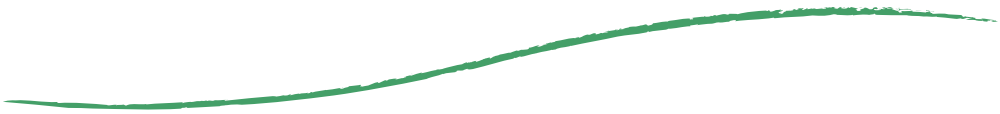




Hotel *Sigiriya*



Annual Report 2007/08
Hotel Sigiriya PLC

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Notice of Meeting

NOTICE IS HEREBY GIVEN that the **THIRTY FOURTH (34TH) ANNUAL GENERAL MEETING** of **HOTEL SIGIRIYA 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 3.00 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 Mr. L. P. Fernando who retires by rotation in terms of the Articles of Association, as a Director of the Company.
3. To re-appoint Messrs PricewaterhouseCoopers, Chartered Accountants as the Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.
4. To authorize Directors to determine and make contributions to charity.
5. To consider any other business of which due notice has been given.

By Order of the Board

HOTEL SIGIRIYA PLC

HEMAS CORPORATE SERVICES (PVT) LTD

Secretaries

Colombo

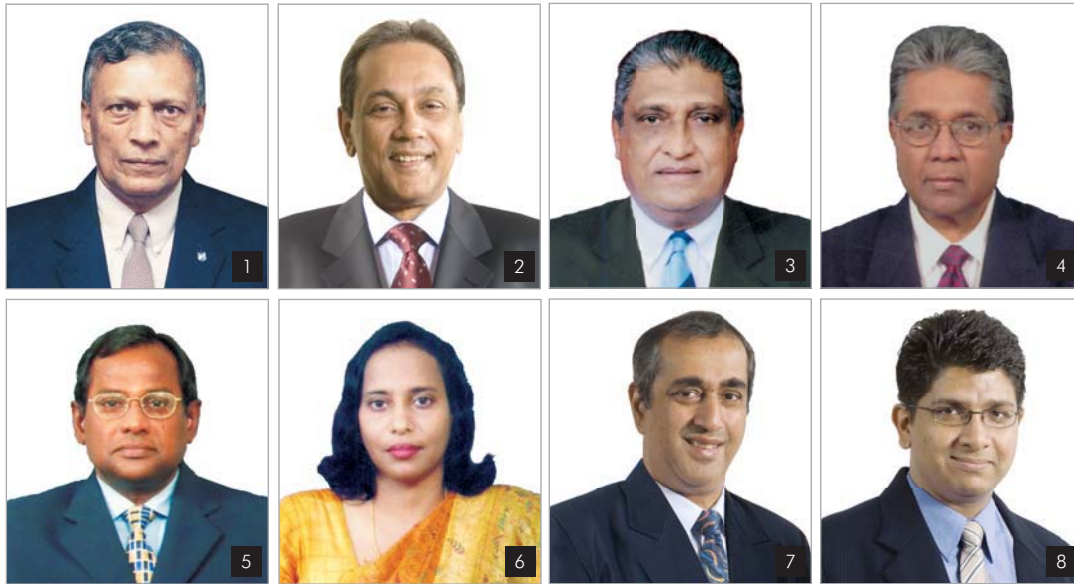
June 25, 2008

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.

Hotel *Sigiriya*

Board of Directors



1. E. J. De Soysa - Chairman

Appointed to the Board in 1982 and appointed as Chairman of the Company in 1994. Other directorships include Serendib Hotels PLC, Stafford Hotels PLC, The Mahayaya Estates Co. Ltd., Kahatapitiya Estates Ltd. and several other Companies. Over 40 years association in the tourism and leisure industries.

2. A. N. Esufally

Appointed to the Board in 1994. 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 1 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, Stafford Hotels PLC, Printcare (Ceylon) Ltd. and several other companies.

3. L. P. Fernando

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

4. R. H. S. De Silva

Appointed to the board in 1976. Past Chairman of Ceylon Chamber of Commerce and Past President of the National Chamber of Commerce Sri Lanka. Other directorships include Kelani Tyres Ltd., Ceat – Kelani Holdings Group, Silverstock Holdings (Pvt) Ltd., Wheels (Pvt) Ltd. and Hercules Motor Company (Pvt) Ltd.

5. 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, Safford Hotels PLC, Intercom Group of Companies and several other companies.

6. A. R. Gamage (Ms)

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

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, Stafford Hotels PLC and several 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 Serendib Hotels PLC and Stafford Hotels PLC.

Chairman's Review

Industry Overview

The rapidly deteriorating security situation in the country, sporadic incidents in 'tourism areas' led to the tightening up of foreign travel advisories, which in turn resulted in the reduction in arrivals to Sri Lanka. The number of visitors travelling to the cultural triangle areas reduced further. With the exception of the Negombo area, the other parts of the island showed a drop in occupancy. In fact, Sri Lanka tourism statistics indicate a drop of 3% occupancy in the ancient cities and circuit hotel area compared to last year. The travel advisories of most countries mention cities in the cultural triangle by name as areas to be avoided. Consequently, most of the circuit tours to the cultural triangle have been canceled or restricted by tour operators.

The highlight of the year was the promulgation of the long awaited Tourism Act on 01 October 2007. This led to the setting up of four autonomous Private / Public sector participative boards to manage Sri Lanka tourism in the future. It is a step in the right direction and the participatory approach in moving forward. Plans are being drawn up for a more cohesive and strategic approach to develop tourism in Sri Lanka.

Hotel Operations

As indicated, due to the extremely poor occupancy experienced in the area, the hotel's net revenue for the year was only Rs.61 Mn with an occupancy of 39%, down from 47% last year. The rapidly increasing cost of manpower and electricity eroded margins. The EBITA was down to a loss of Rs.4.6 Mn compared to the profit of Rs.8.3 Mn last year. On an overall basis, the hotel returned a Loss before Tax of Rs.20.4 Mn.

The year under review was a great challenge for the management, to contain the ever rising costs of hotel operations, while at the same time ensuring that the standard of the product does not deteriorate. Judicious energy conservation measures adopted by the hotel enabled overall hotel operational expenses to be limited to a 3% YOY increase, which, given the current inflation trends, is a creditable achievement. The overall energy cost of the hotel has been reduced by approximately 12%.

Concerted efforts by the management to look for alternate markets proved reasonably successful, with the Sri Lankan and expatriate segment growing by over 140%, partly assisted by the newly refurbished conference hall which attracted some corporate business.

At the time of writing this report, I am happy to state that Hotel Sigiriya 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.

Hotel Sigiriya has won the Green Award in the category of 'Value Hotels' from the prestigious International Restaurants and Hotel Association of USA. This is indeed a great achievement and will auger well for the future marketing of the hotel.

Future Prospects

The move towards Hotel Sigiriya as a nature / culture friendly hotel and providing a wholesome experience has begun to show. New tour operators have confirmed their interest to work with the hotel from the winter 2008/09 season. Further product differentiation along this theme will be undertaken as we try to attract more specialized visitors to the hotel and to reduce the dependence on circuit tours. However, the cultural triangle area continues to suffer with low arrivals and subsequently, the summer months of this year are expected to yield low occupancy.

However, we expect an increased demand for the hotel in the forthcoming winter months and we expect to re-coup some of the losses we will bear in the summer season.

Appreciation

My thanks go out to Manager Mr. Prasanna de Alwis and the staff of the hotel for all their support during a very difficult and trying period. The Head Office Management Team led by CEO Mr. Srilal Miththapala, has worked tirelessly to mitigate the situation, and lay the foundation for the future revival of the hotel.



E. J. De Soysa

Chairman

June 08, 2008

Operational Review

CALENDER YEAR 2003 2004 2005 2006 2007

Tourist Arrivals by Country of Residence (No. of pax)

NATIONALITY

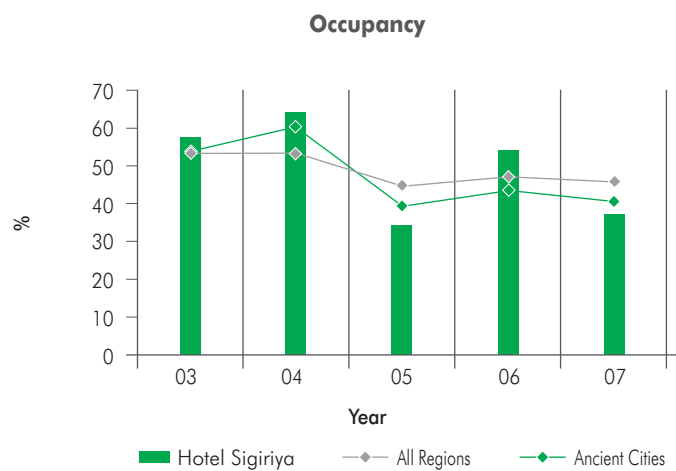
North America	25,099	29,759	46,457	35,323	28,355
Latin America & The Caribbean	636	741	705	775	3,962
Western Europe	255,179	284,440	227,191	228,447	194,448
Eastern Europe	10,600	14,336	9,290	14,221	25,573
Middle East	6,759	10,463	10,236	10,345	13,554
Africa	1,925	1,855	2,340	3,235	2,712
Asia	177,377	198,068	223,351	242,132	202,480
Australasia	23,067	26,540	29,738	25,127	22,924
TOTAL	500,642	566,202	549,308	559,605	494,008

Accommodation Capacity (Guest Rooms)

All Regions	14,137	13,468	13,162	14,218	14,604
Ancient Cities	2,552	2,486	2,428	2,467	2,417

Occupancy (%)

All Regions	53.2	53.1	45.4	47.8	46.2
Ancient Cities	54.0	60.4	39.5	43.3	40.3
Hotel Sigiriya	57.7	64.9	34.5	53.0	36.9



Financial Review

Ten Year at a Glance

Year ended 31 March 2008 2007 2006 2005 2004 2003 2002 2001 2000 1999
(Figures in Rs. '000 unless otherwise stated)

Trading Results

Turnover and Other Income	62,882	78,719	74,720	80,547	81,190	55,177	30,939	42,156	42,838	36,028
Profit/(Loss) Before Tax	(20,438)	(5,419)	1,910	17,100	20,326	10,754	384	5,080	6,406	7,069
Income Tax Expense	3,795	211	(1,357)	(3,606)	(3,233)	(3,021)	-	(667)	397	1,361
Net Profit/(Loss)	(16,643)	(5,208)	553	13,494	17,093	7,733	384	4,413	6,803	8,430

ASSETS

Non-Current Assets

Property, Plant & Equipment	180,812	172,425	182,164	147,888	84,858	79,056	75,663	79,938	68,545	60,125
Investments	3,090	3,333	3,333	3,333	3,333	-	-	5	5	5
	183,902	175,758	185,497	151,221	88,191	79,056	75,663	79,943	68,550	60,130
Current Assets	31,219	34,466	38,385	60,072	25,478	21,758	20,189	21,198	15,032	14,567
Total Assets	215,121	210,224	223,882	211,293	113,669	100,814	95,852	101,141	83,582	74,697

EQUITY AND LIABILITY

Capital and Reserves

Stated Capital	97,650	97,650	97,650	97,650	39,060	39,060	39,060	39,060	27,900	27,900
Reserves	38,380	39,734	40,801	60,611	19,563	19,563	19,563	19,563	19,563	19,563
Accumulated Profits	13,361	28,461	32,413	23,707	19,977	8,744	12,728	12,344	11,838	11,730
Total Equity	149,391	165,845	170,864	181,968	78,600	67,367	71,351	70,967	59,301	59,193

Non-Current Liabilities

Loans and Borrowings	15,856	7,928	12,917	-	-	3,411	8,771	10,438	1,170	1,641
Deferred Tax Liabilities	10,684	14,300	15,057	5,856	5,500	5,383	3,146	3,146	2,479	3,109
Other Deferred Liabilities	1,790	1,504	1,207	1,217	872	586	519	480	386	281
Deferred Income	700	-	-	-	-	-	-	-	-	-
	29,030	23,732	29,181	7,073	6,372	9,380	12,436	14,064	4,035	5,031
Current Liabilities	36,700	20,647	23,837	22,252	28,697	24,067	12,065	16,110	20,246	10,473
Total Equity and Liabilities	215,121	210,224	223,882	211,293	113,669	100,814	95,852	101,141	83,582	74,697

Indication of Performance

Dividend per share (Rs.)	-	-	0.50	1.00	2.50	3.00	-	1.00	2.00	2.00
Earnings / (Loss) per share (Rs.)	(2.84)	(0.89)	0.09	2.74	4.13	1.87	0.09	1.07	2.30	2.85
Net Assets per share(Rs.)	25.50	28.31	29.16	31.06	20.12	17.25	18.27	18.17	21.25	21.22
Market Value per share(Rs.)	32.00	33.00	37.00	37.75	31.00	19.50	10.75	11.50	12.00	12.00
Price Earning ratio(Times)	N/A	N/A	411.11	13.78	7.51	10.44	115.91	10.79	5.22	4.21
Debt Equity ratio(Times)	0.11	0.05	0.08	-	-	0.11	0.20	0.21	0.18	0.04
Current ratio(Times)	0.85	1.67	1.61	2.70	0.89	0.90	1.67	1.32	0.74	1.39

Hotel Operation

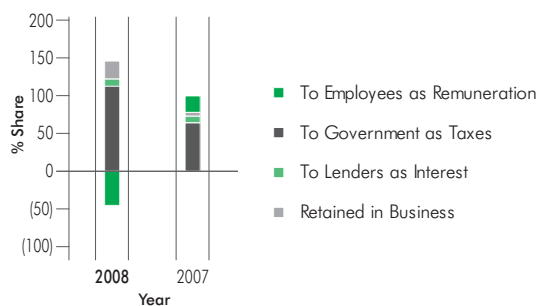
Annual sales growth(%)	(20.12)	5.35	(7.23)	(0.79)	47.14	78.34	(26.61)	(1.59)	18.90	22.12
Room occupancy(%)	39.00	47.00	43.00	52.00	62.00	48.00	30.00	50.00	52.00	42.00

* Hotel Sigiriya was closed during May & June '05 for refurbishment.

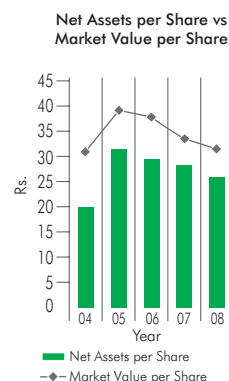
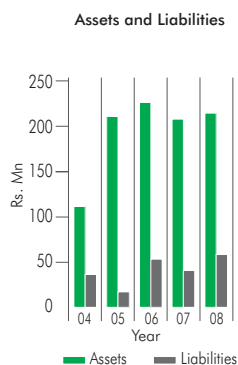
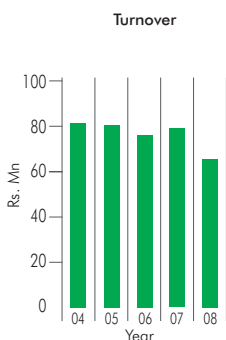
Statement of Value Added

For the year ended 31 March	2008	2007
Value Added	Rs.000's	Rs.000's
Revenue	61,649	77,913
Other Income	2,105	1,790
Total Revenue	63,754	79,703
Purchase of Goods & Services	(46,254)	(50,676)
Total Value Added	17,500	29,027

Distribution of Value Added	%		%	
To Employees as Remuneration	117	20,481	64	18,489
To Government as Taxes	7	1,306	9	2,573
To Lenders as Interest	22	3,844	7	2,071
Retained in Business	(46)	(8,131)	20	5,894
	100	17,500	100	29,027



Five Year at a Glance



Annual Report of the Board of Directors

The Directors of Hotel Sigiriya PLC have pleasure in presenting their Report along with the Audited Financial Statements of the Company 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 79 room Hotel Sigiriya.

FINANCIAL STATEMENTS

The Financial Statements of the Company are given from pages 15 to 34

REPORT OF THE AUDITORS

The report of the Auditors on the Financial Statements of the Company is given in 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 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. E. J. De Soysa (Chairman)

Mr. A. N. Esufally

Mr. B. S. M. De Silva

Mr. C. Ramachandran - Resigned w.e.f. 17 December 2007

Mr. R. H. S. De Silva

Mr. L. P. Fernando

Ms. A. R. Gamage

Mr. H. N. Esufally

Mr. W. M. De F. Arsakularatne

Mr. V. H. A. Perera - Appointed w.e.f. 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)

Mr. L. P. Fernando retires by rotation in terms of the Articles of Association of the Company and being eligible offers himself for re-election.

REMUNERATION & OTHER BENEFITS OF DIRECTORS

No remuneration was paid to the Board of Directors during the year under review. (2007 – Rs. 94,400/-)

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

The details of the transactions/proposed transactions appear on Note 30 of the financial statements. These interests have been declared at meetings of the Board.

DIRECTORS' SHAREHOLDING

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

	31.03.2008	31.03.2007
Mr. E. J. De Soysa	70,000	70,000
Mr. A. N. Esufally	-	-
Mr. B. S. M. De Silva	19,500	19,500
Mr. L P. Fernando	13,548	13,548
Mr. R. H. S. De Silva	1,124	1,124
Mr. H. N. Esufally	-	-
Ms. A. R. Gamage	-	-
Mr. W. M. De F. Arsakularatne	-	-
Mr. C. Ramachandran*	1,000	1,000

* 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 Company acquired Property, Plant and Equipment to the aggregate value of Rs. 21,146,104/- (2007- Rs. 3,366,874/-)

PERFORMANCE

The Company recorded a turnover of Rs. 61,649,484/- during the year under review (2007 – Rs. 77,913,657/-). The Company incurred a loss of Rs. 20,438,313/- before tax during the financial year (2007 - loss – Rs. 5,418,721/-)

RESERVES

Details of Reserves of the Company are given in Note 16 to the Financial Statements.

DIVIDENDS

The Directors have not recommended the payment of a dividend for the year 2007/08. (2007 – Nil)

GOING CONCERN

As described in the Statement of Directors responsibilities, the Directors have adopted the "Going Concern Concept" in the preparation of the Financial Statements.

STATED CAPITAL

There was no change in the Stated Capital of the Company during the year under review. The Stated Capital of the Company as at 31 March 2008 was Rs. 97,650,000/- divided into 5,859,000 shares.

HUMAN RESOURCES

The number of persons employed by the company as at the end of the year was 117 (2007 – 111)

CORPORATE DONATIONS

Donations made by the Company during the year under review amounted to Rs. 2,500/- (2007 – Rs. 11,900/-)

EVENTS OCCURRING AFTER THIS BALANCE SHEET DATE

No circumstances have arisen since the Balance Sheet date, which would require adjustment to or disclosure in the Accounts.

AUDITORS

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

Audit Fees	-	Rs. 180,100/-
Fees for non – audit services	-	Rs. 49,600/-

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



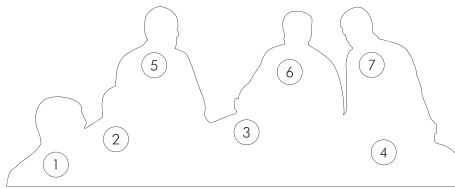
E. J. De Soysa
Chairman



A N Esufally
Director

June 5, 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 (Confifi 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[MCFI].

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. Thurairajah 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 an 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 Board of Hotel Sigiya PLC is committed to uphold the highest standards of integrity and transparency in their governance of the Company and is guided by the Code of Best Practices issued by the Institute of Chartered Accountants of Sri Lanka, and listing rules of the Colombo Stock Exchange on Corporate Governance.

Board of Directors

The Board is responsible for strategic direction, providing leadership and guidance and also supervising the management of the Company.

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. 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, R. H. S. De Silva, L. P. Fernando and Ms. A. R. Gamage meet 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 third of the Directors retire by rotation in conformity with the Articles of Association of the Company.

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. E J De Soysa	6
Mr. A. N. Esufally	4
Mr. B. S. M. De Silva	5
Mr. L. P. Fernando	4
Mr. R H S De Silva	4
Mr. H. N Esufally	4
Mr. W. M. De F. Arsakularatne	6
Ms. A. R. Gamage	3
Ms. C. Ramachandran*	1

* Resigned with effect from 17 December 2007

The Directors have delegated the management of the day to day affairs of the Company and the operations of the Hotel to Serendib Leisure Management Ltd. through a formal Management Agreement. The Management team of the Managing Agent meet regularly to discuss key operational business and financial issues and is chaired by the Chief Executive Officer.

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 of three Directors. The members 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 Agent attended the meetings by invitation. The external and internal auditors are provided with opportunities to discuss issues as and when required.

The Audit Committee is empowered to examine any matter relating to the financial reporting systems of the group including internal and external audits. The Audit 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 comprise 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 Company's system of internal controls and for reviewing its effectiveness. Steps have been taken to ensure that necessary controls have been put into place to safeguard the assets of the company, prevent and detect any irregularities, and to generate reliable information on the financial results and the position of the company.

Corporate Governance Contd...

Relationship with shareholders

The Company recognizes and constantly strives to maintain good relations with shareholders at all times. The Annual and Quarterly Reports are the principal means of communicating with shareholders and stakeholders. The Annual General meeting provide the shareholders an opportunity to seek clarifications and obtain information on the performance and the operations of the company

Environmental & Social Responsibility

The Company recognizes its responsibility towards its surrounding environment and community. It makes conscious effort to promote environment friendly and community development activities.

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

Criteria	Compliance
Non Executive Directors 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.	Yes
Independent Directors Two or 1/3rd of Non-executive directors which ever is higher.	Yes
Submission of Declaration of Independence annually Each Non-executive director to submit a signed and dated declaration annually of his/her independence or Non-independence against the specified criteria.	Yes
Criteria for Independence	Yes
Remuneration Committee Committee to comprise of minimum two Independent Non-executive Director or non – executive directors a majority of whom shall be Independent	Yes
Audit Committee <ul style="list-style-type: none"> • Committee to comprise of minimum two independent Non-executive Director or Non-executive directors a majority of whom shall be Independent • Chairman or one member of the committee should be a member of a recognized professional accounting body. 	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 the 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 Practices 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 Auditor's Management letter and the management's response to these issues, before making appropriate recommendations to the company's management team.

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

Prof. L. D. K. B. Gamage
Chairman – Audit Committee

June 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 this 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
June 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 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 Directors are 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.

The Directors have taken reasonable steps to safeguard the assets of the Company and in that context have instituted appropriate systems of internal control with a view to prevent and detect fraud and other irregularities. The controls are monitored through reports on the internal audits conducted.

The Directors confirm to the best of their knowledge that all taxes, dues and levies payable by the Company 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

June 05, 2008

Independent Auditors' Report



PricewaterhouseCoopers

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

Independent Auditor's Report

To the shareholders of Hotel Sigiriya PLC

Report on the Financial Statements

1 We have audited the accompanying financial statements of Hotel Sigiriya PLC, which comprise the balance sheet as at 31 March 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 15 to 34.

Management's Responsibility for the Financial Statements

2 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

3 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.

4 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.

5 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

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

Report on Other Legal and Regulatory Requirements

7 These financial statements also comply with the requirements of Section 151 (2) of the Companies Act No. 07 of 2007.

PricewaterhouseCoopers

Chartered Accountants

June 05, 2008

Income Statement

Year ended 31 March 2008

	Note	2008 Rs.	2007 Rs.
Revenue	3	61,028,321	77,127,613
Cost of sales		(17,101,547)	(16,690,923)
Gross profit		43,926,774	60,436,690
Other operating income	4	2,105,231	1,789,982
Distribution costs		(6,503,527)	(6,353,983)
Administrative expenses		(56,123,152)	(57,799,287)
Other operating expenses	5	Nil	(1,421,267)
Finance cost	6	(3,843,639)	(2,070,856)
Loss before tax	7	(20,438,313)	(5,418,721)
Income tax	8	3,795,324	211,089
Net loss for the year		(16,642,989)	(5,207,632)
Loss per share-basic	9	(2.84)	(0.89)

The accounting policies and notes on pages 19 through 34 form an integral part of the financial statements.

Balance Sheet

As at 31 March 2008

	Note	2008 Rs.	2007 Rs.
ASSETS			
Non-current assets			
Property, plant & equipment	10	180,812,294	172,425,287
Investments	11	3,090,125	3,333,330
		183,902,419	175,758,617
Current assets			
Inventories	12	4,053,638	2,776,649
Trade and other receivables	13	11,510,222	11,471,067
Amounts due from related parties	14	6,365,078	8,935,303
Income tax recoverable		6,680,755	4,874,004
Cash and bank balances	25	2,609,084	6,408,774
		31,218,777	34,465,797
Total assets		215,121,196	210,224,414
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	15	97,650,000	97,650,000
Reserves	16	38,379,988	39,734,200
Accumulated profits		13,360,552	28,460,955
Total Equity		149,390,540	165,845,155
Non-current liabilities			
Interest bearing loans & borrowings	17	15,856,000	7,928,000
Deferred tax liabilities	18	10,683,936	14,300,548
Deferred income	19	700,000	Nil
Other deferred liabilities	20	1,790,398	1,503,698
		29,030,334	23,732,246
Current liabilities			
Trade and other payables	21	14,734,979	12,590,770
Dividends payable	22	522,088	522,133
Amounts due to related parties	23	264,896	505,134
Non interest bearing loans & borrowings	24	657,000	657,000
Interest bearing loans & borrowings	17	20,521,359	6,371,976
		36,700,322	20,647,013
Total equity and liabilities		215,121,196	210,224,414

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



Thuraiajah Thivakaran - Director Finance

The board of directors are responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the board by, these financial statements were approved by the Board of Directors on 05 May 2008.



E. J. De Soysa - Chairman



A. N. Esufally - Director

Colombo, May 05, 2008

The accounting policies and notes on pages 19 through 34 form an integral part of the financial statements.

Statement of Changes in Equity

Year ended 31 March 2008

	Stated * Capital Rs.	Revaluation Reserve Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 31 March 2006	97,650,000	40,801,653	32,412,760	170,864,413
Net loss for the year	Nil	Nil	(5,207,632)	(5,207,632)
Deferred tax attributable to revaluation surplus	Nil	188,374	Nil	188,374
Reversal of Excess depreciation on revaluation reserve	Nil	(1,255,827)	1,255,827	Nil
Balance as at 31 March 2007 as previously reported	97,650,000	39,734,200	28,460,955	165,845,155
Net loss for the year	Nil	Nil	(16,642,989)	(16,642,989)
Deferred tax attributable to revaluation surplus	Nil	188,374	Nil	188,374
Reversal of Excess depreciation on revaluation reserve - Leasehold Land	Nil	(286,759)	286,759	Nil
Reversal of Excess depreciation on revaluation reserve	Nil	(1,255,827)	1,255,827	Nil
Balance as at 31 March 2008	97,650,000	38,379,988	13,360,552	149,390,540

* Stated capital includes amounts previously reported under ordinary share capital and share premium as required by Companies Act No. 07 of 2007.

The accounting policies and notes on pages 19 through 34 form an integral part of the financial statements.

Cash Flow Statement

Year ended 31 March 2008

	Note	2008 Rs.	2007 Rs.
Cash flows used in operating activities			
Net loss before income tax expense		(20,438,313)	(5,418,721)
Adjustments for			
Depreciation	10	11,940,633	11,669,773
Interest income	4	(872,130)	(985,802)
(Profit) / loss on sale of property, plant & equipments		(768,031)	1,421,267
Finance costs	6	3,843,639	2,070,856
Provision for defined benefit plans	20	329,000	406,123
Withholding Tax written off		Nil	145,616
Provision for decline in value of investments		243,205	Nil
Operating (loss) / profit before working capital changes		(5,721,997)	9,309,112
Increase in inventories		(1,276,989)	(5,769)
(Increase) / decrease in trade and other receivables		(39,155)	9,477,239
Decrease in amounts due from related parties		2,570,225	995,846
(Decrease) / increase in amounts due to related parties		(240,238)	505,134
Increase /(decrease) in trade and other payables		2,580,334	(1,143,761)
Cash (used in) / generated from operations		(2,127,820)	19,137,801
Interest paid		(3,843,639)	(2,070,856)
Defined benefit plan costs paid	20	(42,300)	(109,500)
Income tax paid		(1,439,663)	(2,211,591)
Net cash (used in) / from operating activities		(7,453,422)	14,745,854
Cash flows used in investing activities			
Grant money received		700,000	Nil
Acquisition of property, plant & equipment		(21,146,104)	(3,366,874)
Proceeds from sale of property, plant & equipment		1,150,323	14,863
Interest received		872,130	985,802
Net cash flows used in investing activities		(18,423,651)	(2,366,209)
Cash flows from / (used in) financing activities			
Proceeds from interest bearing loans & borrowings	17	15,000,000	Nil
Repayment of interest bearing loans & borrowings		(4,992,000)	(2,080,000)
Net cash flows from / (used in) financing activities		10,008,000	(2,080,000)
Net (decrease) / increase in cash and cash equivalents		(15,869,073)	10,299,645
Cash and cash equivalents at the beginning of the year		5,028,798	(5,270,847)
Cash and cash equivalents at the end of the year	25	(10,840,275)	5,028,798

The accounting policies and notes on pages 19 through 34 form an integral part of the financial statements.

Notes to the Financial Statements

Year ended 31 March 2008

1. CORPORATE INFORMATION

1.1 General

Hotel Sigiriya 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 Sigiriya.

1.2 Principal Activities and Nature of Operations

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

1.3 Parent Enterprise and Ultimate Parent Enterprise

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

1.4 Date of Authorisation for Issue

The financial statements of Hotel Sigiriya PLC, for the year ended 31 March 2008 were authorized for issue in accordance with a resolution of the Board of Directors on May 05, 2008.

1.5 Number of Employees

The number of employees of the Company at the end of the year was 117 (2007 – 111).

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 Hotel Sigiriya PLC has 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 rearranged wherever necessary to conform to the current presentation.

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 translated to the functional currency at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. 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 Tax

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. Relevant details are disclosed in Note 8 to this financial statement.

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.

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 asset or service is not recoverable from the tax authorities, in which case the sales tax is recognised as a part of the cost of the asset or part of the expense item as applicable, receivable and payable that are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of tax 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 condition 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.

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

Valuations are performed every 4 years 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 assets' residual value, useful life and method of depreciation are reviewed and adjusted if appropriate at each financial year end.

2.4.8 Leasehold Property

Leasehold property is stated at recorded carrying values as at the effective date of Sri Lanka Accounting Standard 19 – Leases. Such carrying amounts are amortized over the remaining lease term or useful life of the leased property whichever is shorter. No further revaluation of these leasehold properties will be carried out.

2.4.9 Investments

a) Initial Recognition

Cost of investment includes purchase cost and acquisition charges such as brokerage fees, duties and bank 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 disposal proceeds and the carrying amounts is recognised as income or expense.

2.4.10 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 asset, 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.

2.4.11 Grants and Subsidies

Grants and subsidies are credited to the income statement over the periods necessary to match them with related costs, which they are intended to compensate, on a systematic basis.

Grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.4.12 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 externally 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.

2.4.13 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.

2.4.14 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 be 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	2008	2007
	Rs.	Rs.
Sale of goods	13,308,747	16,383,796
Rendering of services	48,340,737	61,529,861
	61,649,484	77,913,657
Less: Sales Related Levy		
Tourism Development Levy	(621,163)	(786,044)
	61,028,321	77,127,613
4 OTHER OPERATING INCOME		
Interest income receivable from		
Related parties	642,500	652,703
Other	229,630	333,099
	872,130	985,802
Rental income receivable from		
Non-related parties	300,000	300,000
	300,000	300,000
Miscellaneous services	5,070	24,180
Income from vehicle hiring	160,000	480,000
Profit on disposal of fixed assets	768,031	Nil
	2,105,231	1,789,982
5 OTHER OPERATING EXPENSES		
Loss on disposal of fixed assets	Nil	1,421,267
6 FINANCE COST		
Interest expense on overdrafts	716,062	113,072
Interest expense on loans & borrowings payable to others (Bank)	3,127,577	1,957,784
	3,843,639	2,070,856

Notes to the Financial Statements Contd...

Year ended 31 March 2008

7 LOSS BEFORE TAX	2008	2007
	Rs.	Rs.
Stated after charging / (crediting)		
Transport costs	98,630	143,103
Provision for doubtful debts	(22,945)	492,887
Advertising costs	2,089,013	1,842,102
Directors' emoluments	Nil	94,400
Auditors' remuneration (fees and expenses)	150,000	100,020
Depreciation	11,940,633	11,669,773
Renewals of property, plant and equipment (upkeep)	649,204	525,250
Write back of provision for breakages	(1,293,517)	Nil
Staff costs include		
- Defined benefit plan costs - Gratuity	329,000	406,123
- Defined contribution plan costs - EPF & ETF	1,541,056	1,264,892
Management fees	1,840,970	3,599,840
Donations	2,500	11,900
Legal fees	71,250	29,000
Profit on disposal of property, plant & equipment	768,031	Nil
8 INCOME TAX		
Current income tax		
Current tax expense on ordinary activities for the year (8.1)	305,245	401,120
Under / (over) provision of current taxes in respect of prior years	(672,331)	(44,165)
Deferred income tax		
Deferred taxation charge (8.2)	(3,428,238)	(568,044)
	(3,795,324)	(211,089)
8.1 Reconciliation between current tax (income) / expense and the product of accounting profit and applicable tax rates		
Accounting loss before tax	(20,438,313)	(5,418,721)
Aggregate disallowed items	15,216,352	15,197,011
Aggregate allowable expenses	(12,045,703)	(9,075,762)
Aggregate allowable income	872,130	985,801
Taxable (loss)/profit	(16,395,534)	1,688,329
Income tax		
Trading income	Nil	105,380
Interest income	305,245	295,740
Current income tax expense	305,245	401,120

Notes to the Financial Statements Contd...

Year ended 31 March 2008

8 INCOME TAX (Contd...)

8.2 Deferred tax income	2008	2007
	Rs.	Rs.
Deferred tax income arising due to		
- Origination and reversal of timing differences	(3,428,238)	(568,044)
	<u>(3,428,238)</u>	<u>(568,044)</u>

8.2.1 Deferred tax asset, liabilities and income tax relates to the following

	Balance Sheet		Income Statement	
	2008	2007	2008	2007
	Rs.	Rs.	Rs.	Rs.
Deferred tax liability				
Capital allowance for tax purposes	5,906,005	6,701,088	(795,083)	(523,550)
Revaluation of buildings (Directly in equity)	7,636,641	7,825,015		
	<u>13,542,646</u>	<u>14,526,103</u>		
Deferred tax assets				
Defined benefit plans	268,560	225,555	(43,005)	(44,494)
Carry forward of unused tax losses	2,590,150	-	(2,590,150)	-
	<u>2,858,710</u>	<u>225,555</u>		
Deferred income tax (income)/expense			<u>(3,428,238)</u>	<u>(568,044)</u>
Net deferred tax liability	<u>10,683,936</u>	<u>14,300,548</u>		

8.3 Deferred tax has been computed using current effective tax rate of 15%.

9 LOSS PER SHARE

9.1 Basic loss per share is calculated by dividing the net 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.

9.2 The following reflects the income and share data used in the basic and diluted loss per share computations:

	2008	2007
	Rs.	Rs.
Net loss attributable to ordinary shareholders for basic and diluted		
Loss per share	<u>(16,642,989)</u>	<u>(5,207,632)</u>
Number of ordinary shares used as the denominator:	2008	2007
	Number	Number
Weighted average number of ordinary shares in issue applicable to basic Loss per share	5,859,000	5,859,000
Basic loss per share - Rs.	(2.84)	(0.89)

Notes to the Financial Statements Contd...

Year ended 31 March 2008

10 PROPERTY, PLANT & EQUIPMENT

10.1 Gross carrying amounts

	Balance as at 01.04.2007 Rs.	Additions / transfers / acquisitions Rs.	(Disposals) / (transfers) Rs.	Balance as at 31.03.2008 Rs.
At cost / cost incurred since last revaluation				
Buildings on leasehold land	38,470,045	1,721,655	(436,171)	39,755,529
Swimming pool	3,809,914	Nil	Nil	3,809,914
Furniture & equipment	58,333,193	14,060,484	(962,031)	71,431,646
Motor vehicle	4,353,770	Nil	(949,495)	3,404,275
Landscaping	2,247,939	Nil	Nil	2,247,939
	107,214,861	15,782,139	(2,347,697)	120,649,303
At valuation				
Freehold land	10,111,180	Nil	Nil	10,111,180
Leasehold Land	3,525,919	Nil	Nil	3,525,919
Buildings on freehold land	552,000	Nil	Nil	552,000
Buildings on leasehold land	86,096,750	Nil	Nil	86,096,750
Swimming pool	2,500,000	Nil	Nil	2,500,000
Landscaping	1,250,000	Nil	Nil	1,250,000
	104,035,849	Nil	Nil	104,035,849
Total value of assets	211,250,710	15,782,139	(2,347,697)	224,685,152

10.2 In the course of construction

	Balance as at 01.04.2007 Rs.	Incurred during the year Rs.	Reclassified / transferred Rs.	Balance as at 31.03.2008 Rs.
Building work-in-progress	Nil	13,698,524	(8,334,559)	5,363,965
Total gross carrying amount	Nil	13,698,524	(8,334,559)	5,363,965

10.3 Depreciation

	Balance as at 01.04.2007 Rs.	Charge for the year / transfers Rs.	(Transfers) / (disposals) Rs.	Balance as at 31.03.2008 Rs.
At cost / cost incurred since last revaluation				
Buildings on leasehold land	1,386,102	1,408,661	Nil	2,794,763
Swimming pool	141,108	141,108	Nil	282,216
Furniture & equipment	27,163,881	6,949,365	(688,525)	33,424,721
Motor vehicles	3,464,549	97,526	(840,708)	2,721,367
	32,155,640	8,596,661	(1,529,233)	39,223,067
At Valuation				
Amortization of buildings on leasehold land	6,149,768	3,074,884	Nil	9,224,652
Leasehold land	251,852	125,926	Nil	377,778
Buildings on freehold land	55,200	55,200	Nil	110,400
Swimming pool	212,963	87,963	Nil	300,926
	6,669,783	3,343,973	Nil	10,013,756
Total depreciation	38,825,423	11,940,633	(1,529,233)	49,236,823
Total net book value	172,425,287			180,812,294

Notes to the Financial Statements Contd...

Year ended 31 March 2008

10 PROPERTY, PLANT & EQUIPMENT (Contd..)

10.4 Net book values

	2008 Rs.	2007 Rs.
At cost / cost incurred since last revaluation	86,790,201	75,059,221
At valuation	94,022,093	97,366,066
Total carrying amount of property, plant & equipment	180,812,294	172,425,287

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

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

Class of asset	Cost Rs.	Cumulative depreciation if assets were carried at cost Rs.	Net carrying amount 2008 Rs.	Net carrying amount 2007 Rs.
Buildings on Leasehold Land	51,614,529	24,723,528	26,891,001	28,802,651

10.6 Property, plant & equipment includes fully depreciated assets having a gross carrying amount of Rs 1,257,737 (2007 - Rs. 318,599) which were in use during the year.

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

10.8 The Company obtained leasehold rights to land situated in Hotel Sigiriya PLC from Sri Lanka Tourist Board by the agreement 25 July 1974. Based on the Ruling 11 of Urgent Issues Task Force (UITF) of The Institute of Chartered Accountants of Sri Lanka, it was stated at revalued amounts. As a result of a revision to said ruling, the Company now carries such leasehold rights to land, at the values recorded in the balance sheet as at the effective date of SLAS 19 - Leases.

The leasehold rights to land is disclosed under non current assets under Leasehold Property with effect from the current financial year with comparative amounts being changed to conform to current presentation. The revised UITF ruling does not permit further revaluation of Leasehold Property. An amount of Rs.3,148,141/- is remaining in the equity under Revaluation Surplus relating to previous revaluation of Leasehold rights to land.

11 INVESTMENTS

	2008 Rs.	2007 Rs.
Non-current		
Investment in equity securities (Note 11.1)	3,333,330	3,333,330
Loss on impairment	(243,205)	Nil
	3,090,125	3,333,330

11.1 Investments in equity securities - Non-current

Investments in equity securities solely comprise application and allotment money paid, to Rainforest Ecolodge (Pvt) Ltd. for the purchase of 333,333 shares of Rs. 10 each, in the year of 2003/2004.

Notes to the Financial Statements Contd...

Year ended 31 March 2008

12 INVENTORIES	2008	2007
	Rs.	Rs.
Food stuff	976,784	616,171
Liquor, soft drink & cigarettes	986,445	741,263
House-keeping and maintenance	2,068,499	1,394,983
Laundry	21,910	24,232
	4,053,638	2,776,649

13 TRADE AND OTHER RECEIVABLES

Trade debtors		
- related parties (13.1)	3,611,275	3,801,137
- other	4,317,428	3,498,062
	7,928,703	7,299,199
Less: Provision for doubtful debts	(586,684)	(817,502)
	7,342,019	6,481,697
Other debtors	3,091,225	3,629,013
	10,433,244	10,110,710
Advances and prepayments	1,039,190	1,330,123
Loans to company officers (13.2)	37,788	30,234
	11,510,222	11,471,067

13.1 Trade Dues Receivables from Related Parties

	Relationship		
Stafford Hotels PLC	Group company	Nil	13,427
Hemtours (Pvt) Ltd.	Affiliate / Group company	3,611,275	3,787,710
		3,611,275	3,801,137

13.2 Loans to Company officers

Balance as at the beginning of the year	30,234	19,327
Loans granted during the year	437,825	409,800
Less: Repayments	(430,271)	(398,893)
Balance as at the end of the year	37,788	30,234

14 AMOUNTS DUE FROM RELATED PARTIES

	Relationship		
Serendib Hotels PLC	Parent company	3,100,000	4,106,538
Serendib Leisure Management Ltd.	Affiliate / Group company	3,265,078	4,828,765
		6,365,078	8,935,303

Notes to the Financial Statements Contd...

Year ended 31 March 2008

15. STATED CAPITAL	2008	2008	2007	2007
	Number	Rs.	Number	Rs.
15.1 Fully Paid Ordinary Shares (15.1.1)	5,859,000	58,590,000	5,859,000	58,590,000

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.

15.1.1 Fully Paid Ordinary Shares

Balance at beginning of the year	5,859,000	58,590,000	5,859,000	58,590,000
Issue of shares for Cash Consideration	-	-	-	-
Issue of shares for Non cash consideration	-	-	-	-
Balance at end of the year	5,859,000	58,590,000	5,859,000	58,590,000

15.2 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.

16 RESERVES	2008	2007
	Rs.	Rs.
Property, plant & equipment		
Balance as at the beginning of the year	39,734,200	40,801,653
Deferred tax effect on excess depreciation	188,374	188,374
Reversal of Excess Depreciation on Revaluation Surplus	(1,255,827)	(1,255,827)
Reversal of Revaluation Reserve Related to Leasehold Land	(286,759)	Nil
Balance as at the end of the year	38,379,988	39,734,200

17 INTEREST BEARING LOANS & BORROWINGS

	2008	2008	2008	2007	2007	2007
	Amount	Amount		Amount	Amount	
	repayable	repayable	Total	repayable	repayable	Total
	within 1 year	after 1 year	Total	within 1 year	after 1 year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank loans (17.1)	7,072,000	15,856,000	22,928,000	4,992,000	7,928,000	12,920,000
Bank overdrafts (25.2)	13,449,359	Nil	13,449,359	1,379,976	Nil	1,379,976
	20,521,359	15,856,000	36,377,359	6,371,976	7,928,000	14,299,976

Notes to the Financial Statements Contd...

Year ended 31 March 2008

17.1 Bank Loan	As at 01.04.2007 Rs.	Loans obtained Rs.	Repayment Rs.	As at 31.03.2008 Rs.	Repayment Terms
Commercial Bank of Ceylon - Term Loan 1 (27)	12,920,000	-	(4,992,000)	7,928,000	35 monthly instalments, interest rate of Prime Lending Rate + 3% (commencing from Nov '06)
Commercial Bank of Ceylon - Term Loan 2 (27)	-	15,000,000	-	15,000,000	35 monthly instalments, interest rate of Prime Lending Rate + 3% (commencing from Nov '08)
	12,920,000	15,000,000	(4,992,000)	22,928,000	

18 DEFERRED TAX LIABILITIES	2008 Rs.	2007 Rs.
Balance at the beginning of the year	14,300,548	15,056,966
Release made during the year	(3,428,238)	(568,044)
Deferred tax effect on excess depreciation	(188,374)	(188,374)
Balance at the end of the year	10,683,936	14,300,548

19 DEFERRED INCOME		
At beginning of year	Nil	Nil
Received during the year	700,000	Nil
Less: Amortization during the year	Nil	Nil
At end of year	700,000	Nil

The hotel opted to introduce a Gasifire system for the steam boiler to replace the existing diesel burner with a wood burner. This project is considered to be environment friendly and The Ceylon Chamber of Commerce has a Grant facility for such projects under Promotion of Eco Efficient Productivity (PEP) projects. The hotel was approved 50% of the total project cost as grant (Rs. 1.75Mn) and as at March 31, 2008 the hotel received 40% of the total grant.

20 OTHER DEFERRED LIABILITIES	Balance 01.04.2007 Rs.	Charge for the year Rs.	Payments during the year Rs.	Balance 31.03.2008 Rs.
Retirement benefits obligation - Gratuity	1,503,698	329,000	(42,300)	1,790,398

21 TRADE AND OTHER PAYABLES	2008 Rs.	2007 Rs.
Trade payable	5,225,426	3,523,385
Other payables		
- Related parties (21.1)	816,204	298,960
- Other	3,253,892	3,520,414
Sundry creditors including accrued expenses	5,439,457	5,248,011
	14,734,979	12,590,770

21.1 Trade Dues Payable to Related Parties	Relationship		
Stafford Hotels PLC	Affiliate / Group company	490,161	1,000
Serendib Leisure Management Ltd.	Affiliate / Group company	326,043	297,960
		816,204	298,960

Notes to the Financial Statements Contd...

Year ended 31 March 2008

22 DIVIDENDS PAYABLE	2008	2007
	Rs.	Rs.
Unclaimed dividends	522,088	522,133

23 AMOUNTS DUE TO RELATED PARTIES	2008	2007
Relationship	Rs.	Rs.
Serendib Hotels PLC	264,896	505,134

24 NON-INTEREST BEARING LOANS AND BORROWINGS

Current

Soft loan from Ministry of Tourism	657,000	657,000
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The above loan has been obtained during the period 1983 - 1985 and the repayments have not been finalised.

25 CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

25.1 Favourable cash & cash equivalents balance

Cash & bank balances	2,609,084	2,734,985
Treasury bills	Nil	3,673,789
	2,609,084	6,408,774

25.2 Unfavourable cash & cash equivalent balances

Bank overdraft	(13,449,359)	(1,379,976)
Total cash and cash equivalents for the purpose of cash flow statement	(10,840,275)	5,028,798

26 COMMITMENTS AND CONTINGENCIES

The Company has no contingent liabilities as at 31 March 2008.

27 ASSETS PLEDGED

The following assets have been pledged as security for liabilities:

Nature of Asset	Nature of liability	Carrying amount pledged		Included under
		2008	2007	
		Rs.	Rs.	
Buildings on Leasehold Land	Primary mortgage up to the value of Rs. 30 Mn to Commercial Bank of Ceylon	113,832,864	117,030,925	Property, plant & equipment

28 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

Notes to the Financial Statements Contd...

Year ended 31 March 2008

29 DIRECTORS' INTERESTS IN CONTRACTS WITH THE COMPANY

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

	Serendib Hotels PLC	Serendib Leisure Mgt. Ltd.	Stafford Hotels PLC	Miami Beach Hotels Ltd.	Hemtours (Pvt) Ltd.	Hemas Corporate Serv. (Pvt)Ltd.	Hemas Holdings PLC
Mr. E. J. De Soysa	x	x	x	x	-	-	-
Mr. A. N. Esufally	x	x	x	x	x	-	x
Mr. B. S. M. De Silva	x	x	x	x	-	-	-
Ms. A. R. Gamage	-	x	x	-	-	-	-
Mr. H. N. Esufally	x	x	x	-	x	x	x
Mr. L. P. Fernando	-	-	-	-	-	-	-
Mr. R. H. S. De Silva	-	-	-	-	-	-	-
Mr. C. Ramachandran (Resigned w.e.f.17.12.2007)	-	-	x	-	-	-	-
Ms. K. A. Wilson (Alternate - Mr. H. N. Esufally)	-	-	-	-	x	-	-
Mr. W. M. De F. Arakularatne	x	x	x	-	x	x	-
Prof. L. D. K. B. Gamage (Alternate - Ms. A. R. Gamage)	x	-	-	-	-	-	-
Ms V. R. Jayawardena (Ceased to be w.e.f. 17.12.2007) (Alternate - Mr. C. Ramachandran)	-	-	-	-	-	-	-
Mr V. H. A. Perera (Appointed w.e.f. 23.08.2007) (Alternate - Mr. A. N. Esufally)	-	-	-	-	x	-	-

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

The nature of the transactions are disclosed in Note 30.

Notes to the Financial Statements Contd...

Year ended 31 March 2008

30 TRANSACTIONS WITH GROUP COMPANIES

Name of the Company and Relationship	Serendib Hotels PLC		Serendib Leisure Mgt. Ltd		Stafford Hotels PLC		Hemtours (Pvt) Ltd.		Hemas Corporate Serv. (Pvt) Ltd.		Total	
	Parent Company		Group Company		Group Company		Group Company		Group Company		Total	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Nature of transaction												
Sale of goods & services	Nil	126,714	160,000	480,000	Nil	74,969	10,480,759	13,610,216	Nil	Nil	10,640,759	14,291,899
Purchase of goods & services	522,518	1,228,821	Nil	Nil	926,776	303,516	Nil	Nil	Nil	Nil	1,449,294	1,532,337
Purchase of property, plant & equipment	11,686	Nil	Nil	Nil	11,686	Nil	Nil	Nil	Nil	Nil	23,372	Nil
Receipt of services	38,905	Nil	5,719	25,286	121,615	222,821	Nil	Nil	Nil	Nil	166,239	248,107
Loan granted / (repayment)	(1,000,000)	Nil	Nil	Nil	Nil	(1,000,000)	Nil	Nil	Nil	Nil	(1,000,000)	(1,000,000)
Finance income												
(interest income)	348,500	348,500	294,000	294,000	Nil	10,203	Nil	Nil	Nil	Nil	642,500	652,703
Management fees paid	Nil	Nil	1,840,970	3,599,840	Nil	Nil	Nil	Nil	Nil	Nil	1,840,970	3,599,840
Accounting fees paid	Nil	Nil	240,000	240,000	Nil	Nil	Nil	Nil	Nil	Nil	240,000	240,000
Secretarial & professional fees paid	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	120,000	107,500	120,000	107,500
Expenses reimbursed	Nil	Nil	5,094,114	4,556,755	Nil	Nil	Nil	Nil	Nil	Nil	5,094,114	4,556,755
	(78,391)	1,704,035	7,634,803	9,195,881	1,060,077	(388,491)	10,480,759	13,610,216	120,000	107,500	19,217,247	24,229,142

Investor Information

General

Stated Capital

Rs. 97,650,000/- divided into 5,859,000 ordinary shares.

The Ordinary Shares of Hotel Sigiriya 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	398	116,049	1.98	372	116,095	1.98
1,001 - 5,000	77	188,642	3.22	77	195,592	3.34
5,001 - 10,000	28	207,091	3.53	26	196,595	3.33
10,001 - 50,000	19	364,857	6.23	17	321,557	5.49
50,001 - 100,000	5	346,600	5.91	7	449,100	7.67
100,001 - 500,000	1	201,350	3.44	1	145,650	2.48
500,001 - 1,000,000	0	0	0.00	0	0	0.00
Over 1,000,000	1	4,434,411	75.69	1	4,434,411	75.69
	529	5,859,000	100.00	501	5,859,000	100.00

Analysis of Shareholders

	31.03.2008			31.03.2007		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Institutions	44	5,124,741	87.47	48	5,133,241	87.61
Individuals	485	734,259	12.53	453	725,759	12.39
	529	5,859,000	100.00	501	5,859,000	100.00

Public Holding

22.54% of the Issued Shares are held by the Public. (2007 – 22.49%)

Share Trading

	2008	2007
Highest Market Price (Rs)	38.25 (04.10.07)	46.00 (07.04.06)
Lowest Market Price (Rs)	24.25 (09.08.07)	25.50 (15.03.07)
Last Traded Price (Rs)	32.00 (19.03.08)	33.00 (30.03.07)
No. of Shares Traded	303,300	344,000
No of Trades	135	376
Turnover (Rs)	10,121,550	14,145,875

Major Shareholding

The Twenty major shareholders

As at	31.03.2008		31.03.2007	
	No. of Shares	%	No. of Shares	%
Serendib Hotels PLC	4,434,411	75.69	4,434,411	75.69
J. B. Cocoshell (Pvt) Ltd.	201,350	3.44	-	-
Alliance Finance Co. Ltd	100,000	1.71	86,500	1.48
Mr. J. C. L. De Mel	72,000	1.23	72,000	1.23
Mr. E. J. De Soysa	70,000	1.19	70,000	1.19
Mr. H. L. De Silva	54,000	0.92	54,000	0.92
The Mahayaya Estates Company Ltd	50,600	0.86	50,600	0.86
Favourite Investments (Pvt) Ltd	42,000	0.72	65,000	1.11
Mercantile Investments Ltd.	38,900	0.66	38,900	0.66
WML/ Delmege Forsyth & Co. (Export) Ltd	31,400	0.54	31,400	0.54
Lewis Brown Air Services (Pvt) Ltd	22,800	0.39	22,800	0.39
Delmege Interior Décor (Pvt) Ltd	20,000	0.34	20,000	0.34
Delmege Forsyth & Co. (Shipping) Ltd	20,000	0.34	20,000	0.34
WML/ Ms. G. Soysa	20,000	0.34	20,000	0.34
Mr. B. S. M. De Silva	19,500	0.33	19,500	0.33
Mr. N. J. H. M. Cooray	18,100	0.31	18,100	0.31
Mr. M. M. A. Cassim	15,750	0.27	15,750	0.27
Mr. O. R. Kreltshheim	15,480	0.26	15,480	0.26
Mr. F. G. N. Mendis	15,000	0.26	15,000	0.26
C. W. Mackie PLC	14,000	0.24	14,000	0.24
	5,275,291	90.04		
Shares held by the balance shareholders	583,709	9.96		
Total	5,859,000	100.00		

Form of Proxy

I/We of

..... being a Member/s of **Hotel Sigiriya PLC** do hereby appoint one of the following Directors of the Company ,

Mr. E. J. De Soysa	or failing him
Mr. A. N. Esufally	or failing him
Mr. B. S. M. De Silva	or failing him
Mr. L. P. Fernando	or failing him
Ms. A. R. Gamage	or failing her
Mr. H N Esufally	or failing him
Mr. R H S De Silva	or failing him
Mr. W M De F Arsakularatne	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 Thirty Fourth Annual General Meeting of the Company to be held on Thursday, 24 July 2008 at 3.00 p.m. at Auditorium of the Ceylon Chamber of Commerce, No 50, Nawam Mawatha, Colombo 02 and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Agains
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="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. L P Fernando who retires by rotation in terms of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Messrs PricewaterhouseCoopers as Auditors and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorize Directors to determine and make contributions to Charity.	<input type="checkbox"/>	<input type="checkbox"/>

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

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

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

REGISTERED OFFICE : 2nd Floor, Automobile Association Building
40, Sir Mohamed Macan Marker Mawatha,
Colombo 03.
Tel: + 94 (1) 2332155
Fax: + 94 (1) 2438933
E-mail: inquiries@serendibleisure.lk
Website: www.serendibleisure.com

COMPANY REGISTRATION NO. : PQ 81

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 : PricewaterhouseCoopers
100, Braybrooke Place,
Colombo 02.

BANKERS : Commercial Bank of Ceylon

HOTEL : Hotel Sigiriya

Serendib Leisure Management Ltd.

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

