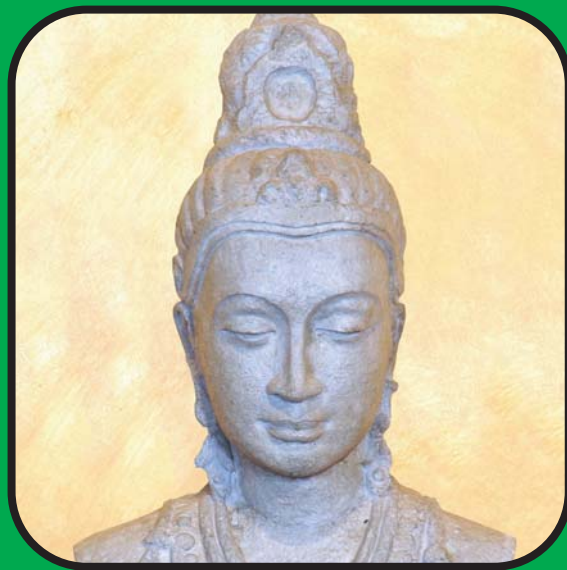


Hotel *Sigiriya*



Hotel Sigiriya PLC
Annual Report 2009

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Notice of Meeting

NOTICE IS HEREBY GIVEN that the **THIRTY FIFTH (35TH) ANNUAL GENERAL MEETING** of **HOTEL SIGIRIYA PLC** will be held at the Auditorium of the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 2, **on Friday, 17 July 2009 at 3.00 p.m.** for the following purpose:

AGENDA

1. To receive and consider the Statement of Accounts for the year ended 31 March 2009 together with the Report of the Directors and Auditors thereon.
2. To re-elect Mr. R H S De Silva who retires by rotation in terms of the Articles of Association, as a Director of the Company.
3. To 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 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 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 PricewaterhouseCoopers, 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

HOTEL SIGIRIYA 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. E. J. DE SOYSA – CHAIRMAN

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

2. A. N. ESUFALLY

Appointed to the Board in 1994. He is a Fellow of both the Institute of Chartered Accountants of England & 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 1st October 2007. He is also the Honorary Consul General of Bhutan in Sri Lanka and an all Island Justice of the Peace. Other directorships include Hemas Holdings PLC, Serendib Hotels PLC, Stafford Hotels PLC, Printcare PLC, Mahaweli Reach Hotel PLC and several other companies.

3. L. P. FERNANDO

A Founder Director of the Company. Other directorships include Kelani Tyres Ltd., Silverstock Holdings (Pvt) Ltd., Ceat- Kelani Associated Holdings (Pvt) Ltd., Ceat- Kelani International Tyres (Pvt) Ltd., Associated Ceat (Pvt) Ltd., Associated Ceat – Kelani Radials (Pvt) Ltd., Wheels (Pvt) Ltd. & Hercules Motor Company (Pvt) Ltd..

4. R. H. S. DE SILVA

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

5. 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, Stafford Hotels PLC and several other companies.

6. A. R. GAMAGE (MRS)

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

7. H. N. ESUFALLY

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

8. W. M. DE F. ARSAKULARATNE

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

Chairman's Review

Industry Overview

The escalating violence and war situation in Sri Lanka during the year under review drastically reduced arrivals to the country down to 438,475, a 11.2% decrease from an already depressed 2007 tourism year. Adverse travel advisories and the global financial crisis had a negative impact on the leisure sector further compounding the challenges that your Management had to face.

However, at the time of writing this report, with the successful end to the war, there is strong positive sentiment that the revival of the tourism industry in Sri Lanka is imminent. The tourism sector is well poised to reap the peace dividend.

Hotel Performance

Due to the adverse travel advisories and the drop in arrivals, the circuit hotels in particular, felt the impact, much more than the hotels in other areas. The Cultural Triangle was one of the more badly affected areas and consequently, Hotel Sigiriya managed to record only an annual occupancy of 46% compared to 39% last year. Of concern was that this occupancy was achieved under heavy price pressure, leading to a decline in revenues. Rapidly increasing operational expenditures further eroded operating margins, with the hotel ending up with a loss of Rs.16.5M for the year, marginally down from a Rs. 16.6M loss last year.

Environment and CSR Activities

Although, the hotel was unable to perform well financially, it continues to build its position as one of Sri Lanka's leading environment friendly hotels, now being accepted as a benchmark to the industry. The initiatives taken on energy conservation has enabled the hotel to reduce its energy cost by approximately Rs.2.7M per annum. The installation of a Biomass Gasifier almost completely eliminated the use of Diesel. The hotel has begun purchasing the Biomass (Gliricidia) from village out growers, as a part of the hotel's CSR initiatives.

In recognition for these efforts, the hotel was successful in winning several local and international awards for its best practices, among which were

- The Green Award in the category of Value Hotels, the Best of Country Award for 2008 and the Grand Award winner for 2008 from International Restaurant and Hotel Association (IRHA), USA.
- Highly commended best large accommodation - Virgin Holidays Responsible Tourism Awards 2008, UK
- Silver Award by the Promotion of Eco-efficient Productivity Project (PEP) by the Ceylon Chamber of Commerce.
- International Green Apple Award (Silver / Asia) - for environmental best practice from the Green Organization, UK

Future Prospects

With the demand for Sri Lanka Tourism expected to recover and grow soon and the current position that Hotel Sigiriya has carved out as a value for money nature / culture destination, the future augurs well for the turn around of the hotel in the forthcoming years.

Appreciation

My thanks firstly go out to Mr Srilal Miththapala, CEO who has been in the forefront of driving the environment projects at the hotel, ably supported by the Serendib Leisure team. The new hotel Manager, Mr Lakshitha Wegodapola has settled down well and is building up a young , motivated and committed team prepared to take on the new opportunities that lie ahead.



E. J. De Soysa

Chairman

18 June, 2009

Colombo

Decade at a Glance

Year ended 31 March	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
(Figures in Rs.'000 unless otherwise stated)										
Trading Results										
Turnover and Other Income	77,222	62,882	78,719	74,720	80,547	81,190	55,177	30,939	42,156	42,838
Profit/(Loss) Before Tax	(19,919)	(20,438)	(5,419)	1,910	17,100	20,326	10,754	384	5,080	6,406
Net Profit/(Loss)	(16,451)	(16,643)	(5,208)	553	13,494	17,093	7,733	384	4,413	6,803
Earnings/(Loss) Per Share (Rs.)	(2.81)	(2.84)	(0.89)	0.09	2.74	4.13	1.87	0.09	1.07	2.30
Return on equity (%)	(12.36)	(11.14)	(3.14)	0.32	7.42	21.75	11.48	0.54	6.22	11.47
Hotel Operation										
Annual Sales Growth (%)	22.8	(20.1)	5.4	(7.2)	(0.8)	47.1	78.3	(26.6)	(1.6)	18.9
Room Occupancy (%)	46	39	47	43	52	62	48	30	50	52
Assets Employed										
Total Assets	198,707	215,121	210,224	223,882	211,293	113,669	100,814	95,852	101,141	83,582
Total Liabilities	65,579	65,730	44,379	53,018	29,325	35,069	33,447	24,501	30,174	24,281
Total Equity	133,128	149,391	165,845	170,864	181,968	78,600	67,367	71,351	70,967	59,301
Current Ratio (Times)	0.64	0.85	1.67	1.61	2.70	0.89	0.90	1.67	1.32	0.74
Net Assets Per Share (Rs.)	22.72	25.50	28.31	29.16	31.06	20.12	17.25	18.27	18.17	21.25
Debt Equity Ratio (Times)	0.11	0.11	0.05	0.08	-	-	0.11	0.20	0.21	0.18
Market/ Shareholder Information										
Dividend Per Share (Rs.)	-	-	-	0.50	1.00	2.50	3.00	-	1.00	2.00
Market Value Per Share (Rs.)	24.50	32.00	33.00	37.00	37.75	31.00	19.50	10.75	11.50	12.00
Price Earning Ratio (Times)	N/A	N/A	N/A	411.11	13.78	7.51	10.44	115.91	10.79	5.22

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

Operational Review

Calendar Year	2008	2007	2006	2005	2004
Sri Lanka Tourist Arrivals by Country of Residence (No. of Guests)					
North America	24,311	28,355	35,323	46,457	29,759
Latin America & The Caribbean	3,739	3,962	775	705	741
Western Europe	167,187	194,448	228,447	227,191	284,440
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
Total	438,475	494,008	559,605	549,308	566,202
Accommodation Capacity (No. of Rooms)					
All Regions	14,793	14,604	14,218	13,162	13,468
Ancient Cities	2,582	2,417	2,467	2,428	2,486
Utilization (%)					
All Regions	43.9	46.2	47.8	45.4	53.1
Ancient Cities	35.3	40.3	43.3	39.5	60.4
Hotel Sigiriya	44.6	36.9	53.0	34.5	64.9

Annual Report of the Board of Directors

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

NATURE OF BUSINESS OF THE COMPANY

The Principal activity of the Company which is hoteliering remained unchanged. The Company owns and operates 79 room Hotel Sigiriya in Sigiriya.

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

REVIEW OF OPERATIONS & FUTURE DEVELOPMENTS

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

DIVIDENDS

The Directors have not recommended the payment of a dividend for the year 2008/09. (2008 – Nil).

ACCOUNTING POLICIES

The Accounting policies adopted by the Company in preparing the Financial Statements are given from pages 21 to 24. There were no changes to the accounting policies adopted by the Company during the accounting period.

DONATIONS

Donations made by the Company during the year under review amounted to Rs. 1,775/- (2008 - Rs.2,500/-).

PROPERTY PLANT & EQUIPMENT

The book value of property, plant and equipment of the Company as at the Balance Sheet date amounted to Rs. 169,960,134/- (2008 – Rs.180,812,294/-).

The movement in Property, Plant & Equipment during the financial year is disclosed under Note 9 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 has 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. 97,650,000/- divided into 5,859,000 shares. (2008 – Rs. 97,650,000/- divided into 5,859,000 shares)

DIRECTORS

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

Mr. E. J. De Soysa (Chairman)

Mr. A. N. Esufally

Mr. L. P. Fernando

Mr. R. H. S. De Silva

Mr. B. S. M. De Silva

Ms. A. R. Gamage

Mr. H. N. Esufally

Mr. W. M. De F. Arsakularatne

Prof L. D. K. B. Gamage - Alt Director to Ms A. R. Gamage

Mr. V. H. A. Perera - Alt. Director to Mr. A. N. Esufally

Ms. K. A. Wilson - Alt. Director to Mr. H. N. Esufally

Mr. R. H. S. De Silva 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. E. J. De Soysa, who reached the age of 70 years on 15th 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 share holder of the company to re-appoint Mr. E. J. De Soysa in accordance with Section 211(1) of the statues. 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 31st March 2009. In terms of section 192 of the Companies Act, the Directors have declared their interests in contracts

Annual Report of the Board of Directors Contd...

involving the Company, and have refrained from voting on matters in which they were materially interested.

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
Serendib Hotels PLC	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
Stafford Hotels PLC	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 Ms. A. R. Gamage
Serendib Leisure Management Ltd.	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 Ms. A. R. Gamage
Hemtours (Pvt) Ltd	Mr. A. N. Esufally Mr. H. N. Esufally Mr. W. M. De F. Arsakularatne
Diethelm Travel Lanka (Pvt) Ltd.	Mr. A. N. Esufally Mr. W. M. De F. Arsakularatne
Hemas Corporate Services (Pvt) Ltd.	Mr. H. N. Esufally Mr. W. M. De F. Arsakularatne

The details of the transactions/ proposed transactions of the Company appear on Note 29 to the Financial Statements.

DIRECTORS' SHAREHOLDING

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

	2009	2008
Mr. E. J. De Soysa	70,000	70,000
Mr. A. N. Esufally	-	-
Mr. L. P. Fernando	13,548	13,548
Mr. R. H. S. De Silva	1,124	1,124
Mr. B. S. M. De Silva	19,500	19,500
Ms. A. R. Gamage	-	-
Mr. H. N. Esufally	-	-
Mr. W. M. De F. Arsakularatne	-	-

HUMAN RESOURCES

The number of employees of the Company at the end of the year was 113 (2008 – 117).

Hotel Sigiriya PLC

EVENTS 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, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at the Balance Sheet date have been paid or where relevant provided for in the Financial Statements.

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 of the Company with effect from 15th June 2009. Hemas Corporate Services (Pvt) Ltd were appointed Registrars to the Company from that date.

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

Audit Fees	-	Rs.155,000/-
Fees for non-audit services	-	Rs. 74,475/-

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

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

Messrs. PricewaterhouseCoopers have expressed their willingness to continue in office. A resolution 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



E. J. De Soysa
Chairman

18 June 2009
Colombo



A N Esufally
Director

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

Greening Best Practices

The Transformation of Hotel Sigiriya into an Environment Friendly Hotel



Hotel Sigiriya's commitment to greening and community development has over the years, won praise and accolades both locally and internationally.

Since the inception, the hotel has gone to great lengths to preserve the surrounding environment. Being appointed as the first Bird Friendly Hotel in Sri Lanka in 1996 by the Field Ornithology Group of Sri Lanka (FOGSL), the hotel gradually developed its character as an environment friendly hotel.

Today it is a role model amongst the hotel sector in Sri Lanka for greening best practices, and the first hotel in Sri Lanka to have calculated its carbon foot print.

Hotel Sigiriya Environmental Policy

- Conserving energy
- Conserving water
- Minimising solid waste
- Minimising green house gas emissions and air pollution
- Minimising other chemical pollution
- Maximising practices of reducing, recycling and reusing
- Maximising the use of environmentally friendly materials
- Maximising indigenous flora in landscaping and eradicating invasive alien species
- Conserving biodiversity and
- Supporting local livelihoods

The "Greening project" of Hotel Sigiriya was launched 5 years ago in a more methodical manner with the help of a reputed environmental management consultant.

The Goal

The goal of the project was to promote environment-friendly and sustainable tourism by integrating relevant best practices into the daily management of the hotel.

Key initiatives

The comprehensive plan put together, included the implementation of several measures to conserve the environment and energy and thereby mitigate and adapt to climate change.

1. Energy Conservation

As a result of an energy audit carried out at the hotel a comprehensive energy conservation plan was implemented and included the implementation of many initiatives:

- Solar water heating panels
- Card key switching of room air-conditioning
- Scheduled light switching
- Change to CFL lighting
- Installation of freezer curtains to cold rooms
- Installation of bio-mass gasifier for steam production.



2. Water Conservation and Waste Water Management

- Self contained biological sewerage plant (Waste water from the sewage treatment plant is used to water the garden. This initiative enables to save over 30,000 liters of fresh water per day.)
- Discharged treated water used for garden irrigation (Sprinklers are used to water the garden and a drip irrigation system is used for watering the Organic vegetable garden).



- Water-saving cisterns
- Optional re-use of room linen.

3. Solid Waste Management

- Gradation of garbage and re-cycling
- Reusing, reducing, composting of garden refuse including vermi-composting. (A special 'vermi compost' method for



Greening Best Practices Contd...

fast composting (using earthworms) was established. The compost is then used for the organic vegetable gardens. Of the total garbage produced in the hotel, 100% of wet and 96% of dry garbage is recycled).

- Reduced use of plastic.



4. Organic Vegetable Gardens

The two organic gardens maintained by the hotel helps augment supplies of fresh vegetables for guest meals. While providing cost savings it is an impressive tour for the foreign guests to learn about the local vegetables and plants.

5. Air Quality Management

- The use of aerosols is minimized and used only in emergencies
- Use of natural air fresheners (essential oils, flowers)
- No incineration used as a method of garbage disposal
- Installation of smoke detectors in all rooms



Implementation

In implementing these measures, Hotel Sigiriya refrains from pursuing an expensive high-tech strategy. Most of what has been implemented are time-tested, basic, common sense ideas. They have been implemented with consistent commitment and are evaluated analytically, supported by a good data-gathering process and careful monitoring, which is carried out by the hotel as well as through external audits.

Staff Training

Continuous and extensive staff training is carried out among all levels.

Audits

Periodic 'green audits' are conducted by the environmental management consultant.

Benefits

These small measures result in significant savings in resources and money. In addition to the financial benefits, the hotels environmental management system is fast becoming a useful marketing tool, as now that discerning travelers are beginning to choose hotels which are more environmentally-conscious.

Hotel Sigiriya is the first hotel to calculate its carbon footprint

	05/06	06/07	07/08	08/09	Units
Total carbon footprint	264.7	240.2	166.8	159.9	Metric Tonnes
Co2 equivalent per average guest stay (2.5 days)	27.6	23.0	21.0	16.8	kg
Reduction in CO2 equivalent due to current interventions	-	24.5	25.3	70.42	Metric Tonnes

Improving Livelihoods

1. Hotel offers its clientele many unique nature and culture related experiences. Excursions such as:

- Visit to the Village fair (Pola)
- Elephant safaris
- Village experience



These community driven initiatives enable to provide better livelihood to the village folk by providing transport for safaris, selling meals and even handicraft to guests.

2. Gliciridia (biomass fuel for the Gasifier unit) is supplied by the villagers

- They are given awareness and training on how to grow and harvest gliciridia.
- Provides an additional income stream for several village families.



- The hotel has also appointed a collector and provided financial support enabling a small time vendor to develop as an entrepreneur.

Greening Best Practices Contd...

Global forums

Hotel Sigiriya greening practices was discussed as a case study at several global forums during the year. Some of which were:

- PATA CEOs Challenge Bangkok, Thailand June 2008
- World Tourism Investment Forum (WTIF) Bussan, Korea October 2008
- Hotel Investment Conference – Asia Pacific (HICAP) Hong Kong October 2008

Awards and accolades

- Winner- Green award - International Restaurant and Hotel Awards - California USA.
- Winner – Asia silver – Green Apple Award - Green organization – UK.
- Highly commended status – Virgin holidays responsible tourism awards – UK.
- Winner - Promotion of Eco-efficient productivity (PEP) green technology award 2008 - Ceylon Chamber of Commerce and Royal Netherlands Embassy.



The Chief Guest of the event was Professor Sarath Kotagama, the well known environmentalist who has also been guiding the hotel on environmental conservation from the inception.

Employee commitment



Hotel Sigiriya also felicitated its staff in recognition of their efforts towards making the hotel to become one of Sri Lankas most well known and leading environment friendly hotels.

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 E J De Soysa, L P Fernando, R H S De Silva and B S M De Silva and Ms A R Gamage meet the criteria for 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 and 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 third of the Directors retire by rotation in conformity with the Articles of Association of the Company. In addition, a Director who has reached 70 years of age, vacates 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. E. J. De Soysa	6	6
Mr. A. N. Esufally	6	3
Mr. L. P. Fernando	6	4
Mr. R. H. S. De Silva	6	4
Mr. B. S. M. De Silva	6	4
Ms. A. R. Gamage	6	4
Mr. H. N. Esufally	6	2
Mr. W. M. De F. Arsakularatne	6	3

The Board has 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.

Corporate Governance Contd...

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.

The committee met four times during the year. The Chief Executive Officer and the Head of Finance of the Managing Agent attended 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 controls 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 controls. 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 relationship 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 Agent 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 Audits

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 Pricewaterhousecoopers, Chartered Accountants be appointed External Auditors of the Company for the year ending 31st 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.

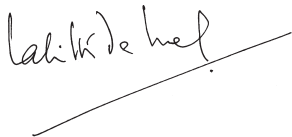
Role of the Committee

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 employees' 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 as at the end of the financial year and 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 to establish proper systems of internal controls with a view to detect and prevent any irregularities.

The Financial Statements have been audited by External Auditors M/s PricewaterhouseCoopers who have been given unrestricted access to all financial records and related data. Their report appears on page 16 of this report.

The Directors confirm that to the best of their knowledge all financial obligations of the Company and all contributions, levies and taxes payable on behalf of the employees of the Company 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



PricewaterhouseCoopers
P.O. Box 918
100, Braybrooke Place
COLOMBO 2
SRI LANKA
Telephone : 94-11-7719838
 94-11-4719838
Facsimile : 94-11-2303197

To the shareholders of Hotel Sigiriya PLC Report on the Financial Statements

1 We have audited the accompanying financial statements of Hotel Sigiriya PLC ("the Company"), which comprise the balance sheet as at 31 March 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 17 to 35.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

- 3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
- 4 An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
- 5 We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

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

Report on Other Legal and Regulatory Requirements

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

Chartered Accountants
30 April 2009

Partners Y Kanagasabai FCA, D.T.S.H. Mudalige FCA, S. Manoharan ACA, N. R. Gunasekera FCA, S. Gajendran FCA,
Ms. S Hadgie FCA, Ms. S. Perera ACA,

Income Statement

Year ended 31 March 2009

	Note	2009 Rs.	2008 Rs.
Revenue	3	76,765,949	61,028,321
Cost of sales		(21,130,978)	(17,101,547)
Gross profit		55,634,971	43,926,774
Other operating income	4	803,872	2,105,231
Distribution costs		(6,096,746)	(6,503,527)
Administrative expenses		(63,071,167)	(56,123,152)
Finance cost	5	(7,189,590)	(3,843,639)
Loss before tax	6	(19,918,660)	(20,438,313)
Income tax	7	3,468,080	3,795,324
Net loss for the year		(16,450,580)	(16,642,989)
Loss per share-basic	8	(2.81)	(2.84)

The accounting policies and notes on pages 21 through 35 form an integral part of the Financial Statements.

Balance Sheet

As at 31 March 2009

	Note	2009 Rs.	2008 Rs.
Assets			
Non-current assets			
Property, plant & equipment	9	169,960,134	180,812,294
Investments	10	3,333,330	3,090,125
		173,293,464	183,902,419
Current assets			
Inventories	11	3,620,237	4,053,638
Trade and other receivables	12	9,710,714	11,510,222
Amounts due from related parties	13	3,329,582	6,365,078
Income tax recoverable		7,333,493	6,680,755
Cash and bank balances	24	1,419,817	2,609,084
		25,413,843	31,218,777
Total assets		198,707,307	215,121,196
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	14	97,650,000	97,650,000
Reserves	15	37,312,535	38,379,988
Accumulated (loss)/ profit		(1,834,201)	13,360,552
Total Equity		133,128,334	149,390,540
Non-current liabilities			
Interest bearing loans & borrowings	16	14,526,462	15,856,000
Non interest bearing loans & borrowings	17	657,000	657,000
Deferred tax liabilities	18	7,049,273	10,683,936
Deferred income	19	1,690,548	700,000
Other deferred liabilities	20	1,785,607	1,790,398
		25,708,890	29,687,334
Current liabilities			
Trade and other payables	21	14,574,601	14,734,979
Dividends payable	22	519,928	522,088
Amounts due to related parties	23	3,664,749	264,896
Interest bearing loans & borrowings	16	21,110,805	20,521,359
		39,870,083	36,043,322
Total equity and liabilities		198,707,307	215,121,196

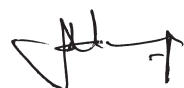
I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



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,



E. J. De Soysa - Chairman

30 April 2009

Colombo,

The accounting policies and notes on pages 21 through 35 form an integral part of the Financial Statements.



A. N. Esufally - Director

Statement of Changes in Equity

Year ended 31 March 2009

	* Stated Capital Rs.	Revaluation Reserve Rs.	Accumulated Profit/ (Loss) Rs.	Total Rs.
Balance as at 31 March 2007	97,650,000	39,734,200	28,460,955	165,845,155
Net loss for the year	Nil	Nil	(16,642,989)	(16,642,989)
Deferred tax attributable to revaluation surplus	Nil	188,374	Nil	188,374
Reversal of Excess depreciation on revaluation reserve - Leasehold Land	Nil	(286,759)	286,759	Nil
Reversal of Excess depreciation on revaluation reserve	Nil	(1,255,827)	1,255,827	Nil
Balance as at 31 March 2008	97,650,000	38,379,988	13,360,552	149,390,540
Net loss for the year	Nil	Nil	(16,450,580)	(16,450,580)
Deferred tax attributable to revaluation surplus	Nil	188,374	Nil	188,374
Reversal of Excess depreciation on revaluation reserve	Nil	(1,255,827)	1,255,827	Nil
Balance as at 31 March 2009	97,650,000	37,312,535	(1,834,201)	133,128,334

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

The accounting policies and notes on pages 21 through 35 form an integral part of the Financial Statements.

Cash Flow Statements

Year ended 31 March 2009

	Note	2009 Rs.	2008 Rs.
Cash flow used to operating activities			
Net loss before income tax		(19,918,660)	(20,438,313)
Adjustments for			
Depreciation	9	14,932,649	11,940,633
Writing Back of Grant received	19	(59,452)	Nil
Interest income	4	(348,307)	(872,130)
Profit on sale of property, plant & equipment		(53,724)	(768,031)
Finance costs	5	7,189,590	3,843,639
Provision for defined benefit plans	20	586,136	329,000
(Write back)/ provision for impairment in investments	10	(243,205)	243,205
Operating profit/ (loss) before working capital changes		2,085,027	(5,721,997)
Decrease/ (increase) in inventories		433,401	(1,276,989)
Decrease/ (increase) in trade and other receivables		1,799,508	(39,155)
Decrease in amounts due from related parties		3,035,496	2,570,225
Increase/ (decrease) in amounts due to related parties		3,399,853	(240,238)
Decrease/ (increase) in trade and other payables		(162,538)	2,580,334
Cash generated from/ (used in) operations		10,590,747	(2,127,820)
Interest paid		(7,189,590)	(3,843,639)
Defined benefit plan costs paid	20	(590,927)	(42,300)
Income tax paid		(630,949)	(1,439,663)
Net cash generated from/ (used in) operating activities		2,179,281	(7,453,422)
Cash flows used in investing activities			
Acquisition of property, plant & equipment		(4,163,021)	(21,146,104)
Proceeds from sale of property, plant & equipment		136,258	1,150,323
Interest received		348,307	872,130
Net cash flows used in investing activities		(3,678,456)	(19,123,651)
Cash flows (used in)/ from financing activities			
Proceeds from interest bearing loans & borrowings	16	1,749,762	15,000,000
Repayment of interest bearing loans & borrowings		(3,145,320)	(4,992,000)
Grant money received		1,050,000	700,000
Net cash flows (used in)/ generated from financing activities		(345,558)	10,708,000
Net decrease in cash and cash equivalents		(1,844,733)	(15,869,073)
Cash and cash equivalents at the beginning of the year		(10,840,275)	5,028,798
Cash and cash equivalents at the end of the year	24	(12,685,008)	(10,840,275)

The accounting policies and notes on pages 21 through 35 form an integral part of the Financial Statements.

Notes to the Financial Statements

Year ended 31 March 2009

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

1.3 Parent Enterprise and Ultimate Parent Enterprise

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

1.4 Date of Authorisation for Issue

The Financial Statements of Hotel Sigiriya PLC, for the year ended 31 March 2009 were authorized for issue in accordance with a resolution of the Board of Directors on 30 April 2009.

1.5 Number of Employees

The number of employees of the Company at the end of the year was 113 (2008 – 117).

2.1 BASIS OF PREPARATION

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

2.1.1 Statement of Compliance

The Financial Statements of Hotel Sigiriya PLC has been prepared in accordance with Sri Lanka Accounting Standards (SLAS).

2.1.2 Going Concern

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

2.1.3 Comparative Information

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

2.2 CHANGES IN ACCOUNTING POLICIES

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

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

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

Deferred Tax Assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rate of exchange ruling at the Balance Sheet date. All differences are taken to the Income Statement. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4.2 Taxation

a) Income Tax

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

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No.10 of 2006. Relevant details are disclosed in Note 7 to this Financial Statement.

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

b) Deferred Taxation

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

Notes to the Financial Statements Contd...

Year ended 31 March 2009

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of Deferred income tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the Deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Balance Sheet date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

c) Sales Tax

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

2.4.3 Borrowing Costs

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

2.4.4 Inventories

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

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formula:

Food and Beverages - At actual cost on weighted average basis

Maintenance and Others - At actual cost on weighted average basis

2.4.5 Trade and Other Receivables

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

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

2.4.6 Cash and Cash Equivalents

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

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

2.4.7 Property, Plant & Equipment

Plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Land and buildings are measured at fair value less depreciation on buildings and impairment charged subsequent to the date of the revaluation.

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

Leasehold Land and Buildings on Leasehold Land	Over the remaining lease period
Buildings on Freehold Land	Over 10 years
Swimming Pool	Over the remaining lease period
Furniture & Fittings	Over 5 – 10 years
Plant, Machinery and Equipment	Over 5 – 10 years
Office Equipment	Over 5 – 10 years
Tube Well	Over the remaining lease period
Soft Furniture	Over 5 years
Motor Vehicles	Over 5 – 10 years
Gasifier	Over 15 years

Notes to the Financial Statements Contd...

Year ended 31 March 2009

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

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

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

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

When each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is derecognised.

The asset's residual value, useful life and method of depreciation are reviewed and adjusted if appropriate at each financial year end.

2.4.8 Leasehold Property

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

2.4.9 Investments

a) Initial Recognition

Cost of investment includes purchase cost and acquisition charges such as brokerage fees, duties and bank fees. The Company distinguishes and presents current and non current investment in the Balance Sheet.

b) Measurement

Current Investment

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

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

Long Term Investments

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

Disposal of Investment

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

2.4.10 Provisions

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

2.4.11 Grants and Subsidies

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

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

2.4.12 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

Gratuity is a Defined Benefit Plan. The Company is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the Balance Sheet, equivalent to an amount calculated based on the present value of the defined benefit obligation at the Balance Sheet date together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated at frequent intervals by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of long term

Notes to the Financial Statements Contd...

Year ended 31 March 2009

Government Bonds or high quality corporate bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the Income Statement.

Past-service costs are recognized immediately in Income Statement, unless the changes to the defined benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 20 to the Financial Statements.

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

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

2.4.13 Impairment of Assets

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

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

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying

amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.4.14 Revenue Recognition

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

a) Rendering of Services

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

b) Interest

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

c) Dividends

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

d) Rental income

Rental income is recognised on an accrual basis.

e) Others

Other income is recognised on an accrual basis.

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

Notes to the Financial Statements Contd...

Year ended 31 March 2009

	2009 Rs.	2008 Rs.
3 REVENUE		
Sale of goods	16,478,976	13,308,747
Rendering of services	61,065,755	48,340,737
	<u>77,544,731</u>	<u>61,649,484</u>
Less: Sales related levy		
Tourism Development Levy	(778,782)	(621,163)
	<u>76,765,949</u>	<u>61,028,321</u>
4 OTHER OPERATING INCOME		
Interest income receivable from		
Related parties	348,307	642,500
Other	Nil	229,630
	<u>348,307</u>	<u>872,130</u>
Rental income receivable from		
Non-related parties	300,000	300,000
	<u>300,000</u>	<u>300,000</u>
Miscellaneous services	42,389	5,070
Write back of grant received	59,452	Nil
Income from vehicle hiring	Nil	160,000
Profit on disposal of fixed assets	53,724	768,031
	<u>803,872</u>	<u>2,105,231</u>
5 FINANCE COST		
Interest expense on overdrafts	2,251,717	716,062
Interest expense on loans & borrowings payable to		
Related parties	228,000	Nil
Bank	4,709,873	3,127,577
	<u>7,189,590</u>	<u>3,843,639</u>
6. LOSS BEFORE TAX		
Stated after charging/ (crediting)		
Transport costs	159,754	98,630
Provision for doubtful debts	(286,754)	(22,945)
Advertising costs	1,684,985	2,089,013
Auditors' remuneration fees	155,000	150,000
Depreciation	14,932,649	11,940,633
Renewals of property, plant and equipment (upkeep)	724,374	649,204
Write back of provision for breakages	Nil	(1,293,517)
Staff costs include		
- Defined benefit plan costs - Gratuity	586,136	329,000
- Defined contribution plan costs - EPF & ETF	1,739,771	1,541,056
Management fees	2,764,112	1,840,970
Donations	1,775	2,500
Legal fees	32,000	71,250
Profit on disposal of property, plant & equipment	53,724	768,031

Notes to the Financial Statements Contd...

Year ended 31 March 2009

	2009 Rs.	2008 Rs.
7 INCOME TAX		
Current income tax		
Current tax expense on ordinary activities for the year (7.1)	79,240	305,245
Over provision of current taxes in respect of prior years	(101,031)	(672,331)
Deferred income tax		
Reversal of deferred taxation (7.2)	(3,446,289)	(3,428,238)
	<u>(3,468,080)</u>	<u>(3,795,324)</u>
Reconciliation between current tax (income)/ expense and the product of accounting profit and applicable tax rates		
Accounting loss before Tax	(19,918,660)	(20,438,313)
Aggregate disallowed items	16,889,380	15,216,352
Aggregate allowable expenses	(11,658,999)	(12,045,703)
Aggregate allowable income	226,399	872,130
Taxable loss	(14,461,880)	(16,395,533)
Income tax		
Interest income	79,240	305,245
Current income tax expense	79,240	305,245

7.2 Deferred tax income

Deferred tax income arising due to

- Origination and reversal of timing differences	(3,446,289)	(3,428,238)
	<u>(3,446,289)</u>	<u>(3,428,238)</u>

7.2.1 Deferred tax asset, liabilities and income tax relate to the followings

	Balance Sheet		Income Statement	
	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
Deferred tax liability				
Capital allowance for tax purposes	5,952,551	7,214,603	(1,262,052)	(795,083)
Revaluation of buildings (Directly in equity)	6,213,643	6,402,017		
	<u>12,166,194</u>	<u>13,616,620</u>		
Deferred tax assets				
Defined benefit plans	267,841	268,560	719	(43,005)
Carry forward of unused tax losses	4,849,080	2,664,124	(2,184,956)	(2,590,150)
	<u>5,116,921</u>	<u>2,932,684</u>		
Deferred income tax (income)/expense			<u>(3,446,289)</u>	<u>(3,428,238)</u>
Net deferred tax liability	<u>7,049,273</u>	<u>10,683,936</u>		

7.3 Deferred tax has been computed using current effective tax rate of 15%.**8 LOSS PER SHARE**

8.1 Basic loss per share is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources.

Notes to the Financial Statements Contd...

Year ended 31 March 2009

8 LOSS PER SHARE (Contd...)

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

	2009	2008
	Rs.	Rs.
Net loss attributable to ordinary shareholders for basic and diluted Loss per share	(16,450,580)	(16,642,989)
Number of ordinary shares used as the denominator:	2009	2008
	Number	Number
Weighted average number of ordinary shares in issue applicable to basic		
Loss per share	5,859,000	5,859,000
Basic loss per share (Rs.)	(2.81)	(2.84)

9 PROPERTY, PLANT & EQUIPMENT

9.1 Gross carrying amounts

	Balance as at 01.04.2008	Additions/ transfers acquisitions	(Disposals)/ (transfers)	Balance as at 31.03.2009
	Rs.	Rs.	Rs.	Rs.
At cost/ cost incurred since last revaluation				
Buildings on leasehold land	39,755,529	4,424,636	Nil	44,180,165
Swimming pool	3,809,914	Nil	Nil	3,809,914
Furniture & equipment	71,431,646	1,404,305	(313,434)	72,522,517
Motor vehicles	3,404,275	44,280	Nil	3,448,555
Landscaping	2,247,939	192,675	Nil	2,440,614
Gasifier	Nil	3,510,925	Nil	3,510,925
	120,649,303	9,576,821	(313,434)	129,912,690
At valuation				
Freehold land	10,111,180	Nil	Nil	10,111,180
Leasehold Land	3,525,919	Nil	Nil	3,525,919
Buildings on freehold land	552,000	Nil	Nil	552,000
Buildings on leasehold land	86,096,750	Nil	Nil	86,096,750
Swimming pool	2,500,000	Nil	Nil	2,500,000
Landscaping	1,250,000	Nil	Nil	1,250,000
	104,035,849	Nil	Nil	104,035,849
Total value of assets	224,685,152	9,576,821	(313,434)	233,948,539

9.2 In the course of construction

	Balance as at 01.04.2008	Incurred during the year	Reclassified/ transferred	Balance as at 31.03.2009
	Rs.	Rs.	Rs.	Rs.
Building work-in-progress	5,363,965	2,897,015	(8,260,980)	Nil
Total gross carrying amount	5,363,965	2,897,015	(8,260,980)	Nil

Notes to the Financial Statements Contd...

Year ended 31 March 2009

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

9.3 Depreciation

	Balance as at 01.04.2008 Rs.	Charge for the year/ transfers Rs.	(Transfers)/ (disposals) Rs.	Balance as at 31.03.2009 Rs.
At cost/ cost incurred since last revaluation				
Buildings on leasehold land	2,794,763	1,563,519	Nil	4,358,282
Swimming pool	282,216	141,108	Nil	423,324
Furniture & equipment	33,424,721	9,666,545	(181,067)	42,910,199
Motor vehicles	2,721,367	100,473	Nil	2,821,840
Gasifier	Nil	117,031	Nil	117,031
	39,223,067	11,588,676	(181,067)	50,630,676
At valuation				
Leasehold land	377,778	125,926	Nil	503,704
Amortization of buildings on leasehold land	9,224,652	3,074,884	Nil	12,299,536
Buildings on freehold land	110,400	55,200	Nil	165,600
Swimming pool	300,926	87,963	Nil	388,889
	10,013,756	3,343,973	Nil	13,357,729
Total depreciation	49,236,823	14,932,649	(181,067)	63,988,405
Total net book value	180,812,294			169,960,134

9.4 Net book values

	2009 Rs.	2008 Rs.
At cost / cost incurred since last revaluation	79,282,013	86,790,201
At valuation	90,678,121	94,022,093
Total carrying amount of property, plant & equipment	169,960,134	180,812,294

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

During the year a revaluation was carried out on current use basis, by an independent Incorporated Valuer Mr. A.R. Ajith Fernando for the purpose of ascertaining the Fair Value of Leasehold land and building with its fixtures and fittings. Since the difference between the carrying value and the revalued amounts of the assets are not material to the Financial Statements, it was concluded to carry forward the balances as indicated in the Financial Statements as Net Book Value.

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

Class of asset	Cumulative depreciation if assets were carried at cost		Net carrying amount 2009	Net carrying amount 2008
	Rs.	Rs.	Rs.	Rs.
Buildings on Leasehold Land	51,614,524	26,050,234	25,564,290	26,891,001
Swimming pool	3,809,914	423,324	3,386,590	3,668,806

Notes to the Financial Statements Contd...

Year ended 31 March 2009

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

9.6 Property, plant & equipment includes fully depreciated assets having a gross carrying amount of Rs 10,189,566 (2008 - Rs. 1,257,737) which were in use during the year.

9.7 The Leasehold land revalued has been leased from the Sri Lanka Tourist Board. The lease expired on 25 July 2004 and has been renewed by Sri Lanka Tourist Board for a further period of 30 years up to 25 July 2034. The Company has constructed buildings on these properties. On the expiration of the lease term the Sri Lanka Tourist Board will pay to the Company the value of the buildings and improvements constructed with the written approval of Sri Lanka Tourist Board as assessed by the Chief Valuer.

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

The leasehold rights to land is disclosed under non current assets under Leasehold Property. The revised UITF ruling does not permit further revaluation of Leasehold Property. An amount of Rs. 3,148,141/- remains in the equity under Revaluation Surplus relating to previous revaluation of Leasehold rights to land.

10 INVESTMENTS	2009	2008
	Rs.	Rs.
Non-current		
Investment in equity securities (Note 10.1)	3,090,125	3,333,330
Write back of/ (Provision for) impairment	243,205	(243,205)
	3,333,330	3,090,125

10.1 Investments in equity securities - Non-current

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

11 INVENTORIES	2009	2008
	Rs.	Rs.
Food	887,610	976,784
Liquor, soft drink & cigarettes	937,425	986,445
House-keeping and maintenance	1,747,454	2,068,499
Laundry	47,748	21,910
	3,620,237	4,053,638

12 TRADE AND OTHER RECEIVABLES	2009	2008
	Rs.	Rs.
Trade debtors		
- related parties (12.1)	637,218	3,611,275
- other	7,375,768	4,317,428
	8,012,986	7,928,703
Less: Provision for doubtful debts	(299,930)	(586,684)
	7,713,056	7,342,019
Other debtors	325,886	3,091,225
	8,038,942	10,433,244
Advance and prepayments	1,499,157	1,039,190
Loans to company officers (12.2)	172,615	37,788
	9,710,714	11,510,222

Notes to the Financial Statements Contd...

Year ended 31 March 2009

12 TRADE AND OTHER RECEIVABLES (Contd...)

12.1 Receivable from Related Parties

		2009	2008
	Relationship	Rs.	Rs.
Diethelm Travel Lanka (Private) Ltd	Affiliate	637,218	Nil
Hemtours (Private) Ltd	Affiliate	Nil	3,611,275
		637,218	3,611,275

12.2 Loans to Company officers

Balance as at the beginning of the year	37,788	30,234
Loans granted during the year	481,230	437,825
Less: Repayments	(346,403)	(430,271)
Balance as at the end of the year	172,615	37,788

13 AMOUNTS DUE FROM RELATED PARTIES

		2009	2008
	Relationship	Rs.	Rs.
Serendib Hotels PLC	Parent company	122,817	3,100,000
Serendib Leisure Management Ltd.	Group company	3,206,765	3,265,078
		3,329,582	6,365,078

14 STATED CAPITAL

	2009	2008
14.1 Authorised		
Number of shares - Ordinary Shares	10,000,000	10,000,000

14.2 Issued and fully paid

	At the beginning of the year 01.04.2008	Issued for cash during the year	Issued for non cash consideration	At the end of the year 31.03.2009
	Number	Number	Number	Number
Number of shares				
- Ordinary shares	5,859,000	Nil	Nil	5,859,000
	Rs.	Rs.	Rs.	Rs.
Stated capital				
- Ordinary shares	97,650,000	Nil	Nil	97,650,000

15 RESERVES

	2009	2008
	Rs.	Rs.
Property, plant & equipment		
Balance as at the beginning of the year	38,379,988	39,734,200
Deferred tax effect on excess depreciation	188,374	188,374
Reversal of excess depreciation on revaluation surplus	(1,255,827)	(1,255,827)
Reversal of revaluation reserve related to leasehold land	Nil	(286,759)
Balance as at the end of the year	37,312,535	38,379,988

Notes to the Financial Statements Contd...

Year ended 31 March 2009

16 INTEREST BEARING LOANS & BORROWINGS

	2009		2009 Total	2008		2008 Total
	Amount repayable within 1 year Rs.	Amount repayable after 1 year Rs.		Amount repayable within 1 year Rs.	Amount repayable after 1 year Rs.	
Bank loans (Note 16.1)	7,005,980	14,526,462	21,532,442	7,072,000	15,856,000	22,928,000
Bank overdrafts (Note 24.2)	14,104,825	Nil	14,104,825	13,449,359	Nil	13,449,359
	21,110,805	14,526,462	35,637,267	20,521,359	15,856,000	36,377,359

16.1 Bank loan

	As at 01.04.2008 Rs.	Loans obtained Rs.	Repayment Rs.	As at 31.03.2009 Rs.	Term of repayment	Rate of interest
Commercial Bank of Ceylon PLC - Term loan (15Mn)*	7,928,000	Nil	(2,912,000)	5,016,000	35 monthly installments from Nov '06	Prime Lending Rate + 1% revised quarterly
Commercial Bank of Ceylon PLC - Term loan (15Mn)*	15,000,000	Nil	Nil	15,000,000	35 monthly installments from Aug '09	Prime Lending Rate + 3% revised monthly
Commercial Bank of Ceylon PLC - E-Friends Scheme II Loan	Nil	1,749,762	(233,320)	1,516,442	60 monthly installments from Aug '08	6.5% p.a.
	22,928,000	1,749,762	(3,145,320)	21,532,442		

* Capital recovery of the term loans were suspended from Nov '08 to July '09 and to recommence from Aug '09

17 NON-INTEREST BEARING LOANS AND BORROWINGS

	2009 Rs.	2008 Rs.
Non current		
Soft loan from Ministry of Tourism	657,000	657,000

The above loan has been obtained during the period 1983 -1985, and the repayments have not been finalised.

18 DEFERRED TAX LIABILITIES

	2009 Rs.	2008 Rs.
Balance at the beginning of the year	10,683,936	14,300,548
Release during the year	(3,446,289)	(3,428,238)
Deferred tax effect on excess depreciation	(188,374)	(188,374)
Balance at the end of the year	7,049,273	10,683,936

Notes to the Financial Statements Contd...

Year ended 31 March 2009

19 DEFERRED INCOME - GRANT RECEIVED

	2009	2008
	Rs.	Rs.
At beginning of year	700,000	Nil
Received during the year	1,050,000	700,000
Less: Amortization during the year	(59,452)	Nil
At end of year	1,690,548	700,000

The hotel introduced a Gasifier system for the steam boiler to replace the existing diesel burner with a wood burner. This has been considered as an environment friendly project and The Ceylon Chamber of Commerce has a grant facility for such projects under promotion of Eco Efficient Productivity (PEP) projects. The hotel received 50% of the total project cost as a grant (Rs 1.75Mn). The Gasifier started generating from 1 October 2008 and grant is amortised to the Income Statement on a straight-line basis over the expected useful life of the Gasifier of 15 years.

20 OTHER DEFERRED LIABILITIES

	Balance 01.04.2008	Charge for the year	Payments during the year	Balance 31.03.2009
	Rs.	Rs.	Rs.	Rs.
Retirement benefits obligation - Gratuity	1,790,398	586,136	(590,927)	1,785,607

The movement in the defined benefit obligations over the year is as follows:

	2009	2008
	Rs.	Rs.
Beginning of year	1,790,398	1,503,698
Charge for the year	869,422	329,000
Benefit paid	(590,927)	(42,300)
Actuarial gains	(283,286)	Nil
At the end of the year	1,785,607	1,790,398

The amounts recognised in the Income Statement are as follows;

Charge for the year	(869,422)	(329,000)
Actuarial gains	283,286	Nil
	(586,136)	(329,000)

As stated in Accounting Policy 2.4.12, as at 31 March 2009, an actuarial valuation was carried out by an independent actuary. The principal actuarial valuation assumptions used were as follows:

Discount rate (long-term)	12%
Future salary increases	10%

In additions to above, demographic assumptions such as mortality, withdrawal, disability and retirement age were considered for the actuarial valuation. In 2009, A67/70 mortality table issued by the Institute of Actuaries London was taken as the base for the valuation.

The provision for defined obligations is actuarially valued by Messrs Actuarial & Management Consultants (Pvt) Limited. The provision for defined benefit obligations is not externally funded.

Notes to the Financial Statements Contd...

Year ended 31 March 2009

21. TRADE AND OTHER PAYABLES

	2009	2008
	Rs.	Rs.
Trade payable	3,682,479	5,225,426
Other payables		
- Related parties (Note 21.1)	2,524,928	816,204
- Other	2,011,145	3,253,892
Sundry creditors including accrued expenses	6,356,049	5,439,457
	14,574,601	14,734,979

21.1 Payable to Related Parties

		2009	2008
	Relationship	Rs.	Rs.
Stafford Hotels PLC	Group company	1,665,154	490,161
Serendib Leisure Management Ltd.	Group company	859,774	326,043
		2,524,928	816,204

22. DIVIDENDS PAYABLE

	2009	2008
	Rs.	Rs.
Unclaimed dividends	519,928	522,088

23. AMOUNTS DUE TO RELATED PARTIES

		2009	2008
	Relationship	Rs.	Rs.
Serendib Hotels PLC	Parent company	3,664,749	264,896

24. CASH AND CASH EQUIVALENTS

24.1 Favourable cash & cash equivalents balance

	2009	2008
	Rs.	Rs.
Cash & bank balances	1,419,817	2,609,084
	1,419,817	2,609,084

24.2 Unfavourable cash & cash equivalent balances

	2009	2008
	Rs.	Rs.
Bank overdraft	(14,104,825)	(13,449,359)
Total cash and cash equivalents for the purpose of cash flow statement	(12,685,008)	(10,840,275)

25. COMMITMENTS AND CONTINGENCIES

The Company has no contingent liabilities as at 31 March 2009.

Notes to the Financial Statements Contd...

Year ended 31 March 2009

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.	
Leasehold Land and Buildings	Primary mortgage up to the value of Rs. 30 Mn to Commercial Bank of Ceylon PLC	113,619,097	113,832,864	Property, plant & equipment
Gasifier Equipment	Primary mortgage up to the value of Rs. 1.75 Mn to Commercial Bank of Ceylon PLC	3,393,894	Nil	Property, plant & equipment

27 EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events occurred after the balance sheet date that require adjustments to or disclosure in the Financial Statements.

28 DIRECTORS' INTERESTS IN CONTRACTS WITH THE COMPANY

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

	Serendib		Miami		Diethelm		Hemas	
	Serendib Hotels PLC	Leisure Mgt. Ltd.	Stafford Hotels PLC	Beach Hotels Ltd.	Hemtours (Pvt) Ltd.	Travels Lanka (Pvt) Ltd	Corporate Serv. (Pvt)Ltd.	Hemas Holdings PLC
Mr. E.J. De Soysa	x	x	x	x	-	-	-	-
Mr. A.N. Esufally	x	x	x	x	x	x	-	x
Mr. B.S.M. De Silva	x	x	x	x	-	-	-	-
Ms. A.R. Gamage	-	x	x	-	-	-	-	-
Mr. H.N. Esufally	x	x	x	-	x	x	x	x
Mr. L.P. Fernando	-	-	-	-	-	-	-	-
Mr. R.H.S. De Silva	-	-	-	-	-	-	-	-
Ms. K.A. Wilson								
(Alternate - Mr.H.N. Esufally)		-	-	-	-	-	x	-
Mr. W.M.De.F. Arsakularatne	x	x	x	-	x	x	x	-
Prof. L.D.K.B. Gamage								
(Alternate - Ms. A.R.Gamage)	x	-	-	-	-	-	-	-
Mr V.H.A.Perera								
(Alternate - Mr.A.N. Esufally)	-	-	-	-	-	x	-	-

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

The nature of the transaction are disclosed in note 29

Notes to the Financial Statements Contd...

Year ended 31 March 2009

29. TRANSACTIONS WITH GROUP COMPANIES

Nature of transaction	Name of the Company and Relationship												
	Serendib Hotels PLC		Serendib Leisure Management Ltd		Stafford Hotels PLC		Hemtoours (Pvt) Ltd.		Diethelm Travels Lanka (Pvt) Ltd.		Hemas Corporate Services (Pvt) Ltd.		Total
	Parent Company	Group Company	Parent Company	Group Company	Parent Company	Group Company	Parent Company	Group Company	Parent Company	Group Company	Parent Company	Group Company	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Sale of goods / services	Nil	Nil	160,000	Nil	Nil	5,547,077	10,480,759	3,184,663	Nil	Nil	8,731,740	10,640,759	
Purchase of goods / services	342,724	522,518	Nil	1,161,995	926,776	Nil	Nil	Nil	Nil	Nil	1,504,719	1,449,294	
Purchase of property, plant & equipment	Nil	11,686	Nil	Nil	11,686	Nil	Nil	Nil	Nil	Nil	Nil	23,372	
Receipt of services	57,747	38,905	66,980	5,719	60,635	121,615	Nil	Nil	Nil	Nil	185,362	166,239	
Loan granted	3,000,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	3,000,000	Nil	
Loan repayment	(3,100,000)	(1,000,000)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	(3,100,000)	(1,000,000)	
Finance income (interest income)	54,307	348,500	294,000	294,000	Nil	Nil	Nil	Nil	Nil	Nil	348,307	642,500	
Finance expense (interest paid)	228,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	228,000	Nil	
Management fees paid	Nil	Nil	2,764,112	1,840,970	Nil	Nil	Nil	Nil	Nil	Nil	2,764,112	1,840,970	
Accounting fees paid	Nil	Nil	240,000	240,000	Nil	Nil	Nil	Nil	Nil	Nil	240,000	240,000	
Secretarial & professional fees paid	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	132,000	132,000	120,000	
Expenses reimbursed	Nil	Nil	4,262,085	5,094,114	Nil	Nil	Nil	Nil	Nil	Nil	4,262,085	5,094,114	
	582,778	(78,391)	7,627,177	7,634,803	1,222,630	1,060,077	5,547,077	10,480,759	3,184,663	132,000	18,296,325	19,217,248	

Investor Information

General

The stated capital of the Company as at 31 March 2009 was Rs. 97,650,000/- divided into 5,859,000 ordinary shares.

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

Share Distribution

Range	31.03.2009			31.03.2008		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 to 1000	407	118,152	2.02	398	116,049	1.98
1,001 to 5,000	75	187,385	3.20	77	188,642	3.22
5,001 to 10,000	28	208,345	3.55	28	207,091	3.53
10,001 to 50,000	19	379,557	6.47	19	364,857	6.23
50,001 to 100,000	3	192,600	3.29	5	346,600	5.91
100,001 to 500,000	2	338,550	5.78	1	201,350	3.44
500,001 to 1,000,000	-	-	-	-	-	-
1,000,001 and above	1	4,434,411	75.69	1	4,434,411	75.69
	535	5,859,000	100.00	529	5,859,000	100.00

Analysis of Shareholders

	31.03.2009			31.03.2008		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Institutions	44	5,166,591	88.18	44	5,124,741	87.47
Individuals	491	692,409	11.82	485	734,259	12.53
	535	5,859,000	100.00	529	5,859,000	100.00

Public Holding

22.51% of the Issued Shares were held by the Public as at 31 March 2009. (2008 – 22.54%)

Investor Information Contd...

Share Trading

	2009	2008
Highest Market Price (Rs)	34.00 (18.02.09)	38.25 (04.10.07)
Lowest Market Price (Rs)	18.00 (26.11.08)	24.25 (09.08.07)
Last Traded Price (Rs)	24.50 (31.03.09)	32.00 (19.03.08)
No. of Shares Traded	234,000	303,300
No. of Trades	383	135
Turnover (Rs)	6,648,750	10,121,550

Major Shareholding

The Twenty major shareholders

As at	31.03.2009		31.03.2008	
	No. of Shares	%	No. of Shares	%
Serendib Hotels PLC	4,434,411	75.69	4,434,411	75.69
J. B. Cocoshell (Pvt) Ltd.	199,650	3.41	201,350	3.44
Alliance Finance Co. PLC	138,900	2.37	100,000	1.71
Deshamanya J. C. L. De Mel	72,000	1.23	72,000	1.23
Mr. E. J. De Soysa	70,000	1.19	70,000	1.19
The Mahayaya Estates Company Ltd	50,600	0.86	50,600	0.86
Favourite Investments (Pvt) Ltd	42,000	0.72	42,000	0.72
Mercantile Investments Ltd.	38,900	0.66	38,900	0.66
WML/ Delmege Forsyth & Co. (Shipping) Ltd	31,400	0.54	31,400	0.54
Mr. S A O A Abo Qamaz	29,000	0.49	-	-
Lewis Brown Air Services (Pvt) Ltd	22,800	0.39	22,800	0.39
Delmege Interior Décor (Pvt) Ltd	20,000	0.34	20,000	0.34
Delmege Forsyth & Co. (Shipping) Ltd	20,000	0.34	20,000	0.34
WML/ Mrs. G. Soysa	20,000	0.34	20,000	0.34
Mr. B. S. M. De Silva	19,500	0.33	19,500	0.33
Mr. N. J. H. M. Cooray	18,100	0.31	18,100	0.31
Mr. M. M. A. Cassim	15,750	0.27	15,750	0.27
Mr. O. R. Kreltszheim	15,480	0.26	15,480	0.26
Mr. F G N Mendis	15,000	0.26	15,000	0.26
C W Mackie PLC	14,000	0.24	14,000	0.24
	5,287,491	90.24		
Shares held by the balance shareholders	571,509	9.76		
	5,859,000	100.00		

Form of Proxy

I/We
of

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

Mr. E. J. De Soysa	or failing him
Mr. A. N. Esufally	or failing him
Mr. L. P. Fernando	or failing him
Mr. R H S De Silva	or failing him
Mr. B. S. M. De Silva	or failing him
Ms. A. R. Gamage	or failing her
Mr. H N Esufally	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 Thirty Fifth Annual General Meeting of the Company to be held on **Friday, 17th July 2009 at 3.00 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 31st March 2009 together with The Report of the Directors and Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. R H S De Silva who retires by rotation in terms of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Mr. E J De Soysa, as Director in terms of Section 211(1) of the Companies Act No 7 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Messrs PricewaterhouseCoopers as Auditors and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorize Directors to determine and make contributions to Charity.	<input type="checkbox"/>	<input type="checkbox"/>

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

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

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

REGISTERED OFFICE : 2nd Floor, Automobile Association Building,
40, Sir Mohamed Macan Marker Mawatha,
Colombo 03.
Tel: + 94 (11) 2332155 - 8
Fax: + 94 (11) 2438933
E-mail: inquiries@serendibleisure.lk
Website: www.serendibleisure.com

COMPANY REGISTRATION NO : PQ 81

SECRETARIES & REGISTRARS : Hemas Corporate Services (Pvt) Ltd.
36, Bristol Street,
Colombo 01.
Tel: + 94 (11) 4731731
Fax: + 94 (11) 4731777

MANAGING AGENT : Serendib Leisure Management Ltd.

AUDITORS : PricewaterhouseCoopers
Chartered Accountants
100, Braybrooke Place,
Colombo 02.

BANKERS : Commercial Bank of Ceylon PLC.

HOTEL : Hotel Sigiriya
Sigiriya
Tel: + 94 (66) 2286821-2
Fax: + 94 (66) 2286820

Serendib Leisure Management Ltd.

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