

embrace change

Aitken Spence Hotel Holdings PLC
Annual Report 2008/09

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embracing change

preserving . creating . evolving . expanding . serving

Throughout our 30 year history, Aitken Spence Hotel Holdings has offered world-class standards of service to Sri Lankans while taking our own brand of famous Sri Lankan hospitality to the world.

Through our strong portfolio of branded luxury hotels and high-end resorts in Sri Lanka, Maldives, India and Oman we have maintained our position as a regional leader in the hospitality industry.

We are confident that the year ahead will be a positive one despite the challenges that impacted our business last year, and we are confident that we will continue to perform well by identifying and exploiting more opportunities for future expansion and growth, both locally and overseas.

Sri Lanka

Heritance Kandalama

“Blending perfectly with the natural environment, while preserving the principles of sustainable tourism.... Aitken Spence Hotels continues to be one of the world’s most environmentally friendly hotel operating companies...”



The Tea Factory

preserv



Sri Lanka

Heritage Ahungalla

“Today, we look back on a year of sustained operations through a turbulent period, with fresh hope and energy to take on any challenge ahead. In keeping with our strategy to keep growing, we remain focused to create newer opportunities that will open further vistas of growth”.



Neptune Hotel



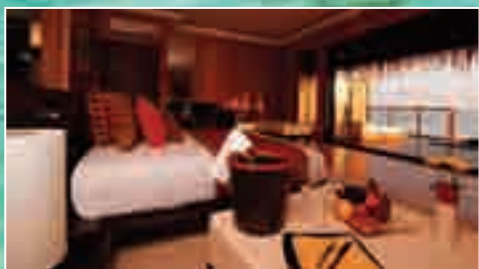
Neptune Ayurveda

creat



Maldives

Adaaran Prestige Ocean Villas
HudhuRan Fushi



Adaaran Prestige Vadoo



Adaaran Prestige Water Villas
Meedhupparu



Adaaran Select HudhuRan Fushi



Adaaran Select Meedhupparu

evolv

“Maldives has been a stronghold for the Group since the commencement of our operations in this market. In today’s customer-driven marketplace, we take note of changing environments, anticipating the process of change and evolving to bring the finest service and care to every guest.”



Adaaran Club Rannalhi



Adaaran Ayurveda Village
Meedhupparu

India

Barefoot at Havelock
Andaman Islands



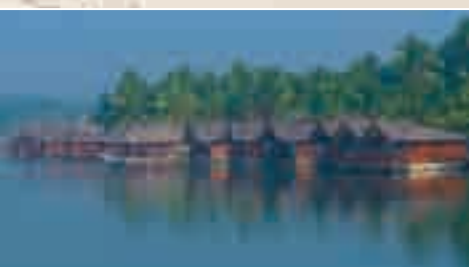
Heritage Madurai



Atithi Pondicherry

expand

“From an operational perspective, increased emphasis on overseas expansion has placed the company on a strong footing, spreading our risk and adding new avenues to profitability...”



Poovar Island Resort



Poovar Ayurveda Village

Oman

Desert Nights Camp



“Over its history of 30 years Aitken Spence Hotel Holdings has continuously offered world-class standards of service to Sri Lankans while taking the best of our own famous Sri Lankan hospitality to the world.”



Al Falaj Hotel



Ruwi Hotel

serving

- preserving
- creating
- evolving
- expanding
- serving



Sur Plaza Hotel



Al Wadi Hotel

Our Brands



Sri Lanka

The Tea Factory, Nuwara Eliya
Neptune Hotel, Beruwala
Neptune Ayurveda Village, Beruwala
Browns Beach Hotel, Negombo
Hotel Hilltop, Kandy
Earl's Regency, Kandy
Ramada Resort, Kalutara
Bandarawela Hotel, Bandarawela

India

Poovar Island Resort, Trivandrum
Poovar Ayurveda Village, Trivandrum
Barefoot at Havelock, Andaman Islands
Atithi, Pondicherry

Oman

Desert Nights Camp, Al Wasil
Al Falaj Hotel, Muscat
Ruwi Hotel, Muscat
Sur Plaza Hotel, Sur
Al Wadi Hotel, Sohar



Sri Lanka

Heritance Ahungalla
Heritance Kandalama

India

Heritance Madurai

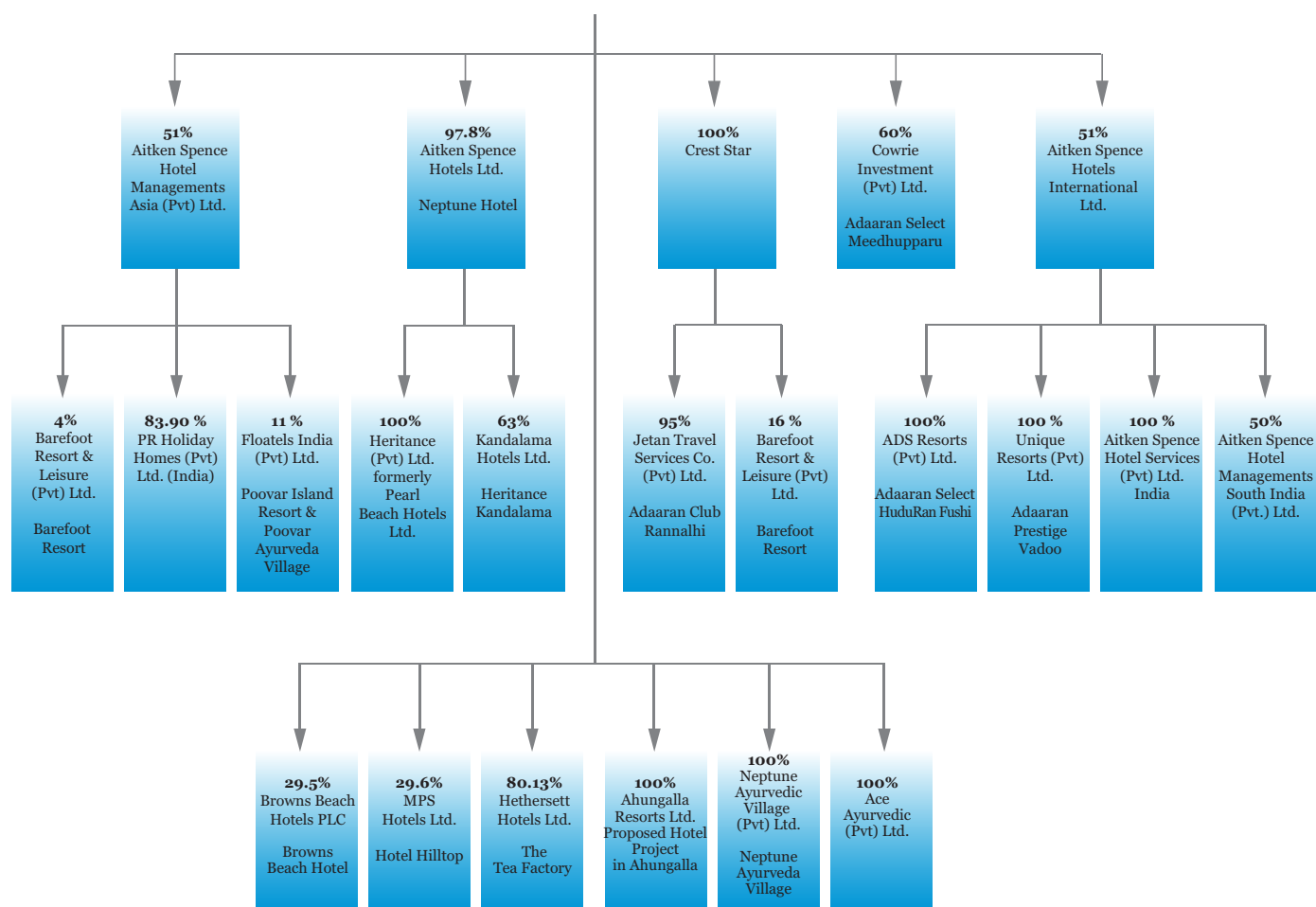


Maldives

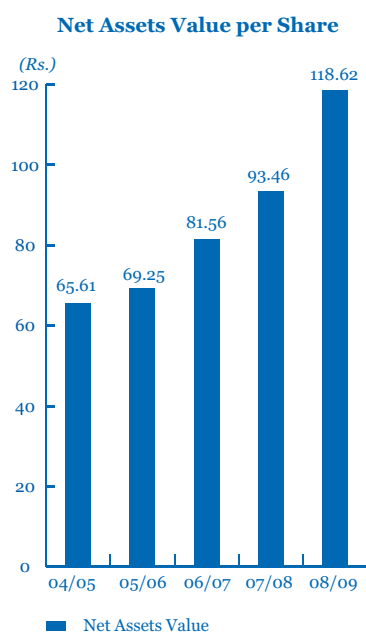
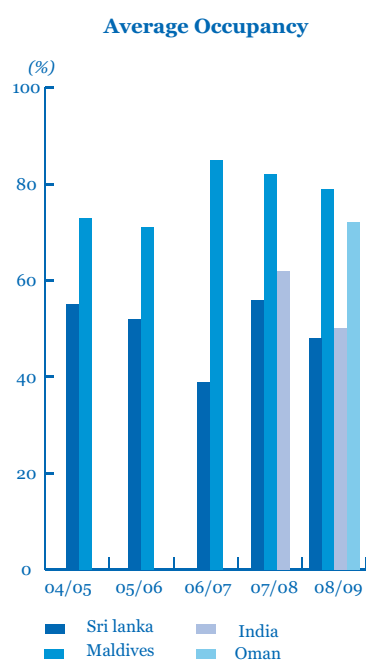
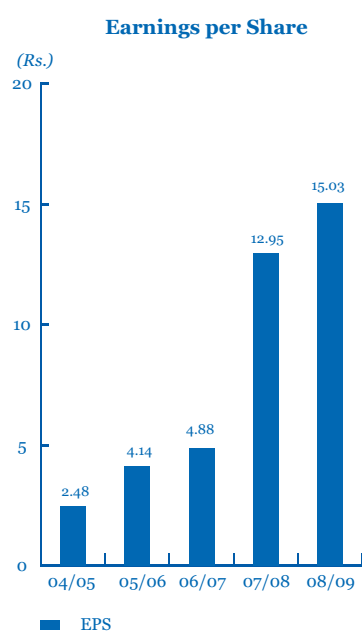
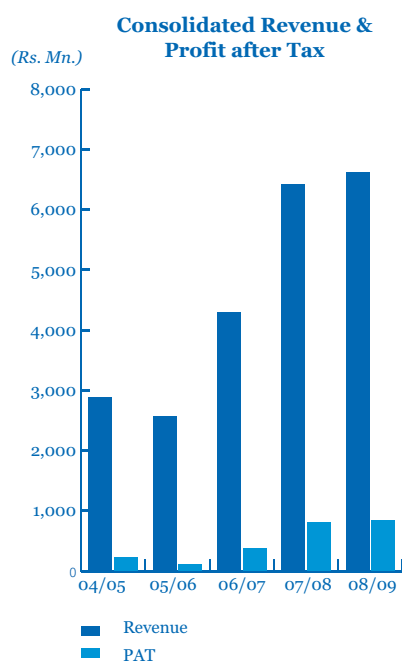
Adaaran Prestige Vadoo
Adaaran Prestige Water Villas, Meedhupparu
Adaaran Prestige Ocean Villas, HudhuRan Fushi
Adaaran Select Meedhupparu
Adaaran Select HudhuRan Fushi
Adaaran Ayurveda Village Meedhupparu
Adaaran Club Rannalhi

Group Portfolio

Aitken Spence Hotel Holdings PLC Heritage Ahungalla



Five Years at a Glance



Group Financial Highlights

Performance for the Year		2008/09	2007/08
Gross Revenue	Rs. '000	6,611,893	6,412,699
Group Profit Before Tax	Rs. '000	845,333	810,860
Group Profit After Tax	Rs. '000	824,358	789,566
Group Profit Attributable to Equity Holders of Parent	Rs. '000	592,587	512,651
Ordinary Dividend Proposed	Rs. '000	19,217	38,433
Dividend per Share	Rs.	0.50	1.00
Earnings per Share	Rs.	15.03	12.95
EPS Growth	%	16.08	165.37
Cost of Finance	Rs. '000	368,723	362,461
Increase in Cost of Finance	%	1.73	39.01
Interest Cover	No. of times	3.30	3.22
Return on Equity	%	12.67	13.86
Pre Tax ROCE	%	8.53	10.13
Position as at Year End			
Total Assets	Rs. '000	12,711,371	10,568,278
Long Term Interest Bearing Borrowings	Rs. '000	3,746,361	2,930,155
Total Equity	Rs. '000	6,070,129	4,976,809
Number of Shares in Issue	000 's	38,433	38,433
Net Assets per Share	Rs.	118.62	93.46
Debt/Equity	%	66.24	64.32
Debt/Total Assets	%	30.77	29.29
Current Ratio	%	0.74:1	0.87:1
Quick Asset Ratio	%	0.67:1	0.80:1
Market/Shareholder Information			
Market Price per Share	Rs.	90	93
Market Capitalization	Rs. '000	3,458,983	3,574,282
Price Earnings Ratio	No. of times	5.99	7.18
Dividend Payout	%	3.3	7.7
Dividend Yield	%	0.56	1.08
Value Added			
To Government	Rs. '000	321,636	343,325
To Employees	Rs. '000	857,989	760,721
To Providers of Capital	Rs. '000	600,494	639,376
To Shareholders	Rs. '000	34,067	53,283
Retained for Reinvestment and Future Growth	Rs. '000	1,156,979	995,809
Total Value Added	Rs. '000	2,971,165	2,792,514



D.H.S. Jayawardena
Chairman

“Aitken Spence Hotel Holdings has constantly set the pace through service innovation. A trend setter can only achieve optimum success if a certain dynamism is displayed in order to fulfill one’s goals. At Aitken Spence Hotel Holdings, we have witnessed, we have encouraged and we have embraced the strength of this dynamism. We believe it to be the ‘spirit’ of our company.”

Chairman's Review

“Embracing Change: the prescription for future success”

Across the globe we have seen over the year 2008/09, corporates from all sectors of business and industry face the ultimate litmus test. Described as what could possibly be the worst economic recession since the Great Depression, the world economy has witnessed a startling depression in demand, detonating a vicious cycle of economic lethargy.

Naturally, the impact of the downturn cascaded and affected Sri Lanka's already struggling tourism industry. The impact on Maldives, India and Oman where we operate hotels although significant, was comparatively low.

Due to the hotel portfolio spread across the region and constant adaptation to change, Aitken Spence Hotel Holdings has once again beat the odds and reported a healthy profit.

Our achievements have been propelled by supportive shareholders and fuelled by a committed Management and Staff, an equation that enabled the Company to face continuous challenges over the years.

In this light, it gives me great pleasure to present the Annual Report and Audited Accounts of Aitken Spence Hotel Holdings PLC for the financial year 2008/09.

Industry challenges

The International Monetary Fund (IMF) has predicted that the current global financial downturn is set to continue through 2009. The world economic growth slowed to 3.9 per cent in 2008 and is expected to further decline to 3 per cent in 2009. Undoubtedly, the economic and financial crisis has dramatically altered the shape of the global landscape for travel and tourism. Multiple forces including a liquidity dry up, commodity price rises, increases in inflation has resulted in a dramatic drop in consumer demand with leisure and hospitality witnessing the most glaring of declines. The Tourism industry therefore will have a challenging time in the year ahead.

For Sri Lanka's tourism industry the global economic meltdown has been an additional woe. Sri Lanka's traditional tourism originating markets are predominantly from Western Europe - UK, Germany and France - all of which have been reeling from the shock of the downturn. Decreased arrivals as a result of the recession have heavily impacted the industry with small and medium players pushed to breaking point due to a drop in revenue. During the year under review, the industry suffered a multi-pronged onslaught as the nation's war against terror garnered greater international focus. This together with the economic scenario resulted in a steep drop in revenue for almost all industry stakeholders.

Currently the industry faces a price war with almost all regional markets engaging in price cutting in an effort to entice a shrinking potential traveller segment. However, Sri Lanka's ability to attract international travellers remained marred by misperceptions surrounding safety despite low cost offers and promotional efforts. With the military conflict coming to an end the international perception on travel to Sri Lanka would certainly change and we expect a surge in inbound travel.

Other challenges faced by the industry include:

1. Permanence in peace for the nation and its people.
2. Focused, strategic destination marketing on par with that of competitor nations in the region.
3. Contraction in specialized and experienced human resources due to the prevalence of a high incidence of labour migration. Hence a focused strategy to develop human resources for the future.
4. Increased air-links into Sri Lanka, thereby enhancing accessibility.
5. Upgrading of the depleted hotel product in Sri Lanka.

Maldives performed reasonably well despite political change in the country and so was India and Oman. However, all these three destinations have begun to feel the pressure of the world recession and we expect a substantial dip in occupancy and prices in the months ahead.

Chairman's Review

Future Potential

I am a firm believer that by embracing change, one can shape the future. In much the same way, Aitken Spence Hotel Holdings has demonstrated that its continued success over the years has been its openness to change in line with consumer trends, expectations and the changing world economics.

Sri Lanka

With terrorism in Sri Lanka being militarily defeated and with relative peace expected in the months ahead we expect a surge in arrivals to Sri Lanka despite the prevailing global economic melt down. With the government's commitment to finding a lasting political solution we firmly believe that Sri Lanka holds great potential for growth as a high yield destination. At Aitken Spence Hotel Holdings we are confident that this scenario will be a reality and hence our product and service offer continues to be one of high value.

Contingency marketing initiatives in emerging markets such as India, China, East Asia, Middle East and Eastern Europe will continue to be revenue generators in the short & medium term and will off-set the gradual shaving of revenue from traditional markets. Increased emphasis on domestic tourism will in the immediate future serve to boost revenues to sustain operations.

Tourism Promotion Gains Momentum

With the implementation of the new Tourism Act No. 38 of 2005 in August 2007, we have witnessed an enhanced effort at destination marketing through the newly established Sri Lanka Tourism Promotion Bureau. Indeed, over the last financial year the resources allocated to destination market and the strategic direction mapped for Sri Lanka Tourism leaves us hopeful that through collective and collaborative effort Sri Lanka will in the medium term re-emerge as a tourism destination of repute.

Accessibility key in post conflict marketing

A successful post-conflict marketing strategy for Sri Lanka relies on the implementation of an open skies policy. Despite Sri Lanka's entry into an open skies policy in 2004, the full gamut of advantages arising from the implementation of such a policy has not been realized. It is essential that bilateral open skies policies with a greater number of individual nations and a wider open skies framework is put into practice for the growth of both the aviation as well as the tourism industry in Sri Lanka.

Maldives

Maldives had the advantage of having a high price and occupancy base. Hence the destination has been able to withstand the recessionary pressure than it's competing destinations in the region. However, due to high lease rents and fixed cost, Maldives hotels will have a challenging year ahead to maintain its profit streams.

Embracing Change through Strategic Expansion

Over the last three years Aitken Spence Hotel Holdings undertook an ambitious drive aimed at strategic expansion to set up operations in hotel management in India and Oman whilst consolidating its existing operations in Maldives. Essentially, this strategic expansion was the outcome of a diligent risk mitigation strategy wherein the Company spread its risk perceptively to overcome the Company's concentration on returns from Sri Lanka and the Maldives.

As the full impact of the global downturn becomes evident, I am pleased to note that this pre-emptive strategic decision has paved the way for mitigating losses by balancing returns from different markets. Both in Sri Lanka and Maldives we have continued to invest and maintain our hotel properties in pristine condition with an evident "cut above the rest". As a result we are well positioned to reap maximum benefits in an upturn in relation to our competitors.

In Conclusion

I extend my sincere appreciation to the Board of Management who has worked diligently towards creating greater value for our shareholders. Our Management and staff have worked with unwavering passion to deliver the vision and objectives laid before them and our shareholders for supporting our endeavors at all times. Appreciations are also due to all stakeholders including tour operator partners as well as our esteemed clients who have been the inspirations for our growth.

D.H.S. Jayawardena

Chairman

26th May 2009

Managing Director's Review



J.M.S. Brito

Managing Director

“As a leader in the hospitality industry in Sri Lanka, our global outreach, experience and expertise has been further strengthened by our forays into the highly competitive Maldivian, Indian and Omani markets.”

Managing Director's Review

Acknowledgement of Status

The financial year 2008/09 proved to be one of the most challenging years in recent history not only for those in the tourism industry but for the majority of enterprises across the world. In the aftermath of the sub-prime crisis in late 2007, the global economy encountered recessionary pressures stemming from a sharp decline in economic activity in the United States. Consequently, a slowdown in advanced economies, which are facing a contraction in gross domestic product for the first time since World War II, has already spread to major emerging markets such as China and India.

With tourism declining exponentially worldwide a direct knock-on effect of shrinking discretionary expenditures affected tourism dependent enterprises, across the world. Please see the Operational Review for an in-depth review of global trends. Whilst the UNWTO predicts a revival in the year 2010, most operators are expressing concern that many small scale tourism operations may be forced into liquidation during the year 2009. In Sri Lanka, whilst the tourism prospects during the year under review fell short of expectations due to an escalation of the war against terror and accompanying media reports in international markets, the local tourism industry reeled more harshly from the effects of the global recession. Our overseas operations too witnessed declines and from an operational perspective yielded declining returns in part due to currency devaluations whilst Sri Lanka retained currency value.

Despite these challenges Aitken Spence Hotel Holdings continued to operate with vigour in the realisation that the current external environmental impacts will, in the medium term be resolved. With the end of the armed conflict in Sri Lanka we are enthusiastic and confident that there would be a surge in arrivals. However, the true potential of Sri Lanka will only be seen with the recovery of the global economies. We strongly believe that Aitken Spence is well placed to exploit this future growth in the industry. Strategic innovation executed in the recent past and a corporate culture well attuned to embracing change

will be the foundation for future success. Consolidation in Sri Lanka and our strategic expansion into the region continues to be the core pillars for future wealth creation. Through the effective implementation of a strategy that aims to acquire and manage a diverse range of properties in tourism growth markets, Aitken Spence Hotel Holdings will capitalise on the core competencies established in the Sri Lankan hospitality industry. By pitching our service and product delivery well above the norm we have continued to set ourselves apart from the rest, both locally and in the region.

Summary of Performance

During the year in review, your Group's performance was a Profit before Interest and Taxation of Rs. 1,217 million compared to Rs.1,168 million reported the previous year. For details of revenue and profits, please refer to the Financial Review, pages 38 to 42 of this report.

Sustainability is a core belief at Aitken Spence Hotel Holdings, which guides all our planning and operations. Having pioneered sustainable tourism in the region, we continuously renew our commitment to ensure best practices in environmental and social governance are maintained in accordance with the principles of the United Nations Global Compact and the Millennium Development Goals.

Our hotels maintain strict environmental and food safety standards in line with international benchmarks. In the short term, we expect all our Sri Lankan hotels to be ISO 14001, Green Globe and ISO 22000/HACCP certified while in the medium term, we expect our international properties to follow suit. Each of our hotels work closely with neighbouring communities to bring about and facilitate social mobilisation with the objective of enhancing people's livelihoods.

In taking our commitment to Sustainability further, during the year under review we have embarked on GRI-based Sustainability Reporting in a bid to quantify our efforts towards sustainable business and reduction of our carbon

Managing Director's Review

footprint. Please refer to pages 54 to 66 of this report. I believe we are the first in the leisure and hospitality sector to do so.

Embracing Change in a Challenging Environment

Sri Lanka

During the year our operations in Sri Lanka were wedged in a cycle of decline. A scenario of below market prices together with moderate occupancies was further aggravated by the first signs of an impending price war in the region. Travel advisories served in decreasing, high yield Western European travellers. Returns further declined due to the changing shape of market dynamics. As arrivals enlarged from the Asian region over and above that of European arrivals, shorter duration of stays yielded lower revenues. However, an increased interest from Eastern European and Middle Eastern travellers were evident during the year.

Although the Sri Lankan hotels have not provided adequate financial returns in the recent past we have successfully “showcased” the resorts for our overseas expansion process with many of our current management contracts secured on the sole strength of the management success of our resorts. The excellence in operations and service allowed the Company to pitch itself well above that of other international contenders, a rare achievement and one that we at Aitken Spence are proud of.

Our “Diamond Club” loyalty programme gained significant popularity with an impressive enlargement of the member base evident during the year. The Club served as not only a unique but also an effective means through which we engaged the domestic traveller. In a challenging environment, I am pleased to note that by leveraging new media and technology we have been able to create excitement around our brand for domestic travellers. This resulted in our properties yielding a high return from domestic tourists without the need for price revisions or promotions and thus, displaced a significant impact of the international traveller downturn.

The success of the government in liberating the North and Eastern provinces heralds a new era for tourism in the regions. We will enthusiastically take advantage of this opportunity and harness the appeal of this untouched tourism potential. It is pertinent to mention that the parent company, Aitken Spence PLC has 100 acres of prime beach front land in Nilawali and with the return of normalcy to the province, the Company will be developing an environmentally friendly modern resort.

Maldives

Changes in the political front created certain amount of uncertainty during the last year. With new policies in place for labour recruitment and retrenchment, it now seems that the tourism businesses based in the Maldives will be less agile to changing environments as the labour laws become more binding for employers.

Additional 37 water bungalows were built at Adaaran Select HudhuRan Fushi and 16 additional water bungalows at Adaaran Club Rannalhi.

Renovations to Adaaran Prestige Vadoo were completed in a record time of 10 months in comparison with the normal standard of 18 months required for a project of this nature. It remains one of the few projects completed whilst majority of the new islands awarded under the tourism strategic plan appear not to have been even commissioned.

The Company divested its stake of Adaaran Club Bathala during the year as it had only an operational lease for a further 3 years. The resort was one of the very first owned by the Company and hence subsequent to a due diligence the decision to sell was based on the attractiveness of the offer price.

In the coming financial year the Company anticipates a number of challenges in the Maldivian market specific in relation to a decline in tourist arrivals and the resultant market forces. It is anticipated that profitability in the year 2009/10 will be determined as to how soon the world economy recovers and the effects of price cuts and promotional offers.

Oman

The hotels managed in Oman performed exceptionally well during the year recording average occupancies well above 70 per cent. An additional tourism experience was included into the portfolio through the introduction of a luxury desert camp. However, this resort is yet to realise its full potential given that it is still in its infancy.

Oman Air is billed to commence operations to Sri Lanka from August 2009 which will enable the Company to offer three sector holidays, in the future.

India

The Company witnessed a decline in the performance of its properties in India in the aftermath of the Mumbai terror incident.

Two sales offices were opened in Chennai and Bangalore, in a bid to further our distribution channels whilst a regional administration office commenced operations in Chennai. These will actively sell our properties in Sri Lanka, Maldives, Oman and India. We hope to garner a greater interest from the exploding outbound tourism market in India through the use of direct distribution channels.

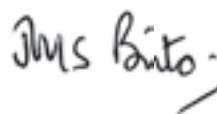
In Conclusion

I am happy to note that we remain amongst very few companies who have posted favourable financial results in the industry, an achievement that reflects our ability to adapt to the changing competitive scenario and being different to all other in the market, through the consistent embracement of change. Maintaining consistently high service levels also have been a key contributor to our achievements.

Our passion for the people who we consider to be the backbone of this operation and the heart and soul of Aitken Spence Hotels has been a constant. I must therefore, reiterate our dedication to the well-being of the environment, the communities within which we operate, our employees, our shareholders, suppliers, our customers,

partners and all stakeholders who are centre of our operations.

Appreciation is due to all our stakeholders for the support and encouragement without which we would not have achieved what we have today and also to the Management team at Aitken Spence Hotels in Colombo and Male and the staff at our hotels for their dedication and untiring efforts to steer the Company forward. To the Board of Directors, my sincere appreciation for their visionary guidance.



J.M.S. Brito
Managing Director

26th May 2009

Board of Directors

Mr. D.H.S Jayawardena

Mr. Harry Jayawardena is one of Sri Lanka's most successful businessmen, and heads many successful enterprises in very diverse fields of activity. He is the Founder Director and current Chairman/Managing Director of the Stassen Group of companies - a diversified Group in exports and import trade, and Lanka Milk Foods (CWE) Ltd. He is also the Chairman of the Distilleries Company of Sri Lanka Ltd., the Sri Lanka Insurance Corporation, Lanka Bell (Pvt) Ltd., and a Director of Hatton National Bank PLC, the largest listed bank in Sri Lanka. He is presently the Honorary Consul for Denmark.

Mr. Jayawardena was appointed to the Board of Aitken Spence PLC, on 1st April 2000 and has been Chairman of the Company since 25th April 2003.

Mr. J.M.S. Brito

Mr. Rajan Brito is a Law Graduate of London University, a Fellow of the Institute of Chartered Accountants of England and Wales and obtained a Master's Degree in Business Administration from the City Business School, London. Together with this multi-disciplined knowledge, he also brings with him a wealth of 25 years of international experience working with Price Waterhouse - London, British EverReady PLC, Minmetco Group, World Bank and PERC. Presently Mr. Brito is Chairman of the Development Finance Corporation of Ceylon and the DFCC

Vardhana Bank. He is a former Chairman of Sri Lankan Airlines, and was a non-executive Director of Sri Lanka Insurance Corporation, the Strategic Enterprise Management Agency and the Task Force for Rebuilding the Nation.

Mr. Brito was appointed to the Board of Aitken Spence & Co. Ltd. in April 2000; Managing Director in January 2002; and Deputy Chairman and Managing Director in April 2003.

Mr. R.E.V. Casie Chetty

Mr. Ranjan Casie Chetty is the Company Secretary of Aitken Spence PLC., and a Director of Aitken Spence Group Ltd, Aitken Spence Hotel Holdings PLC, and various other companies in the Aitken Spence Group. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, a Fellow of the Chartered Institute of Management Accountants of UK and a Fellow of the Certified Management Accountants of Sri Lanka. He is also a Member of the Chartered Management Institute of UK and has been awarded the Joint Diploma in Management Accounting Services.

He has over 35 years post qualifying experience. During this period he has held very senior and responsible positions in extremely respectable private sector organisations. He has been actively involved in numerous committees of Professional Institutes and Chambers of Commerce. He served as a Member of the Advisory



Commission constituted under the Companies Act No. 17 of 1982. He is currently a Member of the Council of the Employers Federation of Ceylon and an Executive Committee Member of the Chartered Management Institute- Sri Lanka Branch. He was a former Chairman of the Sri Lanka Apparel Exporters Association.

Mr. S.M. Hapugoda

Mr. Malin Hapugoda heads the Hotel Sector of the Group. He is a professional hotelier counting many years of managerial experience at senior level within several hotel companies and is an Honorary Member (Past President) of the Tourist Hotels' Association of Sri Lanka and a Member of the Tourism Cluster of the National Council for Economic Development (NCED).

He is a Fellow of the Chartered Institute of Management, UK. He is a graduate of the Sri Lanka Institute of Tourism & Hotel Management (SLITHM) and is a Fellow and Founder President of the Ceylon Hotel School Graduates Association. He holds a Diploma in Hospitality, Restaurant and Institutional Administration from the Rayerson Institute of Technology, Toronto, Canada.

Mr. C.M.S Jayawickrama

Mr. Susith Jayawickrama an Associate Member of the Chartered Institute of Management Accountants UK, is presently the Director General Manager of Aitken Spence Hotels and serves on the Boards of several hotel companies

in the Group. He has extensive experience at senior management positions in the Group's hotel sector for almost two decades and has considerable exposure in the tourism industry in Sri Lanka and overseas. He is also a member of the Tourist Hotels Association of Sri Lanka (THASL) Executive Committee.

Mr. K.A.A.C. Perera

Mr. Chethiya Perera is the Chief Executive Officer of the Maldives sector. He is a Fellow of the Ceylon Hotel School Graduates Association and is a Member of HCIMA-UK and the Institute of Management UK. He has had extensive overseas training and has considerable industry experience, particularly in the Maldives. He also serves as Managing Director of the hotel companies in Maldives and counts over two decades of experience with the Aitken Spence Group.

Mr. G.P.J. Goonewardene

Mr. Gemunu Goonewardene is the Director, Food and Beverage Services of Aitken Spence Hotels. He is a Graduate of the Ceylon Hotel School and a Fellow of CHSGA. He has had extensive overseas training and experience and was a former member of the Sri Lanka Tourist Board Hotels Classification Committee. He counts over three decades of experience with the Aitken Spence Group.



Corporate Management Team



Mr. J.M.S. Brito



Mr. S.M. Hapugoda



Mr. C.M.S. Jayawickrama



Mr. K.A.A.C. Perera



Mr. G.P.J. Goonewardene



Mr. Rohitha Rajarathne



Mr. Hussain Jayah



Mrs. Janaki Perera



Mr. Mangala Wijesekera



Mr. Pradeep De Alwis



Mr. B.H.R. Sariffo'deen



Mr. Upul Gamage



Mr. Tilak Gunawardana



Mr. Danesha Perera



Mr. S.A. Nanayakkara

Mr. J.M.S. Brito

(Profile on page 24)

Mr. S.M. Hapugoda

(Profile on page 25)

Mr. C.M.S. Jayawickrama

(Profile on page 25)

Mr. K.A.A.C. Perera

(Profile on page 25)

Mr. G.P.J. Goonewardene

(Profile on page 25)

Mr. Rohitha Rajarathne

Mr. Rohitha Rajarathne is the Head of Engineering at Aitken Spence Hotels.

He is a Chartered Mechanical Engineer by profession and counts over two decades of professional experience after graduating from the University of Moratuwa. He served in the Sri Lanka Navy for over a decade and has had extensive overseas training and experience.

He has obtained a Postgraduate Marine Engineering qualification from Germany and holds a MBA from the University of Colombo. He is a Fellow Member of the Institute of Engineers, Sri Lanka.

Mr. Hussain Jayah

Mr. Hussain Jayah is the Head of Marketing and Sales at Aitken Spence Hotels. He comes with a wealth of experience, and counts over 28 years in the Travel, Hospitality and Aviation industries. In the hospitality arena, he has been with international hotel chains, such as The Colombo Hilton, and thereafter headed the Marketing and Sales Department of the Taj Group of Hotels in Sri Lanka.

In his previous tenure of 16 years with Sri Lankan Airlines, he held managerial positions in the Promotions, Public Relations, Commercial Departments and was also posted in Saudi Arabia, Oman and Thailand as Country Manager. He represented Sri Lankan Airlines in the Tourism Masterplan Committee of Sri Lanka.

Mrs. Janaki Perera

Mrs. Janaki Perera is the Head of the Corporate Merchandising Division of the Group. She holds a Bachelor's Degree in Arts from the University of Colombo and is a Member of the Institute of Personnel Management of Sri Lanka. Formerly she held the position as Director, Human Resource Management of Aitken Spence Corporate Finance (Pvt) Ltd. She counts over two decades of experience with the Aitken Spence Group.

Mr. Mangala Wijesekera

Mr. Mangala Wijesekera, Assistant Vice President Finance & Administration, is the Head of Finance and Administration of overseas ventures of Aitken Spence Hotels.

He holds a Bachelors Degree in Mathematics from the University of Colombo and counts over 15 years of experience in the field of Finance. Prior to the present position he held the positions of Head of Finance of the Maldives sector and Sri Lankan sector of Aitken Spence Hotels, and carries with him a wealth of experience gained in working with various nationalities in Sri Lanka, Maldives, India and Oman.

Mr. Pradeep De Alwis

Mr. Pradeep De Alwis is Assistant Vice President in charge of Marketing for Aitken Spence Hotels in India. He holds a MBA from the University of Sri Jayewardenepura and is a member of the Chartered Institute of Marketing UK. He also holds a Diploma in Print Technology & Management from the Sri Lanka Institute of Printing. He has over 15 years of experience in the field of Sales & Marketing.

Mr. B.H.R. Sariffo'deen

Mr. Ramazan Sariffo'deen, Assistant Vice President, heads the Round Tour Hotels of the Group as Regional General Manager. He is a Professional Hotelier counting many years of managerial experience in Sri Lanka and overseas. He is an Executive Committee Member of the Ceylon Hotel School Graduates Association and also the Cultural Triangle Hoteliers Association.

Corporate Management Team

Mr. Upul Gamage

Mr. Upul Gamage, Assistant Vice President is the Regional General Manager for South Coast Hotels of Aitken Spence, and General Manager of Heritage Ahungalla.

He is a Professional Hotelier, Fellow & Past President of Ceylon Hotel School Graduates Association and holds a MBA from the Postgraduate Institute of Management (PIM), Sri Jayewardenepura University.

Mr. Tilak Gunawardana

Mr. Tilak Gunawardana is the General Manager Finance of Aitken Spence Hotels. He has over 18 years experience in Auditing, Finance and General Management acquired in Sri Lanka and overseas. Prior to joining the Group he worked in the Senior Management cadre of Ernst & Young and thereafter served as Vice President at Amba Research Lanka (Pvt) Ltd.

He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka, the Society of Certified Management Accountants-Sri Lanka and a Member of the CPA - New Jersey. He is also a Member of the Fiscal & Monetary Affairs Sub Committee formed under the Tourist Hotels Association of Sri Lanka (THASL).

Mr. Danesha Perera

Mr. Danesha Perera is the General Manager of the Central Purchasing Unit, Hethersett Bottled Water Plant and the Exports Division of Aitken Spence Hotels.

He is a Fellow of the Institute of Supply & Materials Management. He currently holds the position of Vice President and Chairman of the Professional Development & Training Committee at the Institute of Supply & Materials Management. He has served in multi disciplinary companies in Sri Lanka and has undergone extensive training overseas in the field of Production and Materials Management.

He represents the Institute of Supply & Materials Management as a forum member at the Organization of Professional Associations (OPA) in Sri Lanka.

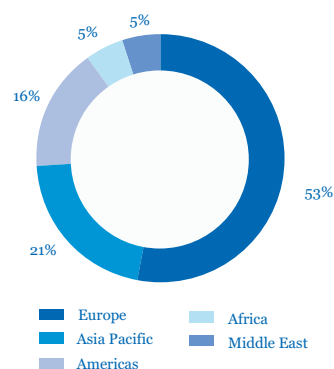
Mr. S. A. Nanayakkara

Mr. Amal Nanayakkara heads the Training & Development sector of Aitken Spence Hotels in Sri Lanka and overseas.

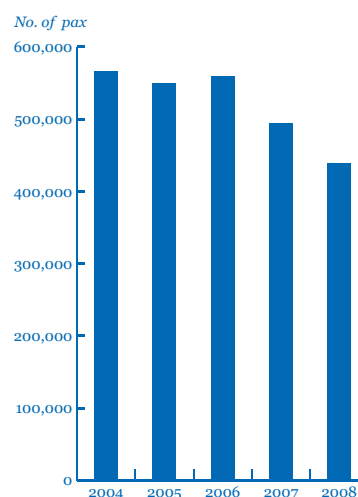
He is a Graduate of the Oberoi School of Hotel Management and holds a Diploma in Food & Beverage from the Ceylon Hotel School. He counts many years of experience in the hospitality industry locally and internationally. He is also a Fellow of the Ceylon Hotel School Graduates Association.

Management Discussion and Analysis

World Tourist Arrivals for 2008 (%)



Sri Lanka Tourist Arrivals



Global Tourism Trends

Global Tourism Trends during the year 2008 mirrored turbulence in financial and economic spheres. Tourism demand slowed significantly through the year 2008 under the influence of an extremely volatile world economy. Whilst in 2007 global tourism had grown by 7 per cent to reach an all time high of 908 million (UNWTO), in 2008 international tourist arrivals reached 924 million, up 16 million over 2007, but only representing a growth of 2 per cent (UNWTO).

The overall 2 per cent growth in international tourism for 2008 builds on the strong results of the first part of the year before the collapse of the financial markets. The second half of the year showed an abrupt shift in the trend with international tourist arrivals flat or showing negative growth. This follows from four years of strong consecutive growth in world tourism. The UNWTO estimates that the downward trend will continue to characterize 2009 with the first quarter of the year qualifying this prediction.

From a regional performance perspective all regions posted positive growth except Europe, which witnessed stagnation in arrivals. The Middle East registered an 11 per cent growth out performing all other regions. Africa and the Americas posted 5 per cent and 4 per cent growth rates respectively.

However, according to the UNWTO despite the sluggishness of the overall growth momentum several destinations around the world evidenced positive results - notably Honduras, Nicaragua, Panama, Uruguay, the Republic of Korea, Macao, Indonesia, India, Egypt, Lebanon, Jordan, Morocco and Turkey.

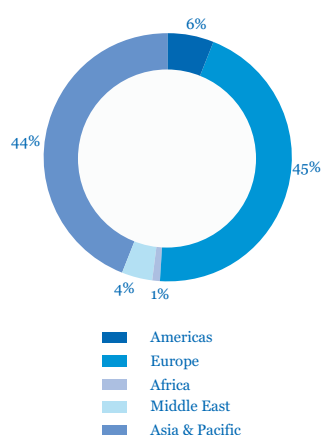
In the year 2009, UNWTO forecasts global tourism to further stagnate with an evident decline in the range of zero per cent to 2 per cent. It is predicted that Europe together with the Americas will be the regions to experience the greatest impact of the stagnation. In Asia and the Pacific, Africa and Middle East results are expected to be positive, although growth will continue to be much slower compared with performance in previous years.

Sri Lanka: Gears to Tackle Crisis and to Leverage Opportunities

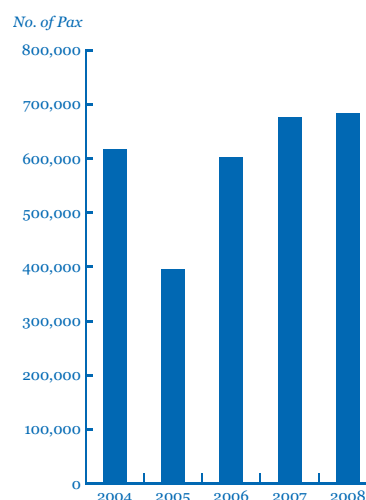
Sri Lanka's tourism industry yielded an approximate USD 319 million in earnings during the year with visitor arrivals declining by 11 per cent from that of the previous year. In comparison to the year 2007, the industry experienced a down turn in both earnings and arrivals. The year evidenced a significant change in the dynamics of the industry with foreign exchange earnings declining by 12.8 per cent both as a result of lower arrivals as well as a decline

Management Discussion and Analysis

Share of Major Generating
Tourist Markets - Sri Lanka (%)



Maldives Tourist Arrivals



in the foreign exchange receipts per tourist per day - a decline from USD 79.1 to USD 76.7 approximating to USD 2.4 due in large to a decline in room rates as well as a contraction in the average duration of stay. However, despite the below average performance of the industry, it retained its position as sixth largest Forex earner to the nation.

Sri Lanka's Travel and Tourism Industry has over the years battled against negative perceptions brought on from terrorism and the country's war against terror. Resilience and strategic innovation has kept the industry alive. A far more debilitating crisis looms with the aggravation of the global economic meltdown. In an effort to take stock of the situation the nation's tourism stakeholders came together in late 2008 to form the Tourism Strategic Action Group (TSAG). The Group aims to explore the opportunities and challenges and strategize the way forward for Sri Lanka's Tourism industry. It also acts as a structure that allows for quick and centralized decision-making, an imperative in a crisis situation. The TSAG comprises of a panel of key tourism stakeholders and serves as a nerve centre for conceptualizing the "tools" to manage crisis situations and for implementing its strategies and tactics speedily.

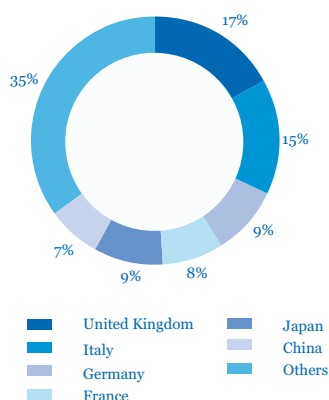
In formulating a National Strategy for Sri Lanka Tourism, the Sri Lanka Tourism Promotion Bureau (SLTPB) has ventured to place the profile of the country as an Asian

tourism icon. An eleven part Strategic Framework which addresses critical areas of action including a scenario of post conflict tourism development has been defined and this Strategic Plan provides a blueprint for how traditional and the not so conventional aspects of tourism will be incorporated to grow into sectors such as nature, culture, and adventure tourism.

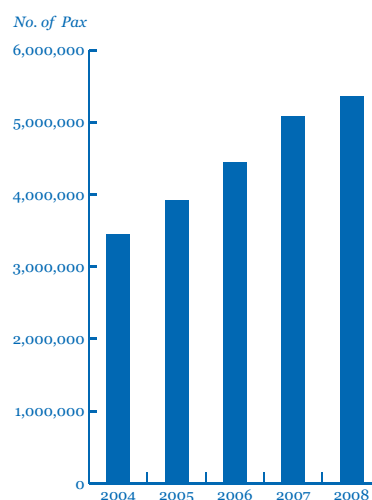
As an element of this strategic approach the SLTPB during the year invested monies in image building and international public relations with the appointment of destination representation/public relations companies in key markets including UK, Middle East, Germany, France and India as part of its efforts to boost the image of Sri Lanka.

Complementing the image building exercise by continuing with infrastructure development projects that have already been in the pipeline seems yet another strategy. The Sri Lanka Tourism Development Authority expressed its intention to continue resort development activities at the Kalpitiya Dutch Bay, Dedduwa Lake, Bentota, Passekuda whilst the China Bay Airport in Trincomalee is being viewed as a prerequisite to the development of tourism in the Eastern Province as an immediate post conflict strategy. Also with the ending of the North-East war in Sri Lanka we are enthusiastic and confident that there would be a surge in arrivals.

Share of Major Generating Tourist Markets - Maldives (%)



India Total Tourist Arrivals



Drop in Long Haul Travel Impact Maldives

Maldives in the year 2008 witnessed a mere 1.1 per cent increase in arrivals from that of the previous year with 683,012 visitors, a result of a perceptible decline in arrivals witnessed in the second half of the year. With discretionary expenditures shrinking amongst the bulk of the European travellers - the main source market for the Maldives - the global recession is likely to further impact the Maldives in the year 2009. In fact forecasts speculate a drop in arrivals approximating to 2 to 3 per cent in 2009.

Italy, UK and France combined, represent nearly 40 per cent of the Maldives' tourist arrivals and as the current global recession is expected to carry through to late 2009, poor performance from these markets for the year 2009, seem inevitable. Since the usual trend is a significant increase in resort occupancies during the winter months, an improvement in the global financial situation during the latter part of the year can significantly improve revenues.

Nevertheless, Asian arrivals had risen in the first three months of 2009 by 20 per cent in comparison with the same period in 2008, whilst a 130 per cent increase was seen in Chinese arrivals amounting to 5,912 persons. Russia has also contributed to the occupancies with a considerable increase in arrivals during the period.

Industry Analysts fear that a further downturn in Maldives tourism can lead to a price war, which can create a long term impact on the pricing of the destination. Such a situation can also be detrimental to the niche marketing strategies adopted in Maldives in the past. However, as resorts strive to remain profitability buoyant, revision of rates seem inevitable. Resort owners however, currently seem focused on offering value additions rather than price cuts in an effort to avoid dilution of rate structures.

No adverse effects are anticipated with the changes in the political situation of the country as the new government is as focused as the previous government in developing the industry.

The Presidents' Manifesto outlines further tourism infrastructure development, the creation of a fair tourism tax regime, revisions to the Tourism Master Plan, policies to encourage sustainable tourism, amendments to the Employment Act to better protect the rights of the tourism sector employee as well as development of the nations human resources to cater to the needs of the industry.

India Remains an Emerging Tourism Giant Despite Dip

The global economic downturn and terrorist attacks in various parts of India, particularly the strike of 26/11 in

Management Discussion and Analysis

Mumbai, appears to have negatively impacted international arrivals to India. However, the degree of the impact seems less severe when compared with that of other tourism dependent nations both within and outside of the Asia-Pacific region. India's tourism sector grew by 6 per cent with 5.3 million arrivals in 2008, despite the global slowdown mainly with gains from the first two quarters.

However, in comparison with tourism growth rates in previous years, an evident dip in the pace of growth is visible. For example over the last four years, India has enjoyed growth rates of 10 to 12 per cent. A 6 per cent growth therefore resonates a global trend of declining tourism activity. Yet where the global growth average now stands 2 per cent, it seems evident that India, despite experiencing one of the most harrowing acts of terrorism to affect the nation, is holding its ground in attracting tourists.

In 2009, India's travel and tourism is expected to generate USD 67 billion worth of economic activity and will account for 2.2 per cent of the nations Gross Domestic Product. Likewise, according to the World Travel and Tourism Council (WTTC) India's travel and tourism economy is expected to grow by 7.7 per cent per Annum in real terms between 2010 and 2019.

Keeping in line with the forecasted growth in tourism, the Indian government has approved 28 mega projects to further boost tourism infrastructure. From a strategic perspective, India hopes to attract 10 million foreign tourists by 2015 and in a bid to do so will enhance its tourism infrastructure including the construction of four additional terminals for pleasure cruise vessels by the end of the year 2009.

Oman Differentiates its Offer through Eco-tourism

Widely known as Arabia's best kept secret, Oman is becoming increasingly popular as a tourist destination. It is emerging into the travel world portraying a land of friendly people and spectacular landscapes.

Tourism has become a major focus in the development policy of the Sultanate of Oman since the mid-1990s, when the government embarked on the diversification of the

national economy from oil to non-oil revenue sources. The tourism sector has been an important component of "Oman 2020", a visionary plan for Oman's economic growth that was launched and adopted as the long-term development strategy for the country.

Oman is well positioned to be successful in the tourism industry. Firstly, it has more natural attractions by way of interesting scenery, historic sites, wildlife and ecological features than other regions in the Gulf. Secondly, the Gulf is emerging as a tourism location, both for travellers to the region en route to other destinations as well as for holiday and business travel within the region. Thirdly, the sultanate has been both politically stable and physically safe for tourists.

Driven by the presence of an increasingly young population of regional, European and American expatriates who enjoy backpacking, Oman differentiates its tourism offer by way of a tourism product that is entrenched in creating an experience around its culture, heritage and natural ecosystems. In line with this strategy, Euromonitor International forecasts that the demand for adventure and trekking packages in the UAE and Oman will grow by an average of 11 per cent and 8 per cent per year respectively during 2007-2012, and will be largely driven by expatriate travel. Likewise, Oman, will see arrivals grow from 1.8 million in 2007 to over 6 million in 2012.

According to WTTC, Oman's tourism sector is forecasted to reach around USD 8 billion in 2018 from USD 2.5 billion in 2008. Also, the tourism sector is likely to contribute nearly USD 1,605 million (3 per cent) by 2018 to the GDP from approximately USD 943.56 million (2.1 per cent) in 2008. The tourism industry of the country is expected to increase by around 5 per cent per annum during 2009- 2018.

Embracing Change from an Operational Perspective

From an operational perspective, increased emphasis on overseas expansion continued to be a key operational strategy during the year. As the Sri Lankan market

continued to under perform, Aitken Spence Hotel Holdings further implemented its strategy of overseas expansion and consolidated the expansion efforts undertaken in the previous three years.

The Company's properties in Sri Lanka continued to be of strategic importance as blue prints for implementation in overseas markets and in the acquisition of management contracts for new properties. By executing strategic initiatives aimed at the retention of the sector's long-term stability, the Company had previously embarked on an ambitious expansionary drive beyond the shores of its conventional hotel portfolio in Sri Lanka and the Maldives. By expanding operations to India and Oman during the year 2007/08 through a series of management contracts and investments, Aitken Spence Hotel Holdings identified the scope for the adaptation of this business model into additional growth markets. Therefore, strategic expansion continues to be a key strategy for Aitken Spence Hotel Holdings going forward. However, as in the year under review, the Company will deploy expansion based on the outcomes of stringent evaluation criteria and only in circumstances wherein a high return on investment is assured.

In the year under review, the Company further expanded in to the Oman market with the setting up of operations for an unconventional tourism offer - a desert camp. In the Maldives, the Company strategically divested one resort.

The Group's current hotel portfolio stands at:

- 7 hotels in Sri Lanka
- 7 hotels in Maldives
- 5 hotels in India
- 5 hotels in Oman

Identifying the need to operate in a manner that is justifiable to the current operational environment, Aitken Spence Hotel Holdings embraced change and put in place operational procedures that aimed to minimize the impact of the global downturn on its bottom-line. However, given the expansive nature of the global recession and pervasive decline in discretionary expenditure amongst potential travellers, the knock on effects of the economic scenario has been one that is inevitable and unavoidable.

The following segment reviews the operations for the year from a destination-wise perspective. It also provides an overview of the hotel infrastructure.

Sri Lanka: Operational Review

The security situation, exacerbation of violence and prolific, adverse reports in the international media did not augur well for Sri Lanka's tourism industry. Enhancing this scenario of uncertainty, the global economic downturn further contributed to the stagnation in the industry. As with all other tourism properties in the country, Aitken Spence Hotels were directly affected by the knock-on effects of the global recession. With regional markets resorting to a reduction in prices in a bid to stay competitive, Sri Lanka faced even greater challenges with travellers opting for destinations perceived as "safe".

With the dynamics of the industry changing; i.e. a shift from European travellers to Asian travellers, a contraction in revenue as a result of a shrinking average duration of stay is evident. Therefore, arrivals statistics remain non-representative of tourism earnings. In a scenario of non-performance of the industry the Company's key operational strategies revolved around the end objective of holding position without giving way to a further slide in performance. To this end, tactics were deployed to firstly maintain the Heritance brand image and corresponding service quality and secondly to pursue a cost leadership strategy.

The Company in a bid to boost the performance of the Sri Lankan operations actively engaged in domestic tourism initiatives during the year. The Diamond Club served as a focal tactic for the implementation of this strategy and proved to be a successful tool to reach and engage the high-end domestic traveller.

Heritance Kandalama - 152 roomed five star resort

Blending perfectly with the natural environment, whilst preserving the aura of ancient hermit caves in its environs, Heritance Kandalama virtually leans against a thickly

Management Discussion and Analysis

wooded rocky outcrop at the foot of northern slopes of Sri Lanka's central hills. Perched just above the Kandalama Tank, it overlooks an expanse of water that stretches the eye to the magnificent view of the fifth century A.D. Sigiriya Rock Fortress and the first century B.C. Dambulla Rock Temple, two of Sri Lanka's most prominent UNESCO World Heritage sites. Heritance Kandalama was the first hotel in Asia to receive the Green Globe 21 certification. Relaunched under the Heritance brand, the resort underwent an infrastructure upgrade valued at Rs. 600 million and continues to be a globally accepted case study on sustainable tourism.

The resort maintained its occupancy to a commendable level during the year despite the industry situation. Revenues demonstrated the resilience of the property and its ability to overcome negative external environmental effects to sustain the flow of high yield domestic tourists. As such, the company is optimistic of the resort's ability to recoup investments and yield a high Return on Investment in the future.

Heritance Ahungalla - 152 roomed five star resort

Sri Lanka's first five star beach resort "The Triton" was relaunched in June 2006, subsequent to a USD 13 million refurbishment that intrinsically transformed the old hotel to a modern resort. Catering to discerning guests, Heritance Ahungalla, is one of the legendary Geoffrey Bawa's architectural fantasies come to life.

The property retained a high-yield pricing strategy during the year, much like that of Heritance Kandalama. The adverse country situation marred the performance of the property with occupancies far below optimal. Nevertheless, occupancy levels indicated an upward movement as a result of streamlined operations and greater awareness amongst the local and foreign holidaymakers. As a beach resort, the property maintained reasonable occupancy throughout the year in comparison to that of other similar properties in Sri Lanka.

The Tea Factory - 57 roomed four star resort

The Tea Factory sits 6,800 feet above sea level, only six degrees from the Equator. In the mountain range, which gave the world Pure Ceylon Tea, the hotel began as a factory built in the days of the British Raj. Abandoned since 1972, the Hethersett factory and estate was converted through sheer vision and innovation to be the only tea factory in the world that is a hotel. It has been converted so that much of the original style and machinery remains, a reminder of the past in perfect blend with innovations of the present.

A holiday at the Tea Factory is a total tea experience. From its architecture, to every conceivable space within the hotel, a story of tea is told. The hotel's accolades are many: voted amongst the "100 Best Places to Stay in the World" by Sunday Times - UK in 2007; nominated for the "Top 5 Factory Hotels in the World" by The Independent-UK in 2007 and voted to be amongst "Magnificent Seven-icons of Modern Hotel Design in the World" by Observer, UK in 2006. During the year the hotel embarked on a refurbishment programme to upgrade the property to a Heritance Resort.

Neptune Hotel - 84 roomed three star resort

Eminent architect Geoffrey Bawa designed the very first hotel in the Aitken Spence chain, Neptune. Consisting of eighty-four rooms that overlook the magnificent Indian Ocean, the hotel is situated on one of the widest stretches of golden sandy beaches along the Southern coastline.

Neptune Ayurveda - 20 roomed Ayurveda resort

Neptune Ayurveda Village pampers and soothes those who yearn for a reinvigorating experience. A company decision to convert 20 under utilised rooms in the main hotel to a fully fledged Ayurveda facility has paid rich dividends. Featured by some of the mainstream tour operators and specialized ayurveda operators, the hotel evolved and earned a reputation as a superior ayurveda facility in Germany, Switzerland and Austria.

Maldives: Operational Review

Maldives operations in the year 2008/09 performed commendably given the criticality of the operating environment posting a stable return. During the year we completed the addition of 37 water bungalows on the HudhuRan Fushi island, the completion of Adaaran Prestige Vadoo and the addition of 16 additional water bungalows at Adaaran Club Rannalhi. The Adaaran Prestige Vadoo was constructed and completed within 10 months and commenced operations in March 2009.

The first six months of the year in review proved to be operationally challenging for the Maldives sector as high energy costs together with food and commodity costs narrowed margins. However, in the second half of the year these challenges subsided, but the slowdown in global tourism effectively tapered demand. During the year under review, Maldives operations continued to engage in consolidating its brand “Adaaran” by focused marketing of its three segments Clubs, Select properties and Prestige properties, which resulted in the brand being established as a household name amongst all stakeholders, tour operators and the travelling public especially in UK, Russia, Germany, Italy, Japan and China.

During the year, the Company strategically divested Adaaran Club Bathala, the first island resort in the Maldives set up by Aitken Spence Hotel Holdings in 1993.

The resorts under the Adaaran brand in the Maldives are as follows.

- Adaaran Prestige Vadoo
- Adaaran Prestige Water Villas, Meedhupparu
- Adaaran Prestige Ocean Villas, HudhuRan Fushi
- Adaaran Select Meedhupparu
- Adaaran Select HudhuRan Fushi
- Adaaran Ayurveda Village Meedhupparu
- Adaaran Club Rannalhi

Meedhupparu was the first island in the Maldives to introduce resorts within a resort concept in the Group. With 195 Beach Villas, 20 Ayurveda Villas and 20 Prestige Water Villas - these three concepts on the island of Meedhupparu caters to four star holiday, wellness holiday and five star boutique holiday markets respectively.

The Adaaran Select Meedhupparu (the only resort so far in Raa atoll), The Ayurveda Village - (first of its kind in Maldives) - and the Adaaran Prestige Water Villas (the twenty luxury boutique water villa resort spread over 43 acres of landscaped garden) are marketed as three different resorts and caters to a cross section of international travellers enabling Adaaran to take advantage of the centralized support services and costs thus offering value for money to its guests.

Adaaran Club Rannalhi

This 132 roomed, 4 star resort boasts of 32 water bungalows and is located in South Male atoll. The island has lush green vegetation, a beautiful beach and a house reef that is home to a variety of exotic tropical fish. The resort is patronized by Italian, British, Russian, German and French clientele.

Adaaran Select HudhuRan Fushi

Formally known as Lohifushi, this was added to the Aitken Spence Hotels chain in the year 2006/07 after which a major refurbishment was carried out. This 137 room resort's close proximity to Male makes it one of the most sought after holiday spots in the Maldives. The 4 star plus resort is also known as the Surf Island and caters to surfing clientele mainly from Australia and Brazil during summer.

Once again the company used the “resort within a resort” concept and built 37 Prestige boutique over water villas with exclusive reception, restaurants and bar facilities and marketed the resort as an exclusive boutique resort under the branding of Adaaran prestige Ocean Villas HudhuRan Fushi.

Adaaran Prestige Vadoo

“Vadoo” was acquired in October 2007, completely demolished and re-built within a period of 10 months. It is approximately 3 acres in extent and is surrounded by a breath-taking reef. Being just 15 minutes away by speedboat from the International Airport and the City of Male, is a definite “unique sales proposition” for the resort.

Management Discussion and Analysis

Adaaran Prestige Vadoo boasts of 50 exclusive and luxurious water villas with private jacuzzi and plunge pools on private decks, an exclusive butler service, in-room dining and spa facilities and all luxury facilities that goes with a boutique resort property.

The resort also offers a “unique concept of Japanese living” for the first time in Maldives, offering a Japanese village consisting of six Japanese style water bungalows, a traditional Japanese tea ceremony room, and an exclusive Japanese restaurant. Clients of the Japanese village are informed of Japanese customs and the Japanese way of life where they can live and experience a traditional Japanese lifestyle dressed in Yukatha and pampered by Japanese staff of the Village.

These concepts will be sold at a supplement, which will infuse additional cash flows and revenues, the average selling rates being USD 600 to USD 750 per night.

India: Operational Review

During the year in review, our Indian Management Operations with “Heritage Madurai” and “Atithi” in Pondicherry commenced. Furthermore, given the depressed status of India's tourism industry during the year, the plans previously scheduled for the property in Cochin was postponed by and year.

The hotels managed in India are as follows.

Barefoot at Havelock, Andaman Islands
Poovar Island Resort, Trivandrum
Heritage Madurai
Atithi, Pondicherry

Barefoot at Havelock, Andaman Islands

The Andaman Islands are India's best-kept secret. Stunning beaches, aquamarine coral lagoons, lush green rainforests, active volcanoes, swimming elephants and giant fish are some of the attractions and activities available to the visitor. Experience the unexplored beauty of these islands at our eco-resort, 'Barefoot at Havelock'. Located on what TIME Magazine rated as the best beach in Asia, the resort is set amidst a tropical rainforest which fringe a pristine 2 km stretch of white sandy beach quirkily named Beach No. 7 (Radhanagar Beach) on Havelock

Island. Conde Nast Traveler USA in September 2007 rated Beach No 7 as one of the 30 best beaches in the world.

Poovar Island Resort, Kerala

Poovar is an explorer's haven where an island of almost indescribable beauty awaits you, just 30 kms from Thiruvananthapuram (formerly Trivandrum). An island away from the hustle and bustle of the city. A lingering boat cruise along the palm-fringed shores of emerald green backwaters and you have arrived at the Poovar Island Resort, a place where nature is at its pristine best with swaying coconut palms, endless golden sands, the deep blue sea and breathtaking sunsets.

The resort on the backwaters of Trivandrum is a 78 room property that has expanded with the calm and serene beauty of the locality. Its iconic floating cottages are the prime focus at the entrance to this sprawling resort complex on 23 acres of land.

Poovar Ayurveda Village

In the year under review the 20 Deluxe Cottage Ayurveda Village was completed with the own free flowing swimming pool, restaurant and a spacious ayurveda therapy centre, possibly the most spacious in the whole of Kerala.

Heritage Madurai, Tamil Nadu

Heritage Madurai is a “resort in the city” built on 17 acres of lush green gardens, landscaped to make one forget one's presence in the heart of this bustling metropolis. The hotel will cater to the ardent pilgrims and the demanding corporate guests who visit Madurai to take part in the numerous temple festivals and the many events that the city plays host to. The Former British Madurai Club with the Club House designed by world renowned architect Geoffrey Bawa is now fully restored in keeping with the traditional architecture of the locality.

The hotel had its soft opening in November 2008 and has been able to attract a discerning segment of the temple tour segment. Heritage Madurai is a 5 star Deluxe Hotel with 35 luxury pool villas spaciouly designed with a plunge pool, 8 deluxe rooms as well as 4 junior villas.

Atithi, Pondicherry

Pondicherry is a quiet little town situated on the southern coast, just two hours drive from Chennai. The distinctive French connection, tree lined boulevards, quaint colonial heritage buildings, endless stretches of un-spoilt virgin beaches, backwaters and a surprising choice of restaurants serving a melange of cuisines provide a heady mix that draws travellers to this spiritual heaven.

Atithi is a 60 room 4 star hotel in the heart of the commercial district of Pondicherry. It has a spectacular roof top swimming pool overlooking the sea and is a 10 minute walk to the seaside.

Oman: Operational Review

Expanding to Oman, the Company successfully completed its first year of operations. The properties in Oman performed exceptionally well and posted commendable returns with almost all properties experiencing average occupancy in excess of 70 per cent during the year. The hotels under management in Oman are as follows.

Al Falaj Hotel, Muscat
Ruwi Hotel, Muscat
Sur Plaza Hotel, Sur
Al Wadi Hotel, Sohar
Desert Nights Camp, Al Wasil

Al Falaj Hotel, Muscat

Al Falaj Hotel, Muscat is conveniently located in the heart of the city with easy access to both the business district as well as tourist attractions. A pleasant 25 km drive from the Seeb International Airport, the Hotel is an ideal meeting point for business or pleasure.

The Hotel offers the utmost to the discerning traveller - exotic cuisine, large conference facilities the largest the city has to offer, courteous staff and a choice of recreational activities.

Ruwi Hotel, Muscat

From business traveller to eager sightseer, Ruwi Hotel offers traditional Omani hospitality blended with international standards of service.

Located 25 kms away from the Seeb Airport, in the heart of the city center and overlooking the capital's main business district, Muscat Security Market and Banking District, Ruwi offers the right choice of facilities and services for the astute traveller.

Sur Plaza Hotel, Sur

The Sur Plaza Hotel is located in the picturesque city of Sur, 335 kms away from Muscat. A breathtaking coastal drive or an inland drive brings you to the city of Sur.

Located close to the Green Turtle Beach at Ras-al-Hadd, a major tourist attraction in Oman together with other historical attractions in the area, Sur Plaza Hotel offers superior facilities and services for leisure and business travellers with a touch of traditional Omani hospitality and warmth.

Al Wadi Hotel, Sohar

Al Wadi Hotel is located 200 kms away from the Seeb International Airport - in the city of Sohar, the ancient maritime capital of Oman and home of Sindbad the Sailor.

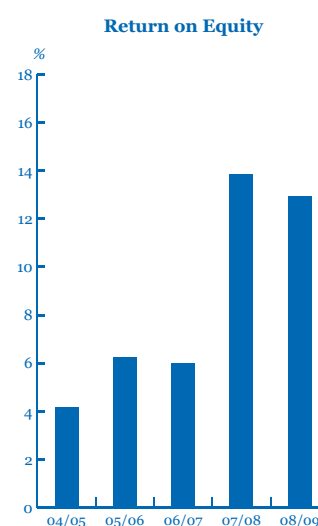
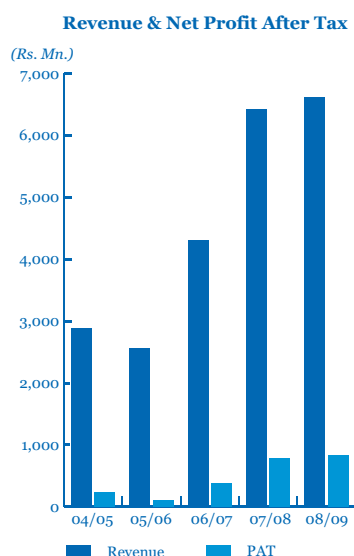
Sohar was recently voted the most beautiful city in the Middle East making it a must-see place for visitors to Oman.

Sohar, is situated on the Batinah coast rich in heritage & culture, making it ideal for tourists who have time to explore the wades & the forts while experiencing great hospitality at the hotel. The Sohar Fort is one of the largest forts in Oman.

Desert Nights Camp

Desert Nights Camp is an oasis in the dazzling sands of Al Wasil in the Sharigiya region. Situated two hours away from Muscat, the 30 luxurious Bedouin style tents await those who seek the ultimate desert adventure vacation. The camp was recently named one of the top ten desert retreats in the world by The National, in an independent study conducted by the UAE based on regional publication.

Financial Review



Highlights

- Group Profit after tax attributable to equity holders of the parent company increased by 16 per cent to Rs.593 million.
- Group Revenue increased from Rs. 6,412 million to Rs. 6,612 million.
- Earnings Per Share increased by 16 per cent to Rs.15.03
- Pre Tax Return on Capital Employed decreased to 8.53 per cent from 10.13 per cent the previous year.

The adverse security situation that prevailed in the country coupled with the global recession dealt the hotel industry a double blow in the financial year under review. However despite unprecedented challenges hurled its way the Group was successful in maintaining profitability which is a remarkable achievement in these extremely challenging times.

The Group achieved a net profit after tax of Rs. 824 million for the financial year 2008/ 09 while the Company registered a net profit after tax of Rs. 113 million.

Significant contributors were our resort hotels in the Maldives.

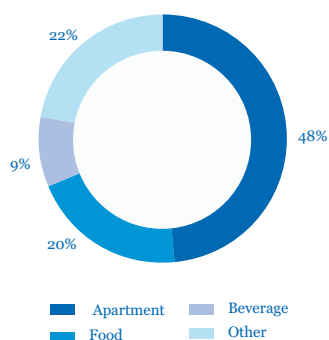
The South Asian Sector has yet again contributed Rs. 907 million to profit before taxation, which is a 4 per cent increase when compared with the previous year. This was mainly attributed to the healthy revenue & profit generated by Adaaran Select Meedhupparu & Adaaran Club Rannalhi in the Republic of Maldives.

It is also pertinent to mention that the Group profit reported above includes a profit of Rs. 219 million made on the sale of Bathala Island Resort in the Maldives. Once the effect of this one - off profit is excluded, the normalized profit from operations of the Group would be Rs. 605 million which is 23 per cent lower than what we have achieved in the previous year.

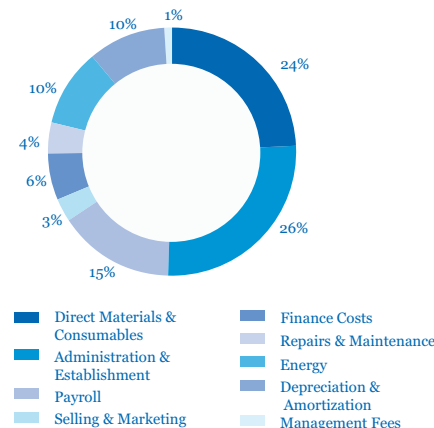
The dwindling levels of tourist arrivals to Sri Lanka during the year and the negative effects of the general global economic meltdown lead to an overall loss before tax of Rs. 54 million from the Sri Lankan Sector. Tourist arrivals registered a drop and the financial year proved to be extremely difficult for the Sri Lankan Sector hotels. Turnover for the year from Sri Lankan hotels & resorts decreased by 6 per cent and registered another negative year for the Sector.

However, during the year Heritance Kandalama and Neptune Ayurveda Village were successful in making profits. Also the Management Fees earned from the overseas operations by the Sector aided in reducing the Sector overall loss to Rs. 54 million compared with the Rs. 58 million incurred by the Sri Lankan Sector last year.

Composition of Revenue



Composition of Expenditure



Quarterly performance at a glance

FY 2008/09

Rs. Millions	Q1	Q2	Q3	Q4	Total
Revenue (Net)	1,291	1,408	1,587	2,025	6,311
PAT	(39)	(19)	428	454	824
Profit Attributable to Shareholders	(48)	(45)	359	327	593
Shareholders funds	3,646	3,601	4,058	4,724	4,724
Total Assets	10,455	10,583	12,097	12,711	12,711

Quarterly performance

The Quarterly performance of the Group depicts a steady performance especially during the season of the Leisure Industry, which includes the 3rd and the 4th quarter of the year. Also, profit made on the disposal of Adaaran Club Bathala Resort has positively impacted the 3rd quarter results of the Group.

Revenue

The Group recorded a gross revenue of Rs. 6,612 million, a 3 per cent increase over the previous year. The revenue from the South Asian Sector dominated by the Maldivian operation recorded a 3 per cent increase while in the Sri Lankan sector a growth of 5 per cent was recorded over the previous year.

Revenue from room sales contributed 48 per cent to the total revenue while food and beverage accounted for 30 per cent. The balance 22 per cent was earned from other

sources such as Spa & Ayurvedic treatments, guest transfers, diving, excursions, rent and shop income.

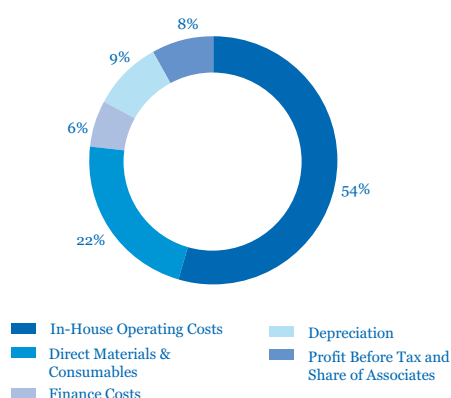
Income Expenditure Distribution

High inflation pressure from rising commodity prices exerted a tremendous strain on the leisure industry for the most part of the year. During the year under review the escalation in price of certain key materials and consumables posted a tremendous challenge, especially in the market context where rate increases are virtually impossible. However, overall the Group succeeded in overcoming this crisis by adopting various strategies and prudent cost management methods.

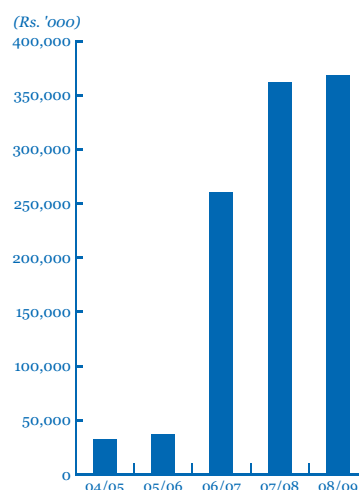
Also the Group was successful in managing its financing cost amidst pressures for increased working capital and capital expenditure needs & external challenges. During the financial year, the finance cost of the Group increased to Rs. 369 million mainly due to additional borrowing costs

Financial Review

Income & Distribution (% of Net Revenue)



Finance Costs



incurred for the renovation of Adaaran Prestige Vadoo and Adaaran Select Meedhupparu. Interest was covered 3.30 times and reflects a marginal improvement from last year of 3.22 times.

Group operating profit excluding the one off profit made on the sale of Adaaran Club Bathala resort and finance cost amounted to 16 per cent of net revenue. Although this is a marginal reduction from last year (19 per cent), it is nevertheless a significant achievement considering the substantial cost increases in key materials and consumables and other challenges faced during the year by the Industry.

Shareholder Value

Despite the unfavorable macro economic conditions that prevailed, the Group was successful in achieving an EPS of Rs. 15.03 for the year, compared to the Rs. 12.95 achieved in the previous year.

The price of a Aitken Spence Hotel Holdings PLC share traded at Rs. 90 as at the year end when compared with Rs. 93 at the beginning of the year. The share price ranged from a high of Rs. 119 to a low of Rs. 83 during the year.

Aitken Spence Hotel Holdings PLC Market Capitalization was Rs. 3,459 million as at 31st March 2009. It is extremely pleasing to note that your Company shares managed to hold on to these price levels despite the depressed market activity environment recorded at the

Colombo Stock Exchange with the All Share Price Index and Milanka Price Index reporting a huge decline in the year under review.

The Price Earnings Ratio of the company as at 31st March was 5.99 times, compared to the 7.18 times as at 31st March 2008. The share currently trades at a 24 per cent discount to Net Asset value whilst a significant medium term upside is evident.

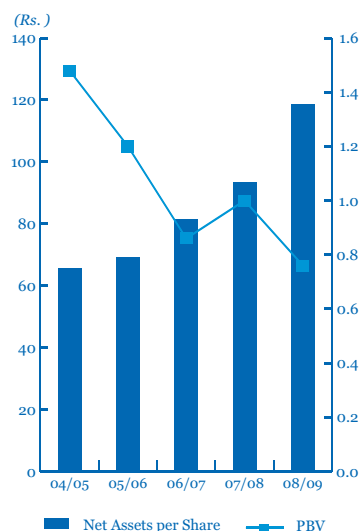
Financial Position

The Group's total assets stood at Rs. 12,711 million as at 31st March 2009 which is a 20 per cent increase when compared with the previous year-end figure. Property Plant & Equipment additions during the year were Rs. 2,172 million. This mainly includes our Capital expenditure investments in Vadoo Island resort and Meedupparu in Maldives.

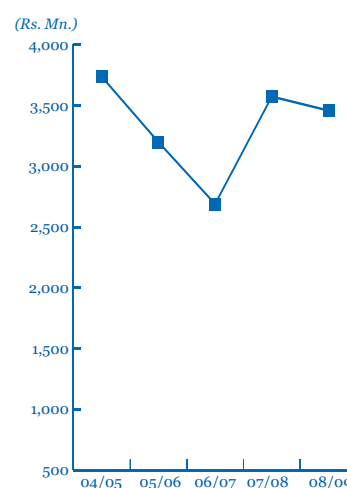
Also the Lands owned by the following companies were re-valued during the financial year ended 31st of March 2009 and the resultant excess of Rs. 291 million was transferred to the credit of revaluation reserves:

- Heritance (Pvt.) Ltd - formerly Pearl Beach Hotels Ltd, Moragalle Beruwala
- Neptune Ayurveda Village (Pvt) Ltd., Moragalle Beruwala
- Ahungalla Resorts Ltd., Ahungalla
- Kandalama Hotels Ltd., Dambulla

Net Assets per Share Vs. Price to Book Value



Market Capitalisation



The Group also invested Rs. 207 million increasing its stake in Hethersett Hotels Ltd, P R Holiday Homes (Private) Ltd, Floatels India (Pvt) Ltd. and Aitken Spence Hotel Managements South India (Pvt) Ltd.

The Share Holders' Funds have improved by 27 per cent to Rs. 4,724 million resulting in improved net assets value per share of Rs. 118.62 as at 31st March 2009.

Total Borrowings increased to Rs. 4,639 million from Rs. 3,761 in the previous year. This reflects the long term loans obtained mainly to fund our refurbishment of properties in the Maldives.

Cash Flow

The net movement in cash and cash equivalents for the year ended 31st March 2009 was an inflow of Rs. 83 million.

This included net cash inflows from operating activities of Rs. 2,017 million, net cash outflow from investing activities of Rs. 2,045 million and net cash inflow from financing activities of Rs. 606 million. Cash and Short term deposits as at 31st March 2009 was Rs. 242 million.

Statement of Changes in Equity

Shareholders Funds as at 31st March 2009 stood at Rs. 4.7 billion as against Rs. 3.8 billion as at 31st March 2008. This constitutes an increase of 26 per cent, which was primarily impacted by profit attributable to the Company of Rs. 593 million.

Dividend

The Directors recommended a first and final dividend of 50 cents per share payable on 4th of July 09 (2007/08 – Rs. 1.00 per share)

Financial Reporting

The financial statements of the Group have been prepared in accordance with the Sri Lanka Accounting Standards. There is no significant impact of changes in Sri Lanka Accounting Standards on Aitken Spence Hotel Holdings PLC's 2008/09 financial statements. The accounting policies adopted when preparing the financial statements are consistent with those applied in the previous years.

Aitken Spence Hotel Holdings PLC is committed to adopting the best practices in financial reporting, in its communications with stake holders and investors. We ensure that quarterly and annual financial statements are delivered on time, conscious of our responsibility to provide stakeholders with up-to-date information on the Group's financial performance.

Value Addition

The statement of value addition below shows the wealth created by the Group and its distribution among the employees, the government, lenders of capital and shareholders, and the value retained for expansion and future growth.

Financial Review

Statement of Value Added	%	2008/09 Rs. '000	%	2007/08 Rs. '000	%	2006/07 Rs.'000	%	2005/06 Rs.'000	%	2004/05 Rs.'000
Total Revenue		6,611,893		6,412,699		4,299,987		2,560,479		2,887,669
Purchase of Goods & Services		(3,970,263)		(3,698,213)		(2,573,740)		(1,910,366)		(1,960,546)
		2,641,630		2,714,486		1,726,247		650,113		927,123
Other Income		332,774		72,243		57,854		266,691		42,639
Associate Companies share of profit/(loss) before tax		(3,240)		5,785		(249)		1,787		(444)
Total Value Added		2,971,165		2,792,514		1,783,852		918,591		969,318

Distributed as follows:

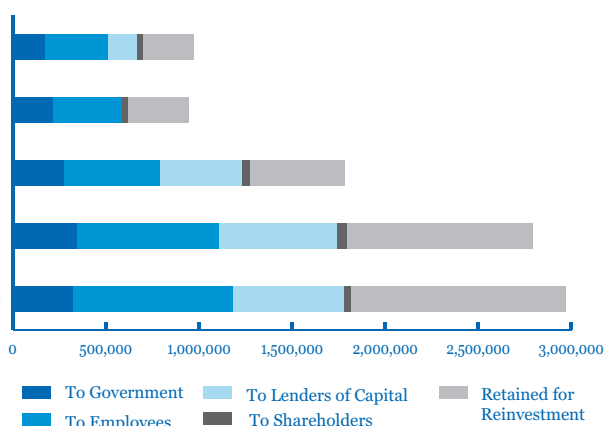
To Government (Income tax & turnover tax)	11	321,636	12	343,325	15	273,614	23	215,558	17	172,119
To Employees (Salaries & other costs)	29	857,989	27	760,721	29	516,093	40	367,277	35	336,358
To Lenders of Capital (Interest on loan capital & minority interest)	20	600,494	23	639,376	25	438,588	(3)	(26,403)	16	155,088
To Shareholders (Dividends)	1	34,067	3	53,283	2	43,675	4	34,067	4	34,067
Retained for Reinvestment & Future Growth (Depreciation & retained profits)	39	1,156,979	35	995,809	29	511,882	36	328,092	28	271,686
	100	2,971,165	100	2,792,514	100	1,783,852	100	918,591	100	969,318

Value added per Revenue (Rs.)	0.45	0.44	0.41	0.36	0.34
Value added per Employment Cost (Rs.)	3.46	3.67	3.46	2.50	2.88
Value added per Ordinary Share (Rs.)	77.31	72.66	46.41	23.90	25.22

Sources of Income



Distribution of Income



Risk Management

As a multi-national company operating in varied geographical regions, Aitken Spence Hotel Holdings PLC faces a multitude of risks that threaten its operational and financial performance. The Group, while fully understanding that profit is in part the reward for successful risk taking, employs a stringent and sophisticated risk management framework to mitigate and minimize the risks it faces.

The Group employs a structured approach to managing uncertainty and threats through a sequence of activities including risk assessment, risk evaluation and risk mitigation. This risk management framework allows the company to align the company's strategies against its risk appetite thereby ensuring maximum return on investments while minimizing the likelihood and impact of risks.

The table below identifies the key risks the Group faces and Aitken Spence Hotel Holdings' response to those risks.

Industry and Country Risk

Description of Risk

- Adverse impact on tourism due to the ethnic conflict and high inflation

Our Response

- *Making prudent investments in Maldives and India and entering into management contracts in Oman has helped to mitigate the country risks associated with terrorism in Sri Lanka. During the year the Group managed to secure a further management contract in Oman.*
- *Stringent cost control initiatives are in place to minimize wastage without any dilution of our product/service quality.*

Description of Risk

- Exposure to high levels of operational gearing due to large capital investments

Our Response

- *Increasing the flexibility of the operational cost structure through seasonal recruitments, using rental agreements as opposed to outright purchase and outsourcing non-core activities. Entering in to guaranteed performance contracts with travel agents in order to reduce the volatility in earnings associated with the industry. All the assigned rates, credit limits, duration, settlement procedures, termination and penalties imposed for delayed payments are incorporated in the agreements to reduce the risk of default in payments.*
- *Major investment decisions are made after due diligence, where all possible risks attributable to the investment are recognised. All reconstruction and re-engineering of existing businesses and proposals for new investments are subject to an exhaustive project feasibility evaluation. In addition to performing sensitivity analysis on key assumptions, the company obtains professional advice from outside sources when necessary.*
- *Entering into management contracts, which require almost no capital investments, thereby improving the operational leverage of the company.*

Risk Management

Description of Risk

- Competitive actions of existing players and threat of new entrants

Our Response

- *The company puts great emphasis on service excellence, adopts positioning/branding strategies to counter direct and indirect threats from new and existing players.*
- *Leveraging the Group's long term relationship with major tour operators, brand image and reputation, strength of the sister company in the travel industry (Aitken Spence Travels (Pvt) Ltd. and the uniqueness of our properties places the Group in a strong position to counter the actions of the existing competition and new entrants.*
- *Excellent employer and employee relationships and performance based reward schemes adopted by the Group ensures the retention of talented staff within the Group.*

Operational Risk

Description of Risk

- Breakdown of internal controls, processes and procedures

Our Response

- *Periodical review and implementation of effective internal controls by the corporate internal audit department supplemented by regular management audits carried out by internal teams within the Group. The external auditors are also engaged to carry out internal audits whenever necessary to ensure compliance and transparency.*

Description of Risk

- Failure to comply with statutory requirements, established norms/trade practices and safety issues

Our Response

- *Cordial relationships are maintained with regulatory bodies based on mutual trust and understanding.*
- *Regular workshops on health and safety are conducted at all hotels to ensure the health and safety of clients and staff.*

Description of Risk

- Fraud, failure of computer systems, human error, inadequacy of information systems

Our Response

- *Operation of a stringent system of internal controls, standardization of procedures and compliance audits. Implementation of a fully integrated central reservations and property management system linking all internal units, which achieves a seamless flow of information and operational efficiency. The Group employs a streamlined and sophisticated management information system, which facilitates prompt and accurate decision making.*

Description of Risk

- Risks associated with sourcing hotel inputs

Our Response

- *A specialized Central Procurement Division ensures risks associated with sourcing materials are minimized and best prices are achieved through bulk buying incentives and by leveraging the Group's reputation.*

- *We have set ourselves the target of gaining ISO 22000/HACCP:2005 accreditation for all our Sri Lankan hotels by the end of the year 2009. Heritance Kandalama and The Tea Factory received certification in 2006, while Heritance Ahungalla received certification in 2009. ISO 22000/HACCP:2005 is a prevention-based food safety management system, which is fast becoming the most accepted certification in the industry internationally.*

Description of Risk

- Inappropriate labour action

Our Response

- *Maintaining cordial relationships with labour unions and adopting interest based negotiations for mutually beneficial solutions. Developing the skills of the staff through regular training programs and succession planning enables the Group to effectively face unforeseen union action.*

Description of Risk

- Natural or Manmade disasters

Our Response

- *Transference of risk to third parties via insurance policies as far as possible. The adequacy of insurance covers are regularly reviewed and updated when necessary, assets are revalued to match the nearest market value and the insurance covers are enhanced accordingly in order to eliminate any possible risk of under insurance. Appropriate contingency plans and disaster management systems are adopted to safeguard the assets of the company.*

Financial Risk

Description of Risk

- Adverse exchange rate fluctuations (Exchange rate risk)

Our Response

- *Negotiation of room rates in stronger currencies reduces the risk of exchange rate fluctuations and matching outflows with inflows of the same currency to the extent that is permitted by the prevailing laws. The Treasury Division of the parent company monitors exchange rates on a daily basis and advises the company on the best rates to obtain for foreign currency conversion.*
- *Exchange rate movements are forecast with the support of the parent company treasury division, in order to identify possible adverse implications from currencies the Group has significant exposures to.*

Description of Risk

- Exposure to adverse movements in interest rates (Interest rate risk)

Our Response

- *Entering in to loans with interest rate “Caps” mitigates this risk. Working closely with the parent company Treasury Department to negotiate favorable terms and conditions for loan facilities obtained.*

Risk Management

Description of Risk

- Exposure to defaulting by debtors

Our Response

- *Having thorough credit policies and stringent controls to check credit worthiness of clients prior to granting credit and periodically reviewing these policies and controls to assess their adequacy.*
 - *Comprehensive systems are in place to monitor granting of credit and debtor collections. The Group employs excellent working capital practices and initiates legal and industrial action where appropriate. The Group also takes steps to obtain advances from travel agents/tour operators where possible.*
-

Description of Risk

- Exposure to not being able to meet financial commitments

Our Response

- *A regular review mechanism is in place to monitor the performance of all hotels to ensure the achievement of approved budget targets and regular planning and monitoring systems are in place with Cash Flow projections being prepared inline with fluctuations in occupancy levels.*

Legal Risk

Description of Risk

- Judiciary action on non-performance of legal and statutory obligations.

Our Response

- *Creating awareness about legal and statutory obligations at all levels, periodic assessment of contracts and expert advice is sought when entering in to material contracts. The Group recognises and conforms to it's responsibilities as a public quoted company, a tax payer, and an employer. The Board and management seek the advice of external consultants as well as the legal division of the parent company on all matters relating to contracts and litigation.*

Reputation Risk

Description of Risk

- Possible risk to earnings and capital arising from negative publicity.

Our Response

- *Deployment of an effective compliance system, the Group is committed to best environmental practices to ensure strict compliance with local regulations and maintains harmonious relationships with the localities in which the hotels operate. Further, the Group employs a well defined hygiene quality assurance system to ensure the highest quality of service. At operational level, systems are in place to promptly address any issues/complaints brought about by the clients and to take proactive steps to mitigate similar occurrences in the future.*

Corporate Governance

Sound governance principles provide a solid foundation for sustainable value creation. The Board of Directors of Aitken Spence Hotel Holdings PLC is firmly committed towards achieving exemplary corporate governance practices. The recent economic turmoil brought on by the US credit crisis brings in to sharp focus the need of implementing and the adherence to principles of good corporate governance by organizations.

The Company is primarily guided by the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the listing rules of the Colombo Stock Exchange. The report below sets out the Corporate Governance principles practiced by the organization for the financial year 2008/09.

CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
The Board of Directors	
Composition and Balance	<p>The Board of Directors comprise of seven Directors including the Chairman and the Managing Director. The Company believes that the present composition of the Board, which has at its disposal, a vast reservoir of knowledge and experience in all areas of the Company's operations such as Hoteliering, Marketing, Finance, Legal and Commerce, enables optimum efficiency and effectiveness. The names and profiles of the Directors are given on pages 24 to 25 of this Annual Report.</p> <p>The Board is taking suitable steps to identify skilled and competent persons to be appointed as Non Executive Independent Directors bearing in mind the extremely competitive environment in which the hotel industry operates.</p> <p>None of the Directors have close family members serving on the Board which does not affect their independence in discharging their duties.</p> <p>None of the Directors have a significant shareholding in the Company.</p>
Directors' decision making	<p>The Board regularly discusses and makes strategic decisions collectively for the Company. Apart from taking decisions at Board meetings, the Board also takes decisions via Circular Resolutions.</p>
The Responsibilities of the Board	<p>The Board of Directors are responsible for;</p> <ul style="list-style-type: none"> • Formulation of business strategies taking into consideration the Company's strengths, competencies and risks • Implementing and monitoring of such strategies • Reviewing and ratifying systems in operation relating to risk management, internal control, codes of conduct and compliance with the laws, statutes and regulations • Reviewing, monitoring and ratifying all capital expenditures, acquisitions and divestitures • Monitoring Senior Management performance

Corporate Governance

CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
The Board of Directors	
	<ul style="list-style-type: none"> Ensuring that effective information and audit systems are in place Ensuring that due attention is given to annual and interim financial statements prior to publication Determining the quantum of the final dividend for approval by the shareholders Approving and monitoring financial and other reporting.
Obtaining independent professional advice	The Board in discharging its duties seeks independent professional advice from external parties when necessary at the Company's expense.
Company Secretaries	All Directors have independent and joint access to the Company Secretaries who act in a professional manner. The Company Secretaries advise the Board on matters relating to the Companies Act, Colombo Stock Exchange regulations and other applicable rules and regulations and ensure appropriate, timely and accurate information is submitted to the Board and its committees.
Independent Judgement	Each Director exercises independent judgement in all matters considered by the Board and acts free from any undue influence and bias from other parties. Matters considered include making decisions on issues relating to strategy, implementation of such strategies, performance review, resource allocation and standards of conduct and business ethics.
Dedication of adequate time and effort to matters of the Board and the Company	The Board of Directors devote adequate time to the fulfillment of their duties as Directors of the Company. The Board has delegated the day to day operations of the Company to the Management Committee. The Management Committee comprises of the Managing Director, the Executive Directors and a specialist team of Senior Managers of the Company.
Professional development and enhancement of skills of Directors	Directors are provided with opportunities to attend workshops, seminars and professional training programmes arranged by the parent company's Human Resource Development Division.
Chairman and Managing Director	The roles of the Chairman and the Managing Director are distinct and separate, which ensures a balance of power within the organisation, so that no individual has unfettered powers of decision making.
Chairman's Role	The Chairman of the Company is one of the most successful and experienced business leaders in Sri Lanka. The Chairman plays an Executive role by providing leadership and strategic direction to the Board and ensures that all meetings are conducted in a professional manner.

CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
The Board of Directors	
Financial Acumen	The Board includes three senior Professional Accountants, one of whom is the Managing Director. They possess the necessary experience and expertise.
Provisions for Supply of Information	The Company has a well developed, streamlined Management Information System in place.
Appointments to the Board	There is a clear and transparent procedure for the appointment of Directors to the Board. The Articles of Association of the Company empower the Board of Directors to either fill a casual vacancy in the directorate or appoint additional Directors. The Directors so appointed hold office until the next Annual General Meeting and are eligible for re-election.
Re-election of Directors	The Company's Articles of Association provide for one third of the Directors for the time being, or if their number is not a multiple of three the number nearest to (but not greater than) one third to retire from office. A Director appointed to the office of Chairman, Chief Executive, Managing Director or Joint Managing Director shall not, while holding that office be subject to retirement by rotation or be taken into account in determining the Directors to retire in each year. Retiring Directors are selected on the basis of those who have been longest in office since their last election. In the event there are one or more Directors appointed on the same date, the retiring Director shall be determined either by agreement or by lot. A retiring Director shall be eligible for re-election. In order to ensure that the Board is comprised of members who add value to the Group, the Board evaluates the qualifications and contribution of each retiring Director before recommending such person for re-election.
Appraisal of the Performance of the Board	The performance of each Director is regularly evaluated.
Directors' Remuneration	
Disclosure of Remuneration	The total remuneration of the Directors is disclosed in Note 30.2 to the Financial Statements.
Remuneration Procedure	The Board has delegated powers to the Remuneration Committee established by the parent company, to review and oversee implementation of policies with regard to the remuneration of Executive

Corporate Governance

CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
Directors' Remuneration	
	<p>Directors and Executive Employees. The Remuneration Committee consists of the Chairman of the parent company, and two Non Executive Directors of the parent company one of whom functions as the Chairman of the Remuneration Committee. The names of the members of the Remuneration Committee are listed below:</p> <p>Mr. G C Wickremasinghe - Chairman Mr. D H S Jayawardena Mr. V M Fernando</p> <p>No Director is involved in determining his remuneration package. Such remuneration packages offered are fair to the Company and the Director.</p>
Level and Make-Up of Remuneration Packages	<p>The Company believes that its success is mainly due to the efforts of its employees and has structured the remuneration packages in such a manner to attract, retain and motivate the best professional talent in the country. An attractive remuneration package in line with comparative industry levels is given to the Managing Director, other Executive Directors and the Senior Management of the Group. Whenever required the Remuneration Committee obtains market research information from third parties in order to benchmark compensation packages with the industry norms.</p>
Relations with Shareholders	
Long term shareholder value	<p>The Group's market price decreased to Rs. 90 per share as at 31st March 2009 compared to Rs. 93 per share as at 31st March 2008. This resulted in a market capitalization of almost Rs. 3.5 billion, a decrease of 3 per cent from the previous year.</p>
Constructive use of the Annual General Meeting (AGM)	<p>The Company welcomes active participation by its shareholders and allows opportunity for shareholder participation. The Board considers the Annual General Meeting as an opportunity to communicate and maintain appropriate dialogue with its shareholders and welcomes their suggestions. It also enables shareholders to meet and discuss appropriate Company matters with the Directors after the AGM.</p>
Making available Notice of Meeting and the related papers	<p>The notice of the Annual General Meeting and the relevant documents are published and dispatched to the shareholders at least 15 working days prior to the Annual General Meeting as per the Companies Act No. 07 of 2007.</p>

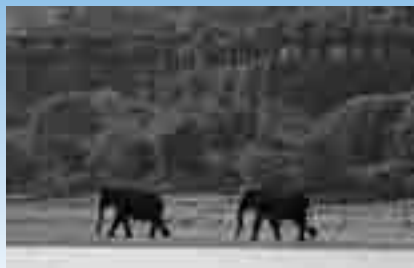
CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
Relations with Shareholders	
Major Transactions and their impact on the consolidated Group net assets	During the financial year there were no major transactions, which materially altered the Company's net asset base or the consolidated Group net asset base other than what has been disclosed in this Annual Report.
Accountability and Audit	
Assessment of the position and prospects of the Company	The Annual Report of the Board of Directors and the Statement of Directors' Responsibility are presented on pages 68 to 71 and page 72 of this Annual Report together with the Management Report, presented as Management Discussion and Analysis on pages 29 to 37. These reports provide a balanced and understandable assessment of the Company's position and prospects.
Maintaining a sound system of Internal Control and Risk Management	The Board has implemented a sound system of Internal Control and Risk Management to safeguard the shareholders' investment and the Company's assets. The Board is fully aware that Internal Controls have inherent limitations and do not provide absolute assurance against errors and fraud. The details of the Company's Risk Management system are provided on pages 43 to 46 of this Annual Report.
Periodical review of the adequacy and effectiveness of Internal Controls	The adequacy and the effectiveness of the Internal Controls are periodically reviewed by the Board, the Audit Committee and the Senior Management of the Company and the observations are reported to the Board for appropriate action.
Financial Reporting	The Board of Directors confirm that the financial statements of the Company and its subsidiaries have been prepared in accordance with the Sri Lanka Accounting Standards and the Companies Act No.07 of 2007. The Company has duly complied with all the reporting requirements of the relevant Laws and Regulatory Authorities. The consolidated financial statements and the financial statements of the Company were audited by Messrs KPMG Ford, Rhodes, Thornton & Co.
Statement by the Auditors about their reporting responsibilities	The Auditors Report on the financial statements is presented on page 73 of this Annual Report.
Declaration by the Board as to whether the business is a going concern	The relevant declaration is presented in the Annual Report of the Board of Directors on page 68 of this Annual Report.

Corporate Governance

CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
The Board of Directors	
Audit Committee	<p>The parent company's audit committee functions as the Audit Committee of the Company. The Audit Committee comprises of 3 Non Executive Directors. The names of the members of the Audit Committee are listed below:</p> <p>Mr. G C Wickremasinghe - Chairman Mr. C H Gomez Mr. N J de S Deva Aditya</p> <p>The Audit Committee comprises of members with a mix of Financial and Industry experience and assists the Board in discharging its duty by ensuring that the Group's internal controls and conduct of business are in accordance with the best practices appropriate to the Company, reviews the integrity of the Company's financial reporting and oversees the independence of the external auditors. The Audit Committee also monitors and guides the internal audit function.</p>
Maintaining appropriate relationship with external auditors	The Audit Committee is responsible for making recommendations on the re-appointment or removal of external auditors based on the performance of the Auditors.
Statutory Obligations	The Directors, to the best of their knowledge and belief, are satisfied that all financial obligations due to the Government and to employees have been duly paid or adequately provided in the financial statements.
Relationship with other Stakeholders	
Employees	<p>The Board ensures that the vision, goals and objectives formulated by the Board are clearly communicated and understood by all employees. This ensures goal congruence and the understanding by all employees of the strategic direction of the Company. All employees are aware of their responsibilities and duties and the Group strictly follows the ILO convention with regard to employment. The Group ensures that no person below the minimum age is offered employment. The Group affords equal opportunities to potential employees regardless of gender, race or religion and once recruited would continue in their career path without discrimination. The Code of Ethics, which has been duly documented, is given to all executives of the Company who confirm their acceptance of the same. The violation of the Code of Ethics is considered an offence, which is subject to disciplinary action.</p>

CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
Relationship with other Stakeholders	
Institutions and Regulatory Bodies	The Board ensures that a meaningful relationship is maintained with institutions such as the relevant Line Ministries, The Central Bank of Sri Lanka, The Board of Investment of Sri Lanka, The Registrar General of Companies, The Securities and Exchange Commission of Sri Lanka, The Colombo Stock Exchange, The Department of Inland Revenue, Professional and Trade Associations and various Chambers of Commerce. The Group's operations and activities strictly adhere to the rules, regulations and codes of conduct set out by the relevant regulatory and advisory bodies and the laws of the Country
Environment	The Board is highly committed to the sustainability of the environment and therefore ensures that the Company pursues and adheres to the recommended standards so as to protect and promote the eco system. The practices adopted by the Company are recognised and rewarded by the relevant authorities and the awards bestowed upon the Company are the evidence of such adherence to environmental policies of the Company.

Sustainability Report



Preserving the natural environment



Staff Cleaning the children's ward of Dambulla Hospital



Veterinary Camp

Embracing Change: Accounting for Triple Bottom Line

In 2008/09, we recognised the need to tighten the focus of our operations by embracing change. The need to strengthen our focus on incorporating sustainability perspectives into major operational decision making seemed a prudent step forward. The 'triple bottom line' is rapidly gaining recognition as a framework for measuring business performance. In its broadest sense, the triple bottom line captures the spectrum of values that our Company embraces - economic, environmental and social; issues that we consider to be equally significant to the Aitken Spence Hotel Holdings business.

Sustainable Tourism

Sustainable tourism describes an industry committed to maintaining a low and positive impact on the local environment, culture and people, while benefiting them through employment and income generating opportunities. Sustainable tourism is now becoming the norm rather than the exception in the industry worldwide, especially in most high-end markets.

Aitken Spence Hotel Holdings is the first hoteliering company to develop and practise sustainable tourism in Sri Lanka. Our best practices for the conservation and protection of the environment has won us global recognition through a series of case studies used worldwide. Similarly, our policy of deep-reaching, long-term engagement with the community we work in remains a core component of our sustainability activities.

Aitken Spence Hotel Holdings has been a participant of the United Nations Global Compact (UNGC) since 2007 and

the company remains faithful to these codes and regulations at every level. Every Aitken Spence hotel has adopted the principles of the UNGC as a guideline of all operations.

Adopting a Global Standard

In compiling this sustainability report, Aitken Spence Hotel Holdings follows the GRI (Global Reporting Initiative), using the G3 Guidelines to report on the hotels in Sri Lanka.

The G3 Guidelines are the cornerstone of the GRI Sustainability Reporting Framework. These guidelines outline core content for reporting and are relevant to all organizations regardless of size, sector, or location. They are the foundations upon which all other GRI reporting guidance is based. The G3 Guidelines outline a disclosure framework that organizations can voluntarily, flexibly, and incrementally adopt. This report was broadly defined giving consideration to the impact on all stakeholders

Source: The Global Reporting Initiative -

<http://www.globalreporting.org/ReportingFramework/G3Guidelines/>

These guidelines create a standardised approach to sustainability reporting and are intended to stimulate a demand for sustainability information as well. They also create a proactive approach to risk management, while increasing levels of efficiency throughout the organisation.

The consistent use of the GRI based Sustainability Reporting significantly helps to develop corporate benchmarking and evaluation systems of a company; while increasing transparency and accountability through a universally applicable, comparative framework of information.



Earning loyalty: Diamond Club

Showcasing Sustainability: Cases in Practice

Critical to our long term success is our ability to build relationships and work in a collaborative and transparent way with business partners, governments, non-governmental organisations and host communities. Wherever we operate, we commit to engaging regularly, openly and honestly with the people interested in and affected by our operations.

Building positive stakeholder relationships reflects our sustainability values, which include integrity, win-win relationships and respect for each other in all business activities. Engaging in a respectful and culturally appropriate way with our key stakeholder Groups is a vital part of a successful and prosperous relationship with our host communities.

Regular and transparent communication with our key stakeholders is achieved through a variety of engagement activities, tailored to the needs of the stakeholders while being respectful of their culture. The Company aims to make a valuable contribution to its local communities, not only by providing employment opportunities, but also by supporting organisations that help to create a healthy and sustainable social fabric in those communities. Investing in social and community programs is an important element of the Company's approach to community relations and to the development of societies for economic development.

Aitken Spence Hotels is a trendsetter in the area of environmental and social governance, particularly in environmental sustainability. It has demonstrated its leadership status through a number of key initiatives including the construction of Heritance Kandalama which

is a case study (both locally and internationally) in operating a sustainable commercial project, which has empowered the people of the village economically and also socially mobilized a philosophy for sustainability.

Advocating the cause for sustainability, Aitken Spence Hotels operates with a view that tourism is a means to preserve our culture, heritage and environment for future generations. We also believe that as an industry leader, we must create an awareness and understanding amongst young people to take these values to the future.

Given the expansive nature of the sustainability efforts undertaken by the Company, for presentation purposes in this Annual Report, three case studies falling within the areas of economic, environmental and social will be elaborated on as cases in practice.

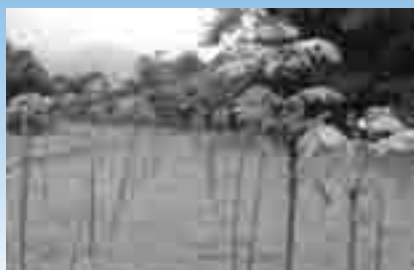
Economic

CASE STUDY: Diamond Club - Reaping Rewards

During the year as tourism recorded a dip internationally and international arrivals into Sri Lanka dwindled, the Company focused on sustaining its revenue contribution to stakeholders including the nation. The Company looked beyond the conventional promotions and price cuts to attract a customer base, which would maintain its revenue yield and aid in contributing to national revenue.

The Diamond Club launched in the year 2007/08 was identified as an ancillary source of revenue enhancement through the utilization of a database of loyal domestic customers for repeat visitations and creation of brand awareness. With online reservation fuelling the popularity of the programme, the Diamond Club has proved to be a

Sustainability Report



Gliricidia Plantation - Kandalama



Mobilising the "Green Message"



Dendro Plant at The Tea Factory Hotel, Kandapola

success in maintaining the occupancies and returns of the Company's hotel without a degradation in prices or the quality of service. Therefore, the Company has continued to maintain high levels of service quality whilst catering to an exclusive domestic tourist portfolio. In the year under review the club infused additional revenue to the Group with around 40 per cent being repeat visitations. Internet reservations increased whilst the dedicated website for the club experienced approximately 1,500 visitors.

Some of the exclusive privileges granted to Diamond Club members include redemption of points on future bookings, free stay against reward points at any of the Heritance Hotels and Resorts and Aitken Spence Hotels in Sri Lanka, room upgrades against reward points, special recognition to all members at the hotel, purchase of gift vouchers against reward points and the ability to make priority bookings.

In addition to this, the Diamond Club's website www.diamondclub.lk allows members to log in and monitor guests' stays, points earned and redeemed, update personal information and view special offers as well. This interactive website is inter-linked with the terminals at the various hotels thus enabling the online updating of member's information.

It is also pleasing to note that the revamping of the Aitken Spence Hotels website www.aitkenspencehotels.com has increasingly attracted new reservations and has aided in consolidating our loyal customer base and that this move can only enhance our online reservations.

Environmental

CASE STUDY : Biomass fuels our thermal energy requirements

Rising energy demand and depletion of fossil fuels are contributing factors for increases in energy prices. At Aitken Spence Hotels the focus on deriving sustainable alternative green energy has been driven by our social consciousness to create a better environment for our future generations. Our efforts to reduce our carbon footprint and to actively participate in the reduction of the greenhouse effect has led to the innovative use of green resources for the functioning of our hotel properties. An initiative of special significance has been the utilization of biomass for thermal energy needs at Heritance Kandalama and The Tea Factory. The initiative has reduced energy costs and greenhouse gas emissions enabling the Company to actively participate in maintaining environmental sustainability.

Biomass gasification is a renewable, low cost and environmentally friendly energy alternative. Gasification is a technique developed to convert carbon based solid fuels to gasifiers from containing carbon monoxide and hydrogen.

The abundantly available gliricidia tree has been identified as a source of biomasses to be used in Gasifiers to generate energy. Sustainable agro and harvesting techniques of the gliricidia trees have yielded a high crop return and proved to be a vast resource for biomass generation. Furthermore, the residue from biomass production has been further utilised towards the provision of fertilizer for crops and foliage for livestock. It provides gainful agricultural employment for the village community in and around Kandalama.

By using gliricidia wood - a leguminous plant which can be easily grown and which has nodules in the roots which nitrogenises the soil - as biomass to replace fossil fuels the Company has not only aided in the reduction of foreign exchange utilization for purchase of conventional diesel and petrol fuels but also has contributed towards empowering a large population of village community the provision of an additional source of income as suppliers of Gliricidia wood to the hotel properties.

The biomass gasification initiative has yielded impressive results as indicated below:

The Tea Factory:

Quantity of diesel saving per year	-	90 Tons
Quantity of CO ₂ emission reduction per year	-	250 Tons

Heritage Kandalama:

Quantity of diesel saving per year (estimate)	-	200 Tons
Quantity of CO ₂ emission reduction per year (estimate)	-	500 Tons

Social

CASE STUDY: Preparing for the future - The Aitken Spence School of Hospitality

The Aitken Spence School of Hospitality was launched in 2007, as a corporate social responsibility project of the

company. The school is housed in a purpose-designed building in Ahungalla, which was constructed in partnership with Hilswerk, Austria through the Chamber of Commerce of Vienna.

A recent study indicated an impending dearth of trained young people in the local hospitality industry. Proposed regions for development in the local tourism sector include Hambantota, Arugam Bay and Kalpitiya, which, once launched would create a strong demand for trained hotel staff at all levels. There is also a growing demand for hospitality professionals overseas, from fast-growing destinations in the Middle East, India and China. The Aitken Spence School of Hospitality plans to train and educate professional staff to fill these upcoming vacancies in the industry.

Finally, while focusing on improving industry service standards at all levels, it is also our aim to foster and improve the livelihoods and social infrastructure of people in general.

The School of Hospitality project offers 3 months of intensive training in various areas of the hospitality industry to young people of employable age. Students receive theoretical as well as hands-on learning and experience, both at school and in two of the company's high-end hotels in Ahungalla and Beruwela.

Energy saved due to conservation and efficiency improvements	1,053,790 kWh
Initiatives to provide energy efficient or renewable energy-based products and services and reductions in energy requirements as a result of these initiatives	<p>Sale of guest rooms properly planned after considering chilled water distribution using tertiary treated water for urinals improving laundry washing process use of wooden fuel instead of diesel</p> <p>Total saving : 84,772kWh 2000kg of CO₂</p>

Sustainability Report



Aitken Spence School of Hospitality - Ahungalla



Recent intake of the School



Learning Session

Subjects on offer at the school include F & B services, while basic level courses in cookery, house-keeping and front-house management will be launched soon. The school has a capacity for 300 students, who may live on-campus and enjoy hostel facilities and meals at no extra charge. All successful graduates of the School are offered employment at an Aitken Spence hotel or resort. Upon completing two years of employment with Aitken Spence hotels, students also have the opportunity to work overseas through the company's foreign employment unit.

Students at the school are charged a token fee covering the cost of overheads and operations. All other costs are borne by Aitken Spence, a sum amounting to approximately Rs. 8 million per annum.

The Hospitality School is one of the most ambitious and long-term projects the company has ever undertaken and its undoubted success indicates that Aitken Spence hotels is contributing to the welfare of the nation in the most productive manner - by training and educating our youth to be trained, professional and highly employable citizens of the world.

Mandatory Sustainability Actions

At Aitken Spence Hotel Holdings the majority of sustainability actions are mandatory by way of business practice. Advocating the cause for sustainability, Aitken Spence hotels operates with a view that tourism is a means to preserve our culture, heritage and environment for future generations. We also believe that as a trendsetter we must create an awareness and understanding amongst young people to take these values to the future.

The table below outlines the sustainability actions that we undertake on a day to day basis, all of which are inclusive to the operational process at Aitken Spence Hotel Holdings.

Activity	Objective	Key Deliverables	Process Implementation	Status
Environmental Management System & Policies	Implementation of a set of environmental and social sustainability policies and environmental management Systems across the organization	Environmental planning, pollution control, natural resource management, reduction of green house gas emissions, enhanced energy efficiency, reduction in fresh water consumption, treated wastewater consumption, maintenance of air quality, noise control, improvement of social and cultural infrastructure	Operational committees for energy, water, wastewater, solid waste, air pollution, sound pollution, transport, eco system management and social and cultural development, spearhead implementation across all hotels and resorts	Ongoing
Awareness building on environmental conservation and cultural preservation	Catalyse youth to actively participate in the preservation of the environment, culture and heritage	Enhance the network of schools that participate in the programme on a year on year basis with an increase in the student participation	Workshops, dialogues and projects	Ongoing with the participation of 39 schools in the Dambulla District
Sustainability orientation	Inculcate the Aitken Spence sustainability philosophy amongst new employees	Awareness and a sense of responsibility towards maintaining sustainable business practices	Orientation programmes, workshops	Ongoing on a need basis
Sustainable purchasing and supplier networks	To improve the livelihoods of our host communities through economic empowerment	Source produce for hotels through local communities Source artisans and musicians from local communities to foster an appreciation of local art forms	Direct purchase from producers of agro produce and other requirements Direct contractual of musicians, artisans to perform at properties	Ongoing
Environmental friendly purchasing policy	Gives priority to bulk purchases with containers and re-usable and bio-degradable containers	Catalyse suppliers to adopt sustainable practices	Supplier relations based on company sustainability policy	Ongoing
“Durables as against disposables” policy	Utilization of durables instead of disposables in a bid to conserve the environment	Use of durables at every opportunity	Boron and phosphorous-free biodegradable cleaning chemicals and detergents are used to minimize disposal issues as well as other durable products along the operational chain	Ongoing
7R's - Reject, Reduce, Re-use, Re-claim, Replace, Repair, Re-cycle.	Conversion of 'Garbage into a Resource'	'Zero Plastic'	All waste is separated at origin (the beginning of the pipe line), while re-using our own waste, selling to external sources and recycling everything is practiced and encouraged at all levels	Ongoing

Sustainability Report

Activity	Objective	Key Deliverables	Process Implementation	Status
Switch off policy	To reduce usage of electricity	A qualitative decline in electricity consumption of 75,000 Kilowatt per hour annually	Implemented in every hotel together with the use of photo-sensitive switches for garden lights, power-factor corrections, key-tag activated master switches etc. Monitored through regular energy audits	Ongoing
Dendo Steam as an energy source	To use boiler generated steam for heating systems	Saving of 86,500 Kilowatts per hour per year	Implemented in The Tea Factory, Nuwara Eliya through the use steam generated through Gilricidia leaves	Ongoing
Water Conservation through a “closing tap policy”	To reduce the usage of fresh water	Save a minimum of 23,000 litres of water daily	Volumes of water in flushing cisterns have been reduced, photoelectric urinals installed, waste water recycled, repair to leaks considered a top priority, grey water from filters and softners in the water treatment plant used for spraying purpose in the gardens	Ongoing
Extended Aeration Process	Treat all wastewater at sewage treatment plant	Achieve better quality of recycled water to increase the opportunities for usage	Treatment for longer than average period of times	Ongoing
Paperless office policy and recycling of waste papers	To reduce the usage of paper	To create a zero paper based working environment	Implementation of electronic work environments and produce paper on-site at hotel properties to off-set the paper requirements through recycled waste paper and 30 per cent elephant dung. Approximately 3000 A4 sheets produced daily	Ongoing
Eco Park at Heritance Kandalama	To educate people and disseminate information about environmental management and social consciousness	To continue to enhance visitation to exceed the already achieved 1.5 million visitors from schools, the local community and guests from nearby resorts since inception in 2004.	An environmental animator explains and guides visitors through the park's processes and plants grown here are distributed to community organisations across the island, for their tree-growing campaigns	Ongoing



*Presidential Award Gold - 5 Star Category -
Heritance Kandalama*



*National Cleaner Production Silver Award -
Heritance Ahungalla*



*Presidential Award Gold - 4 Star Category -
The Tea Factory*

International Benchmarks

The ISO 14001 standard is the standard for environment management systems. This series was developed by the International Organization for Standardization (ISO) as a collection of voluntary standards that assist organizations to achieve environmental and financial gains through the implementation of effective environmental management. The standards provide a model for streamlining environmental management and guidelines to ensure that environmental issues are considered within decision-making practices.

Of the Aitken Spence hotels in Sri Lanka, Heritance Kandalama complies with ISO 14001 whilst the remaining hotels are working towards meeting the compliance requirements for ISO 14001 certification. It is expected that by the end of the year 2009, all hotels and resorts in Sri Lanka will be ISO 14001 certified as most of the hotels have already completed the major part of the required processes.

Since the ISO 14000 series sets standards inclusive of all industries, Aitken Spence hotels continues to benchmark the company against Green Globe 21, a global benchmarking certification and improvement system that guides international travel and tourism industries towards sustainability.

The Green Globe standards are based on Agenda 21 principles of sustainable development endorsed by Heads of state at the UN's Earth Summit in Rio de Janeiro. Six of the Company's hotels are presently benchmarked to the Green Globe certification whilst three others are working towards the certification. By the end of 2009 all Aitken Spence hotels in Sri Lanka will be Green Globe certified.

This achievement would be one that no other Sri Lankan hotel management company could match and will clearly demonstrate the depth of our commitment to sustainable tourism.

Food & Quality Standards

We have set ourselves a target of gaining ISO 22000/HACCP accreditation for all of our hotels in Sri Lanka by end 2009. Heritance Kandalama and The Tea Factory received certification in October 2006 for compliance with ISO 22000/HACCP by external auditor SGS whilst Heritance Ahungalla also received HACCP certification in the year under review.

ISO 22000/HACCP:2005 is a prevention-based food safety management system that identifies and prevents microbial, chemical and other hazards in food based industries. Fast becoming the most accepted certification in the industry, this certification will soon be a mandatory requirement for all food-handling operations across the world. Together with auditable requirements, the ISO 22000/HACCP:2005 standard combines the HACCP plan with prerequisite programmes (PRP's). The standard requires that all hazards expected to occur are identified and analyzed, in order to control critical points where hazards can occur in the operational flow.

The standard includes planning, implementing and maintaining of a food safety management system which would comply with all regulatory requirements, assess customer requirements, effective communication within the food chain, conforming to the food safety policies of the state, and demonstrate conformity to all relevant parties while seeking certification.

Sustainability Report

Stakeholder Engagement Summary

Who	Why	How
Contractors	To sensitise them on standards expected from them	Awareness programs
Divisional Councils	They contribute towards the license to operate To impress on corporate responsibility	Sensitisation workshops Awareness programmes
Employees	Employees play a key role in implementation of all hotel programs & rendering service to clients To ensure standards determined by hotel (on water safety, food safety etc) are adhered to	Orientation Training Performance evaluations Debates/oratorical competitions Suggestion schemes Newspapers Committees of employees acting as advisory bodies Maintaining open culture
Guests	To ensure business continuity	Tent cards focusing on how they can manage their environmental footprint Directory Customer feedback forms Leaflet when checking in
Guides/Drivers	They provide information to clients to keep them abreast of hotels	Sensitisation workshops Awareness programs
Local schools	Easiest method of spreading best practices Prospective employees	Seminars and gatherings focusing on best practices
Neighbouring communities	To ensure harmonious co existence between hotel and community To make the environment around the hotel more pleasant	Rural development Donations on occasions of death Women's societies Via Samurdhi representatives
Shareholders	To ensure business continuity	Annual General Meeting Investor Feedback Form
Suppliers	To ensure that the hotel can maintain predetermined standards of service	Conducting seminars and workshops based on various topics important to the hotel. E.g. food safety building means of dialogue
Tour Operators	Conducting seminars and workshops based on various topics important to hotel.	Find out their business interests via questionnaires and checklists To find out if clientele is environmentally and socially interested in hotels and service rendered to establish good name and relationship

Key Labour Indicators - Sri Lankan Hotel Operation

Total Work Force	Total	1,381	
	Full time	1,369	
	Part time	12	
	Permanent	748	
	Contract	488	
	Trainees	133	
	Casual	12	
Employee turnover	Age group	Male	Female
	Below 30	356	35
	30-50	292	20
	Above 50	50	Nil
Injuries per year		30	
Average hours of training per employee by employee category	Management	4.66	
	Executive	9.94	
	Supervisory/Clerical	5.88	
	Staff	85.05	
Benefits given only to permanent employees	<ul style="list-style-type: none"> • Bonus • Festival Advance • Full Service Charge • Reimbursement of Tuition and Exam fees on successful completion 		
Minimum notice period regarding significant changes		1 month	
Percentage of total work force represented in formal, joint management-worker health and safety committees		100%	
Programmes for skills management and lifelong learning	<ul style="list-style-type: none"> • Management Trainee Programme • 5S • Speed Reading Skills Development Programme • Team Building • Awareness session on Diabetes • Problem Solving through Creativity • Making a Salient Difference • Time Management and Goal Setting • Positive Habits for Success • Supervisory Development Programme 		
Percentage of employees receiving regular performance and career development reviews		100%	
Ratio of basic salary of men to women by employee category		100%	

Sustainability Report



*Sustainability Reporting Awards 2008 - ACCA
(Runners up - Medium Scale Category)*



Maldives' Leading Water Villas - Adaaran Prestige



ICASL Annual Report Gold Award 2008 - Hotel Category

During the certification process the hotels exposed their entire food chain, from producer to supplier through to the consumer, to ensure that consistently high standards of quality and hygiene are maintained throughout. Effective interactive communication throughout the food chain downstream and upstream was also developed in order to ensure the delivery of safe food.

All food handlers in the chain are highly trained, while other stakeholders are sensitized and their awareness enhanced. All stakeholders play an active role in the maintenance of standards. A food safety management system was incorporated into the overall operational management system, which has been aligned with the ISO 9001 quality standard. Based on these basic standards, the hotels' chefs with advice from SGS compiled their own quality and safety standards manual for individual hotels.

Awards & Recognition

During the year Aitken Spence Hotels won several key awards. These accolades reflect the high standard we have achieved in terms of our business processes, reporting practices, sustainable development and corporate governance. Some of the awards received during the year include:

- Adaaran Prestige Water Villas won the coveted "Maldives Leading Water Villas" title at the World Travel Awards 2008.
- The Tea Factory won the Presidential Award for Travel & Tourism 2008 in the Four Star Resort Category.
- The Aitken Spence Hotel Holdings Annual Report received the Runners up award - medium scale category at the Association of Chartered Certified Accountants (ACCA) Sustainability Reporting awards 2008.
- Heritance Ahungalla Received the National Cleaner Production Silver Award during the year.
- Adaaran Select HudhuRan Fushi received the Presidential Award for highest occupancy in Maldives in the 300 beds and above category.
- The 2007/08 Annual Report of Aitken Spence Hotel Holdings once again won the Gold Award in the Hotel Companies category at the award ceremony conducted by the Institute of Chartered Accountants of Sri Lanka.
- Heritance Kandalama won the Presidential Award for Travel & Tourism 2008 in the Five Star Resort category.

The Global Reporting Initiative (GRI) - Index

The Global Reporting Initiative (GRI) is the world's most widely used sustainability reporting framework which sets out the guide lines for principles and indicators that organizations can use to measure and report their economic, environmental and social performance. Aitken Spence Hotel Holdings PLC has used the guidelines of the GRI sustainability reporting framework for the development of our 2008/09 Sustainability Report.

The table below provides a check list of items that are provided within the Sustainability Report and other sections of this Annual Report.

GRI Indicator	Section Heading	Reference
1. STRATEGY AND ANALYSIS		
1.1 Statement from the Managing Director	• Managing Director's Review	21 - 23
2. ORGANIZATIONAL PROFILE		
2.1 Name of the organization	• Corporate Information	118
2.2 Primary brands, products and/or services	• Our Brands	12
	• Management Discussion and Analysis	29 - 37
2.3 Operational structure of the organization	• Group Portfolio	13
	• Management Discussion and Analysis	29 - 37
2.4 Location of the organization's headquarters	• Corporate Information	118
2.5 Number of countries where the organization operates	• Management Discussion and Analysis	29 - 37
2.6 Nature of ownership and legal form	• Corporate Information	118
2.7 Markets served	• Management Discussion and Analysis	29 - 37
2.8 Scale of the organization	• Management Discussion and Analysis	29 - 37
	• Financial Statements	74 - 106
	• Shareholder and Investor Information	109 - 113
2.9 Significant changes during the reporting period	• Group Portfolio	13
	• Managing Director's Review	21 - 23
	• Management Discussion and Analysis	29 - 37
	• Financial Statements	74 - 106
2.10 Awards received in the period	• Sustainability Report	64
3. REPORT PARAMETERS		
3.1 Reporting period	• Annual Report of the Board of Directors	68
3.2 Date of Most recent previous report	• 31st March, 2008	
3.3 Reporting cycle	• Annually	
3.4 Contact point for further information	• Corporate Information	118
3.5 Process of defining report content	• Sustainability Report	54 - 64
3.6 Boundary of the report	• Management Discussion and Analysis	29 - 37
	• Sustainability Report	54 - 64
3.7 Limitation on the scope or the boundary of the report	• The Sustainability Report covers only the Sri Lankan operations of the Group	
3.8 Basis of reporting on joint ventures and other operations	• Financial Statements	74 - 106

The Global Reporting Initiative (GRI) - Index

GRI Indicator	Section Heading	Reference
3.10 Effects of any restatements	Not Applicable	
3.11 Significant changes from previous reporting periods	Not Applicable	
3.12 GRI content index	• Sustainability Report	65 - 66
4. GOVERNANCE COMMITTEES AND ENGAGEMENTS		
4.1 Governance structure of the organization	• Corporate Governance	47 - 53
4.2 Indicate whether the chair of the highest governance body is also an executive member	• Corporate Governance - Chairman's Role	48
4.3 The Board composition	• Corporate Governance	47 - 53
4.4 Mechanisms for shareholders and employees to provide recommendations	• Annual Performance Evaluation • Investor Feedback form	123
4.14 List of stakeholder groups engaged by the organization	• Sustainability Report - Stakeholder Engagement Summary	62
4.15 Basis of identification and selection of stakeholders	• Sustainability Report - Stakeholder Engagement Summary	62

Performance Indicators

Economic		
EC1 Direct economic value generated and distributed	• Value Added Statement • Financial Statements	42 74 - 106
EC3 Coverage of the organization's defined benefit plan obligations	• Financial Statements - Employee Benefits	100

Environmental		
EN5 Energy saved due to conservation and efficiency improvements	• Sustainability Report	54 -64
EN6 Initiatives to provide energy-efficient or renewable energy based products and services and the reduction in energy consumption as a result of these initiatives	• Sustainability Report	54 -64
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Nil	

Social Performance Indicators		
Labour Practices and Decent Work Performance Indicators		
LA1 Total workforce break-up	• Sustainability Report - Key Labour Indicators	63
LA2 Total number and rate of employee turnover break-up	• Sustainability Report - Key Labour Indicators	63
LA3 Benefits provided for full-time employees	• Sustainability Report - Key Labour Indicators	63
LA5 Minimum notice periods	• Sustainability Report - Key Labour Indicators	63
LA7 Rates of injury, occupational diseases, etc.	• Sustainability Report - Key Labour Indicators	63
LA 10 Average hours of training per year per employee by employee category	• Sustainability Report - Key Labour Indicators	63
LA 11 Programs for skills management and lifelong learning	• Sustainability Report - Key Labour Indicators	63
LA 12 Percentage of employees receiving regular performance and career development reviews	• Sustainability Report - Key Labour Indicators	63
LA 14 Ratio of basic salary of men to women by employee category	• Sustainability Report - Key Labour Indicators	63

Financial Information

Financial Calendar

Thirty-second Annual General Meeting
29th June 2009

First and Final Dividend for 2008/09
(ex Dividend date 30th June 2009)
9th July 2009

Interim Statement for the three months
ended 30th June 2009
First week of August 2009

Interim Statement for the six months ended
30th September 2009
First week of November 2009

Interim Statement for the nine months ended
31st December 2009
First week of February 2010

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Annual Report of the Board of Directors

The Board of Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31st March 2009.

Principal Activity of the Group

The principal activity of the companies in the Group is hoteliering and there has been no change in the nature of such activity during the year.

Review of the Year and Future Developments

The Review of the Chairman and the Managing Director contain detailed accounts of the year's operations and future aspirations of the Group.

Internal Controls

The statements of Corporate Governance practices and Statement of Directors' Responsibilities on pages 47 to 53 and page 72 respectively set out in detail the Group's system of internal controls.

Corporate Governance

The Board of Directors is committed to maintain an effective corporate governance structure and process. The Operations of the Company and its subsidiaries are effectively directed and controlled within the corporate governance framework outlined on pages 47 to 53 of this Report.

Risk Management

The Board and Executive Management of the Company have put in place a comprehensive risk identification, measurement and mitigation process. A detailed overview of the process is outlined in the Risk Management Report on pages 43 to 46 of this Report.

Going Concern

The Board is satisfied that the Group has adequate resources to continue its operations in the foreseeable future, thus adopting the going concern basis in preparing the accounts.

Customers

The Group continuously strives to provide a unique experience to all its clients with emphasis on quality and

service. Both local and foreign clientele are treated equally assuring value for money.

Suppliers

The Group endeavors to transact business with reputed organizations capable of offering quality goods and services at competitive prices with a view to building mutually beneficial business relationships.

Employment Policy

As at 31st March 2009 the number of permanent and contract employees in the Group were 1,885 (31st March 2008 - 1,954). The total distributed as remuneration during the year amounted to Rs. 554,334,044 (2007/08 - Rs. 498,364,177). As a socially responsible 'Equal Opportunity Employer', the Group's recruitment and employment policies are non-discriminatory.

The Group is committed to the development and utilization of skills of the local labour force. In addition, the management has provided the opportunity for the employees to develop and share their knowledge in its endeavor to be a learning organization.

Environmental Policy

The Group is committed to environmental conservation and minimizing any adverse impact resulting from its operations. In order to monitor and manage the environmental and social performance of the hotels a formal Environmental Management System has been established. The Group's Environmental and Social practices are detailed on pages 54 to 66 of this Report.

Group Revenue

The revenue of the Group was Rs. 6,611,893,047 (2007/08 - Rs. 6,412,698,587) and is analysed on page 85.

Taxation

A detailed statement of the income tax rates applicable to the individual companies in the Group and a reconciliation of the accounting profits with the taxable profits is given in Note 08 to the financial statements.

Group Profits

	2008/09	2007/08
	Rs.	Rs.
The Net Profit of the Group for the year after providing for all expenses, known liabilities and depreciation of property, plant & equipment was	845,333,049	810,860,274
From which Income Tax on Group Profits have to be added/ (deducted)	(20,975,480)	(21,294,454)
Leaving the Group with a Net Profit after Taxation of	824,357,569	789,565,820
From which Minority Interests has to be added/ (deducted)	(231,770,696)	(276,914,650)
Leaving a Profit for the year applicable to Shareholders of	592,586,873	512,651,170
To which the adjusted balance of the previous year has to be added	1,666,424,804	1,182,624,861
The amount available to the Company for appropriation therefore	2,259,011,676	1,695,276,031

Appropriations

The amount has been appropriated by your Directors as follows:

Dividends Paid-Preference	14,850,000	-
Dividends Paid-Ordinary	38,433,144	28,824,858
Leaving an unappropriated balance to be carried forward of	2,205,728,532	1,666,451,173
	2,259,011,676	1,695,276,031

It is the Group's policy to provide for deferred taxation on all known timing differences on the balance sheet liability method for tax liable companies. The deferred tax liability of the Group is given in Note 23 to the financial statements.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments in relation to the government and the employees have been either duly paid or appropriately provided for in the financial statements.

Corporate Donations

There were no donations made during the year under review (2007/08 - Rs. 5,719,763).

Property, Plant & Equipment

The total expenditure on acquisition of property, plant & equipment during the year amounted to Rs. 2,172,082,099 (2007/08 - Rs. 731,375,292) details of which are given in Note 11 to the financial statements.

Real Estate Holdings of the Group

The Real Estate Holdings of the Group are given on page 115 of this Report.

Dividend

The Directors recommend a first and final Dividend of 50 cents per ordinary share and 9 per cent Preference Dividend on cumulative preference shares for the Financial Year 2008/09 (2007/08 - Rs. 1 per ordinary share).

The Directors have confirmed that the Company satisfies the solvency test requirement under section 56 of the Companies Act No. 07 of 2007 for the first and final dividends proposed.

Stated Capital

The stated capital of the Company as at 31st March 2009 is Rs. 1,056,433,440 comprising of 38,433,144 ordinary shares, and 16,500,000 preference shares. There was no change in the stated capital of the Company during the year.

Reserves

The total reserves of the Group as at 31st March 2009 stood at Rs. 3,668,254,232 (31st March 2008 - Rs. 2,701,001,355). This comprises of Reserves of Rs. 1,462,525,700 (31st March 2008 - Rs. 1,034,550,182) and Retained Earnings of Rs. 2,205,728,532 (31st March 2008 - Rs. 1,666,451,173). The movement in reserves is given in the Statement of Changes in Equity on page 76.

Annual Report of the Board of Directors

Shareholdings

As at 31st March 2009 there were 2,144 registered shareholders. The distribution of shareholdings as at 31st March 2009 is shown on page 109.

Share Information

Information relating to share trading, earnings, dividends, net assets and market value per share is given in Shareholders & Investor Information on pages 109 to 110 of this Report.

Major Shareholders

The names of the 20 largest shareholders of the Company and their shareholding as at 31st March 2009 is given on the Shareholders and Investor Information on pages 111 to 112 of this Report.

Directors

The Board of Aitken Spence Hotel Holdings PLC consists of Seven Directors with wide financial and commercial knowledge and experience in the industry. The names of the Directors are given on page 118 of this Report.

All the Directors of the Company held office during the entire financial year.

Retirement of Directors

In terms of Article 83 of the Articles of Association of the Company Mr. S M Hapugoda retires at the forthcoming Annual General Meeting and being eligible, is recommended by the Board for re-election at the Annual General Meeting.

Directors' Interest in Contracts in the normal course of business

Directors interested in contracts with the company, both direct and indirect are disclosed on pages 104 to 105 of the Annual Report under related party transactions. The above discloses the transactions with entities where a Director of the Company either has control or exercises significant influence. These interest have been declared at Directors' meetings.

Interest Register

The Interests Register is maintained as per the requirements of the Companies Act No. 07 of 2007 and is available for inspection.

Directors' Fees

A sum of Rs. 382,800 was paid as Directors' fees during the financial year ended 31st March 2009.

Directors' Shareholding

The Directors of the Company together with their spouses held 33,111 shares as at 31st March 2009 which amounted to 0.086 per cent (31st March 2008 - 0.086 per cent) of the total ordinary share capital.

There was no material variation from this figure within two months from the year end.

Ordinary shareholdings of the Directors together with their spouses are as follows:

As at 31st March	2009	2008
Mr.D.H.S.Jayawardena	-	-
Mr.J.M.S.Brito	9,000	9,000
Mr.R.E.V.Casie Chetty	23,863	23,863
Mr.S.M.Hapugoda	-	-
Mr.C.M.S.Jayawickrama	-	-
Mr.K.A.A.C.Perera	-	-
Mr.G.P.J.Goonewardena	248	248
	33,111	33,111

Shares held by the Directors in the Group Companies:

Hethersett Hotels Ltd.,

As at 31st March	2009	2008
Mr.R.E.V.Casie Chetty	2,500	2,500

Public Shareholding

The percentage of the shares held by the public as at 31st March 2009 is 25.42 per cent (31st March 2008 - 25.40 per cent).

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the financial statements of the Company to reflect a true and

fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Companies Act No. 07 of 2007, the Sri Lankan Accounting Standards and the listing rules of the Colombo Stock Exchange.

Changes in Accounting Policies

The Accounting Policies adopted by the Company and its subsidiaries have been consistently applied from previous years.

Post Balance Sheet Events

Details of the events after the balance sheet date are provided in note 33 (page 106) to the financial statements.

Annual General Meeting

The Thirty Second Annual General Meeting of the Company will be held at the Auditorium of the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 2, at 11.00 a.m. on Monday, June 29, 2009.

Auditors

The accounts for the year have been audited by Messers. KPMG Ford Rhodes, Thornton & Co., who offer themselves for re-appointment.

A sum of Rs. 2,536,802 (2007/08 - Rs. 2,724,100) was paid to the Auditors on account of providing audit & related services. A sum of Rs. 747,495 (2007/08 - Rs. 99,421) was

paid to them on account of permitted non audit related services including tax advisory services.

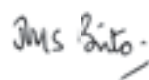
As far as the Directors are aware, the Auditors do not have any relationship with the Company that would have an impact on their independence.

By Order of the Board of Directors.



D.H.S. Jayawardena

Chairman



J.M.S. Brito

Managing Director



Director

Aitken Spence Corporate Finance (Pvt) Ltd.,

Secretaries

26th May 2009, Colombo.

Statement of Directors' Responsibilities

The Companies Act No. 07 of 2007 requires the Directors to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss of the Company and the Group for the financial year.

The Directors confirm that in preparing the financial statements of the Company and the Group, appropriate Accounting Policies and Standards have been selected, consistently applied and supported by reasonable and prudent judgements and estimates. Any material departures if any, have been disclosed and explained in the financial statements.

Having reviewed the Group's future financial projections, cash flows and current performance, the Directors consider that the Company and the Group have adequate resources to continue operations. The Directors have thus adopted a going concern basis in preparing the financial statements.

The Directors have taken the responsibility to ensure that the companies within the Group maintain accounting records, which disclose with reasonable accuracy the financial position of the Company and the Group and that the financial statements comply with the Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995, and the listing rules of the Colombo Stock Exchange.

The Directors have taken reasonable measures to safeguard the assets of the Company and of the Group and to establish appropriate systems of internal controls in order to prevent and detect error, fraud and other irregularities.

The Auditors have carried out reviews and sample checks on the system of internal controls, as they considered appropriate and necessary for expressing their opinion on the financial statements. The Directors have extended full co-operation to the Auditors and have provided them every opportunity to carry out their statutory obligation of expressing an opinion on the financial statements.

The Directors also confirm that to the best of their knowledge all taxes and levies payable by the Group, all contributions, levies and taxes payable on behalf of and in respect of the employees and all other known statutory obligations including retirement gratuities as were due as at the Balance Sheet date have been either duly paid or appropriately provided for in the financial statements.

By Order of the Board of Directors

Aitken Spence Corporate Finance (Pvt) Ltd.
Secretaries

Colombo
26th May, 2009

Independent Auditors' Report

TO THE SHAREHOLDERS OF AITKEN SPENCE HOTEL HOLDINGS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Aitken Spence Hotel Holdings PLC, and the consolidated financial statements of the Company and its subsidiaries as at March 31, 2009, which comprise the balance sheet as at that date, 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 74 to 106 of this Annual Report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the

accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

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

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

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.



CHARTERED ACCOUNTANTS
Colombo

26th May 2009

Income Statement

For the year ended 31 st March	Notes	Group		Change	Company		Change
		2009 Rs. '000	2008 Rs. '000	%	2009 Rs. '000	2008 Rs. '000	%
Gross Revenue	1	6,611,893	6,412,699	3	291,409	302,063	(4)
Bed Tax		(300,661)	(322,031)	(7)	-	-	-
Net Revenue		6,311,232	6,090,668	4	291,409	302,063	(4)
Other Operating Income	2	322,779	45,177	614	388,764	294,232	32
Staff Costs		(857,989)	(760,721)	13	(74,924)	(66,933)	12
Depreciation & Amortisation		(598,458)	(536,441)	12	(95,993)	(94,516)	2
Other Operating Expenses - Direct	3	(1,418,714)	(1,473,619)	(4)	(67,520)	(73,584)	(8)
Other Operating Expenses - Indirect	4	(2,551,549)	(2,224,594)	15	(150,715)	(139,683)	8
Profit from Operations	5	1,207,301	1,140,470	6	291,021	221,579	31
Finance Income		9,995	27,066	(63)	2,360	10,568	(78)
Finance Expenses	6	(368,723)	(362,461)	2	(179,786)	(200,325)	(10)
Net Finance Income / (Expenses)		(358,728)	(335,395)	7	(177,426)	(189,757)	(6)
		848,573	805,075	5	113,595	31,822	257
Share of Profit/(Loss) of Associates after tax	7	(3,240)	5,785	(156)	-	-	-
Profit Before Income Tax		845,333	810,860	4	113,595	31,822	257
Income Tax Expense	8	(20,975)	(21,294)	(1)	(120)	(8,760)	(99)
Profit for the Year		824,358	789,566	4	113,475	23,062	392
Attributable to:							
Equity Holders of the Company		592,587	512,651	16	113,475	23,062	392
Minority Interest		231,771	276,915	(16)	-	-	-
		824,358	789,566	4	113,475	23,062	392
Earnings per Ordinary Share (Rs.)	9	15.03	12.95	16	2.57	0.21	1,124
Dividend per Ordinary Share (Rs.)	10	0.50	1.00	(50)	0.50	1.00	(50)

Figures in brackets indicate deductions

The Significant Accounting policies and notes on pages 79 to 106 form an integral part of these financial statements.

Balance Sheet

		Group		Company	
As at 31st March		2009	2008	2009	2008
	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	11	8,686,707	6,664,681	1,569,881	1,653,574
Leasehold Property	12	1,554,651	1,407,987	-	-
Intangible Assets	13	1,524	3,048	-	-
Investment in Subsidiaries and Joint Ventures	14	-	-	1,002,301	939,020
Investment in Associates	15	185,118	188,358	98,987	98,987
Long -Term Investments	16	218,081	86,600	-	-
		10,646,081	8,350,674	2,671,169	2,691,581
Current Assets					
Inventories	17	194,049	174,557	15,362	19,557
Trade and Other Receivables	18	982,611	1,093,271	42,404	119,930
Amount due from Related Parties	19	214,648	180,559	1,110,935	925,143
Deposits & Prepayments		204,378	254,085	2,782	4,392
Current Tax Receivable		11,005	7,019	3,056	1,999
Short Term Deposits		341,821	389,079	64,596	36,505
Cash and Cash Equivalents		116,778	119,034	14,097	14,852
		2,065,290	2,217,604	1,253,232	1,122,378
TOTAL ASSETS		12,711,371	10,568,278	3,924,401	3,813,959
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Stated Capital	20	1,055,810	1,055,810	1,056,433	1,056,433
Reserves		1,462,526	1,034,550	356,650	356,650
Retained Earnings		2,205,729	1,666,451	936,720	876,528
		4,724,065	3,756,811	2,349,803	2,289,611
Minority Interest		1,346,064	1,219,998	-	-
Total Equity		6,070,129	4,976,809	2,349,803	2,289,611
Non-Current Liabilities					
Interest - Bearing Borrowings	21	3,746,361	2,930,155	1,087,063	1,101,359
Government Grants	22	1,391	1,547	-	-
Deferred Tax Liabilities	23	90,297	94,939	-	-
Employee Benefits	24	22,629	20,915	8,312	7,743
		3,860,678	3,047,556	1,095,375	1,109,102
Current Liabilities					
Trade Creditors		229,578	254,528	18,125	19,925
Other Provisions and Payables	25	798,591	871,695	36,106	98,738
Amounts due to Ultimate Holding Company		779,109	526,787	237,037	78,780
Amounts due to Related Parties	26	55,487	57,796	10,298	5,480
Interest Bearing Borrowings	21	675,895	498,300	177,657	212,323
Current Tax Payable		24,812	2,064	-	-
Short Term Bank Borrowings		217,092	332,743	-	-
		2,780,564	2,543,913	479,223	415,246
TOTAL LIABILITIES		6,641,242	5,591,469	1,574,598	1,524,348
TOTAL EQUITY AND LIABILITIES		12,711,371	10,568,278	3,924,401	3,813,959

The above Balance Sheet is to be read in conjunction with accounting Policies and Notes to the Financial Statements on pages 79 to 106.

I certify that the financial statements for the year ended 31st March 2009 are in compliance with the requirements of the Companies Act No. 07 of 2007.



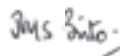
C.M.S Jayawickrama
Director

The Board of Directors are responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board



D.H.S Jayawardena
Chairman



J. M. S. Brito
Managing Director

26th May 2009, Colombo.

Statement of Changes in Equity

Group Attributable to Equity Holders of the Parent.....							
	Stated Capital	Revaluation Reserve	General Reserves	Exchange Fluctuation Reserves	Retained Earnings	Total	Minority Interest	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<i>For the year ended 31st March</i>								
Balance as at 31st March, 2007	1,055,810	543,773	260,287	257,124	1,182,653	3,299,647	873,019	4,172,666
Adjustment due to change in Percentage holding in subsidiaries	-	-	-	-	(28)	(28)	-	(28)
Currency translation differences	-	-	-	(26,634)	-	(26,634)	(14,830)	(41,464)
Effect of Acquiring new Companies	-	-	-	-	-	-	97,065	97,065
Net Income recognised directly in Equity	-	-	-	(26,634)	(28)	(26,662)	82,235	55,573
Net Profit for the Year	-	-	-	-	512,651	512,651	276,915	789,566
Ordinary Dividend Paid - 2006/07 (Note -10)	-	-	-	(26,634)	512,623	485,989	359,150	845,139
Dividend of Subsidiaries	-	-	-	-	(28,825)	(28,825)	-	(28,825)
Dividend of Subsidiaries	-	-	-	-	-	-	(12,171)	(12,171)
Balance as at 31st March, 2008	1,055,810	543,773	260,287	230,490	1,666,451	3,756,811	1,219,998	4,976,809
Adjustment due to change in Percentage holding in subsidiaries	-	-	-	-	(26)	(26)	31,476	31,450
Currency translation differences	-	-	-	136,822	-	136,822	54,602	191,424
Effect of new Companies acquired / disposed	-	-	-	-	-	-	(8,831)	(8,831)
Surplus on revaluation	-	291,154	-	-	-	291,154	2,183	293,337
Net Income recognised directly in Equity	-	291,154	-	136,822	(26)	427,950	79,430	507,380
Net Profit for the Year	-	-	-	-	592,587	592,587	231,771	824,358
Ordinary Dividend Paid - 2007/08 (Note 10)	-	291,154	-	136,822	592,561	1,020,537	311,201	1,331,738
Dividend of Subsidiaries	-	-	-	-	(53,283)	(53,283)	-	(53,283)
Dividend of Subsidiaries	-	-	-	-	-	-	(185,135)	(185,135)
Balance as at 31st March, 2009	1,055,810	834,927	260,287	367,312	2,205,729	4,724,065	1,346,064	6,070,129

Company

<i>For the year ended 31st March</i>	Stated Capital	Revaluation Reserve	General Reserves	Retained Earnings	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 31st March, 2007	1,056,433	335,810	20,840	882,291	2,295,374
Net Profit for the Year	-	-	-	23,062	23,062
Ordinary Dividend Paid - 2006/07 (Note -10)	-	-	-	(28,825)	(28,825)
Balance as at 31st March, 2008	1,056,433	335,810	20,840	876,528	2,289,611
Net Profit for the Year	-	-	-	113,475	113,475
Ordinary Dividend Paid - 2007/08 (Note -10)	-	-	-	(53,283)	(53,283)
Balance as at 31st March, 2009	1,056,433	335,810	20,840	936,720	2,349,803

Figures in brackets indicate deductions

The Significant Accounting policies and notes on pages 79 to 106 form an integral part of these financial statements.

Cash Flow Statement

	Group		Company	
<i>For the year ended 31st March</i>	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Profit before taxation	845,333	810,860	113,595	31,822
Adjustments for				
Depreciation	578,600	490,058	95,993	94,516
Amortisation of pre paid lease rentals	1,500	1,500	-	-
Amortisation of Leasehold Rights	10,717	44,883	-	-
Provision for doubtful debts	(5,595)	10,214	(3,253)	3,420
Amortisation of surplus on acquisition	(14)	(900)	-	-
Amortisation of goodwill on acquisition	7,641	-	-	-
Amortisation of Government Grant	(156)	-	-	-
Interest	368,723	362,461	179,786	200,325
Profit on sale of Investments	(218,992)	-	-	-
(Profit)/Loss on sale of property, plant & equipment	(18,296)	(6,318)	(1,750)	(1,436)
Gratuity provision	5,903	5,201	2,037	2,131
Share of (profit)/loss of Associate Companies before tax	3,240	(5,785)	-	-
Foreign Exchange (Gain)/losses	40,183	7,691	(12,254)	(7,355)
Effect of Companies Acquired/Disposed during the year	(8,831)	97,065	-	-
Operating profit before working capital changes	1,609,956	1,816,930	374,154	323,423
(Increase)/Decrease in Inventories	(19,492)	(24,798)	4,195	(3,434)
(Increase)/Decrease in Trade and Other Receivables	116,255	(176,041)	80,779	66,710
(Increase)/Decrease in Amount due from Related Parties	(34,089)	4,321	(185,792)	280,731
(Increase)/Decrease in Deposits & Prepayments	49,707	(46,879)	1,610	(1,590)
Increase/(Decrease) in Trade Creditors	(24,950)	93,125	(1,800)	7,125
Increase/(Decrease) in Other Provisions & Payables	(73,104)	(177,642)	(62,632)	(18,478)
Increase/(Decrease) in Amount due to Ultimate Holding Company	252,322	(267,392)	158,257	(569,104)
Increase/(Decrease) in Amount due to Related Parties	(2,309)	(19,453)	4,818	(17,450)
Cash Generated from Operations	1,874,296	1,202,171	373,589	67,933
Interest paid	(368,723)	(362,461)	(179,786)	(200,325)
Gratuity paid	(4,189)	(3,213)	(1,468)	(1,771)
Income Tax paid	(6,855)	(42,564)	(1,177)	(38,372)
Net cash flow from Operating Activities	1,494,529	793,933	191,158	(172,535)

Figures in brackets indicate deductions

The Significant Accounting policies and notes on pages 79 to 106 form an integral part of these financial statements.

Cash Flow Statement

	Group		Company	
For the year ended 31st March	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Net Cash flow from Operating Activities (brought forward from previous page)	1,494,529	793,933	191,158	(172,535)
Cash flow from Investing Activities				
Investments made during the year	(190,154)	(1,488,510)	(63,281)	(102,052)
Purchase of property, plant & equipment	(2,165,828)	(731,375)	(12,300)	(11,479)
Proceeds from sale of property, plant & equipment	74,080	18,326	1,750	1,720
Proceeds from sale of Investments	236,860	-	-	-
Issue of shares by subsidiaries	28,029	-	-	-
Dividend Received from Associate Companies	-	443	-	-
Net cash used in Investing Activities	(2,017,013)	(2,201,116)	(73,831)	(111,811)
Cash flow from Financing Activities				
Government grants received	-	1,547	-	-
Proceeds from long term borrowings	1,274,892	2,320,501	-	1,000,000
Repayment of long- term borrowings	(430,913)	(903,574)	(48,962)	(654,685)
Dividends paid	(53,283)	(28,825)	(53,283)	(28,825)
Dividends paid by subsidiary companies to minority Shareholders	(185,135)	(12,171)	-	-
Net cash used in Financing Activities	605,561	1,377,478	(102,245)	316,490
Net Increase in cash & cash equivalents	83,077	(29,705)	15,082	32,144
Cash & cash equivalents at the beginning of the year	158,430	205,075	63,611	19,213
Cash & cash equivalents at the end of the year	241,507	175,370	78,693	51,357
Analysis of cash & cash equivalents at the end of the year				
Cash at bank and in hand	116,778	119,034	14,097	14,852
Short term deposits	341,821	389,079	64,596	36,505
Short term Bank Borrowings	(217,092)	(332,743)	-	-
Cash & Cash Equivalent as previously Reported	241,507	175,370	78,693	51,357
Effect of Exchange Rate Change	-	(16,940)	-	12,254
Cash & Cash Equivalent as Restated	241,507	158,430	78,693	63,611

Figures in brackets indicate deductions

The Significant Accounting policies and notes on pages 79 to 106 form an integral part of these financial statements.

Significant Accounting Policies

1. General

1.1 Reporting Entity

Aitken Spence Hotel Holdings PLC is a Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is at No. 305, Vauxhall Street, Colombo 02.

1.2 Principal Activities & Nature of Operations

The principal activity of the Company and other entities in the group is Hoteliering.

1.3 Statement of Compliance

The Consolidated financial Statements have been prepared in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and Companies Act No.07 of 2007.

1.4 Approval of Financial Statements

The financial statements for the year ended 31st March 2009 were authorised for issue by the Board on 26th May 2009.

1.5 Basis of Preparation

The financial statements are presented in Sri Lankan Rupees, rounded to the nearest thousand. They are prepared on the historical cost convention except for certain investments and items of property, plant & equipment, which valuations are based as explained in paragraph 2.1 and 4 below.

1.5.1 The Use of Estimates and Judgement

The preparation of financial statements in conformity with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1.5.2 Significant Accounting Policies

The accounting policies set out below have been applied consistently by all entities in the Group to all periods presented in these consolidated financial statements.

1.6 Basis of Consolidation

The consolidated financial statements includes the Company and its subsidiaries (together referred to as the Group) and interest in associates and joint ventures.

All Group subsidiary, associates and joint ventures have a common financial year, which ends on 31st March.

1.6.1 Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

A listing of the Company's Subsidiaries is set out in Note 14 to the financial statements.

1.6.2 Minority Interest

The proportion of the profits or losses after taxation applicable to outside Shareholders of subsidiary companies are included under the heading 'Minority Interest' in the Consolidated Income Statement.

The interest of the minority shareholders in the net assets employed is shown under the heading "Minority Interest" in the Balance Sheet.

1.6.3 Associates

Associates are those entities in which the Group has between 20 per cent - 50 per cent of the voting rights but which are not subsidiaries or joint ventures and in respect of which the Group exercises significant influence, but not control, over the financial and operating policies.

The results of Associate companies are accounted for under the equity basis of accounting, where the Group's share of profits and losses is incorporated in the consolidated income statement, and the related investments carried forward in the consolidated balance sheet at values adjusted to reflect the Group's share of retained assets. Dividends declared by the associates are recognised against the equity value of the Group's investment.

Significant Accounting Policies

A listing of the Associates is set out in Note 15 to the financial statements.

1.6.4 Joint Ventures

Enterprises in which the Group has joint control over their financial and operating policies are termed joint ventures. The Group's interest in joint ventures is accounted for on a proportionate consolidation basis. The Group's share of the assets and liabilities of such entities are included in the consolidation balance sheet and the Group's share of their profits and losses are included in the consolidated income statement in accordance with Sri Lanka Accounting Standard 31-Financial Reporting of interest in Joint Ventures.

1.6.5 Transactions Eliminated on Consolidation

Intra Group balances and any unrealised gains and losses or income and expenses arising from intra Group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains. But only to the extent that there is no evidence of impairment.

1.6.6 Goodwill

Goodwill represents the excess of the cost of an acquisition of a subsidiary or an associate over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially recognised at cost.

In accordance with the revised Sri Lanka Accounting Standard 25 - business Combinations (revised 2004) the company will no longer amortise the goodwill but test goodwill for impairment annually and assess for any indication of impairment to ensure that its carrying amounts does not exceed the recoverable amount. If an impairment loss is identified, it is recognised immediately to the income statement.

Goodwill on acquisition of subsidiaries and joint ventures is presented as an intangible asset and the goodwill on an acquisition of an equity accounted investment is included in the carrying value of the investment.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceed the cost of the acquisition of the entity, the Group will reassess the measurement of the acquirer's identifiable assets and liabilities and the measurement of the cost and recognise the difference immediately to the consolidated income statement.

1.7 Foreign Currency

1.7.1 Foreign Currency Transactions

All foreign exchange transactions in individual companies are translated at the rate of exchange prevailing at the time the transaction was effected. All monetary assets and liabilities in foreign currency at year end are translated at the rate prevailing on the Balance Sheet date. Non-monetary assets and liabilities which are carried in terms of historical cost or fair value denominated in foreign currency are translated using the exchange rate at the date of transaction. Non monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to reporting currency using the exchange rate that was prevailing on the date of the fair value was determined. The resulting gains or losses on translations are dealt within the income statement.

1.7.2 Financial Statement of Foreign Entities

Subsidiaries incorporated outside Sri Lanka are treated as foreign entities. Assets and liabilities both monetary and non-monetary of foreign entities are translated at the rate of exchange prevailing on the Balance Sheet date. Income, expenses and the cash flows of the foreign entities are translated at exchange rate approximating to the actual rate at the time of the transaction. For practical purposes this is presumed to be the average rate during each month.

Exchange differences arising on translating the financial statements of foreign entities are classified under equity in the consolidated financial statement.

Goodwill arising on the acquisition of foreign entities is reported using exchange rate that prevailed at the date of acquisition in accordance with the Sri Lanka Accounting Standard No. 21 - Effects of Changes in Foreign Exchange Rates.

2. Property Plant and Equipment

2.1 Owned Assets - Recognition and Measurement

Items of property, plant and equipment are stated at costs less accumulated depreciation and impairment. The cost of a property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to the working condition of its intended use. This also includes costs of dismantling and removing the items and restoring the site on which they are located.

The Group revalues Land atleast once in every five years and is stated at its fair value at the date of revaluation less any subsequent impairment losses. On revaluation of land any increase in the revaluation amount is credited to the revaluation reserve unless it offsets a previous decrease in value of the same asset that was recognised in the income statement. A decrease in value is recognised in the income statement where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to accumulated profits and is not taken into account in arriving at the gain or loss on disposal. The details of land valuation is disclosed in note 11.4 to the financial statements.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property plant and equipment.

Purchased software that is an integral to the functionality of the related equipment is capitalized as part of the equipment.

2.2 Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner- occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses if any. The property held under finance leases and leased out under operating lease is classified as investment property and stated at the fair value model. Lease payments are accounted for as described in accounting policy.

2.3 Subsequent Costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

2.4 Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Depreciation is provided proportionately in the year of purchase and in the year of disposal of the asset.

The estimated useful lives are as follows:

<i>Leasehold Premises</i>	<i>over the remaining lease period</i>
Buildings	10 - 50 years
Plant & Equipment	05 - 15 years
Kitchen Equipment	05 - 15 years
Office Equipment	03 - 10 years
Sports Equipment	05 - 10 years
Motor Vehicles	04 - 05 years
Boats	10 years
Swimming Pool Equipment	15 - 20 years
Furniture & Fittings	10 - 20 years
Crockery, Cutlery & Glassware	03 - 05 years
Soft Furnishing	05 - 10 years

Land is not depreciated.

Depreciation is not provided on land and assets under constructions.

Buildings in the Maldivian Resorts are depreciated on an annuity method over the period of the lease.

2.5 Leasehold Property - Land

Leasehold property comprising of land use rights and is amortised on a straight line basis over the period of the lease term in accordance with the pattern of benefits expected to be derived from the lease. Leasehold property are tested for impairment annually and is written down where applicable. The impairment loss if any is recognised in the income statement.

3. Intangible Assets

An Intangible Asset is recognised initially at cost when it is probable that future economic benefits that are attributable to the asset will flow to the Group and when the cost of the asset can be measured reliably. These intangible assets are carried in the balance sheet at cost less accumulated impairment losses.

Cost of intangible assets less any residual value is amortised over the useful economic life of the asset while the carrying amount of the Goodwill arising on acquisition of an entity is assessed for impairment at each balance sheet date and accounted as explained in 1.6.6 above.

4. Investments

4.1 Unquoted investments are treated as long term investments and valued at cost in the financial statements. Investments in preference shares are treated as long term investments and stated at cost of the shares in the financial statements.

Significant Accounting Policies

4.2 Investments in subsidiary companies and joint ventures are valued at cost and treated as long term investments in the parent company's financial statements.

4.3 Investment in associate companies are treated as long term assets and valued as explained in paragraph 1.6.3 above. In the parent company's financial statements, the investments are valued at cost.

5. Current Assets

5.1 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The cost of Inventories is based on weighted average cost. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

5.2 Trade and Other Receivables

Trade and Other Receivables are stated at the amounts estimated to be realised after providing for bad and doubtful debts.

5.3 Cash & Cash Equivalents

Cash & cash equivalents comprise of cash in hand and short term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management is included as components of cash and cash equivalent for the purpose of presenting the Cash Flow Statement.

5.4 Impairment

The carrying amounts of the Group's non financial assets other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

For goodwill, recoverable amount is estimated at each balance sheet date or as and when an indication of impairment is identified.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairments are recognised in the income statement.

Impairment losses recognised in respect of subsidiaries acquired are allocated first to reduce the carrying amount of any goodwill

allocated to the entity and then to reduce the carrying amount of the other assets in the entity on a pro rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset or cash generating unit.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amounts does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversal of impairment losses are recognised in the income statement.

6 Liabilities and Provisions

6.1 Liabilities classified as current liabilities on the Balance Sheet are those, which fall due for payment on demand or within one year from the Balance Sheet date. Non current liabilities are those balances payable after one year from the Balance Sheet date. All known liabilities are accounted for in the Balance Sheet.

6.2 Provisions is recognised if as a result of a past event the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions and liabilities are recognised in the Balance Sheet.

6.3 Trade and Other Payables

Trade and other payables are stated at cost.

6.4 Taxation

6.4.1. Income Tax

Provision for tax in respect of companies incorporated in Sri Lanka has been computed in accordance with the Inland Revenue Act No. 10 of 2006 and amendments thereto.

Provision for tax in respect of companies incorporated outside Sri Lanka has been computed in accordance with the relevant tax statutes as disclosed in Note 08 to the financial statements.

6.4.2 Deferred Tax

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investment in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

7. Income Statement

7.1 Revenue

The Group revenue represents apartment and other sales to customers outside the Group and excludes value added tax and intra-group revenue. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

7.1.1 Apartment revenue is recognised for the rooms occupied on a daily basis, whilst food and beverage sales are accounted for at the time of sale. All revenues are recognised on an accrual basis and matched with the related expenditure.

7.1.2 Interest income is accrued on a time proportion basis.

7.1.3 Dividends from investments are recognised when the right to receive such is established.

7.2 Profits

The profit earned by the Group before taxation as shown in the Consolidated Income Statement is after making provision for bad and doubtful debts, all known liabilities and depreciation of property, plant & equipment.

7.3 Expenditure

All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year.

7.4 Borrowing Costs

Borrowing costs are recognised as an expenditure in the period in which they are incurred. However, borrowing costs that are directly attributable to the acquisition, construction or production of assets that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the asset. Borrowing Costs capitalised are disclosed in Note No. 11.3 to the Financial Statements.

7.5 Disposal of Property, Plant & Equipment

Gains or losses on the disposal of property, plant & equipment have been accounted for in the Income Statement.

7.6 Operating Lease Payments

Payments made on operating leases are recognised in the Income Statement on a straight line basis over the term of the lease.

8. Segmental Information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segments), which are subject to risks and rewards that are different from those of other segments.

8.1 Primary and Secondary Segments

The Group is in the hospitality industry and cannot segment its products and services. The Group manages hotels in two principal geographical areas, Sri Lanka and South Asia. In presenting segmental information segment revenue and assets are based on the geographical locations of the assets. The primary segment is considered to be the geographical segments based on the Group's management and internal reporting structure.

8.2 Segmental information analysed by geographical segments is disclosed in Notes 1 & 27 to the financial statements.

8.3 All transfers made between the hotels in the Group are based on normal market price.

9. Cash Flow

The cash flow of the Group has been presented using the indirect method.

10. Commitments and Contingencies

Commitments and contingent liabilities of the Group are disclosed where appropriate.

Significant Accounting Policies

11. Events Occurring after the Balance Sheet Date

All material post balance sheet events have been considered, disclosed and adjusted where applicable.

12. Employee Benefit Plan

12.1 Defined Benefit Plan - Retirement Gratuity

Provision has been made in the accounts for retirement gratuities payable based on an actuarial valuation carried out on a projected unit credit method as recommended by SLAS 16 - Employee Benefits. The actuarial valuation was carried out by professionally qualified actuaries, Mr. M Pooplanathan of M/s. Actuarial & Managements Consultants (Pvt) Ltd.

12.2 Defined Contribution Plan

Obligations for contributions to defined contribution plans are recognised as an expense in the Income Statement as incurred. The Group contributed to the Employees' Provident Fund at 12 per cent (old employees 15 per cent) and Employees' Trust Fund at 3 per cent.

13. Government Grants

A government grant is recognised in the balance sheet initially as deferred income when there is a reasonable assurance that it will be received and the conditions attached to it are complied with.

Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the periods in which the expense is incurred. Grants that compensate the Group for the cost of an asset is recognised in the income statement as revenue on a systematic basis over the useful life.

14. Comparative Information

The Accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. No comparative information were changed during the year which require disclosure or adjustments in the financial statements.

Notes to the Financial Statements

1 Revenue

1.1 Analysis of Segmental Revenue

	Group					
	External		Intra Group		Total Revenue	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Sri Lankan Sector						
Resorts & Hotels	957,863	1,018,444	2,254	1,226	960,117	1,019,670
Others	125,819	17,641	159,267	161,000	285,086	178,641
Total Sri Lankan Sector	1,083,682	1,036,085	161,521	162,226	1,245,203	1,198,311
South Asian Sector	5,528,211	5,376,614	158,169	134,822	5,686,380	5,511,436
	6,611,893	6,412,699	319,690	297,048	6,931,583	6,709,747
Intra group revenue					(319,690)	(297,048)
Total					6,611,893	6,412,699

1.2 Geographical Segment Analysis - Income Tax and Profit

	Group			
	Income Tax Expense		Profit/(Loss) Before Income Tax	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Sri Lankan Sector				
Resorts & Hotels	(2,605)	20,144	(280,160)	(206,284)
Others	22,733	1,150	228,965	142,012
	20,128	21,294	(51,195)	(64,272)
Share of Results of Associates	-	-	(3,240)	5,785
Total Sri Lankan Sector	20,128	21,294	(54,435)	(58,487)
South Asian Sector	847	-	907,395	868,447
Total	20,975	21,294	852,960	809,960
Amortisation of Surplus on acquisition			14	900
Impairment of goodwill on acquisition			(7,641)	-
Profit before Income Tax			845,333	810,860

1.3 Segments of Revenue

	Group	
	2008/09 Rs. '000	2007/08 Rs. '000
Apartment	3,201,549	3,276,791
Restaurant	1,354,762	1,134,232
Bar	598,014	552,199
Spa and Ayurvedic	150,512	164,383
Transfers & Excursions	808,687	793,001
Rent and Shop Income	179,642	208,839
Telephone	15,795	20,785
Diving and Windsurfing	168,797	237,034
Laundry	7,744	7,794
Management Fees	126,391	17,641
	6,611,893	6,412,699

Notes to the Financial Statements

2 Other Operating Income

	Group		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Recreation	285	440	75	48
Dividends (net) from investments	-	-	370,836	280,792
Profit on sale of Property, Plant & Equipment	18,296	6,318	1,750	1,436
Amortisation of surplus on acquisition	14	900	-	-
Foreign Currency Exchange Gain	40,183	7,691	12,254	7,355
Commission	5,785	106	-	-
Receipts on Insurance Claims	18,530	22,691	-	3,737
Reversal of provision for Doubtful debts	11,950	596	3,253	-
* Profit on sale of Investment	218,992	-	-	-
Others	8,744	6,435	596	864
	322,779	45,177	388,764	294,232

* Profit on sale of investment is the profit resultant from the divestment of the investment in BIR Hotel Management (Pvt) Ltd.

3 Other Operating Expenses - Direct

Direct Operating Expenses disclosed in the income statement refers to the cost of material and services other than staff costs, which are directly related to revenue.

4 Other Operating Expenses - Indirect

	Group		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Administration & Establishment	1,499,783	1,313,815	72,045	68,247
Repairs and Maintenance	258,267	211,455	12,142	5,813
Energy	573,579	480,191	40,121	37,716
Selling & Marketing	181,218	173,556	16,797	16,419
Management Fees	38,702	45,577	9,610	11,488
	2,551,549	2,224,594	150,715	139,683

5 Profit from Operations Before Interest

Profit from Operations is stated after charging all expenses including the following:

	Group		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Cost of Inventories & Services	1,418,714	1,473,619	67,520	73,584
Depreciation and Amortisation	590,817	536,441	95,993	94,516
Impairment of Goodwill	7,641	-	-	-
Directors Emoluments	383	-	7	-
Auditors' Remuneration				
- KPMG Ford, Rhodes, Thornton & Co.	2,537	2,724	320	290
- Other auditors	713	630	-	-
Fees paid to Auditors for Non Audit Services				
- KPMG Ford, Rhodes, Thornton & Co.	747	99	259	40
- Other auditors	3,098	826	-	-
Finance charges on leases	1,500	1,500	-	-
Provision for Bad and Doubtful Debts	(5,595)	10,214	(3,253)	3,420
Donations	-	5,720	-	56
Contribution to Provident Fund	19,578	16,399	6,385	6,152
Contribution to Employees Trust Fund	3,943	3,308	1,200	1,052
Legal Fees	585	863	216	554

6 Finance Expenses

	Group		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Interest on Long-term Loans	352,510	338,113	178,711	199,239
Interest on Short-term Loans	16,213	24,348	1,075	1,086
	368,723	362,461	179,786	200,325

7 Share of profit/(loss) of Associates after tax

	Group	
	2008/09 Rs. '000	2007/08 Rs. '000
M. P. S. Hotels Ltd.	(3,007)	(532)
Browns Beach Hotels PLC.	(233)	6,317
	(3,240)	5,785

8 Income Tax Expense

8.1 Aitken Spence Hotel Holdings PLC., being a Company involved in the promotion of tourism is liable to Income Tax at a concessionary rate of 15 per cent on the Hotel's operating profits in terms of section 45 of the Inland Revenue Act. No. 10 of 2006.

The Taxation details of the other Companies in the Group are as follows:

8.2 Sri Lankan Sector

- 8.2.1** The Profits of Neptune Ayurvedic Village (Pvt) Ltd., is exempt from Income Tax for a period of five years in terms of Section 19 C of the Inland Revenue (Amendment) Act No. 10 of 2006.
- 8.2.2** The profits of Aitken Spence Hotel Management Asia (Pvt) Ltd., is exempt from Income Tax for a period of three years, in terms of an agreement concluded with the Board of Investment of Sri Lanka under section 17 of the BOI Law No. 4 of 1978. Profits earned by the Company in Oman is taxed at 30 per cent.
- 8.2.3** The profits and income of Hethersett Hotels Ltd, Aitken Spence Hotels Ltd., and Kandalama Hotels Ltd., being Companies involved in the promotions of tourism are liable to tax at a concessionary rate of 15 per cent in terms of section 45 of the Inland Revenue Act No. 10 of 2006.
- 8.2.4** Social Responsibility levy of 1.5 per cent is payable on the income tax liability of the Companies in Sri Lanka as per the finance Act No. 11 of 2006 has been accounted and provided for in the income tax expenses.

8.3 South Asian Sector

- 8.3.1** The profits of Jetan Travel Services Co. Pvt Ltd., Cowrie Investment Pvt Ltd., ADS Resorts (Pvt) Ltd., Unique Resorts (Pvt) Ltd. Crest Star Ltd., Crest Star (BVI) Ltd., P.R Holiday Homes (Pvt) Ltd., Aitken Spence Hotel Services (Pvt) Ltd and Aitken Spence Hotel Managements South India (Pvt) Ltd being non resident companies in Sri Lanka and not deriving income from Sri Lanka are out of the Scope of Income Taxation in Sri Lanka.
- 8.3.2** The profits of Jetan Travel Services Co. Pvt Ltd., Cowrie Investment Pvt Ltd., ADS Resorts (Pvt) Ltd., and Unique Resorts (Pvt) Ltd. Companies incorporated in the Republic of Maldives are not liable for corporate tax in Maldives. Crest Star Ltd., a Company incorporated in Hong Kong is not liable for Income Tax. Crest Star (BVI) Ltd., a company incorporated in the British Virgin Islands is exempt from Income Tax.
- 8.3.3** The Profit of Ace Ayurvedic (Pvt) Ltd. and Aitken Spence Hotels International Ltd., are exempt from Income Tax in terms of Section 13 of the Inland Revenue Act No.10 of 2006.
- 8.3.4** The Profits of P.R Holiday Homes (Pvt) Ltd., being a Company incorporated in India would be liable for tax in India once the Company commences commercial operations.
- 8.3.5** The Profits of Aitken Spence Hotel Services (Pvt) Ltd. and Aitken Spence Hotel Managements South India (Pvt) Ltd., being Companies incorporated in India would be liable to an effective income tax rate of 33.99 per cent as per the Indian tax law.
- 8.3.6** Companies incorporated in India are liable to a fringe benefit tax (FBT). FBT is calculated based on certain expenses incurred by the Company and applicable between 5 per cent-10 per cent of these expenses.

Notes to the Financial Statements

8.4 Associate Companies

8.4.1 The profits and income of Browns Beach Hotels PLC., and MPS Hotels Ltd., being companies involved in the promotion of tourism are liable to Income tax at a concessionary rate of 15 per cent in terms of section 45 of the Inland Revenue Act No. 10 of 2006.

8.5 Income Tax Expense

	Group		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Taxation on current year profits	24,922	23,762	120	19,000
(Over) / Under provision in previous years	(230)	-	-	-
Tax on Dividends	925	349	-	-
Deferred tax charge / (reversal)	(4,642)	(2,817)	-	(10,240)
	20,975	21,294	120	8,760

8.6 Reconciliation of Accounting Profit to Tax Expenses

	Group		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Operating Profit before Tax	848,573	805,075	113,595	31,822
Share of Profits/(Losses) of Associate Companies	(3,240)	5,785	-	-
Other Consolidated Adjustments	7,627	900	-	-
Profit after Adjustments	852,960	811,760	113,595	31,822
Income not liable for Income Tax	(1,077,438)	(1,020,822)	(372,703)	(3,256)
Off-shore Profits	-	277,536	-	-
Adjusted Profits/(Losses)	(224,478)	68,474	(259,108)	28,566
Aggregate Disallowed Expenses	182,651	186,045	110,391	103,380
Capital Allowances	(167,611)	(184,005)	(87,209)	(88,699)
Aggregate Allowable Expenses	(12,089)	(9,027)	(3,218)	(3,206)
Current year Losses not utilised	283,354	159,004	239,465	147,225
Taxable Income	61,827	220,491	321	187,266
Income Tax Charged at				
Standard Rate	165	1,162	120	-
Concessionary Rate of 15 per cent	475	3,600	-	-
Off-shore profits at varying rates	24,282	-	-	-
Income Tax at Other Rates	-	19,000	-	19,000
	24,922	23,762	120	19,000
Dividend Tax	925	349	-	-
Under/ (Over) Provision for Previous Year	(230)	-	-	-
	25,617	24,111	120	19,000
Deferred Tax Charge /(Reversal)	(4,642)	(2,817)	-	(10,240)
Total Income Tax Expense	20,975	21,294	120	8,760

Group tax expense is based on the taxable profits of individual companies within the Group.

8.7 The companies in the Group have tax losses amounting to Rs. 1, 464,325,291 which are available to be set off against the future tax profits of those respective companies. Deferred tax assets, not accounted on these losses amounts to Rs. 72,563,633.

9 Earnings per Ordinary Share

The Company's earnings per ordinary share is based on the profit attributable to Aitken Spence Hotel Holdings PLC and the average weighted number of ordinary shares, which are deemed to be in issue for the year.

	Group		Company	
	2008/09 Rs.	2007/08 Rs.	2008/09 Rs.	2007/08 Rs.
Profit after taxation and minority interest attributable to Aitken Spence Hotel Holdings PLC.	592,586,873	512,651,171	113,474,949	23,062,477
Preference dividend	(14,850,000)	(14,850,000)	(14,850,000)	(14,850,000)
	577,736,873	497,801,171	98,624,949	8,212,477
Weighted Average No. of shares deemed to be in issue for the year	38,433,144	38,433,144	38,433,144	38,433,144
Earnings per ordinary share (Rs.)	15.03	12.95	2.57	0.21

10 Dividends

	Group	
	2008/09 Rs. '000	2007/08 Rs. '000
Preference Dividend		
Preference dividend paid for 2007/08	(14,850)	-
Ordinary Dividend		
Final ordinary dividend paid for 2007/08	(38,433)	(28,825)
	(53,283)	(28,825)
Final Ordinary Dividend proposed for 2008/09	19,217	38,433
Preference Dividend proposed for 2008/09	14,850	14,850
Ordinary Dividend per Share - (Rs.)	0.50	1.00

The Directors have recommended a first and final dividend of 50 Cents per ordinary share and a 9 per cent cumulative preference dividend (90 Cents per share) for the year ended 31st March 2009 (2007/08 - Rs. 1.00 per ordinary share) If approved at the Annual General Meeting on 29th June 2009 the first and final ordinary dividend will be paid out of taxable dividends received by the companies incorporated outside Sri Lanka.

In accordance with the Sri Lanka Accounting Standard No. 12 (revised) - Events After the Balance Sheet Date, the recommended final dividends has not been recognised as a liability as at 31st March 2009.

However for the purpose of computing dividends per share, dividends to be approved has been taken into consideration.

Notes to the Financial Statements

11 Property, Plant and Equipment

11.1 Group

	Freehold Land	Freehold Buildings	Plant & Equipment	Motor Vehicles	Furniture & Fittings	Furnishing, Cutlery, Crockery & Glassware	Capital work-in progress	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost or Valuation								
Balance as at 01.04.2008	686,596	5,442,943	1,492,140	90,172	608,745	219,227	179,893	8,719,716
Disposal of Subsidiaries	-	(31,764)	(62,218)	-	(10,217)	(8,232)	-	(112,431)
Exchange Difference	(26,004)	241,307	42,824	4,911	13,571	9,428	10,517	296,554
Additions	3,731	316,006	41,268	1,298	4,491	14,606	1,790,682	2,172,082
Revaluation	293,337	-	-	-	-	-	-	293,337
Transfers	-	1,532,817	162,317	8,817	63,434	58,090	(1,825,475)	-
Reversal of Provision	-	(6,653)	-	-	-	-	-	(6,653)
Disposals	-	(59,517)	(2,290)	(4,608)	(451)	(14,001)	-	(80,867)
Balance as at 31.03.2009	957,660	7,435,139	1,674,041	100,590	679,573	279,118	155,617	11,281,738
Accumulated Depreciation								
Balance as at 01.04.2008	-	939,786	680,249	61,781	225,398	142,214	5,607	2,055,035
Disposal of Subsidiaries	-	(24,692)	(52,867)	-	(9,643)	(7,352)	-	(94,554)
Exchange Difference	-	40,858	23,266	3,337	8,032	5,939	-	81,432
Transfers	-	-	-	-	-	-	-	-
Charge for the Year	-	325,191	135,748	9,237	55,932	51,075	1,417	578,600
Reversal of Provision	-	(399)	-	-	-	-	-	(399)
Disposals	-	(4,478)	(2,127)	(4,608)	(444)	(13,426)	-	(25,083)
Balance as at 31.03.2009	-	1,276,266	784,269	69,747	279,275	178,450	7,024	2,595,031
Written Down Value as at								
31.03.2009	957,660	6,158,873	889,772	30,843	400,298	100,668	148,593	8,686,707
Written Down Value as at								
31.03.2008	686,596	4,503,157	811,891	28,391	383,347	77,013	174,286	6,664,681

The exchange difference has arisen as a result of the translation of property, plant and equipment of foreign entities, which are accounted for in United State Dollars and Indian Rupees translated to the reporting currency at the closing rate.

Assets pledged as security against borrowings are disclosed in Note No. 21.1.

11.2 Company

	Freehold Land	Freehold Buildings	Plant & Equipment	Motor Vehicles	Furniture & Fittings	Furnishing, Cutlery Crockery & Glassware	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost or Valuation							
Balance as at 01.04.2008	261,600	945,975	407,747	1,060	207,993	48,874	1,873,249
Transfers	-	-	-	-	-	-	-
Additions	-	16,098	984	600	189	683	18,554
Reversal of Provision	-	(6,653)	-	-	-	-	(6,653)
Disposals	-	-	-	-	-	(2,461)	(2,461)
Balance as at 31.03.2009	261,600	955,420	408,731	1,660	208,182	47,096	1,882,689
Accumulated Depreciation							
Balance as at 01.04.2008	-	68,625	87,491	1,060	36,876	25,623	219,675
Charge for the Year	-	20,944	36,969	600	20,801	16,679	95,993
Reversal of Provision	-	(399)	-	-	-	-	(399)
Disposals	-	-	-	-	-	(2,461)	(2,461)
Balance as at 31.03.2009		89,170	124,460	1,660	57,677	39,841	312,808
Written Down Value as at 31.03.2009	261,600	866,250	284,271	-	150,505	7,255	1,569,881
Written Down Value as at 31.03.2008	261,600	877,350	320,256	-	171,117	23,251	1,653,574

11.3 Borrowing costs amounting to Rs. 33,929,338 has been capitalised during the year. The total interest cost capitalised by the Group to date under buildings amounts to Rs. 150,451,052.

11.4 Revaluation details of Land and Buildings

Company	Location	Year of Valuation	Revaluation Surplus		Total
			Land (Freehold)	Buildings (Freehold)	
			Rs. '000	Rs. '000	Rs. '000
Aitken Spence Hotel Holdings PLC	Galle Road - Ahungalla	1996	11,855	92,412	104,267
Aitken Spence Hotel Holdings PLC	Galle Road - Ahungalla	2002	102,574	-	102,574
Aitken Spence Hotel Holdings PLC	Galle Road - Ahungalla	2007	128,969	-	128,969
Heritance (Pvt) Ltd (formerly Pearl Beach Hotels Ltd.)	Moragalla - Beruwela	2004	110,560	-	110,560
P.R Holiday Homes (Pvt) Ltd.	Cochin - Kerala	2006	24,653	-	24,653
Heritance (Pvt) Ltd (formerly Pearl Beach Hotels Ltd.)	Moragalla - Beruwela	2009	72,860	-	72,860
Ahungalla Resorts Ltd.	Galle Road - Ahungalla	2009	218,500	-	218,500
Neptune Ayurvedic Village (Pvt) Ltd.	Moragalla - Beruwela	2009	362	-	362
Kandalama Hotels Ltd.	Kandalama - Dambulla	2009	1,616	-	1,616
			671,949	92,412	764,361

11.4.1 Freehold Land & Buildings at Heritance Ahungalla as at 31st March, 1996 was revalued by Rs. 104,266,777 based on a valuation carried out on 11th February, 1994 by Mr. M.S.T.P Senadhira F.S.I, F.I.V an independent professional valuer based on "contractors principle method".

11.4.2 The Land at Heritance Ahungalla was valued by Mr. K. Arthur Perera, A.M.I.V (Sri Lanka) a professional valuer on 31st March 2002 on "market pricing basis " and the excess of Rs. 102,573,540 over the net book value as at 31st March 2002 has been placed to the credit of revaluation reserve.

Notes to the Financial Statements

- 11.4.3** The Land at Heritance (Pvt) Ltd (formerly Pearl Beach Hotels Ltd.) was valued by Mr. K. Arthur Perera, A.M.I.V (Sri Lanka) a professional valuer on 31st March 2004 on " market pricing basis" and the excess of Rs. 110,560,000 over the net book value as at 31st March 2005 has been placed to the credit of revaluation reserves.
- 11.4.4** The Land of P.R Holiday Homes Private Ltd., in Kerala India was valued by Mr. Joseph George Barch, A II .A F.I.V a professional valuer on 17th October 2006 and the excess of Rs. 24,652,683 over the net book value as at 17th October 2006 has been placed to the credit of revaluation reserve.
- 11.4.5** The Land at Heritance Ahungalla was valued by Mr. J. Rajasooriya H.N.D (Valuation) A.I.V (S/L) A.I.Q.S (S/L) M.P.V.A (S/L) a professional valuer on 26th March 2007 and the excess of Rs. 128,969,250 over the net book value as at 31st March 2007 has been placed to the credit of revaluation reserve.
- 11.4.6** The Land at Heritance (Pvt) Ltd (formerly Pearl Beach Hotels Ltd.) Moragalla Beruwela was valued by Mr. K.C.B Condegama A.I.V (S/L) a professional valuer on 31st March 2009 and the excess of Rs. 72,860,000 over the net book value as at 31st March 2009 has been placed to the credit of revaluation reserve.
- 11.4.7** The Land at Ahungalla Resorts - Ahungalla was valued by Mr. K.C.B Condegama A.I.V (S/L) a professional valuer on 31st March 2009 and the excess of Rs. 218,500,000 over the net book value as at 31st March 2009 has been placed to the credit of revaluation reserve.
- 11.4.8** The Land at Neptune Ayurveda Village Moragalla Beruwela was valued by Mr. K.C.B Condegama A.I.V (S/L) a professional valuer on 31st March 2009 and the excess of Rs. 360,909 over the net book value as at 31st March 2009 has been placed to the credit of revaluation reserve.
- 11.4.9** The Freehold Land at Kandalama Hotel - Dambulla was valued by Mr. K.C.B Condegama A.I.V (S/L) a professional valuer on 31st March 2009 and the excess of Rs. 1,616,145 over the net book value as at 31st March 2009 has been placed to the credit of revaluation reserve.

11.5 The carrying value of freehold land and buildings if they were carried at cost is as follows:

Company	Land			Buildings		
	Carrying Written Down Value as at 31.03.2009 Rs. '000	Revaluation Surplus Rs. '000	Amount at Cost as at 31.03.2009 Rs. '000	Carrying Written Down Value as at 31.03.2009 Rs. '000	Revaluation Surplus Rs. '000	Amount at Cost as at 31.03.2009 Rs. '000
Aitken Spence Hotel Holdings PLC	261,600	243,398	18,202	892,122	92,412	799,710
Heritance (Pvt) Ltd (formerly Pearl Beach Hotels Ltd.)	194,500	183,420	11,080	-	-	-
P.R Holiday Homes (Pvt) Ltd.	143,190	24,653	118,537	-	-	-
Ahungalla Resorts Ltd.	344,945	218,500	126,445			
Neptune Ayurvedic Village (Pvt) Ltd.	4,425	362	4,063			
Kandalama Hotels Ltd.	9,000	1,616	7,384			
	957,660	671,949	285,711	892,122	92,412	799,710

11.6 Unexpired lease periods of land:

Kandalama Hotels Ltd.	33 years
Hethersett Hotels Ltd.	85 years
Aitken Spence Hotels Ltd.	34 years
Jetan Travel Services Co. (Pvt) Ltd.	6.6 years
Cowrie Investment (Pvt) Ltd.	14 years
ADS Resorts (Pvt) Ltd.	5 years
Unique Resorts (Pvt) Ltd.	11 years

11.7 Capital Expenditure Commitments

The following commitments for capital expenditure approved by the Directors as at 31st March, 2009 have not been provided for in the accounts.

	Group	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Approximate amount approved but not contracted for	105,696	1,952,542
Approximate amount contracted for but not accounted	7,937	142,702
	113,633	2,095,244

12 Leasehold Property
12.1 Pre paid lease Rental

	Group	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Cost		
Balance brought forward	75,000	75,000
Payments made during the year	-	-
Balance carried forward	75,000	75,000
Accumulated Amortisation		
Balance brought forward	(24,000)	(22,500)
Amortised during the year	(1,500)	(1,500)
Balance carried forward	(25,500)	(24,000)
Net Balance	49,500	51,000
Payable - Less than one year	1,500	1,500
- More than one year	48,000	49,500
	49,500	51,000

The Land and buildings of Neptune Hotel which was acquired on a 50 year lease from Aitken Spence PLC is amortised over the period of the lease.

12.2 Leasehold Rights

	Group	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Acquisition Cost		
Balance brought forward	1,401,920	-
Exchange Difference	99,270	-
Additions	63,514	1,401,920
Balance carried forward	1,564,704	1,401,920
Accumulated Amortisation		
Balance brought forward	(44,933)	-
Exchange Difference	(3,903)	(50)
Amortised during the year	(10,717)	(44,883)
Balance carried forward	(59,553)	(44,933)
Unamortised leasehold rights as at 31st March	1,505,151	1,356,987
Total Leasehold Property	1,554,651	1,407,987

13 Intangible Assets

13.1 Goodwill

	Group	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Balance as at 01.04.2008	3,048	3,048
Additions during the year	6,117	-
Impairment during the year	(7,641)	-
Balance as at 31.03.2009	1,524	3,048

The recoverable amount of goodwill is determined based on value - in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering five years period. Management determine budget gross margin based on past performance and its expectations for the market development.

The growth rate does not exceed the long term average growth rate for the each business units. The weighted average growth rate used is consistent with the forecast included in industry reports. The discount rates used are pre - tax and reflect specific risks relating to the industry.

Notes to the Financial Statements

14 Investments in Subsidiaries

14.1 Investments in Subsidiaries and Joint Ventures - Unquoted

			Company		
	Number	Company	Group	31.03.2009	31.03.2008
	of Shares	Holding	Holding	Rs. '000	Rs. '000
a) Equity Shares					
Subsidiary Companies					
Aitken Spence Hotels Ltd.	14,676,104	97.84%	97.84%	149,234	149,214
Crest Star Ltd. (Ordinary Shares of HK\$ 1 each)	10,000	100.00%	100.00%	9,921	9,921
Crest Star (BVI) Ltd. (Ordinary Shares of US\$ 1 each)	3,415,000	100.00%	100.00%	185,628	185,628
Cowrie Investment (Pvt) Ltd. (Ordinary Shares of Mrf 1000 each)	52,740	60.00%	60.00%	321,733	321,733
Hethersett Hotels Ltd.	14,058,000	80.13%	80.13%	98,406	35,145
Ahungalla Resorts Ltd.	10,000	100.00%	100.00%	100	100
Neptune Ayurvedic Village (Pvt) Ltd.	500,000	100.00%	100.00%	5,000	5,000
Ace Ayurvedic (Pvt) Ltd.	100,000	100.00%	100.00%	1,000	1,000
Aitken Spence Hotels (International) Ltd.	5,644,582	51.00%	51.00%	181,024	181,024
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	25,500	51.00%	51.00%	255	255
				952,301	889,020
Joint Ventures					
Aitken Spence Hotel Managements South India (Pvt) Ltd. (Ordinary Shares of INR 10 each)	499,625		50.00%	-	-
Net book value as at 31st March				952,301	889,020
b) Preference Shares					
Hethersett Hotels Ltd.	5,000,000			50,000	50,000
Net book value of Investments					
in subsidiaries and Joint Ventures - unquoted as at 31st March				1,002,301	939,020

Kandalama Hotels Ltd., and Heritance (Pvt) Ltd (formerly Pearl Beach Hotels Ltd.) are subsidiaries of Aitken Spence Hotels Ltd.

Jetan Travel Services Co. Pvt Ltd., is a subsidiary of Crest Star (BVI) Ltd.

ADS Resorts (Pvt) Ltd, Unique Resorts (Pvt) Ltd, Cowrie Investments (Pvt) Ltd and Aitken Spence Hotel Services (Pvt) Ltd, are subsidiaries of Aitken Spence Hotels (International) Ltd.

P.R Holiday Homes (Pvt) Ltd is a subsidiary of Aitken Spence Hotel Managements Asia (Pvt) Ltd.

15 Investments in Associate Companies

15.1 Investment In Associate Companies- Unquoted

	Group				Company			
	No. of Shares	Group Holding	31.03.2009 Rs. '000	31.03.2008 Rs. '000	No. of Shares	Company Holding	31.03.2009 Rs. '000	31.03.2008 Rs. '000
M. P. S. Hotels Ltd.	985,000	29.60%	32,912	32,912	985,000	29.60%	32,912	32,912
Net book value as at 31st March			32,912	32,912			32,912	32,912
Share of movement in equity value			4,111	7,118				
Equity value of investment			37,023	40,030				

15.2 Investments in Associate Companies - Quoted

	Group				Company			
	No. of Shares	Group Holding	31.03.2009 Rs. '000	31.03.2008 Rs. '000	No. of Shares	Company Holding	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Browns Beach Hotels PLC	2,841,719	29.46%	67,810	67,810	2,754,951	28.69%	66,075	66,075
Net book value as at 31st March			67,810	67,810			66,075	66,075
Share of movement in equity value			(5,148)	(4,915)				
Surplus on revaluation			85,433	85,433				
Equity value of Investment			148,095	148,328				
Market value of quoted investment as at 31st March			82,410	82,410			79,894	79,894
Equity value					Net book value			
- Unquoted (Note No. 15.1)			37,023	40,030	- Unquoted		32,912	32,912
Equity value					Net book value			
- Quoted (Note No. 15.2)			148,095	148,328	- Quoted		66,075	66,075
Equity value of investments in Associate Companies as at 31st March			185,118	188,358	Net book value 31st March		98,987	98,987

16 Long Term Investments

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Barefoot Resort and Leisure (Pvt) Ltd. (25,000 shares of INR 1,312.50 each)	91,431	86,590	-	-
Floatels India (Pvt) Ltd. (988,764 shares at INR 55 each)	126,650	-	-	-
Unquoted Investments (1,000 shares of Hotel Training Institute (Pvt) Ltd.)	-	10	-	-
	218,081	86,600	-	-

Notes to the Financial Statements

17 Inventories

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Food	67,201	50,304	2,873	3,032
Beverage	25,939	20,085	2,130	3,627
Maintenance	31,519	36,236	8,378	10,103
Stationery	9,915	6,995	523	590
Housekeeping	18,565	18,636	814	825
Ayurveda Stocks	2,525	2,526	-	-
Fuel & Others	38,385	39,775	644	1,380
	194,049	174,557	15,362	19,557

There were no inventories pledged as security for overdraft facilities as at 31st March 2009. (as at 31st March 2008- nil)

18 Trade and Other Receivables

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Trade Debtors	966,827	1,012,518	22,303	31,289
Provision for bad and doubtful debts	(19,490)	(25,085)	(312)	(3,565)
	947,337	987,433	21,991	27,724
Other Receivables	35,274	105,838	20,413	92,206
Total	982,611	1,093,271	42,404	119,930

No loans were given to Employees over and above Rs. 20,000.

No loans have been given to Directors of the company.

19 Amount Due From Related Parties

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Aitken Spence Travels (Pvt) Ltd.	89,955	72,224	26,928	23,446
Ace Travels and Conventions (Pvt) Ltd.	19,978	36,037	6,277	6,179
Aitken Spence Hotel Managements (Pvt) Ltd.	102,412	70,026	14,185	1,655
Aitken Spence Exports (Pvt) Ltd.	-	1,542	-	-
Aitken Spence Shipping Ltd.	61	94	30	76
Ace Cargo (Pvt) Ltd.	95	243	68	2
Port Management Container Services	-	140	-	140
Ace International Express (Pvt) Ltd.	20	123	20	-
Aitken Spence Resources (Pvt) Ltd.	130	130	-	-
Aitken Spence Aviations (Pvt) Ltd.	97	-	13	-
Aitken Spence Hotel Managements South India (Pvt) Ltd.	515	-	-	-
Aitken Spence Insurance (Pvt) Ltd.	1,385	-	-	-
Ahungalla Resorts Ltd.	-	-	247,300	244,857
Aitken Spence Hotels Ltd.	-	-	3,449	9,249
Ace Ayurvedic (Pvt) Ltd.	-	-	5,400	-
Neptune Ayurvedic Village (Pvt) Ltd.	-	-	25,528	24,903
Hethersett Hotels Ltd.	-	-	80,239	19,500
Cowrie Investments Ltd.	-	-	147,556	-
Kandalama Hotels Ltd.	-	-	126,905	261,044
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	-	-	299,905	204,768
Aitken Spence Hotels (International) Ltd.	-	-	127,132	129,324
	214,648	180,559	1,110,935	925,143

20 Equity

20.1 Stated Capital

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Issued & Fully Paid				
Ordinary Share Capital				
At the beginning of the year - 38,433,144 Ordinary shares	384,331	384,331	384,331	384,331
Issued during the year	-	-	-	-
At the end of the year - 38,433,144 Ordinary shares	384,331	384,331	384,331	384,331
Preference Share Capital				
At the beginning of the year - 16,500,000 Preference Shares	165,000	165,000	165,000	165,000
Issued during the year	-	-	-	-
At the end of the year - 16,500,000 Preference Shares	165,000	165,000	165,000	165,000
* Share Premium	506,479	506,479	507,102	507,102
Total	1,055,810	1,055,810	1,056,433	1,056,433

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at the meeting of shareholders or one vote per share in case of a poll.

Preference shares do not carry the right to vote. All shares rank equally with regard to residual assets, except that preference shareholder participate only to the extent of the face value of shares adjusted for dividends in arrears.

Preference shareholder is entitled to dividends at 9 per cent annually.

* On restructuring of the Hotels in 1995/96, the share issue costs were charged to share premium of the Group.

20.2 Reserves

20.2.1 Share Premium

The share premium consists of the excess of the issue price over the par value of the shares issued, prior to the Companies Act No. 07 of 2007 coming into effect.

20.2.2 Revaluation Reserves

The revaluation reserve relates to property plant and equipment, which has been revalued by the Group.

20.2.3 General Reserves

The general reserve relates to retained earnings set aside by the Group.

20.2.4 Exchange Fluctuation Reserves

The exchange fluctuation reserves comprise of all foreign exchange difference arising from the translation of the financial statements of foreign entities.

Notes to the Financial Statements

21 Interest Bearing Borrowings

21.1 Analysed by Lending Institution

Lending Institution	Group		Remarks
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	
DFCC Bank PLC	250,000	268,182	Repayable in 66 monthly installments commencing from September 2007 for which Corporate Guarantee from Aitken Spence PLC has been provided as security.
Bank of Ceylon	42,500	45,500	Repayable in 60 monthly installments commencing from June 2007 for which Corporate Guarantee from Aitken Spence PLC. has been provided as security.
Hongkong & Shanghai Banking Corporation Ltd.	327,194	230,620	Comprises of two Loans Loan 1 - Repayable in 60 monthly installments commencing from January 2007 for which Mortgage over leasehold rights of a Maldives Hotel Property has been provided as security. Loan 2 - Repayable in 36 monthly installments commencing from July 2008 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security.
Hatton National Bank PLC	3,380,049	2,416,262	Comprises of four Loans Loan 1 - Repayable in 60 monthly installments commencing from July 2006 for which Mortgage Over leasehold rights of a Maldives Hotel Property has been provided as security. Loan 2 - Repayable in 72 monthly installments commencing from May 2008 for which Mortgage over leasehold rights of a Maldives Hotel Property has been provided as security. Loan 3 - Repayable in 72 monthly installments commencing from May 2008 for which Corporate Guarantee from Aitken Spence PLC has been provided as security. Loan 4 - Repayable in 96 monthly installments commencing from August 2009 for which a Mortgage Over leasehold rights of a Maldives Hotel Property has been provided as security.
Nations Trust Bank PLC	422,022	467,891	Repayable in 60 monthly installments commencing from September 2007 for which a Mortgage Over leasehold rights of a Maldives Hotel Property has been provided as security.
Federal Bank Ltd. - India	491	-	Repayable in 36 monthly installments commencing from October 2008 for which the assets funded has been provided as security.
Total Loans	4,422,256	3,428,455	
Current portion of interest bearing borrowings	(675,895)	(498,300)	
Total interest bearing borrowings	3,746,361	2,930,155	

21.2 Movement in Interest bearing borrowings

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Balance brought forward	3,428,455	1,410,748	1,313,682	353,367
Exchange difference	149,822	(14,220)	-	-
Loans received during the year	1,274,892	2,320,501	-	1,000,000
	4,853,169	3,717,029	1,313,682	1,353,367
Loan repayments during the year	(430,913)	(288,574)	(48,962)	(39,685)
	4,422,256	3,428,455	1,264,720	1,313,682
Current portion of interest bearing borrowings	(675,895)	(498,300)	(177,657)	(212,323)
Interest bearing borrowings outstanding as at 31st March	3,746,361	2,930,155	1,087,063	1,101,359

21.3 Currency Analysis of Interest Bearing Borrowings

Sri Lankan Rupees	1,264,720	1,313,682	1,264,720	1,313,682
Indian Rupees	491	-	-	-
United States Dollars	3,157,045	2,114,773	-	-
	4,422,256	3,428,455	1,264,720	1,313,682

22 Government Grants

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Receipts				
Balance brought forward	1,560	-	-	-
Received during the year	-	1,560	-	-
Balance carried forward	1,560	1,560	-	-
Accumulated Amortisation				
Balance brought forward	(13)	-	-	-
Amortised during the year	(156)	(13)	-	-
Balance carried forward	(169)	(13)	-	-
Net Balance	1,391	1,547	-	-

The Group received government grants amounting to Rs. 1,560,000 for the construction of an alternative fuel plant for Boiler operation at Kandapola Nuwara Eliya. The project has been in operation since December 2007 and the grant recognised as deferred income is being amortised over the useful life of the plant.

Notes to the Financial Statements

23 Deferred Taxation

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Deferred Tax Liability				
Tax effect on capital Allowances	92,144	240,065	-	144,299
Tax effect of share based payments	3,319	7,241	-	-
	95,463	247,306	-	144,299
Deferred Tax Assets				
Tax effect on Defined Benefit Plan	(1,017)	(2,941)	-	(1,161)
Tax effect on Tax losses	(4,149)	(149,426)	-	(143,138)
	(5,166)	(152,367)	-	(144,299)
Net Deferred Tax Liability	90,297	94,939	-	-
Balance brought forward	94,939	97,756	-	10,240
Transfer from / (to) Income Statement	(4,642)	(2,817)	-	(10,240)
Balance carried Forward	90,297	94,939	-	-

24 Employee Benefits

24.1 Provision for retiring gratuities

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Balance brought forward	20,915	18,927	7,743	7,383
Provision for the year	5,903	5,201	2,037	2,131
Payments made during the year	(4,189)	(3,213)	(1,468)	(1,771)
Balance carried forward	22,629	20,915	8,312	7,743

24.2 The principal actuarial assumptions used in determining the liability were:

- (i) Rate of interest is equal to 12 per cent which is the market yield on government bonds on the date of the valuation.
- (ii) Salary increments will range between 7 per cent to 11 per cent per annum.
- (iii) Retirement age of 55 years.
- (v) The Group will continue in business as a going concern.

24.3 The actuarial valuation was made on 31st March 2007. It is proposed that a valuation is obtained at least once in three years.

24.4 The liability is not externally funded.

24.5 The actuarial valuation was carried out by professionally qualified actuaries, Mr. M Pooplanathan of M/s. Actuarial & Managements Consultants (Pvt.) Ltd.

25 Other Provisions and Payables

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Other Payables	579,081	591,116	36,106	98,738
Advances Received from Operators	198,863	259,932	-	-
Provision for Repairs of Buildings	20,647	20,647	-	-
Total	798,591	871,695	36,106	98,738

During the year there was no movement in the remaining provision of Rs. 20.6 million available for the reconstruction of Tsunami damaged Plant Equipment and Buildings.

26 Amount Due to Related Parties

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Aitken Spence Exports (Pvt) Ltd.	7,028	635	5,000	111
Elevators (Pvt) Ltd.	216	424	-	-
Aitken Spence Travels (Pvt) Ltd.	-	111	-	-
Aitken Spence Overseas Travel Services (Pvt) Ltd.	28	258	-	-
Elpitiya Plantations Ltd.	36	130	-	59
Aitken Spence Aviation (Pvt) Ltd.	-	684	-	-
Aitken Spence Hotel Managements (Pvt) Ltd.	48,179	55,554	-	-
Jetan Travel Services Co. (Pvt) Ltd.	-	-	2,629	2,629
ADS Resorts (Pvt) Ltd.	-	-	2,669	2,669
Kandalama Hotels Ltd.	-	-	-	12
	55,487	57,796	10,298	5,480

27 Segmental Information

27.1 Assets

	Group		Net Assets	
	Total Assets 31.03.2009 Rs. '000	Total Assets 31.03.2008 Rs. '000	Total Assets 31.03.2009 Rs. '000	Total Assets 31.03.2008 Rs. '000
Sri Lankan Sector				
Resorts & Hotels				
Aitken Spence Hotel Holdings PLC. - Heritance Ahungalla	1,858,687	1,981,294	289,387	459,867
Aitken Spence Hotels Ltd. - Neptune Hotel	134,438	143,912	105,564	136,478
Ahungalla Resorts Ltd.	356,278	139,194	356,179	137,191
Heritance (Pvt) Ltd (formerly Pearl Beach Hotels Ltd.)	195,180	122,513	194,286	121,529
Neptune Ayurvedic Village (Pvt) Ltd. - Neptune Ayurveda Village	47,172	45,607	37,594	35,509
Kandalama Hotels Ltd. - Heritance Kandalama	749,659	789,655	293,041	413,510
Hethersett Hotels Ltd. - The Tea Factory Hotel	239,001	174,702	212,494	99,976
	3,580,415	3,396,877	1,488,545	1,404,060
Others				
Aitken Spence Hotels (International) Ltd	78,332	46,840	(108,688)	(137,110)
Aitken Spence Hotel Managements Asia (Pvt) Ltd	229,051	44,708	111,771	29,681
	307,383	91,548	3,083	(107,429)
Associate Companies	84,396	87,635	84,396	87,635
Total Sri Lankan Sector	3,972,194	3,576,060	1,576,024	1,384,266
South Asian Sector				
Crest Star (BVI) Ltd.	299,854	182,249	241,575	166,613
Cowrie Investment (Pvt) Ltd. - Adaaran Select Meedhupparu	2,645,743	2,420,755	1,874,550	1,647,522
BIR Hotel Management (Pvt) Ltd. - Adaaran Club Bathala	-	228,361	-	59,184
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran Club Rannalhi	1,144,937	729,348	773,828	410,696
ADS Resorts (Pvt) Ltd - Adaaran Select HudhuRan Fushi	1,448,291	1,766,477	518,260	540,956
Unique Resorts (Pvt) Ltd - Adaaran Prestige Vadoo	3,021,623	1,491,585	910,331	604,554
Ace Ayurvedic (Pvt) Ltd	1,262	2,487	199	1,743
Aitken Spence Hotel Management South India (Pvt) Ltd	2,666	-	1,744	-
Aitken Spence Hotel Services (Pvt) Ltd	7,059	270	6,743	270
P. R Holiday Homes (Pvt) Ltd	166,218	167,638	165,351	157,957
Total South Asian Sector	8,737,653	6,989,170	4,492,581	3,589,495
	12,709,847	10,565,230	6,068,605	4,973,761
Goodwill on Consolidation	1,524	3,048	1,524	3,048
Total	12,711,371	10,568,278	6,070,129	4,976,809

Notes to the Financial Statements

27.2 Property, Plant & Equipment

	Group			
	Capital Expenditure		Depreciation & Amortisation	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Sri Lankan Sector				
Resorts & Hotels				
Aitken Spence Hotel Holdings PLC. - Heritance Ahungalla	18,554	11,479	95,993	94,516
Aitken Spence Hotels Ltd. - Neptune Hotel	1,232	2,804	7,408	8,793
Ahungalla Resorts Ltd.	-	5,790	1,417	1,417
Neptune Ayurvedic Village (Pvt) Ltd. - Neptune Ayurveda Village	367	379	1,187	1,127
Kandalama Hotels Ltd. - Heritance Kandalama	8,549	23,018	49,479	50,479
Hethersett Hotels Ltd. - The Tea Factory Hotel	46,625	11,410	7,966	8,566
	75,327	54,880	163,450	164,898
Others				
Aitken Spence Hotels (International) Ltd	-	-	-	-
Aitken Spence Hotel Managements Asia (Pvt) Ltd	157	675	277	108
	157	675	277	108
Total Sri Lankan Sector	75,484	55,555	163,727	165,006
South Asian Sector				
Cowrie Investment (Pvt) Ltd. - Adaaran Select Meedhupparu	384,317	83,522	114,883	107,304
BIR Hotel Management (Pvt) Ltd. - Adaaran Club Bathala	-	311	6,559	10,033
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran Club Rannalhi	325,947	46,624	71,804	56,466
ADS Resorts (Pvt) Ltd - Adaaran Select HudhuRan Fushi	16,344	392,960	222,170	152,728
Unique Resorts (Pvt) Ltd - Adaaran Prestige Vadoo	1,355,953	101,621	11,153	44,883
Ace Ayurvedic (Pvt) Ltd	-	-	21	21
Aitken Spence Hotel Managements South India (Pvt) Ltd	868	-	158	-
Aitken Spence Hotel Services (Pvt) Ltd	1,921	-	342	-
P.R Holiday Homes (Pvt) Ltd	11,248	50,782	-	-
Total South Asian Sector	2,096,598	675,820	427,090	371,435
	2,172,082	731,375	590,817	536,441
Impairment of Goodwill on Acquisition	-	-	7,641	-
Total	2,172,082	731,375	598,458	536,441

27.3 Liabilities & Non-Cash Expenses

	Group			
	Total Liabilities		Non-Cash Expenses	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Sri Lankan Sector				
Resorts & Hotels				
Aitken Spence Hotel Holdings PLC. - Heritance Ahungalla	1,569,299	1,521,427	2,037	3,566
Aitken Spence Hotels Ltd. - Neptune Hotel	28,875	7,433	3,740	871
Ahungalla Resorts Ltd.	99	2,003	-	-
Heritance (Pvt) Ltd (formerly Pearl Beach Hotels Ltd.)	894	984	-	-
Neptune Ayurvedic Village (Pvt) Ltd. - Neptune Ayurveda Village	9,579	10,097	183	105
Kandalama Hotels Ltd. - Heritance Kandalama	456,618	376,144	5,167	3,188
Hethersett Hotels Ltd. - The Tea Factory Hotel	26,507	74,727	447	478
	2,091,871	1,992,815	11,574	8,208
Others				
Aitken Spence Hotels (International) Ltd	187,020	183,950	243	251
Aitken Spence Hotel Managements Asia (Pvt) Ltd	117,281	15,027	-	-
	304,301	198,977	243	251
Total Sri Lankan Sector	2,396,172	2,191,792	11,817	8,459
South Asian Sector				
Crest Star (BVI) Ltd.	58,278	15,637	-	-
Cowrie Investment (Pvt) Ltd. - Adaaran Select Meedhupparu	771,193	773,233	-	2,178
BIR Hotel Management (Pvt) Ltd. - Adaaran Club Bathala	-	169,176	-	128
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran Club Rannalhi	371,109	318,652	(162)	755
ADS Resorts (Pvt) Ltd - Adaaran Select HudhuRan Fushi	930,031	1,225,521	-	-
Unique Resorts (Pvt) Ltd - Adaaran Prestige Vadoo	2,111,291	887,033	-	-
Ace Ayurvedic (Pvt) Ltd	1,063	745	-	-
Aitken Spence Hotel Managements South India (Pvt) Ltd	922	-	5	-
Aitken Spence Hotel Services (Pvt) Ltd	316	-	-	-
P R Holiday Homes (Pvt) Ltd	867	9,680	-	-
Total South Asian Sector	4,245,070	3,399,677	(157)	3,061
Total	6,641,242	5,591,469	11,660	11,520

28 Foreign Currency Translation

The principle exchange rates used for translation of assets and liabilities as at the Balance Sheet date are as follows:

	31.03.2009 Rs. '000	31.03.2008 Rs. '000
US Dollar	115.48	107.84
Indian Rupee	2.25	2.72

29 Contingent Liabilities

The contingent liability as at 31st March 2009 on guarantees given by Aitken Spence Hotel Holdings PLC to third parties on facilities obtained by subsidiaries amounted to Rs. 808,500,000.

Notes to the Financial Statements

30 Related Party Transactions

30.1 Transactions with Related Companies

The Companies in the Group carries out transactions with related Companies as defined in the Sri Lanka Accounting Standard 30- Related Party disclosures (revised 2005) in the ordinary course of business. The names of the Related Companies, the Directors and their relationship, the nature of transactions and the balance outstanding as at 31st March 2009 are as follows:

Name of the Related Party	Relationship	Nature of Transaction	Group		Company	
			Transaction Value Rs. '000	Outstanding as at 31.03.2009 Rs. '000	Transaction Value Rs. '000	Outstanding as at 31.03.2009 Rs. '000
Aitken Spence PLC	Mr. D.H.S Jayawardena - Chairman Mr. J.M.S Brito - Deputy Chairman & Managing Director	Interest paid on Loans	44,668	-	3,068	-
		Corporate Guarantee charges paid	14,733	-	14,733	-
		Lease Rent paid on Account of the land and building leased to Neptune Hotel	1,500	779,109	-	237,037
Aitken Spence Travels (Pvt) Ltd.	Mr. J.M.S Brito - Chairman	Sale of Hotel rooms in the ordinary course of business	271,218	89,955	71,540	26,928
Ace Travels & Conventions (Pvt) Ltd.	Mr. J.M.S Brito - Chairman	Sale of Hotel rooms in the ordinary course of business	113,698	19,978	22,174	6,277
Aitken Spence Exports (Pvt) Ltd.	Mr. J.M.S Brito - Chairman Mr. S.M Hapugoda - Director Mr. C.M.S Jayawickrama - Director	Purchase of mineral water	4,118	(7,028)	1,274	(5,000)
Aitken Spence Printing (Pvt) Ltd.	Mr. J.M.S Brito - Chairman	Printing & Typesetting hotel promotional literature and Annual Report	1,762	-	1,650	-
Aitken Spence Aviation (Pvt) Ltd	Mr. J.M.S Brito - Chairman	Purchase of Exchange for overseas travels	6,382	-	-	-
Aitken Spence Overseas Travel Services (Pvt) Ltd.	Mr. J.M.S Brito - Chairman	Purchase of Air Tickets for overseas travels	8,315	(28)	-	-
Aitken Spence Hotel Managements (Pvt) Ltd.	Mr. J.M.S Brito - Chairman Mr. S.M Hapugoda - Managing Director Mr. C.M.S Jayawickrama - Director	Management fees for managing the Hotels	38,702	-	9,610	-
		Central Purchasing & Merchandising unit handling charges	11,835	-	2,039	-
		Export of Hotel Supplies to Maldives	122,282	54,233	-	14,185
Elevators (Pvt) Ltd.	Mr. J.M.S Brito - Chairman Mr. R.E.V Casie Chetty - Director	Repairs and Maintanance of Hotel Elevators	3,392	(216)	464	-
Elpitiya Plantations PLC	Mr. J.M.S Brito - Chairman	Purchase of tea leaves	637	(36)	121	-
Aitken Spence Hotel Managements Asia (Pvt) Ltd	Mr. D.H.S Jayawardena - Chairman Mr. G.P.J Goonewardena - Director	Management Fees for managing Hotels	91,154	-	-	-

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Name of the Related Party	Relationship	Nature of Transaction	Group		Company	
			Transaction Value	Outstanding as at 31.03.2009	Transaction Value	Outstanding as at 31.03.2009
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Distilleries Company of Sri Lanka PLC	Mr. D.H.S Jayawardena - Chairman	Purchase of Beverages	10,474	(2,329)	3,825	(1,083)
Stassen Exports Limited	Mr. D.H.S Jayawardena - Chairman	Purchase of Food Items	175,627	(25,097)	18,022	(2,713)
Lanka Milk Foods (CWE) PLC	Mr. D.H.S Jayawardena - Chairman	Purchase of Milk Powder	6,447	(936)	1,710	(360)
Hatton National Bank PLC	Mr. D.H.S Jayawardena - Director	Payment of Interest on loans	274,505	-	145,208	-
		Interest earned	3,897	-	2,360	-
		Loan funding	119,522	(3,380,049)	-	(861,109)
DFCC Bank PLC	Mr. J.M.S Brito - Chairman	Payment of Interest on loans	27,493	(195,455)	27,493	(195,455)
Sri Lanka Insurance Corporation Ltd.	Mr. D.H.S Jayawardena - Chairman	Provision of Insurance Services	27,734	-	-	-
		Claims Received	2,591	-	-	-
Lanka Bell (Pvt) Ltd.	Mr. D.H.S Jayawardena - Chairman	Provision of telecommunication services	4,863	(228)	1,702	(60)
Periceyl (Pvt) Ltd.	Mr. D.H.S Jayawardena - Chairman	Purchase of Beverages	4,385	(862)	280	(79)

30.1.2 The Company and the Subsidiaries in the ordinary course of business have for the sale of hotel rooms, contracted with certain tour operators, for whom Aitken Spence Travels (Pvt) Ltd., acts as local agents and receives an agency commission. The total revenue generated by such company and the balance outstanding as at 31st March 2009 is disclosed above.

The approximate turnover to the Group on sale of Executive Weekend Packages to Aitken Spence PLC and its Subsidiaries (excluding the Hotel Companies) is Rs.8.1 million.

30.2 Transactions with Key Management Personnel

There were no transactions with key Management Personnel which comprises of Group Directors, Vice Presidents and Assistant Vice Presidents during the year which require disclosure as per Sri Lanka Accounting Standard 30- Related Party Disclosures (revised 2005). However the Employment benefits of Key Management Personnel are as detailed below:

Year Ended 31st March	Group		Company	
	2009 Rs.'000	2008 Rs.'000	2009 Rs.'000	2008 Rs.'000
Short term Employment Benefits	8,875	29	2,015	7
Post Employment Benefits	-	-	-	-
Total	8,875	29	2,015	7

Notes to the Financial Statements

31 Employees Share Option Scheme

At an Extraordinary General Meeting of the Company held on 2nd of February, 2000, the Shareholders approved a Stock Option Scheme upto 5 per cent of the issued Share Capital of the Company. No options were offered to the employees as at 31st March 2009.

32 Acquisition Of Minority Shares

The Company made an offer to the Minority Shareholders of Aitken Spence Hotels Ltd. on 8th June, 1999 to purchase their shares at Rs. 31 per share. During this financial year 1000 shares were acquired at the revised price of Rs. 20 per share. The Company as at 31 st March, 2009 held 97.84 per cent of the equity share capital of Aitken Spence Hotels Ltd.

33 Events After Balance Sheet Date

The Board resolved to recommend the payment of :

A first and Final Dividend of 50 Cents per Ordinary Share for the financial year 2008/09 once approved by the shareholders at the Annual General Meeting.

There has been no other material events occurring after the balance Sheet date that requires adjustment to or disclosure in the financial Statements.

34 Ultimate Holding Company

The Ultimate Holding Company of Aitken Spence Hotel Holdings PLC is Aitken Spence PLC.

35 Capital Expenditure Commitment

There are no capital expenditure commitments other than those disclosed in Note No 11.7 to the financial Statements.

36 Average Number of Employees

The average number of employees as at 31st March 2009 amounts to 1,885. (2007/08 - 1,954)

37 Operating Leases

The Company does not have non cancelable operating leases.

38 Comparative Information

No comparative information were changed during the year which require disclosure or adjustments in the financial statements.

39 Directors Responsibility

The Board of Directors of the company are responsible for the preparation of financial statements.

Consolidated Income Statement in USD

<i>For the year ended 31 st March</i>	2009	2008
	US \$ '000	US \$ '000
Gross Revenue	57,256	59,465
Bed Tax	(2,604)	(2,986)
Net Revenue	54,652	56,479
Other Operating Income	2,795	419
Staff Costs	(7,430)	(7,054)
Depreciation & Amortisation	(5,182)	(4,974)
Other Operating Expenses - Direct	(12,285)	(13,665)
Other Operating Expenses - Indirect	(22,095)	(20,629)
Profit from Operations	10,455	10,576
Finance Income	87	251
Finance Expense	(3,193)	(3,361)
Net Finance Income/(Expenses)	(3,106)	(3,110)
	7,349	7,466
Share of Profit/(Losses) Associates after Tax	(28)	54
Profit Before Income Tax	7,321	7,520
Income Tax Expenses	(182)	(198)
Profit for the year	7,139	7,322
Attributable to:		
Equity Holders of the Company	5,132	4,754
Minority Interest	2,007	2,568
	7,139	7,322
Earnings per Ordinary Share (US\$)	0.14	0.12
Exchange Rate used for translation - (US\$)	Rs. 115.48	Rs. 107.84

Consolidated Balance Sheet in USD

<i>As at 31 st March</i>	2009	2008
	US \$ '000	US \$ '000
ASSETS		
Non-Current Assets		
Property, Plant & Equipment	75,223	61,802
Leasehold Property	13,463	13,057
Intangible Assets	13	28
Investment in Associates	1,603	1,747
Long -Term Investments	1,888	803
	92,190	77,437
Current Assets		
Inventories	1,680	1,619
Trade and Other Receivables	8,509	10,138
Amount due from Related Parties	1,859	1,674
Deposits & Prepayments	1,770	2,356
Current Tax Receivable	95	65
Short Term Deposits	2,960	3,608
Cash and Cash Equivalents	1,011	1,104
	17,884	20,564
TOTAL ASSETS	110,074	98,001
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Stated Capital	9,143	9,791
Reserves	12,664	9,593
Retained Earnings	19,101	15,453
	40,908	34,837
Minority Interest	11,656	11,313
Total Equity	52,564	46,150
Non-Current Liabilities		
Interest - bearing Borrowings	32,442	27,171
Government Grants	12	14
Deferred Tax Liabilities	782	880
Employee Benefits	196	194
	33,432	28,259
Current Liabilities		
Trade Creditors	1,988	2,360
Other Provisions and Payables	6,915	8,083
Amounts due to Related Parties	480	536
Amounts due to Ultimate Holding Company	6,747	4,885
Interest bearing Borrowings	5,853	4,622
Current Tax Payable	215	19
Short term Bank Borrowings	1,880	3,087
	24,078	23,592
TOTAL LIABILITIES	57,510	51,851
TOTAL EQUITY AND LIABILITIES	110,074	98,001
Exchange Rate used for translation - (US \$)	Rs. 115.48	Rs. 107.84

Shareholder and Investor Information

1. Stock Exchange Listing

Aitken Spence Hotel Holdings PLC is a public quoted company, the issued ordinary shares of which have been listed with the Colombo Stock Exchange.

The Stock Exchange Code for Aitken Spence Hotel Holdings PLC shares is "AHUN-N-0000"

2. Shareholders

There were 2,144 registered shareholders as at 31st March, 2009 distributed as follows:

		31.03.2009			31.03.2008		
	Range	Members	Total	%	Members	Total	%
1	to 1,000 shares	1,744	372,470	0.97	1,803	403,338	1.05
1,001	to 5,000 shares	259	562,375	1.46	284	623,382	1.62
5,001	to 10,000 shares	52	393,578	1.02	58	441,829	1.15
10,001	to 50,000 shares	61	1,481,232	3.85	66	1,616,476	4.21
50,001	to 100,000 shares	14	1,031,836	2.68	13	991,266	2.58
100,001	to 500,000 shares	7	1,747,576	4.55	8	1,708,176	4.44
500,001	to 1,000,000 shares	4	2,795,640	7.27	4	2,782,450	7.24
1,000,001	& Above	3	30,048,437	78.18	3	29,866,227	77.71
		2,144	38,433,144	100.00	2,239	38,433,144	100.00

3. Analysis of Shareholders

Category	31.03.2009		31.03.2008	
	Shareholding	%	Shareholding	%
Nationals	38,112,829	99.17	38,071,029	99.06
Non - Nationals	320,315	0.83	362,115	0.94
	38,433,144	100.00	38,433,144	100.00
Category				
Aitken Spence PLC, and subsidiaries	28,629,243	74.50	28,629,243	74.49
Other Institutions	6,758,274	17.58	6,511,895	16.94
Individuals	3,045,627	7.92	3,292,006	8.57
	38,433,144	100.00	38,433,144	100.00

* Percentage of shares held by the public as at March 31st, 2009 is 25.5 per cent

4. Share Trading

	31.03.2009	31.03.2008
Number of Shares traded during the year	939,100	1,483,300
Value of Shares traded during the year	93,251,950	117,309,900
Number of Transaction	630	961

Shareholder and Investor Information

5. Dividends

The Directors recommended a first and final dividend of 50 cents per ordinary share for the financial year 2008/09 (2007/08 - Rs. 1.00 per share)

6. Ratios

	2008/09	2007/08
Earnings per Share (Rs.)	15.03	12.95
Price Earnings Ratio (Times)	5.99	7.18
Net Asset per Share (Rs.)	118.62	93.46

7. Market Value

Financial Year	Highest Rs.	Lowest Rs.	Year End Rs.
2004/05	120.00	58.00	97.25
2005/06	102.00	52.25	83.25
2006/07	95.00	55.50	70.00
2007/08	98.00	55.00	93.00
2008/09	119.00	83.25	90.00

8. Market Capitalization (as at 31st March)

	Stated Capital & Reserves Rs. '000	Market Capitalization Rs. '000
2005	2,668,258	3,737,623
2006	2,809,552	3,199,559
2007	3,299,647	2,690,320
2008	3,756,811	3,574,282
2009	4,724,065	3,458,983

9. Group Holding in Subsidiary, Joint Ventures and Associate Companies

Company	31.03.2009	31.03.2008
	%	%
Aitken Spence Hotels Ltd. (Rs. 10 each)	97.84	97.83
Kandalama Hotels Ltd. (Rs. 10 each)	63.00	61.63
Heritage (Pvt) Ltd. (Rs. 100 each)	100.00	97.83
Ahungalla Resorts Ltd. (Rs. 10 each)	100.00	100.00
Hethersett Hotels Ltd. (Rs. 10 each)	80.13	50.21
Neptune Ayurvedic Village (Pvt) Ltd.	100.00	100.00
Crest Star (BVI) Ltd. (US\$ 1 each)	100.00	100.00
Jetan Travels Services Co. Pvt. Ltd. (Mrf 10 each)	95.00	95.00
Cowrie Investment Pvt. Ltd. (Mrf 1,000 each)	60.00	60.00
ADS Resorts Pvt Ltd. (MRF 10 each)	100.00	51.00
Unique Resorts Pvt Ltd. (MRF 10 each)	100.00	51.00
PR Holiday Homes Pvt Ltd. (INR 100 each)	83.90	50.98
Aitken Spence Hotel Services Pvt Ltd. (INR 100 each)	100.00	51.00
Ace Ayurvedic (Pvt) Ltd. (Rs. 10 each)	100.00	100.00
M. P. S. Hotels Ltd. (Rs. 10 each)	29.60	29.60
Browns Beach Hotels PLC (Rs. 10 each)	29.60	29.46
Crest Star Ltd. (HK\$ 1 each)	100.00	100.00
Aitken Spence Hotels (International) Ltd.	51.00	51.00
Aitken Spence Hotel Management Asia (Pvt) Ltd.	51.00	51.00
Aitken Spence Hotels Managements South India (Pvt) Ltd.	50.00	-

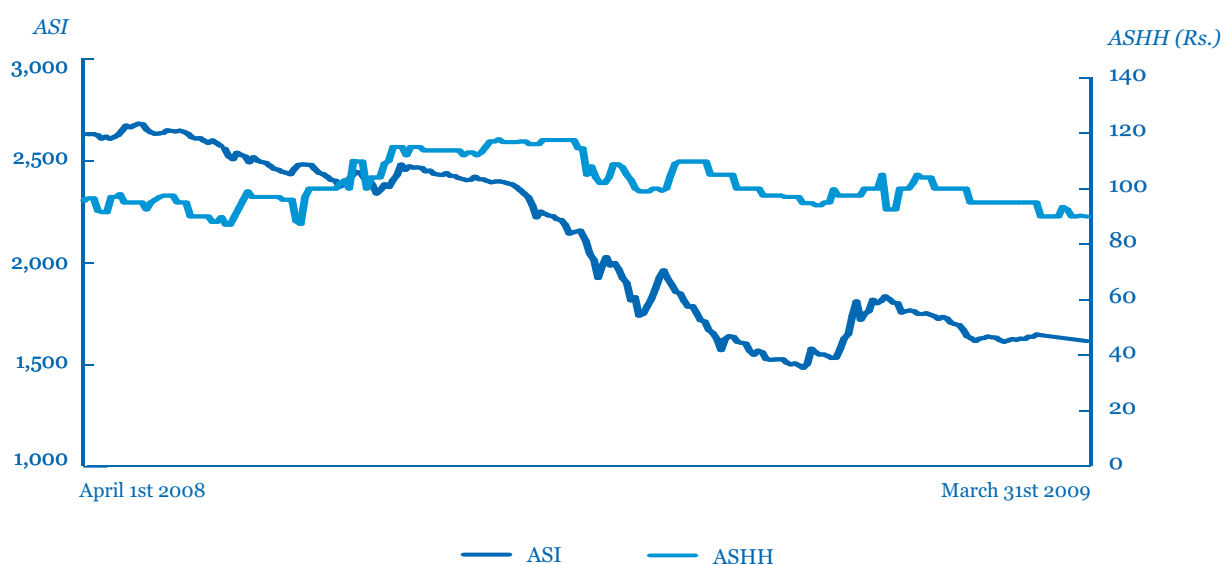
10. Twenty Largest Shareholders as at 31st March, 2009

	31.03.2009		31.03.2008	
	No. of Shares	%	No. of Shares	%
Aitken Spence PLC - A/C No. 1	27,368,127	71.21	27,368,127	71.21
Employees Provident Fund	1,458,000	3.79	1,475,500	3.84
Sri Lanka Insurance Corporation Limited - Life Fund	1,222,310	3.18	972,010	2.53
Nilaveli Beach Hotels Limited	930,000	2.42	1,022,600	2.66
Bank of Ceylon A/C Ceybank Unit Trust	838,285	2.18	783,085	2.04
Freudenberg Shipping Agencies Limited	521,800	1.36	521,800	1.36
Ace Cargo (Private) Limited	505,555	1.32	505,555	1.32
Aitken Spence Hotel Managements (Pvt) Ltd.,	403,502	1.05	403,502	1.05
G C Wickremasinghe	316,551	0.82	316,551	0.82
Aitken Spence Aviation (Private) Limited	297,616	0.77	297,616	0.77
Eagle Insurance Company Limited. A/ C No. 3	265,900	0.69	125,000	0.32
Bank of Ceylon A/C Ceybank Century Growth Fund	208,152	0.54	198,652	0.53
D D H S Wickremeratne	128,222	0.33	129,422	0.32

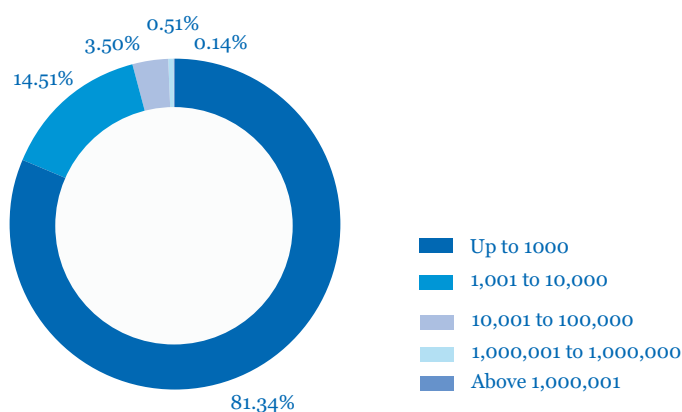
Shareholder and Investor Information

F A A Mack	127,633	0.33	127,633	0.33
A T Wickremasinghe	92,689	0.24	92,689	0.24
Union Assurance PLC/No - 01A/C	83,500	0.22	83,500	0.22
The Ceylon Chamber of Commerce Account No. 2	83,400	0.22	48,400	0.13
National Savings Bank	81,700	0.21	100,000	0.26
Blue Oceanic Beach Hotel Limited	80,332	0.21	80,332	0.21
J. Marsh	77,777	0.20	77,777	0.20
Other shareholders	3,342,093	8.70	3,703,393	9.64
Total	38,433,144	100.00	38,433,144	100.00

ASHH PLC Vs. All Share Price Index



Shareholder Distribution



11. History of movement in Ordinary Share Capital

Year	Issue	Number of Shares	Share Capital Rs.
	Shares in issue at the time of listing	1,281,612	12,816,120
1979/80	Initial Public Offer	500,000	5,000,000
1980/81	Private Placement	300,000	3,000,000
1980/81	Rights Issue	368,743	3,687,430
1981/82	Rights Issue	1,839,063	18,390,630
1982/83	Rights Issue	1,429,806	14,298,060
1983/84	Rights Issue	791,792	7,917,920
1984/85	Rights Issue	822,790	8,227,900
1994/95	Bonus Issue	2,444,602	24,446,020
1994/95	Share swap to acquire Aitken Spence Hotels Ltd	9,699,199	96,991,990
1994/95	Share swap to acquire Brown's Beach Hotels PLC	638,020	6,380,200
1994/95	Share swap to acquire M. P. S. Hotels Ltd	473,557	4,735,570
1999/00	Bonus Issue	3,431,531	34,315,310
1999/00	Rights Issue	14,412,429	144,124,290
Total as at 31st March, 2009		38,433,144	384,331,440

12. History of movement in Preference Share Capital

Year	Issue	Number of Shares	Share Capital Rs.
1981/82	12 per cent Cum. Redeemable Preference Shares	200,000	2,000,000
1982/83	Redemption	(40,000)	(400,000)
1983/84	Redemption	(40,000)	(400,000)
1984/85	Redemption	(40,000)	(400,000)
1985/86	Redemption	(40,000)	(400,000)
1990/91	Redemption	(40,000)	(400,000)
1996/97	9 per cent Cum Redeemable Preference Shares	16,500,000	165,000,000
Total as at 31st March, 2009		16,500,000	165,000,000

Decade at a Glance

Year ended 31st March	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000	2006 Rs. '000	2005 Rs. '000	2004 Rs. '000	2003 Rs. '000	2002 Rs. '000	2001 Rs. '000	2000 Rs. '000
TRADING RESULTS										
Revenue	6,611,893	6,412,699	4,299,987	2,560,479	2,887,669	2,785,783	2,350,812	1,877,388	1,817,497	1,270,855
Profit /(Loss)										
before Taxation	845,333	810,860	422,675	159,861	263,087	578,777	358,644	208,931	316,724	230,724
Taxation	(20,975)	(21,294)	(42,241)	(48,034)	(30,641)	(34,056)	171	(1,480)	(9,734)	(6,529)
Profit/(Loss) after Taxation	824,358	789,566	380,434	111,827	232,446	544,721	358,815	207,451	306,990	223,745
Profit/(Loss) attributable to Shareholders	592,587	512,651	202,591	173,847	110,146	413,461	232,687	151,709	260,313	195,101
SHAREHOLDERS' FUNDS										
Stated Capital	1,055,810	1,055,810	1,055,810	1,055,810	1,055,810	1,055,810	1,055,810	1,055,810	1,055,810	1,055,810
Reserves	3,668,255	2,701,001	2,243,837	1,753,742	1,612,448	1,537,589	1,077,881	814,805	606,673	290,525
LIABILITIES										
Current Liabilities	2,780,564	2,543,913	2,761,307	1,513,524	825,160	829,256	1,012,013	1,215,587	1,204,241	872,065
Long-Term Liabilities	3,746,361	2,930,155	1,125,325	851,514	239,092	323,821	561,965	694,083	844,662	194,607
Amount due to ultimate Holding Company	-	-	615,000	615,000	-	-	-	-	-	-
Other Liabilities & Charges	114,317	117,401	116,683	112,452	28,237	29,551	19,557	16,360	13,528	12,155
Minority Interest	1,346,064	1,219,998	873,019	664,405	755,691	829,092	754,803	694,658	651,403	383,509
Deferred Income	-	-	-	16,780	18,300	19,793	21,288	22,778	24,295	25,791
ASSETS										
Property, Plant & Equipment	8,686,707	6,664,681	6,469,263	4,801,544	3,250,387	3,360,687	3,356,532	3,417,346	3,369,458	1,957,893
Leasehold Property	1,554,651	1,407,987	52,500	54,000	55,500	57,000	58,500	59,915	-	-
Intangible Assets	1,524	3,048	3,048	2,593	2,816	3,037	3,220	3,443	26,555	16,120
Investments	185,118	188,358	183,015	98,717	97,817	99,752	97,037	88,158	149,420	423,106
Long-Term Investments	218,081	86,600	10	10	10	34,049	34,049	48,177	-	-
Current Assets	2,065,290	2,217,604	2,083,145	1,626,363	1,128,208	1,070,387	953,979	897,042	854,819	437,342
RATIOS										
Return on average Shareholders' funds (%)	13.97	14.53	6.63	6.35	4.19	17.49	11.62	8.59	17.30	19.71
Debt Equity ratio	0.66	0.64	0.32	0.31	0.12	0.15	0.27	0.36	0.47	0.23
Interest cover(Times)	3.30	3.22	2.62	5.29	9.04	9.09	4.20	2.41	3.01	2.68
SHARE INFORMATION										
Market price per share (Rs.)	90.00	93.00	70.00	83.25	97.25	68.00	45.00	20.25	18.50	33.25
Earnings per ordinary share (Rs.)	15.03	12.95	4.88	4.14	2.48	9.99	5.67	3.56	6.39	6.22
Price Earning Ratio (Times)	5.99	7.18	14.34	20.12	39.21	6.81	7.94	5.69	2.90	5.35
Net assets per ordinary share (Rs.)	118.62	93.46	81.56	69.25	65.61	63.70	51.78	44.97	39.60	31.41

Real Estate Holdings of the Group

Description of the Property	No. of Rooms	Location	Building in Sq. Ft	Land Extent Acres Freehold	Leasehold	Net Book Value as at 31.03.2009 (Rs. '000)
Aitken Spence Hotel Holdings PLC Heritance Ahungalla	152	Ahungalla	253,590	14.00	-	1,127,850
Ahungalla Resorts Ltd. Adjacent to Heritance Ahungalla	-	Ahungalla	-	10.86	-	344,945
Kandalama Hotels Ltd. Heritance Kandalama	152	Dambulla	313,000	170.00	50.00	449,834
Hethersett Hotels Ltd. The Tea Factory Hotel	57	Nuwara Eliya	50,999	-	25.00	112,921
Aitken Spence Hotel Ltd. Neptune Hotel	84	Beruwela	116,837	-	6.44	23,231
Heritance (Pvt) Ltd. Formerly Pearl Beach Hotels Ltd.	-	Beruwela	-	5.30	-	194,500
Neptune Ayurvedic Village (Pvt) Ltd. Neptune Ayurveda Village	20	Beruwela	21,012	0.12	1.46	26,785
PR Holiday Homes (Pvt) Ltd.	-	India	-	16.90	-	143,190
Unique Resorts (Pvt) Ltd. Vadoo Island resorts	50	Maldives	30,605	-	3.50	1,196,908
Jetan Travel Services Co. (Pvt) Ltd. Adaaran Club Rannalhi	130	Maldives	100,972	-	10.20	685,294
Cowrie Investments (Pvt) Ltd. Adaaran Select Meedhupparu	235	Maldives	266,950	-	43.00	1,887,754
ADS Resorts (Pvt) Ltd. Adaaran Select HudhuRan Fushi	177	Maldives	159,468	-	78.00	923,119

Milestones

- 1978** Incorporates Ahungalla Hotels Ltd., as a Public Quoted Company.
- 1981** Commences commercial operations of Triton Hotel with 126 rooms.
- 1986** Triton Hotel is awarded Five Star Status.
- 1990** The Company increases the room strength to 160.
- 1993** The Company enhances its authorized share capital from Rs.100 million to Rs.500 million .
- 1994** The Company acquires approximately 97 per cent of the share capital of Aitken Spence Hotels Ltd., thereby gaining controlling interest of Neptune Hotel, Kandalama Hotel and Pearl Beach Hotel.

Investments in Browns Beach Hotel and Hotel Hilltop.
- 1995** The Company acquires a majority holding in Hethersett Hotels Ltd., the owning company of the Tea Factory.

The Company acquires Crest Star Ltd., from Aitken Spence & Co. Ltd., thereby acquiring controlling interest in Club Rannalhi and Bathala Resorts, Maldives.
- 1996** “The Tea Factory” in Nuwara Eliya commences operations.
- 1997** The Company changes its name to Aitken Spence Hotel Holdings Ltd.
- 1999** The Company acquires the minority holding of Aitken Spence Hotels Ltd. Aitken Spence Hotels Ltd., is de-listed from the Colombo Stock Exchange.
- 2000** The third hotel in Maldives, the 215-room Meedhupparu Island Resort is launched in June 2000.
- 2003** The 20-room specialized Ayurvedic Village “Neptune Ayurveda Village” is constructed and launched in December 2003.
- 2005** Twenty all-suite super luxury Water Villas are constructed and launched at Meedhupparu, Maldives.
- 2006** The Company’s new “Heritage” brand is launched.
- 2007** Completes renovations and unveils Heritage Ahungalla.

The Company acquires its forth resort in Maldives Adaaran Select HudhuRan Fushi.

The Company ventures into India and is successful in securing Management contracts for five resorts.
- 2008** The Company made further investments in Maldives through the acquisition of Vadoo Island Resort. The Company ventures into Oman by securing Management contracts for four hotels.
- 2009** Adaaran Prestige Vadoo, the latest addition to the Adaaran Resorts commences operations.

Secured a Management Contract for a luxury Desert Camp in Oman.

Glossary

DEBT/EQUITY RATIO

Non-Current Interest bearing borrowings and preference share capital divided by the total shareholders' interest and minority interest less preference share capital.

DIVIDEND COVER

Net profit attributable to the shareholders divided by the total dividend proposed during the year.

CURRENT RATIO

Current Assets divided by Current Liabilities.

QUICK ASSET RATIO

Current Assets excluding Inventory divided by Current Liabilities.

DIVIDENDS PER ORDINARY SHARE

Ordinary dividends proposed divided by the number of issued ordinary shares, which ranked for those dividends.

EARNINGS PER ORDINARY SHARE

Profit after tax, minority interest and preference dividend divided by the weighted average number of ordinary shares in issue during the year.

INTEREST COVER RATIO

Profits before Interest and Taxation divided by total Interest charged for the year.

MARKET VALUE PER SHARE

The price at which an ordinary share can be purchased in the stock market at the year end.

MARKET CAPITALIZATION

The number of ordinary shares in issue multiplied by the market price per share.

DIVIDEND YIELD RATIO

Ordinary dividend per share divided by market value per share.

DIVIDEND PAY-OUT RATIO

Ordinary dividend per share divided by Earnings per share

NET ASSETS PER ORDINARY SHARE

Total assets less total liabilities (including minority interest and preference share capital) divided by the number of ordinary shares in issue as at 31st March.

NEGATIVE GOODWILL

The excess of the fair value of net assets acquired over the cost of acquisition of a company.

GOODWILL ON ACQUISITION

The excess of the cost of acquisition over the fair value of the share of net assets acquired when purchasing an interest in a company.

PRICE EARNING RATIO

Market price per share divided by earnings per share.

RETURN ON SHAREHOLDERS' FUNDS

Attributable profits divided by average Shareholders' funds.

SHAREHOLDERS' FUNDS

The sum of Share Capital, Capital Reserves and Revenue Reserves.

CAPITAL EXPENDITURE

The total of additions to property, plant and equipment.

CAPITAL RESERVES

Reserves identified for specific purposes and considered not available for distribution.

CASH EQUIVALENTS

High liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

MINORITY INTEREST

Part of the net results of operations and net assets of a subsidiary attributable to interests, which are not owned, directly or indirectly through subsidiaries, by the parent company.

RETURN ON EQUITY

Profit after Tax and Minority Interest divided by total Equity less preference share capital and minority interest.

RETURN ON CAPITAL EMPLOYED

Profit before Tax divided by total shareholder's funds, minority interest, non-current interest bearing borrowings and differed taxation.

Corporate Information

NAME

Aitken Spence Hotel Holdings PLC

LEGAL FORM

A Public Quoted Company with limited liability, incorporated in Sri Lanka on March 14, 1978

COMPANY REGISTRATION NUMBER

PQ 97

REGISTERED OFFICE

No. 305, Vauxhall Street, Colombo 2, Sri Lanka

DIRECTORS

Mr. D.H.S. Jayawardena - Chairman
Mr. J.M.S. Brito, LLB,FCA,MBA
Mr. R.E.V. Casie Chetty, FCA, FCMA, M.C.M.I., J.Dip, MA
Mr. S.M. Hapugoda
Mr. C.M.S. Jayawickrama, ACMA
Mr. K.A.A.C. Perera
Mr. G.P.J. Goonewardene

SECRETARIES

Aitken Spence Corporate Finance (Private) Limited

LAWYERS

Julius & Creasy Attorneys-at-Law

AUDITORS

Messrs. KPMG Ford, Rhodes, Thornton & Co
Chartered Accountants

BANKERS

Hatton National Bank
People's Bank
Bank of Ceylon
Hongkong and Shanghai Banking Corporation
Citibank N A
Union Bank
ICICI Bank
Nations Trust Bank
DFCC Bank
Deutsche Bank
Standard Chartered Bank

SUBSIDIARY COMPANIES

A D S Resorts Private Limited
(Adaaran Select HudhuRan Fushi)
Ace Ayurvedic (Private) Limited
Ahungalla Resorts Limited
Aitken Spence Hotel Managements Asia (Private) Limited
Aitken Spence Hotel Services Private Limited
Aitken Spence Hotels (International) Limited

Aitken Spence Hotels Limited
(Neptune Hotel)
Cowrie Investment Private Limited
(Adaaran Select Meedhupparu)
Crest Star (BVI) Limited
Crest Star Limited
Hethersett Hotels Limited
(The Tea Factory)
Jetan Travel Services Company Private Limited
(Adaaran Club Rannalhi)
Kandalama Hotels Limited
(Heritage Kandalama)
Neptune Ayurvedic Village (Private) Limited
P R Holiday Homes Private Limited
Heritage (Private) Limited (Formerly Pearl Beach Hotels Ltd.)
Unique Resorts Private Limited
(Adaaran Prestige Vadoo)

JOINT VENTURE COMPANY

Aitken Spence Hotel Managements (South India) Pvt Ltd

ASSOCIATE COMPANIES

Browns Beach Hotels PLC
(Browns Beach Hotel)
MPS Hotels Ltd
(Hotel Hilltop)

HOLDING COMPANY

Aitken Spence PLC

WEBSITE

www.aitkenspencehotels.com

CONTACT POINT FOR FURTHER INFORMATION

Aitken Spence Corporate Finance (Pvt) Ltd.,
Secretaries

Notice of Meeting

Notice is hereby given that the Thirty Second Annual General Meeting of Aitken Spence Hotel Holdings PLC will be held at the Auditorium of the Ceylon Chamber of Commerce, No.50, Nawam Mawatha, Colombo 2, at 11.00 a.m. on Monday, June 29, 2009, for the following purposes:-

- To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st March 2009 and the Report of the Auditors thereon.
- To declare a dividend as recommended by the Directors
- To re-elect Mr. S M Hapugoda who retires by rotation in terms of Article 83 of the Articles of Association, as a Director.
- To re-appoint the retiring Auditors, Messrs. KPMG Ford, Rhodes, Thornton & Co., and authorise the Directors to determine their remuneration.
- To consider any other business of which due notice has been given.

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote in his/her stead and a Form of Proxy is enclosed for this purpose. A Proxy need not be a member of the Company.
2. The completed Form of Proxy must be deposited at the Registered Office No.305, Vauxhall Street, Colombo 2, forty eight hours before the time fixed for the meeting.
3. Any member or Proxyholder attending the meeting is kindly requested to bring this Report.
4. It is proposed to post the dividend warrants on 09th July 2009, provided the first and final dividend recommended is approved. In accordance with the rules of the Colombo Stock Exchange the shares of the Company will be quoted ex-dividend with effect from 30th June 2009.

By order of the Board of

AITKEN SPENCE HOTEL HOLDINGS PLC

Aitken Spence Corporate Finance (Private) Limited

Secretaries

26th May 2009

Colombo

Notes

[illegible]

Form of Proxy

I/We.....

of.....

being a member / members of **Aitken Spence Hotel Holdings PLC** hereby appoint

.....

of..... (whom failing)

Don Harold Stassen Jayawardena of Colombo (whom failing)

Joseph Michael Suresh Brito of Colombo (whom failing)

Ranjan Emmanuel Victor Casie Chetty of Colombo (whom failing)

Srilal Malin Hapugoda of Colombo (whom failing)

Chrishanthus Mohan Susith Jayawickrama of Colombo (whom failing)

Koddippilli Arachchige Athula Chethiya Perera of Colombo (whom failing)

Gemunu Presanna Jayasundera Goonewardena of Colombo

as my/our Proxy to represent me/us and to vote for me/us and on my /our behalf at the Annual General Meeting of the Company to be held on the 29th day of June 2009 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this.....day of.....Two Thousand Nine.

.....
Signature

Note: Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. If the proxy form is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.
3. In the case of a Company/Corporation, the proxy must be executed in the manner prescribed by its Articles of Association.
4. The completed form of proxy should be deposited at the Registered Office of the Company, No.305 Vauxhall Street, Colombo 02 by 10.00 a.m. on 27th June 2009 being 48 hours before the time appointed for the holding of the meeting.

Sri Lanka

Company Address :
(If Applicable)

[illegible]

