

Club Hotel  
*Dolphin*



**Stafford Hotels PLC**  
Annual Report 2009

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# Notice of Meeting

**NOTICE IS HEREBY GIVEN** that the **TWENTY EIGHTH (28<sup>TH</sup>) ANNUAL GENERAL MEETING** of **STAFFORD HOTELS PLC** will be held at the Auditorium of the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 2, on **Friday, 17 July 2009** at **3.20 p.m.** for the following purpose:

## AGENDA

1. To receive and consider the Statement of Accounts of the Company for the year ended 31 March 2009 together with the Report of the Directors and Auditors thereon.
2. To re-elect Mr. A N Esufally who retires by rotation in terms of the Articles of Association, as a Director of the Company.
3. To pass the ordinary resolution set out below to re-appoint as a Director Mr. E J De Soysa who has reached the age of 70 years on 15<sup>th</sup> March 2009 and vacates office as a Director of the Company in terms of Section 210 (2) (a) of the Companies Act No. 7 of 2007.  

“RESOLVED that Mr. E J De Soysa who has reached the age of 70 years on 15<sup>th</sup> March 2009 be and is hereby re-appointed a Director of the Company and it is hereby declared that as provided for in Section 211 (1) of the Companies Act No. 7 of 2007 that the age limit of 70 years referred to in Section 210 of the said Companies Act shall not apply to Mr. E J De Soysa.”
4. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.
5. To authorize Directors to determine and make contributions to charity.
6. To consider any other business of which due notice has been given.

By Order of the Board  
**STAFFORD HOTELS PLC**

**HEMAS CORPORATE SERVICES (PVT) LTD**

Secretaries

18 June 2009

Colombo

### Notes:

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

# Board of Directors



**1. A. N. ESUFALLY - Chairman**

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

**2. E. J. DE SOYSA**

Appointed to the Board in 1990. Other directorships include Serendib Hotels PLC, Hotel Sigiriya PLC, The Mahayaya Estate Co. Ltd. Kahatapitiya (Pvt) Ltd. and several other Companies. Over 40 years of association with the Tourism and Leisure industries.

**3. O. R. KRELTZSHEIM**

A Founder director of the Company. Counts more than 50 years experience in the Spice Industry.

**4. B. S. M. DE SILVA**

Appointed to the Board in 1990. Counts over 20 years experience in the Tourism and Leisure industries. Has extensive experience in the Spice industry and is the Founder Chairman of the Spice Council. He is the Chairman & Managing Director of Intercom Group of Companies and holds directorships in Serendib Hotels PLC, Hotel Sigiriya PLC and several other companies.

**5. A. R. GAMAGE (MS)**

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

**6. T. WIJEMANNA**

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

**7. H. N. ESUFALLY**

Appointed to the Board in 2003. Holds a Bachelor of Science (Honours) degree in Electronics from the University of Sussex, U.K. He is the CEO of Hemas Holdings PLC and has management experience of over 20 years. Other directorships include the Hemas Group, Serendib Hotels PLC, Hotel Sigiriya PLC and 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 over 9 years experience in the fund management industry. Other directorships include Serendib Hotels PLC and Hotel Sigiriya PLC.

# Chairman's Review

## Industry Overview

The year under review was a very difficult period for Sri Lanka Tourism, where the escalating war situation in the country slowed down arrivals to 438,475, a 11.2% drop over last year. This was further aggravated by the global financial crisis, which affected the performance of the Tourism Industry, further dampening demand to the destination.

However, at the time of writing this report, Terrorism has been defeated and our long war has finally come to an end. There is a very positive sentiment amongst tour operators, investors and tourism players that finally Sri Lanka Tourism can raise its head and regain its rightful place in tourism's world stage. Due to the prevailing global economic situation, we expect a summer of organic growth leading up to a higher demand for the winter 2009/10 season.

## Hotel Operations

In spite of all these external problems in the financial year under review, your company still continued to return a good performance, outperforming most of its competitors. The year ended with a good year-round occupancy of 87%, and revenue increased by 6.6% to Rs. 350.1M, up from Rs. 328.4M last year. However, rapidly escalating operational costs, the volatility of the exchange rates, particularly with the rate of the Sterling Pound, reduced the net profit before tax from Rs.62.4M last year to Rs.46.1M this year, a drop of 26%.

The hotel is predominantly popular in the British market and as such, the impact of the foreign exchange depreciation against the Sterling Pound was significant for the year - approx Rs. 16.0M. The hotel continues to maintain its competitive edge both locally and internationally. It has become a much sought after venue for corporate events such as conferences and business functions, whilst remaining extremely popular for weddings and banquets too.

The comparatively excellent performance of Club Hotel Dolphin, placed among the top 100 brands of Sri Lanka, as evaluated by Brand Finance Lanka (Pvt) Ltd for the year 2008, was successful in winning several local and international accolades and awards for its best practices, among which were

- The National Business Excellence Award - Runners-up, hospitality sector for 2008 from National Chamber of Commerce Sri Lanka.
- HACCP / ISO 22000:2005 certification on 'Food Safety Management System' for operations of kitchens, stewarding, banquets, restaurants and bars.
- 4th consecutive Gold Award for achieving consistently high customer service satisfaction from First Choice, UK

With the expected resurgence of Sri Lanka Tourism in the forthcoming years, the hotel is very strongly placed to reap excellent benefits and the future augurs very well for your company.

In the short term, however the hotel's largest tour operator partner First Choice decided to suspend its charter flight operations to Sri Lanka during the summer months of 2009, which will no doubt have an impact on the hotel's performance during the summer months of 2009. However, short term strategies have been implemented to attract other operators from the British market through other channels. Due to the change in the ground situation, we are hopeful that First Choice and other operators from Europe will now re-look at the prospects of recommencing operations for the forthcoming winter.

## Appreciation

I wish to place on record the excellent work done by the Serendib Leisure team led by Mr. Srilal Miththapala - CEO ensuring that the hotel retains its competitive edge and performed well, even during a period of tough trading times. The team at the hotel has functioned very well under the able leadership of Mr. Chamin Wickramasinghe - General Manager, and his highly motivated unit is prepared for bigger rewards in the future.



**A. N. Essufally**  
Chairman

18 June 2009

## Decade at a Glance (Group)

Year ended 31 March (Figures in Rs.'000 unless otherwise stated)	2009	2008	2007 Restated	2006 Restated	2005	2004	2003	2002	2001	2000
<b>Trading Results</b>										
Revenue	350,130	328,358	263,452	188,085	135,673	156,894	110,728	80,189	115,262	121,430
Profit/(Loss) Before Tax	46,119	62,422	40,126	9,168	(9,377)	34,025	9,293	257	15,930	28,005
Net Profit/(Loss) for the Year	38,101	55,706	36,060	10,476	(10,175)	29,293	6,924	(600)	11,470	27,805
Earnings / (loss) per share (Rs.)	1.20	1.76	1.14	0.33	(0.32)	1.16	0.27	(0.02)	0.45	1.10
Interest cover( Times)	5.81	5.72	3.71	1.55	(0.10)	15.87	8.34	1.17	6.80	9.98
Return on equity (%)	6.14	9.57	6.66	2.01	(1.89)	7.33	1.87	(0.16)	3.10	7.59
<b>Hotel Operations</b>										
Annual sales growth (%)	6.6	24.6	40.1	38.6	(13.5)	41.7	38.1	(30.4)	(5.1)	16.2
Room occupancy (%)	87	82	77	61	54	68	56	47	68	67
<b>Assets Employed</b>										
Total Assets	779,079	757,481	748,093	746,795	738,787	479,202	427,978	413,049	431,572	420,151
Total Liabilities	158,639	175,579	206,525	225,459	200,481	79,334	57,404	39,971	61,101	53,704
Total Equity	620,440	581,902	541,569	521,336	538,306	399,868	370,574	373,078	370,471	366,447
Current ratio (Times)	1.50	1.15	0.95	0.76	0.81	1.35	1.14	1.42	1.09	1.43
Net assets per share (Rs.)	19.62	18.40	17.13	16.49	17.02	15.81	14.65	14.75	14.64	14.49
Debt equity ratio (%)	6.76	10.27	16.38	25.23	22.85	9.12	3.04	4.93	5.79	8.78
<b>Market/ Shareholder Information</b>										
Dividend per share (Rs.)	-	0.50	-	-	-	0.50	0.40	-	0.50	0.50
Market value per share (Rs.)	11.50	11.00	9.25	11.00	12.50	13.00	6.00	6.50	4.00	6.00
Price earning ratio (Times)	9.54	6.24	8.11	33.20	N/A	11.23	21.92	N/A	8.82	5.46

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

## Operational Review

Calendar Year	2008	2007	2006	2005	2004
<b>Sri Lanka Tourist Arrivals (No. of Guest)</b>					
<b>Country of Residence</b>					
North America	24,311	28,355	35,323	46,457	29,759
Latin America & The Caribbean	3,739	3,962	775	705	741
<b>Western Europe</b>	<b>167,187</b>	<b>194,448</b>	<b>228,447</b>	<b>227,191</b>	<b>284,440</b>
Eastern Europe	29,440	25,573	14,221	9,290	14,336
Middle East	16,776	13,554	10,345	10,236	10,463
Africa	2,141	2,712	3,235	2,340	1,855
Asia	173,042	202,480	242,132	223,351	198,068
Australasia	21,839	22,924	25,127	29,738	26,540
<b>TOTAL</b>	<b>438,475</b>	<b>494,008</b>	<b>559,605</b>	<b>549,308</b>	<b>566,202</b>
<b>Accommodation Capacity (No. of Guest Rooms)</b>					
All Regions	14,793	14,604	14,218	13,162	13,468
<b>North of Colombo</b>	<b>2,114</b>	<b>2,050</b>	<b>2,014</b>	<b>1,967</b>	<b>1,784</b>
<b>Utilization (%)</b>					
All Regions	43.9	46.2	47.8	45.4	53.1
North of Colombo	51.2	50.1	48.3	43.3	47.6
<b>Club Hotel Dolphin</b>	<b>87.3</b>	<b>77.5</b>	<b>80.0</b>	<b>51.1</b>	<b>65.7</b>

# Annual Report of the Board of Directors

The Directors have pleasure in presenting the Annual Report of your Company together with the Consolidated audited Financial Statements for the year ended 31 March 2009.

## NATURE OF BUSINESS OF THE COMPANY

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

The Company had not been engaged in any activity which contravenes laws and regulations.

## REVIEW OF OPERATIONS & FUTURE DEVELOPMENTS

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

## DIVIDENDS

The Directors have not recommended the payment of a dividend for the year 2008/09. (2007/08 – Rs. 0.50 per share).

## ACCOUNTING POLICIES

The Accounting policies adopted by the Company in preparing the Financial Statements are given from pages 17 to 21. There were no changes to the accounting policies adopted by the Company during the accounting period.

## DONATIONS

Donations made by the Group and Company during the year under review amounted to Rs. 76,957/- (2008 – Rs. 46,130/-) and Rs. 51,561/- (2008 – Rs. 30,753/-) respectively

## PROPERTY PLANT & EQUIPMENT

The book value of property, plant and equipment as at the Balance Sheet date amounted to Rs. 455,469,668/- (2008 – Rs. 459,693,894/-) and Rs. 643,403,842/- (2008 – Rs. 653,952,557/-) respectively for the Company and Group.

The movement in Property, Plant & Equipment during the financial year is disclosed under Note 3 to the financial statements.

Land and buildings were revalued during the financial year by Mr. A R Ajith Fernando, an independent Incorporated Valuer. As the increase/decrease was immaterial, such revaluation was not incorporated in the Financial Statements.

## GOING CONCERN

The Directors are satisfied that the Company and its subsidiaries have adequate resources to continue its operations in the foreseeable future and accordingly, have adopted the "Going Concern Concept" in preparing the Financial Statements.

## STATED CAPITAL

The Stated Capital of the Company as at the balance sheet date was Rs. 316,214,770/- divided into 31,621,477 shares. (2008 – Rs. 316,214,770/- divided into 31,621,477 shares)

## DIRECTORS

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

Mr. A N Esufally - (Chairman)  
 Mr. E J De Soysa  
 Mr. O R Kreltshheim  
 Mr. B S M De Silva  
 Ms. A R Gamge  
 Mr. T Wijemanna  
 Mr. H N Esufally  
 Mr. W M De F Arsakularatne  
 Mr. V H A Perera - Alt. Director to Mr. A N Esufally  
 Prof. L D K B Gamage - Alt. to Ms. A R Gamge  
 Ms. K A Wilson - Alt. Director to Mr. H N Esufally

Mr. A N Esufally retires by rotation in terms of the Articles of Association of the Company and being eligible offers himself for re-election, with the unanimous support of the Board.

Mr. O R Kreltshheim who reached the age of 87 years on 9 August 2008, retires at the conclusion of the Annual General Meeting in terms of section 210 (2) (b) of the Companies Act no. 2007. The Board wish to place on record their appreciation for the services rendered by him during his tenure as a Director of the Company.

Mr. E J De Soysa, who reached the age of 70 years on 15 March 2009 vacates office in terms of section 210 (2) (a) of the Companies Act No. 7 of 2007. Special Notice has been received from Messrs Serendib Hotels PLC, a shareholder of the Company to re-appoint Mr. E J De Soysa in accordance with Section 211 (1) of the Statute. Mr. E J De Soysa is therefore eligible for re-appointment with the unanimous support of the Board.

## BOARD COMMITTEES

The Audit and Remuneration Committees of the parent company, Serendib Hotels PLC functions as the Committees of the Company. The members of the Committees are given below:

### AUDIT COMMITTEE

Prof. L D K B Gamage - Chairman  
 Deshamanya J C L De Mel  
 Mr. A N Esufally

### REMUNERATION COMMITTEE

Deshamanya J C L De Mel - Chairman  
 Prof. L D K B Gamage

### REMUNERATION & OTHER BENEFITS OF DIRECTORS

No remuneration was paid to the Board of Directors during the year under review (2008 – Nil)

### 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 2009. In terms of section 192 of the Companies Act, the Directors have declared their interests in contracts involving the Company and have refrained from voting on matters in which they were materially interested.

## Annual Report of the Board of Directors Contd...

The Company had carried out transactions in the ordinary course of business with entities where the Directors of the Company are Directors of such entities.

Company	Directors
<b>Serendib Hotels PLC</b>	Mr. A N Esufally Mr. E J De Soysa Mr. B S M De Silva Mr. H N Esufally Mr. W M De F Arsakularatne
<b>Hotel Sigiriya PLC</b>	Mr. A N Esufally Mr. E J De Soysa Mr. B S M De Silva Ms. A R Gamage Mr. H N Esufally Mr. W M De F Arsakularatne
<b>Serendib Leisure Management Ltd.</b>	Mr. A N Esufally Mr. E J De Soysa Mr. B S M De Silva Ms. A R Gamage Mr. H N Esufally Mr. W M De F Arsakularatne
<b>Miami Beach Hotels Ltd.</b>	Mr. A N Esufally Mr. E J De Soysa Mr. B S M De Silva
<b>Hemtours (Pvt) Ltd.</b>	Mr. A N Esufally Mr. H N Esufally Mr. W M De F Arsakularatne
<b>Diethelm Travel Lanka (Pvt) Ltd.</b>	Mr. A N Esufally Mr. W M De F Arsakularatne
<b>Hemas Corporate Services (Pvt) Ltd.</b>	Mr. H N Esufally Mr. W M De F Arsakularatne

The details of the transactions/ proposed transactions of the Company with the above entities appear on Note 28 to the Financial Statements.

**DIRECTORS' SHAREHOLDING**

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

	2009	2008
Mr. A N Esufally	450,007	450,007
Mr. E J De Soysa	50,000	50,000
Mr. O R Kreltszheim	7,625	7,625
Mr. B S M De Silva	204,700	204,700
Ms. A R Gamage	3,750	3,750
Mr. T Wijemanne*	-	-
Mr. H N Esufally	100	100
Mr. W M De F Arsakularatne	-	-

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

**COMPANY SECRETARIES**

Messrs Hemas Corporate Services (Pvt) Ltd. of No. 36, Bristol Street, Colombo 01 are the Secretaries of the Company

**REGISTRARS**

Messrs SSP Corporate Services (Pvt) Ltd., ceased to be the Registrars to the Company with effect from 15 June 2009. Hemas Corporate Services (Pvt) Ltd., were appointed Registrars to the Company from that date.

**HUMAN RESOURCES**

The number of employees of the Company at the end of the year was 236 (2008 – 306).

**EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

There have been no material event occurring after the Balance Sheet date which require adjustments or disclosure in the Financial Statements.

**STATUTORY PAYMENTS**

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries as at the Balance Sheet date have been paid or where relevant provided for in the Financial Statements.

**RISK MANAGEMENT & INTERNAL CONTROL**

A review of the internal controls, covering financial, operational and compliance controls and risk management have been conducted and the Directors have obtained reasonable assurance of their effectiveness and successful adherence therewith.

**AUDITORS**

Messrs Ernst & Young, 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. 246,000/-
Fees for non – audit services	-	Rs. 160,470/-

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

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

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

By Order of the Board



A. N. Esufally - Chairman



E. J. De Soysa - Director

18 June 2009  
Colombo

## Management Team



*From left: Thishani Dissanayake – Marketing Manager, Ronald Perera – Director Human Resource Management & Administration, Srilal Miththapala – Director / Chief Executive Officer, S Anandaraj – Chief Operating Officer, Thurairajah Thivakaran – Director Finance, Suranjith De Fonseka – Manager Int’l Sales & Marketing*

# Corporate Governance

The Company is committed to a responsible business strategy geared to create corporate value. It recognizes the role of good Corporate Governance and the importance of adopting the corporate governance practices recommended by various regulatory bodies such as the Colombo Stock Exchange, The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

## Board of Directors

The present Board comprises eight Directors, all of whom including the Chairman hold Office in a Non-Executive capacity. The 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 2.

The Directors are responsible for the formulation of the overall business policy and strategy, setting standards of conduct, management of the business and risk, compliance with relevant regulations and reviewing the effectiveness of the systems of internal controls and disclosure of financial and non- financial information.

The Chairman, while leading the Board in effectively discharging its duties towards the stakeholders, ensures with the assistance of the Company Secretary, that board procedures are followed and directors receive timely and accurate information before board meetings and updates on matters arising between meetings.

The Board collectively possesses strong financial acumen and is in a position to assess the integrity of the financial reporting systems and controls.

Messrs O R Kreltshheim, B S M De Silva and E J De Soysa meet the criteria of independence with the exception 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. These Directors have submitted written declarations of their independence as required by section 7.10.2(b) of the Listing Rules.

## Appointment & Re-election

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

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

## Management Team

The Company's business activities have been delegated to the Managing Agent through a Management Agreement. The management team, led

by the Chief Executive Officer, plays an important role in achieving the objectives set by the Board. Their authority is exercised within the policy framework established by the Board and the ethical and business practices inherent in the Company.

## Board Meetings

Board meetings are held once every two months and more frequently whenever necessary. It reviews exposure to key business risks, the strategic direction of the operational units, annual budgets and the progress towards achieving those budgets. The Directors are also provided with accurate and timely information enabling them to discharge their duties.

The members have dedicated adequate time and effort in discharging their duties and responsibilities and their attendance at board meetings are given below.

	No. of meetings	
	Held	Attended
Mr. A N Esufally	5	4
Mr. E J De Soysa	5	5
Mr. O R Kreltshheim	5	2
Mr. B S M De Silva	5	4
Ms. A R Gamage	5	3
Mr. T Wijemanna	5	3
Mr. H N Esufally	5	2
Mr. W M De F Arsakularatne	5	3

The Board has also delegated some of its functions to Board Committees, while retaining final decision rights pertaining to matters under the purview of the Committees. The composition and the function of these sub – committees are discussed in detail below.

## Audit Committee

The Audit Committee of the parent company, Serendib Hotels PLC functions as the Audit Committee of the Company. The committee comprises Prof. L D K B. Gamage (Chairman), Deshamanya J C L De Mel and Mr. A N Esufally.

The Committee is empowered to examine and report on the following:-

- The financial reporting system
- Internal control framework
- Process of identifying business risks
- The quality of external and internal audit performance
- Compliance with laws, regulations and professional standards
- Recommend appointment and fees of external auditors.

## Corporate Governance Contd...

The Committee met four times during the year. The Chief Executive officer and the Head of Finance of the Managing Agents attended the meetings by invitation. The external and internal auditors were provided with opportunities to discuss issues as and when required.

### **Remuneration Committee**

The Remuneration Committee of the parent company Serendib Hotels PLC, functions as the Remuneration Committee of the Company. The Committee consists Deshamanya J C L De Mel (Chairman) and Prof. L D K B Gamage. This committee reviews the salary programme of the executive employees.

### **Internal Control**

A sound system of internal control is maintained by the Board to safeguard shareholders investments and the Company's assets.

The overall internal control system is monitored by the internal audit function. It provides an objective view of the efficiency and effectiveness of internal controls and makes assessment of management action in dealing with issues on control. The external auditors carry out an annual key control review to assess the effectiveness of internal controls in all areas.

### **Relationship with Shareholders**

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

### **Compliance with the rules on ` Corporate Governance issued by the Colombo Stock Exchange**

Directors confirm that the Company has complied with the Rules on Corporate Governance issued by the Colombo Stock Exchange.

## Report of the Audit Committee

The Audit Committee appointed by the Board of the parent company Serendib Hotels PLC functions as the Audit Committee of the Company. The Members of the Audit Committee are Prof. L D K B Gamage (Chairman), Deshamanya J C L De Mel and Mr. A N Esufally.

Meetings of the Committee were held four times during the year. The Chief Executive Officer and the Director Finance of the Managing Agents participate at meetings on invitation, with the Company Secretaries in attendance. The Internal and External Auditors attend meetings when matters pertaining to their functions are taken up for consideration.

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

- Financial Reporting
- Business Risks
- Internal Controls
- Regulatory Compliance
- Internal & External Audit

### Financial Reporting

The business activities including financial operations of the Company have been delegated to the Managing Agent through a Management Agreement. The un-audited quarterly financial statements are reviewed and discussed with the representatives of the Managing Agent prior to recommending to the Board for approval and circulation to the shareholders.

### Business Risks

The Company's policies, procedures and internal controls are systematically assessed by the 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 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 Committee recommends to the Board that M/s Ernst & Young, Chartered Accountants be appointed external auditors of the Company for the year ending 31 March 2010, subject to approval by the shareholders at the forthcoming Annual General Meeting.



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

18 June 2009  
Colombo

## Report of the Remuneration Committee

In compliance with the Rules on Corporate Governance of the Colombo Stock Exchange, the Remuneration Committee appointed by the Board of the parent company Serendib Hotels PLC functions as the Remuneration Committee of the Company. The members of the committee are Deshamanya J C L De Mel (Chairman) and Prof. L D K B Gamage.

### Role of the Committee

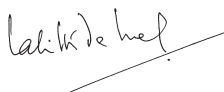
The Committee is responsible for laying down guidelines and parameters for compensation structures including performance management system and benefits for senior management of the group.

In addressing the task before them, the Committee's primary objective is to attract and retain highly qualified and experienced personnel at senior level. It is the view of the Committee that compensation packages should provide compensation appropriate for each business within the

group and commensurate with each employee's level of expertise and contribution bearing in mind the performance of the business and long term shareholder returns.

### Remuneration to Directors

Directors were not paid any remuneration during the year under review.



**Deshamanya J C L De Mel**  
Chairman – Remuneration Committee

18 June 2009  
Colombo

# Directors' Responsibilities for Financial Reporting

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

The accompanying 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.

These Statements have been prepared on a going concern basis. The Directors are satisfied that the Company has adequate resources to continue in operation in the foreseeable future.

The Directors have taken reasonable steps to safeguard the assets of the Company and of the Group and to establish proper systems of internal control with a view to detect and prevent any irregularities.

The Financial Statements have been audited by external auditors M/s Ernst & Young who have been given unrestricted access to all financial records and related data. Their report appears on page 12 of this report.

The Directors confirm that to the best of their knowledge all financial obligations of the group and all contributions, levies and taxes payable on behalf of the employees of the group as at the date of the Balance Sheet have been paid or where relevant provided for in the Financial Statements.

By order of the Board

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

Secretaries

18 June 2009

Colombo

# Independent Auditors' Report



## Chartered Accountants

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

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

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

### Report on the Financial Statements

We have audited the accompanying Financial Statements of Stafford Hotels PLC, the consolidated Financial Statements of the Company and its subsidiaries which comprise the balance sheets as at March 31, 2009, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

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

### Scope of Audit and Basis of Opinion

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

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

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2009 and the Financial Statements give a true and fair view of the Company's state of affairs as at March 31, 2009 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2009 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

### Report on Other Legal and Regulatory Requirements

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

30 April 2009  
Colombo

**Partners:** A D B Talwatte FCA FCMA M P D Cooray FCA FCMA Ms. Y A De Silva ACA W R H Fernando FCA FCMA W K B S P Fernando FCA ACMA  
A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) A S M Ismail FCA FCMA  
H M A Jayasinghe FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA B E Wijesuriya ACA ACMA

# Balance Sheet

As at 31 March 2009

	Note	Group		Company	
		2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	3	643,403,842	653,952,557	455,469,668	459,693,894
Investment in Subsidiary	4	-	-	135,921,800	135,921,800
Other Investments	5	3,333,330	3,090,135	3,333,330	3,090,135
		<b>646,737,172</b>	<b>657,042,692</b>	<b>594,724,798</b>	<b>598,705,829</b>
<b>Current Assets</b>					
Inventories	6	5,814,645	6,197,712	5,814,645	6,197,712
Taxation Recoverable		202,642	325,410	-	-
Trade and Other Receivables	7	47,909,522	78,633,859	33,201,748	45,196,618
Loan Due from Related Parties		2,099,644	2,099,644	2,099,644	2,099,644
Amounts Due from Related Parties	8	7,060,995	3,147,436	7,060,995	3,147,436
Cash and Bank Balances	9	69,254,696	10,034,083	69,177,539	9,797,323
		<b>132,342,144</b>	<b>100,438,144</b>	<b>117,354,571</b>	<b>66,438,733</b>
<b>Total Assets</b>		<b>779,079,316</b>	<b>757,480,836</b>	<b>712,079,369</b>	<b>665,144,562</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity Attributable to Equity holders of the parent</b>					
Stated Capital	10	316,214,770	316,214,770	316,214,770	316,214,770
Reserves	11	156,429,978	158,911,522	143,127,373	145,608,917
Accumulated Profits		147,795,581	106,775,340	94,954,182	66,986,196
		<b>620,440,329</b>	<b>581,901,632</b>	<b>554,296,325</b>	<b>528,809,883</b>
Minority Interests		-	-	-	-
<b>Total Equity</b>		<b>620,440,329</b>	<b>581,901,632</b>	<b>554,296,325</b>	<b>528,809,883</b>
<b>Non-Current Liabilities</b>					
Interest Bearing Loans and Borrowings	12	14,347,650	34,776,000	9,929,942	15,000,000
Deferred Income Tax	22	49,689,966	48,735,869	34,599,978	34,651,786
Other Deferred Liabilities	13	6,505,908	4,565,313	6,505,908	4,565,313
		<b>70,543,524</b>	<b>88,077,182</b>	<b>51,035,828</b>	<b>54,217,099</b>
<b>Current Liabilities</b>					
Trade and Other Payables	14	52,697,712	53,298,497	51,388,198	51,794,326
Income Tax Liability		1,515,522	453,325	1,515,521	453,325
Amounts Due to Related Parties	15	5,018,467	7,643,161	43,251,391	17,778,890
Non Interest Bearing Loans and Borrowings	16	550,000	550,000	550,000	550,000
Dividends Payable	17	716,780	548,293	716,752	548,293
Interest Bearing Loans and Borrowings	12	27,596,982	25,008,746	9,325,354	10,992,746
		<b>88,095,463</b>	<b>87,502,022</b>	<b>106,747,216</b>	<b>82,117,580</b>
<b>Total Equity and Liabilities</b>		<b>779,079,316</b>	<b>757,480,836</b>	<b>712,079,369</b>	<b>665,144,562</b>

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



Thurairajah Thivakaran - Director Finance

The board of directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the board by.



A. N. Esufally - Chairman



E. J. De Soysa - Director

The accounting policies and notes on pages 17 through 33 form an integral part of the Financial Statements.

30 April 2009  
Colombo

# Income Statement

Year ended 31 March 2009

	Note	Group		Company	
		2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
<b>Revenue</b>	18	<b>350,129,914</b>	328,357,771	<b>234,952,934</b>	217,613,002
Cost of Sales		<b>(94,515,352)</b>	(74,798,065)	<b>(62,772,913)</b>	(50,035,320)
<b>Gross Profit</b>		<b>255,614,562</b>	253,559,706	<b>172,180,021</b>	167,577,682
Other Income and Gains	19	<b>5,267,784</b>	1,740,674	<b>5,267,784</b>	5,672,656
Sales and Marketing Expenses		<b>(14,108,557)</b>	(15,718,823)	<b>(9,677,721)</b>	(10,391,595)
Administrative Expenses		<b>(191,065,431)</b>	(163,922,210)	<b>(133,413,251)</b>	(108,723,214)
Finance Cost	20	<b>(9,589,391)</b>	(13,237,364)	<b>(4,047,913)</b>	(5,416,684)
<b>Profit Before Tax</b>	21	<b>46,118,967</b>	62,421,983	<b>30,308,920</b>	48,718,845
Income Tax Expense	22	<b>(8,018,189)</b>	(6,716,275)	<b>(5,260,397)</b>	(4,901,273)
<b>Net Profit for the year</b>		<b>38,100,778</b>	55,705,708	<b>25,048,523</b>	43,817,572
<b>Attributable to:</b>					
Equity-holders of the Parent		<b>38,100,778</b>	55,705,708		
Minority Interest		-	-		
		<b>38,100,778</b>	55,705,708		
Earnings Per Share	23	<b>1.20</b>	1.76		
Dividends Per Share	24			-	0.50

The accounting policies and notes on pages 17 through 33 form an integral part of the Financial Statements.

30 April 2009  
Colombo

# Statement of Changes in Equity

Year Ended 31 March 2009

GROUP	Attributable to Equity Holders of the Parent				Total Rs.
	Stated Capital Rs.	Revaluation Reserve Rs.	Other Reserves Rs.	Accumulated Profits Rs.	
<b>Balance as at 31 March 2007</b>	316,214,770	158,552,675	2,840,391	63,960,907	541,568,743
Net profit for the year	-	-	-	55,705,708	55,705,708
Dividend Paid	-	-	-	(15,810,739)	(15,810,739)
Depreciation Transfer on Revaluation Surplus	-	(2,919,463)	-	2,919,463	-
Deferred Tax Effect of Items Taken Directly to or Transferred from Equity	-	437,919	-	-	437,919
<b>Balance as at 31 March 2008</b>	316,214,770	156,071,131	2,840,391	106,775,340	581,901,632
Net Profit for the year	-	-	-	38,100,778	38,100,778
Excess Depreciation on Revaluation Reserve	-	(2,919,463)	-	2,919,463	-
Deferred Tax Effect of Items Taken Directly to or Transferred from Equity	-	437,919	-	-	437,919
<b>Balance as at 31 March 2009</b>	<b>316,214,770</b>	<b>153,589,587</b>	<b>2,840,391</b>	<b>147,795,581</b>	<b>620,440,329</b>

COMPANY	Stated	Revaluation	Accumulated	Total Rs.
	Capital Rs.	Reserve Rs.	Profits Rs.	
<b>Balance as at 31 March 2007</b>	316,214,770	148,090,461	36,059,899	500,365,130
Net profit for the year	-	-	43,817,572	43,817,572
Dividend Paid	-	-	(15,810,739)	(15,810,739)
Depreciation Transfer on Revaluation Surplus	-	(2,919,463)	2,919,463	-
Deferred Tax effect of Items Taken Directly to or Transferred from Equity	-	437,919	-	437,919
<b>Balance as at 31 March 2008</b>	316,214,770	145,608,917	66,986,196	528,809,883
Net Profit for the year	-	-	25,048,523	25,048,523
Excess Depreciation on Revaluation Reserve	-	(2,919,463)	2,919,463	-
Deferred Tax Effect of Items Taken Directly to or Transferred from Equity	-	437,919	-	437,919
<b>Balance as at 31 March 2009</b>	<b>316,214,770</b>	<b>143,127,373</b>	<b>94,954,182</b>	<b>554,296,325</b>

The accounting policies and notes on pages 17 through 33 form an integral part of the Financial Statements.

30 April 2009  
Colombo

# Cash Flow Statements

Year Ended 31 March 2009

	Note	Group		Company	
		2009 Rs	2008 Rs.	2009 Rs.	2008 Rs.
<b>Cash Flows From / (Used in) Operating Activities</b>					
Net Profit before Income Tax Expense		46,118,967	62,421,983	30,308,920	48,718,845
Adjustments for					
Depreciation		23,646,958	22,029,433	15,623,907	14,762,890
Income from Investments		(2,389,434)	(1,283,093)	(2,389,434)	(1,283,093)
Foreign Currency (Gain)/ Losses		15,994,937	(362,010)	15,994,937	(362,010)
Finance Costs		9,589,391	13,237,364	4,047,913	5,416,684
Provision for Defined Benefit Plan		2,416,248	1,010,495	2,416,248	1,010,495
Provision for Fall in Value of Investments		(243,195)	243,195	(243,195)	243,195
Loss on Disposal of Fixed Assets		554,569	1,821,690	554,569	583,082
Operating Profit before Working Capital Changes		95,688,441	99,119,057	66,313,865	69,090,088
(Increase)/ Decrease in Inventories		383,067	(1,294,478)	383,067	(1,294,478)
(Increase)/ Decrease in Trade and Other Receivables		31,161,776	(4,507,277)	11,994,870	3,390,516
(Increase) /Decrease in Amounts Due from Related Parties		(3,913,560)	(3,064,982)	(3,913,559)	(3,064,982)
Increase/(Decrease) in Amounts Due to Related Parties		(2,614,294)	2,219,812	25,482,901	(13,852,428)
Increase /(Decrease) in Trade and Other Payables		(442,698)	(4,977,729)	(248,065)	(4,425,698)
Cash Generated from Operations		120,262,732	87,494,403	100,013,079	49,843,018
Finance Costs Paid		(9,589,391)	(13,237,364)	(4,047,913)	(5,416,684)
Defined Benefit Plan Costs Paid		(475,653)	(140,350)	(475,653)	(140,350)
Income Tax Paid		(5,878,646)	(5,438,276)	(3,812,093)	(4,143,868)
Net Cash from / (Used in) Operating Activities		104,319,042	68,678,413	91,677,420	40,142,116
<b>Cash Flows from / (Used in) Investing Activities</b>					
Acquisition of Property, Plant and Equipment		(13,765,004)	(25,181,317)	(12,066,443)	(12,152,279)
Proceeds from Sale of Property, Plant and Equipment		112,192	1,591,368	112,192	1,576,368
Interest Received		2,389,434	1,283,093	2,389,434	1,283,093
Net Cash Flows from/ (Used in) Investing Activities		(11,263,378)	(22,306,856)	(9,564,817)	(9,292,818)
<b>Cash Flows from/(Used in) Financing Activities</b>					
Dividends Paid		-	(15,810,739)	-	(15,810,739)
Loans Obtained/ Interest Capitalised during the Year		2,822,891	9,000,000	2,122,028	9,000,000
Repayment of Interest Bearing Loans and Borrowings		(23,016,000)	(33,388,315)	(9,000,000)	(19,027,593)
Net Cash Flows from/ (Used in) Financing Activities		(20,193,109)	(40,199,054)	(6,877,972)	(25,838,332)
Net Increase/(Decrease) in Cash and Cash Equivalents		72,862,555	6,172,503	75,234,631	5,010,966
Effect of Exchange Rate Change on Cash and Cash Equivalents		(15,994,937)	362,010	(15,994,937)	362,010
Cash and Cash Equivalents at the beginning of the Year	9	8,041,337	1,506,824	7,804,577	2,431,601
Cash and Cash Equivalents at the end of the Year	9	64,908,955	8,041,337	67,044,271	7,804,577

The accounting policies and notes on pages 17 through 33 form an integral part of the Financial Statements.

30 April 2009

Colombo

# Notes to the Financial Statements

Year Ended 31 March 2009

## 1. CORPORATE INFORMATION

### 1.1 General

Stafford Hotels PLC ("Company") is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at 2<sup>nd</sup> Floor, Automobile Association Building, No. 40, Sir Mohamed Macan Markar Mawatha, Colombo 03, and the principal place of business is situated at Waikkal.

### 1.2 Principal Activities and Nature of Operations

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

### 1.3 Parent Enterprise and Ultimate Parent Enterprise

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

### 1.4 Date of Authorisation for Issue

The financial statements of Stafford Hotels PLC, for the year ended 31 March 2009 were authorized for issue in accordance with a resolution of the Board of Directors on 30 April 2009.

## 2.1 BASIS OF PREPARATION

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

### 2.1.1 Statement of Compliance

The Financial Statements of Stafford Hotels PLC and its Subsidiary have been prepared in accordance with Sri Lanka Accounting Standards (SLAS).

### 2.1.2 Going Concern

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

### 2.1.3 Comparative Information

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

### 2.1.4 Consolidation Policy

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

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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES

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

## 2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

### Judgments

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

# Notes to the Financial Statements Contd...

Year Ended 31 March 2009

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

## 2.4.2 Taxation

### a) Income Taxes

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

The provision for income tax is based on the elements of income and expenditure as reported in Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006.

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

### b) Deferred Taxation

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

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary

differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and the carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

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

### c) Sales Tax

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

## 2.4.3 Borrowing Costs

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

## 2.4.4 Inventories

Inventories are valued at the lower of cost and/or net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value

# Notes to the Financial Statements Contd...

Year Ended 31 March 2009

is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae:-

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

#### 2.4.5 Trade and Other Receivables

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

Other receivables and dues from Related Parties are recognised at cost less provision for bad and doubtful receivables.

#### 2.4.6 Cash and Cash Equivalents

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

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

#### 2.4.7 Property, Plant and Equipment

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

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

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

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

Any revaluation surplus is credited to the revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

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

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

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

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

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

#### 2.4.8 Investments

##### a) Initial Recognition:

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

# Notes to the Financial Statements Contd...

Year Ended 31 March 2009

## b) Measurement

### Current Investment:

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

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

### Long Term Investments

Long term investments are stated at cost. Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to income statement.

### Disposal of Investment

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

## 2.4.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

## 2.4.10 Retirement Benefit Obligations

### a) Defined Benefit Plan – Gratuity

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary

every year using "Project Unit Credit Method". An actuarial valuation of the gratuity liability of the Company as at 31 March 2009 was undertaken by Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries. The result of such valuation was incorporated in these Financial Statements.

Further, this liability is not externally funded but is included under other deferred liabilities.

### b) Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund

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

## 2.4.11 Impairment of Assets

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

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

# Notes to the Financial Statements Contd...

Year Ended 31 March 2009

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

#### 2.4.12 Revenue Recognition

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

#### a) Rendering of Services

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

#### b) Interest

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

#### c) Dividends

Dividend Income is recognised when the shareholders' right to receive the payment is established.

#### d) Rental Income

Rental income is recognised on an accrual basis.

#### e) Others

Other income is recognised on an accrual basis

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

## Notes to the Financial Statements Contd...

Year Ended 31 March 2009

## 3. PROPERTY, PLANT &amp; EQUIPMENT

3.1 Group	Balance As at 01.04.2008 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2009 Rs.
<b>3.1.1 Gross Carrying Amounts</b>				
<b>At Cost/ Cost Incurred since Last Revaluation</b>				
Improvements to Land	358,900	-	-	358,900
Buildings on Freehold Land	26,283,181	1,000,692	-	27,283,873
Swimming Pool	507,557	-	-	507,557
Furniture and Fittings	42,835,000	1,525,943	-	44,360,943
Motor Vehicles	5,613,393	-	(25,000)	5,588,393
Plant, Machinery and Equipment	92,916,468	2,216,327	(1,962,902)	93,169,893
Soil Erosion Prevention	18,965,972	-	-	18,965,972
	<u>187,480,471</u>	<u>4,742,962</u>	<u>(1,987,902)</u>	<u>190,235,531</u>
<b>At Valuation</b>				
Land and Improvements to Land	91,020,000	-	-	91,020,000
Buildings on Freehold Land	414,605,500	-	-	414,605,500
Swimming Pool	67,605,000	-	-	67,605,000
	<u>573,230,500</u>	<u>-</u>	<u>-</u>	<u>573,230,500</u>
<b>Total Value of Depreciable Assets</b>	<u>760,710,971</u>	<u>4,742,962</u>	<u>(1,987,902)</u>	<u>763,466,031</u>
	<b>Balance As at 01.04.2008 Rs.</b>	<b>Incurred During the Year Rs.</b>	<b>Disposals/ Transfers Rs.</b>	<b>Balance As at 31.03.2009 Rs.</b>
<b>3.1.2 In the Course of Construction</b>				
Capital Work in Progress	114,253	9,022,042	-	9,136,295
<b>Total Gross Carrying Amount</b>	<u>760,825,224</u>	<u>13,765,004</u>	<u>(1,987,902)</u>	<u>772,602,326</u>
	<b>Balance As at 01.04.2008 Rs.</b>	<b>Charge for the year Rs.</b>	<b>Disposals/ Transfers Rs.</b>	<b>Balance As at 31.03.2009 Rs.</b>
<b>3.1.3 Depreciation</b>				
<b>At Cost/ Cost incurred since Last Revaluation</b>				
Buildings on Freehold Land	363,500	402,828	-	766,328
Swimming Pool	11,072	7,690	-	18,762
Furniture and Fittings	23,018,566	4,728,776	-	27,747,342
Motor Vehicles	3,704,583	224,204	(15,667)	3,913,120
Plant, Machinery and Equipment	48,220,350	10,130,131	(1,305,474)	57,045,007
Soil Erosion Prevention	9,635,887	847,110	-	10,482,997
	<u>84,953,958</u>	<u>16,340,739</u>	<u>(1,321,141)</u>	<u>99,973,556</u>
<b>At Valuation</b>				
Buildings on Freehold Land	18,845,706	6,281,902	-	25,127,608
Swimming Pool	3,073,003	1,024,317	-	4,097,320
	<u>21,918,709</u>	<u>7,306,219</u>	<u>-</u>	<u>29,224,928</u>
<b>Total Depreciation</b>	<u>106,872,667</u>	<u>23,646,958</u>	<u>(1,321,141)</u>	<u>129,198,484</u>
<b>3.1.4 Net Book Values</b>			<b>2009 Rs.</b>	<b>2008 Rs.</b>
At Cost/Cost incurred since Last Revaluation			<b>99,398,270</b>	102,640,766
At Valuation			<b>544,005,572</b>	551,311,791
<b>Total Carrying Amount of Property ,Plant and Equipment</b>			<b>643,403,842</b>	653,952,557

# Notes to the Financial Statements Contd...

Year Ended 31 March 2009

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

3.2 Company	Balance As at 01.04.2008 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2009 Rs.
<b>3.2.1 Gross Carrying Amounts</b>				
<b>At Cost/ Cost Incurred since Last Revaluation</b>				
Improvements to Land	254,600	-	-	254,600
Buildings on Freehold Land	14,105,697	468,304	-	14,574,001
Swimming Pool	93,000	-	-	93,000
Furniture and Fittings	24,145,267	329,770	-	24,475,037
Motor Vehicles	5,613,393	-	(25,000)	5,588,393
Plant, Machinery and Equipment	53,806,926	2,216,327	(1,962,902)	54,060,351
Soil Erosion Prevention	5,795,520	-	-	5,795,520
	<u>103,814,403</u>	<u>3,014,401</u>	<u>(1,987,902)</u>	<u>104,840,902</u>
<b>At Valuation</b>				
Land and Improvements to Land	40,180,000	-	-	40,180,000
Buildings on Freehold Land	328,620,000	-	-	328,620,000
Swimming Pool	50,000,000	-	-	50,000,000
	<u>418,800,000</u>	<u>-</u>	<u>-</u>	<u>418,800,000</u>
<b>Total Value of Depreciable Assets</b>	<u>522,614,403</u>	<u>3,014,401</u>	<u>(1,987,902)</u>	<u>523,640,902</u>
	<b>Balance As at 01.04.2008 Rs.</b>	<b>Incurred During the Year Rs.</b>	<b>Disposals/ Transfers Rs.</b>	<b>Balance As at 31.03.2009 Rs.</b>
<b>3.2.2 In the Course of Construction</b>				
Capital Work in Progress	52,115	9,052,042	-	9,104,157
<b>Total Gross Carrying Amount</b>	<u>522,666,518</u>	<u>12,066,443</u>	<u>(1,987,902)</u>	<u>532,745,059</u>
	<b>Balance As at 01.04.2008 Rs.</b>	<b>Charge for the year Rs.</b>	<b>Disposals/ Transfers Rs.</b>	<b>Balance As at 31.03.2009 Rs.</b>
<b>3.2.3 Depreciation</b>				
<b>At Cost/ Cost incurred since Last Revaluation</b>				
Buildings on Freehold Land	204,543	217,408	-	421,951
Swimming Pool	2,250	1,409	-	3,659
Furniture and Fittings	12,769,889	2,772,078	-	15,541,967
Motor Vehicles	3,704,583	224,204	(15,667)	3,913,120
Plant, Machinery and Equipment	25,977,584	6,335,673	(1,305,474)	31,007,783
Soil Erosion Prevention	3,103,775	336,468	-	3,440,243
	<u>45,762,624</u>	<u>9,887,240</u>	<u>(1,321,141)</u>	<u>54,328,723</u>
<b>At Valuation</b>				
Buildings on Freehold Land	14,937,273	4,979,091	-	19,916,364
Swimming Pool	2,272,727	757,576	-	3,030,303
	<u>17,210,000</u>	<u>5,736,667</u>	<u>-</u>	<u>22,946,667</u>
<b>Total Depreciation</b>	<u>62,972,624</u>	<u>15,623,907</u>	<u>(1,321,141)</u>	<u>77,275,390</u>
<b>3.2.4 Net Book Values</b>			<b>2009 Rs.</b>	<b>2008 Rs.</b>
At Cost/Cost Incurred since Last Revaluation			59,616,335	58,103,894
At Valuation			395,853,333	401,590,000
<b>Total Carrying Amount of Property, Plant and Equipment</b>			<u>455,469,668</u>	<u>459,693,894</u>

# Notes to the Financial Statements Contd...

Year Ended 31 March 2009

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

3.2.5 The land and buildings was revalued during the financial year 2004/05 by Mr. D.S.A. Senaratne an independent Valuer. The results of such revaluation was incorporated in these Financial Statements from its effective date which is 31.03.2005. 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.

During the year a revaluation is carried out on value in use basis, by an independent Incorporated Valuer Mr. A.R. Ajith Fernando for the purpose of ascertaining the fair value of Freehold Land and Building with its Fixtures and Fittings. Since the difference between the carrying value and the revalued amount of the assets are not material to the Financial Statements, it was concluded to carry forward the same balance indicated in the Financial Statements as Net Book value.

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

Class of Asset	Cost Rs.	Cumulative Depreciation If assets were carried at cost Rs.	Net Carrying	Net Carrying
			Amount 2009 Rs.	Amount 2008 Rs.
<b>Group</b>				
Buildings	243,117,874	30,566,340	212,551,534	216,275,861
Swimming Pool	50,100,955	3,550,498	46,550,457	47,272,358
<b>Company</b>				
Buildings	153,530,600	15,260,247	138,270,353	140,596,575
Swimming Pool	32,404,831	2,233,817	30,171,014	30,624,791

3.2.6 During the financial year, the Group and Company acquired Property, Plant & Equipment to the aggregate value of Rs.13,765,004/- and Rs. 12,066,443/- (2008 - Rs. 25,181,317/- and Rs.12,152,279/-) respectively, the consideration for which was settled by cash.

3.2.7 The useful lives of the assets is estimated as follows

	2009	2008
Buildings on Freehold Land	66 Years	66 Years
Furniture & Fittings	5 – 10 Years	5 – 10 Years
Motor Vehicles	5 – 10 Years	5 – 10 Years
Plant, Machinery & Equipment	5 – 15 Years	5 – 15 Years
Swimming Pool	66 Years	66 Years
Soil Erosion Prevention	10 – 15 Years	10 – 15 Years

3.2.8 Property, Plant and Equipment of the Group and Company includes fully depreciated assets having a gross carrying amounts of Rs.15,496,013/- and Rs. 769,120/- (2008 - Rs. 791,491/- and Rs. 758,091/-)

## 4. INVESTMENT IN SUBSIDIARY

	Country of Incorporation	Holding %	Group		Company	
			2009 Rs.	2008 Rs.	2009 Rs	2008 Rs.
<b>Non-Quoted</b>						
Miami Beach Hotels Ltd.	Sri Lanka	100	-	-	135,921,800	135,921,800

# Notes to the Financial Statements Contd...

Year Ended 31 March 2009

5.	OTHER INVESTMENTS		Group		Company	
			2009	2008	2009	2008
			Rs.	Rs.	Rs.	Rs.
	<b>Non Current</b>					
	Investments in Equity Securities (5.1)		3,333,330	3,090,135	3,333,330	3,090,135
	<b>Total carrying value of Other Investments</b>		<b>3,333,330</b>	<b>3,090,135</b>	<b>3,333,330</b>	<b>3,090,135</b>
5.1	<b>Investments in Equity Securities - Non Current</b>		<b>Carrying</b>	<b>Directors'</b>	<b>Carrying</b>	<b>Directors'</b>
	<b>No. of Shares</b>		<b>Value</b>	<b>Valuation</b>	<b>Value</b>	<b>Valuation</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
			Rs.	Rs.	Rs.	Rs.
	<b>Non Quoted</b>					
	Rainforest Ecolodge (Pvt) Ltd	333,333	333,333	3,333,330	3,333,330	3,090,135
	Less : Allowance for Decline in Value of Investments		-	-	(243,195)	-
	<b>Total carrying value of Other Investments</b>		<b>3,333,330</b>	<b>3,333,330</b>	<b>3,090,135</b>	<b>3,090,135</b>
6.	<b>INVENTORIES</b>		<b>Group</b>		<b>Company</b>	
			2009	2008	2009	2008
			Rs.	Rs.	Rs.	Rs.
	Food		1,453,977	1,732,040	1,453,977	1,732,040
	Beverage		1,603,074	2,114,438	1,603,074	2,114,438
	House-keeping and Maintenance		2,047,214	1,704,044	2,047,214	1,704,044
	Printing and Stationery		290,934	380,753	290,934	380,753
	Linen and Cutlery		419,446	266,437	419,446	266,437
			<b>5,814,645</b>	<b>6,197,712</b>	<b>5,814,645</b>	<b>6,197,712</b>
7.	<b>TRADE AND OTHER RECEIVABLES</b>		<b>Group</b>		<b>Company</b>	
			2009	2008	2009	2008
			Rs.	Rs.	Rs.	Rs.
7.1.	<b>Current</b>					
	Trade Debtors - Others		44,987,913	75,952,179	31,054,728	43,070,911
	- Related Parties (7.2)		622,061	2,576,878	480,129	2,236,204
			<b>45,609,974</b>	<b>78,529,057</b>	<b>31,534,857</b>	<b>45,307,115</b>
	Provision for Doubtful Debts		(1,694,734)	(3,298,439)	(1,694,734)	(3,298,439)
			<b>43,915,240</b>	<b>75,230,618</b>	<b>29,840,123</b>	<b>42,008,676</b>
	Staff Loans and Advances (7.3)		384,496	269,056	384,496	269,056
	Other Debtors		437,440	-	-	-
	Deposits and Prepayments		3,172,346	3,134,185	2,977,129	2,918,886
			<b>47,909,522</b>	<b>78,633,859</b>	<b>33,201,748</b>	<b>45,196,618</b>
7.2	<b>Trade Dues Receivables from Related Parties</b>					
		<b>Relationship</b>				
	Serendib Hotels PLC	Parent Company	-	657,946	-	657,946
	Hemtours (Pvt) Ltd.	Affiliate Company	149,230	1,918,932	69,057	1,578,258
	Diethelm Travels Lanka (Pvt) Ltd	Affiliate Company	467,831	-	406,072	-
	Serendib Leisure Management Ltd	Affiliate Company	5,000	-	5,000	-
			<b>622,061</b>	<b>2,576,878</b>	<b>480,129</b>	<b>2,236,204</b>
7.3	<b>Staff Loans and Advances</b>					
	Balance as at the Beginning of the Year		269,056	555,861	269,056	555,861
	Granted During The Year		1,024,633	496,865	1,024,633	496,865
	Less: Repayments During the Year		(909,193)	(783,670)	(909,193)	(783,670)
	Balance as at the End of the Year		<b>384,496</b>	<b>269,056</b>	<b>384,496</b>	<b>269,056</b>

# Notes to the Financial Statements Contd...

Year Ended 31 March 2009

8. AMOUNTS DUE FROM RELATED PARTIES	Relationship	Group		Company		
		2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.	
	Serendib Hotels PLC	Parent Company	5,120,220	2,644,277	5,120,220	2,644,277
	Hotel Sigiriya PLC	Affiliate Company	1,665,154	503,159	1,665,154	503,159
	Serendib Leisure Management Ltd	Affiliate Company	275,621	-	275,621	-
			<b>7,060,995</b>	<b>3,147,436</b>	<b>7,060,995</b>	<b>3,147,436</b>

9. CASH AND CASH EQUIVALENTS	Components of Cash and Cash equivalents	Group		Company	
		2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
9.1	<b>Cash and Cash Equivalents Balance</b>				
	Cash and Bank Balances	53,507,892	10,034,083	53,430,735	9,797,323
	Time Deposits	15,746,804	-	15,746,804	-
		<b>69,254,696</b>	<b>10,034,083</b>	<b>69,177,539</b>	<b>9,797,323</b>
9.2	<b>Unfavourable Cash and Cash Equivalent Balances</b>				
	Bank overdraft	(4,345,741)	(1,992,746)	(2,133,268)	(1,992,746)
	<b>Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement</b>	<b>64,908,955</b>	<b>8,041,337</b>	<b>67,044,271</b>	<b>7,804,577</b>

10. STATED CAPITAL - Group & Company	2009		2008		
	Number	Rs.	Number	Rs.	
10.1	Fully Paid Ordinary Shares (10.1.1)	31,621,477	316,214,770	31,621,477	316,214,770

With the enactment of the Companies Act No. 07 of 2007 applicable with effect from 03 May 2007 the concept of authorised capital and par value is no longer applicable. 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.

### 10.1.1 Fully Paid Ordinary Shares

Balance at beginning of the year	31,621,477	316,214,770	31,621,477	316,214,770
Issue of shares for Cash Consideration	-	-	-	-
Issue of shares for Non Cash Consideration	-	-	-	-
Balance at end of the year	<b>31,621,477</b>	<b>316,214,770</b>	<b>31,621,477</b>	<b>316,214,770</b>

### 10.2 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.

11. RESERVES	Group		Company		
	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.	
11.1	<b>Revaluation Reserve</b>				
	Balance as at the Beginning of the Year	156,071,131	158,552,675	145,608,917	148,090,461
	Depreciation Transfer on Revaluation Surplus	(2,919,463)	(2,919,463)	(2,919,463)	(2,919,463)
	Deferred Tax Attributable to Revaluation Surplus	437,919	437,919	437,919	437,919
	Balance as at the End of the Year	<b>153,589,587</b>	<b>156,071,131</b>	<b>143,127,373</b>	<b>145,608,917</b>
11.2	<b>Other Reserves</b>	<b>2,840,391</b>	<b>2,840,391</b>	<b>-</b>	<b>-</b>
		<b>156,429,978</b>	<b>158,911,522</b>	<b>143,127,373</b>	<b>145,608,917</b>

The above revaluation surplus consists of net surplus resulting from the revaluation of Property Plant and Equipment as described in Note 3.2.5. The unrealised amount cannot be distributed to shareholders.

# Notes to the Financial Statements Contd...

Year Ended 31 March 2009

## 12. INTEREST BEARING LOANS & BORROWINGS

12.1 Group	2009 Amount Repayable Within 1 Year Rs.	2009 Amount Repayable After 1 Year Rs.	2009 Total Rs.	2008 Amount Repayable Within 1 Year Rs.	2008 Amount Repayable After 1 Year Rs.	2008 Total Rs.
Bank Loans (12.1.1)	23,251,241	14,347,650	37,598,891	23,016,000	34,776,000	57,792,000
Bank Overdrafts (9.2)	4,345,741	-	4,345,741	1,992,746	-	1,992,746
	<b>27,596,982</b>	<b>14,347,650</b>	<b>41,944,632</b>	<b>25,008,746</b>	<b>34,776,000</b>	<b>59,784,746</b>

### 12.1.1 Bank Loans

	As at 01.04.2008 Rs.	Obtained/Int. Capitalised Rs.	Repayment Rs.	As at 31.03.2009 Rs.	Terms of Repayment	Rate of Interest
DFCC Bank	32,000,000	-	12,000,000	20,000,000	60 Installments from Dec '05	AWPR + 1% revised quarterly
DFCC Bank Capitalised Rescheduled Loan	-	2,000,000	-	2,000,000	36 Installments from Jan '10	-
DFCC Bank Capitalised Interest Rescheduled Loan	-	822,891	-	822,891	36 Installments from Jan '10	18% per annum
Seylan Bank (35Mn)	15,144,000	-	7,008,000	8,136,000	60 Installments from Dec '05	23.5% per annum
Seylan Bank (20Mn)	10,648,000	-	4,008,000	6,640,000	60 Installments from Dec '05	1 Year SLIBOR + 1.5%
	<b>57,792,000</b>	<b>2,822,891</b>	<b>23,016,000</b>	<b>37,598,891</b>		

12.2 Company	2009 Amount Repayable Within 1 Year Rs.	2009 Amount Repayable After 1 Year Rs.	2009 Total Rs.	2008 Amount Repayable Within 1 Year Rs.	2008 Amount Repayable After 1 Year Rs.	2008 Total Rs.
Bank Loans (12.2.1)	7,192,086	9,929,942	17,122,028	9,000,000	15,000,000	24,000,000
Bank Overdraft (9.2)	2,133,268	-	2,133,268	1,992,746	-	1,992,746
	<b>9,325,354</b>	<b>9,929,942</b>	<b>19,255,296</b>	<b>10,992,746</b>	<b>15,000,000</b>	<b>25,992,746</b>

### 12.2.1 Bank Loans

	As at 01.04.2008 Rs.	Obtained/ Int Capitalised Rs.	Repayment Rs.	As at 31.03.2009 Rs.	Terms of Repayment	Rate of Interest
DFCC Bank (45 Mn)	24,000,000	-	9,000,000	15,000,000	60 Installments from Dec '05	AWPR + 1% revised quarterly
DFCC Bank Capitalised Rescheduled Loan	-	1,500,000	-	1,500,000	36 Installments from Jan '10	-
DFCC Bank Interest Capitalised Rescheduled Loan	-	622,028	-	622,028	36 Installments from Jan '10	18% per annum
	<b>24,000,000</b>	<b>2,122,028</b>	<b>9,000,000</b>	<b>17,122,028</b>		

## Notes to the Financial Statements Contd...

Year Ended 31 March 2009

13.	<b>OTHER DEFERRED LIABILITIES - ( Group &amp; Company)</b>	<b>Balance as at</b>	<b>Charge</b>	<b>Payments</b>	<b>Balance as at</b>
		<b>01.04.2008</b>	<b>for the year</b>	<b>during the year</b>	<b>31.03.2009</b>
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
	Retirement Benefit Obligation - Gratuity	4,565,313	2,416,248	(475,653)	6,505,908
14.	<b>TRADE AND OTHER PAYABLES</b>	<b>Group</b>		<b>Company</b>	
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
	Trade Payables	12,133,257	13,886,149	12,133,257	13,886,149
	Sundry Creditors Including Accrued Expenses	40,564,455	39,412,348	39,254,941	37,908,177
		52,697,712	53,298,497	51,388,198	51,794,326
15.	<b>AMOUNTS DUE TO RELATED PARTIES</b>	<b>Group</b>		<b>Company</b>	
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Relationship</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
	Serendib Hotels PLC Parent Company	2,487,336	2,764,327	2,487,336	2,764,327
	Miami Beach Hotels Ltd. Subsidiary	-	-	38,239,924	10,142,729
	Hotel Sigiriya PLC Affiliate Company	-	12,998	-	12,998
	Serendib Leisure Management Ltd. Affiliate Company	2,482,060	4,700,202	2,482,060	4,700,202
	Hemas Corporate Services (Pvt) Ltd. Affiliate Company	49,071	165,634	42,071	158,634
		5,018,467	7,643,161	43,251,391	17,778,890
16.	<b>NON INTEREST BEARING LOANS AND BORROWINGS</b>	<b>Group</b>		<b>Company</b>	
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
	Ministry of Tourism	550,000	550,000	550,000	550,000
17.	<b>DIVIDENDS PAYABLE</b>	<b>Group</b>		<b>Company</b>	
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
	Unclaimed Dividend	716,780	548,293	716,752	548,293
18.	<b>REVENUE</b>	<b>Group</b>		<b>Company</b>	
18.1	<b>Summary</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
	Sales	353,666,580	331,687,341	237,326,196	219,823,938
	Less - Sales Taxes				
	Tourism Development Levy	(3,536,666)	(3,329,570)	(2,373,262)	(2,210,936)
		350,129,914	328,357,771	234,952,934	217,613,002
19.	<b>OTHER INCOME AND GAINS</b>	<b>Group</b>		<b>Company</b>	
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
	Interest Income - Related Parties	213,114	213,114	213,114	213,114
	- Others	2,176,320	1,069,979	2,176,320	1,069,979
	Dividend Received	-	-	-	3,961,982
	Insurance Claim - Other Income	769,192	45,929	769,192	15,929
	Exchange Gain	-	362,010	-	362,010
	Write Back of Unclaimed Salaries and Service Charge	505,452	-	505,452	-
	Reversal of Provision for Bad Debts	1,603,706	49,642	1,603,706	49,642
		5,267,784	1,740,674	5,267,784	5,672,656

# Notes to the Financial Statements Contd...

Year Ended 31 March 2009

20.	FINANCE COST	Group		Company	
		2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
	Interest Expense on Overdrafts	32,139	204,182	28,940	24,291
	Interest Expense on Loans and Borrowings	9,557,252	13,033,182	4,018,973	5,392,393
		<u>9,589,391</u>	<u>13,237,364</u>	<u>4,047,913</u>	<u>5,416,684</u>
21.	PROFIT BEFORE TAX	Group		Company	
	Stated after Charging/ (Crediting)	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
	<b>Included in Administrative Expenses</b>				
	Employees Benefits including the following	54,011,547	53,546,516	36,432,856	32,971,877
	- Defined Benefit Plan Costs - Gratuity (included in Employee Benefits)	2,416,248	1,010,495	1,618,886	673,664
	- Defined Contribution Plan Costs - EPF and ETF (included in Employee Benefits)	4,222,019	3,757,909	2,828,753	2,505,273
	Depreciation	23,646,958	22,029,433	15,623,907	14,762,890
	Loss on Disposal of Property Plant and Equipment	554,569	1,821,690	554,569	583,082
	Auditors' Remuneration Fees	321,000	279,500	246,000	214,500
	Management Fees	20,639,523	22,307,606	13,828,481	14,734,832
	Legal Fees	7,775	65,700	7,775	43,800
	Donations	76,957	46,130	51,561	30,753
	<b>Included in Selling and Marketing Expenses</b>				
	Advertising and Promotion Costs	6,864,451	9,679,254	4,599,182	6,388,308
	<b>Included in the Other Income and Gain</b>				
	Over Provision for Doubtful Debts	(1,603,706)	(49,642)	(1,603,706)	(49,642)
22.	INCOME TAX EXPENSE	Group		Company	
		2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
	<b>Current Income Tax</b>				
	Current Tax Expense on Ordinary Activities for the Year (22.1)	6,822,978	6,798,557	5,063,329	4,980,441
	Under/ (Over) Provision of Current Taxes in respect of prior years	(194,408)	56,616	(186,644)	41,782
	Tax on Dividends	(2,398)	34,404	(2,399)	-
	<b>Deferred Income Tax</b>				
	Deferred Taxation Charge/ (Reversal) (22.2)	1,392,017	(173,302)	386,111	(120,950)
	<b>Income Tax Expense Reported in the Income Statement</b>	<u>8,018,189</u>	<u>6,716,275</u>	<u>5,260,397</u>	<u>4,901,273</u>
22.1	Reconciliation between Current Tax Expense/ (Income) and the Product of Accounting Profit				
	Accounting Profit (Profit Before Tax)	46,118,967	62,421,983	30,308,920	48,718,845
	Aggregate Disallowable Items	28,207,668	32,287,650	21,123,049	18,501,288
	Aggregate Allowable Items	(33,553,525)	(32,084,918)	(22,216,490)	(23,058,136)
	Interest Income	2,389,434	1,283,093	2,389,434	1,283,093
	Taxable Profit	43,162,544	63,907,808	31,604,913	45,445,090
	Tax Loss Brought Forward and Utilised	(5,830,220)	(19,032,844)	-	(12,570,893)
		<u>37,332,324</u>	<u>44,874,964</u>	<u>31,604,913</u>	<u>32,874,197</u>
	Income Tax - 15% (2008-15%)	6,115,967	6,731,245	4,382,322	4,931,130
	Income Tax - 35%	606,179	-	606,179	-
	Social Responsibility Levy - 1.5% (2008-1%)	100,832	67,312	74,828	49,311
	Current Income Tax Expense	<u>6,822,978</u>	<u>6,798,557</u>	<u>5,063,329</u>	<u>4,980,441</u>
	Tax Losses Brought Forward	10,916,364	29,949,208	-	(12,570,893)
	Tax Losses Utilized	(5,830,220)	(19,032,844)	-	12,570,893
	Tax Losses Carried Forward (Provisional)	<u>5,086,144</u>	<u>10,916,364</u>	<u>-</u>	<u>-</u>

# Notes to the Financial Statements Contd...

Year Ended 31 March 2009

## 22. INCOME TAX EXPENSE (Contd...)

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

22.2.1 Group	Balance Sheet		Income Statement	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.
<b>Deferred Tax Liability</b>				
Capital Allowances for Tax Purposes	31,900,224	31,097,164	803,060	(2,905,694)
Revaluation of Buildings (Directly in Equity)	19,523,037	19,960,957		
	<u>51,423,261</u>	<u>51,058,121</u>		
<b>Deferred Tax Assets</b>				
Defined Benefit Plans	975,886	684,797	(291,089)	(130,522)
Carry Forward of Unused Tax Losses	757,409	1,637,455	880,046	2,862,914
	<u>1,733,295</u>	<u>2,322,252</u>		
Deferred Income Tax (Income) / Expense	-	-	<u>1,392,017</u>	<u>(173,302)</u>
Net Deferred Tax Liability	<u>49,689,966</u>	<u>48,735,869</u>		

22.2.2 Company	Balance Sheet		Income Statement	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.
<b>Deferred Tax Liability</b>				
Capital Allowances for Tax Purposes	16,896,171	16,218,971	677,200	(1,876,062)
Revaluation of Buildings (Directly in Equity)	18,679,693	19,117,612		
	<u>35,575,864</u>	<u>35,336,583</u>		
<b>Deferred Tax Assets</b>				
Defined Benefit Plans	975,886	684,797	(291,089)	(130,522)
Carry Forward of Unused Tax Losses	-	-	-	1,885,634
	<u>975,886</u>	<u>684,797</u>		
Deferred Income Tax (Income) / Expense			<u>386,111</u>	<u>(120,950)</u>
Net Deferred Tax Liability	<u>34,599,978</u>	<u>34,651,786</u>		

## 23. EARNINGS PER SHARE

23.1 Basic Earnings Per Share is calculated by dividing the net profit 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.

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

	Group	
	2009	2008
	Rs.	Rs.
<b>Amounts Used as the Numerator:</b>		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	<u>38,100,778</u>	<u>55,705,708</u>
<b>Number of Ordinary Shares Used as Denominator:</b>		
Weighted average number of ordinary shares in issue applicable to Basic earnings per share	<u>31,621,477</u>	<u>31,621,477</u>

## 24. DIVIDENDS PAID AND PROPOSED

	Company	
	2009	2008
	Rs.	Rs.
<b>Declared and paid during the year</b>		
Equity Dividends on Ordinary Shares:		
Interim Dividend for 2008 - Rs. 0.50/- Per Share	-	15,810,739
	<u>-</u>	<u>15,810,739</u>

# Notes to the Financial Statements Contd...

Year Ended 31 March 2009

## 25. COMMITMENTS AND CONTINGENCIES

There are no significant Commitment and/or Contingencies as at the Balance Sheet date.

## 26. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2009 Rs.	2008 Rs.	
<b>Stafford Hotels PLC</b>				
Freehold Land and Buildings	Primary Mortgage up to the value of Rs. 55 Mn to DFCC Bank (Loan of Rs. 45 Mn)	412,704,601	418,528,249	Property, Plant & Equipment
Existing Movable Items belongs to the Company	Primary Mortgage up to the value of Rs. 5 Mn to DFCC Bank (Loan of Rs. 45 Mn)	33,660,913	41,113,530	Property, Plant & Equipment
Freehold Land and Buildings	Secondary Mortgage up to the value of Rs. 3.75 Mn to DFCC Bank (Interest capitalised loan)	-	418,528,249	Property, Plant & Equipment
<b>Miami Beach Hotels Ltd</b>				
Freehold Land and Buildings	Primary Mortgage up to the value of Rs. 65 Mn to Seylan Bank (Term loans Rs. 35 Mn, 20 Mn and Overdraft Facility of Rs. 10 Mn)	167,143,179	168,888,686	Property, Plant & Equipment
Freehold Land and Buildings	Secondary Mortgage up to the value of Rs. 15 Mn to DFCC Bank (Loan of Rs. 15 Mn)	167,143,179	168,888,686	Property, Plant & Equipment
Existing Movable Items belongs to the Company	Primary Mortgage up to the value of Rs. 5 Mn to DFCC Bank (Loan of Rs. 15 Mn)	20,752,849	25,307,830	Property, Plant & Equipment
Freehold Land and Buildings	Tertiary Mortgage up to the value of Rs.1.25 Mn to DFCC Bank (Interest capitalised loan)	-	168,888,686	Property, Plant & Equipment

## 27. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

# Notes to the Financial Statements Contd...

Year Ended 31 March 2009

## 28. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

### 28.1 Transaction with the parent and related entities

Nature of Transaction	Parent		Subsidiary		Affiliates			
	Serendib Hotels PLC		Miami Beach Hotels Ltd.		Hotel Sigiriya PLC	Serendib Leisure Mgt. Ltd		
	2009	2008	2009	2008	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>As at 01 April</b>								
Trade and Other Receivable	657,946	843,121	-	-	503,159	1,000	-	56,850
Amounts Due From Related Parties	2,644,277	28,905	-	-	-	-	-	52,549
Amounts Due To Related Parties	(2,764,327)	(2,763,015)	(10,142,729)	(26,207,970)	(12,998)	(14,355)	(4,700,202)	(2,600,978)
Trade and Other Payables	-	-	-	-	-	-	-	-
Interest Bearing Loans and Borrowings	-	-	-	-	-	-	2,099,644	2,099,644
	537,896	(1,890,989)	(10,142,729)	(26,207,970)	490,161	(13,355)	(2,600,558)	(391,935)
Sale of Goods / Services	1,817,997	6,121,929	-	-	1,161,994	926,775	4,485,165	2,535,671
Sales of Property and Other Assets	-	-	-	-	-	-	-	-
Finance Income Receivable	-	-	-	-	-	-	213,697	213,697
Secretarial and Professional Fee Receivable	-	-	-	-	-	-	-	-
Expenses Incurred on Behalf of Others	-	-	-	-	-	-	-	-
Purchase of Goods / Services	(847,787)	(1,069,334)	(1,938,035)	(857,622)	(60,635)	(132,371)	(21,060,223)	(22,739,441)
Purchase of Property and Other Assets	-	(2,775,378)	-	-	-	-	-	-
Management Fees Payable	-	-	-	-	-	-	-	-
Finance Charges Payable	-	-	-	-	-	-	-	-
Accounting Fee Payable	-	-	-	-	-	-	-	-
Secretarial and Professional Fee Payable	-	-	-	-	-	-	-	-
Expenses Incurred on Behalf of the Company	-	-	-	-	-	-	(7,843,546)	(10,008,317)
Settlement of Dues from Related Parties	-	(928,717)	(135,487,208)	(103,932,735)	-	(424,617)	(4,418,240)	(2,858,767)
Settlement of Dues to Related Parties	1,124,777	1,080,385	109,328,048	120,855,598	73,632	133,729	31,121,911	30,648,534
Loan Capital Paid / Granted	-	-	-	-	-	-	-	-
	2,094,987	2,428,885	(28,097,195)	16,065,241	1,174,991	503,516	2,498,764	(2,208,623)
<b>As At 31 March</b>	<b>2,632,883</b>	<b>537,896</b>	<b>(38,239,924)</b>	<b>(10,142,729)</b>	<b>1,665,152</b>	<b>490,161</b>	<b>(101,794)</b>	<b>(2,600,558)</b>
<b>Included In As At 31 March</b>								
Trade and Other Receivable	1,297,822	657,946	-	-	503,158	503,159	5,000	-
Amounts Due From Related Parties	3,822,397	2,644,277	-	-	1,161,994	-	275,622	-
Amounts Due To Related Parties	(2,487,336)	(2,764,327)	(38,239,924)	(10,142,729)	-	(12,998)	(2,482,060)	(4,700,202)
Trade and Other Payables	-	-	-	-	-	-	-	-
Interest Bearing Loans and Borrowings	-	-	-	-	-	-	2,099,644	2,099,644
<b>Total</b>	<b>2,632,883</b>	<b>537,896</b>	<b>(38,239,924)</b>	<b>(10,142,729)</b>	<b>1,665,152</b>	<b>490,161</b>	<b>(101,794)</b>	<b>(2,600,558)</b>

#### Terms and Conditions:

Sales and purchase of goods and/or services to related parties were made at on the basis of the price lists in force with non related parties, but subject to approved discounts. Property, plant and equipment purchases and sales are made at Net Book Values.

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

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

There were no transactions with the Key Management Personnel during the year.

# Notes to the Financial Statements Contd...

Year Ended 31 March 2009

		Affiliates				DFCC		Total	
Hemtours (Pvt) Ltd.		Diethelm Travels Lanka (Pvt) Ltd.		Hemas Corp.Services (Pvt) Ltd.					
2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
1,578,258	2,639,845	-	-	-	-	-	-	2,739,363	3,540,816
-	-	-	-	-	-	-	-	2,644,277	81,454
-	-	-	-	-	-	-	-	(17,620,256)	(31,586,318)
-	-	-	-	(158,634)	(45,000)	-	-	(158,634)	(45,000)
-	-	-	-	-	-	(24,000,000)	(34,027,593)	(21,900,356)	(31,927,949)
1,578,258	2,639,845	-	-	(158,634)	(45,000)	(24,000,000)	(34,027,593)	(34,295,606)	(59,936,997)
397,008	1,701,001	2,925,440	-	-	-	-	-	10,787,604	11,285,375
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	213,697	213,697
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(23,906,680)	(24,798,768)
-	-	-	-	-	-	-	-	-	(2,775,378)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(3,396,946)	(5,286,719)	(3,396,946)	(5,286,719)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	(185,825)	(194,681)	-	-	(185,825)	(194,681)
-	-	-	-	-	-	-	-	(7,843,546)	(10,008,317)
(1,906,210)	(2,762,587)	(2,519,368)	-	-	-	-	-	(144,331,026)	(110,907,423)
-	-	-	-	302,388	81,047	3,396,945	5,286,719	145,347,701	158,086,012
-	-	-	-	-	-	6,877,972	10,027,593	6,877,972	10,027,593
(1,509,202)	(1,061,587)	406,072	-	116,563	(113,634)	6,877,971	10,027,593	(16,437,047)	25,641,391
69,057	1,578,258	406,072	-	(42,071)	(158,634)	(17,122,028)	(24,000,000)	(50,732,653)	(34,295,606)
69,057	1,578,258	406,072	-	-	-	-	-	2,281,109	2,739,363
-	-	-	-	-	-	-	-	5,260,013	2,644,277
-	-	-	-	-	-	-	-	(43,209,320)	(17,620,256)
-	-	-	-	(42,071)	(158,634)	-	-	(42,071)	(158,634)
-	-	-	-	-	-	(17,122,028)	(24,000,000)	(15,022,384)	(21,900,356)
69,057	1,578,258	406,072	-	(42,071)	(158,634)	(17,122,028)	(24,000,000)	(50,732,653)	(34,295,606)

# Investor Information

## General

### Stated Capital

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

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

## Share Distribution

		Range	31.03.2009			31.03.2008		
			No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1	to	1000	857	308,474	0.98	909	374,521	1.18
1,001	to	5,000	294	695,415	2.20	368	940,278	2.97
5,001	to	10,000	79	578,027	1.83	92	722,802	2.29
10,001	to	50,000	61	1,470,954	4.65	81	1,857,769	5.87
50,001	to	100,000	4	276,375	0.87	8	583,875	1.85
100,001	to	500,000	10	2,693,082	8.52	7	1,543,082	4.88
500,001	to	1,000,000	-	-	-	-	-	-
1,000,001 and above			3	25,599,150	80.95	3	25,599,150	80.96
			<b>1,308</b>	<b>31,621,477</b>	<b>100.00</b>	<b>1,468</b>	<b>31,621,477</b>	<b>100.00</b>

## Analysis of Shareholders

	31.03.2009			31.03.2008		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Institutions	65	27,761,463	87.79	66	27,077,763	85.63
Individuals	1,243	3,860,014	12.21	1,402	4,543,714	14.37
	<b>1,308</b>	<b>31,621,477</b>	<b>100.00</b>	<b>1,468</b>	<b>31,621,477</b>	<b>100.00</b>

## Public Holding

20.49% of the Issued Shares were held by the Public as at 31 March 2009 (2008 – 20.49%)

## Investor Information Contd...

## Share Trading

	2009	2008
Highest Market Price (Rs)	15.00 (05.01.09)	15.00 (14.09.07)
Lowest Market Price (Rs)	7.50 (03.12.08)	8.00 (06.06.07)
Last Traded Price (Rs)	11.50 (31.03.09)	11.00 (31.03.08)
No. of Shares Traded	3,141,900	6,247,600
No of Trades	2,108	4,368
Turnover (Rs)	37,025,125.00	75,232,975.00

## Major Shareholding

The Twenty major shareholders as at 31 March 2009 with comparative figures are given below.

As at	31.03.2009		31.03.2008	
	No. of Shares	%	No. of Shares	%
Serendib Hotels PLC	17,997,578	56.91	17,997,578	56.92
DFCC Bank	5,909,825	18.69	5,909,825	18.69
Hemtours (Pvt) Ltd	1,691,747	5.35	1,691,747	5.35
Amina Investments Ltd,	500,000	1.58	-	-
Mr. A N Esufally	450,007	1.42	450,007	1.42
Gulf East Finance Ltd.	350,000	1.11	-	-
The Mahayaya Estates Co. Ltd	327,000	1.03	327,000	1.03
Mr. S Kader	300,000	0.95	-	-
Mr. B S M De Silva	204,700	0.65	204,700	0.65
Intercom Ltd,	162,500	0.51	162,500	0.51
LOLC/Mr. S P Kannangara	154,000	0.49	164,000	0.52
Mr. N Hewa Kandamby	135,000	0.42	125,000	0.40
WML/Dr. H S D Soysa	109,875	0.35	109,875	0.35
Mr. J C L De Mel	100,000	0.32	100,000	0.32
Mr. M. L M Ameen	62,700	0.20	62,700	0.20
Mr. S A Gulamusein	60,975	0.19	60,975	0.19
Mr. L H S Peiris	52,700	0.17	-	-
WML/ Delmege Forsyth & Company (Exports) Ltd.	50,000	0.16	75,000	0.24
Mr K T Wickremaratne	50,000	0.16	50,000	0.16
Mr. L D Ramamnyake	50,000	0.16	-	-
	<b>28,718,607</b>	<b>90.82</b>		
Shares held by the balance shareholders	2,902,870	9.18		
	<b>31,621,477</b>	<b>100.0</b>		



# Form of Proxy

I/We .....  
of.....

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

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

Mr./Mrs. ....  
of.....

as\*my/our proxy to vote as indicated hereunder for \*me/us and on \*my/our behalf at the Twenty Eighth Annual General Meeting of the Company to be held on **Friday, 17th July 2009 at 3.20 p.m.** at Auditorium of the Ceylon Chamber of Commerce, No 50, Nawam Mawatha, Colombo 2 and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Statement of Accounts for the year ended 31 March 2009 together with The Report of the Directors and Auditors thereon.	<input type="text"/>	<input type="text"/>
2. To re-elect Mr. A N Esufally who retires by rotation in terms of the Articles of Association of the Company	<input type="text"/>	<input type="text"/>
3. To re-appoint Mr. E J De Soysa as Director, in terms of Section 211 (1) of the Companies Act No. 7 of 2007.	<input type="text"/>	<input type="text"/>
4. To re-appoint Messrs Ernst & Young as Auditors and authorize the Directors to determine their remuneration.	<input type="text"/>	<input type="text"/>
5. To authorize Directors to determine and make contributions to Charity.	<input type="text"/>	<input type="text"/>

Signature of Shareholder/s .....

Dated this ..... day of ..... 2009.

- (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 discretion will vote as he 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

<b>BOARD OF DIRECTORS</b>	-	A N Esufally - Chairman - (Alt V H A Perera) E J De Soysa O R Kreltszheim B S M De Silva A R Gamage (Ms) - (Alt. Prof. L D K B Gamage) T Wijemanna H N Esufally - (Alt. Ms. K A Wilson) W M De F Arsakularatne
<b>REGISTERED OFFICE</b>	:	2nd Floor, Automobile Association Building, 40, Sir Mohamed Macan Marker Mawatha, Colombo 03. Tel: + 94 (11) 2332155 - 8 Fax: + 94 (11) 2438933 E-mail: <a href="mailto:inquiries@serendibleisure.lk">inquiries@serendibleisure.lk</a> Website: <a href="http://www.serendibleisure.com">www.serendibleisure.com</a>
<b>COMPANY REGISTRATION NO.</b>	:	PVS/PBS 7192
<b>SECRETARIES &amp; REGISTRARS</b>	:	Hemas Corporate Services (Pvt) Ltd. 36, Bristol Street, Colombo 01. Tel: + 94 (11) 4731731 Fax : + 94 (11) 4731777
<b>MANAGING AGENT</b>	:	Serendib Leisure Management Ltd.
<b>AUDITORS</b>	:	Ernst & Young Chartered Accountants 201, De Saram Place, Colombo 10.
<b>BANKERS</b>	:	Commercial Bank of Ceylon PLC Seylan Bank PLC Nations Trust Bank PLC
<b>HOTEL</b>	:	Club Hotel Dolphin Waikkal. Tel: + 94 (31) 2277788 Fax: + 94 (31) 2279437

**Serendib Leisure Management Ltd.**

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40, Sir Mohamed Macan Markar Mw.,  
Colombo 03, Sri Lanka.  
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Web: [www.serendibleisure.com](http://www.serendibleisure.com)

