Hilton Colombo Celebrates 25 YEARS

Having endured a challenging journey Hilton Colombo celebrated its 25 years in an environment of hope and a mutually beneficial partnership between Hotel Developers Lanka and Hilton Worldwide. The 25 year celebrations hosted by Thirukumar Nadesan, Chairman of Hotel Developers Lanka was attended by a distinguished gathering.

Speech By

Thirukumar Nadesan,

Chairman – Hotel Developers Lanka

We warmly welcome you this evening to celebrate with us the 25th Anniversary of the Colombo Hilton which coincides with the festive season.

We salute the foresight and courage of the pioneers of this project who undeterred by the turbulent times of 1983, went ahead boldly to make the Colombo Hilton a reality.

Our Company Hotel Developers (Lanka) PLC, HDL for short has had a troublesome

history. Let me give you a brief synopsis of our Company's history. HDL became a Public Quoted Company in March 1984 and since its inception has incurred losses year after year.

Inspite of HDL being regulated by the Colombo Stock Exchange and the Companies Act, Accounts were not published for two decades. Annual General Meetings too had not been held since (December 1990).

As the promoters of the project did not have funds to finance the construction of the hotel, the then Government in 1984 decided to give an unconditional demand guarantee to a consortium of Japanese contractors to finance the construction of the hotel, a Yen loan equivalent to the sum of approximately 1.3 billion rupees.

As security for this guarantee the shares of the major shareholder was transferred to the Government. The total loan which was equivalent to 1.3 billion rupees in 1984 multiplied almost 14 folds due to the appreciation of the Yen which ended up to 19 billion rupees. This loan could not be serviced by HDL let alone be repaid.

As HDL could not meet the debt, the lenders called upon the Government who guaranteed the loan to settle the outstanding, thus the Government of Sri Lanka became the major creditor. At the time I took over the Chairmanship, HDL's loans had ballooned and reached a level of 10 billion rupees plus.

The land on which this Hotel is situated was leased by the Land Commissioner. Due to non-payment of the lease rental, the lease was duly cancelled and the land reverted to the original Lessor. Thus – HDL could have been evicted, and this probably was the only Hotel managed by Hilton Worldwide, which was occupied by a squatter.

There have been more than a dozen legal cases with protracted litigation. At one time, there were 22 legal cases. Due to the cash constraints, the Hotel has not been refurbished for the past 25 years. This has had a serious impact in the past few years, as some of the other five star hotels in Colombo have been refurbished to a high standard.

Over the past 25 years – Governments have come and gone. Some were silent onlookers of the pathetic state of HDL while others appointed commissions of inquiry to probe into the past of HDL. These findings – still gather dust. There were attempts to negotiate settlement among the warring factions of shareholders, which

proved abortive.

I am pleased and proud to inform you now that two decades of Accounts since 1990 have been published and the Annual General Meeting held. On one day alone we held 21 Annual General Meetings, which must be a world record and worth a mention in the Guiness Book of Records! A 99 years Lease Agreement has been entered between HDL and the Land Commissioner in July this year.

The Government of Sri Lanka who is our main creditor, has agreed to have a debt equity swap, thus reducing the debt of HDL by 80 percent. Going forward HDL has re-negotiated a fresh management agreement with Hilton Worldwide. The previous agreement with Hilton extended up to 2037, which we have now re-negotiated and reduced the tenure to December 31, 2019 with much more favourable terms and conditions. This alone results in an additional cash inflow of approximately 250 million rupees per annum.

From now onwards, HDL will start generating profits for the first time in its 25 years history. Forecasted profit for the financial year ending March 31, 2013 is 500 million rupees.

Our Hotel as you are aware Ladies and Gentlemen, is aging and requires a face lift and I am pleased to inform you that we have already embarked on a major refurbishment programme of USD 45 million.

In conclusion, Ladies and Gentlemen this achievement within this short period of two years, would not have been possible if not for the vision, determination, grit and the courage to be different by His Excellency Mahinda Rajapaksa, President of Sri Lanka for reviving this institution through the Revival of Underperforming and Underutilised Act of 2011. There were people who were pessimistic that this Act will impede growth, but I want to tell them that this is one clear example that the Act has helped us to march forward.