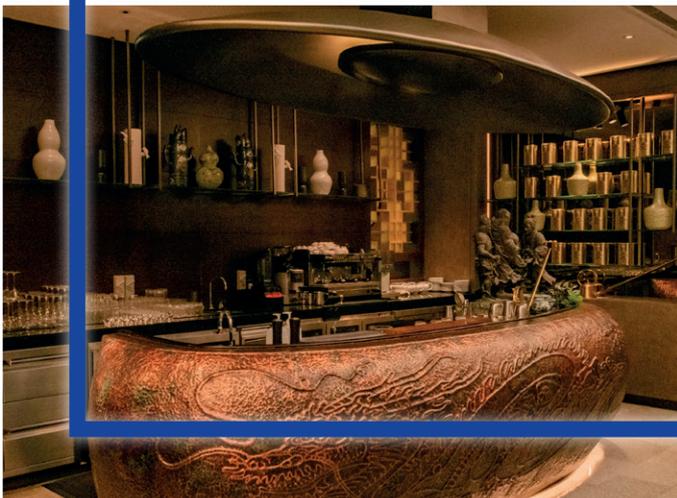




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Chinese restaurant, Emperor's Wok, is back to serve authentic oriental experience (opened in April 2021)



## FINANCIAL HIGHLIGHTS

	2021	2020
Room Revenue LKR '000	236,944	313,080
F&B Revenue LKR'000	925,077	742,928
Other Revenue LKR '000	16,360	25,127
Total Revenue LKR '000	1,178,381	1,081,135
Gross Profit LKR '000	255,686	270,043
Gross Profit Margin %	21.70	24.98
Profit/(Loss)before Tax LKR'000	(976,414)	(877,343)
Profit After Tax LKR'000	(957,226)	(918,107)
Total Comprehensive Income for the Period LKR '000	(934,596)	(926,194)
Earning/(Loss) per share LKR	(0.46)	(0.45)
Average Room Rate LKR	16,754	20,681
Occupancy %	10	11
Long Term Interest Bearing Borrowings LKR'000	1,098,372	72,156
Short Term Debt LKR '000	1,348,928	1,124,519
Total Equity LKR '000	13,164,918	14,099,514
Debt/Equity %	18.59	8.49
Total Assets LKR '000	16,768,381	16,295,030
Debt /Total Assets %	14.59	7.34
Current Assets LKR'000	941,469	521,978
Current Lliabilities LKR'000	2,000,706	1,519,046
Current Ratio (times)	0.47	0.34
Quick Assets Ratio (times)	0.44	0.31

# OPERATIONAL HIGHLIGHTS



## Our Team

### OUR TEAM

557 Employees (2020: 604)

### TRAINING AND DEVELOPMENT HOURS

18,909 Annual Training Hours (2020: 18,317)

### PAYMENTS TO EMPLOYEES

Rs. 506 Mn (2020: Rs. 456 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 - 2021



## Awards & Accolades

On April 28, 2021, the Great Place To Work (GPTW) Institute recognized Hilton in Sri Lanka as one of the **“Best 40 workplaces in Sri Lanka 2021.”**

TripAdvisor presented Hilton Colombo with the **“Traveler’s Choice Award 2021”** for placing in the top 10% for the second consecutive year, on 13th May 2021.

Booking.com presented Hilton Colombo with the **“Traveler Review Award”** on May 17, 2021, in recognition of their 8.4/10 rating.

For the second year running, Hilton Colombo received the **“Loved by guests award 2021”** from hotels.com in March 2021 for attaining an 8.6/10 rating.

Hilton Colombo was awarded the **“Most respected entity in Sri Lanka”** by LMD Awards 2021 in 2022.

## CHAIRMAN'S REVIEW

*“The company intends to complete the refurbishment of the guest rooms within the 2nd quarter of 2023 and proceed to compete with the market challenges in the new season. The medium-term plan also includes the reintroduction of the Japanese Restaurant and with fine dining experience. Plans are also underway to upgrade the Sri Lankan restaurant ‘Curry Leaf’ to further expand the F&B product portfolio. We see there is tremendous potential for Hilton to perform remarkably given the current market perception of its quality and the profitability achieved. The new investments will no doubt focus on performance-based, with industry ROI benchmark, to provide maximum return to the shareholder. The company also seeks to move ahead with the long-term development plan of the Hilton Sport Centre. The required feasibility studies have reached completion and the project awaits for a potential investor to move forward in that regard.”*

I take great pleasure to place before you the Annual Report and the Audited Financial Statements of Hotel Developers (Lanka) Ltd for the period ending 31st December 2021.

I must place on record that your company was well geared for a stellar year ahead considering the favorable outlook of the industry. The global dilemma of the COVID-19 outbreak served as a major hurdle and set aside the poised performance that was projected and expected. The imposition of lockdowns in the country, coupled with mandatory travel restrictions placed across the globe to curb the pandemic during this period were two key contributors to the dampened progress.

The global travel restriction negatively impacted the industry performance, which in turn led to a drop in the much-needed and expected foreign exchange income to the national economy.

While having grappled an array of challenges, many of which were not within our control, I am proud to share that your company has been highly resilient with its performance. Due credit must be given to the entire Board of Directors and the management for their continued determination, loyalty, and team effort to sustain operations despite the performance falling below the expected levels in the wake of this outbreak.

I am confident that the reliance displayed will serve as a fresh impetus to boost courage and strength to overcome the strong challenges brought about by the COVID-19 outbreak and turn around the performance for the proceeding year. I also must highlight that the strategy adopted by your company to commence the refurbishment of the guest rooms and the restaurant operations during this pandemic period will no doubt further transform the property into a high standard of quality to meet Hilton Brand standards. The move will also aid in preparing the operations for the upcoming season and will allow us to maximize revenue. The efforts taken, and the business strategies adopted will help your company move towards the positive growth trajectory and record strong performance going forward.

### OPERATIONAL REVIEW

The revenue reported during the year under review was Rs. 1.2 Bn, which is an increase of nine percent from the previous year.

Steady growth was witnessed in the fourth quarter of the year under review, however, implications stemming from the Covid-19 pandemic impacted the operations of the hotel during the financial year.

The key driver of revenue was F&B operations which showed expanded by 25 percent from the previous year, which was achieved due to more local guests patronising the hotel. However, the room segment saw revenue contract by 25 percent to Rs. 237Mn due to low occupancy.

During the year under review, the hotel adopted a buoyant business model to leverage its F&B segment operational excellence while complying with COVID restrictions. The online shopping platform positively contributed to the efforts taken to drive the F&B business segment. While the focus was directed toward our new home delivery business, the conceptualization and rolling out of other innovative strategies helped overcome the operational challenges that emerged throughout the year.

With the closure of country borders and the restriction of movement within the country and across the world, the hotel successfully managed to secure tangible market opportunities for the room segment. This was achieved via innovative staycation programs that were implemented, and the luring of international tourists who arrived under the novel bio-bubble concept.

In spite of the multiple challenges, the company was able to contain the operating loss of the year at Rs. 455Mn compared to Rs. 456Mn the previous year. It must be pointed out that the finance cost was relatively high during the year under review due to the increase in capital investments and change of market interest rates. Nevertheless, the balance sheet of the company remains strong with total assets amounting to Rs. 16.7Bn and total liabilities Rs. 3.6Bn. This stance

enables us to be optimistic on the ability to capitalize on the post COVID-19 market opportunities.

### KEY ACHIEVEMENT DURING THE YEAR

The challenges brought about by the pandemic did result in a slowdown in activities, however, the company maintained its momentum in executing its plans as conceptualized. The company went ahead with the refurbishment of the guest rooms with the appointment of contractors, reopened the Chinese Restaurant, and introduced the new nightclub and dining concept to spearhead the hotel operation. The above projects were initiated to implement the short, medium, and long-term investment strategies of the company. The challenges that emerged from the pandemic outbreak, followed by the lockdown and travel restrictions were converted into opportunities for the property to further and upgrade its standards so it is on par with other international hotel chains.

The upliftment of room standards paved the way for the hotel to maximize its room revenue, which previously was on a decline as no upgrades took place in the last 33 years.

The strategy adopted provided a new experience to guests and is expected to serve as an important contributor to the revenue post-COVID.

Further, the introduction of the new guest online ordering portal that gathered tremendous responses, enabled us to sustain our revenue stream during this challenging period.

The international training and experience carried out by Hilton made a significant contribution in helping us sustain operations as it pushed us to adopt strict health guidelines and protocols during this period.

### WAY FORWARD

The company intends to complete the refurbishment of the guest rooms within the 2nd quarter of 2023 and proceed to compete with the market challenges in the new season. The medium-term plan also includes the reintroduction of the Japanese Restaurant and with fine dining experience. Plans are also underway to upgrade the Sri Lankan restaurant 'Curry Leaf' to further expand the F&B product portfolio.

We see there is tremendous potential for Hilton to perform remarkably given the current market perception of its quality and the profitability achieved. The new investments will no doubt focus on performance-based, with industry ROI benchmark, to provide maximum return to the shareholder. The company also seeks to move ahead with the long-term development plan of the Hilton Sport Centre. The required feasibility studies have reached completion and the project awaits for a potential investor to move forward in that regard.

The divestment plan will focus on seeking a partner to implement the long term strategy for the property.

### APPRECIATION

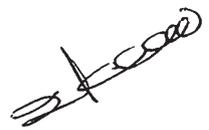
Amidst the challenges that have sprung up for the global and local tourism industry, I am extremely proud of the determination and courage of the skilled staff of Hilton Colombo.

They have proved time and again that they can be relied upon, and are focused on rolling out the timely strategies that were adopted to transform the period of crisis to a period of great opportunity. They were dedicated in the efforts taken to upgrade the property for a new year and peak business season post COVID.

I take this opportunity to thank the Board of Directors, and the Senior Management for their commitment and support to help us brave through the challenges.

I must also acknowledge and thank the General Manager and staff of Hilton Colombo for their tireless efforts, patience, loyalty and the determination to perform with reliance to sustain operations. Finally, I must thank the Management of Hilton Corporation for their immense support and cooperation with the company during these difficult times.

I am confident that the global economy will turn around in time overcoming the challenges, and Sri Lanka will reach its potential in the industry. In that journey, Hilton will no doubt play an important role in bringing in foreign exchange through its regional business strategy and maximize Hilton's potential to record a favorable operational year ahead.



**P.A.I. Sirinimal Perera**  
Chairman

## DIRECTORS PROFILES

### MR. P.A.I. SIRINIMAL PERERA

#### Chairman

Mr. Sirinimal Perera is the Secretary, Ministry of Urban Development and Housing, Coast Conservation, Waste Disposal, and Community Cleanliness. He is also an Executive Consultant to the Board of Directors of Noritake Lanka Porcelain (Pvt) Ltd., (“Noritake”) from 2007 to date and the Chairman of Shore to Shore (Pvt) Ltd., a company engaged in producing label weaving, box packaging, and garments in IPZ Katunayake. Mr. Perera has more than 30 years of executive experience in financial management, accounting, internal auditing, and general management including stints with M/s. R.K. Fryer & Co. Chartered Accountants and International Computers Ltd, the United Kingdom as an audit Senior and Accountant respectively.

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

He completed up to final levels of the Association of Chartered and Certified Accountants (ACCA) (UK) and of Higher National Diploma in Business Studies at Luton College of Higher Technology in the UK.

He was Conferred with the title “Best Chief Executive” for the best Employee in involvement Organization by the Sri Lanka Association of the advancement of Quality and productivity which functions under the Ministry of Science Technology.

### MR. I.P. DANTANARAYANA

#### Director (Upto 12.07.2022)

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

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

### 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 11 years of their operation. The most recent awards for 2020 – are “Leading Boutique Hotel in South Asia”- “Most Romantic Hotels Sri Lanka” at the South Asian Travel Awards (SATA), Haute Grandeur Excellence Awards for “Best Honeymoon Hotels in Asia / Best Small Hotels in Asia. Consecutively for 10 years - The Theva Residency has been awarded as a “Winner of TripAdvisor Service Excellence Award”.

### MR. V. KANAGASABAPATHY

#### Director

Mr. V. Kanagasabapathy, Retired Director General of Public Enterprises, General Treasury currently functions as a member of the Council of University of Jaffna, President of the Association of Public Finance Accountants, the Public Sector Wing of CA Sri Lanka, Chairman of the Public Sector Accounting Standards Committee, member of the Governmental of Public Sector Enterprises Accounting Committee of the South Asian Federation of Accountants (SAFA) and member of the Confederation of Asia Pacific Accountants (CAPA). He counts over 40 years of service in the public sector and was the Financial Management Reform Co-ordinator in the Ministry of Finance & Planning. He also functioned as Financial Management Consultant in the Ministry of Finance for 5years after retirement.

He holds a Master’s Degree in Public Administration from Harvard University and is a Chartered Public Finance Accountant, London. He is 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. 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.

**MS. M.T.I.V. AMARASEKERE***Director ( Upto 24.03.2022)*

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

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

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

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

**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 Masters' 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. L.R.S. WEERASINGHE***Director*

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

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

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

**DR. M.K.C. SENANAYAKE***Director*

Dr. Senanayake currently works as the Director General, Department of Fiscal Policy, Ministry of Finance, Economic and Policy Development. He has previously served as the Director, Deputy Director (Acting), and Assistant Director of the same Department after working as an Assistant Director, Department of National Planning, Ministry of Finance and Planning.

He holds a Ph.D. in Economics from the University of New South Wales, Australia, a Master of Public Policy from Graduate School of Business Strategy, Hitotsubashi University, Japan, Bachelor of Commerce (Special Degree, 2nd Class (Upper) from the University of Sri Jayewardenepura and Advanced Diploma in Management and Administration from Sri Lanka Institute of Development Administration and Sri Lanka Foundation Institute

# 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 the 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 a 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 8 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 morefully set out below.

Mr. P A I Sirinimal Perera	- Independent Non Executive
Ms D S Ameresekere	- Independent Non Executive
Mr I P Dantanarayana	- Independent Non Executive
Mr V Kanagasabapathy	- Independent Non Executive
Mr P H P Deniyaya	- Independent Non Executive
Mr L R S Weerasinghe	- Independent Non Executive
Ms M T I V Amarasekere	- Non Independent Non Executive
Mr P A S A Kumara	- Non Independent Non Executive

## 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 P A I S Perera and Director Mr V Kanagasabapathy who are over 70 years of age have been re-appointed in accordance with those provisions.

During the year under review there were no changes in the Directorate of the Company.

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

- (1) Dr. M K C Senanayake was appointed a Director by the Secretary to the Treasury with effect from 24th March 2022.
- (2) Ms. M T I V Amarasekere ceased to be a Director with effect from 24th March 2022.
- (3) Mr. I.P. Dantanarayana resigned with effect from 12th July 2022.

## 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 2021 eight (8) meetings of the Board were held. The attendance at the meetings was as follows

Names of Director	Date of appointment as a Director	No of Meetings attended during 2021
Mr. P A I Sirinimal Perera	24/01/2020	8
Ms. D. S. Ameresekere	07/04/2015	7
Mr. I. P. Dantanarayana [resigned on 12.7.2022]	24/01/2020	7
Mr. V. Kanagasabapathy	24/01/2020	8
Mr. P H P Deniyaya	24/01/2020	7
Mr. P.A.S A Kumara	24/08/2020	8
Ms. M T I V Amarasekere [ceased on 24.03.2022]	03/07/2020	7
Mr. L R S Weerasinghe	28/02/2020	8

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

The Chairman of the Board of Directors is 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 guides the Board at Meetings and ensures that all Directors contribute to the performance of the Company in line with their capabilities.

## 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 20 and 21

The members of the Audit Committee are as follows:-

Mr. V. Kanagasabapathy	- Chairman (Independent Non Executive)
Mr. P.A.S. A. Kumara	- Member (Non Independent Non Executive)
Mr. P.H.P. Deniyaya	- Member (Independent Non Executive)

The Audit Committee scrutinizes and analyzes Reports on the Internal Controls of the Hotel Operations Internal Audit Reports which is prepared by Selendiva Investments Limited in terms of the Service Agreement entered into between Selendiva Investments Limited and the Company to carry out the responsibility of internal audits and reporting to the Audit Committee of the company. 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.

## REMUNERATION COMMITTEE

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

## NAMES OF THE DIRECTORS:

Mr. P A I Sirinimal Perera	- Chairman (Independent Non Executive)
Mr. V Kanagasabapathy	- Member (Independent Non Executive)
Mr. I.P. Dantanarayana	- Member (Independent Non Executive) [Resigned w.e.f. 12.7.2022]

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 & 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 No.16, Employees Benefits (Revised 2006).

## CORPORATE GOVERNANCE

### ACCOUNTABILITY AND DISCLOSURES

In the year ended 31st December 2021 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*

7th September 2022

# 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
<b>Technology &amp; Information Risk</b> 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.
<b>Internal Process &amp; Procedures</b> 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.
<b>Security Risk</b>	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.
<b>Natural or Man-made Disasters</b> 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.

## Risk Management

Risk Category & Description	Control Measures and Action Plans to Mitigate Risks
<b>Credit Risk</b> 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.
<b>Liquidity Risk</b> 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 2020.

Risk Category & Description	Control Measures and Action Plans to Mitigate Risks
<b>Operational Risks</b>	
<b>Competitive Risk</b> 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.
<b>Brand Image &amp; Reputational Risk</b> 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.

Risk Category & Description	Control Measures and Action Plans to Mitigate Risks
<p><b>Human Resources Risk</b></p> <p>Risk of losing key personnel and skilled staff; inappropriate labour action</p> <p>Risk of injuries/health hazards due to employees being exposed to hazardous work conditions/chemicals</p>	<p>Structured training programs, cross exposure training opportunities arising from the performance appraisal process.</p> <p>Emphasis on good employer-employee relationships, employee welfare, and an effective and open communication with the labour union to achieve a win-win outcome.</p> <p>Fostering a spirit of unity and self belonging across the organization via associate gatherings, outings, family get-togethers and religious events.</p> <p>Adjusting the salary level of the key team members to be more competitive in the market.</p> <p>Strict adherence to laid down safety standards and procedures.</p>

# MANAGEMENT DISCUSSION & ANALYSIS

## ABOUT US

Hotel Developers (Lanka) Limited is a state-owned company with 100 percent shares held by the Treasury of Sri Lanka. Incorporated in 1983, the entity is engaged in the hospitality trading business in Sri Lanka. The company owns the prestigious Hilton Colombo.

## IMPACT FROM THE COVID -19 PANDEMIC

The COVID-19 pandemic that brought the world economy to a standstill delivered a severe blow to the global tourism industry in the year of the outbreak. However, in 2021 the industry witnessed a slow, yet steady growth across the world with tourist arrivals expanding by four percent Year on Year when compared with the corresponding period (2020).

We believe this development is a positive signal and the industry will improve rapidly with tourist arrivals picking up.

However, in the early months, the year under review saw the growth impacted by the lockdowns imposed to contain the spread of the COVID-19 virus resulting in arrivals falling 72 percent from what it was before the pandemic struck.

Factors impacting a faster recovery and growth are attributed to the timing of the vaccination programs, travel restrictions and advisories imposed by nations to prevent the further spreading of the virus, and the overall confidence in resuming travel due to the varying impact of the pandemic on destinations across the world.

Towards the latter part of the period under review, broader coverage and access to vaccination, together with resilience in facing the downturn have driven the recovery of economic activity and global travel across the world. At present, over 66.9 percent of the world population has received at least one dose of the COVID-19 vaccine, which is a positive indicator that the global travel restrictions will gradually phase out with the substantial coverage of the worldwide vaccination program.

## MACRO ECONOMIC ENVIRONMENT

Sri Lanka's tourism sector welcomed a total of 194, 495 international visitors to the island nation in 2021 despite grappling with several challenges and hardships for the third consecutive year. The tourist arrivals recorded for the period under review are significantly low when compared with the impressive 2.3 million arrivals in 2018, which is the highest ever achieved to date.

The upbeat sentiments dampened in the proceeding year 2019 with the Easter Sunday attack delivering the first massive blow to the sector and followed by the outbreak of the COVID-19 pandemic in Sri Lanka in March 2020 which brought the industry to a stagnant state.

The situation only worsened as the number of infections and casualties continued to escalate month-on-month which resulted in the imposition of island-wide lockdowns to curb the spread.

The measure taken to contain the outbreak severely crippled the global tourism industry, and Sri Lanka tourism was not spared from its impact. Extreme economic stress was witnessed for the year under review as Sri Lanka is highly dependent on the tourism sector for revenue generation for the national economy.

However, Sri Lanka effectively rolled out a successful vaccination program which helped build confidence among global travelers in

the measures employed to safeguard locals and tourists alike. The progressive move contributed immensely to the betterment of the tourism industry, which in turn demonstrated resilience towards the end of 2021, and early 2022. The island nation witnessed a higher rate of tourist arrivals to the country, almost doubling on a month-on-month basis.

Tourist arrivals for CY 2021 totaled 194,495. The interest in destination Sri Lanka further improved in the following months with tourist arrivals for the first quarter of CY 2022, ending March, totaling 285,335.

The Russian Federation, India, the United Kingdom, Germany, and France emerged as the top five tourist traffic generators for destinations. For September 2021 to March 2022 period. India maintained its position as the largest single source market for Sri Lanka Tourism. Arrivals from Russia recorded a steady increase until February 2022 and slowed down in March 2022 to the emergence of the Russia-Ukraine conflict.

## OUTLOOK

The local tourism industry, despite the momentum gained during the last quarter of the financial year, is currently facing severe challenges to overcome the political instability and the foreign exchange crisis. The latter has led to shortages of essential items including fuel and medicine, and remain the key concerns to be addressed in order to boost international arrivals and provide recovery to the industry which striving to brave from the prevailing challenges. The International Monetary Fund (IMF) intervention and support to restructure the economy and provide the required confidence will play an important role to turn around the industry. The devaluation of the Sri Lankan Rupee will also create opportunities for the industry to outperform other regional destinations as Sri Lanka will be a cost-effective country to travel targeting a large income market across the globe.

## GLOBAL ECONOMIC GROWTH

Global economic growth firmed to 5.9 percent in the CY 2021, with advanced economies showing impressive recovery following unprecedented fiscal stimulus measures and the gradual easing of restrictions.

However, recovery remained uneven due to several factors, including; partial mobility restrictions across borders at different intervals, volatility in commodity prices, supply chain disruptions, and geopolitical tensions. These pressures together with potential economic scarring from the Ukrainian-Russian conflict have dampened the outlook for 2022. The IMF projects growth to moderate at 4.4 percent during the year.

## COMPANY PERFORMANCE

The financial year 2021 saw the company record a net revenue of Rs. 1,178Mn, a marginal increase against Rs. 1,081Mn achieved in the corresponding period in 2020.

The revenue was somewhat compensated with the increase in F&B sales despite the drop in Room revenue to Rs. 237Mn compared to that of Rs. 313Mn of the previous year. COVID-19 across the globe significantly impacted the room revenue as the outcome of border closures and travel restrictions were low occupancy. The hotel stepped up efforts to iron out the issues that arose from the pandemic. Some of the measures adopted were aggressive marketing and innovative business strategies that contributed to the F&B performance. For

F&B, the hotel posted a revenue of Rs. 925Mn, an improvement when compared with the Rs. 743Mn achieved in 2020.

Since the impact of the health crisis was highly prevalent even in 2021, the company posted a Net Loss of Rs. 957Mn after charging depreciation and Tax for the financial year ended 31 December 2021. The Net Loss incurred is higher than the Rs. 918Mn recorded in 2020. The expansion of the loss is attributed to the increase in finance costs which grew to Rs. 134Mn from Rs.43Mn the previous year. The increase is the outcome of short-term borrowings that was embarked upon to finance working capital during the pandemic period which significantly impacted the profitability.

### **OUR BUSINESS STRATEGY AND FUTURE OUTLOOK**

During the year under review, the company focused on the development of the property to maximize the potential of its revenue stream for the post-pandemic period and compete with the other top international and local 5-star city hotels effectively. The short and medium-term strategy for property development provided the right climate to convert the crisis and challenges faced during the COVID period into opportunities.

The Hilton Colombo underwent a facelift, where the upgrade included 253 guest rooms, the construction of a new restaurant specializing in Chinese cuisine - Emperor's Wok, and the opening of a new nightclub - Sunsetblu. The ongoing plans to further upgrade Curry Leaf - a restaurant that specializes in Sri Lankan cuisine followed by the opening of the Japanese Restaurant with fine dining experience, are expected to boost the Food & Beverage revenue and help compete in the market for a larger market share.

The plans to promote the regional and corporate MICE business and Banquet events together with promoting new restaurants will no doubt provide a new look to the property in the post-Covid competitive business climates. Further focus was also provided on the training and development of the workforce with regional support. The shared training services are expected to improve the quality of services to extend the market share in the hospitality business. The upgrades to the property are carried out whilst operations of the hotel are carried on with no interruption, hence Food & Beverage promotions will be given priority to sustain the revenue base. The quality of the guest rooms after completion of the upgrade, which includes the incorporation of the latest design and technology that are implemented based on the market demands, is expected to provide value addition to the pricing and help compete with new hotel entrants.

# SUSTAINABILITY REPORT

Hotel Developers (HDL), owning company of Hilton Colombo, revolves around goodwill and strives to sustain a brand reputation that has grown over the decades of its existence, to shape its response to the social, environmental, and economic impacts of its operations.

For the year under review, the hotel was successful in extending its efforts toward sustainability and building strong relationships with its key stakeholders. This was achieved by actively participating in projects to reduce the environmental effects of its operation in a way that proactively addresses the needs of its customer base, staff, supply chain, and business partners. All activities were carried out with the conscious intention of leaving a positive impact on the community while generating profit for shareholders.

## SERVICE, QUALITY, AND DRIVE ARE KEY PILLARS OF OUR SUCCESS AND BRAND RECOGNITION.

The Hilton Colombo is well known for having a skillful and competent team that embodies excellent customer service and high standards of client interaction. In pace is a comprehensive, well-crafted hiring, training, and skills development program that is coupled with a plethora of welfare initiatives, all of which are aimed at fostering teamwork and igniting a passion for daily operations. Etched in the minds of our team is that they also serve as ambassadors for the Hilton International brand, and they have indeed delivered this endeavor.

## BLUE ENERGY COMMITTEE AND VARIOUS OTHER TEAM RELATIONS ACTIVITIES IN 2021

- A small group of Team Members was stationed within the hotel premises during the festive holidays as movement was restricted during the COVID-19 pandemic. Catering to their needs, the Team Members were offered snack packs during their stay at the hotel.
- The Hilton Colombo reached its 34-year milestone on 11 September, an achievement that was celebrated with a sense of giving. The hotel sponsored lunch packs for underprivileged residents in and around Colombo for straight 34 days. This was carried out in collaboration with Women in Management (WIM).
- The Annual Team party was hosted on the 31 of October at SunsetBlu, an event-packed evening that entailed live music, food, and beverages, and fun activities for our hard-working team members.
- To bring in a spirit of joy, the hotel organised christmas carols in December, which were organised and executed by our Team Members themselves.

## DEPARTMENT RECOGNITIONS

Throughout the year, departments were honored and recognized for their contributions, with each department stepping up efforts during their allocated month. All the departments at the hotels are assigned a particular month for recognition.

## TEAM MEMBER APPRECIATION WEEKS

Different groups came under the fresh spotlight at the 2021 Team Member Appreciation Week. The Appreciation Week was carried out to build cross-departmental appreciation. Each department had to show their appreciation towards a different department of their choice. The Human Resources department toured the entire hotel commending

the efforts. The Appreciation Week also had Heads of Departments expressing their gratitude to their personnel via a brief note and a modest treat.

## THRIVE@HILTON ACTIVITIES

Activity	Program
<b>Team member health</b>	<ul style="list-style-type: none"> <li>■ The Body Mass Indexes (BMIs) of our Team Members are evaluated frequently. Individualized care was given by the hotel's doctor and nurse to Team Members who needed assistance to manage their weight.</li> </ul>
<b>Motivational programs</b>	<ul style="list-style-type: none"> <li>■ A program was conducted in view of Hilton Women's Week 2021 by Dr. Sulochana Segerera (Chairperson, Women in Management), Ms. Kasthuri Chellaraja Wilson (Group CEO, Hemas Holdings PLC), and Dr. Ramani Jayasundere (Director, Gender and Justice).</li> <li>■ 'Mental Load' a virtual motivational program was conducted by Dr. Leah Ruppenner, a leadership trainer from Melbourne, Australia in mid-October.</li> </ul>
<b>Leadership programs</b>	<ul style="list-style-type: none"> <li>■ The F&amp;B and Kitchen teams received a full-day course on developing their leadership, professional and corporate etiquette from Thasim Rafi (PwC Consultant) and Kumar de Silva (Personal and corporate etiquette trainer) at the beginning of the fourth quarter.</li> <li>■ Dr. Keerthi Fonseka, a front-liner, brought the hotel team members up to date, via a virtual session, on facts and figures of the pandemic back when it was on the rise in October 2021.</li> <li>■ Mr. Chevaan Daniel (Group Director, Capital Maharaja Group) spoke words of encouragement to the Hilton Sri Lanka team in late October 2021.</li> <li>■ Some positivity and energy were injected into the leadership team by renowned pilot Capt. Elmo Jayawardane, shared his life's journey during a program 'The Pilot'.</li> <li>■ Mr. Dulinda Perera (CEO/Founder of IKON) assisted our Commercial Team in handling the numbers game in Digitized Hospitality in November 2021.</li> <li>■ Brigadier Sajith Liyanage addressed the leadership team on the 3Cs, Character, Calibre, and Capacity, in November 2021.</li> </ul>

## APPRENTICESHIPS

Hilton Colombo currently rolls out five apprentice programs in various hotel departments by working closely with the National Apprentice and Industrial Training Authority (NAITA), a government organization created to prepare young people for specialized occupations. The following apprenticeship programs are currently active at the hotel:

- Kitchen Apprentice Programme (Duration: 2.5 years)
- Kitchen Stewarding Apprentice Programme (Duration: 1 year)
- Housekeeping Apprentice Programme (Duration: 1 year)

- Food & Beverage Apprentice Programme (Duration: 1.5 years)
- Engineering Apprentice Programme (Duration: 2.5 years)

**CAREERS@HILTON**

Overall in 2021, a total of 346 youth were positively impacted with 942 hours of upskilling efforts by the Colombo Hilton.

Under the five Apprentice programs, 23 personnel were empowered, whereas, under the Internship program, 37 internship positions were offered in 2021.

**Liya Diriya**

10 female citizens of selected rural areas in the country were trained for the Housekeeping Department, courtesy of Sri Lanka Institute of Tourism and Hotel Management. Upon completion of the training, the candidates were granted employment as Apprentices in the Housekeeping Departments of Hilton properties across Sri Lanka.

**KLSHHM x Hilton Sri Lanka**

Over 20 youngsters from selected rural areas in the country are currently being trained for the four operational departments, courtesy of the Korea Lanka School of Hospitality and Hotel Management. Upon completion, they will be offered employment as trainees at the upcoming Hilton Yala Resort.

**Bright Blue Futures**

The William Angliss Institute at the Hospitality Management and Commercial Cookery of SLIIT saw undergraduates partake in a career progression program led by the Learning & Development (L&D) team and other Heads of Departments, in 2021.

The L&D and HR teams conducted a professional development workshop for the students of the Sri Lanka Institute of Tourism and Hotel Management (SLITHM), in 2021.

**HEALTH AND SAFETY**

Preventive maintenance and training programs concerning food safety & hygiene are carried out regularly, thorough out the year.

Training programs concerning personal hygiene and safety protocols are conducted regularly for our Team Members. We also carry out regular screening of COVID-19 among our staff members by carrying out Rapid Antigen Tests (RAT) once in a while.

**COMMUNITY**

Being a part of the commercial capital for more than three decades, Hilton Colombo has benefited from the goodwill and support of the locals, who have extended that support after learning about the hotel’s environmentally friendly practices. The volunteer network at Hilton Colombo enables Team Members to go above and beyond their regular duties to improve the community and environment.

In December 2021, the Breathe Organization of Sri Lanka welcomed Hilton Colombo to participate in the ‘Travel With Purpose’ project that involved the planting of 400 trees at the Manelwaththa Temple in Kelaniya.



# 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 2021.

## 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 26 to 51.

## 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 23 to 25.

## 5. ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Statements are given in Note No.03.

## 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 2021

## 8. BOARD OF DIRECTORS AND THEIR SHAREHOLDING

The Directors of the Company as at 31st December 2021 were:

Name of Director	Date of Appointment
Mr. P A I Sirinimal Perera	24.01.2020
Ms. D S Ameresekere	07.04.2015
Mr. I P Dantnarayana [Resigned on 12th July 2022]	24.01.2020
Mr. V Kanagasabapathy	24.01.2020
Mr. P H P Deniyaya	24.01.2020
Mr. L R S Weerasinghe	28.02.2020
Ms. M T I V Amarasekera [Ceased on 24th March 2022]	03.07.2020
Mr. P A S A Kumara	24.08.2020

None of the above directors hold shares in the Company.

There were resignations from the Board of Directors during the year under review.

Mr. P A I Sirinimal Perera and Mr. V Kanagasabapathy who are over 70 years of age, are recommended for re-appointment as Directors in pursuance of Section 211 of the Companies Act. Resolutions proposing the re-appointment of Mr. P A I Sirinimal Perera and Mr. V Kanagasabapathy to the Board of the Company declaring that the age limit of 70 years shall not apply to the said Directors, will be placed before the shareholders at the forthcoming Annual General Meeting.

## 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.3,725,000/- (2020 – Rs.4,065,000/-)

## 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.

## 13. PAYMENTS TO AUDITORS

A sum of Rs.2,515,079/- is payable to the Auditors for the year under review, comprising Audit Fees only (2020- Rs.2,869,105/-).

## 14. DONATIONS

The Company has not made any donations during the year ended 31st December 2021

## 15. AUDIT COMMITTEE

The Composition of the Audit Committee during the year ended 31st December 2021 was as follows;

### Names of the Directors

Mr. V Kanagasabapathy	- Chairman
Mr. P A S A Kumara	- Member
Mr. P H P Deniyaya	- Member

## 16. REMUNERATION COMMITTEE

The composition of the Remuneration Committee is as follows:

### Names of the Directors

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

## 17. RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

### Names of the Directors

Mr. V Kanagasabapathy	- Chairman
Ms. D. S Ameresekere	- Member

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

## 18. CAPITAL EXPENDITURE

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

## 19. PROPERTY, PLANT AND EQUIPMENT

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

## 20. STATED CAPITAL

The Stated Capital of the Company as at 31st December 2021 was Rs. 20,466,456,858/- represented by 2,046,645,686 ordinary shares.

## 21. DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL REPORTING

The Directors are responsible for the preparation and presentation of the Financial Statements of the Company to reflect a true and fair view of its state of affairs. The Directors confirm that these Financial Statements have been prepared in conformity with the Sri Lanka Accounting Standards and the Companies Act No. 07 of 2007. The Directors are accordingly satisfied that the Financial Statements presented herein give a true and fair view of the state of affairs of the Company as at 31st December 2021 and the profit for the year ended.

## 22. STATUTORY PAYMENTS

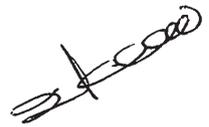
The Directors are satisfied that to the best of their knowledge and belief, all statutory payments due to the Government and the employees of the Company have been made up to date.

## 23. 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.

Notice of Meeting relating to Annual General Meeting of the Company is given on page 54 of the Annual Report.

**By Order of the Board**  
**HOTEL DEVELOPERS (LANKA) LIMITED**



**Mr. P A I Sirinimal Perera**  
*Chairman*



**Mr. V Kanagasabapathy**  
*Director*



**P W CORPORATE SECRETARIAL (PVT) LTD**  
*Company Secretaries*

Colombo  
7th September 2022

# 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 ( Independent Non Executive )

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

Mr. Priyantha Deniyaye - Member (Independent Non Executive

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

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

**Mr. P.A. Susantha 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.

## AUDIT COMMITTEE MEETINGS

During the year ended 31st December 2021, the Audit Committee had 3 meetings. Due to the Covid 19 pandemic situation , the Audit Committee could not have the regular Quarterly 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 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 2021 was audited by the Auditor General.

## REVIEW OF INTERNAL CONTROL SYSTEMS

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

## REVIEW OF QUARTERLY FINANCIAL STATEMENTS

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

## ADOPTION OF IFRS/ SLFRS

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

## REVIEW OF COMPLIANCE STATEMENTS.

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

## REVIEW OF DRAFT FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2021

The draft Financial Statements for the year ended 31st December 2021 pertaining to the Company were reviewed by the Audit Committee, together with the External Auditors, Internal Auditors and the Management Auditors of the Hotel Hilton Colombo. The Audit Committee was provided with confirmations and declarations as required, by the Chief Financial Officer. The Audit Committee review facilitated that the said Financial Statements to be prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act, No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

**CONCLUSION**

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



**V. Kanagasabapathy**  
*Chairman*  
*Audit Committee*

# **FINANCIAL STATEMENTS**

## INDEPENDENT AUDITOR'S REPORT



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## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



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எனது இல. }  
My No. }

මගේ අංකය }  
உமது இல. }  
Your No. }

දිනය } 20 July 2022  
திகதி }  
Date }

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 2021 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 2021 comprising the statement of financial position as at 31 December 2021 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 2021, 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 2021 Annual Report.

The other information comprises the information included in the Company's 2021 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 2021 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.

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

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

### 1.5. 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 scepticism throughout the audit. I also:



# Independent Auditor's Report



- 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. 7 of 2007 include specific provisions for following requirements.

**2.1.1.** 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) 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 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.

**2.1.3.** 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;

**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 except for the following.

Reference to law/ direction	Description
Public Enterprises Circular No. Accounts should be submitted to the Auditor 01/2021 of 16 November 2021	General within 60 days after the close of the financial year. However, accounts had been submitted by the Company on 18 July 2022 with 140 days delay.

**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.

## 2.5. Other Matters

- (a) A sum of Rs.493,167 receivable from President Secretariat since 2014 had been written off during the year under review.
- (b) In order to finance the refurbishment of 250 guest rooms and to construct the Chinese Restaurant, the Company had obtained a term loan facility of Rs.1,098.4 million from People's Bank in year 2021. Out of the amount drawn down, only Rs.553 million had been spent for the said purpose of refurbishment whereas Rs.445.4 million had been spent on other operational expenses, working capital requirement of Hilton Colombo, settlement of overdraft facility and interest payment of both the term loan and overdraft facilities obtained.
- (c) The accumulated loss of the Company as at the beginning of the year under review was Rs.7,821,569,000 and it had been increased up to Rs.8,808,317,000 as at the end of the year under review. Simultaneously, unfavourable working capital of the Company as at the beginning of the year was Rs.997,068,000 and it had been increased up to Rs.1,059,237,000 as at the end of the year under review. Although, in terms of the provisions of the Underperforming Enterprises or Underutilized Assets Act No.43 of 2011, all the shares of HDL were vested to the Secretary to the Treasury, any return has not been given to the shareholder even after 10 years of its vesting.

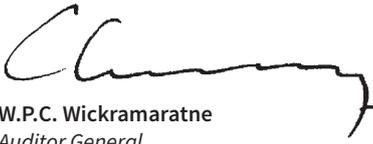


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 NATIONAL AUDIT OFFICE

(d) According to the financial statements presented, some important accounting ratios of the Company from 2018 to 2021 are given below.

Description	2021	2020	2019	2018
	HDL	HDL	HDL	HDL
Gross Profit Ratio %	22	25	51	51
Net Profit/(Loss) Ratio %	(83)	(81)	(11)	(4)
Revenue Expenses Ratio%	97	106	59	56
Current Ratio	0.47	0.34	0.94	0.79

Gross profit of the Company has been continuously decreased since 2018 to 2021 from 51 per cent to 22 per cent while net loss ratio has been increased from 4 per cent to 80 per cent for the same period under the consideration. Expenses with compared to the revenue has also increased from 56 per cent to 97 per cent. Simultaneously, the current ratio was 0.79 in 2018 and was 0.47 in 2021 representing the unfavourable working capital of the Company.



**W.P.C. Wickramaratne**  
 Auditor General

## STATEMENT OF COMPREHENSIVE INCOME

For the 12 Months Ended 31st December 2021		12 Months 31.12.2021 Rs. '000	12 Months 31.12.2020 Rs. '000
	Notes		
Revenue	05	1,178,381	1,081,135
Cost of Sales		(922,695)	(811,092)
<b>Gross Profit</b>		<b>255,686</b>	270,043
Investment Income	06	11,222	10,873
Other Gains and Losses	07	31,191	25,391
Administrative Expenses		(585,498)	(591,036)
Other Expenses		(167,921)	(171,603)
<b>Operating Profit</b>		<b>(455,319)</b>	(456,330)
Depreciation		(386,618)	(378,443)
Finance Costs	08	(134,477)	(42,569)
<b>Profit/(Loss) Before Taxation</b>	09	<b>(976,414)</b>	(877,343)
Income Tax Expense	10	19,190	(40,764)
Profit/(Loss) After Taxation for the Period		(957,226)	(918,107)
<b>Other Comprehensive Income</b>			
Actuarial Gain/(Loss) on Employee Benefit Obligations		22,630	(8,088)
<b>Total Comprehensive Income/ (Expense) for the Period</b>		<b>(934,596)</b>	(926,194)
<b>Earning Per Share - Basic (Rs.)</b>	11	<b>(0.46)</b>	(0.45)

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 2021		31.12.2021	31.12.2020
	Notes	Rs. '000	Rs. '000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	12	8,722,182	8,486,249
Leasehold Land	13	6,337,966	6,421,326
Capital Work-in-Progress		766,764	865,477
<b>Total Non-Current Assets</b>		<b>15,826,912</b>	<b>15,773,052</b>
<b>Current Assets</b>			
Inventories	14	53,034	47,841
Trade and Other Receivables	15	74,740	27,813
Amount Due from Related Parties	16	2,242	10,489
Other Assets	17	578,988	237,759
Current Financial Assets	18	110,111	150,970
Cash and Bank Balances	19	122,354	47,106
Total Current Assets		941,469	521,978
<b>Total Assets</b>		<b>16,768,381</b>	<b>16,295,030</b>
<b>Equity and Liabilities</b>			
<b>Shareholders' Equity</b>			
Stated Capital	20	20,466,456	20,466,456
Revaluation Surplus		1,452,978	1,452,978
Reserves	21	53,801	1,649
Accumulated Losses		(8,808,317)	(7,821,569)
<b>Total Equity</b>		<b>13,164,918</b>	<b>14,099,514</b>
<b>Non-Current Liabilities</b>			
Interest Bearing Loans and Borrowings	22	1,098,372	72,156
Retirement Benefit Obligations	23	97,982	148,198
Deferred Tax Liability	24	396,138	433,198
Right to Use - Lease Land Liability	13	10,264	22,918
Total Non-Current Liabilities		1,602,756	676,470
<b>Current Liabilities</b>			
Trade and Other Payables	25	418,936	298,335
Amount Due to Related Parties	26	26,475	10,080
Contract Liabilities	27	158,114	59,892
Interest Bearing Loans and Borrowings	22	16,600	178,479
Retention Fees - Refurbishment Project		48,252	26,220
Bank Overdraft		1,332,328	946,040
<b>Total Current Liabilities</b>		<b>2,000,706</b>	<b>1,519,046</b>
<b>Total Liabilities</b>		<b>3,603,463</b>	<b>2,195,516</b>
<b>Total Equity and Liabilities</b>		<b>16,768,381</b>	<b>16,295,030</b>
<b>Net Assets Per Share - (Rs.)</b>	28	<b>6.43</b>	<b>6.89</b>

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

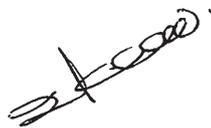


Jude Wickramaratne  
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board on 29th June 2022.



V. Kanagasabapathy  
Director



P A I Sirinimal Perera  
Chairman

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

## STATEMENT OF CHANGES IN EQUITY

For the 12 Months Ended 31st December 2021	Stated Capital	Revaluation Surplus	Furniture, Fittings & Equipment Replacement Reserves	Accumulated Loss	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 01st January 2020</b>	<b>20,466,456</b>	<b>1,452,978</b>	<b>43,864</b>	<b>(6,937,589)</b>	<b>15,025,710</b>
Profit / (Loss) for the 12 Months period	-	-	-	(918,107)	(918,107)
Actuarial Gain/(Loss) on Employee Benefit Obligations, Net of Taxes - Loss	-	-	-	(8,088)	(8,088)
Replacement of Furniture, Fittings & Equipment	-	-	(63,792)	63,792	-
Transfers to Furniture, Fittings & Equipment Reserve	-	-	21,577	(21,577)	-
<b>Balance as at 31st December 2020</b>	<b>20,466,456</b>	<b>1,452,978</b>	<b>1,649</b>	<b>(7,821,569)</b>	<b>14,099,515</b>
Profit / (Loss) for the 12 Months Period	-	-	-	(957,226)	(957,226)
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)	-
<b>Balance as at 31st December 2021</b>	<b>20,466,456</b>	<b>1,452,978</b>	<b>53,801</b>	<b>(8,808,317)</b>	<b>13,164,918</b>

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

# STATEMENT OF CASH FLOWS

<b>For the 12 Months Ended 31st December 2021</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
Profit / (Loss) Before Taxation	(976,414)	(877,343)
<b>Adjustment for</b>		
Depreciation and Amortisation	380,418	363,063
Changes in Impairment of Debtors	(4,457)	6,058
Net changes in Right to use of Land Lease	6,200	15,380
Provision for Defined Benefit Plans	5,991	23,415
Provision for Breakages	2,094	(7,786)
Interest Expenses	134,476	42,569
Profit on Sale of Property, Plant & Equipment	(12,560)	(2,317)
Unrealized Exchange Gain	358	(113)
Interest Income	(11,222)	(10,873)
Adjustment to Sundry Income	-	(8,493)
Operating Profit Before Working Capital Changes	(475,116)	(456,441)
(Increase)/ Decrease in Inventories	(5,193)	(86)
(Increase)/ Decrease in Receivables	(42,470)	129,771
Increase/Decrease in Amounts dues to Related Parties	24,642	(22,506)
(Increase)/ Decrease in Other Assets	(11,703)	3,115
Increase/ (Decrease) in Trade & Other Payables	86,776	(51,065)
Increase/(Decrease) in Contract Liabilities	98,222	(39,545)
Cash Generated from Operations	(324,841)	(436,757)
Payment of Retirement Benefits	(33,577)	(17,855)
Net Cash Generated from Operating Activities	(358,418)	(454,612)
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant & Equipment	(999)	(64,762)
Investment in Capital Work-in-Progress	(796,973)	(206,755)
Proceeds from Sale of Property, Plant & Equipment	31,029	10,111
Interest Income Received	11,222	10,873
Net Cash Used in Investing Activities	(755,721)	(250,533)
<b>Cash Flows from Financing Activities</b>		
Repayment of Interest Bearing Loans and Borrowings	(234,036)	(24,364)
New Interest Bearing Loans and Borrowings	1,098,372	25,000
Finance Cost	(101,739)	(40,616)
Net Cash Used in Financing Activities	762,598	(39,980)
Net Increase/(Decrease) in Cash & Cash Equivalents	(351,541)	(745,124)
Cash & Cash Equivalents at the Beginning of the Year (Note 30)	(748,323)	(2,841)
<b>Cash &amp; Cash Equivalents at the End of the Period</b>	<b>(1,099,864)</b>	<b>(747,965)</b>

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 2021

## 1. CORPORATE INFORMATION

### 1.1. General

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

### 1.2. Principal Activities and Nature of Operations

Hotel Developers (Lanka) Limited 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 29th June 2022.

## 2. BASIS OF PREPARATION

### 2.1. Statement of Compliance

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

### 2.2. Basis of Measurement

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

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

### 2.3. Functional and Presentation Currency

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

### 2.4. Comparative Information

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

### 2.5. Materiality & Aggregation

In compliance with LKAS 01 on presentation of financial statements, each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions too are presented separately, if they are material.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a

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

## 3. ACCOUNTING POLICIES

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

### Comparative information

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

### 3.1. Changes in Accounting Policies and Disclosures

#### New and amended standards and interpretations

#### SLFRS 16 Leases

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

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

Land lease rights of Ikoi Tei restaurant at Dutch Hospital and UDA Car Park of Hilton Colombo will have an impact when adopting SLFRS 16 with effect from 1 January 2019.

### 3.2. Significant Accounting Judgments, Estimates and Assumptions

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

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

**a) Taxation**

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

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

**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 evidences are considered in estimating fair values of these assets. In the absence of such information the Company determines within reasonable fair value estimates, amounts that can be attributed as fair values, with the assistance of an independent professional valuer.

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

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

**d) Going Concern**

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

**e) Impairment Losses on Financial Assets**

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

**f) Defined Benefit Plans**

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

In determining the appropriate discount rate, management considers the yield of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**4.1. Revenue Recognition****(i) Revenue from Contracts with Customers**

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

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

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

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

**(a) Rendering of services**

Revenue from rendering of services is recognized when performance obligations are satisfied over a period of time.

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

**(ii) Interest**

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

**(iii) Shop Rental Income**

Shop Rental income is recognized on accrual basis.

**Turnover based taxes**

Turnover based taxes include Value Added Tax, Nation Building Tax, and Tourism Development Levy. Hotel pays such taxes in accordance with the respective statutes.

**Other income**

Other income is recognized on an accrual basis.

# Notes to the Financial Statements

TWELVE MONTHS ENDED 31ST DECEMBER 2021

## 4.2. Expenditure Recognition

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

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

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

## 4.3. Taxation

### 4.3.1. Current Tax

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

### 4.3.2. Deferred Tax

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

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

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

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

## 4.4. Non-financial Asset

### 4.4.1. Property, Plant and Equipment

#### a) Recognition and Measurement

##### At Initial Recognition

Property, plant & equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS

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

#### (b) At Subsequent Measurement

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

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

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

#### (c) Subsequent Cost

Subsequent expenditure incurred for the purpose of acquiring, extending, or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business is treated as capital expenditure and such expenses are recognized in the carrying amount of an asset. The costs associated with day-to-day servicing of property, plant and equipment is recognized in the statement of comprehensive income as incurred.

#### (d) 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 its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'other operating income' in the statement of comprehensive income in the year the asset is derecognized. The revaluation surplus included in the equity in respect of an item of Property, Plant and Equipment is transferred directly to equity when the assets in de-recognized.

#### 4.4.2. Impairment of Non-financial Assets

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

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

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

#### 4.4.3. Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

#### 4.5. Prepaid Lease Rental

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

#### 4.6. Inventories

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

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

# Notes to the Financial Statements

TWELVE MONTHS ENDED 31ST DECEMBER 2021

## 4.7. Financial Assets – Recognition and Measurement

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

### Financial assets

#### (a) Initial Recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Hotel's business model for managing them. With the exception of trade receivable that do not contain significant financing component for which Hotel has applied the practical expedient, the Hotel initially measures a financial asset at its fair value plus, in the case of financial asset not a fair value through profit or loss, transaction costs. Trade receivable that do not contain a significant financing component for which the Hotel has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

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

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

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

#### (b) Subsequent measurement

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

- i. Financial assets at amortised cost (Debt Instruments)
- ii. Financial assets at fair value through OCI with recycling of cumulative gains and losses (Debt Instruments)
- iii. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (Equity Instruments)
- iv. Financial assets at fair value through profit or loss

#### Financial assets at amortised cost (Debt Instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

The Hotel does not classify financial assets at fair value through OCI (Debt Instruments) and financial assets at fair value through OCI (Equity Instruments) and financial assets at fair value through profit or loss.

#### (c) De-recognition

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

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

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

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

#### (d) Impairment

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

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

## Financial liabilities

### (a) Initial recognition and measurement

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

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

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

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

### (b) Subsequent measurement

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

#### Loans and borrowings

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

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

### (c) De-recognition

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

### Offsetting of financial instruments

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

## 4.8. Cash and Bank Balances

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

## 4.9. Stated Capital

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

## 4.10. Retirement Benefit Obligations

### 4.10.1. Defined Benefit Plan – Gratuity

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

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

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

### 4.10.2. Defined Contribution Plan

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

#### a) Employees' Provident Fund

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

#### b) Employees' Trust Fund

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

## 4.11. Financial Liabilities

### 4.11.1. Initial Recognition and Measurement

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

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

# Notes to the Financial Statements

TWELVE MONTHS ENDED 31ST DECEMBER 2021

## a) Financial Liability at FVTPL

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

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

## b) Other Financial Liabilities

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

### 4.11.2. De-recognition of Financial Liabilities

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

### 4.12. Provisions

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

### 4.13. Statement of Cash Flows

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

### 4.14. Segmental Information

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

### 4.15. Standards Issued But Not Yet Effective

The company has adopted all the relevant standards and interpretations that are issued as of 31 December 2021.

	31.12.2021	31.12.2020
	Rs. '000'	Rs. '000'
<b>5. REVENUE FROM CONTRACTS WITH CUSTOMERS</b>		
<b>5.1. Gross Revenue from contracts with customers</b>	1,190,331	1,092,264
Less : Tourism Development Levy	(11,950)	(11,128)
Net Revenue from contracts with customers	1,178,381	1,081,135

Value added tax of Rs. 104Mn (2020 - Rs. 85Mn) has been deducted in arriving at Revenue.

	31.12.2021	31.12.2020
	Rs. '000'	Rs. '000'
<b>5.2. Revenue</b>		
Room revenue	236,944	313,080
Food and Beverage revenue	925,077	742,928
Other operating departments	16,360	25,127
	1,178,381	1,081,135
<b>6. INVESTMENT INCOME</b>		
<b>Interest income - Loans and receivables</b>		
Interest on treasury bills	2,439	1,812
Interest on staff loans	7	6
Interest on RFC accounts	1,068	741
Interest on fixed deposits	7,708	7,709
Interest income on FF&E replacement reserve	-	604
	11,222	10,873
<b>7. OTHER GAINS AND LOSSES</b>		
Profit on disposal of plant & equipment	12,560	2,317
Shop rentals	1,676	4,896
Exchange gain / (loss) unrealized	(358)	113
Exchange gain realized	14,407	2,691
Sundry income	2,906	15,374
	31,191	25,391
<b>8. FINANCE COSTS</b>		
Bank charges	31,118	23
Overdraft Interest	80,258	32,794
Concessionary loan facility	5,125	7,799
Term Loan Facility	16,176	-
Lease Assets	1,800	1,953
	134,477	42,569

## Notes to the Financial Statements

	31.12.2021	31.12.2020
	Rs. '000'	Rs. '000'
<b>9. PROFIT FOR THE PERIOD</b>		
<b>Profit for the period is stated after charging all expenses including the following:</b>		
Directors' emoluments	3,725	4,065
Auditors' remuneration - Company	600	1,200
- Colombo Hilton	1,915	1,669
Depreciation	386,618	378,443
Staff costs (including the following employee benefit plan costs)	506,207	456,114
- Defined benefit plan cost - Gratuity	5,991	23,415
- Defined contribution plan costs - EPF & ETF	66,972	59,668
Management fees	-	-
Group service & benefit charge - Hilton International	23,864	5,473
Legal fees	611	158
<b>10. INCOME TAX EXPENSE</b>		
Provision for the period	1,260	1,153
Tax credit write off	16,610	17,211
Deferred tax (Income) Expense	(37,060)	22,400
	(19,190)	40,764

**10.1.** A reconciliation between Taxable profit and Accounting Profit for the Years Ended 31st December 2021 and 31st December 2020 are as follows

	31.12.2021	31.12.2020
	Rs. '000'	Rs. '000'
Accounting Profit Before Income Tax	(976,414)	(877,343)
Aggregate Disallowed Items	385,798	382,544
Aggregate Allowable Expense	(467,976)	(505,112)
Trading Profits and Other Sources of Income @ 12%	(1,058,592)	(999,911)
Other sources of Income Liable @ 24%	5,251	4,805
Total Taxable Profit	5,251	4,805
Loss claimed	-	-
<b>Taxable Profit</b>	<b>5,251</b>	<b>4,805</b>
Taxable other source of Income @ 24%	1,260	1,153
Tax on other source of Income	1,260	1,153
Current Year Total Tax Expense	1,260	1,153

	31.12.2021 Rs. '000'	31.12.2020 Rs. '000'
<b>10.2. Deferred tax</b>		
Deferred tax arising from:		
- Origination and reversal of temporary difference (Note 24)	(37,060)	22,400
Total deferred tax charge	(37,060)	22,400
<b>10.3. Tax losses carried forward</b>		
Tax losses carried forward	11,244,658	10,244,747
Tax losses incurred during the year	1,058,592	999,911
Tax losses carried forward for future periods	12,303,250	11,244,658

### 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.

	31.12.2021 Rs. '000'	31.12.2020 Rs. '000'
Profit per ordinary share	(0.46)	(0.45)

<b>Amount used as the Numerator</b>	31.12.2021 Rs. '000	31.12.2020 Rs. '000
Profit attributable to the ordinary shareholders	(934,596)	(926,194)

<b>Amount Used as the Denominator</b>	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
<b>Cost/ Revaluation</b>								
<b>Balance as at 31st December 2019</b>	<b>7,309,000</b>	<b>270,465</b>	<b>538,744</b>	<b>56,020</b>	<b>402,324</b>	<b>45,687</b>	<b>106,000</b>	<b>8,728,240</b>
Disposal	-	(4,988)	(2,428)	-	(1,095)	(26)	-	(8,537)
Additions during the year	28,207	4,783	25,272	-	1,603	4,901	-	64,766
<b>Balance as at 31st December 2020</b>	<b>7,337,207</b>	<b>270,259</b>	<b>561,588</b>	<b>56,020</b>	<b>402,832</b>	<b>50,562</b>	<b>106,000</b>	<b>8,784,469</b>
Disposal	(3,527)	(7,140)	(6,454)	-	(24)	(121)	-	(17,265)
Additions during the year	287,975	140,883	14,510	-	71,942	999	45,330	561,639
<b>Balance as at 31st December 2021</b>	<b>7,621,655</b>	<b>404,002</b>	<b>569,644</b>	<b>56,020</b>	<b>474,750</b>	<b>51,440</b>	<b>151,330</b>	<b>9,328,842</b>
<b>Accumulated Depreciation</b>								
<b>Balance as at 31st December 2019</b>	<b>2,788,845</b>	<b>487,270</b>	<b>1,278,688</b>	<b>92,938</b>	<b>478,815</b>	<b>293,555</b>	<b>163,262</b>	<b>5,583,375</b>
Transferred to revaluation reserve	(2,788,845)	(487,270)	(1,278,688)	(92,938)	(478,815)	(293,555)	(163,262)	(5,583,375)
<b>Balance as at 31st December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Charge for the year	133,197	20,279	55,335	14,005	30,206	9,865	35,333	298,220
<b>Balance as at 31st December 2020</b>	<b>133,197</b>	<b>20,279</b>	<b>55,335</b>	<b>14,005</b>	<b>30,206</b>	<b>9,865</b>	<b>35,333</b>	<b>298,220</b>
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)	-	(1,271)
<b>Balance as at 31st December 2021</b>	<b>267,950</b>	<b>42,992</b>	<b>110,790</b>	<b>28,010</b>	<b>61,768</b>	<b>20,028</b>	<b>75,122</b>	<b>606,660</b>
<b>Written Down Value</b>								
<b>Balance as at 31st December 2019</b>	<b>7,309,000</b>	<b>270,465</b>	<b>538,744</b>	<b>56,020</b>	<b>402,324</b>	<b>45,687</b>	<b>106,000</b>	<b>8,728,240</b>
<b>Balance as at 31st December 2020</b>	<b>7,204,010</b>	<b>249,981</b>	<b>506,253</b>	<b>42,015</b>	<b>372,626</b>	<b>40,697</b>	<b>70,667</b>	<b>8,486,249</b>
<b>Balance as at 31st December 2021</b>	<b>7,353,705</b>	<b>361,010</b>	<b>458,855</b>	<b>28,010</b>	<b>412,982</b>	<b>31,413</b>	<b>76,208</b>	<b>8,722,182</b>

Hotel Developers (Lanka) Limited 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

	31.12.2021 Rs. '000'	31.12.2020 Rs. '000'
Cost	13,546,265	12,984,626
Accumulated Depreciation	(6,418,641)	(6,108,930)
Writtendown Value	7,127,624	7,336,485

### 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	6,469,116	14,789	30,485	6,514,390
Amortisation	(70,707)	(8,337)	(14,020)	(93,064)
Payments	-	-	-	-
Capitalized Value during the year as per IFRS 16	-	-	-	-
Balance as at 31. 12. 2021	6,398,409	6,453	16,465	6,421,326
Amortisation	(70,707)	-	(6,200)	(76,907)
Write off	-	(6,453)	-	(6,453)
Capitalized Value during the year as per IFRS 16	-	-	-	-
Balance as at 31. 12. 2021	6,327,702	-	10,264	6,337,966

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

The amount paid to Urban Development Authority to acquire leasehold land where Ikoi Tei Restaurant of Hilton Colombo situated, is amortised over the lease period of 5 years commencing from 02.12.2016. However, due to the prevailing market condition, the company decided to cease the operation of Ikoi Tei Restaurant and hand over the premises due to the high rental cost effective from 01.01.2021. Further, the company signed lease agreement with UDA for the 30 perch land in front of the hotel for a car park for 4 year period effective from 01 January 2020.

	31.12.2021 Rs. '000'	31.12.2020 Rs. '000'
<b>14. INVENTORIES</b>		
Food	23,483	13,880
Beverages	27,937	21,980
General stores	1,614	11,981
	53,033	47,841
<b>15. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	76,640	34,170
Less: Impairment of debtors	(1,900)	(6,358)
	74,740	27,813
<b>16. AMOUNTS DUE FROM RELATED PARTY</b>		
Hilton Colombo Residence	1,030	564
Hilton Weerawila	1,161	2,870
Hilton Yala	51	17
Hilton Worldwide Manage Ltd - UK	-	7,038
	2,242	10,489

## Notes to the Financial Statements

	31.12.2021	31.12.2020
	Rs. '000'	Rs. '000'
<b>17. OTHER ASSETS</b>		
Deposits, prepayments and advances	68,823	82,411
Other receivables	64,855	39,565
Advances - Refurbishment Expenses	418,847	71,451
Income tax receivable	26,463	44,333
	578,988	237,759
<b>18. CURRENT FINANCIAL ASSETS</b>		
<b>Short-term investments</b>		
Call deposits	110,111	150,970
Total Short-term investment	110,111	150,970
<b>19. CASH AND BANK BALANCES</b>		
Foreign Currency Savings	99,844	4,770
Cash & Operating Bank A/C	22,510	42,336
	122,354	47,106

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.

	31.12.2021	31.12.2020
	Rs. '000'	Rs. '000'
<b>20. STATED CAPITAL</b>		
<b>20.1. Issued and Fully Paid</b>		
2,046,645,686 Ordinary shares	20,466,456	20,466,456
<b>21. RESERVES</b>		
Furniture, fittings & equipment replacement reserve (Note 21.1)	53,801	1,649

	31.12.2021	31.12.2020
	Rs. '000	Rs. '000
<b>21.1. Furniture, Fittings and Equipment Replacement Reserves</b>		
Balance at the beginning of the year	1,649	43,864
Add: Provision made during the year	68,629	21,577
Less: Amounts transferred to equity statement		
Amounts utilized for purchase & replacement of furniture & fittings	(16,477)	(63,792)
Balance at the end of the year	53,801	1,649

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

**22. INTEREST BEARING BORROWINGS**

	2021			2020		
	Amounts due within one year	Amounts due after one year	Total	Amounts due within one year	Amounts due after one year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
DFCC Bank - Concessionary Loan facility - Post Easter Attack	-	-	-	170,080	55,556	225,636
Peoples Bank - Post Covid Working Capital Loan	16,600	-	16,600	8,400	16,600	25,000
Term Loan - Peoples Bank	-	1,098,372	1,098,372	-	-	-
	16,600	1,098,372	1,114,972	178,480	72,156	250,636

**22.1. Term Loans**

	Balance as at 01.01.2021	New Loans obtained	Repayment	Balance
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
DFCC Bank - Concessionary Loan facility - Post Easter Attack	225,636	-	(225,636)	-
Peoples Bank - Post Covid Working Capital Loan	25,000	-	(8,400)	16,600
Term Loan - Peoples Bank	-	1,098,372	-	1,098,372
	250,636	1,098,372	(234,036)	1,114,972

**Security and Repayment Terms**

Financial Institution	People's Bank	DFCC Bank	People's Bank
Nature of the facility	Term Loan	Term Loan	Term Loan
Amount	Rs. 25 Mn	Rs. 250 Mn	Rs.2,000Mn
Rate of interest	4% p.a	3.46% p.a	AWPLR +1.5%
Security	Nil	Nil	Property Morgaged
Repayment period	18 installement	18 installement	7 Years including 2 years of grace period

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**

	31.12.2021	31.12.2020
	Rs. '000	Rs. '000
Balance at the beginning of the year	148,198	134,550
Charge for the year	(4,383)	9,959
Recognition of transitional liability /(asset) and actuarial loss/(gain)	3,250	14,636
Loss/ (gain) arising from changes in the assumptions or due to (over)/under provisions in the previous years	(25,880)	(6,548)
Interest cost for the year	10,374	13,456
Payments made during the year	(33,577)	(17,855)
Balance at the end of the year	97,982	148,198

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 11.21% (vs 7.00% 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

	31.12.2021	31.12.2020
Discount rate	11.21%	7.00%
Future salary increase	3.00%	3.00%
Retirement Age	60 Years	55 Years

Sensitivity & maturity profile	Discount Rate		Salary Increment	
	2021	2020	2021	2020
Increase by one percentage point	(4,628)	(5,326)	5,243	5,603
Decrease by one percentage point	5,126	5,853	(4,799)	(5,179)

	31.12.2021 Rs. '000'
Maturity Analysis of the payments as at 31 December 2021 - Undiscounted	
With in next 12 Months	13,542
Between 1 and 2 years	327
Between 2 and 5 years	25,746
Between 5 and 10 years	77,668
Total Expected payments	117,283

	31.12.2021 Rs. '000	31.12.2020 Rs. '000
<b>24. DEFERRED TAX LIABILITY</b>		
Balance at the beginning of the year	433,198	410,798
Deferred tax expense/(income)	(37,060)	22,400
Balance at the end of the year	396,138	433,198
<b>24.1. The closing deferred tax liability balance relates to the following:</b>		
Accelerated depreciation for tax purposes	805,209	781,229
Retirement benefit obligation	3,862	(20,748)
Deferred tax asset relating to utilisation of brought forward - tax losses	(412,932)	(327,284)
	396,139	433,198

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

	31.12.2021 Rs. '000	31.12.2020 Rs. '000
<b>25. TRADE AND OTHER PAYABLES</b>		
Trade payables	166,864	68,358
Sundry creditors and including accrued expenses	110,126	78,652
Management fee payable *	(14,239)	(14,239)
Other liabilities	33,488	114,610
Replacement of breakages	4,492	2,398
Statutory payables	118,204	48,556
	418,936	298,335

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

	31.12.2021	31.12.2020
	Rs. '000	Rs. '000
<b>26. AMOUNTS DUE TO RELATED PARTIES</b>		
Hilton International LLC	26,475	10,080
	26,475	10,080
<b>27. CONTRACT LIABILITIES</b>		
Guest Advance Deposits and Advances	158,114	59,892
	158,114	59,892
<b>28. NET ASSETS PER SHARE</b>		
Net Assets Value (Rs)	13,164,918	14,099,514
Number of ordinary shares "000"	2,046,646	2,046,646
Net Assets per share	6.43	6.89
<b>29. INCOME TAX LIABILITY</b>		
Opening Balance	(44,333)	(62,696)
Provision for the period	1,260	-
Previous year under provision	-	-
<b>Tax credit</b>		
Economic Service Charge	16,610	18,363
Withholding tax	-	-
Notional tax	-	-
Self assessment payment	-	-
Balance at the end of the year(Current year balance transferred to Other Assets)	(26,463)	(44,333)
<b>30. NOTES TO THE CASH FLOW STATEMENT</b>		
<b>30.1. Cash and Cash Equivalents at the Beginning of the Year</b>		
Cash and bank balance	47,106	141,548
Call deposits	150,970	109,990
Bank overdraft	(946,040)	(254,492)
Unrealized exchange gain on USD Saving deposit	(358)	113
	(748,323)	(2,841)
<b>30.2. Cash and Cash Equivalents at the end of the Year</b>		
Cash and bank balance	122,354	47,106
Call deposits	110,111	150,970
Bank overdraft	(1,332,328)	(946,040)
	(1,099,863)	(747,964)

## Notes to the Financial Statements

### 31. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS AS AT 31ST DECEMBER 2021

Financial assets by categories	Loans and receivables	
	31.12.2021	31.12.2020
	Rs. '000	Rs. '000
<b>Financial instruments in current assets</b>		
Trade and other receivables	74,740	27,813
Other assets	578,988	237,759
Amounts due from related party	2,242	10,489
Other current financial assets	110,111	150,970
Cash in hand and at bank	122,354	47,106
Total	888,435	474,137

Financial liabilities by categories	Financial Liabilities measured at amortized cost	
	31.12.2021	31.12.2020
	Rs. '000	Rs. '000
Financial Instruments in current liabilities		
Trade and other payables	418,936	298,335
Amounts due to related party	26,475	10,080
Bank overdrafts	1,332,328	946,040
Total	1,777,739	1,254,455

### 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 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

In Rs. "000"	As at 31 December 2020				Total
	Cash in hand and at bank	Short term investments	Trade and other receivable	Amounts due from related parties	
Deposits with bank	-	150,970	-	-	150,970
Trade and other receivables	-	-	27,813	-	27,813
Amounts due from related parties	-	-	-	10,489	10,489
Cash in hand and at bank	42,336	4,770	-	-	47,106
Total credit risk exposure	42,336	155,740	27,813	10,489	236,378

### 32.3. Trade and other receivables

In Rs. "000"	As at 31	
	December 2021	December 2020
<b>Neither past due nor impaired</b>	112,244	56,793
	18,228	349
	1,629	1,184
<b>Past due but not impaired</b>	-	174
	-	827
	1,184	7,131
<b>Gross carrying value</b>	76,640	34,170
Less: impairment provision		
Individually assessed impairment provision	(1,900)	(6,358)
<b>Total</b>	74,740	27,813

### 32.4. Amounts due from related parties

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

### 32.5. Credit risk relating to cash and cash equivalents

The company maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Hotel held cash and cash equivalents of Rs.(1,099Mn) as at 31 December 2021 (as at 31 December 2020 - Rs. (748 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 2021	As at 31 December 2020
Short term investments	110,111	150,970
Cash in hand and at bank	122,354	47,106
Total liquid Assets	232,465	198,076
Bank overdrafts	1,332,328	946,040
Total Borrowings	1,332,328	946,040
Net (debt)/cash	(1,099,863)	(747,964)

### 32.7. Maturity analysis

The table below summarises the maturity profile of the Hotel's financial liabilities at 31 December 2021 based on contractual undiscounted payments.

In Rs. "000"	As at 31 December 2021		As at 31 December 2020	
	Within one year	Total	Within one year	Total
Trade & other payables	418,936	418,936	298,335	298,335
Amounts due to related parties	26,475	26,475	10,080	10,080
Retention Fees - Refurbishment Project	48,252	48,252	26,220	26,220
Bank overdrafts	1,332,328	1,332,328	946,040	946,040
	1,825,991	1,825,991	1,280,675	1,280,675

### 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 after reporting date that require adjustment to or disclosure in the financial statements other than the below.

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. The duration and impact of the COVID-19 pandemic remains unclear at this time. Hence, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods. The Company has determined that these events are non-adjusting subsequent events. Therefore, the financial position and results of operations as of and for the year ended 31 December 2021 have not been adjusted.

In response to significant decreases in demand resulting from social distancing efforts, quarantines and border closures related to the spread of COVID-19, the Company had incurred operating losses since 2020. However, the management having considered this as a temporary setback, made contingency plan to sustain the business during this critical period. Management is confident that it can successfully tackle the situation and turn around the company based on the present strength. It has therefore decided to fast track the existing renovation program during the existing low business period to exploit the opportunity of minimal disturbances to operation from construction work envisaging to make the best out of the peak business period from 2022 onward.

### 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.

	31.12.2021	31.12.2020
	Rs. '000	Rs. '000
<b>34.2. Lease Commitments</b>		
Lease rentals due on non-cancellable operating leases;		
Within one year	5,458	7,984
Between one and five years	4,805	14,934
	<b>10,264</b>	<b>22,918</b>

The lease commitment is related to the Ikoi Tei restaurant at the former Dutch hospital premises & 30 perch UDA Car Park which is on 5 year leased property. The Balance as at 31st December 2021 reflects UDA car park lease.

### 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 2021, the Hotel maintains a provision of Rs.101,057,380/- (2020: Rs. 48,974,858/-). The outcome of the said case is unknown as of the reporting date.

### 36. ASSETS PLEDGED AS SECURITIES

The Company has mortgaged the main property of the Hotel against the loan agreement signed with Peoples Bank for a loan facility of Rs. 2000 Mn for the refurbishment project.

### 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. 3,725,000/- (2020 - Rs. 4,065,000/-).

#### 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

	31.12.2021 Rs. '000	31.12.2020 Rs. '000
<b>Managing Company - Hilton International Management Corporation</b>		
Receiving of services	23,864	5,473
<b>Affiliates/Group Hotel</b>		
I. Hilton Worldwide Manage Ltd - UK Receiving of services	29,586	44,506
II. Hilton Colombo - Residence Rendering of services	7,342	564
III. Hilton Yala Resorts- Rendering of services	34	17
IV. Hilton Weerawila- Rendering of services	5,830	20,640

#### 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. The case is fixed for support on 24th March 2022.

#### 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/- and Rs. 36,071,000/- 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/- 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) Limited 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/portfolios of certain Public officers/Ministers named as Respondents in the said action.

## FIVE YEAR FINANCIAL SUMMARY & KEY INDICATORS

in Rs. 000	2021	2020	2019	2018	2017
<b>Revenue</b>					
Rooms	236,944	313,080	1,171,875	1,219,736	1,317,248
Food & Beverage	907,480	732,119	1,614,671	1,597,494	1,593,286
Other Operating Department	33,957	35,936	92,206	93,310	104,828
	<b>1,178,381</b>	1,081,135	2,878,752	2,910,540	3,015,362
Cost of Sales	(922,695)	(811,092)	(1,403,693)	(1,427,161)	(1,214,204)
<b>Gross profit</b>	<b>255,686</b>	270,043	1,475,059	1,483,379	1,801,158
Investment income	11,222	10,873	10,708	15,627	25,533
Other gains and losses	31,191	25,391	20,807	54,355	29,429
Administrative expenses	(585,498)	(591,036)	(910,514)	(854,539)	(828,206)
Other expenses	(167,921)	(171,603)	(281,942)	(283,429)	(383,491)
<b>Operating Profit</b>	<b>(455,319)</b>	(456,330)	314,118	415,394	644,424
Depreciation	(386,618)	(378,443)	(515,265)	(500,861)	(461,542)
Revaluation Loss	-	-	(61,223)	-	-
Finance costs	(134,477)	(42,569)	(50,078)	(40,994)	(9,905)
<b>Profit/(loss) before taxation</b>	<b>(976,414)</b>	(877,342)	(312,448)	(126,461)	172,976
Income tax expense	19,190	(40,764)	(13,182)	(1,046)	85,041
<b>Profit/(loss) after taxation for the period</b>	<b>(957,224)</b>	(918,106)	(325,630)	(127,507)	258,017
<b>Other comprehensive income</b>					
Revaluation Surplus	-	-	1,452,978	-	-
Actuarial Gain/( loss )on employee benefit obligations	22,630	(8,088)	(22,455)	14,996	2,415
<b>Total comprehensive income/ (expense) for the period</b>	<b>(934,594)</b>	(926,193)	1,104,893	(112,512)	260,432
<b>Earning per share - Basic (Rs.)</b>	<b>(0.46)</b>	(0.45)	0.54	(0.05)	0.13

in Rs. 000	2021	2020	2019	2018	2017
<b>Operating Results</b>					
Total Revenue	1,178,381	1,081,135	2,878,752	2,910,540	3,015,362
Sales Growth%	9%	(62%)	(1%)	(3%)	19%
Operating Profit	(455,319)	(456,330)	314,118	415,394	644,424
Finance expenses	134,477	42,569	50,078	40,994	9,905
Depreciation & Amortization	386,618	378,443	515,265	500,861	461,542
Net Profit/(Loss) Before Taxation	(976,414)	(877,342)	(312,448)	(126,461)	172,976
<b>Shareholders' Fund</b>					
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	-	-
Furniture & Fittings Reserve	53,801	1,649	43,864	187,217	161,348
Accumulated Loss	(8,808,317)	(7,821,569)	(6,937,588)	(6,732,856)	(6,594,476)
	13,164,918	14,099,514	15,025,710	13,920,817	14,033,328
<b>Assets Employed</b>					
Property Plant, Equipemnt	8,722,182	8,486,249	8,728,240	7,485,222	7,818,434
Leasehold Land	6,337,966	6,421,326	6,514,390	6,541,834	6,613,547
Capital work-in-progress	766,764	865,477	659,487	591,537	243,414
Net Current Assets	(1,059,237)	(997,068)	(43,767)	(193,901)	(122,915)
	14,767,675	14,775,984	15,858,350	14,424,692	14,552,480
<b>Less</b>					
<b>Long Term Liabilities</b>					
Intrest Bearing Loans & Borrowings	1,098,372	72,156	250,000	-	-
Retirment Benefit Obligation	97,982	148,198	134,550	106,259	122,581
Right to use - Lease Land Liability	10,264	22,918	37,291	-	-
Deferred tax Liability	396,138	433,198	410,798	397,616	396,570
<b>Net Assets</b>	<b>13,164,918</b>	<b>14,099,514</b>	<b>15,025,710</b>	<b>13,920,817</b>	<b>14,033,328</b>
<b>Key Indicators</b>					
Current Ratio	0.47	0.34	0.94	0.79	0.86
Net Assets per share (Rs.)	6.43	6.89	7.34	6.80	6.86
Earnings/(Loss) per share	(0.46)	(0.45)	0.54	(0.05)	0.13
<b>Statstical Summary</b>					
Occupancy	10%	11%	49%	48%	57%
Averagae Room Rate	16,754	20,681	21,562	22,944	21,077

# NOTICE OF MEETING

NOTICE is hereby given that the ANNUAL GENERAL MEETING of HOTEL DEVELOPERS (LANKA) LIMITED will be held at the Onyx Function Room of Hilton Colombo at No.2, Sir Chittampalam A Gardiner Mawatha, Colombo 02 on 12th September 2022 at 4.00 p.m.

## Agenda

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

“RESOLVED that the Notice dated 07th September 2022 convening the Annual General Meeting of the Company be and is hereby accepted as a valid notice irrespective of the fact that the meeting has been called with shorter notice than that specified in the Articles of Association and in the Companies Act No. 07 of 2007”

2. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts of the Company for the year ended 31st December 2021 together with the Report of the Auditors thereon.
3. To pass the ordinary resolution set out below to re-appoint Mr. Palihawadana Arachchige Irenius Sirinimal Perera who is 78 years of age as a Director of the Company.

“IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. Palihawadana Arachchige Irenius Sirinimal Perera who is 78 Years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No.07 of 2007.”

4. To pass the ordinary resolution set out below to re-appoint Mr. Veluppillai Kanagasabapathy who is 76 years of age as a Director of the Company.

“IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. Veluppillai Kanagasabapathy who is 76 of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No.07 of 2007.”

5. To note that the Auditor General continues to be the Auditor of the Company pursuant to the 19th and 20th Amendments to the Constitution read together with Article 154 of the Constitution.

**By order of the Board of Directors of  
HOTEL DEVELOPERS (LANKA) LIMITED  
P W CORPORATE SECRETARIAL (PVT) LTD**



SECRETARIES

Colombo  
07th September 2022

## NOTE:

- The Shareholder of the Company is entitled to appoint a Proxy to attend and vote on his behalf.
- A Proxy need not be a Shareholder of the Company.
- A Proxy form, which is enclosed should be deposited at the Registered Office of the Company not less than 36 hours before the time appointed for the meeting.

# FORM OF PROXY

I/We .....  
 of ..... being the shareholder of  
 Hotel Developers (Lanka) Limited hereby appoint:  
 ..... of  
 ..... or falling him/her

Mr. Palihawadana Arachchige Irenius Sirinimal Perera	of Colombo or falling him
Ms. Dheeshana S. Ameresekere	of Colombo or falling her
Mr. Veluppillai Kanagasabapathy	of Colombo or falling him
Mr. Punchy Hewage Priyantha Deniyaya	of Colombo or falling him
Mr. Lal Ranjith Sahabandu Weerasinghe	of Colombo or falling him
Mr. Patikiri Arachchige Susantha Athula Kumara	of Colombo or falling him
Dr. Maddumage Kapila Chaminda Senanayake	of Colombo

as my/our proxy to represent me/us to speak and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 12th of September 2022 at 4.00 p.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Agenda Item	For	Against
1. To accept the Notice of Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
2. To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31st December 2021 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
3. To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the re-appointment of Mr. P A I S Perera	<input type="checkbox"/>	<input type="checkbox"/>
4. To pass the ordinary resolution set out under item 4 of the Notice of Meeting for the re-appointment of Mr. V Kanagasabapathy	<input type="checkbox"/>	<input type="checkbox"/>
5. To note that the Auditor General continues to be the Auditor of the Company pursuant to the 19th and 20th Amendments to the Constitution read together with Article 154 of the Constitution.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... 2022

Signature of the Shareholder .....

## Note:

- Instructions as to completion are noted overleaf
- A Proxy need not be a shareholder of the Company
- Please mark "X" in appropriate cages to indicate your instructions as to voting

## *Form of Proxy*

### **Instructions as to Completion of Proxy**

1. Kindly perfect the Form of Proxy by legibly filling your full name and address, signing in the space provided, and filling in the date of signature.
2. If the Proxy Form is signed by an Attorney, the relative Power of Attorney should also accompany the Proxy form for registration, if such Power of Attorney has not already been registered with the Company.
3. In the case of Company/Corporation, the Proxy must be filled and attested in the legally prescribed manner.
4. The complete Form of Proxy should be deposited at the registered office of the Company, No.2, Sir Chittampalam A Gardiner Mawatha, Colombo 2, not less than 36 hours, before the time appointed for the Meeting.
5. A shareholder appointing a Proxy (other than a Director of the Company) to attend the meeting should indicate the Proxy holder's National Identity Card (NIC) number on the Form of Proxy and request the Proxy holder to bring his/ her National Identity Card with him/her.

# CORPORATE INFORMATION

**NAME OF THE COMPANY:**

HOTEL DEVELOPERS (LANKA) LIMITED

**LEGAL FORM:**

A Public Limited Liability Company

**DATE OF INCORPORATION:**

15th March 1983

**COMPANY REGISTRATION NO:**

PB 143

**DIRECTORS:**

Mr. Palihawadana Arachchige Irenius Sirinimal Perera - Chairman

Ms. Dheeshana Ameresekere

Mr. Veluppillai Kanagasabapathy

Mr. Punchy Hewage Priyantha Deniyaya

Mr. Patikiri Arachchige Susantha Athula Kumara

Mr. Lal Ranjith Sahabandu Weerasinghe

Dr. Maddumage Kapila Chaminda Senanayake

The above Directors do not hold shares in the company

**REGISTERED OFFICE:**

Hotel Developers (Lanka) Limited

C/o Hilton Colombo

No. 2 Sr Chittampalam A Gardiner Mawatha

Colombo 02

Tel: +94 112433435

Fax: +94 112446545

Email: hdl\_hilton@sltnet.lk | admin@hdl.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

**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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