

Annual Report 2007/08  
*Stafford Hotels PBC*

# Contents

Notice of Meeting	01	Statement of Directors' Responsibilities	13
Board of Directors	02	Independent Auditors' Report	14
Chairman's Review	03	Income Statement	15
Operational Review	04	Balance Sheet	16
Financial Review (Group)	05 - 06	Statement of Changes in Equity	17
Annual Report of the Board of Directors	07 - 08	Cash Flow Statement	18
Management Team	09	Notes to the Financial Statements	19 - 35
Corporate Governance	10 - 11	Investor Information	36 - 37
Report of the Audit Committee	12	Form of Proxy	39 - 40
Report of the Remuneration Committee	12	Corporate Information	Inner Back Cover

# Notice of Meeting

**NOTICE IS HEREBY GIVEN** that the **TWENTY SEVENTH (27TH) ANNUAL GENERAL MEETING** of **STAFFORD HOTELS PLC** will be held at the Auditorium of the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 02, on Thursday, 24 July 2008 at 3.20 p.m. for the following purpose:

## AGENDA

1. To receive and consider the Statement of Accounts for the year ended 31 March 2008 together with the Report of the Directors and Auditors thereon.
2. To re-elect Ms. A. R. Gamage who retires by rotation in terms of the Articles of Association, as a Director of the Company.
3. To pass the ordinary resolution set out below to re-appoint as a Director Mr. O. R. Kreltshheim who has reached the age of 86 years on 9 August 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. O. R. Kreltshheim who has reached the age of 86 years on 9 August 2007 be and is hereby re-appointed a Director of the Company and it is hereby declared that 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 Section 210 of the said Companies Act shall not apply to Mr. O. R. Kreltshheim."

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

By Order of the Board

**STAFFORD HOTELS PLC**

**HEMAS CORPORATE SERVICES (PVT) LTD.**

Secretaries

Colombo

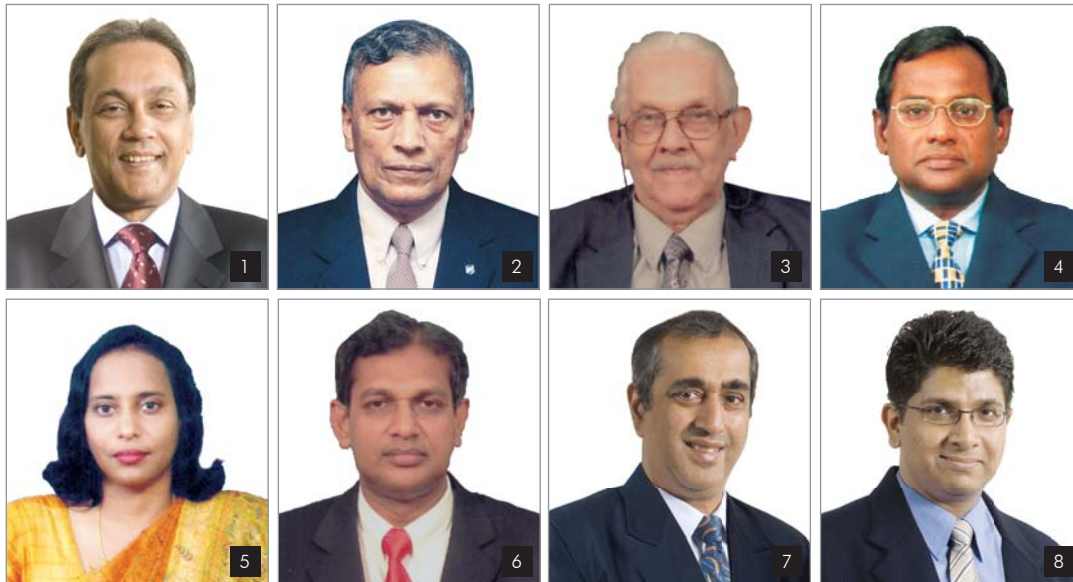
June 25, 2008

## 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.

Club Hotel  
*Dolphin*

# Board of Directors



## 1. A. N. Esufally - Chairman

Appointed to the Board in 1994 and elected Chairman in 2002. He is a Fellow of both the Institute of Chartered Accountants of England and Wales and The Institute of Chartered Accountants of Sri Lanka. He has experience of over 30 years in Sri Lanka and overseas and has been in the forefront of the leisure industry in Sri Lanka. He serves as a Director of the Sri Lanka Tourism Development Authority, the apex body of the Tourism Institution which came in to effect after the new Tourism Act was signed in to law effective 01 October 2007. He is also the Honorary Consul General of Bhutan in Sri Lanka and an all Island Justice of the Peace. Other directorships include Hemas Holdings PLC, Serendib Hotels PLC, Hotel Sigiriya PLC, Printcare (Ceylon) Ltd. and several other companies.

## 2. E. J. De Soysa

Appointed to the Board in 1990. Other directorships include Serendib Hotels PLC, Hotel Sigiriya PLC, The Mahayaya Estate Co. Ltd., Kahatapitiya Estates Ltd. and several other Companies. Over 40 years association in the tourism and leisure industries.

## 3. O. R. Kreltshheim

A Founder director of the Company. Counts more than 50 years experience in the spice industry. Other directorships include the Intercom Group.

## 4. B. S. M. De Silva

Appointed to the Board in 1990. Counts over 20 years experience in the Tourism and Leisure industry. Has extensive experience in the Spice industry and is the founder Chairman of the Spice Council. Other directorships include Serendib Hotels PLC, Hotel Sigiriya PLC, Intercom Group of Companies and several other companies.

## 5. A. R. Gamage (Ms)

Appointed to the Board in 1994. A Fellow of the Chartered Institute of Management Accountants U.K. Other directorships include Hotel Sigiriya PLC and Wicks Advertising & Marketing Limited.

## 6. T. Wijemanna

Appointed to the Board in 1996 as a Nominee Director of DFCC. Holds a LLB (Hon) Degree from University of Colombo and LLM from University of London. He is also an Attorney-at-Law with 25 years experience in the corporate sector. Currently serves in the capacity of Senior Vice President – General Counsel at DFCC. Other directorships include Swadeshi Group of Companies.

## 7. H. N. Esufally

Appointed to the Board in 2003. Holds a Bachelor of Science (Honours) degree in Electronics from the University of Sussex, U.K. He is the CEO of Hemas Holdings PLC and has management experience of over 20 years. Other directorships include the Hemas Group, Serendib Hotels PLC, Hotel Sigiriya PLC and other Companies. He is also a Trustee at the National Council for Mental Health (Sahanaya).

## 8. W. M. De F. Arsakularatne

Appointed to the Board in 2007. A Fellow Member of the Chartered Institute of Management Accountants U.K., and a Chartered Financial Analyst. He also holds a MSc in Investment Management from the City University Business School, U. K., a BSc in Computer Science & Engineering from the University of Moratuwa, SL and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing, U.K. He has 8 years of experience in the fund management industry. Other directorships include Hotel Sigiriya PLC and Serendib Hotels PLC.

# Chairman's Review

## Industry overview

The general business environment in the country during the year under review has indeed been a challenging one with the Tourism industry directly affected by the negative publicity on Sri Lanka. The adverse Travel Advisories issued by Governments of generating countries have also resulted in a drop in consumer demand.

The Tourism Act No. 38 of 2005 was finally signed and came into effect on 01 October 2007. This has been warmly welcomed by the Private sector and is considered to be a step in the right direction. Four autonomous bodies will be set up under the Act with Public / Private sector participation on the respective Boards.

## Hotel Operations

It is with great pleasure that I report, that in spite of the extremely trying circumstances for tourism in Sri Lanka, Club Hotel Dolphin recorded an exceptionally good performance this year too. It continues to dominate the British Tour Operator market with its lead partner, First Choice Holidays & Flights. With strong product innovations and improvements, the hotel sustained its strong performance for the second year in succession, achieving a year round occupancy of 82% with a consolidated Net Revenue of Rs. 328 Mn up from Rs. 263 Mn last year. The EBITA was Rs. 97.6 Mn depicting a healthy 28% year on year growth and PBT was Rs. 62.4 Mn. Due to the strong image of the hotel, the Directors were able to declare a Rs. 0.50 per share interim dividend. Club Hotel Dolphin would therefore probably be one of the few hotel companies in Sri Lanka which has declared a dividend in this financial year.

I am also happy to state that Club Hotel Dolphin was included in the Top 100 Brands of Sri Lanka as evaluated by Brand Finance Lanka (Pvt) Ltd and featured in the April issue of LMD. Club Hotel Dolphin received the Brand Rating of BB.

In addition to this excellent financial performance of your Company, Club Hotel Dolphin also succeeded in winning the Gold Award from UK's leading tour operator, First Choice Holidays, for the 4th consecutive year. This is indeed a noteworthy achievement as the award is granted based on customer feedback.

I congratulate the operations team led by the COO, Mr Anandaraj, who has worked tirelessly to deliver consistent customer service and has focused on continuous improvement.

## Future Prospects

The Directors are confident that the hotel will continue to perform well for the forthcoming year 2008/09, subject to the country situation not deteriorating any further. Several new facilities and value additions are being planned with a view to improve the product offering and to ensure future growth, whilst retaining its competitive edge. However, the full potential of Club Hotel Dolphin is yet to be realised and as I mentioned in my report last year, it is imperative that peace returns to our country for tourism to prosper.

## Appreciation

During the period under review, the General Manager Mr. Saman Ranasinghe left our employment for a job opportunity overseas. He was instrumental in forging an effective team and moving the hotel to a higher plane. Whilst thanking him for his contribution, I am happy to extend a warm welcome to Mr. Chamin Wickremasinghe who took over as General Manager with effect from 20 February 2008.

My thanks and appreciation also go out to the Head Office Management Team led by Mr. Srilal Miththapala, CEO of Serendib Leisure Management Ltd, my colleagues on the Board for their support and guidance and to the shareholders of the Company.



**A. N. Esufally**

Chairman

May 05, 2008



# Financial Review (Group)

## Ten Year at a Glance

Year ended 31 March  
(Figures in Rs.'000 unless otherwise stated)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
		Restated	Restated							
<b>Trading Results</b>										
Revenue	328,358	263,452	188,085	135,673	156,894	110,728	80,189	115,262	121,430	104,471
Profit /(Loss) Before Tax	62,422	40,126	9,168	(9,377)	34,025	9,293	257	15,930	28,005	22,150
Income Tax Expense	(6,716)	(4,066)	1,308	(798)	(4,732)	(2,369)	(857)	(4,460)	(200)	(2,900)
<b>Net Profit/(Loss) for the Year</b>	<b>55,706</b>	<b>36,060</b>	<b>10,476</b>	<b>(10,175)</b>	<b>29,293</b>	<b>6,924</b>	<b>(600)</b>	<b>11,470</b>	<b>27,805</b>	<b>19,250</b>

## ASSETS

### Non-Current Assets

Property, Plant & Equipment	653,953	654,214	662,153	665,980	411,405	373,948	373,768	386,352	380,201	379,176
Investments	3,090	3,333	3,333	3,333	3,333	-	-	-	-	-
	657,043	657,547	665,486	669,313	414,738	373,948	373,768	386,352	380,201	379,176
Current Assets	100,438	90,546	81,309	69,474	64,464	54,030	39,281	45,220	39,950	37,998
<b>Total Assets</b>	<b>757,481</b>	<b>748,093</b>	<b>746,795</b>	<b>738,787</b>	<b>479,202</b>	<b>427,978</b>	<b>413,049</b>	<b>431,572</b>	<b>420,151</b>	<b>417,174</b>

## EQUITY AND LIABILITIES

### Equity Attributable to Equity Holders of the Parent

Stated Capital	316,215	316,215	316,215	316,215	252,972	252,972	252,972	252,972	252,972	252,972
Reserves	158,912	161,393	163,812	207,980	109,961	109,961	109,961	109,961	109,961	110,143
Retained Earnings	106,775	63,961	41,310	14,111	36,935	7,641	12,198	12,798	22,141	6,985
Deferred Development Expenditure	-	-	-	-	-	-	(2,053)	(5,260)	(8,668)	(9,563)
Preliminary & Pre-Operating Expenses	-	-	-	-	-	-	-	-	(9,959)	(11,127)
<b>Total Equity</b>	<b>581,902</b>	<b>541,569</b>	<b>521,336</b>	<b>538,306</b>	<b>399,868</b>	<b>370,574</b>	<b>373,078</b>	<b>370,471</b>	<b>366,447</b>	<b>349,410</b>

### Non-Current Liabilities & Deferred Income

Interest Bearing Loans & Borrowings	34,776	57,792	82,180	99,320	17,333	-	2,813	10,727	21,455	32,183
Deferred Income Tax	48,736	49,347	33,546	12,773	12,200	8,340	7,900	7,560	3,100	2,900
Other Deferred Liabilities	4,565	3,695	3,191	2,947	2,194	1,803	1,553	1,369	969	780
Deferred Income	-	-	-	-	-	-	-	-	258	-
	88,077	110,834	118,918	115,040	31,727	10,143	12,266	19,656	25,782	35,863
Current Liabilities	87,502	95,690	106,541	85,441	47,607	47,261	27,705	41,445	27,922	31,901
<b>Total Equity and Liabilities</b>	<b>757,481</b>	<b>748,093</b>	<b>746,795</b>	<b>738,787</b>	<b>479,202</b>	<b>427,978</b>	<b>413,049</b>	<b>431,572</b>	<b>420,151</b>	<b>417,174</b>

## Indication of performance

Dividend per share (Rs.)	0.50	-	-	-	0.50	0.40	-	0.50	0.50	-
Earnings / (loss) per share (Rs.)	1.76	1.14	0.33	(0.32)	1.17	0.27	(0.02)	0.45	1.10	0.76
Net assets per share(Rs.)	18.40	17.13	16.49	17.02	15.81	14.65	14.75	14.64	14.49	13.81
Market value per share(Rs.)	11.00	9.25	11.00	12.50	13.00	6.00	6.50	4.00	6.00	5.00
Price earning ratio(Times)	6.25	8.11	33.20	N/A	11.23	21.92	N/A	8.82	5.46	6.57
Debt equity ratio (%)	10.27	16.38	25.23	22.85	9.12	3.04	4.93	5.79	8.78	14.36
Current ratio(Times)	1.15	0.95	0.76	0.81	1.35	1.14	1.42	1.09	1.43	1.19
Interest cover(Times)	5.72	3.71	1.55	(0.10)	15.87	8.34	1.17	6.80	9.98	5.89
Return on equity(%)	9.57	6.66	2.01	(1.89)	7.33	1.87	(0.16)	3.10	7.59	5.51

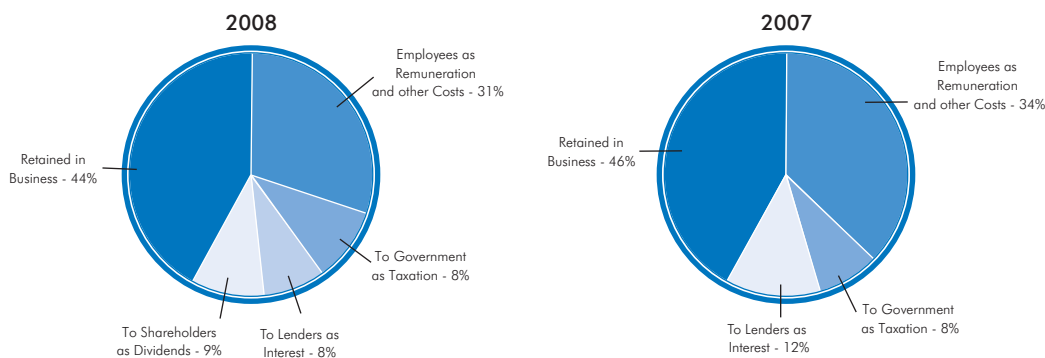
## Hotel Operation

Annual sales growth(%)	24.6	40.1	38.6	(13.3)	42.7	38.1	(30.4)	(5.1)	16.2	35.2
Room occupancy(%)	82.0	77.0	61.0	54.0	68.0	56.4	46.9	68.2	67.1	62.7

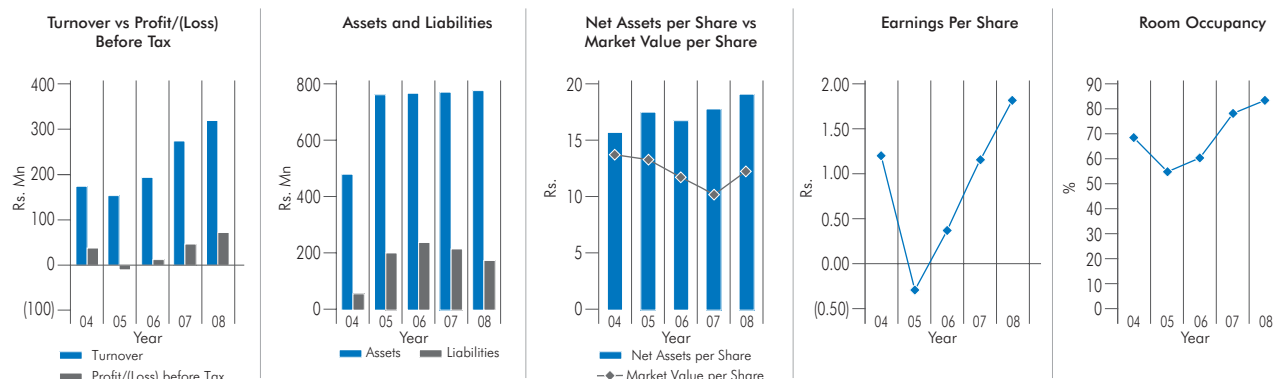
Statement of Value Added

For the Year ended 31 March	2008	2007
Value Added	Rs.000's	Rs.000's
Revenue (Gross)	331,687	266,113
Other Income	1,691	6,255
<b>Total Revenue</b>	<b>333,378</b>	<b>272,368</b>
Purchase of Goods & Services	(158,943)	(146,930)
<b>Total Value Added</b>	<b>174,435</b>	<b>125,438</b>

Distribution of Value Added	%		%	
To Employees as Remuneration	31	53,547	34	43,036
To Government as Taxes	8	14,278	8	10,135
To Lenders as Interest	8	13,237	12	14,784
To Shareholders as Dividends	9	15,811	-	-
Retained in Business	44	77,562	46	57,483
	<b>100</b>	<b>174,435</b>	<b>100</b>	<b>125,438</b>



Five year at a Glance



\* Club Hotel Dolphin was closed from May to August '04 for refurbishment of existing rooms and construction of new rooms.

# Annual Report of the Board of Directors

The Directors of Stafford Hotels PLC have pleasure in presenting their Report along with the Audited Financial Statements of the Company and the Group for the financial year ended 31 March 2008.

## NATURE OF BUSINESS OF THE COMPANY

The Principal activity of the Company which is hoteliering remained unchanged. The Company owns and operates the 98 rooms in Club Hotel Dolphin and 50 cottages of Miami Beach Hotels Ltd, situated adjacent to the Hotel.

## FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group are given from pages 15 to 35.

## REPORT OF THE AUDITORS

The report of the Auditors on the Financial Statements of the Company is given on page 14 of the Annual Report.

## ACCOUNTING POLICIES

The Accounting policies adopted by the Company in preparing the Financial Statements are given on pages 19 to 23. There were no changes to the accounting policies adopted by the Company during the accounting period.

## REVIEW OF OPERATIONS & FUTURE DEVELOPMENTS

A review of the operations of the Company and Group during the financial year, with comments on operational results and future prospects are described in the Chairman's Review.

## DIRECTORS

The names of the Directors who held office during the year under review are given below;

Mr. A. N. Esufally - Chairman

Mr. E. J. De Soysa

Mr. B. S. M. De Silva

Mr. C. Ramachandran - Resigned with effect from 17 December 2007

Mr. O. R. Kreltshheim

Ms. A. R. Gamage

Mr. T. Wijemanna

Mr. H. N. Esufally

Mr. W. M. De F. Arakularatne

Mr. V. H. A. Perera - Appointed with effect from 23 August 2007

(Alt. Director to Mr. A. N. Esufally)

Prof. L. D. K. B. Gamage

(Alt. Director to Ms. A. R. Gamage)

Ms. K. A. Wilson

(Alt. Director to Mr. H. N. Esufally)

Ms. V. R. Jayewardene - Ceased to be w.e.f. 17 December 2007

(Alt Director to Mr. C. Ramachandran)

Ms. B. Y. La Brooy

(Alt. Director to Mr. O. R. Kreltshheim)

Ms. A. R. Gamage retire by rotation in terms of the Articles of Association of the Company and being eligible, offer herself for re-election.

Mr. O. R. Kreltshheim, who reached the age of 86 years on 9 August 2007, vacates office in terms of section 210 (2) of the Companies Act No. 7 of 2007. The Directors intend proposing a resolution to re-appoint Mr. O. R. Kreltshheim in accordance with Section 211 (1) of the Statute.

## REMUNERATION & OTHER BENEFITS OF DIRECTORS

No remuneration was paid to the Board of Directors during the year under review. (2007 – Rs. 81,000/-)

## INTEREST REGISTER

In compliance with the requirements of the Companies Act No. 7 of 2007, an Interest Register was maintained by the Company during the accounting period ended 31 March 2008.

The Company has carried out transactions in the ordinary course of business with entities where the Directors of the Company are Directors of such entities, as detailed below:

- Mr. A. N. Esufally, Director of the Company is also a Director of Hotel Sigiriya PLC, Serendib Hotels PLC, Serendib Leisure Management Ltd., Miami Beach Hotels Ltd., Serendib Corporate Services (Pvt) Ltd., Hemtours (Pvt) Ltd. and Hemas Holdings PLC.
- Mr. E. J. De Soysa, Director of the Company is also a Director of Hotel Sigiriya PLC, Serendib Hotels PLC, Serendib Leisure Management Ltd. and Miami Beach Hotels Ltd.
- Mr. B. S. M. De Silva, Director of the Company is also a Director of Hotel Sigiriya PLC, Serendib Hotels PLC, Serendib Leisure Management Ltd., Miami Beach Hotels Ltd. and Serendib Corporate Services (Pvt) Ltd.
- Ms. A. R. Gamage, Director of the Company is also a Director of Hotel Sigiriya PLC, Serendib Leisure Management Ltd. and Serendib Corporate Services (Pvt) Ltd.
- Mr. H. N. Esufally, Director of the Company is also a Director of Hotel Sigiriya PLC, Serendib Hotels PLC, Serendib Leisure Management Ltd., Hemtours (Pvt) Ltd., Hemas Corporate Services (Pvt) Ltd. and Hemas Holdings PLC.
- Mr. W. M. De F. Arakularatne, a Director of the Company is also a Director of Serendib Hotels PLC, Hotel Sigiriya PLC, Serendib Leisure Management Ltd., Hemas Corporate Services (Pvt) Ltd. and Hemtours (Pvt) Ltd.

The details of the transactions/proposed transactions appear on Note 28 to the Financial Statements. These interests have been declared at meetings of the Board.

## Report of the Directors Contd...

### DIRECTORS' SHAREHOLDING

The shareholdings of the Directors during the financial year were as follows:

	31.03.2008	31.03.2007
Mr. A. N. Esufally	450,007	450,007
Mr. E. J. De Soysa	50,000	50,000
Mr. B. S. M. De Silva	204,700	204,700
Mr. O. R. Kreltshheim	7,625	7,625
Mr. H. N. Esufally	100	100
Mr. T. Wijemanna*	-	-
Mr. W. M. De F. Arsakularatne	-	-
Ms. A. R. Gamage	3,750	3,750
Mr. C. Ramachandran**	10,000	10,000

\* Nominee Director of DFCC Bank which holds 5,909,825 shares in the Company.

\*\* Resigned w.e.f. 17 December 2007

### PROPERTY PLANT & EQUIPMENT

The movement in Property, Plant & Equipment during the financial year is disclosed under Note 10 to the financial statements.

During the financial year the Group and Company acquired Property, Plant and Equipment to the aggregate value of Rs. 25,181,317/- and Rs. 12,152,279/- respectively. (2007- Rs. 15,806,673/- and Rs. 10,275,278/- respectively).

### GROUP PERFORMANCE

The Revenue of the Group and Company during the year was Rs. 328,357,771/- (2007 – Rs. 263,451,696/-) and Rs. 217,613,002/- (2007 – Rs. 181,065,955/-) respectively, which is analyzed in detail in Note. 3 to the financial statements.

The Profit before taxation of the Group and Company had increased to Rs. 62,421,983/- and Rs. 48,718,845/- respectively during the year under review (2007 – Rs. 40,125,992/- and Rs. 32,373,777/- respectively).

### RESERVES

Details of Capital and Revenue Reserves of the Company and that of its subsidiaries are given in Note 17 to the financial statements.

### DIVIDENDS

An Interim dividend of Rs. 0.50 per share for the year ended 31 March 2008 was paid to the shareholders on 25 March 2008. The Directors do not recommend a final dividend for the financial year under review. (2007 – Nil).

### GOING CONCERN

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future and accordingly, have adopted the "Going Concern Concept" in the preparation of the financial statements.

### STATED CAPITAL

The stated capital of the Company as at 31 March 2008 was Rs. 316,214,770/- divided into 31,621,477 shares. (2007 – Rs. 316,214,770/- divided into 31,621,477 shares).

### HUMAN RESOURCES

The number of persons employed by the company as at the end of the year was 306 (2007 – 254).

### CORPORATE DONATIONS

Donations made by the Group during the year under review amounted to Rs. 46,130/- (2007 – Rs. 18,120/-).

### EVENTS OCCURRING AFTER BALANCE SHEET DATE

There have been no material events occurring after the balance sheet date that required adjustments to or disclosure in the financial statements.

### AUDITORS

Messrs Ernst & Young, Chartered Accountants served as the Auditors of the Company during the year under review. The Audit Fees & expenses payable and fees & expenses paid for other services rendered are as noted below;

Audit Fees - Rs. 248,593/-

Fees for non – audit services - Rs. 198,940/-

The Directors have confirmed that to the best of their knowledge the Auditors have had no interest in or relationship with the Company or its subsidiaries other than that of Auditors.

The Auditors have confirmed that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

Messrs. Ernst & Young have expressed their willingness to continue in office. A resolution to – re-appoint them and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board



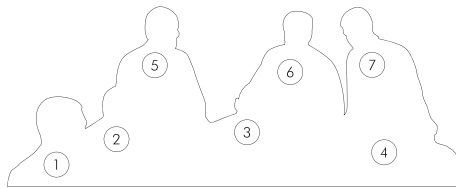
**A. N. Esufally**  
Chairman



**E. J. De Soysa**  
Director

May 05, 2008

# Management Team



## 1. Ronald Perera - Director – Administration

Joined Serendib Leisure in June 1998, and counts over 40 years experience in the Hotel industry. Previously, held the position of General Manager overlooking three hotels managed by John Keells Hotels. Joined as a Manager and subsequently promoted as a Director. He is responsible for all administrative functions including Procurement, Corporate Social Responsibility and Facilities Management.

## 2. S. Anandaraj - Chief Operating Officer

Joined Serendib Leisure in July 2003 and counts over 25 years experience in the Hospitality Industry. Previously held the position of General Manager at Galle Face Hotel, Riverina and Club Palm Garden (Confi Group). A Food & Beverage specialist, with a Management Diploma from the Sri Lanka Institute of Tourism and Hotel Management and a Fellow of the Ceylon Hotel School Graduates Association [FCHSGA] and he is also the Immediate Past President. A full corporate member of both the Institute of Hospitality, UK[MIH] and the Chartered Management Institute, UK[MCM].

## 3. Srilal Miththapala - Director / Chief Executive Officer

Holds a BSc (Electrical Power Engineering) from the University of Moratuwa. A Chartered Electrical Engineer, and a Fellow of the Institute of Electrical Engineers, London and a member of Chartered Institute of Management, UK. He is an International Professional Review Interviewer for the Institute of Electrical Engineers, London. Counts over 30 years of management experience in the mercantile sector in Sri Lanka in several senior management positions and directorships. He is currently the Vice President of the Tourist Hotels Association of Sri Lanka (THASL) and a Member of the Board of Management of the Institute of Tourism & Hotel Management (SLITHM).

## 4. Thishani Jayatunge - Marketing Manager

Joined Serendib Leisure in November 2003 and counts 15 years experience in Sales & Marketing with over 9 years in Management working for both Multinational and local companies. Previously, attached to Coats Thread (UK) and Chevron Lubricants (USA), she has worked with some of Sri Lankas leading brands in the respective industries. An old girl of Bishops College, Colombo and a Chartered Marketer from the of Chartered Institute of Marketing UK, she is currently reading for a Masters Degree in Business at the University of Colombo.

## 5. Thuraijajah Thivakaran - Director Finance

Joined Serendib Leisure in November 2005 and counts over 15 years of experience in Finance, Operations and Auditing. Previously attached to Ernst & Young and Aitken Spence Hotel Management Company. Holds a MBA from the University of Colombo and is an Associate member of the Institute of Cost and Executive Accountants and a Diploma holder in Marketing and Human Resources.

## 6. Suranjith de Fonseka - Manager – International Marketing and Sales

Joined Serendib Leisure in September 2007. Previously attached to Aitken Spence Hotel Management Company, he has over 5 years industry related experience. Holds a B.A. (Hons) degree in Business Administration from Nottingham Trent University – UK and is a Sri Lanka prize winner and Member of the Chartered Institute of Marketing – UK. He is currently reading for a MBA at the Postgraduate Institute of Management.

## 7. Ruan Abhayaratne - Group Manager Human Resources

Joined Serendib Leisure in February 2006. Previous work experience includes handling HR functions in the manufacturing sector at Singer (Sri Lanka) and retail, media, financial services and hospitality sectors of the EAP Edirisinghe Group. Educated at Royal College, Colombo, holds a Degree in Sociology from Washington College Maryland and a Post Graduate Diploma (Bus. & Fin). He is currently pursuing the National Diploma in HR from IPM.

# Corporate Governance

The Company recognizes the interest of all its stakeholders and accordingly has designed its corporate governance policies and practices to ensure that the Company is focused on its responsibilities to its stakeholders and on creating long term shareholder value.

The statement sets out the corporate governance policies adopted by the Board.

## Board of Directors

The Company is governed by its Board of Directors who directs and supervises the business and affairs of the Company on behalf of the shareholders.

The present Board comprises eight Directors, all of whom hold Office in a Non-Executive capacity. The Non-Executive Directors provide a considerable depth of knowledge and experience from a variety of commercial sectors. Their contributions carry significant weight in all Board decisions. The names and short profiles of the Directors of the Company are given on page 02.

Messrs B. S. M. De Silva, E. J. De Soysa, O. R. Kreltzhaim and Ms. A. R. Gamage meets the criteria of independence except that they have served on the Board for more than 9 years. However, the Board having evaluated all factors have concluded that their independence has not been impaired due to them serving on the Board for more than 9 years.

Appointments to the Board are based on the collective decision of the Board. A Director so appointed, retires at the next Annual General Meeting of the Company and seeks re-appointment in terms of the Articles of the Company.

At every Annual General Meeting, one Director retires by rotation in conformity with the Articles of Association of the Company. In addition, a Director who has reached 70 years of age, vacate office at the conclusion of the Annual General Meeting commencing next after he attains the age of 70 years.

The Board meets once every two months and special Board meetings are convened whenever necessary. Prior to each meeting the Directors are provided with information relevant to the agenda enabling them to discharge their duties.

Six meetings of the Board of Directors were held during the year under review.

Attendance of the Directors at these meetings are given below.

	No. of meetings attended
Mr. A. N. Esufally	4
Mr. E. J. De Soysa	6
Mr. B. S. M. De Silva	5
Mr. O. R. Kreltzhaim	3
Mr. H. N Esufally	4
Mr. W. M. De F. Arsakularatne	6
Mrs. A. R. Gamage	3
Mr. T. Wijemanna	6
Mr. C. Ramachandran*	1

\* Resigned with effect from 17 December 2007

## Sub – Committees of the Board

The Board is responsible for the establishment of all Board sub – Committees and the appointment of members to these committees. The Board had delegated responsibilities to two Board sub Committees which operate within clearly defined terms of reference.

### Audit Committee

The Audit Committee of the parent Company, Serendib Hotels PLC functions as the Audit Committee of the Company. The Audit Committee comprises three Directors. The members of the Committee comprise. Prof. L. D. K. B. Gamage (Chairman), Mr. J. C. L. De Mel and Mr. A. N. Esufally. The Committee met four times during the year.

The Chief Executive Officer and the Head of Finance of Serendib Leisure Management Ltd., the Managing Agents attended the meetings by invitation. The external and internal auditors are provided with opportunities to discuss issues as and when required.

The Committee is empowered to examine any matter relating to the financial reporting systems of the Group including internal and external Audits. The Committee is mainly responsible for reviewing the financial statements, internal control procedures, accounting policies, compliance with accounting standards, audit completion reports, risk management measures and approving the release of interim financial statements.

The report of the Audit Committee is given on page 12.

### Remuneration Committee

The Remuneration Committee of the parent Company, Serendib Hotels PLC functions as the Remuneration Committee of the Company.

The Remuneration Committee consists of two Directors namely Mr. J. C. L. De Mel (Chairman) and Prof. L. D. K. B. Gamage. The primary objective of the Committee is to review, and approve overall remuneration philosophy, strategy, policies and practices.

### Internal Control

The Board is responsible for the effectiveness of the Company's internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated.

### Relationship with shareholders

The Board believes that maintaining good relationships with shareholders are of prime importance. It places high emphasis on complete disclosure of both financial and non financial information. The Annual and Quarterly Reports are the principal means of communicating with shareholders and stakeholders. The Directors use the Annual General Meeting as an opportunity to communicate directly with the shareholders, encouraging participation. Shareholders are free to communicate with the Company and issues raised are appropriately addressed.

## Corporate Governance Contd...

### Compliance with the rules of Corporate Governance issued by the Colombo Stock Exchange

Criteria	Compliance
<p><b>Non Executive Directors</b></p> <p>Two Non-executive Directors or such number of Non-Executive Directors equivalent to 1/3rd of the total number of Directors which ever is higher.</p>	Yes
<p><b>Independent Directors</b></p> <p>Two or 1/3rd of Non-executive Directors which ever is higher.</p>	Yes
<p><b>Submission of Declaration of Independence annually</b></p> <p>Each Non-executive Director to submit a signed and dated declaration annually of his/her independence or non – independence against the specified criteria.</p>	Yes
<p><b>Criteria for Independence</b></p>	Yes
<p><b>Remuneration Committee</b></p> <p>Committee to comprise of minimum of two Independent Non-executive Directors or Non-executive Directors, a majority of whom shall be Independent.</p>	Yes
<p><b>Audit Committee</b></p> <ul style="list-style-type: none"> <li>Committee to comprise of minimum of two Independent Non-executive Directors or Non-executive Directors, a majority of whom shall be Independent.</li> <li>Chairman or one member of the committee should be a member of a recognized professional accounting body.</li> </ul>	Yes

# Report of the Audit Committee

The Audit Committee, of the parent company Serendib Hotels PLC functions as the Audit Committee of the Company. The Committee met 4 times during the year under review. The Chief Executive Officer and Director Finance of the management company participated at the meetings on invitation with the Company Secretary in attendance.

The Audit Committee operates within the Terms of Reference 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,

- Financial Reporting
- Business Risks
- Internal Controls
- Regulatory Compliance
- 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 developed further. 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 Auditors' 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 M/s Ernst & Young as the External Auditors for the Company, subject to the approval of the shareholders at the Annual General Meeting.

**Prof. L. D. K. B. Gamage**  
Chairman – Audit Committee  
May 05, 2008

# Report of the Remuneration Committee

In compliance with the Rules on Corporate Governance of the Colombo Stock Exchange, the Remuneration Committee appointed by the Board of the parent company Serendib Hotels PLC functions as the Remuneration Committee of the Company.

## Role of the Committee

The primary objective of the Committee will be to review and approve overall remuneration philosophy, strategy, policies and practices including performance management system, fixed and variable pay schemes and benefits for senior management of the company.

In addition to the above, the Committee will be entrusted with the task of searching, attracting and nominating individuals for senior executive positions within the organization.

## Remuneration Policy

In addressing the task before them the Committee will review the compensation policy against practices and comparator companies, the performance of the Company and the long term returns to shareholders.

**J. C. L. De Mel**  
Chairman – Remuneration Committee  
May 05, 2008

# Statement of Directors' Responsibilities for Financial Reporting

In accordance with the Companies Act No. 7 of 2007, the Directors are required to prepare Financial Statements which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and the profit and loss for that period.

The Financial Statements have been prepared in conformity with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No. 7 of 2007. In preparing the Financial Statements appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made.

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared based on the 'going concern' concept.

Reasonable steps have also being taken by the Directors to safeguard the assets of the Company and that of the Group and in that context, established appropriate systems of internal controls with a view to prevent and detect fraud and other irregularities.

The Directors confirm to the best of their knowledge that all taxes, dues and levies payable by the Company and the Group to the Government and Employees as at the Balance Sheet date have been paid or where relevant provided for.

By order of the Board

**Hemas Corporate Services (Pvt) Ltd.**

Secretaries

May 05, 2008

# Independent Auditors' Report



## Chartered Accountants

201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : (0) 11 2463500  
Fax Gen : (0) 11 2697369  
Tax : (0) 11 5578180  
eysl@lk.ey.com

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STAFFORD HOTELS PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Stafford Hotels PLC, the consolidated financial statements of the Company and its subsidiaries which comprise the balance sheets as at March 31, 2008 and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2008 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2008 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2008 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

### Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151 (2) and Sections 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.

Colombo  
May 05, 2008

# Income Statement

Year ended 31 March 2008

	Note	Group		Company	
		2008 Rs.	2007 Rs. Restated	2008 Rs.	2007 Rs. Restated
<b>Revenue</b>	3	<b>328,357,771</b>	263,451,696	<b>217,613,002</b>	181,065,955
Cost of Sales		<u>(74,798,065)</u>	(55,618,524)	<u>(50,035,320)</u>	(39,715,066)
<b>Gross Profit</b>		<b>253,559,706</b>	207,833,172	<b>167,577,682</b>	141,350,889
Other Income and Gains	4	<b>1,691,032</b>	6,255,494	<b>5,623,014</b>	6,255,494
Sales & Marketing Expenses		<u>(15,669,181)</u>	(17,476,144)	<u>(10,341,953)</u>	(12,946,183)
Administrative Expenses		<u>(163,922,210)</u>	(141,702,943)	<u>(108,723,214)</u>	(96,345,158)
Finance Cost	5	<u>(13,237,364)</u>	(14,783,587)	<u>(5,416,684)</u>	(5,941,265)
<b>Profit Before Tax</b>	6	<b>62,421,983</b>	40,125,992	<b>48,718,845</b>	32,373,777
Income Tax Expense	7	<u>(6,716,275)</u>	(4,066,436)	<u>(4,901,273)</u>	(3,572,998)
<b>Net Profit for the year</b>		<b>55,705,708</b>	36,059,556	<b>43,817,572</b>	28,800,779
<b>Attributable to:</b>					
Equity-holders of the Parent		<u>55,705,708</u>	36,059,556		
Minority Interest		-	-		
		<u>55,705,708</u>	36,059,556		
Earnings Per Share	8	<u>1.76</u>	1.14		
Dividends Per Share	9			<u>0.50</u>	-

The accounting policies and notes on pages 19 through 35 form an integral part of the financial statements.

Colombo  
May 05, 2008

# Balance Sheet

As at 31 March 2008

	Note	Group		Company	
		2008 Rs.	2007 Rs. Restated	2008 Rs.	2007 Rs. Restated
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	10	653,952,557	654,213,730	459,693,894	464,463,954
Investment in Subsidiary	11	-	-	135,921,800	135,921,800
Other Investments	12	3,090,135	3,333,330	3,090,135	3,333,330
		<b>657,042,692</b>	<b>657,547,060</b>	<b>598,705,829</b>	<b>603,719,084</b>
<b>Current Assets</b>					
Inventories	13	6,197,712	4,903,234	6,197,712	4,903,234
Taxation Recoverable		325,410	1,323,387	-	425,031
Trade and Other Receivables	14	78,633,859	74,126,582	45,196,618	48,587,134
Amounts Due from Related Parties	15	5,247,080	2,182,098	5,247,080	2,182,098
Cash and Bank Balances	24	10,034,083	8,011,118	9,797,323	8,000,767
		<b>100,438,144</b>	<b>90,546,419</b>	<b>66,438,733</b>	<b>64,098,264</b>
<b>Total Assets</b>		<b>757,480,836</b>	<b>748,093,479</b>	<b>665,144,562</b>	<b>667,817,348</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity Attributable to Equity holders of the parent</b>					
Stated Capital	16	316,214,770	316,214,770	316,214,770	316,214,770
Reserves	17	158,911,522	161,393,066	145,608,917	148,090,461
Retained Earnings		106,775,340	63,960,907	66,986,196	36,059,899
		<b>581,901,632</b>	<b>541,568,743</b>	<b>528,809,883</b>	<b>500,365,130</b>
Minority Interests		-	-	-	-
<b>Total Equity</b>		<b>581,901,632</b>	<b>541,568,743</b>	<b>528,809,883</b>	<b>500,365,130</b>
<b>Non-Current Liabilities</b>					
Interest Bearing Loans & Borrowings	18	34,776,000	57,792,000	15,000,000	24,000,000
Deferred Income Tax	7	48,735,869	49,347,091	34,651,786	35,210,656
Other Deferred Liabilities	19	4,565,313	3,695,168	4,565,313	3,695,168
		<b>88,077,182</b>	<b>110,834,259</b>	<b>54,217,099</b>	<b>62,905,824</b>
<b>Current Liabilities</b>					
Trade and Other Payables	20	53,298,497	58,276,225	51,794,326	56,220,024
Dividends Payable	23	548,293	548,293	548,293	548,293
Income Tax Liability		453,325	-	453,325	-
Amounts Due to Related Parties	21	7,643,161	5,423,349	17,778,890	31,631,318
Non Interest Bearing Loans and Borrowings	22	550,000	550,000	550,000	550,000
Interest Bearing Loans & Borrowings	18	25,008,746	30,892,610	10,992,746	15,596,759
		<b>87,502,022</b>	<b>95,690,477</b>	<b>82,117,580</b>	<b>104,546,394</b>
<b>Total Equity and Liabilities</b>		<b>757,480,836</b>	<b>748,093,479</b>	<b>665,144,562</b>	<b>667,817,348</b>

These Financial Statements are in compliance with the requirements of the Companies Act No: 07 of 2007.



Thurairajah Thivakaran - Director Finance

The board of directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the board by.



A. N. Esufally - Chairman



E. J. De Soysa - Director

The accounting policies and notes on pages 19 through 35 form an integral part of the financial statements.

Colombo, May 05, 2008

# Statement of Changes in Equity

Year Ended 31 March 2008

GROUP	Attributable to Equity Holders of the Parent				
	Stated Capital	Revaluation Reserve	Other Reserves	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 31 March 2006- As Previously Reported</b>	316,214,770	160,971,461	2,840,391	41,309,676	521,336,298
Prior year Adjustment for Deferred Tax	-	-	-	(16,273,216)	(16,273,216)
<b>Balance as at 31 March 2006- Restated</b>	316,214,770	160,971,461	2,840,391	25,036,460	505,063,082
Net Profit for the year	-	-	-	36,059,556	36,059,556
Depreciation Transfer on Revaluation Surplus	-	(2,864,891)	-	2,864,891	-
Deferred Tax effect of Items Taken Directly to or Transferred from Equity	-	446,105	-	-	446,105
<b>Balance as at 31 March 2007</b>	316,214,770	158,552,675	2,840,391	63,960,907	541,568,743
Net Profit for the year	-	-	-	55,705,708	55,705,708
Dividend Paid	-	-	-	(15,810,739)	(15,810,739)
Depreciation Transfer on Revaluation Surplus	-	(2,919,463)	-	2,919,463	-
Deferred Tax effect of Items Taken Directly to or Transferred from Equity	-	437,919	-	-	437,919
<b>Balance as at 31 March 2008</b>	<b>316,214,770</b>	<b>156,071,131</b>	<b>2,840,391</b>	<b>106,775,340</b>	<b>581,901,632</b>

COMPANY	Stated Capital	Revaluation Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.
	<b>Balance as at 31 March 2006- As Previously Reported</b>	316,214,770	150,572,005	18,848,601
Prior year Adjustment for Deferred Tax	-	-	(14,508,944)	(14,508,944)
<b>Balance as at 31 March 2006- Restated</b>	316,214,770	150,572,005	4,339,657	471,126,432
Net Profit for the year	-	-	28,800,779	28,800,779
Depreciation Transfer on Revaluation Surplus	-	(2,919,463)	2,919,463	-
Deferred Tax effect of Items Taken Directly to or Transferred from Equity	-	437,919	-	437,919
<b>Balance as at 31 March 2007</b>	316,214,770	148,090,461	36,059,899	500,365,130
Net Profit for the year	-	-	43,817,572	43,817,572
Dividend Paid	-	-	(15,810,739)	(15,810,739)
Depreciation Transfer on Revaluation Surplus	-	(2,919,463)	2,919,463	-
Deferred Tax effect of Items Taken Directly to or Transferred from Equity	-	437,919	-	437,919
<b>Balance as at 31 March 2008</b>	<b>316,214,770</b>	<b>145,608,917</b>	<b>66,986,196</b>	<b>528,809,883</b>

The accounting policies and notes on pages 19 through 35 form an integral part of the financial statements.

Colombo  
May 05, 2008

# Cash Flow Statements

Year Ended 31 March 2008

	Note	Group		Company	
		2008 Rs	2007 Rs.	2008 Rs.	2007 Rs.
<b>Cash Flows From / (Used in) Operating Activities</b>					
Net Profit/(Loss) before Income Tax Expense		62,421,983	40,125,992	48,718,845	32,373,777
Adjustments for					
Depreciation		22,029,433	21,449,640	14,762,890	14,314,523
Income from Investments		(1,283,093)	(792,138)	(1,283,093)	(792,138)
Finance Costs		13,237,364	14,783,587	5,416,684	5,941,265
Provision for Defined Benefit Plan		1,010,495	839,363	1,010,495	839,363
Allowance for Decline in Value of Investments		243,195	-	243,195	-
Loss on Disposal of Property, Plant & Equipment		1,821,690	2,295,815	583,082	1,355,660
Operating Profit before Working Capital Changes		99,481,067	78,702,259	69,452,098	54,032,450
(Increase)/ Decrease in Inventories		(1,294,478)	1,190,273	(1,294,478)	1,190,273
(Increase)/ Decrease in Trade and Other Receivables		(4,507,277)	(9,171,528)	3,390,516	(6,210,527)
(Increase) /Decrease in Amounts Due from Related Parties		(3,064,982)	(77,064)	(3,064,982)	(77,064)
Increase/(Decrease) in Amounts Due to Related Parties		2,219,812	2,947,784	(13,852,428)	(11,971,560)
Increase / (Decrease) in Trade and Other Payables		(4,977,729)	4,648,239	(4,425,698)	4,244,452
Cash Generated from Operations		87,856,413	78,239,963	50,205,028	41,208,024
Finance Costs paid		(13,237,364)	(14,783,587)	(5,416,684)	(5,941,265)
Defined Benefit Plan Costs paid		(140,350)	(335,663)	(140,350)	(335,663)
Taxation Paid		(5,438,275)	(3,115,007)	(4,143,867)	(2,699,348)
Net Cash From Operating Activities		69,040,424	60,005,706	40,504,127	32,231,748
<b>Cash Flows from / (Used in) Investing Activities</b>					
Acquisition of Property, Plant & Equipment		(25,181,317)	(15,806,673)	(12,152,279)	(10,275,278)
Sales Proceed from Disposal of Property, Plant & Equipment		1,591,368	-	1,576,368	-
Interest Received		1,283,093	792,138	1,283,093	792,138
Net Cash Flows from/(Used in) Investing Activities		(22,306,856)	(15,014,535)	(9,292,818)	(9,483,140)
<b>Cash Flows from/(Used in) Financing Activities</b>					
Dividend Declared - Interim		(15,810,739)	-	(15,810,739)	-
Loans Obtained during the Year		9,000,000	-	9,000,000	-
Repayment of Interest Bearing Loans & Borrowings		(33,388,315)	(38,694,156)	(19,027,594)	(23,541,412)
Net Cash Flows from/(Used in) Financing Activities		(40,199,054)	(38,694,156)	(25,838,333)	(23,541,412)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>6,534,514</b>	<b>6,297,015</b>	<b>5,372,976</b>	<b>(792,804)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	24	<b>1,506,823</b>	<b>(4,790,192)</b>	<b>2,431,601</b>	<b>3,224,405</b>
<b>Cash and Cash Equivalents at the end of the year</b>	24	<b>8,041,337</b>	<b>1,506,823</b>	<b>7,804,577</b>	<b>2,431,601</b>

The accounting policies and notes on pages 19 through 35 form an integral part of the financial statements.

# Notes to the Financial Statements

Year Ended 31 March 2008

## 1. CORPORATE INFORMATION

### 1.1 General

Stafford Hotels PLC ("Company") 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 Waikkal.

### 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 Stafford Hotels PLC, for the year ended 31 March 2008 were authorised for issue in accordance with a resolution of the Board of Directors on May 05, 2008.

## 2.1 BASIS OF PREPARATION

The financial statements presented in Sri Lanka Rupees have been prepared on a historical cost basis, except for the revaluation of freehold land & buildings and investments which are stated at market values. The preparation and presentation of these financial statements is in compliance with the requirements of the Companies Act no 07 of 2007.

### 2.1.1 Statement of Compliance

The financial statements of Stafford Hotels PLC & its Subsidiary have been prepared in accordance with Sri Lanka Accounting Standards (SLAS).

### 2.1.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

### 2.1.3 Comparative Information

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged wherever necessary to conform to the current presentation.

### 2.1.4 Consolidation Policy

a) The Group Accounts comprise the consolidation of accounts of Stafford Hotels PLC and its 100% owned subsidiary Miami Beach Hotels Ltd, (a company incorporated in Sri Lanka). The financial statements of the subsidiary is prepared for the same reporting year as the parent company using consistent accounting policies.

Subsidiary is consolidated from the date the Parent obtains control until such time as control ceases.

b) The total profits and losses of the subsidiary company is included in the consolidated income statement.

c) All assets and liabilities of the Company and its subsidiary are included in the consolidated Balance Sheet.

d) All intra group balances, transactions, income, expenses and profits & losses resulting from intra group transactions that are recognised in asset, are eliminated in full.

## 2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.

## 2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

### Judgements

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements

### 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 judgment 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

The financial statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the

date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## 2.4.2 Taxation

### a) Income Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No.10 of 2006 at the rate of 15% on trading and other income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

### b) Deferred Taxation

Deferred income tax is provided, using the liability method, on 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 recognised for all taxable temporary differences except where the deferred income tax liability 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.

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

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.

### c) Sales Tax

Revenues, expenses and assets are recognised 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 recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Balance Sheet.

## 2.4.3 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset.

## 2.4.4 Inventories

Inventories are valued at the lower of cost and/or 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 conditions are accounted using the following cost formulae:-

Food and Beverages - 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

Plant and equipment is 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 plant and equipment when that cost is incurred, if the recognition criteria are met.

Land and buildings are measured at fair value less depreciation on buildings and impairment charged subsequent to the date of the revaluation.

Depreciation is calculated on a straight line basis over the useful life of the assets.

Valuations are performed every 4 years (or frequently enough) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease

of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised 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 asset revaluation reserve.

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

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

When each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

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

#### 2.4.8 Investments

##### a) Initial Recognition:

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees. The company distinguishes and presents current and non current investment in the balance sheet

##### b) Measurement

###### Current Investment:

Current investments are carried at the lower of cost and market value, determined on the basis of individual investment.

Unrealized losses arising from reduction to market value and reversals of such reduction required to state current investments at lower of cost and market value are included in income statement.

#### **Long Term Investments**

Long term investments are stated at cost. 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 income statement.

#### **Disposal of Investment**

On disposal of an investment, the different between net disposals and proceed and the carrying amounts is recognised as income or expense.

### **2.4.9 Provisions**

Provisions are recognized 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. When the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. 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 recognized as an interest expense.

### **2.4.10 Retirement Benefit Obligations**

#### **a) 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 net of any payments

made, and the carried forward provision at the end of a year is dealt with in the income statement.

The gratuity liability is not funded nor actuarially valued

#### **b) Defined Contribution Plans – Employees' Provident Fund and 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 or other available fair value indicators.

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

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may

have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

#### 2.4.12 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 when the shareholders' right to receive the payment is established.

##### d) Rental income

Rental income is recognised on an accrual basis.

##### e) Others

Other income is recognised on an accrual basis

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.

## 2.5 FUTURE CHANGES IN ACCOUNTING POLICIES

### Standards Issued but not yet Effective:

#### Sri Lanka Accounting Standard 16 (Revised) Employee Benefits

A revised SLAS 16 was issued in 2007, and becomes effective for financial years beginning on or after 1 July 2007. Accordingly, the financial statements for year ending 31 March 2009 will adopt the revised SLAS 16.

As a result of the revision all short term employee benefits of the Company will required to be recognized when an employee has rendered service in exchange for those benefits. For post-employment benefits, the Company will be required to involve a qualified actuary in their measurement. Pending a full study of this revised standard, the financial impact is not yet known and reasonably estimable.

# Notes to the Financial Statements Contd..

Year Ended 31 March 2008

3.	REVENUE	Group		Company	
		2008	2007	2008	2007
		Rs.	Rs.	Rs.	Rs.
3.1	<b>Summary</b>				
	Sales	331,687,341	266,112,826	219,823,938	182,894,905
	Less - Sales Taxes				
	Tourism Development Levy	(3,329,570)	(2,661,130)	(2,210,936)	(1,828,950)
		<b>328,357,771</b>	<b>263,451,696</b>	<b>217,613,002</b>	<b>181,065,955</b>
4.	<b>OTHER INCOME AND GAINS</b>				
		2008	2007	2008	2007
		Rs.	Rs.	Rs.	Rs.
	Interest Income - Related Parties	213,114	213,113	213,114	213,113
	- Others	1,069,979	579,025	1,069,979	579,025
	Dividend Received	-	-	3,961,982	-
	Insurance Claim - Other Income	45,929	-	15,929	-
	Exchange Gain	362,010	5,463,356	362,010	5,463,356
		<b>1,691,032</b>	<b>6,255,494</b>	<b>5,623,014</b>	<b>6,255,494</b>
5.	<b>FINANCE COST</b>				
		2008	2007	2008	2007
		Rs.	Rs.	Rs.	Rs.
	Interest Expense on Overdrafts	204,182	262,910	24,291	48,903
	Interest Expense on Loans & Borrowings	13,033,182	14,520,677	5,392,393	5,892,362
		<b>13,237,364</b>	<b>14,783,587</b>	<b>5,416,684</b>	<b>5,941,265</b>
6.	<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>				
	<b>Stated after Charging/(Crediting)</b>	2008	2007	2008	2007
		Rs.	Rs.	Rs.	Rs.
	<b>Included in Administrative Expenses</b>				
	Employees Benefits including the following	53,546,516	43,035,608	35,697,678	28,823,136
	- Defined Benefit Plan Costs - Gratuity (included in Employee Benefits)	1,010,495	839,363	673,664	562,373
	- Defined Contribution Plan Costs - EPF & ETF (included in Employee Benefits)	3,757,909	2,832,636	2,505,273	1,897,866
	Depreciation	22,029,433	21,449,640	14,762,890	14,314,523
	Loss on Disposal of Property Plant and Equipment	1,821,690	2,295,815	583,082	1,355,660
	Auditors' Remuneration (Fees and Expenses)	236,500	220,360	181,500	171,580
	Management Fees	22,307,606	17,794,097	14,734,832	12,251,861
	Legal Fees	65,700	20,000	43,800	20,000
	Donations	46,130	18,120	30,753	18,120
	<b>Included in Selling &amp; Marketing Expenses</b>				
	Provision for Doubtful Debts	(49,642)	3,088,171	(49,642)	3,088,171
	Advertising & Promotion Costs	9,679,254	6,147,191	6,388,308	4,203,580

# Notes to the Financial Statements Contd...

Year Ended 31 March 2008

## 7. INCOME TAX EXPENSE

	Group		Company	
	2008 Rs.	2007 Rs. Restated	2008 Rs.	2007 Rs. Restated
<b>Current Income Tax</b>				
Current Tax Expense on Ordinary Activities for the Year (7.1)	6,798,557	4,092,524	4,980,441	3,149,830
Under/(Over) Provision of Current Taxes in respect of Prior Years	56,616	-	41,782	-
Tax on Dividends	34,404	-	-	-
<b>Deferred Income Tax</b>				
Deferred Taxation charge/(Reversal) (7.2)	(173,302)	(26,088)	(120,950)	423,168
<b>Income Tax Expense Reported in the Income Statement</b>	<b>6,716,275</b>	<b>4,066,436</b>	<b>4,901,273</b>	<b>3,572,998</b>

7.1	Reconciliation between Current Tax Expense/ (Income) and the product of Accounting Profit.	Group		Company	
		2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
	Accounting Profit (Profit Before Tax)	62,421,983	40,125,992	48,718,845	32,373,777
	Aggregate Disallowable Items	32,287,650	25,991,046	18,501,288	17,712,953
	Aggregate Allowable Items	(32,084,918)	(25,316,656)	(23,058,136)	(17,703,229)
	Interest Income	1,283,093	792,137	1,283,093	792,137
	Taxable Profit	63,907,808	41,592,519	45,445,090	33,175,638
	Tax Loss Brought Forward & Utilised	(19,032,844)	(14,579,159)	(12,570,893)	(12,384,678)
		<b>44,874,964</b>	<b>27,013,360</b>	<b>32,874,197</b>	<b>20,790,960</b>
	Income Tax - 15% (2007-15%)	6,731,245	4,052,004	4,931,130	3,118,644
	Social Responsibility Levy - 1% (2007-1%)	67,312	40,520	49,311	31,186
	Current Income Tax Expense	<b>6,798,557</b>	<b>4,092,524</b>	<b>4,980,441</b>	<b>3,149,830</b>
	Tax Losses Brought Forward	29,949,208	44,528,367	12,570,893	24,955,571
	Tax Losses Utilised	(19,032,844)	(14,579,159)	(12,570,893)	(12,384,678)
	Tax Losses Carried Forward (Provisional)	<b>10,916,364</b>	<b>29,949,208</b>	<b>-</b>	<b>12,570,893</b>

## 7.2 Deferred Tax Assets , Liabilities and Income Tax relates to the followings

7.2.1	Group	Balance Sheet		Income Statement	
		2008 Rs.	2007 Rs. Restated	2008 Rs.	2007 Rs. Restated
	<b>Deferred Tax Liability</b>				
	Capital Allowances for Tax Purposes	31,097,164	34,002,857	(2,905,694)	(2,315,839)
	Revaluation of Buildings (Directly in Equity)	19,960,957	20,398,878		
		<b>51,058,121</b>	<b>54,401,735</b>		
	<b>Deferred Tax Assets</b>				
	Defined Benefit Plans	684,797	554,275	(130,522)	(75,555)
	Carry Forward of Unused Tax Losses	1,637,455	4,500,369	2,862,914	2,365,306
		<b>2,322,252</b>	<b>5,054,644</b>		
	Deferred Income Tax (Income) / Expense			<b>(173,302)</b>	<b>(26,088)</b>
	<b>Net Deferred Tax Liability</b>	<b>48,735,869</b>	<b>49,347,091</b>		

# Notes to the Financial Statements Contd..

Year Ended 31 March 2008

7. INCOME TAX EXPENSE Contd...	Balance Sheet		Income Statement	
	2008	2007	2008	2007
	Rs.	Rs.	Rs.	Rs.
		Restated		Restated
<b>7.2.2 Company</b>				
<b>Deferred Tax Liability</b>				
Capital allowances for tax purposes	16,218,971	18,095,033	(1,876,062)	(1,358,979)
Revaluation of Buildings (Directly in Equity)	19,117,612	19,555,532		
	<u>35,336,583</u>	<u>37,650,565</u>		
<b>Deferred Tax Assets</b>				
Defined Benefit Plans	684,797	554,275	(130,522)	(75,555)
Carry Forward of Unused Tax Losses	-	1,885,634	1,885,634	1,857,702
	<u>684,797</u>	<u>2,439,909</u>		
Deferred Income Tax (Income) / Expense			<u>(120,950)</u>	<u>423,168</u>
Net Deferred Tax Liability	<u>34,651,786</u>	<u>35,210,656</u>		

## 8. EARNINGS PER SHARE

8.1 Basic Earnings Per Share is calculated by dividing the net profit / (loss) for the year attributable to ordinary shareholders by the weighted 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.

8.2 The following reflects the income and share data used in the basic Earnings Per Share computation.

	Group	
	2008	2007
	Rs.	Rs.
		Restated
<b>Amounts Used as the Numerator:</b>		
Net Profit/ (Loss) attributable to Ordinary Shareholders for basic Earnings Per Share	<u>55,705,708</u>	<u>36,059,556</u>
	2008	2007
<b>Number of Ordinary Shares Used as Denominator:</b>	Number	Number
Weighted average number of Ordinary shares in issue applicable to basic Earnings Per Share	<u>31,621,477</u>	<u>31,621,477</u>

## 9. DIVIDENDS PAID AND PROPOSED

	Company	
	2008	2007
	Rs.	Rs.
<b>Declared and Paid during the year</b>		
Equity Dividends on Ordinary Shares:		
Interim Dividend for 2008 - Rs. 0.50/- Per Share	<u>15,810,739</u>	-
	<u>15,810,739</u>	-

# Notes to the Financial Statements Contd...

Year Ended 31 March 2008

## 10. PROPERTY, PLANT & EQUIPMENT

10.1 Group	Balance As at 01.04.2007 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2008 Rs.
<b>10.1.1 Gross Carrying Amounts</b>				
<b>At Cost/ Cost Incurred since Last Revaluation</b>				
Improvements to land	358,900	-	-	358,900
Buildings on Freehold Land	13,703,610	12,579,571	-	26,283,181
Swimming Pool	318,000	189,557	-	507,557
Furniture & Fittings	39,458,170	5,440,936	(2,064,106)	42,835,000
Motor Vehicles	5,570,893	42,500	-	5,613,393
Plant, Machinery & Equipment	90,611,975	7,142,385	(4,837,891)	92,916,469
Soil Erosion Prevention	18,965,971	-	-	18,965,971
	168,987,519	25,394,949	(6,901,997)	187,480,471
<b>At Valuation</b>				
Land & Improvements to land	91,020,000	-	-	91,020,000
Buildings on Freehold Land	414,605,500	-	-	414,605,500
Swimming Pool	67,605,000	-	-	67,605,000
	573,230,500	-	-	573,230,500
<b>Total Value of Depreciable Assets</b>	742,218,019	25,394,949	(6,901,997)	760,710,971
<b>10.1.2 In the Course of Construction</b>	<b>Balance As At 01.04.2007 Rs.</b>	<b>Incurred During the Year Rs.</b>	<b>Disposal / Transfers Rs.</b>	<b>Balance As at 31.03.2008 Rs.</b>
Capital Work in Progress	327,885	23,546,706	(23,760,338)	114,253
<b>Total Gross Carrying Amount</b>	742,545,904	48,941,655	(30,662,335)	760,825,224
<b>10.1.3 Depreciation</b>	<b>Balance As at 01.04.2007 Rs.</b>	<b>Charge for the year Rs.</b>	<b>Disposals/ Transfers Rs.</b>	<b>Balance As at 31.03.2008 Rs.</b>
<b>At Cost/ Cost incurred since Last Revaluation</b>				
Buildings on Freehold Land	124,858	238,642	-	363,500
Swimming Pool	4,818	6,254	-	11,072
Furniture & Fittings	19,755,100	3,805,391	(541,925)	23,018,566
Motor Vehicles	3,486,479	218,104	-	3,704,583
Plant, Machinery & Equipment	41,559,651	9,607,714	(2,947,015)	48,220,350
Soil Erosion Prevention	8,788,778	847,109	-	9,635,887
	73,719,684	14,723,214	(3,488,940)	84,953,958
<b>At Valuation</b>				
Buildings on Freehold Land	12,563,804	6,281,902	-	18,845,706
Swimming Pool	2,048,686	1,024,317	-	3,073,003
	14,612,490	7,306,219	-	21,918,709
<b>Total Depreciation</b>	88,332,174	22,029,433	(3,488,940)	106,872,667
<b>10.1.4 Net Book Values</b>			<b>2008 Rs.</b>	<b>2007 Rs.</b>
At Cost/Cost incurred since Last Revaluation			102,640,766	95,595,720
At Valuation			551,311,791	558,618,010
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>			<b>653,952,557</b>	<b>654,213,730</b>

# Notes to the Financial Statements Contd...

Year Ended 31 March 2008

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

10.2 Company	Balance As at 01.04.2007 Rs.	Additions /Transfers /Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2008 Rs.
<b>10.2.1 Gross Carrying Amounts</b>				
<b>At Cost/ Cost Incurred since Last Revaluation</b>				
Improvements to Land	254,600	-	-	254,600
Buildings on Freehold Land	7,762,570	6,343,127	-	14,105,697
Swimming Pool	68,000	25,000	-	93,000
Furniture & Fittings	24,152,931	1,927,692	(1,935,356)	24,145,267
Motor Vehicle	5,570,893	42,500	-	5,613,393
Plant, Machinery & Equipment	50,952,560	4,089,730	(1,235,364)	53,806,926
Soil Erosion Prevention	5,795,520	-	-	5,795,520
	94,557,074	12,428,049	(3,170,720)	103,814,403
<b>At Valuation</b>				
Land & Improvements	40,180,000	-	-	40,180,000
Buildings on Freehold Land	328,620,000	-	-	328,620,000
Swimming Pool	50,000,000	-	-	50,000,000
	418,800,000	-	-	418,800,000
<b>Total Value of Depreciable Assets</b>	513,357,074	12,428,049	(3,170,720)	522,614,403
<b>10.2.2 In the Course of Construction</b>	<b>Balance As At 01.04.2007 Rs.</b>	<b>Incurred During the Year Rs.</b>	<b>Disposal / Transfers Rs.</b>	<b>Balance As at 31.03.2008 Rs.</b>
Capital Work in Progress	327,885	574,379	(850,149)	52,115
	327,885	574,379	(850,149)	52,115
<b>Total Gross Carrying Amount</b>	513,684,959	13,002,428	(4,020,869)	522,666,518
<b>10.2.3 Depreciation</b>	<b>Balance As at 01.04.2007 Rs.</b>	<b>Charge for the year Rs.</b>	<b>Disposals/ Transfers Rs.</b>	<b>Balance As at 31.03.2008 Rs.</b>
<b>At Cost/ Cost incurred since Last Revaluation</b>				
Buildings on Freehold Land	71,988	132,555	-	204,543
Swimming Pool	1,030	1,220	-	2,250
Furniture & Fittings	10,613,738	2,606,287	(450,136)	12,769,889
Motor Vehicle	3,486,479	218,104	-	3,704,583
Plant, Machinery & Equipment	20,807,129	5,731,590	(561,135)	25,977,584
Soil Erosion Prevention	2,767,307	336,468	-	3,103,775
	37,747,671	9,026,224	(1,011,271)	45,762,624
<b>At Valuation</b>				
Buildings on Freehold Land	9,958,182	4,979,091	-	14,937,273
Swimming Pool	1,515,152	757,575	-	2,272,727
	11,473,334	5,736,666	-	17,210,000
<b>Total Depreciation</b>	49,221,005	14,762,890	(1,011,271)	62,972,624
<b>10.2.4 Net Book Values</b>			<b>2008 Rs.</b>	<b>2007 Rs.</b>
At Cost/Cost Incurred since Last Revaluation			58,103,894	57,137,288
At Valuation			401,590,000	407,326,666
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>			<b>459,693,894</b>	<b>464,463,954</b>

# Notes to the Financial Statements Contd...

Year Ended 31 March 2008

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

10.2.5 The fair value of land and buildings of the Stafford Hotels PLC (Company) and Miami Beach Hotels Limited were determined by means of revaluations carried out during the financial years 1995/96 and 2004/05 by Mr.D.S.A.Senaratne, an Independent Chartered Valuer in reference to market based evidence. The results of such revaluation were incorporated in the financial statements from its effective date which were 31.03.1996 and 31.03.2005. The surplus arising from the revaluation net of deferred tax 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	Net Carrying
			Amount 2008 Rs.	Amount 2007 Rs.
<b>Group</b>				
Buildings	243,117,874	26,842,013	216,275,861	219,945,891
Swimming Pool	50,100,955	2,828,597	47,272,358	48,031,463
<b>Company</b>				
Buildings	153,530,600	12,934,025	140,596,575	142,922,796
Swimming Pool	32,404,831	1,780,040	30,624,791	31,115,773

10.2.6 During the financial year, the Group and Company acquired Property, Plant & Equipment to the aggregate value of Rs.25,181,317/- and Rs.12,152,279/- (2007 - Rs.15,806,673/- and Rs.10,275,278/-) respectively, the consideration for which was settled by cash.

10.2.7 The useful lives of the assets is estimated as follows

	2008	2007
Buildings on Freehold Land	66 Years	66 Years
Furniture & Fittings	5 – 10 Years	5 – 10 Years
Motor Vehicles	5 – 10 Years	5 – 10 Years
Plant, Machinery & Equipment	5 – 15 Years	5 – 15 Years
Swimming Pool	66 Years	66 Years
Soil Erosion Prevention	10 – 15 Years	10 – 15 Years

10.2.7 Property, Plant and Equipment of the Group and Company includes fully depreciated assets having a gross carrying amounts of Rs. 791,491/- and Rs.758,091/- (2007 - Rs. 300,768/- and Rs.296,268/-)

## 11. INVESTMENT IN SUBSIDIARY

	Country of Incorporation	Holding %	Group		Company	
			2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
<b>Non-Quoted</b>						
Miami Beach Hotels Ltd.	Sri Lanka	100	-	-	135,921,800	135,921,800

# Notes to the Financial Statements Contd..

Year Ended 31 March 2008

## 12. OTHER INVESTMENTS

	Group		Company	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
<b>Non Current</b>				
Investments in Equity Securities (12.1)	3,090,135	3,333,330	3,090,135	3,333,330
<b>Total carrying value of Other Investments</b>	<b>3,090,135</b>	<b>3,333,330</b>	<b>3,090,135</b>	<b>3,333,330</b>

### 12.1 Investments in Equity Securities - Non Current

	No. of Shares		Carrying	Directors'	Carrying	Directors'
	2008	2007	Value 2008 Rs.	Valuation 2008 Rs.	Value 2007 Rs.	Valuation 2007 Rs.
<b>Non Quoted</b>						
Rainforest Ecolodge (Pvt) Ltd	333,333	333,333	3,333,330	3,090,135	3,333,330	3,333,330
Less : Allowance for Decline in Value of Investments			(243,195)	-	-	-
<b>Total carrying value of Other Investments</b>			<b>3,090,135</b>	<b>3,090,135</b>	<b>3,333,330</b>	<b>3,333,330</b>

## 13. INVENTORIES

	Group		Company	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Food	1,732,040	1,468,749	1,732,040	1,468,749
Beverage	2,114,438	1,442,139	2,114,438	1,442,139
House-keeping & Maintenance	1,704,044	1,398,755	1,704,044	1,398,755
Printing & Stationery	380,753	21,065	380,753	21,065
Linen & Cutlery	266,437	572,526	266,437	572,526
	<b>6,197,712</b>	<b>4,903,234</b>	<b>6,197,712</b>	<b>4,903,234</b>

## 14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.

### 14.1. Current

Trade Debtors - Others	75,952,179	72,241,494	43,070,911	47,292,192
- Related Parties (14.2)	2,576,878	3,881,786	2,236,204	3,539,816
Provision for Doubtful Debts	(3,298,439)	(5,583,744)	(3,298,439)	(5,583,744)
	<b>75,230,618</b>	<b>70,539,536</b>	<b>42,008,676</b>	<b>45,248,264</b>
Staff Loans & Advances (14.3)	269,056	555,861	269,056	555,861
Other Debtors	-	153,075	-	153,075
Deposits and Prepayments	3,134,185	2,878,110	2,918,886	2,629,934
	<b>78,633,859</b>	<b>74,126,582</b>	<b>45,196,618</b>	<b>48,587,134</b>

### 14.2 Trade Dues Receivables from Related Parties

	Relationship	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Hemtours (Pvt) Ltd.	Affiliate Company	1,918,932	2,981,815	1,578,258	2,639,845
Serendib Hotels PLC	Parent Company	657,946	843,121	657,946	843,121
Serendib Leisure Management Ltd	Group Company	-	56,850	-	56,850
		<b>2,576,878</b>	<b>3,881,786</b>	<b>2,236,204</b>	<b>3,539,816</b>

### 14.3 Staff Loans & Advances

Balance as at the Beginning of the Year	555,861	175,498	555,861	175,498
Granted During The Year	496,865	1,011,187	496,865	1,011,187
Less: Repayments During the Year	(783,670)	(630,824)	(783,670)	(630,824)
Balance as at the End of the Year	<b>269,056</b>	<b>555,861</b>	<b>269,056</b>	<b>555,861</b>

# Notes to the Financial Statements Contd...

Year Ended 31 March 2008

15.	AMOUNTS DUE FROM RELATED PARTIES	Group		Company		
		2008 Rs	2007 Rs.	2008 Rs.	2007 Rs.	
	<b>Relationship</b>					
	Serendib Hotels PLC	Parent Company	2,644,277	28,905	2,644,277	28,905
	Hotel Sigiriya PLC	Group Company	503,159	1,000	503,159	1,000
	Serendib Leisure Management Ltd - Loan	Group Company	2,099,644	2,099,641	2,099,644	2,099,644
	Serendib Leisure Management Ltd - Loan Interest	Group Company	-	52,549	-	52,549
			<b>5,247,080</b>	<b>2,182,098</b>	<b>5,247,080</b>	<b>2,182,098</b>

16.	STATED CAPITAL - Group & Company	2008	2008	2007	2007
		Number	Rs.	Number	Rs.
16.1	Fully Paid Ordinary Shares (16.1.1)	31,621,477	316,214,770	31,621,477	316,214,770

With the enactment of the Companies Act No. 07 of 2007 applicable with effect from May 03, 2007 the concept of authorised capital and par value is no longer applicable. Therefore comparable figures have been restated accordingly. The amount received by the Company or due and payable to the Company in respect of the issue of the shares are referred to as stated capital.

## 16.1.1 Fully Paid Ordinary Shares

Balance at beginning of the year	31,621,477	316,214,770	31,621,477	316,214,770
Issue of shares for Cash Consideration	-	-	-	-
Issue of shares for Non cash consideration	-	-	-	-
Balance at end of the year	31,621,477	316,214,770	31,621,477	316,214,770

## 16.2 Rights, Preference and Restrictions of Classes of Capital

The Holders of Ordinary Shares confer their right to receive dividends as declared from time to time. The holders of Ordinary Shares are entitled to one vote per share at a meeting of the Company.

17.	RESERVES	Group		Company	
		2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
17.1	<b>Revaluation Reserve</b>				
	Balance as at the Beginning of the Year	158,552,675	160,971,461	148,090,461	150,572,005
	Depreciation Transfer on Revaluation Surplus	(2,919,463)	(2,864,891)	(2,919,463)	(2,919,463)
	Deferred Tax Attributable to Revaluation Surplus	437,919	446,105	437,919	437,919
	Balance as at the End of the Year	<b>156,071,131</b>	<b>158,552,675</b>	<b>145,608,917</b>	<b>148,090,461</b>
17.1	<b>Other Reserves</b>	2,840,391	2,840,391	-	-
		<b>158,911,522</b>	<b>161,393,066</b>	<b>145,608,917</b>	<b>148,090,461</b>

The above revaluation surplus consists of net surplus resulting from the revaluation of Property Plant and Equipment as described in Note 10.2.5. The unrealised amount cannot be distributed to shareholders.

# Notes to the Financial Statements Contd..

Year Ended 31 March 2008

## 18. INTEREST BEARING LOANS & BORROWINGS

18.1 Group	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2008 Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2007 Total Rs.
Bank Loans (18.1.1)	23,016,000	34,776,000	57,792,000	24,388,315	57,792,000	82,180,315
Bank Overdrafts (24.2)	1,992,746	-	1,992,746	6,504,295	-	6,504,295
	<b>25,008,746</b>	<b>34,776,000</b>	<b>59,784,746</b>	<b>30,892,610</b>	<b>57,792,000</b>	<b>88,684,610</b>

### 18.1.1 Bank Loans

	As At 01.04.2007 Rs.	Loan Obtained Rs.	Repayment Rs.	As At 31.03.2008 Rs.	Terms of Repayment	Rate of Interest
D.F.C.C. Bank	44,000,000	-	(12,000,000)	<b>32,000,000</b>	60 Instalments from Dec. 05	AWPR + 1% revised quarterly
D.F.C.C. Bank - Int. Capitalised	1,372,315	-	(1,372,315)	-	24 Instalments from Dec. 05	6% per annum
Seylan Bank (35Mn)	22,152,000	-	(7,008,000)	<b>15,144,000</b>	60 Instalments from Dec. 05	17% per annum
Seylan Bank (20Mn)	14,656,000	-	(4,008,000)	<b>10,648,000</b>	60 Instalments from Dec'05	1 Year SLIBOR + 1.5%
Commercial Bank of Ceylon	-	9,000,000	(9,000,000)	-	Within 6 month from the granted date	
	<b>82,180,315</b>	<b>9,000,000</b>	<b>(33,388,315)</b>	<b>57,792,000</b>		

18.2 Company	2008 Amount Repayable Within 1 Year Rs.	2008 Amount Repayable After 1 Year Rs.	2008 Total Rs.	2007 Amount Repayable Within 1 Year Rs.	2007 Amount Repayable After 1 Year Rs.	2007 Total Rs.
Bank Loans (18.2.1)	9,000,000	15,000,000	24,000,000	10,027,593	24,000,000	34,027,593
Bank Overdrafts (24.2)	1,992,746	-	1,992,746	5,569,166	-	5,569,166
	<b>10,992,746</b>	<b>15,000,000</b>	<b>25,992,746</b>	<b>15,596,759</b>	<b>24,000,000</b>	<b>39,596,759</b>

### 18.2.1 Bank Loans

	As At 01.04.2007 Rs.	Loan Obtained Rs.	Repayment Rs.	As At 31.03.2008 Rs.	Terms of Repayment	Rate of Interest
D.F.C.C. Bank	33,000,000	-	(9,000,000)	<b>24,000,000</b>	60 Instalments from Dec. 05	AWPR + 1% revised quarterly
D.F.C.C. Bank - Int. Capitalised	1,027,593	-	(1,027,593)	-	24 Instalments from Dec. 05	6% per annum
Commercial Bank of Ceylon	-	9,000,000	(9,000,000)	-	Within 6 Months from the granted date	1 Year SLIBOR + 1.5%
	<b>34,027,593</b>	<b>9,000,000</b>	<b>(19,027,593)</b>	<b>24,000,000</b>		

# Notes to the Financial Statements Contd...

Year Ended 31 March 2008

19.	<b>OTHER DEFERRED LIABILITIES - ( Group &amp; Company)</b>	<b>Balance as at</b>	<b>Charge</b>	<b>Payments</b>	<b>Balance as at</b>	
		<b>01.04.2007</b>	<b>for the year</b>	<b>during the year</b>	<b>31.03.2008</b>	
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
	Retirement Benefit Obligation - Gratuity	3,695,168	1,010,495	(140,350)	<b>4,565,313</b>	
20.	<b>TRADE AND OTHER PAYABLES</b>	<b>Group</b>		<b>Company</b>		
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
	Trade Payables	13,886,149	12,647,117	13,886,149	12,647,117	
	Sundry Creditors Including Accrued Expenses	39,412,348	45,629,108	37,908,177	43,572,907	
		<b>53,298,497</b>	<b>58,276,225</b>	<b>51,794,326</b>	<b>56,220,024</b>	
21.	<b>AMOUNTS DUE TO RELATED PARTIES</b>	<b>Group</b>		<b>Company</b>		
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
	<b>Relationship</b>					
	Hotel Sigiriya PLC	Group Company	12,998	14,356	12,998	14,356
	Serendib Hotels PLC	Parent Company	2,764,327	2,763,015	2,764,327	2,763,015
	Serendib Leisure Management Ltd.	Group Company	4,700,202	2,600,978	4,700,202	2,600,978
	Miami Beach Hotels Ltd.	Subsidiary	-	-	10,142,729	26,207,969
	Hemas Corporate Services ( Pvt) Ltd.	Group Company	165,634	45,000	158,634	45,000
			<b>7,643,161</b>	<b>5,423,349</b>	<b>17,778,890</b>	<b>31,631,318</b>
22.	<b>NON INTEREST BEARING LOANS AND BORROWINGS</b>	<b>Group</b>		<b>Company</b>		
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
	Ministry of Tourism	550,000	550,000	550,000	550,000	
23.	<b>DIVIDENDS PAYABLE</b>	<b>Group</b>		<b>Company</b>		
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
	Unclaimed Dividend	548,293	548,293	548,293	548,293	
		<b>548,293</b>	<b>548,293</b>	<b>548,293</b>	<b>548,293</b>	
24.	<b>CASH AND CASH EQUIVALENTS</b>	<b>Group</b>		<b>Company</b>		
	<b>Components of cash and cash equivalents</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
24.1	<b>Cash &amp; Cash Equivalents Balance</b>					
	Cash & Bank Balances	10,034,083	8,011,118	9,797,323	8,000,767	
		<b>10,034,083</b>	<b>8,011,118</b>	<b>9,797,323</b>	<b>8,000,767</b>	
24.2	<b>Unfavourable Cash &amp; Cash Equivalent Balances</b>					
	Bank overdraft	(1,992,746)	(6,504,295)	(1,992,746)	(5,569,166)	
	<b>Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement</b>	<b>8,041,337</b>	<b>1,506,823</b>	<b>7,804,577</b>	<b>2,431,601</b>	

# Notes to the Financial Statements Contd..

Year Ended 31 March 2008

## 25. COMMITMENTS AND CONTINGENCIES

There are no significant Commitment and/or Contingencies as at the balance sheet date.

## 26. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2008	2007	
		Rs.	Rs.	
<b>Stafford Hotels PLC</b>				
Freehold Land	Primary Mortgage up to the value of Rs.55Mn to DFCC Bank	40,434,600	40,434,600	Property, Plant & Equipment
Plant, Machinery & Equipment	Primary Mortgage up to the value of Rs.5Mn to DFCC Bank	27,829,342	30,145,431	Property, Plant & Equipment
Debtors				
Freehold land	Secondary mortgage up to the value of Rs.3.75 Mn to DFCC Bank (interest capitalised)	40,434,600	40,434,600	Property, Plant & Equipment
<b>Miami Beach Hotels Ltd</b>				
Freehold Land and Building	Primary Mortgage up to the value of Rs.65 Mn to Seylan Bank	162,250,349	157,530,024	Property, Plant & Equipment
Freehold Land	Secondary Mortgage up to the value of Rs.15 Mn to DFCC Bank	50,944,300	50,944,300	Property, Plant & Equipment
Plant Machinery & Equipment	Primary Mortgage up to the value of Rs.5 Mn to DFCC Bank	16,866,774	18,906,895	Property, Plant & Equipment
Debtors				
Freehold land	Tertiary mortgage up to the value of Rs.1.25 Mn to DFCC Bank (interest capitalised)	50,944,300	50,944,300	Property, Plant & Equipment

## 27. 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.

# Notes to the Financial Statements Contd...

Year Ended 31 March 2008

## 28. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

### 28.1 Transaction with the parent and related entities

Nature of Transaction	Parent		Subsidiary		Hotel Sigrinya PLC		Serendib Leisure Mgt. Ltd.		Affiliates		DFCC		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade and Other Receivable	843,121	-	-	-	-	-	56,850	2,639,845	2,211,160	-	-	-	3,539,816	2,268,010
Amounts Due From Related Parties	28,905	-	1,000	5,390	2,152,193	2,152,193	-	-	-	-	-	-	2,137,098	2,157,583
Amounts Due To Related Parties	(2,763,015)	-	(26,207,970)	(42,598,876)	(14,355)	(246,461)	(2,600,977)	(2,229,104)	-	-	-	-	(31,586,317)	(45,074,441)
Interest Bearing Loans and Borrowings	-	(2,000,000)	-	(1,000,000)	-	-	-	-	-	-	-	-	(34,027,593)	(44,569,005)
Sales of Goods / Services	(1,890,989)	(2,000,000)	(26,207,970)	(42,598,876)	(13,355)	(1,241,071)	(391,934)	(20,061)	2,639,845	2,211,160	(45,000)	-	(34,027,593)	(47,569,005)
Interest Bearing Loans and Borrowings	657,946	843,121	145,556,915	113,757,930	4,035	-	28,684	-	1,701,001	3,405,000	-	-	147,948,581	118,006,051
Finance Income Receivable	4,508,426	-	22,000	-	39,959	-	-	-	-	-	-	-	4,570,385	-
Secretarial and Professional Fee Receivable	38,138	-	1,165,630	120,180	34,052	-	15,134	-	213,114	-	-	-	1,252,953	120,180
Expenses Incurred on Behalf of Others	917,418	298,580	540,935	849,731	298,126	2,042,189	2,273,478	-	-	-	-	-	3,809,337	3,411,120
Purchase of Goods / Services	(130,902)	(445,586)	(130,664,304)	(98,028,138)	(25,724)	(70,446)	-	-	-	-	-	-	(130,820,929)	(98,544,170)
Purchase of Property and Other Assets	(2,775,378)	(2,298,255)	(15,000)	-	(11,686)	-	-	-	-	-	-	-	(2,802,064)	(2,298,255)
Management Fees Payable	-	(27,068)	-	-	-	(16,710,946)	(14,329,860)	-	-	-	-	-	(16,710,946)	(14,329,860)
Finance Charges Payable	-	-	-	-	-	(10,203)	(52,549)	-	-	-	-	-	(5,286,719)	(5,339,268)
Accounting Fee Payable	-	-	-	-	-	(420,000)	(540,000)	-	-	-	-	-	(420,000)	(540,000)
Secretarial and Professional Fee Payable	-	-	-	-	-	(192,000)	-	-	-	-	-	-	(194,681)	(374,000)
Expenses Incurred on Behalf of the Company	(938,432)	(1,661,720)	-	-	(95,893)	(227,345)	(8,930,695)	(7,899,917)	-	-	-	-	(9,965,020)	(9,788,982)
Settlement of Due from Related Parties	(928,717)	(269,675)	-	-	(424,617)	(302,516)	(1,081,924)	(160,565)	(2,976,315)	-	-	-	(5,197,844)	(3,709,071)
Settlement of Dues to Related Parties	1,080,385	1,659,614	-	-	133,659	540,099	22,901,484	20,263,877	-	-	-	-	81,047	29,483,294
Loan Capital Paid / (Granted)	-	2,000,000	-	-	-	1,000,000	-	-	-	-	-	-	10,027,593	28,079,263
	2,428,884	109,011	16,065,241	16,390,906	503,516	1,227,715	(2,208,623)	(371,873)	(1,061,586)	428,685	(113,634)	(45,000)	10,541,412	13,541,412
	537,895	(1,890,989)	(10,142,729)	(26,207,969)	490,161	(13,356)	(2,600,557)	(391,935)	1,578,258	2,639,845	(158,634)	(45,000)	(24,000,000)	(34,027,593)
<b>Included in As At 31 March</b>														
Trade and Other Receivable	657,946	843,121	-	-	-	-	56,850	2,639,845	-	-	-	-	2,336,204	3,539,816
Amounts Due From Related Parties	2,644,276	28,905	-	503,159	1,000	2,099,644	2,152,193	-	-	-	-	-	5,247,079	2,182,098
Amounts Due To Related Parties	(2,764,327)	(2,765,015)	(10,142,729)	(26,207,969)	(12,998)	(14,356)	(4,700,201)	(2,600,977)	-	-	-	-	(17,778,890)	(31,631,318)
Interest Bearing Loans and Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	(24,000,000)	(34,027,593)
Total	537,895	(1,890,989)	(10,142,729)	(26,207,969)	490,161	(13,356)	(2,600,557)	(391,934)	1,578,258	2,639,845	(158,634)	(45,000)	(24,000,000)	(34,027,593)

### 28.2 Terms and Conditions:

Sales and purchase of goods and/or services to related parties were made at on the basis of the price lists in force with non related parties, but subject to approved discounts. Property, plant and equipment purchases and sales are made at Net-book values of surrendering Company. Management Fee receipts/Payments were made at agreed prices. Outstanding balance with related parties at balance sheet date are unsecured and interest free. Settlement will take place in cash.

### 28.2 Transaction with Key Management Personnel of the Company or its Parent

The key management personnel of the Company are the members of its Board of Directors and that of its parent.

a) Key Management Personnel Compensation	2008	2007
	Rs.	Rs.
Short-term employee benefits	-	81,000
	-	81,000

### b) Other Transactions with Key Management Personnel

There were no other transactions with the Key Management Personnels during the year.

# Investor Information

## General

### Stated Capital

Rs. 316,214,770/- divided into 31,621,477 ordinary shares.

The Ordinary Shares of the Stafford Hotels PLC are listed with the Colombo Stock Exchange.

## Share Distribution

	31.03.2008			31.03.2007		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Less than 1000	909	374,521	1.18	801	314,152	0.99
1,001 - 5,000	368	940,278	2.97	308	768,845	2.43
5,001 - 10,000	92	722,802	2.29	71	545,519	1.73
10,001 - 50,000	81	1,857,769	5.87	68	1,636,704	5.18
50,001 - 100,000	8	583,875	1.85	7	497,825	1.57
100,001 - 500,000	7	1,543,082	4.88	9	2,218,582	7.02
500,001 - 1,000,000	0	0	0.00	0	0	0.00
Over 1,000,000	3	25,599,150	80.96	3	25,639,850	81.08
	<b>1,468</b>	<b>31,621,477</b>	<b>100.00</b>	<b>1,267</b>	<b>31,621,477</b>	<b>100.00</b>

## Analysis of Shareholders

	31.03.2008			31.03.2007		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Institutions	66	27,077,763	85.63	60	27,691,513	87.57
Individuals	1,402	4,543,714	14.37	1,207	3,929,964	12.43
	<b>1,468</b>	<b>31,621,477</b>	<b>100.00</b>	<b>1,267</b>	<b>31,621,477</b>	<b>100.00</b>

## Investor Information Contd...

### Public Holding

20.49% of the Issued Shares are held by the Public. (2007 – 18.75%)

### Share Trading

	2007/08	2006/07
Highest Market Price (Rs)	15.00 (14.09.07)	16.50 (11.10.06)
Lowest Market Price (Rs)	8.00 (06.06.07)	8.50 (21.06.06)
Last Traded Price (Rs)	11.00 (31.03.08)	9.25 (30.03.07)
No. of Shares Traded	6,247,600	4,809,800
No of Trades	4,368	3,101
Turnover (Rs)	75,232,975	59,549,650

### Major Shareholding

The Twenty major shareholders.

As at	31.03.2008		31.03.2007	
	No. of Shares	%	No. of Shares	%
Serendib Hotels PLC	17,997,578	56.92	17,997,578	56.92
DFCC Bank	5,909,825	18.69	5,950,525	18.81
Hemtours (Pvt) Ltd	1,691,747	5.35	1,691,747	5.35
Mr. A. N. Esufally	450,007	1.42	450,007	1.42
The Mahayaya Estates Co. Ltd	327,000	1.03	327,000	1.03
Mr. B. S. M. De Silva	204,700	0.64	204,700	0.64
LOLC/Mr. S. P. Kannangara	164,000	0.52	164,000	0.52
Intercom Ltd.	162,500	0.51	162,500	0.51
Mr. N. Hewa Kandamby	125,000	0.39	120,000	0.39
WML/Dr. H. S. D. Soysa	109,875	0.35	119,875	0.38
Mr. M. S. Macan Marker	100,000	0.32	-	-
Mr. J. C. L. De Mel	100,000	0.32	-	-
WML/Delmege Forsyth & Company (Exports) Ltd.	75,000	0.24	-	-
Lanka Orix Finance Company/KAS Perera & N C Perera	72,500	0.23	71,200	0.22
Mr. M. L M Ameen	62,700	0.20	62,700	0.20
Mr. S A Gulamusein	60,975	0.19	70,975	0.22
Mr. A K B Perera	60,000	0.19	-	-
Mr. L H S Peiris	52,700	0.17	17,900	0.05
Mr. S. Kader	50,000	0.16	-	-
Mr. E J De Soysa	50,000	0.16	50,000	0.16
	<b>27,826,107</b>	<b>88.00</b>		
Shares held by the balance shareholders	3,795,370	12.00		
<b>Total</b>	<b>31,621,477</b>	<b>100.00</b>		

# Notes

# Form of Proxy

I/We .....

of.....

being a Member/s of **Stafford Hotels PLC** do hereby appoint one of the following Directors of the Company ,

- |                           |                |
|---------------------------|----------------|
| Mr. A. N. Esufally        | or failing him |
| Mr. E. J. De Soysa        | or failing him |
| Mr. B. S. M. De Silva     | or failing him |
| Ms. A. R. Gamage          | or failing her |
| Mr. O. R. Kreltzhaim      | or failing him |
| Mr. H N Esufally          | or failing him |
| Mr. T. Wijemanne          | or failing him |
| Mr. W M De F Arskularatne | or failing him |

Mr./Mrs. ....

of.....

as\*my/our proxy to vote as indicated hereunder for \*me/us and on \*my/our behalf at the Twenty Seventh Annual General Meeting of the Company to be held on Thursday, 24th July 2008 at 3.20 p.m. at Auditorium of the Ceylon Chamber of Commerce, No 50, Nawam Mawatha, Colombo 2 and any adjournment thereof and at every poll which may be taken in consequence thereof.

	<b>For</b>	<b>Against</b>
1. To receive and consider the Statement of Accounts for the year ended 31 March 2008 together with The Report of the Directors and Auditors thereon.	<input type="text"/>	<input type="text"/>
2. To re-elect Ms. A. R. Gamage who retires by rotation in terms of the Articles of Association of the Company	<input type="text"/>	<input type="text"/>
3. To re-appoint Mr. O. R. Kreltzhaim, as Director, in terms of Section 211 (1) of the Companies Act No. 7 of 2007.	<input type="text"/>	<input type="text"/>
4. To re-appoint Messrs Ernst & Young as Auditors and authorize the Directors to determine their remuneration.	<input type="text"/>	<input type="text"/>
5. To authorize Directors to determine and make contributions to Charity.	<input type="text"/>	<input type="text"/>

Signature of Shareholder/s .....

Dated this ..... day of ..... 2008.

- (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 provided. Please fill in the date of signature.
2. Please indicate with an "X" in the space provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.
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. In case of joint holders the Form of Proxy must be signed by the first holder.
6. The completed Form of Proxy should be deposited at the office of the Secretaries, Hemas Corporate Services (Pvt) Ltd. No. 36, Bristol Street, Colombo 01 not less than forty eight (48) hours before the appointed time for the meeting.

# Corporate Information

- BOARD OF DIRECTORS** : A.N. Esufally - Chairman  
(Alt V. H. A. Perera)  
E. J. De Soysa  
O. R. Kreltshheim  
(Alt. Ms. B. Y. Labrooy)  
B. S. M. De Silva  
A. R. Gamage (Ms.)  
(Alt. Prof. L. D. K. B. Gamage)  
T. Wijemanna  
H. N. Esufally  
(Alt. Ms. K. A. Wilson)  
W. M. De F. Arsakularatne
- REGISTERED OFFICE** : 2nd Floor, Automobile Association Building  
40, Sir Mohamed Macan Marker Mawatha,  
Colombo 03.  
Tel : +94 (11) 2332155  
Fax : +94 (11) 2438933  
E-mail : [inquiries@serendibleisure.lk](mailto:inquiries@serendibleisure.lk)  
Website : [www.serendibleisure.com](http://www.serendibleisure.com)
- COMPANY REGISTRATION NO.** : PVS/PBS 7192
- SECRETARIES** : Hemas Corporate Services (Pvt) Ltd  
36, Bristol Street,  
Colombo 01.  
Tel : + 94 (11) 4731731  
Fax : + 94 (11) 4731777
- REGISTRARS** : SSP Corporate Services (Pvt) Ltd.  
101, Inner Flower Road,  
Colombo 03.  
Tel : + 94 (11) 2573894  
Fax : + 94 (11) 2573609
- MANAGING AGENTS** : Serendib Leisure Management Ltd.
- AUDITORS** : Ernst & Young  
Chartered Accountants  
201, De Saram Place,  
Colombo 10.
- BANKERS** : Commercial Bank of Ceylon  
Seylan Bank  
Nations Trust Bank
- HOTEL** : Club Hotel Dolphin

## **Serendib Leisure Management Ltd.**

2nd Floor, A. A. Bldg,  
40, Sir Mohamed Macan Markar Mw.,  
Colombo 03, Sri Lanka.  
Tel: (+9411) - 2332155-8  
Fax: (+9411) - 2438933  
E-mail: [inquiries@serendibleisure.lk](mailto:inquiries@serendibleisure.lk)  
Web: [www.serendibleisure.com](http://www.serendibleisure.com)

