

Authentic.

Discover an authentic
destination experience.

Aitken Spence  *Hotels*

Aitken Spence Hotel Holdings PLC

Annual Report 2013/14





The fishing communities that live along the western and south western coastlines of Sri Lanka have traditionally owned a wealth of customs and crafts, some of which can still be observed in practice today. Of these regional traditions, Ambalangoda is particularly famous for the crafting of the diverse masks that play a central role in local theatre and dance as well as the ceremonial rituals that are part of the day-to-day life of Sri Lankans across the island. The best known of these are the kolamaduwa and the rituals performed in the exorcism of demons.

Traditional masks fall roughly into three types; Kolam, Raksha and Sanni. Kolam masks are quaint and often humorous, used in story-telling performances that revolve around well-known myths and fables. Raksha or demon masks are used to ward off evil and are used in ritual exorcisms, festivals and processions, while Sanni masks are used in healing ceremonies.

Although these customs are deeply rooted in local culture, the art of carving masks is a dying one. At Heritance Ayurveda Maha Gedara, we strive to keep alive this rich and magnificent art form, as part of our efforts to preserve and enrich the unique natural and cultural heritage of our land.

Intense. Magical. Awe inspiring. This is the real Sri Lanka - the authentic experience of a very different island that we offer every guest who visits our amazing chain of hotels.

Aitken Spence Hotel Holdings PLC is a company that long ago understood the value of creating long-term strategies in order to achieve long-term success. We know how important authenticity is in preserving and cherishing the heritage, the culture, the arts and crafts and bio-diversity that have thrived here for so many centuries.

Aitken Spence Hotels

Bringing you authentic destination experiences that are truly unforgettable.

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“At Aitken Spence Hotels, our future outlook will involve taking advantage of our leadership position as a regional player with its presence in Sri Lanka, The Maldives, Oman and India to offer greater synergies to our stakeholders of business.”

Integrated Management Discussion and Analysis

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*Ginijala Raksha masks
are displayed to prevent
fire-related damage and
destruction*

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“Aitken Spence Hotel Holdings posted strong net operating profit growth approximating to a 26%”

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“Aitken Spence Hotels maintained a position of leadership in the destination as the number one resort operator in Sri Lanka.”

Managing Director's Review

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The Dahan Sanniya or Maha Kola Sanniya (Medicine Mask) Traditionally, 18 (Dahan Sanniya) diseases were attributed to 18 demons. The mask shown includes all 18 demons masks and each one is believed to cure a particular type of disease.

Aitken Spence
Hotels has taken
on the commitment
to contribute to
preserving the
environment,
limiting the impact
of its activities and
fostering awareness of
sustainability among
all its stakeholders.



Sustainability

Every mask shown in the pages of this annual report were crafted by Mr Ravindra Kumara - a master craftsman from Ambalangoda, on the southern coast of Sri Lanka. His family has been in the crafting industry for two generations and he learned the art from his father at the age of 15. His wife, Devika is also an accomplished craftswoman. Taking the family tradition to a third generation, their children are also following in the footsteps of their father and forefathers.

Ravindra Kumara works at the Art & Craft Centre of Heritance Ayurveda Maha Gedara and the proceeds of his work at the hotel have served to significantly enhance his livelihood. He has been awarded three Presidential Awards for his skill and craftsmanship.



Heritance Ayurveda Maha Gedara is extremely proud of its unique craft workshop, which is very popular with guests.

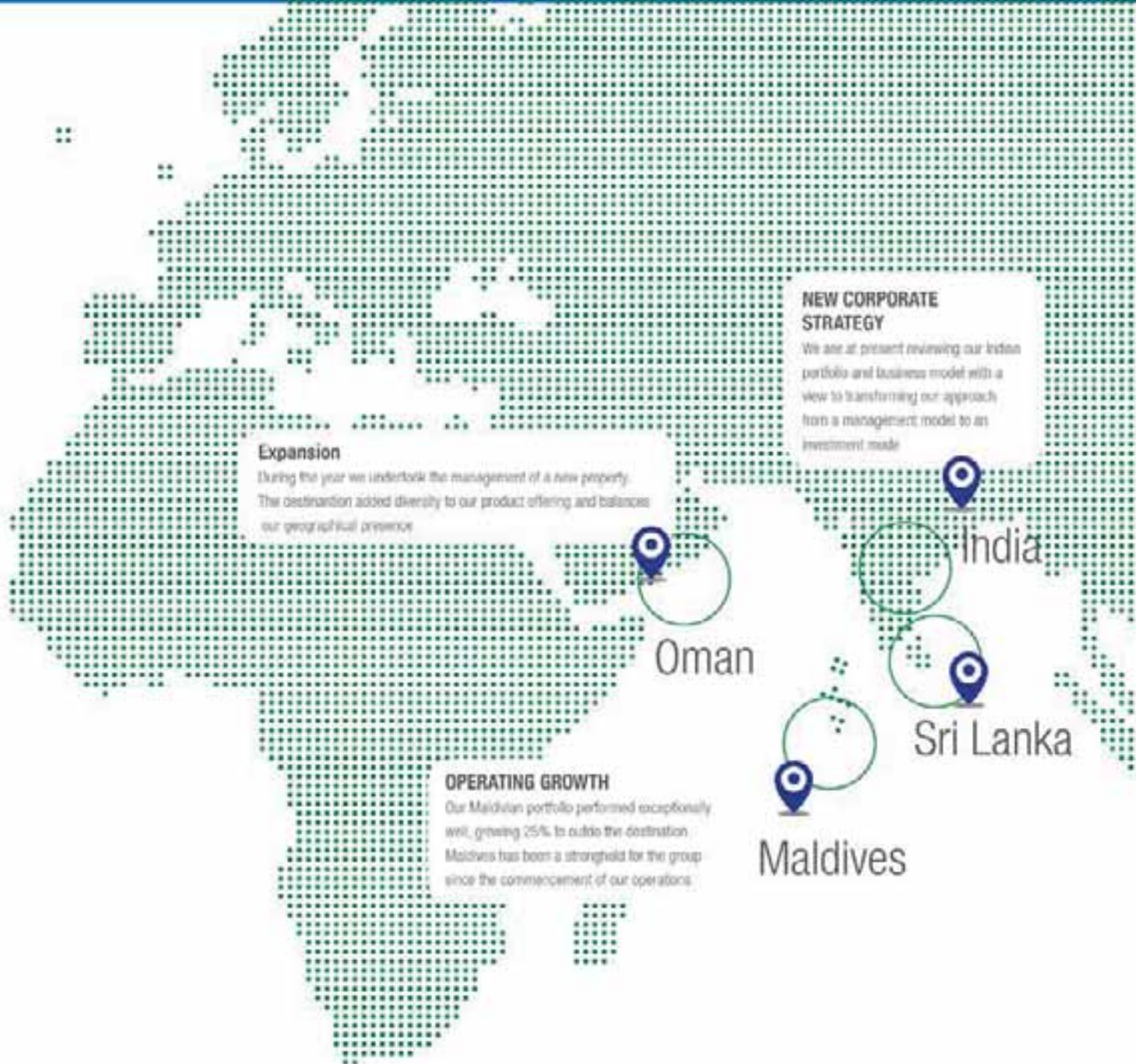
Here you have the opportunity to see prestigious, award-winning craftsmen and women demonstrating their skill in traditional Sri Lankan crafts, from weaving and woodcarving to lace making and mask painting. You can even have a go yourself – creating a unique souvenir to take home with you!

We need to take the lead in demonstrating that sustainability makes good business sense.

Aitken Spence Hotels' sustainability strategy is strongly rooted in the company's mission to deliver the best in unique leisure experiences to a growing number of satisfied guests while maintaining a transparent, well-regulated and sustainable chain of processes in order to do so. We believe that sustainability is the key driver in our differentiation from other leisure groups, we were the first to set in place a series of sustainability initiatives that have been in operation since 1998, giving us a deeper understanding and a more widely diffused practice of the activities and systems we wish to ingrain across the company. Our sustainability initiatives are broken down into three areas: Environment, Social and Economy.

While we are constantly awarded both internationally and locally for our achievements in sustainable activities relating to the environment and eco-friendly practices, we have also achieved many of our targets relating to stakeholder engagement issues. In engaging with stakeholders, Aitken Spence Hotels does more than just deliver stakeholders' expectations. We have always set the precedent in sustainability benchmarks rather than choosing to be a follower of trends in the hospitality industry. Today we are known for our pioneering activities and leadership role in this area. All this, because our understanding of sustainability matters is that the only future we have is the one we create today and therefore, excellence in corporate sustainability is the only way forward for a foresighted and value driven Company.





Adaaran Prestige Vadoo
Adaaran Prestige Water Villas
Adaaran Prestige Ocean Villas
Adaaran Select Meedhupparu
Adaaran Club Rannalhi
Adaaran Select Hudhuran Fushi

HERITANCE Hotels & Resorts

Heritage Ahungalla
Heritage Kandarama
Heritage Tea Factory
Heritage Ayurveda Maha Gedara
Heritage Negombo

NEW PROPERTY IN AHUNGALLA

We announced plans during the year to build a USD 100 million, 500 room 5 star resort in Ahungalla with Spanish based operator Riu which will be the largest project undertaken by us so far. The project is expected to be in operation in 2016.

Authen Spence Hotels

Sri Lanka

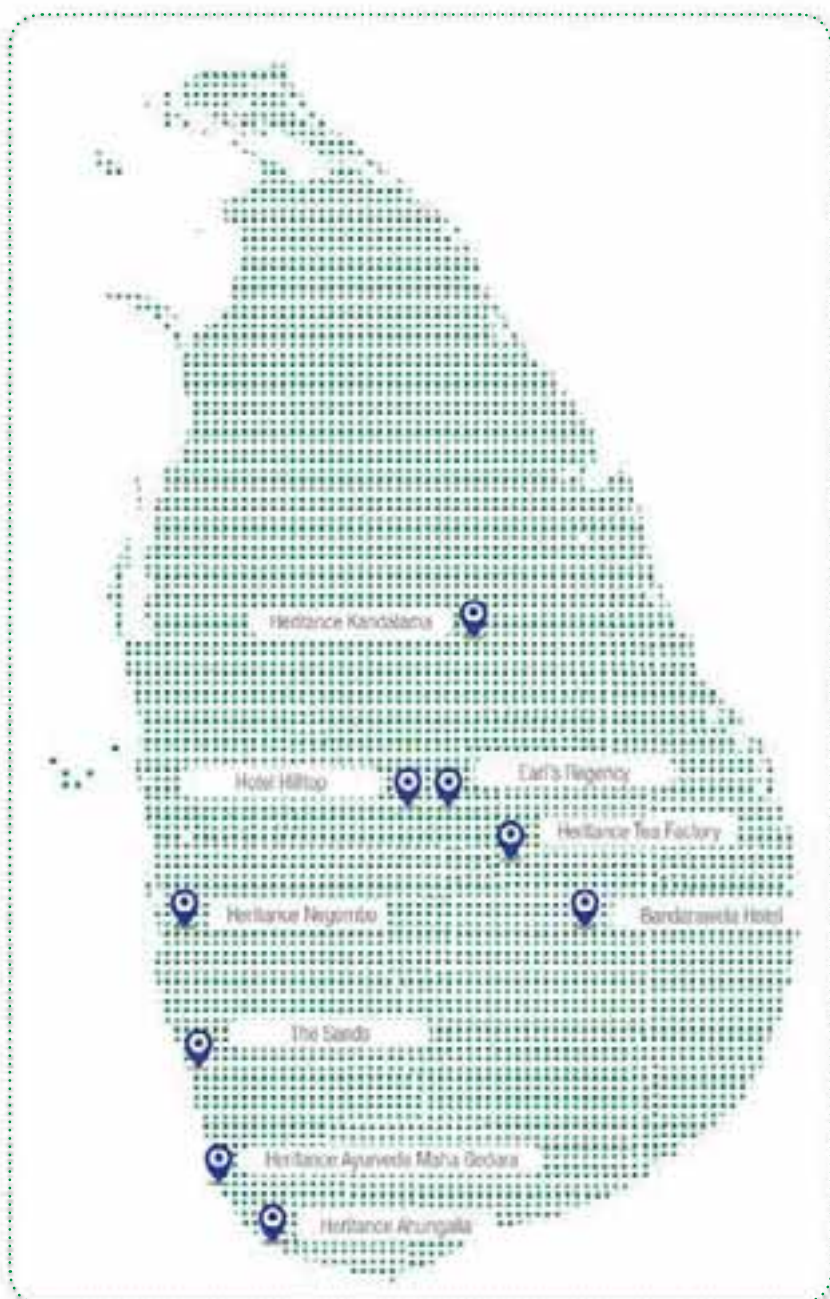
The Sands - Kalutara
Hotel Hilltop - Kandy
Earl's Regency - Kandy
Bandarawela Hotel - Bandarawela

Oman

Desert Nights Camp - Al Wasil
Al Falaj Hotel - Muscat
Ruwi Hotel - Muscat
Sur Plaza Hotel - Sur
Al Wadi Hotel - Sohar
Jabai Akhdhar Hotel

India

Atithi - Puducherry
Tamara - Coimbatore



D.H.S. Jayawardena
Chairman





Aitken Spence Hotel Holdings posted strong net operating profit growth approximating to a 26%, with robust contribution from both Sri Lanka and the Maldives.



Chairman's Review

It is with great pleasure that I present to you the Annual Report and Audited Accounts of your Company for the financial year 2013/14. Your Company has applied its unique drive for success throughout the year, to perform exceptionally across the key destination portfolios, limiting itself not only to commercial successes but also to augment our sustainable business agenda.

Global tourism arrivals hit a record 1.08 Bn

According to the UNWTO, International tourist arrivals grew by 5% in 2013, reaching a record 1,087 million arrivals. Despite global economic challenges, international tourism results were well above expectations, with an additional 52 million international tourists travelling the world in 2013. This positive trend is expected to persist in 2014, as UNWTO forecasts 4% to 4.5% growth in the year ahead.

Global tourism thrived in 2013 showing a remarkable capacity to adjust to the changing market conditions, fuelling growth and job creation around the world. The persisting global economic and geopolitical challenges failed to stem growth, with the sector showing resilience and acting as a catalyst for economic revival.

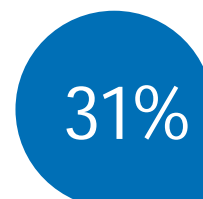
UNWTO has stated that tourism arrivals in 2013 outperformed the long-term forecasted growth of 3.8% per year between the years 2010 to 2020 and the Organisation confirms that the prospects for 2014 will also continue to be above forecasted growth.

Asia and Pacific set the pace

Demand for international tourism was strongest for destinations in Asia and the Pacific with a demonstrative growth of 6% and above. This is of course an encouraging trend for our key destinations in the portfolio - Sri Lanka and Maldives, and more so as the strongest growth stemmed from the sub-region of South-East Asia which recorded an above 10% growth, whilst South Asia recorded a 5% growth. Region wise other top performers were Africa (+6%) and Europe (+5%). Europe, however, led growth in absolute terms, welcoming an additional 29 million international tourist arrivals in 2013, raising the total to 563 million.



PROFIT TO
EQUITY
HOLDERS



EPS
GROWTH

Chairman's Review

2014 regional prospects are strongest for Asia and the Pacific (+5% to +6%) and Africa (+4% to +6%), followed by Europe and the Americas (both +3% to +4%). In the Middle East (0% to +5%) prospects remain positive yet volatile.

Sri Lanka's tourism on upward trend

Sri Lanka welcomed a record 1.2 million tourists during the year 2013, reaching its tourism arrivals target for the year. Whilst in 2012, the destination garnered 1 million tourists, in 2013 the destination witnessed a 26.7% growth on the back of arrivals stemming from events such as Commonwealth Heads of Government Meeting.

Four years into the post-conflict era, Sri Lanka tourism in 2013 witnessed a sharp acceleration of YOY growth in comparison with the 17% YOY growth evidenced in 2012. This sets a positive trend, which we are hopeful will persist in the upcoming year. Against this backdrop, we are more than emphatic that the national strategy for tourism be supported by a cohesive international communications strategy spearheaded by the authorities to further support the sector's growth momentum with the expectation to deliver fair and sustainable growth in the long term.

- **Global tourism thrived during the year**
- **1.2 million tourist arrivals to Sri Lanka in 2013**
- **Robust contribution from both Sri Lanka and the Maldives**
- **Capacity shortfall a deterrent as we move towards the strategic target of 2.5 million visitors by 2016**
- **Sri Lanka remains key to our future success**

Robust Group performance

In 2013/14, our shareholders will be pleased to note that Aitken Spence Hotel Holdings posted strong net operating profit growth approximating to a 26% growth with robust contribution from both Sri Lanka and the Maldives.

As noted in the last financial year, despite the sharp increase in arrivals to Sri Lanka, 4 and 5 star accommodation occupancies are not reflective of the arrivals trend. Therefore, we believe that the arrivals and yield increases are not adequately impacting or reflected across the top-end properties. This leads us to believe that the composition of arrivals is changing and that the structure of the industry is also evolving. Largely, the consumer trend has shifted towards online booking and I am confident this is key to our continued success despite the evolving dynamics of the marketplace and the changing face of the consumer. In addition, over the last two years we have witnessed a strong growth in hotel capacity, with a wave of new hotel properties – both international and local brands – entering the Sri Lankan industry. Despite this increase in supply of rooms, we have maintained our leadership position due to our strong position in the industry as a reputed and robust hospitality brand.

Our operations in the Maldives demonstrated continued growth during the financial year. On the back of strong growth for the destination, our properties in the atolls were key contributors to Group performance. In 2013/14, as in previous years, we continued to contribute significantly to the Sri Lankan economy by way of repatriation of foreign exchange earnings. We remain bullish on the future potential of our portfolio in the Maldives, and have a firm strategy in place, to grow our presence and sustain returns from the destination.

It is also encouraging to note that our portfolio in Oman is maturing and moving towards a bias of growing positive contribution and we remain focused on sharpening our business model in the destination. India, on the other hand, has continued to under perform despite the very promising prospects of the destination. In view of this, our shareholders will be pleased to note that we are currently reviewing our strategy for the destination and expect to modulate our business model and operations with a view to shift performance towards positive returns.



With regard to our two core destinations – Sri Lanka and Maldives – a word of appreciation is due to both the Government of the Socialist Republic of Sri Lanka and the Government of the Maldives. Over the past four years, we have witnessed unparalleled development in terms in enhanced infrastructure in Sri Lanka. I firmly believe that tourism is the primary benefactor of all of the infrastructure development activities undertaken under the direction of H.E. President Mahinda Rajapaksa. The opening of the much-needed Katunayake Expressway, the commissioning of the second phase of the Southern Highway has lent a host of benefits to tourism service providers and the tourists alike. Moreover, these developments have served to enhance the social development of the people engaged in tourism activities in the Southern and the North Western Provinces. Cumulatively, the opening of the Mahinda Rajapaksa International Airport, the Magam Ruhunupura International Conference Hall and the Magampura Mahinda Rajapaksa Port have positioned Sri Lanka's deep south in a competitive position for MICE business. We are

also more than appreciative of the Government of Maldives for the unstinted effort towards strategically marketing the Maldives across the globe, undeterred by the political upheavals in the nation over the past three years.

Going forward, we believe that Sri Lanka remains key to our future successes and will remain the core of the Company's interest. Nevertheless, we will continue to focus and invest towards a multi-destination strategy comprising of a diversified portfolio of properties with the intention not only to mitigate risk of a single country operation but also to benefit from the catalytic growth in tourism globally. Our forward strategy is focused on capitalizing our legacy and heritage as a pioneering tourism service provider to shape new phase of growth for your Company. We will continue to consistently develop our assets, enhance the asset portfolio, develop our human capital and explore new technology with a view to garner competitive advantage and offer our customers the very best in

Chairman's Review



The most promising is our investment into a new resort development adjoining our iconic property Heritance Ahungalla, for which we have partnered with Spanish resort developer and operator RIU



service standards. In tandem, we will continue to centre attention on the offer of an authentic experience, in each of our operative markets.

In terms of new resort development, we made headway in planning for future investments, firming up a number of key strategic plans, fruition of which will be evidenced over the next four to five years. Of these, the most promising is our investment into a new resort development adjoining our iconic property Heritance Ahungalla, for which we have partnered with Spanish resort developer and operator RIU, with Aitken Spence Hotels as the lead investor. Currently under design stage, the resort will be a 500 room, 5 star all-inclusive resort and will be the largest resort to be developed under our purview.

Browns Beach Hotel, our Associate Company based in Negombo, within close proximity to the International airport and a point of transit in accessing the country's formidable cultural triangle as well as the biodiversity-rich Kalpitiya region – continued to undergo a major development programme comprising of a design overhaul and reconstruction. The resort upon completion will comprise of 150 rooms and will be an up market state-of-the-art property with all modern amenities. Rebranded as Heritance Negombo, it will be completed for operations by Winter 2014.

Towards strategic growth: Industry critical issues

Whilst, positive changes have brought new opportunities for the industry, some core challenges continue to pose threats to the future viability of Sri Lanka's tourism industry.

A strategic destination marketing effort remains critical. Although the destination has seen a rise in arrivals over the past four years, it is imperative that a cohesive international marketing communications strategy is realized without delay to benefit from the post-war interest in the destination. The time is right for the launch of an integrated communications strategy, which will utilise mainstream media, PR and events to position Sri Lanka in key markets. Likewise, the destination needs to be positioned and differentiated from other destinations.

As pointed out in previous years, capacity expansion is deterred by construction costs. There is an undisputed capacity shortfall especially as we move towards the strategic target of 2.5 million visitors by 2016. Due to the high and rising costs of construction and the overall investments required for resort development, the necessity for the government to play a critical role in catalyzing development is imperative through provision of incentives.

The lack of skilled HR continues to be a growing challenge for the industry. In fact, the concern is not only limited to the scarcity of

resources but also to the growing cost of HR. As is to be expected, the excess demand has resulted in a rise in cost of skilled resources, thereby once again expanding the operating cost structure. Additionally, the lack of resources will impede the growth of the Sri Lankan tourism sector, given that our service levels will fall short of expectations and be below par of destinations in the competitive framework.

Sri Lanka's winning attributes are diversity of offer and the authenticity of the tourism product. Unfortunately, due to lack of controls, systems and policies, our natural resources are in danger. Overcrowding and over visitation at major national parks has become not only an eyesore but also a threat to the sustainability of our wildlife offer. Authorities must be considerate of the future sustainability of our natural resources and for the sake of protecting the authenticity of our tourism product, bring into force a visitor quota and strict regulation of the same.

Going forward, the ability of Sri Lanka to attract high yield travellers remains directly dependent on the availability of speedy accessibility to the strategic tourist resorts in Sri Lanka. Towards this end, we must look to effectively utilise existing air infrastructure such as the Sri Lanka Air Force airstrips by converting these to accommodative domestic airports.

With the addition of the Mahinda Rajapaksa International Airport to Sri Lanka's international air accessibility, Sri Lanka must pursue the implementation of an open skies policy. The presence of a second international airport adds to the ability to market the country more forcefully, if new airlines can be persuaded, especially charters to frequent the destination as well as increase frequencies. Sri Lanka needs to actively proposition more airlines into operating to the destination. Likewise, the Magampura Mahinda Rajapaksa Port is an opportunity for tourism stakeholders to proposition leisure and cruise carriers.

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 Company and Management at all levels have worked with unwavering passion to deliver the vision and objectives laid before them and our shareholders for supporting our endeavours at all times. Appreciations are also due to all stakeholders including tour operator partners as well as our esteemed clients who have been the inspiration for our growth.

Looking forward, endurance and intelligence will lead us to times of prosperity, both for our Company and for our nation. Let us rise to the occasion and deliver in value.



D.H.S. Jayawardena

Chairman

27th May 2014

J.M.S. Brito
Managing Director



Managing Director's Review

Global economy shows signs of revival

After several years of gloomy outlooks and lackluster global performance, prospects for the next few years are gradually brightening up. The global economic recovery, forecast at 3% in 2013 and evidenced from the unanimously positive forecasts for every major economic zone, demonstrates that the global economy is finally on an upward path and will remain so over the next two financial years. This is, of course, a good sign for global tourism, which is already on a strong growth movement ahead of the economic revival. However, the International Monetary Fund at the end of the last quarter of this financial year trimmed its outlook for global economic growth to 3.6%, down from 3.7% predicted in the face of accelerated growth in the last half of 2013. The IMF notes that it will remain "cautiously optimistic", and we too adopt this stance in our outlook for the year ahead.

The economies that are our traditional markets continued to demonstrate positive growth signals during the reporting period, and we are hopeful that the expansion of these economies – UK, Germany and the Europe Zone on the whole – will continue to persist into 2014/15. The United States fuelled global growth during the year and the IMF quite rightly has pointed out that "there are no brakes on the U.S. growth". This is encouraging in that the U.S. economy has historically been a catalyst to global growth.

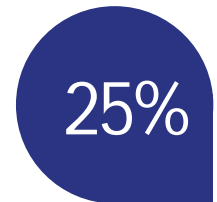
Global tourism grows undeterred

Global travel and tourism grew disproportionate to growth in the global economy in 2013, a trend that has heartened the hospitality and travel industry the world over. In fact, 2013 was a record year for global tourism with international tourist arrivals growing by 5% to a record 1,087 million arrivals, according to the UNWTO.

The World Travel and Tourism Council (WTTC) has reported that in 2013, Travel & Tourism contributed USD 7 trillion to the global economy whilst the total global contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, was 266 million jobs (8.9% of total employment) – one in 11 of all jobs on the planet. When viewed in this perspective, we can only appreciate the significance of our industry to the global economy, especially considering that Travel & Tourism's contribution to the world economy has grown for four consecutive years assisted by robust demand from international travellers.



PROFIT
BEFORE
TAX



EBIT
GROWTH

“Global travel and tourism grew disproportionate to growth in the global economy in 2013, a trend that has heartened the hospitality and travel industry the world over.”

Managing Director's Review

“It is clear that the growth in Travel & Tourism demand from emerging markets continues with pace, as the burgeoning middle-classes, especially from India, China, Russia and the rest of Asia, are willing and more able than ever to travel beyond their borders.”

WTTC further reports that visitor exports, the measure of money spent by international tourists, rose by 3.9% at a global level year on year, to USD 1.3 trillion, and by over 10% within South East Asia. This is even more encouraging for Aitken Spence Hotels' operations given our growing dependence on the Asian markets. China continued its dramatic growth with a 26% rise in outbound trips in 2013 and is currently number one for total spending, number two for the volume of trips and number four for the quantity of overnight stays. Russia also demonstrated strong growth with a 12% increase in trips, and is now number five in terms of overnight stays.

It is clear that the growth in Travel & Tourism demand from emerging markets continues with pace, as the burgeoning middle-classes, especially from India, China, Russia and the rest of Asia, are willing and more able than ever to travel beyond their borders.

In 2014, the industry globally is expected to grow by 4.3% and we are hopeful it will be another successful year for the global Industry with cascading benefits to our operations in Sri Lanka, Maldives, Oman and India.

Trends diverse but foretelling

Travel and tourism trends in 2013 were diverse, although much of it was an extension of trends witnessed in 2012. Interestingly, despite economic shortcomings, leisure travel clearly outpaced business travel with leisure growing by 25% of which 17% accounted for visiting friends and relatives (VFR) whilst business travel only grew by a moderate 16%. The second

most prominent trend evident over last year, was the preference for city-based trips, with the volume of city trips increasing by as much as 47%. Tours grew by 27% in line with growth in long-haul trips, whilst in contrast the largest segment globally – sun and beach – only grew by 12%. In the business travel market, the MICE sector outpaced conventional business travel with a growth of 6% whilst conventional business travel contracted by 10%. The MICE segment now accounts for 54% of the total business travel market. Within the MICE segment, incentives (+61%), conventions (+44%) and conferences (+27%) have all grown strongly since 2009, on a cumulative basis.

Interestingly, the Internet's dominance as a booking tool reached even higher grounds with the Internet accounting for 65% of travel bookings, a 10% rise from 2012. On the other hand, travel agency bookings grew only by 4%. This is an encouraging sign for our operations, which has started demonstrating a growing dependence on online bookings over the past five years. We believe that our decision to integrate online technologies at the most opportune of times, has been critical to our ability to grow even at times when the global market dynamics have been volatile.

Balancing the Sri Lanka tourism paradox

Sri Lanka's tourism for 2013 exceeded the target of 1.25 million tourists to reach 1.27 million arrivals, which shows the growing popularity of the destination in the eye of the global traveller. For Sri Lanka, 1.27 million arrivals is a record arrivals figure, and one that is foretelling of its ability to move with confidence towards the 2016 target of 2.5 million arrivals. Accordingly, earnings from tourism during 2013 recorded a year-on-year growth of 35 percent to USD1.4 billion, compared with cumulative earnings of USD 1 billion in 2012.

UNWTO estimates that tourism accounts for up to 10% of global gross domestic product, with a significant potential to contribute significantly to economic growth and uplifting society as a whole. With respect to post-conflict Sri Lanka, I believe, tourism plays a critical role not only in economic revival but also in fostering a better international image.

As we move into 2014, the expectation is for the industry to welcome 1.5 million arrivals and meet a revenue target of USD 1.8 billion, enlarging to 2.5 million arrivals by 2016 and a revenue target of USD 3.5 billion. The realization of these targets lies very heavily on how we market Sri Lanka to the global



consumer. On the positive side, after years of waned attempts and delayed response, Sri Lanka debuted on international media with a campaign on CNN. Whilst, we are hopeful the length and breadth of this international communications effort will enlarge to other critical mainstream and social media, we continue to place emphasis on the need for a concerted, integrated communications drive for the destination that elicits a desire to see and experience the essence of Sri Lanka.

Our belief is that Sri Lanka needs to look to specialist traveller segments by reinforcing the destination offer as authentic and unique. Many claim that Sri Lanka lacks a compelling base for differentiation from other Asian tourism products, but this is not true. In fact, the diversity and the richness of the Sri Lanka tourism offer should be better translated to suit the needs of specialist travellers, those that seek a particular thrill from the destination as opposed to packaging a “see it all” dilution of the destination. By catering to special interest markets, greater value can be offered and derived by both the traveller and the destination.

We are of the view that Sri Lanka is better placed to encourage sustainable tourism. Ours is a small country that is rich in natural and historical resources. Our focus at all times should be to remain sustainable. This belief has shaped our own stance towards business. As the pioneers in sustainable tourism in Sri Lanka, we firmly believe that Sri Lanka should maintain its authentic offer – the heritage, our way of life and what essentially is the bedrock of our communities – through sustainable tourism that attracts high yield specialist tourists as opposed to a volume bias. We remain hopeful, that the authorities will drive the destination strategy towards high yield circumventing the desire to be bogged down in attracting tourist volumes.

Summary of performance

It is, of course, with great pleasure that I announce the performance of your Group for 2013/14. I am very pleased to note that the reporting period was a year in which we recorded an extremely pleasing performance, with our operations in Sri Lanka and the Maldives contributing tremendously towards a commendable financial

Managing Director's Review

“The Group's operation in Sri Lanka which is the mainstay of the Aitken Spence Hotels portfolio in 2013/14, posted commendable performance contributing significantly to the overall financial performance.”

outcome. The drive towards offering an authentic experience has been the crux of our operations across years, and in 2013/14, this stance has been further imprinted on our business proposition, adding value in every conceivable way to all our stakeholders.

In 2013/14, your Group's performance was a Profit from operations of Rs. 3,967 million compared to Rs. 3,153 million reported the previous year. For details of revenue and profit, please refer to the Financial Performance on pages 94 to 100 of this report.

Sri Lanka

The Group's operation in Sri Lanka which is the mainstay of the Aitken Spence Hotels portfolio in 2013/14, posted commendable performance contributing significantly to the overall financial performance of the Company during the reporting period. During the financial year the culmination of a strong brand identity, a world-class property portfolio and the ability to offer value through unique and differing experiences through each of the Group's Heritance properties enabled Aitken Spence Hotel Holdings to deliver sound performance in the destination.

On the whole, the Sri Lankan operation performed creditably over the reporting period, with the round trip operations yielding a high return. The Group's properties in Sri Lanka posted satisfactorily high occupancies, year-round, demonstrative of a transformation in the demand for the destination. This also signifies the evolution of the type of travellers with a greater bias towards FITs. This trend is all the more conclusive in that 15% of our bookings for the destination are now generated online, through direct consumer transactions.

In 2013, Aitken Spence Hotels maintained a position of leadership in the destination as the number one resort operator in Sri Lanka. Domestic tourism, remained critical to our business in the destination, and going forward will continue to play a fundamental role in how we sustain and derive business value. Loyalty programme played a dual role – on one side delivering value to our loyal customers whilst on the other enabling our operations to optimize revenue based on short-term market dynamics. Our affiliation with Fly Smiles – the Sri Lankan Airline FFP - and our own, very popular Diamond Club offers were focal in this strategy for business optimization and customer reward.

In terms of new resort development, we made headway in planning for future investments, firming up a number of key strategic plans, the fruition of which will be evidenced over the next four to five years. Of these, the most promising is our investment into a new resort development adjoining our iconic property Heritance Ahungalla for which we have partnered with Spanish resort developer and operator RIU, with Aitken Spence Hotels as the lead investor. Currently under design stage, the resort will be a 500 room, 5 star all-inclusive resort and will be the largest resort to be developed under our purview. Construction is staged to begin in the upcoming financial year with project completion estimated at 2016.

Browns Beach Hotel, our Associate Company based in Negombo, within close proximity to the International Airport and a point of transit in accessing the country's formidable cultural triangle as well as the biodiversity-rich Kalpitiya region continued with the construction. The resort upon completion will comprise of 150 rooms and will be a modern state-of-the-art luxury hotel. Rebranded as Heritance Negombo, the hotel will be completed for operations by Winter 2014.

The Sands, our property in Kalutara continued its expansion. An additional 90 rooms are currently under construction in a bid to enhance the resort's capacity to a 200-roomed property. Sands offers full value for holidaymakers as an all-inclusive hotel, enabling visitors to enjoy every facility to the fullest with no restraints.

Authenticity has been the fulcrum of our product offer from the inception of our operations. In fact, authenticity of the experience is what defines us. Our properties all personify an experience that is unique to their location and surroundings. The communities in which they operate are a fundamental component of the resort's function, they define the resort's personality and add to the authentic experience that our customers have valued, over the years. In fact this is the very essence of our flagship brand Heritance.

In pursuing to create authentic experiences, we believe we are adding to the authenticity of the destination, assisting to give life to credible and historically significant stories, traditions, ways of life and injecting our heritage back into the society as a means to give sustenance to the social fabric, to give meaning to who we are, and to inculcate consciousness to our past, present and future. Our resorts are proof of this. Heritance Kandalama, Heritance Ahungalla, Heritance Tea factory and more so, Heritance Ayurveda Maha Gedara are icons of authentic experiences.

We are of course, consistently pursuing to perfect the authenticity of the experiences on offer, and as such have attempted to create a portfolio of experiences that are unique and quintessential to the destination. With this in mind, in 2013/14 we made a concerted decision to strive and revive a property that has a lot of meaning not only to the Aitken Spence Hotel Group but also to our Holding Company Aitken Spence PLC with the planned renovation of the original Shipping Head Office of Clark Spence Company building to a new heritage hotel within the UNESCO World Heritage Site Galle Fort. The intention is therefore, to reclaim a little bit of our history intertwined with the early mercantilist history of Ceylon, to offer a niche experience that is authentic to that era through a boutique hotel concept. However, plans for the realization of this property are still in it's infancy.

During the year, we continued to cautiously evaluate the available options with a view to benefit from the opportunities across the Sri Lankan tourism product by way of expansion of our product portfolio through new product development. But as our shareholders will know, we are a Company that is judicious with regard to investment and believe in crossing our "t"s and dotting our "i"s before committing to forge ahead with new projects. In view of this, we remained open and vigilant towards new ventures, due in large to the high investments required. Our conceptual project for the Eastern city of Trincomalee – where we intend to establish an integrated resort complex – will raise the bar in resort development in Sri Lanka. Of course, as a responsible corporate, we remain committed to delivering value to our shareholders and therefore, the decision to initiate the project will well depend on the most feasible scenarios available. We are also exploring opportunities to develop our land in coastal Beruwela. This sense of pensive restraint we feel will assist us to optimize our performance in time to come, as we construct and commission properties at the most opportune of times.

During the year, we started to witness returns on our initiatives to build Heritance Kandalama as a MICE destination. Aided by the purpose-built MICE facilities including a state of the art conference facility, the iconic property welcomed high-yield MICE traffic and has also become a preferred wedding destination. Heritance Tea Factory also continued to be a key attraction during the year, and the resort's contribution to Group profitability has sharpened over the course of the reporting period. The working model tea factory within the resort received organic certification, adding to the properties sustainable tourism stance. Heritance Ayurveda Maha Gedara evidenced strong growth in demand for focused wellness products and has thus been effectively able to promote the world famous Sri Lankan Ayurveda therapies to high-end, discerning global clients. The resort is also a conduit in furthering the Group's interest in actively conserving indigenous practices.

Given the criticality of the Group's portfolio and operations in Sri Lanka to the long-term sustainability of our overall operations, we continued to consolidate and strengthen our operations in the destination during the year.

Managing Director's Review

Maldives

Our operations in the Maldives once again yielded above par returns. In fact, the performance of the Aitken Spence Hotel portfolio well outdid the performance of the destination. This is no mean feat given that in 2013 tourist arrivals to the Maldives rose 17% compared to the previous year. However, most notable of all is that the Maldives properties contributed immensely to the Group revenue this reporting period. In essence, over the years our operations in the atolls have matured and served as a main contribution to the overall business. It remains fundamental to our present and future successes.

In 2013/14, the yield increases were evident on the back of a change in the guest mix with over 25% of guests originating from China. These high yield guests enhanced the average spend per night pushing revenue up despite consistency in occupancies with that of the previous financial year. Our strategy to convert our portfolio of properties to an all-inclusive operational model in the last two preceding financial years paid steady returns with a strong growth in revenue yield as a result, during the reporting period. Our operations in the Maldives are a critical component of our overall strategy for global presence and the operations in the destination establishes the Group as a veritable global operator of repute.

We remain focused on leveraging our presence in the destination and are constantly scouting for opportunities for expansion of operations - both in terms of expansion through new resorts and expansion of existing resorts by building on available land bases - in the designated atolls. The opportunity to do so is all the more

probable in the face of evolving tourism building legislation that facilitates a more conducive building structure ratio for each of the resort properties. This will enable existing resorts to expand their capacities within the islands, whilst ensuring the sustainability of the eco-system.

During the year, we commenced the renovation and reconstruction of 16 water villas at the Adaaran HudhuRan Fushi resort which were damaged by a fire during the year.

Oman

Our investments into the destination proved their worth in 2013/14, and we remain confident of the ability of our operations in Oman to act as a catalyst in delivering more than substantial growth in the future.

Whilst we entered Oman at a time when the destination was just cutting its teeth in tourism, now 7 years down the line, Oman remains important to our business performance. The destination adds diversity to our product offering and balances our geographic presence. Moreover, the growth expectations for the destination are more than satisfactory. Oman is expected to lead the Middle East in the travel and tourism sector in 2014 with a 10.2% growth amounting to RO 1.08 billion (US\$ 2.8 billion) over the 2013 figures of RO 982.8 million.

The country is well-positioned to post one of the most robust growth rates worldwide in the sector in the coming year, according to the Annual Travel and Tourism Economic Impact 2014 issued by the World Travel and Tourism Council (WTTC), an international organisation of travel industry executives. The surge in travel and tourism activities is expected to grow by 5.4 percent per annum to Oman's GDP to reach RO1.834 billion, by 2024, which is 3.9 per cent of GDP.

Our operations in the destination during the year demonstrated comfortable growth furthering our belief for indicative potential in the medium term. We increased our presence in the destination with the management of Jabal Akhdhar Hotel, the addition of which increases our portfolio to six managed properties.

- **Global economy on an upward path**
- **Growth in Travel & Tourism demand from BRIC countries to continue**
- **Sri Lankan operation performed creditably over the reporting period, with the round trip operations yielding a high return.**
- **Maldives portfolio outdid the performance of the destination**

India

Our operations in India, again this year fell short of expectations and much like in previous years, the destination continued to deliver only moderate returns. In 2013/14, the Group's operations were very much on maintenance mode and the Group re-assessed its presence and investments in the destination. In a bid to move forward towards positive contribution, the Group is currently analyzing the present business model with an intention to include direct investments in addition to the existing management model.

Sustainability precepts are the foundation of authenticity

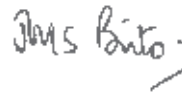
The Group adopts best practices in environmental and social governance and acts in harmony with the principles of the United Nations Global Compact and the Millennium Development Goals. To complement this sustainability stance, the Group adopts GRI-based Sustainability Reporting in a bid to quantify our efforts towards sustainable business. This financial year, the Annual Report adopts a concept that brings to focus the very essence of the Group's identity – authenticity in operations and authenticity of offer – an offering that has the twifold effect of elevating the authenticity of the destinations that we operate in.

During this financial year, we elevated our sustainability reporting focus to report against GRI (G4) level guidelines and adopt an integrated reporting approach for the third consecutive year. Please refer to pages 71 to 80 of this integrated report for more details.

In Conclusion

In summary, I must note my appreciation to our Chairman who has envisioned a strategy of promise for Aitken Spence Hotel Holdings, to the esteemed Board of Directors who have collectively given sound direction and guidance to achieve that vision and of course to the Aitken Spence Hotels teams in Sri Lanka, Maldives, Oman and India that have worked relentlessly to realize our corporate objectives. On behalf of the Board of Directors I also take this opportunity to place on record our thanks to the Ministry of Tourism and Sri Lanka Tourism Development Authority, for their continued support towards the industry. We remain firmly committed to our shareholders and stakeholders and appreciation is due to all of them for the support and encouragement without which we would not have achieved what we have today.

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.



J.M.S. Brito

Managing Director

27th May 2014



The Vevulum Sanniya mask. Also originally from Ambalangoda, this mask is displayed to protect from seizures and fits.

Our brands

“Designed to satisfy the needs of every guest on every occasion, from exclusive luxury to family holidays, or the functionality and state-of-the-art technology of the most sophisticated convention hotels.”

HERITANCE Hotels & Resorts

Heritage Ahungalla . Heritage Kandalama
Heritage Tea Factory . Heritage Ayurveda Maha Gedara
Heritage Negombo

Heritage Hotels & Resorts

"Where Tradition is Alive"

Heritage encapsulates the service excellence that Aitken Spence and its hotels have inherited from a 140 year heritage of trust and reliability. It expresses the local flavour and warmth which only Heritage can offer. It is through this distinctive combination that Heritage Hotels & Resorts offers a unique hospitality experience: "Where Tradition is Alive".



ADAARAN Luxury . Boutique . Wellness Resorts

Adaaran Prestige Vadoo . Adaaran Prestige Water Villas
Adaaran Prestige Ocean Villas . Adaaran Select Meedhupparu
Adaaran Club Rannalhi . Adaaran Select HudhuRan Fushi

Adaaran Resorts, Maldives

"Luxury - Boutique - Wellness Resorts"

Offering a perfect blend of luxury and comfort, Adaaran Resorts in the Maldives present unparalleled luxury with a touch of tradition.



Aitken Spence® Hotels

Aitken Spence Hotels & Resorts

"Unforgettable Experiences"

Some are inspired to holiday in the misty mountains while some are inspired by the endless stretches of sand or by the vast green scenery unfolding before them. No matter where your journey takes you, we will create the most memorable experiences. Whether with your loved one, family or friends you can always be assured that every Aitken Spence Hotel & Resort will feature an awe-inspiring presence, award winning cuisine and exceptional service. We will help you create experiences to last a lifetime!

Sri Lanka

The Sands - Kalutara
Hotel Hilltop - Kandy
Earl's Regency - Kandy
Bandarawela Hotel - Bandarawela

India

Atithi - Puducherry
Tamara - Coimbatore

Oman

Desert Nights Camp - Al Wasil
Al Falaj Hotel - Muscat
Ruwi Hotel - Muscat
Sur Plaza Hotel - Sur
Al Wadi Hotel - Sohar
Jabal Akhdhar Hotel



Diamond Club

Welcome to a world of extended privileges

Diamond Club

The local hotel industry's first on-line loyalty programme. Diamond Club provides its members exclusive offers and privileged services at our hotels in Sri Lanka.



Sri Lanka

“ Sri Lanka overwhelms the senses. The air is heavy with the scent of jasmine, the food richly spiced and the landscape one of utter beauty; the radiant green rice paddies, forests of swaying palm trees and mountains puckered in tea plantations are utterly bewitching. ”



The Mayura Raksha mask is considered the luckiest of all masks. It is often seen displayed on the walls of business houses and commercial enterprises and in homes, to bring good luck and prosperity



Sri Lanka, a tropical island of magical proportions, a pearl set in the Indian Ocean, with a heritage dating back to the birth of time,

Dip in her indigo-blue seas, have the sun caress your body, hear the soft lull of the waves as they spill on to golden beaches. Explore ancient kingdoms, rock fortresses where battles raged, ascend the Mountain of Butterflies and find your serenity in a land where the original soul of Buddhism still flourishes.



Wake up everyday to the call of exotic birds and the heady aroma of frangipani, feel the thrill as a leopard passes by and the elephants gather. Meander through the hills, feast your eyes on cascading waterfalls, smell the sweet fresh air as you rise up to cotton wool dotted skies, warm your soul with a cuppa of freshly brewed Ceylon tea.

Let the ancient practice of Ayurveda sooth your body and soul. Slip into an elusive state of bliss where body and mind are in complete harmony. Let the exotic flavours of authentic cuisine enliven your taste buds, see the sparkle of Sri Lankan gems and immerse yourself in arts and crafts that have been passed on for countless generations.

Let the rhythmic drumming, the fairytale parade of fire dancers and the long line of beautifully adorned elephants mesmerise you.

Authentic, is what the Sri Lanka experience is and our brands in Sri Lanka are the definitive interpretation of this experience.

Heritage Ahungalla

Heritage Kandalama

Heritage Tea Factory

Heritage Ayurveda Maha Gedara

The Sands

Hotel Hilltop

Earl's Regency

Bandarawela Hotel

Properties Under Development



“A heady mix of style and substance, Heritance Ahungalla is a refreshing beach property that offers the finest hospitality and premium services together with a magical destination. One of Geoffrey Bawa’s earliest masterpieces, the property is a stylish and striking five star beach resort that blends in perfect harmony with the coastal splendour of Ahungalla.”



HERITANCE AHUNGALLA

Heritage Kandalama
Heritage Tea Factory
Heritage Ayurveda Maha Gedara
The Sands
Hotel Hilltop
Earl's Regency
Bandarawela Hotel

Properties Under Development

HERITANCE Ahungalla



Cross referencing
2014: Intergrated MD & A
page 87



Sri Lanka's first five star beach resort "The Triton" was relaunched in June 2006 subsequent to a USD 13 million refurbishment that intrinsically transformed the old hotel to a modern 152-roomed 5 star resort. Catering to discerning guests, Heritage Ahungalla, is one of legendary Geoffrey Bawa's architectural fantasies come to life.

"Outstanding"

We travelled around Sri lankas west and middle areas due to my son playing cricket. We stayed in 7 different 5 star resorts on our trip, and none came close to this place. The staff were exceptional, and the cooking was of the highest including a tour of their award winning kitchen that was amazing, and a must if you can get an offer. The two pools are by far the best we saw. Shallow pools for mucking around in, and deep pools for having fun. I would come back here at a moments opportunity. This place though was the highlight a great and informative trip. Some resorts are so modern they are unfriendly, but this is old enough to have style and in good enough condition to impress.



Stayed May 2014, Gilkeses
Shoalhaven, Australia



“ The magical Heritance Kandalama peers out from within its lush green surroundings to welcome vistas that encompass the Sigiriya Rock Fortress, and the pristine Kandalama Lake. Nestled in its habitat, Heritance Kandalama is an award winning property that is a benchmark green-friendly effort and the acclaimed architectural vision of Geoffrey Bawa. ”



Heritage Ahungalla
 HERITANCE KANDALAMA
 Heritage Tea Factory
 Heritage Ayurveda Maha Gedara
 The Sands
 Hotel Hilltop
 Earl's Regency
 Bandarawela Hotel

Properties Under Development

HERITANCE
 Kandalama



Cross referencing
 2014: Intergrated MD & A
 pages 86 - 87



Heritage Kandalama is built into its environs and offers panoramic views of the Sigiriya Rock and Dambulla cave temple. Boasting spectacular architecture, this uniquely designed hotel provides 3 impressive pools and a myriad of exotic activities. The spacious rooms are equipped with rattan furniture and timber panels. Each comes with a private bathroom featuring oversized glass walls that is illuminated by natural light. The hotel features tennis courts, a well-equipped gym and the world renowned Six Senses Spa. Start the day with breakfast on the lake or enjoy a memorable dining experience in an ancient cave.

"Fantastic Place!"

We stayed at the Heritage for 3 nights during our honeymoon in early May. From start to finish the staff were brilliant, friendly, helpful and very professional. Everyone speaks great English and are always smiling. The room was just lovely, we got upgraded as we were on honeymoon which I thought was a lovely touch and exactly what we wanted to hear after such a long journey from the UK. The view over the lake and surrounding mountains was breathtaking and I couldn't wait to open the curtains every morning! There were a few ants in the bathroom but we had no complaints with this, after all the hotel is located in the middle of a rain forest!



Stayed May 2014, Becky B,
 Gloucester, United Kingdom



“Encapsulated by its heritage of tea, Heritance Tea Factory infuses the spirit of a cuppa – warm, hospitable, soothing – to its every feature. A beautifully converted and restored tea factory, that is the epitome of luxurious upcountry living.”



Heritance Ahungalla
 Heritance Kandalama
HERITANCE TEA FACTORY
 Heritance Ayurveda Maha Gedara
 The Sands
 Hotel Hilltop
 Earl's Regency
 Bandarawela Hotel

Properties Under Development

HERITANCE Tea factory



Cross referencing
 2014: Intergrated MD & A
 page 87



The Tea Factory sits 6,800 feet above sea level, only six degrees from the Equator. In the mountain range, which gave the world Pure Ceylon Tea, the hotel began as a factory built in the days of the British Raj. Unused since 1972, the Hethersett factory and estate was converted through sheer vision and innovation into a hotel, the first of it's kind in the world. Careful measures were taken to ensure that much of the original style and machinery remained. The 54-roomed 4 star resort, is a reminder of a past era in perfect blend with innovations of the present.

"A perfect hotel in a beautiful setting"

Sadly for us we only spent one night here, had we been in Sri Lanka for more than a week we would definitely have stayed longer. After what seemed like the longest car journey through the beautiful scenery of tea fields we arrived at Heritance Tea Factory. We were welcomed with a traditional tea ceremony prior to checking in. We then had a delicious lunch in the main restaurant before going to our room. We had one of the rooms with a balcony and as our room was on the corner we had even more amazing views than we expected!



Stayed February 2014, LMR29,
 Abu Dhabi, United Arab Emirates




“An ayurvedic treatment destination, Heritance Ayurveda Maha Gedara is an iconic beach property nestled in manicured gardens and enveloped in calm serenity. Guests are offered the ultimate in spiritual, physical and mental harmony through custom-designed healing rituals that are enriched by extraordinary cuisine and outstanding hospitality.”



In the sun-laden beach of Beruwela, Heritance Ayurveda Maha Gedara is a 64 roomed, wellness resort offering a range of spa and ayurveda experiences. The resort is a sustainable product that promotes responsible tourism. Steeped in an ambience of quietness and enveloped by the scent of frangipani, the resort is a place of revitalisation and rejuvenation.

Heritance Ahungalla
Heritance Kandalama
Heritance Tea Factory
HERITANCE AYURVEDA MAHA GEDARA
The Sands
Hotel Hilltop
Earl's Regency
Bandarawela Hotel
<i>Properties Under Development</i>

HERITANCE Ayurveda Maha Gedara

 **Cross referencing**
2014: Intergrated MD & A
page 87



"Great Ayurveda"

The Ayurveda centre is a nice and quiet place build around a lot of water. The treatments are very professional, and staff very frinedly. Each guest will have several consultations with the four doctors during his/her visit as they are monitoring the progress of the treatment. Most staff member speak some German as most of the customers are either from Austria, Switzerland or Germany. Besides from the treatments, the hotel offers twice daily yoga sessions, meditation as well as lectures from the doctor and spiritual sessions.

 **tripadvisor®** Royalfalcon1



An hour's drive from Colombo, the 110 roomed, 4-star 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. The Sands offers unique beach front rooms with private balconies.



Aquamarine waves lap against the sandy golden shores, inviting you to a blissful holiday by the sea. A charming resort nestled on the sandy beach of Kalutara, The Sands offers you beautiful garden landscapes. We practice the unique 'dine-around' concept, which gives you the flexibility to enjoy different courses of your meal at separate restaurants.



"Hotel over the hilltop. Cool place to stay"

We, a family of four stayed in this hotel for one night. It is located in the heart of the city. They have a well maintained swimming pool. Rooms are clean and well maintained. Tasty breakfast with lot of varieties. We can get a spectacular view of Kandy lake and the tooth temple. Excellent room service.

 **tripadvisor®** Stayed May 2014, Ambasoft, Coimbatore



Heritage Ahungalla
Heritage Kandalama
Heritage Tea Factory
Heritage Ayurveda Maha Gedara


THE SANDS

HOTEL HILLTOP

EARL'S REGENCY

BANDARAWELA HOTEL

Properties Under Development

 **Cross referencing**
2014: Intergrated MD & A
page 88

"Excellent hotel with great staff"

I have only great feelings from my stay in hotel The Sands. The room was spacious, clean and with spectacular seaview. Our room on the 3rd floor had everything what we needed. Excellent everyday housekeeping, changing towels. The room has kettle with tea and coffee, also bottle of water. We had all inclusive, and the food was varied and tasty. The hotel is directly on the beach, ocean with high temperature and with waves, but the entry to sea is gradual, also suitable for non excellent swimmers :-). What I appreciate a lot was the staff. Very kind, helpful and allways with smile ! From waiters through cooks and cleaners to guest relations. We were very satisfied. We 100% recommend this hotel.

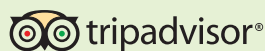


Stayed May 2014,
DavidDove,
Slovakia



"Cool"

The best hotel in town, I really loved the atmosphere as it takes u back to the 30s or 40s, cool old classic English style furniture from bed to door handle even the light switch..... really fascinating, food is nice , staff are friendly....loved the place.....definitely love to go back again

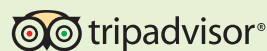


Stayed January 2014,
Dr_Khaled_72
Kuwait City, Kuwait



"A lovely retreat"

Reviewed March 29, 2014
It was a lovely escape from the business of the city..... quiet, discrete and elegant. Staff were most accommodating. Rooms and food were wonderful. It still has a sense of old world charm. I would certainly revisit it.



Stayed March 2014,
Queckers-Jeddah,



Aitken Spence  Hotels



During the year plans were announced to build a USD 100 million resort on the property adjacent to Heritage Ahungalla, the largest project undertaken by us so far. The 500 roomed 5 star resort with Spanish based operator RIU. The resort is due for completion by Winter 2016.



Heritage Ahungalla
Heritage Kandalama
Heritage Tea Factory
Heritage Ayurveda Maha Gedara
The Sands
Hotel Hilltop
Earl's Regency
Bandarawela Hotel

i Cross referencing
2014: Integrated MD & A
page 88

PROPERTIES UNDER DEVELOPMENT

HERITANCE Negombo

“Construction is ongoing in the proposed 150-roomed upscale five star beach resort at the premises of the former Browns Beach Hotel. The project, with the engagement of an international team of experts is expected to be completed in winter 2014.”



Maldives

“Unrivalled luxury, stunning white-sand beaches and an amazing underwater world make the Maldives an obvious choice for a holiday of a lifetime. With some of the best diving and snorkelling in the world, the clear waters of the Maldives are a magnet for anyone with an interest in marine life”



The Jala Sanniya mask is displayed to protect homes from cholera.





Adaaran Prestige Vadoo

Adaaran Prestige Water Villas

Adaaran Prestige Ocean Villas

Adaaran Select Meedhupparu

Adaaran Club Rannalhi

Adaaran Select HudhuRan Fushi

Maldives is the jewel of the Indian Ocean, scattered in brilliant hues in atolls cushioned by golden sands. Palm trees bend in reverence to pure white beaches, turtles swim at languid pace in reefs full of sparkling fish.

Enjoy the year-round warmth of the 'sunny side of life', a lifestyle steeped in luxury and relaxation. Here is a place on earth where work has no status and play is the norm, a place where time is defined by brilliant sun rises and beautiful sunsets, Decadent days of sun worshipping, long afternoon siestas, bubbly by the beach, your own spot of heaven in a place where the rest of the world ceases to exit.



“ Time ceases to exist at Adaaran Prestige Vadoo where a sun kissed exotic coral reef teeming with vibrant aquatic flora and fauna beckons the sun-worshipping traveller. The tropical escape offers the most luxurious amenities and facilities to enrich a captivating experience. ”



ADAARAN PRESTIGE VADOO

Adaaran Prestige Water Villas

Adaaran Prestige Ocean Villas

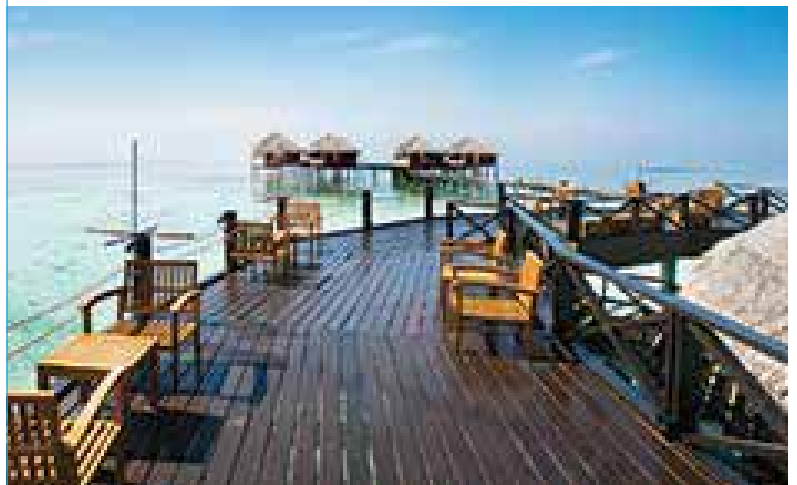
Adaaran Select Meedhupparu

Adaaran Club Rannalhi

Adaaran Select HudhuRan Fushi



Cross referencing
2014: Intergrated MD & A
page 90



"Adaaran Prestige Vadoo" sits on 4.5 acres in an island surrounded by a breath-taking reef. Just 15 minutes by speedboat from the Airport and the City of Male, the resort is a haven of exclusivity. Fifty luxurious water villas including six Japanese style water bungalows and a Japanese concept in one part of the resort sets Adaaran Prestige Vadoo apart.

"Heaven is the word !"

This place is a complete heaven ! Romantic and a must visit for a honeymooner. The sunset villas are just lovely and will surely melt your heart. The hospitality is just perfect and u'll find yourself being pampered always :) The Amenities are surely world class and Food is gud too. I would like to give special thanks to our butler Mr Ritchsal and the caring waiter Mr ziyaad . And thanks to all the staff members who always wore a smile and greeted us even if we pass by. Thanks for making our honeymoon a memorable one. kudos to you guys. Keep it up.



Stayed May 2014,
Mayank19882001
Navi Mumbai, India

Adaaran Prestige Vadoo

[ADAARAN PRESTIGE WATER VILLAS](#)

Adaaran Prestige Ocean Villas

Adaaran Select Meedhupparu

Adaaran Club Rannalhi

Adaaran Select HudhuRan Fushi

ADAARAN
Prestige
WATER VILLAS
MALDIVES



Cross referencing

2014: Intergrated MD & A
page 90



"Just amazing."

We have waited a long time to go to the Maldives and had high expectations when we booked with Adaaran Select Meedhupparu . I have to say they far exceeded our dreams. the island is just breathtaking our beach villa no 271 was in an ideal position close to the beach and very clean. throughout our stay the staff could not do enough for us and are all friendly and helpful. food was fantastic with plenty of choose and drink was free flowing. the sea plane to and from the island is something of an adventure on its own and we loved it. did not want to leave at the end i miss being there now can't wait to go back (best start saving.) the best holiday we have had by far.



tripadvisor®

Stayed May 2014, gary243,
Hockley, United Kingdom

Adaaran Prestige Water Villas is the destination of choice for a blissful holiday spent basking under the tropical sun, soaking up the beauty and comfort of warm tantalizing beaches. The five star resort is a unique blend of luxury and tranquility, offering every aspect of a fulfilling experience.



“Adaaran Prestige Water Villas offers paradise on earth. The private beaches of Adaaran Prestige Water Villas are complemented by a serene blue lagoon and shallow coral reef. The property offers sophisticated comforts and personalised details to envelop guests in the splendour of the Maldives.”



“ At the tip of the South Male atoll, Adaaran Rannalhi is a relaxed destination, with excellent scuba diving and easy access to the capital city of Male. The sumptuous cuisine, well appointed accommodation and waters full of beautiful marine life makes Adaaran Rannalhi a resort like no other. ”



Adaaran Prestige Vadoo

Adaaran Prestige Water Villas

Adaaran Prestige Ocean Villas

Adaaran Select Meedhupparu

[ADAARAN CLUB RANNALHI](#)

Adaaran Select HudhuRan Fushi

ADAARAN
Club
RANNALHI
MALDIVES

i Cross referencing
2014: Intergrated MD & A
page 90



The 132 roomed, 4 star resort boasts of water villas and was one of the first resorts in the Maldives to popularize the concept of over water accommodation. Located in an island of lush green vegetation, the resort boasts of a beautiful beach and a reef that is home to exotic tropical fish. The resort offers 35 water villas and 97 beach villas.

"Best holiday ever"

I returned from a 5 night stay in a water bungalow and I am desperate to go back. I cannot fault a single thing, food was good for all inclusive every one working there was polite, helpful and friendly. It was clean and tidy and my idea of paradise.



Stayed May 2014, 89Nikki,
Southampton, United Kingdom




“ Located in the peaceful seclusion of the North Male Atoll, Adaaran HudhuRan Fushi is blessed with thriving vegetation and pristine waters – a true paradise hidden away in 83 acres of lush tropical beauty. The resort is designed to preserve the hushed calmness of a tranquil village basking in the bright sunshine. ”



[Adaaran Prestige Vadoo](#)
[Adaaran Prestige Water Villas](#)
[Adaaran Prestige Ocean Villas](#)
[Adaaran Select Meedhupparu](#)
[Adaaran Club Rannalhi](#)
[ADAARAN SELECT HUDHURAN FUSHI](#)


HUDHURAN FUSHI
 MALDIVES

 **Cross referencing**
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The resort's close proximity to Male makes it one of the most sought after holiday spots in Maldives. The newly refurbished resort boasts of 195 villas including 37 prestige water villas and is the 2nd largest resort of the Adaaran group. The 4 star resort also known as the surf island, conducts surfing holidays in summer. The resort ocean villas have dedicated bar and lounge facilities and the resort offers a number of over water restaurants.

"Holiday in an island paradise"

Perfect location for some serious rest and relaxation. We stayed in a beach villa which was ideal as all we had to do was walk out of the front door and we were on the beach and then the sea (with a reef for snorkelling) was only another 20 metres! Needed the fan and/or air conditioning on at night as it was so hot but the heat was one of the main reasons for going to The Maldives! We were comfortable at night with the fan on. Food was good and the staff could not have been more helpful and friendly.



Stayed April 2014, chuckinald,
 Burnham-On-Sea, United Kingdom

Oman

“Oman’s diverse terrain of mountains, deserts and seascapes, are an outdoor enthusiast’s dream come true. From diving to photography to rock climbing to even ice skating, Oman offers a variety of activities to suit the taste of the most demanding traveller.”



The Gamarala is the village headman - a popular figure in kolam theatre in Sri Lanka in which the characters played are usually satirical.



Oman, the best kept secret of the Middle East !

A land of diverse terrain, mountains, deserts and seascapes. Oman is an outdoor enthusiast’s dream come true, offering a selection of unlikely experiences.



Desert Nights Camp - Al Wasil

Al Falaj Hotel - Muscat

Ruwi Hotel - Muscat

Sur Plaza Hotel - Sur

Al Wadi Hotel - Sohar

Jabal Akhdhar Hotel

Experience the magic of the desert like never before, explore rugged mountains, trek through beautiful landscapes, and race a camel through the Wahiba Sands before heading out for a spot of game fishing. Jump on board a sporty sloop, a graceful catamaran, convivial yacht or speedy see-doo to explore the magical coastline. Travellers can catch up on business in Muscat and strike a deal before heading home.



“ Surrounded by endless sprawling red gold dunes, Desert Nights Camp is an intimate 5 star hotel in Oman - to stay, to share secrets and to relax. Retreat to your private Bedouin style tent with its surrounding expanse of silken sand. Oman styled cosy sit-outs, a luxurious bed under a linen canopy suffused with golden light, tiled rooms, tasteful Arabian furnishings and an extravagant bathroom await you at this luxurious tented property. ”



DESERT NIGHTS CAMP - AL WASIL

Al Falaj Hotel - Muscat

Ruwi Hotel - Muscat

Sur Plaza Hotel - Sur

Al Wadi Hotel - Sohar

Jabal Akhdhar Hotel



Cross referencing

2014: Intergrated MD & A
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Desert Nights Camp is an oasis in the dazzling sands of Al Wasil in the Sharigiya region and is situated two hours away from Muscat. The 30 luxurious Bedouin style tents await those who seek the ultimate desert adventure. The camp had the honour of been named one of the top ten desert retreats in the world by The National, in an independent study conducted by the UAE based regional publication.

"A very relaxing interlude."

We spent two nights at Desert Nights, which is possibly the optimum, as it leaves time to relax and enjoy the ambience, rather than rushing in and out and continually on the go. We had a super stay. The staff were excellent, very helpful and efficient. The meals and accommodation were of a similar standard and the available activities and trips out were interesting and comprehensive. We totally enjoyed our taste of life in the desert.



Stayed January 2014, RosieRolo2,
Halifax, United Kingdom



Al Wadi Hotel - Sohar

Al Wadi Hotel is located 200 Km's away from the Seeb International airport - in the city of Sohar, the ancient maritime capital of Oman and home of Sinbad the Sailor.

Sohar was recently voted the most beautiful city in the Middle East making it a must-see place for visitors to Oman. Sohar, is situated on the Batinah coast rich in heritage & culture, making it ideal for tourists who have time to explore the Wadis and the Forts while experiencing great hospitality at the hotel. The Sohar fort is also one of the largest forts in Oman.

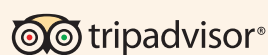
“Home to legendary Sinbad the Sailor, the hotel falls along ancient trade routes in the picturesque city of Sohar. Voted the most scenic town in the Middle East, Sohar is the ancient maritime capital of Oman. Discover its heritage, follow the legacy of the ancient mariner, explore its wadis and marvel at the Sohar fort, one of the largest in Oman. The hotel is also most conveniently located as a transit hotel for the guests travelling overland to Oman from Dubai.”



Al Falaj Hotel - Muscat

“Visiting Oman”

I was part of a trade delegation from Sri Lanka to Oman and had the pleasure of staying at the Al Falaj Hotel. It caters to all needs of the weary travellers. The locals who man the reception are very courteous and knowledgeable. The restaurant is comparable with a hotel of such kind but the staff are very efficient and accommodating. The housekeeping was good and the staff were obliging. The hotel offers a free shuttle service from and to the airport. Wi-fi is provided throughout the premises. A good experience and a pleasant stay.



**Stayed May 2014,
travelled on business
Panduka J, Colombo, Sri Lanka**



Desert Nights Camp - Al Wasil

AL FALAJ HOTEL - MUSCAT

RUWI HOTEL - MUSCAT

SUR PLAZA HOTEL - SUR

AL WADI HOTEL - SOHAR

Jabal Akhdhar Hotel



Cross referencing

2014: Intergrated MD & A
page 92

"Superb accommodation"

I stayed in this hotel for three nights and I was satisfied by their excellent service, delectable food, accommodating staff, free and fast Wifi, and clean and spacious rooms. I personally like Ms. Nina and the other Filipina girl who really assisted me during my stay in the hotel. Before I left, I requested if I could check out four hours later and my request was granted. I will surely recommend this hotel to my friends.



tripadvisor®

Stayed May 2014, Aquil2014,
Sohar, Oman



Ruwi Hotel - Muscat

"Fabulous Services, Big Savings!!!"

Definitely search for "Ruwi Hotel" this is the place to be with your loved ones, staff are well trained, good manners, Polite, honesty, very concerned with Guests, Quick response, Hotel located in a very nice area accessibility of shopping malls, Taxis, Public transportation, Money exchange centers, Main road, highways, wide range of mountain view to see while indoors, etc



tripadvisor® **Stayed May 2014, Davis J**



Sur Plaza Hotel - Sur

"Sur plaza hotel"

Fantastic hotel and fantastic people, we enjoyed a lot staying there, hotel management was really nice and we didn't have any problem.



tripadvisor®

Stayed March 2014,
hamed777,
Muscat, Oman

India

“India bristles with a mind-stirring mix of landscapes and cultural traditions. Your journey through this intoxicating country will blaze in your memory long after you’ve left its shores.

Colourful and colliding, spiritual and soothing, there’s nowhere on earth quite like it.”

Incredible India



The Deva Sanniya mask is displayed to bring protection from infectious diseases



India, the greatest show on earth is a place where exhilarating experiences abound, incredible sights overpower your senses and take you to new highs.

Marvel at architectural splendours, diverse flavours, captivating cuisine and people of varied cultures. Bask in the meditative wholesomeness of vedic practice and enjoy the thrills of the southern Indian countryside.



Atithi, Puducherry

Tamara, Coimbatore

Offering you two distinctive properties ranged across the amazingly diverse regions of India, Aitken Spence Hotels can create an Indian holiday experience with memories to last a lifetime. Embracing all the charm and exotic magic that is India, guests can travel through bewitching backwaters, laze on serene beaches, view mistily pristine lakes and explore one of the world's richest cultural heritages.

The serene town of Puducherry in South India offers travellers stunning beaches, architecturally significant heritage buildings and the many wonderful shopping experience that India is famed for.



Group Performance Highlights

Performance for the Year ended 31st March

	2014	2013	Change
Revenue - Rs. '000	12,947,076	12,035,870	8%
Group Profit Before Tax - Rs. '000	4,078,450	3,204,882	27%
Group Profit After Tax - Rs. '000	3,517,015	2,739,987	28%
Group Profit Attributable to Equity Holders of Parent - Rs. '000	2,340,934	1,785,154	31%
Ordinary Dividend Proposed - Rs. '000	504,435	336,290	50%
Dividend per Share - Rs.	1.50	1.00	50%
Earnings per Share (EPS) - Rs. (*Diluted EPS)	6.92	5.26	31%
EPS Growth	31.50%	29.88%	5%
Cost of Finance - Rs. '000	192,252	246,623	22%
Increase/(Decrease) in Cost of Finance	22.05%	18.05%	22%
Interest Cover - Number of Times	22.03	13.71	61%
Return on Equity	16.63%	14.90%	12%

Position as at the Year ended 31st March

Total Assets - Rs. '000	25,976,928	22,359,799	16%
Long term interest bearing borrowings - Rs. '000	2,913,898	2,790,090	4%
Total Equity - Rs. '000	19,167,842	15,829,440	21%
Number of shares in issue - Number	336,290,010	336,290,010	0%
Net Assets per Share - Rs.	45.24	37.95	19%
Debt/Equity	16.20%	18.86%	14%
Debt/Total Assets	11.85%	13.22%	10%
Current Ratio	2.58 : 1	1.81 : 1	42%
Quick Asset Ratio	2.52 : 1	1.75 : 1	44%

Market / Shareholder Information as at year ended 31st March

Market Price per Share - Rs.	70	74	-5%
Market Capitalization - Rs. '000	23,540,301	24,885,461	-5%
Price Earnings Ratio - Number of Times	10.12	14.07	-28%
Dividend Payout	21.7%	19.0%	14%
Dividend Yield	2.14%	1.35%	59%

Sustainability indicators

Carbon Footprint - MT	7,665	7,450	3%
Water Consumption m ³	569,794	519,123	10%
Total Energy Consumption GJ	284,727	277,774	3%
Training per Employee - Hours	102	94	9%
Community Engagement - No. Persons Impacted	4,566	4,487	2%

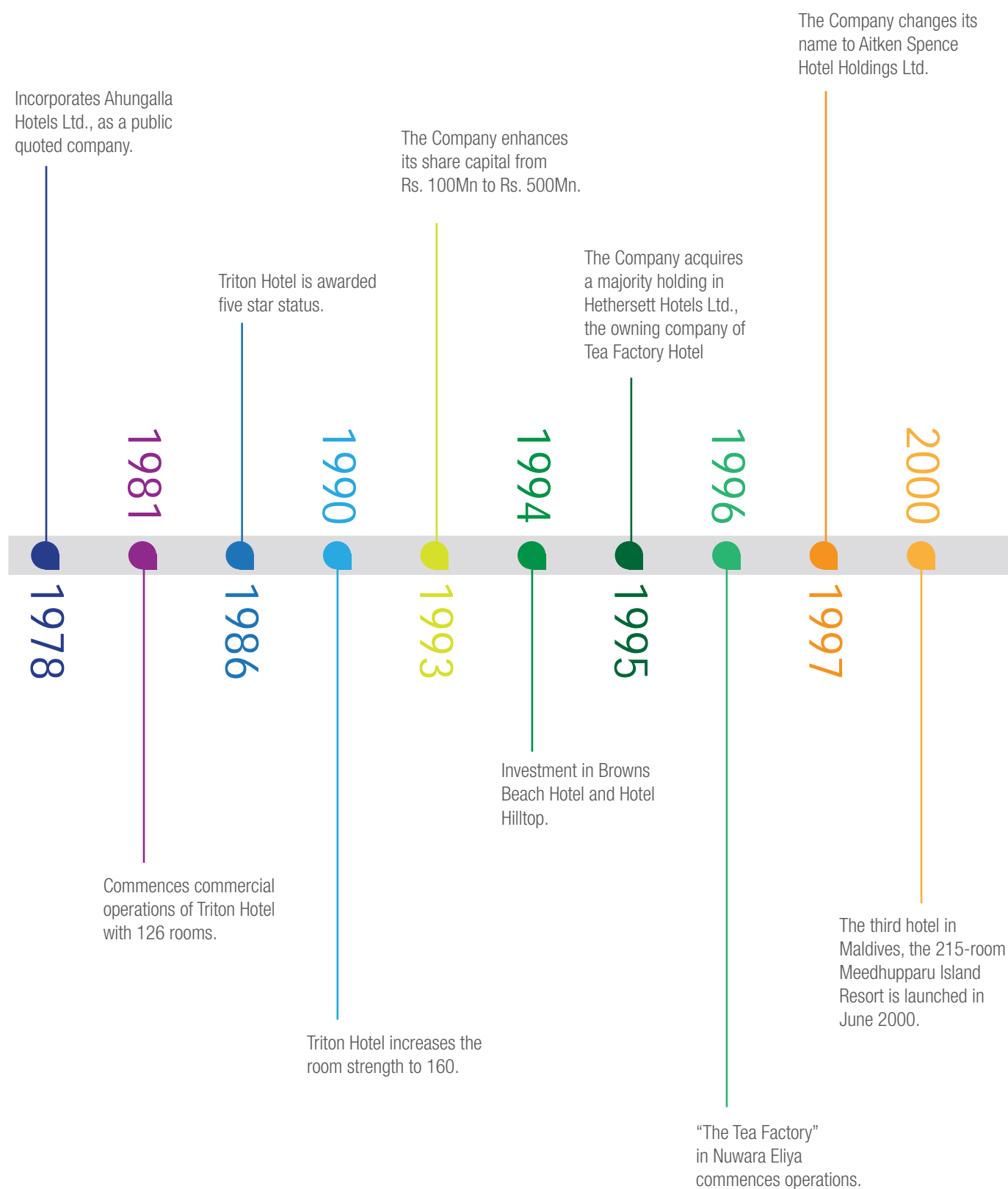
Value Added for the year

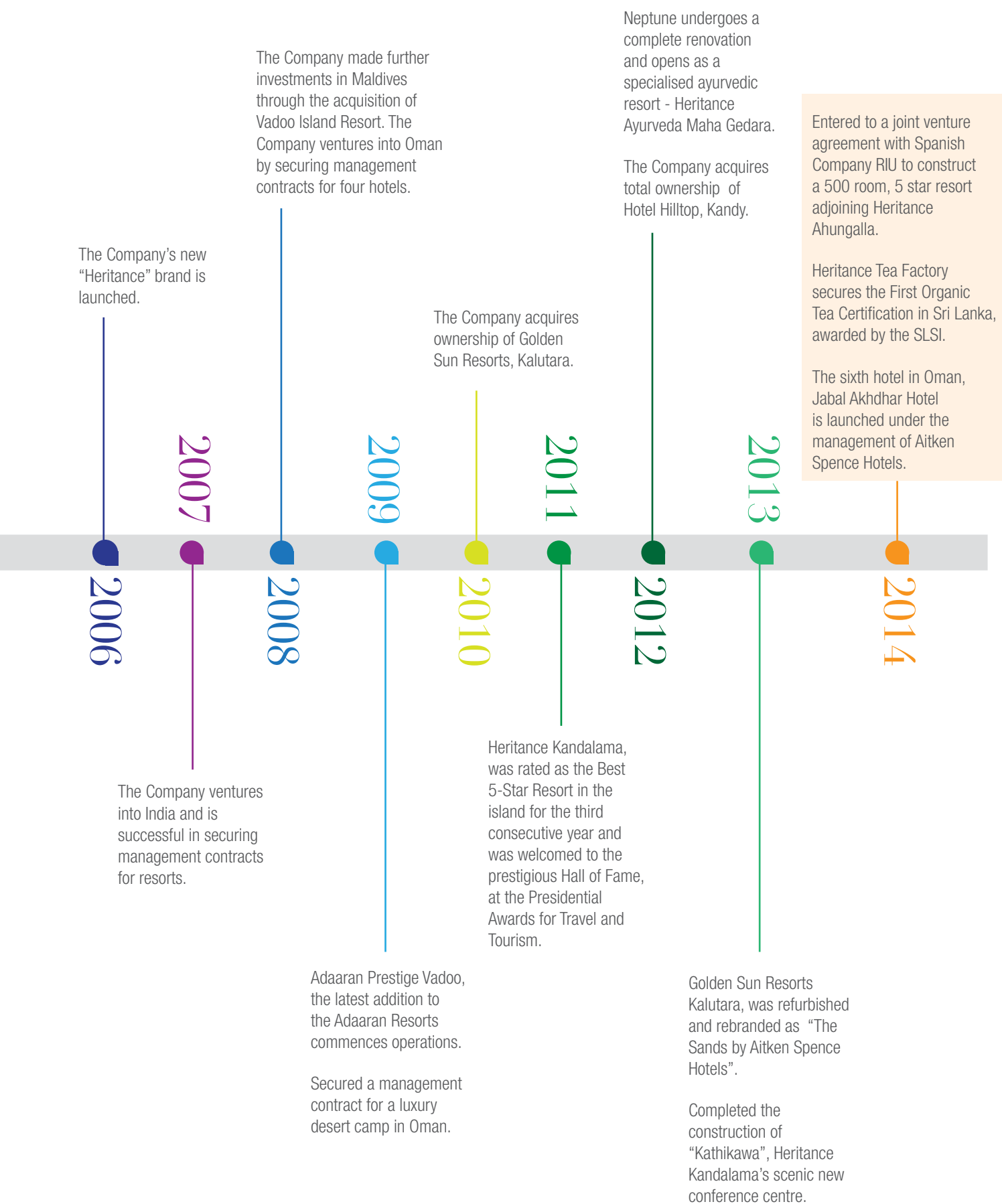
To Government - Rs. '000	976,610	934,170	4%
To Employees - Rs. '000	1,753,081	1,648,248	6%
To Providers of Capital - Rs. '000	1,368,333	1,201,456	13%
To Shareholders - Rs. '000	504,435	336,290	50%
Retained for reinvestment and future growth - Rs. '000	2,597,872	2,181,667	19%
Total Value Added - Rs. '000	7,200,331	6,301,831	14%

Group Portfolio



Milestones





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 the Chairman of Lanka Milk Foods (CWE) PLC. He is also the Chairman of the Distilleries Company of Sri Lanka PLC, Lanka Bell (Pvt) Ltd., Browns Beach Hotels PLC, Balangoda Plantations PLC, and Madulsima Plantations PLC. He is a former Director of Hatton National Bank PLC., the largest listed bank in Sri Lanka. Mr. Jayawardena was the former Chairman of Ceylon Petroleum Corporation and Sri Lankan Airlines.

Deshamanya Jayawardena is presently the Honorary Consul for Denmark and on the 9th of February 2010, he was knighted by Her Majesty the Queen of Denmark with the prestigious honour of "Knight Cross of Dannebrog".

He has also been awarded the title, "Deshamanya" in recognition of his services to the Motherland, since November 2005.

Mr. J.M.S. Brito

Mr. Rajan Brito has a LLB (University of London) and MBA (London City Business School) degrees and is a Fellow of both Institutes of Chartered Accountants of Sri Lanka and England & Wales. Together with this multi-disciplined knowledge, he also brings with him a wealth of 35 years of international experience working with a number of international organizations. Presently Mr. Brito is the Managing & Finance Director of Aitken Spence PLC., and the Chairman of DFCC Vardhana Bank. He is a former Chairman of DFCC Bank, Sri Lankan Airlines, The Employers' Federation of Ceylon and a former Director of Sri Lanka Insurance Corporation.

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, a fellow member of the Chartered Institute of Management Accountants UK and the Chartered Global Management Accountants UK, is the Deputy Managing Director of Aitken Spence Hotel Managements (Pvt) Ltd., the company managing all the hotels in Sri Lanka and overseas. He serves on the Boards of all the 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 the Vice President, Resort Hotels of the Tourist Hotels Association of Sri Lanka (THASL).

Mr. G.P.J. Goonewardena

Mr. Gemunu Goonewardene is a Director of the Board of Aitken Spence Hotel Holding PLC and Vice President responsible for Resource Planning & Development, Food & Beverage Services and facilities, as well as a Director of Aitken Spence Resources (Pvt) Ltd, responsible for overseas recruitment.

He is a Graduate of the Ceylon Hotel School and has done his Post Graduate studies at the Culinary Institute of America. He is a Fellow of the CHSGA (Ceylon Hotel School Graduates Association). He is also a member of the SAARC Tourism



Council and an Honorary Consultant for the Postgraduate Diploma in Tourism, Economics & Hotel Managements leading to the Masters program, conducted by the University of Colombo and for the Hospitality, Tourism and Events Management faculty of Uva Wellassa University, Sri Lanka.

Mr. Goonewardene is a member of the Tourist Hotels Classification Committee for 2014, and a member of the team which drafted the new Tourist Hotel Classification Criteria/Guideline Standards for hotels. He was the President of the Gold Medal winning team (Heritage Hotels & Resorts) of the Culinary World Cup 2010 held in Luxembourg.

With extensive exposure, having worked in U.S.A., Europe and Australia and counting more than 39 years of valuable experience, he has been an integral part and a key member of the Aitken Spence Group from its inception and has contributed significantly towards planning, and development of its iconic properties, in Sri Lanka and Maldives.

Mr. R.E.V. Casie Chetty

Mr. Ranjan Casie Chetty is the Company Secretary of Aitken Spence PLC, and a Director of Aitken Spence Group Ltd., Aitken Spence Hotel Holdings PLC, and various other companies in the Aitken Spence Group. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, a Fellow of the Chartered Institute of Management Accountants of UK and a Fellow of the Certified Management Accountants of Sri Lanka. He is also a Member of the Chartered Management Institute of UK and has been awarded the Joint Diploma in Management Accounting Services. He has over 40 years of post qualification experience. During this period he has held very senior and responsible positions in many 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 was a former Chairman of the Sri Lanka Apparel Exporters Association.

Mr. R.N. Asirwatham

Mr. Rajan Asirwatham was the Senior Partner and Country Head of KPMG from 2001 to 2008. Further, he was the Chairman of the Steering Committee for the Sustainable Tourism Project funded by the World Bank for the Ministry of Tourism and was also a member of the Presidential Commission on Taxation, appointed by His Excellency the President of Sri Lanka.

As at present, Mr. Asirwatham, a fellow member of the Institute of Chartered Accountants of Sri Lanka, is the Chairman of the Financial Services Stability Committee of the Central Bank of Sri Lanka. He is also a member of the Ceylon Chamber of Commerce Advisory Council and a member of the council of the University of Colombo.

He also serves on the Boards of Vallibel One Limited, Ceylon Tea Services PLC, Royal Ceramics PLC, Dial Tex Industries (Pvt) Limited, Renuka Hotels (Pvt) Limited, CIC Holdings PLC, Rajawella Holdings (Pvt) Limited, Mercantile Merchant Bank and Yaal Hotels (Pvt) Limited.

Mr. N.J. de Silva Deva Aditya

Mr. Niranjan Deva Aditya, an aeronautical engineer, scientist and economist, is a Conservative Member of the European Parliament elected from the SE England. He is the Vice President of the Development Committee; ECR Co-ordinator and Conservative Spokesman for Overseas' Development and Co-operation. He was the Co Leader of the Parliamentary Delegation to the UN World Summit and General Assembly 2006, the Chairman Working Group A of Development Committee overseeing Asia, Central Asia and Far East. He was the Co Co-ordinator Assembly of 79 Parliaments of the EU-ACP 2004 and the President EU India Chamber of Commerce from 2005.

In 2012 he stood for and came runner up, beating the Liberal candidate into 3rd place to be the President (Speaker) to the European Parliament. He was the first Asian to be elected as a Conservative Member of British Parliament, first Asian MP to serve in the British Government as PPS in the Scottish Office and first Asian born MP to be elected to the European Parliament. He was nominated as a candidate to succeed Kofi Annan as Secretary General to the UN in 2006. He is a Hon. Ambassador without portfolio for Sri Lanka; the first Asian to be appointed as Her Majesty's Deputy Lord Lieutenant for Greater London, representing The Queen on official occasions since 1985; awarded the honour "ViswaKirthi Sri Lanka Abhimani" by the Buddhist Clergy for his Services to Sri Lanka and given the Knighthood with Merit of the Sacred Constantinian Military Order of St. George for his global work on poverty eradication. He is a Fellow of the Royal Society for Arts, Manufacture and Commerce (Est: 1765).

Mr. C.H. Gomez

Mr. Charles Gomez is a former Investment Banker with over 30 years of experience in the finance industry. He has worked for several major financial institutions, and brings to the Company a wealth of experience in regard to international financial markets. Mr. Gomez is a partner of a financial services company based in Gibraltar and serves on Boards of foreign investment companies.

Corporate Management Team



Mr. J.M.S. Brito

(Profile on page 64)



Mr. S.M. Hapugoda

(Profile on page 64)



Mr. B.H.R. Sariffo'deen

Mr. Ramzan Sariffo'deen is the Vice President - Operations of Aitken Spence Hotels. He is a Professional Hotelier counting many years of managerial experience in Sri Lanka and overseas.



Mr. C.M.S. Jayawickrama

(Profile on page 64)



Mr. G.P.J. Goonewardena

(Profile on page 64)



Mr. Rohitha S. 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 work experience in Australia and New Zealand.

He has obtained a Postgraduate Marine Engineering qualification from Germany, holds a MBA from the University of Colombo and MSc. in Sustainable Engineering from the University of KTH Sweden. He is a fellow Member of the Institute of Engineers – Sri Lanka, and also an accredited International Professional Engineer.

Mr. Mangala Wijesekera

Mr. Mangala Wijesekera, Vice President, heads the Finance and Administration function of overseas ventures and projects of the Group.

He has a Bachelors Degree in Mathematics from the University of Colombo and holds a MBA from the University of Southern Queensland, Australia. Prior to the present position he was Head of Finance for Maldives and Sri Lanka sectors of Aitken Spence Hotels and carries with him a wealth of experience gained over 19 years working in Sri Lanka and overseas.

Mr. Tilak Gunawardana

Mr. Tilak Gunawardana is the 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 a member of the Financial Reporting Faculty of the Institute of Chartered Accountants of Sri Lanka and also a member of the Fiscal & Monetary Affairs Sub Committee formed under the Tourist Hotels Association of Sri Lanka. (THASL)



Mr. Althaf M. Ali

Mr. Althaf Mohamed Ali, is the Vice President - Sales & Marketing of Aitken Spence Hotels.

He holds a Bachelor of Commerce Degree from the University of Madras and a Post Graduate Diploma in Hotel Management from the Oberoi School of Hotel Management. He has more than 20 years of experience in the hospitality industry in senior managerial positions with the Oberoi Hotels, India and with Aitken Spence Hotels handling operations and marketing in Sri Lanka, Oman and Maldives. Prior to his present position he was CEO of the Oman Sector.

Mr. Danesha Perera

Mr. Danesha Perera - Asst. Vice President of Aitken Spence Hotel Managements (Pvt) Ltd. and Director of Aitken Spence Exports (Pvt) Ltd.

He is the head of the Central Purchasing Unit (CPU), Corporate Merchandising Department (CMD), ASHM Exports Operation, Hethersett Bottled Drinking Water Plant (HBWP) and Corporate Stationery Division (CSD).

He has held the office as the President of Institute of Supply & Materials Management Sri Lanka (ISMM) for two years. He is currently representing ISMM as the Immediate Past President. He is a Fellow of the Institute of Supply & Material Management.

Also he held office as a Vice President of the Organisation of Professional Association in Sri Lanka (OPA) for 2012/13. He was presented with the "Garner Themion" international award by the International Federation of Supply Management (IFPSM) for 2012.

Mr. Hussain Jayah

Mr. Hussain Jayah is the Head of Marketing & Sales at Aitken Spence Hotels. He comes with a wealth of experience, and counts over 33 years in the Travel, Hospitality and Aviation industry. 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 at Sri Lankan Airlines in the Promotions, Public Relations, Commercial Departments and was also posted to Saudi Arabia, Oman and Thailand as Country Manager. A former member of the Board of Management of the Sri Lanka Conventions Bureau, he also represented Sri Lankan Airlines in the Tourism Master plan Committee of Sri Lanka, and currently holds the position of Vice President of the PATA Sri Lankan Chapter.

Mr. Jeevaka Weerakoon

Mr. Jeevaka Weerakoon, Assistant Vice President heads the Human Resources/ Training & Development Division of Aitken Spence Group of Hotels. He is a professional hotelier counting more than twenty years of experience in Sri Lanka and overseas. He held the position of Executive General Manager of Heritage Kandalama before taking up the present position.

He has completed his MBA and is a graduate of the Sri Lanka Institute of Tourism & Hotel Management (SLITHM) specializing in Food & Beverage Operations, and a Fellow of the Ceylon Hotel School Graduates Association (FCHSGA). He is also a Consultant for ISO 9000 quality systems. He has served as an Executive Committee Member of the Regional Economic Development Agency (REDA) representing the tourism industry in the Central Province under the Central Provincial Council and also served as a Committee Member of the CHSGA in 2010.

Corporate Management Team

Mr. Chethiya Perera

Mr. Chethiya Perera is the Chief Executive Officer of the Indian Sector of Aitken Spence Hotels. He is a Fellow of the Ceylon Hotel School Graduates Association and is a member of HCIMA, UK and the Institute of Management UK. He has had extensive overseas training and has considerable industry experience, particularly in the Maldives.

Mr. Upul Peiris

Mr. Upul Peiris is the Chief Operating Officer of Adaaran Resorts in the Republic of Maldives since 2010.

He has worked in the hotel industry in Sri Lanka & Maldives for over 3 decades. He has been with Aitken Spence Hotels since 1989 and counts over 25 years of continuation of services holding senior positions. He counts over 7 years' experience in handling operations in the Maldives.

He has graduated from Sri Lanka Institute of Tourism and Hotel Management (SLITHM) in 1984 . He is a Fellow Member of Ceylon Hotel School Graduates Association (CHSGA) and a Member of the Institute of Hospitality -UK.

He is also a Director of Browns Beach Hotels PLC since 2008 and Unique Resorts (Pvt) Ltd. in Maldives since 2010.

Mr. Srinith de Silva

Mr. Srinith De Silva is the Chief Operating Officer of the Oman Sector.

He is a Graduate of the Victoria University, Melbourne and counts many years of experience in international hotel chains, such as Sheraton, Raffles and Stamford. He has more than 19 years of experience in the hospitality industry in senior managerial positions handling operations and marketing in Saudi Arabia, Australia, Sri Lanka and India.

Integrated Management Discussion and Analysis

This is the third integrated annual report published by Aitken Spence Hotel Holdings PLC following our integrated annual reports for the years ending 31st March 2012 and 31st March 2013.

Report Boundary and Scope

The details contained herein report on the financial year from 1st April 2013 to 31st March 2014. The financial results reported are those of Aitken Spence Hotel Holdings PLC., its subsidiaries and associate companies. The complete list of hotels within the Group can be found in the “About the Group” section on page 70.

This report adheres to the financial scope and boundaries that have been set out by the International Financial Reporting Standards (IFRS) and the Sri Lanka Financial Reporting Standards (SLFRS)/LKAS applicable for financial periods beginning on or after 1st January 2012. The accounting policies adopted are described in detail in the Financial Statements.

Further, we are in compliance with the laws and regulations of the Companies Act No. 07 of 2007 and subsequent amendments and Listing Rules of the Colombo Stock Exchange (CSE).

Results associated with operations falling directly under our control as a Group and as individual properties are reported within the MD&A.

This Sustainability Report has been produced based on the Sustainability 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 G4 guidelines and indicator protocols for economic, environment, human rights, labour, product responsibility and societal performance. It also seeks to report the Group’s initiatives towards meeting the ten principles of the United Nations Global Compact (UNGC). We are aware that our future depends on our preparation for it. Deteriorating resources, demand for talent and an increasingly competitive market makes it a priority for us to take a firmer look at sustainability.

The scope of this report encompasses such items that we believe are material in the context of the Group’s operations. For the fifth consecutive year, we have used the GRI indicators as the foundation in the assessment process.

Comments about this report and sustainability initiatives detailed in the report may be directed to info@aitkenspence.lk.

Data Measurement Techniques

There are many data measurement and data collation techniques embedded into the daily processes of the Group. Sustainability-related parameters are documented and quantified through property-centric processes under the respective environmental management systems and sustainability systems that govern the sustainability policies for each resort. This information is in turn collated and analysed at Group level, periodically.

While the quality of the data has improved year on year, some of the data continues to be based upon broad assumptions and extrapolations and require further refinement. Our measurement and reporting processes are continuously improved and geared towards optimal levels of accuracy and completeness, over time.

Integrated Management Discussion and Analysis

ABOUT THE GROUP

Aitken Spence Hotels operates a chain of 23 distinctive properties in Sri Lanka, Maldives, India and Oman. It is the largest resort operator in Sri Lanka and the largest international resort chain in the Maldives. Its range of international award-winning hotels and management expertise has set industry benchmarks for service quality, culinary standards and sustainable tourism.

The portfolio of hotels and resorts offers options for varied needs and budgets – including award winning resorts, layover hotels and niche market hotels - while maintaining exceptional standards of hospitality.

The Group lays claim to many years of experience and expertise in the local and regional hospitality industry and is widely respected for its proficiency in hotel design, building and management, and its commitment to the highest standards of business excellence.

Over the years, Aitken Spence Hotels has received wide recognition for its commitment to environmentally friendly operations, and their responses towards the protection of natural resources.

Aitken Spence Hotels is a subsidiary of Aitken Spence PLC, established in 1868, which is one of Sri Lanka's foremost diversified conglomerates today with leading positions in Hotels, Travel, Maritime Services and Logistic Solutions.

SRI LANKA	MALDIVES	INDIA	OMAN
Heritage Ahungalla	Adaaran Prestige Vadoo	Atithi, Puducherry	Desert Nights Camp, Al Wasil
Heritage Kandalama	Adaaran Prestige Water Villas	Tamara, Coimbatore	Al Falaj Hotel, Muscat
Heritage Tea Factory	Adaaran Prestige Ocean Villas		Ruwi Hotel, Muscat
Heritage Ayurveda Maha Gedara	Adaaran Select Meedhupparu		Sur Plaza Hotel, Sur
Heritage Negombo	Adaaran Club Rannalhi		Al Wadi Hotel, Sohar
The Sands	Adaaran Select HudhuRan Fushi		Jabal Akdhar Hotel
Hotel Hilltop			
Earl's Regency			
Bandarawela Hotel			

Our Vision

Aspires to deliver the highest standard in the hospitality industry in a sustainable way and continue to grow responsibly.



OUR SUSTAINABILITY STRATEGY

Aitken Spence Hotel Holdings has always been motivated by the desire to become a truly sustainable business and was an early proponent of corporate responsibility long before the concept of sustainability gained popularity in the corporate world.

While pursuing a sustainable business model that meets the objectives of our investors, we have sought ways of connecting positively with the communities around us, adding value to our customers, employees and business partners, and protecting the environment and natural resources.

We have made every effort to ingrain aspects of responsible tourism into our operations, embracing sustainability precepts as our guiding principle. This has enabled Aitken Spence Hotels to become an entity that is widely considered a benchmark in green business – our flagship hotel, Heritance Kandalama is widely considered the region's first sustainable tourism project.

We are committed to taking the leadership in shaping the future of tourism in the region by promoting responsibility, accountability and sustainability.

Our Sustainability Approach

The long term vision of Aitken Spence Hotel Holdings is built on the foundation of sustainability – therefore, the strategies and operations that support our short, medium and long term goals are inextricably bound to principles of sustainable business.

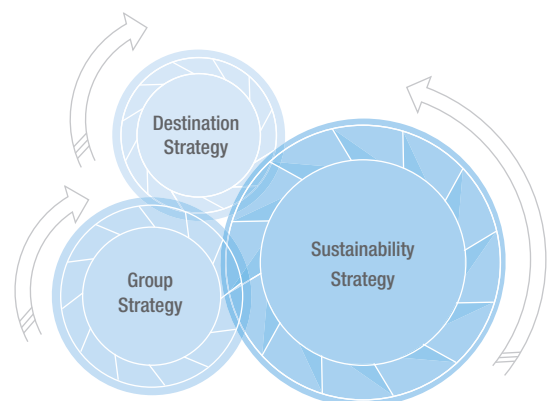
As a commercial enterprise, our ultimate objective remains creating wealth for you, our investors. Our vision is geared to achieve just that – by becoming a sustainable entity, we ensure our long-term viability and enhance the value of your investment.

For a tourism player, sustainable business has even greater importance as more and more global consumers now seek opportunities to offset their environmental footprint by choosing destinations and properties that practice sustainable tourism.

By creating an organisation-wide culture that is ingrained in sustainability and responsibility, we hope to inspire the individual members of our team and the multiple stakeholders we work with, to become catalysts of change – in their communities, their businesses and beyond.

The Aitken Spence Group has in place a sustainability framework, from which all subsidiaries including Aitken Spence Hotel Holdings derives their sustainability stewardship and structure.

While sustainable thinking has been a core driver of the Group for many years, a formal structure came into being in 2008 with the appointment of a sustainability team by the Group's Holding Company. The team is led by the Managing Director and takes a top



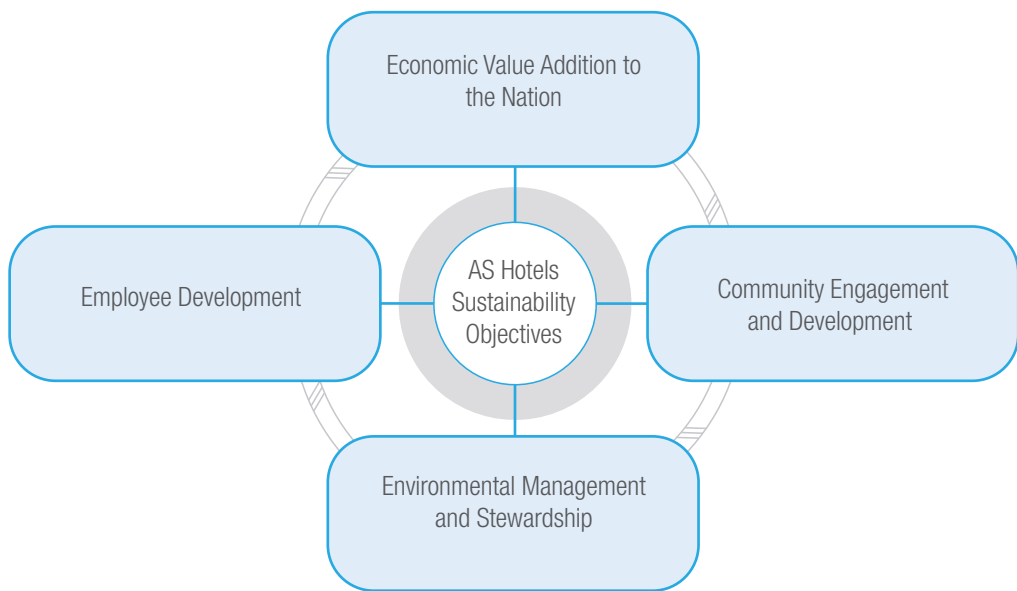
Strategic Approach to Sustainability

Integrated Management Discussion and Analysis

down approach, cascading from the Holding Company hierarchy to the top management of the Group, and thereafter implemented in consultative collaboration across the hotel properties.

The sustainability objectives of Aitken Spence Hotels focus on four critical areas - Economic Value Addition to the nation, community development through the integration of practices that are sustainable with the intention to alleviate poverty (a key UNGC objective that falls under the Millennium Development Goals), Employee development and enrichment, and environmental management and stewardship.

AREAS OF SUSTAINABILITY FOCUS



Our sustainability strategies pay heed to international best practices in environmental and social governance. As a member of the United Nations Global Compact, the Group is resolute in abiding by its principles and also supports the Millennium Development Goals.

In order to track our progress and quantify our sustainability efforts, we have adopted the Sustainability Reporting framework set out by the Global Reporting Initiative (GRI).

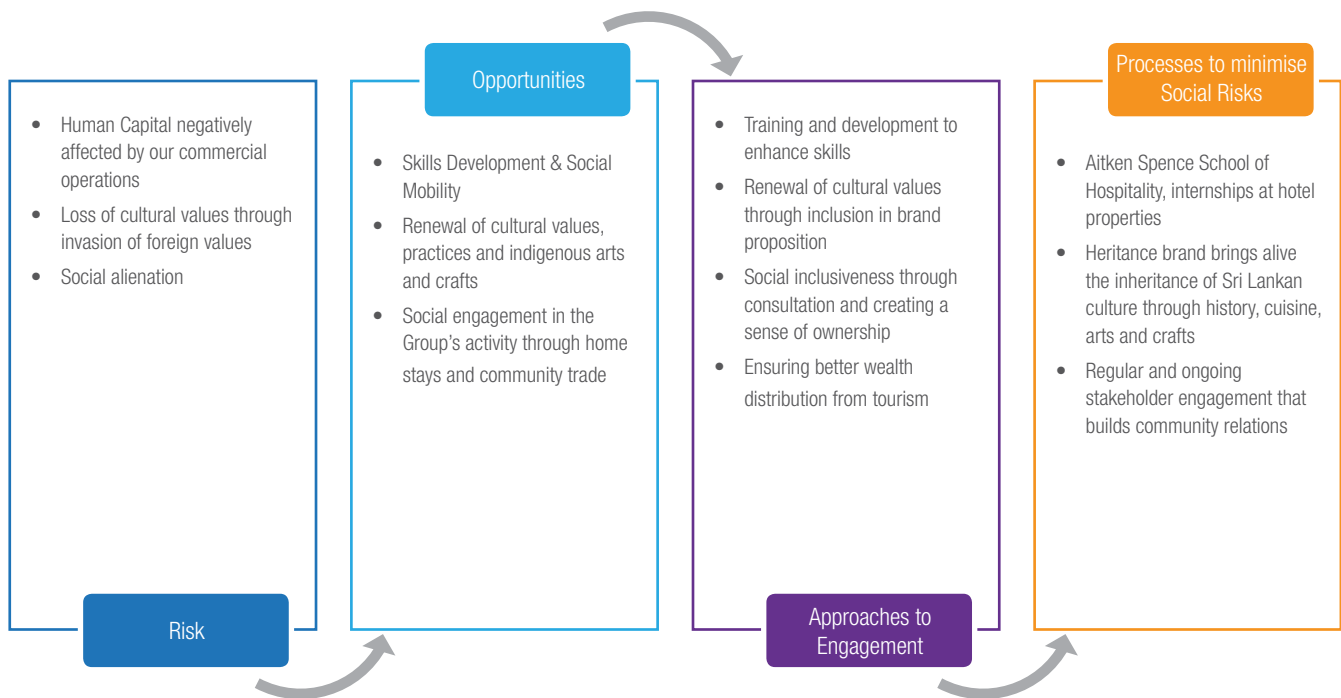
Integrated Sustainability Policy

Aitken Spence Hotels is proud to be one of the pioneers in Sri Lanka to implement an integrated sustainability policy that proactively embeds sustainability into all operational processes.

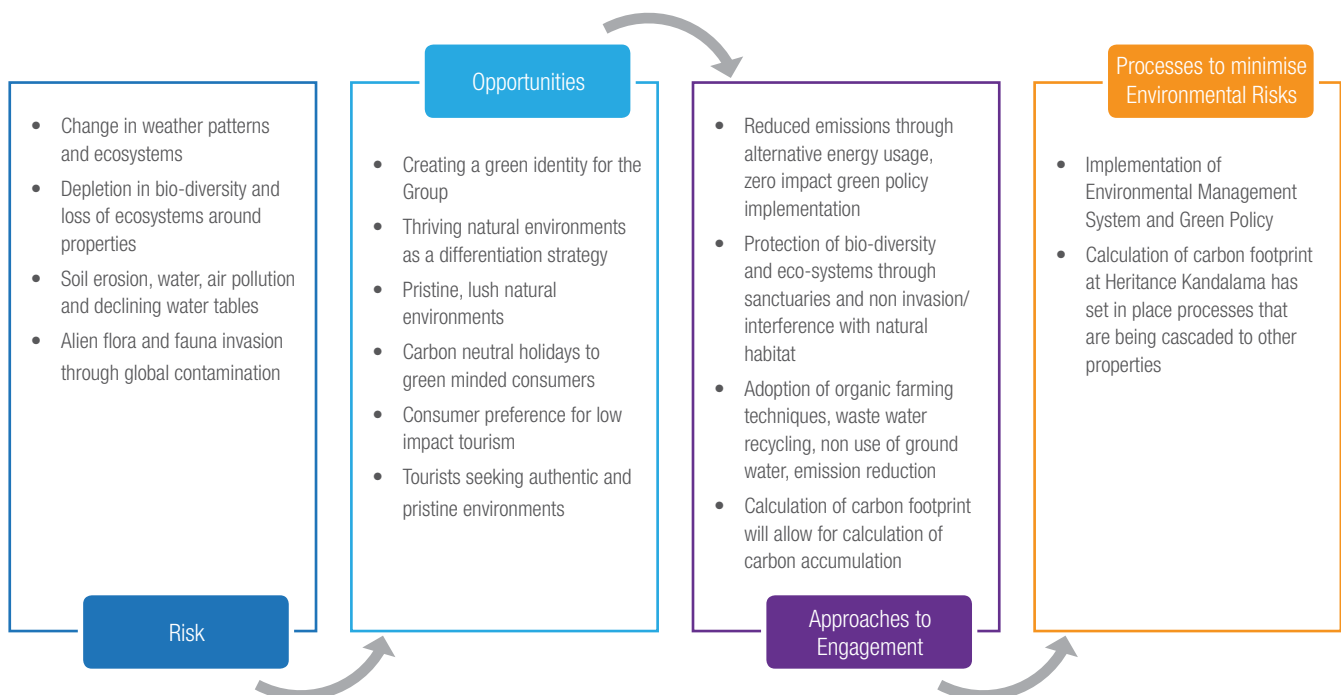
The Integrated Sustainability Policy, which has been in place since 2009 at the Holding Company level and at subsidiaries, provides a sustainability structure and a platform whereby the principles of sustainability can be embedded into corporate policy.

Sustainability Risks and Opportunities

Social Risk: The potential impacts arising out of our operations on social development, cultural values and social inclusiveness.

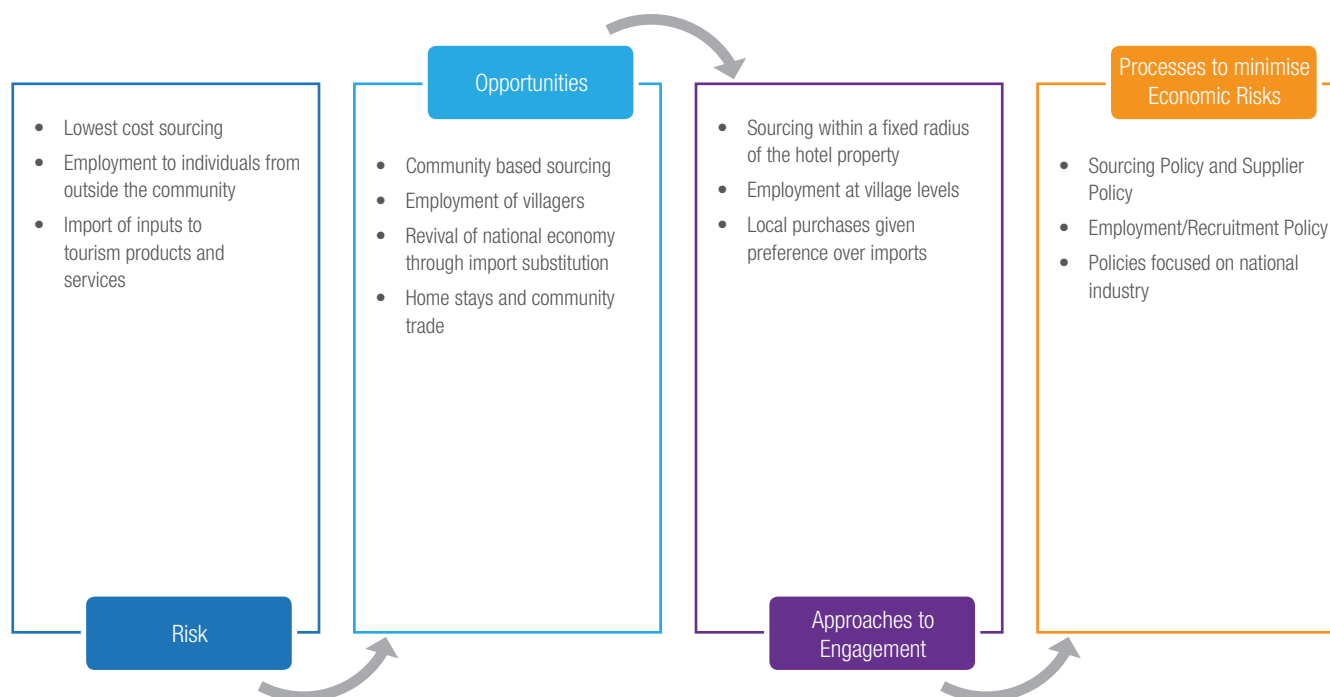


Environmental Risk: Potential impacts of the business on the environment include global warming, threat to Bio-diversity and Eco-systems and Environmental degradation and positive outcomes from Carbon Neutral operations.



Integrated Management Discussion and Analysis

Economic Risks: Potential impacts of the business on the economy include the degree of impact on community empowerment and national wealth creation.



Management Approach in Action

In embedding sustainability within our operations and strategy, we have targeted five core areas. The management approach to each of these areas has been one of identifying the impacts we may have on stakeholders and proactively introducing structures and policies that address them, as described below.

Stewardship through Robust Risk Management and Governance

The Group has in place a formal structure for good corporate governance together with associated policies and principles. Furthermore, the Group's Risk Management Framework allows the Board of Directors, the Board of Management, the Audit Committee, and the Senior Management of the Group to play an integral role in identifying potential risks and putting in place the framework to mitigate and manage those risks.

Market Presence and Economic Value Creation

The Group's operations currently extend to four key destinations – Sri Lanka, Maldives, India and Oman, which allows us to spread our market-related risks to a great extent. We believe in creating value

for the local economies of the individual destinations by following a policy of recruitment from the neighbouring communities as well as sourcing materials, services and food from suppliers in close proximity to the resorts.

Environmental and Social Value Creation

The sustainability agenda at each of the Group's resorts is governed by environmental and social sustainability policies including the following, which are embedded in the Group's integrated sustainability policy:

- Community Relations Policy
- Environmental Policy
- Energy Policy
- Supplier Relations Policy
- Equity & Diversity Policy
- Grievance Handling Policy
- Health & Safety Policy

Zero Waste Policy – 7 R Systems

The approach to and parameters of these policies is customized to suit the individual needs of each resort's locality and the values of the communities that surround them.

Each resort operated by the Group has in place a number of mechanisms which support our policies towards the environment and reducing our carbon footprint. The overall Environmental Management System (EMS) manages the impacts of our activities on the environment. Strenuous mechanisms are in place to calculate the carbon footprint at each site of operation.

The formal structures in place to manage our social and environmental value creation include committees to monitor the management of energy, water usage, waste water, solid waste, air pollution, sound pollution, transport, ecosystem management, and social and cultural development involving internal and external stakeholders.

Employee Development, Equal Opportunity and Anti-corruption

The Group adopts a revolutionary human development approach that has enabled us to successfully inculcate our corporate values, thereby generating an extraordinary sense of ownership. It has had phenomenal success especially in terms of career development and the inculcation of corporate values and a sense of ownership that extends beyond the conventional.

A policy of innovative training has enabled the Group to overcome the customary barriers to effective learning and to achieve exceptional results in career development.

The Corporate Policy that cascades from our parent company governs the stringent standards of gender equality and equal opportunity, while we also adhere to the principles of the UN Global Compact. The Group is a signatory to the United Nations Women's Empowerment Principles. As a policy, all employees undergo training in the anti-corruption stance of the Group.

Sustainable Sourcing of Sustainable Produce

The Group's supplier policy dictates that suppliers be evaluated on their own commitments to sustainable practice, with local materials and fair trade products and services, including elements of local art and cultural heritage which are given precedence. Also when sourcing for materials and services, the hotel properties must first consider local produce and local services before assessing other suppliers outside the periphery of operations.

Preference is given to suppliers who provide goods that carry eco-labels and recycle labels and offer biodegradable produce especially soaps and detergents with minimal chemicals and phosphates, sulphates, nitrates and boron salts. Similarly, priority is given to suppliers who are able to deliver with the least handling and transport and provide returnable containers or biodegradable packaging. We purchase from our suppliers at competitive rates but not at the expense of labour standards or the environment.

While impacts arising within our supply chain have not been comprehensively analysed and included in this report, we are progressing well towards extending our reporting boundary to expand our supply chain content in future.

Integrated Management Discussion and Analysis

Stakeholder Engagement and Inclusion

The scope and extent of our business leads to impacts on a multitude of stakeholders, both internal and external. Engaging meaningfully with these stakeholders enables us to identify our priorities within the wider socioeconomic context. By understanding the concerns and needs of our stakeholders, we are in a better position to align our business value proposition with their goals thereby creating mutual and lasting value.

The perspectives of our stakeholders can have both direct and indirect impacts on the sustainability of our business, not least in terms of allowing us the licence to operate and in influencing our reputation.

We outline below the engagement mechanisms in place with each stakeholder group through multiple channels and the priority issues identified for both the Stakeholder and the Company.



Employees

Reason for Engagement

- Employees play a key role in the implementation of operational strategies of hotels and maintaining the requisite standards

Methods of Engagement

- Open door culture
- Performance reviews
- Employee satisfaction survey
- Grievance handling mechanism
- Newsletters and intranet
- Employee events & suggestion schemes

Priorities

- Remuneration and benefits
- Training and development
- Performance and career progression
- Health and safety at work
- Diversity and equal opportunity
- Work life balance



Investor Relationship

Reason for Engagement

- Investors and the Investment community as well as banks and financial institutions are critical to obtain the financial resources needed to ensure the continuity of our business

Methods of Engagement

- Annual general meeting
- Investor feedback form
- Annual report and quarterly reports
- Media, including web and social media
- Direct dialogue

Priorities

- Performance of the Company
- Dividends and capital gains
- Governance and transparency
- Sustainability

Guest Experience



Reason for Engagement

- To ensure business continuity and create sustainability consciousness

Methods of Engagement

- Customer feedback forms
- Guest satisfaction surveys
- Tent cards creating awareness on how they can manage their environmental footprint

Priorities

- Product excellence and delivering brand promise
- Value for money
- Eco-friendliness and sustainability
- Quality standards and Innovation
- Safety and security

Supply Chain



Reason for Engagement

- To ensure that the Group maintains predetermined standards of service and to transpose our sustainability ethic along the supply chain

Methods of Engagement

- Seminars and workshops to sensitise them on standards expected towards sustainable action
- Direct dialogue and site visits
- Contracts and agreements
- Supplier performance reviews

Priorities

- Material and Service quality and availability
- Fair pricing and profitability
- Ethical conduct and sustainability
- Efficiency and professionalism

Community



Reason for Engagement

- To ensure harmonious coexistence and the social license to operate

Methods of Engagement

- Dialogue with community representatives
- Seminars and gatherings to share best practices
- Participation in community events
- Supporting community groups through social and financial donations

Priorities

- Rural development and community welfare
- Integration with the community
- Job creation and community-based sourcing

Environment



Reason for Engagement

- To ensure protection of the environment and resources for future generations and business operations



Methods of Engagement

- Dialogue with policymakers and regulators
- Reports on compliance with standards and regulations
- Meetings with experts, environmental NGOs and lobby groups

Priorities

- Decrease ecological footprint
- Resource and process efficiency, waste management
- Climate change
- Manage and mitigate impacts
- Compliance

Integrated Management Discussion and Analysis

Regulators	Industry Associations
	
Reason for Engagement <ul style="list-style-type: none">• To build trust and constructive partnerships through compliance and proactive action, to obtain the permits to operate	Reason for Engagement <ul style="list-style-type: none">• To become a meaningful partner in the growth of the tourism industry as a whole, thereby ensuring business continuity
Methods of Engagement <ul style="list-style-type: none">• Reports and submissions, including compliance documentation• Direct dialogue and meetings with policymakers and regulators• Participation in events and forums	Methods of Engagement <ul style="list-style-type: none">• Participation in industry forums and lobby groups• Membership in industry bodies and business chambers
Priorities <ul style="list-style-type: none">• Compliance• Policy and regulatory development• Business ethics and corporate citizenship• Anti-corruption• Job creation and economic value addition	Priorities <ul style="list-style-type: none">• Partnership and collaboration• Business ethics and fair competition• Industry goals and standards• Collective industry readiness and responses to potential risks

Creating Sustainable Value – Our Corporate Strategy

The greatest challenge for our business and indeed for all businesses, is the consistent achievement of high performances and growth amid mounting pressures such as rapid changes in consumer preferences, competition and the dearth of suitable talent. The sphere of influence of a business has also grown – with greater awareness among stakeholders and their rising expectations, it has become imperative that businesses converge corporate priorities with stakeholders' interests.

At Aitken Spence Hotel Holdings, we have traditionally promoted positive engagement with our stakeholders for mutual benefit; while the concept has been a simple one, its execution is far more complex and multilayered and certainly long-term in nature. We recognise that

the strategic engagement with untapped social issues may in some instances create vast business opportunities which can potentially be transformed into viable sources of competitive advantage.

Thus value creation has been a core driver of our overarching strategy for many years and in 2013/14 we intensified our efforts to integrate and further embed the value we offer to our investors, customers, employees, suppliers and business partners, communities and the environment.

Value Addition to the Economy

Statement of Value Added	%	2013/14 Rs. '000	%	2012/13 Rs. '000	%	2011/12 Rs. '000	%	2010/11 Rs. '000	%	2009/10 Rs. '000
Total Revenue		12,947,076		12,035,870		9,614,828		8,059,152		7,137,672
Purchase of Goods & Services		(6,442,670)		(6,013,939)		(5,070,489)		(4,429,510)		(4,023,208)
		6,504,406		6,021,931		4,544,339		3,629,642		3,114,464
Other Income		661,034		209,652		279,489		282,734		102,048
Share of Profit of Equity Accounted Investees		34,891		70,248		48,016		1,529		4,595
Total Value Added		7,200,331		6,301,831		4,871,844		3,913,905		3,221,107
Distributed as follows:										
To Government (Income tax & turnover tax)	14	976,610	15	934,170	16	768,594	10	390,330	10	337,555
To Employees (Salaries & other costs)	24	1,753,081	26	1,648,248	27	1,331,432	30	1,176,668	31	989,545
To Lenders of Capital (Interest on loan capital & minority interest)	19	1,368,333	19	1,201,456	19	912,414	14	552,573	20	628,884
To Shareholders (Dividends)	7	504,435	5	336,290	5	235,403	4	168,145	2	72,062
Retained for Reinvestment & Future Growth (Depreciation & retained profits)	36	2,597,872	35	2,181,667	33	1,624,001	42	1,626,189	37	1,193,061
		7,200,331		6,301,831		4,871,844		3,913,905		3,221,107

Capacity Enhancement

In Sri Lanka, our base, we have several projects in place to grow our capacity including the construction of Heritance Negombo and the addition of 90 rooms at The Sands, Kalutara which would both be completed in 2014. We have entered into an agreement with RIU, Spain to build a 500-roomed all inclusive 5 star resort utilizing our land assets in Ahungalla, while we have begun pursuing approvals to open a boutique style hotel at our Group property within the Galle Fort.

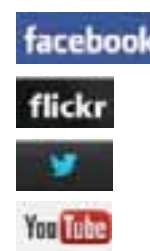
Regional Presence

We continue to seek the enhancement of our regional presence as a strategy for growth and long term value. Our presence overseas enables us to benefit from economies of scale while mitigating the risk of over-exposure to any one particular market. Aitken Spence Hotels are actively seeking opportunities to further expand our operations in the Maldives as well as in India.

Customer Centricity and Innovation



Aitken Spence Hotels joins the digital revolution with its App for iPads.



We have enhanced our service quality in anticipation of changing consumer preferences for a more customized, individualized service proposition. Our customer relationship management includes round-

Integrated Management Discussion and Analysis

the-clock service interaction as well as better electronic distribution. We have enhanced our web and mobile presence by improving our website, introducing a digital application for iPad and building on our presence on e-commerce sites as well as social networks. Our loyalty programme, the Diamond Club, has over 2,000 members who are privy to exclusive offers and privileged services. Members have use of a dedicated website where they can manage their transactions online.

We are actively promoting MICE tourism market taking advantage of the expanded infrastructure, and domestic air travel in Sri Lanka.

A Preferred Employer

The leisure industry in particular is hampered by a shortage of skilled labour and spiraling wage costs and managing these requires positive engagement with employees and strategies to integrate value. These include training and development and the offer of unhindered career prospects for those with talent and dedication, as well as the creation of a positive work culture and promoting good work life balance. We have achieved well above the industry standards in terms of skills development, retention and career progression. Our strategies include training young recruits at our own hotel school and providing them with extensive training, while high performing employees are also offered cross exposure opportunities at our overseas properties, while ensuring the continuity of their career.

Positive Impact on the Environment

Taking leadership in environmental sustainability has enabled us to accelerate business performance, by growing revenue, reducing costs and managing risk. Strategies such as the 7R strategies, carbon off-setting, green buildings and green operations have enhanced the value we add to the environment.

Community Empowerment

Our empowerment of the communities around our resorts takes many forms, including sourcing from the community, supporting micro vendors, providing direct employment, uplifting their living standards and awareness and being inclusive in our operations.

Brand Promise

We offer two strong brands across the Group, to cater to maturing customer demands, where more guests now look for brands that reflect their own personal value systems. The Heritance brand encapsulates the 'inheritance' and 'heritage' through which we offer a unique hospitality experience, encompassing the location and architecture, service, cuisine, sustainability of resources and the community.

Cost Management

Spiraling operational costs have had a substantial impact on the tourism sector; especially in terms of fuel and electricity expenses, and the cost of food and other commodities. We have explored alternative energy sources including renewable energy while working towards the optimal management of fuel and electricity usage at our properties. Such efficient systems have led to a total energy saving of over 11,000 Giga Jules. We have also exploited the advantages of our scale to negotiate a better quality and value proposition from our suppliers while sourcing from the community wherever possible.



**Total Energy
Consumption per
Guest Night -MJ**

OPERATING ENVIRONMENT

Global Tourism Mega Trends: Our Readiness

The global tourism landscape faces a range of influences which will potentially change the face of tourism over the next decade. These global megatrends create vast challenges for an industry that is critical to the global economic ecosystem; while the industry may be able to do little to control these forces, the future lies in the conversion of these megatrends into opportunities to grow.

At Aitken Spence, we understand that we must prepare today to evolve and transform ourselves to face tomorrow's changing landscape. We discuss here some of the key trends that we believe will influence our operations over the next decade, and our responses and strategies in readiness for them:

Factors influencing Global Tourism Trends	Our Response
New source markets	Countries such as China, Russia, India and Brazil (BRIC) are overtaking traditional source markets in Europe. We have directed our marketing strategies towards these new markets while also preserving the traditional high-value markets. We have had particular success in the Maldives, where Chinese tourists led guest arrivals at our resorts.
Resource utilization	Tourism is a resource dependent industry and can create pressure on already depleting natural resources such as water, food, energy and raw materials. The Aitken Spence Group takes a proactive approach to sustainable resource management and makes every effort to promote this agenda among its external stakeholders as well. We are constantly seeking ways of improving our energy, water and waste management, controlling pollution and sustainably sourcing food and other raw materials to minimise our impact on resources.
Increasing green awareness and sustainability expectations	Travellers have begun to choose their destinations on the basis of their demonstrated commitment to sustainable tourism and environmental friendliness. These commitments are firmly entrenched in the operating philosophy of our resorts which have mature processes to battle climate change and measure our carbon footprint.
Growing urbanisation and congestion	The pressures of urbanization will create demand for holidays that offer indulgence and a form of escape. Our resorts are designed to offer the ultimate in indulgence and comforts in spectacular and relaxing settings.
Customised holidays	Travellers will demand innovation and customization, and will focus on authentic experiences. The current role of travel agents and tour operators will shrink. This will threaten existing business models, necessitating newer models that have the capability to make rapid adjustments to cater to individual needs.
Demand for quick and convenient booking	We have enhanced our e-commerce and are in the process of upgrading our online booking engine to enable faster, more customized bookings.
Technology	Quantum leaps in IT will define the future, with mobile becoming the primary platform for travellers while cloud solutions and big data will change the way we conduct business, while social media is already changing how we interact. We have been quick to adapt to new technologies and have in place a strong IT backbone that gives us a flexible and secure platform. We will continue to give priority to technology investments.

Integrated Management Discussion and Analysis

Factors influencing Global Tourism Trends	Our Response
Safety and Security	Issues arising from security and terrorism have a growing influence on travellers, who shun tourism markets during times of volatility. Post-war Sri Lanka has been fortunate to become one of the safest destinations in the region. The entire destination must work towards preserving the safety and security which is increasingly becoming a source of competitive advantage. Also in this context, it is important that we continue to promote our product to the local market, to help offset a potential downturn in international arrivals.
Demographics	Changing demographics will have a dual impact on the demand for tourism products as well as the supply of labour over the next two decades. Factors such as an ageing population, population growth, changing family structures including more single person households and migration will influence travel patterns. Aitken Spence closely studies demographics in order to anticipate potential impact to make informed decisions regarding our offering and how we market ourselves.

Global tourism surpasses expectations



2013 was an excellent year for global tourism, which outperformed a 3% expected annual global growth rate to achieve a 5% increase in arrivals. Arrivals surpassed 1,087 million, 52 million above 2012.

The strong performance of tourism augurs well for both developed and emerging economies where the industry has a significant economic impact, supporting GDP growth, generating employment and being a source of much needed foreign income.

The growing global demand for travel even amidst socioeconomic obstacles and political turmoil solidifies the role and importance of travel in human life today. One third of all humans on earth are

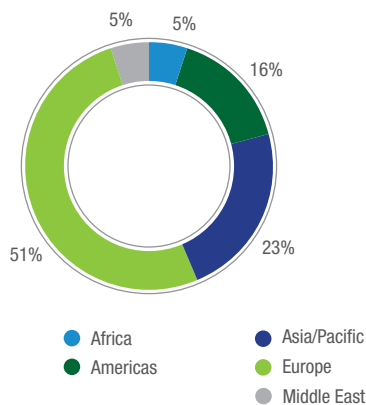
estimated to be travelling – a vast target market for the tourism industry.

The global tourism industry was worth USD 1.4 trillion in 2013, with tourism earnings growing in parallel with arrivals to record a 5% increase to USD 1,150 billion. International passenger transport services accounted for a further USD 218 million.

The average length of an international trip remained at around 8 nights, and 2013 was the first in several years that this figure did not decrease. The World Travel Monitor also notes a 6% growth in the average spend per foreign trip, to USD 1659 per trip.

The Asia and Pacific region accounted for nearly one third of tourism receipts, earning 8% or US\$ 30 billion more, to record US\$ 359 billion. It is significant to note that Asian destinations Thailand, Hong Kong and Macao achieved the strongest growths in earnings.

Asia also continued to be the most attractive source market, growing by 6% year on year on the back of a 10% growth from the South East Asian sub-region. China and Russia have continued their rise into significant generating outbound markets, with Chinese and Russian tourists spending 26% and 25% more respectively during the year. The two markets, together with Brazil accounted for nearly half of the year's USD 81 billion increase in international tourism expenditure. Chinese tourists, the world's top tourism spenders, spent a collective USD 129 billion in 2013, with US and German tourists spending USD 86 billion each and Russian and British tourists spending USD 53 billion each.



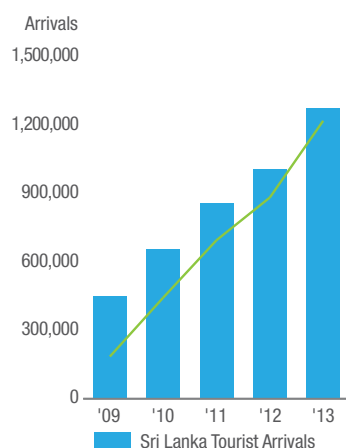
International Tourist Arrivals - 2013

European economies remained sluggish in 2013, leading to another slow year for the traditionally strong outbound markets of the continent; Australia grew by 9% while the figures from America, Britain, Canada and Germany reflected modest growths between 2% to 4%.

The World Tourism Organisation (UNWTO) forecasts 4% to 4.5% growth of world tourism, which remains above the organisation's long term projections.

Unprecedented year for Sri Lanka

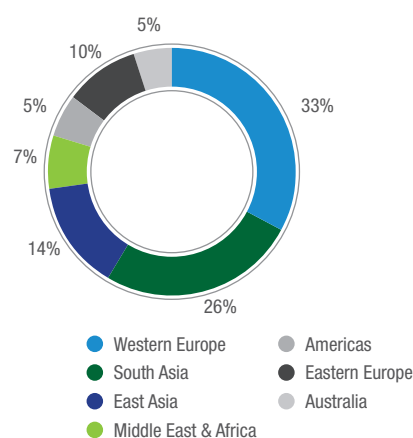
Tourism in Sri Lanka maintained its high growth trajectory, with 2013 arrivals growing by 26.7% to 1,274,593 tourists who generated earnings of USD 1.7 billion. The significant achievement bodes well for the government's target of welcoming 2.5 million tourists by 2016.



Annual Tourist Arrivals - Sri Lanka

The government has set a target of 1.5 million tourists for 2014; encouragingly, arrivals during the first quarter of 2014 were nearly 25% higher year on year.

The top 15 source markets for Sri Lanka including India, UK, Germany, France and Australia, have all shown robust growth during the year, with Maldives, China, Russia and Ukraine recording double digit growth.



Major Generating Markets - Sri Lanka

The country recorded an average occupancy of 71.7%, with 3, 4 and 5 star properties all enjoying occupancies above 70%. The national room inventory grew by over 1500 during the year with the bulk of them in the 'unclassified' category. The informal sector including home stays, claimed a large share of tourists – one of the main reasons why the formal sector's tour operators and hotel chains have not achieved growth figures similar to the country's arrivals.

An enabling environment

Sri Lanka has made considerable advancements in its infrastructure since the end of the war, which has helped drive the tourism industry. The new international airport and seaport as well as expressways and facilities for internal air transfer have all contributed towards an enabling environment for tourism. In addition to the infrastructure, post-war Sri Lanka has also been able to offer travellers a safe and secure destination. We must continue to maintain this feature to ensure the future growth of the industry.

A large number of mixed development projects and star class hotel projects are now in progress, which will add to the room inventory

Integrated Management Discussion and Analysis

at the higher end of the market. These projects have attracted major international hospitality brands, whose entry will no doubt contribute towards a quantum escalation in the quality and offering of the entire industry.

Concerted Destination Marketing

The tourism environment of the Asian region necessitates clear strategies to market the destination within the competitive context. While the government's tourism master plan has set clear targets, we must re-examine and evolve the strategies by which those targets are to be met. Such strategies must focus on attracting a sustainable mix of tourists, with special attention to the high value segment which drives revenues. A concerted destination marketing strategy is now critical, in order to ensure the sustainability of the industry by attracting the desired categories of tourists.

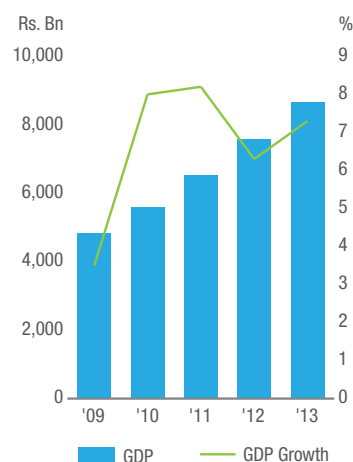
Industry Service Delivery

The rapid growth of the tourism industry has given rise to a lack of skilled professional and technical cadre - a critical concern, considering the service levels of regional competitors. It is imperative that the entire industry invests in intense training and development in order to justify the rates the country currently commands. In this context, we welcome the government's decision to offer concessions to operators who wish to import such skilled personnel. While in the short term, the import of tourism workers will enable the industry to grow, we must focus on developing local talent in order to achieve future sustainability.

Macro-Economic Framework

As per the annual report of The Central Bank of Sri Lanka (CBSL), the Sri Lankan economy rebounded strongly during the year 2013 with the real GDP growing by 7.3% while inflation remained at single digit levels for the fifth consecutive year with the impact of the rise in domestic energy prices being offset by prudent monetary management and improved domestic food supply which resulted in a gradual decline in headline inflation while core inflation moderated to its lowest level.

Economic growth in 2013 was broad based, with a 9.9% growth in the Industrial sector aided by robust construction and manufacturing activities. The factory industry sub sector grew by 7.9% while the construction sector grew at 14.4% with increased public sector

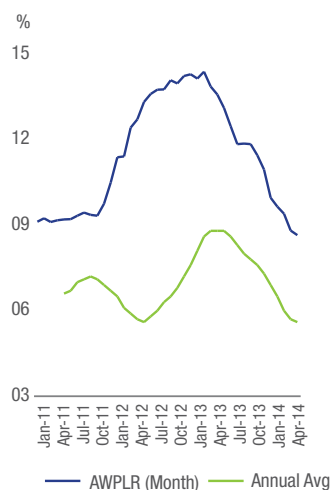


Sri Lanka GDP Growth

investment in infrastructure projects such as highways and railways. The services sector grew by 6.4% mainly on the back of improved performance in wholesale and retail trade and transport and communication sectors. The Hotel and restaurant sub sector achieved a growth of 22.3% exceeding the 20.2% recorded in 2012 while earnings from travel tourism reached USD 1.71 billion surpassing the USD 1.03 billion achieved in 2012. The agriculture sector achieved an annual growth of 4.7% achieved on the back of 19.5% growth in the paddy sub sector assisted by improved weather conditions during the latter part of 2013 which offset the impact of crop damage in the "Maha" season.

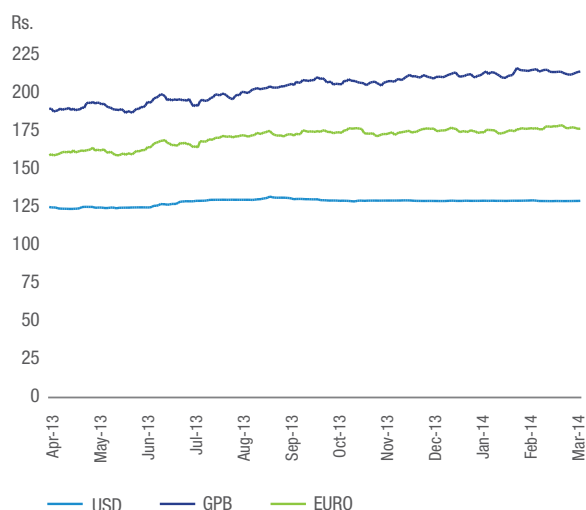
During the year, the CBSL further eased its monetary policy with the realisation of the desired stabilisation objectives of the macro-economic policy package that was adopted in 2012, with the overall policy rates being reduced by 100 basis points during the year 2013.

Net credit to the government from commercial banks increased in 2013 while credit disbursements to the private sector by commercial banks decelerated. Sri Lanka's private sector credit grew by only 4.4% year on year in February, the slowest expansion since May 2010. Increased access to the domestic and global capital markets by the private sector in 2013 also contributed to the deceleration of credit obtained from commercial banks with approval being granted to the private sector (except licensed banks) to obtain loans amounting to US dollars 335.5 million from abroad while Rs. 34.9 billion was raised through listed debentures during the year locally.



Inflation and Interest Rates

Headline inflation, which remained close to double digit levels during the first two months of the year, decelerated thereafter to mid-single digit levels and by end 2013 further reduced to 4.7 % on a year-on-year basis and 6.9 % on an annual average basis supported by improved domestic supply conditions.



Exchange Rate Fluctuations 2013/14

The comprehensive policy package implemented by the CBSL and the government along with the gradual recovery in export markets resulted in an improvement in the balance of payments and an accumulation of foreign reserves.

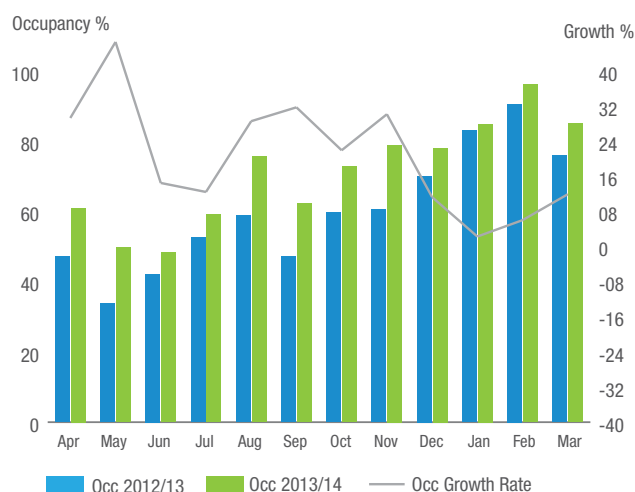
The rupee which was stable against the US dollar during most of the first half of 2013 depreciated against the US dollar by around 5% in June and August mainly due to higher import demand anticipation of possible tapering of the US bond buying programme. In September the rupee appreciated against the US dollar supported by increased inflows to the banking sector. Overall the rupee depreciated against the US dollar by 2.75% in 2013.

Integrated Management Discussion and Analysis

MARKET REVIEWS

Sri Lankan Hotels

Aitken Spence Hotels was the number one resort operator in Sri Lanka in 2013, with the unique and diverse offerings of its portfolio enabling strong growth.

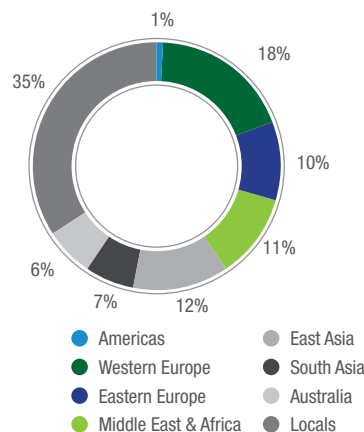


Sri Lanka Hotels Occupancy Growth

Flagship properties Heritance Kandalama and Heritance Tea Factory returned good performances, recording 15% and 10% growths respectively in profit before tax.

Heritance Kandalama attracted a significant portion of the MICE market, which holds strong growth potential. The uniqueness of Heritance Tea Factory continued to attract travellers, with the property performing exceptionally well during the year. The working model tea factory on the property received Organic Certification during the year, a noteworthy achievement.

The niche Heritance Ayurveda Maha Gedera property has been a success story for the group, enjoying high occupancy year-round. This property saw the doubling of its profit before tax over the previous year. The sustainability and authenticity of the Heritance Maha Gedera proposition is a reflection of the Group's commitment to constant innovation of its product offering.



Aitken Spence Hotels Major Generating Markets - Sri Lanka

Heritance Kandalama

Blending perfectly with the natural environment, whilst preserving the aura of ancient hermit caves in its environs, 152 roomed, 5 star resort Heritance Kandalama virtually leans against a thickly wooded rocky outcrop at the foot of the northern slopes of Sri Lanka's central hills. Perched just above the Dambulla Tank, it overlooks an expanse of water that stretches the eye 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 and continues to be a globally accepted case study on sustainable tourism.

Set against a backdrop of breathtaking panoramic views of the tranquil Kandalama Lake and the distant Ritigala mountain range, Heritance Kandalama's scenic new conference centre, Kathikawa, is steadily becoming a sought-after alternative for meetings, incentives conferences and events (MICE). The conference centre completed its first full year of operations and contributed towards the overall performance of the hotel. The facility has all of the standard requirements of an international conference and exposition venue has effectively positioned the resort as a high-end MICE destination particularly for the Indian and Far-eastern markets.

During the year, Heritance Kandalama emerged Champions at the Bocuse D'Or Culinary Competition, competing against both international and domestic star-class city and resort hotels. The champion team from Heritance Kandalama will now represent Sri Lanka at the Asian Region Bocuse D'Or Culinary Championship

which is scheduled to take place in Shanghai this year. The winners of the regional event will then participate in the World Bocuse D'Or competition in Lyon, France in 2015.



Bocuse D'Or Champions 2013

Heritage Ahungalla

Sri Lanka's first five star beach resort "The Triton" was relaunched in June 2006 subsequent to a USD 13 million refurbishment that intrinsically transformed the old hotel to a modern 152-roomed 5 star resort. Catering to discerning guests, Heritage Ahungalla, is one of legendary Geoffrey Bawa's architectural fantasies come to life.

The resort employs scores of people and sources supplies from the neighbouring villages as part of the ongoing investment drive to embrace sustainability. More than 65% of the total hotel staff has been recruited from the local villages, many of them have not had previous hotel experience. Those from the local community, have risen up the ranks quickly, to enable Heritage Ahungalla to secure multiple awards for cuisine, service and environment practice.

During the year, Heritage Ahungalla emerged as the Most Outstanding Culinary Team in Sri Lanka after competing against both international and domestic star-class city and resort hotels at the 15th Culinary Art Competition organized by the Chefs Guild of Sri Lanka.

Heritage Tea Factory

Heritage 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. The 54-roomed, 4 star resort, is a reminder of the past in perfect blend with innovations of the present.

The resort was in the limelight at the Pacific Asia Travel Association (PATA) Awards 2012 ceremony when it was awarded the Grand Award in the Heritage and Culture category. The award lauds Heritage Tea Factory for successfully transforming an abandoned tea factory building into an eco-friendly, world-class hotel while incorporating the culture of the locality into its operations.

During the year Heritage Tea Factory was awarded the first organic certification in Sri Lanka by the Sri Lanka Standards Institute (SLSI) for the cultivation and processing of tea. After eight years of refining the processes used to cultivate and process organic black tea, green tea and herbal tea, the hotel emerged pioneers in achieving the organic certification. The mission to achieve 100% organic status was first realised in the year 2005 when the hotel discontinued the use of all forms of chemical fertilizer, pesticides or weedicides in the tea plantation. Artificial material was replaced with greener substitutes such as compost manure that is produced at the Hotel's in-house composting project. The growth of gotukola as an under layer in the tea plantation was encouraged to prevent the growth of weeds and aid in nourishing the soil.

Heritage Ayurveda Maha Gedera

On the sun-laden beach of Beruwela, Heritage Ayurveda-Maha Gedera is a 64 roomed, 5 star "wellness" resort, offering a range of spa and ayurveda experiences. The resort is a sustainable product that promotes responsible tourism. Steeped in an ambience of quietness and enveloped by the scent of frangipani, the resort is a place that revitalizes and rejuvenates.

Heritage Ayurveda Maha Gedera was recognized as the "Best Ayurveda Resort" at the 4th FIT Health and Wellness Awards held at ITB 2013 in Berlin, the world's largest travel trade fair.

The FIT Health and Wellness Awards are presented in three categories - "Best Ayurveda Resort", "Best Health and Spa Resort" and "Best Active Wellness Resort". FIT Reisen is Europe's largest tour operator for wellness holidays. The accolade was awarded based on guest experiences with similar resorts across the globe.

The Resort was also commended with a merit award at the Best Corporate Citizen Sustainability Awards 2013 for its Arts and Craft Centre. The Arts & Crafts Centre at the Heritage Ayurveda Maha Gedera was developed as an initiative to sustain award-winning indigenous artists by showcasing their talent directly to guests at the hotel.

Integrated Management Discussion and Analysis

Heritage Negombo

Scheduled to open in Winter 2014, Heritage Negombo blends the fresh vibrant shades of Negombo with a facet of a rich Sri Lankan heritage. To create a truly unique “Heritage” experience.

This 150 roomed beach resort is located in close proximity to the Bandaranaike International Airport making it a popular location for the business travellers and transit guests.

The Sands by Aitken Spence Hotels

An hour's drive from Colombo, the 110-roomed, 4-star 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. The Sands offers unique beach front rooms with private balconies and picturesque garden landscapes.

The Hotel completed its first full year of operation and the Group is confident that the resort will make a significant contribution towards Group profits in the coming years.

During the year, construction work of the 90 room expansion, continued with the rooms expected to be in operation in 2014.

Hotel Hilltop

Hotel Hilltop sits majestically amidst the verdant hills of Kandy, overlooking the City's key landmarks including the Sacred Temple of the Tooth Relic. The hotel is a perfect base to tour the City and its environs. With 73 rooms, Hotel Hilltop is an ideal getaway and the total Kandyan experience.

The Resort will undergo the second stage of its phased refurbishment in the upcoming financial year in order to maximize its potential as a round trip destination.

Expanding our Portfolio

Our room inventory will expand during the coming year with 150 -roomed Heritage Negombo due to be launched in the Winter of 2014 at the site of the former Browns Beach Hotel. 90 rooms will be added to The Sands Kalutara following a refurbishment, due to be completed by end 2014.

Capitalising on the surge in tourism within the Galle Fort, a UNESCO World Heritage Site, the Group has plans for an exclusive 15 roomed boutique style heritage hotel. The hotel, to be named “Clan House”, will be located at the original offices of Aitken Spence shipping headquarters in Galle and will abide by the stringent architectural regulations for buildings within the Fort.

We announced plans during the year to build a USD 100 million resort on the property adjacent to Heritage Ahungalla, the largest project undertaken by us so far. The 500 roomed 5 star resort with Spanish based operator RIU. The resort is due for completion by Winter 2016. The property has the unique advantage of being located at the mid-point between the country's two International airports in Katunayake and Mattala and benefits also from the easy access to Colombo through the Colombo Katunayake expressway and the Southern Expressway. Uniquely, the project will introduce TUI charter flights to the country, with the hotel catering to high end customers looking for long stay vacations who will arrive on Boeing 787 Dreamliner charters which can carry up to 200 – 300 passengers at a time.

The 5 storey, 500-roomed, 5 star luxury resort will be managed by RIU, which operates 107 properties in 16 countries on a unique all inclusive model. The Ahungalla project is a first for the Spanish chain, being its inaugural project in the Asia Pacific region.

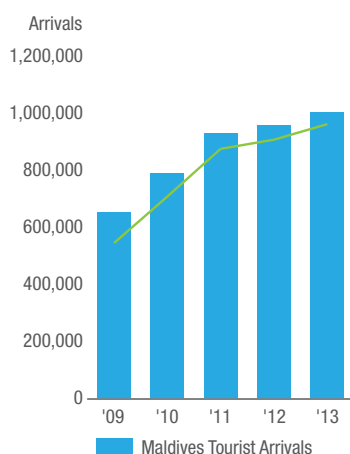
Online bookings are becoming a dominant segment for Aitken Spence Hotels, amounting to over 20% of bookings in some cases. Going forward, we anticipate that the online segment will grow rapidly, given that 65% of global bookings in 2013 were made on the internet. Plans are therefore in place to shortly upgrade our online presence in order to cater to this demand.

Domestic tourism remained key to profitability, accounting for over 30% of occupancy levels. The local tourist, who drove revenues during the war years, remains critical today as a business segment. Consequently, we have tailored our product to entice the domestic segment by undertaking in-house loyalty programmes and tie ups with frequent flyer programmes.

The Maldives

2013 was an excellent year for Maldivian tourism with arrivals growing 17.4% to 1,125,202, crossing the one million threshold for the first time.

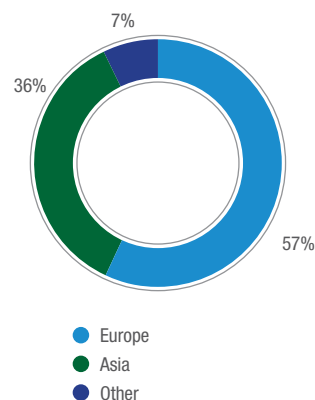
Average occupancy in the Maldives was 74% up from 70.6% in 2012, with the average duration of a stay dropping by 0.5 days to 6.3 days. The average length of a stay has reduced considerably from 8.6 days in 2009, and is indicative of the shift in the mix of tourists from majority European to almost equal numbers from Europe and Asia Pacific, which accounted for 46.9% and 46.6% of arrivals respectively in 2013.



Annual Tourist Arrivals-Maldives

China was the biggest market generator to the Maldives accounting for 29.5% of all arrivals through 331,719 Chinese tourists. This was a remarkable increase of 44.5 percent, with the majority being first time visitors. While the Asian tourist typically spends a far shorter stay compared with the traditional European tourist, the high Asian volumes help offset the dull performance of the traditional markets.

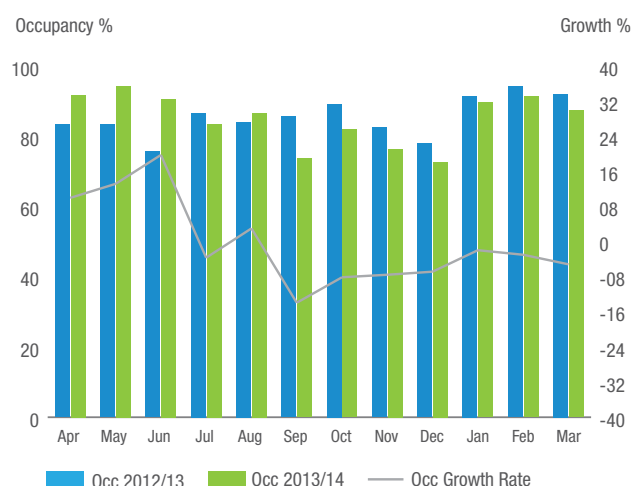
Tourism is the largest economic activity of the Maldives generating 38% of the Maldivian government's revenue and 60% of its foreign exchange receipts. As such, it is particularly sensitive to the political situation in the archipelago and was impacted by the political turmoil during the past three years. Presidential elections were scheduled for 2013 – the first round of elections in September was cancelled and a return in November led to Abdulla Yameen becoming the new Executive President. The ensuing stability on the political front has



Major Generating Markets-Maldives

already had a positive impact on the tourism industry and bodes well for the next financial year.

Our Maldivian portfolio performed exceptionally well, growing 25% to outdo the destination. The contribution from the Maldivian operations to Group performance exceeded 60%. Our operational strategies have been fine tuned to attract new emerging markets such as China, which has led to considerable gains in revenue. In fact, Chinese tourists accounted for 40% of guests at our resorts during the year.

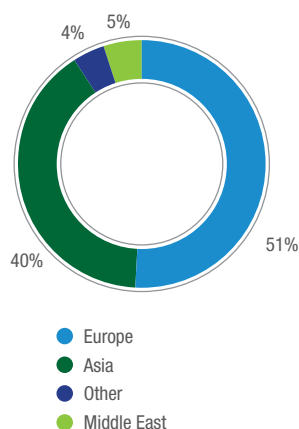


Maldives Hotels Occupancy Growth

Integrated Management Discussion and Analysis

During the year, operations at Adaaran Select HudhuRan Fushi were affected by a fire that occurred in July that destroyed 16 water villas; the villas are being refurbished and will be back in operation in 2014.

The Group is keen to expand its operations in the Maldives and is seeking opportunities to establish new resorts as well as to develop existing properties. The Maldivian government's decision to enhance the buildable area on atolls allows us to expand by adding volumes; however it is imperative that this takes place in a way that preserves the ambience of our offering.



Aitken Spence Hotels Major Generating Markets-Maldives

Adaraan Club Rannalhi

The 132 roomed, 4 star resort boasts of water villas and was one of the first resorts in the Maldives to popularize the concept of over-water accommodation. Located on 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 resort offers 35 Water Villas and 97 beach villas. Adaraan Club Rannalhi had a successful year with the resort posting its highest ever profit.

Adaraan Select HudhuRan Fushi

The resort's close proximity to Male makes it one of the most sought after holiday spots in Maldives. The newly refurbished resort boasts of 195 villas including 37 prestige water villas and is the 2nd largest resort of the Adaraan group. The 4 star resort also known as the Surf Island, conducts surfing holidays in summer. The resort's ocean villas have dedicated bar and lounge facilities and offers a number of over-water restaurants.

In July 2013 operations at HudhuRan Fushi were affected by a fire that destroyed 16 water villas and caused partial damage to 5 water villas. At present the villas are being refurbished and will resume operations in 2014.

Adaraan Prestige Vadoo

"Vadoo" sits on 4.5 acres in an island surrounded by a breathtaking reef. Just 15 minutes by speedboat from the Airport and the City of Male, the resort is a haven of exclusivity. Fifty luxurious water villas including six Japanese style water bungalows and a Japanese themed restaurant sets the Adaraan Prestige Vadoo apart from the rest.

Adaraan Select Meedhupparu

Is a veritable resort within a resort. With 235 rooms - 215 beach and garden villas and 20 Water Villas - this 4 star resort caters to a niche market. Twenty luxury water villas spread over 43 acres of thick vegetation within the Meedhupparu island makes Meedhupparu, a resort with a unique identity.

Oman

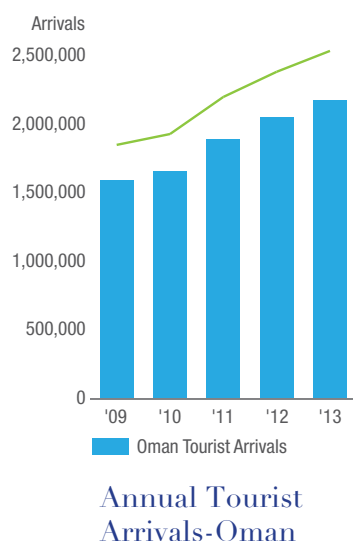
Oman's economy continued to remain robust during 2013 with its gross domestic product increasing to a little over 5% during 2013, compared to 3.1% in 2011 and 4.8% in 2012. Tourism grew 10% with Oman attracting 2.1 million tourists in 2013.

The rate of growth of new hotels and hotel apartments remained subdued during 2013. However, the proliferation that was witnessed during the previous three years created substantial room capacities which comfortably accommodated the increased demand during the year.

Oman is poised for strong growth in 2014 with the commencement of a new five year development plan focusing on stimulating non-oil sectors such as tourism and agriculture.

The travel and tourism industry in Oman is slated to maintain an average growth rate of 5.2% over the next decade, making the destination one of the top performers in the Middle East/North Africa region.

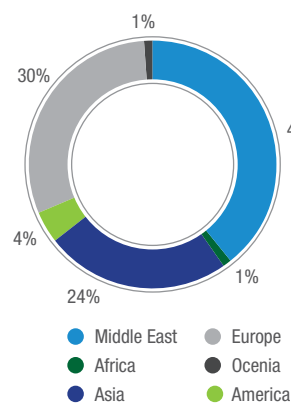
The government in Oman is pursuing a targeted strategy to expand the tourism industry by positioning Oman as a premium destination. The sultanate has made substantial investments in improving its infrastructure, including constructing a new passenger terminal at the Muscat International Airport and transforming the Port Sultan Quboos in Muscat into a tourism precinct. The ease and convenience the visitors would experience following the completion of these infrastructure projects, is expected to result in increased visitor arrivals to the country with a beneficial impact to the hospitality industry.



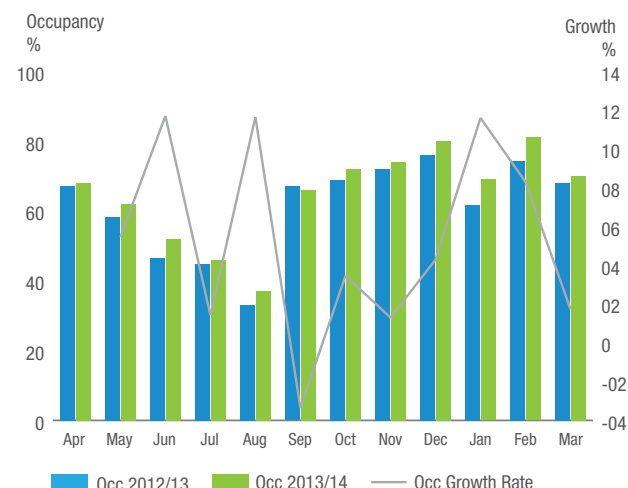
The Omani sector of Aitken Spence Hotels has performed satisfactorily to sustain the steady growth enjoyed since entry into the market. During the year, the Group expanded presence in Oman by undertaking the management of Jabal Akdhar Hotel, a new property offering with 26 rooms.

The room rates softened during 2013 primarily due to excess capacity however rates could harden in 2014 on the back of expected increases in visitor arrivals to the country. We have also

undertaken sustained refurbishment of rooms and other facilities at all properties which has helped us to maintain higher rates.

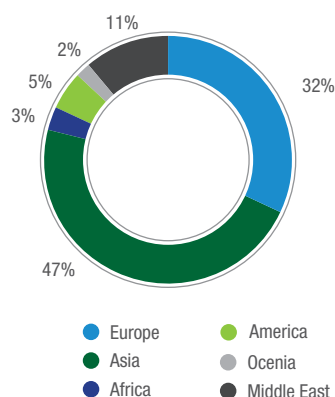


The Company's costs on Omani employees following a revision of the minimum pay and statutory increments resulted in higher cash outflows which could not be effectively recovered from clients. Active steps are being taken to increase productivity to mitigate the impact of these incremental costs.



Integrated Management Discussion and Analysis

A ban imposed on live performances in select star rated category hotels from September 2013 has negatively impacted our F & B revenues, however alternate entertainment avenues are being explored to counter the ban during the coming year.



Aitken Spence Hotels Major Generating Markets - Oman

Al Falaj Hotel, Muscat

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

Ruwi Hotel, Muscat

From business travellers to eager sightseers, Ruwi Hotel – a 3 star property - offers traditional Omani hospitality blended with international standards of service. Located 25 Km's away from the Seeb Airport, in the heart of the city center and overlooking the capitals main business district, Muscat Security Market and Banking District, Ruwi offers the right choice of facilities and services for the astute traveller.

Sur Plaza Hotel, Sur

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

Located close to the Green Turtle Beach at Ras-al-Hadd, a major tourist attraction in Oman together with other historical attractions in the area, Sur Plaza Hotel – a 3 star property - offers superior facilities and services for leisure and business travellers with a touch of traditional Omani hospitality and warmth.

Al Wadi Hotel, Sohar

Al Wadi Hotel is located 200 Km's away from the Seeb International airport - in the city of Sohar, the ancient maritime capital of Oman and home of Sinbad the Sailor.

Sohar was recently voted the most beautiful city in the Middle East making it a must-see place for visitors to Oman. Sohar, is situated on the Batinah coast rich in heritage & culture, making it ideal for tourists who have time to explore the Wadis & the Forts while experiencing great hospitality at the hotel. The Sohar fort is one of the largest forts in Oman.

Desert Nights Camp

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

Jabal Akhdhar Hotel

Jabal Akhdar, meaning "The Green Mountain" in Arabic, is part of the Al Hajar mountain range, one of Oman's most spectacular regions. Perched 2,000 meters above sea level, 26 roomed Jabal Akhdhar Hotel overlooks the awe-inspiring views of the Al Hajar Mountains, The perfect base for exploring the region's magnificent landscape of rugged, untouched beauty while staying in the height of comfort and heaven for adventure travellers, nature lovers and those seeking a retreat from the desert heat.

India

During the year, we further curtailed our operations in India and currently manage only 2 properties. While the destination remains important in the business context, it has become increasingly evident that the low volumes we currently offer are unable to generate the desired levels of performance. We are at present reviewing our Indian portfolio and business model with a view to transforming our approach from a management model to an investment model.

Atithi, Puducherry

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

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

Tamara, Coimbatore

Tamara is a boutique resort, situated in a scenic location at the foothills of the Western Ghats in Coimbatore. It is a resort where luxury co-exists with ageless ayurveda.

Integrated Management Discussion and Analysis

ANALYSIS OF GROUP FINANCIAL PERFORMANCE

Aitken Spence Hotel Holdings represents the consolidated financial statements of the holding company, its subsidiaries and the share of profits of equity accounted investees. Our Group comprises of the operation and management of resorts in Sri Lanka, Maldives, India and Oman. Please refer group portfolio on page 61.

Performance Highlights

Revenue per available room (RevPAR) up 13%

Revenue up to Rs. 12.95 billion

Operating profit up 25.8% to Rs. 3.97 billion

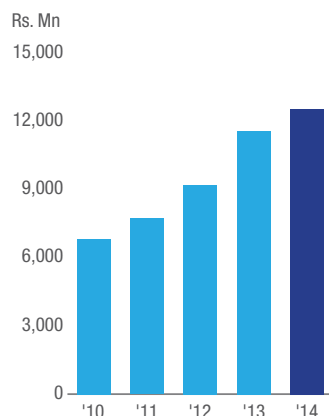
Profit attributable to equity holders of the parent increased by 31.1% to Rs. 2.34 billion

EPS Increased by 31.5% to Rs. 6.92

Net Cash generated from operating activities increased by 8.3% to Rs 3.82 billion

Table - Summary of Key Income Statement Items

Rs. Millions	F/Y 2013/14	F/Y 2012/13	% change	Explanatory Notes
Revenue	12,947	12,036	8%	+ Due to growth in South Asian sector revenue by 5% & Sri Lankan sector revenue by 17%
Other income	392	(19)	2,163%	+ Includes an insurance income of Rs. 370 Million
Staff costs	(1,753)	(1,648)	6%	+ Salary revisions across all staff grades
Depreciation & Amortisation	(761)	(733)	4%	+ Due to increased investment in new projects/capex
Other operating expenses - Direct	(2,398)	(2,273)	5%	+ Increased cost of sales in line with increased revenue
Other operating expenses - Indirect	(4,045)	(3,741)	8%	+ Increase in Administration & Establishment expenses & Energy cost
Finance income	269	229	18%	+ Increase in investments
Finance expense	(192)	(247)	22%	+ Relatively low interest rates during the year
Share of profit of equity accounted investees net of tax	35	70	-50%	+ Reduction in interest income
Taxation	(561)	(465)	21%	+ YoY increase in corporate taxation on profits

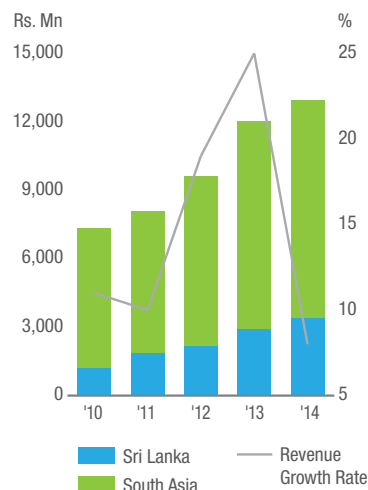


Revenue Growth

The group recorded a consolidated net revenue of Rs. 12,532 million during the financial year which is a 8% increase against the Rs. 11,567 million achieved during the corresponding year. The South Asian sector headed by the group's Maldivian resorts contributing 74% of the total revenue and a year on year revenue growth of 5% was mainly driven by increases in room rates. Adaaran Prestige Vadoo achieved the highest revenue growth of 15% followed by Adaaran Club Rannalhi with a growth of 10%.

The Sri Lankan sector revenue amounted to Rs. 3,386 million a growth of 17% from the Rs. 2,902 million achieved in 2013 on the back of increased room inventory with "The Sands" completing its first full year in operation and increase in occupancy levels throughout all resorts in the island. Heritance Kandalama was the major revenue contributor followed by Heritance Ahungalla.

The Sri Lankan resort operation is the Centre of focus against the 3 year (FY12-FY14) revenue CAGR of 21.7% whereas the South Asian Sector has recorded a steady CAGR of 15.6% during the same period.



Segmental Revenue

The South Asian Sector revenue was recorded at Rs. 9,561 million against Rs. 9,133 million achieved in 2013. Our Maldivian resorts experienced another fruitful year of performance with a year on year revenue growth of 5%. The increase in revenue is mainly attributable to the higher yields achieved through focused revenue management techniques and was achieved despite the 8% goods and services tax being in operation for the full financial year (Goods and services tax was increased to 8% on 1st January 2013 from 6%). Adaaran Select Meedhupparu continued to be the major contributor in the sector. It is also pleasing to note that our properties in the Maldives continue to achieve an increase in average room rates during the year, however there was a slight dip in overall occupancy in 2013 due to the reduction in room inventory in Adaaran Select HudhuRan Fushi. During the year, operations at HudhuRan Fushi were affected by a fire in July that destroyed 16 water villas, the villas are being refurbished and will be back in operation in 2014.

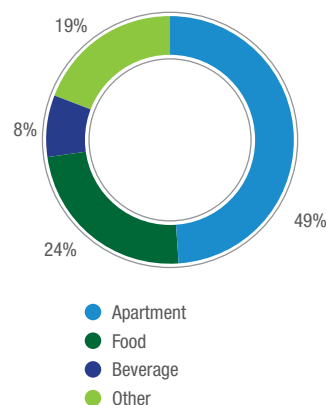
Oman operations continues to perform satisfactory, with a moderate increase in average occupancy while average rates remained unchanged against the preceding year. Our new managed property, Jabal Akhdhar Hotel is expected to add greater value to our Oman operations in the coming years.

Our operations in India fell short of expectations and the returns derived were average. During the latter part of the year a decision was taken to totally restructure the sector to enable profitability and sustainability and new strategies have been formulated and are being implemented to achieve the same.

Integrated Management Discussion and Analysis

The company's e-marketing initiatives/strategy has paid off as both online reservations and occupancy rates are up sharply, online sales growing by 33% against the preceding year which attributes to 15% of the total room revenue in 2013, while further investments were made to upgrade and revamp all hotel websites. The Group is aware of the high growth potential and yield achievable from the segment and entered in to a number of new contracts with online tour operators to expand its reach.

Composition of group revenue can be presented as follows:



Composition of Revenue 2013-14

Income and Expenditure Distribution

Table - Expenses and Profit from Operations as a Percentage of Net Revenue

	2014		2013		2012	
	LKR '000	%	LKR '000	%	LKR '000	%
Net Revenue	12,531,901		11,566,595		9,192,533	
Staff Costs	1,753,081	14.0	1,648,248	14.3	1,331,432	14.5
Depreciation & Amortisation	761,373	6.1	732,803	6.3	459,260	5.0
Other Operating Expenses - Direct	2,397,574	19.1	2,273,094	19.7	1,974,304	21.5
Other Operating Expenses - Indirect	4,045,096	32.3	3,740,845	32.3	3,096,411	33.7
Profit From Operations	3,966,497	31.7	3,152,736	27.3	2,423,667	26.4

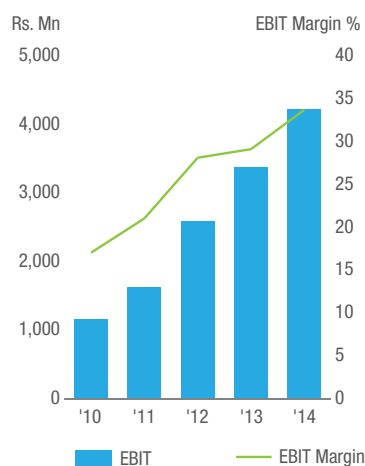
Fuel and energy prices had an adverse impact on the operational costs of the Group. Direct and indirect operating expenses of the Group increased by 5% and 8% during the year and are largely in line with operational requirements linked with increased occupancy levels and general price increases experienced during the period in review.

The gross profit margins of the group improved to 81% as against 80% in the previous year, reflecting the effectiveness of the measures to increase productivity despite pressures on costs.

The Group's other income of Rs. 392 million includes insurance receivable of Rs. 370 million in lieu of business interruption caused by the fire to group's Maldivian resort Adaaran Select HudhRan Fushi while the comparative figure in the preceding year was negatively impacted due to the year end recognition of unrealised exchange loss of Rs. 22.5 million, mainly due to the appreciation of the Rupee against USD during the fourth quarter of the previous year.

Earnings before Interest and Tax

Impressive earnings achieved through higher occupancy levels in Sri Lanka and higher yields in the Maldivian resorts coupled with a series of cost/overhead management strategies adopted across the group resulted in Earnings before Interest and Tax (EBIT) growing by 25% in 2014 to Rs. 4,236 million from Rs. 3,381 achieved in 2013. The higher operational efficiencies created by the above resulted in the EBIT margin increase to 34% from the 29% reported in 2013.

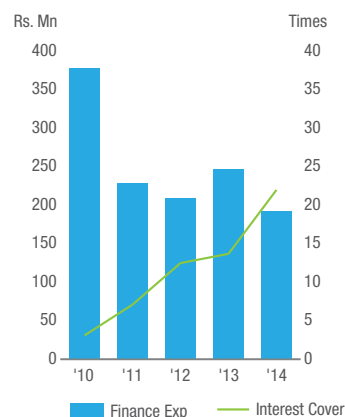


Earnings Before Interest and Tax

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) also represented 40% of the consolidated revenue in 2014, an year on year growth of 21%.

Finance Expenses

The Group Finance expenses were reported at Rs. 192 million during the year, a 22% decrease from 2013 and is in line with reduction in market interest rates that were experienced during the year and repayment of loans. With the number of expansion/refurbishment projects in the pipeline, the group is keenly monitoring the developments in the macroenvironment to source the funding requirements. Net loan receipts during the year was Rs. 85 million with a settlement Rs. 1,059 million.



Finance Expense

The group managed to further improve the interest cover to 22 times from 13.7 times in 2013 which was mainly due to the increase in Group earnings and reduction in finance cost.

Net Profit

The group recorded its highest ever post tax profit of Rs. 3,517 million during 2014 which is a 28% increase from the preceding year PAT of Rs. 2,740 million driven by the healthy revenue growth achieved during the year and increase in operating margins.



Segmental Profit Before Tax

Integrated Management Discussion and Analysis

The major contribution to the Group profits was from the South Asian Sector with a pre tax profit of Rs. 2,725 million which amounted to 67% of the Group pre tax profits while the Sri Lankan sector contributed Rs. 1,354 million. The Group profits included Rs. 269 million as interest income derived from the short term investment of excess funds generated from operations.

A figure of Rs. 35 million was accrued as profit of equity accounted investees net of tax from the Group's investment in Browns Beach Hotel PLC. This is a decrease of 50% from 2013 and is mainly due to the drop in interest income due to the utilization of the rights issue funds at Browns Beach Hotels PLC for the construction of the brand new property Heritance Negombo.

The increase in income tax expense is primarily due to higher pre-tax income reported in both Sri Lankan and South Asian sectors.

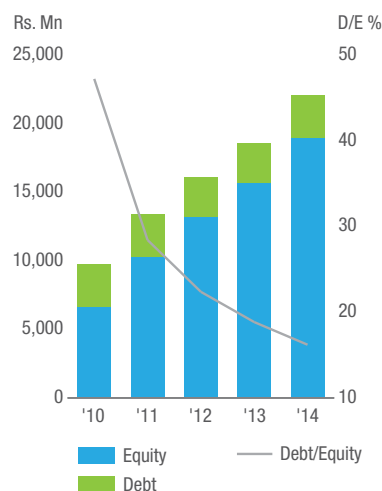
The Company reported a PAT of Rs. 1,022 million during 2014 which is an increase of 8% from 2013.

Balance Sheet

The Group's balance sheet in the year under review continued to reflect the strength and stability of its core business practices and growth in operational performance with net working capital improving to Rs. 5,658 million from Rs. 2,794 million reported in 2013.

Additions to Property, Plant and Equipment during the year amounted to Rs. 895 million which includes the cost of the current work being carried out for a 90 room expansion at The Sands Kalutara and other routine capital expenses in the Group.

Gearing levels of the Group was further reduced during the year to 16.20% from 18.86% in 2013 consequent to the gain of Rs 378 million arising from the revaluation of land of the Group and on the back of a strong balance sheet driven by sustained operational performance.



Gearing

The healthy earnings represented by 3 year EBIT CAGR of 37.7% during the FY 12-14 and enhanced retained earnings of the Group to Rs. 8.4 billion.

Return On Equity (ROE) for the year increased to 16.6% from the 14.9% reported in 2013 while the Return on Capital Employed (ROCE) increased to 18.3% from 17.2% reflecting the increase earnings.

Cash Flow Statement

The cash position of the Group remained strong with Cash & cash equivalents including term deposits rising to Rs. 6,891 million as at the financial year end up from Rs. 4,311 million reported in 2013. Net cash flow from operating activities increased by 8% to Rs. 3,821 million.

Statement of Changes in Equity

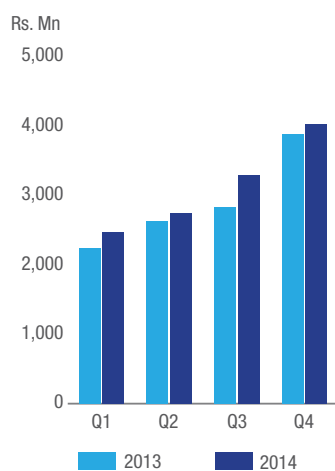
Shareholders' funds as at 31st March 2014 increased by 21% against the preceding year and stood at Rs. 19,168 million as against Rs. 15,829 million on 31st March 2013 mainly on account of increase in profits attributable to the Group.

Quarterly Performance

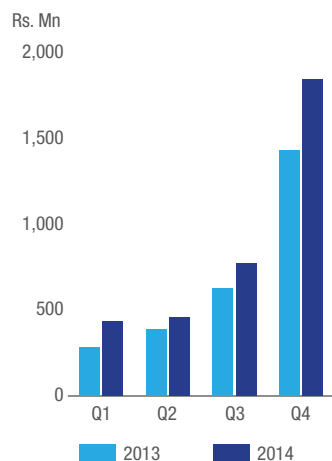
Table - 2013/14 Quarterly Performance

LKR (Mn.)	Q1	Q2	Q3	Q4	Total
Net Revenue	2,470	2,748	3,286	4,028	12,532
PAT	434	458	776	1,849	3,517
Profit Attributable to Shareholders	262	312	545	1,222	2,340
Shareholder's Funds	12,937	13,283	13,988	15,378	
Total Assets	22,731	22,265	23,580	25,977	

Consolidated quarterly group performance is tabulated above and depicts the increase in revenue from summer to winter as per the industry norm. Year on year quarterly profit after tax (PAT) increase ranged from 18% to 52% with the highest growth being reported in the first quarter.



Revenue Analysis - Quarterly



Profit After Tax Analysis - Quarterly

Treasury Management

Resorts funded with USD loans mitigated the impacts through creation of a “natural hedge” where dollar denominated revenues were offset by creating dollar denominated liabilities. The downward revision in interest rates during the financial year lowered the cost of rupee finance particularly in the Sri Lankan sector.

Integrated Management Discussion and Analysis

Economic Value Added (EVA)

The Economic Value Added is a measure of the total economic value created over and above the average cost of funding of the Company (Weighted Average Cost of Capital - WACC). It is the profit generated in excess of the rate of return required by the investors.

The Company's WACC is a function of the Group's average cost of borrowing, required rate of return on equity and the cost of preference share capital.

The economic value added by the Group for the past five years is tabulated below.

Table - Economic Value Added

	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000
Net Profit	3,517,015	2,739,987	2,081,471	1,357,611	774,796
Add:					
Depreciation and Amortisation	761,373	732,803	481,428	760,261	741,347
Non Cash & Non operational adjustments	(34,864)	(44,337)	(120,000)	26,041	16,600
Total Interest on debt	192,252	246,623	208,919	229,035	377,864
Adjusted Profit After Tax	4,435,776	3,671,433	2,651,818	2,372,948	1,910,607
Total Investment Capital					
Total Equity	19,167,842	15,829,440	13,358,930	10,395,771	6,778,330
Add:					
Total Debt	2,913,898	2,790,090	2,790,308	3,007,565	2,962,320
Total Short Term Debt	1,090,808	1,113,831	1,366,365	829,686	887,487
Cumulative Depreciation	5,987,351	4,849,064	3,974,930	3,915,052	3,363,778
Adjusted Investment Capital	29,159,899	24,582,425	21,490,533	18,148,074	13,991,915
Economic Value Added					
Weighted Average Cost of Capital	8.9%	8.5%	7.6%	7.8%	9.7%
Cost of Average Investment	2,596,610	1,958,100	1,500,113	1,250,204	1,321,935
Economic Value Added	1,839,166	1,716,976	1,151,705	1,122,744	588,672

SHARE PERFORMANCE

Share Price

The Colombo Stock Exchange showed a brief sign of recovery during the first quarter of the financial year with the All Share Price Index (ASPI) touching 6,488 points in May 2013 an increase of 13% from the beginning of the financial year. During the year the ASPI recorded a growth of 4.6%.

The company share closed trading at the financial year end at Rs. 70 down 4 rupees from 31st March 2013 with the share trading at a high of Rs. 80.50 and a low of Rs. 62.20.

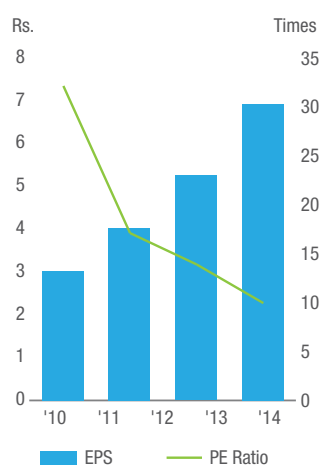


ASHH PLC Relative Performance Vs. Market

Market Value

Financial Year

	Highest		Lowest		Year End
	Pre Split Rs.	Post Split	Pre Split Rs.	Post Split	
2009/10	430.00	-	90.00	-	385.00
2010/11	900.00	114.90	339.75	90.00	98.00
2011/12	102.00	-	55.00	-	70.00
2012/13	81.00	-	61.00	-	74.00
2013/14	81.00	-	62.10	-	70.00



EPS and PE Ratio

The Earnings per Share (EPS) for 2014 increased by 31% along the lines of profit attributable to shareholders to Rs. 6.92 from Rs. 5.26 reported in the preceding year. With the increase in EPS and the year on year reduction of the share price has resulted in the Price Earnings Ratio (PER) reducing to 10.12 times from 14.07 times in 2013. The reduction in PER coupled with the 12% increase in Return on Equity (ROE) to 16.63% should encourage increased investment on the share. Price to book value of the Company reduced to 1.5 times from 2.0 times reported in 2013 following the trend set by PER. Market Capitalisation as per the last trade of the year in review was Rs. 23,540 million. Net Assets per share of the group increased to Rs. 45.24 from 37.95 reported in 2013.

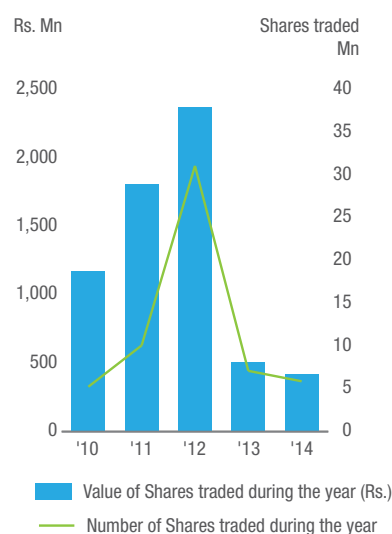
Market Capitalisation (as at 31st March)

	Stated Capital & Reserves (Rs.'000)	Market Capitalization (Rs.'000)
2010	5,189,194	14,796,760
2011	9,118,496	32,956,421
2012	11,028,704	23,540,301
2013	12,925,707	24,885,461
2014	15,378,288	23,540,301

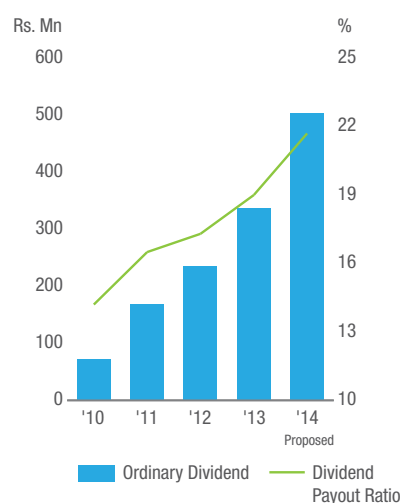
Integrated Management Discussion and Analysis

Share Trading

	2013/14	2012/13	2011/12	2010/11	2009/10
Number of Shares traded during the year	5,879,926	7,101,727	31,060,541	10,067,200	5,244,000
Value of Shares traded during the year (Rs.)	418,255,629	511,061,713	2,369,608,281	1,806,076,000	1,171,930,075
Number of Transactions	2,404	2,980	5,960	7,503	2,870



Value and Number of shares traded



Dividend Outflow

Dividends

The dividend policy of the Company seeks to ensure a dividend payout which correlates with the growth in Group profits, while ensuring sufficient funds are retained for future investments in a high growth industry ensuring shareholder returns are sustainable in the short, medium and long term.

During the year a first and final dividend of Rs. 1.50 per share was recommended by the Board of Directors payable on the 9th July 2014 keeping in line with the increase in Group profits. The proposed dividend is a 50% increase from the dividend per share of Rs. 1.00 in 2013 and will amount to a total outflow of Rs. 504 million, increasing the dividend payout ratio to 21.7% from the 19% in the preceding year.

Year	Dividend per Share (Rs.)	Dividend Yield (%)
2013/14	1.50	2.14
2012/13	1.00	1.35
2011/12	0.70	1.00
2010/11	0.50	0.51
2009/10	0.21 *	0.39

* Adjusted for subsequent shares issued and the sub-division.

Distribution and Composition of Shareholders

Range	31.03.2014			31.03.2013		
	No. of Shareholders	No. of Shareholding	%	No. of Shareholders	No. of Shareholding	%
1 to 1,000 shares	1,869	692,636	0.20	1,992	761,583	0.23
1,001 to 10,000 shares	1,074	3,532,061	1.06	1,121	3,647,153	1.08
10,001 to 100,000 shares	286	8,429,603	2.51	304	8,862,847	2.64
100,001 to 1,000,000 shares	56	16,623,472	4.94	55	17,893,891	5.32
1,000,001 & Above	16	307,012,238	91.29	13	305,124,536	90.73
	3,301	336,290,010	100.00	3,485	336,290,010	100.00

Aitken Spence Hotel Holdings PLC has 336,290,010 ordinary shares in issue and is listed on the Colombo Stock Exchange (CSE) under the code “AHUN-N-0000”. The total number of shareholders of the company reduced to 3,301 as at 31st March 2014 from 3,485 in the preceding year with the public holding remaining constant at 25.51% of the shares in issue.

Analysis of Shareholders

Category	31.03.2014		31.03.2013	
	Shareholding	%	Shareholding	%
Nationals	325,138,316	96.68	327,417,261	97.36
Non - Nationals	11,151,694	3.32	8,872,749	2.64
	336,290,010	100.00	336,290,010	100.00
Category	Shareholding	%	Shareholding	%
Aitken Spence PLC, and subsidiaries	250,507,418	74.49	250,507,418	74.49
Other Institutions	64,501,181	19.18	22,219,249	6.61
Individuals	21,281,411	6.33	63,563,343	18.90
	336,290,010	100.00	336,290,010	100.00

Integrated Management Discussion and Analysis

Twenty Largest Shareholders as at 31st March.

	2014		2013	
	No. of Shares	%	No. of Shares	%
Aitken Spence PLC - A/C No. 1	239,472,667	71.21	239,472,667	71.21
Employees Provident Fund	29,724,950	8.84	29,724,950	8.84
Sri Lanka Insurance Corporation Limited - Life Fund	7,268,727	2.16	8,505,100	2.53
HSBC Intl. Nominees Ltd. - JPMCB-Scottish ORL SML TR G	5,625,407	1.67	5,433,787	1.62
Ace Cargo (Private) Limited	4,423,601	1.32	4,423,601	1.32
Aitken Spence Hotel Managements (Pvt) Ltd	3,530,639	1.05	3,530,639	1.05
Aitken Spence Aviation (Private) Limited	2,604,140	0.77	2,604,140	0.77
Employees Trust Fund Board	2,370,705	0.70	2,370,705	0.70
G. C. Wickremasinghe	2,082,241	0.62	2,852,241	0.85
National Savings Bank	1,963,333	0.58	1,613,400	0.48
AIA Insurance Lanka Plc A/C No. 07	1,743,956	0.52	1,963,156	0.58
Bank of Ceylon # 1 Account	1,625,600	0.48	1,625,600	0.48
HSBC Intl Nom Ltd - BBH-Matthews Emerging Asia Fund	1,536,994	0.46	-	-
A. T. Wickremasinghe	1,245,004	0.37	860,004	0.26
The Ceylon Guardian Investment Trust PLC A/C # 02	1,025,480	0.31	929,000	0.28
Bank of Ceylon A/C Ceybank Century Growth Fund	1,009,248	0.30	970,358	0.29
F. A. A. Mack	1,004,550	0.30	1,004,550	0.30
K. Fernando	991,149	0.30	606,149	0.18
The Ceylon Investment PLC A/C # 01	985,900	0.29	985,900	0.29
The Ceylon Investment PLC A/C # 02	973,675	0.29	973,675	0.29
	311,207,966	92.54	310,449,622	92.32

Shareholding of Directors together with their Spouses in Aitken Spence Hotel Holdings PLC.

As at 31st March	2014	2013
Mr. D. H. S. Jayawardena	-	-
Mr. J. M. S. Brito	106,596	106,596
Mr. S. M. Hapugoda	-	-
Mr. C. M. S. Jayawickrama	-	-
Mr. G. P. J. Goonewardena	5,460	5,460
Mr. R. E. V. Casie Chetty	207,739	207,739
Mr. R. N. Asirwatham	1,000	1,000
Mr. N. J. de S. Deva Aditya	-	-
Mr. C. H. Gomez	-	-
Total	320,795	320,795

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 Ltd	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
2010/11	Rights Issue (1 for 4)	9,608,286	2,498,154,360
2010/11	Share Split (7 for 1)	288,248,580	-
	Total as at 31st March, 2014	336,290,010	2,882,485,800

History of movement in Preference Share Capital

Year	Issue	Number of Shares	Share Capital Rs.
1981/82	12% 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% Cum Redeemable Preference Shares	16,500,000	165,000,000
	Total as at 31st March, 2014	16,500,000	165,000,000

Integrated Management Discussion and Analysis

Group Holding in Subsidiary and Associate Companies

as at 31st March	2014	2013
Company -		
Aitken Spence Hotels Ltd.	97.99	97.99
Kandalama Hotels (Pvt) Ltd.	61.73	61.73
Heritance (Pvt) Ltd.	97.99	97.99
Ahungalla Resorts Ltd.	100.00	100.00
Hethersett Hotels Ltd.	87.55	87.55
Neptune Ayurvedic Village (Pvt) Ltd	100.00	100.00
Crest Star (BVI) Ltd. (US\$ 1 each)	100.00	100.00
Jetan Travel 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
PR Holiday Homes Pvt Ltd. (INR 100 each)	43.13	43.13
Aitken Spence Hotel Services Pvt Ltd. (INR 100 each)	51.00	51.00
M. P. S. Hotels (Pvt) Ltd.	100.00	100.00
Browns Beach Hotels PLC	37.42	37.42
Crest Star Ltd. (HK\$ 1 each)	100.00	100.00
Aitken Spence Hotels International (Pvt) Ltd.	51.00	51.00
Aitken Spence Hotel Managements Asia (Pvt) Ltd	51.00	51.00
Aitken Spence Hotel Managements (South India) (Pvt) Ltd	51.00	51.00
Golden Sun Resorts (Pvt) Ltd	100.00	100.00
Aitken Spence Resorts (Pvt) Ltd	100.00	100.00
Nilaveli Holidays (Pvt) Ltd	100.00	100.00
Nilaveli Resorts (Pvt) Ltd	100.00	100.00
Negombo Beach Resorts (Pvt) Ltd	37.42	37.42
The Galle Heritage (Pvt) Ltd	100.00	-

ENVIRONMENTAL PERFORMANCE

Energy Management

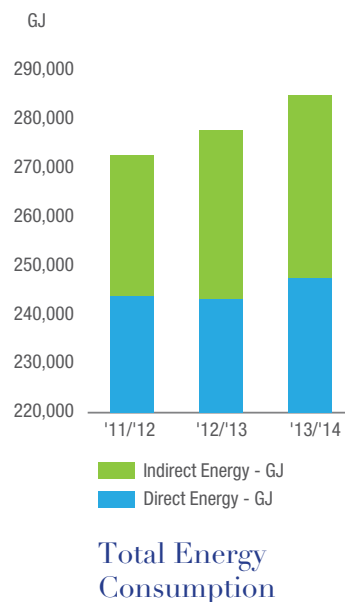
Aitken Spence Hotels has continually been in the forefront of developing efficient hotel energy management systems by practicing the control of procedures, operations and equipment that contribute to the energy use. Managing our energy in a sustainable manner is a key priority at our resorts, which have developed several processes and equipment which allow better energy usage. In fact, Heritance is the first resort chain in Sri Lanka to be awarded the ISO 50001 certification for energy management system. Our efficient systems have led to a total energy saving of 11,314 GJ over the year 2013/14 while we have achieved a reduction of 7665 tonnes in Green House Gasses during the year. The Group used a total of 693,918 cubic metres of water during the year, and recycled or reused 39.06% of this volume, amounting to 271,075 cubic metres.

An overarching energy conservation policy applies to our entire portfolio, incorporating standard operating practices such as power cut-off switches; energy efficient lighting (CFL bulbs), photoactive garden lights and solar power hot water systems across its portfolio of hotel properties, while preventive maintenance has been initiated at all resorts to optimize performance. Regular staff awareness has enabled our hotels to empower employees with knowledge and appreciation of the need for and ways to achieve energy reduction and efficiency. We have also optimised energy use through better coordination of room bookings during periods of low occupancy.



The Solar Photovoltaic facility at Heritance Ayurveda Maha Gedara

We have been able to decrease the usage of diesel and petrol by 3% and 2% respectively from our total energy composition and increase the usage of biomass by 5%.



The Groups reduction of greenhouse gas emissions to date, especially carbon dioxide (CO₂), has mainly been a result of improved energy efficiency.

	2011/12	2012/13	2013/14
GHG emission (tonnes) (Scope1 and Scope 2)	21,326	21,147	22,817
GHG emission reduced (tonnes)	691	1,154	1,560

Being a hotel chain, we have the advantage of being able to cascade our good practices and learning's at individual properties throughout our resorts, as has been the case in several instances. For example, Heritance Tea Factory was the first hotel in Sri Lanka to commission a biomass gasifier, and a similar gasifier was installed thereafter at Heritance Kandalama. The gasifiers use sustained biomass to produce syngas which is then fed to the boiler in lieu of diesel to produce steam for hot water generation and laundry operations. The biomass gasifier has enabled a 90% decrease in diesel which was used earlier for hot water and in the laundry. The waste heat from the gasifier is transferred to heat public areas while its byproducts are used as organic fertilizer. Heritance Ahungalla, an ISO 50001 certified hotel, has achieved a 7% decrease in annual electricity consumption and was the proud winner of a Silver award for National Energy Efficiency in 2013. The hotel has in place several

Integrated Management Discussion and Analysis

energy management initiatives, which involve regular energy audits, staff awareness, and good preventive maintenance while applying new energy saving products wherever possible. The hotel has also achieved a 13% reduction in water consumed, including reusing of treated waste water for gardening. The waste generated by the hotel is sorted into wet and dry waste and recycled.



The Gasifier at Heritance Kandalama

Heritance Tea Factory has focused on managing energy through daylight harvesting and the introduction of timers to control usage and lighting load. The hotel operates heavy machinery only during off peak hours and 80% of the lighting used is now energy efficient LED Bulbs.



First Organic Tea Certifications received by Heritance Tea Factory

In January 2014, Heritance Tea Factory received the first organic certification in Sri Lanka awarded by the Sri Lanka Standards Institute in January 2014, for its cultivation and processing of tea. The pioneering achievement came after eight years of refining the processes used to cultivate and process organic black tea, green tea and herbal tea in the 25 acre tea plantation that surround the hotel and at the mini tea factory. The organic tea is available for the consumption of guests and can be purchased as souvenirs.

The hotel discontinued the use of all forms of chemical fertiliser, pesticides and weedicides at the tea plantation in 2005, and replaced artificial fertilizer with greener substitutes such as compost manure processed in-house. Gotukola was grown as an underlayer in the tea plantation to prevent weeds and to help nourish the soil. The organic certification involved a stringent set of tests and audits, conducted by institutions such as the Agricultural Research Centre in Kundasale, the Tea Research Institute in Talawakele and the Sri Lanka Standards Institute.

Heritance Tea Factory has successfully obtained 1,000,000 Kgs of carbon credits to date, by resorting to measures such as manual weeding instead of using weedicide; biodegradable detergents and chemicals at the laundry; and using only organic compost in the tea plantation and in its vegetable garden. Heritance Tea Factory has installed a rainwater-harvesting system as well as low flow aerator taps to minimize water wastage. 100% of the hotel's sewerage is recycled and reused.

At Heritance Ayurveda Maha Gedara, a net metering system feeds the national grid with electricity generated from its Solar Photovoltaic System; the system also powers the outdoor lighting at the hotel via a battery bank. Furthermore, the ayurvedic herbal preparation area at the hotel uses biogas, produced from kitchen bio-waste. The resort has also achieved a reduction in furnace oil by installing solar hot water panels to augment the temperature of the water before being fed to the calorifier.

Hotel Hilltop has made several improvements to its sustainability commitment by using LED and CFL bulbs, solar hot water panels to produce hot water and capacitor banks that help reduce the KVA usage. The Hotel's energy management team makes frequent



Illuminating Sustainability



The Heritance Kandalama team put on their creative hats to create a stunning Vesak Lanten for the vesak season using all discarded biscuit boxes, cement bags and rattan removed from old cane furniture in the hotel. A Christmas Tree was also built with Coconut Husk' for the festive season.

inspections with a view to identifying methods of reducing energy use. Guests at the hotel are also engaged in the efforts to save energy and water through notices and posters in rooms. The property treats its waste water and effluents at a Sewerage Treatment Plant, which redirects the recycled water for gardening.

A sound proof generator and boiler have been installed at The Sands, which has also extended its exhaust chimneys to over 60ft above the roof. The hotel's sewerage treatment plant and well water treatment plant enable the optimization of water usage. During the year, the property launched an initiative to protect the Pandanus Plant.

The total direct investment made by the hotel sector on environmental protection exceeds Rs. 5 million.

Water Management

Water conservation is an important element of our environmental strategy. Given the growing global water challenge, Aitken Spence Hotels is working internally to continuously improve our operations, and externally to understand local water conditions in which we operate. The Group understands the importance of water to our business, human health and the economic viability of the communities where we operate. We are therefore taking steps to improve the monitoring and management of our water use and identifying hotels that are located in water-stressed areas. 100% of the waste water generated and almost 90% of the total water



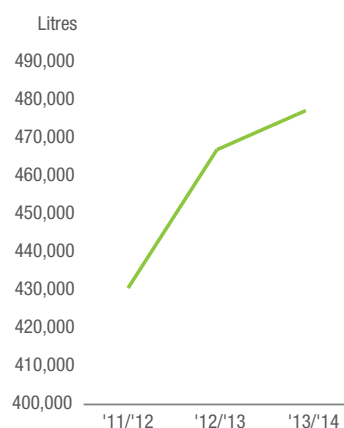
The Water Treatment Plant at Heritance Kandalama



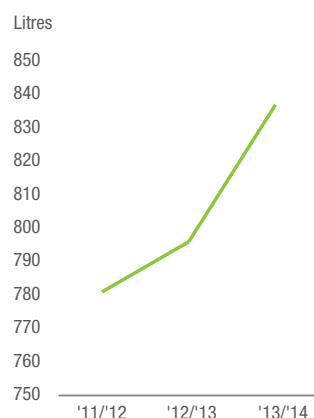
A life with less Chemicals

Any of our guests can make a green choice by declining housekeeping for up to two days. For each night a guest declines housekeeping we save precious resources and the releasing of harmful chemicals to the environment.

withdrawn is treated and recycled. An assumption is made that 10% of the total withdrawn water is lost due to evaporation.



Total Water Recycled/Reused - Litres



Total Water Consumption per Guest Night - Litres

Total water withdrawal by source

	Ground Water-m3	Sea water-m3
FY 2011/12	215,597	586,409
FY 2012/13	287,736	662,282
FY 2013/14	284,661	702,019

Integrated Management Discussion and Analysis

Biodiversity

The Heritance Kandalama has a natural preservation of 198 acres of conservation forest in its perimeter which ensures the bio-diversity is protected. The Hotel lies in and conserves 58 acres of forest area, flora and fauna within the hotel. The preservation protects the origins of 11 natural streams that provide irrigation water to 34 dry zone reservoirs.



Preserving our Corals

The coral reefs surrounding the resorts in the Maldives as well as the greenery within the atolls including mangroves are preserved as a core component of the tourism offer.

None of the Group's operations are located within close proximity to national reserves or protected areas. However, the Group takes necessary precautions to ensure that areas of high biodiversity are protected and preserved as is the case with Heritance Kandalama which acts as a preservation agent in conserving the biodiversity and eco-systems in the area. The resort's Eco-park plays a valuable role in protecting sick and injured animals and is a key model for community education and conservation.



The Waste Treatment Plant at Heritance Ahungalla

Waste Management

We recognise that if waste is not properly managed, it can lead to a host of environmental, social and health issues in the community. We attempt to reduce the waste we produce by managing our resources more wisely and cutting down on wastage. We believe that luxury is not about drowning our guests with excess, but about pampering our guests with the finest, keeping in mind their needs and delighting them with unique experiences that last a lifetime.

Our hotels have led the Aitken Spence Group in implementing the 7R approach towards waste management. The internally developed method encourages reuse before recycling and is aimed at reaching zero waste dumping status. The hotels segregate waste by type, and thereafter recycle it or sell it for reuse in other applications. Food waste is either used for compost or handed over to pig farms as animal feed. The weight of hazardous and non-hazardous waste generated during the 12 month period is given below.

Waste Type	Total Weight
Paper	12,099 kg
Cardboard	29,517 kg
Plastic Cans	12,358 kg
Polythene	3,168 kg
CFL Bulbs	360 bulbs, and an additional 773 kg
Lead Acid Batteries	6 units and an additional 706 kg
Alkaline Batteries	20 units and an additional 186 kg
Tyres	16 tyres and an additional 1,116 kg
Scrap Metal	18,225 kg
Glass	25,416 kg
Soiled Cotton	580 kg
Food Waste	1,108,355 kg
E – Waste	2 units and an additional 328.25 kg

SOCIAL PERFORMANCE

Employee Development

As a company focused on the quality of its service, our employees are central to our offering. As such, we are committed to the highest standards of employee excellence, and have worked tirelessly towards being considered an employer of choice. By inculcating a culture of openness and empowerment, we have been able to develop a responsible and committed workforce that collectively shares in our vision. Our Code of Conduct and Equal Opportunities outline the standards that are expected by us at all times from our employees on anti-bribery, fair competition, protection of customer privacy and equal opportunities. We denounce all forms of child exploitation and child labour. Our work force is gender balanced and its diversity offers the opportunity of learning from one another and to effectively connect with our international guests.

Our commitment to our employees are geared towards the following:

They will always be treated with respect, courtesy and dignity

They will work in clean, pleasant and safe environments

They will be offered meaningful career development through effective training

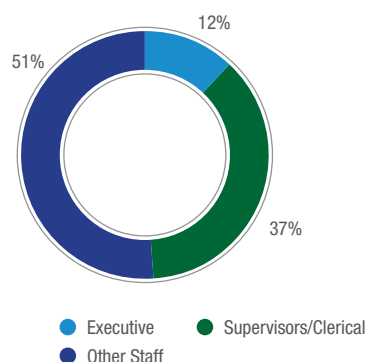
Maintaining an “open-door” policy where employees have direct access to their superiors

The expertise we offer in the management of hotels has been deliberately crafted through years of selecting high performers and providing them with the training, exposure and mentoring to become the finest hospitality professionals. Today, this is our strongest asset and has helped us build a solid reputation, locally and internationally, for the capabilities and domain expertise of our employees.

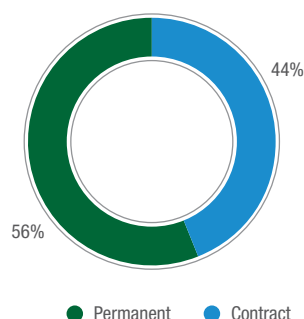
Employees are constantly driven towards productivity and efficiency in order to carry out their duties smarter, quicker and better. Our efforts were rewarded this year when the Hotels within the Group performed exceptionally well at the intercompany Aitken Spence 6S & HR Excellence Competition¹, which aims to promote productivity improvements. For the first time, all the Maldivian resorts took part in the competition this year. Heritance Kandalama walked away with the most number of awards including the awards for the overall winner of ‘6S & HR Excellence’ and the ‘HR Excellence award’. Heritance Tea factory won the “Best 6S award”.

Employee Analysis

Permanent employees are entitled to a series of benefits which typically include life insurance, health care, disability/ invalidity coverage, leave including maternity leave, retirement provisions as well as bonuses. Significant operational changes are communicated to the employees with a minimum notice period of one month.



Employees by Type



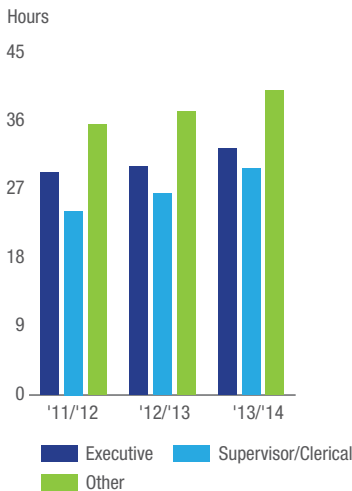
Total Workforce by Employment Contract

Investing in our Future

The Company's training calendar is designed to upgrade technical and soft skills and to enable personal development in order to achieve holistic growth. The calendar includes training courses conducted by internal and external experts, as well as programmes conducted internationally. Training needs are identified during the performance evaluation and career development review process, which is carried out for every employee annually. We update our learning and development programmes based on the annual analysis of training needs across the Group.

Integrated Management Discussion and Analysis

Our widespread learning and development programmes contribute to the skills, knowledge and motivation of our employees. Industry standards workshops (e.g. safe food handling, occupational health & safety), renowned quality experience training and cultural training are provided to ensure the staff compliance with our standards of service. Leadership and personal development courses are conducted as part of our workplace practice, which provides the leadership development applicable to our co-workers and to achieve current and future career goals. Some courses include, but are not limited to, food and beverage management, management trainee programmes, customer care, awareness on environmental management system, awareness on health and safety, information security and environmental management systems.

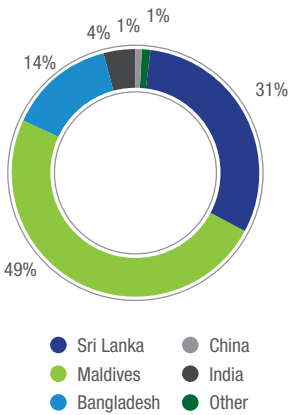


Training Hours by Employee Category

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 recognized as an employer that espouses lifetime employment, a rare concept in today's dynamic and uncertain corporate world. Furthermore, as per Group policy, the company supports the higher education of employees by sponsoring 75% of their course fee.

Gender Equality

The Group is committed to providing an inclusive, non-discriminatory workplace which gives opportunities of continuing development to all employees as well as fair consideration to all applicants. The Group strongly believes in gender equality and equal opportunity, and is one of the first signatories to the United Nations Women's Empowerment Principles. While the ratio between male and female employees is skewed heavily towards male employees given the nature of our business, there is no gender discrimination in the basic salary paid to men and women in each category. Attracting, developing and retaining the right talents are fundamental to our success.



Employment by Region

Health and Safety is our Priority

The Health and Safety of both our employees and our guests is of critical concern. Special attention is given to minimizing potential fire risks at our properties – fire drills and evacuation drills are conducted four times a year while clear signage and maps are made available for guests to enable evacuation in case of fire. Fire extinguishers are checked and maintained in working condition and are made available at all key points of the properties.

The hotels adhere to the Aitken Spence Occupational Health and Safety Standards, ensuring the implementation of the standards by conducting regular audits and routine training sessions to refresh staff awareness levels. In keeping with Group policy, Occupational Health and Safety Teams have been appointed at each property, made up of representatives of all departments and functions. The OHS teams are charged with leading the OHS initiatives at hotels and are empowered through regular training sessions conducted by internal and external experts.

No major injuries have been reported among guests over the past year and the group has not faced any regulatory or court imposed fines, settlements or awards related to violations in product safety. Five workplace related accidents have been reported this year, while a collective 43 work days were lost due to work related accidents and illnesses, including cuts in the kitchen department. However no major work-related injuries or major diseases were reported among employees during the year.

The tourism sector in particular is exposed to serious diseases, including HIV/AIDS, and we ensure that our staff as well as their families and the wider community are given awareness and education on prevention and risk control, while counselling and treatment are provided for serious diseases where relevant.



Fire training programme conducted at our hotels

The Group hotels provide all required amenities and facilities for senior citizens and for all types of differently-abled people including specially designed rooms, special public washrooms, elevators and wheel chairs etc.

Recruitment from the Community

The Group believes in creating a positive impact on the neighbourhoods surrounding their operations by recruiting personnel from the local communities. The Group has a reputation for providing such recruits with in depth training and development which enable the high performers to rise to management roles. Among the hotels with a high percentage of managers from the local communities are the Oman Hotels sector with 100% of Managers, Heritance Ahungalla with 20%, Hotel Hilltop with 75%, Heritance Kandalama with 17%, Heritance Tea Factory with 60% and The Sands with 25%.

Supply Chain

The sustainability of our organization is inextricably linked to the fortunes of our local communities; therefore we consider it important to share our growth by supporting the surrounding rural economies. As a policy, we give priority to local suppliers when sourcing goods and services; 30% of the Heritance Kandalama procurement expenditure is spent locally while Heritance Ahungalla spends 16%, Heritance Tea Factory 7%, Hotel Hilltop and The Sands 45% each and the Oman Hotels 75% on local suppliers.

Supporting Local Communities

During the year, the total funds channelled towards community development amounted to Rs. 15.64 million. This involved support in many forms including child and elder care programmes, education and health projects, employee voluntarism and philanthropic initiatives.

Heritance Ahungalla takes a proactive approach to its engagement with the community and has cultivated a close relationship with the village temple. During the year, the hotel carried out a shramadhana at the Balapitiya Hospital Children's Ward while also conducting awareness sessions of 5S and 7R Practices for the benefit of students of the G/ Rajapaksa Vidyalaya.

Integrated Management Discussion and Analysis

Heritage Kandalama engages with the neighbouring community through meetings with the Heads of Religious Institutions, Village Heads, Grama Niladaris, School Principals and other members of the community. These meetings serve as a useful forum to identify and respond to the needs of the community. For example the hotel was able to assist the community with repairs to school buildings, roof repairs, scholarships for students, spectacles and wheelchairs and other equipment needed by the disabled.

Heritage Tea Factory trains its employees in aspects of health and safety, personal hygiene and first aid. Such programmes indirectly benefit the local communities as 70% of the hotel's employees are from the vicinity. The Sands conducts similar programmes and also conducts free dental clinics for staff as well as children from the community.

Culture and Heritage

The Art and Craft Centre at the Heritage Ayurveda Maha Gedara is our special gift to the traditional craftsmen and women of Sri Lanka. The Centre aims to uplift indigenous arts and crafts by providing a platform whereby award-winning artisan craftsmen can demonstrate their skills in arts such as palm weaving, dumbara weaving, lace making, wood carving, mask painting and palm weaving. Guests have the opportunity of trying out the crafts themselves, under the watchful guidance of the craftsmen. The centre also houses a museum which displays examples of many other indigenous crafts, including lacquerware, brassware, coconut carving and batik. Arts and Crafts created at the centre are available for purchase by guests, with all profits given back to the craftsmen to promote their art.



Art and Craft Centre at Heritage Ayurveda Maha Gedara

The Aitken Spence School of Hospitality

The Aitken Spence School of Hospitality based in Ahungalla, is our foremost tool in producing a new generation of employment-ready tourism workers. The school provides training to youth on basic hospitality with a view to enhancing the employability and skills, which enables us to address the large skill gap that exists in the tourism industry. The school has conducted a total of over 40,000 man hours of training for over 1,000 employees across the Group in hospitality and general management.

The Hotel School has focused on uplifting youth from the former conflict affected areas and has to date conducted training for over 250 students from less economically stable backgrounds in the North and East. The majority of these students have been absorbed into the Group's operations.

Following the success of the school in Ahungalla, we have also established the 'Kandalama School of Tourism and Hotel Operation' along a similar model.



Aitken Spence School of Hospitality - Ahungalla

Guest Experience

We provide our employees with the best hospitality training and a family culture which helps to deliver the best service standards which helps to surpass customer expectations. Our Hotels are located in memorable cities and we want our guests to explore the cities we call home and obtain an experience of our rich culture, uniqueness of each of these cities and the rich history and heritage.

Customer feedback is an essential element in our quest to continuously improve our offering, as feedback allows us to fine tune our product to suit the needs and desires of customers. Customer feedback forms are submitted to all guests at the end of their stay in our resorts with the results collated resort-wise and reviewed periodically. Shortfalls highlighted by guests are attended to immediately while areas that require service adjustments are identified for improvement.

With the advent of social media, the way we interact with the community and obtain feedback has become easier and more informal. Social media such as Facebook and Twitter enable us to interact on a one-on-one basis with customers and potential customers. We use Flickr, YouTube and Blogger extensively to promote our products and offers and also to interact with others who share our passion for sustainable tourism. The Group is also active on Skype and responds to customer queries via Skype.



More than Child's Play

In addition to delivering the best service standards we also went a step further with our Junior Pastry Chef competition where this exciting edutainment event targeted kids with a keen interest in culinary experiences. Our main objective was to educate aspiring young chefs and provide them with a platform to display their acquired culinary skills. The individual creations were mounted onto a cake which was auctioned and the money was donated to the Anula Wijerama Children's Home, in Balapitiya thus creating a double effect on society.

Travel review sites such as Trip Advisor and Holiday Check are important resources that provide the feedback of guests while also rating us against competitors. Our hotels have consistently been rated high on such review sites; Heritance Ahungalla has received Trip Advisor Certification as one of the most desired Travel Destinations for the Year 2014 while Heritance Tea Factory received a Trip Advisor Excellence ranking in 2013/14.

Product Responsibility

Our demonstration of product responsibility arises from our commitment to the highest possible standards of business excellence. In our pursuit of quality, we have complied with international standards on a range of product and service delivery criteria. These include ISO 9001 Quality Standards, 14001 Environmental Standards and ISO 22000/HACCP Food Safety Standards. These standards also include stringent guidelines on food and water testing. Group resorts maintain good housekeeping practices such as the Japanese 5S system.

Integrated Management Discussion and Analysis

Benchmark/ Certification	Certification Body	Number of Hotels Benchmarked/ Certified/ Compliant
EarthCheck Silver Certificate	EarthCheck Asia Pacific	6
EarthCheck Bronze Benchmark	EarthCheck Asia Pacific	2
ISO 14001 Environmental Management System	International Organisation for Standardisation (ISO)	7 certified
5 S Good Housekeeping Methodologies	Self-Compliant	8
Kaizen Quality Management Techniques	Self-Compliant	8
ISO 22000/ HACCP: 2005 Food Safety Management System	International Organisation for Standardisation (ISO)	4
Cleaner Production Technologies	National Cleaner Production Centre	8
Greening SL Hotels Certificate	Ministry of Tourism, Sri Lanka Sustainable Energy Authority & Ministry of Environment & Natural Resources	8
ISO 50001 Energy Management System	International Organisation for Standardisation (ISO)	4
Responsible Hotels of the World Member	Travel.Com	4
FIT Premium Quality Certificate for Ayurveda & Yoga	FIT Reisen, Germany	1
SLSI certificate for Organic Tea	Sri Lanka Standards Institute (SLSI)	1
Hygienically certified Establishment (HCE)	SGS	1

Memberships in Associations

Sri Lanka Tourism Development Authority

Maldives Association of Tourism Industry

The Ceylon Chamber of Commerce

The Hoteliers Association of Sri Lanka

The Field Ornithological Group of Sri Lanka

The Environmental Management System Users and Promoters Association

The Pacific Asia Travel Association

The Green Globe International Incorporation

The Employees Federation of Sri Lanka

Awards and Recognition

All our efforts are reaping recognition for our business and during the year 2013/14 we achieved the following;

Aitken Spence Hotel Holdings (Group)	<p>Gold Award winner in the Hospitality Sector Category at the ICASL Annual Report Awards 2013</p> <p>Gold Award winner in the Hospitality Sector and Gold Award for the Excellence in Environmental Sustainability at the National Business Excellence Awards (NBEA) 2013</p> <p>Winner of the Leisure and Services category at the ACCA Sustainability Reporting Awards 2013 (ACCA Sri Lanka)</p>
Heritage Ahungalla	<p>Most Outstanding Culinary Team at the Culinary Art 2013 awarded by the Chefs Guild of Sri Lanka</p> <p>Best Regional Hotel at the Culinary Art 2013 awarded by the Chefs Guild of Sri Lanka</p> <p>Most Outstanding Hotel at the Culinary Art 2013 awarded by the Chefs Guild of Sri Lanka</p> <p>Silver Award in the Large Scale Hotel Sector at the National Energy Efficiency Awards 2013 awarded by the Sri Lanka Sustainable Energy Authority</p>
Heritage Kandalama	<p>Winner of the Conde Nast World Saver Award in the Large resorts doing it all category awarded by Conde Nast Traveller</p> <p>Finalist in the Wild Asia Responsible Tourism Award in the Resource efficiency category awarded by Responsible Tourism Asia Pacific</p> <p>First Runner up-Most Outstanding Culinary Team at the Culinary Art 2013 awarded by the Chefs Guild of Sri Lanka</p> <p>Winner at the Sustainable Development in Tourism Awards - Diversy Special Recognition Award 2013 awarded by the Skai International</p> <p>Winner of the Bocuse D'Or Culinary Competition 2014</p>
Heritage Ayurveda Maha Gedara	<p>Recognized as the "Best Ayurveda Resort" at the 4th FIT Health and Wellness Awards 2013 awarded by FIT Reisen-Germany</p> <p>Merit Award-Large Scale Hotel Sector at the National Energy Efficiency Awards 2013 awarded by the Sri Lanka Sustainable Energy Authority</p> <p>Merit Award- Arts & Craft Centre -Best CSR project category - Best Corporate Citizen Sustainability Awards 2013 awarded by the Ceylon Chamber of Commerce</p>
Adaaran Resorts Maldives	<p>Preferred Partner Certification 2013 awarded by Alltours Flugreisen GmbH</p> <p>First Runners Up Best Culinary Establishment at the Hotel Asia Show 2013</p>
Adaaran Select Meedhupparu	<p>Awarded the "Outstanding Hotel Partner Award" by Booking.com</p> <p>Winner of the Certificate of Excellence 2013 of TripAdvisor</p> <p>Awarded the Booking.com Guest Review Award 2012</p> <p>Winner of the TEZ WORLDBERRY award 2013 & 2014</p> <p>Winner of best Hotel Partner category and the best Hotel-partner of TEZ TOUR – 2013, 2014</p>
Adaaran Prestige Water Villas	<p>Awarded the "Outstanding Hotel Partner Award" by Booking.com</p> <p>Winner of the Certificate of Excellence 2013 of TripAdvisor</p> <p>Winner of the Holiday Check Quality Selection Certificate 2013</p>
Adaaran Prestige Vadoo	<p>Awarded the "Outstanding Hotel Partner Award" by Booking.com</p> <p>Winner of the Holiday Check Quality Selection Certificate 2013</p>
Adaaran Club Rannalhi	<p>Awarded the "Outstanding Hotel Partner Award" by Booking.com</p>

Integrated Management Discussion and Analysis



Aitken Spence Hotels accepting the ICASL Annual Report Gold Award 2013



Aitken Spence Team with the ICASL Annual Report Gold Award 2013



Heritance Ahungalla Most Outstanding Culinary Team- Culinary Art 2013



Heritance Tea Factory team with the Organic Tea Certification



Adaaran Resorts - First Runners Up Best Culinary Establishment
Hotel Asia Show 2013



Winner Leisure and Services category -
ACCA Sustainability Reporting Awards 2013

OUTLOOK

With Tourist arrivals to Sri Lanka expected to increase further the Group is confident of capitalizing on any potential growth prospects in the island with the addition of 150 roomed Heritance Negombo and the 90 room expansion at The Sands in 2014/15. The Group's inventory is set to expand further in the coming years with the 500 roomed RIU branded five star all inclusive hotel on the Group's 11 acre property in Ahungalla. The above additions will greatly enhance both the operational room inventory as well as the Group's resort portfolio in the Sri Lankan sector.

With the new infrastructure developments undertaken by the GOSL we firmly believe that the above earmarked projects would make a sizable contribution to the Group's future performance.

With The CBSL and the Government of Sri Lanka (GOSL), loosening its monetary policy, we hope that the current low interest rate regime will prevail for the coming years and coupled with the stable exchange rate, will greatly enhance our prospects of sourcing additional finance at relatively low costs for our proposed projects/ expansions.

The Group is also exploring opportunities to expand its operation in the Maldives as well as India, as prospects in both countries should improve as a result of post election political stability. In this regard we have already identified and made plans to expand operations in the existing properties utilizing the leeway provided by the Maldivian government's decision to enhance the buildable area on atolls. We believe, the way forward for the Group in the Maldives is to increase the capacity as we now command optimal rates.

At Aitken Spence Hotels, our future outlook will involve taking advantage of our leadership position as a regional player with its presence in Sri Lanka, The Maldives, Oman and India to offer greater synergies to our stakeholders of business.

The long term vision of Aitken Spence Hotel Holdings is built on the foundation of sustainability that transcends beyond mere operational goals to one that is strategic and holistic with the entirety of the Group's long-term vision.

Corporate Governance

The primary objective of Corporate Governance is to contribute to improve corporate performance and corporate image in creating long term stakeholder value. At Aitken Spence Hotel Holdings PLC, we strongly believe that a sound corporate governance structure ensures that the Company achieves its objectives through a transparent process by formulating, communicating and adopting the highest standards of policies and practices of Corporate Governance and thereafter controlling and monitoring all its activities within an established control system which will ultimately add value to all stakeholder groups of the Company and its subsidiaries.

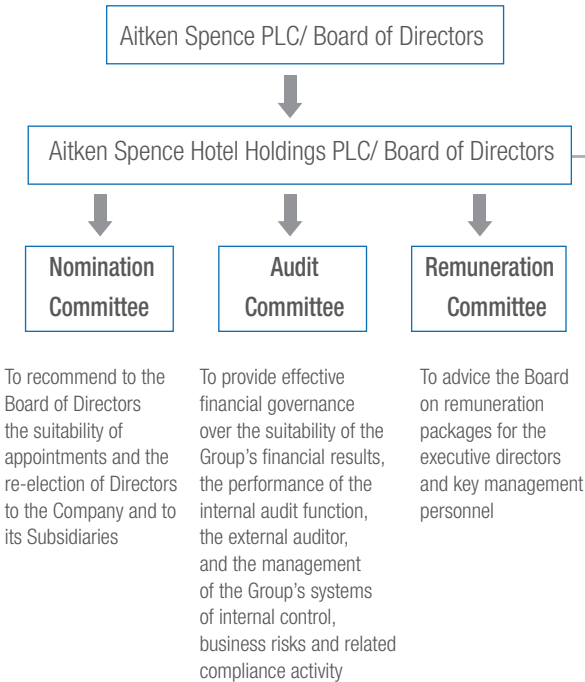
The Company operates within an integrated Governance framework formulated after taking into consideration the Corporate Governance best practices issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Listing Rules of the Colombo Stock Exchange and the codes of relevant professional institutions which are outlined in the diagram below and set out in the report that follows;

REGULATION FRAMEWORK

- External Regulation
- Code of Best Practice on Corporate Governance issued jointly by SEC and ICASL
- Corporate Governance Independent Review Rules published by the CSE
- Companies Act No. 07 of 2007
- GRI Guidelines on Sustainability

- Internal Regulation
- Articles of Association
- Code of Business Ethics
- Risk Management
- Internal Control System

GOVERNANCE STRUCTURE



ASSURANCE & CERTIFICATION

- Assurance of Financial Information
- Independent Audit
- Independent Review
- Independent Audit
- Corporate Management Team
- To implement and carry out strategic development plans made at board level. They work as the steering committee through which overall company goals are communicated to sub divisions



SHAREHOLDER ENGAGEMENT

In view of our commitment towards maintaining effective two-way communication with all investors, the Board conducts regular discussions with Institutional Investors based on mutual understanding of objectives, particularly those relating to governance and strategy.

Based on the comprehensive and balanced reports and financial statements published annually and quarterly the existing and prospective investors are able to make well-informed decisions in their dealings with the Company. The Company further conducts meetings between major shareholders on an on-going basis, at the same time answering queries from all shareholders and analysts, through the Company Secretarial Division and/or Communications Team.

The principal communication methods used to reach out to individual investors are the Company website, financial statements published every quarter, corporate disclosures, annual report and the Annual General Meeting at which investors are encouraged to be present, actively participate and vote. The Annual General Meeting provides an opportunity for shareholders to make any applicable comments or observations, seek clarifications and cast their vote on relevant issues. Shareholders are free to informally convene with our Directors after the conclusion of the meeting.

The comprehensive annual report equips both existing and potential stakeholders with up-to-date information and facilitates appropriate decision-making. Additionally we encourage all investors/shareholders to carry out adequate analysis and obtain independent advice regarding their investment in the Company.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board of Directors are responsible for formulating and implementing sound systems of internal control and risk management for the Group and for reviewing its effectiveness and integrity on a continuous basis. The assistance of the internal audit division and the Audit Committee is extended to the Board of Directors in carrying out the above task.

Any internal control system has its inherent limitations which means that adverse effects cannot be entirely eliminated. However the systems are designed to manage risk and hence we have taken appropriate steps to minimize situations of misstatements or loss. The Group's internal audit division monitors and reviews the internal controls for purposes of protecting stakeholder investments and Company assets.

Review Effectiveness

The Board of Directors and the Audit Committee regularly reviews the effectiveness of the financial, operational and compliance controls and internal control systems, including risk management for the period and have taken appropriate remedial steps when and where necessary.

Code of Business Conduct and Ethics

The Group has developed and institutionalized a strong set of corporate values and a Code of Conduct that is circulated to all employees from Directors downward. The Board ensures that all directors and employees strictly abide by the Code of Business Conduct and Ethics at all levels in the performance of their official duties, communications, role-modelling and in any other circumstances, so as to prevent the tarnishing of the Company's image in any manner. The breach of the Code of Ethics is an offence that is subject to disciplinary action.

Going Concern

The relevant Declaration regarding the Going Concern Statement is set out in the 'Annual Report of the Directors' on page 139 of this Annual Report.

Risk Management

An overview of the Group's framework for identifying and managing risk, both at an operational and strategic level, is set out on pages 143 to 151.

Annual Report

The Board is responsible for the preparation of the Annual Report and confirms that the quarterly reports, annual financial statements and the annual review of operations of the Company have been prepared and presented in a reliable manner, based on a balanced and comprehensive assessment of the financial performance of the Company. All financial statements are in accordance with the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act and the Listing Rules of the Colombo Stock Exchange. All requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar of Companies have been adopted in the preparation of this annual report. Messrs KPMG, Chartered Accountants have audited the consolidated financial statements and the financial statements of the Company.

Corporate Governance

SECTION 1 of the Code deals with the Company and it mainly covers the governance aspects with regard to company Directors, their Remuneration, Relations with Shareholders and Accountability and Audit. (See pages 122 to 131)

SECTION 2 of the Code deals with the Shareholders and discusses how a good corporate citizen discharges its responsibilities towards both Institutional Investors and Other Investors. (See page 132)

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
SECTION 1. COMPANY			
A. DIRECTORS			
A.1 / 7.10.1 (a), 7.10.2 (a) and 7.10.3 (c-d) - The Board			
<p>The Board of Directors comprise of Nine Directors including the Chairman and the Managing Director. The Board has three Directors who are Independent Non Executive Directors. 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, Commerce and Entrepreneurship enables optimum efficiency and effectiveness. The names and the profiles of the Directors are given on pages 64 to 65 of this Annual Report.</p>			
Board Meetings	A.1.1	Complied	<p>Board Meetings were held five times during the financial year and presided over by the Chairman.</p> <p>The Board meetings are scheduled in advance to enable the Directors to plan their commitments in order to facilitate attendance. Any instances of non-attendance at the meetings were due to personal commitments or illness.</p> <p>Apart from taking decisions at the Board meetings, the Board also takes decisions via Circular Resolutions. The Directors are provided with the Agenda and Board papers in advance giving them adequate time to study the contents prior to the meetings. The Board meetings are arranged in advance and all Directors are informed of the meetings. When decisions are taken via circular resolutions, all relevant information is sent together with the circular resolution to enable the Directors to clearly comprehend the purpose for which a resolution is being circulated prior to obtaining their consent.</p> <p>Attendance at these meetings are indicated in the table on page 132.</p> <p>Attendance at Board meetings during the 2013/14.</p>  <p>Board of Directors</p> <ol style="list-style-type: none"> 1. D.H.S. Jayawardena 2. J.M.S. Brito 3. S.M. Hapugoda 4. C.M.S. Jayawickrama 5. G.P.J. Goonewardena 6. R.E.V. Casie Chetty 7. R.N. Asirwatham 8. N.J. de Silva Deva Aditya 9. C.H. Gomez

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
Responsibilities of the Board	A.1.2	Complied	<p>The Board of Directors are responsible for the formulation of business strategies with regard to short, medium and long term goals and objectives of the Company and its subsidiaries after taking into consideration the Group's strength, competencies and risks while giving independent opinions on issues of strategy, performance, key appointments, standards of business conduct and all other relevant matters which are considered by the Board.</p> <p>Implementing and monitoring of such strategies.</p> <p>Reviewing and ratifying systems in operation relating to risk management, internal control, codes of conduct and strict compliance with the laws, statutes and regulations.</p> <p>In this process, compliance with all applicable laws and regulations both national and international and adherence to the Company's ethical standards and corporate values are of utmost importance in order to ensure that the interests of all stakeholders are taken into consideration in the corporate decision-making process.</p> <p>Reviewing, approving and monitoring all capital expenditure, acquisitions and divestitures recommended by Senior Management.</p> <p>Ensuring that effective information and audit systems are in place. Ensuring that due attention is given to annual and interim financial statements prior to publication by ensuring the adoption of appropriate accounting policies and complying with relevant statutes and accounting regulations.</p> <p>Determining the quantum of the final dividend for approval by the shareholders at the AGM.</p> <p>Approving and monitoring financial and other reporting.</p>
Compliance with laws and access to independent professional advice	A.1.3	Complied	<p>The Board of Directors in discharging its duties seeks independent professional advice from external parties when necessary at the Company's expense to ensure that the Company complies with the applicable laws and regulations of the country, regulations of authorities, professional institutes and trade associations.</p>

Corporate Governance

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
Company Secretary	A.1.4	Complied	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 that appropriate, timely and accurate information is submitted to the Board and its committees. The Company Secretaries play the role of a facilitator ensuring that a healthy relationship is maintained between directors, auditors and Board sub-committee members to strengthen accountability and investor confidence.
Independent judgment of the Directors	A.1.5	Complied	Each Director exercises independent judgment 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, financial and operational review, resource allocation and standards of conduct and business ethics.
Dedicating adequate time and effort	A.1.6	Complied	<p>The Board of Directors devotes adequate time to fulfill 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.</p> <p>The Board papers are received by the Directors, ahead of Board Meetings, enabling the Directors to review the papers and obtain clarifications prior to the meetings.</p>
Training for new and existing Directors	A.1.7	Complied	<p>Directors are provided with opportunities to attend workshops, seminars and professional training programmes.</p> <p>Directors are briefed on changes in laws and regulations, tax laws and accounting standards from time to time either during Board meetings or at specially convened sessions.</p>
A.2 Chairman and the Chief Executive Officer			
There is clear distinction of responsibilities between the Chairman and the Managing Director. The functions performed by the Chairman and the Managing Director are distinct and separate, which ensure the balance of power and authority within the organisation, so that no person has unfettered powers of decision making. The Chairman controls and preserves order at Board meetings and provides the Board with strategic direction and guidance. The Managing Director is responsible for the performance of the day-to-day operation of the Company with the support of the Corporate Management Team. The Managing Director also acts as the Chief Executive Officer of the Company.			
Clear division of responsibilities of the Chairman and the CEO	A.2.1	Complied	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.

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
A.3 Chairman's Role			
The Chairman of the Company who is one of the most successful and experienced business leaders in this country is responsible for guiding the Board in formulating the appropriate business strategies and giving direction to the Group. He is responsible for preserving good corporate governance in the Company.			
Role of Chairman	A.3.1	Complied	<p>The Chairman provides leadership and strategic direction to the Board and ensures that the Board effectively performs its functions, adheres to procedures and the relevant statutes.</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>
A.4 Financial Acumen			
Financial Acumen	A.4	Complied	The Board includes four Senior Professional Accountants, one of whom is the Managing Director. They possess the necessary experience and expertise.
A.5 Board Balance			
Presence of Non Executive Directors	A.5.1 <u>7.10.1 (a)</u> <u>7.10.2 (a) &</u> <u>7.10.3 (a)</u>	Complied	The Board comprises of the Chairman, Managing Director and four Executive Directors and three Non Executive Independent Directors. In the Company, the Chairman and the Managing Director are not the same person. The Non-Executive Directors' brief resumes are provided on page 65 of this Annual Report.
Independence of Non Executive Directors	A.5.2, A.5.3 & A.5.5 <u>7.10.2 (a-b) &</u> <u>7.10.3 (a-b)</u>	Complied	As indicated in the table on page 132 the Board comprises of three Non-Executive Directors namely, Mr. R. N. Asirwatham, Mr. N. J. de S. Deva Aditya and Mr. C. H. Gomez. Mr. N. J. de S. Deva Aditya although a Director of the Company and the Director of Institutions that hold over 15% of the shares of the parent company, is however determined as an Independent Director after taking into consideration all the relevant circumstances including the fact that he resides overseas. Furthermore, the Institutions in which he is a Director do not directly or indirectly get involved in the day to day management of either the Company or its subsidiaries and as such are independent of management and free of business relationships. Mr. R. N. Asirwatham and Mr. C. H. Gomez were appointed to the Board as Non-Executive Independent Directors.
Annual Declaration of Non Executive Directors	A.5.4 <u>7.10.2 (b)</u>	Complied	Each Non-Executive Director submits a signed declaration annually with regards to his independence/non-independence against the specific criteria.
Requirement to appoint a 'Senior Independent Director'	<u>A.5.6 & A.5.7</u>	Not applicable	This is not relevant to the Company as the Chairman and the Managing Director roles are segregated.

Corporate Governance

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
Chairman conducting meetings with the Non Executive Directors	A.5.9	Complied	The Chairman meets with only the Independent Non-Executive Directors as and when necessary.
Recording of concerns in the Board minutes	A.5.10	Complied	Any concerns raised by the Directors which cannot be resolved unanimously are recorded in Board minutes, if applicable.
A.6 Supply of Information			
Obligation of the Management to provide appropriate and timely information	A.6.1	Complied	The Group has a modern Management Information System in place. All the Board Members receive information on the operation and performance of the Group on a monthly basis. In addition, the Company has a centralised accounting process which is monitored by the respective Group Companies.
Adequate time for circulation of respective Board documents	A.6.2	Complied	The Board is provided with timely and appropriate information by the Management by way of Board papers and proposals. The Board members have access to additional information at all times. The Board minutes, agenda and papers are circulated, giving adequate time for individual Directors to study same, thus enabling the active and effective participation of each Board member.
A.7 Appointments to the Board			
Nomination Committee and the assessment of composition of the Board	A.7.1 & A.7.2	Complied	<p>The Nomination Committee which is a sub-committee of the parent company's Board consists of three Independent Non Executive Directors of the parent company in addition to the Chairman and the Managing Director of the Company.</p> <p>The names of the members of the Committee are listed on the inner back cover of this Annual Report.</p> <p>The function of the Nomination Committee is to recommend to the Board of Directors the suitability of appointments and the re-appointments of Directors to the Company and to its Subsidiaries and to regularly review the structure, size, composition and competencies of the Board and to make recommendations to the Board.</p>
Disclosure to Shareholders	A.7.3	Complied	There were no new appointments to the Board of Directors during the year under review. However 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 the nature of the appointment.

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
A.8 Re Election			
Re-election of Directors including Chairman	A.8.1 & A.8.2	Complied	All Directors over the age of seventy years and all those who are retiring by rotation in terms of the Articles of Association of the Company, submit themselves for re-election at the AGM to be held on 30th June 2014 to be elected by the shareholders of the Company as per the Articles of Association. The Nominations Committee has declared to the Board that the contributions made by the Directors offering themselves for re-election at the AGM in 2014 are effective and affirms the Company's continuous support of their re-election.
A.9 Appraisal of Board performance			
Appraisals of the Board and the sub committees	A.9.1,A.9.2 & A.9.3	Complied	The performance of the Board and the sub-committees are reviewed and evaluated by the Board based on a self appraisal basis.
A.10 Disclosure of information in respect of Directors			
Directors' disclosures	A.10.1 <u>7.10.3 (c-d)</u>	Complied	<p>The names of the Directors of the Board, their background leadership expertise, skills and their profiles are disclosed on pages 64 to 65 of this Report.</p> <p>Directors' interest in contracts is disclosed on pages 221 to 224 of this Annual Report.</p> <p>The number of Board meetings attended by the Directors are given on page 132 of this Report.</p> <p>Names of the Chairman and the members of the Board Committees are provided on the inner back cover of the Annual Report.</p>
A.11 Appraisal of Chief Executive			
Setting of the annual targets and the appraisal of the CEO/MD	A.11.1 & A.11.2	Complied	The Board in consultation with the Managing Director reviews and approves the operational and financial budgets and monitors the performance. The evaluation of performance is conducted half yearly and at the end of the financial year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets were reasonable in the circumstances.
B DIRECTORS REMUNERATION			
B.1 / <u>7.10.5</u> Remuneration Procedure			
Establishment of a Remuneration Committee and its composition	B.1.1,B.1.2 & B.1.3 <u>7.10.5 (a) &</u> <u>7.10.5 (b)</u>	Complied	The Board has delegated powers to the Remuneration Committee which is a sub-committee of the parent company's Board to formulate and review remuneration packages of Executive Directors and Executive Employees according to their responsibilities and performance. The evaluation of performance is conducted half yearly and at the end of the financial year. The Group Remuneration Committee consists of three Non Executive Independent Directors of the parent company one of whom functions as the Chairman of the Remuneration Committee. The names of the members of the Committee are listed on the inner back cover of the Annual Report.

Corporate Governance

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
Determination of the remuneration of the Non Executive Directors	B.1.4	Complied	The Board determines the fees and expenses payable to Non Executive Directors as per the Articles of Association of the Company.
Consultation with the Chairman and the CEO/MD	B.1.5	Complied	The Remuneration Committee consults the Chairman and the Managing Director regarding the remuneration proposals to Executive Directors and the Senior Management. No Director is involved in determining his own remuneration.
B.2 Level and Make up of Remuneration			
Level and makeup of the Remuneration of Directors and comparison of remuneration with other Companies	B.2.1,B.2.2 & B.2.3	Complied	The Remuneration Committee is responsible for evaluating the performance of the Managing Director, Executive Directors and the individual and collective performance of the Directors and the Senior Management. The Committee structures remuneration packages to attract, retain and motivate Directors, the Senior Management and Executives. The remuneration packages are based on cost of living, inflation rates, comparative industry norms and the contribution of the individual to the Group and the respective subsidiary to which such individual is attached.
Performance based Remuneration	B.2.4	Complied	The Remuneration Committee reviews the performance of the Executive Directors and Senior Management and the performance bonus is based upon the achievement of goals and targets by the individual and the respective subsidiary to which such individual is attached.
Executive share options	B.2.5	Not applicable	During the year under review there were no share option schemes in operation.
Designing the remuneration	B.2.6	Complied	The procedure followed in deciding of remuneration of employees is set out in the Remuneration Committee report which is given on page 135.
Early Termination of Directors	B.2.7 & B.2.8	Complied	Determined by the Articles of Association of the Company.
Remuneration of non executive Directors	B.2.9	Complied	Non Executive Directors receive a fee for their participation in meetings.
B.3 / 7.10.5 (c) Disclosure of Remuneration			
Disclosure of remuneration	B.3.1	Complied	Please refer note 9 and 42.2 to the financial statements for the details of remuneration paid to the Board of Directors and Key Management Personnel.

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
C. RELATIONS WITH SHAREHOLDERS			
C.1 Constructive use of Annual General Meeting			
Use of Proxy	C.1.1	Complied	A Form of Proxy is forwarded to the shareholders along with the Annual Report and it is ensured that all proxy votes are counted.
Separate resolution for substantially separate issues	C.1.2	Complied	Separate resolutions are proposed for all substantially separate issues to provide shareholders with the opportunity to deal with each significant matter separately. This mechanism promotes better stewardship while assuring transparency in all activities of the Company.
Chairman of Board Committee to be present	C.1.3	Complied	At the Annual General Meeting the relevant Chairman of the Remuneration, Audit and Nomination Committees are present to answer queries and provide clarification to shareholders where necessary.
Adequate notice of Annual General Meeting and summary of Procedure	C.1.4 & C.1.5	Complied	The notice and the agenda for the Annual General Meeting together with the Annual Report of the Company are dispatched to the shareholders at least 15 working days prior to the date of the Annual General Meeting as per the Companies Act No. 07 of 2007.
C.2 Communication with Shareholders			
Effective communication with shareholders	C.2.1, C.2.2, C.2.3 & C.2.4	Complied	The Company encourages effective communication with the shareholders and answers queries and concerns of shareholders through the company secretaries and/or communications team.
C.3 Major and Material Transaction			
Disclosures of major transactions	C.3.1	Complied	During the financial year there were no major transactions, which materially altered the Company's net asset base or the consolidated Group's net asset base.
D. ACCOUNTABILITY AND AUDIT			
D.1 Financial Reporting			
Board responsibility to present the financial statements	D.1.1	Complied	The Board of Directors confirm that the financial statements of the Company and its subsidiaries have been prepared in accordance with the Companies Act No. 07 of 2007, the Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The Company has duly complied with all the relevant Laws and reporting requirements of Regulatory Authorities. The consolidated financial statements and the financial statements of the Company were audited by Messrs KPMG, Chartered Accountants.
Annual Report of the Directors	D.1.2	Complied	The "Annual Report of the Board of Directors "which is given on pages 137 to 141 to covers all areas of this Section.

Corporate Governance

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
Statement by the Directors and the Auditors	D.1.3	Complied	The Independent Auditors Report on the financial statements is presented on page 155 of this Annual Report. The Statement of Directors' Responsibilities for Financial Statements is available on page 142.
Management discussion and analysis	D.1.4	Complied	The Integrated Management Discussion and Analysis is given on pages 69 to 119.
Declaration by the Board as to whether the business is a going concern	D.1.5	Complied	The relevant declaration is presented in the Annual Report of the Board of Directors on page 139 of this Annual Report.
Requirement for an Extraordinary General Meeting in a situation of serious loss of capital	D.1.6	Not applicable	This is not applicable to the Company but should the situation arise an Extraordinary General Meeting would be called upon and the shareholders would be notified.
D.2 Internal Control			
Directors to review Internal Controls	D.2.1	Complied	The Board is responsible for formulating and implementing appropriate systems of internal control for the Group and in turn assessing its effectiveness. The Group's internal audit division assists the Board of Directors and the Audit Committee in carrying out the above task. Any internal control system has its inherent limitations. The Board is aware of the inherent limitations and has taken appropriate steps to minimise same.
Requirement to review the need for an Internal Audit function	D.2.2	Not applicable	The Group has an internal audit division to assist in the maintenance of a sound system of internal control for purposes of protecting stakeholder investment and assets.
D.3 / 7.10.6 Audit Committee			
Composition of the Audit Committee and the Duties	D.3.1 & D.3.2 <u>7.10.6 (a) & 7.10.6 (b)</u>	Complied	<p>The Audit Committee which is a sub-committee of the parent company's Board, functions as the Audit Committee of Aitken Spence Hotel Holdings PLC. The Audit Committee comprises of four Non Executive Independent Directors from the parent Company, one of whom acts as the Chairman of the Committee. The names of the members of the Committee are listed on the inner back cover of the Annual Report.</p> <p>The Audit Committee is a sub-committee of the Board of the parent company and its main purpose is to assist the Board in the effective discharge of its responsibilities on financial reporting, risk management and corporate control. It assists the Board in monitoring compliance with applicable laws and other regulatory requirements. The Audit Committee plays a key role in reviewing the effectiveness of the internal control system. It also ensures the balance among objectivity, independence and value for money of the services provided by the Company's Auditors with special attention to the provision of non-audit services by the Auditors.</p>

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
Terms of Reference for Audit Committee	D.3.3	Complied	The Audit Committee assists the Board in discharging its duty in ensuring that the Group's internal controls and conduct of business are in accordance with the best practices appropriate to the Company. The Audit Committee evaluates the performance of the external auditors and makes its recommendation to the Board of Directors on their re appointment or removal which is subject to the approval of the shareholders at the Annual General Meeting.
Disclosure of names of the members of the Audit Committee	D.3.4 7.10.6 (c)	Complied	Names of the members of the Audit Committee are listed on the inner back cover of this Annual Report. The report of the Audit Committee is available on page 133 to 134.
D.4 Code of Business Conduct and Ethics			
Disclosure on a presence of code of business conduct and ethics	D.4.1	Complied	The Group has developed a code of ethics which is circulated to Directors and all Employees. The Board ensures that the Directors and the employees strictly comply with the Code of Business Conduct and Ethics. The Violation of the code of ethics is an offence which is subject to disciplinary action.
Affirmation of the code of conduct and ethics	D.4.2	Complied	Please refer Chairman's Review on Pages 13 to 17 of the Annual Report.
D.5 Corporate Governance Disclosures			
Disclosures of Corporate Governance	D.5.1	Complied	The Company aims to achieve greater year-on-year growth and value creation, improve stakeholder satisfaction and relationships in all its business activities whilst adhering to highest standards of corporate governance as is evident in this report from pages 120 to 132.

Corporate Governance

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
SECTION 2. SHAREHOLDERS			
E. INSTITUTIONAL INVESTORS			
Shareholder voting	E.1.1	Complied	The Company conducts regular discussions with Institutional Investors. Existing and prospective investors are given a balanced report that enables them to make well-informed decisions in their dealings with the Company.
F. OTHER INVESTORS			
F.1 Investing and Divesting Decision			
Investing and Divesting Decision	F.1	Complied	The Company has no restriction with regards to investors carrying out adequate analysis and obtaining independent advice regarding their investment in the Company and encourages any shareholder to do so.
F.2 Shareholder Voting			
Individual shareholders voting	F.2	Complied	All shareholders are encouraged to be present, actively participate and vote at General Meetings. The Annual General Meeting provides an opportunity for shareholders to seek and obtain clarifications and information on the performance of the Company and to meet with the Directors after the meeting.

Board and the Committee Attendance


Name of Directors	Attendance at Board Meetings						Group Audit Committee	Group Remuneration Committee	Group Nomination Committee
	07- May-13	27- Jun-13	06 - Aug-13	21- Nov- 13	06- Feb-14	Total			
Chairman Deshamanya D.H.S. Jayawardena	✓	✓	✓	✓	✓	5	-	-	☑
Managing Director J.M.S. Brito	✓	✓	✓	✓	✓	5	-	-	☑
Executive/Non-Independent Directors									
S.M. Hapugoda	✓	✓	✓	✓	✓	5	-	-	-
C.M.S. Jayawickrama	✓	✓	✓	✓	✓	5	-	-	-
G.P.J. Goonewardena	✓	x	x	x	✓	2	-	-	-
R.E.V. Casie Chetty	✓	✓	✓	✓	✓	5	-	-	-
Non Executive/Independent Directors									
R.N. Asirwatham	✓	✓	✓	✓	✓	5	Chairman	☑	☑
N.J. de Silva Deva Aditya	✓	✓	✓	x	x	3	☑	-	-
C.H. Gomez	x	✓	x	x	✓	2	☑	-	-
G.C. Wickremasinghe (Parent Company)	-	-	-	-	-	-	☑	Chairman	Chairman
V.M. Fernando (Parent Company)	-	-	-	-	-	-	-	☑	☑

Audit Committee Report


Group Audit Committee Members	Audit Committee Report					
Chairman R.N. Asirwatham ¹	Aitken Spence PLC is the parent company of Aitken Spence Hotel Holdings PLC which is the Tourism sector business unit of the Aitken Spence Group. The Audit Committee of Aitken Spence PLC thus acts as the Audit Committee of Aitken Spence Hotel Holdings PLC which has complied with the policies and procedures set out by the Group Audit Committee.					
Members G.C.Wickremasinghe ¹ C.H. Gomez ¹ N.J. de. S . Deva Aditya ¹ A.L. Gooneratne (Alternate Director for N.J. de. S. Deva Aditya)	Composition of the Committee The Audit Committee comprises of four Independent and Non-Executive Directors, one of whom acts as the Chairman. The Company Secretary served as the Secretary to the Audit Committee.					
Secretary to Committee Mr. R. E. V. Casie Chetty	Number of Committee Meetings The Committee formally met five times during the year under review.					
	Name	08th May 2013	26th June 2013	14th October 2013	23rd January 2014	7th February 2014
	Mr. R.N. Asirwatham	√	√	√	√	√
	Mr. G.C. Wickremasinghe	×	√	×	√	√
	Mr. C.H. Gomez	×	√	×	×	×
	Mr. N.J. de Silva Deva Aditya	×	√	×	×	×
	Mr. A.L. Guneratne (Alternate Director for Mr. N.J. de Silva Deva Aditya)	√	×	√	√	×
	Attendance by Invitation The Deputy Chairman and Managing Director, Chief Financial Officer, Chief Corporate Officer and Chief Internal Auditor attended the meetings by invitation.					
	Summary of key terms of reference					
	Risk Management <ul style="list-style-type: none">Ensuring that the Group's internal controls and risk management systems are adequate.Ensuring that the business is conducted in accordance with the relevant laws of the country, international laws and codes of regulatory authorities, professional institutes and trade associations.					
	Financial Reporting and Financial control <ul style="list-style-type: none">Reviews the operational and any other management information reports submitted to the Committee.Reviews the Group quarterly and annual financial statements that are prepared in strict compliance with the Companies Act No. 07 of 2007, Sri Lanka Accounting Standards currently applicable and the requirements of any other regulatory bodies as applicable.Evaluate the adequacy and effectiveness of the Group's accounting policies and all proposed changes in accounting policies and practices.					

¹ Independent Non-Executive Director

Audit Committee Report

Group Audit Committee Members	Audit Committee Report
	<p>External Audit</p> <ul style="list-style-type: none"> • Reviews and approves the external audit plan presented by the External Auditors. • Reviews and monitors the progress of the external audit. • Reviews the management letter issued by the External Auditors and ensures that the Management takes appropriate action to satisfactorily resolve issues. • Assesses the independence and effectiveness of the External Auditors on an annual basis. • Reviews the fees proposed by the External Auditors and makes recommendations to the Board on their re-appointment which is subject to approval of the shareholders at the forthcoming Annual General Meeting which will be effective until the conclusion of the succeeding Annual General Meeting. <p>Internal Audit</p> <ul style="list-style-type: none"> • Reviews, approves and monitors the internal audit plan. • Reviews the financial and operational audit reports, IT security reports and risk reports of the Internal Auditors' and management's response to same. • Evaluates the independence and effectiveness of the internal audit functions.
	<p>Summary of key focus areas in the year ended 31st March 2014</p>
	<ul style="list-style-type: none"> • Reviewed the Risk Management System and highlighted the areas which required attention. • Reviewed the operational and any other management information reports submitted to the Committee. • Reviewed the quarterly and annual financial statements submitted by the Group to the Colombo Stock Exchange and recommended improvements in the content and presentation. • Evaluated significant accounting issues and recommended appropriate action wherever necessary. • Reviewed, approved, monitored and suggested necessary changes to the external audit and internal audit plans. • Reviewed and ensured the adequacy of the Group's internal controls and recommended corrective measures where necessary. • Discussed the reports of the Internal Auditors, considered the response from the Management and suggested suitable action. • Assessed the performance of the Internal Auditors and set out guidelines for the effective discharge of duties. • Assessed the independence of External Auditors. • Evaluated the performance of External Auditors. • Reviewed the fees and out of pocket expenses proposed by the External Auditors and made recommendations to the Board.
	<p>Re-appointment of Auditors</p>
	<p>The Audit Committee having evaluated the performance of the External Auditors decided to recommend to the Board of Aitken Spence Hotel Holding PLC, the re-appointment of Messrs KPMG, as the Auditors of the Company for the current year, subject to the approval of the shareholders at the forthcoming Annual General Meeting.</p> <p></p> <p>R N Asirwatham Chairman Audit Committee</p> <p>Colombo 27th May 2014</p>

Remuneration Committee Report


Group Remuneration Committee Members	Remuneration Committee Report
Chairman Mr. G C Wickremasinghe ¹	Aitken Spence PLC is the parent company of Aitken Spence Hotel Holdings PLC which is the Tourism sector business unit of the Aitken Spence Group. The Remuneration Committee of Aitken Spence PLC thus acts as the Remuneration Committee of Aitken Spence Hotel Holdings PLC which has complied with the policies and procedures set out by the Group Remuneration Committee.
Members Mr. V M Fernando ¹ Mr. R N Asirwatham ¹	Composition of the Committee The Committee consists of three Independent Non-Executive Directors one of whom functions as the Chairman of the Committee.
Secretary to Committee Mr. R E V Casie Chetty	Independence of the Committee The Committee is independent of the management and is totally free from any business, personal or other relationships that may interfere with making independent judgments.
By Invitation Deshamanya D H S Jayawardena ² Mr. J M S Brito ³	Number of Committee Meetings The Committee formally met once during the year under review when all members were present.
	Attendance by Invitation The Chairman and the Managing & Finance Director attended the meetings by invitation and contribute substantially to the deliberations of the Committee.
	Terms of Reference of the Committee <ul style="list-style-type: none"> • Recommending a remuneration policy for the Directors and the Management team. • Reviewing, monitoring and evaluating the performance of the Managing Directors, Executive Directors and the individual and collective performance of the Directors and the Senior Management of the Strategic Business Units. • Evaluating and recommending the individual remuneration packages of the Managing Directors, Executive Directors and Senior Management giving due regard to the skills, experience, level of responsibility and performance as well as industry norms. • Determining a compensation package on termination of office of employees. • Executing duties within the framework of the principles of good governance.
	Key functions performed during the year under review <ul style="list-style-type: none"> • Approved promotions after evaluating the performance of the Group, Strategic Business Units and the contribution made by individual employees to their respective Strategic Business Units. • Recommended revision of remuneration packages based on performance, cost of living and comparative industry norms.
	Methodology of the Committee The Committee adopts a structured and unbiased methodology to evaluate employee performance to ensure the fair treatment of employees and prevent discrimination based on gender, age, ethnicity and religion.
	The year ahead The Committee will continue to propose remuneration policies and practices to attract and retain the best available talent for the Group.
	 G C Wickremasinghe Chairman Remuneration Committee Colombo 27th May 2014

¹ Independent Non-Executive Director

² Chairman of Aitken Spence PLC/Aitken Spence Hotel Holdings PLC

³ Managing Director of Aitken Spence Hotel Holdings PLC

Nomination Committee Report

Group Nomination Committee Members	Nomination Committee Report
Chairman Mr. G. C. Wickremasinghe ¹	Aitken Spence PLC is the parent company of Aitken Spence Hotel Holdings PLC which is the Tourism sector business unit of the Aitken Spence Group. The Nomination Committee of Aitken Spence PLC thus acts as the Nomination Committee of Aitken Spence Hotel Holdings PLC which has complied with the policies and procedures set out by the Group Nomination Committee.
Members Deshamanya D H S Jayawardena ² Mr. J. M. S Brito ³ Mr. V. M. Fernando ¹ Mr. R. N. Asirwatham ¹	Composition of the Committee The Nomination Committee consists of three independent Non-Executive Directors one of whom acts as the Chairman of the Committee, the Chairman and the Managing & Finance Director of the Aitken Spence PLC. The Company Secretary acts as the Secretary of the Committee. The members of the Committee individually and jointly possess a large reservoir of knowledge, experience and entrepreneurial skills which enable them to perform their responsibilities and duties effectively.
Secretary to Committee Mr. R. E. V. Casie Chetty	Number of Committee Meetings The Committee formally met twice during the year under review when all members were present.
	Terms of Reference of the Committee <ul style="list-style-type: none"> • Broaden, balance and diversify the effectiveness and composition of the Board. • Identify and recommend suitable candidates as Directors to the Board considering the succession plan and requirements of the Board and the Group. • Regularly review the structure, size and composition of the Boards of Group Companies. • Oversee the performance evaluation of the Board, Committees of the Board and Individual Directors. • Ensure the Board comprises of persons possessing a large reservoir of knowledge, experience and entrepreneurial skills to advance the effectiveness of the Board.
	Key functions performed during the year under review <ul style="list-style-type: none"> • Considered and promoted Board diversity in making recommendations to the Board. • Reviewed and recommended changes to the Boards by considering the qualifications, competence, independence and conflicts of interests of Directors in relation to the Company. • Evaluated and recommended suitable internal and external candidates to higher levels of management. • Actively contributed to Board discussions and decision making.
	Methodology of the Committee The Committee works closely with the Board of Directors in relation to the matters referred to it by making appropriate and suitable recommendations.
	The year ahead The Committee will continue to make decisions and recommendations which are fair, free from any bias and not influenced by personal and business relationships. This will enable the Committee to make sound and measured judgments in attracting the best talent to the Group while retaining the services of talented employees by giving them fair and equal opportunities.
	 G C Wickremasinghe Chairman Nomination Committee Colombo 27th May 2014

¹ Independent Non-Executive Director

² Chairman of Aitken Spence PLC/Aitken Spence Hotel Holdings PLC

³ Managing Director of Aitken Spence Hotel Holdings PLC

Annual Report of the Board of Directors

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and the best accounting practices. The Board of Directors of Aitken Spence Hotel Holdings PLC, has pleasure in presenting the Annual Report and the audited financial statements for the year ended 31st March 2014 which were approved by the Board of Directors on 27th of May 2014.

1. Principal Activities

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.

2. Review of Operations

A review of operational and financial performance, the future plans of the Company and the Group are described in greater detail in the Chairman's Review, Managing Director's Review and the Integrated Management Discussion and Analysis of the Annual Report. These reports together with the audited financial statements of the Company and the Group reflect the respective state of affairs of the Company and the Group.

3. Synopsis of the Income Statement of the Company and the Group

3.1. Group Revenue and Profits

Revenue generated by the Company during the year amounted to Rs.825 million. (2013 - Rs.757 million). The Group revenue was Rs.12,947 million (2013 - Rs.12,036 million) which is a growth of 7.57% compared to the previous year. An analysis of Group revenue based on business and geographical segments is disclosed in notes 4 & 5 to the financial statements on page 178 and 179.

The profit after tax of the Group was Rs.3,517 million (2013 - Rs.2,740 million). The Group's profit attributable to the equity shareholders of the parent company for the year was Rs.2,341 million (2013 - Rs.1,785 million). The segmental profits are disclosed in note 4 to the financial statements on page 178.

<i>For the year ended 31 March</i>	Group	
	2014 Rs. '000	2013 Rs. '000
The net profit after providing for all expenses, known liabilities and depreciation on property, plant and equipment	4,078,450	3,204,882
Provision for taxation including deferred tax	(561,435)	(464,895)
Net profit after tax	3,517,015	2,739,987
Other comprehensive income	514,461	201,519
Total comprehensive income for the year	4,031,476	2,941,506
Total comprehensive income attributable to the minority shareholders	(1,226,855)	(924,565)
Total comprehensive income attributable to equity shareholders	2,804,621	2,016,941
Transaction directly recognized in the equity statement	(900)	(10,560)
Balance brought forward from the previous year	12,925,707	11,169,579
Amount available for appropriations	15,729,428	13,175,960
Final dividend for 2012/13 (2011/2012)	(351,140)	(250,253)
Balance Attributable to equity holders of the Company at the end of the period	15,378,288	12,925,707

Annual Report of the Board of Directors

3.2. Donations

During the year, donations amounting to Rs.38,850/- were made by the Company, while the donations made by the Group during the year amounted to Rs.193,040/-.

3.3 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 are given in note 11 to the financial statements.

It is the policy of the Group to provide for deferred taxation on all known timing differences on the liability method.

The deferred tax balances of the Group are given in notes 21 and 31 to the financial statements.

3.4 Dividends

The Directors recommend for the year, a dividend payment of 90 cents per share on the cumulative preference shares and Rs. 1.50 per share on the ordinary shares. The entirety of the preference dividend and cents 33 per share of the ordinary dividend is paid out of taxable dividends received on which 10% withholding tax has already been deducted. The balance Rs. 1.17 per share of the ordinary dividend is subject to withholding tax of 10%. The Directors are confident that the Company would meet the solvency test requirement under Section 56 (2) of the Companies Act No.07 of 2007 immediately after the payment of the final dividend.

4. Synopsis of the Statement of Financial Position of the Company and the Group

4.1 Stated Capital and Reserves

As at 31st March 2014 the Company had issued 336,290,010 ordinary shares and the stated capital of the Company was Rs.3,555 million. The Company's reserves as at 31st March 2014 were Rs.4,766 million (2013 - Rs.4,097 million) whereas the total Group's reserves as at 31st March 2014 were Rs.11,824 million (2013-Rs.9,371 million). The movement in these reserves is shown in the Statement of Changes in Equity - Group on page 160.

4.2. Property, Plant and Equipment

The carrying value of property plant and equipment for the Company and the Group as at 31st March 2014 amounted to Rs.1,531 million and Rs.12,572 million respectively. The total expenditure on the acquisition of property, plant and equipment during the year in respect of new assets by the Company and the Group amounted to Rs.34 million and Rs.895 million respectively.

4.3 Market Value of Freehold Properties

Land recognised as property, plant and equipment in the financial statements in the group is recorded at either fair value or revalued amounts. The land carried at revalued amounts of the Group was revalued by professionally qualified independent valuers during the financial year, with the exception of those owned by Aitken Spence Hotel Holdings PLC, Golden Sun Resorts (Pvt) Ltd and P.R. Holiday Homes Private Limited which were revalued during the financial year 2011/2012. Revaluation of land is performed with sufficient regularity so that the carrying value of the land does not differ materially to its market value. Revaluation was performed by professionally qualified independent valuers having appropriate experience in valuing properties in the locality of the land being revalued. If the fair value of land does not change other than by an insignificant amount at each reporting date the Group revalues such land every five years.

Details of the revalued land, revaluation surplus, and the original cost are given in note 14.3.1 to the financial statements. The Group records all other assets at cost and check for any impairment of these assets when the Group identifies any trigger for impairment.

4.4 Contingent Liabilities

The details of contingent liabilities are disclosed in note 37 to the financial statements on page 209.

5. Events Occurring After the Reporting Date

No event of material significance that requires adjustments to the financial statements has arisen other than that disclosed in note 44 to the financial statements on page 224.

6. Accounting Policies and Changes During the Year

The Company and the Group prepared the financial statements in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS). The significant accounting policies adopted in the preparation of the financial statements of the Company and the Group are given in pages 164 to 177. The Board of Directors wishes to confirm that there were no changes to the accounting policies used by the Company and the Group.

7. Going Concern

The Board of Directors is satisfied that the Company and the Group have adequate resources to continue their operations without any disruption in the foreseeable future. The Company's and the Group's financial statements are prepared on a going concern basis.

8. Information on the Board of Directors and the Board Sub Committees

8.1 Board of Directors

The Board of Directors of the Company as at 31st March 2014 comprised of:

Deshamanya D.H.S. Jayawardena - Chairman
Mr. J.M.S. Brito - Managing Director
Mr. S.M. Hapugoda
Mr. C.M.S. Jayawickrama
Mr. G.P.J. Goonewardena
Mr. R.E.V Casie Chetty
Mr. R.N. Asirwatham
Mr. N.J. de S. Deva Aditya
Mr. C.H. Gomez

All Directors of the Company held office during the entire year

The profiles of the Directors are given on pages 64 to 65 of the Annual Report.

8.2 Board Sub Committees

The following Directors of the parent Company namely Aitken Spence PLC serve as members of the Audit, Remuneration and Nomination Committees which are sub-committees of the Parent Company's Board.

Audit Committee

Mr. R.N. Asirwatham (Chairman)
Mr. G.C. Wickremasinghe
Mr. C.H. Gomez
Mr. N.J. de S. Deva Aditya/Mr. A.L. Gooneratne (Alternate Director to Mr. N.J. de S. Deva Aditya)

Remuneration Committee

Mr. G.C. Wickremasinghe (Chairman)
Mr. V.M. Fernando
Mr. R.N. Asirwatham

Nomination Committee

Mr. G.C. Wickremasinghe (Chairman)
Deshamanya D.H.S. Jayawardena
Mr. J.M.S. Brito
Mr. V.M. Fernando
Mr. R.N. Asirwatham

8.3 Recommendation for re-election

Mr. R.E.V Casie Chetty retires in terms of Article 83 of the Articles of Association of the Company and offers himself for re-election at the forthcoming Annual General Meeting.

Mr. S.M. Hapugoda retires in terms of Article 83 of the Articles of Association of the Company and offers himself for re-election at the forthcoming Annual General Meeting.

Deshamanya D.H.S. Jayawardena attained the age of 70 years on 17th August 2012 and in accordance with Section 210(2) of the Companies Act No. 07 of 2007, vacates office at the forthcoming Annual General Meeting. A notice of a resolution has been received from a shareholder that the age limit of 70 years referred to in Section 210(1) of the said Companies Act shall not apply to Deshamanya D.H.S. Jayawardena who has attained the age of 71 years and that he be re-elected as a Director at the Annual General Meeting.

Mr. R.N. Asirwatham attained the age of 70 years on 26th August 2012 and in accordance with Section 210(2) of the Companies Act No. 07 of 2007, vacates office at the forthcoming Annual General Meeting. A notice of a resolution has been received from a shareholder that the age limit of 70 years referred to in Section 210(1) of the said Companies Act shall not apply to Mr. R.N. Asirwatham who has attained the age of 71 years and that he be re-elected as a Director at the Annual General Meeting.

Annual Report of the Board of Directors

8.4 Directors' Shareholding and their Interests

The Directors' shareholdings and their interests are provided in the Investor section on pages 104 and 221 of the Annual Report.

8.5 Interest Register

An Interest Register is maintained by the Company as per the Companies Act No. 07 of 2007.

8.6 Directors' Remuneration

The Directors' remuneration and fees in respect of the Company and the Group for the financial year ended 31st March 2014 are disclosed on page 181 of the financial statements.

8.7 Related Party Transactions

Related party transactions of the Group are disclosed on pages 221 to 224 of the Annual Report. These interests have been duly declared by the Directors.

8.8 Subsidiary Board of Directors

The names of Directors of the subsidiary companies who held office as at 31st March 2014 and Directors who ceased to hold office during the accounting period are indicated on pages 230 to 231 of the Annual Report.

9. Human Resources

Our Human Resources strategies and practices have translated into the creation of a dynamic and competent human resource team with sound succession planning and a remarkably low attrition rate. Our employment strategies are reviewed periodically by the relevant committees and the Board of Directors.

10. Corporate Governance

The Group has not engaged in any activity, which contravenes the national and international laws. The Group rigidly adheres to relevant national and international laws and the regulations of Professional Institutes and Associations, Industrial Associations, Chambers of Commerce and Regulatory Bodies. The Group complies with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka

and the Securities and Exchange Commission of Sri Lanka. The Group applies very high standards to protect and nurture the environment in which it operates and ensures strict adherence to all environment laws and practices.

The Company has no restrictions with regard to shareholders carrying out analysis or obtaining independent advice of a non price sensitive nature regarding their investment in the Company and has made all endeavours to ensure the equitable treatment of shareholders. The Company's corporate governance practices are set out on pages 120 to 132 of the Annual Report.

11. Risk Management

The Directors have established and adhere to a comprehensive risk management framework at both Strategic Business Units and Group levels to ensure the achievements of their corporate objectives. The categories of risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted by the Group. The Board of Directors reviews the risk management process through the Audit Committee. The Risk Management Report of the Group is on pages 143 to 151 of this report.

12. Internal Controls

The Board of Directors ensures that the Group has an effective internal control system which ensures that the assets of the Company and the Group are safeguarded and appropriate systems are in place to minimise and detect fraud, errors and other irregularities. The system ensures that the Group adopts procedures which result in financial and operational effectiveness and efficiency.

The Statement of Directors' Responsibilities on page 142 and the Audit Committee Report set out on page 133-134 of this report provide further information in respect of the above.

13. Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory financial obligations to the Government and to the employees have been either duly paid or adequately provided for in the financial statements.

A confirmation of same is included in the Statement of Directors' Responsibilities on page 142 of this Annual Report.

14. Corporate Sustainability

The Board of Directors guides and supports the Group's sustainability strategy. It welcomes the implementation of the structured and dynamic integrated sustainability framework. Awards and recognition received during the year and previous years are a testament to our commitment as we continue to benchmark our practices against global standards and best practices in a myriad of aspects that affect or potentially affect delivery of growth. More details of the Group's sustainability efforts are included in the Integrated Management Discussion and Analysis of this report.

15. Shareholder Information

There were 3,301 shareholders as at 31st March 2014. The distribution schedule of the number of shareholders and their share holdings are detailed on page 103 of the Annual Report. The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2014 are given on page 104 of the annual report. The percentage of the shares held by the public as at 31st March 2014 was 25.39%.

Information relating to earnings per share and the net assets per share for the Company and Group, the dividend per share and the market price per share are given on page 60 and 102 of the Annual Report.

16. Auditors

The independent auditors' report on the financial statements is given on page 155 of the Annual Report. The retiring auditors Messrs KPMG, Chartered Accountants have stated their willingness to continue in office and a resolution to re-appoint them as auditors and grant authority to the Board to determine their remuneration will be proposed at the Annual General Meeting.

The fees payable to the Company auditors Messrs KPMG, Chartered Accountants was Rs.620,000/-.

In addition to the above Rs.289,063/- was payable by the Company for permitted non audit related services including tax advisory services. Messrs KPMG, Chartered Accountants

the auditors of the Company are also the auditors of certain subsidiaries and associate companies of the Group. The list of the subsidiaries and associate companies audited by them are included on pages 230 to 231 of the Annual Report.

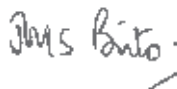
The amount payable by the Group to Messrs KPMG, Chartered Accountants as audit fees was Rs.4,921,359/- while a further Rs.623,885/- was payable for permitted non audit related services including tax advisory services.

In addition to the above Rs. 1,140,086/- was payable to other auditors for carrying out audits in subsidiaries and associates where the audits were conducted by them. The amount payable to such other auditors for non audit related services including tax advisory services was Rs.3,122,270/-. As far as the Directors are aware the auditors neither have any other relationship with the Company nor any of its subsidiaries and associates that would have an impact on their independence.



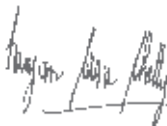
D.H.S. Jayawardena

Chairman



J.M.S Brito

Managing Director



R.E.V. Casie Chetty

Director

Aitken Spence Corporate Finance (Pvt) Ltd

Secretaries

Colombo

27th May 2014

Statement of Directors' Responsibilities

The Companies Act No.07 of 2007 requires the Directors of the Company to be responsible for the preparation and presentation of the financial statements and other statutory reports. The responsibilities of the Directors, in relation to the financial statements of Aitken Spence Hotel Holdings PLC and the Consolidated Financial Statements of the Group are set out in this report.

The Directors confirm that the financial statements and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2014 incorporated in this report have been prepared in accordance with the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken appropriate steps to ensure that the Companies within the Group maintain adequate and accurate records which reflect the true financial position of each such Company and the Group. The Directors have taken appropriate and reasonable steps to safeguard the assets of the Company and the Group. The Directors have instituted appropriate systems of internal control in order to minimise and detect fraud, errors and other irregularities. The Directors in maintaining a sound system of internal control and in protecting the assets of the Company, have further adopted risk management strategies to identify and evaluate the risks to which the Company could be exposed and its impact on the Company.

The Directors having considered the Group's business plans and a review of its current and future operations, are of the view that the Company and the Group have adequate resources to continue in operation. The Directors have adopted the going concern basis in preparing the financial statements.

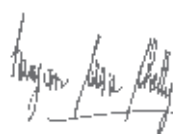
The financial statements presented in the Annual Report for the year ended 31st March 2014, have been prepared based on the Sri Lanka Accounting Standards (SLFRSs/LKASs) which came into effect from 1st January 2012. The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the financial statements.

The Board of Directors confirm that the Company and the Group's Consolidated Statements of Financial Position as at 31st March 2014 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2014 reflect a true and fair view of the Company and the Group.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The responsibility of the Independent Auditors in relation to the financial statements is set out in the Independent Auditors Report.

The Directors confirm that to the best of their knowledge all payments to employees, regulatory and statutory authorities due and payable by the Company, its subsidiaries have been either duly paid or adequately provided for in the financial statements. The Directors further confirm that they promote the highest ethical, environmental and safety standards within the Group. The Directors also ensure that the relevant national laws, international laws and codes of regulatory authorities, professional institutes and trade associations have been complied with by the Group.

By order of the Board,



R.E.V. Casie Chetty

Director

Aitken Spence Corporate Finance (Pvt) Ltd

Secretaries

Colombo

27th May 2014

Risk Management

In the context of constantly changing guest preferences, a competitive industry, environment and regulatory requirements, Aitken Spence Hotels Group continued to refine its risk management systems during the year under review.

Aitken Spence Hotels subject to the business, financial and operating risks inherent to the hospitality industry, any of which could reduce our revenues and limit opportunities for growth. Including:

- Significant rivalry from multiple hospitality providers
- Fluctuations in operating costs, including energy, food and wages
- Shortages of skilled labour
- Changes in the supply and demand for hotel services. (including rooms, food and beverage and other products and services)
- Changes in tax and governmental protocols
- The costs and administrative burdens associated with complying with applicable laws and regulations

Any of these above mentioned factors could increase our costs or limit or reduce the prices we are able to charge for hospitality services, or otherwise affect our ability to maintain existing properties or develop new properties. As a result, any of these factors can reduce our revenues and limit opportunities for growth.

Therefore it is vital to identify group's risk appetite and accept and manage risk in order to gain competitive advantage and also increase financial return. Conversely, not accepting risk tends to make a business less dynamic, and implies a 'follow the leader' strategy.

The Board assures responsibility for ensuring the effectiveness of Group's risk management process and adopted the Risk Management Framework.

Embedded Risk Management

Aitken Spence Hotels have applied this concept to ensure the risk management is included within the control systems of the organization. The process of embedding risk management system within our group's system and procedure can be outlined as below,

1. Identify controls that are already operating.
2. Monitor those controls to ensure their effectiveness.
3. Improve and refine as per the requirement.
4. Document evidence of monitoring and control operation.

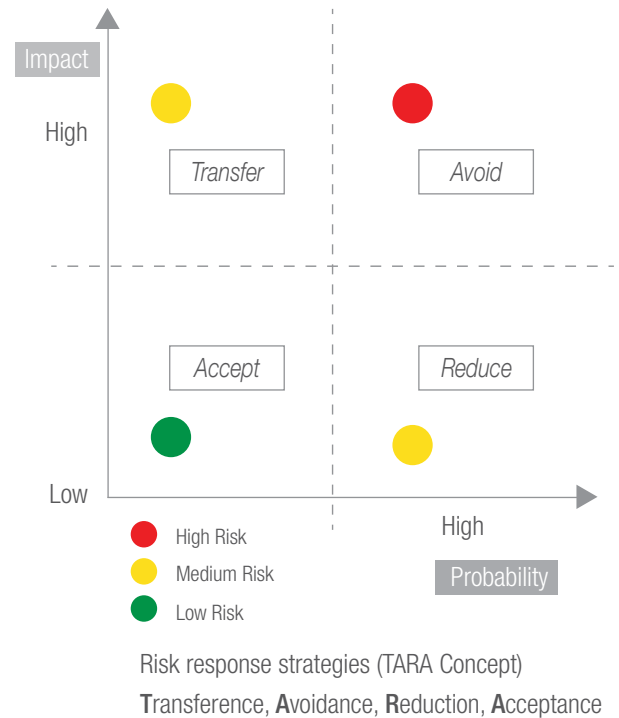
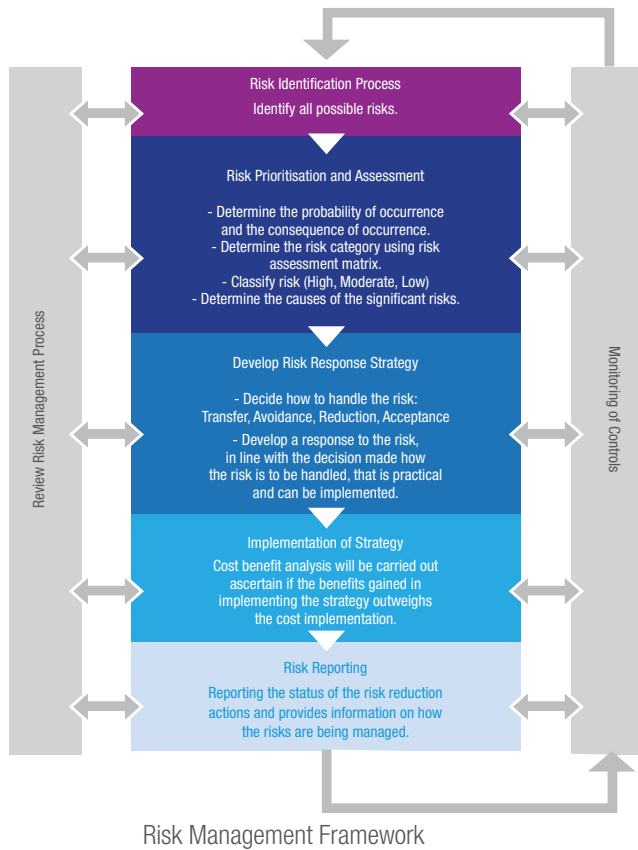
The following depicts the main categories of risks faced by our hotels as a whole and individually.

1. Strategic Risk - A possible source of loss that might arise from an unsuccessful strategic decision taken by the organization. These content strategies related to growth and strategic positioning which ultimately affect the overall mission of the group.
2. Operational Risk - is the potential loss that might arise in business operation resulting from inadequate or failed internal processes, people and system or external events which ultimately affect the day to day activities of the Group.
3. Financial Risk- The likelihood of loss inherent in financing procedures which may weaken the ability to deliver adequate return to the Group. This may include liquidity risk, currency risk, and interest rate risk.

Risk Management Framework

Traditionally, the focus of risk management has been on preventing loss, However, Aitken Spence Hotels has established its risk management in a manner where risks are seen as opportunities to be seized and accepting and managing it in order to benefit from the higher rewards associated with those risks in order to increase the probability and maximize shareholder's return eventually.

Risk Management



1. Risk Identification

As the initial step of the risk framework it is important to identify risks before they can be managed. Aitken Spence Hotels identifies all the risks by key stakeholders. We consider risk identification to be a key component of a robust Risk management framework. In the absence of a proper risk identification process, the organization is incapable of effectively managing its key risks.

2. Risk Prioritization and Assessment

Risks are evaluated according to the likelihood of occurrence and impact. This assessment provides a prioritized risk list identifying those risks that need the most urgent attention.

Secondly risk assessment is carried out to determine quantitative and qualitative value of risk identified. This requires calculation of two components,

- Magnitude of impact
- Probability

3. Develop risk response strategy

The risk management strategies address how Aitken Spence Hotels intend to assess risk, respond to risk and making explicit and transparent the risk perceptions that organizations routinely use in making both investment and operational decisions.

The above concept has been embedded with risk mapping in order to develop a robust framework to determine an appropriate risk management strategy (illustrated above).

4. Risk reporting

We continuously improve our methods and tools to identify, assess, manage and report risks. Standardized risk management processes ensure that the Board of Directors are informed promptly and in a structured way about the Group's current risk situation. However, despite comprehensive risk analysis, the occurrence of risks cannot be totally ruled out.

5. Implementation of Strategy

Prior to the risk treatment it is vital to identify the merits which are associated with each. Secondly a detailed analysis is carried out to evaluate the viability by analyzing the relationship between cost vs benefits.

6. Monitoring of Controls

Risks related to the Tourism industry do not remain static therefore it is vital to monitor risk on an ongoing basis. Where risks change or new risks are identified then those risks are added to the risk assessment for appropriate categorization and action.

Regular monitoring will be carried out in order to ensure that there are sound internal controls and procedures in place to manage and mitigate risks.

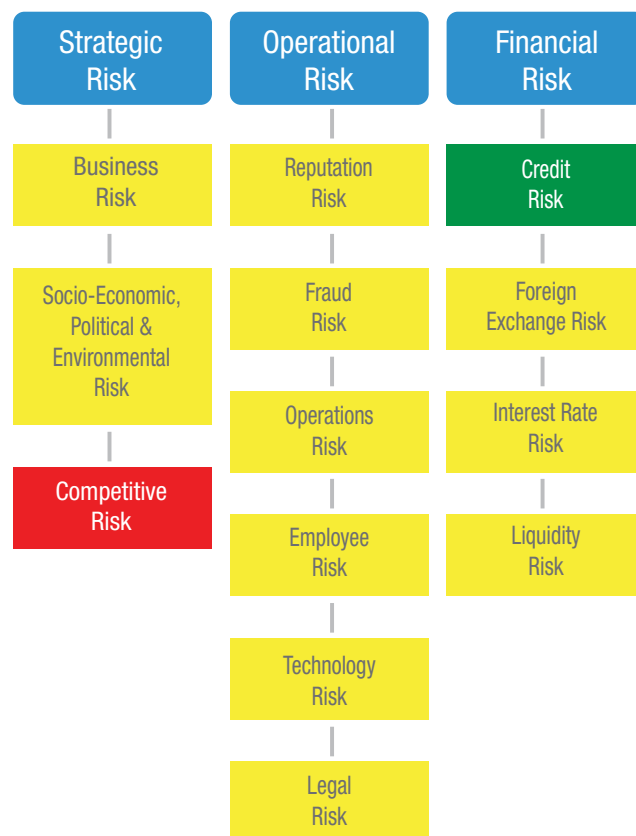
The Internal Audit Department of the parent company is responsible for providing assurances on the effectiveness of internal controls within the Group and reports directly to the Audit Committee.

7. Review



Aitken Spence Hotels identifies the efficiency and effectiveness of our risk management process in the establishment of an ongoing monitor and review process. These practices ensure that the identified management action plans remain pertinent and updated.

To enable Risk Management to become a part of the organization's culture and philosophy, Aitken Spence Hotels collects and documents experience and knowledge through a consistent monitoring and review of events, treatment plans, results and all relevant records.

Indicated below are the risks deemed to have the most significant impacts on the Group's Financial and Operational performance, categorized according to risk type and rating.



Risk Management

STRATEGIC RISK			
Business Risk	Impact	Risk Management Strategies	 Risk Rating Moderate
Failure to implement strategic plans, Revenue improvement & cost saving initiatives and undertake profitable investments.	<p>Reduced revenue, cash flow and profitability.</p> <p>Impede future growth.</p> <p>Damaged confidence of investors.</p>	<p>Integrating risk awareness directly into strategic decision making process by holding regular meetings of the Board of Directors and members of the management committee in order to formalize future strategies and plans and to revise and update plans, taking in to consideration the changing circumstances of the Group.</p> <p>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 planned and take remedial action wherever necessary.</p> <p>Focus on strategic resiliency by considering how strategic decisions can affect resiliency, incorporate resiliency into all decision making and always be on the lookout for more strategically resilient alternatives in order to build greater corporate agility.</p> <p>All members of the Board attend regular workshops, seminars and professional training programmes in order to update their skills and knowledge.</p> <p>Thorough due diligence and project feasibility studies are conducted for all major investments and obtaining professional advice from outside sources when necessary.</p> <p>The Group monitors its main competitors in order to lower the response time needed to counter any new strategies implemented by them.</p>	
Socio-Economic, Political & Environmental Risk	Impact	Risk Management Strategies	 Risk Rating Moderate
Risks relating to the Political-Economic climate (nationally & internationally) including decrease in domestic and international travel.	<p>Lowering the competitiveness of the Group's product offering on the national and international market.</p> <p>Reduction in revenue and Increase in cost thereby reducing cash flow and profitability.</p> <p>Possible restrictions on movement of capital/ repatriation of profits between countries.</p>	<p>The Group works closely with lobby groups, relevant authorities and trade associations to ensure that the best interests of the tourism industry are fulfilled at all times.</p> <p>The Group is not reliant on any single geographical region for its returns and has forayed in to other regions in Asia such as Maldives, India and Oman, significantly reducing the adverse impact from this risk. (Risk Diversification)</p> <p>Making prudent investments in various countries such as 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 cash flow.</p> <p>The Group continues to monitor the macroeconomic situation within countries it operates and make necessary adjustments, including cost optimization programmes where suitable and developing revenue management tools and guidelines to assist hotels to monitor local developments in supply and demand and to inform decisions on pricing, promotions channels and room inventory.</p>	
Risks from natural or man made disasters.	Loss of assets resulting in significant losses to the Group.	Appropriate contingency plans and disaster management systems are adopted to safeguard the assets of the Company.	

Competitive Risk	Impact	Risk Management Strategies	● Risk Rating High
Risks from competitive actions from existing market participants and new entrants.	<p>Reduced market share and rates reducing revenue, cash flow and profitability.</p> <p>Increased promotional expenditure.</p> <p>The positive correlation between cost of resources and competition.</p>	<p>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.</p> <p>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.</p> <p>Maintaining a positive relationship with employees with a better remuneration and performance appraisal scheme.</p>	
OPERATIONAL RISK			
Reputation Risk	Impact	Risk Management Strategies	● Risk Rating Moderate
Risks to the group's reputation and Brand image	<p>Decline in the customer base and difficulties in securing future management contracts resulting in reduced market share, revenues, cash flow and profitability.</p> <p>Deterioration of corporate image.</p> <p>The Group may have to face litigation which can be costly.</p>	<p>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.</p> <p>Ensuring all statutory and legal obligations are met in all transactions.</p> <p>Regular training sessions are held to train and educate staff on quality standards and new developments in the hospitality industry ensuring the quality of the Group's product offering and to maintain our trusted reputation.</p> <p>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.</p> <p>Appropriate and intellectual property mechanisms are in place to ensure trade mark protections.</p> <p>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 and they confirm their acceptance of the same.</p>	

Risk Management

Fraud Risk	Impact	Risk Management Strategies	● Risk Rating Moderate
Risks from break down of internal controls, processes and procedures.	<p>Wastage of management time and resources.</p> <p>Possible loss of data.</p> <p>Increased possibility of fraud and misuse.</p> <p>Disruptions to the normal course of operations.</p> <p>lack of ability to track performance against budgets, forecasts and schedules.</p> <p>Illegal transactions include theft or misappropriation of assets by employees.</p>	<p>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 ensures the robustness of internal controls.</p> <p>The Company uses comprehensive general and specific reporting and monitoring systems to identify, assess and manage risks.</p> <p>Making each employee accountable for ethical behavior, high standards for business conduct and adherence to laws ensures that transactions occur in a reliable way.</p> <p>Staff rotation and Special verification audits across the Group.</p> <p>External auditors are also engaged to carry out special reviews wherever necessary.</p> <p>The Company uses comprehensive general and specific reporting and monitoring systems to identify, assess and manage risks.</p> <p>Ensuring that only trained, trustworthy, knowledgeable and competent personnel perform tasks, prevents errors, irregularities and fraud.</p>	
Operations Risk	Impact	Risk Management Strategies	● Risk Rating Moderate
Risk of default by debtors.	Reduced cash flow and profitability.	<p>Thorough credit policies and stringent controls to check credit worthiness prior to granting credit.</p> <p>Comprehensive systems are in place to monitor and review debtors. The Group conducts excellent working capital practices and takes legal or industrial action where appropriate.</p> <p>Steps are taken to obtain advances from travel agents and tour operators wherever possible.</p>	
Project Implementation Risk.	Unbudgeted spending / cost over runs and delays in project implementation may have a significant impact on the estimated profit margins.	<p>Project timelines decided should be realistic and achievable after consulting all required stakeholders.</p> <p>Communicating the strategic planning messages and associated data to middle and first line managers. Well informed employees are most likely to commit to and support the plan.</p> <p>Standardized processes have been set up to cover project consultancy, project award and material procurement.</p> <p>Dedicated teams monitor the project progress against the defined timelines and check whether the achievements comply with the Group sustainability credentials.</p>	

Operations Risk	Impact	Risk Management Strategies	● Risk Rating Moderate
Health and Safety Risk.	Affect Group reputation and brand image.	<p>Increase food and hygiene standards through obtaining ISO 22000 and HACCP certifications.</p> <p>The Group's centralized security division constantly reviews and monitors the security status of individual resorts.</p> <p>Conducting Quality audits and risk management reviews, guest satisfaction surveys, intelligence gathering.</p>	
Risk of increasing energy cost.	Significant impact on profit margins due to fluctuations in fuel/energy prices.	<p>Biomass gasification has been introduced as a renewable energy source, in Heritage Tea Factory & Heritage Kandalama properties in order to minimize the increasing energy cost and to improve the Group's sustainability credentials.</p> <p>Conducting Energy Audit and raise awareness of the employees and guests on energy conservation.</p> <p>Implement an effective energy purchase strategy.</p>	
Employee Risk	Impact	Risk Management Strategies	● Risk Rating Moderate
Risk from not being able to attract and retain skilled and experienced staff.	<p>Reduced productivity.</p> <p>Reduced quality of service resulting in reduced market share and Group's image.</p>	<p>Significant resources are invested in strengthening our human capital through the deployment of the latest Human Resource Information Systems, regular staff training & development, succession planning and fostering a performance-based culture.</p> <p>Maintaining cordial relationships with labour unions and adopting interest based negotiations for win-win solutions.</p> <p>Rewards and Recognition (E.g.: Employee of the month).</p>	
Risk of organized labour activities and Trade Union actions.	<p>Adverse impact on service levels, expected quality standards, operational efficiency and group reputation.</p> <p>Loss of revenue.</p>	<p>Maintain cordial relationship with Trade Unions and adopting interest-based negotiations for win-win solutions.</p> <p>Development of a Multi-skilled work force through structured and focused training programmes.</p> <p>Standardization of policies, procedures and practices in order to achieve ease of work.</p> <p>Practice an open door policy where employees are free to express their concerns openly.</p>	

Risk Management

Technology Risk	Impact	Risk Management Strategies	● Risk Rating Moderate
Risks relating to Information Technology and security.	<p>Loss of revenue and business opportunities due to outdated software resulting in reduction in cash flow and profitability.</p> <p>Loss of key confidential information to competitors resulting in reduced market share.</p> <p>Loss of data and transactions.</p> <p>Increasing number of Online Travel Agents (OTAs).</p>	<p>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. Regular review of systems and upgrades where appropriate.</p> <p>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.</p> <p>All employees are bound by the code of conduct to safeguard the Group's information, irrespective of its physical form.</p> <p>ASHH continues to aim to be fully compliant with payment card industry-Data security standards using tools and services from a leading specialist third party provider with respect to payment card processing.</p> <p>A dedicated central IT team is in place to support all IT related aspects of the group.</p>	
Legal Risk	Impact	Risk Management Strategies	● Risk Rating Moderate
Risk of legal action due to non performance of legal and statutory requirements.	<p>High cost of legal and penalty fees resulting in reduced profitability.</p> <p>Adverse impact to the Group's reputation and Brand image.</p>	<p>A comprehensive internal control system is in place supplemented by regular audit from the corporate internal audit department in collaboration with the corporate legal division.</p> <p>Ensuring all statutory and legal obligations are met in all transactions.</p>	
FINANCIAL RISK			
Credit Risk	Impact	Risk Management Strategies	● Risk Rating Low
Risks from high operational gearing.	Significantly reduced cash flow and profitability during low occupancy periods.	<p>Increased flexibility of the Groups operational cost structure through seasonal recruitments, using rental agreements as opposed to outright purchase and outsourcing non-core operations.</p> <p>Sound capital structure and availability of adequate funding options in the group.</p> <p>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.</p>	

Foreign Exchange Risk	Impact	Risk Management Strategies	● Risk Rating Moderate
Risks from adverse exchange rate fluctuations.	Reduced cash flow and profitability.	<p>Negotiation of room rates in stronger currencies. Strong counter party backing and use of sophisticated financial instruments where appropriate.</p> <p>Matching outflows with inflows of the same currency to the extent that is permitted by the prevailing laws.</p> <p>The treasury division of the parent company monitors exchange rates on a daily basis and advises the company on the best rates to obtain foreign currency conversions.</p> <p>Considering the possibility of contracting in local currency with Local Travel Agents instead of foreign currency in order to transfer the possible exchange rate risk.</p> <p>Apply a bottom-up approach to identifying consolidated foreign currency exposures by determining in what currencies each foreign subsidiary collects receivables and makes payments.</p> <p>Develop a strategy to manage consolidated exposure.</p>	
Interest Rate Risk	Impact	Risk Management Strategies	● Risk Rating Moderate
Risks from adverse interest rate fluctuations.	Reduced cash flow and profitability.	<p>Entering into loans with interest rate caps mitigated this risk and other instruments to minimize the volatility of cash flows.</p> <p>Working closely with the parent company treasury department to negotiate favorable terms and conditions for loan facilities obtained.</p>	
Liquidity Risk	Impact	Risk Management Strategies	● Risk Rating Moderate
Risk of not being able to meet financial commitments as and when they fall due.	Penalty charges and unfavorable terms when obtaining future loans resulting in reduced profitability.	<p>Preparation of regular cash flow forecasts in line with projected occupancy fluctuations in order to assess the liquidity position of the group in the short term.</p> <p>Strong capital structure of the group with sustainable growth in operating earnings.</p> <p>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.</p> <p>Regular review of actual performance against planned performance to ensure achievement of budgeted targets.</p>	



The Naga Raksha or Cobra Demon is a mask of a demon with snakes, meant to subdue enemies and bring harmony. These masks are sometimes displayed in homes to ward off harm from poisonous serpents.

Our continuous improvement programme aims to deliver sustainable, profitable growth by seeking to add value at every step in the value chain, enhancing customer service and rolling out innovations continuously.

Financial Calendar

Events / Information	2014
Thirty-Seventh Annual General Meeting	30th June
First and Final Dividend for 2013/14	09th July
ex Dividend	01st July
Interim Statement for the three months ended 30th June	Early/Mid August
Interim Statement for the six months ended 30th September	Early/Mid November
	2015
Interim Statement for the nine months ended 31st December	Early/Mid February

ANNUAL FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Marker Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7346
Internet : www.lk.kpmg.com

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"), which comprise the statements of financial position as at 31st March, 2014, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 156 to 224 of the 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 31st March, 2014, and the financial statements give a true and fair view of the financial position of the Company as at 31st March, 2014, and of its financial performance and its cash flow 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 financial position of the Company and its subsidiary dealt with thereby as at 31st March, 2014, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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

27th May, 2014

KPMG is 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.

MR. Mithul FCA
T. S. Rajasekera FCA
Ms. S.M.B. Jayasakara ACA
G.A.U. Kumudathil ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyaratne ACA
R.M.D.B. Rajapakse ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.I. D.L. Perera FCA
Ms. R.K.D.T.N. Rodrigo ACA
Principale - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

INCOME STATEMENT

For the year ended 31 st March		Group		Company	
		2014	2013	2014	2013
	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	5	12,947,076	12,035,870	825,022	757,402
Revenue Tax		(415,175)	(469,275)	(18,186)	(16,563)
Net Revenue		12,531,901	11,566,595	806,836	740,839
Other income	6	391,720	(18,869)	887,108	816,354
Staff costs		(1,753,081)	(1,648,248)	(137,688)	(129,577)
Depreciation		(698,334)	(671,053)	(101,304)	(96,398)
Amortisation		(63,039)	(61,750)	(256)	(95)
Other operating expenses - direct	7	(2,397,574)	(2,273,094)	(167,381)	(137,287)
Other operating expenses - indirect	8	(4,045,096)	(3,740,845)	(297,476)	(274,839)
Profit from Operations	9	3,966,497	3,152,736	989,839	918,997
Finance income		269,314	228,521	93,481	103,134
Finance expense		(192,252)	(246,623)	(38,244)	(50,305)
Net financing income / (expense)	10	77,062	(18,102)	55,237	52,829
		4,043,559	3,134,634	1,045,076	971,826
Share of profit of equity accounted investees net of tax	19	34,891	70,248	-	-
Profit before taxation		4,078,450	3,204,882	1,045,076	971,826
Income tax expense	11	(561,435)	(464,895)	(22,971)	(23,210)
Profit for the Year		3,517,015	2,739,987	1,022,105	948,616
Attributable to:					
Equity holders of the parent company		2,340,934	1,785,154	1,022,105	948,616
Non - controlling interests		1,176,081	954,833	-	-
		3,517,015	2,739,987	1,022,105	948,616
Earnings per Ordinary Share (Rs)	12	6.92	5.26	3.00	2.78
Basic / Diluted					
Dividend per Ordinary Share (Rs)	13	-	-	1.50	1.00

Figures in brackets indicate deductions

The notes on pages 163 to 224 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 st March	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Profit for the year	3,517,015	2,739,987	1,022,105	948,616
Other Comprehensive Income				
Foreign currency translation differences of foreign operations	170,418	(63,521)	-	-
Revaluation of property, plant and equipment	377,935	280,247	-	-
Share of other comprehensive income of equity accounted investees	165	-	-	-
Net change in fair value of available for sale financial assets	(25,881)	(11,564)	-	-
Actuarial gains / (losses) on defined benefit plans	(9,001)	(3,968)	(2,555)	(2,367)
Income tax on actuarial gains / (losses) arising from retirement benefit obligations	825	325	307	284
Other comprehensive income for the year net of tax	514,461	201,519	(2,248)	(2,083)
Total comprehensive income for the year net of tax	4,031,476	2,941,506	1,019,857	946,533
Attributable to:				
Equity holders of the parent company	2,804,621	2,016,941	1,019,857	946,533
Non - controlling interests	1,226,855	924,565	-	-
	4,031,476	2,941,506	1,019,857	946,533

Figures in brackets indicate deductions

The notes on pages 163 to 224 form an integral part of these financial statements.

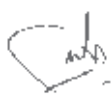
STATEMENT OF FINANCIAL POSITION

As at	Notes	Group		Company	
		31.03.2014 Rs. '000	31.03.2013 Rs. '000	31.03.2014 Rs. '000	31.03.2013 Rs. '000
ASSETS					
Non-Current Assets					
Property, plant and equipment	14	12,571,903	11,962,472	1,531,360	1,601,196
Leasehold properties	15	1,461,100	1,463,930	-	-
Prepaid operating leases	16	1,048,621	1,020,553	-	-
Intangible assets	17	13,390	26,929	457	591
Investment in subsidiaries	18	-	-	3,234,960	3,234,940
Investment in equity accounted investees	19	1,336,814	1,302,694	906,602	906,602
Other investments	20	197,478	221,072	-	-
Deferred tax assets	21	115,977	132,722	186	1,851
		16,745,283	16,130,372	5,673,565	5,745,180
Current Assets					
Inventories	22	218,508	222,838	19,257	17,440
Trade and other receivables	23	1,363,252	968,024	219,337	124,483
Amounts due from ultimate holding company	24	20,000	13,000	20,000	-
Amounts due from parent's group entities	25	253,950	359,593	1,415,982	1,092,961
Deposits and prepayments		456,375	361,462	4,558	6,025
Current tax receivable		4,293	4,114	1,167	1,167
Term deposits	26	5,872,020	3,058,978	1,318,753	1,303,042
Cash and cash equivalents	26	1,043,247	1,241,418	151,065	43,529
		9,231,645	6,229,427	3,150,119	2,588,647
TOTAL ASSETS		25,976,928	22,359,799	8,823,684	8,333,827
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Stated capital	27	3,554,587	3,554,587	3,554,587	3,554,587
Reserves	28	3,383,982	2,913,894	660,050	660,050
Retained earnings		8,439,719	6,457,226	4,105,833	3,437,116
		15,378,288	12,925,707	8,320,470	7,651,753
Non - controlling interests		3,789,554	2,903,733	-	-
Total Equity		19,167,842	15,829,440	8,320,470	7,651,753

As at	Notes	Group		Company	
		31.03.2014 Rs. '000	31.03.2013 Rs. '000	31.03.2014 Rs. '000	31.03.2013 Rs. '000
Non-Current Liabilities					
Interest - bearing borrowings	29	2,913,898	2,790,090	16,442	194,042
Government grants	30	611	767	-	-
Deferred tax liabilities	31	242,491	241,856	-	-
Employee benefits	32	78,046	62,103	26,367	21,409
		3,235,046	3,094,816	42,809	215,451
Current Liabilities					
Trade payables		270,899	371,763	27,546	16,955
Other provisions and payables	33	1,520,847	1,384,707	120,305	178,902
Amounts due to ultimate holding company		92,315	109,340	44,072	40,341
Amounts due to parent's group entities	34	67,396	62,671	72,545	42,761
Interest bearing borrowings	29	1,066,881	1,016,999	177,600	177,600
Current tax payable		531,775	393,231	18,167	9,713
Short term bank borrowings		23,927	96,832	170	351
		3,574,040	3,435,543	460,405	466,623
TOTAL LIABILITIES		6,809,086	6,530,359	503,214	682,074
TOTAL EQUITY AND LIABILITIES		25,976,928	22,359,799	8,823,684	8,333,827

The above Statement of Financial Position is to be read in conjunction with Notes to the Financial Statements on pages 163 to 224.

I certify that the financial statements for the year ended 31st March 2014 are in compliance with the requirements of the Companies Act No. 07 of 2007.



C.M.S Jayawickrama

Director / Chief Financial Officer

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

Approved and signed for and on behalf of the Board,



D.H.S Jayawardena

Chairman



J.M.S Brito

Managing Director

27th May 2014

Colombo

Sri Lanka

STATEMENT OF CHANGES IN EQUITY

Group
For the year ended 31st March

	Attributable to equity Holders of the Parent							Non Controlling Interests	Total Equity
	Stated Capital	General Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Revaluation Reserve	Retained Earnings	Total		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st April 2012	3,554,587	20,840	718,643	11,662	1,927,869	4,935,978	11,169,579	2,189,351	13,358,930
Profit for the year	-	-	-	-	-	1,785,154	1,785,154	954,833	2,739,987
Other comprehensive income	-	-	(35,161)	(10,206)	280,247	(3,093)	231,787	(30,268)	201,519
	-	-	(35,161)	(10,206)	280,247	1,782,061	2,016,941	924,565	2,941,506
Effect of acquisitions disposal and change to percentage holdings	-	-	-	-	-	1,264	1,264	(216)	1,048
Share issue expenses	-	-	-	-	-	(11,824)	(11,824)	-	(11,824)
Dividends - 2011/12 (Note 13)	-	-	-	-	-	(250,253)	(250,253)	-	(250,253)
Dividends of Subsidiaries to non-controlling interest	-	-	-	-	-	-	-	(209,967)	(209,967)
Balance as at 31st March, 2013	3,554,587	20,840	683,482	1,456	2,208,116	6,457,226	12,925,707	2,903,733	15,829,440
Profit for the year	-	-	-	-	-	2,340,934	2,340,934	1,176,081	3,517,015
Other comprehensive income	-	-	116,644	(22,821)	376,265	(6,401)	463,687	50,774	514,461
	-	-	116,644	(22,821)	376,265	2,334,533	2,804,621	1,226,855	4,031,476
Effect of acquisitions disposal and change to percentage holdings	-	-	-	-	-	36	36	(56)	(20)
Share issue expenses	-	-	-	-	-	(936)	(936)	-	(936)
Dividends - 2012/13 (Note 13)	-	-	-	-	-	(351,140)	(351,140)	-	(351,140)
Dividends of Subsidiaries to non-controlling interest	-	-	-	-	-	-	-	(340,978)	(340,978)
Balance as at 31st March, 2014	3,554,587	20,840	800,126	(21,365)	2,584,381	8,439,719	15,378,288	3,789,554	19,167,842

Company
For the year ended 31st March

	Stated Capital	General Reserve	Available for Sale Reserve	Revaluation Reserve	Retained Earnings	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st April 2012	3,554,587	20,840	-	639,210	2,740,836	6,955,473
Profit for the year	-	-	-	-	948,616	948,616
Other comprehensive income	-	-	-	-	(2,083)	(2,083)
	-	-	-	-	946,533	946,533
Dividends - 2011/12 (Note 13)	-	-	-	-	(250,253)	(250,253)
Balance as at 31st March, 2013	3,554,587	20,840	-	639,210	3,437,116	7,651,753
Profit for the year	-	-	-	-	1,022,105	1,022,105
Other comprehensive income	-	-	-	-	(2,248)	(2,248)
	-	-	-	-	1,019,857	1,019,857
Dividends - 2012/13 (Note 13)	-	-	-	-	(351,140)	(351,140)
Balance as at 31st March, 2014	3,554,587	20,840	-	639,210	4,105,833	8,320,470

Figures in brackets indicate deductions.

The notes on pages 163 to 224 form an integral part of these financial statements.

CASH FLOW STATEMENT

For the year ended 31 st March	Notes	Group		Company	
		2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Profit before income tax expense		4,078,450	3,204,882	1,045,076	971,826
Adjustments for					
Depreciation		698,334	671,053	101,304	96,398
Amortisation		63,039	61,750	256	95
Provision for impairment of debtors		(3,562)	(49,086)	(188)	217
Impairment of property, plant & equipment		-	29,736	-	-
Amortisation of government grant		(156)	(156)	-	-
Interest expense		192,252	246,623	38,244	50,305
Interest income		(269,314)	(228,521)	(93,481)	(103,134)
Loss from disposal of Investment		-	4,073	-	-
Loss on sale of property, plant & equipment		47,505	1,702	1,075	720
Provision for retirement benefit obligations		15,715	13,213	4,742	3,741
Share of profit of equity accounted investees		(34,891)	(70,248)	-	-
Effect of movement in exchange rates		(59,475)	22,461	(16,820)	9,863
Operating profit before working capital changes		4,727,897	3,907,482	1,080,208	1,030,031
(Increase)/decrease in inventories		4,330	(16,946)	(1,817)	475
(Increase)/decrease in trade and other receivables		(332,339)	204,830	(59,473)	(3,876)
(Increase)/decrease in amounts due from ultimate holding company		(7,000)	22,800	(20,000)	-
(Increase)/decrease in amount due from parent's group entities		105,643	15,753	(323,021)	795,646
(Increase)/decrease deposits & prepayments		(94,913)	(131,217)	1,467	466
Increase/(decrease) in trade payables		(100,864)	11,949	10,591	(5,254)
Increase/(decrease) in other provisions & payables		136,140	195,460	(58,597)	(31,004)
Increase/(decrease) in amounts due to ultimate holding company		(17,025)	(95,439)	3,731	10,616
Increase/(decrease) in amount due to parent's group entities		4,725	(45,510)	29,784	41,951
Cash generated from operations		4,426,594	4,069,162	662,873	1,839,051
Interest expenses paid		(192,252)	(246,623)	(38,244)	(50,305)
Retirement benefit obligations paid		(8,587)	(7,778)	(2,339)	(1,214)
Income taxes paid		(404,865)	(286,400)	(12,545)	(9,706)
Net cash flow from operating activities		3,820,890	3,528,361	609,745	1,777,826

(carried forward to next page)

Figures in brackets indicate deductions

CASH FLOW STATEMENT

For the year ended 31 st March	Notes	Group		Company	
		2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Net cash flow from operating activities (brought forward from previous page)		3,820,890	3,528,361	609,745	1,777,826
Cash flow from investing activities					
Investments made during the year		-	(4,595)	(20)	(1,462,757)
Acquisition of property, plant & equipment		(895,260)	(1,355,267)	(34,207)	(32,011)
Purchase of intangible assets		(817)	(13,512)	(122)	(686)
Purchase / refund of leasehold rights		-	38,068	-	-
Proceeds from sale of property, plant & equipment		52,764	3,163	1,664	-
Interest received from deposits		209,987	281,857	58,288	156,105
Proceeds / (Purchase) of term deposits		(2,813,042)	(637,302)	(15,711)	(50,519)
Effect of changes in percentage holdings, acquisition and disposal of subsidiaries		-	784	-	-
Net cash generated / (used) in investing activities		(3,446,368)	(1,686,804)	9,892	(1,389,868)
Cash flow from financing activities					
Direct share issue expenses		-	(11,824)	-	-
Proceeds from long term borrowings		1,144,149	2,474,355	-	-
Repayment of long term borrowings		(1,059,343)	(2,392,087)	(177,600)	(94,850)
Dividends paid to equity holders of the parent		(351,140)	(250,253)	(351,140)	(250,253)
Dividend paid to shareholders of non-controlling interest		(340,978)	(209,967)	-	-
Net cash (used) in financing activities		(607,312)	(389,776)	(528,740)	(345,103)
Net Increase in cash & cash equivalents		(232,790)	1,451,781	90,897	42,855
Cash & cash equivalents at the beginning of the year		1,252,110	(307,195)	59,998	323
Cash & cash equivalents at the end of the year		1,019,320	1,144,586	150,895	43,178
Analysis of cash & cash equivalents at the end of the year					
Cash at bank and in hand		212,651	307,260	44,265	43,529
Short term deposits		830,596	934,158	106,800	-
Short term bank borrowings		(23,927)	(96,832)	(170)	(351)
Cash & cash equivalents previously reported		1,019,320	1,144,586	150,895	43,178
Effect of movement in exchange rates		-	107,524	-	16,820
Cash & cash equivalents as restated		1,019,320	1,252,110	150,895	59,998

Figures in brackets indicate deductions

The notes on pages 163 to 224 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Aitken Spence Hotel Holdings PLC (the 'Company') is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at No. 315, Vauxhall Street, Colombo 02.

The consolidated financial statements of the Company as at and for the year ended 31st March 2014 comprise the Company and its Subsidiaries (together referred to as the "Group" and individually as " Group entities") and the Group's interest in equity accounted investees.

1.1 Principal activities and nature of operations

The group primarily is involved in Hoteliering.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Consolidated financial statements of the Group and the separated financial statements of the Company which comprise of the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of changes in equity, Statement of Cash Flow and Notes thereto have been prepared in accordance with Sri Lanka Accounting Standards (herein referred to as SLFRSs/ LKASs) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirement of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

2.2 Responsibility for financial statements

The board of directors of the Company is responsible for preparation and presentation of these financial statements.

2.3 Reporting date

The financial statements of all companies in the group are prepared from a common financial year, which ends on 31st March.

2.4 Approval of financial statements

The consolidated financial statements of the Group and the Company for the year ended 31st March 2014 were authorised for issue by the Board of Directors on 27th May 2014.

2.5 Basis of measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis except for the measurement of following material items in the statement of financial position.

- Available for sale financial assets are measured at fair value.
- Land is measured at fair value.
- Retirement benefit obligations which are measured at the present value of the Retirement Benefit Obligations.

2.6 Functional and presentation currency

These financial statements are presented in Sri Lankan rupees, which is the Group's functional currency. All financial information presented has been rounded to the nearest thousand.

2.7 Use of Estimates and judgments

The preparation of the financial statements of the Group and the Company in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 3.1.1 – Business combinations
- Note 3.4.1.3 – Useful lives of depreciable assets
- Note 3.5.5.3 – Measurement of retirement benefit plans
- Note 3.9.2 – Deferred Tax

2.8 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future, and they do not intend either to liquidate or to cease operations.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statement of the Group and the Company.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. 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. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred plus the recognized amount of any non-controlling interests in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in income statement.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3.1.2 Acquisitions of non- controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owner in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interest arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

3.1.3 Subsidiaries

Subsidiaries are entities controlled by the Group. Existence of control 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 when control is provided by virtue of contractual agreements.

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

3.1.4 Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value as at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available for sale financial asset depending on the level of influence retained.

3.1.5 Investments in equity accounted investees (investment in associates)

Equity accounted investees are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20%- 50% of the voting rights of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreements and requiring unanimous consent for strategic financial and operating decisions.

Investment in equity accounted investees are accounted for using the equity method and are initially recognized at cost.

The consolidated financial statements include the Group's share of the income and expenses and equity movements of the equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until that date that significant influence ceases.

When the Group's share of losses exceeds its interest in equity accounted investees, the carrying amount of that interest including long term investments, is reduced to nil, the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3.1.6 Transactions eliminated on consolidation

Intra-group balances and transactions, 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 equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.1.7 Non- Controlling interest

The proportion of the profits or losses after taxation applicable to outside Shareholders of subsidiary companies is included under the heading "Non – controlling interest" in the Consolidated Statement of Income.

The interest of the minority shareholders in the net assets employed is shown under the heading "Non – controlling interest " in the Consolidated Statement of Financial Position.

3.1.8 Goodwill

Goodwill represents the excess of the cost of an acquisition of a subsidiary or an equity accounted investee 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. Subsequent to 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 in the Consolidated Statement of Financial Position and the goodwill on acquisition of an equity accounted investee 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 the difference (bargain purchase gain) is immediately recognized in the Consolidated Income Statement.

3.2 Foreign currency

3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated 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. Foreign currency differences arising on retranslation are recognized in income statement, except for differences arising on the retranslation of available for sale equity investments. Foreign currency gains and losses are reported on a net basis in the income statement.

3.2.2 Foreign operations

Subsidiaries incorporated outside Sri Lanka are treated as foreign operations. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the rate of exchange prevailing on the reporting date. Income and expenses 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. Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest, in any other partial disposal of foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised in other comprehensive income in the foreign currency translation reserve.

3.3 Financial Instruments

3.3.1 Non –derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets at initial recognition.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies its non-derivative financial assets into following categories:

- Financial assets at fair value through profit or loss
- Held-to-maturity
- Loans and receivables
- Available for sale financial assets

Financial Assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and make purchases and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in income statement.

The Group has not classified any financial assets as fair value through profit or loss as of the reporting date and during the reporting period.

Held –to- maturity financial assets

If the Group has the positive intent and ability to hold debt securities to mature, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investment not closed to their maturity would result in the reclassification of all held-to maturity investments as available for sale, and prevent the Group from classifying investments securities as held-to-maturity for the current and the following two financial years.

The Group has not classified any financial assets as held to maturity of the reporting date and during the reporting period.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest rate method (EIR) less any impairment losses.

Loans and receivables comprise trade and other receivables.

Available for sale financial assets

Available for sale financial assets are non derivative financial assets that are designated as available for sale or are not classified in any of the previous categories. The Group investments in equity securities and certain debt securities are classified as available for sale financial assets.

Available for sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available for sale debt instruments are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised the gain or loss accumulated in equity is reclassified to income statement.

The Group recognizes listed and unlisted equity investments that are not held for trading purposes as available for sale financial assets.

3.3.2 Non - derivative financial liabilities

Initial recognition and measurement

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies its non-derivative financial liabilities into following categories:

- Financial liabilities at fair value through profit or loss
- Other financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit loss.

Gains or losses on liabilities held for trading are recognized in the income statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss

Other financial liabilities

All financial liabilities other than those at fair value through profit and loss are classified as other financial liabilities

All other financial liabilities are recognized initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

3.3.3 Stated capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Preference Shares

Preference Share capital is classified as equity if it is non redeemable or redeemable only at the company's option and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the company's shareholders.

Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary . Dividends thereon are recognized as interest expense in income statement as accrued.

3.3.4 Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposures and foreign exchange rate risks including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit and loss.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in its fair value are recognized immediately in income statement.

3.3.5 Impairment

3.3.5.1 Financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired except for financial assets carried at fair value through profit or loss. A financial asset or a group of financial assets is deemed to be impaired if and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The Group considers evidence of impairment for receivables and held-to-maturity investments at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specific impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the profitability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the differences between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in income statement and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment loss was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement.

Impairment losses on available-for-sale investment securities are recognised by transferring the losses accumulated in the fair value in equity, to profit or loss. The cumulative loss that is removed from equity to profit or loss, is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in income statement. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in income statement, then the impairment loss is reversed, with the amount of the reversal recognized in income statement. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

3.3.5.2 Non financial assets

The carrying amounts of the Group's non financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, are tested annually for impairment.

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 assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit or CGU). For the purpose of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGU's that is expected to benefit from the synergies of the combination. The allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is amortised for internal reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in income statement. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting 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 estimated used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amounts does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversal of impairment losses are recognized in the income statement. Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.4 Assets and bases of their valuation

3.4.1 Property, plant and equipment

3.4.1.1 Recognition and measurement

Items of property, plant and equipment other than land, are stated at costs less accumulated depreciation and accumulated impairment losses. 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 and borrowing costs on qualifying assets.

All items of property, plant and equipment are recognised initially at cost.

The Group recognizes land owned by them in the statement of financial position at their revalued amount. The Group revalues 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. Any surplus arising on the revaluation is recognized in other comprehensive income except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognized in income statement, in which case the credit to that extent is recognized in income statement. Any deficit on revaluation is recognized in income statement except to the extent that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognized in other comprehensive income. Therefore, revaluation increases and decreases cannot be offset, even within a class of assets. 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 14.3.1 to the financial statements.

When 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 and depreciated separately based on their useful life.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal of with the carrying amount of property, plant and equipment and are recognized net within other income in income statement.

3.4.1.2 Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item 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. The costs of the day-to-day servicing and any other costs are recognised in the income statement as incurred.

3.4.1.3 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in the income statement on a straight line basis over the estimated useful lives of each component 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. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale or on the date that the asset is disposed. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonable certain that Group will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

• Leasehold Premises	over the remaining lease period
• Buildings	08- 50 years
• Plant & Equipment	10-20 years
• Kitchen Equipment	05 -15 years
• Office Equipment	03- 10 years
• Sports Equipment	05-10 years
• Motor Vehicles	04-06 years
• Boats	5 years
• Swimming Pool & Equipment	15- 30 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.

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

3.4.2 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.

3.4.3 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.

3.4.4 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.

3.4.4.1 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets, for measurement of goodwill at initial recognition.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and impairment loss on such an investment is not allocated to any asset including goodwill, that forms part of the carrying amount of the equity accounted investees.

3.4.4.2 Computer software

All computer software cost incurred, licensed for use by the Group, which does not form an integral part of related hardware and which can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits are included under intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses.

Subsequent measurement

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and this expenditure can be measured and attributed to the asset reliably.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognized in the income statement on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are three years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.4.4.3 Website costs

Costs incurred on development of websites are capitalized.

3.4.5 Investment properties

Investment properties are land and buildings that are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods and services or for administrative purposes. Investment property is measured at cost at initial recognition and subsequently at cost less aggregate depreciation. However, if there is impairment in value, other than of a temporary nature, the carrying amount is reduced to recognize the decline.

3.4.6 Investments

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

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

3.4.6.3 Investments in subsidiary companies are measured at cost less provision for fall in value of investments and treated as non current investments in the parent company's financial statements.

3.4.6.4 Investments in equity accounted investees are treated as long term assets and measured as explained in 3.1.5 above. In the parent company's financial statements, the investments are valued at cost.

3.4.6.5 All non quoted investments are treated as other investment and measured at cost less impairment and treated as other investments in the parent company's financial statement.

3.4.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.4.8 Trade and other receivables

Trade and other receivables are stated at the amounts estimated to be realised after providing for impairment on trade and other receivables.

Other receivables and dues from related parties are recognised at cost, less provision for impairment.

3.4.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short term deposits with original maturity of three months or less. Bank overdrafts are shown within borrowings in current liabilities. For purpose of Cash flow 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.

3.4.10 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through a disposal rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on the above assets is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which are continued to be measures in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognized in excess of any impairment loss.

3.5 Liabilities and Provisions

3.5.1 Liabilities

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances payable after one year from the reporting date.

All known liabilities are accounted for in the statement of financial position.

3.5.2 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

3.5.3 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

3.5.4 Government grants

A government grant is recognised initially as deferred income at fair value when there is a reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant.

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

3.5.5 Employee benefits

3.5.5.1 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligations to pay further amounts. All employees of the Company are members of the Employees' Provident Fund and Employees' Trust Fund, to which their employers contribute 12% - 15% and 3% respectively of such employees' basic or consolidated wage or salary, cost of living and all other allowances. Obligations for contributions to defined benefit plans, EPF & ETF, are recognised as an employee benefit expense in income statement in the periods during which services are rendered by employees.

3.5.5.2 Retirement Pension Scheme-Maldives

All Maldivian employees of the Group are members of the Retirement Pension Scheme established in the Maldives. Both employer and employee contributes 7% respectively to this scheme of such employees' pensionable wage. Employers obligations for contributions to pension scheme is recognised as an employee benefit expense in income statement in the periods during which services are rendered by employees.

3.5.5.3 Defined Benefit Plans – retiring gratuities

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the Projected Unit Credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the liability.

Provision has been made in the financial statements for retiring gratuities from the first year of service for all employees.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service.

The liability is not externally funded.

The Group recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in staff cost in income statement.

3.5.5.4 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service rendered by the employee and the obligation can be measured reliably.

3.6 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, value added taxes and intra-group revenue. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

The following specific criteria are used for the purpose of recognition of revenue:

- 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.

- Dividend income is recognised in income statement when the right to receive dividends is established.
- The Group has a customer loyalty program whereby customers are awarded credits (reward points) known as “Diamond points”, which allows customers to accumulate points when they occupy group hotels. These points can then be redeemed for future hotel accommodation.

The fair value of the consideration received or receivable in respect of initial sale is allocated between “diamond points” and the current sales. The fair value of the “diamond points” is based on a statistical analysis, adjusted to take into account the expected forfeiture rate. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

3.7 Expenses

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 income statement in arriving at the profit for the year.

For the purpose of presentation of statement of income, the Directors are of the opinion that “function of expenses method” presents fairly the elements of the entity’s performance and hence such presentation method is adopted.

3.8 Financing Income /(Expenses)

Finance income comprises interest income on funds invested, including the income from investment categorized under available for sale financial assets. Gains on the disposal of interest generating investment classified under available for sale financial assets is recognised under finance income.

Interest income is recognised as it accrues in income statement, using the effective interest method

Finance expenses comprise interest expense on borrowings, preference dividends of preference shares classified as debt and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in income statement using the effective interest method.

3.9 Income tax expenses

Income tax expense comprises both current and deferred tax. Income tax expense is recognised in income statement except to the extent that it relates to items recognised directly in equity, in which case is recognised in the statement of comprehensive income or statement of changes in equity.

3.9.1 Current taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date and any adjustment to tax payable in respect of previous years.

3.9.2 Deferred tax

Deferred tax is recognised in respect of 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 temporary differences arising on 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.

NOTES TO THE FINANCIAL STATEMENTS

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 reporting date.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities recognised by individual companies within the Group are disclosed separately as assets and liabilities in the Group statement of financial position and are not offset against each other.

3.9.3 Economic Service Charge (ESC)

As per the provisions of the Economic Service Charge Act No 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable as per the relevant provisions in the Act.

3.10 Cash flow statement

The cash flow statement has been prepared using the "Indirect Method".

3.11 Capital commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non occurrence of uncertain future events, which are beyond the Group's control. Capital commitments and contingent liabilities of the Company are disclosed in Note No. 14.4 and 37 to the financial statements.

3.12 Events occurring after the reporting date.

All material post reporting date events have been considered and where appropriate adjustment to or disclosures have been made in the financial statements.

3.13 Earnings per share (EPS)

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.14 Segmental Information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.14.1 Primary and Secondary Segments

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

ii) Segmental information analysed by geographical segments is disclosed in Notes 4 & 35 to the financial statements.

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

3.15 New Standards and interpretations issued but not yet effective

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for the financial periods beginning on or after 01st January 2014. Accordingly these standards have not been applied in preparing these financial statements.

The Group will be adopting these standards when they become effective.

SLFRS 09 - Financial instruments

SLFRS 10 - Consolidated financial Statements

SLFRS 11 - Joint arrangements

SLFRS 12 - Disclosure of interest in other entities

SLFRS 13 - Fair value measurement

NOTES TO THE FINANCIAL STATEMENTS

4 Operating Segments

4.1 Analysis of Geographical Segmental Results - Revenue

	External		Group Intra Group		Total Revenue	
	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lankan Sector						
Resorts & Hotels	3,280,171	2,795,652	19,316	6,137	3,299,487	2,801,789
Others	105,546	106,772	436,145	380,113	541,691	486,885
Total Sri Lankan Sector	3,385,717	2,902,424	455,461	386,250	3,841,178	3,288,674
South Asian Sector	9,561,359	9,133,446	161,840	129,370	9,723,199	9,262,816
	12,947,076	12,035,870	617,301	515,620	13,564,377	12,551,490
Intra group revenue					(617,301)	(515,620)
Total					12,947,076	12,035,870

4.2 Analysis of Geographical Segmental Results - Income Tax & Profits

	Income Tax Expenses		Group Profit/(Loss) from Operations		Profit/(Loss) Before Taxation	
	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lankan Sector						
Resorts & Hotels	109,919	96,852	703,442	483,608	742,063	501,365
Others	56,728	61,219	483,065	383,442	576,532	449,126
	166,647	158,071	1,186,507	867,050	1,318,595	950,491
Share of Profit of equity accounted investees after tax	-	-	-	-	34,891	70,248
Total Sri Lankan Sector	166,647	158,071	1,186,507	867,050	1,353,486	1,020,739
South Asian Sector	394,788	306,824	2,779,990	2,285,686	2,724,964	2,184,143
Total	561,435	464,895	3,966,497	3,152,736	4,078,450	3,204,882

4.3 Analysis of Geographical Segmental Results - Finance Income & Finance Expense

	Group			
	Finance Income		Finance Expense	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lankan Sector				
Resorts & Hotels	123,170	121,329	84,549	103,573
Others	93,467	65,684	-	-
Total Sri Lankan Sector	216,637	187,013	84,549	103,573
South Asian Sector	52,677	41,508	107,703	143,050
Total	269,314	228,521	192,252	246,623

5 Revenue

5.1 Revenue Breakdown

	Group		Company	
	2013/2014 Rs. '000	2012/2013 Rs. '000	2013/2014 Rs. '000	2012/2013 Rs. '000
Total revenue	13,564,377	12,551,490	825,022	757,402
Less: Intra group revenue	(617,301)	(515,620)	-	-
Revenue	12,947,076	12,035,870	825,022	757,402
Less: revenue tax	(415,175)	(469,275)	(18,186)	(16,563)
Net revenue	12,531,901	11,566,595	806,836	740,839

5.2 Categories of Revenue

	Group		Company	
	2013/2014 Rs. '000	2012/2013 Rs. '000	2013/2014 Rs. '000	2012/2013 Rs. '000
Rendering of hotel services	12,947,076	12,035,870	825,022	757,402
	12,947,076	12,035,870	825,022	757,402

5.3 Revenue generated from rendering of hotel services

	Group		Company	
	2013/2014 Rs. '000	2012/2013 Rs. '000	2013/2014 Rs. '000	2012/2013 Rs. '000
Apartment	6,296,767	5,558,314	342,214	340,681
Restaurant	3,114,763	3,103,975	384,425	339,672
Bar	1,024,685	951,274	65,307	46,310
Spa related	226,764	226,173	19,631	16,798
Transfers & excursions	1,688,572	1,602,872	2,388	4,467
Rent and shop income	280,080	266,802	9,148	7,489
Telephone	7,807	7,575	531	556
Diving and windsurfing	161,345	162,115	-	-
Laundry	10,038	9,329	1,378	1,429
Management fees	136,255	134,463	-	-
Marketing income	-	12,978	-	-
	12,947,076	12,035,870	825,022	757,402

The group operates for Sri Lanka hotels a customer reward programme identified as “Diamond Club” as a value addition service to its customers. Reward points are granted to customers who utilises hotel services for more than a designated value. Points could be redeemed in Group Hotels in Sri Lanka.

NOTES TO THE FINANCIAL STATEMENTS

6 Other Income

	Group		Company	
	2013/2014 Rs. '000	2012/2013 Rs. '000	2013/2014 Rs. '000	2012/2013 Rs. '000
Recreation	494	277	70	52
Dividends (net) from investments	681	-	870,809	826,020
Loss on sale of property, plant & equipment	(47,505)	(1,702)	(1,075)	(720)
Effect of movement in exchange rates	59,475	(22,461)	16,820	(9,863)
Loss on disposal of investments	-	(4,073)	-	-
Insurance Income arising from loss of operations	370,246	-	213	-
Sundry income	8,329	9,090	271	865
	391,720	(18,869)	887,108	816,354

During the year sixteen ocean villas of ADS Resorts (Pvt) Ltd - Maldives (Adaaran Select HudhuRan Fushi) was destroyed due to a fire. Insurance income reflected above is compensation agreed by the Insurance Company for the loss of operations due to business interruption.

7 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.

8 Other Operating Expenses - Indirect

	Group		Company	
	2013/2014 Rs. '000	2012/2013 Rs. '000	2013/2014 Rs. '000	2012/2013 Rs. '000
Administration & establishment	1,775,198	1,755,357	110,707	103,763
Repairs and maintenance	636,530	614,122	29,912	29,344
Energy	999,598	962,396	78,468	71,143
Selling & marketing	450,089	258,750	35,279	30,419
Management fees	183,681	150,220	43,110	40,170
	4,045,096	3,740,845	297,476	274,839

9 Profit from Operations before Interest

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

	Group		Company	
	2013/2014 Rs. '000	2012/2013 Rs. '000	2013/2014 Rs. '000	2012/2013 Rs. '000
Cost of inventories & services	2,397,574	2,273,094	167,381	137,287
Directors fees and emoluments	12,486	10,308	7	7
Auditors' remuneration				
- KPMG	4,921	4,471	620	550
- Other auditors	1,140	1,073	-	-
Fees paid to Auditors for non audit services				
- KPMG	624	295	289	182
- Other auditors	3,122	2,886	-	-
Finance charges on leases	1,500	1,500	-	-
impairment of doubtful debts	(3,562)	(49,086)	(188)	217
Donations	193	307	39	53
Contribution to Provident Fund	40,255	39,323	13,476	11,955
Contribution to Employees Trust Fund	8,766	7,636	2,265	2,031
Retirement Pension Scheme - Maldives	18,944	19,514	-	-
Defined benefit plan cost - retirement benefit	15,715	13,213	4,742	3,741
Legal expenses	2,371	5,415	35	357
Operating lease rentals	329,641	324,201	-	-

10 Net Financing Income /(Expense)

	Group		Company	
	2013/2014 Rs. '000	2012/2013 Rs. '000	2013/2014 Rs. '000	2012/2013 Rs. '000
Finance income				
Finance income from loans and receivable	269,314	228,521	93,481	103,134
	269,314	228,521	93,481	103,134
Finance expense				
Interest expense on financial liabilities measured at amortised cost	179,127	233,498	38,244	50,305
Interest expense on preference shares	13,125	13,125	-	-
	192,252	246,623	38,244	50,305
Net Financing income /(expense)	77,062	(18,102)	55,237	52,829

NOTES TO THE FINANCIAL STATEMENTS

11 Income Tax Expense

11.1 Aitken Spence Hotel Holdings PLC., being a Company involved in the promotion of tourism is liable to Income Tax at a concessionary rate of 12% on the Hotels operating profits in terms of section 46 of the Inland Revenue Act. No. 10 of 2006.

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

11.2 Sri Lankan Sector

11.2.1 The business profits of Aitken Spence Hotel Management Asia (Pvt) Ltd., and Aitken Spence Hotels International (Pvt) Ltd. are exempt from tax in Sri Lanka, under Section 13 (b) of the Inland Revenue Act No. 10 of 2006. Management fee income received from Republic of Maldives is subject to 10% withholding tax at source as per the Business Profit Tax Act of Republic of Maldives. Further profits earned by the Company in Oman is taxed at 12%.

11.2.2 The business profits and income of Hethersett Hotels Ltd, Aitken Spence Hotels Ltd., Kandalama Hotels (Pvt) Ltd., Golden Sun Resorts (Pvt) Ltd and MPS Hotels (Pvt) Ltd being Companies involved in the promotion of tourism are liable to tax at a concessionary rate of 12% in terms of section 46 of the Inland Revenue Act No. 10 of 2006.

11.2.3 The business profits and income of Neptune Ayurvedic Village (Pvt) Ltd. arising from leasing out land, is liable for income tax at standard rate of 28% as per the Inland Revenue Act No. 10 of 2006.

11.2.4 In addition, a maximum of 25% qualifying payment deduction is available for expansions under section 34 of the Inland Revenue Act No 10 of 2006, for investments not less than Rs.50 million in fixed assets made by any undertaking on investments specified in section 16C or 17A.

11.3 South Asian Sector

11.3.1 The business 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 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.

11.3.2 The business profits of Jetan Travel Services Co. Pvt Ltd., Cowrie Investment Pvt Ltd., ADS Resorts (Pvt) Ltd., and Unique Resorts (Pvt) Ltd Companies incorporated in the Republic of Maldives are liable for corporate tax in Maldives at a rate of 15% as per Business Profit Tax Act of Republic of Maldives.

11.3.3 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. Management fee income received from Republic of Maldives is subject to 10% withholding tax at source as per the Business Profit Tax Act of Republic of Maldives.

11.3.4 The business 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.

11.3.5 The business profits of Aitken Spence Hotel Services and Aitken Spence Hotel Managements South India (Pvt) Ltd., being Companies incorporated in India would be liable to an effective income tax rate of 30.9% as per the Indian tax law.

11.4 Associate Companies

11.4.1 During the year there were no business profits generated from Browns Beach Hotels PLC. due to the demolishing of the Hotel to construct the proposed new Hotel. Income tax has been computed on interest income which is taxed at standard rate of 28% as per the Inland Revenue Act No. 10 of 2006.

11.4.2 The business profits of Negombo Beach Resorts (Pvt) Ltd, would be exempt from income tax under section 17 of BOI Law No 04 of 1978 for a period of 12 years once the Company commences commercial operations.

11.5 Income Tax Expense

		Group		Company	
		2013/2014 Rs. '000	2012/2013 Rs. '000	2013/2014 Rs. '000	2012/2013 Rs. '000
Taxation on current year profits	(Note No 11.7)	530,352	458,008	21,000	21,000
Over / Under provision in previous years		4	(3,774)	-	(1,768)
Deferred tax expense		16,819	6,343	1,971	3,978
Tax on dividends paid by subsidiaries		14,260	4,318	-	-
Total		561,435	464,895	22,971	23,210

11.6 Income Tax expense recognised in Other Comprehensive Income

	Group					
	2013/2014			2012/2013		
	Before Tax Rs. '000	Tax expense (income) Rs. '000	Net of Tax Rs. '000	Before Tax Rs. '000	Tax expense (income) Rs. '000	Net of Tax Rs. '000
Foreign Currency translation differences of foreign operations	(170,418)	-	(170,418)	63,521	-	63,521
Revaluation of property, plant & equipment	(377,935)	-	(377,935)	(280,247)	-	(280,247)
Share of other comprehensive income of equity accounted investees	(165)	-	(165)	-	-	-
Net change in fair value of available for sale financial assets	25,881	-	25,881	11,564	-	11,564
Defined benefit plan actuarial gains/(losses)	9,001	(825)	8,176	3,968	(325)	3,643
Total	(513,636)	(825)	(514,461)	(201,194)	(325)	(201,519)

	Company					
	2013/2014			2012/2013		
	Before Tax Rs. '000	Tax expense (income) Rs. '000	Net of Tax Rs. '000	Before Tax Rs. '000	Tax expense (income) Rs. '000	Net of Tax Rs. '000
Defined benefit plan actuarial gains/(losses)	2,555	(307)	2,248	2,367	(284)	2,083
Total	2,555	(307)	2,248	2,367	(284)	2,083

NOTES TO THE FINANCIAL STATEMENTS

11.7 Reconciliation of Accounting Profit to Tax on current year

	Group		Company	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit before tax	4,078,450	3,204,882	1,045,076	971,826 -
Consolidated adjustments	-	4,073	-	-
Profit after adjustments	4,078,450	3,208,955	1,045,076	971,826
Income not liable for income tax	(646,486)	(442,490)	(870,809)	(826,020)
* Effect of revenue taxed at source	588,352	506,633	-	-
Adjusted Profits	4,020,316	3,273,098	174,267	145,806
Aggregate disallowed expenses	1,007,155	844,868	124,111	121,388
Capital allowances	(1,007,798)	(690,787)	(38,585)	(72,454)
Aggregate allowable expenses	(270,120)	(121,329)	(18,233)	(19,969)
Utilisation of tax losses	(93,096)	(75,795)	(84,546)	(61,170)
Qualifying payment deductions	(66,132)	(68,608)	-	-
Current year losses not utilised	134,351	37,313	-	-
Taxable Income	3,724,676	3,198,760	157,014	113,601
Income Tax charged at				
Standard rate of 28%	20,721	33,002	2,592	12,127
Concessionary rate of 12%	67,579	51,083	18,408	8,873
Off shore profits at varying rates	442,052	373,923	-	-
Taxation on current year profits	530,352	458,008	21,000	21,000
11.8 Tax Losses Carried Forward				
Tax Losses brought forward	1,693,107	1,729,783	959,925	1,020,357
Adjustments to prior year tax liability and tax losses arising during the year	(211,496)	33,502	-	737
Utilisation of tax losses	(93,096)	(70,178)	(84,546)	(61,170)
Total	1,388,515	1,693,107	875,379	959,924

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

* Income derived from the provision of services by non resident companies operating in the Maldives is subject to withholding tax of 10% when remitted from overseas.

11.9 As specified in Note No. 11.8, the companies in the Group have carried forward tax losses which are available to be set off against the future tax profits of those companies. From these losses, companies in the Group have not accounted for deferred tax assets, amounts to Rs. Rs. 4,740,924/- (2012/13 - Rs. 3,590,266/-). For Aitken Spence Hotel Holdings PLC, there were no deferred tax assets un-accounted on losses as at 31.03.2014. (2012/13 - Nil).

12 Earnings per Ordinary Share

Basic earnings per share is calculated by dividing the profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computation.

	Group		Company	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.	Rs.	Rs.	Rs.
Amounts used as numerator				
Profit after taxation and non-controlling interest attributable to Aitken Spence Hotel Holdings PLC.	2,340,933,572	1,785,153,591	1,022,105,404	948,615,687
Preference dividend	(14,850,000)	(14,850,000)	(14,850,000)	(14,850,000)
	2,326,083,572	1,770,303,591	1,007,255,404	933,765,687
Number of ordinary shares used as the denominator				
Weighted Average No. of shares in issue applicable to basic earnings per share	336,290,010	336,290,010	336,290,010	336,290,010
Earnings per ordinary share - (Rs.)	6.92	5.26	3.00	2.78

13 Dividends

	Company	
	2013/2014	2012/2013
	Rs. '000	Rs. '000
Preference Dividend		
Preference dividend paid for 2012/13	(14,850)	(14,850)
Ordinary Dividend		
Final ordinary dividend paid for 2012/13	(336,290)	(235,403)
Total	(351,140)	(250,253)
Final ordinary dividend proposed for 2013/14	504,435	336,290
Preference dividend proposed for 2013/14	14,850	14,850
Ordinary Dividend per Share - (Rs.)	1.50	1.00

The Directors have recommended a first and final dividend of Rs.1.50 per ordinary share (2012/13 Rs. 1.00) and a 9% cumulative preference dividend for the year ended 31st March 2014. If approved at the Annual General Meeting on 30th June 2014 the preference dividends and cents 33 of the ordinary dividends will be paid out of taxable dividends received from Subsidiary Companies from which 10% withholding tax has been deducted. The balance ordinary dividend of Rs. 1.17 will be paid out of dividends received from companies incorporated outside Sri Lanka which is subject to 10% withholding tax.

In accordance with LKAS 10 - Events After the Reporting Period, the recommended final dividends has not been recognised as a liability as at 31st March 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

14 Property Plant and Equipment

14.1 Group

	Land (Freehold)	Buildings (Freehold)	Plant Machinery & Equipment	Motor Vehicles	Furniture & Fittings	Furnishing, Cutlery, Crockery & Glassware	Capital work-in progress	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost or Valuation								
Balance as at 01.04.2013	2,575,467	10,026,054	2,836,236	199,973	912,663	430,251	418,639	17,399,283
Additions	20,316	40,724	257,760	28,625	66,402	85,847	395,586	895,260
Transfers	-	(21,038)	9,487	411	482	(1,988)	12,646	-
Revaluations	377,935	-	-	-	-	-	-	377,935
Disposals	-	(170,259)	(67,263)	(675)	(15,213)	(32,471)	(40,532)	(326,413)
Effect of movement in exchange rates	(13,678)	195,928	38,127	3,857	9,642	9,169	(122)	242,923
Balance as at 31.03.2014	2,960,040	10,071,409	3,074,347	232,191	973,976	490,808	786,217	18,588,988
Accumulated Depreciation								
Balance as at 01.04.2013	-	2,914,199	1,411,852	136,628	612,498	359,574	2,060	5,436,811
Transfers	-	-	9,047	(1,044)	(8,860)	857	-	-
Charge for the year	-	300,954	203,610	29,150	73,201	91,419	-	698,334
Disposals	-	(119,552)	(57,402)	(675)	(13,879)	(32,576)	(2,060)	(226,144)
Effect of movement in exchange rates	-	66,134	21,900	3,095	7,533	9,422	-	108,084
Balance as at 31.03.2014	-	3,161,735	1,589,007	167,154	670,493	428,696	-	6,017,085
Carrying value								
As at 31.03.2014	2,960,040	6,909,674	1,485,340	65,037	303,483	62,112	786,217	12,571,903
As at 31.03.2013	2,575,467	7,111,855	1,424,384	63,345	300,165	70,677	416,579	11,962,472

The gross carrying amount of fully depreciated property plant and equipment that is still in use for the Group as at 31st March 2014 was Rs. 785,008,513/- (Company Rs. 37,994,987/-)

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

Assets pledged as security against borrowings are disclosed in Note No. 29.1.

14.2 Company

	Land (Freehold)	Buildings (Freehold)	Plant Machinery & Equipment	Motor Vehicles	Furniture & Fittings	Furnishing, Cutlery, Crockery & Glassware	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost or Valuation							
Balance as at 01.04.2013	565,000	957,127	415,451	1,661	214,618	83,266	2,237,123
Additions	5,207	560	11,824	-	5,529	11,087	34,207
Disposals	-	-	-	-	-	(7,711)	(7,711)
Balance as at 31.03.2014	570,207	957,687	427,275	1,661	220,147	86,642	2,263,619
Accumulated Depreciation							
Balance as at 01.04.2013	-	212,559	222,427	1,661	141,496	57,784	635,927
Charge for the year	-	30,745	34,861	-	21,616	14,082	101,304
Disposal	-	-	-	-	-	(4,972)	(4,972)
Balance as at 31.03.2014	-	243,304	257,288	1,661	163,112	66,894	732,259
Carrying value							
As at 31.03.2014	570,207	714,383	169,987	-	57,035	19,748	1,531,360
As at 31.03.2013	565,000	744,568	193,024	-	73,122	25,482	1,601,196

14.3 Freehold Land

14.3.1 Land carried at revalued amounts

Company	Location	Last revaluation date	Land extent	Carrying amount as at 31.03.2014 Rs.'000	Revaluation Surplus Rs.'000	Carrying amount at cost Rs.'000
Aitken Spence Hotel Holdings PLC (i)	"Heritance Ahungalla" Galle Road, Ahungalla	31.03.2012	11A 3R 34.02P	565,000	546,798	18,202
Heritance (Pvt) Ltd (i)	Moragalla, Beruwala	23.01.2014	5A 3R 6.80 P	278,000	266,920	11,080
Ahungalla Resorts Ltd (iii)	"Ahungalla Resorts" Galle Road, Ahungalla	06.04.2013	10A 2R 39.25P	639,039	600,001	39,038
		06.04.2013	2A.0R, 35.92P	125,000	50,889	74,111
Ahungalla Resorts Ltd (i)	Meeraladuwa Island Balapitiya	23.01.2014	26A 2R 10.40P	441,000	350,568	90,432
kandalama Hotels (Pvt) Ltd (i)	Kandalama , Dambulla	23.01.2014	169A 2R 22.00P	9,000	1,616	7,384
Neptune Ayurvedic Village (Pvt) Ltd (i)	Ayurvedic Village, Moragalla, Beruwala	23.01.2014	0A 0R 19.30 P	4,425	362	4,063
P.R. Holiday Homes (Pvt) Ltd (ii)	Cochin - Kerala	31.03.2012	16A 3R 24.00P	188,669	62,268	126,401
Golden Sun Resorts (Pvt) Ltd (i)	418, Parellel Road	20.10.2012	5A 1R 37.9P	280,500	260,735	19,765
	Kudawaskaduwa, Kalutara 49, Sea Beach Road, Kalutara	20.10.2012	0A 1R 30.32P	21,000	19,512	1,488
Aitken Spence Resorts Ltd (i)	Kudawaskaduwa, Kalutara	21.01.2014	1A 3R 33.20 P	86,000	29,221	56,779
	Kudawaskaduwa, Kalutara	21.01.2014	0A 1R 34.30 P	16,700	7,526	9,174
M.P.S Hotels (Pvt) Ltd (i)	200/21, Peradeniya Road - Kandy	29.01.2014	3 A 3R 1.52 P	300,500	59,324	241,176
Total				2,954,833	2,255,740	699,093

The above lands have been revalued by independent, qualified valuers on the basis of current market value.

(i) Valuation of the land was carried out by Mr.K.C.B. Condegama, A.I.V. (Sri Lanka)

(ii) Valuation of the land carried out by Mr. T.T. Kripananda Singh B.S.C. (Engg.) Civil, MICA, FIE,FIV.C (Eng.) of Messers N. Raj Kumar and Associates (India)

(iii) Valuation of the land carried out by Mr. W. Nanda de Silva Incorporated Valuer, B.Sc(SP) Estate Management and Valuation (SL), A.I.V (Sri Lanka)

14.3.2 Land carried at Cost

Company	Location	Acquisition date	Extent	Carrying amount as at 31.03.2014 Rs' 000
Aitken Spence Hotel Holdings PLC	Galle Road, Ahungalla	05. 06. 2013	39.26P	5,207
				5,207
14.3.3 Total carrying amount of land				
Land carried at revalued amounts	(Note 14.3.1)			2,954,833
Land carried at cost	(Note 14.3.2)			5,207
Total				2,960,040

NOTES TO THE FINANCIAL STATEMENTS

14.3.4 During the year there were no borrowing costs capitalised by the Group. The total interest cost capitalised to date under property, plant & equipment amounts to Rs.157,392,254/-.

14.4 Capital Expenditure Commitments

The following commitments for capital expenditure approved by the Directors as at 31st March, 2014 have not been provided for in the accounts.

	Group	
	31.03.2014	31.03.2013
	Rs. '000	Rs. '000
Approximate amount approved but not contracted for	18,265,447	1,261,534
Approximate amount contracted for but not accounted	1,016,500	1,240,000
Total	19,281,947	2,501,534

15 Leasehold Properties

	Group	
	31.03.2014	31.03.2013
	Rs. '000	Rs. '000
Acquisition Cost		
Balance brought forward	1,710,968	1,723,913
Effect of movement in exchange rates	119,252	(12,945)
Balance carried forward	1,830,220	1,710,968
Accumulated Amortisation		
Balance brought forward	(247,038)	(202,813)
Effect of movement in exchange rates	(74,950)	2,502
Amortised during the year	(47,132)	(46,727)
Balance carried forward	(369,120)	(247,038)
Unamortised leasehold properties as at 31st March	1,461,100	1,463,930

16 Prepaid Operating Leases

	Group	
	31.03.2014	31.03.2013
	Rs. '000	Rs. '000
Cost		
Balance brought forward	1,052,053	1,097,800
Effect of movement in exchange rates	29,568	(7,679)
Disposals	-	(38,068)
Balance carried forward	1,081,621	1,052,053
Accumulated Amortisation		
Balance brought forward	(31,500)	(30,000)
Amortised during the year	(1,500)	(1,500)
Balance carried forward	(33,000)	(31,500)
Unamortised leasehold properties as at 31st March	1,048,621	1,020,553

16.1 Unexpired Lease periods of leasehold land:

Kandalama Hotels (Pvt) Ltd.	28 years
Hethersett Hotels Ltd.	80 years
Aitken Spence Hotels Ltd.	29 years
Jetan Travel Services Co. (Pvt) Ltd.	27 years
Cowrie Investment (Pvt) Ltd.	34 years
ADS Resorts (Pvt) Ltd.	12 years
Unique Resorts (Pvt) Ltd.	31 years

16.2 Lease Commitments

	Group	
	31.03.2014 Rs. '000	31.03.2013 Rs. '000
Lease rentals payable within one year	332,878	323,157
Lease rentals payable within one to five years	1,665,149	1,616,546
Lease rentals payable after five years	6,068,776	6,220,796
Total	8,066,803	8,160,499

Lease commitments have been estimated based on remaining lease periods disclosed under Note 16.1 above.

US Dollar conversion rate prevailed as at the reporting date 31st March 2014 has been used to convert the future lease commitments of Maldives properties.

17 Intangible Assets

17.1 Computer Software

	Group		Company	
	31.03.2014 Rs. '000	31.12.2013 Rs. '000	31.03.2014 Rs. '000	31.12.2013 Rs. '000
Cost				
Balance brought forward	53,433	40,133	5,415	4,729
Additions during the year	817	13,512	122	686
Effect of movement in exchange rates	1,078	(212)	-	-
Balance carried forward	55,328	53,433	5,537	5,415
Amortisation				
Balance brought forward	(26,504)	(13,271)	(4,824)	(4,729)
Effect of movement in exchange rates	(1,027)	290	-	-
Amortisation	(14,407)	(13,523)	(256)	(95)
Balance carried forward	(41,938)	(26,504)	(5,080)	(4,824)
Carrying value as at 31st March	13,390	26,929	457	591

Intangible assets as at 31st March 2014 includes fully amortised assets having a gross carrying amount of Rs. 12,272,116/- that is still in use (Company Rs. 5,080,278/-). There were no intangible assets pledged by the Group as security for facilities obtained from banks.

NOTES TO THE FINANCIAL STATEMENTS

18 Investment in Subsidiaries

18.1 Investments in Subsidiaries – Unquoted

			Company		31.03.2014	31.03.2013
	Country of incorporation	Number of Shares	Company Holding	Group Holding	Rs. '000	Rs. '000
a) Equity Shares						
Subsidiary Companies						
Aitken Spence Hotels Ltd.	Sri Lanka	14,699,604	98.00%	98.00%	149,704	149,684
Crest Star Ltd.	Hongkong	10,000	100.00%	100.00%	9,921	9,921
(Ordinary Shares of HK\$ 1 each)						
Crest Star (BVI) Ltd.	British	3,415,000	100.00%	100.00%	185,628	185,628
(Ordinary Shares of US\$ 1 each)	Virgin Island					
Cowrie Investment (Pvt) Ltd.	Maldives	52,740	60.00%	60.00%	321,733	321,733
(Ordinary Shares of Mrf 1000 each)						
Hethersett Hotels Ltd.	Sri Lanka	24,517,000	87.55%	87.55%	161,171	161,171
Ahungalla Resorts Ltd.	Sri Lanka	19,010,000	100.00%	100.00%	190,100	190,100
Neptune Ayurvedic Village (Pvt) Ltd.	Sri Lanka	500,000	100.00%	100.00%	5,000	5,000
Aitken Spence Hotels International (Pvt) Ltd.	Sri Lanka	10,744,582	51.00%	51.00%	181,024	181,024
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	Sri Lanka	5,125,500	51.00%	51.00%	51,255	51,255
Golden Sun Resorts (Pvt) Ltd	Sri Lanka	150,812,322	100.00%	100.00%	893,679	893,679
MPS Hotels (Pvt) Ltd	Sri Lanka	4,753,025	100.00%	100.00%	307,745	307,745
Aitken Spence Resorts (Pvt) Ltd	Sri Lanka	32,800,000	100.00%	100.00%	328,000	328,000
					2,784,960	2,784,940
b) Preference Shares						
Hethersett Hotels Ltd.	Sri Lanka	5,000,000			50,000	50,000
Aitken Spence Hotels Ltd	Sri Lanka	4,000,000			400,000	400,000
Net Carrying Amount of Investments in subsidiaries – unquoted as at 31st March					3,234,960	3,234,940

18.2 Investments in Sub Subsidiaries

				Group		
	Country of incorporation	Number of Shares	Company Holding	Group Holding	31.03.2014 Rs. '000	31.03.2013 Rs. '000
a) Equity Shares						
Sub Subsidiary Companies						
Aitken Spence Hotels Ltd.						
- Kandalama Hotels (Pvt) Ltd	Sri Lanka	10,216,216	63.00%	61.74%	234,406	234,406
- Heritance (Pvt) Ltd.	Sri Lanka	25,627	100.00%	98.00%	14,751	14,751
					249,157	249,157
Crest Star (BVI) Ltd.						
- Jetan Travel Services Co. (Pvt) Ltd	Maldives	47,500	95.00%	95.00%	375,494	364,464
					375,494	364,464
Aitken Spence Hotels International (Pvt) Ltd						
- ADS Resorts (Pvt) Ltd	Maldives	1,275,000	100.00%	51.00%	103,970	103,970
- Unique Resorts (Pvt) Ltd	Maldives	6,375,000	100.00%	51.00%	562,663	562,663
- Aitken Spence Hotel Services (Pvt) Ltd	India	10,000	100.00%	51.00%	271	271
- Aitken Spence Hotel Managements (South India) Pvt Ltd	India	999,250	100.00%	51.00%	14,067	14,067
					680,971	680,971
Aitken Spence Hotel Managements Asia (Pvt) Ltd						
- PR Holiday Homes (Pvt) Ltd	India	616,219	84.57%	43.13%	173,840	173,840
					173,840	173,840
b) Preference Shares						
Sub Subsidiary Companies						
Crest Star (BVI) Ltd.						
- Unique Resorts (Pvt) Ltd	Maldives	2,540,000	100%	100%	-	253,780
					-	253,780

Kandalama Hotels (Pvt) 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, and Aitken Spence Hotel Managements (South India) Pvt Ltd. are subsidiaries of Aitken Spence Hotels International (Pvt) Ltd.

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

NOTES TO THE FINANCIAL STATEMENTS

19 Investment in equity accounted investees

19.1 Investment in equity accounted investees- Quoted

	Group				Company			
	No. of Shares	Group Holding	31.03.2014 Rs. '000	31.03.2013 Rs. '000	No. of Shares	Company Holding	31.03.2014 Rs. '000	31.03.2013 Rs. '000
Browns Beach Hotels PLC	48,492,451	37.42%	925,110	920,515	47,455,750	36.62%	906,602	902,007
Investments made during the year	-	-	-	4,595	-	-	-	4,595
Net book value as at 31st March	48,492,451	37.42%	925,110	925,110	47,455,750	36.62%	906,602	906,602
Share of movement in equity value			148,179	114,059				
Surplus on revaluation			263,525	263,525				
Equity value of Investment as at 31st March			1,336,814	1,302,694			906,602	906,602
Market value of quoted investment as at 31st March			921,357	848,618			901,659	830,476

19.2 Summarised financial data of equity accounted investees

	Reporting date	Ownership	Total Assets Rs. '000	Total Liabilities Rs. '000	Net Assets Rs. '000	Income Rs. '000	Expenses Rs. '000	Profit/ (Loss) after tax Rs. '000	Group share of net assets Rs. '000	Group share of profit / (loss) Rs. '000
2013/14										
Investments in equity accounted investees – Quoted										
Browns Beach Hotels PLC	31.03.2014	37.42%	3,610,392	10,891	3,599,501	169,698	(17,182)	109,398	1,346,824	40,934
Negombo Beach Resorts (Pvt) Ltd.	31.03.2014	37.42%	1,679,499	1,706,254	(26,755)	-	(18,650)	(18,650)	(10,010)	(6,043)
Total			5,289,891	1,717,145	3,572,746	169,698	(35,832)	90,748	1,336,814	34,891
2012/13										
Investments in equity accounted investees – Quoted										
Browns Beach Hotels PLC	31.03.2013	37.42%	3,515,903	26,243	3,489,660	286,553	(17,099)	193,564	1,305,726	72,426
Negombo Beach Resorts (Pvt) Ltd.	31.03.2013	37.42%	783,044	791,148	(8,104)	-	(7,910)	(7,910)	(3,032)	(2,178)
Total			4,298,947	817,391	3,481,556	286,553	(25,009)	185,654	1,302,694	70,248

Negombo Beach Resorts (Pvt) Ltd. is a 100% owned subsidiary of Browns Beach Hotels PLC.

20 Other Investments

	Group		Company	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Barefoot Resort and Leisure (Pvt) Ltd. (25, 000 shares of INR 1312.50 each)	97,439	106,554	-	-
Fair value adjustment	(24,046)	1,097	-	-
Effect of movement in exchange rates	2,287	(10,212)	-	-
	75,680	97,439	-	-
Floatels India (Pvt) Ltd. (988,764 shares at INR 55/- each)	123,633	126,653	-	-
Fair value adjustment	(1,835)	(3,020)	-	-
	121,798	123,633	-	-
Total	197,478	221,072	-	-

21 Deferred Tax Assets

	Group		Company	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Movement in deferred tax assets				
Balance as at the beginning of the year	132,722	130,017	1,851	5,545
Effect of movement in exchange rates	1,510	(1,241)	-	-
Reversal of temporary differences;				
- Recognised in income statement	(18,635)	3,725	(1,972)	(3,978)
- Recognised in other comprehensive income	380	221	307	284
Balance as at the end of the year	115,977	132,722	186	1,851
Composition of deferred tax assets				
Deferred tax assets attributable to;				
Defined benefit obligations	3,925	3,104	3,164	2,569
Tax losses carried forward	149,238	199,583	105,045	115,190
Other items	23,078	14,134	-	-
Property, plant and equipment	(60,264)	(84,099)	(108,023)	(115,908)
Net deferred tax assets	115,977	132,722	186	1,851

NOTES TO THE FINANCIAL STATEMENTS

Movement in tax effect of temporary differences - Group

	Balance as at 01st April 2013	Recognised in profit & (loss)	2013/2014 Recognised in other comprehensive income	Exchange gain/(loss)	Balance as at 31st March 2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred Tax Asset					
Defined benefit obligations	3,104	441	380	-	3,925
Tax losses carried forward	199,583	(50,345)	-	-	149,238
Other items	14,134	7,434	-	1,510	23,078
	216,821	(42,470)	380	1,510	176,241
Deferred Tax Liabilities					
Property, plant & equipment	(84,099)	23,835	-	-	(60,264)
	(84,099)	23,835	-	-	(60,264)
Net Deferred tax assets	132,722	(18,635)	380	1,510	115,977

Movement in tax effect of temporary differences - Group

	Balance as at 01st April 2012	Recognised in profit & (loss)	2012/2013 Recognised in other comprehensive income	Exchange gain/(loss)	Balance as at 31st March 2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred Tax Asset					
Defined benefit obligations	2,791	92	221	-	3,104
Tax losses carried forward	203,658	(4,075)	-	-	199,583
Other items	10,276	5,099	-	(1,241)	14,134
	216,725	1,116	221	(1,241)	216,821
Deferred Tax Liabilities					
Property, plant & equipment	(86,707)	2,608	-	-	(84,099)
	(86,707)	2,608	-	-	(84,099)
Net Deferred tax assets	130,018	3,724	221	(1,241)	132,722

Movement in tax effect of temporary differences - Company

	2013/14			
	Balance	Recognised in	Recognised	Balance as at
	01st April 2013	profit & (loss)	in other comprehensive income	31st March 2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax assets				
Defined benefit obligations	2,569	288	307	3,164
Tax losses carried forward	115,190	(10,145)	-	105,045
	117,759	(9,857)	307	108,209
Less: Deferred tax liabilities				
Property, plant & equipment	(115,908)	7,885	-	(108,023)
	(115,908)	7,885	-	(108,023)
Net deferred tax assets	1,851	(1,972)	307	186

Movement in tax effect of temporary differences - Company

	2012/13			
	Balance	Recognised in	Recognised	Balance as at
	01st April 2012	profit & (loss)	in other comprehensive income	31st March 2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax assets				
Defined benefit obligations	1,982	280	307	2,569
Tax losses carried forward	122,442	(7,252)	-	115,190
	124,424	(6,972)	307	117,759
Less: Deferred tax liabilities				
Property, plant & equipment	(118,879)	2,971	-	(115,908)
	(118,879)	2,971	-	(115,908)
Net deferred tax assets	5,545	(4,001)	307	1,851

22 Inventories

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Food	63,363	57,652	4,793	3,956
Beverage	34,467	34,773	3,518	3,555
Maintenance	22,621	39,628	6,455	6,292
Stationery	8,615	7,612	716	484
Housekeeping	19,212	19,103	1,192	1,161
Ayurveda Stocks	1,510	842	-	-
Fuel & Others	68,720	63,228	2,583	1,992
Total	218,508	222,838	19,257	17,440

There were no inventories pledged as security for overdraft facilities as at 31st March 2014. (as at 31st March 2013- nil)

NOTES TO THE FINANCIAL STATEMENTS

23 Trade and Other Receivables

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade receivables	769,207	732,471	149,050	90,255
Provision for impairment	(11,197)	(14,759)	(194)	(382)
	758,010	717,712	148,856	89,873
Interest income receivable	92,216	32,889	54,095	18,902
Insurance receivable	296,706	-	-	-
Non trade receivables	91,055	80,270	2,147	2,937
	1,237,987	830,871	205,098	111,712
Taxes receivables	65,844	129,949	12,771	12,771
Other receivables	59,421	7,204	1,468	-
Total	1,363,252	968,024	219,337	124,483

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

No loans have been given to Directors of the company.

24 Amounts due from Ultimate Holding Company

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Short term investments	20,000	13,000	20,000	-
Total	20,000	13,000	20,000	-

The above short term investments were made on normal market interest rates.

25 Amounts due from Parent's Group Entities

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Aitken Spence Travels (Pvt) Ltd.	173,474	186,673	19,725	29,932
Aitken Spence Hotel Managements (Pvt) Ltd.	80,408	170,468	166	15,277
Aitken Spence Shipping Ltd.	-	181	-	51
Aitken Spence Cargo (Pvt) Ltd.	36	17	36	-
Ace International Express (Pvt) Ltd.	-	38	-	-
Ace Printing and Packaging (Pvt) Ltd.	-	6	-	6
Ace Power Embilipitiya (Pvt) Ltd	-	79	-	79
MMBL Money Transfer (Pvt) Ltd	3	594	-	223
Aitken Spence Technologies (Pvt) Ltd	-	5	-	5
Aitken Spence PLC	-	599	-	-
Clark Spence & Co. Ltd	29	-	29	-
Ahungalla Resorts Ltd.	-	-	195,727	190,942
Aitken Spence Hotels Ltd.	-	-	98,371	197,314
Aitken Spence Resorts (Pvt) Ltd	-	-	377,876	13,076
Heritance (Pvt) Ltd	-	-	-	19,558
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	-	-	190,804	190,804
Golden Sun Resorts (Pvt) Ltd	-	-	527,109	415,494
MPS Hotels (Pvt) Ltd	-	-	6,139	20,200
Aitken Spence Exports (Pvt) Ltd	-	933	-	-
Total	253,950	359,593	1,415,982	1,092,961

26 Term Deposits

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fixed Deposits	5,872,020	2,466,558	1,318,753	1,303,042
Call Deposits	-	592,420	-	-
Total	5,872,020	3,058,978	1,318,753	1,303,042

NOTES TO THE FINANCIAL STATEMENTS

26.1 Cash and Cash Equivalents

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Short term deposits less than 90 days	830,596	934,158	106,800	-
Cash at bank and in hand	212,651	307,260	44,265	43,529
Cash and cash equivalents	1,043,247	1,241,418	151,065	43,529
Less: Short term Bank Borrowings	(23,927)	(96,832)	(170)	(351)
Total cash and cash equivalents for cash flow statement	1,019,320	1,144,586	150,895	43,178
Effect of movement in exchange rates	-	107,524	-	16,820
Cash and cash equivalents - restated	1,019,320	1,252,110	150,895	59,998

27 Stated Capital

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Issued & fully paid				
Ordinary Share Capital				
At the beginning of the year - 336,290,010 ordinary shares	3,389,587	3,389,587	3,389,587	3,389,587
Issued during the year	-	-	-	-
At the end of the year - 336,290,010 ordinary shares	3,389,587	3,389,587	3,389,587	3,389,587
Preference Share Capital - Redeemable Cumulative				
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
Total	3,554,587	3,554,587	3,554,587	3,554,587

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

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

Preference shareholder is entitled to dividends at 9% annually. (cents. 90 per share)

28 Reserves

		Group		Company	
		31.03.2014	31.03.2013	31.03.2014	31.03.2013
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revaluation reserve	(Note 28.1)	2,584,381	2,208,116	639,210	639,210
General reserve	(Note 28.2)	20,840	20,840	20,840	20,840
Available for sale reserve	(Note 28.3)	(21,365)	1,456	-	-
Foreign currency translation reserve	(Note 28.4)	800,126	683,482	-	-
Total		3,383,982	2,913,894	660,050	660,050
Transaction movement					
Balance as at 01st April		2,913,894	2,679,014	660,050	660,050
Transfers to / from foreign currency translation reserve during the year		116,644	(35,161)	-	-
Transfer to / from available for sale reserve		(22,821)	(10,206)	-	-
Surplus on revaluation during the year		376,265	280,247	-	-
Balance as at 31st March		3,383,982	2,913,894	660,050	660,050

28.1 Revaluation Reserves

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

28.2 General Reserves

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

28.3 Available for Sale Reserve

This represents the fair value movement of assets categorised as AFS in the statement of financial position is accounted under AFS reserve.

28.4 Foreign Currency Translation Reserve

The foreign currency translation reserve comprise of all foreign exchange difference arising from the translation of the financial statements of foreign entities.

NOTES TO THE FINANCIAL STATEMENTS

29 Interest Bearing Borrowings

29.1 Analysed by Lending Institutions

Lending Institution	Group		Company		Borrowing terms
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
DFCC Bank PLC	-	127	-	-	- Loan settled in full during the year 2013/14.
Hongkong & Shanghai Banking Corporation Ltd	3,180,764	701,740	-	-	<p>- Comprises of seven USD loans</p> <p>Loan 1 - Repayable in 60 monthly instalments commencing from April 2010 for which mortgage over leasehold rights of a Maldives Hotel Property has been provided as security. Interest link to fixed LIBOR.</p> <p>Loan 2 -Repayable in 60 monthly instalments commencing from August 2012 for which Corporate Guarantee from Aitken Spence Hotel Holdings PLC and a mortgage over leasehold rights of the Maldives Hotel Property has been provided as security. Interest linked to LIBOR</p> <p>Loan 3 -Repayable in 60 monthly instalments commencing from October 2012 for which Corporate Guarantee from Aitken Spence Hotel Holdings PLC and mortgage over leasehold rights of the Maldives Hotel property has been provided as security. Interest linked to LIBOR.</p> <p>Loan 4 -Repayable in 60 monthly instalments commencing from December 2012 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC and a mortgage over leasehold rights of Maldives Hotel Property has been provided as security. Interest link to LIBOR.</p> <p>Loan 5 -Repayable in 60 monthly instalments commencing from April 2015. Loan provided on clean basis. Interest link to LIBOR.</p> <p>Loan 6 -Repayable in 60 monthly instalments commencing from April 2014 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC and a mortgage over leasehold rights of Maldives Hotel Property has been provided as security. Interest link to LIBOR.</p> <p>Loan 7 -Repayable in 24 monthly instalments commencing from February 2015 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC and a mortgage over leasehold rights of Maldives Hotel Property has been provided as security. Interest link to LIBOR.</p>

Lending Institution	Group		Company		Borrowing terms
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Hatton National Bank PLC	625,015	2,907,636	194,042	371,642	<p>Comprises of six term loans</p> <p>Loan 1 (in LKR) - Repayable in 72 monthly instalments commencing from May 2008 for which Corporate Guarantee from Aitken Spence PLC has been provided as security. Interest linked to AWDR.</p> <p>Loan 2 (in LKR) - Repayable in 60 monthly instalments commencing from May 2010 for which freehold land of the Hotel for Rs. 10 M has been mortgaged. Interest linked to AWPLR.</p> <p>Loan 3 (in LKR) - Repayable in 36 monthly instalments commencing from November 2011 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security. Interest linked to AWPLR.</p> <p>Loan 4 (in USD) - Repayable in 60 monthly instalments commencing from January 2011 for which a Mortgage over leasehold rights of a Maldives Hotel Property has been provided as security. Interest linked to fixed LIBOR.</p> <p>Loan 5 (in LKR) - Repayable in 60 monthly instalments commencing from October 2012 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security. Interest linked to AWDR.</p> <p>Loan 6 (in LKR) - Repayable in 60 monthly instalments commencing from October 2012 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security. Interest linked to AWDR.</p>
Nations Trust Bank PLC	-	22,586	-	-	- Loan settled in full during the year 2013/14.
Total Loans	3,805,779	3,632,089	194,042	371,642	
Preference Shares 17,500,0000 redeemable cumulative preference shares of Subsidiary Company	175,000	175,000	-	-	
Total borrowings	3,980,779	3,807,089	194,042	371,642	
Current portion of interest bearing borrowings	(1,066,881)	(1,016,999)	(177,600)	(177,600)	
Non Current portion of interest bearing borrowings	2,913,898	2,790,090	16,442	194,042	

NOTES TO THE FINANCIAL STATEMENTS

29.2 Movement in Interest bearing borrowings

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance brought forward	3,807,089	3,768,524	371,642	466,492
Effect of movement in exchange rates	88,884	(43,703)	-	-
Loans received during the year	1,144,149	2,474,355	-	-
	5,040,122	6,199,176	371,642	466,492
Loan repayments during the year	(1,059,343)	(2,392,087)	(177,600)	(94,850)
	3,980,779	3,807,089	194,042	371,642
Current portion of interest bearing borrowings	(1,066,881)	(1,016,999)	(177,600)	(177,600)
Non current portion of interest bearing borrowings	2,913,898	2,790,090	16,442	194,042

29.3 Currency Analysis of Interest Bearing Borrowings

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rupees	616,908	869,975	194,042	371,642
United States Dollars	3,363,871	2,937,114	-	-
	3,980,779	3,807,089	194,042	371,642

29.4 Analysed by repayment period

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Payable within one year	1,066,881	1,016,999	177,600	177,600
Payable between one and two years	886,750	944,540	16,442	177,600
Payable between two and five years	1,852,148	1,670,550	-	16,442
Payable after five years	175,000	175,000	-	-
	3,980,779	3,807,089	194,042	371,642

30 Government Grants

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Receipts				
Balance brought forward	1,560	1,560	-	-
Received during the year	-	-	-	-
Balance carried forward	1,560	1,560	-	-
Accumulated Amortisation				
Balance brought forward	(793)	(637)	-	-
Amortised during the year	(156)	(156)	-	-
Balance carried forward	(949)	(793)	-	-
Net balance	611	767	-	-

The Group has been awarded a government grants amounting to Rs. 1,560,000/- for the construction of an alternative fuel plant for Boiler operation at Heritage Tea factory - Kandapola Nuwaraeliya. 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.

31 Deferred Tax Liabilities

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Movement in deferred tax liability				
Balance as at the beginning of the year	241,856	232,764	-	-
Effect of movement of exchange rates	2,896	(871)		
Origination of temporary differences;	-	-	-	-
- recognised in income statement	(1,816)	10,067		
- recognised in other comprehensive income	(445)	(104)	-	-
Balance as at the end of the year	242,491	241,856	-	-
Composition of deferred tax liabilities				
Deferred tax liabilities attributable to;				
Property, plant & equipment	261,840	245,098	-	-
Defined benefit obligations	(4,453)	(3,242)	-	-
Carried forward tax losses	(14,896)	-	-	-
Net deferred tax liabilities	242,491	241,856	-	-

Movement in tax effect of temporary differences - Group

	2013/2014				
	Balance as at	Recognised	Recognised in	Exchange	Balance as at
	01st April	in profit & (loss)	Other	gain/(losses)	31st March
	2013		Comprehensive		2014
	Rs. '000	Rs. '000	Income	Rs. '000	Rs. '000
Deferred tax - liabilities					
Property, plant & equipment	245,098	13,846	-	2,896	261,840
Total liabilities	245,098	13,846	-	2,896	261,840
Deferred tax - assets					
Defined benefit obligations	(3,242)	(766)	(445)	-	(4,453)
Tax losses carried forward	-	(14,896)	-	-	(14,896)
Total assets	(3,242)	(15,662)	(445)	-	(19,349)
Net deferred tax liabilities	241,856	(1,816)	(445)	2,896	242,491

NOTES TO THE FINANCIAL STATEMENTS

	Balance as at 01st April 2012	Recognised in profit & (loss)	2012/2013 Recognised in Other Comprehensive Income	Exchange gain/(losses)	Balance as at 31st March 2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax - liabilities					
Property, plant & equipment	229,745	16,224	-	(871)	245,098
Companies acquired/ (transferred) during the year	4,933	(4,933)	-	-	-
Total liabilities	234,678	11,291	-	(871)	245,098
Deferred tax - assets					
Defined benefit obligations	(2,826)	(312)	(104)	-	(3,242)
Tax losses carried forward	912	(912)	-	-	-
Total assets	(1,914)	(1,224)	(104)	-	(3,242)
Net deferred tax liabilities	232,764	10,067	(104)	(871)	241,856

32 Employee Benefits

32.1 Provision for retiring gratuities

	Group 31.03.2014 Rs. '000	Group 31.03.2013 Rs. '000	Company 31.03.2014 Rs. '000	Company 31.03.2013 Rs. '000
Retirement benefit obligations				
Present value of unfunded obligations	78,046	62,103	26,367	21,409
Present value of funded obligations	-	-	-	-
Recognised liability for defined benefit obligations	78,046	62,103	26,367	21,409

32.2 Movement in present Value of the defined benefit obligations

	Group 31.03.2014 Rs. '000	Group 31.03.2013 Rs. '000	Company 31.03.2014 Rs. '000	Company 31.03.2013 Rs. '000
Defined benefit obligations at the beginning of the year	62,103	53,591	21,409	16,515
Expenses recognised in the income statement	15,715	13,213	4,742	3,741
Expenses recognised in other comprehensive income	9,001	3,968	2,555	2,367
Benefits paid	(8,587)	(7,778)	(2,339)	(1,214)
Effect of movement in exchange rates	(186)	(39)	-	-
Defined benefit obligations of companies disposed during the year	-	(852)	-	-
Defined benefit obligations at the end of the year	78,046	62,103	26,367	21,409

32.3 Expenses recognised in comprehensive income

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Expenses recognised in the income statement				
Current service cost	8,263	6,908	2,173	1,760
Interest cost	7,452	6,305	2,569	1,981
	15,715	13,213	4,742	3,741
Expenses recognised in other comprehensive income				
Net actuarial (gain) /loss	9,001	3,968	2,555	2,367
	9,001	3,968	2,555	2,367
Total	24,716	17,181	7,297	6,108

32.4 Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year 2013/ 14.

The sensitivity of the comprehensive income statement and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss for the year and employment benefit obligations as at 31st March 2014.

	Effect on comprehensive income (reduction)/increase Rs. '000	Effect on employment benefit liability (reduction)/increase Rs. '000
Increase /(decrease) in discount rate		
-1%	(6,945)	6,945
+1%	6,067	(6,067)
Increase /(decrease) in salary escalation rate		
-1%	6,466	(6,466)
+1%	(7,300)	7,300

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

- (i) Discount rate of 10.5% (2012/13 - 12%)
- (ii) Salary increment will range between 7.5%-11% per annum (2012/13 - 7% - 11%).
- (iii) Retirement age of 55 years.
- (iv) The Company will continue in business as a going concern.

32.6 The actuarial valuation was made on 31st March 2014. It is proposed that a valuation is obtained every year.

32.7 The liability is not externally funded.

32.8 The actuarial valuation was carried out by professionally qualified actuaries, Mr. Poopalanathan of M/s Actuarial Management Consultants (Pvt) Ltd using projected unit credit (PUC) method.

NOTES TO THE FINANCIAL STATEMENTS

33 Other Provisions and Payables

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accrued payables	638,247	595,118	51,531	131,254
Advances received	549,954	392,885	23,910	4,119
	1,188,201	988,003	75,441	135,373
Unclaimed dividends	1,339	739	1,339	739
Taxes and other miscellaneous payables and provisions	331,307	395,965	43,525	42,790
Total	1,520,847	1,384,707	120,305	178,902

34 Amounts due to Parent's Group Entities

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Aitken Spence Exports Ltd.	3,341	900	-	173
Elevators (Pvt) Ltd.	434	425	-	-
Aitken Spence Travels (Pvt) Ltd.	-	43	-	-
Elpitiya Plantations PLC	27	71	-	-
Aitken Spence Printing and Packaging (Pvt) Ltd.	219	142	142	142
Aitken Spence Hotel Managements (Pvt) Ltd.	63,145	61,040	18,119	-
Aitken Spence Cargo (Pvt) Ltd	230	-	-	-
Kandalama Hotels (Pvt) Ltd.	-	-	54,284	42,446
Aceref Spares (Pvt) Ltd	-	50	-	-
Total	67,396	62,671	72,545	42,761

35 Segmental Information

35.1 Assets

	Group			
	Total Assets		Net Assets	
	31.03.2014 Rs. '000	31.03.2013 Rs. '000	31.03.2014 Rs. '000	31.03.2013 Rs. '000
Sri Lanka Sector				
Resorts & Hotels				
Aitken Spence Hotel Holdings PLC. - Heritance Ahungalla	4,190,990	4,050,043	3,742,059	3,410,162
Aitken Spence Hotels Ltd. - Heritance Ayurveda Mahagedara	758,195	808,387	578,443	613,300
Ahungalla Resorts Ltd.	1,211,184	1,020,238	1,210,457	1,017,933
Heritance (Pvt) Ltd.	285,938	202,444	285,485	202,258
Aitken Spence Resorts (Pvt) Ltd	741,569	339,974	740,630	339,239
Neptune Ayurvedic Village (Pvt) Ltd.	24,789	25,354	24,719	24,872
Kandalama Hotels (Pvt) Ltd. - Heritance Kandalama	1,284,792	1,040,319	785,819	532,566
Hethersett Hotels Ltd. - Heritance Tea Factory	581,539	469,250	487,576	383,095
MPS Hotels (Pvt) Ltd - Hotel Hilltop	442,906	391,530	397,510	331,523
Golden Sun Resorts (Pvt) Ltd - The Sands	1,742,983	1,800,831	1,471,110	1,380,067
	11,264,885	10,148,370	9,723,808	8,235,015
Others				
Aitken Spence Hotels International (Pvt) Ltd	2,728,162	1,363,609	2,713,804	1,344,323
Aitken Spence Hotel Managements Asia (Pvt) Ltd	454,823	291,996	418,347	257,744
	3,182,985	1,655,605	3,132,151	1,602,067
Equity accounted investees	410,448	376,328	410,448	376,329
Total Sri Lanka Sector	14,858,318	12,180,303	13,266,407	10,213,411
South Asian Sector				
Crest Star (BVI) Ltd.	480,666	314,100	436,390	274,917
Cowrie Investment (Pvt) Ltd. - Adaaran "Select" Meedhupparu	3,436,351	3,246,943	2,596,317	2,399,767
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran "Club" Rannalhi	1,844,608	1,668,013	1,107,025	816,642
ADS Resorts (Pvt) Ltd - Adaaran "Select" HudhuRan Fushi	1,680,693	1,404,875	292,209	742,431
Unique Resorts (Pvt) Ltd - Adaaran "Prestige" Vadoo	3,397,019	3,271,840	1,249,387	1,178,755
Aitken Spence Hotel Managements South India (Pvt) Ltd	46,274	30,098	8,659	(24,446)
Aitken Spence Hotel Services (Pvt) Ltd	620	666	94	113
P. R Holiday Homes (Pvt) Ltd	232,379	242,961	211,354	227,850
Total South Asian Sector	11,118,610	10,179,496	5,901,435	5,616,029
Total	25,976,928	22,359,799	19,167,842	15,829,440

NOTES TO THE FINANCIAL STATEMENTS

35.2 Property, Plant & Equipment

	Group			
	Capital Expenditure		Depreciation & Amortisation	
	31.03.2014 Rs. '000	31.03.2013 Rs. '000	31.03.2014 Rs. '000	31.03.2013 Rs. '000
Sri Lanka Sector				
Resorts & Hotels				
Aitken Spence Hotel Holdings PLC. - Heritance Ahungalla	34,207	32,012	101,560	96,494
Aitken Spence Hotels Ltd. - Heritance Ayurveda Mahagedara	19,465	51,360	33,937	33,006
Ahungalla Resorts Ltd.	20,980	1,157	-	-
Aitken Spence Resorts (Pvt) Ltd	361,711	232,544	-	-
Neptune Ayurvedic Village (Pvt) Ltd.	-	-	1,088	1,154
Kandalama Hotels (Pvt) Ltd. - Heritance Kandalama	75,691	194,634	80,421	65,444
Hethersett Hotels Ltd. - Heritance Tea Factory	14,511	8,626	17,738	16,708
MPS Hotels (Pvt) Ltd - Hotel Hilltop	22,703	59,988	9,270	5,960
Golden Sun Resorts (Pvt) Ltd - The Sands	68,325	483,771	83,466	70,582
	617,593	1,064,092	327,480	289,348
Others				
Aitken Spence Hotels International (Pvt) Ltd	1,479	-	1,273	558
Aitken Spence Hotel Managements Asia (Pvt) Ltd	365	243	203	128
	1,844	243	1,476	686
Total Sri Lanka Sector	619,437	1,064,335	328,956	290,034
South Asian Sector				
Cowrie Investment (Pvt) Ltd. - Adaaran "Select" Meedhupparu	98,172	99,554	117,906	115,124
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran "Club" Rannalhi	26,035	99,291	66,604	71,666
ADS Resorts (Pvt) Ltd - Adaaran "Select" HudhuRan Fushi	124,364	67,354	110,157	118,863
Unique Resorts (Pvt) Ltd - Adaaran "Prestige" Vadoo	26,877	17,749	137,217	136,417
Aitken Spence Hotel Managements South India (Pvt) Ltd	375	288	533	699
P.R Holiday Homes (Pvt) Ltd	-	6,696	-	-
Total South Asian Sector	275,823	290,932	432,417	442,769
Total	895,260	1,355,267	761,373	732,803

35.3 Liabilities & Non-Cash Expenses

	Group			
	Total Liabilities		Non-Cash Expenses	
	31.03.2014 Rs. '000	31.03.2013 Rs. '000	31.03.2014 Rs. '000	31.03.2013 Rs. '000
Sri Lanka Sector				
Resorts & Hotels				
Aitken Spence Hotel Holdings PLC. - Heritance Ahungalla	448,931	639,882	8,372	6,491
Aitken Spence Hotels Ltd. - Heritance Ayurveda Mahagedara	179,752	195,087	1,906	614
Ahungalla Resorts Ltd.	728	2,305	1,829	-
Heritance (Pvt) Ltd	453	186	-	-
Aitken Spence Resorts (Pvt) Ltd	939	735	144	-
Neptune Ayurvedic Village (Pvt) Ltd.	70	481	-	-
Kandalama Hotels (Pvt) Ltd. - Heritance Kandalama	498,973	507,754	3,559	3,594
Hethersett Hotels Ltd. - Heritance Tea Factory	93,963	86,155	2,185	1,151
MPS Hotels (Pvt) Ltd - Hotel Hilltop	45,397	60,006	309	4,418
Golden Sun Resorts (Pvt) Ltd - The Sands	271,873	420,763	1,546	3,168
	1,541,079	1,913,354	19,850	19,436
Others				
Aitken Spence Hotels International (Pvt) Ltd	14,359	19,285	946	291
Aitken Spence Hotel Managements Asia (Pvt) Ltd	36,476	34,253	1,846	2,201
	50,835	53,538	2,792	2,492
Total Sri Lanka Sector	1,591,914	1,966,892	22,642	21,928
South Asian Sector				
Crest Star (BVI) Ltd.	44,276	39,183	-	-
Cowrie Investment (Pvt) Ltd. - Adaaran "Select" Meedhupparu	840,033	847,177	-	3,090
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran "Club" Rannalhi	737,582	851,371	153	557
ADS Resorts (Pvt) Ltd - Adaaran "Select" HudhuRan Fushi	1,388,485	662,443	50,063	5,435
Unique Resorts (Pvt) Ltd - Adaaran "Prestige" Vadoo	2,147,632	2,093,085	39	-
Aitken Spence Hotel Managements South India (Pvt) Ltd	37,614	54,544	1,094	930
Aitken Spence Hotel Services (Pvt) Ltd	525	553	-	-
P R Holiday Homes (Pvt) Ltd	21,025	15,111	-	-
Total South Asian Sector	5,217,172	4,563,467	51,349	10,012
Total	6,809,086	6,530,359	73,991	31,940

36 Foreign Currency Translation

The Principal exchange rates used for translation of assets and liabilities as at the reporting date is as follows:

	31.03.2014	31.03.2013
US Dollar	130.73	126.89
Indian Rupee	2.18	2.34

37 Contingent Liabilities

The contingent liability as at 31st March 2014 on guarantees given by Aitken Spence Hotel Holdings PLC. to third parties on facilities obtained by subsidiaries amounted to Rs 4,680,593,960 /- (31.03.2013 - Rs.3,711,810,000/-)

NOTES TO THE FINANCIAL STATEMENTS

38 Financial Instruments

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The following table analyse the carrying amount of financial assets and liabilities by category as defined in LKAS 39- Financial Instruments : Recognition and measurement under headings reported in the Statement of Financial Position.

	Note	Group - 2013/2014			Total Rs. '000
		Financial Assets Available for Sale Rs. '000	Financial Assets Loans & Receivables Rs. '000	Financial Liabilities Other Financial Liabilities Rs. '000	
Financial Assets					
Other Investments - (Unquoted equity shares)	20	197,478			197,478
Trade and other receivables	23		1,237,987		1,237,987
Term deposits	26		5,872,020		5,872,020
Cash and cash equivalents	26		1,043,247		1,043,247
Total financial Assets		197,478	8,153,254	-	8,350,732
- Total non current		197,478			197,478
- Total current			8,153,254		8,153,254
		197,478	8,153,254	-	8,350,732
Financial Liabilities					
Interest bearing borrowings	29			3,980,779	3,980,779
Trade payables				270,899	270,899
Provisions and other payables	33			1,188,201	1,188,201
Short term bank borrowings				23,927	23,927
Total financial Liabilities		-	-	5,463,806	5,463,806
- Total non current				2,913,898	2,913,898
- Total current				2,549,908	2,549,908
		-	-	5,463,806	5,463,806

	Note	Group - 2012/2013			Total Rs. '000
		Financial Assets Available for Sale Rs. '000	Financial Assets Loans & Receivables Rs. '000	Financial Liabilities Other Financial Liabilities Rs. '000	
Financial Assets					
Other Investments - (Unquoted equity shares)	20	221,072			221,072
Trade and other receivables	23		830,871		830,871
Term deposits	26		3,058,978		3,058,978
Cash and cash equivalents	26		1,241,418		1,241,418
Total financial Assets		221,072	5,131,267	-	5,352,339
- Total non current		221,072			221,072
- Total current			5,131,267		5,131,267
		221,072	5,131,267	-	5,352,339
Financial Liabilities					
Interest bearing borrowings	29			3,807,089	3,807,089
Trade payables				371,763	371,763
Provisions and other payables	33			988,003	988,003
Short term bank borrowings				96,832	96,832
Total financial Liabilities		-	-	5,263,687	5,263,687
- Total non current				2,790,090	2,790,090
- Total current				2,473,597	2,473,597
		-	-	5,263,687	5,263,687

Company - 2013/2014

	Note	Financial Assets Available for Sale Rs. '000	Financial Assets Loans & Receivables Rs. '000	Financial Liabilities Other Financial Liabilities Rs. '000	Total Rs. '000
Financial Assets					
Trade and other receivables	23		205,098		205,098
Term deposits	26		1,318,753		1,318,753
Cash and cash equivalents	26		151,065		151,065
Total financial Assets		-	1,674,916	-	1,674,916
- Total non current					
- Total current			1,674,916		1,674,916
		-	1,674,916	-	1,674,916
Financial Liabilities					
Interest bearing borrowings	29			194,042	194,042
Trade payables				27,546	27,546
Provisions and other payables	33			75,441	75,441
Short term bank borrowings				170	170
Total financial Liabilities		-	-	297,199	297,199
- Total non current				16,442	16,442
- Total current				280,757	280,757
		-	-	297,199	297,199

Company - 2012/2013

	Note	Financial Assets Available for Sale Rs. '000	Financial Assets Loans & Receivables Rs. '000	Financial Liabilities Other Financial Liabilities Rs. '000	Total Rs. '000
Financial Assets					
Trade and other receivables	23		111,712		111,712
Term deposits	26		1,303,042		1,303,042
Cash and cash equivalents	26		43,529		43,529
Total financial Assets		-	1,458,283	-	1,458,283
- Total non current					
- Total current			1,458,283		1,458,283
		-	1,458,283	-	1,458,283
Financial Liabilities					
Interest bearing borrowings	29			371,642	371,642
Trade payables				16,955	16,955
Provisions and other payables	33			135,373	135,373
Short term bank borrowings				351	351
Total financial Liabilities		-	-	524,321	524,321
- Total non current				194,042	194,042
- Total current				330,279	330,279
		-	-	524,321	524,321

NOTES TO THE FINANCIAL STATEMENTS

38.2 Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position as at the reporting date are as follows:

	Group - 2013/14		Company - 2013/14	
	Carrying amount Rs. '000	Fair value Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Financial Assets				
Other Investments - (Unquoted equity shares)	197,478	197,478	-	-
Trade and other receivables	1,237,987	1,237,987	205,098	205,098
Term deposits	5,872,020	5,872,020	1,318,753	1,318,753
Cash and cash equivalents	1,043,247	1,043,247	151,065	151,065
Total financial Assets	8,350,732	8,350,732	1,674,916	1,674,916
Financial Liabilities				
Interest bearing borrowings	3,980,779	3,980,779	194,042	194,042
Trade payables	270,899	270,899	27,546	27,546
Provisions and other payables	1,188,201	1,188,201	75,441	75,441
Short term bank borrowings	23,927	23,927	170	170
Total financial Liabilities	5,463,806	5,463,806	297,199	297,199

	Group - 2012/13		Company - 2012/13	
	Carrying amount Rs. '000	Fair value Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Financial Assets				
Other Investments - (Unquoted equity shares)	221,072	221,072	-	-
Trade and other receivables	830,871	830,871	111,712	111,712
Term deposits	3,058,978	3,058,978	1,303,042	1,303,042
Cash and cash equivalents	1,241,418	1,241,418	43,529	43,529
Total financial Assets	5,352,339	5,352,339	1,458,283	1,458,283
Financial Liabilities				
Interest bearing borrowings	3,807,089	3,807,089	371,642	371,642
Trade payables	371,763	371,763	16,955	16,955
Provisions and other payables	988,003	988,003	135,373	135,373
Short term bank borrowings	96,832	96,832	351	351
Total financial Liabilities	5,263,687	5,263,687	524,321	524,321

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods.

Property plant and equipment

The fair value of freehold land is determined based on market values.

The market value of land is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

Other Investments in Unquoted equity Shares

The fair value investments in quoted equity shares for which there is an active share market is determined using the closing market prices. Investments in non quoted shares are determined based on present value of future cash flows discounted at the market interest rates at the reporting date.

Trade and other receivables

Fair value of trade receivables is determined at amount estimated to be realised after making provision for impairment which is computed based on a loss rate using past three years debtors data.

Fair value of other receivables are determined based on the amount estimated to be reasonably realised.

Financial Liabilities

Fair value of interest bearing borrowings, trade and other payable and short term bank borrowings are determined based on the amount estimated to be reasonably incurred in the foreseeable future.

38.3 Determination of Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- (ii) Directly or indirectly observable prices in active market for similar assets or liabilities (level 2)
- (iii) Inputs that are unobservable that reflect management own assumptions (level 3)

Fair Value Hierarchy

	Group -2013/14			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Available for sale Financial Assets				
Other Investments - Unquoted equity shares	-	-	197,478	197,478
	-	-	197,478	197,478

	Group -2012/13			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Available for sale Financial Assets				
Other Investments - Unquoted equity shares	-	-	221,072	221,072
	-	-	221,072	221,072

NOTES TO THE FINANCIAL STATEMENTS

39 Financial Risk Management

39.1 Overview

The Group has exposure to the following risks from its use of financial instruments

- * Credit risk
- * Liquidity risk
- * Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

39.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is supported by the Board of management, and the Audit committee in managing all risks affecting the Group. The Group audit committee is assisted in its oversight role by Group's internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures the results of which is reported to the audit committee. Central Treasury Department of the Holding Company also implement and carries out specific risk management policies laid down and approved by the management. Central Treasury in close co-ordination with the Group's operating units identifies, evaluates and formulates principles for risk management covering specific areas such as foreign exchange risk and interest rate risk.

39.3 Credit risk

Credit risk is the risk of finance loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments.

Credit risk exposure

The Group's maximum exposure to credit risk as at the year end based on the carrying value of financial assets in the statement of financial position is given below. There were no off balance sheet exposure as at the year end date.

As at 31st March	Group 2014 Rs.'000	% allocation	Company 2014 Rs.'000	% allocation
Financial Assets				
Available for sale investments				
Other Investments - Unquoted equity shares	197,478	2%	-	-
Loans and receivables				
Trade and other receivables	1,237,987	15%	205,098	12%
Term deposits	5,872,020	70%	1,318,753	79%
Cash and cash equivalents	1,043,247	13%	151,065	9%
Total credit exposure	8,350,732	100%	1,674,916	100%

Credit Exposure on receivables

Trade receivables

The Group's maximum exposure to credit risk on trade receivables as at the year end based on the carrying value in the statement of financial position is given below:

As at 31st March	Note	Group 2014 Rs.'000	Company 2014 Rs.'000
Trade receivables	23	769,207	149,050
Total		769,207	149,050

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers various statistics of the group's customer base, including the default risk, business relationships with due attention given to past performances, stability in the industry and creditworthiness, as these factors may have an influence on credit risk.

In monitoring customer credit risk customers are grouped according to their business volumes and consider separately for granting credit limits. Some customers are graded as "high risk" based on the credit worthiness established through past experience. Such customers are monitored carefully and future sales are made on a prepayment basis.

The group has established a credit policy under which each new customer is analysed individually for creditworthiness. The Group's review includes obtaining bank guarantees (collaterals) and references. As at the reporting date value of collaterals obtained from customers amounted to Rs. 40 million. Credit limits are established for each customer and these limits are reviewed frequently. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Maximum exposure to credit risk for trade receivables at the reporting date by type of counterparty

The below table gives an overview of the Group's credit exposure related to trade receivables by counterparty.

As at 31st March	Group 2014 Rs.'000	% allocation	Company 2014 Rs.'000	% allocation
Operators - Local	173,302	23%	58,617	39%
Operators - Foreign	349,424	45%	80,328	54%
Corporates	88,167	12%	10,105	7%
Others	124,362	16%	-	-
Related - non group	33,952	4%	-	-
Total	769,207	100%	149,050	100%

As at 31st March 2014, 45% of the group's trade receivables are from revenue generated from reputed foreign tour operators.

Impairment losses

The group establishes an allowance for impairment that represents its estimate of incur losses in respect of trade receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures based on aging of the outstanding. A collective loss component established for groups of similar agings in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data for past three years.

NOTES TO THE FINANCIAL STATEMENTS

The aging of trade receivables as at the reporting date was:

As at 31st March	Group 2014 Rs.'000	Company 2014 Rs.'000
Less than 30 days	595,995	72,335
30-60 days	155,421	46,558
60-90 days	38,234	23,029
90-180 days	10,254	6,252
180-365 days	6,008	876
more than 365 days	9,680	-
Advances received	(46,385)	-
	769,207	149,050
Less: Impairment provision	(11,197)	(194)
Carrying value of trade receivables	758,010	148,856

The movement in the allowance for impairment in respect of trade receivables during the year was:

As at 31st March	Group 2014 Rs.'000	Company 2014 Rs.'000
Balance at the beginning of the year	(14,759)	(382)
Impairment provision recognised	2,017	188
Amounts written off	2,142	-
Effect of movement in exchange rate	(597)	-
Balance at the end of the year	(11,197)	(194)

Term deposits

The Group's maximum exposure to credit risk on term deposits as at the year end based on the carrying value in the statement of financial position is given below .

As at 31st March	Group 2014 Rs.'000	% allocation	Company 2014 Rs.'000	% allocation
Government owned Banking Institutions	4,179,070	71%	1,175,264	89%
Other Commercial Banks	1,692,950	29%	143,489	11%
Total	5,872,020	100%	1,318,753	100%

Government owned Banking Institutions

Term deposits and fixed deposits held with Government owned Banking Institutions accounts for 71% of the total term deposits. As at 31st March 2014 there were no investments made with government securities by the group.

Other Commercial Banks

Investments made with other Commercial Banks consist of fixed deposits and term deposits held with private commercial banks. As at 31st March 2014, 29% of the term deposits were held with rated commercial Banks.

Credit exposure on available for sale assets

Cash and cash equivalents

The Group limits its exposure to credit risk by investing only in liquid instruments with reputed banking Institutions. The Group also use broad investment portfolio and limit investments with a single counterparty.

39.4 Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The group continuously prepares and monitors rolling cash flow forecasts and assess the liquidity requirements of each operating unit to ensure it has sufficient cash to meet operational needs. Regular reviews are also carried out to check actual performance against budgeted targets.

Surplus cash held by the operating units over and above balance required for working capital management are invested in interest bearing time deposits or with group treasury. As at the reporting date, the group held term deposits that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the group's non-derivative financial liabilities into relevant maturity grouping based on the maturity of liabilities as at the reporting date.

As at 31st March	Carrying Amount 2014 Rs.'000	Group		Payable on demand Rs.'000
		Current	Non Current	
		Rs.'000	Rs.'000	
Financial Liabilities				
Interest bearing borrowings	3,980,779	1,066,881	2,913,898	-
Trade payables	270,899	224,769	46,130	-
Other provisions and payables	1,188,201	944,137	244,064	-
Short term bank borrowings	23,927	-	-	23,927
Total	5,463,806	2,235,787	3,204,092	23,927

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As at 31st March	Carrying Amount 2014 Rs.'000	Company		Payable on demand Rs.'000
		Current	Non Current	
		Rs.'000	Rs.'000	
Financial Liabilities				
Interest bearing borrowings	194,042	177,600	16,442	-
Trade payables	27,546	26,413	1,133	-
Other provisions and payables	75,441	39,031	36,410	-
Short term bank borrowings	170	-	-	170
Total	297,199	243,044	53,985	170

"Current" represents financial liabilities which are due to mature within one year

39.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

39.5.1 Foreign exchange risk

The Group being involved in hoteliering operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect of the US dollar. Certain room contracts are entered into in foreign currencies and invoiced in SLR using the conversion rates established by the industry. Purchases such as import of capital goods for hotel operations are also transacted in foreign currency.

The Group has investment in foreign operations, who's net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed, primarily through borrowings denominated in the relevant foreign currencies.

However for purposes of disclosure the exposure for currency risk is only provided on Group's foreign currency denominated financial instruments.

The Group's exposure to foreign currency risk as at 31st March 2014 and sensitivity analysis to Profit & loss and equity if exchange rate increase / decrease by Rs.1/=.

Profit & Loss

	Group	Company
Foreign Currency exposure for 2013/14		
Foreign currency denominated income - USD	899,955	350,439
Foreign currency denominated expenses - USD	-	-
Net exposure - in foreign currency - USD	899,955	350,439
Avg conversion rate used for the year 2013/14	130.10	130.10
Net exposure - in Rs'000	117,084	45,592
Sensitivity Analysis		
Avg conversion rate with Rs. 1.00 increase	131.10	131.10
Avg conversion rate with Rs. 1.00 decrease	129.10	129.10
Net exposure - in SLR with Rs. 1.00 increase in the average conversion rate - in Rs'000	117,984	45,943
Net exposure - in SLR with Rs. 1.00 decrease in the average conversion rate - in Rs'000	116,184	45,242
Impact to Profit & Loss		
with Rs. 1.00 increase in the average conversion rate - in Rs'000	900	350
with Rs. 1.00 decrease in the average conversion rate - in Rs'000	(900)	(350)

Equity

	Group				Company		
	USD	GBP	EURO	OMR	USD	GBP	EURO
Foreign Currency denominated financial assets as at 31st March 2014							
Trade and other receivables	470,375	228,468	759,594	99,888	428,805	44,494	330,421
Term deposits	27,431,121	-	50,533	-	7,792,802	-	1,077
Cash and cash equivalents	1,567,243	-	-	-	64,242	-	-
Net exposure - in foreign currency	29,468,739	228,468	810,127	99,888	8,285,849	44,494	331,498
Conversion rate used as at 31st March 2014	130.73	217.63	180.30	339.90	130.73	217.63	180.30
Net exposure - in Rs. 000	3,852,448	49,721	146,066	33,952	1,083,209	9,683	59,769
Sensitivity Analysis							
Avg conversion rate with Rs. 1.00 increase	131.73	218.63	181.30	340.90	131.73	218.63	181.30
Avg conversion rate with Rs. 1.00 decrease	129.73	216.63	179.30	338.90	129.73	216.63	179.30
Net exposure - in SLR with Rs. 1.00 increase in the average conversion rate -Rs'000	3,881,917	49,949	146,876	34,052	1,091,495	9,727	60,100
Net exposure - in SLR with Rs. 1.00 decrease in the average conversion rate -Rs'000	3,822,979	49,493	145,256	33,852	1,074,923	9,639	59,438
Impact to Profit and Loss							
with Rs. 1.00 increase in the average conversion rate - Rs'000	29,469	228	810	100	8,286	44	331
with Rs. 1.00 decrease in the average conversion rate - Rs'000	(29,469)	(228)	(810)	(100)	(8,286)	(44)	(331)

The above table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate by Rs. 1/- with all other variables held constant.

NOTES TO THE FINANCIAL STATEMENTS

39.5.2 Interest rate risks

Interest rate risk is the risk of fluctuation of the value or cash flows of an instrument due to changes in the market interest rates.

The Group's exposure to interest rate risk as at 31st March 2014 and sensitivity analysis to Profit & loss if interest rate increased /decreased by 100 basis points for Rupee loans and 10 basis points for USD loans.

	Increase/decrease in basis points	Effect on Profit before Tax Group Rs.000	Company Rs.000
Financial year - 2013/14			
Sri Lanka rupee loans	+100	6,169	1,940
USD loans	+10	3,364	-
Sri Lanka rupee loans	-100	(6,169)	(1,940)
USD loans	-10	(3,364)	-

The above table demonstrates the sensitivity to a reasonably possible change in interest rates on loans where floating rates are applicable by 100 basis points for Rupee loans and 10 basis points for USD loans with all other variables held constant.

Constant monitoring of market interest rates is carried out to ensure appropriate steps are taken to maximise the return on financial management and to minimise the cost of borrowings. Group negotiate with banks and obtains best possible interest rates for the Group's borrowings. Listed below are steps adopted by the group to minimise the effect of interest rate risks:

1. Entering into loans with interest rate caps and fixed rates.
2. Re negotiating with banks on interest rates when ever there is favourable fluctuations in the market rates.

39.5.3 Equity prices

The Group does not carry quoted investments other than investment in equity accounted investees in their Consolidated Statement of Financial Position. Equity investments carried in the Consolidated Statement of Financial Position as available for sale are non quoted and there is no risk of variations in the prices. Non quoted investments are fair valued as at each reporting date.

40 Capital management

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of the capital.

The capital of the company consist of the following:

Equity Capital

- Ordinary share capital
- Preference share capital

Debt

- Long term borrowings

The group monitors capital on the basis of the debt equity ratio. Total debt consist of total non current borrowings and total equity consist of total equity less preference shares capital. The following factors are also objectively taken into consideration in managing capital of the group.

1. Maintain sufficient capital to meet minimum regulatory requirements. (Companies Act)
2. Maintain strong equity base as opposed to debt capital
3. Group's future developments, investments and business strategies
4. Group cash flow projections and ability to pay higher returns to shareholders

41 Director's fees

The Directors of the Company have received fees amounting to Rs. 28,800/- from subsidiaries for the year ended 31st March 2014.

42 Related party transactions

Aitken Spence Hotels Holdings Group carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard LKAS 24 - Related Party Disclosures, which are transacted at normal business terms. The pricing policy applicable to such transactions are comparable with those that would have been charged from unrelated companies.

Mr. D.H.S. Jayawardena Chairman of the Company is also the Chairman of the Parent Company Aitken Spence PLC. and Aitken Spence Hotel Management Asia (Pvt) Ltd. He is also the Chairman of Browns Beach Hotels PLC, and Negombo Beach Resorts (Pvt) Ltd which are associate companies of the Group and the Chairman, of Distilleries Company of Sri Lanka PLC, Stasson Exports (Pvt) Ltd., Lanka Milk Foods (CWE) PLC., Lanka Bell (Pvt) Ltd., Periceyl (Pvt) Ltd. and Pattipola Live Stock Company Ltd. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note No. 42.1.1, 42.1.2 and 42.1.4.

Mr. J.M.S. Brito, Managing Director of the Company is also the Managing and Finance Director of the Parent Company Aitken Spence PLC. He is also the Chairman, Deputy Chairman or a Director of Browns Beach Hotels PLC, Crest Star (BVI) Ltd., Cowrie Investments (Pvt) Ltd., Aitken Spence Travels (Pvt) Ltd, Elevators (Pvt) Ltd. and Elpitiya Plantations PLC., which are Subsidiaries, joint ventures and equity-accounted investees of the Group and Parent company. Transactions carried out by the group with these companies in the ordinary course of business is disclosed in Note No. 42.1.1 and 42.1.3. Mr. J.M.S Brito is also the Chairman of DFCC Bank PLC (till 21st March 2014), and DFCC Vardana Bank PLC.

Mr. C.H. Gomez a Director of the company is also a Director of the Parent Company Aitken Spence PLC.

R. N.J. De S Deva Adithya a Director of the company is also a Director of the Parent Company Aitken Spence PLC. He is also a Director of Distilleries Company of Sri Lanka PLC. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note No. 42.1.1 and 42.1.4.

Mr. R. N. Asirwatham a Director of the company is also a Director of the Parent Company Aitken Spence PLC. He is also a Director of CIC Holdings PLC, and Royal Ceramics PLC. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note No. 42.1.1, and 42.1.4.

Mr. G.P.J Goonewardena a Director of the Company is also a Director of Aitken Spence Hotel Managements (Asia) Pvt Ltd which is a subsidiary of the Group with which company, Group carried out transactions in the ordinary course of business as disclosed in Note No. 42.1.2

Mr. S.M Hapugoda a Director of the Company is also the Managing Director of Aitken Spence Hotel Managements (Pvt) Ltd. a Director of Ahungalla Resorts Ltd., Aitken Spence Hotels Ltd., Golden Sun Resorts (Pvt) Ltd., Aitken Spence Resorts (Pvt) Ltd., Kandalama Hotels (Pvt) Ltd., MPS Hotels (Pvt) Ltd., Hethersett Hotels Ltd., Heritance (Pvt) Ltd, Neptune Ayurvedic Village (Pvt) Ltd., Crest Star (BVI) Ltd, Jetan Travel Services Company (Pvt) Ltd., Cowrie Investments (Pvt) Ltd., A D S Resorts (Pvt) Ltd. Unique Resorts (Pvt) Ltd, P R Holiday Homes (Pvt) Ltd., Aitken Spence Hotel Managements South India (Pvt) Ltd., and Aitken Spence Hotels International (Pvt) Ltd., which are subsidiaries of the Group. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note No. 42.1.2

Mr. C.M.S Jayawickrama a Director of the Company is also the Deputy Managing Director of Aitken Spence Hotel Managements (Pvt) Ltd., a Director of Ahungalla Resorts Ltd., Aitken Spence Hotels Ltd., Golden Sun Resorts (Pvt) Ltd., Aitken Spence Resorts (Pvt) Ltd., Kandalama Hotels (Pvt) Ltd., MPS Hotels (Pvt) Ltd., Hethersett Hotels Ltd., Heritance (Pvt) Ltd, Neptune Ayurvedic Village (Pvt) Ltd., Crest Star (BVI) Ltd, Jetan Travel Services Company (Pvt) Ltd., Cowrie Investments (Pvt) Ltd., A D S Resorts (Pvt) Ltd. Unique Resorts (Pvt) Ltd, P R Holiday Homes (Pvt) Ltd., Aitken Spence Hotel Managements South India (Pvt) Ltd., and Aitken Spence Hotels International (Pvt) Ltd., which are subsidiaries of the Group. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note No. 42.1.2

Mr. R.E.V Casie Chetty a Director of the Company is also a Director of Aitken Spence Hotel Managements (Pvt) Ltd., Ahungalla Resorts Ltd., Golden Sun Resorts (Pvt) Ltd., Aitken Spence Resorts (Pvt) Ltd., Kandalama Hotels (Pvt) Ltd., MPS Hotels (Pvt) Ltd., Hethersett Hotels Ltd., Heritance (Pvt) Ltd., Neptune Ayurvedic Village (Pvt) Ltd., Crest Star Ltd., Aitken Spence Hotels International (Pvt) Ltd., Elevators (Pvt) Ltd. and Aitken Spence Export (Pvt) Ltd., which are subsidiaries of the Group. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note No. 42.1.2

Details of transactions carried out by the Group with related parties and outstanding balances with the related parties are given in Note No. 42.1.1 to 42.1.4.

NOTES TO THE FINANCIAL STATEMENTS

42.1 Details of transactions carried out with Related Companies

Name of the Related Party	Relationship	Nature of transaction	Terms of the transaction	Group		Company	
				Transaction Value Rs. '000	Outstanding as at 31.03.2014 Rs. '000	Transaction Value Rs. '000	Outstanding as at 31.03.2014 Rs. '000
42.1.1. Transactions with Parent Company							
Aitken Spence PLC	Parent Company	Interest earned / paid	Market terms	4,770	-	3,866	-
		Corporate Guarantee Charges paid	Market terms	10,084	-	10,084	
		Lease Rent paid	Contractual Payment	1,500	-	-	-
		Fees paid for services	Market terms	75,848	(92,315)	17,016	(44,072)
		Short term investments	Market terms	20,000	20,000	20,000	20,000
42.1.2 Transactions with Subsidiaries							
Aitken Spence Hotel Mgt (Asia) Pvt Ltd	Subsidiary	Management fees for managing hotels	Percentage of revenue and profits	221,528	-	-	-
		Short term advances	Short term	-	-	-	190,804
Ahungalla Resorts Ltd.	Subsidiary	Short term advances	Short term	-	-	4,785	195,727
Aitken Spence Hotels Ltd	Subsidiary	Settlement of short term advances	Short term	-	-	(98,943)	98,371
Golden Sun Resorts (Pvt) Ltd	Subsidiary	Short term advances	Short term	-	-	111,615	527,109
Aitken Spence Resorts (Pvt) Ltd	Subsidiary	Short term advances	Short term	-	-	364,800	377,876
Kandalama Hotels (Pvt) Ltd	Subsidiary	Short term advances obtained	Short term	-	-	(11,838)	(54,284)
MPS Hotels (Pvt) Ltd	Subsidiary	Temporary advances	Short term	-		(14,061)	6,139
Heritage (Pvt) Ltd	Subsidiary	Settlement of short term advances	Short term	-	-	(19,558)	-
42.1.3 Transactions with Parent's Group Entities							
Aitken Spence Travels (Pvt) Ltd.	Joint Venture of the Parent Company	Sale of Hotel rooms in the ordinary course of business	Market terms	1,339,244	173,474	148,914	19,725
		Purchase of Air Tickets for overseas travel	Market terms	8,729	-	5,324	-
Aitken Spence Exports (Pvt) Ltd.	Subsidiary of the Parent Company	Purchase of mineral water	Market terms	8,173	(3,341)	1,742	-
Aitken Spence Printing & Packaging (Pvt) Ltd.	Subsidiary of the Parent Company	Printing & Typesetting hotel promotional literature and Annual Reports	Market terms	2,562	(219)	2,152	(142)

Name of the Related Party	Relationship	Nature of transaction	Terms of the transaction	Group		Company	
				Transaction Value Rs. '000	Outstanding as at 31.03.2014 Rs. '000	Transaction Value Rs. '000	Outstanding as at 31.03.2014 Rs. '000
Aitken Spence Hotel Managements (Pvt) Ltd.	Subsidiary of the Parent Company	Management fees for managing the hotels	Percentage of revenue and profits	183,681	-	43,110	-
		Central Purchasing & Merchandising unit handling charges	Market terms	42,534	-	6,929	-
		Export of Hotel Supplies to Maldives	Market terms	189,952	17,263	-	(17,953)
Elevators (Pvt) Ltd	Subsidiary of the Parent Company	Repairs and Maintenance of Hotel Elevators	Market terms	6,113	(434)	759	-
Elpitiya Plantations PLC	Subsidiary of the Parent Company	Purchase of tea leaves	Market terms	3,138	(27)	914	-
Aitken Spence Cargo (Pvt) Ltd	Subsidiary of the Parent Company	Clearing of imported items	Market terms	849	(230)	39	-
42.1.4 Transactions with Other Related Companies							
Distilleries Company of Sri Lanka PLC	Other related Company	Purchase of beverages	Market terms	22,515	(1,827)	8,883	(564)
Stassen Exports (Pvt) Limited	Other related Company	Purchase of food items	Market terms	230,888	(25,994)	27,136	(2,310)
Lanka Milk Foods (CWE) PLC	Other related Company	Purchase of milk powder	Market terms	8,358	(524)	2,083	(164)
DFCC Bank PLC	Other related Company	Investments in term deposits	Market terms	187,000	-	57,000	-
		Interest earned (till 21st March 2014)	Market terms	11,350	-	6,494	-
Lanka Bell (Pvt) Ltd.	Other related Company	Provision of telecommunication services.	Market terms	3,872	(212)	1,110	(81)
Periceyl (Pvt) Ltd	Other related Company	Purchase of beverages	Market terms	6,140	(944)	2,251	(395)
CIC Holdings PLC	Other related Company	Purchase of food items	Market terms	2,013	(289)	473	-
Pattipola Live Stock Company Ltd	Other related Company	Purchase of food items	Market terms	970	(78)	-	-
Royal Ceramic PLC	Other related Company	Purchase of goods	Market terms	971	(305)	192	-

NOTES TO THE FINANCIAL STATEMENTS

42.1.5 The Company and the Subsidiaries in the ordinary course of business have for the sale of hotel rooms, contracted with certain Tour operators, for whom Aitken Spence Travels (Pvt) Ltd., has contracted with for provision of hotel services. The total revenue generated by such company and the balance outstanding as at 31st March 2014 is disclosed above.

42.1.6 The Company and the Subsidiaries in the ordinary course of business have generated revenues amounting to Rs. 25.2 million (Company Rs 8.0 million) from sale of hotel packages to Aitken Spence PLC and its Subsidiaries (excluding Hotel Companies). Balances outstanding from these companies as at 31st March 2014 is reflected in Note No. 25 - Amounts due from Parent's Group Entities.

42.2 Transactions with Key Management Personnel

Aitken Spence Hotel Holdings PLC., considers its Board of Directors as the key management personnel of the Company. The Board of Directors, Vice Presidents and Assistant Vice Presidents of Subsidiary Companies are considered as key management personnel of Group Companies.

There were no transactions other than employments benefits disclosed below carried out during the year with Key management personnel and their close family members which require disclosure as per LKAS - 24 - Related Party Disclosures.

Year Ended 31st March	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Short term employment benefits	19,311	19,064	-	-
Post employment benefits	-	3,324	-	-
Total	19,311	22,388	-	-

43 Acquisition of Non - Controlling Shares

The Company made an offer to the Minority Shareholders of Aitken Spence Hotels Ltd. on 8th June, 1999 to purchase their shares at Rs.31/-per share. During this financial year 1000 shares were acquired at the revised price of Rs. 20/- per share. The Company as at 31 st March, 2014 held 98% of the equity share capital of Aitken Spence Hotels Ltd.

44 Events after Reporting 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 2013/14 once approved by the shareholders at the Annual General Meeting.

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

45 Ultimate Holding Company

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

46 Capital Expenditure Commitments

There are no capital expenditure commitments other than those disclosed in Note No 14.4 to the financial Statements.

47 Number of Employees

The number of employees of the Group as at 31st March 2014 amounts to 2,222 (2012/13 - 2,274)

48 Comparative Information

Net actuarial gains and losses and the related deferred tax provision which was included in the previous year Income statement was reclassified under comprehensive income statement as required by LKAS 19 - Employee Benefits. An adjustment has also been made for the previous year cash flow statement due to the above change.

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

However 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.

49 Directors Responsibility

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

QUARTERLY STATISTICS

For the three months ended	30th June 2013 Rs. '000	30th September 2013 Rs. '000	31st December 2013 Rs. '000	31st March 2014 Rs. '000	For the year 2013/14 Rs. '000
Income Statement - Group					
Net Turnover	2,470,319	2,747,846	3,286,010	4,027,726	12,531,901
Other income	54,158	38,026	(12,012)	311,548	391,720
Staff Costs	(442,527)	(410,063)	(450,225)	(450,266)	(1,753,081)
Depreciation	(169,909)	(174,310)	(172,961)	(181,154)	(698,334)
Amortisation	(15,341)	(15,953)	(15,863)	(15,882)	(63,039)
Other Operating Expenses - Direct	(532,941)	(564,947)	(630,708)	(668,978)	(2,397,574)
Other Operating Expenses - Indirect	(820,422)	(1,048,475)	(1,055,827)	(1,120,372)	(4,045,096)
Profit from operations	543,337	572,124	948,414	1,902,622	3,966,497
Finance Income	58,702	71,448	54,578	84,586	269,314
Finance Expenses	(54,935)	(51,525)	(45,920)	(39,872)	(192,252)
Share of Profit of equity accounted investees net of tax	14,012	10,253	6,310	4,316	34,891
Income Tax Expense	(127,266)	(144,368)	(187,104)	(102,697)	(561,435)
Net Profit for the period	433,850	457,932	776,278	1,848,955	3,517,015
Profit attributable Equity holders of the Parent	261,798	311,681	545,403	1,222,052	2,340,934
Non - controlling interest	172,052	146,251	230,875	626,903	1,176,081
	433,850	457,932	776,278	1,848,955	3,517,015

Statement of Financial Position - Group

As at	30th June 2013 Rs. '000	30th September 2013 Rs. '000	31st December 2013 Rs. '000	31st March 2014 Rs. '000	
Assets					
Non Current Assets	16,320,438	16,469,720	16,640,646	16,745,283	
Current Assets	6,410,187	5,794,843	6,939,157	9,231,645	
Total Assets	22,730,625	22,264,563	23,579,803	25,976,928	
Equity and Liabilities					
Equity	12,937,347	13,283,098	13,988,477	15,378,288	
Non - controlling interest	3,124,224	2,959,315	3,163,286	3,789,554	
Total Equity	16,061,571	16,242,413	17,151,763	19,167,842	
Non Current Liabilities	2,907,420	2,700,729	2,459,036	3,235,046	
Current Liabilities	3,761,634	3,321,421	3,969,004	3,574,040	
Total Equity & Liabilities	22,730,625	22,264,563	23,579,803	25,976,928	

Share Information - Group

Earnings Per Ordinary Share	(Rs)	0.77	0.92	1.61	3.62
Net Asset Value Per Share	(Rs)	37.98	39.01	41.11	45.24
Market Price Per Share					
Highest	(Rs)	81.00	75.00	74.80	74.00
Lowest	(Rs)	70.20	64.00	62.10	64.70
Last Trade Price	(Rs)	74.90	64.70	69.90	70.00

CONSOLIDATED INCOME STATEMENTS IN US \$

For the year ended 31 st March

	2014 US \$ '000	2013 US \$ '000
Revenue	99,037	94,853
Revenue Tax	(3,176)	(3,698)
Net Revenue	95,861	91,155
Other Income	2,996	(149)
Staff Costs	(13,410)	(12,990)
Depreciation	(5,342)	(5,288)
Amortisation	(482)	(487)
Other Operating Expenses - Direct	(18,340)	(17,914)
Other Operating Expenses - Indirect	(30,942)	(29,481)
Profit from Operations	30,341	24,846
Finance Income	2,061	1,801
Finance Expenses	(1,471)	(1,944)
Net Finance Income / (Expenses)	590	(143)
	30,931	24,703
Share of Profit of equity accounted investees net of tax	267	554
Profit Before Income Tax	31,198	25,257
Income Tax Expenses	(4,295)	(3,664)
Profit for the Year	26,903	21,593
Attributable to:		
Equity Holders of the Parent	17,907	14,068
Non - controlling interest	8,996	7,525
	26,903	21,593
Earnings per Ordinary Share (US \$)	0.05	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN US \$

Profit for the year	26,903	21,593
Other Comprehensive Income		
Foreign Currency translation differences of foreign operations	1,304	(501)
Revaluation of property, plant and equipment	2,891	2,209
Share of other comprehensive income of equity accounted investees	1	-
Net change in fair value of available for sale financial assets	(198)	(91)
Actuarial gains / (losses) on defined benefit plans	(69)	(31)
Income tax on actuarial gains / (losses) arising from retirement benefit obligations	6	3
Other comprehensive income for the year net of tax	3,935	1,589
Total comprehensive income for the year net of tax	30,838	23,182
Attributable to:		
Equity holders of the parent company	21,453	15,896
Non - controlling interests	9,385	7,286
	30,838	23,182

Exchange Rate used for translation

(One US \$) =130.73 LKR 126.89 LKR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN US \$

AS at 31st March	2014 US \$'000	2013 US \$'000
ASSETS		
Non-Current Assets		
Property, Plant & Equipment	96,167	94,275
Leasehold Property	11,176	11,537
Prepaid operating leases	8,021	8,043
Intangible Assets	102	212
Investment in equity accounted investees	10,226	10,266
Other Investments	1,511	1,742
Deferred Tax Assets	887	1,046
	128,090	127,121
Current Assets		
Inventories	1,671	1,757
Trade and Other Receivables	10,428	7,629
Amounts due from Ultimate Holding Company	153	102
Amount due from Parent's Group Entities	1,943	2,834
Deposits & Prepayments	3,491	2,849
Current Tax Receivable	33	32
Term Deposits	44,917	24,107
Cash and Cash Equivalents	7,980	9,783
	70,616	49,093
TOTAL ASSETS	198,706	176,214
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Stated Capital	27,190	28,013
Reserves	25,885	22,964
Retained Earnings	64,558	50,888
	117,633	101,865
Non -controlling Interests	28,988	22,884
Total Equity	146,621	124,749
Non-Current Liabilities		
Interest - Bearing Borrowings	22,289	21,988
Government Grants	5	6
Deferred Tax Liabilities	1,855	1,907
Employee Benefits	597	489
	24,746	24,390
Current Liabilities		
Trade Payables	2,072	2,930
Other Provisions and Payables	11,633	10,913
Amounts due to Ultimate Holding Company	706	862
Amounts due to Parent's Group Entities	516	494
Interest Bearing Borrowings	8,161	8,014
Current Tax Payable	4,068	3,099
Short term Bank Borrowings	183	763
	27,339	27,075
TOTAL LIABILITIES	52,085	51,465
TOTAL EQUITY AND LIABILITIES	198,706	176,214

Exchange Rate used for translation

(One US \$) = 130.73 LKR 126.89 LKR

DECADE AT A GLANCE

Year ended 31st March	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000	2006 Rs. '000	2005 Rs. '000
OPERATING RESULTS										
Revenue	12,947,076	12,035,870	9,614,828	8,059,152	7,137,672	6,611,893	6,412,699	4,299,987	2,560,479	2,887,669
Profit / (Loss) before Taxation	4,078,450	3,204,882	2,427,770	1,394,853	792,853	845,333	810,860	422,675	159,861	263,087
Taxation	(561,435)	(464,895)	(346,299)	(37,242)	(18,056)	(20,975)	(21,294)	(42,241)	(48,034)	(30,641)
Profit/(Loss) after Taxation	3,517,015	2,739,987	2,081,471	1,357,611	774,796	824,358	789,566	380,434	111,827	232,446
Profit/(Loss) attributable to Equity holders of the parent	2,340,934	1,785,154	1,377,976	1,304,073	523,776	592,587	512,651	202,591	173,847	110,146
SHAREHOLDERS' FUNDS										
Stated Capital	3,554,587	3,554,587	3,554,587	3,554,587	1,056,433	1,056,433	1,055,810	1,055,810	1,055,810	1,055,810
Reserves and Retained Earnings	11,823,701	9,371,120	7,614,992	5,468,654	4,132,761	3,667,632	2,701,001	2,243,837	1,753,742	1,612,448
Shareholders' Funds	15,378,288	12,925,707	11,169,579	9,023,241	5,189,194	4,724,065	3,756,811	3,299,647	2,809,552	2,668,258
LIABILITIES										
Non-Current Interest bearing Borrowings	2,913,898	2,790,090	2,790,308	3,007,565	2,962,320	3,746,361	2,930,155	1,125,325	851,514	239,092
Current Liabilities	3,481,725	3,326,203	3,249,987	2,164,471	2,004,139	2,001,455	2,543,913	2,761,307	1,513,524	825,160
Amount due to ultimate Holding Company	92,315	109,340	204,779	59,861	646,434	779,109	-	615,000	615,000	-
Other Liabilities & Charges	321,148	304,726	287,278	147,925	163,131	114,317	117,401	116,683	112,452	28,237
Non-Controlling Interest	3,789,554	2,903,733	2,189,351	1,372,530	1,589,136	1,346,064	1,219,998	873,019	664,405	755,691
Deferred Income	-	-	-	-	-	-	-	-	16,780	18,300
TOTAL EQUITY AND LIABILITIES	25,976,928	22,359,799	19,891,282	15,775,593	12,554,354	12,711,371	10,568,278	8,790,981	6,583,227	4,534,738
ASSETS										
Property, Plant & Equipment	12,571,903	11,962,472	11,087,739	8,879,249	8,756,041	8,686,707	6,664,681	6,469,263	4,801,544	3,250,387
Leasehold Property	1,461,100	1,463,930	1,521,100	1,354,026	1,516,449	1,554,651	1,407,987	52,500	54,000	55,500
Prepaid operating Leases	1,048,621	1,020,553	1,067,800	46,500	-	-	-	-	-	-
Intangible Assets	13,390	26,929	26,862	-	-	1,524	3,048	3,048	2,593	2,816
Investments	1,336,814	1,302,694	1,227,371	960,878	192,915	185,118	188,358	183,015	98,717	97,817
Long-Term Investments	197,478	221,072	233,207	222,395	211,770	218,081	86,600	10	10	10
Deferred Tax Assets	115,977	132,722	130,018	48,399	2,713	-	-	-	-	-
Current Assets	9,231,645	6,229,427	4,597,185	4,254,320	1,874,466	2,065,290	2,217,604	2,083,145	1,626,363	1,128,208
Assets Held for sale	-	-	-	9,826	-	-	-	-	-	-
TOTAL ASSETS	25,976,928	22,359,799	19,891,282	15,775,593	12,554,354	12,711,371	10,568,278	8,790,981	6,583,227	4,534,738
CASH FLOW										
From Operating activities	3,820,890	3,528,361	3,156,697	663,257	1,484,828	1,503,360	793,933	1,204,504	995,252	1,048,974
From Investing activities	(3,446,368)	(1,686,804)	(2,533,371)	(1,023,336)	(662,377)	(2,025,844)	(2,201,116)	(1,681,589)	(1,767,341)	(108,791)
From Financing activities	(607,312)	(389,776)	(765,864)	1,965,198	(638,280)	605,561	1,377,478	135,561	685,889	(493,567)
Net Cash Inflow/(Outflow)	(232,790)	1,451,781	(142,538)	1,605,119	184,171	83,077	(29,705)	(341,524)	(86,200)	446,616
KEY INDICATORS										
Earnings per ordinary share (Rs.)	6.92	5.26	4.05	3.03	1.77	15.03	12.95	4.88	4.14	2.48
Net Assets value per Ordinary share (Rs.)	45.24	37.95	32.72	26.34	14.93	118.62	93.46	81.56	69.25	65.61
Market value per share (Rs.)	70.00	74.00	70.00	98.00	385.00	90.00	93.00	70.00	83.25	97.25
Dividend per share (Rs.)	1.50	1.00	0.70	0.50	0.21	0.50	1.00	0.75	0.50	0.50
Dividend cover (Times)	4.61	5.26	5.79	6.06	8.42	30.06	12.95	6.51	8.27	4.96
Price to Earning Ratio (Times)	10.12	14.07	17.28	32.33	29.08	5.99	7.18	14.34	20.12	39.21
Debt Equity ratio	0.16	0.19	0.22	0.28	0.47	0.66	0.64	0.32	0.31	0.12
Interest cover (Times)	22.03	13.71	12.40	7.08	3.09	3.30	3.22	2.62	5.29	9.04
Return on Average Shareholders' funds (%)	16.63	14.90	13.73	14.68	10.57	13.97	14.53	6.63	6.35	4.19

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 31/03/14 (Rs. '000)	
				Freehold	Leasehold	Land	Building
Aitken Spence Hotel Holdings PLC	152	Ahungalla	253,590	11.96	-	565,000	714,382
Heritage Ahungalla							
Ahungalla Resorts Ltd,							
Main Land	-	Ahungalla	-	12.96	-	764,039	-
Meeraladuwa Island	-	Balapitiya	-	26.57	-	441,000	-
Kandalama Hotels (Pvt) Ltd.	152	Dambulla	426,553	169.64	50	9,000	511,124
Heritage Kandalama							
Hethersett Hotels Ltd.	54	Nuwara Eliya	50,999	-	25	-	124,632
Heritage Tea Factory							
Aitken Spence Hotels Ltd.	64	Beruwala	125,349	-	6.44	-	421,367
Heritage Ayurveda Mahagedara							
Heritage (Pvt) Ltd.	-	Beruwala	-	5.79	-	278,000	-
Neptune Ayurvedic Village (Pvt) Ltd.	-	Beruwala	12,500	0.12	-	4,425	16,188
Golden Sun Resorts (Pte) Ltd	110	Kalutara	192,686	5.93	-	301,500	836,890
The Sands by Aitken Spence Hotels							
Aitken Spence Resorts (Pvt) Ltd.	-	Kalutara	-	2.42	-	102,700	-
M P S Hotels (Pvt) Ltd.	73	Kandy	65,514	3.76	-	300,500	73,404
Hotel Hilltop							
Jetan Travel Services Co. (Pvt) Ltd.	130	Maldives	97,545	-	10.2	-	559,942
Adaaran Club Rannalhi							
Cowrie Investments (Pvt) Ltd.	235	Maldives	266,950	-	43	-	1,821,628
Adaaran Select Meedhuparu							
ADS Resorts (Pvt) Ltd.	195	Maldives	166,836	-	78	-	476,582
Adaaran Select HudhuRan Fushi							
Unique Resorts (Pvt) Ltd.	50	Maldives	37,369	-	3.5	-	1,353,535
Vadoo Island Resort							
P.R Holiday Homes (Pvt) Ltd.	-	India	-	16.9	-	188,669	-

GROUP DIRECTORY

Aitken Spence Hotel Holdings PLC. *

The holding company of the Group's hotel interests. Owns and operates Heritage Ahungalla.

Directors : Deshamanya D.H.S. Jayawardena (Chairman)
J.M.S. Brito (Managing Director)
R.E.V. Casie Chetty
S.M. Hapugoda
C.M.S. Jayawickrama
G.P.J. Goonewardena
R. N. Asirwatham
C.H. Gomez
N. J. de Silva Deva Aditya

Aitken Spence Hotels Limited. *

Owns and operates Heritage Ayurveda Mahagedera, Holding Company of Kandalama Hotels (Private) Limited and Heritage (Private) Limited

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
N. Ratwatte

Heritage (Private) Limited. *

Owns a land for a proposed hotel project.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Kandalama Hotels (Private) Limited. *

Owns and operates Heritage Kandalama.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Hethersett Hotels Limited. *

Owns and operates Heritage Tea Factory.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Neptune Ayurvedic Village (Private) Limited. *

Leased company owned land & buildings to Aitken Spence Hotels Ltd.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Ahungalla Resorts Limited. *

Owns a land for a proposed hotel project.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Golden Sun Resorts (Private) Limited. *

Owns and operates "The Sands" by Aitken Spence Hotels

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Crest Star Limited.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Crest Star (B.V.I.) Limited.

The holding company and managing agents of Jetan Travel Services Company Private Ltd.

Directors : J.M.S. Brito (Chairman)
S.M. Hapugoda
C.M.S. Jayawickrama

Jetan Travel Services Company Private Limited. *

Owns and operates Adaaran Club Rannalhi - Maldives.

Directors : S. M. Hapugoda (Managing Director)
C. M.S. Jayawickrama
H. Mohamed
M. Mahdy

Cowrie Investments (Private). Limited. *

Owns and operates Adaaran Select Meedhupparu Island Resort - Maldives.

Directors : J.M.S. Brito (Chairman/ Managing Director)
S. M. Hapugoda
C. M.S. Jayawickrama
I.M. Didi
M. Salih

A D S Resorts Private Limited. *

Owns and operates Adaaran Select HudhuRan Fushi – Maldives.

Directors : S.M. Hapugoda (Managing Director)
C. M.S. Jayawickrama
M. Mahdy

Unique Resorts Private Limited. *

Owns and operates Adaaran Prestige Vadoo Resort – Maldives.

Directors: S.M. Hapugoda (Managing Director)
C.M.S. Jayawickrama
M.S. Hassan
T.D.U.D. Peiris

PR Holiday Homes (Private) Limited.

Owns a land in Cochin – India, for a Proposed hotel project.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
K. Khadar
M. Narayanan
K.A.A.C. Perera (Appointed w.e.f. 15-11-2013)
C.L.B. Ekanayake (Resigned w.e.f. 31.10.2013)

Aitken Spence Hotel Services (Private) Limited.

Local Marketing of Indian Hotels in India.

Directors : R.S. Rajaratne
M.P. Wijesekara

Aitken Spence Hotels International (Private) Limited. *

Owns resorts in the Maldives and provides international marketing services to overseas resorts.

Directors : R.E.V. Casie Chetty
S.M. Hapugoda
C.M.S. Jayawickrama
V.M. Gunatilleka (Appointed w.e.f. 01-04-2014)

Aitken Spence Hotel Managements Asia (Private) Limited. *

Manages resorts in India, Maldives and in Oman.

Directors : Deshamanya D. H. S. Jayawardena
Dr. R. M. Fernando
Ms. N. Sivapragasam
G.P.J. Goonawardene

Aitken Spence Hotel Managements South India (Private) Limited.

Manages resorts in India.

Directors : J.M.S. Brito (Appointed w.e.f. 23-08-2013)
S.M. Hapugoda
C.M.S. Jayawickrama
K.A.A.C. Perera (Appointed w.e.f. 17-10-2013)
C.L.B. Ekanayake (Resigned w.e.f. 31.10.2013)

Aitken Spence Resorts (Private) Limited. *

New hotel project currently under construction.

Directors : S. M. Hapugoda
C. M. S. Jayawickrama
R.E.V. Casie Chetty

Nilaveli Holidays (Private) Limited

To operate a future hotel project.

Directors : S. M. Hapugoda
C. M. S. Jayawickrama
R. E. V. Casie Chetty

Nilaveli Resorts (Private) Limited

To operate a future hotel project.

Directors : S. M. Hapugoda
C. M. S. Jayawickrama
R. E. V. Casie Chetty

M. P. S. Hotels (Private) Limited. *

Owns and operates Hotel Hilltop.

Directors : S. M. Hapugoda
C. M. S. Jayawickrama
R. E. V. Casie Chetty

The Galle Heritage (Private) Limited

Incorporated on 03-04-2013

To operate a future hotel project

Directors : S. M. Hapugoda (Appointed w.e.f. 01-04-2013)
C. M. S. Jayawickrama (Appointed w.e.f. 01-04-2013)
R. E. V. Casie Chetty (Appointed w.e.f. 01-04-2013)

Associate Companies**Browns Beach Hotels PLC. ***

Holding company of Negombo Beach Resorts (Private) Limited..

Negombo Beach Resorts (Private) Limited. *

Owns and operates Heritage Negombo (under construction)

* The companies' financial statements are audited by M/S KPMG. Chartered Accountants

THE GRI INDEX

The Global Reporting Initiative (GRI) G4 content Index

This report contains Standard Disclosures from the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines and is aligned with the GRI G4 Guidelines.

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Aspect: Compliance			
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GLOSSARY OF FINANCIAL TERMS

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

ACCRUAL BASIS

Recording revenue & expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

AMORTISATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

ASSET HELD FOR SALE

The carrying amount of the asset value which will be recovered through a sale transaction rather than through continuing use.

AVERAGE WEIGHTED PRIME LENDING RATE (AWPLR)

Reflects rates applicable on loans and advances granted by commercial banks to their most creditworthy customers.

CAPITAL EMPLOYED

Total shareholders' funds plus debt and minority interest.

CAPITAL EXPENDITURE

The total additions to property, plant & equipment.

CAPITAL RESERVES

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

CASH EQUIVALENTS

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

CONTINGENT LIABILITIES

A condition or situation at the Balance Sheet date of which the financial effect will be determined only on the occurrence, or non-occurrence of one or more uncertain future events.

CURRENT RATIO

Current assets divided by current liabilities. A measure of short term liquidity.

DEBT/EQUITY RATIO

Ratio between interest bearing borrowing and shareholder's equity.

DEFERRED INCOME TAX

The net tax effect on items which have been included in the Income Statement, which would only qualify for inclusion on a tax return at a future date.

DIVIDEND PAY OUT RATIO

The percentage of earnings paid to shareholders in dividends.

DIVIDEND YIELD RATIO

The yield a company pays out to its shareholders in the form of dividends.

(Ordinary dividend per share divided by market value per share)

EARNINGS PER SHARE (EPS)

Profit attributable to Equity Holders of the Company divided by weighted average number of ordinary shares in issue.

EBIT

Earnings before interest and tax.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

EFFECTIVE RATE OF TAXATION

Income tax over profit before tax.

EPS GROWTH

Percentage of increase in the EPS over the previous year.

EQUITY

Total shareholders' funds.

GEARING

Borrowings to capital employed.

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.

GLOSSARY OF FINANCIAL TERMS

IMPAIRMENT

This occurs when recoverable amount of an asset is less than its carrying amount.

INTEREST COVER

This indicates the ability of an entity to cover long-term and short-term interest expenses with EBIT.

(Profit before Interest & 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 as at the reported date.

MARKET VALUE PER SHARE

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

NON-CONTROLLING INTEREST

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

NET ASSETS PER SHARE

Shareholders' funds divided by the number of ordinary shares in issue as at the end of the year.

PRICE EARNINGS RATIO (PER)

Market price per share divided by the earnings per share.

PRICE TO BOOK VALUE RATIO (PBV)

Market price per share divided by net assets per share.

RELATED PARTIES

Parties who could control or significantly influence the financial and operating policies of the business.

RETURN ON CAPITAL EMPLOYED

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

RETURN ON EQUITY

Profit attributable to shareholders as a percentage of average share holders funds.

RETURN ON SHAREHOLDER'S FUNDS.

Attributable profits divided by average Shareholders' funds.

RIGHT ISSUE

The raising of new capital by granting existing shareholders the right to subscribe to new shares in proportion to their current holdings. These shares are normally issued at a discount on their market price.

SEGMENTAL ANALYSIS

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

SHAREHOLDER'S FUNDS

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

VALUE ADDED

The wealth created by the operation of the company. The value is distributed among the stakeholders and the balance retained within the business.

NOTICE OF MEETING

Notice is hereby given that the Thirty Seventh Annual General Meeting of Aitken Spence Hotel Holdings PLC will be held at the Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7, at 10.30 a.m. on Monday, June 30, 2014, for the following purposes :-

- To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company and the Report of the Auditors' thereon for the year ended 31st March 2014.
- To declare a dividend as recommended by the Directors.
- To re-elect Mr. R. E. V. Casie Chetty who retires in terms of Article 83 of the Articles of Association, as a Director.
- To re-elect Mr. S .M. Hapugoda who retires in terms of Article 83 of the Articles of Association, as a Director.
- To re-elect Mr. D. H. S. Jayawardena who is over the age of 70 years, as a Director by passing the following resolution.

"That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. D H S Jayawardena who has attained the age of 71 years and that he be re-elected a Director of the Company."

- To re-elect Mr. R. N. Asirwatham who is over the age of 70 years, as a Director by passing the following resolution.

"That the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. R N Asirwatham who has attained the age of 71 years and that he be re-elected a Director of the Company."

- To authorise the Directors to determine contributions to charities.

- To re-appoint the retiring Auditors, Messrs. KPMG, Chartered Accountants 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



R. E. V. Casie Chetty
Director

AITKEN SPENCE CORPORATE FINANCE (PRIVATE) LIMITED
SECRETARIES

27th May, 2014

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak 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. 315, Vauxhall Street, Colombo 2, not less than forty eight hours before the time fixed for the meeting.
3. It is proposed to post the dividend warrants on 09th July 2014 provided the 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 01st July 2014.

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 Prasanna Jayasundera Goonewardena of Colombo	(whom failing)
Rajanayagam Nalliah Asirwatham of Colombo	(whom failing)
Charles Humbert Gomez of Gibraltar	(whom failing)
Niranjan Joseph de Silva Deva Aditya of United Kingdom	

as my/our Proxy to represent me/us, to speak and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 30th day of June 2014, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this..... day of Two Thousand Fourteen

.....
Signature

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

FORM OF PROXY

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.315 Vauxhall Street, Colombo 2 by 10.30 a.m. on June 28, 2014 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. 315, 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

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

Stock Exchange Listing

The ordinary shares of the company are listed with the Colombo Stock Exchange of Sri Lanka.

Company Registration Number

PQ 97

Accounting Year End

31st March

Registered Office

NO. 315, Vauxhall Street Colombo 2, Sri Lanka

Tel : +94 11 2308308

Fax : +94 11 2446838

Directors

D. H. S. Jayawardena - *Chairman*

J. M. S. Brito, LLB, FCA, MBA - *Managing Director*

R. E. V. Casie Chetty, FCA, FCMA, M.C.M.I., J.Dip, MA

S. M. Hapugoda, CIM (UK)

C. M. S. Jayawickrama, FCMA

G. P. J. Goonewardena

R. N. Asirwatham, FCA

N. J. de Silva Deva Aditya

C. H. Gomez

Group Audit Committee

R. N. Asirwatham - *Chairman*

G.C. Wickremasinghe

C. H. Gomez

N. J. de Silva Deva Aditya

Group Remuneration Committee

G.C. Wickremasinghe - *Chairman*

V. M. Fernando

R. N. Asirwatham

Group Nomination Committee

G.C. Wickremasinghe - *Chairman*

D. H. S. Jayawardena

J. M. S. Brito

V. M. Fernando

R. N. Asirwatham

Secretaries

Aitken Spence Corporate Finance (Private) Limited.

Secretaries

NO. 315, Vauxhall Street Colombo 2, Sri Lanka.

Auditors

Messrs. KPMG

Chartered Accountants

32A, Sir Mohamad Macan Markar Mawatha,

P.O Box 186, Colombo 3.

Bankers

Bank of Ceylon

Citibank N A

Commercial Bank PLC

Deutsche Bank

DFCC Bank

Hatton National Bank PLC

Hongkong and Shanghai Banking Corporation

ICICI Bank

Nations Trust Bank

People's Bank

Standard Chartered Bank

Holding Company

Aitken Spence PLC

Website

www.aitkenspencehotels.com



Contact Point For Further Information

Aitken Spence Corporate Finance (Private) Limited.,

Secretaries

NO. 315, Vauxhall Street Colombo 2, Sri Lanka.

Tel : (94 11) 2308308

Fax : (94 11) 2308099

(94 11) 2445406

E-mail : comsec@aitkenspence.lk

Aitken Spence  *Hotels*