



Hotel Sigiriya PLC

Annual Report 2006/07

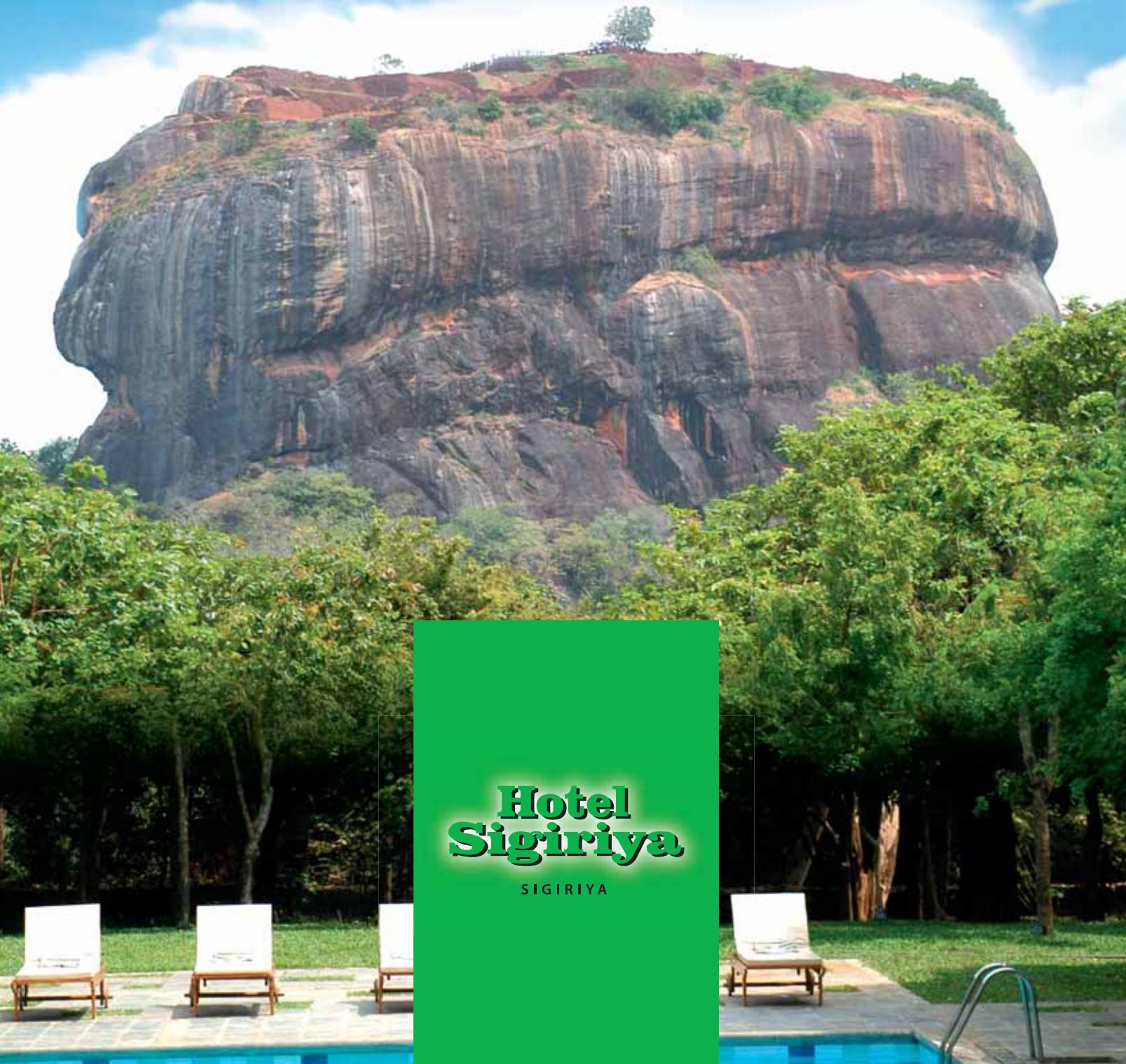


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Hotel Sigiriya

SIGIRIYA



NOTICE OF MEETING

Notice is hereby given that the **THIRTY THIRD ANNUAL GENERAL MEETING OF HOTEL SIGIRIYA PLC** will be held at the Auditorium of the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 2, on Thursday **05 JULY 2007** at 3.00 p.m. for the following purposes:

1. To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31 March 2007 with the Report of the Auditors thereon.
2. To re-elect Mr. R. H. S. De Silva who retires by rotation in terms of the Articles of Association, as a Director of the Company.
3. To re-appoint Mr. W. M. De F. Arsakularatne, who was appointed to the Board since the last AGM and retires in terms of the Articles of Association of the Company.
4. To pass the ordinary resolution set out below to re-appoint as a director Mr. C. Ramachandran who has reached the age of 73 years on 04 July 2007 and vacates office as a director of the Company in terms of Section 210 (2) (a) of the Companies Act No. 7 of 2007.

“**RESOLVED** that Mr. C. Ramachandran who has reached the age of 73 years on 04 July 2007 be and is hereby re-appointed a Director of the Company and it is hereby declared as provided for in Section 211 (1) of the Companies Act No. 7 of 2007 that the age limit of 70 years referred to in Sections 210 of the said Companies Act shall not apply to Mr. C. Ramachandran.”

5. To re-appoint PricewaterhouseCoopers, Chartered Accountants as the Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.
6. To authorize Directors to determine and make contributions to charity.
7. To consider any other business of which due notice has been given.

By Order of the Board
HOTEL SIGIRIYA PLC

HEMAS CORPORATE SERVICES (PTE) LTD
Secretaries

Colombo
22 May 2007

Notes:

- (i) A member unable to attend is entitled to appoint a Proxy to attend and vote on his/her behalf.
- (ii) A Proxy need not be a member of the Company.
- (iii) A Form of Proxy accompanies this notice.

BOARD OF DIRECTORS



E J De Soysa
Chairman

Appointed to the Board in 1982 and appointed as Chairman of the Company in 1994. Other Directorships include Serendib Hotels PLC, Stafford Hotel PLC and several other companies. Over 40 years association in the tourism and leisure industries.



A N Esufally

Appointed to the Board in 1994. A Fellow of the Institute of Chartered Accountants (England & Wales) and a Fellow of the Institute of Chartered Accountants Sri Lanka. Counts over 25 years experience in the Tourism industry. Other directorships include Hemas Group, Serendib Hotels PLC, Stafford Hotel PLC, Printcare (Ceylon) Ltd., and several other Companies.



B S M De Silva

Appointed to the Board in 1990. Counts over 20 years experience in the Tourism & Leisure Industry. Has extensive experience in the Spice Industry and is the current Chairman of the Spice Council. Other Directorships include Serendib Hotels PLC, Stafford Hotel PLC, Intercom Group of Companies and several other Companies.



A R Gamage (Ms)

Appointed to the Board in 1994. A Fellow of the Chartered Institute of Management Accountants UK. Other directorships include Serendib Hotels PLC, Stafford Hotel PLC, and Wicks Advertising & Marketing Ltd.



H N Esufally

Appointed to the Board in 2003. Holds a BSc. (Hons) Degree in Electronics from the University of Sussex, UK. Other Directorships include the Hemas Group, Serendib Hotels PLC, Stafford Hotel PLC, and other Companies.



L P Fernando

A Founder Director of the Company. Other Directorships Include Kelani Tyers Ltd, Ceat-Kelani Holdings Group, Silverstock Holdings, Wheels (Pvt) Ltd and several other Companies.



R H S De Silva

Appointed to the Board in 1976. Past Chairman of the Ceylon Chamber of Commerce and Past President of the National Chamber of Commerce Sri Lanka. Other directorships include Kelani Tyers Ltd, Ceat-Kelani Holdings Group, Silverstock Holdings, Wheels (Pvt) Ltd etc.



W M De F Arsakularatne

Appointed to the Board in 2007. An Associate Member of the Chartered Institute of Management Accountants UK, and a Chartered Financial Analyst. He also holds an MSc in Investment Management from the City University Business School, UK, a BSc in Computer Science & Engineering from the University of Moratuwa SL, and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing UK. He has 9 years of experience in the fund management industry. Other directorships include Serendib Hotels PLC and Stafford Hotels PLC.



C Ramachandran

Appointed to the Board in 1982. Other Directorships include Stafford Hotels PLC, Impex Corporation and other Companies.

CHAIRMAN'S REVIEW

Industry Overview

Although there were hopes of a recovery during the financial year for Sri Lanka tourism in general, the challenges were going to be more difficult for the cultural triangle area. The problems in the North and East has made travelers perceive these areas to be too close to the 'theatre of action'. As a result, although other parts of the island attracted higher occupancy levels during the year, the cultural triangle area had a smaller increase. This is clearly seen from the Tourist Board statistics, which indicates a year on year increase of only 9.6% to the ancient cities, whilst the south coast showed a 30.9% increase.

The attack on the main Habarana / Dambulla road in October last year resulted in a decline of demand for the cultural triangle area, both from local and foreign travelers. Many tour operators curtailed their circuit tours to this area.

The new Minister of Tourism and his team at the Tourist Board have included the private sector in the decision making process on matters pertaining to the Tourism Industry. However, it is disappointing to note that once again the proposed new Tourism Act is going to be further amended, which will result in further delays in its implementation. The tourism industry as a whole is confident that this legislation can provide for a successful and healthy public / private sector partnership for the long term development of Sri Lanka Tourism.

Hotel Operations

As indicated, due to the poor occupancy levels, the hotel was able to generate only Rs.77Mn turnover against an

occupancy of 47% for the year. An increase in operational expenditure further eroded the performance to Rs.6.3Mn profit before depreciation and taxation. The change in the method of depreciation during this financial year increased the depreciation by approximately Rs. 1.4Mn, resulting in an overall Rs.5.2Mn loss after taxation.

Future prospects

Hotel Sigiriya commands a strong market segment within the 3 star category with a strong bias towards a 'nature and culture' theme. The upgrading of the public areas in 2005 has helped to enhance the hotel's appearance. Upgrading the rooms is planned to further improve the product and its ambiance.

Appreciation

My thanks and appreciation goes out to the General Manager, Mr. Prasanna De Alwis and the general staff of the hotel together with Mr. Srilal Miththapala, CEO of Serendib Leisure Management Ltd, and the management staff at the head office. To my colleagues on the Board, my sincere thanks go out for their support and guidance, and also to all the shareholders for their continued faith in the company.



E. J. De Soysa
Chairman

22 May 2007

TOURIST ARRIVALS BY COUNTRY OF RESIDENCE

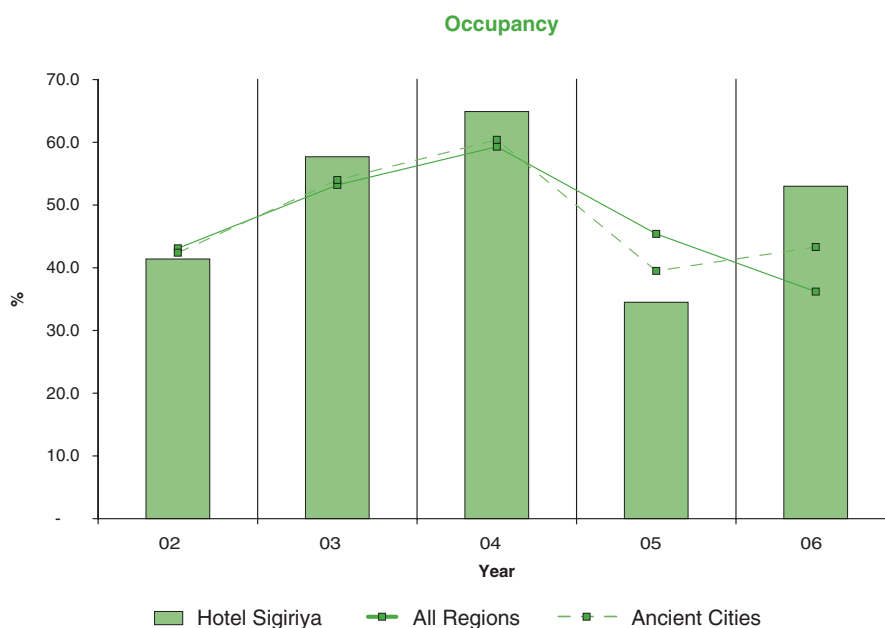
CALENDER YEAR	2002	2003	2004	2005	2006
NATIONALITY					
North America	20,004	25,099	29,759	46,457	35,323
Latin America & The Caribbean	549	636	741	705	775
Western Europe	200,676	255,179	284,440	227,191	228,447
Eastern Europe	8,046	10,600	14,336	9,290	14,221
Middle East	6,462	6,759	10,463	10,236	10,345
Africa	1,545	1,925	1,855	2,340	3,235
Asia	142,578	177,377	198,068	223,351	242,132
Australasia	13,311	23,067	26,540	29,738	25,127
TOTAL	393,171	500,642	566,202	549,308	559,605

ACCOMMODATION CAPACITY (GUEST ROOMS)

All Regions	13,818	14,137	14,322	13,162	13,765
Ancient Cities	2,466	2,552	2,486	2,428	2,422

OCCUPANCY (%)

All Regions	43.1	53.2	59.3	45.4	36.2
Ancient Cities	42.4	54.0	60.4	39.5	43.3
Hotel Sigiriya	41.4	57.7	64.9	34.5	53.0



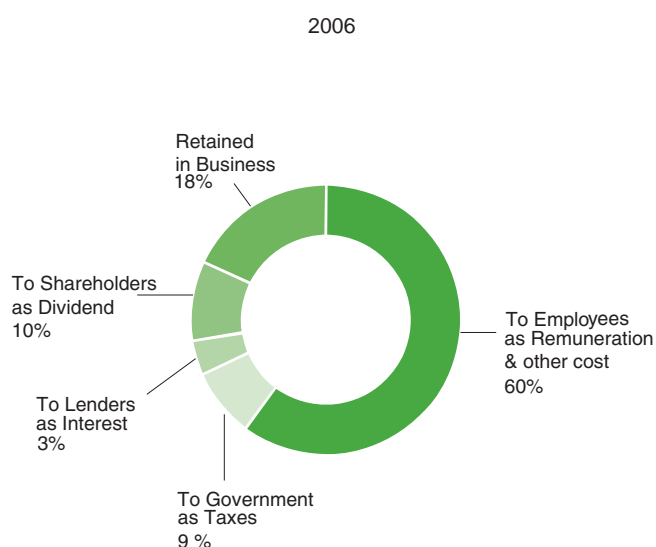
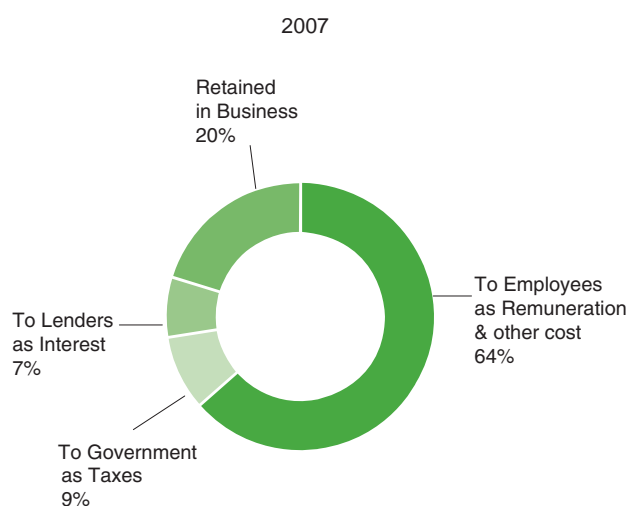
STATEMENT OF VALUE ADDED

For the year ended 31 March

	2007 Rs.000's	2006 Rs.000's
Value Added		
Turnover	77,913	73,937
Other Income	1,790	2,288
Total Income	79,703	76,225
Purchase of Goods & Services	(50,676)	(45,703)
Total Value Added	29,027	30,522

Distribution of Value Added

	% Share		% Share	
To Employees as Remuneration and Other Costs	64	18,489	60	18,391
To Government as Taxes	9	2,573	9	2,662
To Lenders as Interest	7	2,071	3	1,039
To Shareholders as Dividends	-	-	10	2,930
Retained in Business	20	5,894	18	5,500
	100	29,027	100	30,522



TEN YEAR FINANCIAL REVIEW

Year ended 31 March	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
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(Figures in Rs.'000 unless otherwise stated)

Trading Results

Turnover and other income	78,719	74,720	80,547	81,190	55,177	30,939	42,156	42,838	36,028	29,503
Profit /(Loss) before tax	(5,419)	1,910	17,100	20,326	10,754	384	5,080	6,406	7,069	5,558
Income tax expense	211	(1,357)	(3,606)	(3,233)	(3,021)	-	(667)	397	1,361	(2,616)
Net Profit /(Loss)	(5,208)	553	13,494	17,093	7,733	384	4,413	6,803	8,430	2,942

ASSETS

Non-Current Assets

Property, plant & equipment	172,425	182,164	147,888	84,858	79,056	75,663	79,938	68,545	60,125	60,241
Investments	3,333	3,333	3,333	3,333	-	-	5	5	5	5

	175,758	185,497	151,221	88,191	79,056	75,663	79,943	68,550	60,130	60,246
Current assets	34,466	38,385	60,072	25,478	21,758	20,189	21,198	15,032	14,567	9,805

Total assets	210,224	223,882	211,293	113,669	100,814	95,852	101,141	83,582	74,697	70,051
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EQUITY AND LIABILITY

Capital and Reserves

Ordinary share capital	58,590	58,590	58,590	39,060	39,060	39,060	39,060	27,900	27,900	27,900
Share premium	39,060	39,060	39,060	-	-	-	-	-	-	-
Revaluation reserve	39,734	40,801	60,611	19,563	19,563	19,563	19,563	19,563	19,563	19,563
Accumulated profits	28,461	32,413	23,707	19,977	8,744	12,728	12,344	11,838	11,730	8,881

Total Equity	165,845	170,864	181,968	78,600	67,367	71,351	70,967	59,301	59,193	56,344
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Non-Current Liabilities

Loans and borrowings	7,928	12,917	-	-	3,411	8,771	10,438	1,170	1,641	2,112
Deferred tax liabilities	14,300	15,057	5,856	5,500	5,383	3,146	3,146	2,479	3,109	5,294
Other deferred liabilities	1,504	1,207	1,217	872	586	519	480	386	281	254

	23,732	29,181	7,073	6,372	9,380	12,436	14,064	4,035	5,031	7,660
Current liabilities	20,647	23,837	22,252	28,697	24,067	12,065	16,110	20,246	10,473	6,047

Total Liabilities	44,379	53,018	29,325	35,069	33,447	24,501	30,174	24,281	15,504	13,707
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Total Equity and Liabilities	210,224	223,882	211,293	113,669	100,814	95,852	101,141	83,582	74,697	70,051
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Value to Shareholders

Dividend (%)	-	5	10	25	30	-	10	20	20	15
Earnings / (Loss) per share (Rs.)	(0.89)	0.09	2.74	4.13	1.87	0.09	1.07	2.30	2.85	0.99
Net assets per share(Rs.)	28.31	29.16	31.06	20.12	17.25	18.27	18.17	21.25	21.22	20.19
Market value per share(Rs.)	33.00	37.00	37.75	31.00	19.50	10.75	11.50	12.00	12.00	11.00
Price earning ratio(Times)	(37.13)	411.11	13.78	7.51	10.44	115.91	10.79	5.22	4.21	11.06
Debt equity ratio(Times)	0.05	0.08	-	-	0.11	0.20	0.21	0.18	0.04	0.04
Current ratio(Times)	1.67	1.61	2.70	0.89	0.90	1.67	1.32	0.74	1.39	1.62

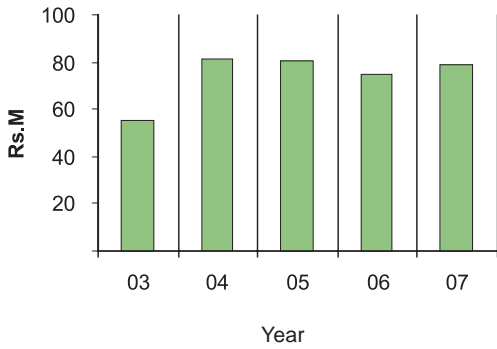
Hotel Operation

Annual sales growth(%)	5.35	(7.23)	(0.79)	47.14	78.34	(26.61)	(1.59)	18.90	22.12	44.85
Room occupancy(%)	47.00	43.00	52.00	62.00	48.00	30.00	50.00	52.00	42.00	45.00

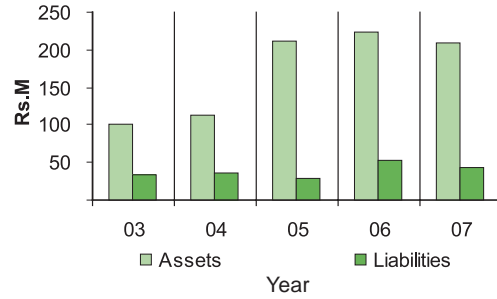
* The hotel was closed from May to June '05 for refurbishment.

GRAPHICAL REVIEW

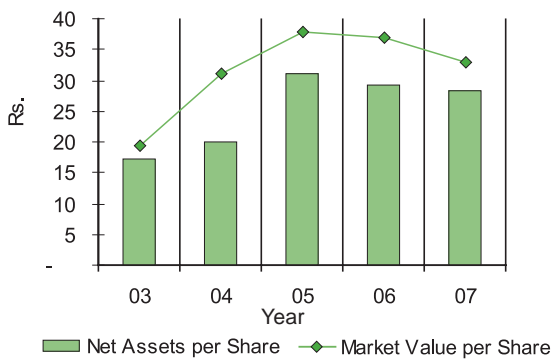
Turnover



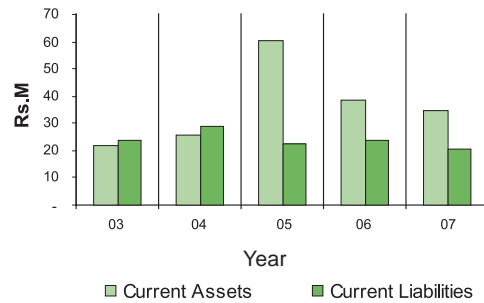
Assets and Liabilities



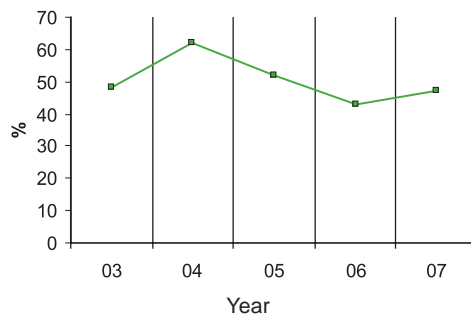
Net Assets per Share vs Market Value per Share



Current Assets and Current Liabilities



Room Occupancy



The hotel was closed from May to June '05 for refurbishment.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to members their Report together with the Audited Financial Statements of the Company for the year ended 31 March 2007.

PRINCIPAL ACTIVITY

The Principal activity of the Company which is hoteliering remains unchanged. The Company owns and operates Hotel Sigiriya.

REVIEW OF BUSINESS/ OPERATIONS & FUTURE DEVELOPMENTS

A review of the operations of the Company during the financial year and the future development activities of the company are described in the Chairman's Review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for preparing and presenting the financial statements which are set out on pages 14 to 32. The financial statements have been prepared under the generally accepted accounting principles and in accordance with the Sri Lanka Accounting Standards as laid down by the Institute of Chartered Accountants of Sri Lanka, the Companies Act No. 17 of 1982 and the Listing Rules of the Colombo Stock Exchange.

GOING CONCERN

As described in the Statement of Directors' Responsibilities, the directors have adopted the 'Going Concern Concept' in the preparation of the financial statements.

PROPERTY PLANT & EQUIPMENT & CAPITAL EXPENDITURE

The Land and Buildings of the Company have been re-valued by a professionally qualified independent valuer, during the financial year 2004/05, details of which are given in Note 10 to the financial statement.

Capital Expenditure incurred on Property, Plant and Equipment during the year under review, was Rs. 3,366,874/- (2006 – Rs. 42,011,094/-)

Movements in Property, Plant & Equipment during the year are disclosed in Note 10 to the Financial Statements.

REVENUE

Revenue for the year was Rs. 77,913,657/- (2006 – Rs.73,937,122/-) which is analysed in Note 3 to the Financial Statements.

PROFIT

The Company's Loss before taxation amounted to (Rs. 5,418,721/-) (2006 – profit Rs. 1,910,317/-)

RESERVES

Details of the Re-valuation and Revenue Reserves are given in Note 16 to the financial statements.

BOARD OF DIRECTORS

All Directors hold office in a non-executive capacity. The Directors of the Company during the year 2006/07 and as at the date of this report are:

Mr. E.J. De Soysa - Chairman
 Mr. A.N. Esufally
 Mr. B.S.M. De Silva
 Mr. R.H.S. De Silva
 Mr. L.P. Fernando
 Mr. C. Ramachandran
 (Alternate – Ms. V.R. Jayewardene)
 Ms. A.R. Gamage
 (Alternate – Prof. L. D. K. B. Gamage)
 Mr. H.N. Esufally
 (Alternate – Ms. K.A. Wilson)
 Mr. W. M. De F. Arsakularatne - Appointed w. e. f. 22.02.2007
 Ms. M.S. Fonseka-resigned from the directorate w.e.f. 22.02 2007.

The Board meets once every 2 months and additionally, as the need arises to review the operations and performance of the Company and make appropriate decisions.

The Board has delegated the day to day management of the Company's affairs and the operations of the Hotel to Serendib Leisure Management Ltd (Managing Agents) through a formal Management Agreement.

DIRECTORS' SHAREHOLDING

The shareholding of Directors at the beginning and end of the financial year is as follows. (The Articles of Association of the Company do not stipulate a share qualification for Directors).

	31.03.2007	31.03.2006
Mr. E.J. De Soysa	70,000	70,000
Mr. A.N. Esufally	-	-
Mr. B.S.M. De Silva	19,500	19,500
Mr. R.H.S. De Silva	1,124	6,750
Mr. L.P. Fernando	13,548	13,548
Mr. C. Ramachandran	1,000	1,000
Ms. A.R. Gamage	-	-
Ms. M.S. Fonseka	-	1,000
Mr. H.N. Esufally	-	-
Mr. W. M. De F. Arsakularatne	-	-

DIRECTORS' INTEREST IN CONTRACTS

Directors' interest in contracts with the Company are disclosed in Note 29 to the Financial Statements.

REPORT OF THE DIRECTORS *Contd.***AUDIT COMMITTEE**

The Audit Committee which operates as a sub-committee of the Board comprises the following 2 Non-Executive Directors;

Mr. B. S. M. De Silva - Chairman
Mr. W. M. De F. Arsakularatne

Ms. M. S. Fonseka, resigned as Chairperson and member of the Audit Committee w. e. f. 23 January 2007. Mr. B. S. M. De Silva was elected Chairman of the Committee up to 31 March 2007.

The Report of the Audit Committee appears on Page 11.

CORPORATE GOVERNANCE

The Board of Directors and Management are jointly responsible for 'good governance' and have established internal control systems and procedures to safeguard its assets, shareholders' investment and the interest of all other stakeholders of the Company.

The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing of the Financial Statements.

SHARE CAPITAL

There has been no change in the Share Capital of the Company during the year under review. The Share Capital as at 31 March 2007 was Rs. 58,590,000/- consisting of 5,859,000 Ordinary Shares.

SHAREHOLDERS

The total shareholder base of the Company as at 31 March 2007 was 501 (2006 - 518) The distribution of the shareholding and a list of the 20 major shareholders are given under Investor Information on page 33 and 34.

DIVIDENDS

The Directors have not recommended the payment of a dividend for the year 2006/07. (2006 - Interim Dividend of 5%)

DONATIONS

During the year donations amounting to Rs. 11,900/- were made by the Company (2006 - Rs. 15,200/-).

HUMAN RESOURCES

The total staff cadre as at 31 March 2007 was 111 (2006- 138).

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments in relation to the employees and the government have been made upto date, or provided for.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements.

ENVIRONMENTAL & SOCIAL RESPONSIBILITY

Hotel Sigiriya recognizes its responsibility towards its surrounding environment and community. The Hotel makes a conscious effort to promote environmental friendly and community development activities.

AUDITORS

Messrs. PricewaterhouseCoopers, Chartered Accountants, served as the Auditors during the year under review. The Audit Fees payable and fees paid for other services rendered are as noted below:

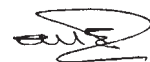
Audit fees payable	- Rs.100,020/-
Fees for other services rendered	- Rs. 49,800/-

The Auditors have confirmed that they have had no interest in or relationship with the Company or its subsidiaries other than that of Auditors. They confirm that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

Messrs. PricewaterhouseCoopers have expressed their willingness to continue in office. A resolution to re-appoint them and to authorize the directors to fix their remuneration will be proposed at the Annual General Meeting.

HOTEL SIGIRIYA PLC


E.J. De Soysa
Director



A.N. Esufally
Director

22 May 2007

CORPORATE GOVERNANCE

The Board of Directors of Hotel Sigiriya PLC are committed to upholding the highest standards of integrity and transparency in their governance of the Company and is guided by the Code of Best Practice of the Institute of Chartered Accountants, the requirements of the Colombo Stock Exchange and other regulatory Bodies and Institutions.

Effectiveness of the Board

Hotel Sigiriya PLC is directed by an efficient board , comprising nine Non Executive Directors, including the Chairman, who discharge their duties in a professional manner. The Board is responsible for strategic direction , providing leadership and guidance and supervising the management of the Company The Board of Directors formally met six times in the year under review. The names and short profiles of the Directors are given on page 02.

The Directors have delegated the implementation of the day to day affairs of the Company and the operations of the Hotel in particular to Serendib Leisure Management Limited, the managing company. The management team meets regularly to discuss key operational business and financial issues and is chaired by the Chief Executive Officer.

Audit Committee

The Audit Committee comprises two Non- Executive Directors. The Committee endeavours to assist the Board to discharge its duties of ensuring that the Company's internal controls and conduct of business are in accordance with the best practices appropriate to the Company. The Audit Committee guides and monitors the internal audit function, reviews financial information which is disseminated to shareholders and stakeholders and monitors compliance with laws, regulations ethics and risk management.

The Audit Committee met 5 times during the year the Chairman, the CEO and the Director Finance attended these meetings by invitation

Internal Control

The Board ensures that the Company maintains accountability and transparency in all its transactions. A system of internal control has been designed to meet particular needs of the organization and the risks to which it is exposed. The guidelines for internal control systems ensure that the assets of the Company are protected against unauthorized use or misappropriation and that proper records are maintained and reliable information is received by the Board on a timely basis.

The Board has reviewed the internal control systems established and are satisfied with the internal controls in operation.

Relationship with shareholders

The Board recognizes and constantly strives to maintain good relations with shareholders at all times. The Annual General Meeting provides shareholders with the opportunity of seeking clarification and information on the performance and management of the Company. The Board ensures that accurate meaningful and timely information on the Company's quarterly and annual performance are published in accordance with the regulatory reporting requirements

Statutory obligations

The Board of Directors confirm that to the best of their knowledge all financial obligations due to the government and the employees have been settled or provided for in the financial statements.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee, which comprises 2 Non-Executive Directors, met 5 times during the year under review. The Chairman, CEO and the Director Finance of the management company attended the meetings on invitation, with the Company Secretary in attendance.

The Audit Committee operates within the terms and references outlined in the Code of Best Practice on Audit Committees issued by the Institute of Chartered Accountants, Sri Lanka. The focus is centered around five core areas,

- 1 Financial Reporting
- 1 Business Risks
- 1 Internal Controls
- 1 Regulatory Compliance
- 1 Internal & External Audits

Financial Reporting

Your Company's business activities including financial operations have been delegated to the Managing Agents through a Management Agreement. Every quarter the interim financial statements and performance reports are reviewed by the Audit Committee together with the representatives of the Managing Agents. The financial statements that are reviewed by the Committee are submitted to the Board of Directors for approval and subsequently circulated among the shareholders.

Business Risks

The Company's policies, procedures and internal controls are systematically assessed by a group of internal auditors on a risk based approach. Based on the reports submitted, the Audit Committee recommends measures to ensure the effectiveness of the controls implemented by the Company. The Committee places emphasis on risk management by identifying the areas of risks, the probability of occurrence, and the impact of these risks and ensures the effectiveness of the processes and systems in place to minimize any adverse effects.

Internal Controls

The current policies and the degree of compliance are reviewed by the Committee and recommendations are made on areas that need to be further developed. Adequacy and effectiveness of the internal

controls are evaluated regularly to ensure absolute compliance with the policies laid out by the Company.

Regulatory Compliance

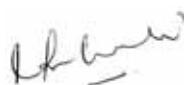
The Audit Committee ensures that the Company complies with statutory and disclosure requirements. It is the responsibility of the Committee to provide guidance to the management on changes in accounting policies and practices.

Internal and External Audits

The Audit Committee strongly believes in an Internal Audit process that adds value to effective management of the Company. Therefore, the Audit Committee approves the annual work plan of the Internal Auditors and directs them when carrying out special assignments. The Committee meets with the Internal Auditors to make recommendations on the significant findings identified in the internal audit reports.

The Audit Committee meets with the external auditors to review and approve the audit plan prior to the commencement of the annual audit. As an effective control measure the Committee reviews the issues highlighted in the External Auditor's Management letter and the management's response to these issues, before making appropriate recommendations to the Company's management team.

The effectiveness of the external audit has been reviewed by the Audit Committee and a recommendation has been made to the Board to re-appoint the M/s PricewaterhouseCoopers as the external auditors for the Company, subject to the approval of the shareholders at the Annual General Meeting.



W. M. De F. Arsakularatne

Chairman – Audit Committee

22 May 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARATION OF FINANCIAL STATEMENTS

The Companies Act requires that the Board of Directors be responsible for the preparation and presentation of the financial statements to the shareholders of the Company in accordance with the provisions of the Statutes and the Sri Lanka Accounting Standards.

The Directors confirm that the financial statements for the financial year ended 31 March 2007 have been prepared in accordance with the Sri Lanka Accounting Standards and the Companies Act No 17 of 1982. In preparing these financial statements, appropriate accounting policies have been selected and applied consistently. Any material departures have been disclosed and explained in the financial statements.

The Directors have adopted the going concern basis in preparing these statements. Having considered the business plans of the Company and its future operations, the Directors are of the view that the Company has adequate resources to continue in operation.

The Directors have accepted responsibility to maintain accurate records which disclose the financial position of the Company.

The Directors have taken reasonable steps to safe guard the assets of the Company and institute appropriate internal controls with a view to prevent and detect fraud or other irregularities.

The Directors confirm that to the best of their knowledge all taxes, levies and other financial obligations have been met or adequately provided for in the financial statements.

Board of Directors
Hotel Sigiriya PLC

22 May 2007

REPORT OF THE AUDITORS



PricewaterhouseCoopers

P. O. Box 918
100, Braybrooke Place
COLOMBO 00200
SRI LANKA
Telephone : 94-11-4719838 (Hunting)
Facsimile : 94-11-2303197

To the members of Hotel Sigiriya PLC

1. We have audited the balance sheet of Hotel Sigiriya PLC as at 31 March 2007, and the related Income, changes in equity and cash flow statements for the year then ended, together with the accounting policies and notes as set out on pages 18 to 32.

Respective Responsibilities of Directors and Auditors

2. The directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

Basis of Opinion

3. We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

4. In our opinion, so far as appears from our examination, the Company maintained proper books of account for the year ended 31 March 2007, and to the best of our information and according to the explanations given to us, the said balance sheet, related income, changes in equity and cash flow statements and the accounting policies and notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act, No. 17 of 1982 and give a true and fair view of the Company's state of affairs as at 31 March 2007, and of the results of its operations and its changes in equity and cash flows for the year then ended.

Directors' interests in contracts with the Company

5. According to the information made available to us, the directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31 March 2007 except as stated in Notes 29 to these financial statements.

PRICEWATERHOUSECOOPERS

Chartered Accountants

Colombo
01 June 2007

INCOME STATEMENT

year ended 31 March 2007

	Notes	2007 Rs.	2006 Rs.
Revenue	3	77,127,613	73,191,747
Cost of Sales		<u>(16,690,923)</u>	<u>(14,431,432)</u>
Gross Profit		60,436,690	58,760,315
Other Income	4	1,789,982	2,288,115
Distribution Costs		<u>(6,353,983)</u>	<u>(5,736,795)</u>
Administrative Expenses		<u>(57,799,287)</u>	<u>(52,362,377)</u>
Other Expenses	5	<u>(1,421,267)</u>	NIL
Finance Cost	6	<u>(2,070,856)</u>	<u>(1,038,941)</u>
(Loss)/Profit before Tax	7	(5,418,721)	1,910,317
Income Tax Expense	8	<u>211,089</u>	<u>(1,357,004)</u>
Net (Loss)/Profit for the Year		<u>(5,207,632)</u>	<u>553,313</u>
Earnings Per Share (or loss per share)	9	(0.89)	0.09
Dividends Per Share		NIL	0.50

The Accounting Policies and Notes on pages 18 to 32 form an integral part of these Financial Statements.

BALANCE SHEET

as at 31 March 2007

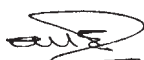
	Notes	2007 Rs.	2006 Rs.
ASSETS			
Non-Current Assets			
Property, plant & equipment	10	172,425,287	182,164,317
Investments	11	3,333,330	3,333,330
		<u>175,758,617</u>	<u>185,497,647</u>
Current Assets			
Inventories	12	2,776,649	2,770,880
Trade and other receivables	13	11,471,067	20,948,304
Amounts due from related parties	14	8,935,303	9,931,149
Income tax recoverable		4,874,004	3,164,985
Cash and bank balances	25	6,408,774	1,569,700
		<u>34,465,797</u>	<u>38,385,018</u>
Total Assets		<u>210,224,414</u>	<u>223,882,665</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued share capital	15	58,590,000	58,590,000
Reserves	16	78,794,200	79,861,653
Retained earnings		28,460,955	32,412,760
Total Equity		<u>165,845,155</u>	<u>170,864,413</u>
Non-Current Liabilities			
Interest bearing loans and borrowing	17	7,928,000	12,916,670
Deferred tax liabilities	18	14,300,548	15,056,966
Other deferred liabilities	19	1,503,698	1,207,075
		<u>23,732,246</u>	<u>29,180,711</u>
Current Liabilities			
Trade and other payables	20	12,590,770	13,766,819
Dividends payable	21	522,133	489,845
Amounts due to related parties	22	505,134	NIL
Non interest bearing loans and borrowings	23	657,000	657,000
Interest bearing loans and borrowings	17	6,371,976	8,923,877
		<u>20,647,013</u>	<u>23,837,541</u>
Total Equity and Liabilities		<u>210,224,414</u>	<u>223,882,665</u>

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board by.



E. J. De Soysa
Chairman



A. N. Esufally
Director

The Accounting Policies and Notes on pages 18 to 32 form an integral part of these Financial Statements.

Colombo
22 May 2007.

STATEMENT OF CHANGES IN EQUITY

year ended 31 March 2007

	Note	Share Capital Rs.	Share Premium Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31 March 2005		58,590,000	39,060,000	60,611,500	23,706,703	181,968,203
Net profit/(loss) for the year		NIL	NIL	NIL	553,313	553,313
Dividends	24	NIL	NIL	NIL	(2,929,500)	(2,929,500)
Balance as at 31 March 2006 as previously reported		58,590,000	39,060,000	60,611,500	21,330,516	179,592,016
Prior period adjustments						
Deferred tax attributable to revaluation reserve	16.3	NIL	NIL	(9,622,740)	NIL	(9,622,740)
Reversal of excess depreciation on revaluation reserve	16.4	NIL	NIL	(11,984,832)	11,984,832	NIL
Deferred tax effect on excess depreciation on revaluation surplus	16.4	NIL	NIL	1,797,725	NIL	1,797,725
Deferred tax under provision		NIL	NIL	NIL	(902,588)	(902,588)
Restated balance as at 31 March 2006		58,590,000	39,060,000	40,801,653	32,412,760	170,864,413
Net profit/(loss) for the year		NIL	NIL	NIL	(5,207,632)	(5,207,632)
Deferred tax attributable to revaluation surplus		NIL	NIL	188,374	NIL	188,374
Reversal of excess depreciation on revaluation reserve		NIL	NIL	(1,255,827)	1,255,827	NIL
Balance as at 31 March 2007		58,590,000	39,060,000	39,734,200	28,460,955	165,845,155

The Accounting Policies and Notes on pages 18 to 32 form an integral part of these Financial Statements.

CASH FLOW STATEMENT

year ended 31 March 2007

	Note	2007 Rs.	2006 Rs.
Cash Flows Used in Operating Activities			
Net profit/(loss) before income tax expense		(5,418,721)	1,910,317
Adjustments for			
Depreciation	10	11,669,773	7,403,145
Interest income	4	(985,802)	(1,505,710)
Loss/(profit) on sale of property, plant & equipments		1,421,267	(11,680)
Finance costs	6	2,070,856	1,038,941
Provision for defined benefit plans	19	406,123	423,602
Withholding tax written off		145,616	NIL
Operating profit before working capital changes		9,309,112	9,258,615
Increase in inventories		(5,769)	(879,510)
Decrease /(increase) in trade and other receivables		9,477,239	(13,497,853)
(Increase)/decrease in amounts due from related parties		995,846	(3,848,614)
Increase/(decrease) in amounts due to related parties		505,134	(19,208)
Decrease in trade and other payables		(1,143,761)	(3,610,029)
Cash generated from/(used in) operations		19,137,801	(12,596,599)
Interest paid		(2,070,856)	(1,038,941)
Defined benefit plan costs paid	19	(109,500)	(433,848)
Income tax paid		(2,211,591)	(2,492,033)
Net cash from/(used in) operating activities		14,745,854	(16,561,421)
Cash flows used in investing activities			
Acquisition of property, plant & equipment		(3,366,874)	(42,011,094)
Proceeds from sale of property, plant & equipment		14,863	343,500
Interest received		985,802	1,505,710
Net cash flows used in investing activities		(2,366,209)	(40,161,884)
Cash flows (used in)/from financing activities			
Proceeds from interest bearing loans & borrowings	17	NIL	15,000,000
Repayment of interest bearing loans & borrowings		(2,080,000)	NIL
Dividends paid		NIL	(2,929,500)
Net cash flows from / (used in) financing activities		(2,080,000)	12,070,500
Net increase/(decrease) in cash and cash equivalents		10,299,645	(44,652,805)
Cash and cash equivalents at the beginning of the year		(5,270,847)	39,381,958
Cash and cash equivalents at the end of the year	25	5,028,798	(5,270,847)

The Accounting Policies and Notes on pages 18 to 32 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

1. CORPORATE INFORMATION

1.1 General

Hotel Sigiriya PLC is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at 2nd Floor, Automobile Association Building, No. 40, Sir Mohamed Macan Markar Mawatha, Colombo 03, and the principal place of business is situated at Sigiriya.

1.2 Principal Activities and Nature of Operations

During the year, the principal activity of the Company was that of operating a tourist hotel.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is Serendib Hotels PLC. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Hemas Holdings PLC which is incorporated in Sri Lanka.

1.4 Date of Authorisation for Issue

The Financial Statements of Hotel Sigiriya PLC for the year ended 31 March 2007 were authorized for issue in accordance with a resolution of the Board of Directors on 22 May 2007.

1.5 Number of Employees

The number of employees of the Company at the end of the year was 111 (2006 – 138).

2. BASIS OF PREPARATION

The Balance Sheet, Statements of Income, Changes in Equity and Cash Flow, together with Accounting Policies and Notes, ("Financial Statements") of the Company as at 31 March 2007 and for the year then ended, comply with the Sri Lanka Accounting Standards.

These Financial Statements presented in Sri Lanka Rupees have been prepared on a historical cost basis except for the revaluation of certain property, plant and equipment and investments which are stated at market values.

2.1 Comparative Information

The accounting policies have been consistently applied by the Company and previous year's figures and phrases have been rearranged wherever necessary to conform with the current presentation.

2.2 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows: The Company has adopted the revised SLAS that are applicable in the current financial year. The 2006/2007 Financial Statement have been prepared in accordance with the relevant transitional provisions in the respective SLAS. The following are SLASs that are relevant to the Company.

The Company has adopted the following new SLASs during the year.

- SLAS - 03 (Revised) – Presentation of Financial Statement

- SLAS - 05 (Revised) – Inventories
- SLAS - 10 (Revised) – Accounting Policies, Changes in Accounting Estimates & Errors
- SLAS - 14 (Revised) – Income Tax
- SLAS - 18 (Revised) – Property, Plant and Equipment
- SLAS - 19 (Revised) – Leases
- SLAS - 21 (Revised) – The Effects of Changes in Foreign Exchange Rates
- SLAS - 30 (Revised) – Related Party Disclosure
- SLAS - 34 (Revised) – Earning per Share
- SLAS - 41 (Revised) – Impairment of Assets

The SLAS that have a significant impact on the preparation and presentation of the Financial Statements are as follows:

SLAS - 14 (Revised) – Income Tax

The adoption of SLAS 14 (Revised) requires deferred income tax to be provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for reporting purposes. The Group made required adjustment and disclosed under Note 16.2 and 18 the Financial Statement.

SLAS - 30 (Revised) – Related Party Disclosure

Revised SLAS 30 requires additional disclosure on related party transactions and outstanding balances, together with the names of any parties who can control the reporting entity. Additionally, it requires the disclosure of compensation to key management personnel in total.

2.3 Significant Accounting Judgements, Estimates and Assumptions

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation, uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

2.4 Summary of Significant Accounting Policies

2.4.1 Foreign currency translation

All foreign exchange transactions are converted to Sri Lanka Rupees, which is the reporting currency, at the rates of exchange prevailing at the time the transactions were effected. Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupee equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

year ended 31 March 2007

exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the Income Statement.

2.4.2 Taxation**a) Current taxes**

The provision for income tax is based on the elements of income & expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act at the rate of 15% on trading income and at the rate of 35% on other income.

b) Deferred taxation

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

Deferred income tax liabilities are recognized for all taxable temporary differences:

- Except where the deferred income tax liability arises from goodwill amortisation or 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where 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 income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, 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 assets and unused tax losses can be utilised:

- Except where the deferred income 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; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

2.4.3 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

2.4.4 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition are accounted for using weighted average basis as follows:

Food and Beverage	-	At actual cost on weighted average basis
Maintenance and Others	-	At actual cost on weighted average basis

2.4.5 Trade and other receivables

Trade receivables are stated at the amounts they are estimated to realise net of provisions for bad and doubtful receivables.

Other receivables and dues from related parties are recognised at cost less provision for bad and doubtful receivables.

2.4.6 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

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

2.4.7. Property, plant & equipment**a) Cost and valuation**

All items of property, plant and equipment are initially recorded at cost. The cost of property, plant and equipment is the cost of purchase or construction together with any incidental expenses thereon. Where items of property, plant and equipment are subsequently

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

year ended 31 March 2007

revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the balance sheet date. Subsequent to the initial recognition as an asset at cost, revalued property, plant and equipment is carried at revalued amounts less any subsequent depreciation thereon. All other property, plant and equipment is stated at historical cost less depreciation.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to Accumulated Profits or Losses on retirement or disposal of the asset.

b) Restoration costs

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognised as an expense when incurred.

c) Depreciation

Hotel Sigiriya PLC, has been providing for depreciation on the written down value of the property, plant and equipment except for freehold land. However, as per the Sri Lanka Accounting Standards 18, the depreciation method for Hotel Sigiriya PLC, has been changed from the reducing balance method to the straight line method of depreciation on the cost or valuation of all property, plant and equipment other than freehold land, in order to write off such amounts over the following estimated useful lives commencing from the financial year end 31 March 2006, as indicated below:

Leasehold Land and Buildings on Leasehold Land	Over the remaining lease period
Buildings on Freehold Land	Over 10 years
Swimming Pool	Over the remaining lease period
Furniture & Fittings	Over 5 – 10 years
Plant, Machinery and Equipment	Over 5 – 10 years
Office Equipment	Over 5 – 10 years
Tube Well	Over the remaining lease period
Soft Furniture	Over 5 years
Motor Vehicles	Over 5 – 10 years

In Hotel Sigiriya PLC, the land leased from Sri Lanka Tourist Board for 30 years commencing from 25 July 1974 has now been extended up to 31 March 2034.

Accordingly, the net book value of leasehold land and buildings on leasehold land as at 1 April 2001 will be amortised over a period of 33 years. However, if the lease is not renewed after the date of termination on 31 March 2034, the lessor, Sri Lanka Tourist Board is committed to compensate the Company for the cost of the buildings and landscaping.

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the surplus in the revaluation reserve to Accumulated Profits.

2.4.8 Investments**a) Long term investments**

Long term investments are stated at cost.

The cost of the investment is the cost of acquisition inclusive of brokerage fees, duties and bank fees.

The carrying amounts of long term investments are reduced to recognise a decline other than temporary in the value of investments, determined on an individual investment basis.

2.4.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

2.4.10 Retirement benefit obligations

- Defined Benefit Plan – Gratuity**

Gratuity is a Defined Benefit Plan. The Company is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the balance sheet, equivalent to an amount calculated based on a half month's salary of the last month of the financial year of all employees for each completed year of service, commencing from the first year of service. The resulting difference between brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt with in the Income Statement, after making due adjustment for any payments made.

The gratuity liability is not externally funded nor actuarially valued. This item is grouped under Other Deferred Liabilities in the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

year ended 31 March 2007

- **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.

2.4.11 Impairment of assets

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

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot “exceed” the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

2.4.12 Income statement

- **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

- a) **Rendering of services**

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

- b) **Interest**

Interest Income is recognised as the interest accrues (taking into account the effective yield on the assets) unless collectibility is in doubt.

- c) **Dividends**

Dividend income is recognised on a cash basis.

- d) **Rental income**

Rental income is recognised on an accrual basis.

- e) **Others**

Other income is recognised on an accrual basis

Net gains and losses of a revenue nature on the disposal of property, plant & equipment and other non current assets including investments have been accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of revalued property, plant and equipment, amount remaining in Revaluation Reserve relating to that asset is transferred directly to Accumulated Profit or Loss.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

- **Expenditure Recognition**

- a) Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit or loss for the year.

- b) For the purpose of presentation of the Income Statement, the Directors are of the opinion that the function of expenses method presents fairly the elements of the Company’s performance, and hence such presentation method is adopted.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

year ended 31 March 2007

	2007 Rs.	2006 Rs.
3. REVENUE		
Sales of Goods	16,383,796	15,066,047
Rendering of Services	61,529,861	58,871,075
	<u>77,913,657</u>	<u>73,937,122</u>
Less: Sales Related Levy		
Tourism Development Levy	(786,044)	(745,375)
	<u>77,127,613</u>	<u>73,191,747</u>
4. OTHER INCOME		
Interest Income Receivable from		
Related Parties	652,703	905,108
Others	333,099	600,602
	<u>985,802</u>	<u>1,505,710</u>
Rental Income Receivable from		
Non-Related Parties	300,000	240,000
	<u>300,000</u>	<u>240,000</u>
Miscellaneous Services	24,180	62,405
Income From Vehicle Hiring	480,000	480,000
	<u>1,789,982</u>	<u>2,288,115</u>
5. OTHER EXPENSES		
Loss on Disposal of Fixed Assets	1,421,267	NIL
6. FINANCE COST		
Interest Expense on Overdrafts	113,072	303,493
Interest Expense on Loans & Borrowings Payable to - Banks	1,957,784	735,448
	<u>2,070,856</u>	<u>1,038,941</u>
7. (LOSS) / PROFIT BEFORE TAX		
Stated after Charging / (Crediting)		
Transport Costs	143,103	250,236
Provision for Doubtful Debts	492,887	324,615
Advertising Costs	1,842,102	1,502,822
Directors' Emoluments	94,400	172,000
Auditors' Remuneration (Fees and Expenses)	100,020	106,460
Depreciation	11,669,773	7,403,145
Renewals of Property, Plant & Equipment (Upkeep)	525,250	610,007
Staff Costs Include		
Defined Benefit Plan Costs -Gratuity	406,123	423,602
Defined Contribution Plan Costs - EPF & ETF	1,264,892	1,236,951
Management Fees	3,599,840	3,583,461
Donations	11,900	15,200
Legal Fees	29,000	238,395
Profit on Disposal of Property, Plant & Equipment	NIL	(11,680)

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

year ended 31 March 2007

	2007	2006
	Rs.	Rs.
8. INCOME TAX		
Current Income Tax		
Current Tax Expense on Ordinary Activities for the Year (Note 8.1)	401,120	607,668
Under/(Over) Provision of Current Tax in Respect to Prior Years	(44,165)	276,267
Deferred Income Tax		
Deferred Taxation Charge (Note 8.2)	(568,044)	473,069
	<u>(211,089)</u>	<u>1,357,004</u>
8.1 Reconciliation between Current Tax (Income)/Expense and the product of Accounting Profit and applicable tax rates		
Accounting Profit Before Tax	(5,418,721)	1,910,317
Aggregate Disallowed Items	15,197,011	8,989,005
Aggregate Allowable Expenses	(9,075,762)	(9,993,090)
Aggregate Allowable Income	985,801	1,572,444
Taxable Profit	<u>1,688,329</u>	<u>2,478,676</u>
Income Tax		
Trading Income	105,380	135,935
Interest Income	295,740	471,733
Current Income Tax Expense	<u>401,120</u>	<u>607,668</u>
8.2 Deferred Tax (Income)/Expense		
Deferred Tax (Income)/Expense Arising Due to Origination and Reversal of Timing Differences	(568,044)	473,069
	<u>(568,044)</u>	<u>473,069</u>
8.3 Deferred Tax has been computed using current effective tax rate of 15%		

9. EARNINGS / (LOSS) PER SHARE / (LOSS) FOR SHARE

- 9.1 Basic Earnings / (Loss) Per Share is calculated by dividing the net profit (Loss) for the year attributable to ordinary shareholders by the weighte average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

year ended 31 March 2007

9 EARNINGS / (LOSS) PER SHARE (Cont....)

9.2 The following reflects the income and share data used in the basic and diluted Earnings / (Loss) Per Share computations:

	2007	2006
	Rs.	Rs.
Net (loss)/Profit Attributable to Ordinary Shareholders for basic and diluted Earnings / (Loss) Per Share	<u>(5,207,632)</u>	<u>553,313</u>
Number of Ordinary Shares used as the denominator:	2007	2006
	Number	Number
Weighted average number of ordinary shares in issue applicable to basic Earnings Per Share	5,859,000	5,859,000
Basic Earnings Per Share	(0.89)	0.09

10 PROPERTY, PLANT & EQUIPMENT

10.1 Gross Carrying Amounts At Cost/ Cost Incurred Since Last Revaluation	Balance as at 01.04.2006	Additions/ transfers/ acquisitions	(Disposals)/ (transfers)	Balance as at 31.03.2007
	Rs.	Rs.	Rs.	Rs.
Buildings on Leasehold Land	37,424,761	1,045,284	NIL	38,470,045
Swimming Pool	3,809,914	NIL	NIL	3,809,914
Furniture & Equipment	65,656,675	1,331,951	(8,655,433)	58,333,193
Motor Vehicle	4,375,212	NIL	(21,442)	4,353,770
Linen	2,916,790	NIL	(2,916,790)	NIL
Landscaping	741,593	1,506,346	NIL	2,247,939
	<u>114,924,945</u>	<u>3,883,581</u>	<u>(11,593,665)</u>	<u>107,214,861</u>
At valuation				
Freehold Land	10,111,180	NIL	NIL	10,111,180
Leasehold Land	3,525,919	NIL	NIL	3,525,919
Buildings on Freehold Land	552,000	NIL	NIL	552,000
Buildings on Leasehold Land	86,096,750	NIL	NIL	86,096,750
Swimming Pool	2,500,000	NIL	NIL	2,500,000
Landscaping	1,250,000	NIL	NIL	1,250,000
	<u>104,035,849</u>	<u>NIL</u>	<u>NIL</u>	<u>104,035,849</u>
Total value of assets	<u>218,960,794</u>	<u>3,883,581</u>	<u>(11,593,665)</u>	<u>211,250,710</u>

10.2 In the Course of Construction

	Balance as at 01.04.2006	Incurred During the Year	Reclassified/ Transferred	Balance as at 31.03.2007
	Rs.	Rs.	Rs.	Rs.
Building Work in Progress	516,707	Nil	(516,707)	Nil
Total Gross Carrying Amount	<u>516,707</u>	<u>Nil</u>	<u>(516,707)</u>	<u>Nil</u>

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

year ended 31 March 2007

10 PROPERTY, PLANT & EQUIPMENT (Contd...)

10.3 Depreciation	Balance as at 01.04.2006 Rs.	Charge for the year/ transfers Rs.	(Transfers / Disposals) Rs.	Balance as at 31.03.2007 Rs.
At Cost/ Cost Incurred Since Last Revaluation				
Buildings on Leasehold Land	NIL	1,386,102	NIL	1,386,102
Swimming Pool	NIL	141,108	NIL	141,108
Furniture & Equipment	27,693,631	6,692,641	(7,222,391)	27,163,881
Motor Vehicles	3,376,953	105,949	(18,353)	3,464,549
Linen	2,916,790	NIL	(2,916,790)	NIL
	<u>33,987,374</u>	<u>8,325,800</u>	<u>(10,157,534)</u>	<u>32,155,640</u>
At valuation				
Amortization of Buildings on Leasehold Land	3,074,884	3,074,884	NIL	6,149,768
Leasehold Land	125,926	125,926	NIL	251,852
Buildings on Freehold Land	NIL	55,200	NIL	55,200
Swimming Pool	125,000	87,963	NIL	212,963
	<u>3,325,810</u>	<u>3,343,973</u>	<u>NIL</u>	<u>6,669,783</u>
Total Depreciation	<u>37,313,184</u>	<u>11,669,773</u>	<u>(10,157,534)</u>	<u>38,825,423</u>
			2007	2006
			Rs.	Rs.
At Cost / Cost Incurred since Last Revaluation			75,059,221	81,454,278
At Valuation			97,366,066	100,710,039
Total Carrying Amount of Property, Plant & Equipment			172,425,287	182,164,317

10.4 Net Book Values

10.5 The land and buildings were revalued during the financial year, ending 31 March, 2005 by an independent chartered valuer Mr. D.S.A. Senaratne. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 31 March 2005. Such assets were valued on an open market value for existing use basis. The surplus arising from the revaluation was transferred to a Revaluation Reserve.

The carrying amount of revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	Cost Rs.	Cumulative Depreciation If assets were carried at cost Rs.	Net Carrying Amount 2007 Rs.	Net Carrying Amount 2006 Rs.
Buidings on Leasehold Land	90,084,574	24,197,981	65,886,593	68,139,061
Swimming Pool	3,809,914	141,108	3,668,806	3,809,914

10.6 Property, plant & equipment includes fully depreciated assets having a gross carrying amount of Rs. 16,000 (2006 - Rs. 2,916,790) which were in use during the year.

10.7 The Lesehold land revalued has been leased from the Sri Lanka Tourist Board. The lease expired on 25.07.2004, and has been renewed by Sri Lanka Tourist Board for a further period of 30 years upto 25.07.2034. The company has constructed buildings on these properties. On the expiration of the lease term the Sri Lanka Tourist Board will pay to the company the value of the buildings and improvements constructed with the written approval of Sri Lanka Tourist Board as assessed by the chief valuer.

10.8 The Company obtained leasehold rights to land situated in Hotel Sigiriya PLC from Sri Lanka Tourist Board by the agreement dated 25.07.1974 . Based on the ruling 11 of Urgent Issues Task Force (UITF) of The Institute of Chartered Accountants of Sri Lanka, it was stated at revalued amounts. As a result of a revision to said ruling, the Company now carries such leasehold rights to land at the value recorded in the balance sheet as at the effective date of SLAS 19 - Leases.

The leasehold rights to land is disclosed under non current assets under Leasehold Property with effect from the current financial year with comparative amounts being changed to conform to current presentation. The revised UITF ruling does not permit further revaluation of Leasehold Property. An amount of Rs.3,434,900/- is remaining in the equity under Revaluation Surplus relating to previous revaluation of Leasehold rights to land.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

year ended 31 March 2007

	2007 Rs.	2006 Rs.
11 INVESTMENTS		
Non Current		
Investments in Equity Securities (Note 11.1)	<u>3,333,330</u>	<u>3,333,330</u>
11.1 Investments in Equity Securities-Non Current		
Investments in Equity Securities solely comprise application and allotment money paid, to Rainforest Ecolodge (Pvt) Ltd. for the purchase of 333,333 shares of Rs.10/- each, in the year of 2003/04.		
12 INVENTORIES		
Food Stuff	616,171	714,528
Liquor, Cigarettes and Soft Drinks	741,263	958,755
House- Keeping and Maintenance	1,394,983	1,083,923
Laundry	24,232	13,674
	<u>2,776,649</u>	<u>2,770,880</u>
13 TRADE AND OTHER RECEIVABLES		
Trade debtors		
- Related parties (13.1)	3,801,137	6,614,400
- Other	3,498,062	10,518,803
	<u>7,299,199</u>	<u>17,133,203</u>
Less: Provision for doubtful debts	(817,502)	(324,615)
	<u>6,481,697</u>	<u>16,808,588</u>
Other debtors	3,629,013	2,365,523
	<u>10,110,710</u>	<u>19,174,111</u>
Advances and prepayments	1,330,123	1,754,866
Loans to company officers (13.2)	30,234	19,327
	<u>11,471,067</u>	<u>20,948,304</u>
13.1 Trade Dues Receivables from Related Parties		
	Relationship	
Stafford Hotels PLC	Affiliate/Group Company	13,427
Hemtours (Pte) Ltd.	Affiliate/Group Company	3,787,710
		<u>3,801,137</u>
		<u>246,461</u>
		<u>6,367,939</u>
		<u>6,614,400</u>

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

year ended 31 March 2007

13 TRADE AND OTHER RECEIVABLES (Contd...)

13.2 Loans to Company Officers	2007 Rs.	2006 Rs.
Balance as at the beginning of the year	19,327	111,634
Loans granted during the year	409,800	344,734
Less: Repayments	(398,893)	(437,041)
Balance as at the end of the year	30,234	19,327

14 AMOUNTS DUE FROM RELATED PARTIES

	Relationship	2007 Rs.	2006 Rs.
Serendib Hotels PLC	Parent company	4,106,538	4,100,000
Stafford Hotels PLC	Group company	NIL	1,000,000
Serendib Leisure Management Ltd.	Managing company	4,828,765	4,831,149
		8,935,303	9,931,149

15 SHARE CAPITAL

	Par Value Rs.	2007 Number	2006 Number
15.1 Authorised			
Number of shares	Ordinary shares 10/-	10,000,000	10,000,000
		2007 Rs.	2006 Rs.
Nominal value	Ordinary shares 10/-	100,000,000	100,000,000

15.2 Issued and Fully Paid

	Par Value Rs.	At the beginning of the Year 01.04.2006 Number	Issued for Cash During the Year Number	Issued for Non cash Consideration Number	At the end of the Year 31.03.2007 Number
Number of Shares - Ordinary Shares	Rs.10/-	5,859,000	-	-	5,859,000
		Rs.	Rs.	Rs.	Rs.
Nominal Value - Ordinary Shares	Rs.10/-	58,590,000	-	-	58,590,000

16 RESERVES
Summary

Capital Reserves

	2007 Rs.	2006 Rs.
Share Premium (Note 16.1)	39,060,000	39,060,000
Revaluation Reserve (Note 16.2)	39,734,200	40,801,653
	78,794,200	79,861,653

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

year ended 31 March 2007

16 RESERVES (Contd...)

	2007 Rs.	2006 Rs.
16.1 Share Premium		
As at the Beginning of the Year	39,060,000	39,060,000
Received During the Year	Nil	Nil
As at the end of the year	39,060,000	39,060,000
16.2 Revaluation Reserve		
Property, Plant & Equipment		
Balance as at the Beginning of the Year	40,801,653	60,611,500
Deferred tax Effect on Excess Depreciation	188,374	Nil
Reversal of Excess Depreciation on Revaluation Surplus	(1,255,827)	Nil
Balance as at the End of the Year	39,734,200	60,611,500
Prior year adjustment		
Deferred Tax Attributable to Revaluation Surplus (Note 16.3)	Nil	(9,622,740)
Reversal of Excess Depreciation on Revaluation Surplus (Note 16.4)	Nil	(11,984,832)
Deferred tax Effect on Excess Depreciation (Note 16.4)	Nil	1,797,725
	39,734,200	40,801,653

16.3 Prior Year Adjustment - Deferred tax

The prior year adjustment is for the correction of error relating to non provisioning of deferred tax for revaluation reserves.

16.4 Prior year adjustment - Transfer of revaluation reserve

The prior year adjustment is due to the correction of error related to transfer of revaluation reserve to the retained earnings and the effect of deferred tax. An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the surplus in the revaluation reserve to Accumulated Profits.

17 INTEREST BEARING LOANS & BORROWINGS

	2007 Amount repayable within 1 Year Rs.	2007 Amount repayable after 1 year Rs.	2007 Total Rs.	2006 Amount repayable within 1 Year Rs.	2006 Amount repayable after 1 year Rs.	2006 Total Rs.
Bank Loans (17.1)	4,992,000	7,928,000	12,920,000	2,083,330	12,916,670	15,000,000
Bank Overdrafts (25.2)	1,379,976	NIL	1,379,976	6,840,547	NIL	6,840,547
	6,371,976	7,928,000	14,299,976	8,923,877	12,916,670	21,840,547
17.1 Bank Loans			As At 01.04.2006 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.03.2007 Rs.
Commercial Bank of Ceylon - Loan			15,000,000	Nil	(2,080,000)	12,920,000

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

		year ended 31 March 2007		
18 DEFERRED TAX LIABILITIES		2007	2006	
		Rs.	Rs.	
Balance at the Beginning of the Year		15,056,966		5,856,294
Provision/(Release) Made During the Year		(568,044)		473,069
Deferred Tax Attributable to Revaluation Surplus		NIL		Nil
Deferred Tax Effect on Excess Depreciation		(188,374)		Nil
Balance at the End of the Year		<u>14,300,548</u>		<u>6,329,363</u>
Prior year adjustment				
Deferred Tax Attributable to Revaluation Surplus (Note 16.3)		Nil		9,622,740
Deferred Tax Effect on Excess Depreciation (Note 16.4)		Nil		(1,797,725)
Under Provisions Due to Change in SLAS		Nil		902,588
		<u>14,300,548</u>		<u>15,056,966</u>
19 OTHER DEFERRED LIABILITIES				
	Balance	Charge for	Payments	Balance
	01.04.2006	the Year	during the	31.03.2007
			Year	
	Rs.	Rs.	Rs.	Rs.
Retirement Benefits Obligation-Gratuity	<u>1,207,075</u>	<u>406,123</u>	<u>(109,500)</u>	<u>1,503,698</u>
20 TRADE AND OTHER PAYABLES				
		2007		2006
		Rs.		Rs.
Trade Payable		3,523,385		4,562,526
Other Payables				
- Related Parties (20.1)		298,960		754,285
- Other		3,520,414		3,420,799
Sundry Creditors Including Accrued Expenses		<u>5,248,011</u>		<u>5,029,209</u>
		<u>12,590,770</u>		<u>13,766,819</u>
20.1 Trade Dues Payable to Related Parties				
		Relationship		
Stafford Hotels PLC		Affiliate / Group Company	1,000	Nil
Serendib Leisure Management Ltd.		Managing Company	297,960	754,285
			<u>298,960</u>	<u>754,285</u>
21 DIVIDENDS PAYABLE				
Unclaimed Dividends		<u>522,133</u>		<u>489,845</u>
22 AMOUNTS DUE TO RELATED PARTIES				
Serendib Hotels PLC		<u>505,134</u>		<u>NIL</u>

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

year ended 31 March 2007

	2007 Rs.	2006 Rs.
23 NON INTEREST BEARING LOANS AND BORROWINGS		
Current		
Soft Loan from Ministry of Tourism	<u>657,000</u>	<u>657,000</u>
The above loan has been obtained during the period 1983-1985, and the repayments have not been finalised.		
24 DIVIDENDS		
Ordinary Shares		
1st Interim 2005/06 @ 5%	<u>NIL</u>	<u>2,929,500</u>
25 CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT		
25.1 Favourable cash & cash equivalent balance		
Cash & Bank Balances	2,734,985	1,569,700
Treasury Bills	<u>3,673,789</u>	<u>NIL</u>
	6,408,774	1,569,700
25.2 Unfavourable cash & cash equivalent balances		
Bank Overdraft	<u>(1,379,976)</u>	<u>(6,840,547)</u>
Total cash and cash equivalents for the purpose of Cash Flow Statement	<u>5,028,798</u>	<u>(5,270,847)</u>

26 COMMITMENTS AND CONTINGENCIES

The Company has no Contingent Liabilities as at 31 March 2007.

27 ASSETS PLEDGED

The following assets have been pledged as security for liabilities:

Nature of assets	Nature of Liability	Carrying Amount Pledged		Included under
		2007 Rs.	2006 Rs.	
Leasehold Property	Primary Mortgage upto the value of Rs. 30 Mn to Commercial Bank of Ceylon	117,030,925	120,446,627	Property, Plant & Equipment

28 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the Financial Statements.

29 DIRECTORS' INTERESTS IN CONTRACTS WITH THE COMPANY

The directors of the Company are also directors of the following companies:

	Hotel Sigiriya PLC	Hotel Sigiriya PLC	Serendib Hotels PLC	Serendib Leisure Mgt. Ltd.	Stafford Hotels PLC	Hemtours (Pte) Ltd.	Serendib Corporate Serv. (Pvt) Ltd.	Hemas Corporate Serv. (Pte) Ltd.
Mr. E.J. De Soysa	X	X	X	X	X	-	-	-
Mr. A.N. Esufally	X	X	X	X	X	X	X	X
Mr. B.S.M. De Silva	X	X	X	X	X	-	X	-
Ms. A.R. Gamage	X	X	X	X	X	-	X	-
Ms. M.S. Fonseka (Resign w. e.f. 22.02.2007).	X	X	X	X	X	-	X	X
Mr. H.N. Esufally	X	X	X	X	X	X	-	X
Mr. L.P. Fernando	X	-	-	-	-	-	-	-
Mr. R.H.S. De Silva	X	-	-	-	-	-	-	-
Mr. C. Ramachandran	X	-	-	-	X	-	-	-
Ms. K.A. Wilson (Alternate - Ms. M. S. Fonseka up to 22.02.2007 and Mr. H. N. Esufally from 22.02.2007)	X	X	X	X	X	X	-	X
Mr. W.M.De F. Arsakularatne (appointed w.e.f. 22.02.2007)	X	X	X	X	X	-	-	-
Prof. L.D.K. Gamage (Alternate - Ms. A.R. Gamage)	X	X	X	X	X	-	X	-
Ms. V.R. Jayawardena (Alternate - Mr. C. Ramachandran)	X	-	-	-	X	-	-	-

x - denotes the companies in which each of the persons mentioned was a Director.

The nature of the transactions are disclosed in Note 30 below.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

year ended 31 March 2007

30 TRANSACTION WITH GROUP COMPANIES

Name of the Company and Relationship

Nature of Transaction	Serendib Hotels PLC Parent Company		Serendib Leisure Management Ltd Managing Company		Stafford Hotels PLC Group Company		Hemtoours (Pte) Ltd Group Company		Serendib Corporate Services (Pvt) Ltd Group Company		Hemas Corporate Services (Pte) Ltd Group Company		Total	
	Rs.	2005/2006	Rs.	2005/2006	Rs.	2005/2006	Rs.	2005/2006	Rs.	2005/2006	Rs.	2005/2006		Rs.
Sale of goods/services	2,144	182,500	480,000	480,000	74,969	330,861	13,610,216	13,190,489	NIL	NIL	NIL	NIL	14,167,329	14,183,850
Purchase of goods & services	1,228,821	1,095,093	NIL	NIL	303,516	308,351	NIL	NIL	NIL	NIL	NIL	NIL	1,532,337	1,403,445
Receipt of services	124,570	184,961	25,286	NIL	222,821	12,559	NIL	NIL	NIL	NIL	NIL	NIL	372,677	197,520
Loan granted/(repayment)	NIL	4,100,000	NIL	3,000,000	(1,000,000)	1,000,000	NIL	NIL	NIL	NIL	NIL	NIL	(1,000,000)	8,100,000
Finance income (interest income)	348,500	433,500	294,000	267,285	10,203	204,323	NIL	NIL	NIL	NIL	NIL	NIL	652,703	905,108
Management fees paid	NIL	NIL	3,599,840	3,583,461	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	3,599,840	3,583,461
Accounting fees paid	NIL	NIL	240,000	240,000	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	240,000	240,000
Secretarial & professional fees paid	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	195,000	107,500	NIL	107,500	195,000
Expenses reimbursed	NIL	NIL	4,556,755	4,707,742	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	4,556,755	4,707,742
	1,704,035	5,996,054	9,195,881	12,278,488	(388,491)	1,856,094	13,610,216	13,190,489	NIL	195,000	107,500	NIL	24,229,141	33,516,126

INVESTOR INFORMATION

GENERAL

Share Capital – Rs. 58,590,000 divided into 5,859,000 Ordinary shares.

The issued Ordinary Shares of Hotel Sigiriya PLC are listed with the Colombo Stock Exchange of Sri Lanka.

SHARE DISTRIBUTION

			31.03.2007			31.03.2006		
			No. of	No. of	%	No. of	No. of	%
			Shareholders	Shares		Shareholders	Shares	
1	-	1000	372	116,095	1.98	381	128,013	2.18
1,001	-	5,000	77	195,592	3.34	81	194,114	3.31
5,001	-	10,000	26	196,595	3.36	30	225,255	3.85
10,001	-	50,000	17	321,557	5.49	18	349,557	5.97
50,001	-	100,000	7	449,100	7.67	6	382,000	6.52
100,001	-	500,000	1	145,650	2.49	1	145,650	2.49
500,001	-	1,000,000	0	0	0.00	0	0	0.00
Over		1,000,000	1	4,434,411	75.67	1	4,434,411	75.68
			<u>501</u>	<u>5,859,000</u>	<u>100.00</u>	<u>518</u>	<u>5,859,000</u>	<u>100.00</u>
Institutions			48	5,133,241	87.61	49	5,094,591	86.95
Individuals			453	725,759	12.39	469	764,409	13.05
			<u>501</u>	<u>5,859,000</u>	<u>100.00</u>	<u>518</u>	<u>5,859,000</u>	<u>100.00</u>

PUBLIC HOLDING

22.49% of the Issued Shares is held by the Public as at 31 March 2006. (2006 - 20.36%).

	2006/2007		2005/2006	
Highest Market Price	Rs. 46.00	(07.04.06)	Rs. 50.00	(27.06.05)
Lowest Market Price	Rs. 25.50	(15.03.07)	Rs. 25.50	(17.01.06)
Last Traded Price	Rs. 33.00	(30.03.07)	Rs. 37.00	(31.03.06)
No. of Shares Traded	344,000		305,800	
No. of Trades	376		344	
Turnover	Rs. 14,145,875		Rs. 12,720,525	

MAJOR SHAREHOLDINGS

The Twenty major shareholders as at 31 March 2007 with comparative figures for 2006 were:

	31.03.2007			31.03.2006	
	Shares	%		Shares	%
Serendib Hotels PLC	4,434,411	75.68	Serendib Hotels PLC	4,434,411	75.68
HSBC - Com Trust Equity Fund	145,650	2.49	HSBC – Com Trust Equity Fund	145,650	2.49
Alliance Finance Co. Ltd.	86,500	1.48	Favourite Investments (Pvt) Ltd.	85,000	1.45
Mr. J. C. L. De Mel	72,000	1.23	Mr. J. C. L. De Mel	72,000	1.23
Mr. E. J. De Soysa	70,000	1.19	Mr. E. J. De Soysa	70,000	1.19
Favourite Investments (Pvt) Ltd.	65,000	1.11	Mr. H. L. De Silva	54,000	0.92
Mr. H. L. De Silva	54,000	0.92	The Mahayaya Estates Co. Ltd.	50,600	0.86
Impex Corporation (Pte) Ltd.	51,000	0.87	Delmege Forsyth & Co. (Shipping) Ltd.	50,400	0.86
The Mahayaya Estates Co. Ltd.	50,600	0.86	Impex Corporation (Pte) Ltd.	50,000	0.85
Mercantile Investments Ltd.	38,900	0.66	Mr. L. H. L. M. P. Haradasa	40,000	0.68
WML/ Delmege Forsyth & Co. (Export) Ltd.	31,400	0.54	Mr. M. Haradasa	24,100	0.50
Mrs. S. N. Fernando	23,100	0.39	Lewis Brown Air Services (Pvt) Ltd.	22,800	0.41
Lewis Brown Air Services (Pvt) Ltd.	22,800	0.41	Mr. L. M. M. Dias	21,000	0.36
WML/ Mrs. G. Soysa	20,000	0.34	Delmege Interior Décor (Pvt) Ltd.	20,000	0.34
Delmege Interior Décor (Pvt) Ltd.	20,000	0.34	Mr. B. S. M. De Silva	19,500	0.33
Delmege Forsyth & Co. (Shipping) Ltd.	20,000	0.34	Mr. N. J. H. M. Cooray	18,100	0.31
Mr. B. S. M. De Silva	19,500	0.33	Mr. M. M. A. Cassim	15,750	0.27
Mr. N. J. H. M. Cooray	18,100	0.31	Mr. O. R. Kreltszheim	15,480	0.26
Mr. M. M. A. Cassim	15,750	0.27	Mr. F. G. N. Mendis	15,000	0.26
Mr. O. R. Kreltszheim	15,480	0.26	Mrs. S. N. Fernando	15,000	0.26
	5,274,191	90.02		5,238,791	89.51
Shares held by the balance shareholders	584,809	9.98		620,209	10.49
	5,859,000	100.00		5,859,000	100.00

FORM OF PROXY

Hotel Sigiriya PLC
 40 Sir Mohamed Macan Markar Mw
 Colombo 3.

I/We of
 being a member/members of Hotel Sigiriya PLC, hereby appoint.

1. of
 or failing him
2. being a Director of the Company as my/our proxy to vote as indicated hereunder for me/us and on my/our behalf at the Thirty Third Annual General Meeting of the Company to be held on 5 July 2007 at 3.00 p.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Report of the Directors and the statement of Accounts for the Year ended 31 March 2007 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. R. H. S. De Silva, as Director, who retires by rotation in terms of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Mr. W. M. De F. Arsakularatne, who was appointed to the Board since the last AGM	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Mr. C. Ramachandran, as Director, in terms of Section 211 (1) of the Companies Act No. 7 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint PricewaterhouseCoopers as Auditors and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorize Directors to determine and make contributions to charity.	<input type="checkbox"/>	<input type="checkbox"/>

* *The proxy may vote as he thinks fit on any other resolution brought before the meeting.*

Signature of Shareholder

Dated this day of 2007

- (i) * Please delete the inappropriate words.
- (ii) Instructions regarding completion appear on the reverse hereof.

Instructions for completion

1. Kindly perfect the form of proxy after filling in legibly your name in full and address and by signing in the space as provided. Please fill in the date of signature.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.
3. In the case of Corporate Members, the Form of Proxy must be completed under the Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy.
5. The completed Form of Proxy should be deposited at No. 36, Bristol Street, Colombo 01, not less than forty eight (48) hours before the appointed time for the meeting.

CORPORATE INFORMATION

Hotel Sigiriya PLC (formerly known as Ceylon Luxury Hotels Ltd) is a Public Quoted Company with Limited Liability incorporated in Sri Lanka in 1971.

BOARD OF DIRECTORS

E.J. De Soysa - Chairman
R.H.S. De Silva
L.P. Fernando
B.S.M. De Silva
C. Ramachandran
(Alt: Ms. V.R. Jayewardene)
A.N. Esufally
A.R. Gamage (Ms)
(Alt: Prof. L. D. K. B. Gamage)
H.N. Esufally
(Alt: Ms. K.A. Wilson)
W. M. De F. Arsakularatne

REGISTERED OFFICE

2nd Floor, Automobile Association Building
40, Sir Mohamed Macan Markar Mawatha
Colombo 3.
Tel : +94 (1) 2332155
Fax : +94 (1) 2438933
E-mail : inquiries@serendibleisure.lk
Website : www.serendibleisure.com

SECRETARIES

Hemas Corporate Services (Pte) Ltd

REGISTRARS

SSP Corporate Services (Pvt) Ltd

MANAGING AGENTS

Serendib Leisure Management Ltd

AUDITORS

PricewaterhouseCoopers

BANKERS

Commercial Bank of Ceylon

HOTEL

Hotel Sigiriya



SERENDIB LEISURE HOTELS

A. A. Building, 40, Sir Mohamed Macan Markar Mawatha, Colombo 3, Sri Lanka.
Tel: (+9411) 2332155-8 Fax: (+9411) 2438933 E-mail: inquiries@serendibleisure.lk