



*“Thank you for an unforgettable stay  
in sublime surroundings.*

*This certainly is one of the most  
outstanding hotels in the world.”*

Michael Sternberg  
Ambassador of Denmark

From Presidents to sports stars... and an eclectic selection of travelers of every origin - we have hosted them all. Each one following their own dream and all demanding outstanding vacation experiences. At Aitken Spence Hotels, we know we have delivered to these many expectations and often well above.

This year, our faith in the nation's resilience finds us one step ahead - our refurbishment activities completed and every property ready to greet the flood of arrivals we anticipate this year. With a core belief that we shall always offer something for everyone, we have reached what we consider our ultimate goal by pleasing so many so consistently, evidence of which we present here.

Aitken Spence Hotels is poised to grasp the opportunities we have awaited for so long - ready to grow and ready to significantly expand our business across the island.

These remarks and comments taken from the guest books of each of our hotels are indeed the best proof that we are doing something right and we're doing it better and better.

Welcome to Aitken Spence Hotels experience - unique, flawless and unforgettable.



# Contents

Chairman's Review	4 - 9
Managing Director's Review	10 - 15
Our Brands	48
Group Portfolio	49
Five Years at a Glance	50
Group Financial Highlights	51
The Board of Directors	52 - 57
Corporate Management Team	58 - 60
Management Discussion and Analysis	61 - 71
Financial Review	72 - 78
Sustainability Review	79 - 104
Risk Management	105 - 112
Corporate Governance	113 - 120
Financial Information	121
Annual Report of the Board of Directors on the Affairs of the Company	122 - 126
Audit Committee Report	127
Statement of Directors' Responsibilities	128
Independent Auditors' Report	129
Income Statement	130
Balance Sheet	131
Statement of Changes in Equity	132
Cash Flow Statement	133 - 134
Notes to the Financial Statements	135 - 167
Consolidated Income Statement in USD	169
Consolidated Balance Sheet in USD	170
Shareholder & Investor Information	171 - 175
Decade at a Glance	176
Real Estate Holdings of the Group	177
Milestones	178
Glossary	179
Corporate Information	180
Notice of Meeting	181
Form of Proxy	183-184
Investor Feedback Form	185

*“The world is a book, and those who  
do not travel read only a page.”*

Saint Augustine Bishop of Hippo Regius

*Autken Spence*  *Hotels*







# Creating destinations, creating experiences.

*A message from Deshamanya D.H.S. Jayawardena  
Chairman, Aitken Spence Hotel Holdings PLC*

## **Challenges mar the global environment**

In the year 2009/10 we witnessed the world economies heave out of the shadow of a gaping recession. Economic stimulus packages re-invigorated demand and economic activity spurred employment to create a conducive environment for commercial vibrancy. Yet the year has been one fraught with environmental and natural disasters, each of which have held tight the reins of human development, mitigating measures to precipitate an economic turn-around. The earthquake in Haiti, tidal waves and tsunami in the Samoan Islands and twin earthquakes in Indonesia have had multiplier socio-economic effects, with far ranging outcomes on tourism and aviation. In particular, the freak weather – extreme cold spells and prolonged winter, dust storms, floods and bush fires - witnessed during the year pushed the boundaries of seasonality, impeded travel and stalled transport services around the globe.

## **Tourism remains key to post conflict reconciliation in Sri Lanka**

For Sri Lanka, on the other hand, the year 2009/10 has been one of confidence. As I write this statement, our nation is on the verge of completing one year sans conflict. Whilst Sri Lanka remains enthused about the future potential for accelerated development and economic gain, tourism as an industry has reaped the immediate dividend from peace. Sri Lanka's tourism has bounced back strongly in the wake of an end to a conflict which contained the growth of the industry for over three decades. In the year that has passed since the official end to the conflict, Sri Lanka has witnessed a resounding resurgence of interest in the destination.

It is only pertinent that the nation and the tourism industry stakeholders recognise and appreciate the vision and courage of H.E. President Mahinda Rajapakse to eliminate terror from the lives of Sri Lankans. Finally with the dawn of peace and political stability, the nation enjoys a conducive environment for progressive development. I sincerely hope that we, as Sri Lankans, grasp this opportunity to develop not only infrastructure but also our human capital and knowledge productiveness. The nation and her people must identify the role of tourism and hospitality as agents of change and tools for national reconciliation.

In the light of these macro events, I as the Chairman of your Company, take great pleasure in presenting the Annual Report and Audited Financial Statements for the year 2009/10.

## **Sri Lanka: the potential runs high**

For Aitken Spence Hotel Holdings, Sri Lanka always remained the mainstay of the Company's interest, largely due to the latent potential of the destination. The Company continued its investments in the hotels and kept the product portfolio up to

# Chairman's Review

date despite considerable challenges due to depressed market conditions. Investments and securing hotel management contracts overseas, namely in the Maldives, India and Oman assisted the Company in its efforts to sustain the operations in Sri Lanka and to report healthy profits over the years.

The Company's resolute confidence in the capability of the destination over the years is now translated into reality. In this environment of imminent growth, the Company will continue to invest in the destination to assist towards achieving industry maturity and full potential. It is indeed necessary for Sri Lanka's tourism industry to appreciate domestic tourism, the pillar upon which the industry leant upon at the most challenging of times.

## **Reaching full potential: the challenges for tourism**

Going forward, Sri Lanka as a destination is affected by numerous challenges, all of which inhibit the nations potential to meet economically viable yet sustainable levels of tourism.

### **Identification of tourism as a critical element in the strategic plan for Sri Lanka:**

Primarily and most importantly Sri Lanka needs to recognise the criticality of tourism as an engine of economic growth. As a top foreign exchange earner for the nation, tourism deserves to be given emphasis and strategic interest. For the future benefit of the industry and that of the nation, it is vital that the industry be led with vision and expertise at Ministerial and government level. We are happy to note that the government has given due recognition to the industry with the appointment of the new cabinet of Sri Lanka.

### **Accelerated development of core infrastructure:**

Tourism remains affected by the lack of fundamental infrastructure such as highways and domestic airports. Going forward, the ability of Sri Lanka to attract high yield travelers remains directly dependent on the availability of speedy accessibility to the strategic tourist resorts in Sri Lanka. The re-introduction of sea planes to reach certain key tourist destinations would be of use to mitigate this challenge. In addition, government incentives to the industry to re-fleet the existing modes of tourist transportation would be of immense help in addressing this accessibility issue.

### **Focused, strategic destination marketing on par with that of competitor nations in the region:**

Whilst Sri Lanka's destination marketing has notched higher over the last two years, it still falls well below the marketing initiatives adopted by competitor destinations. Hence a concerted effort would be required for Sri Lanka to achieve its true potential. The recent initiatives by Sri Lanka Tourism to promote the destination with a focused positioning strategy is certainly a step in the right direction.



**Contraction in specialised and experienced human resources due to the prevalence of a high incidence of labour migration:**

A national strategy aimed at attracting Sri Lankans living abroad is a vital necessity given the high developmental expectations for the nation. In this light, it is also critical that the government and the hospitality industry partners to strategise and develop human resources to meet future demand.

**Increased air-links into Sri Lanka, thereby enhancing accessibility:**

The implementation of the open skies policy remains key to the success of Sri Lanka's travel and tourism industry. With the nation targeting 2.5 million tourists in the year 2016 as per its strategic tourism plan, there remains a bottleneck with respect to airline frequencies, inbound destinations and the number of airlines operating to Sri Lanka. It is essential that a bilateral open skies policy 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. In the context of tourism it is essential and now an opportune time for bilateral relations to be reached with European carriers especially those from our key source markets. It is hoped that in the coming months the government will shift its position from protectionism towards open skies in the larger interest of the nation despite its concerns for the commercial viability of the national carrier.

**Increased room capacities:**

As per the Tourism Development Authority's Tourism Master Plan for Sri Lanka, the destination's tourism product currently comprises of approximately 15,000 rooms. A concerted drive to enhance capacity to 22,000 rooms by the year 2012 is ongoing. Yet to meet the needs of 2.5 million tourists by 2016, the room capacity requirement lies at 58,000 rooms. Due to the high costs of construction and the overall investment required for resort development, the necessity for the government to play a critical role in catalysing development is imperative through provision of incentives.

**Upgrading of the depleted room product in Sri Lanka:**

Tourism industry stakeholders should proactively undertake initiatives to upgrade and renovate the nation's room product to meet at least minimum international standards, thus assisting towards the elevation of the destination to a high yield market as opposed to low yield.

**Growth through strategic expansion and with greater focus on Sri Lanka**

In looking to the future, Aitken Spence Hotel Holdings will continue to pursue a growth strategy linked to strategic expansion. However, given the untapped potential of Sri Lanka as a destination, the Company will harness greater resources, strategic planning and investment into the destination, in an effort to notch the destination to a higher level of performance. Nevertheless, a concentration of efforts to optimally manage and balance returns from Oman, India and Maldives will be key

## Chairman's Review



*“The time has come for Sri Lanka. Vision, forward thinking and planning for her future are the fundamentals that will set her on the path of economic success. Dynamism and innovation will secure that success for the future”.*

to the success of the Company in the year ahead. The Company will also aggressively use technology to reach the world at large and to improve the level of services available to its discerning clients.

Sustainability is a matter of philosophy at Aitken Spence Hotel Holdings. As a pioneer in sustainable tourism, our processes and practices have been benchmarked for both the local and international hospitality industry. As a measure of further commitment to the cause, your Company is a member of the United Nations Global Compact (UNGC) and undertakes the social obligation towards sustainable business practice. We align our operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

### **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 the Aitken Spence team have worked with unwavering passion to deliver the vision and objectives laid before them and our shareholders have supported our endeavors at all times. I take this opportunity to thank all our shareholders for the overwhelming support and for the confidence placed in the Company and for fully subscribing the equity rights issue held in April 2010. Appreciation is also due to all stakeholders including tour operator partners as well as our esteemed clients who have been the inspiration for our growth.



**D.H.S. Jayawardena**

*Chairman*

26th May 2010







# Solid investments, evolving properties.

*A review of operations by Mr J.M.S. Brito*

*Deputy Chairman and Managing Director, Aitken Spence Hotel Holdings PLC*

The financial year 2009/10 proved yet again to be a year of challenges for the global economy. The year 2009 was hailed as the first year, post-World War II, to experience a declining global output, with a contraction of 1 per cent from that of the year 2008. Likewise, global trade plummeted nearly 25 per cent from that of the previous year and is proclaimed to be the largest decline in a single year since 1946. Among major countries, the biggest GDP losses occurred in Russia, Mexico, Japan, Germany, United Kingdom and Italy, while China, India and Indonesia recorded the highest gains.

Global per capita income during the year declined by as much as 2 per cent to US\$10,500 as a direct outcome of an increase in global unemployment which rose by two percentage points since 2007. In response to the recessionary pressures stemming from a plethora of uncertainties, lowered consumer confidences, tighter credit control and plummeting real estate market conditions, many, if not most, countries pursued expansionary monetary and fiscal policies, many of which were in the form of stimulus packages to incentivise demand. As a result, by the second half of 2009, the global economy portrayed signals of a return to progressive economic activity.

Whilst tourism had declined exponentially in the aftermath of the recession, especially in the financial year 2008/2009, the slow yet steady recovery of global economies in the latter half of 2009/10 paved the way for a recovery in global tourism during the year under review. UNWTO World Tourism Barometer sites an overall worldwide decline of 4 per cent in 2009 with a return to growth in the last quarter of the year. Based on the trends for the first three quarters of the year, UNWTO estimates the global tourism receipts to be at a decline of approximately 6 per cent for 2009, a glaring shift for an industry otherwise accustomed to continuous growth in the past.

Nevertheless, Aitken Spence Hotel Holdings weathered the tumultuous year to operationally excel despite these global adversities. With an official end to the conflict in Sri Lanka, the nation's tourism industry witnessed a veritable boom and averaged an impressive 22 per cent growth in arrivals over the ten-month period from May 2009 to March 2010. With the revoking of travel advisories, traditional markets made a strong comeback with arrivals from Western European markets including UK, Germany, France, Norway and Spain increasing impressively over that of the previous year despite the exceptionally challenging economic conditions plaguing these nations during the year. Middle East and India continued to be key to the favourable tourism outlook for Sri Lanka in 2009/10. With travelers keen to experience Sri Lanka and tour operators clamouring to re-introduce the destination, our operations in Sri Lanka posted healthy returns throughout the financial year. The true potential of Sri Lanka, however, yet remains shrouded by the global economic downturn. With full recovery of global economies, the destination will no doubt witness higher yields in the years ahead.

# Managing Director's Review

Our operations in Maldives, Oman and India however, continued to perform below full potential largely in part to the global economic scenario. However, these strategic expansions remained a key contributor to the overall performance of the Group during the year under review.

## Summary of Performance

In 2009/2010, your Group's performance was a Profit before Interest and Taxation of Rs.1,171 million compared to Rs.1,214 million reported the previous year. For details of revenue and profit, please refer to the Financial Review on pages 72 to 78 of this report.

## Sri Lanka

The Group's operations in Sri Lanka posted a commendable turnaround during the year under review to present a glimpse of the performance capability of the property portfolio across the nation. The Group garnered strong brand recognition due to incisive efforts to create consistent brand imagery in the last four years. In the immediate period post conflict, the Group benefited from the ability to offer a fully renovated, star class chain of up-market resorts through Heritance, with each property offering a unique "experience" to travelers, thus strongly differentiating its offer from that of other tourism products across Sri Lanka. Having "showcased" the Group's product offer in Sri Lanka in past years to demonstrate to global partners the operational expertise and service excellence of Heritance resorts, the foresight in investing into and maintaining an excellent property portfolio even at times of industry slump have certainly been a prudent strategy.

The success of the government to liberate the North and Eastern provinces heralds a new era of tourism in the regions. The opening of these two provinces to tourism activity is critical to Sri Lanka's future as a sustainable tourism destination, in that Sri Lanka will achieve the status of a year-round destination as opposed to one dependent on seasonal tourism. The re-integration of the Northern and Eastern provinces opens approximately 2/3rd of the nation's coastal resources comprising pristine beaches and 1/3rd of untapped fertile land for productive use, approximately 15 per cent of Sri Lanka's population who are resident within these areas will directly benefit from tourism. Aitken Spence PLC, the Group's parent company owns 100 acres of prime beach land in the tourism hotspot of Nilaweli and the Group will commence the development of a tourism resort in the short term.

To take advantage of the growth momentum envisaged for Sri Lanka's tourism industry, the Group intends to undertake carefully planned developments and renovations during the financial year 2010/11. As such, the Group launched a 1-for-4 rights issue for our shareholders and raised Rs 2.5 billion. With the funds some of the investments planned are the conversion of Neptune Hotel, Beruwala to a 64 roomed specialised Ayurveda and Wellness Resort; the construction and development of a new boutique hotel on the South West coast in partnership with an international operator; development of resorts in the North and the East; and hospitality investments in India.

In a bid to enhance the Group's product portfolio, the Group acquired a 100 percent equity stake of Ramada Resort - Kalutara, a beach resort formerly known as Golden Sun Resorts, for Rs.350 million during the financial year under review. Ramada Resorts, built on a five-acre land in Kalutara, was one of the Group's managed properties prior to the takeover.

Neptune Hotel remained closed for renovations for a good part of the financial year and is billed to re-open in December 2010 under the Group's luxury brand "Heritage" under a specialist "wellness and ayurvedha" concept. The Group undertook the initiative to re-position the resort, given its need for refurbishment. During the year, one of the Group's signature hotels "The Tea-factory" was re-branded under the "Heritage" brand after refurbishment.

At Aitken Spence Hotel Holdings we strongly believe that our future within the tourism industry lies in our ability to pro-actively and innovatively promote ourselves and reach the consumers via electronic media and technology and we are strongly forging ahead along these lines. The Group's loyalty programme "Diamond Club" has proved to be a tremendous success and continues to add value to the domestic traveler.

In going forward, Sri Lanka presents a formidable opportunity for the Group. With the growth of tourism as a core industry, the Group will continue to place strategic importance to its operations in the destination and will invest towards positioning Sri Lanka's tourism offer to the high yield traveler through a planned product development.

## **Maldives**

Maldives as a tourism destination in 2009/10 remained buoyant despite trepidation in the previous financial year with regard to the effects of price cuts and promotional offers.

The Group posted healthy returns from its portfolio across the atolls. Adaaran Prestige Vadoo, the Group's most recent addition to its portfolio in Maldives, was launched during the year to admirable acceptance by travelers. The resort gained popularity despite the short period of operations during this financial year and is projected to be a strong attraction in the years ahead.

Intensive marketing and cost management enabled the Group to optimise returns from the destination despite the challenging economic scenario. However, Maldives remains a key segment for the Group in the medium to long term due to its ability to generate high returns owing to the up market product portfolio the company possesses.

## **Oman**

Oman demonstrated a late reaction to the global recession with the full effect of the downturn markedly evident during the current financial year. As a result, 2009/10 remained a challenging year for the Group in terms of net returns and profitability. However, we expect the market to recover during the upcoming financial year with the recessionary effects

# Managing Director's Review

hopefully abating by winter 2010. However, forecasts and expectations for summer 2010 remain shaped by dissipating effects of the economic downturn.

Nevertheless, the promise of Oman as a powerful emerging tourism destination for the Middle Eastern region positions it with great market potential. In this light, the Group's presence and commercial interests in Oman are strategic to the future growth of the business.

## India

During the financial year under review, the Group consolidated its position as a reputed hotel management entity in the Indian marketplace. With approximately 300 rooms across India, the Group hopes to leverage its hospitality expertise to garner management contracts in strategic tourism locations to up its room capacity to 500 by the end of the financial year 2011.

During the year, the Group's property portfolio in India expanded to 6 with the addition of Tamara Coimbatore, a boutique resort nestled at the foothills of the Western Ghats and Ramada Delhi Airport Expressway. The Delhi property is scheduled to commence operations in the upcoming financial year and is well placed to add value to the current portfolio of properties due to its strategic proximity to the Indira Gandhi International Airport.

With offices in Chennai and Bangalore, together with a proposed office in Delhi, the Group will continue to expand its marketing structure whilst also pursuing a strategy of expansion based on the presently employed management business model.

## Sustainability as a strategic driver

Sustainability is a core belief at Aitken Spence Hotel Holdings. As pioneers of sustainable tourism in Sri Lanka we have and continue to integrate sustainable practices to how we do business. I am proud to note that the Group is in fact one of the few in Sri Lanka to implement an integrated sustainability policy which is by and large a proactive approach, driven internally it embeds sustainability to every conceivable operational process, proactively across functions. The Group adopts best practices in environmental and social governance and acts in harmony with the principles of the United Nations Global Compact and the Millennium Development Goals.

In 2008/09 to complement this sustainability stance, the Group adopted GRI-based Sustainability Reporting in a bid to quantify our efforts towards sustainable business. During this financial year, we stepped up our reporting efforts to report against GRI (G3) B level guidelines. Please refer to page 79 and 104 of this report for more details.



## **In Conclusion**

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. Our dedication to sustainability permeates to every level of the Company's structure and is a principle with which both the Company and each one of its individual hotels use as a guiding light in conducting business through the formulation of policies that promote this overall sustainability ethos. I must therefore reiterate our dedication to the well being of the environment, the communities within which we operate, our employees, our shareholders, suppliers and stakeholders. We operate in the best interests of all.

Appreciation is due to all our stakeholders for their support and encouragement without which we would not have achieved what we have today and to the Management team at Aitken Spence Hotel Management in Colombo and our overseas offices and the staff at all our hotels for their selfless 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 2010

# Our Brands



## Sri Lanka

Ramada Resort, Kalutara  
Neptune Hotel, Beruwala  
Neptune Ayurveda Village, Beruwala  
Browns Beach Hotel, Negombo  
Hotel Hilltop, Kandy  
Earl's Regency, Kandy  
Bandarawela Hotel, Bandarawela

## India

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

## Oman

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



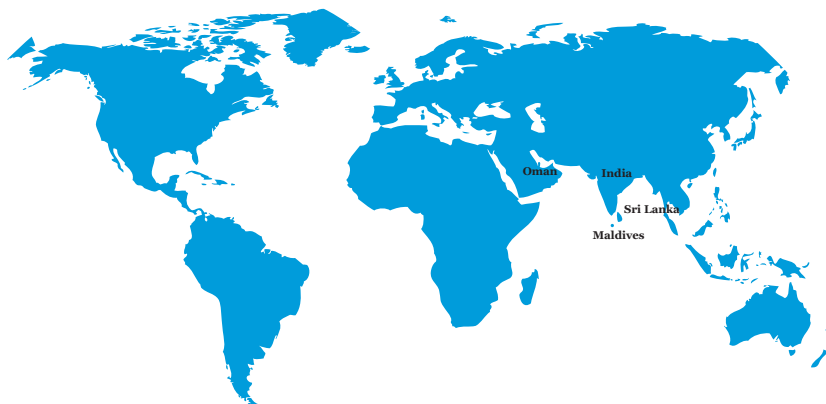
## Sri Lanka

Heritance Ahungalla  
Heritance Kandalama  
Heritance Tea Factory,  
Nuwara Eliya

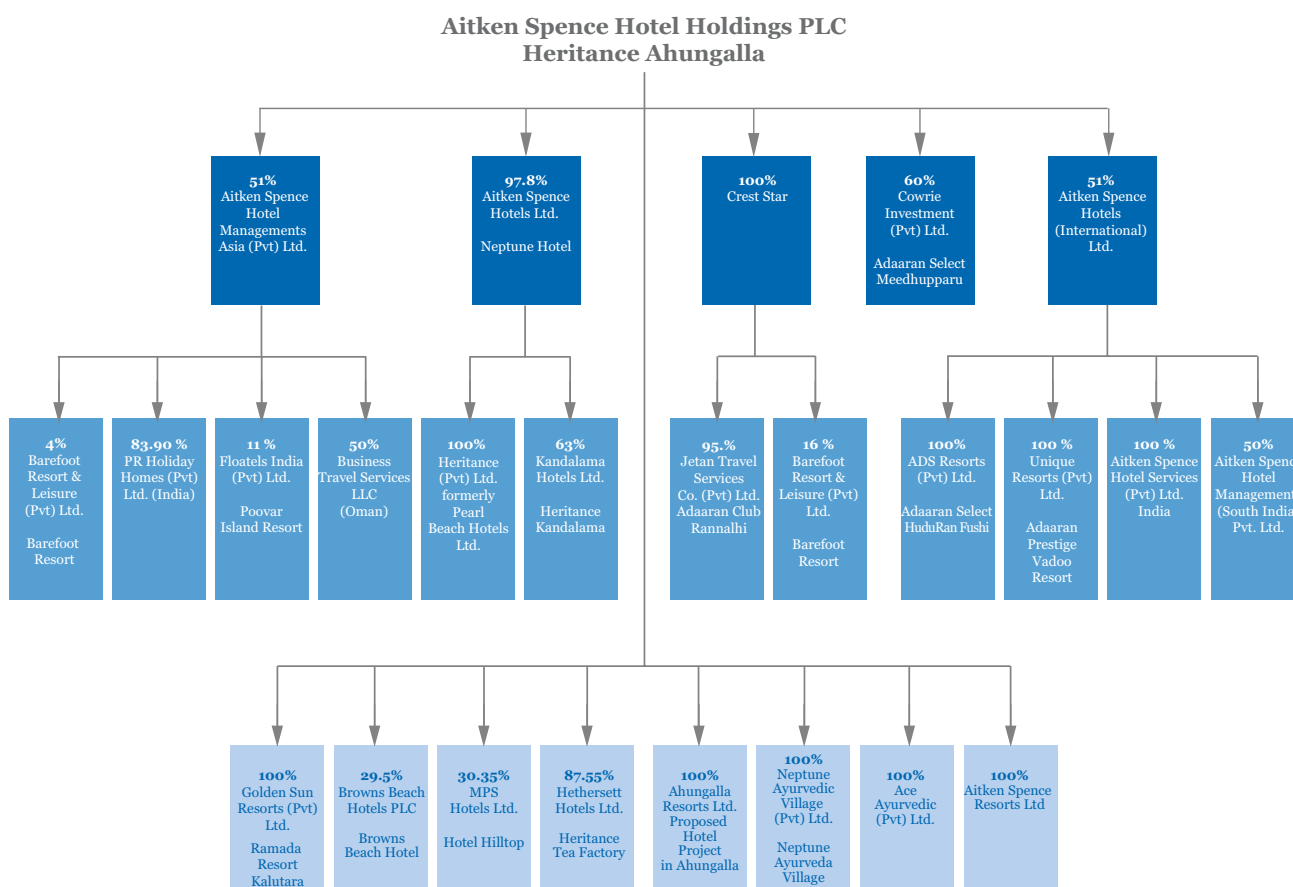


## Maldives

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

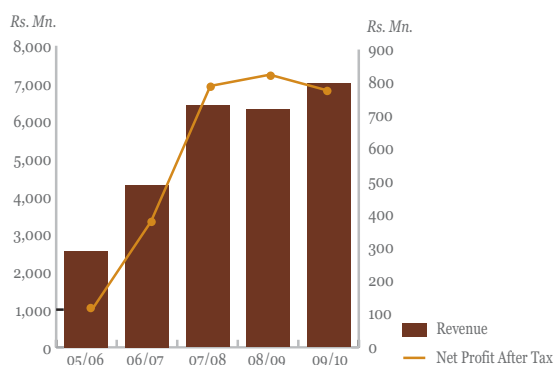


# Group Portfolio

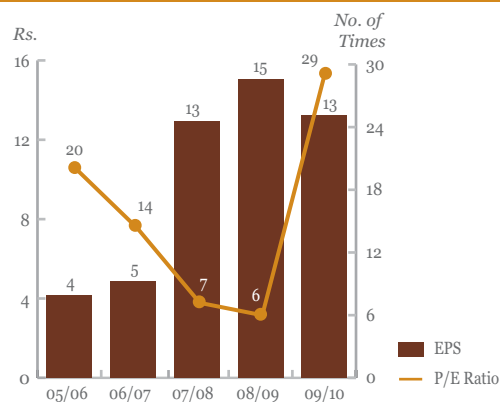


# Five Years at a Glance

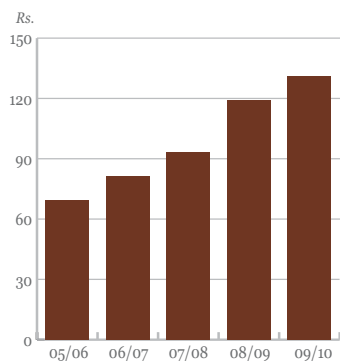
Consolidated Revenue and Profit After Tax



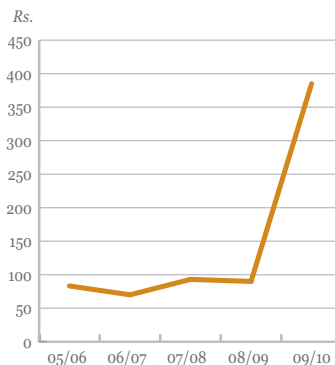
Earnings Per Share Vs. Price Earnings Ratio



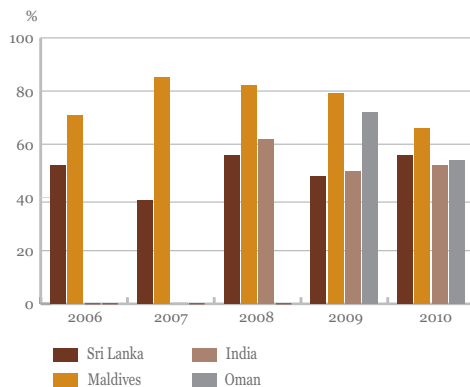
Net Assets Value per share



Market Value per share  
as at 31st March



Average Occupancy





# Group Financial Highlights

<b>Performance for the Year ended 31st March</b>	<b>2010</b>	<b>2009</b>
Gross Revenue - Rs. '000	7,320,483	6,611,893
Group Profit Before Tax - Rs. '000	792,852	845,333
Group Profit After Tax - Rs. '00	774,796	824,358
Group Profit Attributable to Equity Holders of Parent - Rs. '000	523,776	592,587
Ordinary Dividend Proposed - Rs. '000	72,062	19,217
Dividend per Share - Rs.	1.50	0.50
Earnings per Share (EPS) - Rs.	13.24	15.03
EPS Growth - %	(11.90)	16.08
Cost of Finance - Rs. '000	377,864	368,723
Increase in Cost of Finance - %	2.48	1.73
Interest Cover - Number of Times	3.09	3.30
Return on Equity - %	10.13	12.67
<b>Position as at Year ended 31st March</b>		
Total Assets - Rs. '000	12,554,354	12,711,371
Long Term Interest Bearing Borrowings - Rs. '000	2,962,320	3,746,361
Total Equity - Rs. '000	6,778,330	6,070,129
Number of Shares in Issue	38,433,144	38,433,144
Net Assets per Share - Rs.	130.73	118.62
Debt/Equity - %	47.29	66.24
Debt/Total Assets - %	24.91	30.77
Current Ratio	0.71:1	0.74:1
Quick Asset Ratio	0.64:1	0.67:1
<b>Market / Shareholder Information as at Year ended 31st March</b>		
Market Price per Share - Rs.	385	90
Market Capitalisation - Rs. '000	14,796,760	3,458,983
Price Earnings Ratio - Number of Times	29.08	5.99
Dividend Payout - %	11.33	3.33
Dividend Yield - %	0.39	0.56
<b>Value Added for the Year ended 31st March</b>		
To Government - Rs. '000	337,555	321,636
To Employees - Rs. '000	989,545	857,989
To Providers of Capital - Rs. '000	628,884	600,494
To Shareholders - Rs. '000	72,062	34,067
Retained for reinvestment and future growth - Rs. '000	1,193,061	1,156,979
Total Value Added - Rs. '000	3,221,107	2,971,165

# The Board of Directors



## Deshamanya D.H.S. Jayawardena

Deshamanya 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) PLC. He is also the Chairman of the Distilleries Company of Sri Lanka PLC and Lanka Bell (Pvt) Ltd and a Director of Hatton National Bank, the largest listed bank in Sri Lanka. Mr. Jayawardena is presently the Honorary Consul for Denmark and on 9th February, 2010, was knighted by Her Majesty the Queen of Denmark with the “Knight Cross of Dannebrog”.

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.

# The Board of Directors

## Mr. J.M.S. Brito

Mr. J.M.S. Brito is a Law Graduate of London University, a Fellow of the Institute of Chartered Accountants of England and Wales and he holds 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 the 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 PLC in April 2000, Managing Director in January 2002, Deputy Chairman and Managing Director in April 2003.





# The Board of Directors

## Mr. R.E.V. Casie Chetty

Mr. Ranjan Casie Chetty is the Company Secretary of Aitken Spence PLC., and a Director of the 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 reputable 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. He was a former Chairman of the Sri Lanka Apparel Exporters Association.

## Mr. R.N. Asirwatham

Mr. R. N. Asirwatham started his career in 1961 as a trainee at KPMG Ford Rhodes Thornton & Company, was promoted as a Manager in 1967 and appointed as a Partner in 1972. He was the Senior Partner and Country Head of KPMG Ford Rhodes Thornton & Company from 2001 to 2008. He was also the Chairman of PERC and the Chairman of the Bank of Ceylon which were among the other positions held in various listed companies and government organisations.

Presently Mr. Asirwatham is the Chairman of the Financial Services Stability Committee of the Central Bank of Sri Lanka, and the Chairman of the Steering Committee for the Sustainable Tourism Project, funded by the World Bank for the Ministry of Tourism. He is also a member of the Presidential Commission on Taxation and a member of the Ceylon Chamber of Commerce Advisory Council. Presently he serves on the Board of Ceylon Tea Services Plc, Brown & Co PLC, Lanka Orix Leasing Company PLC, Browns Beach Hotels PLC, Lanka Orix Financial Company PLC and Royal Ceramics Lanka PLC.



### **Mr. S.M. Hapugoda**

Mr. S. 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 Executive Committee of the Tourist Hotels Association of Sri Lanka.

### **Mr. G.P.J. Goonewardene**

Mr. Gemunu Goonewardene is the Director responsible for Resource Planning & Development / Food & Beverage services & facilities, as well as Director of Aitken Spence Resources Pvt Ltd responsible for overseas recruitments.

A Graduate of the Ceylon Hotel School and having done his Post Graduate studies at the Culinary Institute of America & fellow of the CHSGA; he was formerly selected a member of the star classification committee of the Ceylon Tourist Board and was recently appointed as a member of the SAARC Tourism Council. He has extensive experience having worked in U.S.A, Europe and Australia. He has offered over three decades of valuable experience & contribution to the tourism industry.



# Corporate Management Team



**Mr. J.M.S. Brito**



**Mr. S.M. Hapugoda**



**Mr. C.M.S. Jayawickrema**



**Mr. G.P.J. Goonewardene**



**Mr. Rohitha Rajaratne**



**Mr. Hussain Jayah**



**Mr. Mangala Wijsekera**



**Mr. B.H.R. Sariffo'deen**



**Mr. Tilak Gunawardana**



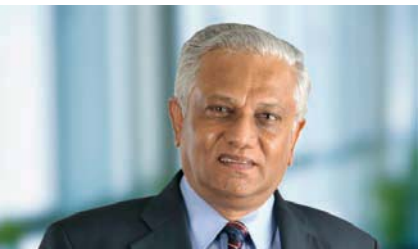
**Mr. Danesha Perera**



**Mr. Upul Peiris**



**Mr. Althaf Ali**



**Mr. Lakshman Ekanayake**



**Mr. S.A. Nanayakkara**

**Mr. J.M.S. Brito**

(Profile on page 54)

**Mr. S.M. Hapugoda**

(Profile on page 57)

**Mr. C.M.S. Jayawickrema**

(Profile on page 57)

**Mr. G.P.J. Goonewardene**

(Profile on page 57)

**Mr. Rohitha Rajaratne**

Mr. Rohitha Rajaratne 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 and is presently reading for Masters in Sustainable Engineering conducted by the University of KTH Sweden.

**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 29 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.

Prior to joining Aitken Spence 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.

**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 16 years of experience in the field of Finance. Prior to his 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 working in Sri Lanka, Maldives, India and Oman.

**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.

**Mr. Tilak Gunawardana**

Mr. Tilak Gunawardana is the Assistant Vice President Finance of Aitken Spence Hotels. He has over two decades of 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).



# Corporate Management Team

## **Mr. Danesha Perera**

Mr. Danesha Perera, Assistant Vice President is the Head of the Central Purchasing Unit, Corporate Merchandising Division, ASHM Exports Operation at Aitken Spence Hotels and Aitken Spence Exports (Pvt) Ltd (Hethersett Bottled Drinking Water Plant).

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 Organisation of Professional Associations (OPA) in Sri Lanka.

## **Mr. Upul Peiris**

Mr. Upul Peiris is a graduate of the Ceylon Hotel School, currently known as The Sri Lanka Institute of Tourism and Hospitality Management. He is also the Vice President of CHSGA [Ceylon Hotel School Graduates Association].

He has been with the Aitken Spence Hotels group for over two decades serving in Heritance Ahungalla, Neptune Hotel, Meedhupparu Island Resort and Browns Beach Hotel prior to taking up his current position as the Chief Operating Officer at Adaaran Resorts, Maldives.

## **Mr. A.M. Ali**

Mr. Althaf Mohamed Ali, Assistant Vice President, is the Head of the Oman Hotel Operations in the capacity of Chief Operating Officer.

He holds a Bachelor of Commerce Degree from the University of Madras & a Post Graduate Diploma in Hotel Management from the Oberoi School of Hotel Management. He has more than 15 years of experience in

the hospitality industry in senior managerial positions handling Operations and Marketing in Sri Lanka and Maldives.

## **Mr. Lakshman Ekanayake**

Mr. Lakshman Ekanayake is the Chief Executive Officer of the Indian Sector of Aitken Spence Hotels. He has had extensive industry exposure and counts over 25 years of experience in the hospitality industry at senior management level, in Sri Lanka and overseas.

Prior to joining Aitken Spence Hotels in 2005, he served with the Taj Group of Hotels - India for over two decades. He culminated his career with the Taj Group as the Regional Director, Finance and Corporate Affairs for Sri Lanka and Maldives. He has also served as a Member of the Tourism Cluster of the National Council for Economic Development - Sri Lanka (NCED) since 2004.

## **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, with the Oberoi chain as well as Hilton International Dubai.

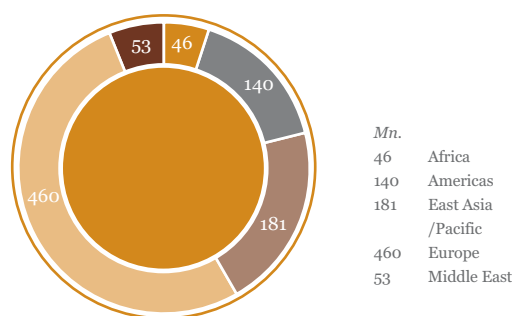
He is a Certified Hospitality Educator from the Educational Institute of American Hotels & Motels Association and also a Fellow of the Ceylon Hotel Schools Graduates Association.



# Management Discussion and Analysis

## Global Tourism Trends

### World Tourist Arrivals 2009



In the year under review the global economic downturn continued to heave enormous pressures on world tourism. The onset of the H1N1 pandemic further aggravated the lethargy of the global industry and increased impediments on international travel. Enhanced screening procedures at international airports and requests from health regulators and the WHO to limit air travel across borders, contributed to reduced travel.

However, the last quarter of 2009 recorded an encouraging growth enabling to mitigate the negative growth during the year, according to the latest edition of the UNWTO World Tourism Barometer. International tourist arrivals fell by an estimated 4 per cent in 2009 to 880 million. Whilst in the first three quarters of 2009, declines of 10 per cent, 7 per cent and 2 per cent were witnessed, the final quarter recorded an upward swing of 2 per cent. Asia and the Pacific and the Middle East led the recovery with growth turning positive in both regions in the second half of 2009.

History demonstrates that tourism earnings generally follow the trend in arrivals. Based on the trends through the first three quarters, receipts for 2009 decreased by around 6 per cent. While this is a disappointing result for

an industry accustomed to continuous growth, it can also be interpreted as a sign of comparative resilience given the extremely difficult economic environment.

During the year, consumers traveled closer to home. As a result, several destinations have seen domestic tourism endure the crisis better and post significant growth, often with the support of specific government measures aimed at leveraging this trend. In China, Brazil and Spain, the domestic market, representing a large share of the total demand, contributed to partially offset the decline in international tourism.

Except for Africa, which went against the grain of the global trend recording a 6 per cent growth for the year, all world regions posted negative results in 2009. By the end of the calendar year 2009, Europe posted a decline of 6 per cent. Destinations in Central, Eastern and Northern Europe were more effected than Western, Southern and Mediterranean Europe. Asia and the Pacific showed an extraordinary rebound with only a 2 per cent decline for the year. Although arrivals declined by 7 per cent between January and June, the second half of 2009 saw a 3 per cent growth, reflecting improved regional economic outcomes and prospects. With a drop of 5 per cent in the Americas, the Caribbean returned to growth in the last four months of 2009. However, the performance was slower in other areas of the Americas region. The Middle East posted a decline of 6 per cent for the first time in many years after continuous growth in the recent past. However the region posted a positive second half in 2009.

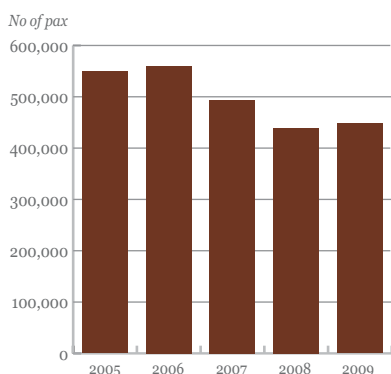
Against the backdrop of an upturn in international tourism figures in the later part of 2009 and overall economic indicators recording favourable in recent months, UNWTO forecasts a growth in international tourist arrivals between 3 per cent and 4 per cent in 2010. The International Monetary Fund (IMF) has stated that the global recovery is occurring significantly faster than expected. Asia is

# Management Discussion and Analysis

expected to continue showing the strongest rebound, while Europe and the Americas are likely to recover at a more moderate pace. Growth is expected to return to the Middle East while Africa is expected to continue its positive trend.

## Sri Lanka: Looks ahead to a new dawn of tourism prosperity

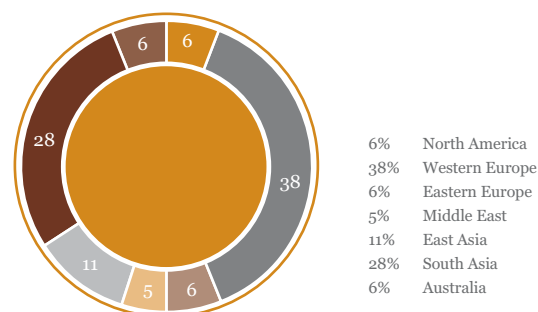
### Sri Lanka Tourist Arrivals



Sri Lanka's tourism bounced back strongly in 2009/10. The industry averaged an impressive 22 per cent growth in arrivals over the ten-month period from May 2009 to March 2010, post conflict. Tourism arrivals for the first three months of 2010 increased by 50.3 per cent from that of the same period in 2009, whilst tourism earnings for the corresponding period stood at USD 141.2 million up by 69 per cent for the first three months of 2009. By end 2010, the Ministry of Tourism forecasts a total arrivals figure of 600,000 with tourism earnings reaching USD 600 million vis a vis 448,000 arrivals and USD 384 million in 2009.

With the revoking of travel advisories, traditional markets made a strong comeback. Statistics indicate that arrivals from Western European markets including UK, Germany, France, Norway and Spain increased by 48.6 per cent between March 2009 and March 2010. Emerging markets

### Share of Major Generating Tourist Markets - Sri Lanka



such as the Middle East have rebounded strongly with a 138 per cent increase whilst Indian traffic has grown by 72.1 per cent during the same period. United States and Canada, relatively new markets for Sri Lanka and small in number have demonstrated heightened interest with arrivals increasing by as much as 95 per cent in March 2010 as against March 2009.

Tourism industry stakeholders credit the rebound to the end of a 30-year conflict that terrorised the nation and plagued the industry. An enhanced awareness of the destination, a direct outcome of concerted destination marketing drives in international media and proactive trade relations have assisted promoting the destination in the target markets. The Sri Lanka campaign that is ongoing in media such as CNN, BBC and Al Jazeera will undoubtedly contribute to increase awareness of the destination .

The Tourist Hotels Association of Sri Lanka (THASL) reported high occupancy across the island in the last quarter of 2009 and the first quarter of 2010. The renewed demand enabled hotels to achieve positive results after years of down turn. By Winter 2010 hotel rates are expected to increase with pent up demand pushing rates higher as tour operators look to secure greater market share in the island.

Meanwhile, the re-integration of the Northern and Eastern provinces to the nation's tourism product is expected to open approximately 2/3rd of Sri Lanka's coastal resources comprising of pristine beaches. The Northern and Eastern provinces are earmarked by the Government of Sri Lanka as focal areas for tourism development. The opening of these two provinces to tourism activity is critical to Sri Lanka's future as a sustainable tourism destination, in that Sri Lanka will achieve the status of a year-round destination as opposed to one dependent on seasonal tourism. Towards this end, the Government has initiated projects to lay the foundation for tourism development in these provinces particularly under the Kalpitiya, Pasikudah and Kuchchaveli Tourism Development Zones. The provinces are also home to approximately 15 per cent of Sri Lanka's population who are expected to directly benefit from the growth of tourism in the area.

Sri Lanka is expected to witness burgeoning growth in tourism development on the back of the industry's resurgence as a key economic contributor. Sri Lanka's strategic tourism plan targets 2.5 million tourists by the year 2016 and will require 58,000 rooms across the island nation to bring this objective to reality. Currently, Sri Lanka's tourism product comprises of approximately 15,000 rooms with a concerted drive to enhance capacity to 22,000 rooms by the year 2012. With 2011 nominated as the "Visit Sri Lanka" year, Sri Lanka's tourism stakeholders are optimistic and confident of the potential of the industry in the years ahead.

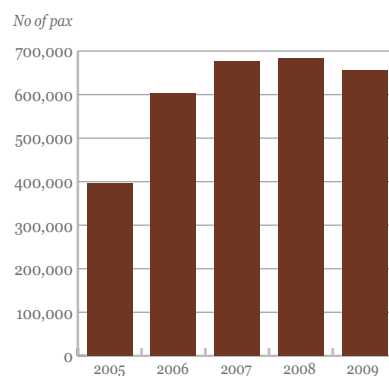
### **Maldives recovers in line with global tourism recovery**

The Maldivian government under the leadership of President Mohammed Nasheed espouses a tourism policy that aims to distribute the wealth gained by the industry to its entire people. The policy looks to the establishment of

public-private partnership models that enhance the public share of economic benefits from tourism. Protecting nature, preserving the local culture and establishing cultural centres in the island to encourage tourists to visit cultural and historic sites are among the priorities of the policy.

By end 2009, Maldives had a total of 97 resorts in operation with 20,704 registered beds. The total occupancy rate in 2009 also saw a decline of 7.8 per cent, with a marginal increase in the total time spent, or bed nights by tourists. The average occupancy in 2009 was 70.4 per cent, with average stay of 8.6 days as opposed to an average occupancy of 78.3 per cent with an average stay of 8 days in 2008. Total tourist arrivals in 2009 was recorded at 655,852 a 4 per cent decline compared to 683,012 arrivals in 2008. Seventy per cent of arrivals in 2009 originating from Europe.

### **Maldives Tourist Arrivals**

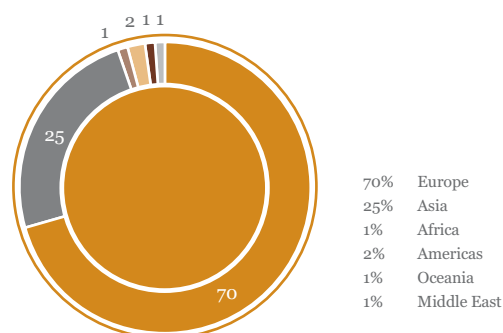


The top ten visitors to the Maldives, according to the statistics, were Italy, UK, China, France, Germany, Russia, Switzerland, Japan, Austria and India.

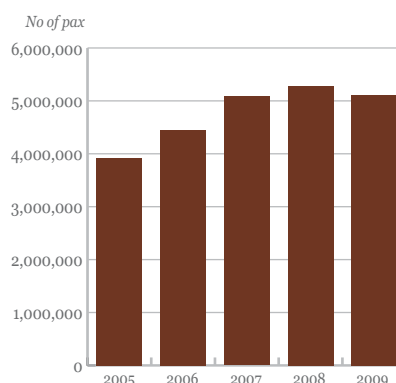
The Maldivian tourism industry is expected to recover fully during the course of 2010.

# Management Discussion and Analysis

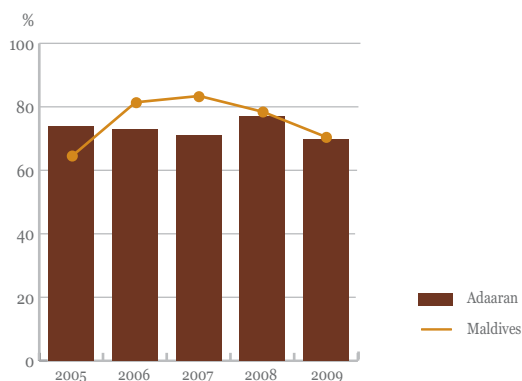
**Share of Major Generating Tourist Markets - Maldives**



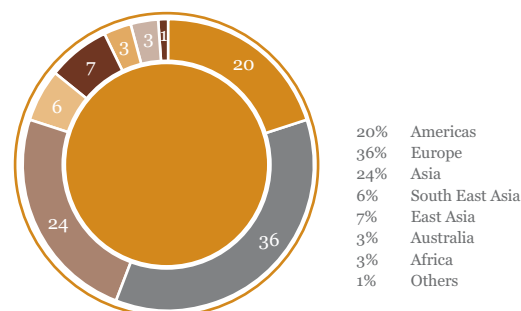
**India Tourist Arrivals**



**Average Occupancy - Maldives vs Adaaran**



**Share of Major Generating Tourist Markets - India**



## India

During the year 2009, the inflow of international tourists recorded at 5.1 million a 3.3 per cent decline compared to the previous year. However, in December 2009, approximately 646,000 tourists visited India, compared to 534,000 in the corresponding month in 2008 and 597,000 for the same month in 2007, signaling a strong recovery for the year 2010.

The Government of India announced a few initiatives to boost the trade especially given the tumultuous global

tourism trends and the pervasive effects of the security and terror incidents that rocked the industry in 2008. The “Visa on Arrival” scheme introduced recently for Finland, Japan, Luxemburg, New Zealand, Singapore and the assurance by the Tourism Secretary that a Tourist Security Organisation would be set up comprising of ex-servicemen in the light of harassment of tourists that were reported from many centres was a positive move from the government.

India’s tourism industry is experiencing steady growth, driven by the burgeoning Indian middle class, growth in

high spending foreign tourists and coordinated government campaigns to promote 'Incredible India'.

The tourism industry in India is substantial and vibrant, and the country is fast becoming a major global destination. India's travel and tourism industry is one of the countries thrust industries contributing a substantial amount of foreign earnings to the countries economy.

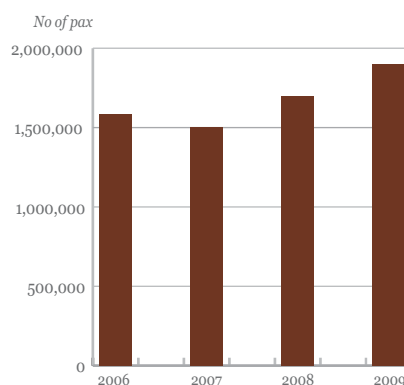
Several reasons are cited for the growth and prosperity of India's travel and tourism industry. Economic growth has added millions annually to the ranks of India's middle class, a group that is driving domestic tourism growth. Thanks in part to its booming IT and outsourcing industry a growing number of business trips are made by foreigners to India, who will often add a weekend break or longer holiday to their trip. Similarly, foreign tourists spend more in India than almost any other country worldwide. Tourist arrivals are projected to increase by over 22 per cent per year through till 2010.

The Tourism Ministry has played a key role in the development of the industry, initiating global advertising campaigns such as the 'Incredible India' campaign that promoted India's culture and tourist attractions in a fresh and memorable way.

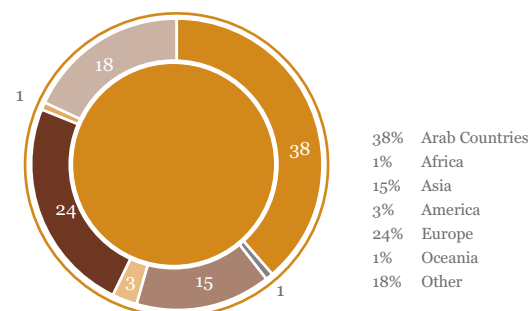
The campaign helped create a colorful image of India in the minds of consumers all over the world, and has directly led to an increase in the interest among tourists.

## Oman

### Oman Tourist Arrivals



### Share of Major Generating Tourist Markets - Oman



## Oman's tourism set to garner growth from regional travel

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 one of the important components 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. With regard to



# Management Discussion and Analysis

tourism, Oman's Vision 2020 revolves around five areas of focus - establishing Oman as a regional travel and tourism hub, increasing the contribution of the industry to GDP to not less than 3 per cent, increasing the participation of the private sector and activating its role in the development of various tourism activities, attracting foreign direct investment (FDI) and increasing the 'Omanisation' percentage of the industry to 80 per cent.

Omani tourism currently relies on visitors, to the south west coast, many of them from other Gulf countries. The authorities believe that Salalah, which has a much more temperate climate than most other cities within the Gulf Cooperation Council (GCC), is the key to attracting tourists to this once completely closed state. This area catches the Indian Ocean monsoon between June and September. While most of the Gulf region suffers from extreme dry heat during that time, the Dhofar province has a cool and misty summer.

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.

Although still an industry in its infancy, tourism is being heavily promoted by the government in recognition of the industry's capability to be a driver of the national economy in the long-term. Unlike other GCC states, Oman has relatively minor oil and gas reserves and so has needed to find other sources of revenue. The most recent initiative is a regional one: Iran and Oman have agreed to promote

tourism between the two countries and undertake joint promotions to third countries.

Oman plans to attract 12 million visitors annually by 2020, an almost six fold increase on the current level. According to WTTC, Oman's tourism sector is forecast to reach around USD 8.84 Billion in 2018 from USD 2.5 Billion in 2008. Also, the tourism sector is likely to contribute nearly USD 1,605.20 Million (3 per cent) by 2018. The tourism industry of the country is expected to increase by around 5 per cent per annum during 2010 - 2018 whilst in 2009 the contribution to GDP stood at 3 per cent.

## Operational Strategy for 2009/10

Whilst in the previous three years Aitken Spence Hotel Holdings had increased its strategic emphasis on overseas expansion as a key operational strategy with a view to mitigate the decline in Sri Lanka's tourism industry, the year 2009/10 witnessed a re-assessment of this strategic intent. As the Sri Lankan market witnessed a healthy resurgence in the immediate aftermath of an official end to the conflict, Aitken Spence Hotel Holdings diverted the core of its strategic focus back to the destination with an intention to optimise returns. The Group fully recognises the latent potential of Sri Lanka's tourism product and in the financial year under review catalysed a series of operational strategies aimed at strengthening the Group's commercial interests in the destination. Nevertheless, the Group's strategy of regional overseas expansion continued as a strategy to spread risk and the vision to be a regional player.

The Group leveraged its position of leadership in the Sri Lankan tourism industry to garner a commendable share of returns from the flourishing industry, post conflict. Aitken Spence Hotel Holdings' consistent focus on Sri Lanka as a focal destination – despite challenging times – paved the way for the Group's successes during the year under

review. Specifically, its continuous investment into the destination by way of property development, renovation and development of a cohesive branding strategy enabled the Group to meet the expectations of the international traveler with no compromise on quality. This strategy of maintaining standards through continuous investment and product upgrading was in essence an initiative aimed at being ahead of the competition and the strategy of always having a superior product in the market.

With increased accessibility to the Northern and Eastern provinces, the Group has made initiatives to have its presence in the region in the short to medium term. The Group also aims to enhance its tourism development activities across the destination. In view of these developmental needs and the associated need for funding, the Group called for a 1-for-4 rights issue from its shareholders successfully raising Rs 2.5 billion

The expansion in the region which the Company embarked on almost three years ago will continue mainly as a management model and investment in the short term will focus on Sri Lanka.

In the year under review, the Group launched Adaaran Prestige Vadoo in the Maldivian market and commenced operations of Tamara, an up-market boutique hotel in Coimbatore, India.

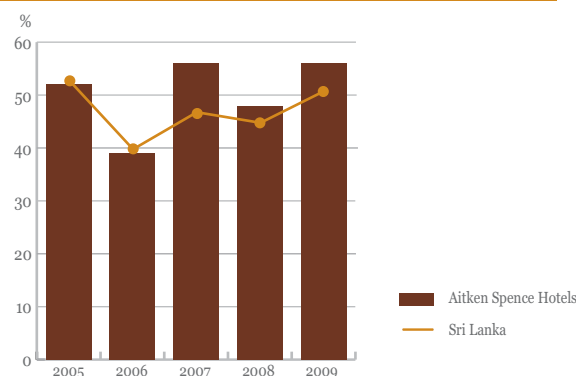
The Company's portfolio currently stands at:

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

The following segment reviews the operations for the year from a destination-wise perspective. It also provides an overview of the hotel infrastructure, the KPI market-wise and key operational information.

## Sri Lanka: Operational Review

### Average Occupancy - Aitken Spence Hotels Vs. Sri Lanka



The Group's Sri Lankan property portfolio led profitability growth during the financial year. Unlike in previous years, strong market demand propelled occupancy from the Group's properties. However, Heritance branded properties led the growth with marked increase in occupancies and a visible growth in demand. In totality, the Group witnessed a higher rate of growth in occupancies as against industry growth, thus, indicating the market acceptance of the Company's hotels visa-vis the competition. Cost efficiencies stemming from effective operational processes in place from previous years further aided the financial returns for the year.

Planned renovations of Neptune into a fully fledged Ayurveda resort saw the closure of the property for commercial operations from July 2009, thus contracting the overall revenue for the Group.

### ***Heritance Kandalama – 152 roomed, 5 star resort***

Blending perfectly with the natural environment, whilst preserving the aura of ancient hermit caves in it's environs, Heritance Kandalama virtually leans against a thickly wooded rocky outcrop at the foot of northern slopes of

# Management Discussion and Analysis

Sri Lanka's central hills. Perched just above the Dambulla Tank, it overlooks an expanse of water that stretches to the magnificent view of the fifth century AD Sigiriya Rock Fortress and the first century BC 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. In 2009/10, Heritance Kandalama consolidated its position as a leading resort property in Sri Lanka.

## ***Heritance Ahungalla – 152-roomed 5 star resort***

Sri Lanka's first five star beach resort "The Triton" was relaunched as a Heritance Resort in June 2006 subsequent to a US\$ 13 million refurbishment that intrinsically transformed the old hotel to a modern resort. Catering to discerning guests, Heritance Ahungalla, is one of legendary Geoffrey Bawa's architectural fantasies come to life. In 2009/2010, the Heritance Ahungalla spa came under the management of a prestigious Balinese spa group.

## ***Heritance Tea Factory – 54-roomed resort***

The Heritance 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. Unused 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. In December 2009 the Tea Factory was re-launched under the Heritance brand after the completion of a comprehensive renovation of facilities.

A holiday at the Heritance Tea Factory is a total tea experience. From its architecture, to every conceivable space within the hotel, is a story of tea. 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 under review, Heritance Tea Factory won the Asia Pacific Property Award, which is conducted in association with Bloomberg Television in the category of Best Hotel, Construction & Design for the year 2010.

## ***Ramada Resort- 100-roomed, 4 star beach resort***

An hour's drive from Colombo, the 100-room resort has one of the widest beaches in the area, making it a popular choice for families. Adding to this ambience of family fun is a five-acre garden and inviting surf.

Ramada Resort, a property held under Aitken Spence management since the year 1998 was acquired by the Group with a view to exploiting the impending boom in tourism in Sri Lanka. Currently 100 per cent owned by Aitken Spence Hotel Holdings, plans are underway to fully renovate the property whilst the Group is also exploring the option of increasing the room capacity at the resort.

## ***Neptune Hotel (84 rooms) & Neptune Ayurvedha Village (20 rooms)***

The Neptune property in the sun-laden beach of Beruwela was closed from July 2009 for the purpose of a complete refurbishment. The property will be re-opened in December this year and will be re-positioned as a specialised ayurveda resort catering to those seeking an authentic Sri Lankan ayurvedha experience. The property will be reconstructed to meet the exacting standards of the

Heritage brand and will be re-opened under the flagship Heritage branding re-named as Heritage Maha-gedera. Neptune Ayurvedha will be amalgamated into this property. The property upon completion will consist of 64 rooms.

The strategy behind the re-positioning lies in the Group's belief that a specialist centre for authentic Sri Lankan Ayurveda will have considerable demand in the years ahead and also the need to have a varied product portfolio.

### **Maldives: Operational Review**

The Group under the Adaaran Resorts operates over 600 rooms in the Maldives in four islands including three properties having luxury water villas: Adaaran Prestige Water Villas, Meedhupparu; Adaaran Prestige Ocean Villas, Hudhuranfushi; and Adaaran Prestige Vadoo. Other Adaaran properties are Adaaran Ayurveda Village; Adaaran Select Meedhupparu; Adaaran Select HudhuRan fushi and Adaaran Club Rannalhi.

In 2009/10 Adaaran Prestige Resorts gained recognition at the international travel industry's Oscar as the "Indian Ocean's Leading Water Villa Group" whilst the Adaaran Prestige Water Villas at Meedhupparu won an award (for the second consecutive year) as "The Maldives Leading Water Villas".

The Group's Maldivian properties recovered during the year compared to the sluggish growth in 2008/2009 and in tandem with industry growth for the destination. The sector maintained overall profitability experienced in previous years despite the industry downturn as a consequence of the global recession. Average occupancy for the resorts remained within expectations and matched those of the previous years with marginal variations. However, ARR (Average Room Rates) for the two up-market properties (HuduRan fushi and Vadoo) increased to

garner a higher yield and earnings for the year. Nevertheless, the remaining properties evidenced a marginal decline in rates.

### ***Adaaran Club Rannalhi***

This 132 roomed, 4 star resort boasts of water villas and was one of the first resorts in Maldives to popularise the concept of over-water accommodation. Located in an island of lush green vegetation, the resort boasts of a beautiful beach and a house reef that is home to exotic tropical fish. The inventory includes 14 Water Villas and 102 beach villas. The resort continues to be dominated mainly by Italian, British, Russians and French clientele.

### ***Adaaran Select HudhuRan fushi***

Added to the Aitken Spence Hotels chain in the year 2006/07, the resort is the former Lohifushi. The resort's close proximity to Male makes it one of the most sought after holiday spots in Maldives. The 4 star resort also known as the surf island, conducts surfing holidays in summer. The newly refurbished resort boasts of 137 villas including 37 prestige water villas and is the 2nd largest resort of the Adaaran group.

### ***Adaaran Prestige Vadoo***

"Vadoo" is the 5th addition to the Adaaran Resorts and was acquired in October 2007. It is approximately 4.5 acres in extent and is surrounded by a breath-taking reef. Just 15 minutes by speedboat from the Airport and the City of Male. The resort provides a unique experience through innovative concepts such as the constructions of 50 exclusive and luxurious water villas of the highest standard. This include six Japanese style water bungalows and a Japanese concept in one part of the resort. Whilst the resort is marketed to European and Japanese markets the concept has attracted discerning, high yield travelers.

# Management Discussion and Analysis

Launched during the year under review, the resort has been well accepted by the market and is expected to significantly contribute to the Group's profit growth in the years ahead.

## ***Adaaran Select Meedhupparu***

Is a veritable resort within a resort. With 235 rooms - 195 beach and garden villas, 20 Ayurveda Villas and 20 Water Villas - this star resort caters to a niche market. The entire resort spread over 43 acres of thick vegetation within the Meedhupparu island makes it a unique resort. The resort's upmarket water villas are categorised under the Adaaran Prestige sub-brand.

## **India: Operational Review**

The Group's managed properties in India continued to post healthy returns with an evident positive outlook for the upcoming financial year.

During the financial year, strategies and energies were focused on generating awareness of the resorts and properties within the Group's purview in India. With the market channels further strengthened and with brand exposure and awareness elevated, expectations for the year 2010/11 remain optimistic.

## ***Barefoot at Havelock, Andaman Islands***

The Andaman Island's are India's best-kept secret. Stunning beaches, aquamarine coral lagoons, lush green rainforests, swimming elephants and giant fish are some of the innumerable attractions. Barefoot at Havelock is located on what the TIME Magazine rated as the best beach in Asia and set amidst a tropical rainforest which fringes a pristine 2 km stretch of white sandy beach named beach No. 7 on Havelock Island. The prestigious Conde Nast

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

The resort posted healthy increases in average occupancies compared to the previous year. Overall revenue increased by 33 per cent during the year with improved profitability for the year.

## ***Poorvar Island Resort, Kerala***

Poorvar is an explorer's haven where an island of almost indescribable beauty awaits, just 30 kms away from Thiruvananthapuram. An island away from the hustle and bustle of the city, Poorvar Island can be traveled to on a lingering boat cruise along the palm-fringed shores of the emerald green backwaters of Kerala. A place where nature is at its best, the resort nestles amongst swaying coconut palms, beach waters and the sea beyond.

Poorvar Island Resort is a 78-room property that has expanded with calm and serene beauty of the locality. Its iconic floating cottages are the prime focus at the entrance to this sprawling resort complex on a 23-acre land.

During the year under review, average occupancies for the resort increased marginally compared to the previous year. Revenue and profits recorded a commendable growth.

## ***Poorvar Ayurvedha Village, Kerala***

In the year under review the 20 Deluxe cottage Ayurvedha Village entered its first year of operations. Completed with a free flowing swimming pool, restaurant and a spacious ayurvedha therapy-centre that is possibly the most spacious in the whole of Kerala, has been met with enthusiasm by travelers seeking an ayurvedha experience.



### **Oman: Operational Review**

Oman as a destination suffered a late reaction to the global recession. With regional market economies such as the United Arab Emirates embroiled in the throes of financial crisis, Oman witnessed a decline from regional visitations. As a tourism destination that is very much dependent on regional tourism, Oman witnessed declined yields and overall earnings despite arrivals remaining buoyant in the first half of the year.

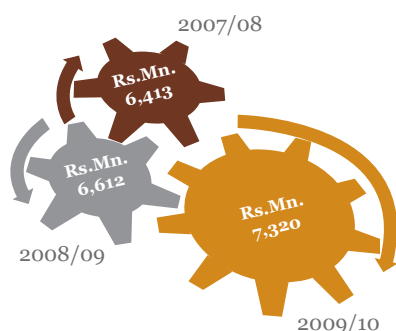
The Group's managed properties in Oman were adversely affected. Declining average occupancies and room rates, therefore, led to an overall decline in profits, falling short of expectations for the year. The outlook for 2010 although remains challenging, the market is expected to recover in the latter part of 2010. The hotels managed by the group are Al Falaj Hotel Muscat, Ruwi Hotel Muscat, Sur Plaza Hotel Sur, Al Wadi Hotel Sohar and Desert Nights Camp.

# Financial Review

With an official end to the armed conflict in Sri Lanka, the country's tourism industry witnessed a commendable recovery. This was evident with a 22 percent average growth in arrivals over the post conflict 10 month period from May 2009 to March 2010. We are also quite pleased to witness an overall occupancy increase across our beach & round trip hotels although an increase in room rates could only materialise during the next financial year.

## Group Revenue & Net Profit

### Group Revenue



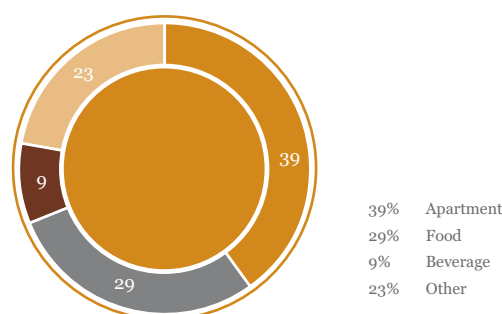
The Group recorded a gross revenue of Rs. 7,320 Million, a 11 percent increase over the previous year. The revenue from the South Asian Sector dominated by the Maldivian operations recorded a 10 percent increase while in the Sri Lankan Sector, despite the closure of Neptune Hotel, recorded a growth of 13 per cent over the previous year, much of it being contributed during the traditionally peak last quarter.

During the year, the South Asian Sector which includes Maldives, Oman & India contributed 83 per cent to the group revenue.

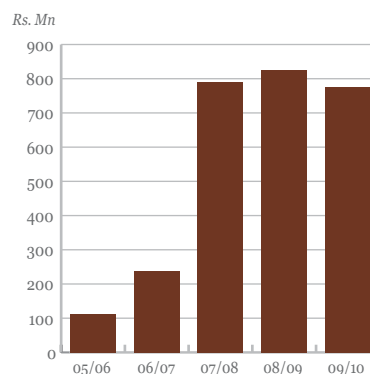
Revenue from room sales contributed 39 per cent, while food and beverage accounted for 38 per cent during the

year. The balance 23 per cent was earned from other sources such as Spa and Ayurvedic treatments, guest transfers, diving, excursions, rent and shop income.

### Composition of Revenue



### Net Profit After Tax

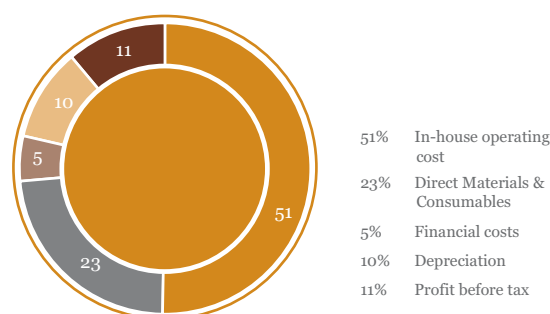


The group achieved a net profit after tax of Rs. 775 Million which is a marginal reduction of 6 percent when compared with the last financial year. The net profit attributable to Equity Holders of The Parent reduced by 12 percent to Rs. 524 Million during the year. However, it is pertinent to mention that last year's reported group profits include a profit of Rs. 219 Million made on the sale of Bathala Island

Resort. Therefore, if the one off profit made during the last financial year is excluded, our normalised group net profits achieved during the year from core operations have in fact increased by 28 per cent.

### Income and Distribution

As a % of Revenue



During the Financial year, your Company's net profit before tax has increased to Rs. 810 Million mainly due to dividends from overseas operations being received during the year.

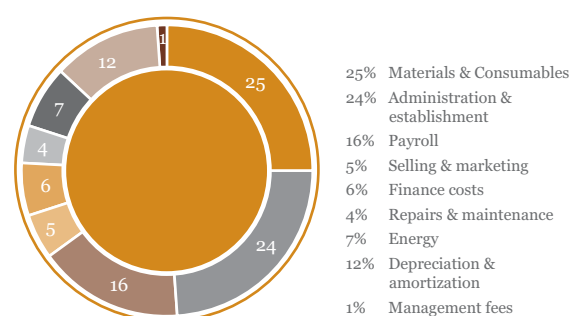
The South Asian Sector contributed 25 percent less profits compared to the last financial year, which reduction is mainly due to the one off profit included in last year's results.

It is pleasing to note that the Sri Lankan Sector has recovered commendably to reach overall profit territory during the year, recovering from a Rs. 54 Million loss reported last year to a profit before tax of Rs. 79 Million. In this regard Heritance Kandalama, Heritance Tea Factory and Neptune Ayurveda contributed with profits and all other resorts aided by reducing their losses substantially during the financial year when compared with the previous year.

Our Associate Company Browns Beach Hotel PLC also recorded an impressive performance during the year, contributing to the profitability of the group.

### Income Expenditure Distribution

#### Composition of Expenditure



Despite the relatively high commodity prices which prevailed during the first half of the year, overall the group managed to maintain a healthy Operating Margins, which was in excess of 75 per cent. The net profit margin of the group reduced to 11 per cent as compared to 13 during the previous year. This was due to one off profit of Rs. 219 Million included under other income in the last financial year.

In Sri Lanka, the macro variables have improved after the end to the war mainly with a reduction in the inflation rate and cost of borrowings thereby creating a much needed economic stability to the industry. Several successful cost saving initiatives were launched across the group during the year and the group was successful in substantially saving energy costs and also keeping operational costs under control.

Staff expenses increased by 15 per cent mainly due to an increase in remuneration and payroll related expenses including the compensation paid to employees under a Voluntary Retirement Scheme (VRS) on the closure of Neptune Hotel during the year.

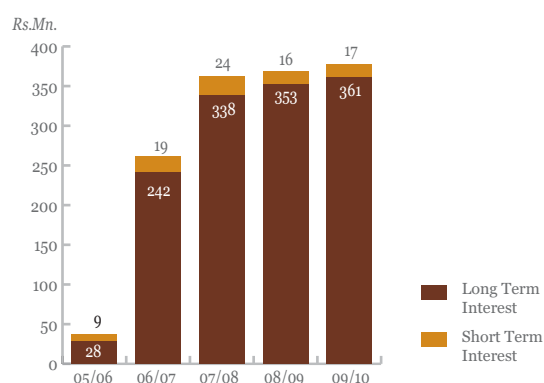
The increase in Sales & Marketing expenses were primarily due to the new promotional & marketing activities carried

# Financial Review

out with regard to Adaaran Prestige Vadoo, the group's most recent addition to its portfolio in the Maldives.

The 24 percent increase in group Depreciation & Amortisation costs were primarily due to the higher depreciation associated with the full year operation of Adaaran Prestige Vadoo Resort.

## Finance Expense



The Group total finance expense remained almost flat, at Rs. 378 Million for 2009/10 compared to the previous year figure of Rs. 369 Million. The group's long term debt as at 31st March 2010 reduced to Rs. 2,962 Million when compared to Rs. 3,746 Million in the previous year. However there was no overall decrease visible in the finance expenses as the substantial interest payment due on Vadoo funding was reflected in the entire financial year 2009/10 whereas only two months interest was included in the previous financial year. Also, the interest expense of the holding company reduced to Rs. 162 Million from Rs.180 Million in the previous year mainly due to the successful renegotiation of better credit terms with the Banks and re-payment carried out during the year.

## Quarterly Performance

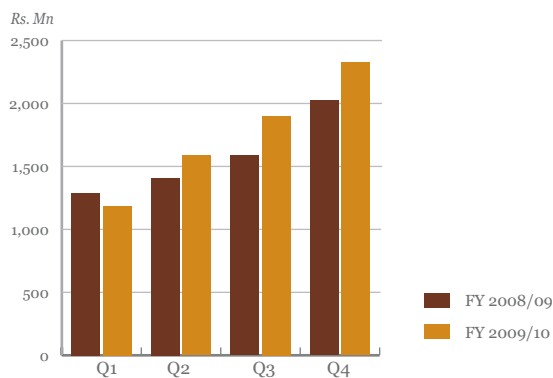
The quarterly performance of the Group depicts a steady performance especially during the season of Leisure Industry, which includes the 3rd and 4th quarter of the year. The 4th quarter profit recorded a 38 percent increase over the same quarter of the previous year mainly due to the commendable recovery from Sri Lankan hotel operations.

## Quarterly Performance at a Glance

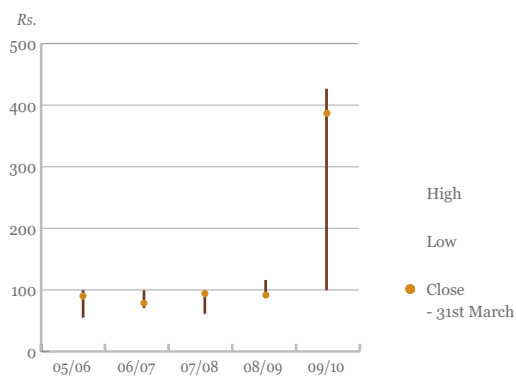
### Financial Year 2009/ 10

Rs. Millions	Q1	Q2	Q3	Q4	Total	Growth
Revenue (Net)	1,188	1,588	1,901	2,324	7,001	■ ■ ■ ■ ■
PAT	(174)	23	300	626	775	■ ■ ■ ■ ■
Profit Attributable to Shareholders	(114)	9	210	419	524	■ ■ ■ ■ ■
Shareholders funds	4,568	4,573	4,775	5,189	5,189	■ ■ ■ ■ ■
Total Assets	12,255	12,201	11,940	12,554	12,554	■ ■ ■ ■ ■

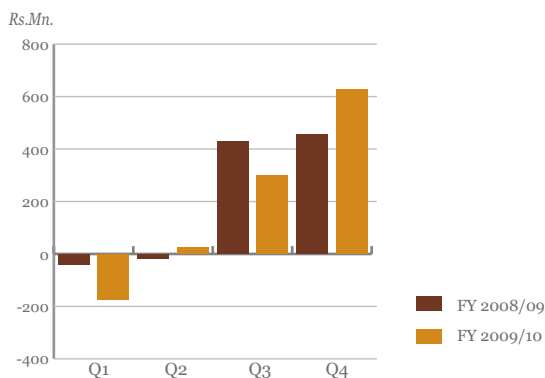
### Revenue - Quarterly



### ASHH PLC Share Price Movement - 5 years

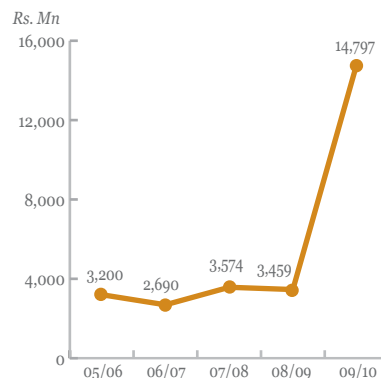


### Profit After Tax - Quarterly



### Market Capitalisation

- as at 31st March



### Share Price and Market Capitalisation

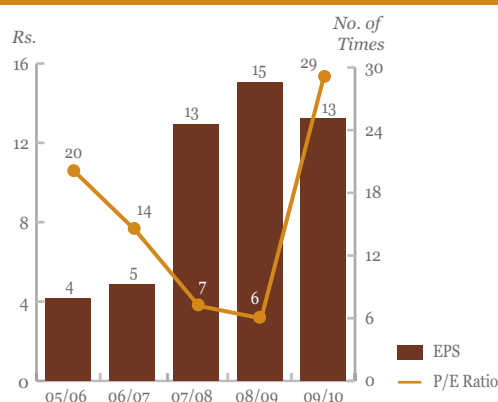
The Aitken Spence Hotel Holdings Share price appreciated 328 per cent during the year, outperforming the market, which increase only 155 per cent. The share price traded at Rs. 385 as at the year end when compared with Rs. 90 at the beginning of the year. The share price ranged from a high of Rs. 430 to a low of Rs. 91 during the year.

The total Market capitalisation as at 31st March 2010 was Rs. 14,797 Million, recording a sharp increase of 328 percent from the market capitalisation of Rs. 3,459 Million at the beginning of the year.



# Financial Review

## Earnings Per Share Vs. Price Earnings Ratio



The Earnings per share (EPS) in the period under review was Rs 13.24 decrease of 12 per cent over the EPS of Rs 15.03 recorded in 2008/09.

The Price Earnings Ratio (PER) of the Company, as at 31st March 2010 was 31 times compared to the 6 times as at 31st March 2008/09. The Company shares have consistently traded at a significantly premium to the market mainly due to the higher earnings potential. Also, higher PER implies the positive investor sentiment and confidence in the performance of the Company shares. Also, as at 31st March 2010, the price to book value ratio of the Company was 2.9 times, compared with the 24 percent discount to the book value recorded in the last year. This amplifies the positive investor confidence in the future earnings capacity of the group.

### Total Share holder Returns

Directors recommended a first & final dividend of Rs 1.50 per share payable on 6th July 2010 (2008/09 - cents 50 per share). The total dividend recommended in recognition of the 2009/10 profits will be Rs 72.06 Million, an increase of 275 percent over the previous year. Also, with the

substantial appreciation recorded in the company share price during the year coupled with the higher proposed dividend, the total shareholder returns are substantially higher when compared with the previous years.

### Cash flow

The net movement in cash and cash equivalents for the year ended 31st March, 2010 was an inflow of Rs 184 Million.

The net cash generated from operating activities was recorded at Rs 1,485 Million in the financial year 2009/10 compared to Rs 1,503 Million in the previous year.

The net cash outflow from investing activities was recorded at Rs. 662 Million in the financial year represent by and decrease of 67 per cent year on year. In March 2010, the company has increased its hotel portfolio by acquiring a one hundred percent stake in the Golden Sun Resorts (Pvt) Ltd. – (Ramada Resort Kalutara). Also, during the year the company participated in the Hethersett Hotels Ltd Rights issue to fund the refurbishment of the Heritage Tea Factory hotel.

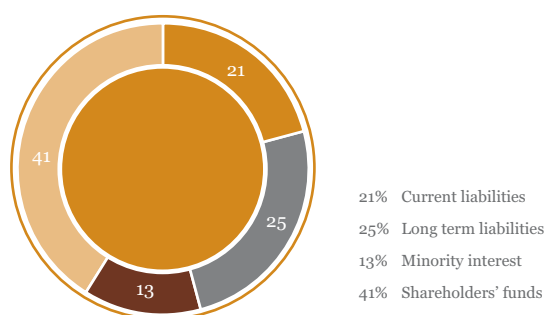
The net cash outflow from financing activities was recorded at Rs 638 Million and the proceeds from borrowings amounted to Rs 617 Million while repayment of long term borrowings amounted to Rs 1,186 Million during the financial year. During the latter part of the year, the group debt portfolio was restructured to benefit from the lower interest rate regime experienced in the country. Also the Company was successful in renegotiating certain facilities with financial institutions and lowering the high cost of borrowings.

### Statement of Changes in Equity

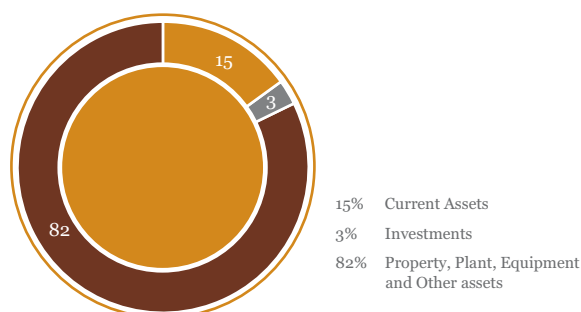
Shareholders' funds as at 31st March, 2010 stood at Rs. 6,778 Million, as against Rs 6,070 Million as at 31st

March 2009. This constitutes an increase of 12 percent, which was primarily impacted by a profit attributable to the Company of Rs 524 Mn.

### Sources of Funds



### Uses of Funds



### Events after Balance Sheet Date – Rights Issue

During the year, the Company announced a 1 for 4 rights issue to existing shareholders of 30th March 2010 at a price of Rs 260 and successfully raised an equity capital of Rs 2.5 Billion to finance the new projects /investments to maintain the Company's leadership position in the hotel

industry. However, these additional shares of 9,608,286 did not affect the issued share capital as the shares were not allotted as at 31st March 2010. With this additional equity capital raised subsequent to the balance sheet date, the company's total equity will be bolstered to Rs 9.2 Billion. The increase in equity will certainly improve the Company's existing capital structure.

### 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 2009/10 financial statements. The accounting policies adopted when preparing the financial statements are consistent with those applied in the previous years.

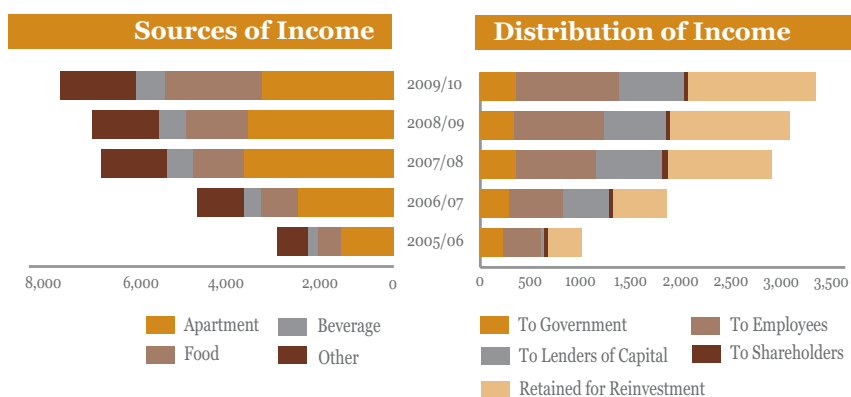
Aitken Spence Hotel Holdings PLC is committed to adopting the best practices in financial reporting, in its communications with stake holders and investors. We ensure that quarterly and annual financial statements are delivered on time, conscious of our responsibility to provide stakeholders, with up-to-date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

### Value Added

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

# Financial Review

Statement of Value Added	%	2009/10 Rs. '000	%	2008/09 Rs. '000	%	2007/08 Rs.'000	%	2006/07 Rs.'000	%	2005/06 Rs.'000
Total Revenue		7,320,483		6,611,893		6,412,699		4,299,987		2,560,479
Purchase of Goods & Services		(4,206,019)		(3,970,263)		(3,698,213)		(2,573,740)		(1,910,366)
		3,114,464		2,641,630		2,714,486		1,726,247		650,113
Other Income		102,048		332,774		72,243		57,854		266,691
Associate Companies share of profit/(loss) before tax		4,595		(3,240)		5,785		(249)		1,787
<b>Total Value Added</b>		<b>3,221,107</b>		<b>2,971,165</b>		<b>2,792,514</b>		<b>1,783,852</b>		<b>918,591</b>
<b>Distributed as follows:</b>										
<b>To Government</b> (Income tax & turnover tax)	10	337,555	11	321,636	12	343,325	15	273,614	23	215,558
<b>To Employees</b> (Salaries & other costs)	31	989,545	29	857,989	27	760,721	29	561,093	40	367,277
<b>To Lenders of Capital</b> (Interest on loan capital & minority interest)	20	628,884	20	600,494	23	639,376	25	438,588	(3)	(26,403)
<b>To shareholders</b> (Dividends)	2	72,062	1	34,067	3	53,283	2	43,675	4	34,067
<b>Retained for Reinvestment &amp; Future Growth</b> (Depreciation & retained profits)	37	1,193,061	39	1,156,979	35	995,809	29	511,882	36	328,092
	100	3,221,107	100	2,971,165	100	2,792,514	100	1,783,852	100	918,591
Value added per Revenue (Rs.)		0.44		0.45		0.44		0.41		0.36
Value added per Employment Cost (Rs.)		3.26		3.46		3.67		3.46		2.50
Value added per Ordinary Share (Rs.)		83.81		77.31		72.66		46.41		23.90



# Sustainability Review

## Report Boundary & Scope

Efforts have been made towards achieving completeness of the report with regard to the dimensions of scope and boundary for the reporting period. This report covers the performance of the entity Aitken Spence Hotel Holdings PLC for the reporting period March 2009 to March 2010.

## Principles and Reporting Guidelines: Global Reporting Initiative (GRI)

This Sustainability Report has been produced based on the reporting framework developed by the Global Reporting Initiative (GRI). Through the adoption of this universally-applicable, comparable framework for disclosure of information, the Group in its sustainability reporting strives to comply with specific 'Reporting principles' and 'Reporting Guidance' as laid out by the G3 guidelines and indicator protocols for economic, environment, human rights, labour, product responsibility and societal performance.

The report conforms to the B Level of the sustainability reporting framework developed by the Global Reporting Initiative [GRI]. See page 100-104 for the GRI Index. We intend to gradually adjust and improve our reporting systems to allow us to report on GRI's A Level in the medium term. The report outlines the company's progress in embedding the ten principles of the United Nations Global Compact. See page 100-104 for the index.

## Materiality

This report covers topics and indicators that reflect the Group's significant economic, environmental and social impacts or that would substantively influence the assessments and decisions of its stakeholders.

## Data Measurement Techniques

Data measurement and data collation is an inherent process that is embedded into the daily processes of the Group. Specific processes aimed at documentation of

sustainability related activities is undertaken on a daily basis as property centric processes under the environmental management systems that govern the sustainability policies for each resort. This information is in turn collated and analysed at Group level, periodically.

## Managing Directors Statement - Driving Sustainable Tourism

The 2009/10 Sustainability Report outlines our sustainability strategy and the past year's key highlights with case studies showcasing some of our best practices in the areas of environmental, social and economic sustainability.

Due to its nature, tourism and especially the hospitality industry have a relatively vast impact on the society, the environment and the economy. From our entry into these industries, over three-and-a-half decades ago, we have consistently attempted to ensure that these impacts remain not only positive but sustainable too.

From maximum local employment and purchasing to zero waste operations, from community development based on relevant needs to career development based on employee talent and skills, our initiatives have attempted to cover the holistic nature of sustainable development. I strongly believe that the key factor in our progress so far and perhaps our greatest achievement in the journey towards sustainability is the development of our employees as individuals who believe in sustainability and practice it not only at work but in their homes.

As a key industry player in Sri Lanka and the Maldives- two countries which have made public their aspirations to be sustainable tourism destinations- we believe it is not only our responsibility but our duty to lead the industry towards sustainable value generation. Our flagship property Heritage Kandamala was recognised as the Best 5-Star Resort for the 2nd consecutive year

# Sustainability Review

at the Presidential Awards for Tourism and Travel 2009. The outstanding achievements of all our hotels and resorts have been highlighted on pages 97 and 98.

Our goal is to make each of our hotels and resorts models of sustainable tourism in their respective countries, adding long-term value to each stakeholder. In working towards this goal, we intend to achieve the Green Globe certification for all our resort properties in Sri Lanka by the end of 2010.

As signatories to the Global Compact through our parent company, we are committed to protect and promote its principles in our sphere of influence. Having made efforts to report on Level C last year, we have integrated the Global Reporting Initiative's [GRI] framework for sustainability reporting to Level B in this year's report, with the objective of moving to a higher level of disclosure by next year. The report's GRI index could be viewed in page 100 - 104.

Just as creating a memorable experience for each one of our guests becomes possible by the committed contribution by each of our staff; the substantial progress we have achieved in making our operations more sustainable is attributable to the efforts by all our staff under the guidance of the management. I am grateful to all of them for displaying true leadership.

  
**J.M.S Brito**  
*Managing Director*

## Sustainability as a strategic approach

Sustainability is at the very core of how business is done at Aitken Spence Hotel Holdings. By integrating sustainable concepts into core business processes and stakeholder management, the Group recognises its ability to achieve the ultimate goal of creating both social value and corporate value. The Group views sustainability as a strategic avenue

for growth in the long-term. As opposed to ad-hoc philanthropy, strategic sustainability streams are embedded into the overall business approach and filters to the fundamental business practice. Thus, the Group perceives sustainability beyond the scope of stepped-up environmental performance, but as a comprehensive way of doing business; one that delivers tremendous economic value and opens up a vast array of new opportunities.

The Group is widely recognised as the pioneer of sustainable development and sustainable tourism in Sri Lanka. The best practices followed by the Group for the conservation and protection of the environment have been recognised as global case studies on sustainable tourism. As such the company's unwavering commitment to sustainability is evident in the inclusive role that sustainability plays in its daily operations. In much the same manner, engagement and involvement with the community within which the Group's hotels operate is fundamental to values and ethics of Aitken Spence Hotel Holdings.

The Group recognises that the integration of sustainability practices require relentless determination and tenacity, but also accepts that by doing so it is able to generate substantial business value whilst enhancing the quality of life of the communities, customers, suppliers and employees that are part and parcel of its inter-linked business environment. Similarly, its impact on the immediate natural environment and the wider global environment is far reaching.

The sustainability framework at the Group was formally structured in 2008 with the commissioning of a sustainability team by the Group's Holding Company. The team gives leadership to sustainability from the very top of the Holding Company hierarchy that then permeates to the top management of the Group and implemented in consultative collaboration across the hotel properties.



The core focus of the Group continues to be three-pronged in its approach and concentrates on Social, Environmental and Economic performance. The Group's key sustainability objectives revolve around the following:

- Enrich the lives of employees by providing a safe working environment, conducive to learning and maturing not just professionally, but personally too, thus creating responsible citizens of the future.
- Manage the carbon footprint by implementing best practices in terms of energy, green cover, transport, resource management and getting involved in replanting the seeds of a healthy environment.
- Reaching out to the communities the Group is directly and indirectly associated with such that their immediate and future prospects are considerably improved.



Projects are aimed at not only creating livelihoods, but also bringing about a change in outlook so as to make communities more cooperative and tolerable towards one and other.

### Sustainability Risk & Opportunity Assessment

The Group undertakes a sustainability Risk and Opportunity Assessment process every year against the following parameters:

Performance Indicator	Potential Impacts	Risks vs. Opportunities	Engagement approach	Process undertaken
Social	<ul style="list-style-type: none"> <li>• Social development</li> <li>• Cultural values</li> <li>• Social inclusiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Human capital unaffected by Group's commercial operations vs. skill development and social mobility</li> <li>• Loss of cultural values due to invasion of foreign values vs. renewal of cultural values, practices and indigenous art &amp; crafts</li> <li>• Social alienation vs. social engagement in Group's commercial activity</li> </ul>	<ul style="list-style-type: none"> <li>• Training &amp; development for skills enhancement</li> <li>• Renewal of cultural values through inclusion in resort brand proposition</li> <li>• Social inclusiveness through consultation and creation of a sense of ownership</li> </ul>	<ul style="list-style-type: none"> <li>• Aitken Spence School of Hospitality and internships at hotel properties</li> <li>• Heritage brand brings alive the inheritance of Sri Lankan culture through history, cuisine, music, art, language, dance and craft</li> <li>• Stakeholder engagement processes</li> </ul>

# Sustainability Review

Performance Indicator	Potential Impacts	Risks vs. Opportunities	Engagement approach	Process undertaken
Environmental	<ul style="list-style-type: none"> <li>• Global warming</li> <li>• Bio-diversity and Eco-systems</li> <li>• Environmental degradation</li> </ul>	<ul style="list-style-type: none"> <li>• Change in weather patterns, eco-systems vs. creation of a green identity for the Group</li> <li>• Depletion of bio-diversity and loss eco systems around properties vs. thriving natural environments as a differentiation strategy</li> <li>• Soil, erosion, water, air pollution and declining water tables vs. pristine, lush natural environments</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced emissions through alternative energy usage, zero impact green policy implementation</li> <li>• Protection of bio-diversity &amp; eco-systems through sanctuaries and non-invasion/interference with natural habitat</li> <li>• Adoption of organic farming techniques, waste water recycling, non-use of ground water, emission reduction</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of environmental management system and green policy processes</li> </ul>
Economic	<ul style="list-style-type: none"> <li>• Community empowerment</li> <li>• National wealth creation</li> </ul>	<ul style="list-style-type: none"> <li>• Lowest cost sourcing vs. community based sourcing</li> <li>• Employment to individuals outside the perimeter of village vs. employment of villagers</li> <li>• Import of inputs to tourism product/service vs. revival of national economy through import substitution</li> </ul>	<ul style="list-style-type: none"> <li>• Sourcing within a fixed radius of the hotel property</li> <li>• Employment at village level</li> <li>• Local purchases given greater preference</li> </ul>	<ul style="list-style-type: none"> <li>• Sourcing/supplier policy</li> <li>• Employment/recruitment policy</li> <li>• National industry focused policies</li> </ul>

In the long-term the Group views its sustainability focus to be key, not only to the financial and commercial interest of the Group but also to Sri Lanka as a destination. With a growing number of travellers looking towards green destinations in an effort to minimise their own carbon footprints, the Group will be a forerunner in assisting Sri Lanka to achieving a green destination status. Furthermore, by protecting the environment, and the culture within which it operates the Group identifies its capacity to differentiate the product offer and retain a truly Sri Lankan identity.

Sri Lanka is not a nation geared for mass tourism. Its tourism infrastructure capacities coupled with the nature of the product, allows the nation to specialise and cater to niche segments of high-end travellers. Thus, the destination should be pursuing a strategy of sustainable tourism whereby tourism is utilised as a tool to preserve the nation's culture, heritage and environment and not over-exploit them through continuously increasing visitations.

### **Integrated Sustainability Policy**

Through the adoption of an **Integrated Sustainability Policy** that is pro-active in approach, the Group effectively innovated sustainable practice across the organisations functions and thereby impacting a gamut of priority areas (environment, community, labour practice, human rights, customers, suppliers and economic). Tiered action across different entities and levels of the Group are governed by the Policy. The Integrated Sustainability Policy in itself is a dynamic document that evolves with the nature and transitions of the overall business.

The Policy as an internally driven strategic initiative is embedded into the business policy and works in strategic tandem with corporate objectives. It is implemented through internally available skill through the Group's own

sustainability stewards. In its implementation, the policy complements the core values and brand structure of the Group's three main brands – Heritance, Adaaran and Aitken Spence Hotels.

### **Aitken Spence Hotel Holdings PLC Social & Environmental Sustainability Policy**

Aitken Spence Hotel Holdings PLC is committed to protect and conserve our present and future environment, both internal and external, in our daily activities, as an operator in the hospitality industry in Sri Lanka and the region and comply with all legal and other regulatory requirements.

We are conscious of our immediate physical and social neighborhood, and will protect the flora, fauna, water resources, soil, air and the culture of the neighboring communities. Framework will be established to achieve environmental objectives and monitoring.

Action will be taken to continually improve the performance in energy conservation, the management of fresh water resources and waste water, to minimise waste, re-use, re-cycle and be environmentally sensitive in purchases in our day to day activities, and prevent pollution.

We will interact with all stakeholders and share our knowledge and experience in enriching the environment. It will be our objective to invest some part of our resources for the welfare of the social and cultural development of the neighboring communities. This policy will be communicated to all stakeholders and the general public.

### **Environmental Management: Green philosophy and programmes at work**

The Group adopts a unique green philosophy that combines responsible tourism with environment consciousness. Global standards modulated and implemented through an Environmental Management System (EMS) are the framework for the company's sustainability efforts. Working hand in hand with day-to-

# Sustainability Review

day operations of each hotel, the EMS manages the impacts of the company's activities on the environment.

The EMS formulates the means by which continual improvements are met on a year-on-year basis by providing a structured approach to planning and implementing environmental protection measures as well as monitoring of environmental performance. The EMS integrates environmental management into a company's daily operations, long term planning and other quality management systems.

The Group adheres to a green philosophy that encompasses the following areas:

- Energy efficiency, conservation and management
- Reduction of freshwater consumption
- Waste water management
- Minimisation of waste, reuse and recycling
- Air quality protection and noise control
- Land use planning
- Social and cultural development through awareness generation
- Ecosystem conservation

Aitken Spence Hotel Holdings remains one of the few Hotel Groups in the region that has embarked on "greening" the full chain, implementing greening practices across every property. With a target to complete the "greening the chain" objective by end 2010, the Group aims to obtain Green Globe certification for all of its Sri Lankan properties.

The Group's resort properties are driven by a passion for sustainable action. This passion has been fuelled within each individual that works at the resorts. With each person striving to make a difference, The collective outcome of these actions has been the foundation for the Group's

successes towards achieving sustainable practice. A concerted training and development drive is credited for the inculcation of this passion for sustainable practice. A cohesive on the job training programme aimed towards the creation of environmental awareness has over the years been the bedrock upon which a culture of empathy and action has been developed.

## Energy Conservation & Management

The Group has a comprehensive energy conservation policy with power cut-off switches; energy efficient lighting (CFL bulbs), photoactive garden lights and solar power hot water systems across its portfolio of hotel properties.

Energy saved due to conservation and efficiency improvements: Aitken Spence Hotels have been able to save an estimated 2,970 GJ of energy since April 2006 to March 2010 which includes 720 GJ through energy conservation initiatives in the 2009/2010 financial year.

Initiatives to provide energy efficient or renewable energy based products and services and reductions in energy requirements as a result of these initiatives: Aitken Spence Hotels have initiated a policy to reduce its dependency on fossil fuels and switch to renewable energy through the implementation of Gasifier Plants. (Refer Case Study below)

## CASE STUDY: Biomass gasification depletes Group's carbon emissions

Heritage Kandalama and Heritage Tea Factory resort to biomass gasification as an alternative to the traditional fossil fuel based energy sources. 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 monoxides and hydrogen. The step towards alternative and

sustainable green energy has allowed the Group to actively participate in reducing carbon emissions and carbon footprint.



*The Gasifier at Heritance Kandalama*

The gasification process is considered environmental friendly on many fronts. Firstly, the gasifier uses a renewable source instead of a depleting source. Secondly, the amount of carbon dioxide emitted is drastically reduced and accumulates valuable foreign exchange savings to the economy due to a reduction in oil imports. Thirdly and equally significantly communities around both resorts has a financial benefit through the supply of approximately 60 tons of grilicedia wood per month.

Abandoned and fallow lands are enriched when cultivated with Gliricidia as the nodules in the roots nitrogenise the soil, its leaves provide fodder for livestock or are used as mulch to fertilise the soil preventing erosion. Gliricidia has been accepted as the forth economic crop of Sri Lanka after tea, rubber and coconut as it is an ideal crop for the bare lands in the dry zone. Supplementary crops such as pepper, coco, and yam can be grown where 50 kilogrammes of green leaves or 18 kilogrammes of dry leaves can supply the nutrients equivalent to one kilomgramme of urea. Gliricidia fences are useful to prevent wind erosion when planted at one metre apart and harvested every six months. Moreover, from one harvest 12 tonnes of wood per acre can be obtained with the required moisture level

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

***Heritance Tea Factory:***

Quantity of diesel saved annually - 90 tons  
Quantity of CO<sub>2</sub> emissions reduced annually - 250 tons

***Heritance Kandalama:***

Quantity of diesel saved annually - 200 tons  
Quantity of CO<sub>2</sub> emissions reduced annually - 500 tons

**Reduction of freshwater consumption & wastewater management**

The Group adopts a comprehensive water conservation policy where surface water utilisation is minimised. At Heritance Kandalama zero surface water is utilisation is mandatory, instead water is obtained from 150-200 foot deep tube wells and a maze of gutters that collect rainwater. Majority of the Group's resort properties utilise wastewater-recycling plants for water purification.

Total volume of waste water recycled and/or reused as a percentage of the total water withdrawal: 100%

Total volume of waste water recycled per year:  
329,000 cu.m

Note: Recycling of waste water has been carried out for the past four years resulting in a total of 1,316,000 cu.m of recycled waster water.

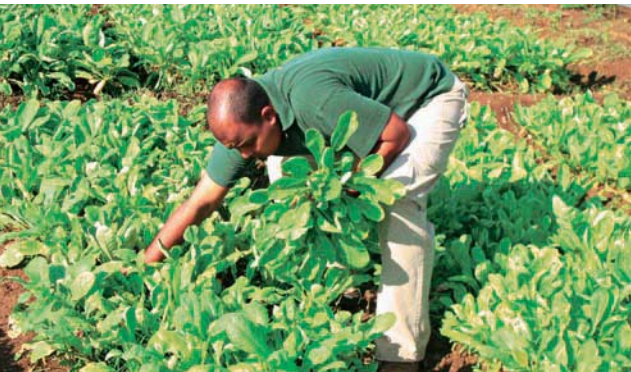
**CASE STUDY: Wastewater purification and recycling**

At Heritance Kandalama, the wastewater recycling plant is the most sophisticated system of its kind in use by a hotel in Sri Lanka. It recycles 70,000 litres of sewage per day. An elaborate purification process ensures that the water coming out of the system is clean enough to use in gardening. The dried sludge, treated to ensure it is safe, is



# Sustainability Review

used to make organic fertilizer, which is sold to local farmers at a nominal fee. Wet sludge along with other biomass is converted to 100% natural fertilizer and used in the resort’s organic fruit and vegetable gardens.



Scientists from the University of Peradeniya regularly check the purification processes, to ensure compliance with stipulated standards.

### Aiming for zero waste status

The Group in its initiative to “green the chain” adopts the 7R principle introduced by Ravi de Silva (Consultant Social and Enviromental Management) that aims towards the achievement of a “zero plastic and zero waste” status across the resort properties by identifying waste streams through an intensive waste audit that segregates waste to 25 streams. Biodegradable waste is converted to fertilizer whilst non-biodegradable waste is reused and recycled.

The 7R system works to minimalise through cleaner production accepted by the United Nations Enviroment Programm (UNEP). UNEP has defined cleaner production as 'the continuous application of an integrated environmental strategy to processes, products and services to increase efficiency and reduce risks to humans and the environment'. In the year under review Heritance Kandalama won recognition for its 7R approach at the National Cleaner Production Awards by winning the Gold Award.

The following table illustrates the areas of attention under each R.

7R Recycling & Conservation System	
1. Reject	<p>Non biodegradable packaging material</p> <p>Many plastic items where possible</p>
2. Reduce	<p>Consumption of energy, “switching off policy”</p> <p>Consumption of fresh water, “closing tap policy”</p> <p>Reducing flushing system capacity</p> <p>Packaging material at purchase point and by purchasing in bulk</p> <p>Transport requirements with better logistics</p> <p>Exhaust emissions by switching off engines of stationary vehicles</p> <p>Polythene material</p>
3. Reuse	<p>Paper used on one side</p> <p>Shampoo containers in rooms</p> <p>Plastic liquid containers distributed to the community</p> <p>Empty clay pots of curd for road maintenance and building walls</p> <p>Wet garbage as food for farm animals</p> <p>Cardboard</p> <p>Glass Bottles</p>
4. Reclaim	<p>Sludge from sewage and wastewater to make compost manure</p> <p>Fruit peel for jam and chutney manufacture</p> <p>Half-burnt candles for reuse as wax for natural torches</p> <p>Waste heat from chillers and boilers</p> <p>Recovered flooring timber for bed paneling</p>

#### 5. Repair

All broken steel and wooden furniture

#### 6. Replace

All possible plastic items with biodegradable material

Detergents with boron and phosphorus free items

Oil based paints with water-based emulsions

Equipment using CFC's with Ozone friendly technology

Tungsten filament bulbs with CFL and fluorescent lighting

#### 7. Recycle

Waste water

Waste cooking oil

Waste engine oil

Waste paper with elephant dung

Plastic waste

Metal scrap

Glass scrap

PET bottles

#### **CASE STUDY: From waste to wanted resources**

The Group's 7R system converts waste to wanted resources for third parties. Firm in the belief that one's waste is another's resource; the Group strives to identify possible uses and recycling mechanism for the waste generated across the chain of resorts.

The Group employs creative wet waste (food) disposal methods. It provides some of the wet waste free of charge to enterprising villagers, who use it on their farms. This approach benefits both the hotel and the villagers, and also helps to protect the environment.

All solid waste generated from the hotels are carefully sorted at the source into categories such as glass, plastic, metal, wood and paper and provided at a nominal fee to villagers who use them in small cottage industries. For example coconut shells discarded by Heritance Kandalama are used by a differently-abled person to make charcoal, which the hotel purchases back for its cooking and lighting uses. Items such as soap and candles are recycled for the same purpose. Large plastic storage bins are given to community centres and schools to be used as garbage bins in classrooms. Plastic items are also crushed and exported to countries such as New Zealand for recycling. Cigarette butts are supplied to farmers to be converted to bio-cide subsequent to fermentation and filtration. Tins are sold to a producer of ekel brooms. Some of this material is provided to disabled persons in the area in our effort to make sure the least privileged benefit from these resources.

Sewage and waste water generated at various locations of hotel premises are directed to treatment plants via a pumping stations. Filtrates from the treatment process is disinfected and diverted to treated water tanks for gardening purposes.

Waste paper at the Heritance Kandalama is recycled together with elephant dung into unique handmade writing paper. 'Maximus' the same company that makes elephant dung paper at the Pinnawala Elephant Orphanage operates a processing plant within the premises of the hotel. Elephant dung paper manufacturing helps the conservation of this endangered and largest of land animals whilst facilitating the reduction of waste.

Biodegradable are converted to fertilizer across all hotels and utilised within the organic gardens of these properties. At Heritance Kandalama, organic vegetables and organic paddy is offered to guests. Heritance Tea factory grows organic green and black tea and provides a 'hands on experience' to guests to pluck and process their own teas at the mini tea factory.

# Sustainability Review

As green glass bottles cannot be recycled, the Group uses these at various properties to construct retaining walls. They have also been shared with villagers for the purpose of growing gotu-kola (*Centella asiatica*).

## Eco system conservation

Eco system conservation is at the pinnacle of priorities at the Group. With many of its resort properties including the iconic Heritance Kandalama situated in unique bio-diversity hotspots, the Group views the preservation of the environment around it as pivotal to the maintenance of its differentiation and brand identity.

The ancient lake and forest next to Heritance Kandalama remain in their pristine natural state, unpolluted by the presence of a large five star hotel. Not a piece of paper or polythene is allowed to escape from the hotel into its surroundings. All the wastewater of the hotel is conscientiously recycled by a state-of-the art facility. Smoking is not encouraged. The conservation and recycling processes of the hotel are also designed to assist the social and economic growth of the villagers who live close to the hotel.

The Heritance Kandalama is uniquely located within the cultural triangle of Sri Lanka, adjacent to an ancient man-made lake that is more than 1700 years old. The Group is committed to conserving and protecting this unique natural and cultural environment for the benefit of posterity. In order to prevent deforestation and the construction of artificial structures the Group purchased an additional 190 acres of virgin rain forest around the hotel in addition to the 60 acres upon which the resort is located. This forest functions as a conservation forest.

Sri Lanka has particularly strict laws to protect the environment and wildlife. The Group not only complies fully with these laws, but we also go well beyond them.

## CASE STUDY: Eco-park rehabilitates and re-introduces injured to the wild

The Eco Park is one of the unique attractions of Heritance Kandalama, located just ten minutes' walk from the resort. It includes a range of features including a wildlife rehabilitation centre and orphanage, a state-of-the-art waste water recycling plant, compost fertilizer pits, wet and solid waste separating centres, elephant dung paper making facility, herbal garden, eco library and open air sports facilities.

The park serves not only as a sanctuary for injured animals but also as a centre for creating greater awareness on the need for environmental protection. Self-taught naturalist Sarath Velarathana, a person who is no stranger to wildlife, heads the Eco Park.



The Eco Park performs a valuable role in community education. More than one million students have passed through the eco park and have been exposed to the Heritance green philosophy with an opportunity to experience first hand the intricacies of waste recycling systems and are educated on conserving Sri Lanka's natural heritage.

## Green Globe Certification makes everyday Earth Day

Aitken Spence Hotels commitment to safeguard and preserve air and water quality and reduce demands on Mother Earth is a commitment that stands year round. This philosophy is not practiced only on one day of the year but it is instilled in corporate practice. Aitken Spence Hotels and Heritage Hotels in Sri Lanka have achieved a remarkable feat by having all nine hotels in Sri Lanka attain the prestigious Green Globe Benchmarked status under the globally recognised Green Globe Benchmarking programme. Green Globe is the international benchmarking and certification programme for the travel industry based on the agenda 21 principles for sustainable development endorsed by 182 Heads of State at the United Nations Rio De Janeiro Earth Summit in 1992. The aim of the programme is to assist international organisations to attain sustainability by

providing a certification system that responds directly to the major environmental problems facing the planet, including climate change, waste reduction and non-renewable resource management.

Aitken Spence Hotel Holdings targets to complete its “greening the chain” initiatives by end of the fiscal year 2010/2011 whereupon it may possibly achieve a “global first” for being the only hotel chain the world that has been fully “greened”.

Studies into global tourism trends have indicated that for the environmentally conscious travelers, choosing a green globe benchmarked hotel provides some confidence that they have chosen a tourism operator that honors their commitment to sustainability. Aitken Spence Hotel Holdings is committed to minimising its carbon footprint and is enthusiastic to welcome guests who are as eager to contribute towards this noble cause.

## International Benchmarks

Benchmark/ Certification	Certification Body	Number of hotels Benchmarked/ certified/ compliant
Green Globe 21	Green Globe standards based on Agenda 21 principles of sustainable development endorsed by Heads of State at the UN Earth Summit in Rio de Janeiro.	9
ISO 14001 Environmental Management Systems	International Organisation for Standardisation (ISO)	8 certified
5 S Good Housekeeping Methodologies	Self-compliant	9
Kaizen Quality Management Techniques	Self- compliant	9
ISO 22000/ HACCP: 2005 Food Safety Management System	International Organisation for Standardisation (ISO)	4 certified



# Sustainability Review

## Social Sustainability

The management approach towards labour practices, human rights and product responsibility is governed by the UNGC principles. During the financial year, the Group undertook an awareness campaign across all of its properties to communicate and propagate all the principles of the UNGC. A poster campaign was designed to internalise the principles and to create greater awareness with the aim of raising the levels of acceptability and adaptation of the principles at the workplace. The Group's labour practices are shaped by a Code of Ethics, a document that is made available to each employee to ensure compliance and to create greater awareness of the mandate of both the employer and employee. Quality policies and compliance standards at each resort property and the overall product responsibility stance of the Group ensure consistency in the product offer.

## Social Mobility on Environmental Preservation

Aitken Spence Hotels Holdings conducts awareness and educational programmes across the country in every locality and community in which it operates, in a bid to engage the community, specifically youth, to take a progressive stance towards environmental and cultural preservation. Having received long and extensive exposure to Environmental Management through the Group's



*An awareness campaign held at a local school*

activities, a concerted effort is made on a continuous basis to pass this knowledge and best practices to the greater society. As such the Group assists communities to implement a number of sustainability practices across Sri Lanka.

## CASE STUDY: Translating corporate best practices across communities

One of the Group's most successful initiatives has been the engagement process undertaken by Heritance Kandalama towards environmental education. The project has witnessed the integration of 36 schools from the Dambulla District in participation towards a programme aimed at increasing awareness towards environmental and cultural preservation. The Group has concentrated its efforts in the past on youth, as it believes that the next generation are the rightful inheritors of Sri Lanka's legacy. The Group has also undertaken a project with a cross-section of stakeholders including the local government of Dambulla to operate a wet-garbage disposal system, which continues to be critical to the well being of the area.

## Empowering youth through industry relevant skills enhancement



*Local youth being trained on industry relevant skills*

Every year thousands of youth remain unemployed due to the present economic situation, many of them unable to



procure employment due to lack of industry relevant skills. The hospitality industry suffers from a dearth of skilled personnel especially given the present positive outlook for the industry. In 2007, the Group spearheaded a project aimed at enhancing the skill levels of youth through an industry relevant skills development programme. This has proved to be a very satisfying experience for the Group especially as it witnesses the transformation of young individuals to professionals who have sound technical and soft skill capabilities and who are in control of their lives through social acceptance and economic independence.

#### **CASE STUDY: Giving opportunity to the youth of Eastern Sri Lanka**

The Aitken Spence School of Hospitality commenced operations with a view to enhance the employability and skills of Sri Lankan youth. Since the Group's core business is hospitality and given that there is a dearth of hospitality related skills, the School was founded and built with the assistance of the Austrian Chamber of Commerce and Hilfs Werk. The project provides free education to young men and women of employable age for a period of 3 months. Based in Ahungalla, the school is committed to training youth on the basic concepts of hospitality on short-term courses. The students are sponsored by other socially responsible companies as Mercury Direct and encouraged to contribute once they earn in the industry as a motivation for ownership and interest.

During the financial year under review, the school was privileged to be associated with USAID/CORE in assisting the youth of the Eastern Province. Approximately 24 youth were trained for the hospitality industry at the School with practical training at Heritance Kandalama. The significance of this batch of trainees was high given that in previous years, the youth of the Northeastern provinces had not had

the opportunity to integrate with the youth of the rest of the country. By training in Heritance Kandalama, these youth were able to socially integrate with the rest of the community.



For the Group, this single most successful and fulfilling social service initiative is considered as a means to pay dividends to the nation and fellow citizens by transforming the country's youth population into employable, respected citizens.

#### **Preservation of heritage art & culture**

Arts and culture reflect open society values and influence public attitudes. They articulate creative responses to social issues and promote civil cohesion. Acknowledging the fact that art and culture seldom receives adequate recognition and resources, Aitken Spence Hotels embarked on a series of CSR activities to reverse the trend. Through promotion of culture and artistic collaboration the Group strives to stimulate cultural activities and to nurture artistic capabilities whilst preserving Sri Lanka's endemic folk art, craft and music.

# Sustainability Review

## **CASE STUDY: Indigenous art, craft, cuisine and music revived**

Whilst a number of projects were conducted under this theme, the most significant was the revival of the “inland Sokari”, a form of folk art & drama from the rural hamlet of Kalundewa in the Dambulla District. By bringing this dying art form back to active society, it has received renewed



interest and appreciation by both foreign and local audiences.

In Heritance Ahungalla the ancient art of “Rookada” (puppetry) has been brought alive in a bid to ensure that the families engaged in the art form will continue to propagate the skill amongst themselves without seeking other forms of livelihood.

Legend says, when King Parakramabahu the 2nd ruled Dambadeniya in 12th century BC, a Kerala army came to the southern coast to invade Sri Lanka. The army of King Parakramabahu successfully fought the Kerala Army and defeated them.

The army was stationed at Balapitiya and the place where horses were kept was popularly called Asungalla alias Ahungalla. Heritance Ahungalla Hotel has brought back the cultural heritage by bringing the horses back to

Ahungalla through the event Heritance Ahungalla Dressage Competition in collaboration with the Premadasa Riding School. The hotel also accommodates horses in its recreated stables in a bid to bring history back to the shores of Ahungalla.

The hotel has also created opportunities for the dying art of lace-making to be revived by providing assistance in the form of awareness creation of the art and marketing opportunities to the lace-makers within the property.

Chena cultivation has been (still is in some parts), a traditional mode of cultivation in the dry zones of our country, and has been passed down to us from our ancestors, where certain types of grains and vegetables are cultivated, sans any chemicals. Use of chemicals and pesticides did not exist in chena cultivation and was not heard of. The farmers stay in a hut, situated on a tree or built at a higher location of the Chena, to guard their crop throughout the night from the animals, such as wild boar, and chant “pal kavi”, loudly to scare away the animals and also as a means of overcoming their boredom.

To protect and enliven this traditional mode of cultivation, which is gradually fading away from our culture, Heritance Tea Factory introduced “The Chena”, offering the experience of an actual chena hut. Situated close to the Organic Vegetable Project and Organic Tea plantation of the hotel, “The Chena” serves only authentic organic food, and vegetables grown in our own organic garden, and is sure to be a unique experience, that one would cherish.

Heritance Cuisine is unique to the Heritance brand and is based on a threefold foundation of taste, medicinal value, and presentation. It takes the third dimension of wellness into account. At all Heritance resorts, authentic and endangered Sri Lankan cuisine is brought back to the table.

Puranagama, which means ‘ancient village’ in Sinhala is located adjacent to a restored irrigation reservoir in the midst of a tropical jungle. Heritance Kandalama has a very special relationship with this village, nurturing and

protecting its cultural heritage while giving its guests the unique experience of visiting it. Puranagama offers a rare opportunity to see traditional Sri Lankan village life and is located 25 minutes’ walk away from the hotel.

### Stakeholder Inclusiveness & Engagement

No	Stakeholder group engaged by the company	Reasons for engaging with the stakeholder	Engagement channels used to communicate with stakeholders
1	Contractors	To sensitise them on standards expected from them towards sustainable action thus transposing the sustainability ethos	Awareness programs/ Sensitisation workshops
2	Divisional Councils	They contribute towards the license to operate and therefore require to be suitably conscious of the need for sustainability	Sensitisation workshop /Awareness programmes
3	Employees	Employees play a key role in the implementation of all hotel programs and in rendering service to clients to ensure standards determined by hotel (on water safety, food safety etc.) are adhered to.	Orientation /Training/ Performance evaluation/ Debates/Oratorical competitions/ Suggestion schemes/Newspapers/ Committees of employees acting as advisory bodies/Maintaining open culture
4	Guests	To ensure business continuity and create sustainability consciousness	Tent cards focusing on how they can manage their environmental footprint/Directory/Customer feedback forms/Leaflet when checking in
5	Guides/Drivers	They provide information to client to keep them abreast of hotels	Awareness programs / Sensitisation workshops

# Sustainability Review

No	Stakeholder group engaged by the company	Reasons for engaging with the stakeholder	Engagement channels used to communicate with stakeholders
6	Local schools	Easiest method of spreading best practices and thereby in securing prospective employees	Seminars & gatherings focusing on best practices
7	Neighbouring communities	To ensure harmonious co existence between hotel & community / To make the environment around the hotel more pleasant	Rural development / Donations on occasions of death / Women's societies via Samurdhi representatives
8	Shareholders	To ensure business continuity	Annual General Meeting / Investors Feedback Form
9	Suppliers	To ensure that the Group can maintain predetermined standards of service and to transpose the sustainability ethic	Conducting seminars and workshops based on various topics important to the hotel. E.g. food safety, construction norms
10	Tour Operators	Conducting seminars & workshops based on various strategic and operational activities of the Group	Determine business interests via questionnaires and check lists / determine if clientele is interested in environmentally & socially responsible hotels & services rendered.

## Customer Satisfaction and Interaction

Customer satisfaction surveys and general interaction with customers through new media awareness such as social networking sites have enabled the Group to garner greater insight into its role as a service provider. Whilst striving for service excellence it recognises the need to consistently evolve and transform in order to better its product and service orientation. As such the Group undertakes the

following interaction processes to determine the level of customer satisfaction, to shape the product and service to meet evolving customer needs and to consistently interact with the customer:

- Maintaining contact with the customers through online social networks like Facebook to find out their views, comments and feedback on our services provides

- Guestbook available at hotels in order for guests to record their feedback. Action steps are taken with regards to any negative feedback received and respective guests are contacted in order to keep them informed on action steps taken to rectify their concerns.
- Diamond Club was launched in order to retain existing customers and attract new customers by creating loyalty. Regular updates and special offers are sent to them in order to create interest
- Online sites such as Trip Advisor are regularly monitored in order to track guest comments and necessary replies are posted accordingly
- Customer Feedback forms are placed in guest rooms. Personal requests are made to ensure customers make use of these forms to give feed back.
- Guests Relation Executives and PR Managers constantly interact and gather information relating to customer satisfaction.

### Economic Sustainability

Aitken Spence Hotel Holdings has for decades infused growth into the local economy through employment generation and as a result of the multiplier effects of commercial activity.

It has adopted a revolutionary human development approach that has yielded groundbreaking results especially in terms of career development and inculcation of corporate values and ownership that extends beyond the conventional. With a human development strategy that aims to give due recognition to those who excel in their capacities, the Group has been the hotbed of talent creation and has been widely recognised as an employer that espouses lifetime employment, a rare concept in today's dynamic and uncertain corporate world.

### CASE STUDY: Climbing the corporate ladder through ownership and commitment

**Don Sekeralage Siripala.** Unmarried. Age-47. A farmer from Upper Areula village in Kandalama, Siripala has been playing the flute at Heritance Kandalama for 15 years (since its inception). He earns Rs. 400/= per day for playing flute and is able to sustain himself with the livelihood he earns at



the hotel as well as from the earnings he receives from cultivating Egg Plant.

**Ranjith Kumarasinghe.** Assistant Manager - Human Resources, Heritance Kandalama. Age-37. Married. Ranjith joined the hotel as a trainee waiter and after 14 years of dedicated work reached his current position as Assistant Manager - Human Resources. Hailing from





# Sustainability Review

Palukatula village in Kandalama. Ranjith still works on his field during time off from work.

## **J. Sivasamy** *Sub Assistant – Hethersett Spring Water Bottling Unit - Kandapola.*

Hailing from Hethersett village he started as a labourer in the Tea plantation and later as a Kankani in the same plantation. During the constructional period of the hotel (1995 – 1996) he worked as a labour supervisor.

During this period, there was some opposition against the project from the village. Sivasamy not only stood with Aitken Spence during that troubled period, but also did a very impressive job of rising up against this opposition and changing the whole impression the village had about the concept of a hotel. He was made the supervisor of the Hethersett Spring Water Bottling Unit when it commenced operation in the year 1997.

Sivasamy was recently promoted as the Sub Assistant (Junior Executive Grade) of the Hethersett Spring Water Bottling Unit which is situated at the Heritage Tea Factory Hotel premises and it produces around 100,000 spring water bottles per month. These are also exported to the Maldives. Sivasamy also has a cadre of eight staff members working under him. The Group considers him a good example of the heights an employee could reach if he has the right commitment and guidance.

## **E. Gnanasekaran** *Demi Chef de Partie*

A youth from Hethersett Estate in Kandapola, he started his career in 1997 as a Trainee attached to the Kitchen Stewarding Department of the hotel. Gnanasekaran was given an opportunity to work as a Trainee Cook and he has earned his position due to his desire to learn and commitment to the job.

He proved himself an expert in the culinary field when he bagged silver and a bronze medal at the Culinary Art 2008, competing with contestants from all over Sri Lanka.

## **S.M. Meiyappan** - *Bell Captain*

Meiyappan was first recruited as a Health Club Assistant at The Tea Factory, although he had no knowledge with regards to handling equipment at the Gymnasium. With proper training and due to his ability and desire to learn he proved himself capable.

Subsequently, he was also appointed as the Hotel's Trekker and as the guide for guests with interests in Bird watching.

## **L. Pushparaj** - *Restaurant Supervisor*

A youth from the village of Kandapola, he started his career at The Tea Factory in the year 2002 as a Trainee Waiter. He proved himself to be an enthusiastic and a keen learner which helped him climb the ladder to his current position as the Restaurant Supervisor.

**Memberships in Associations:**

- Member of the Ceylon Chamber of Commerce
- Member of the Hoteliers Association of Sri Lanka
- Member of the Field Ornithological Group of Sri Lanka
- Member of the Environmental Management System (EMS) Users & Promoters Association
- Member of the Pacific Asia Travel Association
- Member of the Green Globe International Incorporation
- Member of the Employer Federation of Sri Lanka

**Awards & Recognition – 2009/10**

Company/Hotel	Awards and Certifications
Hotels Sector (Sri Lanka) Aitken Spence Hotel Holdings PLC	Winner of the highest medal tally for a Hotels Group at Culinary Arts 2010 Silver Award in the Hotel Companies category, Annual Report Awards – Institute of Chartered Accountants 2009
Heritage Kandalama	National Cleaner Production Awards, Gold Award - 2009 Excellence Award for Energy Usage - 2009 Excellence Award for Water Usage - 2009 Excellence Award for Material Usage - 2009 National Productivity Awards, Bronze Award - 2009 Provincial Productivity Awards - Silver Award – 2009 Green Globe 21 Standard - Bronze Award - 2010 Greening Sri Lanka Hotels Certificate - 2010
Heritage Tea Factory	Service Sector - (Central Province) Greening Sri Lanka Hotels Certificate - 2010 Asia Pacific Property Award for Best Hotel Construction & Design (Over 50 rooms) - 2010

# Sustainability Review

Company	Awards and Certifications
Heritage Ahungalla	National Cleaner Production Awards - Merit Award for Water Usage – 2009 National Cleaner Production Awards - Bronze Award for Energy Usage – 2009 Winner of the highest single medal tally at Culinary Arts 2010 Green Globe Benchmark – Valid till 2010 Greening Sri Lanka Hotels Certificate - 2010
Ramada Resort	ISO 14001:2004 Certification - Sri Lanka Standards Institution 2009 Greening Sri Lanka Hotels Certificate - 2010
Browns Beach Hotel	Managed and (Associate company and managed by AS Hotels) ISO 14001 : 2004 Certification - Sri Lanka Standards Institution 2009 Green Globe Benchmark - 2009 Award for Excellence in Annual Report - 2009 Provincial Productivity Award - Merit Award - Western Province - 2009 Green Globe Benchmark - 2010 Greening Sri Lanka Hotels Certificate - 2010
Hotel Hilltop (Managed by AS Hotels)	5S Productivity Award - 1st Place - 2009 Greening Sri Lanka Hotels Certificate - 2010
Adaaran Group	Market Manager Special Award 2009, Indian Ocean – awarded by Expedia at Arabian Travel Mart (ATM) 2009
Adaaran Prestige Water Villas & Adaaran Prestige Ocean Villas	Indian Ocean's Leading Water Villa Group 2009 – World Travel Award 2009
Adaaran Prestige Water Villas	Maldives Leading Water Villas 2009 - World Travel Award 2009
Adaaran Select HudhuRan Fushi	Highest occupancy in Maldives in the 300 beds and above category - Presidential awards 2009 Best hotel partner of TEZ Tour, Russia in Maldives for year 2009 – Presented during MITT in Russia
Adaaran Select Meedhupparu	Best hotel partner of TEZ Tour, Russia in Maldives for year 2009 - Presented during MITT in Russia
Adaaran Club Rannalhi	Best hotel partner of TEZ Tour, Russia in Maldives for year 2009 – Presented during MITT in Russia

### Key Labour Indicators - Owned Hotels (Sri Lanka & Maldives)

Total work force	<b>Total</b>	
	Executive	250
	Supervisor / Clerical	336
	Minor	1,271
		<b>1,857</b>
Employee turnover	<b>Male</b>	<b>Female</b>
	497	9
Injuries per year		0
Occupational diseases per year		0
Death of employee as result of occu. Disease/injury		nil
Average training hours per staff member per year	Management	6.76
	Executive	3.60
	Supervisory/clerical	4.56
	Staff	3.78
Benefits given only to permanent employees	Bonus	
	Festival advance	
	Full service charge	
	Reimburse ment of tuition/ exam fees on successful completion	
Minimum notice period regarding significant changes percentage of total workforce represented in formal,		1 month
Joint management-worker health and safety committees		100%
Programs for skills management and lifelong learning	Management Trainee Programme	
	5S Training	
	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 Review

## The GRI Index

GRI Indicator		Section Heading	Reference
<b>1. Strategy and Analysis</b>			
1.1	Statement from the Managing Director	• Sustainability Review - Managing Director's Statement	79-80
1.2	Key impacts, risks and opportunities	• Sustainability Review – Sustainability Risk & Opportunity Assessment	81-82
	a. Organisation's key impacts on sustainability	• Risk Management	105-112
	b. Impact of sustainability trends, risks and opportunities		
<b>2. Organisational Profile</b>			
2.1	Name of the Organisation	• Corporate Information	180
2.2	Primary brands, products and/or service	• Our Brands	48
		• Management Discussion and Analysis	61-71
2.3	Operational structure of the organisation	• Group Portfolio	49
		• Management Discussion and Analysis	61-71
2.4	Location of the organisations headquarters	• Corporate Information	180
2.5	Number of countries where the organisation operates	• Management Discussion and Analysis	61-71
2.6	Nature of ownership and legal form	• Corporate Information	180
2.7	Markets served	• Management Discussion and Analysis	61-71
2.8	Scale of the organisation	• Management Discussion and Analysis	61-71
		• Financial Information	122-170
		• Shareholder and Investor Information	171-175
2.9	Significant changes during the reporting period	• Group Portfolio	49
		• Managing Director's Review	11-15
		• Management Discussion and Analysis	61-71
		• Financial Information	122-170
2.10	Awards received in the period	• Sustainability Review	79-104
<b>3. Report Parameters</b>			
3.1	Reporting Period	• Annual Report of the Board of Directors	122-126
3.2	Date of the most recent previous report	31st March, 2009	
3.3	Reporting cycle	• Annually	
3.4	Contact point for further information	• Corporate Information	180
3.5	Process for defining report content	• Sustainability Review	79-104
3.6	Boundary of the report	• Sustainability Review - Report Boundary and Scope	79
3.7	Limitation on the scope of the boundary of the report	• Owned Hotels only	



GRI Indicator		Section Heading	Reference
3.8	Basis of reporting on joint ventures and other operations	• Financial Information	122-170
3.9	Data measurement techniques	• Sustainability Review – Data Measurement Techniques	79
3.10	Effects of any restatements	• Financial Information	122-170
3.11	Significant changes from previous reporting periods	• Management Discussion and Analysis • Financial Information	61-71 122-170
3.13	Policy and current practices for external assurance	• Sustainability Review	79-104
<b>4. Governance, Commitments and Engagements</b>			
4.1	Governance structure of the organisation	• Corporate Governance	113-120
4.2	Indicate whether the chair of the highest governance body is also an executive member	• Corporate Governance – Chairman's Role	115
4.3	The Board composition	• Corporate Governance - Composition and Balance	113
4.4	Mechanisms for shareholders and employees to provide recommendations	• Annual Performance Evaluation • Investor Feedback Form	185
4.5	Linkage between compensation and the organisation's performance	• Corporate Governance - Director's Remuneration	116
4.6	Avoiding conflicts of interest	• Corporate Governance – The Board of Directors	113
4.7	Process to determine the qualifications and expertise of highest governance body members	• Corporate Governance – Appointments to the Board • Statement of Director's Responsibilities	116-117 128
4.8	Internally developed statements	• Sustainability Review - Aitken Spence Hotel Holdings PLC Social and Environmental Sustainability Policy	83
4.9	Overseeing the organisations identification and management of economic, environmental and social performance	• Corporate Governance - Dedication of adequate time and effort to the matters of the Board and the Company • CSR issues are also discussed at board meetings	115
4.10	Evaluating the performance of the highest governing body	• Corporate Governance – Appraisal of the Performance of the Board	116
4.11	Procedure on the Precautionary Approach	• Risk Management • Sustainability Review	105-112 79-104

# Sustainability Review

GRI Indicator		Section Heading	Reference
4.12	Externally developed charters, principles and/or other principles	<ul style="list-style-type: none"> <li>Financial Information - Significant Accounting Policies</li> <li>Sustainability Review</li> </ul>	135-140 79-104
4.13	Memberships in Associations	<ul style="list-style-type: none"> <li>Sustainability Review - Memberships in Associations</li> </ul>	97
4.14	List of stakeholder groups engaged by the organisation	<ul style="list-style-type: none"> <li>Sustainability Review - Stakeholder inclusiveness and Engagement</li> </ul>	93-94
4.15	Basis of identification and selection of stakeholder	<ul style="list-style-type: none"> <li>Sustainability Review - Stakeholder inclusiveness and Engagement</li> </ul>	93-94
4.16	Approaches to stakeholder engagement	<ul style="list-style-type: none"> <li>Sustainability Review - Stakeholder inclusiveness and Engagement</li> </ul>	93-94
4.17	Key topics and concerns from stakeholders	<ul style="list-style-type: none"> <li>Sustainability Report Stakeholder inclusiveness and Engagement</li> </ul>	93-94
<b>Performance Indicators</b>			
<b>Economic</b>			
	Management approach disclosure	<ul style="list-style-type: none"> <li>Financial Review</li> <li>5 years at a glance</li> </ul>	72-78 50
EC1	Direct economic value generated and distributed	<ul style="list-style-type: none"> <li>Value added statement</li> <li>Financial Information</li> </ul>	78 122-170
EC3	Coverage of the organisations defined benefit plan obligations	<ul style="list-style-type: none"> <li>Financial Information - Employee Benefit Plan</li> </ul>	139
EC4	Significant financial assistance received from the government	<ul style="list-style-type: none"> <li>Financial Information</li> </ul>	122-170
<b>Environmental</b>			
	Management approach disclosure	<ul style="list-style-type: none"> <li>Sustainability Review – Environmental Management: Green philosophy and programmes at work</li> </ul>	83-84
EN5	Energy saved due to conservation and efficiency improvements	<ul style="list-style-type: none"> <li>Sustainability Review - Energy Conservation &amp; Management</li> </ul>	84
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	<ul style="list-style-type: none"> <li>Sustainability Review - Energy Conservation &amp; Management</li> </ul>	84
EN28	Monetary value of significant fines and total number of non – monetary sanctions for non – compliance with environmental laws and regulations	Nil	-

GRI Indicator		Section Heading	Reference
EN10	Percentage and total volume of water recycled and reused	• Sustainability Review - Reduction of Freshwater consumption and wastewater management	85
EN18	Initiatives to reduce greenhouse gas (GHG) emissions and reductions achieved	• Sustainability Review - Case Study: Biomass gasification depletes the groups carbon emissions	84-85
<b>Social Performance Indicators</b>			
Labour Practices and decent Work			
	Management approach disclosure	• Sustainability Review - Social Sustainability	90
LA3	Benefits provided for full time employees	• Sustainability Review – Key Labour Indicators	99
LA5	Minimum notice periods	• Sustainability Review – Key Labour Indicators	99
LA7	Rates of injury, occupational diseases etc.	• Sustainability Review – Key Labour Indicators	99
LA10	Average hours of training per year per employee by employee category	• Sustainability Review – Key Labour Indicators	99
LA11	Programmes for skills management and lifelong learning	• Sustainability Review – Key Labour Indicators	99
LA12	Percentage of employees receiving regular performance and career development reviews	• Sustainability Review – Key Labour Indicators	99
LA14	Ratio of basic salary of men to women by employee category	• Sustainability Review – Key Labour Indicators	99
<b>Human Rights</b>			
Management approach disclosure			
	Management approach disclosure	• Sustainability Review - Social Sustainability	90
HR4	Total number of incidents of discrimination and actions taken	Nil	
<b>Society</b>			
	Management approach disclosure	• Sustainability Review - Social Sustainability	90
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non compliance	Nil	
SO2	Percentage and total number of business units analyzed for risks related to corruption	100% (refer Risk Management )	105-112

# Sustainability Review

GRI Indicator		Section Heading	Reference
Product Responsibility			
	Management approach disclosure	• Sustainability Review - Social Sustainability	90
PR2	Total number of incidents of non-compliance in health and safety impacts of products and services during their life cycle by type of outcome	Nil	
PR7	Total number of incidents of non-compliance in marketing communications including advertising, promotion etc.	Nil	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Nil	
PR9	Monetary value of significant fines for non – compliance with the provision and use of products and services	Nil	

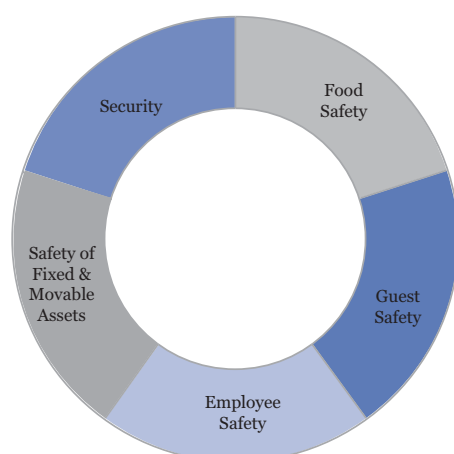
# Risk Management

As a global enterprise Aitken Spence Hotel Holdings faces a myriad of risks that threaten its operational and financial performance. The Group's response to these risks takes the form of a sophisticated, structured and stringent methodology where the group strives to strike an optimum balance between Risk & Reward. This allows us to maximise returns to our shareholders while minimising the risks involved in our strategies.

Given the dynamic and volatile nature of the global economic climate; despite the debilitating impact of the global credit crisis over the last few years which drastically restricted tourism all over the world, the impact of the 30 year civil war which significantly reduced in-bound travel in to the country, the increasing profitability of the group over the years provides ample testimony to the success of its Risk Management practices.

## Risk Management at our Hotels – an Overview

Stringent and highly integrated Risk management practices are in operation at all hotels owned and managed by the group. The illustration below depicts the main categories of risks faced by each hotel.



## Guest & Employee Safety

All hotels within the group consider Guest & Employee Safety as a priority. The group complies and, in most cases, exceeds health and safety legislation and standards set by relevant authorities. Ensuring that sufficient resources and information are available to ensure guest & employee safety, regular training of staff on health and safety procedures and standardisation of systems and procedures are some of the ways we guarantee guest and employee safety within our hotels.

## Food Safety

All our hotels in Sri Lanka have gained the ISO 22000 / HACCP certification which ensures food safety. This along with our world class, award winning chefs and experienced, committed hotel staff ensures that our food quality and safety standards are second to none.

## Security

Security within our hotels is provided through specialist, third party security companies providing 24-hour security, ensuring optimum safety and security.

## Safety of Fixed and Movable Assets

Damages and liability risks from day-to-day business operations as well as threats arising from natural disasters are covered by insurance policies as far as possible. The adequacy of these insurance policies are reviewed on a regular basis and revised where necessary. Adequate cover is obtained to guard against theft and misuse of assets.

General Managers' meetings are held monthly at the corporate head office where, among other things, major risks to individual hotel performance are discussed and appropriate strategies formulated in conjunction with the senior management at the head office.



# Risk Management

## Group-wide Risk Management

The combination of challenging economic conditions together with our never ending search for new avenues of revenue and growth makes Risk Management an integral part of our operations. Risk awareness is embedded in all our activities and our risk management system follows a structured approach which is improved year on year. This approach is depicted below in graphical form.



The Internal Audit Department of the parent company regularly reviews internal controls and procedures in place to mitigate risks and where applicable internal controls are improved taking into consideration the cost and benefits of such improvements. The Internal Audit Department is responsible for providing assurances on the effectiveness of internal controls within the group and reports directly to

the Audit Committee of Aitken Spence Hotel Holdings which ensures separation of duties and assists good governance. The ultimate responsibility for the Group's internal controls and reviewing its effectiveness rests with the Board of Directors.

Risks are measured based on their likelihood and impact and compared with the Group's risk appetite. Risks within the Group's risk appetite and tolerance are accepted while all other risks are treated using various mitigatory activities.

Indicated below are the risks deemed to have the most significant impact on the Group's financial and operational performance.

Risk	Impact	Mitigation
<p>Failure to implement strategic plans, revenue improvement &amp; cost saving initiatives and undertake profitable investments.</p>	<ul style="list-style-type: none"> <li>• Reduced revenue, cashflow and profitability.</li> <li>• Impede future growth.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings are held by the Board of Directors and members of the Management Committee in order to formalise future strategies and plans and to revise and update plans, taking in to consideration the changing circumstances of the Group.</li> <li>• A sophisticated and streamlined management information system, using the latest Property Management and Enterprise Resource Planning Software and the preparation of detailed operational and capital expenditure budgets enables the Group to assess actual performance against the planned and take remedial action wherever necessary.</li> <li>• All members of the Board attend regular workshops, seminars and professional training programmes in order to update their skills and knowledge.</li> <li>• Thorough due diligence and project feasibility studies are conducted for all major investments and professional advice is obtained from outside sources when necessary.</li> </ul>
<p>Risks to the Group's reputation and Brand image</p>	<ul style="list-style-type: none"> <li>• Decline in the customer base and difficulties in securing future management contracts resulting in reduced market share, revenues, cashflow and profitability.</li> <li>• Deterioration of corporate image.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Regular training sessions are held to train and educate staff on quality standards and new</li> </ul>

# Risk Management

Risk	Impact	Mitigation
	<ul style="list-style-type: none"> <li>The Group may have to face litigation which can be costly.</li> </ul>	<p>developments in the hospitality industry ensuring the quality of the Group's product offering.</p> <ul style="list-style-type: none"> <li>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 hotel operates.</li> <li>The Board ensures that the Company strictly complies with all relevant laws and codes of best practices and is not involved in any unethical business practices. A Code of Ethics booklet is given to all executives of the Company who confirm their acceptance of the same.</li> </ul>
<p>Risks relating to the Political-Economic climate (nationally &amp; internationally) including decrease in domestic and international travel</p>	<ul style="list-style-type: none"> <li>Lowering the competitiveness of the Group's product offering on the national and international market.</li> <li>Reduction in revenue and increase in cost thereby reducing cashflow and profitability.</li> <li>Possible restrictions on movement of capital between countries.</li> </ul>	<ul style="list-style-type: none"> <li>The Group works closely with lobby groups, relevant authorities and trade associations to ensure the best interests of the tourism industry are fulfilled at all times.</li> <li>The Group is not reliant on any single geographical region for its returns and has forayed into other regions in Asia such as Maldives, India and Oman, significantly reducing the adverse impact from this risk.</li> <li>Making prudent investments in Maldives, India and securing hotel management contracts in India and Oman ensures that the Group is not reliant on any single geographical region for its revenues and cashflow.</li> <li>The Group regularly reviews the socio-economic situation within the countries in which it operates.</li> </ul>

Risk	Impact	Mitigation
Risks from break down of internal controls, processes and procedures	<ul style="list-style-type: none"> <li>• Disruptions to the normal course of operations.</li> <li>• Wastage of management time and resources.</li> <li>• Possible loss of data.</li> <li>• Increased possibility of fraud and misuse.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular reviews of the effectiveness of internal controls by the Corporate Internal Audit Department supplemented by regular management audits carried out by internal teams within the group ensure the robustness of internal controls.</li> </ul>
Risks from competitive actions from existing market participants and new entrants	<ul style="list-style-type: none"> <li>• Reduced market share and rates reducing revenue, cashflow and profitability.</li> <li>• Increased promotional expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group's service excellence, committed and award winning staff, uniqueness of properties, innovative product and service developments and the strength of its 3 brands enables the Group to counter threats from new and existing players.</li> <li>• Leveraging the Group's long-term relationship with major tour operators, and the strength of the sister company in the travel industry (Aitken Spence Travels Ltd.) gives the group a significant advantage over its competitors.</li> </ul>
Risks associated with sourcing hotel inputs	<ul style="list-style-type: none"> <li>• Low quality raw materials could adversely impact the group's brand image.</li> </ul>	<ul style="list-style-type: none"> <li>• A specialised Central Procurement Division ensures risks associated with sourcing raw materials are minimised and best prices are achieved through bulk purchasing incentives and leveraging the Group's reputation.</li> </ul>
Risks from natural or man-made disasters	<ul style="list-style-type: none"> <li>• Loss of assets resulting in significant losses to the Group.</li> </ul>	<ul style="list-style-type: none"> <li>• Transferring risks to third parties through insurance policies as far as possible. The adequacy of insurance covers are regularly reviewed and adjusted when necessary.</li> <li>• Appropriate contingency plans and disaster management systems are adopted to safeguard the assets of the Company.</li> </ul>

# Risk Management

Risk	Impact	Mitigation
Risks from high operational gearing	<ul style="list-style-type: none"> <li>Significantly reduced cashflow and profitability during low occupancy periods..</li> </ul>	<ul style="list-style-type: none"> <li>Increased flexibility of the groups operational cost structure through seasonal recruitments, using rental agreements as opposed to outright purchase and outsourcing non-core operations.</li> <li>Entering into guaranteed performance contracts with travel agents and tour operators. All the assigned rates, credit limits, settlement procedures, termination and penalties imposed for delayed payments are incorporated into the agreements.</li> </ul>
Risks from adverse exchange rate fluctuations	<ul style="list-style-type: none"> <li>Reduced cashflow and profitability.</li> </ul>	<ul style="list-style-type: none"> <li>Negotiation of room rates in stronger currencies.</li> <li>Matching outflows with inflows of the same currency to the extent that is permitted by the prevailing laws.</li> <li>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 conversions.</li> </ul>
Risks from adverse interest rate fluctuations	<ul style="list-style-type: none"> <li>Reduced cashflow and profitability.</li> </ul>	<ul style="list-style-type: none"> <li>Entering into loans with interest rate caps mitigated this risk.</li> <li>Working closely with the parent company treasury department to negotiate favourable terms and conditions for loan facilities obtained.</li> </ul>
Risk of default by debtors	<ul style="list-style-type: none"> <li>Reduced cashflow and profitability.</li> </ul>	<ul style="list-style-type: none"> <li>Thorough credit policies and stringent controls to check credit worthiness prior to granting credit.</li> <li>Comprehensive systems are in place to monitor and review debtors. The Group conducts</li> </ul>



Risk	Impact	Mitigation
		<p>excellent working capital practices and takes legal or industrial action where appropriate.</p> <ul style="list-style-type: none"> <li>• Steps are taken to obtain advances from travel agents and tour operators wherever possible.</li> </ul>
<p>Risks from not being able to attract and retain skilled and experienced staff</p>	<ul style="list-style-type: none"> <li>• Reduced productivity.</li> <li>• Reduced quality of service resulting in reduced market share.</li> </ul>	<ul style="list-style-type: none"> <li>• Significant resources are invested in strengthening our human capital through the deployment of the latest Human Resource Information Systems, regular staff training &amp; development, succession planning and fostering a performance-based culture.</li> <li>• Maintaining cordial relationships with labour unions and adopting interest based negotiations for win-win solutions.</li> </ul>
<p>Risks relating to Information Technology and security</p>	<ul style="list-style-type: none"> <li>• Loss of revenue and business opportunities due to outdated software resulting in reduction in cashflow and profitability.</li> <li>• Loss of key confidential information to competitors resulting in reduced market share.</li> <li>• Loss of data and transactions.</li> </ul>	<ul style="list-style-type: none"> <li>• The Group has implemented the latest in Property Management and Reservation software, along with the group-wide Enterprise Resource Planning software, facilitating faster, more accurate information for decision making.</li> <li>• Implementation of a comprehensive IT policy within the Group, supported by adequate systems and controls, ensure the safety and security of data. Contingency plans are in place to mitigate any short term loss on IT services.</li> <li>• All employees are bound by the code of conduct to safeguard the Group's information, irrespective of its physical form.</li> <li>• A dedicated central IT team is in place to support all IT related aspects of the Group.</li> </ul>

# Risk Management

Risk	Impact	Mitigation
Risk of not being able to meet financial commitments as and when they fall due.	<ul style="list-style-type: none"> <li>• Penalty charges and unfavourable terms when obtaining future loans resulting in reduced profitability.</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of regular cashflow forecasts in line with projected occupancy fluctuations in order to assess the liquidity position of the Group in the short term.</li> <li>• Making optimum use of cash inflows with the help of the corporate treasury division, ensuring the group-wide interest exposure is kept to a minimum.</li> <li>• Regular review of actual performance against planned, to ensure achievement of budgeted targets.</li> </ul>
Risk of legal/judiciary action due to non performance of legal and statutory requirements	<ul style="list-style-type: none"> <li>• High cost of legal and penalty fees resulting in reduced profitability.</li> <li>• Adverse impact to the group's reputation and Brand image.</li> </ul>	<ul style="list-style-type: none"> <li>• A comprehensive internal control system is in place supplemented by regular audits from the corporate internal audit department in collaboration with the corporate legal division.</li> <li>• Ensuring all statutory and legal obligations are met in all transactions.</li> </ul>

# Corporate Governance

At Aitken Spence Hotel Holdings PLC, we believe that the group's ability to achieve its strategic objectives, its corporate image and the strength of its corporate values are significantly influenced by the effectiveness of its governance principles. Corporate Governance is the system by which the Company and its subsidiaries are directed and managed and which influences the manner in which the objectives of the Company are formulated, accepted, communicated and achieved. Our Corporate Governance

practices adopted by the Company are improved year-on-year.

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 corporate governance principles practised by the group for the financial year 2009/10.

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 of the Directors are given on pages 52 to 57 of this Annual Report.</p> <p>During the year, Mr. R.N. Asirwatham was appointed to the Board as a non executive independent director. Further the Board is making every effort to identify more individuals who are 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 affects 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 discuss and make strategic decisions collectively for the Company. Apart from taking decisions at Board meetings, the Board also takes decisions via Circular Resolutions. The Directors are provided with minutes, the agenda and the board papers giving them adequate time to study the contents prior to the meetings.</p>

# Corporate Governance

Corporate Governance Principle	Level of Compliance
The Responsibilities of the Board	<p>The Board of Directors are responsible for;</p> <ul style="list-style-type: none"> <li>• Formulating of business strategies taking into consideration the Company's strengths, competencies and risks</li> <li>• Implementing and monitoring of such strategies</li> <li>• Reviewing and ratifying systems in operation relating to risk management, internal control, codes of conduct and compliance with the laws, statutes and regulations</li> <li>• Reviewing, monitoring and ratifying all capital expenditure, acquisitions and divestitures</li> <li>• Monitoring Senior Management performance</li> <li>• Ensuring that effective information and audit systems are in place</li> <li>• Ensuring that due attention is given to annual and interim financial statements prior to publication</li> <li>• Determining the quantum of the final dividend for approval by the shareholders</li> <li>• Approving and monitoring financial and other reporting.</li> </ul>
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, The Colombo Stock Exchange and other applicable rules and regulations and ensure appropriate, timely and accurate information is submitted to the Board and its committees.
Related party transactions	Related party transaction are disclosed on pages 165 to 166 of the Annual Report.
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.

Corporate Governance Principle	Level of Compliance
Dedication of adequate time and effort to matters of the Board and the Company	The Board of Directors devote adequate time to the fulfilment 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.
Division of Responsibilities of the 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	<p>The Chairman of the Company is one of the most successful and experienced business leaders in Sri Lanka. The Chairman provides leadership and strategic direction to the Board and ensures that all meetings are conducted in a professional manner.</p> <p>The Chairman encourages effective participation of all the Directors in decision making, seeks and ascertains the views of the Directors and thereby ensures that the Board functions in an efficient manner which is beneficial to the stakeholders and the Company.</p>
Financial Acumen and Board Balance	<p>The Board includes four senior Professional Accountants, one of whom is the Managing Director. They possess the necessary experience and expertise.</p> <p>During the year Mr. R.N. Asirwatham who is a Fellow member of the Institute of Chartered Accountants of Sri Lanka was appointed to the Board as a non executive independent director.</p>
Provisions for Supply of Information	The Company has a well developed and streamlined Management Information System in place.

# Corporate Governance

Corporate Governance Principle	Level of Compliance
	The Board was provided with timely and appropriate information by the management by way of board papers and proposals.
Appointments to the Board	There is a clear and transparent procedure for the appointment of Directors to the Board. Upon the appointment of a new director to the Board, the Company informs The Colombo Stock Exchange with a brief resume of such director containing the nature of his expertise, other directorships held, memberships in board committees and whether the director is independent. The Articles of Association of the Company empowers 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 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 34.2 to the financial statements.



Corporate Governance Principle	Level of Compliance
Remuneration Procedure	<p>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 Directors and Executive Employees. The remuneration Committee consists of the Chairman of the parent company, and three 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  Mr. R N Asirwatham</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 increased to Rs. 385 per share as at 31st March 2010 compared to Rs. 90 Per share as a 31st March 2009. This resulted in a market capitalisation of almost Rs. 14.8 billion, an increase of 328 per cent from the previous year.</p>
Constructive use of the Annual General Meeting	<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 Annual General Meeting.</p>

# Corporate Governance

Corporate Governance Principle	Level of Compliance
Making available Notice of Meeting and the related papers	The notice of the Annual General Meeting and the relevant documents are published and despatched to the shareholders at least 15 working days prior to the Annual General Meeting as per the Companies Act No.07 of 2007. The voting procedures at general meetings are circulated to the shareholders along with the Annual Report.
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 on the Affairs of the Company and the Statement of Directors' responsibility are presented on pages 122 to 126 and 128 of this Annual Report together with the Management Report, presented as the Management Discussion and Analysis, on pages 61 to 71. 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 105 to 112 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

Corporate Governance Principle	Level of Compliance
	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 Independent Auditors Report on the financial statements is presented on 129 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 the Affairs of the Company on page 122 of this Annual Report.
Audit Committee	<p>The parent Company's Audit Committee functions as the Audit Committee of Aitken Spence Hotel Holdings PLC. The Audit Committee comprises of four non executive directors from the parent company in which the Chairman of the committee is also a director of the Company.</p> <p>Mr. R.N. Asirwatham (Chairman)  Mr. G.C. Wickremasinghe  Mr. C.H. Gomez  Mr. N.J. de S. Deva Aditya</p> <p>The Audit Committee comprises of members with Financial and Industry experience and they assist 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 functions. Please refer page 127 for Audit Committee Report.</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.

# Corporate Governance

Corporate Governance Principle	Level of Compliance
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>
Institutions and Regulatory Bodies	<p>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.</p>
Environment	<p>The Board is 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.</p>

# Financial Information

## Financial Calendar

Thirty-Third Annual General Meeting  
**29th June 2010**

First and Final Dividend for 2009/10  
(ex Dividend date 30th June 2010)  
**6th July 2010**

Interim Statement for the three months  
ended 30th June 2010  
**First week of August 2010**

Interim Statement for the six months ended  
30th September 2010  
**First week of November 2010**

Interim Statement for the nine months ended  
31st December 2010  
**First week of February 2011**

## Contents

Annual Report of the Board of Directors on the Affairs of the Company	122 - 126
Audit Committee Report	127
Statement of Directors' Responsibilities	128
Independent Auditors' Report	129
Income Statement	130
Balance Sheet	131
Statement of Changes in Equity	132
Cash Flow Statement	133 - 134
Notes to the Financial Statements	135 - 167
Quartely Statistics - Summary	168
Consolidated Income Statement in USD	169
Consolidated Balance Sheet in USD	170

# Annual Report of the Board of Directors on the Affairs of the Company

The Board of Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31st March 2010.

## **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. These reports form an integral part of the Annual Report.

## **Internal Controls**

The statements of Corporate Governance practices and Statement of Directors' Responsibilities on pages 113 to 120 and page 128 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 113 to 120 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 105 to 112 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 endeavours to transact business with reputed organisations 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 2010, the number of permanent and contract employees in the Group were 1,946 (31st March 2009 –1,885). The total distributed as remuneration during the year amounted to Rs. 660,784,500 (2008/09 - Rs. 554,334,044). 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 utilisation 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 endeavour to be a learning organisation.



## Group Profits

	2009/10 Rs.	2008/09 Rs.
The Net Profit of the Group for the year after providing for all expenses, known liabilities and depreciation of property, plant & equipment was	792,852,331	845,333,049
From which Income Tax on Group Profits have to be added/ (deducted)	(18,056,352)	(20,975,480)
Leaving the Group with a Net Profit after Taxation of	774,795,979	824,357,569
From which Minority Interests has to be added/ (deducted)	(251,020,289)	(231,770,696)
Leaving a Profit for the year applicable to Shareholders of	523,775,690	592,586,873
To which the adjusted balance of the previous year has to be added	2,205,105,533	1,665,828,174
And transfer to Retained earnings added	239,447,000	-
The amount available to the Company for appropriation therefore	2,968,328,223	2,258,415,047
<b>Appropriations</b>		
The amount appropriated by your Directors is as follows:		
Effect of changes in percentage holding in subsidiaries	28,068	26,370
Dividends Paid-Preference	14,850,000	14,850,000
Dividends Paid-Ordinary	19,216,572	38,433,144
Leaving an unappropriated balance to be carried forward of	2,934,233,583	2,205,105,533
	2,968,328,223	2,258,415,047

## Environmental Policy

The Group is committed to environment conservation and minimising 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 79 to 104 of this Report.

## Group Revenue

The revenue of the Group was Rs. 7,320,482,858 (2008/09 -Rs.6,611,893,047) and is analysed on page 141.

## 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 09 to the financial statements.

It is the Group's policy to provide for deferred taxation on all known temporary differences on the balance sheet liability method for tax liable companies. The deferred tax liability of the Group is given in Note 27 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

Donations to charitable Organisations and causes amounted to Rs. 10,235 (2008/09 - Nil).

## Property, Plant & Equipment

The total expenditure on acquisition of property, plant & equipment during the year amounted to Rs. 294,952,503

# Annual Report of the Board of Directors on the Affairs of the Company

(2008/09-Rs.2,172,082,099) details of which are given in Note 12 to the financial statements.

## Real Estate Holdings of the Group

The Real Estate Holding of the Group are given on page 177 of this Report.

## Dividend

The Directors recommend a first and final Dividend of Rs. 1.50 per ordinary share and 9 per cent Preference Dividend on cumulative preference shares for the Financial Year 2009/10. (2008/09-50 cents 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 final dividends proposed.

## Stated Capital

The stated capital of the Company as at 31st March 2010 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 Financial year.

However the Company announced a 1:4 rights issue to existing Share Holders on 30th March 2010 at an issue price of Rs. 260 and raised equity Capital of Rs. 2.5 Bn subsequent to the Balance Sheet date.

## Reserves

The total reserves of the group as at 31st March 2010 stood at Rs. 4,132,760,521 (31st March 2009 - Rs. 3,667,631,232). This comprises of Reserves of Rs. 1,198,526,939. (31st March 2009-Rs.1,462,525,700) and Retained Earnings of Rs. 2,934,233,582 (31st March 2009-Rs.2,205,105,532). The movement in reserves is given in the Statement of Changes in Equity on page 132.

## Shareholdings

As at 31st March 2010 there were 2,422 registered shareholders. The distribution of shareholdings as at 31st March 2010 is shown on page 171.

## Share Information

Information relating to share trading, earnings, dividends, net assets and market value per share is given in Shareholders & Investor Information on page 172 of this Report.

## Major Shareholders

The names of the 20 largest shareholders of the Company and their shareholding as at 31st March 2010 is given on the Shareholders and Investor Information on page 174 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 180 of this report.

## Appointment of Directors

Mr. R. N. Asirwatham was appointed to the Board as an Independent/Non Executive Director, with effect from 1st September 2009.

## Retirement of Directors

The following Directors retire and being eligible are recommended by the Board for re-election at the forthcoming Annual General Meeting.

1. Mr. C M S Jayawickrama who retires by rotation in terms of Article 83 of the Articles of Association.

2. Mr. G P J Goonawardena who retires by rotation in terms of Article 83 of the Articles of Association.
3. Mr. R N Asirwatham who retires by rotation in terms of Article 90 of the Articles of Association.

### 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 165 and 166 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

Details of Directors' emoluments paid during the year are given in Note 06 to the financial statements.

### Directors' Shareholding

The Directors of the Company together with their spouses held 33,111 shares as at 31st March 2010 which amounted to 0.086 per cent (31st March 2009-0.086 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:

<i>As at 31st March</i>	<b>2010</b>	<b>2009</b>
Mr.D.H.S.Jayawardena	-	-
Mr.J.M.S.Brito	<b>9,000</b>	9,000
Mr.R.E.V.Casie Chetty	<b>23,863</b>	23,863
Mr.S.M.Hapugoda	-	-
Mr.C.M.S.Jayawickrama	-	-
Mr.G.P.J.Goonewardena	<b>248</b>	248
Mr.R.N. Asirwatham	-	-
	<b>33,111</b>	33,111

Shares held by the Directors in the Group Companies:

Hethersett Hotels Ltd.,

<i>As at 31st March</i>	<b>2010</b>	<b>2009</b>
Mr.R.E.V.Casie Chetty	<b>2,500</b>	2,500

### Public Shareholding

The percentage of the shares held by the public as at 31st March 2010 is 25.42 per cent (31st March 2009-25.42 per cent)

### Financial Statements

The financial statements of the Company & the Group for the year ended 31st March 2010 signed by the Chief Financial Officer and two of the Directors of the Company are given on the pages 130 to 167 which form an integral part of the Annual Report of the Board.

### 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.

# Annual Report of the Board of Directors on the Affairs of the Company

## 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 event after the balance sheet date are provided in Note 37 (Page 167) to the financial statements.

## Annual General Meeting

The Thirty Third Annual General Meeting of the Company will be held at the “Grand Ballroom” Galadari Hotel, Colombo on 29th June 2010.

## 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. 2,920,100 (2008/09 - Rs.2,536,802) was paid to them on account of providing audit and related services. A sum of Rs. 855,626 (2008/09 - Rs.747,495) was paid to them on account of permitted audit related and 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*



**R.E.V. Casie Chetty**  
*Company Secretary*

**Aitken Spence Corporate Finance (Pvt) Ltd.,**

26th May 2010, Colombo.

# Audit Committee Report

Aitken Spence Hotel Holdings PLC, being the Tourism Sector business unit of the Aitken Spence Group, share the expertise, knowledge of the Group Audit Committee which is formed at the corporate level.

## Composition of the Group Audit Committee

The Group Audit Committee comprises of four Non Executive Directors of Aitken Spence PLC of which the Chairman of the committee is also an independent non executive director of Aitken Spence Hotel Holdings Plc. The Chairman of the Audit Committee is a fellow member of the Institute of Chartered Accountants of Sri Lanka.

## Meetings and Attendance

The Committee formally met 5 times during the year ended 31st March 2010.

The Managing Director, the Chief Corporate Officer, the Company Secretary, Chief Internal Auditor and the senior management personnel from the Hotels Sector attended the meetings by invitation.

## Activities

The Audit Committee discharged its duties by reviewing and discussing the Audit Reports submitted by the Internal Audit division for the Audits carried out in the areas of Hotel Operation, Financial Management, Risk of Fraud and Errors and Systems Security. The Audit Committee having reviewed these reports using their extensive experience and expertise, recommended additional controls and risk mitigation strategies that could be implemented to strengthen the existing internal control system thus minimising the possibility of occurrence and impact of fraud, errors, operational and financial risks faced by the companies in the Hotels sector.

## Compliance

The Audit Committee assisted the Board in ensuring compliance with the statutory provisions prior to publication of timely and reliable financial reports, which were in line with requirements by regulatory authorities in Sri Lanka such as the Institute of Chartered Accountants of Sri Lanka, the Colombo Stock Exchange, and other prevailing laws of the country and directives and guidelines of other regulatory authorities.

It also reviewed the effectiveness of the internal control procedure system in the Hotel Sector after considering major findings from the Internal Audit Division.

## External Audit

The Audit Committee was briefed by the external auditors Messrs KPMG Ford, Rhodes, Thornton & Co., on the progress and conduct of the statutory audit and discussed audit related issues with them. The Audit Committee also negotiated with the external auditors the quantum of their fees and out of pocket expenses.

The Audit Committee having evaluated the independence and performance of the external auditors decided to recommend to the Board of Aitken Spence Hotel Holdings PLC, the re-appointment of Messrs KPMG Ford, Rhodes, Thornton & Co., as auditors of the Company for the current financial year, subject to the approval of the shareholders at the Annual General Meeting.



**R.N. Asirwatham**  
*Chairman, Audit Committee*

Colombo  
18th May 2010

# 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.



**R.E.V. Casie Chetty**

*Company Secretary*

**Aitken Spence Corporate Finance (Pvt) Ltd.,**

Colombo

26th May, 2010



# Independent Auditors' Report



**KPMG Ford, Rhodes, Thornton & Co.**  
(Chartered Accountants)  
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## 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 (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group") as at March 31, 2010, 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 130 to 167 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 policies 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, 2010 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2010 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, 2010 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 2010

KPMG Ford, Rhodes, Thornton & Co, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

A.N. Fernando FCA  
Ms. M. P. Perera FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA

S. Sirikennanathan FCA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne ACA

M.R. Mihular FCA  
C.P. Jayatilake FCA  
Ms. S. Joseph ACA  
S.T.D.L. Perera FCA

# Income Statement

<i>For the year ended 31 st March</i>		Group			Company		
		2010 Rs. '000	2009 Rs. '000	Change %	2010 Rs. '000	2009 Rs. '000	Change %
	Notes						
<b>Gross Revenue</b>	2	7,320,483	6,611,893	11%	437,760	291,409	50%
Revenue Tax		(319,499)	(300,661)	6%	(181)	-	
<b>Net Revenue</b>		7,000,984	6,311,232	11%	437,579	291,409	50%
Other Operating Income	3	88,718	322,779	(73%)	969,901	388,764	149%
Staff Costs		(989,545)	(857,989)	15%	(83,663)	(74,924)	12%
Depreciation		(664,003)	(578,600)	15%	(89,097)	(95,993)	(7%)
Amortisation		(77,344)	(19,858)	289%	-	-	-
Other Operating Expenses - Direct	4	(1,636,144)	(1,418,714)	15%	(90,051)	(67,520)	33%
Other Operating Expenses - Indirect	5	(2,569,875)	(2,551,549)	1%	(175,668)	(150,715)	17%
<b>Profit from Operations</b>	6	1,152,791	1,207,301	(5%)	969,001	291,021	233%
Interest Income		13,330	9,995	33%	3,372	2,360	43%
Finance Expenses	7	(377,864)	(368,723)	2%	(161,875)	(179,786)	(10%)
Net Financing Income / (Expenses)		(364,534)	(358,728)	2%	(158,503)	(177,426)	(11%)
		788,257	848,573	(7%)	810,498	113,595	613%
Share of Profit/(Loss) of Associates after Tax	8	4,595	(3,240)	242%	-	-	-
<b>Profit Before Taxation</b>		792,852	845,333	(6%)	810,498	113,595	613%
Income Tax Expense	9	(18,056)	(20,975)	(14%)	(800)	(120)	567%
<b>Profit for the Year</b>		774,796	824,358	(6%)	809,698	113,475	614%
<b>Attributable to:</b>							
Equity Holders of the Parent Company		523,776	592,587	(12%)	809,698	113,475	614%
Minority Interest		251,020	231,771	8%	-	-	-
		774,796	824,358	(6%)	809,698	113,475	614%
Earnings per Ordinary Share (Rs.)	10	13.24	15.03	(12%)	20.68	2.57	705%
Dividend per Ordinary Share (Rs)	11	1.50	0.50	200%	1.50	0.50	200%

*Figures in brackets indicate deductions*

*The notes on pages 135 to 167 form an integral part of these financial statements.*

# Balance Sheet

		Group		Company	
As at 31st March		2010	2009	2010	2009
	Notes	Rs. '000	Rs. '000 Restated	Rs. '000	Rs. '000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	12	8,756,041	8,686,707	1,482,876	1,569,881
Leasehold Property	13	1,516,449	1,554,651	-	-
Intangible Assets	14	-	1,524	-	-
Investment in Subsidiaries and Joint Ventures	15	-	-	1,469,734	1,002,301
Investment in Associates	16	192,915	185,118	102,189	98,987
Long -Term Investments	17	211,770	218,081	-	-
Deferred Tax Assets	18	2,713	-	-	-
		10,679,888	10,646,081	3,054,799	2,671,169
<b>Current Assets</b>					
Inventories	19	178,284	194,049	12,833	15,362
Trade and Other Receivables	20	772,528	982,611	48,452	42,404
Amount due from Parent's Group Entities	21	281,076	214,648	669,033	1,110,935
Deposits & Prepayments		163,023	204,378	4,113	2,782
Current Tax Receivable		13,728	11,005	3,392	3,056
Short Term Deposits	22	375,397	341,821	296,700	64,596
Cash and Cash Equivalents		90,430	116,778	15,620	14,097
		1,874,466	2,065,290	1,050,143	1,253,232
<b>TOTAL ASSETS</b>		12,554,354	12,711,371	4,104,942	3,924,401
<b>EQUITY AND LIABILITIES</b>					
<b>Equity Attributable to Equity Holders of the Company</b>					
Stated Capital	23	1,056,433	1,056,433	1,056,433	1,056,433
Reserves	24	1,198,527	1,462,526	356,650	356,650
Retained Earnings		2,934,234	2,205,106	1,712,351	936,720
		5,189,194	4,724,065	3,125,434	2,349,803
<b>Minority Interest</b>		1,589,136	1,346,064	-	-
<b>Total Equity</b>		6,778,330	6,070,129	3,125,434	2,349,803
<b>Non-Current Liabilities</b>					
Interest - Bearing Borrowings	25	2,962,320	3,746,361	621,468	1,087,063
Government Grants	26	1,235	1,391	-	-
Deferred Tax Liabilities	27	130,381	90,297	-	-
Employee Benefits	28	31,515	22,629	11,666	8,312
		3,125,451	3,860,678	633,134	1,095,375
<b>Current Liabilities</b>					
Trade Creditors		252,371	229,578	17,092	18,125
Other Provisions and Payables	29	790,791	798,591	71,852	36,106
Amounts due to Ultimate Holding Company		646,434	779,109	124,679	237,037
Amounts due to Parent's Group Entities	30	55,528	55,487	64,139	10,298
Interest Bearing Borrowings	25	852,746	675,895	68,612	177,657
Current Tax Payable		17,962	24,812	-	-
Short term Bank Borrowings		34,741	217,092	-	-
		2,650,573	2,780,564	346,374	479,223
<b>TOTAL LIABILITIES</b>		5,776,024	6,641,242	979,508	1,574,598
<b>TOTAL EQUITY AND LIABILITIES</b>		12,554,354	12,711,371	4,104,942	3,924,401

The above Balance Sheet is to be read in conjunction with notes to the Financial Statements on pages 135 to 167.

I certify that the financial statements for the year ended 31st March 2010 are in compliance with the requirements of the Companies Act No. 07 of 2007.




**C.M.S Jayawickrama**  
Director

The Board of Directors is 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 2010, Colombo.

# Statement of Changes in Equity

..... Attributable to Equity Holders of the Parent.....								
Group	Stated Capital	Revaluation Reserve	General Reserves	Exchange Fluctuation Reserves	Retained Earnings	Total	Minority Interest	Total Equity
For the year ended 31st March	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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 to share premium on account of share issue Expenses written off previously	623	-	-	-	(623)	-	-	-
<b>Balance as at 31st March, 2008 - Restated</b>	<b>1,056,433</b>	<b>543,773</b>	<b>260,287</b>	<b>230,490</b>	<b>1,665,828</b>	<b>3,756,811</b>	<b>1,219,998</b>	<b>4,976,809</b>
Effect of acquisitions, Disposals and change to percentage holdings	-	-	-	-	(26)	(26)	22,645	22,619
Currency translation differences	-	-	-	136,822	-	136,822	54,602	191,424
Surplus on revaluation	-	291,154	-	-	-	291,154	2,183	293,337
<b>Net Income recognised directly in Equity</b>	-	291,154	-	136,822	(26)	427,950	79,430	507,380
Net Profit for the year	-	-	-	-	592,587	592,587	231,771	824,358
	-	291,154	-	136,822	592,561	1,020,537	311,201	1,331,738
Dividend Paid - 2007/08 (Note -11)	-	-	-	-	(53,283)	(53,283)	-	(53,283)
Dividends of Subsidiaries	-	-	-	-	-	-	(185,135)	(185,135)
<b>Balance as at 31st March, 2009</b>	<b>1,056,433</b>	<b>834,927</b>	<b>260,287</b>	<b>367,312</b>	<b>2,205,106</b>	<b>4,724,065</b>	<b>1,346,064</b>	<b>6,070,129</b>
Effect of acquisitions, Disposals and change to percentage holdings	-	-	-	-	(28)	(28)	27,581	27,553
Currency translation differences	-	-	-	(24,552)	-	(24,552)	(502)	(25,054)
<b>Net Income recognised directly in Equity</b>	-	-	-	(24,552)	(28)	(24,580)	27,079	2,499
Net Profit for the year	-	-	-	-	523,776	523,776	251,020	774,796
	-	-	-	(24,552)	523,748	499,196	278,099	777,295
Transfer to Retained Earnings	-	-	(239,447)	-	239,447	-	-	-
Dividend Paid - 2008/09 (Note -11)	-	-	-	-	(34,067)	(34,067)	-	(34,067)
Dividends of Subsidiaries	-	-	-	-	-	-	(35,027)	(35,027)
<b>Balance as at 31st March, 2010</b>	<b>1,056,433</b>	<b>834,927</b>	<b>20,840</b>	<b>342,760</b>	<b>2,934,234</b>	<b>5,189,194</b>	<b>1,589,136</b>	<b>6,778,330</b>

## Company

For the year ended 31st March

	Stated Capital	Revaluation Reserve	General Reserves	Retained Earnings	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 31st March, 2008</b>	<b>1,056,433</b>	<b>335,810</b>	<b>20,840</b>	<b>876,528</b>	<b>2,289,611</b>
Net Profit for the year	-	-	-	113,475	113,475
Dividend Paid - 2007/08 (Note -11)	-	-	-	(53,283)	(53,283)
<b>Balance as at 31st March, 2009</b>	<b>1,056,433</b>	<b>335,810</b>	<b>20,840</b>	<b>936,720</b>	<b>2,349,803</b>
Net Profit for the year	-	-	-	809,698	809,698
Dividend Paid - 2008/09 (Note -11)	-	-	-	(34,067)	(34,067)
<b>Balance as at 31st March, 2010</b>	<b>1,056,433</b>	<b>335,810</b>	<b>20,840</b>	<b>1,712,351</b>	<b>3,125,434</b>

\* Share issues costs incurred on restructuring of Hotels in 1995/96 deducted from Group share premium account transferred / deducted from Retained Earnings.

Figures in brackets indicate deductions

The notes on pages 135 to 167 form an integral part of these financial statements.

# Cash Flow Statement

<i>For the year ended 31st March</i>	<b>Group</b>		<b>Company</b>	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Profit before taxation	792,852	845,333	810,498	113,595
<b>Adjustments for</b>				
Depreciation	664,003	578,600	89,097	95,993
Amortisation of pre paid lease rentals	1,500	1,500	-	-
Amortisation of Leasehold Rights	70,510	10,717	-	-
Provision for doubtful debts	42,815	(5,595)	(296)	(3,253)
Amortisation of surplus on acquisition	(40,386)	(14)	-	-
Impairment of goodwill on acquisition	5,334	7,641	-	-
Impairment of Investments	5,456	-	-	-
Amortisation of Government Grant	(156)	(156)	-	-
Finance Expenses	377,864	368,723	161,875	179,786
Profit on sale of Investments	-	(218,992)	-	-
Profit/(Loss) on sale of property, plant & equipment	(11,802)	(18,296)	(444)	(1,750)
Gratuity provision	13,310	5,903	3,816	2,037
Share of Associate Companies Profit/(Loss) before tax	(4,595)	3,240	-	-
Foreign Exchange Gain / Losses	(7,449)	40,183	697	(12,254)
Effect of Changes in percentage holding and acquisition of Subsidiaries	(44,734)	-	-	-
<b>Operating profit before working capital changes</b>	<b>1,864,522</b>	<b>1,618,787</b>	<b>1,065,243</b>	<b>374,154</b>
(Increase)/Decrease in Inventories	15,765	(19,492)	2,529	4,195
(Increase)/Decrease in Trade and Other Receivables	167,268	116,255	(5,752)	80,779
(Increase)/Decrease in Amount due from Parent's Group Entities	(66,428)	(34,089)	441,902	(185,792)
(Increase)/ Decrease Deposits & Prepayments	41,355	49,707	(1,331)	1,610
Increase/(Decrease) in Trade Creditors	22,793	(24,950)	(1,033)	(1,800)
Increase/(Decrease) in Other Provisions & Payables	(7,800)	(73,104)	35,746	(62,632)
Increase/(Decrease) in amounts due to Ultimate Holding Company	(132,675)	252,322	(112,358)	158,257
Increase/ (Decrease) in Amount due to Parent's Group Entities	41	(2,309)	53,841	4,818
<b>Cash Generated from operations</b>	<b>1,904,841</b>	<b>1,883,127</b>	<b>1,478,787</b>	<b>373,589</b>
Finance Expenses paid	(377,864)	(368,723)	(161,875)	(179,786)
Gratuity paid	(7,813)	(4,189)	(462)	(1,468)
Income Tax paid	(34,336)	(6,855)	(1,136)	(1,177)
<b>Net cash flow from operating activities</b>	<b>1,484,828</b>	<b>1,503,360</b>	<b>1,315,314</b>	<b>191,158</b>
<b>Cash flow from Investing Activities</b>				
Investments made during the year	(54,542)	(190,154)	(470,635)	(63,281)
Acquisition and Disposal of Subsidiaries - Note A	(380,516)	(8,831)	-	-
Purchase of property, plant & equipment	(294,953)	(2,165,828)	(2,092)	(12,300)
Proceeds from sale of property, plant & equipment	18,634	74,080	444	1,750
Proceeds from sale of Investments	-	236,860	-	-
Issue of shares by Subsidiaries	49,000	28,029	-	-
<b>Net cash used in investing activities</b>	<b>(662,377)</b>	<b>(2,025,844)</b>	<b>(472,283)</b>	<b>(73,831)</b>

# Cash Flow Statement

For the year ended 31st March	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
<b>Cash flow from Financing Activities</b>				
Proceeds from long term borrowings	617,238	1,274,892	6,200	-
Repayment of long- term borrowings	(1,186,424)	(430,913)	(580,840)	(48,962)
Dividends paid	(34,067)	(53,283)	(34,067)	(53,283)
Dividend paid by subsidiary companies to minority Shareholder	(35,027)	(185,135)	-	-
<b>Net cash used in Financing Activities</b>	<b>(638,280)</b>	<b>605,561</b>	<b>(608,707)</b>	<b>(102,245)</b>
<b>Net Increase in cash &amp; cash equivalents</b>	<b>184,171</b>	<b>83,077</b>	<b>234,324</b>	<b>15,082</b>
<b>Cash &amp; cash equivalents at the beginning of the year</b>	<b>246,915</b>	<b>158,430</b>	<b>77,996</b>	<b>63,611</b>
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>431,086</b>	<b>241,507</b>	<b>312,320</b>	<b>78,693</b>
<b>Analysis of cash &amp; cash equivalents at the end of the year</b>				
Cash at bank and in hand	90,430	116,778	15,620	14,097
Short term deposits	375,397	341,821	296,700	64,596
Short term Bank Borrowings	(34,741)	(217,092)	-	-
Cash & Cash Equivalent as previously Reported	431,086	241,507	312,320	78,693
Effect of Exchange Rate Change	-	5,408	-	(697)
<b>Cash &amp; Cash Equivalent as Restated (Note 22.1)</b>	<b>431,086</b>	<b>246,915</b>	<b>312,320</b>	<b>77,996</b>

## Note A. Acquisition of Subsidiaries

The fair value of assets acquired and liabilities assumed of the companies acquired during the year are as follows:

	Rs.000
Property Plant and Equipment	(487,985)
Other non Current Assets	(443)
Inventories	(7,139)
Trade and other receivables	(96,192)
Deposits and Prepayments	(4,492)
Deferred Tax liabilities	44,664
Employee benefits	4,660
Trade and other Payables	128,125
Cash and Cash equivalents	2,791
<b>Total Net Assets</b>	<b>(416,011)</b>
Net Assets Acquired	(416,011)
Goodwill / Negative Goodwill	38,286
Purchase Consideration paid on acquisition of the Subsidiaries	(377,725)
Cash and Cash Equivalents acquired	(2,791)
<b>Net Cash outflow on acquisition of Subsidiaries</b>	<b>(380,516)</b>

*Note:* The assets and liabilities as at the acquisition date are stated at their provisional fair value and may be amended in accordance with SLAS 25 (Revised 2004)- Business Combinations.

Figures in brackets indicate deductions

The notes on pages 135 to 167 form an integral part of these financial statements.



# Notes to the Financial Statements

## 1. Significant Accounting Policies

### 1.1 General

#### 1.1.1 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.

#### 1.1.2 Principal Activities & Nature of Operations

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

#### 1.1.3 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.

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.

#### 1.1.4 Approval of Financial Statements

The financial statements for the year ended 31st March 2010 were authorised for issue by the Board on 26th May 2010.

#### 1.1.5 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 1.4.1 and 1.4.7 below.

#### 1.1.6 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 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.

### 1.2 Consolidation Policy

#### 1.2.1 Basis of consolidation

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

All Group subsidiary, associates and jointly controlled entities have a common financial year, which ends on 31st March, Other than Business Travel Services LLC whose financial year ends on 31st December.

#### 1.2.2 Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities which is evident when the Company controls the composition of the Board of Directors of the entity or holds more than 50% of the issued shares of the entity or 50% of the voting rights of the entity or is entitled to receive more than half of every dividend from shares carrying unlimited right to participate in distribution of profits or capital. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Entities that are subsidiaries of another entity which is a subsidiary of the Company are also treated as subsidiaries of the Company.

A listing of the Company's Subsidiaries is set out in Note 15 to the financial statements.

#### 1.2.3 Minority Interest

The proportion of the profits or losses after taxation applicable to outside Shareholders of subsidiary companies is 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.

#### 1.2.4 Associates

Associates are those entities in which the Group has between 20%- 50% 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.

# Notes to the Financial Statements

The results of Associate companies are accounted for under the equity basis of accounting, where the Groups 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 Groups investment.

A listing of the Associates is set out in Note 16 to the financial statements.

## **1.2.5 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 jointly controlled entities 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-Interests in Joint Ventures.

A listing of Joint Ventures is set out in Note No. 15 to the Financial Statements.

## **1.2.6 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 jointly controlled entities 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.

## **1.2.7 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. Such goodwill is identified into cash generating units and is annually tested for impairment as described in Accounting policy No 1.5 After initial recognition goodwill is stated at cost less accumulated impairment losses.

Goodwill on acquisition of subsidiaries and joint ventures is presented as an intangible asset and the goodwill on an acquisition of an entity 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 acquiree's identifiable assets and liabilities and the measurement of the cost and recognise the difference immediately to the consolidated income statement.

## **1.3 Foreign Currency**

### **1.3.1 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 the 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 the fair value was determined. The resulting gains or losses on translations are dealt with in the income statement.

### **1.3.2 Financial Statements 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 statements.

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

## **1.4 Assets and Bases of their Valuation**

### **1.4.1 Owned Assets – Recognition and Measurement**

Items of property, plant and equipment are stated at costs less accumulated depreciation and impairment. The cost of 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 revalue Land at least 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 are disclosed in note 12.4 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 integral to the functionality of the related equipment is capitalised as part of the equipment cost.

#### **1.4.2 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.

#### **1.4.3 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.

#### **1.4.4 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:

Leasehold Premises	over the remaining lease period
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

Depreciation is not provided on land and assets under construction.

Buildings in the Maldivian Resorts that are not depreciated as above are depreciated on an annuity method over the period of the lease, on an appropriate basis.

#### **1.4.5 Leasehold Property - Land**

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

#### **1.4.6 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 for as explained in 1.2.7 above.

#### **1.4.7 Investments**

Unquoted investments are treated as long term investments and valued at cost in the financial statements.

# Notes to the Financial Statements

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

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

Investments in associate companies are treated as long term assets and valued as explained in para 1.2.4 above. In the parent company's financial statements, the investments are valued at cost.

## **1.4.8 Current Assets**

### **1.4.8.1 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.

### **1.4.8.2 Trade and Other Receivables**

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

### **1.4.8.3 Cash & Cash Equivalents**

Cash & cash equivalents comprise 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 are included as components of cash and cash equivalent for purpose of presenting the Cash Flow Statement.

## **1.5 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 exceed 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. Impairment is 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 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.

## **1.6 Liabilities and Provisions**

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.

Provisions are 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.

### **1.6.1 Trade and Other Payables**

Trade and other payables are stated at cost.

### **1.6.2 Taxation**

#### **1.6.2.1 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 09 to the financial statements.

#### **1.6.2.2 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 profits 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.

#### **1.6.3 Employee Benefit Plan**

##### **1.6.3.1 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 – Retirement Benefit Cost. The actuarial valuation was carried out by professionally qualified actuaries.

##### **1.6.3.2 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% - 15% and Employees' Trust Fund at 3%.

#### **1.7 Income Statement**

##### **1.7.1 Revenue**

**1.7.1.1** 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.

**1.7.1.2** 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.

**1.7.1.3** Interest income is accrued on a time proportion basis.

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

##### **1.7.2 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.

##### **1.7.3 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.

##### **1.7.4 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 take 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. 12.3 to the financial statements.

##### **1.7.5 Disposal of Property, Plant & Equipment**

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

##### **1.7.6 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.

#### **1.8 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.

##### **1.8.1 Primary and Secondary Segments**

The Group 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.



# Notes to the Financial Statements

**1.8.2** Segmental information analysed by geographical segments is disclosed in Notes 2 & 31 to the financial statements.

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

## **1.9. Other Accounting Policies**

### **1.9.1 Cash Flow**

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

### **1.9.2 Commitments and Contingencies**

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

### **1.9.2 Events occurring after the Balance Sheet Date**

All material post Balance Sheet events have been considered, disclosed and adjusted where applicable.

### **1.9.3 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 expenses 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.

### **1.9.4 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 adjustment in the financial statements.

### **1.9.5 New Accounting Standards Issued but not effective as at Balance Sheet Date**

Two new standards issued by the Institute of Chartered Accountants of Sri Lanka have not been applied in preparing these Consolidated financial statements as they were not effective for the year ended 31 March 2010.

Sri Lanka Accounting Standard 44 - Financial Instruments. Presentation provides for the following,

- Guidance regarding the classification of financial instruments as equity or debt and for the accounting for compound instruments with characteristics of both equity and debt instruments based on the substance of the contractual arrangement.
- Criteria are specified for the netting of financial assets and financial liabilities. Netting requires a legal right of set off as well as the intention to offset the assets and liabilities or settle simultaneously.

Sri Lanka Accounting Standard 45 - Financial Instruments: Recognition and Measurement provides the principles for recognising and measuring financial assets and financial liabilities.

The above Standards are effective for annual periods beginning on or after 1st January 2011.

The Company has not evaluated the potential effect of these Standards and, the impact of the above requirements has not been quantified as at balance sheet date.



## 2. Revenue

### 2.1 Analysis of Segmental Results

	External		Group Intra Group		Total Revenue	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
<b>Sri Lankan Sector</b>						
Resorts & Hotels	1,138,205	957,863	557	2,254	1,138,762	960,117
Others	87,222	125,819	202,326	159,267	289,548	285,086
<b>Total Sri Lanka Sector</b>	1,225,427	1,083,682	202,883	161,521	1,428,310	1,245,203
<b>South Asian Sector</b>	6,095,056	5,528,211	122,251	158,169	6,217,307	5,686,380
	7,320,483	6,611,893	325,134	319,690	7,645,617	6,931,583
Intra group revenue					(325,134)	(319,690)
<b>Total</b>					7,320,483	6,611,893

#### 2.1.1 Revenue Breakdown

	Group		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
<b>Total Revenue</b>	7,645,617	6,931,583	437,760	291,409
Less: Intra Group Revenue	(325,134)	(319,690)	-	-
<b>Gross Revenue</b>	7,320,483	6,611,893	437,760	291,409
Less: Revenue Tax	(319,499)	(300,661)	(181)	-
<b>Net Revenue</b>	7,000,984	6,311,232	437,579	291,409

#### 2.1.2 Categories of Revenue

	Group		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Apartment	2,879,017	3,201,549	157,858	127,369
Restaurant	2,139,332	1,354,762	214,098	127,642
Bar	655,059	598,014	40,232	25,634
Spa and Ayurvedic	145,294	150,512	15,410	2,128
Transfers & Excursions	849,185	808,687	426	-
Rent and Shop Income	168,720	179,642	7,132	6,946
Telephone	9,848	15,795	1,633	948
Diving and Windsurfing	182,198	168,797	-	-
Laundry	5,897	7,744	971	742
Sale of Air Tickets	196,453	-	-	-
Management Fees	89,480	126,391	-	-
<b>Total</b>	7,320,483	6,611,893	437,760	291,409

# Notes to the Financial Statements

## 2.2 Geographical Segment Analysis - Income Tax and Profits

	Group		Profit/(Loss)	
	Income Tax Expense		Before Taxation	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
<b>Sri Lankan Sector</b>				
Resorts & Hotels	9,197	(2,605)	(135,227)	(280,160)
Others	5,658	22,733	209,173	228,965
	14,855	20,128	73,946	(51,195)
Share of Results of Associates	-	-	4,595	(3,240)
<b>Total Sri Lankan Sector</b>	14,855	20,128	78,541	(54,435)
<b>South Asian Sector</b>	3,201	847	679,259	907,395
<b>Total</b>	18,056	20,975	757,800	852,960
Amortisation of Surplus on acquisition			40,386	14
Impairment of goodwill on acquisition			(5,334)	(7,641)
<b>Profit before Taxation</b>			792,852	845,333

## 3 Other Operating Income

	Group		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Recreation	1,745	285	47	75
Dividends (net) from investments	-	-	968,904	370,836
Profit on sale of Property, Plant & Equipment	11,802	18,296	444	1,750
Amortisation of surplus on acquisition	40,386	14	-	-
Foreign Currency Exchange Gain/(Loss)	7,449	40,183	(697)	12,254
Commission	8	5,785	-	-
Receipts on Insurance Claims	-	18,530	-	-
Reversal of provision for Doubtful debts	951	11,950	296	3,253
Profit on sale of Investments	-	218,992	-	-
Write back of Payables	16,232	-	-	-
Sale of Articles	1,234	-	-	-
Others	8,911	8,744	907	596
	88,718	322,779	969,901	388,764

## 4 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.

## 5 Other Operating Expenses - Indirect

	Group		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Administration & Establishment	1,538,269	1,499,783	75,555	72,045
Repairs and Maintenance	238,342	258,267	23,086	12,142
Energy	447,803	573,579	38,574	40,121
Selling & Marketing	288,196	181,218	16,806	16,797
Management Fees	57,265	38,702	21,647	9,610
	2,569,875	2,551,549	175,668	150,715

## 6 Profit from Operations

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

	Group		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Cost of inventories & services	1,636,144	1,418,714	90,051	67,520
Depreciation	664,003	578,600	89,097	95,993
Amortisation	77,344	19,858	-	-
Impairment of Goodwill	5,334	7,641	-	-
Impairment of other long term investments	5,456	-	-	-
Directors Emoluments	6,705	383	7	7
Auditors' remuneration				
- KPMG Ford , Rhodes, Thornton & Co.	2,920	2,537	370	320
- Other auditors	731	713	-	-
Fees paid to Auditors for non Audit services				
- KPMG Ford , Rhodes, Thornton & Co.	856	747	145	259
- Other auditors	2,183	3,098	-	-
Finance charges on leases	1,500	1,500	-	-
Provision for Bad and doubtful debts	42,815	(5,595)	(296)	(3,253)
Donations	10	-	10	-
Contribution to Provident Fund	19,854	19,578	7,871	6,385
Contribution to Employees Trust Fund	3,997	3,943	1,342	1,200
Employee Benefits	13,310	5,903	3,816	2,037
Legal Fees	1,793	585	409	216

## 7 Finance Expenses

	Group		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Interest on Long-Term Loans	361,329	352,510	160,572	178,711
Interest on Short -Term Loans	16,535	16,213	1,303	1,075
	377,864	368,723	161,875	179,786

## 8 Share of profit / (Loss) of Associates after Tax

	Group	
	2009/10 Rs. '000	2008/09 Rs. '000
M. P. S. Hotels Ltd.	(481)	(3,007)
Browns Beach Hotels PLC.	5,076	(233)
	4,595	(3,240)

# Notes to the Financial Statements

## 9 Income Tax Expense

- 9.1** 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 business 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:**

### 9.2 Sri Lankan Sector

- 9.2.1** Golden Sun Resorts (Pvt) Ltd., is exempt from income tax for a period of ten years ending in 2012/2013 under section 17 of BOI law No 4 of 1978.
- 9.2.2** The profits of Aitken Spence Hotel Management Asia (Pvt) Ltd., is exempt from Income Tax for a period of three years, in terms of the 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 are taxed at 12 per cent.
- 9.2.3** The business profits and income of Hethersett Hotels Ltd , Aitken Spence Hotels Ltd., Kandalama Hotels Ltd., and Neptune Ayurvedic Villagee (Pvt) Ltd., being Companies involved in the promotion of tourism are liable for tax at a concessionary rate of 15 per cent in terms of section 45 of the Inland Revenue Act No. 10 of 2006.
- 9.2.4** Social Responsibility Levy of 1.5 per cent which 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 under income tax expenses.

### 9.3 South Asian Sector

- 9.3.1** 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 Ltd., and Aitken Spence Hotel Managements (South India) Pvt Ltd., and Business Travel Services LLC 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.
- 9.3.2** The profits of Jetan Travel Services Co. Pvt Ltd., Cowrie Investment Pvt Ltd., ADS Resorts (Pvt) Ltd., and Unique Resorts (Pvt) Ltd being Companies incorporated in the Republic of Maldives are not liable for corporate income 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.
- 9.3.3** The Profit of Ace Ayurvedic (Pvt) Ltd. and Aitken Spence Hotels International Ltd., are exempt from Income Tax in terms of Section 13(b) of the Inland Revenue Act No.10 of 2006.
- 9.3.4** 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.
- 9.3.5** 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 for an effective income tax rate of 30.9 per cent as per the Indian tax law.
- 9.3.6** Business Travel Services LLC being a Company incorporated in Oman would be liable for tax in Oman as per Oman tax law.

### 9.4 Associate Companies

- 9.4.1** The business profits and income of Browns Beach Hotels PLC and MPS Hotels Ltd., being Companies involved in the promotion 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.

### 9.5 Income Tax Expense

	Group		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Taxation on current year profits	13,908	24,922	800	120
Over / Under provision in previous years	-	(230)	-	-
Tax on Dividends	10,855	925	-	-
Deferred tax charge / (reversal)	(6,707)	(4,642)	-	-
	18,056	20,975	800	120

## 9.6 Reconciliation of Accounting Profit to Income Tax Expenses

	Group		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
<b>Operating Profit before tax</b>	788,258	848,573	810,498	113,595
Share of Profits / (Losses) of Associate Companies	4,595	(3,240)	-	-
Other Consolidated Adjustments	(35,051)	7,627	-	-
<b>Profit after Adjustment</b>	757,802	852,960	810,498	113,595
Income not liable for Income Tax	(902,780)	(1,077,438)	(968,904)	(372,703)
<b>Adjusted Profits/(Losses)</b>	(144,978)	(224,478)	(158,406)	(259,108)
Aggregate Disallowed Expenses	167,343	182,651	95,332	110,391
Capital Allowances	(226,216)	(167,611)	(88,871)	(87,209)
Aggregate Allowable Expenses	(18,989)	(12,089)	(906)	(3,218)
Utilisation of tax losses	(1,208)	-	-	-
Current year Losses not utilised	294,678	283,354	155,042	239,465
<b>Taxable Income</b>	70,630	61,827	2,191	321
<b>Income Tax Charged at</b>				
Standard Rate	1,100	165	800	120
Concessionary Rate of 15%	9,620	475	-	-
Off Shore Profits at Varying Rates	3,188	24,282	-	-
	13,908	24,922	800	120
Dividend Tax	10,855	925	-	-
Under /(Over) Provision for Previous Year	-	(230)	-	-
	24,763	25,617	800	120
Deferred Tax Charge /(Reversal)	(6,707)	(4,642)	-	-
<b>Total Income Tax Expense</b>	18,056	20,975	800	120

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

- 9.7** The Companies in the Group have tax losses amounting to Rs. 1,746,605,793 (2008/09 - 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 amounted to Rs. 98,764,970. (2008/09 - Rs. 72,563,633)
- 9.8** Aitken Spence Hotel Holding PLC has a tax loss amounting to Rs. 1,448,638,937 (2008/09 - Rs. 1,285,119,099) which are available to be set off against the future tax profits of the company. Deferred tax assets, not accounted on these losses amounts to Rs. 69,718,537 (2008/09 - Rs. 49,832,033/-)

## 10 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	
	2009/10 Rs.	2008/09 Rs.	2009/10 Rs.	2008/09 Rs.
Profit after taxation and minority interest attributable to Aitken Spence Hotel Holdings PLC.	523,775,690	592,586,873	809,697,948	113,474,949
Preference dividend	(14,850,000)	(14,850,000)	(14,850,000)	(14,850,000)
	508,925,690	577,736,873	794,847,948	98,624,949
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
<b>Earnings per ordinary share (Rs.)</b>	13.24	15.03	20.68	2.57

# Notes to the Financial Statements

## 11 Dividends

	Group	
	2009/10 Rs. '000	2008/09 Rs. '000
<b>Preference Dividend</b>		
Preference dividend paid for 2008/09	(14,850)	(14,850)
<b>Ordinary Dividend</b>		
Final ordinary dividend paid for 2008/09	(19,217)	(38,433)
	(34,067)	(53,283)
Final ordinary dividend proposed for 2009/10	72,062	19,217
Preference Dividend proposed for 2009/10	14,850	14,850
<b>Ordinary Dividend per Share - (Rs.)</b>	<b>1.50</b>	<b>0.50</b>

The Directors have recommended a first and final dividend of Rs. 1.50 per share and a 9 per cent cumulative preference dividend for the year ended 31st March 2010 (2008/09 - 50 cents) If approved at the Annual General Meeting on 29th June 2010 the final dividend will be paid out of dividends received from Subsidiary Companies from which 10 per cent withholding tax has been deducted.

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 2010.

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

## 12 Property, Plant and Equipment

### 12.1 Group

	Land (Freehold)	Buildings (Freehold)	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
<b>Cost or Valuation</b>								
Balance as at 01.04.2009	957,660	7,435,139	1,674,041	100,590	679,573	279,118	155,617	11,281,738
Subsidiaries Acquired during the year	21,253	483,763	72,238	2,930	40,088	45,956	-	666,228
Exchange Difference	16,290	(67,920)	(10,882)	(1,002)	(3,207)	(2,163)	1,273	(67,611)
Additions	3,091	65,252	63,512	4,225	8,289	26,778	123,806	294,953
Transfers	-	168,932	24,323	1,914	23,771	8,975	(227,915)	-
Disposals	-	-	(12,343)	(4,856)	(6,930)	(31,360)	-	(55,489)
<b>Balance as at 31.03.2010</b>	<b>998,294</b>	<b>8,085,166</b>	<b>1,810,889</b>	<b>103,801</b>	<b>741,584</b>	<b>327,304</b>	<b>52,781</b>	<b>12,119,819</b>
<b>Accumulated Depreciation</b>								
Balance as at 01.04.2009	-	1,276,266	784,269	69,747	279,275	178,450	7,024	2,595,031
Subsidiaries Acquired during the year	-	38,422	62,511	2,930	33,605	40,775	-	178,243
Exchange Difference	-	(15,011)	(5,791)	(757)	(1,875)	(1,408)	-	(24,842)
Charge for the Year	-	384,093	164,499	8,029	63,630	42,335	1,417	664,003
Disposals	-	-	(7,104)	(4,856)	(6,024)	(30,673)	-	(48,657)
<b>Balance as at 31.03.2010</b>	<b>-</b>	<b>1,683,770</b>	<b>998,384</b>	<b>75,093</b>	<b>368,611</b>	<b>229,479</b>	<b>8,441</b>	<b>3,363,778</b>
<b>Written Down Value as at 31.03.2010</b>	<b>998,294</b>	<b>6,401,396</b>	<b>812,505</b>	<b>28,708</b>	<b>372,973</b>	<b>97,825</b>	<b>44,340</b>	<b>8,756,041</b>
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



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

Assets pledged as security against borrowings are disclosed in Note No. 25.1.

## 12.2 Company

	Land (Freehold)	Buildings (Freehold)	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
<b>Cost or Valuation</b>							
Balance as at 01.04.2009	261,600	955,420	408,731	1,660	208,182	47,096	1,882,689
Additions	-	250	611	-	497	734	2,092
Disposals	-	-	-	-	-	(2,410)	(2,410)
<b>Balance as at 31.03.2010</b>	261,600	955,670	409,342	1,660	208,679	45,420	1,882,371
<b>Accumulated Depreciation</b>							
<b>Balance as at 01.04.2009</b>	-	89,170	124,460	1,660	57,677	39,841	312,808
Charge for the Year	-	17,346	46,973	-	20,838	3,940	89,097
Disposal	-	-	-	-	-	(2,410)	(2,410)
<b>Balance as at 31.03.2010</b>		106,516	171,433	1,660	78,515	41,371	399,495
<b>Written Down Value as at 31.03.2010</b>	261,600	849,154	237,909	-	130,164	4,049	1,482,876
Written Down Value as at 31.03.2009	261,600	866,250	284,271	-	150,505	7,255	1,569,881

**12.3** There were no borrowing costs capitalised by the Group during the year. The total interest cost capitalised to date under buildings amounts to Rs. 150,451,052.

## 12.4 Revaluation details of Land and buildings of the Group

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.	Moragalla - Beruwela	2004	110,560	-	110,560
Heritance (Pvt) 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
			647,296	92,412	739,708

# Notes to the Financial Statements

- 12.4.1** Freehold land and buildings of 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".
- 12.4.2** 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.
- 12.4.3** The land at Heritance (Pvt) 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 Reserve.
- 12.4.4** 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.
- 12.4.5** The land at Heritance (Pvt) Ltd 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.
- 12.4.6** 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.
- 12.4.7** The land at Neptune Ayurvedic 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.
- 12.4.8** The 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.

## 12.5 The Carrying value of freehold land and building if they were carried at cost is as follows:

Company	Land		Buildings	
	Carrying Written Down Value as at 31.03.2010 Rs. '000	Revaluation Surplus Rs. '000	Amount at Cost as at 31.03.2010 Rs. '000	Carrying Written Down Value as at 31.03.2010 Rs. '000
Aitken Spence Hotel Holdings PLC	261,600	243,398	18,202	876,874
Heritance (Pvt) Ltd.	194,500	183,420	11,080	-
Ahungalla Resorts Ltd.	438,931	218,500	220,431	-
Neptune Ayurvedic Village (Pvt) Ltd.	4,425	362	4,063	-
Kandalama Hotels Ltd.	9,000	1,616	7,384	-
	<b>908,456</b>	<b>647,296</b>	<b>261,160</b>	<b>876,874</b>
				<b>92,412</b>
				<b>784,462</b>

## 12.6 Unexpired lease periods of land:

Kandalama Hotels Ltd.	32 years
Hethersett Hotels Ltd.	84 years
Aitken Spence Hotels Ltd.	33 years
Jetan Travel Services Co. Pvt Ltd.	5.6 years
Cowrie Investment (Pvt) Ltd.	13 years
ADS Resorts (Pvt) Ltd.	4 years
Unique Resorts (Pvt) Ltd.	10 years

## 12.7 Capital Expenditure Commitments

The following commitments for capital expenditure approved by the Directors as at 31st March, 2010 have not been provided for in the accounts.

	Group	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Approximate amount approved but not contracted for	767,051	105,696
Approximate amount contracted for but not accounted	32,643	7,937
	799,694	113,633

## 13 Leasehold Property

### 13.1 Pre paid Lease Rental

	Group	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000
<b>Cost</b>		
Balance brought forward	75,000	75,000
Payments made during the year	-	-
<b>Balance carried forward</b>	75,000	75,000
<b>Accumulated Amortisation</b>		
Balance brought forward	(25,500)	(24,000)
Amortised during the year	(1,500)	(1,500)
<b>Balance carried forward</b>	(27,000)	(25,500)
<b>Net Balance</b>	48,000	49,500
<b>Payable - Less than one year</b>	1,500	1,500
<b>- More than one year</b>	46,500	48,000
	48,000	49,500

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.

### 13.2 Leasehold Rights

	Group	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000
<b>Acquisition Cost</b>		
Balance brought forward	1,564,704	1,401,920
Exchange Difference	(18,784)	99,270
Additions	51,340	63,514
<b>Balance carried forward</b>	1,597,260	1,564,704
<b>Accumulated Amortisation</b>		
Balance brought forward	(59,553)	(44,933)
Exchange Difference	1,252	(3,903)
Amortised during the year	(70,510)	(10,717)
<b>Balance carried forward</b>	(128,811)	(59,553)
Unamortised leasehold rights as at 31st March	1,468,449	1,505,151
<b>Total Leasehold Property</b>	1,516,449	1,554,651

# Notes to the Financial Statements

## 14 Intangible Assets

### 14.1 Goodwill

	Group	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Balance as at 01.04.2009	1,524	3,048
Additions during the year	3,810	6,117
Impairment during the year	(5,334)	(7,641)
Balance as at 31.03.2010	-	1,524

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 the 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 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.

## 15 Investment in Subsidiaries and Joint Ventures

### 15.1 Investments in Subsidiaries and Joint Ventures – Unquoted

			Company		
	Number of Shares	Company Holding	Group Holding	31.03.2010 Rs. '000	31.03.2009 Rs. '000
<b>a) Equity Shares</b>					
<b>Subsidiary Companies</b>					
Aitken Spence Hotels Ltd.	14,676,804	97.85%	97.85%	149,248	149,234
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.	24,514,500	87.55%	87.55%	161,146	98,406
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.	10,744,582	51.00%	51.00%	181,024	181,024
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	5,125,500	51.00%	51.00%	51,255	255
Golden Sun Resorts (Pvt) Ltd	96,812,322	100.00%	100.00%	353,679	-
				1,419,734	952,301
<b>Joint Ventures</b>					
Aitken Spence Hotel Managements (South India) Pvt Ltd.	499,625	50.00%	25.50%	-	-
Business Travel Services LLC	137,500	50.00%	25.50%	-	-
Net book value as at 31st March				1,419,734	952,301
<b>b) Preference Shares</b>					
Hethersett Hotels Ltd.	5,000,000			50,000	50,000
<b>Net book value of Investments in subsidiaries and Joint Ventures – unquoted as at 31st March</b>				1,469,734	1,002,301

## 15.2 Investments in Sub Subsidiaries and Joint Ventures

				Group	
	Number of Shares	Company Holding	Group Holding	31.03.2010 Rs. '000	31.03.2009 Rs. '000
<b>a) Equity Shares</b>					
<b>Sub Subsidiary Companies</b>					
<b>Aitken Spence Hotels Ltd.</b>					
- Kandalama Hotels Ltd.	10,216,216	63.00%	61.65%	234,406	234,406
- Heritance (Pvt) Ltd. (Formerly Pearl Beach Hotels Ltd.)	25,627	100.00%	97.85%	14,751	14,751
				249,157	249,157
<b>Crest Star (BVI) Ltd.</b>					
- Jetan Travel Services Co. (Pvt) Ltd.	47,500	95.00%	95.00%	327,699	331,692
				327,699	331,692
<b>Aitken Spence Hotels International Ltd.</b>					
- ADS Resort (Pvt) Ltd.	1,275,000	100.00%	51.00%	103,970	103,970
- Unique Resorts (Pvt) Ltd.	6,375,000	100.00%	51.00%	562,663	562,663
- Aitken Spence Hotel Services (Pvt) Ltd.	10,000	100.00%	51.00%	271	271
				666,904	666,904
<b>Aitken Spence Hotel Managements Asia (Pvt) Ltd.</b>					
- PR Holiday Homes (Pvt) Ltd.	586,067	83.90%	42.79%	166,453	166,453
				166,453	166,453
<b>b) Preference Shares</b>					
<b>Sub Subsidiary Companies</b>					
<b>Crest Star (BVI) Ltd.</b>					
- Unique Resorts (Pvt) Ltd.	2,540,000	100%	100%	228,180	-
				228,180	-
<b>c) Joint Ventures</b>					
<b>Aitken Spence Hotels International Ltd.</b>					
- Aitken Spence Hotel Managements (South India) Pvt Ltd.	499,625	50.00%	25.50%	12,217	12,217
				12,217	12,217
<b>Aitken Spence Hotel Managements Asia (Pvt) Ltd.</b>					
- Business Travel Services LLC.	137,500	50.00%	25.50%	47,148	-
				47,148	-

Kandalama Hotels Ltd., and Heritance (Pvt) 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., Aitken Spence Hotel Services (Pvt) Ltd., are subsidiaries of Aitken Spence Hotels (International) Ltd.

Aitken Spence Hotel Management (South India) Pvt Ltd., is a Joint Venture of Aitken Spence Hotels International Ltd.

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

Business Travel Services LLC., is a joint venture of Aitken Spence Hotel Managements Asia (Pvt) Ltd.

# Notes to the Financial Statements

## 16 Investments in Associate Companies

### 16.1 Investment in Associate Companies- Unquoted

	Group				Company			
	No. of Shares	Group Holding	31.03.2010 Rs. '000	31.03.2009 Rs. '000	No. of Shares	Company Holding	31.03.2010 Rs. '000	31.03.2009 Rs. '000
M. P. S. Hotels Ltd.	985,000	29.60%	32,912	32,912	985,000	29.60%	32,912	32,912
Investments made during the year	457,465	0.75%	3,202	-	457,465	0.75%	3,202	-
<b>Net book value as at 31st March</b>	1,442,465	30.35%	36,114	32,912	1,442,465	30.35%	36,114	32,912
Share of movement in equity value			3,630	4,111				
<b>Equity value of investment</b>			39,744	37,023				

### 16.2 Investment in Associate Companies- Quoted

	Group				Company			
	No. of Shares	Group Holding	31.03.2010 Rs. '000	31.03.2009 Rs. '000	No. of Shares	Company Holding	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Browns Beach Hotels PLC	2,841,719	29.46%	67,810	67,810	2,754,951	28.69%	66,075	66,075
<b>Net book value as at 31st March</b>			67,810	67,810			66,075	66,075
Share of movement in equity value			(72)	(5,148)				
Surplus on revaluation			85,433	85,433				
<b>Equity value of Investment</b>			153,171	148,095				
Market value of quoted investment as at 31st March			206,025	82,410			199,734	79,894
Equity value					Net book value			
– Unquoted (Note No. 16.1)			39,744	37,023	– Unquoted		36,114	32,912
Equity value					Net book value			
– Quoted (Note No. 16.2)			153,171	148,095	– Quoted		66,075	66,075
<b>Equity value of investments in Associate Companies as at 31st March</b>			192,915	185,118	Net book value 31st March		102,189	98,987

### 16.3 Summarised Financial Data of Associate Companies and Joint Ventures

	Associate Companies		Joint Ventures	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Total Revenue	317,204	289,636	779,258	2,518
Net Profit/(Loss) before Taxation	18,383	(10,869)	(33,992)	(15,747)
Income Tax Expenses	(4,495)	(80)	8,343	-
<b>Net Profit/(Loss) after Taxation</b>	<b>13,888</b>	<b>(10,949)</b>	<b>(25,649)</b>	<b>(15,747)</b>
Total Assets	779,811	750,988	158,260	10,454
Total Liabilities	(128,930)	(123,210)	(96,447)	(4,062)
<b>Net Assets</b>	<b>650,881</b>	<b>627,778</b>	<b>61,813</b>	<b>6,392</b>
<b>Group Share of Results</b>				
Net Profit/(Loss) after Taxation	4,595	(3,240)	(6,541)	(4,015)
Net Assets	192,915	185,118	15,762	1,630



## 17 Long Term Investments

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Barefoot Resort and Leisure (Pvt) Ltd. (25, 000 shares of INR 1312.50/- each)	90,576	91,431	-	-
Less: Impairment of Investments	(5,456)	-	-	-
	85,120	91,431		
Floatels India (Pvt) Ltd. (988,764 shares at INR 55/- each)	126,650	126,650	-	-
	211,770	218,081	-	-

## 18 Deferred Tax Assets

	Group	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000
<b>Deferred Tax Assets</b>		
Tax effect of Companies acquired during the year	447	-
Tax effect on Tax losses	2,207	-
Tax effect on other Items	51	-
	2,705	-
<b>Less: Deferred Tax Liability</b>		
Tax effect on Property, Plant and Equipment	8	-
	8	-
<b>Net Deferred Tax Asset</b>	2,713	-
<b>Deferred Tax Assets</b>		
Balance as at the beginning of the year	-	-
Exchange gains and losses	139	-
Companies acquired during the year	447	-
Transfer from Income Statement	2,127	-
Balance as at the end of the year	2,713	-

### Movement in tax effect of temporary differences

	Group 2010				
	Balance as at 01st April 2009 Rs.'000	Recognised in profit or loss Rs.'000	Exchange gain/Loss	Companies acquired Rs.'000	Balance as at 31st March April 2010 Rs.'000
<b>Deferred Tax asset</b>					
Tax losses carried forward	-	2,072	135	-	2,207
Other items	-	48	3	-	51
Companies accquired during the year	-	-	-	447	447
	-	2,120	138	447	2,705
<b>Less: Deferred tax liability</b>					
Property, plant and equipment	-	7	1	-	8
	-	7	1	-	8
<b>Net deferred tax assets</b>	-	2,127	139	447	2,713

On assessment of the deferred tax assets arising from temporary differences which can be utilised against future taxable profits as per SLAS 14 has been recognised in the financial statements during the year.

# Notes to the Financial Statements

## 19 Inventories

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Food	48,952	67,201	3,216	2,873
Beverage	32,405	25,939	3,189	2,130
Maintenance	20,122	31,519	4,309	8,378
Stationery	8,322	9,915	524	523
Housekeeping	20,991	18,565	716	814
Ayurveda Stocks	1,340	2,525	-	-
Fuel & Others	46,152	38,385	879	644
	178,284	194,049	12,833	15,362

There were no inventories pledged as security for banking facilities as at 31st March 2010 ( as at 31st March 2009- nil).

## 20 Trade and Other Receivables

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
<b>Trade Debtors</b>	813,184	966,827	44,160	22,303
Provision for bad and doubtful debts	(62,305)	(19,490)	(16)	(312)
	750,879	947,337	44,144	21,991
<b>Other Receivables</b>	21,649	35,274	4,308	20,413
<b>Total</b>	772,528	982,611	48,452	42,404

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

No loans have been given to Directors of the company.

## 21 Amount Due From Parent's Group Entities

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Aitken Spence Travels (Pvt) Ltd.	178,784	89,955	68,286	26,928
Ace Travels and Conventions (Pvt) Ltd.	302	19,978	-	6,277
Aitken Spence Hotel Managements (Pvt) Ltd.	97,625	102,412	18,946	14,185
Ace Container (Pvt) Ltd	79	-	-	-
Aitken Spence Shipping Ltd.	80	61	31	30
Ace Cargo (Pvt) Ltd.	39	95	-	68
Aitken Spence Overseas Travels Services (Pvt) Ltd	100	-	-	-
Ace International Express (Pvt) Ltd.	349	20	-	20
Aitken Spence Resources (Pvt) Ltd.	130	130	-	-
Aitken Spence Aviations (Pvt) Ltd.	-	97	-	13
Aitken Spence Hotel Managements (South India) Pvt Ltd.	2,770	515	-	-
Aitken Spence Insurance (Pvt) Ltd.	-	1,385	-	-
Business Travel Services LLC	818	-	-	-
Ahungalla Resorts Ltd.	-	-	250,815	247,300
Aitken Spence Hotels Ltd.	-	-	72,157	3,449
Ace Ayurvedic (Pvt) Ltd.	-	-	-	5,400
Neptune Ayurvedic Village (Pvt) Ltd.	-	-	26,347	25,528
Hethersett Hotels Ltd.	-	-	-	80,239
Cowrie Investments (Pvt) Ltd.	-	-	-	147,556
Kandalama Hotels Ltd.	-	-	-	126,905
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	-	-	231,878	299,905
Golden Sun Resorts (Pvt) Ltd	-	-	573	-
Aitken Spence Hotels (International) Ltd.	-	-	-	127,132
	281,076	214,648	669,033	1,110,935

## 22 Short Term Deposits

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Fixed Deposits	-	132,384	-	-
Treasury Bills	296,700	41,500	296,700	41,500
Term Deposits	78,697	167,937	-	23,096
	375,397	341,821	296,700	64,596

### 22.1 Cash and Cash Equivalents

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Short term Deposits (Note 22)	375,397	341,821	296,700	64,596
Cash and Cash Equivalents	90,430	116,778	15,620	14,097
	465,827	458,599	312,320	78,693
Less: Short term Bank Borrowings	(34,741)	(217,092)	-	-
<b>Total Cash and Cash Equivalents for Cash Flow Statement</b>	431,086	241,507	312,320	78,693

## 23 Stated Capital

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
<b>Issued &amp; Fully Paid Ordinary Share Capital</b>				
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
<b>Preference Share Capital</b>				
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 (Note 23.1)	507,102	507,102	507,102	507,102
<b>Total</b>	1,056,433	1,056,433	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 which are cumulative and redeemable do not carry the right to vote. All shares rank equally with regard to residual assets, except that preference shareholders participate only to the extent of the face value of shares adjusted for dividends in arrears.

Preference shareholders are entitled to dividends at a rate of 9 per cent annually.

### 23.1 Share Premium

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

# Notes to the Financial Statements

## 24 Reserves

		Group		Company	
		31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Revaluation Reserve	(Note 24.1)	834,927	834,927	335,810	335,810
General Reserve	(Note 24.2)	20,840	260,287	20,840	20,840
Exchange Fluctuation Reserve	(Note 24.3)	342,760	367,312	-	-
Total		1,198,527	1,462,526	356,650	356,650
<b>Transaction Movement</b>					
<b>Balance as at 01.04.2009</b>		1,462,526	1,034,550	356,650	356,650
Transfer to Retained Earnings		(239,447)	-	-	-
Transfers to Exchange fluctuation Reserve during the year		(24,552)	136,822	-	-
Revaluations made during the year		-	291,154	-	-
<b>Balance as at 31.03.2010</b>		<b>1,198,527</b>	<b>1,462,526</b>	<b>356,650</b>	<b>356,650</b>

### 24.1 Revaluation Reserves

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

### 24.2 General Reserves

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

### 24.3 Exchange Fluctuation Reserves

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

## 25 Interest Bearing Borrowings

### 25.1 Analysed by Lending Institutions

Group			
Lending Institution	31.03.2010 Rs. '000	31.03.2009 Rs. '000	Remarks
DFCC Bank PLC	205,211	250,000	Comprises of two Loans Loan 1 - Repayable in 66 monthly instalments commencing from September 2007 for which Corporate Guarantee from Aitken Spence PLC has been provided as security.  Loan 2 - Repayable in 42 monthly instalments commencing from January 2010 for which Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security.
Bank of Ceylon	34,183	42,500	Repayable in 60 monthly instalments commencing from June 2007 for which Corporate Guarantee from Aitken Spence PLC. has been provided as security
Hongkong & Shanghai Banking Corporation Ltd.	726,395	327,194	Comprises of three Loans Loan 1 - Repayable in 60 monthly instalments commencing from January 2007 for which Mortgage over leasehold rights of a Maldives Hotel Property has been provided as security

## 25.1 Analysed by Lending Institutions (Contd.)

Group			
Lending Institution	31.03.2010 Rs. '000	31.03.2009 Rs. '000	Remarks
			Loan 2 - Repayable in 36 monthly instalments commencing from July 2008 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security.
			Loan 3 - Repayable in 60 monthly instalments commencing from April 2010 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security.
Hatton National Bank PLC	2,534,667	3,380,049	Comprises of six Loans Loan 1 - Repayable in 60 monthly instalments 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 instalments commencing from May 2008. for which Mortgage over leasehold rights of a Maldives Hotel Property has been provided as a security.  Loan 3 - Repayable in 72 monthly instalments commencing from May 2008 for which Corporate Guarantee from Aitken Spence PLC has been provided as security.  Loan 4 - Repayable in 84 monthly instalments commencing from August 2009 for which a Mortgage over leasehold rights of a Maldives Hotel Property has been provided as security  Loan 5 - Repayable in 48 monthly instalments commencing from December 2009 for which Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security.  Loan 6 - Repayable in 60 monthly instalments commencing from May 2010 for which immovable property of the Hotel has been mortgaged.
Nations Trust Bank PLC	314,261	422,022	Repayable in 60 monthly instalments 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	349	491	Repayable in 36 monthly instalments commencing from October 2008 for which the assets funded has been provided as security.
<b>Total Loans</b>	3,815,066	4,422,256	
Current portion of interest bearing borrowings	(852,746)	(675,895)	
<b>Total interest bearing borrowings</b>	2,962,320	3,746,361	

# Notes to the Financial Statements

## 25.2 Movement in Interest bearing borrowings

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
<b>Balance brought forward</b>	4,422,256	3,428,455	1,264,720	1,313,682
Exchange difference	(38,004)	149,822	-	-
Loans received during the year	617,238	1,274,892	6,200	-
Loan repayments during the year	5,001,490	4,853,169	1,270,920	1,313,682
	(1,186,424)	(430,913)	(580,840)	(48,962)
Current portion of interest bearing borrowings	3,815,066	4,422,256	690,080	1,264,720
	(852,746)	(675,895)	(68,612)	(177,657)
<b>Interest bearing borrowings outstanding as at 31st March</b>	<b>2,962,320</b>	<b>3,746,361</b>	<b>621,468</b>	<b>1,087,063</b>

## 25.3 Currency Analysis of Interest Bearing Borrowings

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
SL - Rupees	727,752	1,264,720	690,080	1,264,720
Indian Rupees	349	491	-	-
United States Dollars	3,086,965	3,157,045	-	-
	<b>3,815,066</b>	<b>4,422,256</b>	<b>690,080</b>	<b>1,264,720</b>

## 25.4 Analysed by repayment period

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Payable within one year	852,747	675,895	68,612	177,657
Payable between one and two years	674,409	899,696	68,612	233,213
Payable between two and five years	1,897,114	1,959,643	509,080	659,408
Payable after five years	390,796	887,022	43,776	194,442
	<b>3,815,066</b>	<b>4,422,256</b>	<b>690,080</b>	<b>1,264,720</b>

## 26 Government Grants

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
<b>Receipts</b>				
Balance brought forward	1,560	1,560	-	-
Received during the year	-	-	-	-
<b>Balance carried forward</b>	<b>1,560</b>	<b>1,560</b>	<b>-</b>	<b>-</b>
<b>Accumulated Amortisation</b>				
Balance brought forward	(169)	(13)	-	-
Amortised during the year	(156)	(156)	-	-
<b>Balance carried forward</b>	<b>(325)</b>	<b>(169)</b>	<b>-</b>	<b>-</b>
<b>Net Balance</b>	<b>1,235</b>	<b>1,391</b>	<b>-</b>	<b>-</b>

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.



**27 Deferred Tax Liabilities**

	<b>Group</b>		<b>Company</b>	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
<b>Deferred Tax Liability</b>				
Tax effect of property, plant and equipment	103,184	92,144	-	-
Tax effect of undistributed profits of consolidated entities	29	3,319	-	-
Tax effect of Companies acquired during the year	44,664	-	-	-
	147,877	95,463	-	-
<b>Deferred Tax Assets</b>				
Tax effect of defined benefit obligations	(1,666)	(1,017)	-	-
Tax effect of tax losses carried forward	(15,830)	(4,149)	-	-
	(17,496)	(5,166)	-	-
<b>Net Deferred Tax Liability</b>	130,381	90,297	-	-
<b>Balance brought forward</b>	90,297	94,939	-	-
Companies Acquired during the year	44,664	-	-	-
Transfer from / (to) Income Statement	(4,580)	(4,642)	-	-
<b>Balance carried Forward</b>	130,381	90,297	-	-

**Movement in tax effect of temporary differences**

	<b>Group</b>				<b>2008/2009</b>		
	<b>2009/2010</b>						
	Balance as at 01st April 2009 Rs.000	Recognised in profit & loss Rs.000	Companies acquired Rs.000	Balance as at 31st March 2010 Rs.000	Balance as at 01st April 2008 Rs.000	Recognised in profit & loss Rs.000	Balance as at 31st March 2009 Rs.000
<b>Deferred Tax - Liability</b>							
Property , Plant & Equipment	92,144	11,040	-	103,184	240,065	(147,921)	92,144
Tax effect of undistributed profits of consolidated entities	3,319	(3,290)	-	29	7,241	(3,922)	3,319
Companies acquired during the year	-	-	44,664	44,664	-	-	-
	95,463	7,750	44,664	147,877	247,306	(151,843)	95,463
<b>Deferred Tax - Assets</b>							
Defined Benefit Obligation	(1,017)	(649)	-	(1,666)	(2,941)	1,924	(1,017)
Tax Losses Carried Forward	(4,149)	(11,681)	-	(15,830)	(149,426)	145,277	(4,149)
	(5,166)	(12,330)	-	(17,496)	(152,367)	147,201	(5,166)
<b>Net Deferred Tax Liability</b>	90,297	(4,580)	44,664	130,381	94,939	(4,642)	90,297

# Notes to the Financial Statements

	Company			Company		
	2009/2010			2008/2009		
	Balance as at 01st April 2009 Rs.'000	Recognised in profit or loss Rs.'000	Balance as at 31st March 2010 Rs.'000	Balance as at 01st April 2008 Rs.'000	Recognised in profit or loss Rs.'000	Balance as at 31st March 2009 Rs.'000
<b>Deferred Tax - Liability</b>						
Property , Plant & Equipment	-	-	-	144,299	-	144,299
Share Based Payments	-	-	-	-	-	-
	-	-	-	144,299	-	144,299
<b>Deferred Tax - Assets</b>						
Defined Benefit Obligation	-	-	-	(1,161)	-	(1,161)
Tax Losses Carried Forward	-	-	-	(143,138)	-	(143,138)
		-	-	(144,299)	-	(144,299)
<b>Net Deferred Tax Liability</b>	-	-	-	-	-	-

## 28 Employee Benefits

### 28.1 Provision for retiring gratuities

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
<b>Balance brought forward</b>	22,629	20,915	8,312	7,743
Companies acquired during the year	3,389	-	-	-
Provision for the year	13,310	5,903	3,816	2,037
Payments made during the year	(7,813)	(4,189)	(462)	(1,468)
<b>Balance carried forward</b>	31,515	22,629	11,666	8,312

**28.2** The principal actuarial assumptions used in determining the liability were:

- Discount rate is equal to 12 per cent which is the market yield on government bonds on the date of the valuation.
- Salary increment will range between 7-11 per cent per annum.
- Retirement age of 55 years.
- The Company will continue in business as a going concern.

**28.3** The actuarial valuation was made on 31st March 2010. It is proposed that a valuation is obtained at least once in three years.

**28.4** The liability is not externally funded.

**28.5** The Actuarial valuation was carried out by professionally qualified actuaries, Mr. Poopalanathan of M/s Actuarial Management Consultants (Pvt) Ltd.

## 29 Other Provisions Payables

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Other Payables	592,488	579,081	71,852	36,106
Advances Received from Operators	198,303	198,863	-	-
Provision for Repairs of Buildings	-	20,647	-	-
<b>Total</b>	<b>790,791</b>	<b>798,591</b>	<b>71,852</b>	<b>36,106</b>

The unutilised provision of Rs. 20.6 million made for the reconstruction of tsunami damaged Plant Equipment and Buildings was written back to the income statement during the year.

## 30 Amount due to Parents' Group Entities

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Aitken Spence Exports Ltd.	9,252	7,028	8,228	5,000
Elevators (Pvt) Ltd.	436	216	-	-
Aitken Spence Travels (Pvt) Ltd.	362	-	-	-
Aitken Spence Overseas Travel Services (Pvt) Ltd.	-	28	-	-
Elpitiya Plantations PLC.	31	36	-	-
Aitken Spence Hotel Managements (Pvt) Ltd.	45,447	48,179	-	-
Ace Ayurvedic (Pvt) Ltd	-	-	5,287	-
Hethersett Hotels Ltd	-	-	7,531	-
Jetan Travel Services Co. (Pvt) Ltd.	-	-	2,629	2,629
ADS Resorts (Pvt) Ltd.	-	-	2,669	2,669
Kandalama Hotels Ltd.	-	-	37,795	-
	<b>55,528</b>	<b>55,487</b>	<b>64,139</b>	<b>10,298</b>

# Notes to the Financial Statements

## 31 Segmental Information

### 31.1 Assets

	Group			
	Total Assets		Net Assets	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
<b>Sri Lanka Sector</b>				
<b>Resorts &amp; Hotels</b>				
Aitken Spence Hotel Holdings PLC - Heritance Ahungalla	2,053,440	1,858,687	1,130,717	289,387
Aitken Spence Hotels Ltd. - Neptune Hotel	103,058	134,438	135,689	105,564
Ahungalla Resorts Ltd.	357,886	356,278	357,779	356,179
Heritance (Pvt) Ltd.	195,170	195,180	194,220	194,286
Neptune Ayurvedic Village (Pvt) Ltd.				
- Neptune Ayurveda Village	42,148	47,172	31,517	37,594
Kandalama Hotels Ltd. - Heritance Kandalama	762,651	749,659	181,230	293,041
Hethersett Hotels Ltd. - Heritance Tea Factory	264,030	239,001	191,121	212,494
Golden Sun Resorts (Pvt) Ltd - Ramada Resort	550,647	-	398,577	-
	4,329,030	3,580,415	2,620,850	1,488,545
<b>Others</b>				
Aitken Spence Hotels (International) Ltd.	62,429	78,332	(10,615)	(108,688)
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	186,880	229,051	84,703	111,771
	249,309	307,383	74,088	3,083
Associate Companies	88,990	84,396	88,990	84,396
<b>Total Sri Lanka Sector</b>	4,667,329	3,972,194	2,783,928	1,576,024
<b>South Asian Sector</b>				
Crest Star (BVI) Ltd.	70,479	299,854	29,026	241,575
Cowrie Investment (Pvt) Ltd. - Adaaran Select Meedhupparu	2,383,460	2,645,743	1,927,077	1,874,550
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran Club Rannalhi	990,883	1,144,937	134,406	773,828
ADS Resorts (Pvt) Ltd - Adaaran Select Huduran fushi	1,170,675	1,448,291	413,848	518,260
Unique Resorts (Pvt) Ltd - Adaaran Prestige Vadoo	3,039,080	3,021,623	1,292,380	910,331
Ace Ayurvedic (Pvt) Ltd.	801	1,262	(5,282)	199
Aitken Spence Hotel Management (South India) Pvt Ltd.	4,642	2,666	1,683	1,744
Aitken Spence Hotel Services (Pvt) Ltd.	6,437	7,059	5,388	6,743
P. R Holiday Homes (Pvt) Ltd.	183,165	166,218	179,415	165,351
Business Travel Services LLC	37,403	-	16,461	-
<b>Total South Asian Sector</b>	7,887,025	8,737,653	3,994,402	4,492,581
	12,554,354	12,709,847	6,778,330	6,068,605
Goodwill on Consolidation	-	1,524	-	1,524
<b>Total</b>	12,554,354	12,711,371	6,778,330	6,070,129

### 31.2 Property, Plant & Equipment

	Group Capital Expenditure		Depreciation & Amortisation	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
<b>Sri Lanka Sector</b>				
<b>Resorts &amp; Hotels</b>				
Aitken Spence Hotel Holdings PLC - Heritance Ahungalla	2,092	18,554	89,098	95,993
Aitken Spence Hotels Ltd. - Neptune Hotel	626	1,232	5,873	7,408
Ahungalla Resorts Ltd.	3,025	-	1,417	1,417
Neptune Ayurvedic Village (Pvt) Ltd. - Neptune Ayurveda Village	56	367	1,152	1,187
Kandalama Hotels Ltd. - Heritance Kandalama	26,780	8,549	47,435	49,479
Hethersett Hotels Ltd. - Heritance Tea Factory	51,725	46,625	7,324	7,966
Golden Sun Resorts (Pvt) Ltd - Ramada Resort	-	-	-	-
	84,304	75,327	152,299	163,450
<b>Others</b>				
Aitken Spence Hotels (International) Ltd	-	-	-	-
Aitken Spence Hotel Managements Asia (Pvt) Ltd	331	157	346	277
	331	157	346	277
<b>Total Sri Lanka Sector</b>	84,635	75,484	152,645	163,727
<b>South Asian Sector</b>				
Cowrie Investment (Pvt) Ltd. - Adaaran Select Meedhupparu	19,720	384,317	142,210	114,883
BIR Hotel Management (Pvt) Ltd. - Adaaran Club Bathala	-	-	-	6,559
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran Club Rannalhi	45,339	325,947	88,739	71,804
ADS Resorts (Pvt) Ltd. - Adaaran Select Huduran fushi	12,397	16,344	233,535	222,170
Unique Resorts (Pvt) Ltd. - Adaaran Prestige Vadoo	109,300	1,355,953	117,106	11,153
Ace Ayurvedic (Pvt) Ltd.	-	-	21	21
Aitken Spence Hotel Managements (South India) Pvt Ltd.	15	868	217	158
Aitken Spence Hotel Services (Pvt) Ltd.	299	1,921	457	342
P.R Holiday Homes (Pvt) Ltd.	22,938	11,248	-	-
Business Travel Services LLC	310	-	1,083	-
<b>Total South Asian Sector</b>	210,318	2,096,598	583,368	427,090
	294,953	2,172,082	736,013	590,817
Impairment of Goodwill on Acquisition	-	-	5,334	7,641
<b>Total</b>	294,953	2,172,082	741,347	598,458

# Notes to the Financial Statements

## 31.3 Liabilities & Non-Cash Expenses

	Group			
	Total Liabilities		Non-Cash Expenses	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
<b>Sri Lanka Sector</b>				
<b>Resorts &amp; Hotels</b>				
Aitken Spence Hotel Holdings PLC -Heritance Ahungalla	922,723	1,569,299	4,260	2,037
Aitken Spence Hotels Ltd. - Neptune Hotel	(32,631)	28,875	6,338	3,740
Ahungalla Resorts Ltd.	107	99	-	-
Pearl Beach Hotels Ltd.	950	894	-	-
Neptune Ayurvedic Village (Pvt) Ltd. - Neptune Ayurveda Village	10,630	9,579	1,275	183
Kandalama Hotels Ltd. - Heritance Kandalama	581,422	456,618	7,506	5,167
Hethersett Hotels Ltd. - Heritance Tea Factory	72,909	26,507	1,826	447
Golden Sun Resorts (Pvt) Ltd - Ramada Resort	152,069	-	882	-
	1,708,179	2,091,871	22,087	11,574
<b>Others</b>				
Aitken Spence Hotels International Ltd	73,045	187,020	(590)	243
Aitken Spence Hotel Managements Asia (Pvt) Ltd	102,177	117,281	2,658	-
	175,222	304,301	2,068	243
<b>Total Sri Lanka Sector</b>	1,883,401	2,396,172	24,155	11,817
<b>South Asian Sector</b>				
Crest Star (BVI) Ltd.	41,453	58,278	-	-
Cowrie Investment (Pvt) Ltd. - Adaaran Select Meedhupparu	456,383	771,193	-	-
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran Club Rannalhi	856,478	371,109	(253)	(162)
ADS Resorts (Pvt) Ltd. - Adaaran Select Huduran fushi	756,828	930,031	657	-
Unique Resorts (Pvt) Ltd. - Adaaran Prestige Vadoo	1,746,698	2,111,291	-	-
Ace Ayurvedic (Pvt) Ltd.	6,083	1,063	-	-
Aitken Spence Hotel Managements (South India) Pvt Ltd.	2,958	922	4	5
Aitken Spence Hotel Services (Pvt) Ltd.	1049	316	-	-
P R Holiday Homes (Pvt) Ltd.	3,751	867	-	-
Business Travel Services LLC	20,942	-	549	-
<b>Total South Asian Sector</b>	3,892,623	4,245,070	957	(157)
<b>Total</b>	5,776,024	6,641,242	25,112	11,660

## 32 Foreign Currency Translation

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

	31.03.2010 Rs. '000	31.03.2009 Rs. '000
US Dollar	114.09	115.48
Indian Rupee	2.54	2.25

## 33 Contingent Liabilities

The contingent liability as at 31st March 2010 on guarantees given by Aitken Spence Hotel Holdings PLC to third parties on facilities obtained by subsidiaries amounted to Rs 985,462,500 ( 31.03.2009 - Rs. 808,500,000).

### 34 Related Party Transactions

#### 34.1 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 31.03.2010 are as follows.

Name of the Related Party	Relationship	Nature of Transaction	Group		Company	
			Transaction Value	Outstanding as at 31.03.2010	Transaction Value	Outstanding as at 31.03.2010
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Aitken Spence PLC	Mr. D.H.S Jayawardena - Chairman	Interest paid on Loans	50,696	-	10,182	-
	Mr. J.M.S Brito - Deputy Chairman & Managing Director	Corporate Gurantee Charges paid	13,600	-	13,600	-
	Mr. R.N. Asirwatham - Director	Lease Rent paid on Account of the land and building leased to Neptune Hotel	1,500	646,434	-	124,679
Aitken Spence Travels (Pvt) Ltd.	Mr. J.M.S Brito - Chairman	Sale of Hotel rooms in the ordinary course of business	406,884	178,422	119,793	68,286
Ace Travels & Conventions (Pvt) Ltd.	Mr. J.M.S Brito - Chairman	Sale of Hotel rooms in the ordinary course of business	1,587	302	808	-
Aitken Spence Exports (Pvt) Ltd.	Mr. J.M.S Brito - Chairman	Purchase of mineral water	5,060	(1,252)	2,061	(228)
	Mr. S.M Hapugoda - Director	Temporary advances given	3,000	(8,000)	3,000	(8,000)
	Mr. C.M.S Jayawickrama - Director					
Aitken Spence Printing (Pvt) Ltd.	Mr. J.M.S Brito - Chairman	Printing & Typesetting hotel promotional literature and Annual Report	1,614	-	1,328	-
Aitken Spence Overseas Travel Services (Pvt) Ltd.	Mr. J.M.S Brito - Chairman	Purchase of Air Tickets for overseas Travels	7,829	-	-	-
Ace International Express (Pvt) Ltd.	Mr. J.M.S Brito - Chairman	Courier Services	322	-	-	-
Aitken Spence Hotel Managements (Pvt) Ltd.	Mr. J.M.S Brito - Chairman	Management fees for managing the Hotels	57,265	-	21,647	-
	Mr. S.M Hapugoda - Managing Director	Central Purchasing & Merchandising unit handling charges	9,320	-	2,689	-
	Mr. C.M.S Jayawickrama - Director	Export of Hotel Supplies to Maldives	96,904	52,178	-	18,946
Elevators (Pvt) Ltd.	Mr. J.M.S Brito - Chairman Mr. R.E.V Casie Chetty - Director	Repairs and Maintenance of Hotel Elevators	3,390	(436)	523	-
Elpitiya Planations PLC	Mr. J.M.S Brito - Chairman	Purchase of tea leaves	818	(31)	403	-
Aitken Spence Hotel Mgt (Asia) Pvt Ltd.	Mr. J.M.S Brito - Chairman	Management Fees for managing Hotels	62,038	-	-	-
	Mr. G.P.J Goonewardena - Director	Settlement of advances	-	-	(68,027)	231,878
Aitken Spence Hotel Mgt. (South India) Pvt Ltd.	Mr. J.M.S Brito - Chairman Mr. S.M Hapugoda - Managing Director Mr. C.M.S Jayawickrama - Director	Reimbursable Expenses	2,255	2,770	-	-
Ahungalla Resorts Ltd.	Mr. J.M.S Brito - Chairman Mr. S.M Hapugoda - Managing Director Mr. C.M.S Jayawickrama - Director	Advances	-	-	3,515	250,815



# Notes to the Financial Statements

Name of the Related Party	Relationship	Nature of Transaction	Group		Company	
			Transaction Value	Outstanding as at 31.03.2010	Transaction Value	Outstanding as at 31.03.2010
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Aitken Spence Hotels Ltd.	Mr. J.M.S Brito - Chairman Mr. S.M Hapugoda - Managing Director Mr. C.M.S Jayawickrama - Director	Advances	-	-	68,708	72,157
Neptune Ayurvedic Village (Pvt) Ltd.	Mr. J.M.S Brito - Chairman Mr. S.M Hapugoda - Managing Director Mr. C.M.S Jayawickrama - Director	Advances	-	-	819	26,347
Golden Sun Resorts (Pvt) Ltd.	Mr. J.M.S Brito - Chairman Mr. S.M Hapugoda - Managing Director Mr. C.M.S Jayawickrama - Director	Reimbursable Expenses	-	-	573	573
Distilleries Company of Sri Lanka PLC	Mr. D.H.S Jayawardena - Chairman	Purchase of Beverages	15,203	(1,372)	6,293	(658)
Stassen Exports (Pvt) Limited	Mr. D.H.S Jayawardena - Chairman	Purchase of Food Items	138,798	(7,822)	16,413	(1,499)
Lanka Milk Foods (CWE) PLC	Mr. D.H.S Jayawardena - Chairman	Purchase of Milk Powder	5,098	(891)	1,725	-
Hatton National Bank PLC	Mr. D.H.S Jayawardena - Director	Payment of Interest on loans Interest earned Loan funding	271,965 8,196 30,000	  (2,534,667)	123,639 3,372 -	  (460,442)
DFCC Bank PLC	Mr. J.M.S Brito - Chairman	Payment of Interest on loans	24,374	(205,211)	23,622	(195,455)
Lanka Bell (Pvt) Ltd.	Mr. D.H.S Jayawardena - Chairman	Provision of telecommunication services.	3,875	(572)	1,358	(109)
Periceyl (Pvt) Ltd.	Mr. D.H.S Jayawardena - Chairman	Purchase of Beverages	1,934	(961)	1,026	(202)

**34.1.2** 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 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 2010 is disclosed above.

**34.1.3** The Company and the Subsidiaries in the ordinary course of business have generated revenue amounting to Rs. 7.7 million (Company Rs. 2.8 million) from sale of weekend packages to Executives of Aitken Spence PLC and its Subsidiaries (excluding Hotel Companies). Balances outstanding from these companies as at 31st March 2010 are reflected in Note No. 21 - Amounts due from Parent's Group Entities.

## 34.2 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	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Short term Employment Benefits	17,597	8,875	2,732	2,015
Post Employment Benefits	-	-	-	-
<b>Total</b>	<b>17,597</b>	<b>8,875</b>	<b>2,732</b>	<b>2,015</b>

### **35 Employee 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 option were offered to the employees as at 31st March 2010.

### **36 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 700 shares were acquired at the revised price of Rs. 20 per share. The Company as at 31 st March, 2010 held 97.85 per cent of the equity share capital of Aitken Spence Hotels Ltd.

### **37 Events after Balance Sheet Date**

- 1) The Board resolved to recommend the payment of :

A first and Final Dividend of Rs. 1.50 per Ordinary Share for the financial year 2009/10 once approved by the shareholders at the Annual General Meeting.

- 2) The Company made a rights issue of one ordinary share for every four shares held at Rs. 260 per share to raise Rs 2.5 billion to finance future expansions. Approval was obtained from shareholders at an extra ordinary meeting held by the Company on 30th March 2010.

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

### **38 Ultimate Holding Company**

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

### **39 Capital Expenditure Commitments**

There are no capital expenditure commitments other than those disclosed in Note No 12.7 to the financial Statements.

### **40 Average Number of Employees**

The average number of employees as at 31st March 2010 amounts to 1,946 (2009/10 - 1885).

### **41 Operating Leases**

The Company does not have non cancellable operating leases.

### **42 Comparative Information**

Share issue expenses amounting to Rs. 623,000 on restructuring of the Group written off from Group Share Premium Account in 1995/96 was adjusted from previous years Retained Earnings.

The Presentation and classification of financial statements of the comparative year has been amended where relevant to be comparable with those of the current year.

Other than the above no comparative information was changed during the year which requires disclosure or adjustments in the financial statements.

### **43 Directors Responsibility**

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

# Quarterly Statistics - Summary

<i>For the three months ended</i>	<b>30th June 2009 Rs.'000</b>	<b>30th September 2009 Rs.'000</b>	<b>31st December 2009 Rs.'000</b>	<b>31st March 2010 Rs.'000</b>
<b>Income Statement - Group</b>				
<b>Net Revenue</b>	<b>1,188,031</b>	<b>1,588,213</b>	<b>1,900,935</b>	<b>2,323,805</b>
Other Operating income	3,148	4,009	25,606	55,955
Depreciation and Amortisation	(183,939)	(180,585)	(190,620)	(186,203)
Overheads	(1,072,975)	(1,276,110)	(1,350,970)	(1,495,508)
<b>Profit/ (Loss) from operations</b>	<b>(65,735)</b>	<b>135,527</b>	<b>384,951</b>	<b>698,049</b>
Finance Income	5,818	5,044	1,198	1,270
Finance Cost	(109,394)	(104,832)	(88,678)	(74,960)
Share of Profit/(Loss) of Associates after tax	(1,297)	1,263	157	4,472
Income Tax Expense	(3,684)	(13,909)	2,245	(2,709)
<b>Net Profit / (Loss) for the period</b>	<b>(174,292)</b>	<b>23,093</b>	<b>299,873</b>	<b>626,122</b>
Profit / (Loss) attributable				
Equity holders of the Parent	(114,407)	8,597	210,499	419,087
Minority Interest	(59,885)	14,496	89,374	207,035
<b>Balance Sheet - Group</b>				
<b>Assets</b>				
Non Current Assets	10,651,947	10,503,031	10,317,784	10,679,888
Current Assets	1,603,340	1,697,660	1,622,487	1,874,466
<b>Total Assets</b>	<b>12,255,287</b>	<b>12,200,691</b>	<b>11,940,271</b>	<b>12,554,354</b>
<b>Equity and Liabilities</b>				
Equity	4,568,038	4,573,116	4,774,986	5,189,194
Minority Interest	1,266,934	1,257,959	1,346,124	1,589,136
<b>Total Equity</b>	<b>5,834,972</b>	<b>5,831,075</b>	<b>6,121,110</b>	<b>6,778,330</b>
Non Current Liabilities	3,566,623	3,447,668	2,958,661	3,125,451
Current Liabilities	2,853,692	2,921,948	2,860,500	2,650,573
<b>Total Equity &amp; Liabilities</b>	<b>12,255,287</b>	<b>12,200,691</b>	<b>11,940,271</b>	<b>12,554,354</b>
<b>Share Information - Group</b>				
Net Asset Value Per Share (Rs.)	114.56	114.70	119.95	130.73
Market Price Per Share				
Highest (Rs.)	150.00	220.00	270.00	430.00
Lowest (Rs.)	90.00	128.25	118.00	90.00
Last Trade Price (Rs.)	145.00	219.75	269.25	385.00
Debt Equity Ratio	0.64	0.62	0.51	0.47

# Consolidated Income Statement in USD

<i>For the year ended 31 st March</i>	2010 US \$ '000	2009 US \$ '000
<b>Gross Revenue</b>	64,164	57,256
Revenue Tax	(2,800)	(2,604)
<b>Net Revenue</b>	61,364	54,652
Other Operating Income	778	2,795
Staff Costs	(8,674)	(7,430)
Depreciation	(5,820)	(5,010)
Amortisation	(678)	(172)
Other Operating Expenses - Direct	(14,341)	(12,285)
Other Operating Expenses - Indirect	(22,525)	(22,095)
Profit from Operations	10,104	10,455
Finance Income	117	87
Finance Expenses	(3,312)	(3,193)
<b>Net Finance Income / (Expenses)</b>	(3,195)	(3,106)
	6,909	7,349
Share of Profit /(Losses) of Associate Companies	40	(28)
<b>Profit Before Income Tax</b>	6,949	7,321
Income Tax Expense	(158)	(182)
<b>Profit for the Year</b>	6,791	7,139
<b>Attributable to:</b>		
Equity Holders of the Parent	4,591	5,132
Minority Interest	2,200	2,007
	6,791	7,139
Earnings per Ordinary Share (US \$)	0.12	0.14
Exchange Rate used for translation - (US \$ )	114.09	115.48

# Consolidated Balance Sheet in USD

<i>As at year ended 31st March</i>	2010 US \$ '000	2009 US \$ '000 Restated
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant & Equipment	76,747	75,223
Leasehold Property	13,292	13,463
Intangible Assets	-	13
Investment in Associates	1,690	1,603
Long -Term Investments	1,856	1,888
Deferred Tax Assets	24	-
	93,609	92,190
<b>Current Assets</b>		
Inventories	1,563	1,680
Trade and Other Receivables	6,771	8,509
Amount due from Parent's Group Entities	2,464	1,859
Deposits & Prepayments	1,429	1,770
Current Tax Receivable	120	95
Short Term Deposits	3,290	2,960
Cash and Cash Equivalents	793	1,011
	16,430	17,884
<b>TOTAL ASSETS</b>	110,039	110,074
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable to equity holders of the Company</b>		
Stated Capital	9,260	9,148
Reserves	10,505	12,665
Retained Earnings	25,718	19,095
	45,483	40,908
<b>Minority Interest</b>	13,929	11,656
<b>Total Equity</b>	59,412	52,564
<b>Non-Current Liabilities</b>		
Interest - bearing Borrowings	25,965	32,442
Government Grants	11	12
Deferred Tax Liabilities	1,143	782
Employee Benefits	276	196
	27,395	33,432
<b>Current Liabilities</b>		
Trade Creditors	2,212	1,988
Other Provisions and Payables	6,931	6,915
Amounts due to Parent's Group Entities	487	480
Amounts due to Ultimate Holding Company	5,666	6,747
Interest bearing Borrowings	7,474	5,853
Current Tax Payable	157	215
Short term Bank Borrowings	305	1,880
	23,232	24,078
<b>TOTAL LIABILITIES</b>	50,627	57,510
<b>TOTAL EQUITY AND LIABILITIES</b>	110,039	110,074
Exchange Rate used for translation - (US \$ )	114.09	115.48

# 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.

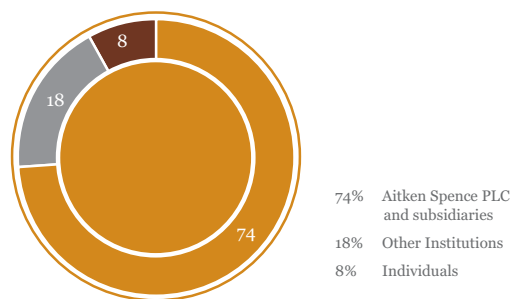
The Stock Exchange Code for Aitken Spence Hotel Holdings PLC shares is "AHUN-N-0000"

## 2. Shareholders

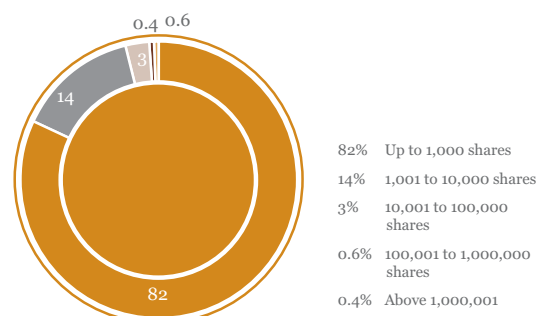
There were 2,422 registered shareholders as at 31st March, 2010 distributed as follows:

Range	31.03.2010			31.03.2009		
	Members	Total	%	Members	Total	%
1 to 1,000 shares	1,995	403,595	1.05	1,744	372,470	0.97
1,001 to 5,000 shares	289	643,276	1.67	259	562,375	1.46
5,001 to 10,000 shares	53	397,581	1.03	52	393,578	1.02
10,001 to 50,000 shares	57	1,237,096	3.22	61	1,481,232	3.85
50,001 to 100,000 shares	12	982,632	2.56	14	1,031,836	2.68
100,001 to 500,000 shares	11	2,953,287	7.68	7	1,747,576	4.55
500,001 to 1,000,000 shares	1	505,555	1.32	4	2,795,640	7.27
1,000,001 & Above	4	31,310,122	81.47	3	30,048,437	78.18
	2,422	38,433,144	100.00	2,144	38,433,144	100.00

Category of Shareholding



Shareholder Distribution



## 3. Analysis of Shareholders

Category	31.03.2010		31.03.2009	
	Shareholding	%	Shareholding	%
Nationals	37,991,515	98.85	38,112,829	99.17
Non - Nationals	441,629	1.15	320,315	0.83
	38,433,144	100.00	38,433,144	100.00
Aitken Spence PLC, and subsidiaries	28,629,243	74.50	28,629,243	74.50
Other Institutions	6,799,032	17.68	6,758,274	17.58
Individuals	3,004,869	7.82	3,045,627	7.92
	38,433,144	100.00	38,433,144	100.00

\* Percentage of shares held by the public as at March 31st, 2010 is 25.42%

# Shareholder and Investor Information

## 4. Share Trading

	31.03.2010	31.03.2009
Number of Shares traded during the year	5,244,000	939,100
Value of Shares traded during the year (Rs.)	1,171,930,075	93,251,950
Number of Transactions	2,870	630

## 5. Dividends

The Directors recommended a first and final dividend of Rs. 1.50 per ordinary share for the financial year 2009/10 (2008/09 - Cents 50 per share)

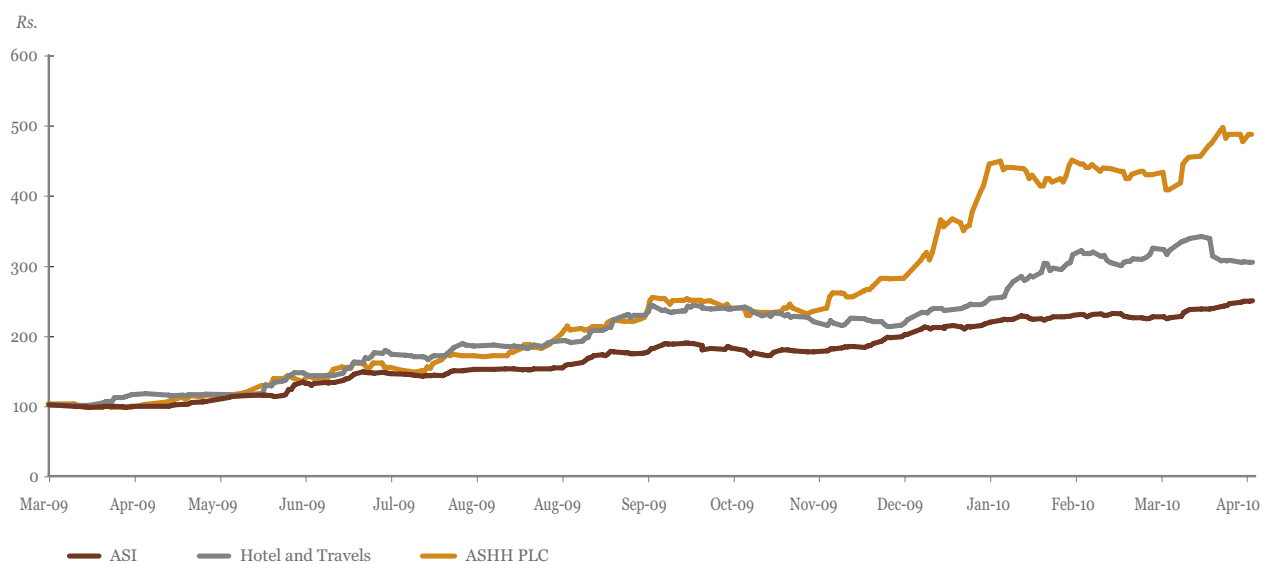
## 6. Ratios

	2009/10	2008/09
Earnings per Share (Rs.)	13.24	15.03
Price Earnings Ratio (Times)	29.08	5.99
Net Asset per Share (Rs.)	130.73	118.62

## 7. Market Value

Financial Year	Highest Rs.	Lowest Rs.	Year End Rs.
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
2009-10	430.00	90.00	385.00

### ASHH PLC Relative Performance Vs. Market





## 8. Market Capitalisation (as at 31st March)

	Stated Capital & Reserves Rs.000	Market Capitalisation Rs.000
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
2010	5,189,194	14,796,760

## 9. Group Holding in Subsidiary, Joint ventures and Associate Companies

	2009/10 %	2008/09 %
Aitken Spence Hotels Ltd., (Rs. 10 each)	97.85	97.84
Kandalama Hotels Ltd., (Rs. 10 each)	61.65	61.65
Heritance (Pvt) Ltd Ltd., (Rs. 100 each)	97.85	97.85
Ahungalla Resorts Ltd., (Rs. 10 each)	100.00	100.00
Hethersett Hotels Ltd., (Rs. 10 each)	87.55	80.13
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)	51.00	51.00
Unique Resorts Pvt Ltd. (MRF 10 each)	51.00	51.00
	2009/10 %	2008/09 %
PR Holiday Homes Pvt Ltd. (INR 100 each)	42.79	42.79
Aitken Spence Hotel Services Pvt Ltd. (INR 100 each)	51.00	51.00
Ace Ayurvedic (Pvt) Ltd.(Rs. 10 each)	100.00	100.00
M. P. S. Hotels Ltd. (Rs. 10 each)	30.35	29.60
Browns Beach Hotels PLC (Rs. 10 each)	29.46	29.46
Crest Star Ltd. (HK\$ 1 each)	100.00	100.00
Aitken Spence Hotels (International) Ltd.	51.00	51.00
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	51.00	51.00
Aitken Spence Hotel Managements South India (Pvt) Ltd.	25.50	25.50
Golden Sun Resorts (Pvt) Ltd.	100.00	-
Aitken Spence Resorts Ltd .	100.00	-
Business Travel Services LLC	25.50	-

# Shareholder and Investor Information

## 10. Twenty Largest Shareholders as at 31st March, 2010

	2009/10	
	No. of Shares	%
Aitken Spence PLC - A/C No. 1	27,368,127	71.210
Employees' Provident Fund	1,608,300	4.185
Sri Lanka Insurance Corporation Limited - Life Fund	1,222,310	3.180
Bank of Ceylon A/C Ceybank Unit Trust	1,111,385	2.892
Ace Cargo (Private) Limited	505,555	1.315
The Ceylon Guardian Investment PLC A/A # 02	423,400	1.102
Aitken Spence Hotel Managements (Pvt) Ltd	403,502	1.050
The Ceylon Investment PLC A/C # 02	400,000	1.041
G C Wickremasinghe	316,551	0.824
Aitken Spence Aviation (Private) Limited	297,616	0.774
Mas Capital (Private) Limited	289,300	0.753
Bank of Ceylon A/C Ceybank Century Growth Fund	244,852	0.637
Rubber Investment Trust Limited A/C # 01	200,000	0.520
Deutsche Bank AG as Trustee for Namal Acuity Value	150,000	0.390
F A A Mack	127,633	0.332
A L Devasurendra	100,433	0.261
Union Assurance PLC/No - 01A/C	100,000	0.260
Deutsche Bank AG - National Equity Fund	100,000	0.260
A T Wickremasinghe	92,689	0.241
M B Sivaratnam	88,266	0.230
Other Shareholders	3,283,225	8.543
<b>Total</b>	<b>38,433,144</b>	<b>100</b>

**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
	<b>Total as at 31st March, 2010</b>	<b>38,433,144</b>	<b>384,331,440</b>

**12. History of movement in Preference Share Capital**

Year	Issue	Number of Shares	Share Capital Rs.
1981/82	12 percent 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 percent Cum Redeemable Preference Shares	16,500,000	165,000,000
	<b>Total as at 31st March, 2010</b>	<b>16,500,000</b>	<b>165,000,000</b>

# Decade at a Glance

Year ended 31st March	2010 Rs. '000	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
<b>TRADING RESULTS</b>										
Gross Revenue	7,320,483	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
Profit / (Loss) before Taxation	792,852	845,333	810,860	422,675	159,861	263,087	578,777	358,644	208,931	316,724
Taxation	(18,056)	(20,975)	(21,294)	(42,241)	(48,034)	(30,641)	(34,056)	171	(1,480)	(9,734)
Profit/(Loss) after Taxation	774,796	824,358	789,566	380,434	111,827	232,446	544,721	358,815	207,451	306,990
Profit/(Loss) attributable to Equity holders of the parent	523,776	592,587	512,651	202,591	173,847	110,146	413,461	232,687	151,709	260,313
<b>SHAREHOLDERS' FUNDS</b>										
Stated Capital	1,056,433	1,056,433	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	4,132,761	3,667,632	2,701,001	2,243,837	1,753,742	1,612,448	1,537,589	1,077,881	814,805	606,673
<b>LIABILITIES</b>										
Current Liabilities	2,650,573	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
Non current interest Bearing borrowing Amount due to Ultimate Holding Company	2,962,320	3,746,361	2,930,155	1,125,325	851,514	239,092	323,821	561,965	694,083	844,662
Other Liabilities & Charges	646,434	779,109	-	615,000	615,000	-	-	-	-	-
Minority Interest	163,131	114,317	117,401	116,683	112,452	28,237	29,551	19,557	16,360	13,528
Deferred Income	1,589,136	1,346,064	1,219,998	873,019	664,405	755,691	829,092	754,803	694,658	651,403
	-	-	-	-	16,780	18,300	19,793	21,288	22,778	24,295
<b>ASSETS</b>										
Property, Plant & Equipment	8,756,041	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
Leasehold Property	1,516,449	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
Investments	192,915	185,118	188,358	183,015	98,717	97,817	99,752	97,037	88,158	149,420
Long-Term Investments	211,770	218,081	86,600	10	10	10	34,049	34,049	48,177	-
Deferred Tax Assets	2,713	-	-	-	-	-	-	-	-	-
Current Assets	1,874,466	2,065,290	2,217,604	2,083,145	1,626,363	1,128,208	1,070,387	953,979	897,042	854,819
<b>RATIOS</b>										
Return on Average Shareholders' funds (%)	10.57	13.97	14.53	6.63	6.35	4.19	17.49	11.62	8.59	17.30
Debt Equity ratio	0.47	0.66	0.64	0.32	0.31	0.12	0.15	0.27	0.36	0.47
Interest cover(Times)	3.09	3.30	3.22	2.62	5.29	9.04	9.09	4.20	2.41	3.01
<b>SHARE INFORMATION</b>										
Market price per share (Rs.)	385	90.00	93.00	70.00	83.25	97.25	68.00	45.00	20.25	18.50
Earnings per ordinary share (Rs.)	13.24	15.03	12.95	4.88	4.14	2.48	9.99	5.67	3.56	6.39
Price Earning Ratio (Times)	29.08	5.99	7.18	14.34	20.12	39.21	6.81	7.94	5.69	2.90
Net Assets per Ordinary share (Rs.)	130.73	118.62	93.46	81.56	69.25	65.61	63.70	51.78	44.97	39.60

# Real Estate Holdings of the Group

Description of the Property	No. of Rooms	Location	Building in Sq. Ft	Land Extent Acres		Net Book Value as at 31/03/10 (Rs. '000)
				Freehold	Leasehold	
* Aitken Spence Hotel Holdings PLC <i>Heritace Ahungalla</i>	152	Ahungalla	253,590	11.96	-	1,124,845
Ahungalla Resorts Ltd.						
- Main Land	-	Ahungalla	-	10.75	-	348,499
- Meeraladuwa Island	-	Ahungalla	-	26.57	-	90,432
Kandalama Hotels Ltd. <i>Heritance Kandalama</i>	152	Dambulla	315,725	169.64	50	429,901
Hethersett Hotels Ltd. <i>Heritance Tea Factory</i>	54	Nuwara Eliya	50,999	-	25	173,475
Aitken Spence Hotels Ltd. <i>Neptune Hotel</i>	84	Beruwela	116,837	-	6.44	22,597
Heritance (Pvt) Ltd. <i>Formerly Pearl Beach Hotels Ltd.</i>	-	Beruwela	-	5.79	-	194,500
Neptune Ayurvedic Village (Pvt) Ltd. <i>Neptune Ayurveda Village</i>	20	Beruwela	21,012	0.12	1.46	26,295
Golden Sun Resorts (Pte) Ltd. <i>Ramada Resort Kalutara</i>	100	Kalutara	190,700	5.5	-	21,253
Jetan Travel Services Co. (Pvt) Ltd. <i>Adaaran Club Rannalhi</i>	130	Maldives	97,545	-	10.2	624,754
Cowrie Investments (Pvt) Ltd. <i>Adaaran Select Meedhuparu</i>	235	Maldives	266,950	-	43	1,797,507
ADS Resorts (Pvt) Ltd. <i>Adaaran Select HudhuRan Fushi</i>	174	Maldives	166,836	-	78	760,466
Unique Resotrs (Pvt) Ltd. <i>Vadoo Island Resort</i>	50	Maldives	37,369	-	3.5	1,309,162
PR Holiday Homes (Pvt) Ltd.	-	India	-	16.9	-	147,844

\* Number of Buildings in Company's Land holding (Aitken Spence Hotel Holdings PLC) is 20.

# 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 authorised 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 Hotel.
- 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 Hotel” 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 specialised 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.
- 2010** The Tea Factory Hotel is rebranded as “Heritage Tea Factory” after completion of the refurbishment.
- The company acquires ownership of Golden Sun Resorts, Kalutara.

# Glossary

## **ACCRUAL BASIS**

Recognition of the effects of transaction and other events when they occur without waiting for receipt or payment of cash or its equivalents.

## **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.

## **CORPORATE GOVERNANCE**

Corporate Governance is the system by which the Company and its subsidiaries are directed and managed, and it influences the manner in which the objectives of the Company are formulated, accepted, communicated and achieved.

## **CURRENT RATIO**

Current Assets divided by Current Liabilities.

## **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 PAY-OUT RATIO**

Ordinary dividend per share divided by Earnings per share.

## **DIVIDEND YIELD RATIO**

Ordinary dividend per share divided by market value per share.

## **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.

## **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.

## **INTEREST COVER RATIO**

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

## **MARKET CAPITALISATION**

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

## **MARKET VALUE PER SHARE**

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

## **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.

## **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.

## **PRICE EARNING RATIO**

Market price per share divided by Earnings per share

## **RELATED PARTIES**

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

## **RETURN ON CAPITAL EMPLOYED**

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

## **RETURN ON EQUITY**

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

## **SEGMENTAL ANALYSIS**

Analysis of financial information by segments of an entity specifically, the different geographical areas in which it operates.

## **SHAREHOLDERS' FUNDS**

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



# 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

Mr. G P J Goonewardena

Mr. R N Asirwatham (Appointed w.e.f. September 1, 2009)

Mr. K A A C Perera (Resigned w.e.f. March 31, 2010)

## 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

## SUBSIDIARY COMPANIES

A D S Resorts Private Limited

*(Adaaran Select Huduran 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)*

Aitken Spence Resorts (Private) Limited

Cowrie Investment (Private) Limited

*(Adaaran Select Meedhupparu)*

Crest Star (BVI) Limited

Crest Star Limited

Golden Sun Resorts (Private) Limited

Hethersett Hotels Limited

*(Heritance Tea Factory)*

Jetan Travel Services Company Private Limited

*(Adaaran Club Rannalhi)*

Kandalama Hotels Limited

*(Heritance Kandalama)*

Neptune Ayurvedic Village (Private) Limited

P R Holiday Homes (Private) Limited

Heritance (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.  
Business Travel Services LLC.

## ASSOCIATE COMPANIES

Browns Beach Hotels PLC

*(Browns Beach Hotel)*

M P S Hotel Ltd

*(Hotel Hilltop)*

## HOLDING COMPANY

Aitken Spence PLC

## WEBSITE

[www.aitkenspencehotels.com](http://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 Third Annual General Meeting of Aitken Spence Hotel Holdings PLC will be held at the Grand Ball Room of Galadari Hotel No.64, Lotus Road, Colombo 1, at 10.45 a.m. on Tuesday, June 29, 2010, 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 2010 and the Report of the Auditors thereon.
- To declare a dividend as recommended by the Directors
- To re-elect Mr. C M S Jayawickrama who retires by rotation in terms of Article 83 of the Articles of Association, as a Director.
- To re-elect Mr. G P J Goonewardena who retires by rotation in terms of Article 83 of the Articles of Association, as a Director.
- To re-elect Mr. R N Asirwatham who retires by rotation in terms of Article 90 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.

By order of the Board of

**AITKEN SPENCE HOTEL HOLDINGS PLC**

Aitken Spence Corporate Finance (Private) Limited

*Secretaries*

26th May 2010

Colombo

*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 Proxy holder attending the meeting is kindly requested to bring this report.
4. It is proposed to post the dividend warrants on 6th July 2010, provided the 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 2010.

## 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)

Chrisanthus Mohan Susith Jayawickrama of Colombo (whom failing)

Gemunu Presanna Jayasundera Goonewardene of Colombo (whom failing)

Rajanayagam Nalliah Asirwatham 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 2010 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this.....day of.....Two Thousand Ten.

.....

*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 2 by 10.45 a.m. on 27th June 2010 being 48 hours before the time appointed for the holding of the meeting.

# Investor Feedback Form

To request information or submit a comment / query to the Company, please complete the following and return the page to -  
Chief Financial Officer,

**Aitken Spence Hotel Holdings PLC**

No.305,Vauxhall Street ,  
Colombo 02.  
Sri Lanka

Name : .....

Permanent Mailing Address : .....

Contact Number - (Tel) : .....  
Country Code Area Code Number

E-mail : .....

Name of Company : .....  
(If Applicable)

Designation : .....  
(If Applicable)

Company Address : .....  
(If Applicable)

Queries/Comments







