last year, but still 53% lower than the first quarter of the benchmark year 2018.

Hilton Colombo expects to complete a large portion of its room renovation during 2023 which will enable it to expand room revenue coupled with the popularity of its dining offerings. The newly-refurbished rooms and public spaces will place the property on par with standards of the Hilton Brand. The completion of the 273 guest rooms should result in higher revenues as part of a new price strategy, which will be adopted to penetrate the profitability on a premium grade product, as also to stay ahead of other international hotel chains in the city. Further, the recovery of the industry should open doors for regional MICE events to be held in Sri Lanka, a segment in which Hilton Colombo had been the market leader. Consolidating this position will also enhance cross-selling opportunities.

Equipped with a newly-renovated product and the globally-reputed Hilton brand, the hotel will explore and identify new market segments with its unique business suites product boasting all conceivable amenities to attract high net worth global corporate travellers.

ACKNOWLEDGEMENTS

I would like to thank Hon Prasana Rantunga Minister of Urban Development and Housing, Hon Arundika Fernando State Minister of Urban Development and Housing and the Board of Directors and the Senior Management for their tireless effort and contributions made during an extremely challenging year. The General Manager and staff of Hilton Colombo have displayed exceptional effort and commitment to sustain operations without disruption despite the external challenges. I take this opportunity to thank the Management of Hilton International Management Corporation for their unstinted support and solidarity with the Company through the challenging year.



Upul Dharmadasa
Chairman
28th June 2023

DIRECTORS PROFILES

MR. UPUL DHARMADASA

Chairman

Apart from being appointed Chairman of Hotel Developers Lanka Pvt Ltd, Upul Dharmadasa is an aviation, hospitality and travel expert and the only Sri Lankan with an international booking engine based in the US - Utravel.com - currently operating in over 190 countries. He is also the Immediate Past Chairman of the Civil Aviation Authority of Sri Lanka from January 2021 to January 2023.

Reputed for his entrepreneurial spirit, his organization, Utravels.com generated over USD 300 Mn in earnings for the national carrier, Sri Lankan Airlines. He received training at the American Airline Training School, DFW, Texas, USA, in travel related fields such as yield management, inventory control, international airline activities and has extensive knowledge of Sabre Airline Computer System.

He has an MBA from Teesside University, Middleborough, Tees Valley, UK; an Associate Member of a Degree in Arts in Food and Nutrition from Pasadena College, US; and completed the Hotel Management programme conducted by the Ceylon Hotel School in 1975. In the US, he also completed the Travel Management Programme from an Industry affluent Academy - The Institute Certified Travel Agents of Massachusetts and awarded a designation of CTC (Certified Travel Consultant).

MS. D.S. AMERESEKERE

Director

Ms. Ameresekere holds a Bachelor of Science in Business Administration (specializing in International Marketing) from the American University in Washington DC - USA, and a Bachelor of Science in Travel Industry Management (specializing in Hotel Management) from the University of Hawaii, USA. Her professional work is as a Hotelier.

She is the Managing Director of the Award-Winning Boutique Hotel - The Theva Residency and Award-Winning Restaurant - The Theva Cuisine in Kandy, Sri Lanka. The Theva Residency and Theva Cuisine have won many International Awards consecutively for the 14 years of their operation. The most recent awards are "Travelers Choice Trip Advisor 2023", South Asian Travel Awards 2022- Leading Boutique Hotel, and Most Romantic Hotel.

She is also working for the Geoffrey Bawa Trust - Managing the operations of Bawa Properties in Colombo - Number 11 and De Saram House.

DR. AMILA KANKANAMGE

Director

Dr. Amila Kankanamge possesses an impressive background in academia, corporate leadership and public service, having held influential positions in various corporate and government organizations, while making significant contributions to both sectors.

Notably, he served as a board member for Mobitel (Pvt) Ltd, where his expertise and strategic insights played a pivotal role in the company's growth and success. Additionally, Dr. Kankanamge served on the board of Independent Television Network. Recognized for his entrepreneurial acumen, Dr. Kankanamge was the founding director of the E3X Group of Companies. Under his visionary leadership, the group achieved significant milestones and became a respected player in the business landscape. His entrepreneurial journey showcases his innovative thinking and his ability to turn ideas into successful ventures.

Dr. Kankanamge has been actively involved in various chambers of commerce and industry associations. He served as a General Assembly member of the SAARC Chamber of Commerce; Director at the Federation of Chambers of Commerce and Industry Sri Lanka; and was appointed as the founding President of the Colombo Chamber of Commerce, where he spearheaded initiatives to promote trade, investment, and collaboration among businesses. His dedication to public service is evident in his current role as a board member on the Central Governing Board of the Sri Lanka Red Cross Society.

Dr. Kankanamge attended D.S. Senanayake College, where he laid the foundation for his exceptional academic journey, eventually earning a Ph.D. at a young age.

MR. MADAWA WATTEGAMA

Director

Mr. Madawa Wattegama is a highly accomplished professional with a diverse background in Government Affairs, International Relations and Computer Studies. Currently serving as the Secretary to the State Minister of Urban Development and Housing, he has held influential positions in both the public and private sectors.

In the private sector, he has functioned as Chairman - Independence Holdings, Silverbird International and Tronic Entertainment, where he has demonstrated exceptional leadership and strategic vision in driving the success of these organisations.

In the government sector, he has held key positions that have significantly contributed to national development, serving as Advisor for the Deputy Minister of Tourism Development and Christian Religious Affairs; Vice Chairman of Ceylon Fertiliser Corporation; Board Member and Working Director of the Central Cultural Fund (CCF); Private Secretary to the Minister of Cultural Affairs and a Coordinating Secretary to the Deputy Minister of Higher Education, among other roles. His expertise extends to various sectors, including environmental conservation, labor relations, and editorial administration.

He has actively participated in trade delegations and investment promotion events worldwide, representing Sri Lanka's interests and fostering international collaborations, and was part of delegations to Switzerland, the United States, Brunei, France, Germany, Oman and Singapore.

An advocate for the rights and welfare of Sri Lankan workers, he addressed challenges faced by them to secure work permits for employment agencies to supply workers to countries such as Korea, Malaysia, Jordan, Lebanon, and Dubai. Previously he has worked in Oman and Australia, gaining valuable international experience.

He remains an active member in esteemed clubs and organisations.

MR. KEERTI WEERASINGHE

Director

Mr. Keerthi Weerasinghe possesses an extensive experience of over 20 years in the fields of International Affairs, Investment Promotion, Plantations and Tourism, having served in numerous high level positions both in the government and as well as private sector in Sri Lanka and Japan and at present he is functioning as Director of Kisalka Exporters (Pvt) Ltd, Executive Director – Wonder Hotel Colombo (Pvt) Ltd and Director/CEO of Luxor Gem (Pvt) Ltd & Luxor Tea (Pvt) Ltd.

He is the Immediate Past Chairman of the Coconut Development Board, where he was instrumental in improving existing systems and introduced new technology to the industry with a view to enhancing foreign exchange earnings. During his tenure, he was responsible for the highest recorded export revenue in the history of coconut industry of Sri Lanka despite the pandemic and the resultant negative economic conditions. As Coordinating Secretary to the Hon. Prime Minister D.M Jayaratne, he was engaged in overall management and international affairs, strengthening relationships with the rest of the world.

Previously has been the Coordinating Secretary to Minister of Buddha Sasana and Religious Affairs; Director - Ceylon Fisheries Corporation under the Ministry of Fisheries and Janatha Estate Development Board 2007-2009; Working Director - Tea Research Institute of Sri Lanka under the Ministry of Plantations 2006-2008; Executive Director - Alkaduwa Plantations Ltd. under Ministry of Plantations 2008-2009 and CEO - Fujiyama State Corporation, Ministry of Engineering and Housing, to name a few.

He was educated at the Faculty of Medicine, University of Kelaniya, and later obtained the Higher National Diploma for IT & Modern Technology from the Dr. Author C Clark Center. He is also Advisor to the State Minister of Urban Development & Housing.

MR. P.A.S.A. KUMARA

Director

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

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

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

MR. P.H.P. DENIYAYA

Director

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

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

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

MR. RAJIV SOORIYAARACHCHI

Director

Mr. Rajiv Sooriyaarachchi serves as the Chairman of the National Housing Development Authority. He brings with him a wealth of experience of over 30 years and extensive knowledge in the industries of Insurance and Consumer Electronics and also in International Business Administration. He is also the Director of the Urban Development Authority, Urban Settlement Development Authority, Housing Development Finance Corporation Bank, Hotel Developers (Lanka) Limited & Tea Rubber & Coconut Estates Board.

He was appointed as Vice-Chairman of Airport and Aviation Services (Sri Lanka) (Private) Limited in December 2019. He played a pivotal role in overseeing administrative and operational functions of all airports under AASL and works closely with both local and international industry key stakeholders while acting as a key spokesman of AASL in dealing

DIRECTORS PROFILES

with media organizations, as he played the role of only full-time Executive Director of AASL other than the Chairman. He also served as the Chairman of HR and Remuneration Board sub-committee at AASL.

Previously, he has functioned as the Chairman of Puttalam Salt Limited during 2010-2015; Chairman of the Cooperative Rural Bank Union Ltd - Gampaha 2011-2015; Vice Chairman of Cooplife Insurance Company Ltd since 2022 amongst others.

MR. AVINDA FERNANDO

Director

Avinda Fernando is the founder and Executive Chairman of Siloscope Industries (Private) Limited, an export-oriented manufacturing firm. He is also the founder and Chairman of Eudor (Private) Limited, a web-development company. He also serves on the board of directors at Syndical Holdings (Private) Limited. With exceptional entrepreneurial skills, Avinda has been a pioneer in building novel enterprises in diverse industries.

Avinda graduated from Birmingham City University in the UK with a Bachelor of Business Administration degree. He is currently reading for the Bachelor of Law at the University of London. He has also completed the initial officer training at the Royal Air Force College in the UK and was commissioned as a pilot officer in 2020. His passion for invention and entrepreneurship has driven him to make investments across industries including the hospitality sector, and bring in novelties to those.

MR. P A JAYAKANTHA

Director

Mr. P A Jayakantha was appointed to the Board of Directors at Hilton Colombo 'Hotel Developers (Lanka) Ltd.' by the Secretary to the Treasury with effect from 03rd April' 23, under the direction of Minister of Finance, Economic Stabilization and National Polices.

Mr. Jayakantha is currently the Director General of Civil Aviation and Chief Executive Officer (DGCA & CEO) of the Civil Aviation Authority of Sri Lanka (CAASL). By virtue of this prestigious appointment is also the designated Appropriate Authority for Aviation Security, for matters of concern to the world body; International Civil Aviation Organization (ICAO), a specialized agency of the United Nation.

A versatile in civil aviation by profession began his career in the year 1985 as a Commissioned Officer in the Sri Lanka Air Force (SLAF) and thereafter as a Management Officer with AIRLANKA renamed SriLankan Airlines, and the National Career. Having equipped with experience in both defense and civil aviation industry he was swift to be a regulator when he took up an appointment in the Inspectorate of the Aviation Security Regulation Division at the CAASL in 2004.

Mr. Jayakantha excelled to his current role as the DGCA, having held appointments, inter-alia as the Director Aviation Security, Deputy Director General and Addl. Director General. He is also an ICAO Accredited International Auditor, being appointed to conduct audits and reviews under the Universal Security Audit Programme in other states from time to time and attends to ICAO missions as a short-term expert. He is the first Sri Lankan to be appointed to this position.

In his academic qualifications he holds a Master's Degree in (Social Science) Economics, University of Kelaniya and Bachelor's Degree (BA) in Economics, University of Colombo, and a Diploma Holder in Aviation Security, awarded by the Canadian Aviation Training & Development Institute after qualifying in an extensive training programme conducted in Canada.

Mr. Jayakantha had pioneered several projects and assignments bringing in new innovation to the country's civil aviation in the recent past and continues to be a Key Management Officer. In recognition of his outstanding service for social and religious advancement in the country, he has been awarded with the prestigious National honors; Desha Bandu and Desha Keerthi.

CORPORATE GOVERNANCE

The Board of Directors of Hotel Developers (Lanka) Limited place a high degree of importance in adopting sound Corporate Governance practices and are committed to highest standards corporate governance within the organization guided by the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Guidelines on Corporate Governance for State Owned Enterprises, published by the Department of Public Enterprises of the General Treasury that was circulated by the Ministry of Finance by a Circular dated 16th November 2021.

THE BOARD OF DIRECTORS

The Board of Directors of Company provides the leadership being the top most body carrying the responsibility of formulating corporate strategic goals, values and standards and monitoring the performance and reporting to ensure the Company maintains high level of corporate governance and transparency in reporting to meet the obligations and the responsibility towards the stakeholders.

THE COMPOSITION OF THE BOARD

The Board comprised of 7 Directors as at the end of the year under review constituting Non-Executive with a balance of skills and experience which is appropriate for the business carried on by the Company as more fully set out below.

Mr. P A I S Perera	Independent Non Executive [resigned w e f 15.2.2023]
Ms. D S Ameresekere	Independent Non Executive
Mr. V Kanagasabapathy	Independent Non Executive [ceased w e f 6.4.2023]
Mr. P H P Deniyaya	Independent Non Executive
Mr. L R S Weerasinghe	Independent Non Executive [ceased w e f 21.3.2023]
Mr. P A S A Kumara	Non Independent Non Executive
Dr. M K C Senanayake	Non Independent Non Executive [appointed w e f 24.3.2022 and ceased w e f 21.3.2023]

The Composition of the Board as at the date of this report is as follows

Mr. U G Dharmadasa	-Independent Non Executive [appointed w e f 16.2.2023]
Ms. D S Ameresekere	Independent Non Executive
Mr. P H P Deniyaya	Independent Non Executive
Mr. P A S A Kumara	Non Independent Non Executive
Mr. K S Weerasinghe	Independent Non Executive [appointed w e f 6.4.2023]
Mr. P A Jayakantha	Independent Non Executive [appointed w e f 6.4.2023]
Mr. K A R J Fernando	Independent Non Executive [appointed w e f 21.3.2023]
Dr. I A Kankanamge	Independent Non Executive [appointed w e f 21.3.2023]
Mr. M S Wattegama	Independent Non Executive [appointed w e f 21.3.2023]
Mr. R Sooriyaarachchige	Independent Non Executive [appointed w e f 21.3.2023]

APPOINTMENT OF DIRECTORS

As per the Articles of Association of the Company so long as the Secretary to the Treasury holds the majority of the shares, the Secretary to the Treasury shall have the right to nominate and appoint the majority of the Directors to take office.

The rights conferred on the Secretary to the Treasury are deemed to include the right to remove any person so appointed and to appoint another in place of any person so removed or in place of any person previously appointed who for any reason ceases to be a Director. A Director so nominated by the Secretary to the Treasury is not subject to retirement by rotation.

Directors who are over 70 years of age are subject to the provisions of Sections 210 and 211 of the Companies Act No. 7 of 2007 and will hold office only until the next Annual General Meeting after they reach the age of 70 years or were re-appointed as per Section 211 of the Companies Act, unless they are re-appointed at such meetings specially declaring that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to such Director.

The Chairman, Mr U G Dharmadasa who is over 70 years of age was appointed in accordance with those provision and a resolution will be placed before the shareholder for his re-appointment at the forthcoming Annual General Meeting.

During the year under review there were changes in the Directorate of the Company.

Since the reporting date upto the date of this Report, the following changes occurred in the Directorate of the Company.

(1)	Mr. P A I S Perera	- resigned w e f 15.2. 2023.
(2)	Dr. M K C Senanayake	- ceased w e f 21.3.2023.
(3)	Mr. L R S Weerasinghe	- ceased w e f 21.3.2023
(4)	Mr. V Kanagasabapathy	- ceased w e f 6.4. 2023
(5)	Mr. U G Dharmadasa	- appointed w e f 16.2.2023
(6)	Mr. K S Weerasinghe	- appointed w e f 6.4. 2023
(7)	Mr. P A Jayakantha	- appointed w e f 6.4. 2023
(8)	Mr. K A R J Fernando	- appointed w e f 21.3.2023
(9)	Dr. I A Kankanamge	- appointed w e f 21.3.2023
(10)	Mr. M S Wattegama	- appointed w e f 21.3.2023
(11)	Mr. R Sooriyaarachchige	- appointed w e f 21.3.2023

BOARD MEETINGS

The results of the Company are regularly considered and monitored against the budgets at Board Meetings at which a standard agenda is discussed together with any other matters that require the attention of the Board. The Board meets at least 6 times every year and wherever necessary Special Meetings of the Board are held.

During the year ended 31st December 2022 nine (9) meetings of the Board were held. The attendance at the meetings was as follows

CORPORATE GOVERNANCE

Names of Director	Date of appointment Director	No of Meetings attended in 2022
Mr. P A I S Perera	24/01/2020	9/9
Ms. D.S. Ameresekere	07/04/2015	8/9
Mr. I. P. Dantanarayana [resigned on 12.7.2022]	24/01/2020	5/5
Mr. V. Kanagasabapathy	24/01/2020	7/9
Mr. P H P Deniyaya	24/01/2020	8/9
Mr. L R S Weerasinghe	28/02/2020	9/9
Ms. M T I V Ameresekera [ceased on 24.03.2022]	03/07/2020	3/3
Mr. P.A.S A Kumara	24/08/2020	9/9
Dr. M K C Senanayakee	24.03.2022	4/6

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.

THE CHAIRMAN

Upto 15th February 2023, the Chairman of the Board of Directors was Mr P.A.I. Sirinimal Perera. He counts over 30 years of experience in the fields of financial management, accounting, internal auditing and general management and as a Director of many companies both private and public. He guided the Board at Meetings and ensured that all Directors contributed to the performance of the Company in line with their capabilities.

With effect from 16th February 2023, Mr Upul Ganganath Dharmadasa was appointed the Chairman of the Board of Directors.

Mr. Upul Dharmadasa has an MBA from Teesside University, Middleborough, Tees Valley, United Kingdom and is an Associate Member of a Degree in Arts in Food and Nutrition obtained in 1986 from Pasadena College U.S.A. He was Chairman of the Civil Aviation Authority of Sri Lanka from January 2021 to January 2023.

THE MANAGEMENT

The day to day operations of the Company are entrusted to the Corporate and Senior Management headed by the Chief Operating Officer. They ensure that risks and opportunities are identified and steps are taken to achieve targets within defined time frames and budgets.

INTERNAL CONTROLS AND RISK MANAGEMENT

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

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

AUDIT COMMITTEE

The Report of the Audit Committee is given on pages 22 and 25.

The members of the Audit Committee during the year under review were as follows:-

Mr. V Kanagasabapathy	-Chairman (Independent Non Executive) [upto 6th April 2023]
Mr. P.A.S A Kumara	-Member (Non Independent Non Executive)
Mr. P.H.P Deniyaya	-Member (Independent Non Executive)

The Audit Committee reviews and analyzes Reports on the Internal Controls of the Hotel Operations and Internal Audit Reports. The Audit Committee makes recommendations to the Board on necessary/appropriate actions based on such reports and finding improvements to the internal control systems of the Hotel/Company.

The Audit Committee also reviews the Annual Financial Statements before releasing the same for Audit, which includes review of Interim Financial Statements when the Company was a listed company.

The Audit Committee was reconstituted as of 28th June 2023 and Mr Madawa Wattagama was appointed as a member and Mr P A S A Kumara as the Chairman of the Committee.

Mr V Kanagasabapathy attends the Audit Committee Meetings by invitation pursuant to a decision taken by the Board of Directors of the Company, in April 2023.

REMUNERATION COMMITTEE

The composition of the Remuneration Committee during the year under review was as follows:

Mr. P A I S Perera	- Chairman [upto 15.2.2023]
Mr. V Kanagasabapathy	- Member [upto 6.4.2023]
Mr. I P Dantanarayana	- Member [upto 12.7.2022]
Mr. P H P Deniyaya	- Member

The remuneration Committee presently comprises of the following members:

Mr. U G Dharmadasa	- Chairman (Independent Non Executive) [w.e.f. 20.4.2023]
Mr. R Sooriyarachchige	- Member (Independent Non Executive) [w.e.f. 20.4. 2023]
Mr. P H P Deniyaya	- Member

The Remuneration Committee makes recommendations on remuneration related matters to the Board.

COMPANY SECRETARIES

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

Currently, P W Corporate Secretarial (Pvt) Ltd, who are qualified Secretaries under the Companies Act are the Company Secretaries.

COMPLIANCE WITH LEGAL REQUIREMENTS

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

FINANCIAL DISCLOSURES AND TRANSPARENCY

Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards and the Companies Act.

In terms of the 19th and 20th Amendments to the Constitution, read together with Article 154 of the Constitution the Auditor General continues to be the Auditor of the Company.

Auditors are allowed to act independently and without intervention from the Management or the Board of the Company to express an opinion on the Financial Statements of the Company. All the required information is provided for examination to the Auditors.

ETHICAL STANDARDS

The Company requires that all its employees maintain the highest standards of integrity in the performance of their duties and dealings on behalf of the Company.

The Company focuses on the training and career development of employees for the creation of an empowered and training committed group of employees, who will drive the Company to high levels of achievement in keeping with its mission, vision, goals and values.

STATUTORY PAYMENTS

All statutory payments due to the Government, which have fallen due, have been made or where relevant provided for. Retirement gratuities have been provided for in accordance with Sri Lanka Accounting Standards LKAS - 19, Employees Benefits.

ACCOUNTABILITY AND DISCLOSURES

In the year ended 31st December 2022 the members of the Board of Directors have reviewed in detail the monthly Financial Statements and Annual Financial Statements in order to satisfy themselves that they present a true and fair view of the Company's affairs and these practices have been further strengthened as per the Code of Best Practice on Corporate Governance and the Guidelines on Corporate Governance for State Owned Enterprises.

OBTAINING INDEPENDENT PROFESSIONAL ADVICE

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

By Order of the Board
HOTEL DEVELOPERS (LANKA) LIMITED



P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

28th June 2023

RISK MANAGEMENT

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

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

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

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

RISK MANAGEMENT FRAMEWORK

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

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

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

Risk Category & Description	Control Measures and Action Plans to Mitigate Risks
Technology & Information Risk Risk of failure of electronic systems and inadequacy of information systems	Implementation of a fully integrated, property management, material management, Point of Sales and a financial information system, ensuring a seamless flow of information and operational efficiencies. Existence and continuous improvement of a Disaster Recovery Plan in the event of a disruption of failure in the system. 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 Continuous review of network protection process is carried out to ensure information security and integrity.
Internal Process & Procedures The risk of financial loss and disruption to business and breakdown in Internal Controls	Clearly defined systems & procedures are in place to ensure compliance with internal controls which are periodically reviewed for their continued effectiveness. A periodic Internal Audit process is carried out by the company who directly report to the Audit Committee appointed by the Board. Periodic Reports on adequacy and effectiveness of these systems and level of compliance is submitted to the Audit Committee for review and corrective actions.
Security Risk	Effective monitoring surveillance systems have been installed meeting the international standards of the Hotel Industry. Investment have been made for increase security equipment and surveillance systems to strengthen the security of the guest and staff. Trained skilled security staff have been deployed and continuous training is provided to ensure the security is maintained effectively.

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

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

Below are some of the key items included in the risk register along with the status and mitigation strategies for each, for the financial year ending 31st December 2022.

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

Risk Management

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

MANAGEMENT DISCUSSION & ANALYSIS

GLOBAL TOURISM OVERVIEW

Emerging from the shadow of the global pandemic, international tourism saw stronger than expected results in 2022, backed by large pent-up demand and the lifting or relaxation of travel restrictions in a large number of countries. Over 900 million tourists travelled internationally in 2022, double those in 2021, though still 37% fewer than in 2019.

Europe, the world's largest destination region, recorded 585 million arrivals in 2022 to reach nearly 80% of pre-pandemic levels (-21% over 2019). The Middle East enjoyed the strongest relative increase across regions in 2022 - with arrivals climbing to 83% of pre-pandemic numbers (-17% versus 2019). Africa and the Americas both recovered about 65% of its pre-pandemic visitors, while Asia and the Pacific reached only 23%, due to stronger pandemic-related restrictions.

International tourism is set to consolidate its recovery in 2023, backed by pent-up demand particularly from Asia and the Pacific, as destinations and markets open up, although important risks remain ahead, especially economic and geopolitical.

MACROECONOMIC CONDITIONS IN SRI LANKA

The growth momentum in the local economy observed towards the end of 2021 dissipated and the economy fell into a contraction during the first half of 2022, driven by the spillover effects of the unprecedented economic crisis felt across several sectors, owing to fuel shortages, power outages, widespread scarcity of key imported raw materials and other essentials, and the soaring cost of production, among other factors. The sharp depreciation of the Sri Lanka rupee against the USD and the monetary tightening measures coupled with persistently tight money market liquidity conditions led to sharp upward adjustments in market interest rates.

During the year, servicing of external debt became increasingly challenging, given the lack of access to international markets due to consecutive sovereign downgrades and the bunching of large foreign debt service payments amidst lackluster foreign exchange inflows.

With due consideration to these challenging circumstances, the Government announced a standstill on external debt servicing on account of bilateral and commercial loans for an interim period commencing from April 2022. Thereafter, the Government opted to seek financial assistance from the International Monetary Fund (IMF). Meanwhile, tourism earnings recorded a turnaround during the year as compared to a pandemic-affected 2021.

INDUSTRY PERFORMANCE 2022

A marginal improvement in the economic conditions in Sri Lanka by end of 2022 and early 2023 paved the way for a significant increase in international tourist arrivals to the country, with 719,978 visitors recorded for the year, which was a 270.2% increase compared to the 194,495 tourists who visited in 2021. Increased consumer confidence in the destination and enhanced air connectivity to Sri Lanka and resumption of cruise tourism played a positive role in the growth of arrivals.

During the period January to December 2022, India, Russia, the United Kingdom, Germany and France were Sri Lanka's top five international tourist markets. India was the largest contributor of tourists, accounting for 17.1% of the total traffic. Russia followed closely with 12.7%, while the United Kingdom, Germany, and France accounted for 11.8%, 7.7%, and 4.9% respectively. Notably, Canada and Poland also appeared among the top source markets, compared to the previous year.

Overall, the COVID-19 impact on global tourism and the global recession in key tourism generating markets impacted the global tourism industry and, Sri Lanka in particular on account of the economic recession that took hold in 2022.

COMPANY PERFORMANCE

As the premier global hospitality brand in the country, Hilton Colombo remained resilient through the year in the face of an unprecedented economic situation in the country. The negative impact of the global pandemic on the local travel and tourism industry was further exacerbated by the economic crisis that unfolded in 2022, which had a domino effect on the industry and the overall operations of the hotel.

In addition, the hotel's operation was restricted to limited room keys of 153 against the total available of 382 due to the ongoing refurbishment. Despite the refurbishment, revenue from rooms increased to Rs. 667 Mn in the year under review from Rs. 237 Mn recorded in the previous year. The decision to refurbish the rooms was taken in light of the subdued demand in the hospitality industry, but once the refurbishment is complete, the hotel is expected to experience a sharp rebound of demand growth as external conditions improve.

Nevertheless, even amidst these challenges, a progressive improvement was witnessed in hotel revenue in the months October to December 2022, as tourist inflows grew. The hotel recorded a revenue of Rs.1,049 Mn in the year 2022 as compared to Rs. 530 Mn achieved in 2021 for the corresponding period, while F&B operations made a significant contribution in 2022, recording Rs. 2.185 Mn in 2022 from Rs. 925 Mn achieved in the previous year. Despite the dire economic circumstances during the period under consideration, the hotel leveraged on F&B operations to maintain growth momentum.

Moreover, as a result of a slew of cost control measures, total cost relative to total revenue reduced year-on-year. However, overhead costs year-on-year increased due to energy cost escalation as a direct result of electricity tariff hikes. In addition, income tax rates for the hospitality industry too witnessed an increase from 14% to 30% in 2022. As a result, there was a drastic increase in tax provision for the period, which further impacted greater profitability. Overall, considering the volatile nature of prevailing external economic and industry conditions, the Company delivered a resilient performance.

FUTURE OUTLOOK

Hilton Colombo continued to welcome tourists with its signature service of warmth and excellence through a challenging period in the nation's history. The increase in inbound tourists encourages an optimistic view of the prospects ahead for the hotel in the upcoming financial year. The ongoing refurbishment of guest rooms at Hilton Colombo is expected to boost room revenues and increase F&B earnings as the outlook for the economy and the tourism industry improves. The upgraded 273 guest rooms will propel a new price strategy to benefit from a premium grade product which puts the property on par with other international hotel chains in the city. The hotel will also be able to elevate its position as a preferred destination for members of Hilton Honours, the award-winning guest loyalty programme.

Moreover, this enhancement of the overall value proposition empowers the Company to attract regional MICE traffic with its unique business suites – a segment which Hilton has dominated for decades. Mindful of the ever-evolving nature of the industry, Hilton Colombo will remain responsive and proactive in identifying new trends and market segments, ably supported by a professional team which delivered an inspired performance amidst challenges.

SUSTAINABILITY REPORT

Sustainability is about meeting the needs of present generations without compromising the ability of future generations to meet their own needs. The company is committed to the triple bottom line principle of maintaining a balance between the three sustainability pillars of people, planet and profits.

ENVIRONMENT

As an environmentally sustainable organization, the company takes steps to reduce the impact of its operations on the planet by reducing resource consumption and waste across its operations. Every year, a host of activities are conducted to enhance contribution to environmental sustainability whilst raising awareness amongst internal and external stakeholders on the importance of conserving natural resources.

WORLD EARTH DAY

The World Earth Day provides a voice to emerging environmental consciousness. Celebrating the occasion, an awareness session entitled 'Save Earth' was conducted for team members of Hilton Colombo by sharing posters and video clips across the property, to put environmental concerns on the center-stage and inspire all stakeholders to make a contribution towards reducing their carbon footprint.

SUSTAINABLE FOOD GROWTH

Strengthening local food production and enhancing easy access to food at the household and community levels, Hilton Colombo promoted home gardening and urban agriculture as an important strategy in advancing food and nutritional security in 2022. This small step is an important investment by the Hilton Colombo family members.

'GREEN INCHES' URBAN GARDENING PROJECT

Amidst an environment of shortage of food and rising cost of living, an urban gardening project was initiated by adopting a holistic approach to encourage team members to grow vegetables at home to create a second income. Grow Bags were designed as ideal substitutes for pots for small spaces and urban environments, to inspire Sri Lankans and make them believe there is always a solution to every problem. Packets of seeds were distributed to Hilton team members and some employees even achieved excess vegetable harvests which they donated to the hotel for consumption.

Within the urban gardening initiative, Hilton Colombo celebrated the #travelwithpurpose week activity by cultivating the next batch of cassava at its cassava plantation site adjoining the hotel. This is the largest home gardening site in the city, a model initiated to inspire home gardening with or without garden space.

BEACH CLEANUP

In commemoration of both the 35th anniversary of Hilton Colombo and International Coastal Clean-up Day, Hilton's Travel with Purpose Champion, Shamendri Jayathilake, and the team participated in a beach clean-up programme at Crow Island on the 17th September 2022.

Hilton Colombo also collected used soap from guest rooms and handed them over to Hilton Colombo Residences for recycling purposes.

CONSERVATION RESOURCES

On World Water Day, team members contributed by generating ideas to save water. An awareness session was held on water wastage for team members of Hilton Colombo throughout the hotel with the aid of posters and video clips.

COMMUNITY

By doing the right thing within operations under its control, the organization has been able to model sustainable actions and behaviour. Spreading this message wider, it engages closely with the community to support worthy causes and to celebrate special occasion to spread a feeling of hope and solidarity. Some of the community initiatives in 2022 by Team Hilton are:

EVENT	ACTIVITY
Christmas 2022	- The Christmas season has long since been a tradition of surrounding yourself with those you care the most for. The Human Resources team of Hilton Colombo chose to be with St. Mary's Elders Home for Christmas, as the residents of the home joined the hotel team members' carol service, 'Let it be Christmas', and indulged in a traditional Christmas dinner hosted exclusively for them. - Hilton Colombo launched the festive season with 30 little special friends from the Sapling Pre-School run by SERVE, an NGO who supports and ensures equality and dignity of people, especially children. Their mission is to facilitate empowerment of people, especially children and women through a quality, participatory, creative, and scientific process. The children were invited to officiate the traditional lighting of the tree and treated to a magic show and Christmas goodies and gifts.
International Women's Day	- The Women Team Member Resource Group along with Travel with Purpose of Hilton Colombo distributed breakfast packets to the students of Stanley Thilakarathna Vidyalaya. The school has only 50 students and very limited resources. - Along with delivering an educational programme, team members also distributed lunch packets for pregnant mothers at the Veluwanaramaya Temple in Dematogoda.
Food and Beverage Week 2022	The F&B department donated dry rations to the Cancer Hospital for patients..

EVENT	ACTIVITY
Supporting schools	Staff and students of Gothami Junior School, Gampaha visited the hotel to spend some time with L&D, F&B and Kitchen teams during the day-long visit with a special lunch and a tour of the hotel. Training on food safety and hygiene, basic table etiquette and HiltonCareers was also provided
Smile for Life project	The Women's Team Member Resource Group donated 30 packs of exercise books and stationery supplies to the students of Somadhevi Girls School in Kotikawatta
Each One Aid One	Team Hilton Colombo made contributions towards a stationery pack which was donated upon the request of the Interact District Council 3220 for Sri Lanka & Maldives, which will be given to a rural school in the country.
Lady Ridgeway Hospital For Children	Through Travel with Purpose, we seek to create positive environmental and social impact across our operations, supply chain, and communities. With that in mind, Global Week of Service was celebrated. Hilton Sri Lanka teamed up with the Malnutrition clinic of the Lady Ridgeway Hospital for Children, the largest free-of-charge Pediatric Hospital in Sri Lanka.

A variety of industry related events are also held to encourage youth to join the hospitality sector by supporting industry organizations and hotels schools and providing training and sharing knowledge. In 2022, despite the prevailing challenges, many events were held:

CAREERS@HILTON

This initiative is hosted annually every May by all Hilton hotels and offices across the globe to encourage and educate local youth and other job seekers about the potential opportunities and benefits of a career in hospitality. First initiated by Hilton CEO Chris Nasetta in 2014, Careers@Hilton continues to receive global patronage from all Hilton properties, and serve as an invaluable opportunity to support Hilton's commitment to connect, prepare and employ one million young people.

WALK-IN INTERVIEWS

Industrial training is an important component of Hotel Management programmes. Hilton Colombo has committed to extend this training to over 60+ students bi-annually by providing a professional environment for them to enhance their skills and offer a platform to showcase their talent. More than 400 students participated in the recently-concluded IT recruitment drive. Hilton Colombo is proud to be the first choice for industry placements in Sri Lanka!

GUIDING YOUTH

A group of five students attached to the Sri Lanka Institute of Tourism and Hotel Management (Kandy branch) visited the hotel to learn about the brand-specific machines and technology and the engineering concepts and theories applied in the hotel.

INTER-HOTEL SCHOOL COCKTAIL COMPETITION 2022

The Inter Hotel School Mixologists and Barista Challenge was held at Hilton Colombo alongside the Hilton Colombo F&B Masters. Hosting such events enhanced brand value and the hotel's position as a great place to work.

HILTON LIYA DIRIYA

The first graduation of the first cohort of Hilton Liya Diriya was held at the Hilton Colombo in the presence of Manesh Fernando, Area General Manager for Hilton Sri Lanka, General Manager for Hilton Colombo, and the General Managers of the other Hilton properties in Sri Lanka along with their Human Resources Directors/Managers and the leadership team of Hilton Colombo. The graduation ceremony began with a video clip portraying the journey of the graduates, followed by an address by Manesh Fernando. Four team members earned the opportunity to graduate out of the eight member team at the launch of the programme. Certificates of completion were awarded to Sanjuni Sankalpani, Shenara Perera and Thakshila Perera from Hilton Colombo, and Sayuri Jayathilaka from DoubleTree by Hilton Weerawila Rajawarna Resort.

WORLD TOURISM DAY

Traversa 2022, the annual World Tourism Day Celebration organized by the International Center for Tourism and Hospitality of NSBM Green University was held on 7th October 2022 under the patronage of Hilton Sri Lanka. Manesh Fernando, Area General Manager, Sri Lanka (Hilton) graced Traversa 2022 as the Chief Guest on the occasion and shared his invaluable experience across his illustrious career in the hospitality industry to motivate the next generation of tourism and hospitality undergraduates of the university.

Traversa 2022 was also graced by Prof. Chaminda Rathnayake the Deputy Vice Chancellor of NSBM Green University, Prof. Baratha Dodankotuwa the Head of Academic Development & Quality Assurance, and Ms. Thilini De Silva the Dean of the Faculty of Business. The event's value was further enhanced by the presence of several distinguished personalities representing the local tourism and hospitality industry including Sanchitha Uduwaidana - Director Of Human Resources (Hilton), Dilum Ediriweera - Human Resources Manager (Hilton), Tamara Koongolla - Assistant Learning & Development Manager (Hilton), George Paul - President of SLAITO Youth, Maxime Wickramasinghe - Past President of SLAITO Youth and Naamini Jayaratne - Digital Content Creator and Alumna of NSBM Green University.

SUSTAINABILITY REPORT

PROFESSIONAL TRAINING

'Food Safety & Hygiene' Training for Colombo Nursing School Students

The students of the Colombo Nursing School were hosted at Hilton Colombo for a programme on 'Food Safety & Hygiene' led by Dr. Pathum Kodikara, a leading Medical Officer of Health in the Colombo District. The students were also taken through the hotel's kitchens to show them how food hygiene is maintained. Sahan Thejaka, Hygiene Manager of Hilton Colombo, made this event possible.

CAREER PROGRAMMES FOR HOTEL MANAGEMENT STUDENTS

At Hilton Colombo, we believe that partnerships between higher-education institutions and employers can be invaluable for helping businesses respond to growing talent needs. With that in mind, Hilton Colombo visited the Sri Lanka Institute of Tourism & Hotel Management, Kandy, on 23rd November 2023. Such events help to build strong relationships.

WILLIAM ANGLISS INSTITUTE - FIRST CAREER DAY BREAKFAST MEETING WORKSHOP

All 4 Hilton hotels participated in a one-day programme wherein students from the William Angliss Institute had an opportunity to learn more about the Hilton brand and the many opportunities available to develop youth in the Hospitality trade.

HILTON HOTELS AND RESORTS IN SRI LANKA PENS MOU WITH NSBM GREEN UNIVERSITY

The signing of the Memorandum of Understanding (MoU) to establish collaboration between Hilton and NSBM was held on 24th August 2022 at the NSBM Green University premises. NSBM entered into partnerships with four hotel properties under Hilton Hotels and Resorts: Hilton Colombo, Hilton Colombo Residencies, Hilton Yala Resort and Double Tree by Hilton Weerawila. Hilton Hotels & Resorts is a global brand of full-service hotels and resorts and the flagship brand of American multinational hospitality company Hilton. In essence, through this mutually beneficial collaboration, both institutions envisage a fruitful venture in future to increase the possibilities of undergraduate industrial training in various departments, gather information for research and development and also for Hilton employees to follow postgraduate programmes at NSBM.

PARTNERSHIP WITH KOREA LANKA SCHOOL OF HOSPITALITY & HOTEL MANAGEMENT

An MoU was signed between Korea Lanka School of Hospitality & Hotel (KLSHH) management and Hilton Yala Resort on 27th January 2022 at the school premises. The MOU was signed by the Director General Prabodh Kulathunga, KLSHH, and Gitanjali Chakravarthy, General Manager, Hilton Yala Resort. As per this mutually beneficial partnership, selected candidates from underprivileged families, preferably in Yala area, will be enrolled

at KLSHH where they will go through a five-month course in a selected operational area for free and be released for a six-month industrial traineeship. The candidates will graduate at the end of their industrial training, which will open doors for a long-term career with Hilton!

TROPHY SPONSORSHIPS

The graduation ceremony of William Angliss school of Hospitality by SLIIT was held recently and Hilton sponsored the Award for Operational Excellence yet again! Hilton Sri Lanka is the most preferred Hospitality brand for employment in Sri Lanka and is honoured to be part of the most prestigious event of the university calendar for William Angliss Sri Lanka.

APPRENTICESHIPS

The hotel conducts programmes focused on attracting and retaining youth in the industry. These initiatives include the opening of internships, industrial trainee and apprenticeship opportunities organized in partnership with leading hospitality education institutes. Currently, Hilton Colombo maintains five apprentice programmes across different departments in the hotel; working in close collaboration with the National Apprentice and Industrial Training Authority (NAITA); a government body established to train youth on skilled jobs. Current active apprenticeship programmes include:

- Kitchen Apprentice Programme (duration : 30 months)
- Engineering Apprentice Programme (duration : 24 months)
- Housekeeping Apprentice Programme (duration : 12 months)
- Food & Beverage Apprentice Programme (duration : 18 months)
- Kitchen Stewarding Apprentice Programme (duration : 12 months).

OUR PEOPLE

The hospitality trade is about experiences connections with people and places, and our team plays a pivotal role in delivering our brand promise to our valued guests. Certified as a 'Great Place to Work' in the year under review, the organization provides a progressive and dynamic working culture underscored by equal opportunity and fairness for its employees. As the most inspired hospitality team in the country, Team Hilton is nurtured and encouraged through various initiatives across its operations.

HEALTH & SAFETY

The hotel maintains stringent emphasis on the highest possible safety standards to ensure the health of both guests and team members alike. Hilton Colombo has a Food Safety & Hygiene Manager to monitor and manage the entire food safety & hygiene standards in the hotel as per global Hilton worldwide standards.

Accordingly, preventive maintenance programmes are regularly scheduled and conducted to the highest standards to ensure that all food processing/storage equipment are operating at optimum levels.

Meanwhile, kitchen teams are regularly educated and monitored for food safety & hygiene and food allergy training in order to ensure that guest preferences and requirements are fully satisfied at all times. Regular microbiological and chemical analysis of drinking water, swimming pool water, cooling tower water, guest room water and food processing water is carried out by an accredited laboratory to monitor the safety levels and requirements.

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.

TRAVEL WITH PURPOSE

Hilton Colombo has operated in the local community for over three decades and attributes its enduring success to support and goodwill from the community which has extended its support after realizing the hotel's sustainable approach. The hotel team members are encouraged to volunteer under the umbrella of 'Blue Energy Community Team'. This foundation functions with the assistance of the hotel team's enthusiasm for volunteering in all its projects. The Hilton Colombo volunteer network enables team members to reach beyond their day-to-day work to contribute to the community and environment. These multi-faceted initiatives are designed to empower Sri Lankan communities through targeted programs aimed at supporting opportunities for long-term growth.

TEAM MEMBER ACTIVITIES IN 2022/23

EVENT	ACTIVITY
Reward & Recognition	■ Blue Energy Awards held monthly at the Town Hall meeting. ■ Recognition Week for every department happens every month with a series of fun filled programs including trips, guest speeches, souvenirs, cake cutting and a special meal to show how much they are appreciated and valued. ■ Team Member Appreciation Week that consisted of many activities
Staff Health & Wellness	■ Health Camps were conducted for eye and Thalassemia check-ups ■ Launched Spa and the Relaxation room for the team. ■ Breast cancer awareness programme for staff
Recreation for Team Members	■ New Year Celebrations: Special Breakfast or Lunch and multi religious ceremonies. ■ Team Party along with a fashion show in which the team participated ■ Halloween lunch with a special lunch arranged in a very special set up by HR. ■ Celebration of Valentines day with a gift of roses to all female employees ■ Special Christmas lunch for all team members ■ Inter department Bowling tournament ■ Celebrated International Women's day with a special high tea session and a guest speech by Consultant Ama Dissasekara.

ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of Hotel Developers (Lanka) Limited are pleased to present their Report and the Audited Financial Statements of the Company for the Year ended 31st December 2022.

1. THE PRINCIPAL ACTIVITY

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

Accordingly, during the year under review the Company engaged in the business of hospitality trade, owning Hilton Colombo Hotel.

2. FINANCIAL STATEMENTS

The Financial Statements of the Company are given on page 29 to 53.

3. GOING CONCERN

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

4. AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company is given on pages 25 to 27.

5. ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Statements are given in Note 03, and there were no significant changes to those accounting policies during the year under review vis-à-vis those used in the previous year.

6. TAXATION

Provision for taxation has been computed at the rates given in Note.10 to the Financial Statements.

7. DIVIDENDS

The Directors do not recommend a dividend on the ordinary shares for the year ended 31st December 2022.

8. BOARD OF DIRECTORS AND THEIR SHAREHOLDING

The Directors of the Company as at 31st December 2022 were:

Mr. P A I S Perera	[resigned w.e.f. 15.2.2023]
Ms. D S Ameresekere	
Mr. V Kanagasabapathy	[ceased w.e.f. 6.4. 2023]
Mr. P H P Deniyaya	
Mr. L R S Weerasinghe	[ceased w.e.f. 21.3.2023]
Mr. P A S A Kumara	
Dr M K C Senanayake	[ceased w.e.f. 21.3.2023]

The following Directors resigned / ceased during the year under review

Mr. I P Dantanarayana	[resigned w.e.f. 12.7.2022]
Ms. M T I V Amarasekera	[ceased on 24.3.2022]

The following Directors were appointed after the reporting date:

Mr U G Dharmadasa

Mr K S Weerasinghe

Mr P A Jayakantha

Mr K A R J Fernando

Dr. A I Kankanamge

Mr M S Wattagama

Mr R Sooriyaarachchige

None of the above Directors hold shares in the Company.

Retirements / Re-appointments

Mr. U G Dharmadasa who is over 70 years of age, is recommended for re-appointment as Directors in pursuance of Section 211 of the Companies Act. A Resolution proposing the re-appointment of Mr. U G Dharmadasa to the Board of the Company declaring that the age limit of 70 years shall not apply to the said Director, will be placed before the sole shareholder at the forthcoming Annual General Meeting.

9. INTEREST REGISTER

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

10 REMUNERATION OF THE DIRECTORS

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

Directors' emoluments Rs.3,575,000/- (2021 – Rs.3,725,000/-)

11. DIRECTORS INTERESTS / RELATED PARTY TRANSACTIONS

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

12 AUDITORS

In terms of the 19th and 20th Amendments to the Constitution read together with Article 154 of the Constitution, the Auditor General continues to be the Auditor of the Company.

A sum of Rs.3,218,000/- is payable to the Auditor for the year under review, comprising Audit Fees only (2021- Rs.2,515,079/-).

13. DONATIONS

The Company has not made any donations during the year ended 31st December 2022

14. AUDIT COMMITTEE

The Composition of the Audit Committee during the year under review.

Names of the Directors

Mr. V Kanagasabapathy	- Chairman [upto on 6.4.2023]
Mr. P A S A Kumara	- Member
Mr. P H P Deniyaya	- Member

The Committee was reconstituted with effect from 28th June 2023 as follows:

Mr. P A S A Kumara	- Chairman (w.e.f 28.06.2023)
Mr. P H P Deniyaya	- Member
Mr M S Wategam	- Member

Mr. Kanagasabapathy will attend the Audit Committee Meetings on an invitation by the Board as a decision taken by the Company.

15. REMUNERATION COMMITTEE

The composition of the Remuneration Committee is as follows:

Names of the Directors

Mr U G Dharamadasa	- Chairman [w e.f. 20 4.2023]
Mr P H P Deniyaya	- Member [w.e.f. 20 4. 2023]
Mr R Sooriyarachchige	- Member [w.e.f. 20.4. 2023]
Mr. P A I S Perera	- Chairman [upto 15.2.2023]
Mr. V Kanagasabapathy	- Member [upto .6.4.2023]
Mr. Ishan Dantanarayana	- Member [upto 12.7.2022]

16 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The composition of the Related Party Transactions Review Committee during the year under review was:

Names of the Directors

Mr. V Kanagasabapathy	- Chairman [upto on 6.4.2023]
Ms. D. S Ameresekere	- Member

17. CAPITAL EXPENDITURE

The details of material capital commitments are given in Note 34 to the Financial Statements.

18. PROPERTY, PLANT AND EQUIPMENT

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

19. STATED CAPITAL

The Stated Capital of the Company as at 31st December 2022 was Rs. 20,466,456,858/- represented by 2,046,645,686 ordinary shares.

20 DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL REPORTING

The Directors are responsible for the preparation and presentation of the Financial Statements of the Company to reflect a true and fair view of its state of affairs. The Directors confirm that these Financial Statements have been prepared in conformity with the Sri Lanka Accounting Standards and the Companies Act No. 07 of 2007. The Directors are accordingly satisfied that the Financial Statements presented herein give a true and fair view of the state of affairs of the Company as at 31st December 2022 and the loss for the year ended.

21. STATUTORY PAYMENTS

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

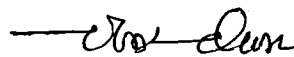
22. EVENTS AFTER THE REPORTING DATE

No events have occurred after the reporting date, which would require adjustments to, or disclosure in the Accounts, other than those given in Note 33 to the Financial Statements.

23. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held by way of a Written Resolution of the Sole Shareholder, in lieu of meeting in terms of Section 144 of the Companies Act No. 07 of 2007

By Order of the Board
HOTEL DEVELOPERS (LANKA) LIMITED



Mr. U G Dharmadasa
Chairman



Mr. P A S A Kumara
Director



P W CORPORATE SECRETARIAL (PVT) LTD
Company Secretaries

Colombo
28th June 2023

THE AUDIT COMMITTEE REPORT

AUDIT COMMITTEE CHARTER

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

ROLE OF THE AUDIT COMMITTEE

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

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

COMPOSITION OF THE AUDIT COMMITTEE

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

Mr. V Kanagasabapathy - Chairman (Up to 06.04.2023)
(Independent Non Executive)

Mr. P.A.S.A. Kumara - Member
(Non Independent Non Executive)

Mr. Priyantha Deniyaye - Member
(Independent Non Executive)

The Committee was reconstituted with effect from 28th June 2023 as follows:

Mr. P A S A Kumara - Chairman (w.e.f 28.06.2023)

Mr. P H P Deniyaya - Member

Mr. M S Wategam - Member

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

Lanka, Association of Public Finance Accountants of Sri Lanka, and Institute of Certified Management Accountants of Sri Lanka.

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

Mr. P.A. S. Kumara joined the Public Service in 1991 as an Audit Examiner in Auditor General's Department and joined the Department of Public Enterprises, Ministry of Finance in 2007. Currently he is the Director General in Department of Public Enterprises. He holds a B. Sc Management (Public Admin.) (Special) degree holder from the University of Sri Jayawardenapura and in 2015 obtained his Masters degree in Business Studies in University of Colombo . Mr. Athula Kumara is a Class 1 Officer of Sri Lanka Accounts' Services and a member of Chartered Public Accountant in the Institute of Chartered Accountants of Sri Lanka.

Mr. Madawa Wategama is a highly accomplished professional with a diverse background in Government Affairs, International Relations and Computer Studies. Currently serving as the Secretary to the State Minister of Urban Development and Housing, he has held influential positions in both the public and private sectors. In the private sector, he has functioned as Chairman - Independence Holdings, Silverbird International and Tronic Entertainment, where has demonstrated exceptional leadership and strategic vision in driving the success of these organisations

AUDIT COMMITTEE MEETINGS

During the year ended 31st December 2022, the Audit Committee had 5 meetings. The Chief Operating Officer, Chief Financial Officer, Accountant of HDL, General Manager & Director Finance of Hilton Colombo, Internal Auditors Ernst & Young (E & Y), representatives of the Auditor General and Management Auditors of Hilton Colombo attended the Audit Committee Meetings by invitation.

EXTERNAL AUDITORS

With the enactment of the 19th & 20th Amendment to the Constitution and the National Audit Act No 19 of 2018, the Auditor General continues to be the external Auditor of the Company. Accordingly, the Financial Statement for the year ending 31st December 2022 was audited by the Auditor General.

REVIEW OF INTERNAL CONTROL SYSTEMS

E & Y the Internal Auditors of the Company carries out detail audits of the hotel operations on the basis of the Audit Plan approved by the Audit Committee. Internal Audit performs an independent review of the system of internal controls established by the Management and to determine the extent of adherence to the controls by the staff responsible for the function addressing the risk management process. The findings

and the contents of the internal Auditors reports are discussed with the Management and corrective measures taken on a timely manner and such reports are presented to the Audit Committee.

REVIEW OF QUARTERLY FINANCIAL STATEMENTS

Quarterly Financial Statements of the Company were reviewed and recommended by the Audit Committee to the Board for approval.

ADOPTION OF IFRS/ SLFRS

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

REVIEW OF COMPLIANCE STATEMENTS.

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

REVIEW OF DRAFT FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2022

The draft Financial Statements for the year ended 31st December 2022 pertaining to the Company were reviewed by the Audit Committee, together with the External Auditors, Internal Auditors and the Management Auditors of the Hotel Hilton Colombo. The Audit Committee was provided with confirmations and declarations as required, by the Chief Financial Officer. The Audit Committee review facilitated that the said Financial Statements to be prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act, No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

CONCLUSION

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



P A S A Kumara
Chairman
Audit Committee

28th June 2023

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT



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මගේ අංකය
எனது இல.
My No.

TIP/C/HDL/FA/2022/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

31 May 2023

Chairman

Hotel Developers (Lanka) Ltd

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Hotel Developers (Lanka) Ltd for the year ended 31 December 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. FINANCIAL STATEMENTS

1.1 Opinion

The audit of the financial statements of the Hotel Developers (Lanka) Ltd ("Company") for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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

1.3 Other information included in the Company's 2022 Annual Report.

The other information comprises the information included in the Company's 2022 Annual Report, but does not include the

financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

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

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

When I read the Company's 2022 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

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

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

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

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



Independent Auditor's Report



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NATIONAL AUDIT OFFICE

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty

exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

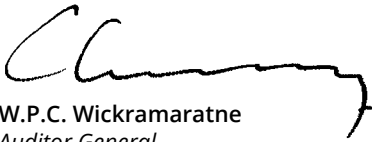
2. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- 2.1 National Audit Act, No. 19 of 2018 and Companies Act, No 07 of 2007 include specific provisions for following requirements.
 - 2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.
 - 2.1.2 The financial statements of the Company Comply With the requirement of section 151 of the Companies Act, No. 07 of 2007.
 - 2.1.3 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
 - 2.1.4 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.
- 2.2 Based on the procedures performed and evidence obtained which limited to matters that are material, nothing has come to my attention;



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 NATIONAL AUDIT OFFICE

- 2.2.1** to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- 2.2.2** to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.
- 2.2.3** to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.
- 2.2.4** to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No.19 of 2018.



W.P.C. Wickramaratne
 Auditor General

STATEMENT OF COMPREHENSIVE INCOME

For the 12 Months Ended 31st December 2022		12 Months 31.12.2022 Rs. '000	12 Months 31.12.2021 Rs. '000
	Notes		
Revenue	05	2,887,267	1,178,381
Cost of sales		(1,825,497)	(922,695)
Gross profit		1,061,770	255,686
Other gains and losses	06	206,589	31,191
Administrative expenses		(855,887)	(585,498)
Other expenses		(302,759)	(167,921)
Operating Profit Before Depreciation		109,713	(466,542)
Depreciation		(371,065)	(386,618)
Operating Profit After Depreciation		(261,352)	(853,160)
Finance Income	07	18,162	11,222
Finance Charges	08	(389,574)	(134,477)
Profit/(loss) before taxation	09	(632,764)	(976,415)
Income Tax expense	10	(252,358)	19,190
Profit/(loss) after taxation for the period		(885,123)	(957,225)
Other comprehensive income			
Actuarial Gain/(loss)on employee benefit obligations		2,970	22,630
Total comprehensive income/ (expense) for the period		(882,153)	(934,595)
Earning per share - Basic (Rs.)	11	(0.43)	(0.46)

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

STATEMENT OF FINANCIAL POSITION

As at 31st December 2022		31.12.2022	31.12.2021
	Notes	Rs. '000	Rs. '000
Assets			
Non-Current Assets			
Property, Plant & Equipment	12	6,929,402	8,722,182
Leasehold Land	13	6,261,798	6,337,966
Capital Work-in-Progress		2,600,378	766,764
Total Non-Current Assets		15,791,578	15,826,912
Current Assets			
Inventories	14	132,604	53,034
Trade and Other Receivables	15	141,894	74,740
Amount Due From Related Parties	16	8,988	2,242
Other Assets	17	828,764	578,988
Current Financial Assets	18	26,296	110,111
Cash and Bank Balances	19	299,651	122,354
Total Current Assets		1,438,197	941,469
Total Assets		17,229,775	16,768,381
Equity and Liabilities			
Shareholders' Equity			
Stated Capital	20	20,466,456	20,466,456
Revaluation Surplus		1,452,978	1,452,978
Reserves	21	178,228	53,801
Accumulated Loss		(9,814,896)	(8,808,317)
Total Equity		12,282,767	13,164,918
Non-current Liabilities			
Interest Bearing Loans and Borrowings	22	2,000,000	1,098,372
Retirement Benefit Obligations	23	77,467	97,982
Deferred Tax Liability	24	633,891	396,138
Right to Use - Lease Land Liability	13	-	4,806
Total Non-Current Liabilities		2,711,359	1,597,298
Current Liabilities			
Trade and other payables	25	744,285	418,936
Amount due to related parties	26	100,808	26,475
Contract Liabilities	27	179,444	158,114
Interest Bearing Loans and Borrowings	22	-	16,600
Right to Use - Lease Land Liability	13	4,806	5,458
Retention Fees - Refurbishment Project		57,559	48,252
Bank overdraft		1,148,746	1,332,328
Total Current Liabilities		2,235,648	2,006,163
Total Liabilities		4,947,007	3,603,461
Total Equity and Liabilities		17,229,775	16,768,381
		1	0
Net Assets pe share - (Rs.)	28	6.00	6.43

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

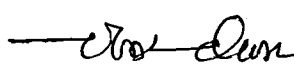


Jude Wickramaratne
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board on 24th May 2023.



Mr. P A S A Kumara
Director



Mr. Upul Dharmadasa
Chairman

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

STATEMENT OF CHANGES IN EQUITY

For the 12 Months Ended 31st December 2022	Stated Capital	Revaluation Surplus	Furniture, Fittings & Equipment Replacement Reserves	Accumulated Loss	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2021	20,466,456	1,452,978	1,649	(7,821,569)	14,099,514
Profit / (Loss) for the 12 Months period	-	-	-	(957,225)	(957,225)
Actuarial gain/(loss) on employee benefit obligations, net of taxes - loss	-	-	-	22,630	22,630
Replacement of furniture, fittings & equipment	-	-	(16,477)	16,477	-
Transfers to furniture, fittings & equipment reserve	-	-	68,629	(68,629)	-
Balance as at 31st December 2021	20,466,456	1,452,978	53,801	(8,808,317)	13,164,918
Profit / (Loss) for the 12 Months period	-	-	-	(885,123)	(885,123)
Actuarial gain/(loss) on employee benefit obligations, net of taxes - loss	-	-	-	2,970	2,970
Replacement of furniture, fittings & equipment	-	-	148,687	(148,687)	-
Transfers to furniture, fittings & equipment reserve	-	-	(24,262)	24,262	-
Balance as at 31st December 2022	20,466,456	1,452,978	178,228	(9,814,896)	12,282,767

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

STATEMENT OF CASH FLOWS

For the 12 Months Ended 31st December 2022		31.12.2022 Rs. '000	31.12.2021 Rs. '000
Profit / (Loss) before taxation		(632,764)	(976,414)
Adjustment for			
Depreciation	12	294,897	303,511
Land Amortization	13	76,168	76,907
Changes in Impairment of Debtors	15	649	(4,457)
Provision for Defined Benefit Plans	23	20,135	5,991
Provision for Breakages	25	6,868	2,094
Interest Expenses	8	389,574	134,476
Unrealized Exchange (Gain)/Loss		(7,745)	358
Profit on Sale of Property, Plant & Equipment	7	(19,083)	(12,560)
Interest Income	6	(18,162)	(11,222)
Operating Profit Before Working Capital Changes		110,537	(481,316)
(Increase)/ Decrease in Inventories	14	(79,570)	(5,193)
(Increase)/ Decrease in Receivables	15	(67,803)	(42,470)
Increase/Decrease in Amount Due From Related Parties	16/26	67,587	24,642
Increase/Decrease in Right to Use of Land Lease	13	(5,458)	6,200
(Increase)/ Decrease in Other Assets	17	(566)	(11,703)
Increase/ (Decrease) in Trade & Other Payables	25	344,561	86,776
Increase/(Decrease) in Contract Liabilities	27	21,330	98,222
Cash generated from operations		390,617	(324,842)
Payment of Retirement Benefits	23	(37,680)	(33,577)
Net cash generated from operating activities		352,937	(358,419)
Cash Flows from Investing Activities			
Purchase of property, plant & equipment	12	(5,231)	(999)
Investment in capital work-in-progress		(618,663)	(796,973)
Proceeds from sale of property, plant & equipment		24,117	31,029
Interest income received	8	18,162	11,222
Net cash used in investing activities		(581,614)	(755,721)
Cash Flows from Financing Activities			
Repayment of Interest bearing loans and borrowings	22	(16,600)	(234,036)
New Interest bearing loans and borrowings	22	901,628	1,098,372
Finance Cost	8	(387,031)	(101,739)
Net cash used in financing activities		497,997	762,597
Net increase/(decrease) in cash & cash equivalents		269,320	(351,542)
Cash & cash equivalents at the beginning of the year (Note 30)		(1,099,864)	(747,964)
Unrealized exchange Gain/Loss on USD Savings Deposits		7,745	(358)
Cash & cash equivalents at the end of the period		(822,799)	(1,099,864)

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

NOTES TO THE FINANCIAL STATEMENTS

TWELVE MONTHS ENDED 31ST DECEMBER 2022

1. CORPORATE INFORMATION

1.1. General

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

1.2. Principal Activities and Nature of Operations

Hotel Developers (Lanka) Ltd is engaged in the business of hospitality trade, owning Hilton Colombo Hotel.

1.3. Date of Authorisation for Issue

The financial statements were authorized for issue by the Board of Directors on 24th May 2023

2. BASIS OF PREPARATION

2.1. Statement of Compliance

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

2.2. Basis of Measurement

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

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

2.3. Functional and Presentation Currency

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

2.4. Comparative Information

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

2.5. Materiality & Aggregation

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

2.6. Offsetting

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

3. ACCOUNTING POLICIES

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

Comparative information

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

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

SLFRS 16 Leases

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

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

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

3.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of financial statements requires the application of certain critical accounting assumptions relating to the future. Further, it requires the management of the Company to make judgments, estimates, and assumptions that affect the reported amounts of income, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods. Hence, experience and results may differ from these judgments and estimates.

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

a) Taxation

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

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

b) Revaluation of Property, Plant, and Equipment.

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

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

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

d) Going Concern

The Directors have assessed the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the financial statements continue to be prepared on a going concern basis.

e) Impairment Losses on Financial Assets

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

f) Defined Benefit Plans

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Revenue Recognition

(i) Revenue from Contracts with Customers

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

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

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

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

(a) Rendering of services

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

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

(ii) Interest

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying

Notes to the Financial Statements

TWELVE MONTHS ENDED 31ST DECEMBER 2022

amount of the financial asset or liability. Interest income on the non-financial assets is included in the FF&E reserve. All other interest income is included in finance income.

(iii) Shop Rental Income

Shop Rental income is recognized on an accrual basis.

Turnover based taxes

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

Other income

Other income is recognized on an accrual basis.

4.2 Expenditure Recognition

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

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

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

4.3 Taxation

4.3.1 Current Tax

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

4.3.2 Deferred Tax

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

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

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

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

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

4.4 Non-financial Asset

4.4.1 Property, Plant, and Equipment

a) Recognition and Measurement

At Initial Recognition

Property, plant & equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably by LKAS 16 - property, plant & equipment. Initially property and equipment are measured at cost net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the Property, Plant, and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, Plant, and Equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major refurbishment is performed, its cost is recognized in the carrying amount of the Property, Plant, and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the profit or loss as incurred.

At Subsequent Measurement

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

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

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

Subsequent Cost

Subsequent expenditure incurred to acquire, extend, or improve assets of a permanent nature by means of which to using the business or to increase the earning capacity of the business is treated as capital expenditure, and such

expenses are recognized in the carrying amount of an asset. The costs associated with the day-to-day servicing of property, plant, and equipment are recognized in the statement of comprehensive income as incurred.

Depreciation

Depreciation is calculated using the straight-line method 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:

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

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

De-recognition

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

Borrowing Costs

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

4.4.2 Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax

discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

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

4.4.3 Fair Value Measurement

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

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

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

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

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

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

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

Notes to the Financial Statements

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

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

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

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

4.5 Prepaid Lease Rental

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

4.6 Inventories

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

The cost of each category of inventory is determined on a weighted average basis.

4.7 Financial Assets – Recognition and Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

(a) Initial Recognition and measurement

Financial assets are classified at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Hotel's business model for managing them. Except for trade receivable that does not contain significant financing components for which Hotel has applied the practical expedient, the Hotel initially measures a financial asset at its fair value plus, in the case of a financial

asset not a fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component for which the Hotel has applied the practical expedients measured at the transaction price determined under SLFRS 15.

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

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

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

Purchases or sales of financial assets that require delivery of financial assets within a time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Hotel commits to purchase or sell the asset.

(b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- i. Financial assets at amortized cost (debt instruments)
- ii. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- iii. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- iv. Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

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

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

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

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

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

(c) De-recognition

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

- The rights to receive cash flows from the asset have expired Or
- The Hotel has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Hotel has transferred substantially all the risks and rewards of the asset, or
 - (b) the Hotel has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

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

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

(d) Impairment

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

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

Financial liabilities

(a) Initial recognition and measurement

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

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

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

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

(b) Subsequent measurement

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

Loans and borrowings

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

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

(c) De-recognition

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

Offsetting of financial instruments

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

4.8 Cash and Bank Balances

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

Notes to the Financial Statements

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4.9 Stated Capital

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

4.10 Retirement Benefit Obligations

4.10.1 Defined Benefit Plan – Gratuity

The liability recognized in the statement of financial position represents the present value of the defined benefit obligation at the reporting date estimated based on actuarial valuation using the projected unit credit method. Actuarial valuations involve making assumptions about discount rates and future salary increases. A defined benefit obligation is highly sensitive to changes in these assumptions. These benefits are not externally funded.

The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in the other comprehensive income.

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

4.10.2 Defined Contribution Plan

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

a) Employees' Provident Fund

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

b) Employees' Trust Fund

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

4.11 Financial Liabilities

4.11.1 Initial Recognition and Measurement

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

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

a) Financial Liability at FVTPL

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

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

b) Other Financial Liabilities

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

4.11.2 De-recognition of Financial Liabilities

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

4.12 Provisions

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

4.13 Statement of Cash Flows

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

4.14 Segmental Information

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

4.15 Standards Issued But Not Yet Effective

The company has adopted all the relevant standards and interpretations that are issued as of 31 December 2022.

	31.12.2022 Rs. '000'	31.12.2021 Rs. '000'
5. REVENUE FROM CONTRACTS WITH CUSTOMERS		
5.1. Gross Revenue from contracts with customers	2,916,464	1,190,331
Less : Tourism Development Levy	(29,197)	(11,950)
Net Revenue from contracts with customers	2,887,267	1,178,381

Value added tax of Rs. 382 Mn (2021 - Rs. 104Mn) has been deducted in arriving at Revenue.

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
5.2. Revenue		
Room revenue	666,637	236,944
Food and Beverage revenue	2,185,005	925,077
Other operating departments	35,625	16,360
	2,887,267	1,178,381
6. OTHER GAINS AND LOSSES		
Profit on disposal of plant & equipment	19,083	12,560
Shop rentals	7,197	1,676
Exchange Gain / (Loss) Unrealized	7,745	(358)
Exchange gain realized	167,094	14,407
Sundry income	5,470	2,906
	206,589	31,191
7. FINANCE INCOME		
Interest income - Loans and receivables		
Interest on treasury bills	425	2,439
Interest on staff loans	4	7
Interest on RFC accounts	4,100	1,068
Interest on fixed deposits	9,055	7,708
Interest income on FF&E replacement reserve	4,578	-
	18,162	11,222
8. FINANCE COSTS		
Bank charges	72	31,118
Overdraft Interest	225,754	80,258
Concessionary loan facility	-	5,125
Term Loan Facility	161,206	16,176
Lease Assets	2,542	1,800
	389,574	134,477

Notes to the Financial Statements

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
9. PROFIT FOR THE PERIOD		
Profit for the period is stated after charging all expenses including the following:		
Directors' emoluments	3,575	3,725
Auditors' remuneration - Company	1,200	600
- Colombo Hilton	2,018	1,915
Depreciation	371,065	386,618
Staff costs (including the following employee benefit plan costs)	562,147	506,207
- Defined benefit plan cost - Gratuity	20,135	5,991
- Defined contribution plan costs - EPF & ETF	68,136	66,972
Management fees	-	-
Group service & benefit charge - Hilton International	58,117	23,864
Legal fees	4,175	611
10. INCOME TAX EXPENSE		
Provision for the period	654	1,260
Tax Credit Write off	13,951	16,610
Deferred tax (Income) Expense	237,753	(37,060)
	252,358	(19,190)

As per the tax revisions certified on 19th December 2022, standard rate of income tax has increased from 14% to 30% with effect from 01st October 2022. Therefore, Company will be liable to pay tax at the rate of 30% from the year 2022 onwards (2021 - 14%)

The rate of 30% has been used for deferred tax and the resultant impact has been recognized in the statement of the comprehensive income.

10.1. A reconciliation between Taxable profit and Accounting Profit for the Years Ended 31st December 2022 and 31st December 2021 are as follows

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
Accounting Profit Before Income Tax	(632,764)	(976,414)
Aggregate Disallowed Items	392,211	363,122
Aggregate allowable Expense	(480,929)	(483,031)
Trading Profits and Other Sources of Income @ 30%	(721,482)	(1,096,323)
Other sources of Income Liable @ 30%/24%	2,724	5,251
Total Taxable Profit	2,724	5,251
Taxable Profit	2,724	5,251
Taxable other source of Income @ 24%/30%	654	1,260
Current Year Total Tax Expense	654	1,260

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
10.2. Deferred tax		
Deferred tax arising from:		
- Origination and reversal of temporary difference (Note 24)	237,753	(37,060)
Total deferred tax charge	237,753	(37,060)
10.3. Tax losses carried forward		
Tax losses carried forward	12,313,013	11,216,690
Tax losses incurred during the year	721,482	1,096,323
Tax losses set off in the current period - from Investment Income	(2,724)	-
Tax losses carried forward for future periods	13,031,771	12,313,013

11. EARNING PER SHARE - BASIC

Basic earning per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the ordinary shares outstanding during the year.

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
Profit per ordinary share	(0.43)	(0.46)

Amount used as the Numerator	31.12.2022 Rs. '000	31.12.2021 Rs. '000
Profit attributable to the ordinary shareholders	(882,153)	(934,596)

Amount Used as the Denominator	Nos. '000	Nos. '000
Weighted average number of ordinary shares for the purpose of basic profit per share	2,046,646	2,046,646

Notes to the Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land	Plant & machinery	Hotel furniture & fittings	Motor vehicle	Refrigerator & kitchen equipment	Television & computers	Operational Equipment	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/ Revaluation								
Balance as at 31st December 2020	7,337,207	270,259	561,588	56,020	402,832	50,562	106,000	8,784,468
Disposal	(3,527)	(7,140)	(6,454)	-	(24)	(121)	-	(17,266)
Additions during the year	287,975	140,883	14,510	-	71,942	999	45,330	561,639
Balance as at 31st December 2021	7,621,655	404,002	569,644	56,020	474,750	51,440	151,330	9,328,841
Disposal	-	(40)	(5,714)	-	(100)	(572)	-	(6,426)
Additions during the year		3,803	236	-	-	1,192	-	5,231
Transfer to WIP	(1,498,080)							(1,498,080)
Balance as at 31st December 2022	6,123,575	407,765	564,166	56,020	474,650	52,061	151,330	7,829,567
Accumulated Depreciation								
Balance as at 31st December 2020	133,197	20,279	55,335	14,005	30,206	9,865	35,333	298,220
Charge for the year								
Charge for the year	134,818	23,249	56,100	14,005	31,564	10,187	39,788	309,711
Disposal	(64)	(535)	(645)	-	(2)	(24)	-	(1,270)
Balance as at 31st December 2021	267,951	42,993	110,790	28,010	61,768	20,028	75,121	606,661
Charge for the year	97,678	30,546	56,400	14,005	35,608	10,218	50,443	294,897
Disposal	-	(6)	(1,143)	-	(15)	(229)	-	(1,393)
Balance as at 31st December 2022	365,628	73,532	166,046	42,015	97,361	30,017	125,565	900,166
Written Down Value								
Balance as at 31st December 2020	7,204,010	249,981	506,253	42,015	372,626	40,697	70,667	8,486,249
Balance as at 31st December 2021	7,353,704	361,009	458,854	28,010	412,982	31,412	76,209	8,722,182
Balance as at 31st December 2022	5,757,947	334,233	398,120	14,005	377,289	22,044	25,765	6,929,402

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

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

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

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

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

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
Cost	13,551,496	13,546,265
Accumulated Depreciation	(6,713,538)	(6,418,641)
Writtendown Value	6,837,958	7,127,624

12.4. The company embarked on a comprehensive renovation of 273 hotel guest rooms out of the total room keys of 382 in two stages. Accordingly, the renovation commenced in July 2021. Hence, the hotel on an average currently operates with 153 room keys, which is a utilization of only 40% of the total room inventory. Considering the fact that the said rooms have now been handed over to the appointed contractor for the construction, the carrying value of said rooms was transferred to the Capital Work-in-Progress until such time it is available for commercial operations.

13. LEASEHOLD LAND

	Main Property 99 Year Lease Rs. '000	Shop at Dutch Hospital Rs. '000	UDA Car Park Rs. '000	Total Rs. '000
Balance as at 31. 12. 2020	6,398,409	6,453	16,465	6,421,327
Amortisation	(70,707)	-	(6,200)	(76,907)
Write off		(6,453)		(6,453)
Balance as at 31. 12. 2021	6,327,702	-	10,264	6,337,966
Amortisation	(70,710)	-	(5,458)	(76,168)
Balance as at 31. 12. 2022	6,256,992	-	4,806	6,261,798

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. Interims of the cabinet decision dated 13/12/2016, the lease of this land has been extended up to June 2111 in line with the lease of the main building and the lease terms are yet to be finalized.

Further, the company signed lease agreement with UDA for the 52.38 perch land in front of the hotel for a car park for 30 year period effective from 01 January 2020. Rental is subject to review in every 5 years.

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
14. INVENTORIES		
Food	56,050	23,483
Beverages	60,996	27,937
General stores	15,558	1,614
	132,604	53,034
15. TRADE AND OTHER RECEIVABLES		
Trade receivables	144,443	76,640
Less: Impairment of debtors	(2,549)	(1,900)
	141,894	74,740
16. AMOUNTS DUE FROM RELATED PARTY		
Hilton Colombo Residence	4,091	1,030
Hilton Weerawila	4,785	1,161
Hilton Yala	112	51
	8,988	2,242

Notes to the Financial Statements

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
17. OTHER ASSETS		
Deposits, prepayments and advances	63,128	68,823
Other receivables	71,115	64,855
Advances - Refurbishment Expenses	682,663	418,847
Income tax receivable - Note 29	11,858	26,463
	828,764	578,988
18. CURRENT FINANCIAL ASSETS		
Short-term investments		
Call deposits	836	110,111
Repo Bank Of Ceylon	15,016	-
Fixed Deposit - BOC	10,444	-
Total Short-term investment	26,296	110,111
19. CASH AND BANK BALANCES		
Foreign Currency Savings	242,521	99,844
FFE Reserve A/C	49,989	-
Cash & Operating Bank A/C	7,141	22,510
	299,651	122,354

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

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
20. STATED CAPITAL		
Issued and Fully Paid		
2,046,645,685 Ordinary shares	20,466,456	20,466,456
21. RESERVES		
Furniture, fittings & equipment replacement reserve (Note 21.1)	178,226	53,801

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
21.1. Furniture, Fittings and Equipment Replacement Reserves		
Balance at the beginning of the year	53,801	1,649
Add: Provision made during the year	144,109	68,629
Less: Amounts transferred to equity statement	4,578	-
Amounts utilized for purchase & replacement of furniture & fittings	(24,262)	(16,477)
Balance at the end of the year	178,226	53,801

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

22. INTEREST BEARING BORROWINGS

	Amounts due within one year	2022 Amounts due after one year	Total	Amounts due within one year	2021 Amounts due after one year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Peoples Bank - Post Covid Working Capital Loan	-	-	-	16,600	-	16,600
Term Loan - Peoples Bank	-	2,000,000	2,000,000		1,098,372	1,098,372
	-	2,000,000	2,000,000	16,600	-	1,114,972

	Balance as at 01.01.2022	New Loans obtained	Repayment	Balance as at 31.12.2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Term Loan - Peoples Bank	1,098,372	901,628	-	2,000,000
Peoples Bank - Post Covid Working Capital Loan	16,600	-	(16,600)	-
	1,114,972	901,628	(16,600)	2,000,000

Security and Repayment Terms

Financial Institution	People's Bank	People's Bank
Nature of the facility	Term Loan	Post Covid Term Loan Facility
Amount	Rs.2,000Mn	Rs.25 Mn
Rate of interest	AWPLR +1.5%	4% p.a
Security	Property Morgaged	Nil
Repayment period	Refer Note No. 33	18 Installment

The term loan facility of Rs.250Mn from DFCC Bank was fully settled during 2021, at the time new loan facility of Rs.2,000Mn was obtained from the Peoples Bank.

23. RETIREMENT BENEFIT OBLIGATIONS

	31.12.2022	31.12.2021
	Rs. '000	Rs. '000
Balance at the beginning of the year	97,982	148,198
Charge for the year	9,151	(4,383)
Recognition of transitional liability /(asset) and actuarial loss/(gain)	(2,970)	3,250
Loss/ (gain) arising from changes in the assumptions or due to (over)/under provisions in the previous years	-	(25,880)
Interest cost for the year	10,984	10,374
Payments made during the year	(37,680)	(33,577)
Balance at the end of the year	77,467	97,982

The retirement benefit obligation of the company is based on the actuarial valuation carried out by Messrs. Piyal S. Goonetilleke and Associates. All assumptions remain the same, except for the discount rate assumption and the annual basic salary increase and No material change is expected in the contribution to the defined benefit plan for the next annual reporting period. The discount rate was revised to 18.50% (vs 11.21% last year) to reflect the yield rates of the Treasury Bonds. The principal assumptions used in determining the cost of employee benefits were:

Notes to the Financial Statements

	31.12.2022	31.12.2021
Discount rate	18.50%	11.21%
Future salary increase	6.00%	3.00%
Retirement Age	60 Years	60 Years

Sensitivity & maturity profile	Discount Rate		Salary Increment	
	2022	2021	2022	2021
Increase by one percentage point	(3,383)	(4,628)	3,390	5,243
Decrease by one percentage point	3,687	5,126	(3,609)	(4,799)

	31.12.2022 Rs. '000'
Maturity Analysis of the payments as at 31 December 2022 - Undiscounted	
With in next 12 Months	-
Between 1 and 2 years	7,980
Between 2 and 5 years	31,712
Between 5 and 10 years	74,080
Total Expected payments	113,772

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
24. DEFERRED TAX LIABILITY		
Balance at the beginning of the year	396,138	433,198
Deferred tax expense/(income)	237,753	(37,060)
Balance at the end of the year	633,891	396,138
24.1. The closing deferred tax liability balance relates to the following:		
Accelerated depreciation for tax purposes	1,521,797	805,208
Retirement benefit obligation	(23,240)	3,862
Deferred tax asset relating to utilisation of brought forward - tax losses	(1,113,117)	(412,932)
	385,440	396,138

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

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
25. TRADE AND OTHER PAYABLES		
Trade payables	394,966	166,864
Sundry creditors and including accrued expenses	100,843	110,126
Management fee payable *	(4,806)	(14,239)
Other liabilities	33,506	33,488
Replacement of breakages	11,360	4,492
Statutory payables	208,416	118,204
	744,285	418,935

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

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
26. AMOUNTS DUE TO RELATED PARTIES		
Hilton International Asia Pacific	9,291	-
Hilton International LLC	91,517	26,475
	100,808	26,475
27. CONTRACT LIABILITIES		
City Ledger Credits	51,931	-
Guest Advance Deposits	127,513	158,114
	179,444	158,114
28. NET ASSETS PER SHARE		
Net Assets Value (Rs)	12,282,767	13,164,918
Number of ordinary shares "000"	2,046,646	2,046,646
Net Assets per share	6.00	6.43
29. INCOME TAX LIABILITY		
Opening Balance	(26,463)	(44,333)
Provision for the period	654	1,260
Tax credit		
Economic Service Charge	13,951	16,610
Balance at the end of the year(Current year balance transferred to Other Assets - Note 17)	(11,858)	(26,463)
30. NOTES TO THE CASH FLOW STATEMENT		
30.1. Cash and Cash Equivalents at the Beginning of the Year		
Cash and bank balance	122,354	47,106
Call Desposits	110,111	150,970
Bank overdraft	(1,332,329)	(946,040)
	(1,099,864)	(747,964)
30.2. Cash and Cash Equivalents at the end of the Year		
Cash and bank balance	299,651	122,354
Call deposits	836	110,111
Repo Investment	15,016	-
Fixed Deposit	10,444	-
Bank overdraft	(1,148,746)	(1,332,328)
	(822,799)	(1,099,864)

Notes to the Financial Statements

31. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS AS AT 31ST DECEMBER 2022

Financial assets by categories	Loans and receivables	
	31.12.2022	31.12.2021
	Rs. '000	Rs. '000
Financial instruments in current assets		
Trade and other receivables	141,894	74,740
Other assets	828,764	578,988
Amounts due from related party	8,988	2,242
Other current financial assets	26,296	110,111
Cash in hand and at bank	299,651	122,354
Total	1,305,594	888,435

Financial liabilities by categories	Financial Liabilities measured at amortized cost	
	31.12.2022	31.12.2021
	Rs. '000	Rs. '000
Financial Instruments in current liabilities		
Trade and other payables	744,285	418,936
Amounts due to related party	100,808	26,475
Bank overdrafts	1,148,746	1,332,328
Total	1,993,839	1,777,739

32. 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.

32.1. Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Hotel is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities.

The Hotel trades only with recognized, credit worthy third parties. It is the Hotel's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Hotel's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Hotel, such as cash and cash equivalents, other non financial assets and amounts due from related parties, the Hotel's exposure to credit risk arises from default of the counterparty. The Hotel manages its operations to avoid any excessive concentration of counterparty risk and takes all reasonable steps to ensure the counterparties fulfil their obligations.

32.2. Credit risk exposure

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

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

In Rs. '000	As at 31 December 2021				Total
	Cash in hand and at bank	Short term investments	Trade and other receivable	Amounts due from related parties	
Deposits with bank	-	110,111	-	-	110,111
Trade and other receivables	-	-	74,740	-	74,740
Amounts due from related parties	-	-	-	2,242	2,242
Cash in hand and at bank	22,510	99,844	-	-	122,354
Total credit risk exposure	22,510	209,955	74,740	2,242	309,447

32.3. Trade and other receivables

In Rs. "000"		As at 31 December 2022	As at 31 December 2021
Neither past due nor impaired		122,236	112,244
	30-60	14,475	18,228
	61-90	4,443	1,629
Past due but not impaired		1,461	-
	91-120	1,461	-
	121-150	-	-
	151>	1,827	1,184
Gross carrying value		144,443	76,640
Less: impairment provision			
Individually assessed impairment provision		(2,549)	(1,900)
Total		141,894	74,740

32.4. Amounts due from related parties

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

32.5. Credit risk relating to cash and cash equivalents

The company maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Hotel held cash and cash equivalents of Rs.(822 Mn) as at 31 December 2022 (as at 31 December 2021 - Rs. (1099 Mn)).

Notes to the Financial Statements

32.6. Liquidity risk

The Company's policy is to hold cash at a level sufficient to ensure that the Company has available funds to meet its short and medium term funding obligations, including organic growth, and to meet any unforeseen obligations and opportunities.

The Company monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Company's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

Net (debt)/cash In Rs. "000"	As at 31 December 2022	As at 31 December 2021
Short term investments	26,296	110,111
Cash in hand and at bank	299,651	122,354
Total liquid Assets	325,947	232,465
Bank overdrafts	(1,148,746)	1,332,328
Total Borrowings	(1,148,746)	1,332,328
Net (debt)/cash	(822,799)	(1,099,864)

32.7. Maturity analysis

The table below summarises the maturity profile of the Hotel's financial liabilities at 31 December 2022 based on contractual undiscounted payments.

In Rs. "000"	As at 31 December 2022		As at 31 December 2021	
	Within one year	Total	Within one year	Total
Trade & other payables	744,285	744,285	418,936	418,936
Amounts due to related parties	100,808	100,808	26,475	26,475
Retention Fees - Refurbishment Project	57,559	57,559	48,252	48,252
Bank overdrafts	1,148,746	1,148,746	1,332,328	1,332,328
	2,051,398	2,051,398	1,825,991	1,825,991

32.8. Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Hotel is exposed to market risk through its use of financial instruments and specially to currency risk, and certain other price risks.

33. EVENTS AFTER THE REPORTING DATE

There have been no material events occurring after the reporting period other than stated below:

A new banking facility was arranged with Sampath PLC on 28th March 2023. Accordingly, primary concurrent mortgage bond was executed for Rs. 3,050Mn in favour of Sampath Bank PLC over the leasehold rights of the Hilton Colombo Hotel Property ranking equal and pari-passu with existing primary Mortgage executed in favor of Peoples Bank. The total banking facility comprises of an Overdraft facility of Rs. 600Mn and a term loan of Rs. 2,450Mn which includes partial settlement of Peoples Bank existing loan by Rs. 500Mn.

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

34. CAPITAL COMMITMENTS

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

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

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
34.2. Lease Commitments		
Lease rentals due on non-cancellable operating leases;		
Within one year	4,806	5,458
Between one and five years	-	4,805
	4,806	10,263

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

35. CONTINGENT LIABILITY

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

By a Notice Published in the Gazette dated 6th July 2007 the Colombo Municipal Council has revised the license fee in relation to the hotels, restaurants and lodging places for the period applicable from 1st January 2007. Hotels in the city of Colombo including the Hilton Colombo had protested against the increase of the said license fee, hence filed cases in the Magistrate Court. As at 31 December 2022, the Hotel maintains a provision of Rs.133,182,480/- (2021: Rs. 101,057,380). The outcome of the said case is unknown as of the reporting date

36. ASSETS PLEDGED AS SECURITIES

The company has mortgaged the Hilton Colombo Property against the loan agreement signed with Peoples Bank and Sampath Bank for Rs. 2,750Mn and 3050 Mn respectively for financing the refurbishment projects and working capital requirements.

37. RELATED PARTY DISCLOSURES

37.1. Transaction with Key Management Personnel

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

Directors' emoluments and payments to Competent Authority paid during the period amounts to Rs. 3,575,000/- (Y/E 2021 - Rs. 3,725,000-).

37.2. Amounts due from related parties (Refer Note16)

37.3. Amounts due to related parties (Refer Note 26)

Notes to the Financial Statements

37.4. Transactions with related parties

	31.12.2022 Rs. '000	31.12.2021 Rs. '000
Managing Company - Hilton International Management Corporation		
Receiving of services	72,942	23,864
Affiliates/Group Hotel		
I. Hilton Worldwide Manage Ltd - UK Receiving of services	(2,272)	29,586
II. Hilton Colombo - Residence Rendering of services	(3,061)	7,342
III. Hilton Yala Resorts- Rendering of services	(61)	34
IV. Hilton Weerawila- Rendering of services	(3,515)	5,830

Terms and conditions of transactions with related parties

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

38. LITIGATION AS OF THE REPORTING DATE

38.1. SC HCCA LA 225/16

This is an Appeal filed by Cornel & Co Ltd against the order of court dated 31st March 2016 in HCCA LA 69/14. AS the parties are exploring the possibiity of a settlement the case will be mentioned again on 19 July 2023

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

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

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

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

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

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

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

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

[Date of Filing 4/8/1994]

HDL is the Plaintiff in this Action.

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

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

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

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

38.6 S.C. Case No 182/2021 (FR)

Mr. Kapila Renuka Perera (Petitioner) has instituted a Fundamental Rights Application (in his capacity as a concerned citizen of Sri Lanka (i.e. a public interest litigation)) against inter alia Selendiva Investment Limited, Selendiva Leisure Investment Limited, the Hon Attorney General, the Prime Minister, the Minister of Finance, Secretary to the Treasury, Securities and Exchange Commission including Hotel Developers (Lanka) Ltd and several others, on 7th July 2021. The said Fundamental Rights Application is filed on the premise that his Fundamental Rights guaranteed under Article 12 of the Constitution of Sri Lanka has been purportedly violated. The violation alleged by him is that several State-owned Assets are being systematically and/or strategically divested to the private sector (i.e. privatized). No Interim-orders/stay-orders have been granted by the Supreme Court and the matter has not been supported for Leave to Proceed as at the date hereof. This matter will be called for the Caption of the action to be amended in view of the change of designations/portfolio+B46s of certain Public officers/Ministers named as Respondents in the said action.

FIVE YEAR FINANCIAL SUMMARY & KEY INDICATORS

in Rs. 000	2022	2021	2020	2019	2018
Revenue					
Rooms	666,637	236,944	313,080	1,171,875	1,219,736
Food & Beverage	2,185,005	907,480	732,119	1,614,671	1,597,494
Other Operating Department	35,625	33,957	35,936	92,206	93,310
	2,887,267	1,178,381	1,081,135	2,878,752	2,910,540
Cost of Sales	(1,825,497)	(922,695)	(811,092)	(1,403,693)	(1,427,161)
Gross profit	1,061,770	255,686	270,043	1,475,059	1,483,379
Other gains and losses	206,589	31,191	25,391	20,807	54,355
Administrative expenses	(855,887)	(585,498)	(591,036)	(910,514)	(854,539)
Other expenses	(302,759)	(167,921)	(171,603)	(281,942)	(283,429)
Operating Profit Before Depreciation	109,713	(466,543)	(467,205)	303,410	399,766
Depreciation	(371,065)	(386,618)	(378,443)	(515,265)	(500,861)
Operating Profit After Depreciation	(261,352)	(853,161)	(845,648)	(211,855)	(101,095)
Revaluation Loss		-	-	(61,223)	-
Finance Income	18,162	11,222	10,873	10,708	15,627
Finance costs	(389,574)	(134,477)	(42,569)	(50,078)	(40,994)
Profit/(loss) before taxation	(632,764)	(976,415)	(877,342)	(312,448)	(126,461)
Income tax expense	(252,358)	19,190	(40,764)	(13,182)	(1,046)
Profit/(loss) after taxation for the period	(885,122)	(957,225)	(918,106)	(325,630)	(127,507)
Other comprehensive income					
Revaluation Surplus		-	-	1,452,978	-
Actuarial Gain/(loss)on employee benefit obligations	2,970	22,630	(8,088)	(22,455)	14,996
Total comprehensive income/ (expense) for the period	(882,152)	(934,595)	(926,193)	1,104,893	(112,512)
Earning per share - Basic (Rs.)	(0.43)	(0.46)	(0.45)	0.54	(0.05)

in Rs. 000	2022	2021	2020	2019	2018
Operating Results					
Total Revenue	2,887,267	1,178,381	1,081,135	2,878,752	2,910,540
Sales Growth%	145%	9%	-62%	-1%	-3%
Operating Profit Before Depreciation	109,713	(466,542)	(467,203)	303,410	399,767
Net Finance Expenses	371,412	123,255	31,696	39,370	25,367
Depreciation & Amortization	371,065	386,618	378,443	515,265	500,861
Net Profit/(Loss) Before Taxation	(632,764)	(976,415)	(877,342)	(312,448)	(126,461)
Shareholders' Fund					
Stated Capital	20,466,456	20,466,456	20,466,456	20,466,456	20,466,456
Revaluation Surplus	1,452,978	1,452,978	1,452,978	1,452,978	-
Furniture & Fittings Reserve	178,228	53,801	1,649	43,864	187,217
Accumulated Loss	(9,814,896)	(8,808,317)	(7,821,569)	(6,937,588)	(6,732,856)
	12,282,767	13,164,918	14,099,514	15,025,710	13,920,817
Assets Employed					
Property Plant, Equipemnt	6,929,402	8,722,182	8,486,249	8,728,240	7,485,222
Leasehold Land	6,261,798	6,337,966	6,421,326	6,514,390	6,541,834
Capital work-in-progress	2,600,378	766,764	865,477	659,487	591,537
Net Current Assets	(797,451)	(1,059,237)	(997,068)	(43,767)	(193,901)
	14,994,127	14,767,675	14,775,984	15,858,350	14,424,692
Less					
Long Term Liabilities					
Intrest Bearing Loans & Borrowings	2,000,000	1,098,372	72,156	250,000	-
Retirment Benefit Obligation	77,467	97,982	148,198	134,550	106,259
Right to use - Lease Land Liability	-	10,264	22,918	37,291	-
Deferred tax Liability	633,891	396,138	433,198	410,798	397,616
Net Assets	12,282,769	13,164,918	14,099,514	15,025,710	13,920,817
Key Indicators					
Current Ratio	0.64	0.47	0.34	0.94	0.79
Net Assets per share (Rs.)	6.00	6.43	6.89	7.34	6.80
Earnings/(Loss) per share	(0.43)	(0.46)	(0.45)	0.54	(0.05)
Statstical Summary					
Occupancy	19%	10%	11%	49%	48%
Averagae Room Rate	29,776	16,754	20,681	21,562	22,944

NOTES

CORPORATE INFORMATION

NAME OF THE COMPANY:

HOTEL DEVELOPERS (LANKA) LIMITED

LEGAL FORM:

A Public Limited Liability Company

DATE OF INCORPORATION:

15th March 1983

COMPANY REGISTRATION NO:

PB 143

DIRECTORS:

Mr. Upul Dharmadasa - Chairman
Mr. Punchy Hewage Priyantha Deniyaya
Mr. Patikiri Arachchige Susantha Athula Kumara
Ms. Dheeshana Ameresekere
Dr. Amila Ishan Kankanamge
Mr. Madawa Sanjeewa Wattagama
Mr. Rajiv Sooriyaarachchi
Mr. K A Randila Johan Fernanfo
Mr. P A Jayakantha
Mr. K S Weerasinghe
The above Directors do not hold shares in the company

REGISTERED OFFICE:

Hotel Developers (Lanka) Ltd
C/o Hilton Colombo
No. 2 Sr Chittampalam A Gardiner Mawatha
Colombo 02
Tel: +94 112433435
Fax: +94 112446545
Email: hdl_hilton@sltnet.lk
Web site: www.hoteldevelopers.lk

SECRETARIES AND REGISTRARS:

P W Corporate Secretarial (Pvt) Ltd
No. 3/17 Kynsey Road, Colombo 08

BANKERS:

Peoples Bank – Corporate Branch
Bank of Ceylon – Corporate Branch
Sampath Bank – WTC Branch

LAWYERS:

M/s. D L & F De Saram
Attorneys-at-Law and Notaries Public 47,
Alexandra Place
Colombo 07

AUDITORS:

Auditors General
National Audit Office
Polduwa Road
Battaramulla

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