CONTENT

Purpose

We believe in uplifting the spirit of the nation and enriching the lives of people and planet

Vision

We create magical moments in the world of entertainment and technology.

Mission

We delight people with wonder-worthy entertainment and technology. We inspire our people to create happiness through empowerment & teamwork. We build partnerships to excel & grow together

Lead	Ownership	Trust	Unity	Spirited
We take pride in creating value for the nation and champion designing exquisite experiences through innovation and change.	We are empowered to be creative and contribute with our valuable insights being accountable towards collective results.	We co-create relationships with our stakeholders that are built on honesty and integrity.	We collaborate our efforts towards shared vision and a common goal with greater resilience	We nurture a lively eco system that values growth, celebrates successes with the spirit of joy.

Key Milestones

Footfall

From 2022 September 31st December 2023

 # 1,442,021

Foreign footfall

From 2022 September 31st December 2023

#44,356

Total Observation-deck Ticket sale

From 2022 September 31st December 2023

Rs. 841,547,600

Foreign Currency sale

From 2022 September 31st December 2023

US$ 146,750

Note: *All sale values are inclusive of government taxes*

Financial Highlights

Revenue

Financial Year 2023

Rs.725.2mn

Funds available

As at 31st December 2023

Rs.556.4mn

Net Profit

Financial Year 2023

Rs.556.4mn

Government Taxes remitted

From 2022 September 31st December 2023

Rs.115.8mn

Personnel Cost

Financial Year 2023

Rs.126.4mn

Depreciation & Amortization cost

Financial Year 2023

Rs.40.8mn

Equity

As at 31st December 2023

Rs.775.1mn

Total Assets

As at 31st December 2023

Rs.1,831.7

Chairman's Message

I am honored to address you as the Chairman of Lotus Tower Management Company. Since assuming this role in December 2023, I am proud to report that 2023 has been a year of remarkable achievements and growth for our organization.

Over the past year, we have continued to uphold our commitment to excellence and innovation in all our endeavors. We successfully completed several significant projects, such as the Revolving Restaurant - Blue Orbit and the Banquet Hall - Cosmic, both of which are now operational and contributing positively to our business.

In addition to these accomplishments, we have launched new initiatives aimed at enhancing our offerings and diversifying our portfolio. The introduction of the digital art initiative and the upcoming development of kids play area are testaments to our dedication to meeting the evolving needs of our customers.

Our achievements this year are also a testament to the hard work and dedication of our talented team. Their relentless pursuit of innovation and excellence has been instrumental in driving our success. We have fostered a culture that encourages creativity, collaboration, and professional growth, enabling us to attract and retain the best talent in the industry.

Looking forward, we are excited about the prospects of the Aqua Bay, Base Jumping project, Casino and other initiatives currently in the pipeline. These projects are designed not only to attract more visitors but also to enhance their overall experience at Lotus Tower.

I would like to take this opportunity to express my sincere gratitude to the entire board and the CEO, our dedicated team, and all stakeholders for their unwavering support and commitment. Your continued support has been invaluable as we navigate challenges and strive for greater success.

With our strong team and strategic vision, I am confident that we will continue to achieve sustainable growth and deliver exceptional value to our stakeholders. Together, we will work towards an even brighter future for Lotus Tower Management Company, establishing Lotus Tower as the iconic landmark of Southeast Asia.

Yours sincerely,

....

Yoga Perera

Board of Directors

Yoga Perera

Chairman

Mr. Yoga Perera currently serves as the Chairman and Board Director of Lotus Tower Management Company, a position he has held since 2023. His leadership in this role is backed by a wealth of experience and a strong track record in various industries.

In recent years, Mr. Yoga Perera has demonstrated his capabilities in senior management through several key positions. He was the Chairman of Maganeguma Construction Co Ltd from 2022 to 2023 and the Chairman and Managing Director of Sri Lanka State Trading (General) Corporation from 2020 to 2022. Additionally, he is the Founder and Managing Director of Autoland Car Company (Pvt) Ltd, a role he has fulfilled since 2002, and the Founder and Chairman of Premier Motors Ltd in the UK since 2015. His earlier career also highlights significant contributions to major corporations. From 2008 to 2010, he served as a Board Director at Sri Lanka Telecom PLC, and from 2010 to 2015, he was a Board Director at the Airport and Aviation Service.

Mr. Yoga Perera's academic background includes an MBA, and he brings over 15 years of board-level experience spanning telecommunications, aviation, automotive, and state trading sectors. His areas of expertise include corporate governance, strategic management, and business development. His career is marked by successfully founding and managing profitable businesses both in Sri Lanka and internationally.

Beyond his corporate roles, Mr. Yoga Perera has actively contributed to various professional and community organizations. He was the President of the Vehicle Importers Association of Sri Lanka (VIASL) from 2010 to 2013 and the President of the Sri Lanka Association of Racing Drivers and Riders (SLARDAR) in 1993. His other notable positions include being a Board Member of the Mahabodhi Society (2007-2008) and the Sri Lanka Auto Mobile Sport (SLAS) from 2005 to 2008, as well as a Committee Member of the Sri Lanka Motorcycle Association from 1995 to 2008. Additionally, he served as the Past President of the Sri Lanka Auto-sports Drivers Association (SLADA).

Under his leadership, Lotus Tower Management Company will be driven for sustainable growth and innovation, benefiting from Yoga Perera’s extensive experience, strategic vision, and proven expertise in driving business success.

R.M.P. Rathnayake - Deputy Secretary to the Treasury

Non-executive Director (Former Acting Chairman)

Mr. R.M.P. Rathnayake is a Special Grade officer of the Sri Lanka Planning Service and currently working as the Deputy Secretary to the Treasury, Ministry of Finance, Economic Stabilization and National Policies. He has been in the public service for almost 30 years in various important positions. Mr. Rathnayake holds a Master's Degree from Agriculture University of Norway and B.Sc. (Special) Degree from University of Peradeniya

Mr. Rathnayake joined the public service in 1994 and has been working in the General Treasury holding number of positions in the Department of National Planning and Department of External Resources (ERD). He has extensive experience in development planning and budgeting. As the Director General of the ERD he was responsible for working with development partners, international financial institutions and capital market to develop country specific development programs and mobilize foreign financing, leading bilateral negotiations and facilitate timely disbursement of foreign financing for multilateral and bilateral programs and projects.

Apart from his duties as the Deputy Secretary to the Treasury, Mr. Rathnayake serves as a Director of the Asian Infrastructure Investment Bank (AIIB), Bank of Ceylon and the Securities and Exchange Commission of Sri Lanka. He has also held several other important leadership posts as the Chairman of National Savings Bank, Director of the People's Bank, Member of the Board of Management of the Post Graduate Institute of Medicine (PGIM), Member of the Board of Directors of the State Pharmaceuticals Corporation of Sri Lanka (SPC), Director of Civil Aviation Authority of Sri Lanka, Director of Sri Lanka Institute of Tourism & Hotel Management, Member of National Medicine Regulatory Authority.

Mr. Rathnayake has published many articles relating to various fields/subject areas.

Major General (Retired) Prasad Samarasinghe

Executive Director/ Chief Executive Officer

Major General Prasad Samarasinghe joined Colombo Lotus Tower Management Company Private Limited on 03 February 2022, with incorporation of initial directors of the board and was subsequently appointed as the Chief Executive Officer of the company.

Major General Samarasinghe, with a military career spanning over 35 years in the Sri Lanka Army has experiences in Human Resource Management, Administration, Logistic Management and Operation, Communication & Information technology (CIT), Media & Communication, Diplomatic Services, Civil Affairs, Humanitarian Law, Academia Research Project Management and Coordination. He retired from his military career in 2015, having held the position of Chief of Staff of the Sri Lanka Army. He has experience in the private sector as a consultant for security, administration and project management. He is a senior consultant for Orit Apparel Lanka Private Limited.

Major General Samarasinghe holds a Master of Science Degree in Management in Defence Studies from General Sir John Kotelawela Defence University, a Post Graduate Diploma in Conflict Resolution and Peace Preparedness from University of Bradford, UK, a Diploma in Micro Processor & Micro Technologies - Institute of Technological Studies Sri Lanka and a Diploma in Electronic Technology from Institute of Technological Studies Sri Lanka (Affiliated to University of Houston Texas, USA).

Since March 2022, Major General Samarasinghe has been leading the CLTMC towards success.

Dr. Widanage Dasun Vihanga Abeysooriya

Non-executive Director

Dr. Dasun brings a wealth of leadership and expertise across various sectors. With a distinguished career path that includes roles such as CEO of Sethmin Business Holdings (Pvt) Ltd and Managing Director of Sethmin Automobiles (Pvt) Ltd, he has consistently demonstrated exceptional strategic insight and operational acumen. His academic background features a Bachelor of Business Administration from Buckinghamshire New University and an MSc in Business Psychology from Coventry University, UK.

Dr. Dasun Abeysooriya has accumulated a diverse portfolio of achievements, notably in marketing, finance, operations, and IT. He has been instrumental in providing vehicle fleet management services to major entities such as Hambanthota International Port Group and has overseen key infrastructure projects including the Kadawatha Outer Circular Highway and Southern Expressway Extensions. Additionally, he has played a pivotal role as a key investor in significant international events, including the first international event at Colombo Port City under Cloud 9 Entertainment.

Recognized for his contributions to both social work and local business, Dr. Dasun Abeysooriya holds an Honorary Doctorate from the Malaysia Sri Lanka Chamber of Commerce. His dedication to excellence and commitment to enhancing operational efficiency and profitability make him a valuable asset to CLTMC and its stakeholders. His leadership extends beyond the boardroom, influencing positive change in both community engagement and corporate governance. Dr. Abeysooriya continues to drive initiatives that foster sustainable growth and innovation within CLTMC, ensuring its continued success in the dynamic market landscape.

Mrs. Madara Sevwandi De Silva - Treasury Representative

Non-executive Director

Ms. Madara has been serving as a Non-executive Director of the Company since February 12, 2024, representing the Treasury. She is a member of the Sri Lanka Administrative Service and has been part of the Ministry of Finance since 2007. During her tenure, she spent approximately 14 years at the External Resources Department (ERD), where she was instrumental in mobilizing foreign resources through loans and grants to support the country's development projects.

In her capacity at ERD, Ms. Madara held the position of Director, overseeing divisions related to China and AIIB, Japan, among others. Her work involved facilitating the implementation of numerous large-scale development projects funded by both multilateral and bilateral donors. Currently, she serves as the Director of the Management Services Department.

Academically, Ms. Madara has done her bachelor's studies in Business Administration from the University of Sri Jayawardenepura and postgraduate studies in Public Policy and Management at RMIT University in Melbourne, Australia. Additionally, she possesses an Intermediate Qualification from the Institute of Chartered Accountants of Sri Lanka and is a passed Finalist of the Association of Accounting Technicians Sri Lanka.

Ms. Madara has also been a Board member of several international and local institutions. Notably, she served as an Alternate Director from 2020 to 2022 and as an Advisor to the Board from 2022 to 2024 at the Asian Infrastructure Investment Bank, a multilateral development bank. Her other board memberships include the University of Colombo, the Institute of Agro-Technology, the National Food Promotion Board, the National Insurance Trust Fund, and the National Housing Development Authority.

Management Team

<u>**Senior Management Team**</u>

Lieutenant Colonel Thilina Jayasundara

Head of Operations

Lieutenant Colonel Thilina Jayasundara joined Colombo Lotus Tower Management Company Private Limited in July 2022, prior to opening the facility to the public.

Lieutenant Colonel Thilina Jayasundara, with a service over 24 years in the Sri Lanka Army has experiences in Human Resource Management, Administration, Logistic Management and Operation, Civil Military Coordination, Project Management and Coordination. Upon retiring from his military service, he joined the private sector, and has served The Capital Maharaja Organization Limited and Orit apparel Lanka Private Limited. He also has rendered his consultancy to Telecommunication Regulatory Commission of Sri Lanka in aspects of operations, administration and security, for commercialization activities of Colombo Lotus Tower.

Lieutenant Colonel Thilina Jayasundara holds a Master of Business Administration Degree from Cardiff Metropolitan University and a Bachelor of Arts Defence Studies Degree from Kotelawala Defence University.

Asanka Heendeniya

Head of Finance

Asanka Heendeniya has joined to the Company on 20th March 2023 as the Head of Finance. All the finance related functionalities are under his purview including financial reporting, financial management, budgeting & forecasting, treasury management, taxation, internal controls, etc. He has scrutinized most of the finance-related functions throughout the period as the Company is still in the initial stage of its business life cycle as a State-Owned-Company.

He has extensive experience of over 23 years in auditing & assurance, financial service, publications & digital service, ICT service and hospital industries holding different positions progressively up in the ladder by acquiring exposure into various functionalities in the corporate sector. He is a chartered accountant by profession (Fellow member of the Institute of Chartered Accountants of Sri Lanka, associate member of the Association of Certified Chartered Accountants of United Kingdom, associate member of the Institute of Certified

Management Accountant of Sri Lanka and a fellow member of the Association of Accounting Technicians of Sri Lanka) and holds a Master's Degree in Business Administration from the Postgraduate Institute of Management of University of Sri Jayewardenepura.

Eng Aravinda Rathnayake

Head of Engineering

Commander (Rtd) Aravinda Rathnayake joined Colombo Lotus Tower Management Company Private Limited in December 2023 as the Head of Engineering. The Lotus Tower maintenance in the fields of Mechanical, Electrical, Electronic, Civil Engineering and Information Technology come under his purview. Further, he has to forecast the budgetary requirements for upcoming new projects, projects completion and maintaining all the projects relevant to the subjected fields.

He has extensive experience of over 23 years in Sri Lanka Navy as a Marine Engineer. He is a qualified Chartered Engineer [CEng (Sri Lanka) and CEng (India)], Member of both the Institute of Engineers (MIE) and Engineering Council of Sri Lanka respectively, and Associate Member of Institute of Engineers – India (AMIE). He holds a Master's degree in Material Science and Engineering through the University of Moratuwa and a Bachelor of Science (Defence Studies) in Marine Engineering from the Kotelawala Defence University.

<u>Managerial Team</u>

Business Development Department		
J B Rozairo	Business Development Manager	Business Development
Engineering Department		
W V C A Perera	Electronic Engineer	Engineering
B G M Sandaruwan	Mechanical Engineer	Engineering
N D Geeganage	Electrical Engineer	Engineering
S J M D Samankula	IT Manager	Engineering

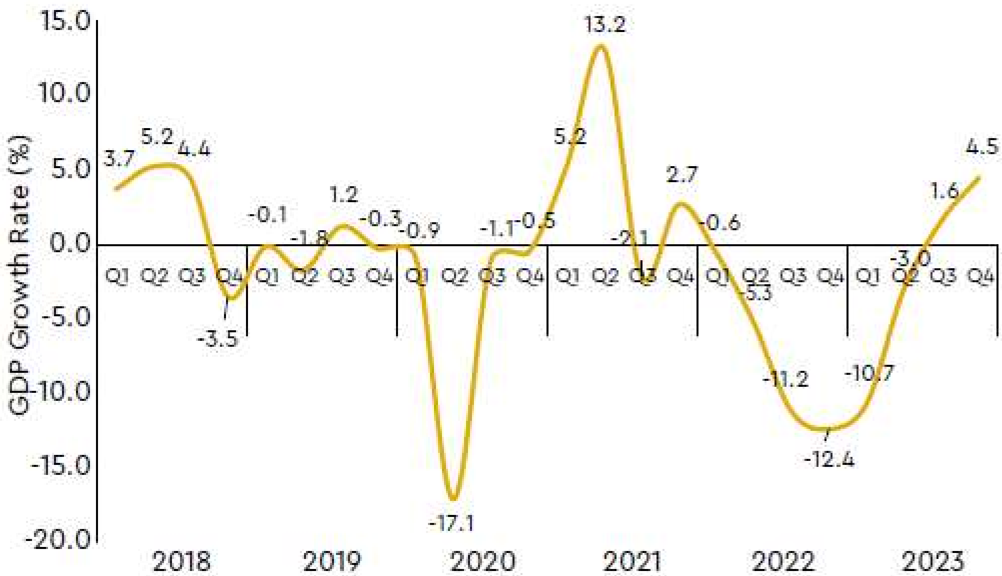
Finance Department		
W A K I Madhushanka	Assistant Accountant	Finance
S C Harischandra	Assistant Accountant	Finance
A W Samarasinghe	Assistant Accountant	Finance
Human Resource Department		
Rasika Caldera	HR Manager	Human Resource
Operation Department		
W M A S Wijesuriya	Assistant Operation Manager	Operation
V A W K M Samarathunga	Assistant Administration Manager	Operation
G K N Wijesinghe	Security Manager	Operation
P A R Anthonis	Assistant Security Manager	Operation

Management Discussion and Analysis

Operating Environment

At the beginning of the current financial period, Sri Lanka's economic situation was unstable due to number of geo-political issues and long-standing adverse economic conditions prevailed from time to time affecting the country, including external shocks, such as the coronavirus disease (COVID-19) pandemic, and global commodity price increases following the Russian invasion of Ukraine. This led to persistent fiscal and current account deficits with large gross financing needs and an accumulation of unsustainably high total public debt which increased from 89.0% of the gross domestic product (GDP) at the end of 2019 to 125.7% of GDP by the end of 2022.

Figure 1 : Quarterly GDP growth rate



Source: Department of Census and Statistics

The severe macroeconomic crisis led to depletion of foreign exchange reserves and foreign currency debt servicing requirements exceeded foreign exchange reserves. Sri Lanka suspended its external debt service to commercial and official bilateral creditors in April 2022. The Sri Lankan rupee (SLRs) depreciated by 44.8% in 2022, and policy interest rates (standing deposit facility rate) were increased sharply from 6.5% in March 2022 to 13.5% in April 2022 to manage inflation which surged to an average of 46.4% in 2022 compared to 6.0% in 2021. The weak macroeconomic situation of the country was further aggravated by the heavy dependence on imported fuels and fiscal resources, exposing serious structural weaknesses and vulnerability of the power sector, exacerbating the already existing power supply reliability and quality problems. The economy contracted in the first half of 2023, but signs of recovery are evident, with a 3.0% year-on-year growth in the second half of

2023 while the overall contraction was 2.3% for the year. Agriculture and services sectors grew 2.5% and 7.0%, respectively, compared with the first half of 2023 while the industry sector contracted 0.1%. Sri Lanka's GDP growth projections are 1.9% in 2024 and 2.5% in 2025. Inflation in Sri Lanka averaged 17.4% in 2023 compared to 46.4% in 2022 and subsequently decelerated to 0.9% year-on-year in March 2024 on lower fuel prices, subdued demand, better supply of essentials, and tight monetary policy measures until mid-2023.The economy is expected to continue its recovery trend to meet the GDP projections in 2024 and 2025 as supply conditions have improved, official foreign-exchange reserves have risen, and consumer and investor confidence have improved. Overall, the assessment of the general direction of the country's macroeconomic conditions and policies are deemed satisfactory, having enacted an anticorruption bill and legislation that enhances the independence of the Central Bank of Sri Lanka and its powers to manage financial crises and taking initial steps to introduce substantial reforms in several sectors, including in the power sector. To address the weak macroeconomic situation, the government approached the International Monetary Fund (IMF) for assistance under the Extended Fund Facility (EFF). Total of $670 million was disbursed in two tranches in March and December 2023. The EFF program expects ADB and the World Bank to contribute to bridging the financing gap.

The exchange rate was subject to fluctuations but remained relatively stable throughout the latter part of the year, while recording an overall appreciation of 12.1 percent reflecting the stronger outcomes in the external economy as a result of appropriate fiscal and monetary policy actions.

Figure 2: Exchange rate movement

Source: Central Bank of Sri Lanka

Operational Review 2023

The Operational Department plays a pivotal role in delivery of day-to-day operations. With the opening of Observation Deck for the general public on 15th September 2022, with a less number in the staff, the department works round the clock to ensure a safe, secured and comfortable environment for all its' stake holders.

Being aware that the Observation Deck Operation is the only key revenue stream currently available for the company, the department is effectively driving the company's economic viability and sustainability through delivering an unforgettable experience for the visitors patronizing the Colombo Lotus Tower.

With implementation of streamlined processes in coordination with other departments, the operations department works towards enhancing visiting customers' and event organizers' satisfaction by maximizing operational effectiveness. By the end of year 2023, the department was able to successfully manage 921,500 local and 40,000 foreign visitors, and managed different types of events including international events conducted within the Colombo Lotus Tower premises.

Financial Review

<u>Business Expansion and segmental analysis</u>

With the positive commencement and the above the expectation results shown in the first year of financial period of ten-month ended as of 31st December 2022, the Company has been progressively evolving with its lined up products & services portfolio which had been visualized as per the master plan compiled with a joint effort among the Telecommunication & Regulatory Commission of Sri Lanka as the lessor of the "Colombo Lotus Tower and its demised premises", Colombo Lotus Tower Management Company (Pvt) Ltd ("The Company") as the lessee of the property over a 50-year lease agreement and the General Treasury of Government of Sri Lanka as the single shareholder. Even the Company had been in the commercial operation only three and half months since it was opened to public from 15th September 2022 during the ten-month period ended as of 31st December 2022, a net profit of Rs.104.9mn was recoded as per the audited financial statements. In the first financial period, the Company started earing revenue by issuing tickets to allow local and foreign visitors to go up to the 29th floor "Observation-deck" to enjoy the first-time novel experience to see the view from Colombo all around at 244-meter height from the ground level. Other revenue streams were the revenues generated by providing space within the premises on rent for events and activations and by providing car park facilities to the visitors who were coming into the premises.

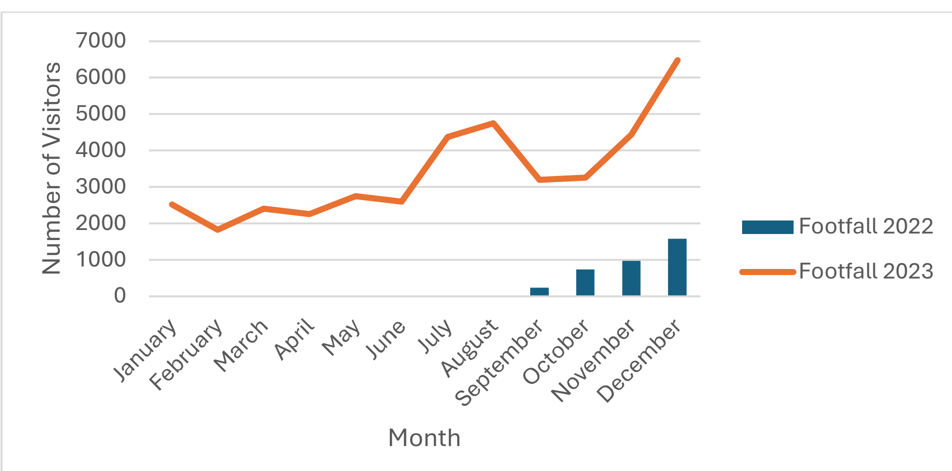
By stepping into the dawn of 2024, the Company started the commercial operation of the "Souvenir Shop" at the ground floor area by converting an 875 sq.ft. area at the exist gate passage of the Tower base into a revenue generating space by giving the choice to its visitors the buy some of unique and spellbinding souvenir items exclusively available only at Colombo Lotus Tower ("CLT") as an unforgettable experience in their lifetime. Accordingly, on 30th March 2023, the "Souvenir Shop" was opened to public and there onwards a continuous progress has been achieved by selling the souvenir items maintaining wide range of products for any kind of visitor from child to adult to youngsters to senior citizens to middle income families to high-net-worth individuals to locals to foreigners. There is no limit for their choice. Everyone has something to buy from here as a remarkable memory.

“Revolving restaurant” was another major project that was in the pipe-line at the beginning of the year, and after following the government tender process, the management of the revolving restaurant and the banquet halls and the bar lounge area have been awarded to “Citrus Leisure PLC” for a three-year operating period by signing an agreement on 31st May 2023. Accordingly, the capital investment around Rs.220 million has been incurred as a medium-term project by commercializing the “Tower House” area as per the Master Plan. After 6 months of construction period, the revolving and banquet operations were also started by making use of the massive kitchen area equipped which has been abandoned for more than 10 years with unused kitchen equipment. It has been achieved more than the forecasted combined revenue from the revolving restaurant segment named, “Blue Orbit” and the banquet hall named, “Cosmic” for the 21 days since its commencement date 11th December 2023.

“Lotus OneFive” and “PixelBloom” projects are in-progress and planning to open in the 2nd quarter of the next financial year 2024 together with few other major projects which are going to be prioritized based on the market dynamics and the customer behaviours.

During the financial year ended 31st December 2023, the Company has achieved a sale of Rs.183.7mn (including taxes) for 3 ½ months period from September 2023 to 31st December 2023 against the 3 ½ months sale of Rs.224.4mn during the initial period of the previous year since its commercial operation started on 15th September 2022, which is a 18% drop for the same period in 2023. This drop is mainly due to the early bird effect being a novel experience to the country as well as to the region with the opening of the “Observation-deck” to the public on 15th September 2022. However, the regular revenue types which were generated throughout the period is showing progressively increasing revenue figures on monthly basis which is a pretty healthy indicator that the management should move into the fulfillment of other business segments also as early as possible but safeguarding the applicable rules and regulations even the Company is still at the initial stage of the business. The number of foreign footfalls on a monthly basis depicted in Figure 3 gives trend analysis of the seasonal effect for better forecasting capabilities from the 2nd year of the commercial operation from 15th September 2023 onwards.

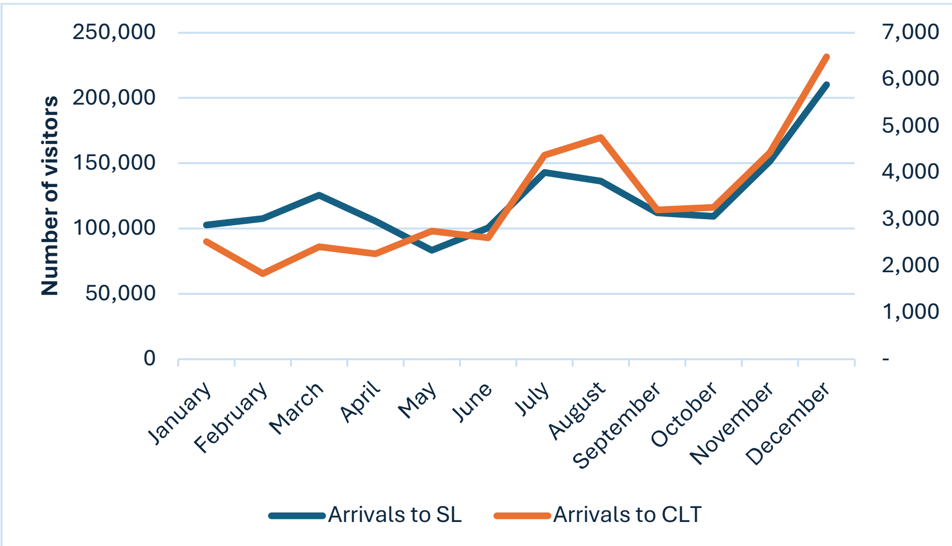
Figure 3: Foreign footfall comparison in 2022 and 2023



Source: Company data

The foreign footfall to the Company comparing the tourist arrivals to the country during the FY 2023 as per the statistics extracted from the Sri Lanka Tourist Board, is indicating an average conversion ratio of 1.7% which shows an increase of the ratio attracting more tourist to "Colombo Lotus Tower" as depicted in the Figure 4 below.

Figure 4: Foreign footfall against tourist arrivals to SL



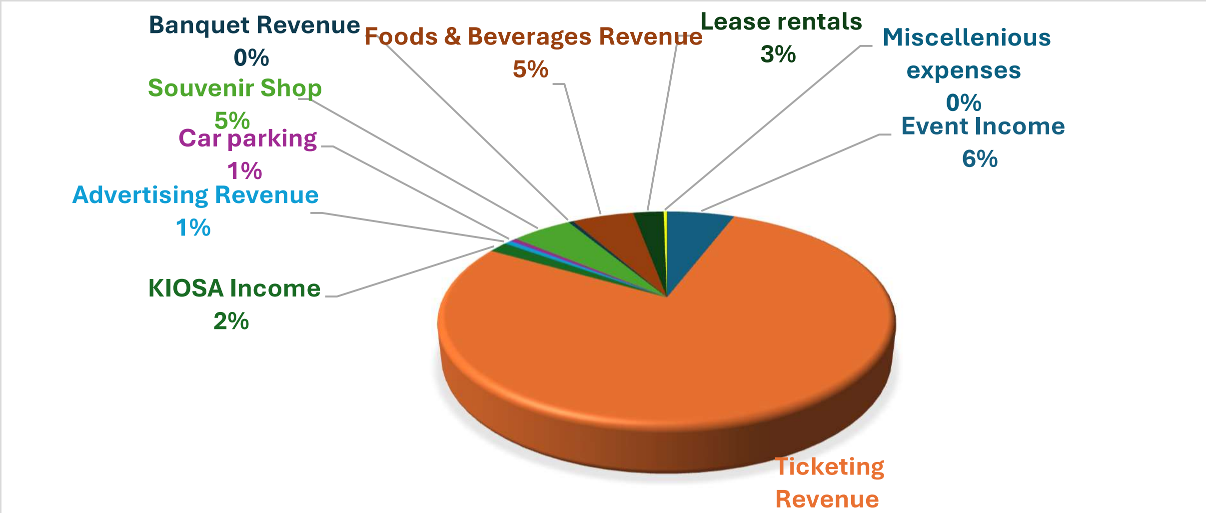
Source: Company data

"Souvenir Shop" sales targets achieved from April 2023 onwards since it was opened to the public on 30th March 2023, also shows a continuous progress over the period allowing the Company to think about ways and means to expand the business and to widespread the souvenir product items in future to increase the conversion rate from other segments as well.

<u>Revenue</u>

The Company has recorded a revenue of Rs.725.2mn for the 12 months period ending 31st December 2023 when comparing Rs.242.6mn for the 3 ½ months period ending 31st December 2022 in the previous year as the commercial operation of the Company was started only on 15th September 2022. The composition of the revenue during the financial year 2023 is depicted in Figure 5 depicted below which shows the contribution of each revenue segment for the overall revenue.

Figure 5: Composition of revenue FY 2023

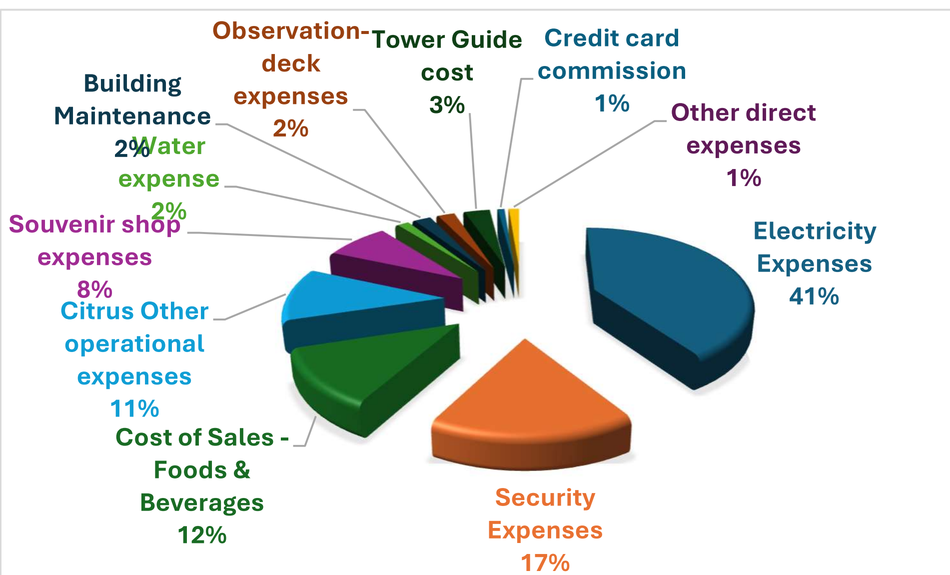


Source: Company data

Operating Expenses

Both directly related expenses and other operational expenses such as general and administration expenses and marketing expenses incurred during the FY 2023 are considered as total operating expenses and it was Rs.572.9mn. Out of which 36.25% has been identified as direct expenses and the composition of the direct expenses are depicted in Figure 6 below,

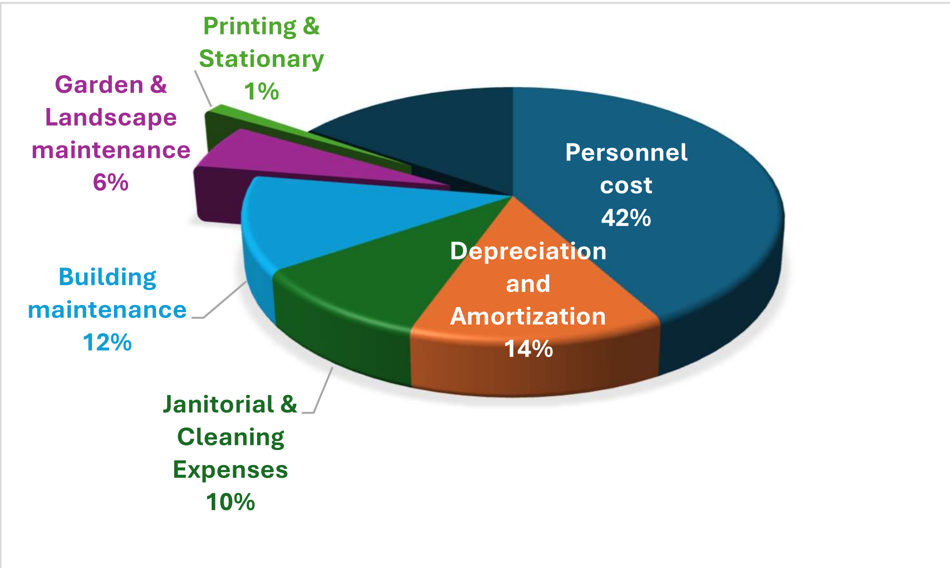
Figure 6: Analysis of the Direct Expenses in 2023



Source: Company data

The indirect cost was further analyzed into expenses categories for better controls over all the operational expenses as it has been in the commercial operation during the entire year. Accordingly, a total indirect cost of Rs.310mn has been depicted in the Figure 7 below and the significant controllable expense categories have been flagged for further optimization to improve the bottom-line of the Company on a regular basis recording a year-on-year progress in forthcoming years also.

Figure 7: Composition of general & administration expenses and marketing expenses

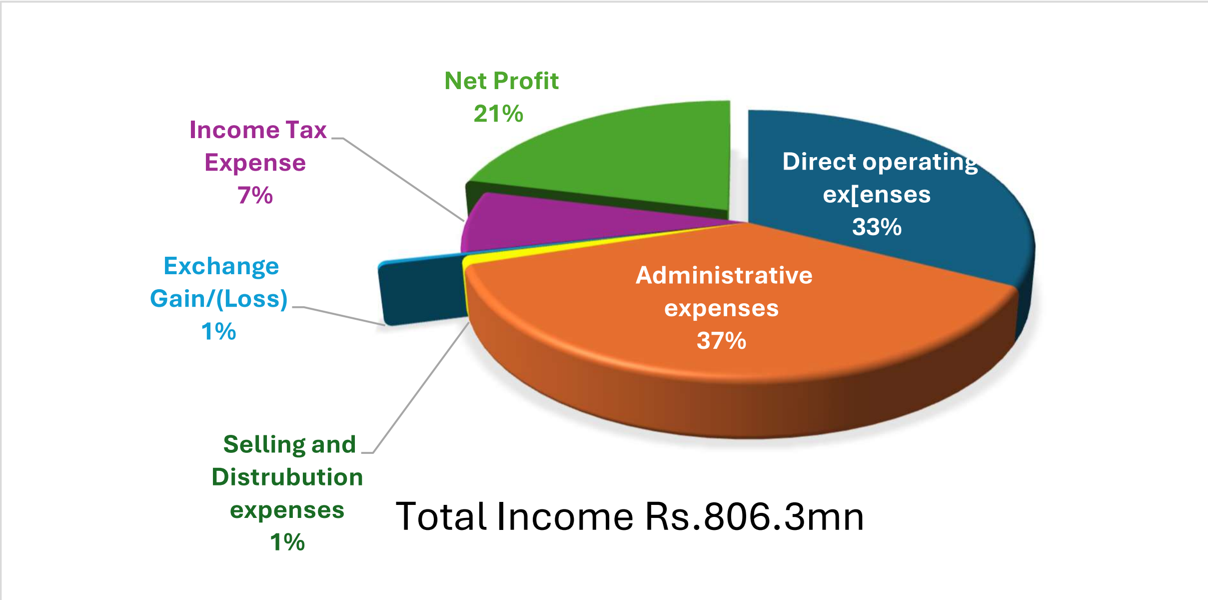


Source: Company data

Profitability

The Company has recorded an operating profit of Rs.155.7mn during the year whereas Rs.78.8mn has been achieved in the previous year for 3 ½ month commercialized period event though the transactions have been executed within the 10-month period of its first year of incorporation. Gross Margin of 63.75% and the possibility available to optimize the cost of some of the major variables identified in the financial year 2023 shows the potential of the business activities to be further improved to create more value for the organization in forthcoming years ahead. The value distribution of revenue is illustrated in the below Figure 8 below,

Figure 8: Distribution of revenue 2023



Source: Company data

During the year, the Company has started investing on few important and very much critical projects after carefully considering market factors and the cash flow position to invest in such projects by using the organic funds build up since the inception of the business activities on 15th September 2022 whereas the equity contribution of Rs.500mn received from the General Treasury at the start of the business in March 2022. Even though these equity funds utilized for the working capital requirements also, until the commercial operations were commenced, it was able to replenish the equity contribution at the end of the FY 2022 through the cash flows generated from the ticketing income of observation-deck. Accordingly, it has been decided to utilize this equity proceeds to finance the upcoming projects and to pro-actively monitor the progress to reap the benefits in the forthcoming years ahead with greater results for the whole nation being a remarkable and profit-making organization under the 100% ownership of the Government of Sri Lanka.

Engineering & ICT Services

<u>Maintenance</u>

As the defect liability period came to an end on February 2023 the Colombo Lotus Tower Management Company (Pvt) Ltd (CLTMC) proceeded with awarding Annual Maintenance Contracts (AMC) of selected critical engineering systems to suppliers that were recommended by the Telecommunication Regulatory Commission of Sri Lanka (TRCSL) and China National Electronics Import & Export Corporation (CEIEC).

The AMCs were signed before the defect liability period ended and were continued for the period of one year. During this year the suppliers carried out preventive and corrective maintenance work as required. The initial preventive maintenance work was the first servicing and maintenance work conducted after the Colombo Lotus Tower was taken over by the main contractor's supervision by local CLTMC team.

<u>On-going Projects</u>

Project Title:

Pixel Bloom

Scope:

The concept was adapted from the Colombo Lotus Tower business model to initiate a technology related project to increase the footfall and revenue to the Colombo Lotus Tower. This project was to involve several types of technology such as projection mapping, spatial audio and illusions using mirrors to create an immersive experience for a visitor. This space was to be used to project and display digital artforms using modern technology that is not presently available in Sri Lanka. The network and equipment infrastructure were designed to cater to future demands and technologies. The Pixel Bloom space would be utilized as an exhibition space and converted into an event space as required to generate additional revenue and to create a unique space for events.

Project Closure:

The implementation was carried out with several suppliers and warranty and maintenance is covered accordingly. All handover documents (operation and product manuals) were provided.

Project Title:

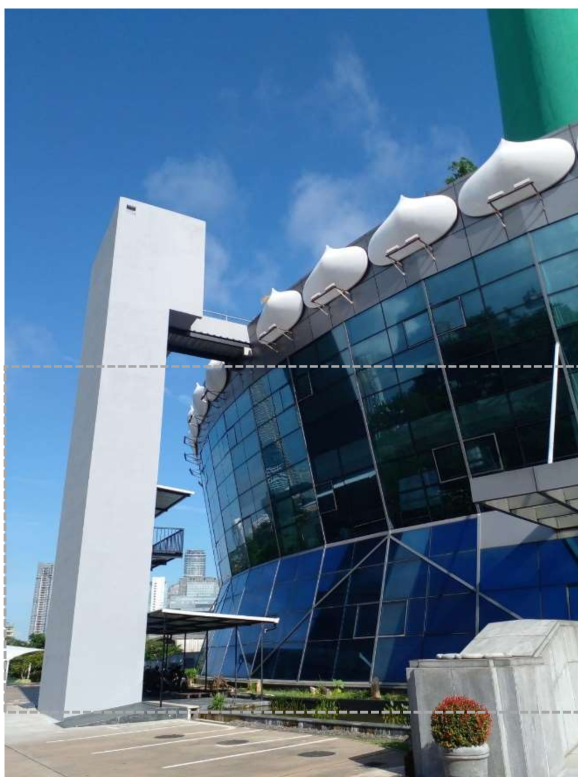
Supply, Install, Test Commission and Maintain 01 Passenger Lift of 1350kg Capacity (18 Persons) including Construction of Supporting Building to Install 02 Lift for Colombo Lotus Tower

Scope:

A supporting building is being constructed, and a lift is being installed to provide direct access from the ground level outdoors to the rooftop at the 15-meter level. Upon the commencement of operations, a lack of access to the 15-meter level was identified by CLTMC management. One of the existing access paths is through the fire staircase, which is fully functional only during fire emergencies, rendering it unusable at night. Additionally, the existing lift is burdened with multiple functions, resulting in heavy traffic.

Project Closure:

The Lift will be maintained for one year after installation and commissioning and one year defect liability period for the civil structure and the building. All handover documents (operation, product manuals, test report, commissioning report and as built drawings) and training were provided. Lift is used for transport passengers and goods for 15m Level roof top area.



Project Title:

Construction of Roof - Restaurant at 15 m level at Colombo Lotus Tower

Scope:

The roof at the 15M level of the Colombo Lotus Tower was both designed and constructed.

The roof of the bar and restaurant at the 15-meter level was constructed to cater to the dining and alcoholic beverage needs of users and visitors, particularly for those attending the open-air theater. The bar and restaurant consist of a standalone structure separate from the existing building. All other infrastructure facilities for the bar and restaurant must be provided by interested vendors.

Project Closure:

The project is being completed and the building will be handed over in 2024.

Project Title:

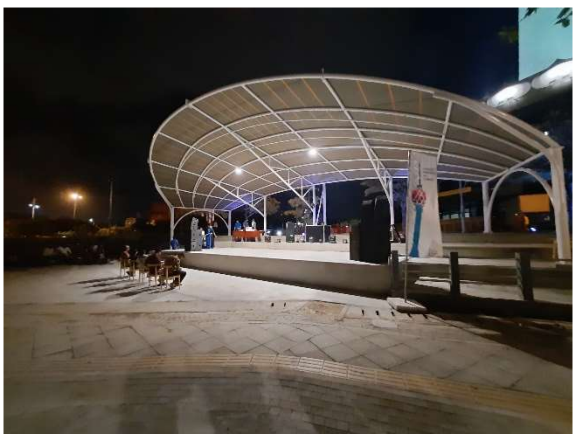
Construction of Marquee, Roofs for Theater by Lake Side (Design and Build) and Mini Theater Design and Build), Colombo Lotus Tower

Scope:

The construction of both the roof for the Mini Theater and the Lakeside Theater involved converting the floor into a stage area.
The main concept is to create roofs for outdoor medium-scale and small-scale events, providing versatile event spaces and generating income by hosting various events.

Project Closure:

The project in being completed and the building will be handed over in 2024.



Project Title:

Design and Build Receiving Bay at Colombo Lotus Tower

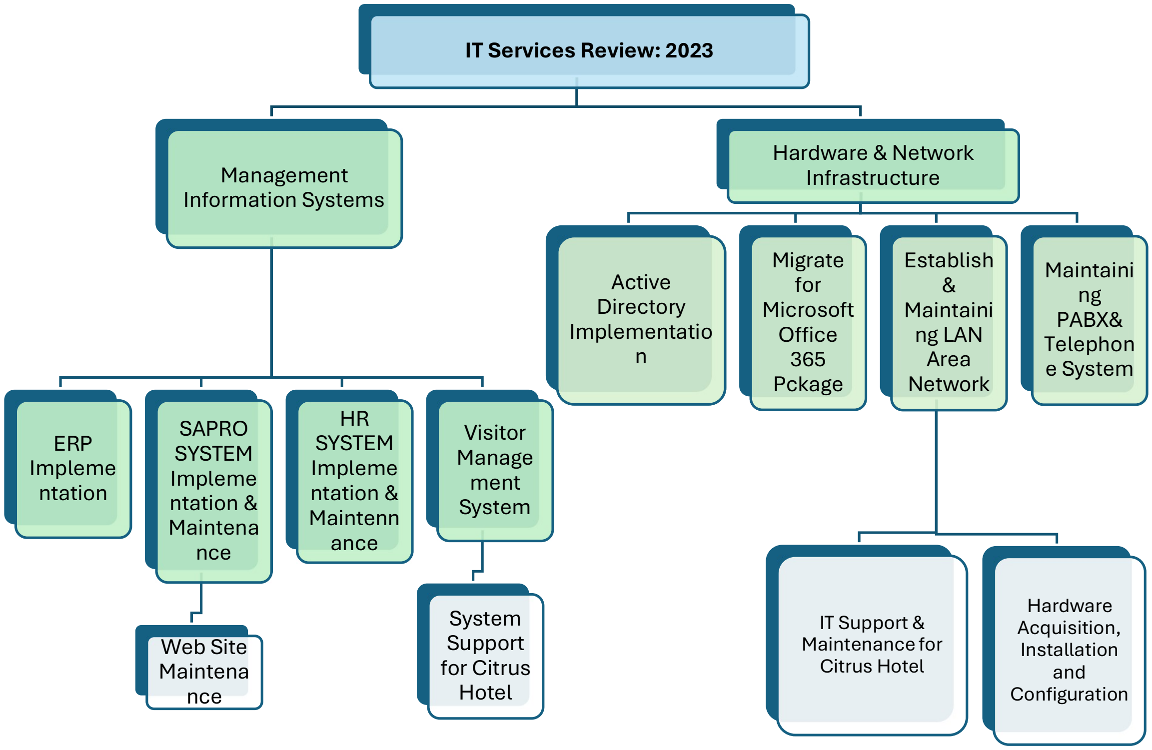
Scope:

The construction of the Receiving Bay was initiated to facilitate the receipt, management, and storage of goods for hotel operations at the Colombo Lotus Tower. This project was executed as a design and build initiative.

Project Closure:

The project is being completed and the building will be handed over in 2024.

ICT Services



The IT services provided in 2023 have been instrumental in supporting the operational efficiency and strategic goals of Colombo Lotus Tower Management Company (Pvt) Ltd. Through the implementation of advanced systems, regular maintenance, and strategic upgrades, we have enhanced our technological infrastructure, ensuring that it meets the current and future needs of our organization. Our commitment to continuous improvement and innovation in IT services remains steadfast, and we look forward to building on these achievements in the years to come. This summary review provides the IT department's contributions over the past year, showcasing our dedication to maintaining and improving the technological backbone of our organization.

Human Resource Management

The employees of all divisions in CLTMC continue to serve as the key pillars in delivering of our strategic initiatives and the primary force behind our value creation. They exemplify our mission, vision and values, and serve as the first impression of our brand to both foreign and local visitors, directly influencing delivery of unforgettable customers' experience. Therefore, CLTMC is focused to ensure the staff well-being and satisfaction at the workplace through the provision of opportunities for professional growth with expansion of business, a range of benefits including for their career and personal growth, and opportunities for engagement. As of year 2023, CLTMC comprised with a total of 83 employees of which 75% are male and 25% are female employees. They are distributed among various divisions and strategic business units.

Gender breakdown of the total employees as of December 31, 2023

Gender	Number of Employees	Ratio

Male	62	75%
Female	21	25%
Total	**83**	

Number of employees as of December 31, 2023 based on Category

Category	Number of Employees
Senior Management	4
Managers/ Assistant Managers	15
Executives	22
Staff	42
Total	**83**

Diversity and Inclusion

CLTMC from the inception has focused on fostering diversity, equality and inclusion in the workplace to ensure a discrimination free environment for its employees to prosper in their career regardless of gender, age, ethnicity, disability, religion, sexual orientation or cultural background. As a result, the Company has attracted diverse young talents from various backgrounds who make an invaluable contribution to the overall operations of business. These employees are given equal opportunities throughout the employment at CLTMC from recruitment stage, and professional development, to promotions or other advancement-based performance demonstrated at their capacity. The HR division is focused on its people strategy to support the overall Company strategy.

Benefits

CLTMC strongly believe that offering benefits to employees does boost their work satisfaction and moral leading to better work outcomes. To achieve this purpose, CLTMC provided benefits such as tea on all seven days and a free meal for dinner on every Friday, Saturday, Sunday and other holidays to its employees in addition to the statutory benefits that are entitled by law.

Training & Development

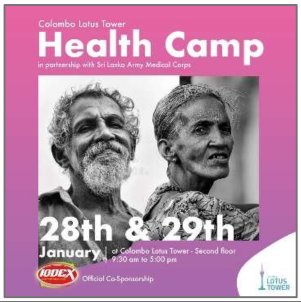
Training and development programs play a pivotal role in arming employees with required new skills and knowledge, empowering employees to perform their jobs with greater effectiveness, efficiency and confidence. With this in view, the CLTMC conducted training sessions to educate the staff on customer relations, sales and cohesion building, which was an essential to achieve as a new entity into business.

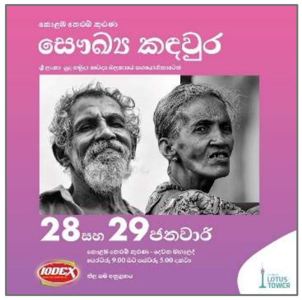
Health and Safety

CLTMC believe its a moral and ethical responsibility of the employer to ensure the health and safety of employees and that employees who are nurtured in a safe and healthy work environment have improved morale and productivity which would result in delivering their best to the organizational goals. Therefore, the Company works in close liaison with relevant government and other authorities and agencies to monitor for relevant new developments/new regulations for timely implementation to ensure health and safety of employees and all other stake holders.

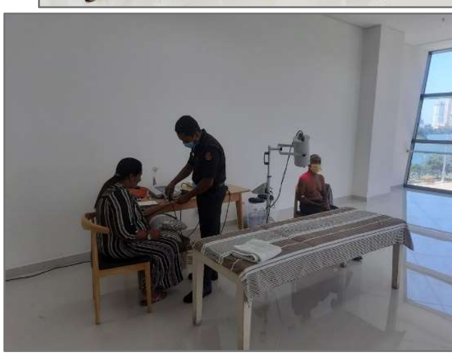
COLOMBO LOTUS TOWER - CSR Activities 2023

- FREE HEALTH CAMP ORGANIZED IN PARTNERSHIP WITH SRI LANKA ARMY MEDICAL CORPS







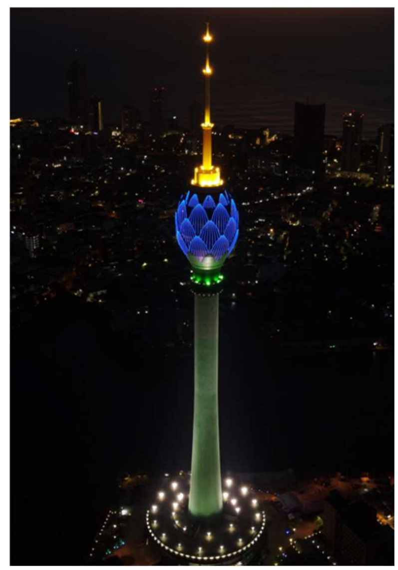



In a significant initiative to promote public health and well-being, Colombo Lotus Tower, in collaboration with the Sri Lanka Army Medical Corps, organized a Free Health Camp that was open to the public. This event provided free medical check-ups, consultations, and basic healthcare services to the public who visited. The health camp aimed to reach underserved populations and offer them essential healthcare services, reinforcing our commitment to community health and welfare.

- DONATION OF MEDICINES TO PRIMARY MEDICAL CARE UNIT BERALAPANATHARA, MATARA

A successful Health Camp, Colombo Lotus Tower handed over the remaining stock of medicines to the Primary Medical Care Unit Beralapanathara, Matara. In this initiative, officials from Colombo Lotus Tower were seen handing over the stock of medicines to Dr. Lahiru Peiris, representing the medical unit. This donation ensures that the benefits of our health camp extend beyond the event itself, supporting ongoing medical needs in the region.

- ILLUMINATION OF THE TOWER IN BLUE FOR WORLD AUTISM DAY



In recognition of World Autism Day, Colombo Lotus Tower was illuminated in blue. This act was part of a worldwide campaign to increase understanding and acceptance of people with autism. The blue lighting of the tower served as a beacon of support for individuals with autism and their families, promoting awareness and inclusion within our society.

- MENTAL HEALTH AWARENESS WORKSHOP WITH SRI LANKA SUMITHRAYO COLOMBO SOUTH BRANCH

Recognizing the importance of mental health, Colombo Lotus Tower, together with the Sri Lanka Sumithrayo Colombo South Branch, conducted a workshop aimed at creating awareness about mental health and its significance in society. This workshop provided valuable information and resources, raising greater understanding of mental health issues and encouraging proactive mental wellness practices. Through this initiative, we emphasized the need for mental health awareness and support within our community.

These CSR activities underscore Colombo Lotus Tower's dedication to health, awareness, community support, reflecting our commitment to making a positive impact on society as a whole.

Business Development Activities

Colombo Lotus Tower: The Ascendancy

In its second year, the Colombo Lotus Tower has firmly established its potential and significance, both locally and internationally. Building on this solid foundation, the Tower is now poised to ascend to even greater heights, striving to unlock new levels of achievement and potential. With a vision of continuous growth and innovation, the Tower is committed to expanding its influence, enhancing visitor experiences, and setting new benchmarks in architectural and cultural excellence. This year marks a pivotal phase in the Tower's journey, one characterized by resilience, forward momentum, and an unwavering pursuit of excellence.

Strategic Actions:

A. Launching of the Blue Orbit – South Asia’s Tallest Revolving Restaurant:

· Unique Selling Point: As South Asia's tallest revolving restaurant, Blue Orbit will offer a one-of-a-kind dining experience, attracting food enthusiasts and tourists seeking novelty.

· Panoramic Views: The revolving aspect provides 360-degree views of Colombo, enhancing the dining experience and making it a memorable visit.

· High-End Appeal: Targeting luxury dining segments will elevate the Tower’s profile and attract high-spending customers.

B. Initiating a Unique Entertainment Feature: Pixel Bloom – South Asia’s First Digital Art Museum:

· Innovative Attraction: As the first of its kind in South Asia, Pixel Bloom will draw tech-savvy visitors and art enthusiasts interested in digital and interactive experiences.

· Diverse Audience: This attraction will appeal to a broad demographic, including families, students, and tourists, boosting overall footfall.

C. Conceptualizing the Lotus Aqua Bay Project for Water-Related Activities:

· Maximizing Natural Assets: Utilizing the 70% water body of East Beira Lake for activities like boating, water sports, and floating markets will create a multifaceted attraction.

· Family-Friendly: Water-related activities attract families and groups, encouraging longer stays and repeat visits.

D. Initiating Lotus One Five – A Leisure and Entertainment Zone Offering a Diversified Experience to All Visitors:

· Versatile Entertainment: By offering various entertainment options, including outdoor cinemas, gaming zones, and relaxation areas, Lotus One Five caters to all age groups and preferences.

· Increased Dwell Time: A leisure zone encourages visitors to spend more time at the Tower, increasing opportunities for revenue through dining and shopping.

· Complementary Offerings: The integration of diverse experiences enhances the overall attractiveness of the Tower, making it a comprehensive destination.

E. Introducing Unique Events to Draw International Attractions, Such as an International Base Jump Event:

· Global Attention: Hosting international events like base jumping will attract global media coverage and adrenaline-seekers, boosting the Tower's international profile.

· Visitor Spike: Such events can draw large crowds and provide significant economic benefits through tourism.

· Brand Differentiation: Unique events set the Tower apart from other attractions, positioning it as a leader in innovative and adventurous activities.

F. Cross-Marketing the Projects via Vendor and Partner Platforms:

· Broadened Reach: Leveraging vendors' and partners' networks extends the marketing reach, attracting diverse visitor segments.

· Mutual Benefits: Cross-marketing creates win-win situations, enhancing brand visibility for both the Tower and its partners.

· Cost Efficiency: Sharing marketing efforts and resources with partners reduces costs and increases the effectiveness of promotional campaigns.

G. Celebrating and Offering Entertainment During Various Cultural Festivals Like Avurudu, Wesak, and Christmas:

· Cultural Engagement: Hosting events during major cultural festivals fosters community engagement and enhances cultural appreciation.

· Seasonal Footfall: Festivals naturally attract large crowds, providing peak visitor numbers and increased revenue opportunities.

· Inclusive Atmosphere: Celebrating diverse cultural events creates an inclusive environment, appealing to locals and tourists alike, and strengthening the Tower's position as a cultural hub.

Major Promotional Events and Strategic Enhancements

Colombo Oktoberfest 2023:

· A week-long annual event that draws Colombo's elite for a blend of entertainment and culture. With over 3,500 attendees daily, it stands as a marquee event in the city's social calendar.

Launch of Blue Orbit – South Asia's Tallest Revolving Restaurant:

· Introducing a unique dining experience with panoramic views, setting a new standard for culinary excellence in the region.

Launch of Celebrate Lotus Colombo:

· Introducing "Celebrate Lotus Colombo," a locally sourced souvenir shop, serving as a strategic action to enhance visitor experience, promote local craftsmanship, and generate additional revenue for the Colombo Lotus Tower.

Aluth Kalawak Concert:

· A historic musical event in Colombo, attracting a record-breaking crowd of over 13,000 attendees. This concert solidified the Colombo Lotus Tower's Open Air Arena as the premier venue for large-scale events.

International Base Jump Event:

· An inaugural event that captivated adrenaline enthusiasts worldwide, creating significant international buzz and showcasing the Tower's versatility as an event venue.

LPL Trophy Reveal:

· The iconic LPL Trophy Reveal took place at the distinctive Water Tank Level of the Colombo Lotus Tower, offering a breathtaking view of the picturesque Colombo skyline and attracting large media attention locally and internationally.

Major International Concerts:

· Hosting high-profile events such as "All 4 One", "Jonita Live in Colombo" and "Nevermore," reinforcing the Tower's reputation as a top destination for global entertainment.

31st Night Fireworks Show:

· A spectacular New Year's Eve tradition, featuring South Asia's tallest fireworks display. The 2024 show illuminated Colombo's skies, continuing to draw large crowds and cementing its status as an annual highlight.

ESG Plan for 2024

In 2023, Colombo Lotus Tower Management Company is dedicated to incorporating Environmental, Social, and Governance (ESG) principles into our operations. Our strategy is designed to minimize our environmental footprint, enhance social responsibility, and ensure robust governance to foster long-term sustainability and value creation.

High-Level Objectives:

1. Environmental Sustainability

Reduce Energy Consumption -
Focus on decreasing overall energy usage through efficient practices and renewable energy integration.

Increase Waste Diversion -
Enhance waste management strategies to significantly reduce landfill contributions and promote recycling.

Implement Renewable Energy Solutions -
Integrate solar panels and other renewable energy sources to support sustainable operations.

2. Social Responsibility

Employee ESG Training -
Provide comprehensive ESG training programs to empower employees with knowledge and skills to support sustainable practices.

Community Engagement -
Actively participate in community outreach programs, fostering strong relationships and contributing positively to local communities.

Partnerships with Nonprofits -
Collaborate with local nonprofits to support community development and environmental conservation initiatives.

3. Robust Governance

Establish ESG Committee -
Form a dedicated ESG committee to oversee the development and implementation of ESG policies and initiatives.

Annual ESG Reporting -
Commit to transparent and regular reporting on ESG activities and progress to maintain accountability and stakeholder trust.

Risk Management -
Implement comprehensive risk management practices to identify, assess, and mitigate potential risks related to ESG factors

Summary
These high-level objectives underscore our commitment to integrating ESG principles into every aspect of our operations. Colombo Lotus Tower Management Company is focused on creating a sustainable future by reducing environmental impact, fostering social responsibility, and maintaining strong governance. Through these efforts, we aim to build long-term value for our stakeholders and make a positive contribution to the environment and society.

Way Forward Strategies

Implementing Diversified Projects: To further elevate the Colombo Lotus Tower's appeal and generate additional revenue streams, we are introducing two innovative projects: Pixel Bloom -

South Asia's first digital art museum, and Lotus One Five - a dedicated leisure and entertainment zone. These new attractions will enhance the Tower's diverse offerings, drawing a wide range of visitors and providing unique experiences.

Maximizing Event Potential: The versatile open-air arena has proven to be a successful venue for large-scale events. By hosting a variety of events, from cultural festivals to international concerts, we will continue to utilize this space to its fullest potential, ensuring consistent and significant revenue generation.

Cross-Marketing Strategies: A comprehensive cross-marketing strategy will be implemented to promote the Tower's attractions both locally and internationally. Partnering with global collaborators and leveraging their platforms will amplify our reach, attract diverse audiences, and solidify the Colombo Lotus Tower's status as a premier destination.

Enhancing Global Reach: By tapping into international markets and forming strategic alliances, we aim to attract global tourists and event organizers. These efforts will not only boost footfall but also elevate the Tower's international profile, taking it to new heights of recognition and success.

Continuous Innovation and Improvement: We are committed to continuously enhancing the visitor experience by staying abreast of the latest trends and technologies. Regular updates and the introduction of new attractions will keep the Tower dynamic and appealing, ensuring long-term sustainability and growth.

These strategic actions will attract a broader audience, generate substantial additional income, and elevate the Tower's standing both locally and internationally.

Annual Report of the Board of Directors

1. General

The Directors of Colombo Lotus Tower Management Company (Private) Limited (Company) have pleasure in presenting to the Shareholder this Report together with the Audited Financial Statements for the year ended December 31, 2023 of the Company and the Auditors' Report on those Financial Statements, conforming to the requirements of the Companies Act No. 07 of 2007.

Colombo Lotus Tower Management Company (Private) Limited ("CLTMC") was incorporated as a private limited liability company on 03rd February 2022 and bears the Company Registration No. PV00252719

The registered office of the Company is at No.320, D R Wijewardena Mawatha, Colombo 02.

This Report provides the information as required by the Companies Act No. 07 of 2007, and Guidelines on Corporate Governance for State Owned Enterprises and was reviewed and approved by the Board of Directors of the Company on 17th May 2024.

2. Review of Business

2.1 Vision, Mission and Corporate Conduct

CLTMC Vision and Mission are given on page 2.

2.2 Review on Operations of CLTMC

The CEO's Review and the 'Management Discussion and Analysis' on pages 12 to 33 provide an overall assessment on the operational performance and financial position of CLTMC, and the status of affairs together with important events that took place during the year in detail, as required by the Section 168 of the Companies Act No. 07 of 2007.

2.2.1 Principal Activities of CLTMC

The business activities of CLTMC have been management of commercial activities of the Tower on behalf of Telecommunication Regulatory Commission of Sri Lanka (TRCSL), including renting out commercial spaces, operation of "Blue Orbit" restaurant and "COSMIC" banquet halls, "PixelBloom" Digital Art Museum and Lotus Aqua Bay.

2.2 Financial Statements of CLTMC

The Audited Financial Statements of the company are given on pages 58 to 84

2.3 Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the CLTMC as noted in pages 46 & 47.

2.4 Auditors' Report

The Auditor General as the Auditors of the Company performed the audit on the Financial Statements for the year ended December 31, 2023 and the Auditors' Report issued thereon is given on page 48-57 as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007.

2.5 Accounting Policies and Changes during the Year

CLTMC prepared their Financial Statements, in accordance with Sri Lanka Accounting Standards which were in effect up to the reporting date.

2.6 Entries in the Interests Register of the Company

An Interests Register is maintained by the Company, as required by the Companies Act No. 07 of 2007. All related entries were made in the Interests Register during the year.

The share ownership of Directors is disclosed on pages 38. The Interests Register is available for inspection by the Shareholders or their authorized representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.

2.7 Directors' Remuneration and Other Benefits

Directors' remuneration and other benefits, in respect of the Company for the financial year ended December 31, 2023, are given in Note 23.2 to the Financial Statements on page 82.

2.8 Corporate Donations by the Company

During the year, the Company has not made any donation.

3. Net Income and Profitability

The Revenue of the Company for 2023 was Rs. 725.2mn (Rs. 242.6mn in 2022). The profit after tax of the Company stood at Rs.170.1mn (Rs. 104.9mn in 2022).

4. Dividends and Reserves

4.1 Dividends on Ordinary Shares

The Directors have decided to reinvest the profits in capital development projects in the Company. Hence no dividend was declared for the financial year ended 31st December 2023.

4.2 Reserves

Information on the movement of reserves is given in the Statement of Changes in Equity on page 61 in Notes to the Financial Statements.

5. Property, Plant & Equipment, Leasehold Property and Intangible Assets

Capital expenditure incurred on Property, Plant & Equipment (including Capital Work-in-Progress), Intangible Assets and Leasehold Property of the Company, details of which are given in Note 8-11 on pages 78 & 79 to the Financial Statements respectively. Capital expenditure approved and contracted for, are given in Note 21 to the Financial Statements on page 82.

6. Market Value of Freehold Properties

The details of freehold properties owned by the Company are given in Note 8 to the Financial Statements on page 78.

7. Stated Capital

The Stated Capital as at 31st December 2023 was Rs. 500,000,010/- comprising of 50,000.001 ordinary voting shares (Rs. 500,000,010/- as at 31st December 2022 comprising of 50,000,001 ordinary voting shares).

08. Directors

8.1 Information on Directors of the CLTMC

8.1.1 List of Directors

The Board of Directors of the Company as at December 31, 2023 consisted of Seven. The current Board consists of members with wide range of knowledge and experience in Management, Financial, Marketing, and Public Administration. The qualifications and experience of the Directors are given in the 'Board of Directors - Profiles' on pages 5 to 8.

Names of the Directors of the Company as at 31st December 2023 as required by the Section 168 (1) (h) of the Companies Act No. 07 of 2007, are given below:

Mr Yogendra Perera	- Director/ Chairman
Mr R M P Rathnayake	- Director
Rtd Major General Prasad Samarasinghe	- Director/CEO
Ms Akalanka Wickremasinghe	- Director
Dr Dasun Abeysuriya	- Director
Mr Bathiya Waduge	- Director
Mr Belindra Weerasinghe	- Director

Mr Belindra Weerasinghe and Dr Dasun Abeysuriya were appointed to the Board on 17th March 2023. Yogendra Perera was appointed as the Director and the Chairman of the Company on 27th December 2023. Accordingly, Mr R M P Rathnayake who was the Acting Chairman, reverted to his original position as a Director of the Company.

8.1.2 New Appointments and Resignations

Ministry of Finance through the TRCSL withdrew the nomination of Mrs Akalanka Wickremasinghe on 12th February 2024 and nominated Ms Madara Sevwandi De Silva in place.

On 17th May 2024, the Board of Directors resolved that Messrs Bathiya Waduge and Belindra Weerasinghe ceased to be board members of the Company in terms of Article 38.1 (v) of the Articles of Association of the Company.

8.1.3 Recommendations for Re-election

Directors to retire by rotation

In terms of Article 39 of the Articles of Association, 1/3 of the Directors are required to retire by rotation at each Annual General Meeting. Article 39 of the Articles of Association provides that the Directors to retire by rotation at an AGM shall be those who, (being subject to retirement by rotation), have been longest in office, since their last election or appointment.

Accordingly following Director offer himself for re-election at this Annual General Meeting.

- Mr R M P Rathnayake

In terms of Article 46 of the Directors, following directors appointed during the financial year and subsequent to the closure of financial year shall offer for election as Directors at this Annual General Meeting.

- Dr Dasun Abeysuriya
- Ms Madara De Silva

8.1.4 Details of Directors attendance at Directors' meetings are presented on pages 41 under Corporate Governance.

8.1.5 Board Sub-Committees.

The Board Sub Committees in keeping with the guidelines for Corporate Governance for State Owned Enterprises, Audit Committee is established and fully functional with the following composition.

Mr Dimal Arandara - Chairman
Mrs Madara De Silva -Member (Appointed with effective from 12th Feb 2024)
Mrs Akalanka Wickramasinghe – Member (Resigned with effective from 12th Feb 2024)
Dr Dasun Abeysuriya -Member
Mr Bathiya Waduge -Member (Ceased to be a director with effective from 17th May 2024)

8.2 . Disclosure of Directors' Dealing in Shares as at 31st December 2023

Name of the Director	Number of shares as at 31st December 2023	Number of shares as at 31st December 2022
Mr Yogendra Perera	Nil	N/A
Mr R M P Rathbayake	Nil	Nil
Mrs Akalanka Wickremasinghe	Nil	Nil
Dr Dasun Abeysuriya	Nil	N/A
Major General (Retd) Prasad Samarasinghe	Nil	Nil
Mr Bathiya Waduge	Nil	Nil
Mr Belindra Weerasinghe	Nil	N/A

8.3 Directors' Interests in Contracts or Proposed Contracts

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed on page 82, if any. These interests have been declared at Directors' meetings. Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Directors' remuneration and other benefits, in respect of the Company for the financial year ended 31st December 2023 are given in Note 23.2 to the Financial Statements on page 82.

9. Risk Management and Internal Controls

The Directors are responsible for the Company's system of internal controls covering financial operations and risk management activities and reviews its effectiveness in accordance with the provisions of the corporate governance framework.

The Directors consider that the system is appropriately designed to manage the risk and to provide reasonable assurance against material misstatement or loss. The Directors further confirm that there is an on-going process to identify, evaluate and manage significant business risks.

10. Environmental protection

The Company make every endeavor to ensure compliance with the relevant environmental laws, regulations and best practices applicable in the country. After making adequate inquiries from the management, the Directors are satisfied that the Company operate in a manner that minimizes the detrimental effects on the environment within which the Company operate.

11. Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied, that all statutory payments due to the Government, other regulatory institutions and related to the employees have been made on time.

12. Events after date of the Statement of Financial Position

No event of material significance that require adjustments to the Financial Statements has occurred subsequent to the date of the Statement of Financial Position, other than those disclosed in Note 24 to the Financial Statements on page 83.

13. Appointment of Auditors

In term of Article 154 of the Constitution, Auditor General is continue to be the Auditors of the Company for the ensuing financial year. Fees paid to the auditors are disclosed in note 6 to the financial statements. As far as the Directors are aware, the Auditors do not have any interest in the company.

14. Directors' Declarations

The Directors declare that-

1. The Company complies with all applicable laws and regulations in conducting its business and have not engaged in any activity contravening the relevant laws and regulations. Officers responsible for ensuring compliance with the provisions in various laws and regulations, confirm compliance each quarter, to the Audit Committee at the Audit Committee Meetings
2. All material interests in contracts involving the Company and, refrained from voting on matters in which they were materially interested have been disclosed and declared.
3. All endeavours have been made to ensure that Shareholders in each category have been treated equitably in accordance with the original Terms of Issue.

15. Going Concern

The Directors are confident that the company has adequate resources to continue business operations. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the Financial Statements.

16. Contingent Liabilities

Details with regard to the contingent liabilities are given in note 21 to the financial statement.

17. Annual General Meeting

The Annual General Meeting of the Company will be held on 25th June 2024 at 9.30am. at "Colombo Lotus Tower".

18. Acknowledgement of the content of the report

As required by the section 168(1) (k) of the Companies Act No. 07 of 2007, the Board of Directors do hereby acknowledge the content of this Annual Report.

For and on behalf of the Board,

....	....
Chairman	Director

By Order of the Board of Directors of Colombo Lotus Tower Management Company (Private) Limited,

Deloitte Corporate Services (Private) Limited,

....
Secretaries to the Company

17th June 2024

Corporate Governance Report

Corporate Governance is the system by which companies are directed & controlled by the Management in the best interest of the stakeholders (investors, employees, suppliers, consumers, government & public) ensuring greater transparency, better and timely financial reporting. Board of Directors is responsible for the Governance of the Company to ensure it upholds principles of transparency, integrity, accountability and due care.

BOARD OF DIRECTORS

The Board is the apex body of the Company. It comprises professional and experienced persons from Management, Financial, Marketing, and Public Administration sectors. The Chairman and the Chief Executive Officer are held by two separate individuals. HE the President nominates Directors to be appointed as the Chairman and the Chief Executive Officer of the Company. Chief Executive Officer has executive powers in the company whilst the Chairman and the other Directors remain as Non-Executive Directors. The Secretary to the Treasury being the sole shareholder of the Company has the right to appoint two of their representatives from the Ministry of Finance to the Board. TRCSL has the right to nominate maximum of 05 members to the Board through the Ministry of Finance.

BOARD MEETINGS & ATTENDANCE

The Board meets monthly intervals and in addition special meetings are also arranged as required. During the period under review, 13 board meetings were held.

Name of the Director	No of Board meetings attended during the year 2023
Mr Yoga Perera	N/A
Major General (Rtd) Prasad Samarasinghe	13/13
Mr R M P Rathnayake	13/13
Mrs Akalanka R Wickremasinghe	13/13
Mr Bathiya Waduge	06/13
Dr Dasun Abeysuriya	07/10
Mr Belindra Weerasinghe	03/10

Measures are in place to ensure that Directors receive accurate, timely and comprehensive information required to discharge their duties at Board Meetings. All board papers and information including monthly financial performance reports, minutes of review meetings are furnished to all Directors at least 7 days prior to Board/Sub-Committee meetings even though that it is required only 48 hours as per the Articles of Association of the Company. Directors also have open access to the Executive management to obtain further information that could be required.

MANAGEMENT COMMITTEE

Corporate Management Committee is headed by the Chief Executive Officer. The Committee comprises Heads of the Departments of the Company. Management Committee makes decisions on day-to-day operations of the Corporation, implements the policy decision and strategic objectives as well as makes recommendations as necessary for Board of Directors to take policy decisions. Management Committee meets at monthly intervals.

AUDIT COMMITTEE

Audit Committee is constituted in accordance with the 'Public Enterprises Guideline for Good Governance' and Public Finance Circulars. The Audit Committee is appointed by the Board and comprises following members.

Mr A K D Arandara - Chairman

Ms Madara De Silva -Member (appointed with effective from 12th Feb 2024)

Mr Akalarnka Wickremansinge-Member (resigned on with effective from 12th Feb 2024)

Dr Dasun Abeysuriya - Member

Mr Bathiya Waduge - Member (Ceased to be a director with effect from 17th May 2024)

A Senior representative of the Ministry of Finance chairs the Committee. The Audit Committee independently examines and evaluates the activities of the Company. Internal Audit function is entrusted to the Internal Auditor of the Ministry of Finance and is carried out in accordance with "Internal Audit Plan" which is approved by the Audit Committee with the notification of the Auditor General. During the period under review, seven Audit Committee meetings were held. Audit committee report is set out in page 44-45.

THE COMPANY SECRETARY

Deloitte Corporate Services (Private) Limited is the Company Secretary, and is responsible for ensuring the integrity of the governance framework. The obligations and responsibilities of the Company Secretary outlined in the Companies Act, and also in the Governance Code, require playing a foremost role in the good governance of the Company. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

INVESTOR'S RELATIONSHIP & PUBLIC ACCOUNTABILITY

Public Enterprises are established, owned and operated by the Government on behalf of the Public. Therefore, Board of Directors and Managers of the Company are responsible for managing the enterprises in the interest of public and in conformity with the government regulations. Annual Report which embodies the performance of the Company, Audited Financial Statements, and Auditor General's Report is tabled in parliament for review by the Members of Parliament. Being a Public Enterprise, the Company is also accountable for the "Committee for Public Enterprises" (COPE) of Parliament.

REMUNERATION POLICY

The Company's remuneration policy is set out on the recommendations of the HR Consultancy Report commissioned by the Company in concurrence with Public Enterprise Department. The current policy is set to be adequately competitive to attract and retain best talent in the country to support the growth of the Company. A performance incentive scheme is in place to link rewards directly to the performance of individual employees. Accordingly, all the employees have been assigned with Key Performance Indicators which would be evaluated at the time of year end performance evaluation process.

Remuneration of Directors in the form of allowances is governed under the PED circulars.

INTERNAL CONTROL

The Board has the responsibility to ensure that Company maintains a system of Internal Control, which is designed to are safeguarded and proper accounting records are maintained and to provide reasonable assurance that all transaction entered into by the Company are at arm's length, and properly authorized, recorded & reported. The Board Audit Committee supports the Board in ensuring the adequacy and effectiveness of the Company' s internal control systems.

The Chief Executive Officer reports to the Chairman & the Board of Directors. Internal Control system is augmented by the internal Audit function. The Internal Auditor reports direct to the Chairman of the Company and to the Audit Committee, thereby strengthening the independence of the Internal Auditor. The National Procurement Guidelines are followed by the company in order to maintain the transparency of the transactions and thereby giving equal opportunities to interested parties. The Annual Budget which includes the capital budget, procurement plan and the annual action plan are approved by the Board and forwarded to Ministry of Finance.

Report of the Audit Committee

The Audit and Management Committee (AMC) of Colombo Lotus Tower Management Company (Private) Limited is constituted in accordance with the Guidelines on Corporate Governance for State Owned Enterprises issued by the Public Enterprise Department. The AMC follows the Audit Committee charter of above guidelines.

The Audit Committee plays a important rule in the company and provides assistance to the Board of Directors in fulfilling its responsibility for, preparation, presentation and adequacy of disclosures in the Financial Statements, in accordance with the Sri Lanka Accounting Standards, Compliance with financial reporting requirements, Companies Act, and other relevant financial reporting related regulations and requirements,

The functions of the AMC during the financial year comprise of following;

1. Ensuring that financial reporting systems in place are effective and well managed in order to provide accurate, appropriate and timely information to the Board, regulatory authorities and other stakeholders.

2. Evaluate the appropriateness of the accounting policies adopted by the Company, standards and other compliance requirements and any new laws and regulations as applicable to the Company.

3. Review the financials of the Company in order to maintain the integrity of the statements prior to submission of the board.

4. Review internal audit reports and its findings, management response and implementation & follow-up of recommendations.

5. Discussion with the representatives of the Auditor General regarding the financial reporting process of the company in order to obtain independent assessment of the effectiveness of the financial reporting process.

6. Review of audit queries raised by the Auditor General in relation to the financial statements prepared by the company and agree upon corrective measures with the management and the Auditor General.

Composition of the committee is as follows:

1. Mr A K D Arandara - Chairman
2. Ms Madara De Silva -Member (appointed with effective from 12th Feb 2024)
   Mr Akalarnka Wickremansinge-Member (resigned on with effective from 12th Feb 2024)
3. Dr Dasun Abeysuriya - Member
4. Mr Bathiya Waduge - Member (Ceased to be a director with effect from 17th May 2024)

By invitation – Mr. Asanka Heendeniya (Head of Finance)

By invitation – Mrs. Hema Suresh Kumar (Internal Auditor representing Ministry of Finance as an observer)

By invitation – Mrs. S A D Perera (External Auditor representing Auditor General Department as an observer)

Committee met 7 times during the financial year 2024. These meetings are attended by the Internal Auditor and the representative of Auditor General.

Audit Committee reviewed the effectiveness and independence of the External Auditors and are satisfied with their performance and viewed that they are act independently.

……………………..

A K D Arandara

Chairman

Audit Committee

17th June 2024

Statement of Directors' Responsibility

The responsibility of the Directors, in relation to the Financial Statements of Colombo Lotus Tower Management Company (Private) Limited ("CLTMC") is set out in this Statement.

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the CLTMC are responsible for ensuring that the CLTMC keep proper books of accounts of all transactions and prepare Financial Statements that give a true and fair view of the financial position of CLTMC as at end of each financial year and place them before the General Meeting. The Financial Statements comprise of the Statement of Financial Position as at December 31, 2023, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

Accordingly, the Directors confirm that the Financial Statements of the CLTMC give a true and fair view of:

(a) the financial position of the CLTMC as at Reporting date;
and
(b) the financial performance of the CLTMC for the financial year ended on the Reporting date.

In terms of Section 150(1)(b) and Section 152(1)(b) of the Companies Act, these Financial Statements of the CLTMC have been certified by the CLTMC's Head of Finance, the Officer responsible for the preparation. In addition, the Financial Statements of the CLTMC have been signed by two Directors of the CLTMC on 17th May 2024 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements. In terms of Section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which correctly record and explain the CLTMC's transactions are maintained to facilitate proper audit of the Financial Statements. Accordingly, the Directors have taken reasonable steps to ensure that the CLTMC maintain proper books of account and review the financial reporting system through the Board Audit Committee.

The Directors confirm that these Financial Statements for the year 2023, prepared and presented in this Annual Report are in agreement with,

a) appropriate accounting policies selected and applied in a consistent manner and material departures if any have been disclosed and explained.
b) all applicable accounting standards that are relevant, have been followed.
c) judgments and estimates made which are reasonable and prudent.

The Directors also confirm that the underlying books of accounts are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, and Guidelines on Corporate Governance for State Owned Enterprises.

The Directors also have taken reasonable measures to safeguard the assets of the CLTMC and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal audit function directly reporting to the Board.

The Directors are also of the view that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these financial statements.

The Directors confirm that, to the best of their knowledge, all contributions, taxes, duties and levies payable by CLTMC all contributions, levies and taxes payable on behalf of and in respect of the employees of CLTMC, and all other known statutory dues as were due and payable by CLTMC as at the Reporting date have been paid or, where relevant, provided for.

By Order of the Board of Directors of the Colombo Lotus Tower Management Company (Private) Limited,

Deloitte Corporate Services (Private) Limited,

....
Secretaries to the Company

17th June 2024

Independent Auditor's Report

CAM/E/CLT/03/23/34 04 June 2024

Chairmen

Colombo Lotus Tower Management Private Company

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Colombo Lotus Tower Management Private Company for the year ended 31 December 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018

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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Colombo Lotus Tower Management Private Company for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 2023, 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 2023 Annual Report.

The other information comprises the information included in the Company's 2023 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 2023 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material

- uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

2. Report on Other Legal and Regulatory Requirements

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

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) 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 include 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 were 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 cause 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

	Reference to Laws, direction etc.	Non-compliance
(a)	Section 13(b) relating to Articles of Association of the Companies Act No. 07 of 2007	Provision should be made in respect of the rights and obligations of the shareholders of a company. According to the Articles of Incorporation No. 02 of the Colombo Lotus Tower Management Private Company, although a Master Agreement should be entered into by the Company, the Secretary of the Treasury and the Sri Lanka Telecommunications Regulatory Commission, the Company had not acted accordingly.
(b)	Public Enterprises Circular No. PED 01/2015 (ii) dated 14 January 2022	**i.** Despite it had stated that the government circulars shall be applicable to all allowances paid in addition to salary as per Decision No. 13 of the Minutes of the Board of Directors Meeting dated 16 March 2023, and although the higher management level (HM1) officers are to be paid the monthly amount of litres of fuel as fuel allowance, on the contrary, the Company had paid Rs.4,441,459 for 19 officers in the year 2023 . **ii.** A sum of Rs. 4,231,577 had been paid as vehicle allowance of the year 2023 to 20 officers who are not eligible for official vehicles.

(c)	Management Services Circular 05/2017 of the Ministry of Mass Media No. MSD/ Circular/ 2017 dated 25 October 2017	Despite Government circulars shall be applicable to all allowances paid in addition to salary as per the Decision No. 13 of the Board of Directors Meeting Minute dated 16 March 2023 and as the active service period of all the officers of the Company is less than 06 years and thus, the maximum professional allowance payable per month is Rs. 3,000 according to the circular, although the professional allowance payable to 13 officers of the Company in the year 2023 was Rs.282,000, the Company had paid a sum of Rs. 2,237,600.
(d)	Paragraph No 5.3 of Operation Manual for State Owned Enterprises dated 16 November 2021	Although at least 30 per cent of the profit after tax should be remitted to the Treasury as dividends it had not so done. Further, since the Treasury owns the entire capital of the Company, although the remaining dividend should also be remitted to the Treasury in addition to the said 30 per cent dividend, actions had not been taken accordingly.
(e)	Section 5.4.4 (1) of Government Procurement Guidelines	Although a maximum of 20 per cent of the contract sum may be paid in advance on production of acceptable advance payment security, the advance of Rs.65,088,221 had been paid by the Company at various percentages.

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.

(a) Because of a Procurement Plan has not been prepared for the year 2023, it could not be ascertained that reasonable procurements were made and the progress as at 31 December 2023 could not be checked.

(b) Actions had not been taken in terms of 5.3.1 (d), 5.3.11 and 5.4.10 (b) of the Government Procurement Guidelines for the procurement of Rs.3,055,875 for printing and providing tickets. Further, even if it had been stipulated that the tenderer shall submit the quotations inclusive of the discount if it is offered by the bidder in terms of Section ITV 05 of the Bid Documents, despite the second lowest bidder has not done so, after the Technical Evaluation Committee recommendation dated 16 February 2023 that is 17 February 2023, a revised bid had been sent. The details of the way of the company received the revised bid had not been not submitted to the audit.

(c) Preparation of an estimate for the procurement of tax-free supply and installation of Kids Play equipment valued at Rs.40,302,089 for the entertaining park and obtaining of the approval of the Board of Directors had not been made and 80 per cent that is Rs.32,241,671 had been paid as advance on 20 October 2023 in contrary to Section 5.4.4 (1) of the Government Procurement Guidelines. Due to the fact that this work has not been completed to be able to use even by 27 May 2024, the Company had lost the interest income from investing that money.

Further, after awarding the procurement to the bidder on 01 September 2023 at a value-added tax-free value of Rs.40,302,089, due to the addition of import duty of Rs. 5,062,985 on 05 September 2023, which was not included in the original bid by the bidder, the new bid price had been Rs. 45,365,074.

(d) It had been contracted by Colombo Lotus Tower Management Private Company and Citrus Leisure PLC to carry out a business in the Hospitality Industry style in 25, 26, 27, 28 and kitchen of Lotus Tower Building, Colombo. According to clause 8.1 of that agreement, a management fee of 3.5 per cent of the gross income was to be paid, and according to clause 8.2, in addition to the total employee cost, another 10 per cent of that cost was to be paid every month and in addition, 20 per cent of the gross operating profit had to be paid. Due to the operations of Citrus Leisure PLC, despite having a net loss of Rs. 20,345,977 from October 2023 to 31 December 2023, the Colombo Lotus Tower Management Pvt. Company had paid Rs.1,450,700 management fee and Rs.1,067,245 employee salary cost for that period.

However, the conditions of the agreement on how to act in the event of a gross operating loss occurred as above had not been included.

Further, the Company did not provide monthly targets to Citrus Leisure PLC. and a responsible officer had not been appointed to supervise its activities. Further, although the selection, appointment, termination of service and determination of wages of employees shall be decided in consultation with the Company in accordance with Section 3.1 (a) of the above agreement, the Company had not involved in the activities of selection, appointment, termination and remuneration of the employees whatsoever of Citrus Leisure PLC As a result of that, Citrus Leisure PLC could have hired employees and decided the salary as needed and the Company had bound to pay any wages and allowances offered by the said company. Similarly, even though Rs. 1,013,910 had been paid for providing mobile phones, an approval for that had not been received from the agreement.

(e) Due to failure of proper preparation of Engineering Estimate and Bill of Quantity by the Engineer of the Company for modernizing the ticket counters of Company, a sum of Rs. 1,679,379 had been paid for carrying out the aforesaid work by 02 construction companies.

(f) Goods for the procurement of LED 20x10 screen supply, installation, testing, operation and maintenance valued at Rs 18,810,000 had been supplied to the Company on 17 May 2023 and 80 per cent of the contract that is Rs. 15,048,000 had been paid. Although the contract should be completed on 02 December 2022, the contract had not been completed even by 27 May 2024.

2.3 Other Matters

(a) A consultant had been recruited for the period of 06 months from 01 January to 30 June 2023 for the souvenir shop run by the Company and it had been contracted to pay him only a monthly allowance of Rs.200,000 inclusive of all allowances in terms of Section 04 and 06 of the agreement entered into with the consultant. Nevertheless, a sum of Rs.142,800 had been paid as transport allowances by the Company to the consultant for the month of February and March 2023 in contrary to the terms of the agreement.

Further, even though it had been stated that his Job Description was attached as Annexure A according to the agreement entered into with the consultant, the attachment had not been submitted for audit. Further, the service period was extended and his salary had been increased in 02 occasions as monthly salary up to Rs.275,000 from July to 31 December 2023 and monthly salary up to Rs.300,000 from January to 30 June 2024 and the reasons for extension of the consultancy service period of the consultant were not submitted to the audit.

(b) The Observation Deck had been used to show the Asia Cup cricket tournament held in the year 2023 and even though the Company had spent an expenditure of Rs.1,685,469 for that, no income whatsoever had been earned due to failure of issuing of ticket for watching cricket tournament.

(c) Purchase orders were sent to the supplier for the purchase of items including uniforms for the employees of the Revolving Restaurant run by the company and total value Rs. 7,750,190, that is 70 per cent of the invoice value had been paid in advance as Rs. 495,600, Rs. 3,240,000 and Rs. 4,013,800 respectively based on 03 nominal invoices sent by him. Out of this supply, linen valued at Rs. 84,700 had not been supplied even by 27 May 2024.

(d) Although an Annual Board of Survey on the fixed assets and storage materials of the Company amounting to Rs 393,621,112 should be made and reports should be submitted in terms of 6.7 of the Operational Manual for Government Owned Enterprises, the reports had not been submitted up to 27 May May 2024.

(e) During the physical inspection of the Lotus Tower in Colombo, names and various images were painted on the wall paints on the Observation Deck of the Tower. Even though plastic panels lit by electric lights in the Observation Deck had been installed by spending Rs. 1,084,050 to reduce the damage, they were also damaged by the spectators. Although security camera systems were installed in the Tower and employees were deployed for its operation, the Management did not deploy the minimum number of security personnel required to calculate the damage and identify the people who caused the damage and take necessary measures.

(f) Machinery breakdown insurance and electronic insurance to be obtained by the Company in terms of Clause 7(b) of the Management Agreement signed on 02 August 2022 and 2.2(u) of the Lease Agreement signed on 10 April 2023 had not been obtained even by 31 December 2023 .

(g) A sum of Rs. 81,521,995 had been received from the revolving restaurant, photo taking, children's train and souvenir shop for 08 types of income that were not recognized by the Budget of the year 2023 of Colombo Lotus Tower Company and despite the money had not been allocated by the Budget of Colombo Lotus Tower Company in the year 2023, a sum of Rs. 90,416,715 for Direct Operating Expenses of Citrus PLC Company and Souvenir Shop and a sum of Rs.168,783,217 for corporate and administrative expenses such as holiday pay, accounting service charges, Director Board allowances, entertainment expenses, traveling expenses, audit fees, telephone expenses, sanitation charges etc. had been spent.

(h) Nine debt balances valued at Rs 3,495,912 remained outstanding as at 31 December 2023, were not recovered even by 28 March 2024. The balance of this loan had been outstanding for more than a year as at that date and adequate steps had not been taken to recover these loan balances.

(i) A 100 per cent bad debt provision had been made for the loan balance of Rs. 1,060,875 which was to be recovered from an external private company in the above debtor balance as at 31 December 2023. Thus, it had been stated to the company that the reason for the provision of bad debt was the company had to spend Rs 2,533,870 for the shop building built on the plot rented by this company to run a shop on the company premises.

(j) The salaries had been paid by preparing salary conversions including information on minimum salary base as per the Decision of Board of Directors dated 16 March 2023, performance review evaluation reports, qualifications and skills as per the job description without obtaining approval of the Board of Directors. Further, details relating to the identification of excess salary paid to each officer had also not been submitted to audit.

Signed By
W.P.C. Wickramaratne
Auditor General

Audited Financial Statements

Colombo Lotus Tower Management Company (Pvt) Ltd

STATEMENT OF PROFIT OR LOSS

For the period ended 31 December 2023

	Notes	2023 (12 months) Rs.	2022 (10 months) Rs.
Revenue	3	725,220,019	242,619,259
Direct Operating Expenses		(262,925,184)	(65,105,026)
Gross profit		462,294,835	177,514,232
Other Income	4	3,413,962	1,368,917
Administrative expenses		(301,418,423)	(88,342,000)
Selling and Distrubution expenses		(8,549,897)	(11,784,466)
Results from Operating Activities		155,740,476	78,756,683
Net Finance Income	5	77,666,378	63,677,458
Exchange Gain/(Loss)		(3,453,567)	(371,301)
Profit/(loss) before taxation		229,953,287	142,062,840
Income Tax Expense	7	(59,888,945)	(37,085,861)
Profit/(loss) for the year		170,064,342	104,976,979
Earnings Per Share - Basic		3.40	2.10

Figures in brackets indicate deductions.

Colombo Lotus Tower Management Company (Pvt) Ltd

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2023

	Notes	2023 (12 months) Rs.	2022 (10 months) Rs.
Profit/ (Loss) after tax		170,064,342	104,976,979
Other Comprehensive Income		-	-
Other Comprehensive Income not to be reclassified into profit and loss in subsequent periods			
Acturial gain/(loss) on defined benefit plans		-	-
Total Other Comprehensive Income		170,064,342	104,976,979
Income tax (charge)/credit relating to other comprehensive income		-	-
Total comprehensive income/(expense) for the period, net of tax		170,064,342	104,976,979

Figures in brackets indicate deductions

Colombo Lotus Tower Management Company (Pvt) Ltd

STATEMENT OF FINANCIAL POSITION

For the period ended 31 December 2023

	Notes	2023 (12 months) Rs.	2022 (10 months) Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	8	393,621,112	68,037,533
Right of Use Asset	10	635,647,417	648,844,249
Intangible assets	9	5,973,868	186,706
Work-in-Progress	11	101,861,337	4,516,289
Total Non-current assets		1,137,103,733	721,584,777
Current Assets			
Inventory	13	34,468,252	-
Trade and Other Receivables	14	16,927,286	8,257,005
Other Current Assets	15	86,805,752	24,809,649
Short Term Investments	16	169,375,104	495,000,000
Cash and cash equivalent	17	387,039,077	96,882,554
Total Current Assets		694,615,470	624,949,209
TOTAL ASSETS		1,831,719,203	1,346,533,985
EQUITY & LIABILITIES			
Equity			
Stated Capital		500,000,010	500,000,010
Retained Earnings		275,041,321	104,976,979
Total Equity		775,041,331	604,976,989
Non-Current Liabilities			
Retirement Benefit Obligations		2,925,613	-
Total Non-Current Liabilities		2,925,613	-
Current Liabilities			
Trade and Other Payables	18	412,770,940	54,629,526
Amounts Due to Related Companies	19	559,841,609	659,841,609
Income Tax Payable	20	81,139,709	27,085,861
Total Current Liabilities		1,053,752,258	741,556,996
Total Liabilities		1,056,677,872	741,556,996
TOTAL EQUITY & LIABILITIES		1,831,719,203	1,346,533,985

I certify that the Financial Statements comply with the requirements of the Companies Act No.07 of 2007.

Head of Finance

The Board of Directors is responsible for these Financial Statements. Approved and signed for on behalf of the Board by:

Director　　Director　　Director

Figures in brackets indicate deductions.

17th May 2024
Colombo

Colombo Lotus Tower Management Company (Pvt) Ltd

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2023

	Capital Reserves	Revenue Reserves	
	Stated Capital	**Retained Earnings**	**Total**
	Rs.	**Rs.**	**Rs.**
Balance as at 01 March 2022	-	-	-
Issued share capital	500,000,010	-	500,000,010
			-
Profit for the year	-	104,976,979	104,976,979
Balance as at 31 December 2022	500,000,010	104,976,979	604,976,989
Issued share capital	-	-	-
			-
Profit for the year	-	170,064,342	170,064,342
Balance as at 31 December 2023	500,000,010	275,041,321	775,041,331

Figures in brackets indicate deductions.

Colombo Lotus Tower Management Company (Pvt) Ltd

STATEMENT OF CASH FLOWS

For the period ended 31 December 2023

	2023 (12 months) Rs.	2022 (10 months) Rs.
Cash Generated From Operating Activities		
Profit/ (Loss) Before Taxation	229,953,287	142,062,840
Adjustments for:		
Depreciation on property, plant and equipment	40,318,448	15,835,522
Amortisation of intangible assets	484,558	21,794
Provision for Gratuity	2,925,613	-
Provision for Impairment	2,872,925	-
Provision for single share issued at formation	-	10
Interest income	(77,841,858)	(63,714,389)
Operating Profit/(Loss) Before Working Capital Changes	198,712,973	94,205,777
(Increase)/Decrease in Inventory	(34,468,252)	-
(Increase)/Decrease in Trade and other receivables	(11,543,206)	(8,257,005)
(Increase)/Decrease in Other Current Asset	(73,413,368)	(7,923,274)
Increase/(Decrease) in Trade and other payables	358,141,414	54,629,526
Cash Generated From/(Used in) Operating Activities	437,429,561	132,655,024
Income tax self assessment/final paid	(5,835,097)	(10,000,000)
Net Cash Flows from Operating Activities	**431,594,464**	**122,655,024**
Cash Flows from Investing Activities		
Purchase/ capitalization of property, plant & equipments	(352,705,194)	(72,875,695)
Uncapitalized work-in-progress	(97,345,048)	(4,516,289)
Purchase/Adjustment in Intabgible Assets	(6,271,720)	(208,500)
Interest received	89,259,124	46,828,014
Proceeds / (Purchase) of short term investments	325,624,897	(495,000,000)
Net Cash Flows From/(Used in) Investing Activities	**(41,437,941)**	**(525,772,470)**
Cash Flows from Financing Activities		
Proceeds from share issue	-	500,000,000
Dividend paid	-	-
Repayment of Lease Liability	(100,000,000)	
Net Cash Flows From/(Used in) Financing Activities	**(100,000,000)**	**500,000,000**
Cash and cash equivalents at the beginning of the year	96,882,554	-
Net Increase/(Decrease) in cash and cash equivalents	290,156,523	96,882,554
Cash and cash equivalents at the end of the year (Note A)	**387,039,077**	**96,882,554**

Note (A)

Analysis of Cash and Cash Equivalents

	2023	2022
Cash & bank balances	387,039,077	96,882,554
Cash and cash equivalents at the end of the year	**387,039,077**	**96,882,554**

Figures in brackets indicate deductions.

1. CORPORATE INFORMATION

1.1 General

Colombo Lotus Tower Management Company (Pvt) Ltd ("Company") is a State-Owned-Entity with limited liability incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No:320, D R Wijewardana Mawatha, Colombo 02, which is the principal place of its business.

1.2 Principal Activities and Nature of Operations

The Company has been incorporated on 03rd February 2022 as a private limited liability Company as a fully owned entity under the Secretary to the Treasury of Sri Lanka. The Company has leased out the "Colombo Lotus Tower" and its surrounding premises (hereinafter referred as "the Premises") from the owner of the property, Telecommunication Regulatory Commission of Sri Lanka (TRCSL) under a 50-year lease agreement covering the period from 01st March 2022 to 29th February 2072 together with a Management Agreement signed with the owner (TRCSL) of the leased-out property to manage the business operations simultaneously. However, the lease agreement has been agreed and signed by both parties only on 10th April 2023 effective from 01st March 2022. Accordingly, the Company has started sub-letting the spaces as per the Business Plan of FY 2023 and capitalizing on the proposed projects which are being carried out now to realize the expected business performance as per the originally crafted Business Plan 2022/23. The commercial operations have been started since 15th of September 2022. The main business segments of the Company include; opening the Observation-deck of the "Colombo Lotus Tower" for public at a ticket price, sub-leasing commercial spaces at a rent income for tenants, revolving restaurant with banquet hall, souvenir shop, events management activities, etc.

1.3 Parent Entity and Ultimate controlling party

In the opinion of the Directors, the Company's parent entity is the Secretary to the Treasury of Sri Lanka.

1.4 Date of Authorization for Issue

The Financial Statements of Colombo Lotus Tower Management Company (Pvt) Ltd for the period ended 31 December 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 27th February 2024 and re-issued on 17th May 2024.

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter referred as "SLAS") as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). These financial statements presented in Sri Lankan Rupees have been prepared on a historical cost basis. The preparation and presentation of these financial statements are in compliance with the Companies Act No. 07 of 2007.

2.1 Going Concern

The Company's Management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.2 Summary of Significant Accounting Policies

2.2.1 Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognized as a part of the cost of the asset or part of the expense items as applicable. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the reporting date.

2.2.2. Revenue recognition

The Company is in the business of providing the Observation-deck of the "Colombo Lotus Tower" for public at a ticket price, sub-leasing commercial spaces at a rental income and service charges for tenants, events management activities, etc. from the beginning of the year.

Additionally, the Company as the "Owner" entered into a management agreement with Citrus Leisure PLC as the "Operator" on 31st May 2023 to carry out the business segments of the revolving restaurant, banquet hall and bar lounge for three years as the Company does not have the experience and expertise in the hospitality management industry. A management fee would be paid based on the financial performance criteria pre-agreed with parties (Owner and Operator). The Company's gross turnover comprises the revenue generated from food, beverage, lodging and other hospitality industry related activities and operating expenses comprise all the directly applicable to the business segments of the revolving restaurant, banquet hall and bar lounge including the management fee paid to the "Operator", except the depreciations and amortizations directly applicable for this business segment. The net Company's turnover excludes turnover taxes and trade discounts.

- Food and Beverage revenue is recognized at the time of sales.
- Other Hotel Related Revenue is accounted when such service is rendered.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, except for the agency services, because it typically controls the goods or services before transferring them to the customer. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes including Value Added Tax.

2.2.2.1 Rental and Service charges

The Company enters as a lessor into sub-lease agreements for which SLFRS 16 clause 65 have been applied making such contracts as operating leases being the lessor to sub-lessees. And other rental agreements as a service provider to tenants have been applied SLFRS 15 as revenue contracts. As the Company has entered into lease agreement with Telecommunications Regulatory Commission of Sri Lanka (TRCSL) until 10th of April 2023 and registration was completed by 15th May 2023, sub-lease agreements with customers are also being entered into with customers retrospectively to collect the sub-lease rentals for the previous months. Both these sub-lease agreements and other rental agreements include certain services offered to tenants comprising the overall property management, including common area maintenance services (such as electricity, cleaning, security, etc.). These services are specified in the sub-lease and other rent agreements and separately invoiced. Consistent with current accounting, the Company has determined that these services constitute distinct non-lease components and are within the scope of SLFRS 15. The Company will allocate the consideration in the contract to the separate lease and revenue (non-lease) components on a relative basis, consistent with current accounting. For the revenue component, the Company has concluded that these services represent a series of daily services that are individually satisfied over time and will apply a time-elapsed measure of progress. The consideration charged to tenants for these services includes fees charged based on a rate per square feet occupied and reimbursement of certain expenses incurred. The Company has determined that this variable consideration only relates to this non-lease component and that allocating it to each distinct period of service (i.e., each day) meets the variable consideration allocation exception criteria. The Company does not expect SLFRS 15 to have an impact on the accounting for service charges, as this accounting is aligned with the current accounting.

2.2.2.2. Contract balances

a.) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

b.) Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 2.2.7.1 Financial instruments – initial recognition and subsequent measurement.

c.) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company executed performance obligations under the contract.

d.) Rental Income

Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises. The lease term is the fixed period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option. Premiums received to terminate leases are recognised in the Statement of Profit or Loss when they arise.

2.2.3 Finance Income

Finance income is recognized as the interest accrues unless collectability is in doubt.

2.2.4 Others

Other income is recognized on an accrual basis.

2.2.5 Cash and Cash Equivalents

Statement of financial position comprise cash in hand and at banks. Short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, have also been intended to finance capital assets which are planned to improve the future economic benefits that will expect to flow to the Company. Hence, for the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and at banks together with a portion of short-term deposits which are intended to utilize to meet short term liabilities at any given time within three months from the balance sheet date.

2.2.6 Property, Plant and Equipment

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

Depreciation & amortization of Property, Plant & Equipment and Intangible assets including the Right-of-use assets classified as Non-current assets have been calculated on a straight-line basis over the estimated useful lives of the assets or over the leasehold period, as follows:

- Computers & accessories at 10%p.a.
- Furniture & fittings at 20%p.a.
- Electrical equipment at 25%p.a.
- Tools & equipment at 25%p.a.
- Housekeeping equipment at 25%p.a.
- Kitchen utensils & other equipment at 10%p.a.
- Crockery and Cutlery at 33 1/3%p.a.
- Computer software at 25%p.a.
- Land & improvements 5%p.a.
- Right-to-use assets over the 50 years lease period

The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at least at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. Valuations are performed with sufficient regularity, to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. When an item of property, plant & equipment is revalued, any accumulated depreciation at the date of the valuation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. Any revaluation surplus (related to property, plant & equipment) is credited to the revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. In which case, the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the Statement of Profit or Loss.

2.2.7 Financial Instruments — Initial Recognition and Subsequent 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.

2.2.7.1 Financial Assets Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component.

<u>Subsequent measurement</u>

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

<u>Financial assets at amortized cost (debt instruments)</u>

The Company measures financial assets at amortized 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 to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Company's financial assets at amortized cost includes cash and short-term deposits, trade and other receivables and other financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss. This category includes short term investments which the Company had not irrevocably elected to classify at fair value through OCI. Income from these investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, Or,
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset When the Company has transferred its rights to receive cash flows from an asset or has entered 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 the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of Financial Assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Trade receivables, including contract assets

The Company recognizes 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 Company 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. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.2.7.2 Financial Liabilities 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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

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

Loans and borrowings

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 applies to interestbearing loans and borrowings. For more information, refer to Note 15.2. Derecognition 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 derecognition 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.

2.2.7.3 Fair Value Measurement

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 either:

- 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. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Management of the Company determines the policies and procedures for both recurring fair value measurement, such as investment properties and Property, Plant and Equipment-Buildings.

2.2.8 Investments

a) Investment in Subsidiaries

Investments are stated at cost in the Company’s financial Statements. Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to the Statement of Profit or Loss.

b) Investment Property

Property that is held for long term rental yields or for capital appreciation or both and that is not occupied by the entities in the Company is classified as Investment Property. Investment property comprises completed or under development properties that is held, or to be held, to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions. Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, both investment property completed and investment property under development are stated at fair value, which reflects market conditions at the reporting date. The fair value of Investment Property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions, as appraised by an independent valuer, annually. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Statement of Profit or Loss during the financial period in which they are incurred. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. If an Investment Property becomes owner occupied, it is reclassified as Property, Plant and Equipment and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as Investment Property is classified as property, plant and equipment and stated at cost until construction or development is complete. At that time, it is reclassified and subsequently accounted for as Investment Property. Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.2.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.2.10 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

The Company is liable to pay gratuity in terms of the Gratuity Act No.12 of 1983. The Company measures the present value of the promised retirement benefits of gratuity, which is a defined benefit plan with the advice of an independent actuary upon increasing the permanent carder of employees more than 100 and the Company completed two years. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, excluding net interest (not applicable to the Company), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. Net interest is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in the Statement of Profit or Loss:

Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

Net interest expense or income

The gratuity liability will not be externally funded and it will be stated under Post Employee Benefit Liability in the Statement of Financial Position. As the majority of permanent carder employees of the Company has not yet completed one year after their confirmation up to 31st December 2023, the defined benefit plan for gratuity under project unit credit method with the actuarial valuer has not been carried out as at the reporting date of 31st December 2023. However, the gratuity provision as per the Gratuity Act No.12 of 1983 has been recognized to comply with the accounting standards.

b) Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively. These costs are included in statement of Profit or Loss.

2.2.11 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 CGU's fair value less costs of disposal and its value in use. The recoverable amount 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. When the carrying amount of an asset or CGU 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 Statement of Profit or Loss 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 recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Profit or Loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.2.12 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that asset is not explicitly specified in an arrangement.

Company as Lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Company as Lessee

Property lease classification – Telecommunication & Regulatory Commission of Sri Lanka (TRCSL) as lessor

Colombo Lotus Tower and its premises have been recognized by the Company under a lease agreement signed between TRCSL and the Company effective from 01st March 2022 as a Right-to-use asset (as per SLFRS 16) as at the reporting date based on the accounting concept of "Substance over the form" and the terms and conditions stated in the lease agreement (No:33) signed on 10th April 2023. It is for a period of 50 years subject to annual lease rental of Rupees Hundred Million (Rs 100 million) or Ten per cent (10%) of the gross revenue of the lessee whichever is higher to the lessor by the lessee from 1st of March 2022 for a period of Two (2) years and the Annual Lease rental is to be reviewed by the Lessor at the end of the initial two (2) years for the period commencing from 1st March 2024. All the business activities of the Company is entirely depend on the right to use the underlying assets as per the said lease agreement signed. Accordingly, as per the clause 26 of the SLFRS-16 accounting standard, the Company has as the lessee have measured the lease liability at the present value of the lease payments over the 50 years of lease period starting from the date of 01st March 2022 until 29th February 2072 at a minimum lease payment of Rs.100mn even though the payment terms have been specifically agreed for the first two years up to 29th February 2024 as Rs.100mn or 10% of gross revenue whichever is higher on the basis of substance of the agreement to carry out the business activities of the Company for a foreseeable future. Further, the lease payments shall be discounted using the lessee's incremental borrowing rate which is determined on the basis of a reasonable borrowing rate applicable to obtain an asset of similar value to the "Right-of-use" asset" in a similar economic environment. It has been considered the Company's incremental borrowing rate as the Treasury Bond rate of 13.14%p.a. prevailed at the effective date of the lease agreement + 2%p.a. risk premium (total 15.14%p.a.) for the purpose of establishing the lease liability to

TRCSL at the present value of the future lease payments over the 50 years of lease period. Remeasuring the lease liability will be done to reflect the changes to the lease payments subsequently.

2.2.13 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Food and Beverages — At Weighted Average Cost
- House Keeping and Maintenance — At Weighted Average Cost
- Other Stock — At Weighted Average Cost

Net realisable value is the estimated selling price in the ordinary course of business less, the estimated cost of completion and the estimated costs necessary to make the sale.

2.2.14 Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Colombo Lotus Tower Management Company (Pvt) Ltd

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2023

3. REVENUE

	2023 (12 months) Rs.	2022 (10 months) Rs.
Event Income	42,012,852	16,676,569
Ticketing Revenue	562,307,913	209,355,526
Photo Shoot	-	150,000
Corporate Sponsoship for ticket	-	8,604,454
Lotus Tower Suit Room	300,000	258,006
KIOSA Income	12,061,207	5,312,094
15M Level	-	2,040,610
Advertising Revenue	4,457,000	222,000
Kids Train	1,750,000	-
Ticketing Car Park	3,947,487	-
Souvinior Shop Income	38,023,418	-
Other Revenue - Citrus	6,196	-
Banquet Revenue - Citrus	2,196,575	-
Banquet Extra charge -Citrus	680,625	-
Beverage Revenue - Res -Citrus	1,992,065	-
Food Revenue - Res -Citrus	36,573,117	-
Floor Rent Income -(Sub leased spaces)	18,911,562	-
	725,220,019	242,619,259

4. OTHER INCOME

	2023 (12 months) Rs.	2022 (10 months) Rs.
BID Recovery income	610,857	54,000
Tenders and Proposal Income	974,000	806,011
Furniture Hiring Income	-	10,000
Corporate Event Income	1,828,815	-
Debtor Write back (debtor over payments)	290	-
Additional Charges / Damage Recovery	-	498,906
	3,413,962	1,368,917

5. NET FINANCE INCOME

	2023 (12 months) Rs.	2022 (10 months) Rs.
5.1 Finance Income		
Interest income on fixed deposits	77,841,858	63,714,389
	77,841,858	63,714,389
5.2 Finance Expenses		
Bank Charges	175,480	36,931
	175,480	36,931
Net finance income	77,666,378	63,677,458

6. PROFIT BEFORE TAX

	2023 (12 months) Rs.	2022 (10 months) Rs.
Profit before tax is stated after charging / (crediting) all expenses / (income) including the followings:		
Salaries, wages, allowances and other benefits	116,355,186	40,970,449
Defined contribution plan cost - EPF, ETF	9,993,734	2,950,095
Defined benefit plan cost - provision for gratuity	2,925,613	-
Depreciation on property, plant & equipment	27,121,615	4,838,162
Amortization of intangible assets	484,558	21,794
Auditors' remuneration - Statutory audit	642,000	642,000

7. INCOME TAX EXPENSE

	2023 (12 months) Rs.	2022 (10 months) Rs.
On current year profits (Note 7.1)	59,888,945	37,085,861
Origination of temporary differences	-	-
	59,888,945	37,085,861

7.1 Reconciliation of Accounting Profit to Income Tax Expense

	2023	2022
Profit / (loss) before income tax	229,953,287	142,062,840
Less: Non business income	(77,841,858)	(63,714,389)
Disallowable expenses	40,803,006	15,857,316
Gratuity Provision	2,925,613	-
Allowable expenses	(67,985,232)	(14,176,509)
Statutory profit / (loss) from business	**127,854,816**	**80,029,258**
Adjustment:		
Interest income	88,510,460	63,714,389
Taxable profit / (loss) for the year	**216,365,276**	**143,743,647**
Tax at the rate of 24%	-	24,148,933
Tax at the rate of 30%	64,909,583	12,936,928
Less: Tax Credits		
Withholding Tax on Interest Income	(5,020,638)	
Total tax payable	**59,888,945**	**37,085,861**

BASIC EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit attributable to Ordinary Share holders of the company and the average number of ordinary shares outstanding during the year.

	2023 (12 months) Rs.	2022 (10 months) Rs.
Profit for the year	170,064,342	104,976,979
No: of Shares in issue	50,000,001	50,000,001
Basic Earnings per Share	3.40	2.10

8. PROPERTY, PLANT AND EQUIPMENT

	Furniture & Fittings at cost	Computer & Accessories at cost	Electrical equipments	Land & Improvement	Tools & equipments	Kitchen Equipment	Crockery and Cutlery	Housekeeping Equipment	Fixtures	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost										
At the beginning of the period	948,785	5,974,450	60,963,198	2,727,035	2,262,227	-	-	-	-	72,875,695
Additions	28,461,801	17,307,964	89,895,377	113,163,345	5,315,579	91,139,544	2,984,919	1,540,940	2,895,725	352,705,194
Disposals During the year	-									-
At the end of the period	29,410,586	23,282,414	150,858,575	115,890,380	7,577,806	91,139,544	2,984,919	1,540,940	2,895,725	425,580,889
Depreciation										
At the beginning of the period	51,013	112,207	4,673,518	-	1,424					4,838,162
Charge for the Year	2,132,086	1,397,041	19,691,850	2,228,085	671,747	621,851	179,717	10,220	189,019	27,121,615
Disposals During the year										-
At the end of the period	2,183,098	1,509,248	24,365,368	2,228,085	673,171	621,851	179,717	10,220	189,019	31,959,777
Net Book Value										
As at 31/12/2022	897,772	5,862,243	56,289,680	2,727,035	2,260,803	-	-	-	-	68,037,533
As at 31/12/2023	**27,227,487**	**21,773,166**	**126,493,207**	**113,662,296**	**6,904,635**	**90,517,693**	**2,805,202**	**1,530,720**	**2,706,706**	**393,621,112**

9. INTANGIBLE ASSETS

	Balance as at 01.01.2022	Additions during the year	Transfers/adjust. During the year	Balance as at 31.12.2023
	Rs.	Rs.	Rs.	Rs.
Cost				
Software & license	208,500	6,271,720		6,480,220
	208,500	6,271,720	-	**6,480,220**

	Balance as at 01.01.2022	Amortization for the year	Balance as at 31.12.2023
	Rs.	Rs.	Rs.
Amortization			
Software & license	21,794	484,558	506,352
	21,794	**484,558**	**506,352**
Carrying amount	**186,706**		**5,973,868**

10. RIGHT-OF-USE-ASSETS

Cost	2023 Rs.	2022 Rs.
Balance As at the beginning	659,841,609	659,841,609
Addition and Improvement	-	-
Balance As at 31 December	659,841,609	659,841,609

Accumulated Depreciation	2023 Rs.	2022 Rs.
Balance As at the beginning	10,997,360	10,997,360
Charge for the year	13,196,832	-
Balance As at 31 December	24,194,192	10,997,360
Net Book Value	635,647,417	648,844,249

11. Work-in-Progress

	2023 Rs.	2022 Rs.
15m Level - Design & Build Restaurant Building, Roof & Landscape Work	23,498,709	-
15m Level - Passenger Lift	35,128,513	-
15m Level Theater	19,532,334	-
Revolving Restaurant	4,916,150	-
Public Wash Room - Lotus By the Lake	3,802,641	-
Water Scaping Refurbishment	14,408,044	-
Other Work	574,946	-
	101,861,337	-

Colombo Lotus Tower Management Company (Pvt) Ltd

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2023

13. INVENTORY	2023 (12 months) Rs.	2022 (10 months) Rs.
Food Inventory	20,662,764	-
Beverage Inventory	5,862,062	-
General Inventory	2,115,782	-
House Keeping Inventory	514,730	-
Inventory - CLC	5,312,914	-
	34,468,252	-

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES	2023 (12 months)	2022 (10 months)
FINANCIAL ASSETS	Rs.	Rs.
Loans and Receivables		
Trade & Other Receivables	16,927,286	8,257,005
Cash & Bank	387,039,077	96,882,554
Total Financial Assets	403,966,362	105,139,559
FINANCIAL LIABILITIES		
Financial liabilities measured at amortized cost		
Trade & other payables	412,770,940	54,629,526
Amount due to related parties	559,841,609	659,841,609
Total Financial Liabilities	972,612,550	714,471,135

14. TRADE & OTHER RECEIVABLES	2023 Rs.	2022 Rs.
Trade receivables	19,800,210	8,257,005
Less: Impairement for trade receivables	(2,872,925)	-
	16,927,286	8,257,005

15. OTHER CURRENT ASSETS	2023 Rs.	2022 Rs.
General Advances	6,397,230	2,841,754
Advance for vendors	58,475,758	5,081,520
WHT Receivable	5,020,638	-
Deferred - Expenses	11,443,017	-
Fixed Deposit Interest Receivable	5,469,110	16,886,375
	86,805,752	24,809,649

16. SHORT TERM INVESTMENTS	2023 Rs.	2022 Rs.
Fixed deposits	169,375,104	495,000,000
	169,375,104	495,000,000

17. CASH AND CASH EQUIVALENTS	2023 Rs.	2022 Rs.
Cash at Bank -LKR	62,003,784	78,477,530
Cash at Bank -USD	20,649,829	11,339,199
Cash on hand	6,403,415	7,065,825
Fixed Deposit - Refundable deposit	244,748,437	-
Sinking Fund Investment	53,233,612	-
Cash & Cash Equivalents in the Statement of Cash Flows	387,039,077	96,882,554

18. TRADE AND OTHER PAYABLES

	2023 Rs.	2022 Rs.
Trade Payable	90,648,385	11,743,880
Electricity Bill Payable	13,429,837	7,573,338
Telephone Bill Payable	2,502,479	1,177,704
Water Bill Payable	588,624	252,961
Advance Received from Customer	8,155,188	14,554,200
Retention payables	8,138,300	2,879,553
Salary related expenses payables	2,238,189	363,580
Refundable Deposit	239,322,949	1,775,000
EPF payable	1,430,487	870,505
ETF payable	214,573	81,834
VAT Payable/(Receivable)	4,004,533	8,648,097
SSCL Tax Payable	3,329,487	3,650,206
Stamp duty payable	8,800	416,667
Audit Fee Payable	1,284,000	642,000
Accrued Expenses	15,076,439	-
Service Charges Payable	3,728,552	-
Breakages Payable	415,688	-
TDL Payables	429,616	-
Guid Commssion Payables	1,621,500	-
BID Security Payables	285,575	-
Welfare Society Deduction Payab	174,000	-
Payable to Citrus Leisure PLC	4,126,596	-
Director Board Fee Payables	59,850	-
Salary reimbursement to citrus staff	6,976,832	-
Banquet and Resturent Advance Accounts	4,005,084	-
APIT Tax	575,380	
	412,770,940	54,629,526

19 AMOUNT DUE TO RELATED COMPANIES

19.1 Right of Use Assets to Lease Liability

Telecommunication Regulatory Commission of Sri Lanka	2023 Rs.	2022 Rs.
Balance As at 01st March	659,841,609	659,841,609
Payments	(100,000,000)	-
Balance As at 31st December	559,841,609	659,841,609

Note: Company has as the lessee have measured the lease liability at the present value of the lease payments over the 50 years of lease period starting from the date of 01st March 2022 until 29th February 2072 at a minimum lease payment of Rs.100mn even though the payment terms have been specifically agreed for the first two years up to 29th February 2024 as Rs.100mn or 10% of gross revenue whichever is higher on the basis of substance of the agreement to carry out the business activities of the Company for a foreseeable future.It has been considered the Company's incremental borrowing rate as the Treasury Bond rate of 13.14%p.a. prevailed at the effective date of the lease agreement + 2%p.a. risk premium (total 15.14%p.a.) for the purpose of establishing the lease liability to TRCSL at the present value of the future lease payments over the 50 years of lease period.

20. INCOME TAX PAYABLE / (RECOVERABLE)

	2023 Rs.	2022 Rs.
As at beginning of the period	27,085,861	-
Provisions made	41,884,084	19,894,312
Adjustment for (over)/under provision	18,004,861	17,191,549
Payments made during the year	(5,835,097)	(10,000,000)
As at the end of the period	**81,139,709**	**27,085,861**

21. CONTINGENT LIABILITIES & CAPITAL EXPENDITURE COMMITMENTS

There are no material capital commitments which have been approved or contracted for as at the reporting date.

There are no any contingnet liabilities as at 31st December 2023

22. RELATED PARTIES

The company has a related party relationship with its Parent Entity, Subsidiary Companies, Affiliated companies and with its Directors.

23.1 Parent and ultimate controlling party

Ultimate controlling party of Colombo Lotus Tower Management Company (Pvt) Ltd. is Seecretary to the Treasury of Sri Lanka.

23.2 Transactions with Key Managements Personnel

Loans to Directors

No loans have been given to the Directors of the Company.

Key Management Personnel Compensation

Key Management Personnel comprise the both executive and non-executive Directors of the company. Compensation paid to key management personnel of the company is disclosed below.

Key Management Personnel transactions

	2023 Rs.	2022 Rs.
Short term benefits	10,152,008	6,257,963
Post employment benefits	-	-
	10,152,008	**6,257,963**

23.3 Related Party Transactions

Related Party	Relationship	Nature of the Transaction	Amount (Rs.) 2023	Amount (Rs.) 2022
Telecommunication Regulatory Commission of Sri Lanka	Affiliated Entity	Lese out of Colombo Lotus Tower and the premisses on 50 year lease after discouting the minimum Lease payment	559,841,609	659,841,609

24. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen which would require adjustments or disclosure in the financial statements.

25. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from financial instruments :

1. Credit risk
2. Liquidity risk
3. Market risk
4. Exchange risk

This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Board of Directors; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as “high risk” are placed on a restricted customer list and monitored by the Board of Directors, and future sales are made on a prepayment basis.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Cash and cash equivalents

The Company held cash in hand and at bank of **Rs.387,039,077/-** as at 31 December 2023 (Rs.96,882,555/- as at 31 December 2022). Fixed Deposits which are maturing below three months have been classified as short term investments due to the intention of making use of such investments for long term financing requirements.

Respective credit ratings of banks which cash balances held are as follows;

- •Bank of Ceylon : AA-(lka)
- •People's Bank : AA-(lka)

26. FINANCIAL RISK MANAGEMENT (Contd...)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Access to sources of funding is sufficiently available.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2023	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
Trade and other payables		412,770,940				412,770,940
Amounts due to related parties		100,000,000		400,000,000	4,400,000,000	4,900,000,000
	-	512,770,940	-	400,000,000	4,400,000,000	5,312,770,940

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. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk. Financial instruments affected by market risk include loans and borrowings, deposit and Trade Receivables. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, primarily Euro (EUR), US Dollars (USD) and Pound Sterling (GBP).

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Colombo Lotus Tower Management Company (Private) Limited will be held on 25th June 2024 at 9.30am at the Board Room of the Company, No. 320, D R Wijewardena Mawatha, Colombo 02

AGENDA OF BUSINESS

1. Welcome address and adoption of the Notice of Meeting
2. To receive and adopt the Audited Financial Statements of Colombo Lotus Tower Management Company (Private) Limited for the year ended 31st December 2022, together with the Report of the Auditors thereon.
3. To receive and adopt the Annual Report of the Board of Directors and the Audited Financial Statements of Colombo Lotus Tower Management Company (Private) Limited for the year ended 31st December 2023, together with the Report of the Auditors thereon
4. To re-elect Mr R M P Rathnayake, who retires by rotation in terms of Article 39 of the Articles of Association of the Company.
5. To elect as a Director, Dr Dasun Abeysuriya who was appointed to the Board during the financial year.
6. To elect as a Director, Ms Madara Sevwandi De Silva who was appointed to the Board in 2024.
7. To note the appointment of Auditor General as the Auditors of the Company for the ensuing financial year in terms of Article 154 of the Constitution of Sri Lanka.
8. To approve donations to charities for the financial year and upto the date of the next Annual General Meeting of the Company.
9. Any other business of which due notice has been given.

BY ORDER OF THE BOARD

Sgd.

DELOITTE CORPORATE SERVICES (PRIVATE) LIMITED

SECRETARIES

17th June 2024

A Proxy Form is attached hereto.

PROXY

I/We………

being a member of the above named Company hereby appoint .

…….. failing him

……………………………of ………………………………………………………………………………………...

as my/our Proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Colombo Lotus Tower Management Company (Private) Limited to be held on 25th June 2024 at 9.30am and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1. To receive and adopt the Audited Financial Statements of Colombo Lotus Tower Management Company (Private) Limited for the year ended 31st December 2022, together with the Report of the Auditors thereon		
2. To receive and adopt the Annual Report of the Board of Directors and the Audited Financial Statements of Colombo Lotus Tower Management Company (Private) Limited for the year ended 31st December 2023, together with the Report of the Auditors thereon		
3..To re-elect Mr R M P Rathnayake, who retires by rotation in terms of Article 39 of the Articles of Association of the Company.		
4.To elect as a Director, Dr Dasun Abeysuriya who was appointed to the Board during the financial year.		

5. To elect as a Director, Ms Madara Sevwandi De Silva who was appointed to the Board in 2024.		
6. To approve donations to charities for the financial year and upto the date of the next Annual General Meeting of the Company		

Shareholder

Signed this…………….. day of …….….. 2024

Instructions as to the completion of Proxy Form

1. A member is entitled to appoint a proxy to attend and vote in his/her/their place.
2. A proxy holder need not be a member of the Company.
3. A member wishing to vote by proxy at the meeting may use the form enclosed and interpolate the ‘right to speak’.
4. To be valid, the completed form of proxy must be lodged at the registered office of the Company not less than 24 hours before the meeting.
5. In the case of a Company /corporation the proxy must be under it's Common Seal, which should be affixed and attested in the manner prescribed by its Articles

CORPORATE INFORMATION

Name of the Company

Colombo Lotus Tower Management Company (Pvt) Ltd

Company Registration Number

PV 00252719

Legal Form

Private Limited Liability Company

Board of Directors

Mr. Yogendra Perera

Mgr. Gen. (Retd.) Prasad Samarasinghe

Mr. Priyantha Rathnayake

Dr. Dasun Abeysuriya

Mrs. Madara Sevwandi De Silva

Audit Committee

Mr. Dimal Arandara – Treasury Representative (Chairman)

Mrs. Madara Sevwandi De Silva – Treasury Representative

Dr. Dasun Abeysuriya

Board Secretary

Deloitte Corporate Services (Private) Limited

Bankers

Bank of Ceylon

Peoples' Bank

Nations Trust Bank

Auditors

Auditor General – National Audit office

Registered Office

No:320, d R Wijewardena Mawatha,

Colombo 10.

Sri Lanka.