

Setting Standards

Aitken Spence Hotel Holdings PLC
Annual Report 2011/12



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Setting Standards

Aitken Spence Hotels have long been recognised for setting the 'green' standard in sustainability initiatives and activities in the local hospitality industry. Multiple awards both locally and internationally have proved our leadership while our flagship hotel Heritance Kandalama remains a model of such sustainable processes in action.

Today sustainability is a key factor in the hospitality industry; no longer a choice but an imperative.

Aitken Spence Hotels set these initiatives in place many years ago and this has led to our wide experience and understanding of the issues concerned. It is also the reason why our people now passionately own and drive the green philosophy that has made us who we are.

Aitken Spence Hotels.

We are setting standards.

Sustainability:

because responsibility
is inherent in successful
business operations.

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 and as such, 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.

An aerial photograph of a tropical resort. In the foreground, there are several buildings with traditional thatched roofs, likely part of a hotel or spa. A long, curved wooden walkway or bridge extends from the buildings towards a sandy beach. The background is filled with dense tropical vegetation, including many palm trees. The overall scene is serene and picturesque, typical of a high-end resort in a tropical location.

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.

The company is on track to achieve all the sustainability targets it has set for 2015. More information regarding progress towards these targets and other achievements in 2011/12 can be found in the chapter on sustainability from page 58.

India



ADAARAN SELECT MEEDHUPPARU

Beachside luxury

A multiple award winning, star class resort in the Maldives, Adaaran Select Meedhupparu offers world class cuisine, discreet service and luxury accommodation set in the stunning beach landscapes of the Maldivian islands.

2



ADAARAN PRESTIGE VADOO

Adaaran hospitality

Awarded as the World's Leading Water Villa retreat at the World Travel Awards in 2010, Adaaran Prestige Vadoo is one of our finest Maldivian resort getaways. Guests are charmed by our signature Adaaran hospitality, offered together with international standards of service, cuisine and luxury accommodation.

1

Maldives

Meedhupparu 2

Vadoo 1



Male

3 HudhuRan Fushi

4 Club Rannalhi

Sri Lanka

1 Heritance Kandalama

Hotel Hilltop 6 8 Earl's Regency

3 Heritance Tea Factory

9 Bandarawela Hotel

Browns Beach Hotel 7

Colombo

The Sands 5

Heritance Ayurveda
Maha Gedara 4

Heritance Ahungalla 2

1

HERITANCE KANDALAMA

Heritance Kandalama wins at the National Green Awards

Heritance Kandalama, now recognised as the greenest hotel in Sri Lanka and one of the greenest in the world, was awarded the Gold Award in the Large Scale Hotel category of the National Green Awards 2011. This prestigious award was one of four Gold Awards contested by three hundred applicants.



3

HERITANCE TEA FACTORY

Heritance Tea Factory becomes the only Sri Lankan hotel to win the PATA Grand Award 2012

The Pacific Asia Travel Association (PATA) Grand Awards are presented to outstanding entries in four principal categories: marketing; education and training; environment; and heritage and culture. This year, Heritance Tea Factory won the Grand Award in the Heritage and Culture Category contested by three hundred applicants.



Complete portfolio of properties is disclosed under "Our Brands" on page 38.



Chairman's Review

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"I believe that we need to constantly view our industry as an agent of change for humanity but most of all, become champions of the world's natural and heritage assets. At Aitken Spence Hotels we believe in the power of responsible tourism and take our role in making a difference for future generations seriously."

Profit to Equity Holders

Rs. 1.40_{Bn}

EPS Growth

35% ↑

International tourism buoyant

Despite the varied challenges posed to the global economy in 2011/12, international tourism continued to show resilience. However, the cumulation of challenges ranging from the global economic crisis, political change and unrest in the Middle East as well as a spate of natural disasters and freak weather patterns served to slow the pace. As a result in 2011, international tourism only grew at just over 4% to 980 million arrivals as against 6.7% in 2010. As we look to 2012, this deceleration in the pace of growth is expected to persist and UNWTO forecasts tourism arrivals to rise at a rate between 3-4%, inching towards the historic one billion tourism arrivals mark.

Sri Lanka consolidates growth momentum

Sri Lanka in 2011 and first quarter of 2012, held the growth momentum that has characterised its tourism industry in the three years post conflict. Strong growth in 2011 enabled the industry to reach forecasted arrivals figures, almost a month ahead of schedule and by the end of December 2011, tourist arrivals reached a record 855,975 for the year, surpassing the previous record of 654,476 in 2010, a rise of 30.8%. This encouraging trend continues to persist as is evidenced from statistics for January to March 2012, when tourist arrivals climbed 21.1% to 260,525 over the same period a year earlier. Encouragingly for Sri Lanka's tourism industry stakeholders, the industry has matured into an open-playing field consequent to nearly three decades of conflict, with opportunity for continued growth.

Tourism remained key to Sri Lanka's overall economic health during 2011. As the nation's fifth largest foreign exchange earner, the industry infused a record US\$ 830.3 million to Sri Lanka's US\$ 59 billion economy in 2011, a rise of 44.2% in earnings. In light of this positive performance and hopeful outlook for Sri Lanka's tourism and hospitality industry, I as the Chairman of your Company, take great pleasure in presenting the Annual Report and Audited Financial Statements for the year 2011/12.

With growth must come preservation

In the perspective of tourism and its importance to the global economy, UNWTO Secretary-General, Taleb Rifai, has continually expounded on the value of tourism to the global economy. With respect to 2011's international tourism performance, he credits the sector for being directly responsible for 5% of the world's GDP, 6% of total exports and for employing one out of every 12 people in advanced and emerging economies. As tourism stakeholders, I believe that we need to constantly view our industry as an agent of change for humanity but most of all, become champions of the world's natural and heritage assets. At Aitken Spence Hotels we believe in the power of responsible tourism and take our role in making a difference for future generations seriously. I am not wrong when I say that at Aitken Spence Hotels our purpose of being is much more than mere commerce, we have and continue to use our business model for greater good.

Our legacy as a proponent of responsible tourism spans a few decades. We chose the untrodden path of sustainable tourism long before it gained global popularity. As we sowed the seeds of our business in the early years, we made the commitment and went the extra mile to ensure that we did not destruct natural resources in our attempt to construct a commercial dream. Our properties, especially our mainstay property in Sri Lanka. Heritance Kandalama, is a globally accepted case study on sustainable tourism and business practice. It was one of the first hotels in Asia to receive the Green Globe certification and the very first hotel property in the world to procure the prestigious Leadership in Energy and Environmental Design (LEED) certification in 2001. Most importantly, Heritance Kandalama has proved to the world that even large resorts can be sustainable, over-riding the perception that to be truly sustainable a pre-requisite is to remain small. Our spirit in pursuing an operational platform that is truly sustainable has been once again demonstrated in 2011/12. Our shareholders will be pleased to know that during this financial year Heritance Ahungalla was accredited as compliant to ISO 50001 for Energy Management and remains the first resort in the world to secure this certification.

As our shareholders might recall, in the previous financial year we furthered our commitment to sustainability stewardship through the calculation of the Group's carbon footprint. Perhaps the defining character of Aitken Spence Hotels is that every person across the organisation has the passion to realise triple bottom line objectives.

Long recognised for setting the 'green' standard in sustainable tourism in Sri Lanka, we continue to set the standard for the industry both here and abroad. I am especially proud of how passionately our people own and drive the green philosophy that has made us who we are. As Sri Lanka's tourism matures, I sincerely hope that we can continue to inspire others to act responsibly to protect what we offer to tourists and travellers – a land of heritage and untouched beauty.

Consolidation of operations

Sri Lanka remains the foundation for our strategy for growth. We foresee great potential for the destination and will continue to invest into our product portfolio going forward. We have seen encouraging returns from our initiatives over the past years to upgrade our properties and develop our human resources and are confident that in going forward, we can continue to set the standards in the industry. As such, investment and improvement of the existing properties will go hand in hand with new property developments, as and when the opportunity arises.

During the financial year, this ethos for continuous development was sustained. Heritance Ayurveda Mahagedara was opened to great acclaim in July 2011. We have witnessed a growing demand for the resort, with the authenticity of the Sri Lankan traditional ayurvedic lifestyle that is created there, serving to enhance the appeal of the product on offer. At Heritance Kandalama, the construction of a state-of-the-art conference facility is now nearing completion and we project that the augmentation of infrastructure will precipitate the resort's reputation as a MICE destination. In May 2012 we commissioned "The Sands", with a unique all-inclusive concept that will pioneer a "dine around concept" for customers. Our Associate Company, Browns Beach Hotel is undergoing a complete reconstruction which commenced during the year.

Chairman's Review

As a company, we value the diversity of our portfolio of properties. Our operations in the Maldives, India and Oman match exacting standards and follow our business ethic of sustainable tourism. The diversified product portfolio in these markets continues to mitigate the risks associated with single market operations.

Our operations in the Maldives remain focal to our performance and in the year under review, we saw the versatility and stability of the destination despite political uncertainty and conflict. This was strongly reflected in the performance of our portfolio in the atoll nation, which remained a core contributor to the overall performance excellence of the Group during this financial year. Creditably, for our operations in the Maldives 2011/12 was an exemplary year. We remain very optimistic of the future of tourism in the Maldives and will, in going forward, look to further strengthen our presence in this destination.

In moving forward, I must reiterate that at Aitken Spence Hotels, we are committed towards the development of our assets and the utilisation of best in class technology to offer our customers the very best in service standards. Towards this end we have embraced technology driven marketing and management, an initiative that will enable us to optimise operational efficiencies whilst pushing the boundaries of service excellence higher.

Limitations to growth potential

Sri Lanka's latent potential as a tourism destination is very high. Yet, given the nature of a range of factors, our ability to harness this potential remains moderate. A number of key concerns prevail and it is opportune that Sri Lanka's tourism industry in consultative collaboration with the Government of Sri Lanka, endeavours to overcome these challenges.

- Strategic destination marketing: Despite the increase in Sri Lanka's tourism arrivals, tourism earnings have failed to grow proportionately, which signals that Sri Lanka is failing to attract the high yield traveller. This can largely be related to the absence of a strategic destination marketing drive. Sri Lanka must act now to position itself in the eyes of the global traveller, through targeted exposure in a range of global media.
- Capacity expansion: Sri Lanka's tourism product currently falls well short of the required capacity to meet the Government target of 2.5 million tourists by 2016. However, lack of incentives to stimulate capacity expansion continues to be a challenge for hospitality operators. The escalation in the cost of construction adds to the woes of the industry. In the absence of a focused strategy, it is probable that the destination will fall short of capacity requirements and quality accommodation. It seems perceptible then, for the Government of Sri Lanka to encourage capacity expansion by taking a lead role in stimulating construction. As in most tourism destinations, it would be conducive for the Government of Sri Lanka to grant state land for resort development to operators who have the capability and the experience to create resort experiences that are on par with the national tourism vision. In addition, Sri Lanka Tourism Development Authority's One-Stop-Shop must become a centre that is far more focused on facilitation of tourism development, if the Ministry of Tourism expects to realise its vision for 2016.
- Shortfall in human resources: As the tourism industry grows, there will be an acute shortfall in specialist human resources. The lack of skilled personnel will be detrimental to service standards. The issue of human resource must be addressed in haste.
- Accessibility within the destination: In the past financial year, we witnessed Sri Lanka take great strides in terms of improving accessibility within the country. The initiatives taken by the Government of Sri Lanka in this regard must be highly commended. The Southern Expressway, improved internal air accessibility and the upcoming commissioning of a second international airport in Hambantota are welcome changes. Yet from a tourism perspective, certain parts of the country with high tourism potential remain less accessible.

In conclusion

I extend my sincere appreciation to the Board of Directors whose leadership and foresight has steered the Company into another year of profitability. Their dynamism and motivation and their ability to grapple with trials and tribulations with equal enthusiasm have no doubt filtered across the Company to create a culture of forward thinking and dedication.

I thank our management and staff at all levels for their commitment and I thank you, our shareholder for supporting our endeavours at all times. I wish to extend my appreciation to our customers and to the tour operator community, for their unrelenting support and partnership. 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.

As we look to the future, the possibilities are infinite. Let us, through commitment, humility and with responsibility build an age where commerce and sustainability go hand in hand.



D.H.S. Jayawardena

Chairman

25th May, 2012



Managing Director's Review

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"By setting standards in every conceivable area – from service excellence to human resources and sustainable business – we continue to consolidate our position as a global leader in sustainable tourism."

Profit Before Tax

Rs. **2.49** Bn

EBIT Growth

74% ↑

Managing Director's Review

Global challenges define the year

In 2011/12, much like in the past three financial years, we witnessed the global economy constrain and enter new phases of political and economic turmoil. Financial turmoil that prevailed in Europe spread to developing and other high-income countries, which until earlier had remained unaffected. This contagion precipitated the deceleration of global growth as borrowing costs in many parts of the world rose sharply, while stock markets dived and capital flows to developing countries declined. Recession in Europe and emerging economies as well as the BRIC downgraded growth expectations for the year. Unlike in the previous years, emerging economies failed to catalyse global growth and world trade slowed sharply. Additionally, political unrest around the world added to the woes of the global economy. Uprisings in the Middle East and North Africa to the tsunami in Japan and the sovereign debt crisis in the euro zone resulted in volatility in commodity prices, disruptions to supply chains and general uncertainty which impacted businesses across the globe, slowing the recovery in both mature and emerging markets.

Yet despite this persistent economic uncertainty, global tourist arrivals rose by a commendable 4% during the year to 980 million. Despite the economic travails of Europe, the continent attracted 503 million arrivals in 2011, accounting for 28 million of the 41 million additional international arrivals recorded worldwide. Asia and the Pacific (+6%) was up 11 million arrivals in 2011, reaching a total 217 million international tourists. The Americas (+4%) saw an increase of 6 million arrivals, reaching 156 million in total while Africa maintained international arrivals at 50 million. Predictably, the Middle East (-8%) lost an estimated 5 million international tourist arrivals, totalling 55 million. Nevertheless, destinations such as Saudi Arabia, Oman and the United Arab Emirates demonstrated sustained growth.

Despite the global adversities and their inevitable consequences on

Sri Lanka, the destination weathered the storms and continued to attract growing numbers of tourists. By year-end 2011, Sri Lanka posted the highest number of arrivals since its inception as a tourism destination over four decades ago. With growing arrivals, the nation witnessed an enlargement in foreign exchange earnings from tourism during the year, and this well harkens the probable economic benefits that Sri Lanka is yet to accrue from planned and persistent pursuance of high yield tourism. Unfortunately, the destination is still under marketed and therefore attracting low to middle yield targets as opposed to independent travellers. Additionally, in 2011/12, the destination faced growing challenges that will only progress into issues of concern as the industry quickens its pace. Human resources were fairly constrained with supply of specialist resources low. Room capacity remained a challenge and will continue to persist as arrivals enlarge. The rising cost of construction and energy was an additional dampner, and served to dissuade the impetus for capacity development. In effect, in 2011/12 we witnessed the destination's pricing edge towards a higher threshold as market forces drove up prices marginally as demand for lower segments of hotels rose and supply of rooms overall remained fairly constant. While an overall increase in price is good for the industry, note must be taken of the need to heed caution in pricing. It seems inevitable that as a destination, Sri Lanka may soon over price itself and fall short in offering value. To avoid this, an industry-wide effort is required to up the service levels as well as the quality of the properties on offer.

For us at Aitken Spence Hotels, 2011/12 was once again a year of commendable performance. As a global hospitality operator, we were met with a host of global challenges arising primarily from the deflated sentiments across the global economy. In the Maldives, we weathered the storms of political uprisings and change, and continued to operate with great success. In Oman, though relatively unscathed by the Middle East "spring", we remained wary of the contingencies that may occur in the destination and by the end of the financial year posted a remarkable recovery from the downward trend witnessed in the previous financial year. In India, our operations remained somewhat stagnant and our inability to create positive results in the destination may well require us to take some

transformative steps in re-evaluating our business model for the destination. In Sri Lanka, we continued to consolidate our position of leadership and during the financial year, we furthered our role as a trendsetter in setting the standards for the industry. Sri Lanka continues to be the core of our operations and the foundation for our future growth.

Summary of Performance

In 2011/12, your Group's performance was a Profit before Tax of Rs. 2,486 million compared to Rs. 1,395 million reported the previous year. For details of revenue and profit, please refer to the Financial Review on pages 76 to 83 of this report.

Sri Lanka

The destination continued to add value to the Group's operations during the financial year. Indicative growth in revenue and profitability further cemented Sri Lanka as the fulcrum of the Group's operations. In 2011/12 we continued to focus on a strategy of portfolio development in recognition of the latent potential of the destination. This strategy was driven with the aim of developing new properties and renovating existing ones with the intention of offering a "unique experience" to travellers, thus strongly differentiating our offer from that of other tourism products across Sri Lanka. Towards this end, in 2011/12 we embarked on a number of property renovations whilst also conceptualising some ambitious projects that will assist towards firmly consolidating Aitken Spence Hotels as the industry trendsetter. I particularly believe that 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.

Our property in Kalutara stayed closed for renovations during the entirety of the financial year and commenced operations in May 2012 under the name "The Sands by Aitken Spence Hotels". The hotel has been fully refurbished with an additional 10 rooms in phase one and a further 90 rooms are under construction for the second phase to enhance its capacity to a 200 roomed resort. "The Sands" is expected to create a unique experience for holidaymakers as an all-inclusive hotel, enabling visitors to enjoy every facility to the fullest with no restraints.

Its “dine around” concept will be an exceptional experience and is part of the Group’s strategy towards value differentiation.

The Dambulla wing of our iconic property Heritance Kandalama remained closed for renovations for half of the financial year. The resort’s state-of-the-art international conference facility is in the final stages of readiness for use and is being marketed, targeting the specific MICE travel audience. We are hopeful that the resort’s appeal as a MICE destination will enhance its performance in years to come.

In 2011/12, Heritance Ayurveda Mahagedara opened its doors for business and was greeted with exceptional demand. The resort imbibes the rich traditional way of life that characterises authentic Sri Lankan ayurveda and is one of the few resorts dedicated to the preservation of the ayurvedic legacy of the nation. This property, targeting a different segment of the market will spread the risk and is expected to contribute significantly to the profitability of the group.

Heritance Tea Factory performed exceptionally in 2011/12 subsequent to extensive renovations undertaken in the previous financial year. The resort gained global recognition as the coveted winner of a number of awards of excellence (please refer Integrated Management Discussion and Analysis for further details).

Our associate company Browns Beach Hotel in Negombo has broken ground on construction in May 2012 and is expected to be completed for Winter 2013. The resort is positioned as a four-star plus leisure cum business hotel. Hotel Hilltop in Kandy, which was acquired by the Group in the previous financial year, will also undergo renovations during Summer 2012 with a view to positioning the product as a three-star resort.

Heritance Ahungalla once again performed with exception, both commercially as well as from a brand perspective. During the year, the resort was adjudged the “Best Five Star Resort” at the Sri Lanka Tourism Awards and the resort’s culinary team won a haul of 145 medals at the 2011 Culinary Arts competition organised by the Chefs Guild of Sri Lanka. More significantly, Heritance Ahungalla during the year became the world’s first resort to comply and receive accreditation for ISO 50001 for energy management.

The proposed joint venture project with the Six Senses Group in 2011/12 fell behind schedule due to ownership changes to the Six Senses Group.

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

Maldives

Maldives as a tourism destination in 2011/12 remained buoyant despite trepidation in the aftermath of political insecurity. The sector posted healthy returns from its portfolio across the atolls.

The strategy for the year was to assess the operational viability of each of the Group’s properties in the Maldives and to re-align the operational models to garner greater returns in the medium term. Strategic changes carried out in the year 2010/11 to the Group’s portfolio of properties in the destination paid almost immediate dividends and has contributed to an increase in the revenue yield and profitability in the financial year under review. Going forward, we are confident of further capitalising on this operational shift through enhanced financial performance.

Our operations in the destination, have however, not been without challenges. In 2011/12, rising cost structures continued to be of growing concern. Notably, the fuel cost increase and the doubling of the Goods and Services Tax from 3.5% to 6% in January 2012 and introductions of Corporate Tax are a few negativities. Positive impacts during the year were the change of land rent basis and the granting of extension to the lease of the islands upto 50 years in total which we availed, on payment of the due fees. This will be discussed in further detail in the Operational Review in pages 55 and 56.

Oman

Oman demonstrated a promising turnaround in 2011/12 with a perceptible improvement in corporate travel. Performance-wise, the destination posted commendable returns highlighted by improved occupancies over the financial year. As a destination, Oman remains

of high potential and in 2011/12, we witnessed a significant growth in its arrivals unhampered by the brief turmoil within the nation and the protracted disturbances in neighbouring nations.

The promise of Oman as a powerful emerging tourism destination for the Middle Eastern region, positions it with great market potential. In this light, the Group will, apart from concentrating on the existing management contracts will also look at suitable opportunities for expansions.

India

Our operations in India, much like in previous years, delivered only marginal returns. The group is carefully evaluating the options available to improve the performance of the sector.

Harnessing results through strategic IT

At Aitken Spence Hotels we fully believe that our future within the tourism industry lies in our ability to pro-actively and innovatively promote ourselves in new media in direct contact with consumers. As such, the Group operates a dedicated web marketing operation with dedicated resources allocated 24/7 to enhance and engage with target consumers. The Group’s loyalty programme “Diamond Club” continues to add value to the domestic traveller. In pioneering strategic use of IT, in 2011/12 we invested towards a reservations and property management software in the Maldives, which will allow for a more cohesive Group perspective of operations and better facilitate executive decision-making.

Setting Standards in Sustainability

Sustainability is a core belief at Aitken Spence Hotels. As pioneers of sustainable tourism in Sri Lanka we have, and continue to integrate sustainable practices as to how we do business across our portfolio of properties in the Maldives, India, Oman and Sri Lanka. In fact, I am proud to note that the Group is in fact one of the few to implement, an integrated sustainability policy which is by and large a proactive approach, driven internally that embeds sustainability to every conceivable operational process across functions. The Group adopts best practices in environmental and social governance and acts in harmony with

Managing Director's Review

the principles of the United Nations Global Compact and the Millennium Development Goals.

Our belief in sustainable tourism has, I believe, inspired many, both in the industry as well as our customers, suppliers and the community to embrace sustainable practices in their everyday lives. We believe that it is the ultimate achievement, that by leading through example, we are able to reinforce and propagate values that will enrich both our lives today and that of generations in the years ahead.

By setting standards in every conceivable area – from service excellence to human resources and sustainable business – we continue to consolidate our position as a global leader in sustainable tourism.

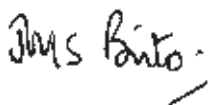
In 2011/12 to complement this sustainability stance, the Group continues to adopt GRI-based Sustainability Reporting in a bid to quantify our efforts towards sustainable business. Please refer to page 58 to 75 of this integrated report to determine how we balance our commercial objectives with sustainable practice.

In Conclusion

Our passion for the people who we consider to be the backbone of this operation and the heart and soul of Aitken Spence Hotels has been a constant. Our dedication to sustainability permeates to every level of the Company's structure and is a principle with which both the Company and each one of its individual hotels use as a guiding light in conducting

business through the formulation of policies that promote this overall sustainability ethos. I must therefore, reiterate our dedication to the well being of the environment, the communities within which we operate, our employees, our shareholders, suppliers and stakeholders. We operate in the best interests of all.

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



J.M.S. Brito
Managing Director

25th May, 2012



Financial Calendar

Events/ Information

	2012
Thirty-Fifth Annual General Meeting	28th June
First and Final Dividend for 2011/2012	10th July
ex Dividend	29th June
Interim Statement for the three months ended 30th June 2012	2nd week of August
Interim Statement for the six months ended 30th September 2012	2nd week of November
	2013
Interim Statement for the nine months ended 31st December 2012	2nd week of February



Sri Lanka

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“The best place in the world from which to view the universe....”

“When the noted writer Sir Arthur C. Clarke made his home in Sri Lanka in 1956, he claimed that the island, the jewel of the Indian Ocean was the best place in the world from which to view the universe....”



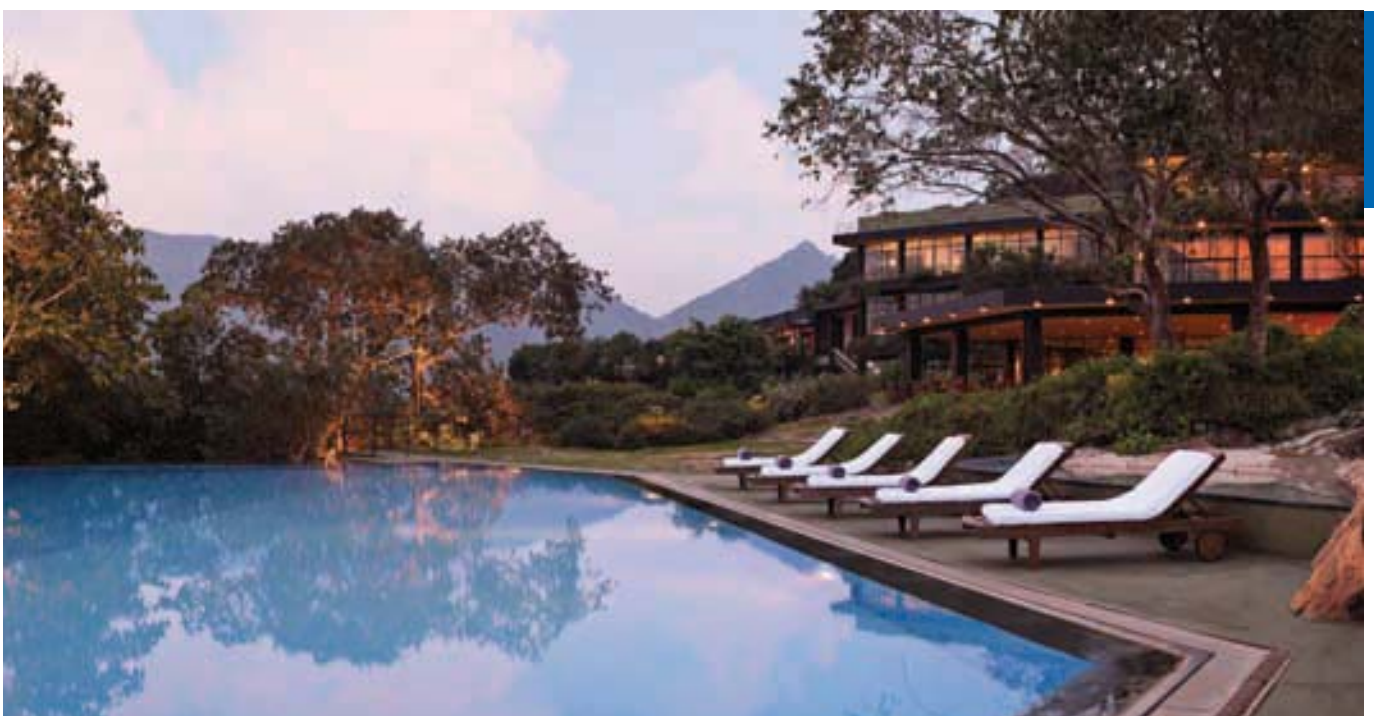
- [Heritage Ahungalla](#)
- [Heritage Kandalama](#)
- [Heritage Tea Factory](#)
- [Heritage Ayurveda Maha Gedara](#)
- [The Sands](#)
- [Hotel Hilltop](#)
- [Browns Beach Hotel](#)
- [Earl's Regency](#)
- [Bandarawela Hotel](#)

To this day, Sri Lanka remains one of the world's most diverse and interesting travel destinations, offering something for everyone however demanding they might be: a universe of stunning landscapes, tranquil blue ocean, a dazzling variety of wildlife, brilliant traditional festivals, startingly good cuisine and the ever present Sri Lankan smile of welcome. All this and much, much more for the adventurous traveller, from Aitken Spence hotels and resorts in Sri Lanka; because from end to end, we know Sri Lanka best.

Offering you nine distinctive properties, our hotels in Sri Lanka are located in different regions around the island, from sprawling beach resorts to misty hill country getaways all located just a step away from the excitement of the enduring mysteries of history in the Cultural Triangle...

Our growing portfolio of properties can now give our guests a myriad of memories to last a lifetime. Each holding an experience unique to its location, our fine hotels and resorts offer quiet sanctuary to the romantic, exciting family vacations or the calming and holistic treatments available at our many in-house spas.

Today Aitken Spence Hotels holds nine outstanding properties in Sri Lanka, including award winning Heritage Hotel properties which have set industry benchmarks both locally and internationally for architecture, cuisine, service and sustainable processes. The latest addition to this line-up was Heritage Ayurveda Mahagedara - specialising in traditional ayurvedic treatments and healing expertise to guests from around the world.





HERITANCE

Kandalama

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Nestled on a rock face, shrouded by vegetation, unassuming and one with nature, Heritance Kandalama lies in perfect harmony with an ancient lake that is almost 2000 years old. A visionary architectural design of the highly acclaimed Geoffrey Bawa, the resort melds completely into the nearly 200 acres of conservational forest that surrounds it, bringing time to a standstill and making one believe that heaven is at its doorstep.



This is indeed a very special hotel...known across the world for its distinctive style, architecture, cuisine and award winning green-friendly processes.

Planned and constructed to overlook the spectacular rock fortress of Sigiriya, Heritance Kandalama sits at the heart of the cultural triangle of Sri Lanka, close to five UNESCO World Heritage Sites. Originally planned to be built next to Sigiriya, the hotel was eventually constructed on a ridge 11km to the southeast, leaving the cultural site of Sigiriya undisturbed. The new location also offers splendid views of Sigiriya rock and the Kandalama lake.

At Kandalama, the environment enters your living experience as well...monkeys climb the balcony pillars as if they were trees, swifts nest in the corners of corridors as if they were cliffs, granite crags erupt into the sinuous white walkways that wind through the hotel.

This is indeed a very special hotel...known across the world for its distinctive style, architecture, cuisine and award winning green-friendly processes. We were the first Green Globe 21 certified hotel in Asia and most recently in June 2011, we won the Gold Award for Built Environment at the prestigious Green Apple Awards 2011.

- The entire hotel is built on a raised platform resting on columns, allowing rain and spring water to flow freely from the mountainside into the Kandalama lake. This design also lets animals move freely underneath the hotel.
- The hotel does not use any water from the Kandalama lake. Instead, we obtain water from deep tube wells drawn in a sustainable manner. In addition, we harvest rainwater from a maze of gutters.
- We also recycle all our waste-water. Our recycling plant is the most sophisticated system of its kind in use by a hotel anywhere in Sri Lanka. An elaborate purification process ensures that the water coming out of the system is pure enough to use for gardening.
- We have enriched the local forest cover through reforestation and conservation, including a conservational forest of over 200 acres. This includes part of the 50 acres of land within the hotel premises and a dedicated forest conservation of 198 acres.





HERITANCE

Ahungalla

>

The magnificence of the Indian Ocean, the sapphire blue waters and the paradisiacal sunsets blend with equal ease as the eye rushes to meet an endless ultramarine expanse. Steeped in history, Heritance Ahungalla lies on the stretch of beach where the great army of King Parakramabahu the 2nd fought and defeated a Kerala invasion and subsequently stationed the army's stables. Legendary Geoffrey Bawa created this, his earliest masterpiece, inspired by a heady fantasy of sea spray and soul-searching.



Just as the turquoise infinity pool seems to blend into the ultramarine Indian Ocean, so our award-winning cuisine fuses the best of east and west.

Heritage Ahungalla is a fine example of how a big five-star beach hotel can also be striking in design and style. Created by world famous Sri Lankan architect, Geoffrey Bawa Heritage Ahungalla is another instance of how the local environment, in this case the seascapes of Ahungalla - can enter and blend into our guests' experience. The visitor's first view is of a group of stately coconut trees reflected in a mirror-like pool, before their gaze slides across the polished floor of the open lobby straight through to the ocean beyond. This is a beach hotel where style and substance mix like a classic cocktail.

Just as the turquoise infinity pool seems to blend into the ultramarine Indian Ocean, so our award-winning cuisine fuses the best of east and west. Guests can choose fine dining in the Upper Room or the sumptuous buffets and theme nights held at the Jute Restaurant.

Heritage Ahungalla is also the perfect luxury base for visitors to take the river safari along the Madu Ganga, to visit the Kosgoda turtle hatchery or take in the culture and history of Galle and Sri Lanka's coastal villages.

The Heritage brand is well known for its special focus on gourmet cuisine, with a tradition of taking the best local ingredients and techniques and combining them with Western influences to produce dishes that look stunning and taste divine. Every Heritage hotel offers different regional specialities devised using local ingredients, to their guests. In 2011, our Heritage cuisine menu won the Gold medal for New Sri Lankan Cuisine in the Culinary Arts 2011 competition organised by the Chef's Guild of Sri Lanka.

Over the years Heritage Ahungalla has won numerous awards for our cuisine, and we have also achieved the Green Globe benchmark for our environmental practices throughout the hotel processes.





HERITANCE

Tea factory

>

The cool mists curve their fingers to stroke your cheek, the chill in the air is reminiscent of the moorlands of England, yet the kiss of sunshine and the lush carpet of tea that stretches to the end of the horizon, begs to differ. Located six degrees from the Equator and 6,800 feet above sea level, Heritance Tea Factory brings the warmth of the cuppa to rejuvenate and restore, its inimitable style infuses the essence of tea to every conceivable experience that is to be had, in this almost dreamlike haven.



Today this unusual tea-themed luxury hotel is an icon of sumptuous up-country living in a beautifully converted and restored tea factory.

Where else in the world can you stay in a converted tea factory, pluck your own tea and take it home with you as a souvenir? At 2km above sea level, the misty views over our lush green organic plantations are truly unforgettable.

Located in the same mountain range that gave the world pure Ceylon tea, Heritance Tea Factory was built in the days of the British Raj. Today this unusual tea-themed luxury hotel is an icon of sumptuous up-country living in a beautifully converted and restored tea factory. The atrium is latticed with steel, colour-coded in green to display the original metalwork and red to show which supports were added during the conversion in 1996. Above, two giant brass-capped wooden fans remind visitors that the bedrooms used to be the withering lofts, where the tea leaves were laid out to allow the moisture to evaporate.

The original engine in the basement that provided the main source of power is turned on for half an hour in the evenings - offering guests the fascinating sight of its workings, including the revolving camel-hair belts. In the Goatfell Lounge the solid scales used for weighing tea made by W&T Avery Ltd of Birmingham, UK remain on display for the curious to view.

The tea-packing room is now the Hethersett Bar while the hotel's superb Kenmare Restaurant was once where the tea was sifted and graded...while the former engine room is now a very modern kitchen. The Tea Factory also offers guests the unusual experience of dining in a 1930's narrow-gauge railway carriage.

Heritance Tea Factory has won 26 awards for its architecture, heritage and environmental policies. Most recently in June 2011, we won the Gold Award for Architectural Heritage at the prestigious Green Apple Awards.





HERITANCE

Ayurveda
Maha Gedara



Scenically located in Beruwala, overlooking the shimmering blue waters of the Indian ocean, Heritance Ayurveda Maha Gedara is one of Sri Lanka's iconic beachfront properties, set on seven acres of lush green tropical gardens. Here guests are offered a world of relaxation and calm ... taking them far from the cares of everyday life through a series of Asian healing traditions with a holistic focus on spiritual, mental and physical harmony.



Holistic healing is the underlying focus at this tranquil getaway. Heritance Ayurveda Mahagedara offers our guests, the best expertise in the ancient arts of ayurvedic healing.



The newest property in our Heritance portfolio, Heritance Ayurveda Mahagedara is, as its name implies, an ayurvedic treatment destination. Yet this is no ordinary healing experience. Ayurveda Mahagedara offers guests a world of relaxation and calm...taking them far from the cares of everyday life and taking them through a series of Asian healing traditions with a holistic focus on spiritual, mental and physical harmony.

This iconic beach-front property is another supreme example of stunning yet austere architecture from the master of minimalism: Geoffery Bawa. The resort is set in a series of tropical gardens peppered with simple white frangipani trees and a profusion of bubbling water features...while the meticulously landscaped lawns line the winding walkways that lead visitors through the hotel. Secluded and luxurious, a limited number of rooms guarantee quiet and privacy with discreet service, lavish accommodation and world-class cuisine ensure that our guest's experience would be all that they sought.

Yet holistic healing is the underlying focus at this tranquil getaway. Heritance Ayurveda Mahagedara offers our guests, the best expertise in the ancient arts of ayurvedic healing. From their initial consultation with our trained physicians to the moment of departure, the resort's staff make sure that every guest gets the personalised, caring and effective treatments they need.

Our programmes include yoga and meditation, massage, herbal baths, medicine and counselling all designed for maximum effectiveness towards detoxification, rejuvenation, weight control and fitness. All herbal medicine is prepared in clinical conditions using rare local ingredients, by trained staff. We also offer treatments derived from related sciences such as Acupuncture, Acupressure, Pranic healing and Tachyon energy healing practices which broaden our services and improve the effectiveness of our treatments overall.





The Sands

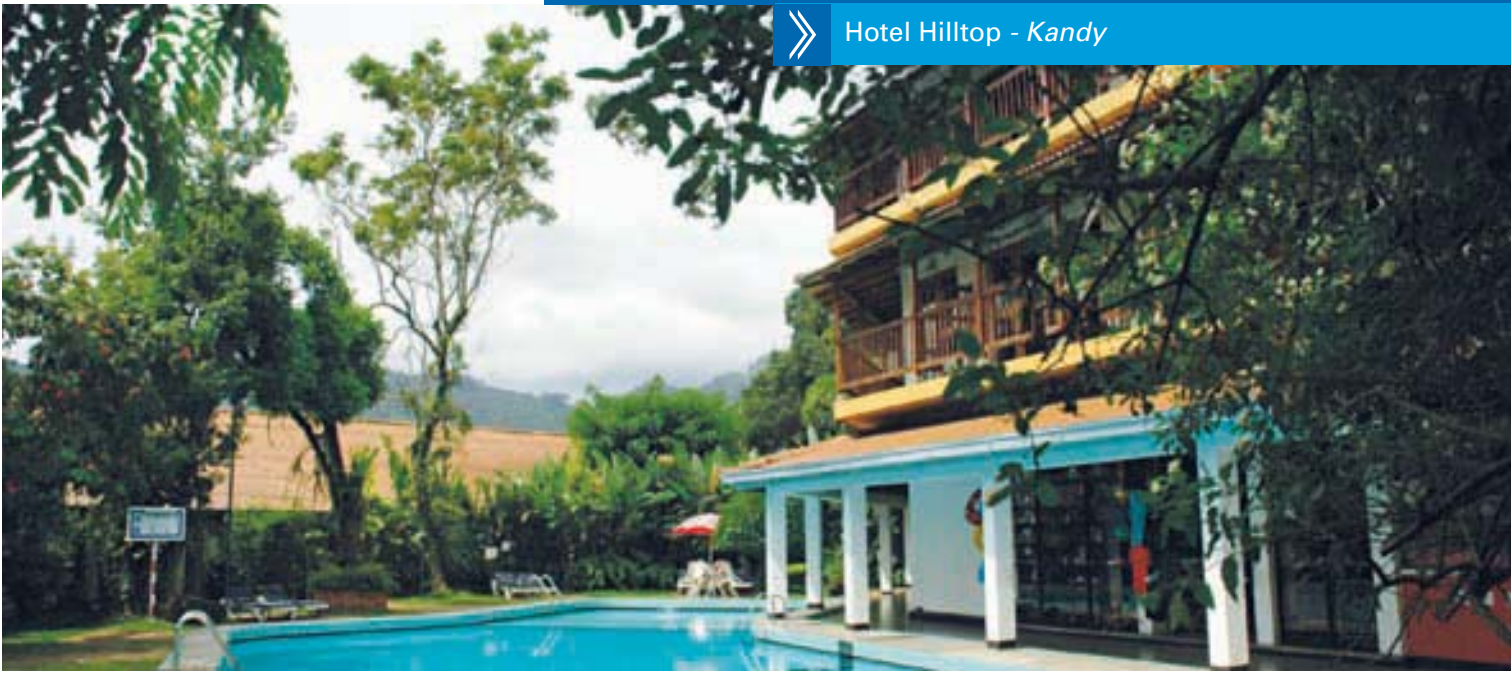
By *Aitken Spence* Hotels



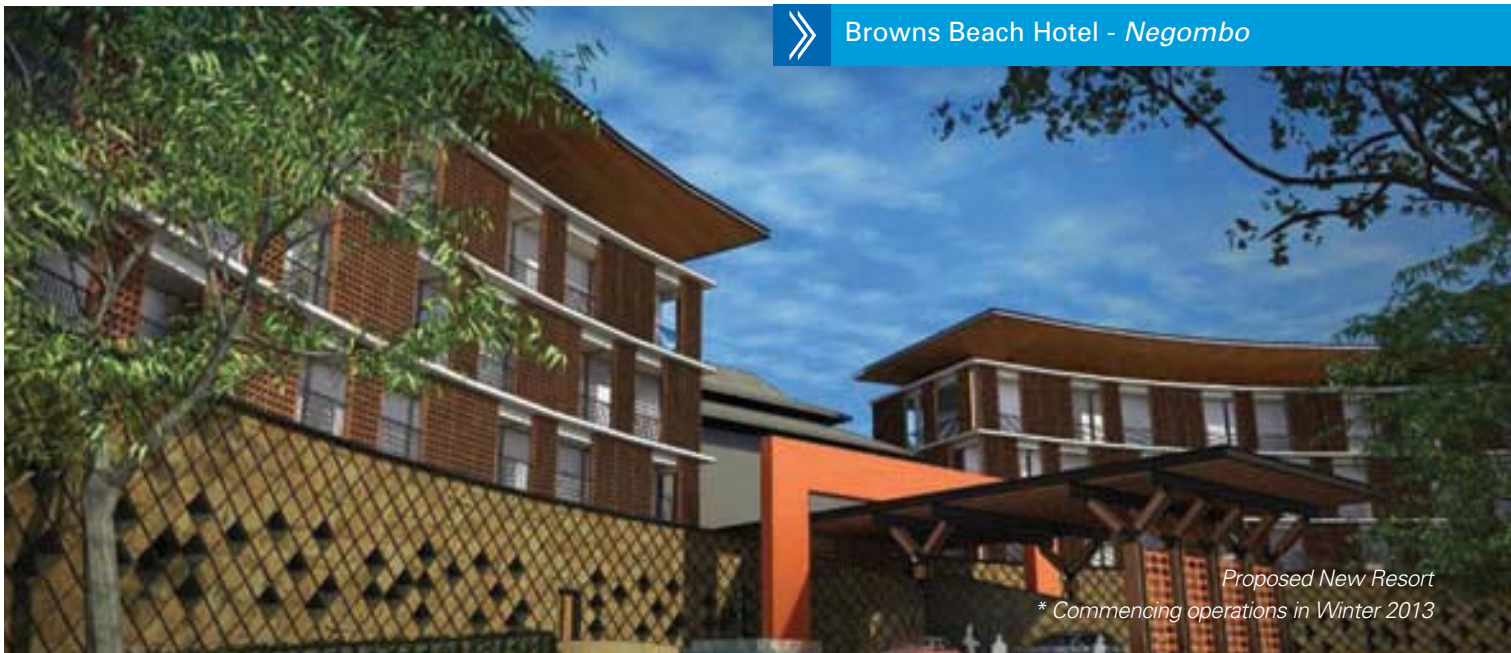
Aquamarine waves lap against the sandy golden shores, inviting you to a blissful holiday by the sea.....A charming resort nestled on the sandy beach of Kalutara, The Sands offers you beautiful garden landscapes. We practice the unique 'dine-around' concept, which gives you the flexibility to enjoy different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



Hotel Hilltop - Kandy



Browns Beach Hotel - Negombo



*Proposed New Resort
* Commencing operations in Winter 2013*



Maldives

>

"Explore. Dream. Discover."

Mark Twain



- [Adaaran Prestige, Vadoo](#)

- [Adaaran Prestige Water Villas, Meedhupparu](#)

- [Adaaran Select, Meedhupparu](#)

- [Adaaran Prestige Ocean Villas, HudhuRan Fushi](#)

- [Adaaran Select, HudhuRan Fushi](#)

- [Adaaran Club Rannalhi](#)

The Maldivian islands are now world famous as the holiday destination of choice for travellers from all around the globe. Offering pristine blue waters, amazing underwater experiences and all the tranquillity of a remote tropical island - the Maldives is a most popular beach destination, guaranteed to revive the spirits of the most jaded traveller in the world.

Aitken Spence Hotels operate four stunning resorts belonging to our Adaaran chain - scattered across some of the most picturesque islands of the Maldives. These unique resorts offer all the legendary warmth and traditional hospitality of the Maldives, combined with sumptuous accommodation and fine dining in beachside settings that few other destinations can match.

The Adaaran properties are located on the islands of Vadoo, Meedhupparu, Rannalhi, and HudhuRan Fushi.

Each resort offers its own unique ambience and style and guests can choose the perfect holiday experience they desire...romantic sunsets and fine dining overlooking the ocean for honeymooners at Adaaran Prestige Vadoo; water sports and underwater adventures at Adaaran Select HudhuRan Fushi; idle days in the sun and relaxation in peaceful seclusion at Adaaran Select Meedhupparu; or the excitement of days spent exploring the splendour of the world beneath the reef at Adaaran Club Rannalhi....plus the soothing experiences for body and soul at every Adaaran spa...we have it all covered.





Adaaran Prestige, *Vadoo*



Adaaran Prestige, Ocean Villas, *HudhuRan Fushi*



Adaaran Prestige, Water Villas, *Meedhupparu*



Aitken Spence Hotels operate four stunning resorts belonging to our Adaaran chain - scattered across some of the most picturesque islands of the Maldives.



Adaaran Select, *HudhuRan Fushi*



Adaaran Club Rannalhi



Adaaran Select, *Meedhupparu*





India

>

“One’s destination is never a place, but a new way of seeing things.”

Henry Miller



- **Poovar Island Resort, Trivandrum**
- **Poovar Ayurveda Village, Trivandrum**
- **Barefoot at Havelock, Andaman Islands**
- **Atithi, Puducherry**
- **Tamara, Coimbatore**

Offering you four distinctive properties ranged across the amazingly diverse regions of India, Aitken Spence hotels can create an Indian holiday experience with memories to last a life time. 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.

India...for the romantic honeymoon couple, the adventurous family getaway or the most luxurious Ayurveda spa experience, India offers it all....

Hotel Atithi

The serene town of Puducherry in South India offers travellers stunning beaches, architecturally significant heritage buildings and the many wonderful shopping experiences that India is famed for. Hotel Atithi is an oasis of tranquillity in Puducherry. Situated in close proximity to the commercial district and several tourist attractions, this lovely four star hotel is an icon of Indian hospitality in the city, offering 60 well-appointed rooms including Standard, Superior and Suites together with all the luxuries of diverse cuisine, fine restaurant, bar, gym and rooftop swimming pool offering panoramic views across the cityscape...

Winner

Certificate of Excellence 2012

Trip Advisor





Poovar Island Resort, *Trivandrum*



Atithi, *Puducherry*



Barefoot at Havelock, *Andaman Islands*



Visualize a world where you are surrounded by sun kissed white sandy beaches, azure crystalline lagoons, mysterious tropical rainforests, dazzling corals, a swimming elephant and spectacular starlit skies. With Aitken Spence this visual transforms into a reality.



Poovar Ayurveda Village,
Trivandrum



Tamara, Coimbatore





Oman



“One can lose oneself here, both physically and philosophically and in a seemingly endless variety of environments...”

Jim Harpster



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

An unusual yet very rewarding choice for the discerning traveller who has seen it all, Oman is a land of deserts, beaches and mountains...vast gravel desert plains, endless salt flats, lagoons, oases and wadis, ancient fortresses and tiny fishing villages ...while the great Hajar Mountains tower over it all, reaching phenomenal elevations of over 10,000 feet.

Travellers to Oman are offered a vast selection of unusual holiday activities: camping in the mountains, sand-skiing in the desert, mountain-climbing, scuba diving, camel racing, turtle-watching, game-fishing, bullfighting, horseback riding, sailing, boating, trekking, desert safaris...and the opportunity to enjoy the annual festivals of traditional folklore and tribal dancing.

Aitken Spence Hotels in Oman are strategically positioned across several cities - Muscat, Sohar, and Sur, offering business travellers and sightseers tasteful accommodation, a fine choice of restaurants, banqueting and conference facilities, sports and recreational activities, themed bars with

live entertainment and a committed team of trained and friendly staff to ensure that you receive prompt service and care.

Desert Nights Camp

Desert Nights Camp is an oasis in the desert; a unique retreat set on the spectacular golden landscape of the Wahiba sands. Guests can enjoy the ultimate pleasures of a luxurious desert adventure that will remain unforgettable for years.

The camp is a two hour drive away from Muscat, the capital city of Oman. It lies sprawled across 10 acres of silken sands, secluded in the vast isolation of the Omani desert. Thirty luxurious Bedouin-style tents are in fact a world of unparalleled luxury and comfort surrounded by the peaks of sand dunes, offering natural protection from the blazing sun of the desert.

Winner

Certificate of Excellence 2012

Trip Advisor

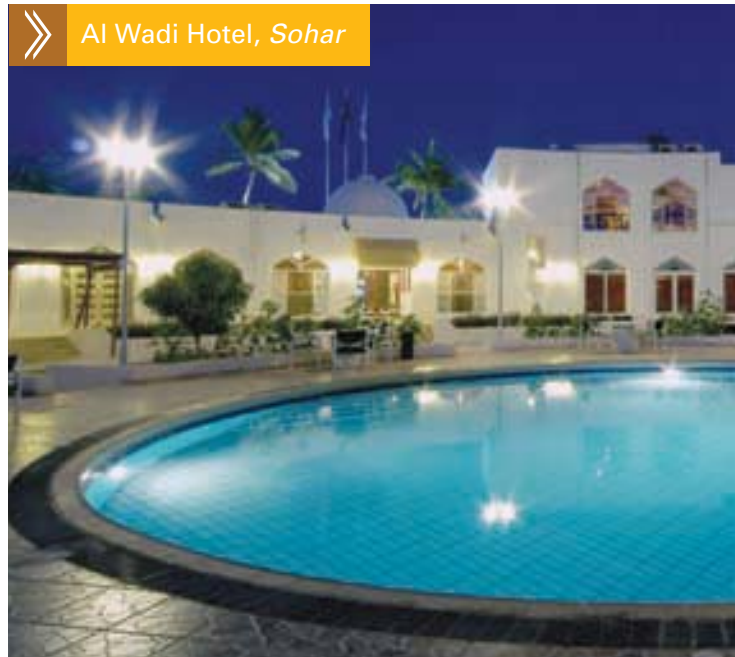




Al Falaj Hotel, Muscat



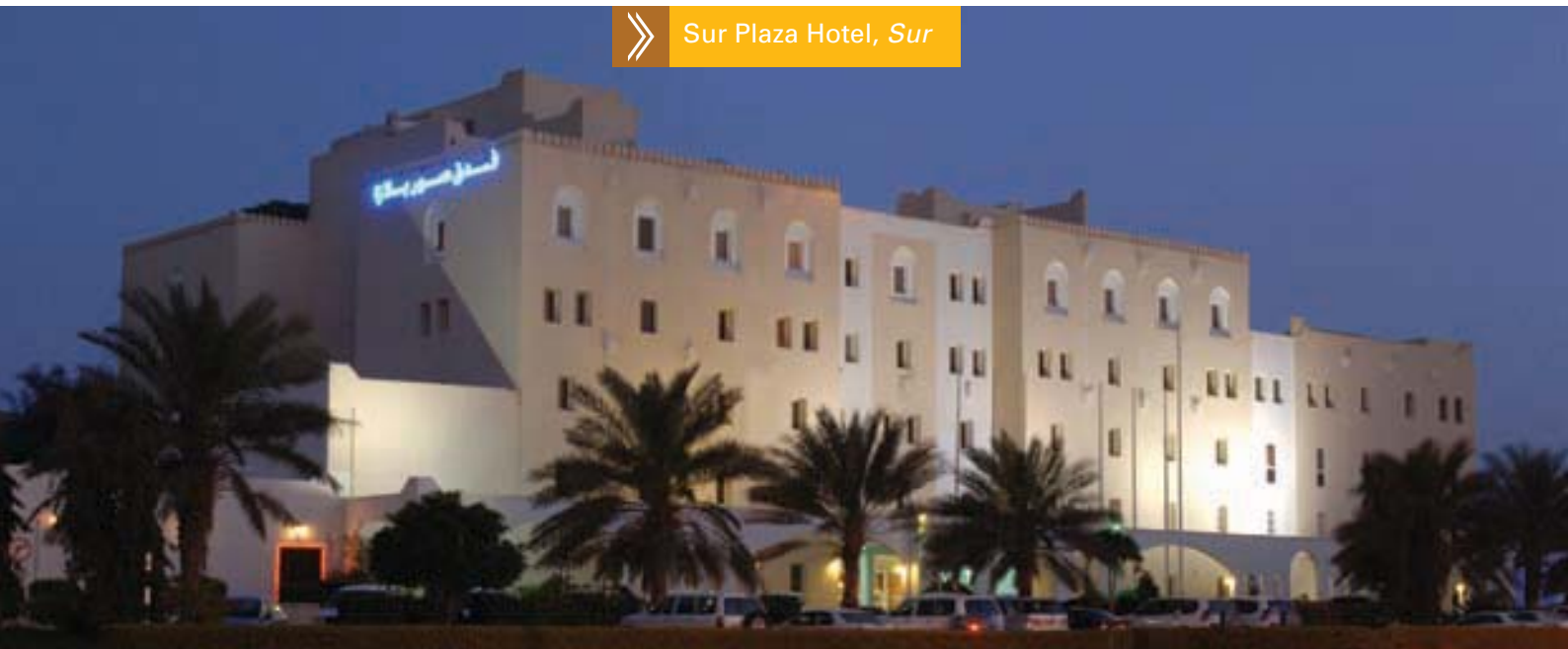
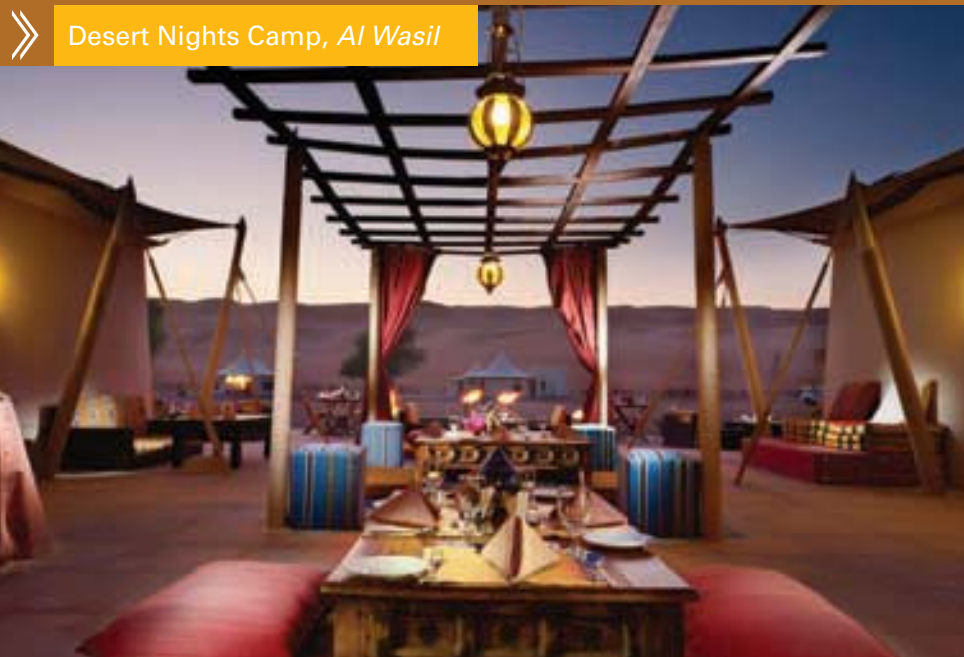
Al Wadi Hotel, Sohar



Ruwi Hotel, Muscat



The promise of Oman as a powerful emerging tourism destination for the Middle Eastern region, positions it with great market potential.



Our Brands

HERITANCE Hotels & Resorts



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".

Heritage Ahungalla
Heritage Tea Factory

Heritage Kandalama
Heritage Ayurveda Maha Gedara

ADAARAN Luxury . Boutique . Wellness Resorts



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.

Adaaran Prestige Vadoo
Adaaran Select Meedhupparu
Adaaran Select, HudhuRan Fushi

Adaaran Prestige Water Villas
Adaaran Prestige Ocean Villas
Adaaran Club Rannalhi

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
Browns Beach Hotel - Negombo
Earl's Regency - Kandy
Bandarawela Hotel - Bandarawela

India

Poovar Island Resort - Trivandrum
Poovar Ayurveda Village - Trivandrum
Barefoot at Havelock - Andaman Islands
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

Diamond Club Welcome to a world of extended privileges



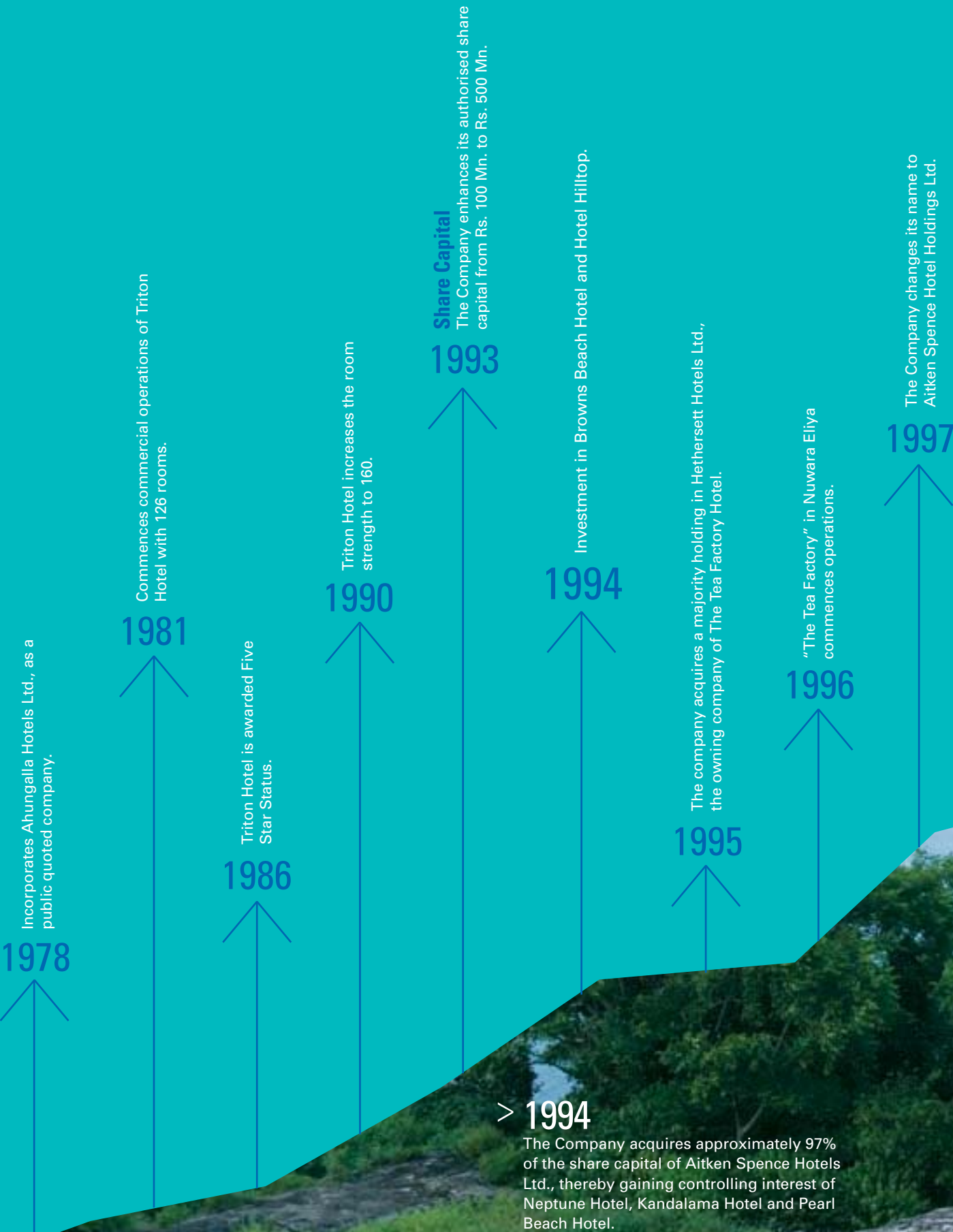
Diamond Club "Welcome to a World of Extended Privileges"

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

Group Portfolio



Milestones



> 1994
The Company acquires approximately 97% of the share capital of Aitken Spence Hotels Ltd., thereby gaining controlling interest of Neptune Hotel, Kandalama Hotel and Pearl Beach Hotel.

2000
The third hotel in Maldives, the 215-room Meedhupparu Island Resort is launched in June 2000.

2005
Twenty all-suite super luxury Water Villas are constructed and launched at Meedhupparu, Maldives.

2006
The Company's new "Heritage" brand is launched.

2007
The Company ventures into India and is successful in securing management contracts for four resorts.

2008
The Company made further investments in Maldives through the acquisition of Vadoo Island Resort.
The Company ventures into Oman by securing Management contracts for four hotels.

2009
Adaaran Prestige Vadoo, the latest addition to the Adaaran Resorts commences operations.
Secured a management contract for a luxury Desert Camp in Oman.

2010
The Company acquires ownership of Golden Sun Resorts, Kalutara.

2011
Heritage Kandalama, was rated as the Best 5-Star Resort in the island for the third consecutive year and was welcomed to the prestigious Hall of Fame, at the Presidential Awards for Travel and Tourism.

> 2007

Completes renovations and unveils Heritage Ahungalla.

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

> 2010

The Tea Factory Hotel is rebranded as "Heritage Tea Factory" after completion of the refurbishment.

2012

The first Aitken Spence Hotel, Neptune undergoes a complete renovation and opens as a specialised ayurvedic resort - Heritage Ayurveda Maha Gedara.

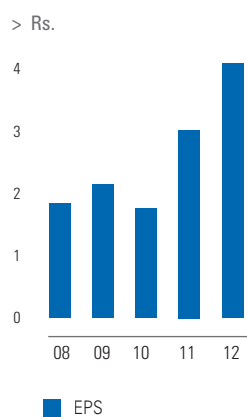
Ramada Resort Kalutara, is refurbished and rebranded as "The Sands by Aitken Spence Hotels".

The Company acquires total ownership of Hotel Hilltop, Kandy.

Five years at a Glance

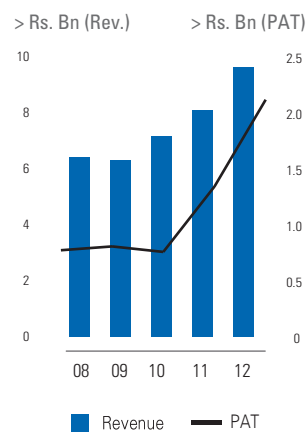
> Earnings per Share

35% increase in EPS



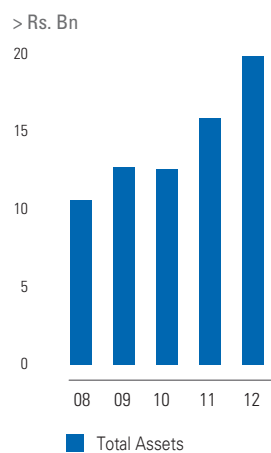
> Revenue and Profit After Tax

57% increase in PAT



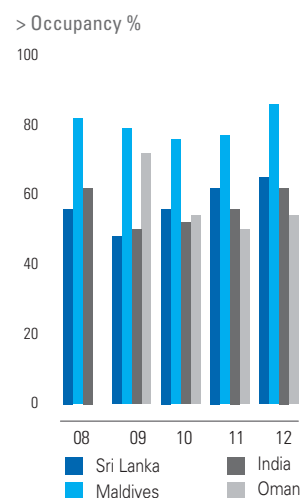
> Total Assets

Total Assets of Rs. 19.8 Bn



> Avg. Occupancy Growth

10% growth in Occupancy



Gross Revenue

Rs. **9.61** Bn

Profit After Tax

Rs. **2.13** Bn

Group Financial Highlights

Performance for the year ended 31st March	2012	2011
Gross Revenue - Rs. '000	9,614,828	8,059,152
Group Profit Before Tax - Rs. '000	2,485,722	1,394,853
Group Profit After Tax - Rs. '000	2,131,972	1,357,611
Group Profit Attributable to Equity Holders of Parent - Rs. '000	1,395,292	1,034,073
Ordinary Dividend Proposed - Rs. '000	235,403	168,145
Dividend per Share - Rs.	0.70	0.50
Earnings per Share (EPS) - Rs.	4.10	3.03
EPS Growth - %	35.31	71.19
Cost of Finance - Rs. '000	195,794	229,035
Increase/(Decrease) in Cost of Finance - %	(14.51)	(39.39)
Interest Cover - Number of Times	13.45	7.08
Return on Equity - %	13.85	14.58
Position as at the Year ended 31st March		
Total Assets - Rs. '000	19,855,428	15,834,810
Long term interest bearing borrowings - Rs. '000	2,615,308	2,832,565
Total Equity - Rs. '000	13,537,745	10,699,500
Number of shares in issue - Number	336,290,010	336,290,010
Net Assets per Share - Rs.	32.64	26.62
Debt/Equity - %	20.79	28.45
Debt/Total Assets - %	14.00	18.93
Current Ratio	1.36:1	1.98:1
Quick Asset Ratio	0.75:1	1.91:1
Market/Shareholder Information as at year ended 31st March		
Market Price per Share - Rs.	70	98
Market Capitalisation - Rs. '000	23,540,301	32,956,421
Price Earnings Ratio - Number of Times	17.07	32.34
Dividend Payout - %	17.07	16.50
Dividend Yield - %	1.00	0.51
Value Added for the year ended 31st March		
To Government - Rs. '000	776,045	390,330
To Employees - Rs. '000	1,331,432	1,176,668
To Providers of Capital - Rs. '000	932,474	552,573
To Shareholders - Rs. '000	235,403	168,145
Retained for reinvestment and future growth - Rs. '000	1,610,775	1,626,189
Total Value Added - Rs. '000	4,886,129	3,913,905

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 the exports and import trade, and Lanka Milk Foods (CWE) PLC. He is also the Chairman of the Distilleries Company of Sri Lanka PLC, and Lanka Bell (Pvt) Ltd. He is a former Director of Hatton National Bank, the largest listed bank in Sri Lanka.

Mr. Jayawardena was the former Chairman of Ceylon Petroleum Corporation, Air Lanka and Sri Lankan Airlines.

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

Mr. J.M.S. Brito

Mr. 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 25 years of international experience working with a number of international organisations. Presently Mr. Brito is the Deputy Chairman and Managing Director of Aitken Spence PLC, the Chairman of DFCC Bank, DFCC Vardhana Bank and The Employers' Federation of Ceylon. He is a former Chairman of Sri Lankan Airlines, and a former Director of the Sri Lanka Insurance Corporation.

Mr. S.M. Hapugoda

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

He is a Fellow of the Chartered Institute of Management, UK. He is a graduate of the Sri Lanka Institute of Tourism & Hotel Management (SLITHM) and is a fellow and founder President of the Ceylon Hotel School Graduates' Association. He holds a diploma in hospitality, restaurant and institutional administration from the Rayerson Institute of Technology, Toronto, Canada.

Mr. C.M.S. Jayawickrama

Mr. Susith Jayawickrama, an Associate member of the Chartered Institute of Management Accountants UK, is the Deputy Head of the Hotel Sector and the Deputy

Managing Director of Aitken Spence Hotel Managements (Pvt) Ltd., the Company managing all the Group Hotels. He serves on the Boards of 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 a member of the Tourist Hotels' Association of Sri Lanka (THASL) Executive Committee and the Treasurer of THASL.

Mr. G.P.J. Goonewardene

Mr. Gemunu Goonewardene is the 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 recruitments.

He is a Graduate of the Ceylon Hotel school and has completed 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 a Honorary Consultant for the Hospitality, Tourism and Events Management faculty of Uva Wellassa University, Sri Lanka.

Mr. Goonewardene was also a member of the Classification Committee which drafted the new Tourist Hotel Classification Criteria/ Guideline Standards for Villas, Boutique Hotels & Spas.

He was the President of the Gold Medal winning team (Heritage Hotels & Resorts) of the Culinary World Cup 2010 held in Luxembourg.

He has extensive exposure, having worked in U.S.A., Europe and Australia and counts more than three and a half decades of valuable experience in the industry.

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 post qualifying experience. During this period he has held very senior and responsible positions in extremely respectable private sector organisations. He has been actively involved in numerous committees of Professional Institutes and Chambers of Commerce. He served as a Member of the Advisory Commission constituted under the Companies Act No. 17 of 1982. He was a former Chairman of the Sri Lanka Apparel Exporters Association.

Mr. N.J. de Silva Deva Aditya

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

He was the first Asian to be elected as a Conservative Member of the 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 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 “Viswa Kirthi 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.

Mr. C.H. Gomez

Mr. Charles Gomez is an Investment Banker with over 20 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 also serves on Boards of foreign investment companies. Mr. Gomez was appointed to the Board of Aitken Spence Hotel Holdings PLC, on 1st July 2010.

Mr. R.N. Asirwatham

Mr. Rajan Asirwatham was the Senior Partner and Country Head of KPMG Ford, Rhodes, Thornton & Company 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, Brown & Company PLC, Royal Ceramics PLC, Dial Tex Industries Private Limited, Renuka Hotels Private Limited, CIC Holdings PLC, Rajawella Holdings Private Limited, Mercantile Merchant Bank and Yaal Hotels Private Limited.



Corporate Management Team

Mr. J.M.S. Brito

(Profile on page 44)

Mr. S.M. Hapugoda

(Profile on page 44)

Mr. C.M.S. Jayawickrama

(Profile on page 44)

Mr. G.P.J. Goonewardene

(Profile on page 44)

Mr. Rohitha Rajaratne

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

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

He has obtained a Postgraduate Marine Engineering qualification from Germany and holds a MBA from the University of Colombo. He is a fellow Member of the Institute of Engineers - Sri Lanka and is presently reading for Masters in Sustainable Engineering conducted by the University of KTH Sweden.

Mr. 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 18 years working in Sri Lanka and overseas.

Mr. Hussain Jayah

Mr. Hussain Jayah is the Head of Marketing and Sales at Aitken Spence Hotels. He comes with a wealth of experience, and counts over 30 years in the Travel, Hospitality and Aviation industries. In the hospitality arena, he has been with international hotel chains, such as The Colombo Hilton, and thereafter headed the Marketing and Sales Department of the Taj Group of Hotels in Sri Lanka.

Prior to joining Aitken Spence he held managerial positions at Sri Lankan Airlines in the Promotions, Public Relations, Commercial

Departments and was also posted in Saudi Arabia, Oman and Thailand as Country Manager. He represented Sri Lankan Airlines in the Tourism Master plan Committee of Sri Lanka and currently serves in the committee of the PATA Sri Lankan Chapter.

Mr. B.H.R. Sariffo'deen

Mr. Ramzan Sariffo'deen is the Assistant Vice President - Operations of Aitken Spence Hotels.

He is a Professional Hotelier counting many years of managerial experience in Sri Lanka and overseas.

He currently holds the positions of President - Ceylon Hotel School Graduates Association (CHSGA) and President - Cultural Triangle Hoteliers Association (CTHA). He is also a Match Referee of Sri Lanka Cricket Board - Premier Tournament.

Mr. Tilak Gunawardana

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

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

Mr. Danesha Perera

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

He is the President of the Institute of Supply & Materials Management for the year 2012/13. He is a Fellow of the Institute of Supply & Materials Management.

He represents the Institute of Supply & Materials Management as the Association Member to the Executive Council and the General Forum at the Organisation of Professional Associations (OPA) in Sri Lanka.

Mr. Upul Peiris

Mr. Upul Peiris is the Chief Operating Officer of Adaaran Resorts in the Republic of Maldives. He has graduated from the Sri Lanka Institute of Tourism and Hotel Management (SLITHM) in 1984, and served at Aitken Spence Hotels since 1989.

He was the General Manager of Neptune Hotel, Meedhupparu Island Resort and Browns Beach Hotel where he is also a Director. He was also the former Vice President of Ceylon Hotel School Graduates Association and Negombo Hoteliers Association.

Mr. Lakshman Ekanayake

Mr. Lakshman Ekanayake is the Chief Executive Officer of the Indian Sector of Aitken Spence Hotels. He is also a Director of Aitken Spence Hotel Managements (South India) Private Limited and PR Holiday Homes Private Limited. He has had extensive industry exposure and counts over 25 years of experience in the hospitality industry at senior management level, in Sri Lanka and overseas.

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

Mr. A.M. Ali

Mr. Althaf Mohamed Ali, is the CEO of the Oman Sector 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 17 years of experience in the hospitality industry in senior managerial positions handling Operations and Marketing in Sri Lanka and Maldives.

Mr. S.A. Nanayakkara

Mr. Amal Nanayakkara heads the Training & Human Resource Development of Aitken Spence Hotels. He is also responsible for the management of the Aitken Spence School of Hospitality at Ahungalla.

He is a graduate of the Oberoi School of Hotel Management - New Delhi and also holds a Diploma in Food & Beverage from the Ceylon Hotel School - Sri Lanka. He counts many years of experience in the hospitality industry with the Oberoi and Taj hotel chains of India and Sri Lanka, as well as Hilton International in Dubai.

He is a certified Hospitality Educator from the Educational Institute of American Hotels & Motels Association, a Fellow of the Ceylon Hotel School Graduates Association and presently reading for his Masters in Tourism and Hospitality Management at the University of Colombo.



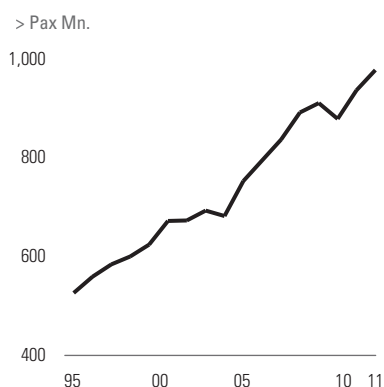
Integrated Management Discussion and Analysis

Operational Review

Global Tourism demonstrates slow yet assured growth

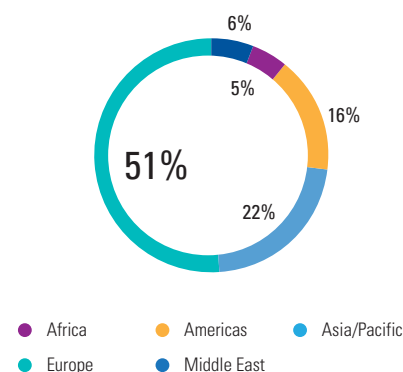
During the year 2011, there were 980 million international arrivals for tourism, business and other travel, up from 939 million the year before. For the year, international tourism receipts exceeded US\$ 1 trillion for the first time, up from US\$ 928 billion in 2010. In real terms, receipts grew by 3.8%, following a 4.6% increase in international tourist arrivals. An additional US\$ 196 billion in receipts from international passenger transport brought total exports generated by international tourism in 2011 to US\$ 1.2 trillion.

> Annual Tourist Arrivals 1995-2011



Yet the global economy was not the most conducive for international tourism. The cumulation of a weak economic recovery; credit restrictions affecting investment; lower consumer and business confidence; austerity measures in Europe and North America; unemployment; and geopolitical disturbances served to decelerate the pace of growth. In 2012, the protraction of these same issues are expected to hamper the momentum of growth, even though certain positives in the realm of major world events such as the 2012 Olympic Games in London and the European Soccer Championships in Poland and Ukraine will serve to generate significant travel.

> International Tourist Arrivals - 2011



Europe registered unexpected arrivals growth of 6% to more than 503 million in 2011, with Central, Eastern and Southern Mediterranean destinations enjoying an 8% increase overall. Of these Spain alone received 8% more visitors last year while tourism receipts were up 9%, keeping the country in the world No. 2 spot after the United States in tourism earnings. The significant growth in arrivals for Spain is thought to be a result of a movement away from the troubled Middle East and North Africa during the year.

Arrivals in the Asia/Pacific region were up by 6% to 216 million while the Americas saw an increase of 4%, or 6 million arrivals, to 156 million. Africa remained stagnant at 50 million visitor arrivals whilst the Middle East suffered an 8% decline in 2011 with arrivals contracted by 5 million. Nevertheless Saudi Arabia, Oman, Qatar and the United Arab Emirates continued to enjoy growth.

MICE tourism continued to be a significant market of demand and remained unaffected by the economic and geopolitical disturbances. The UNWTO expects MICE tourism to grow undeterred by the external environment given their dependency on forward planning and annuality. BRIC nations continued to demonstrate strong growth in 2011 with spending by visitors from China up 38%, followed by Brazil and India both at 32% and Russia at 21%.

According to the International Civil Aviation Organisation (ICAO), 2011 saw 2.7 billion passengers travel by air on international and domestic airline services, up 5.1% from the previous year. The International Air Transport Association (IATA) reported a 5.9% rise in 2011 full-year passenger demand measured in revenue-passenger-

kilometers (RPK), in line with long-term growth trends. As capacity (+6.3%) increased slightly more than demand, the average passenger load factor fell to 78.1% in 2011, down from 78.3% in 2010. Statistics from the Airports Council International (ACI) show that worldwide passenger numbers in sampled airports increased by 4.9%, with international traffic growing by 6.2% and domestic traffic at 3.7%.

According to industry data reported by STR Global and STR, the global hospitality sector in 2011 further improved on the decreases recorded in 2008/09. Overall, occupancies rose, even with substantial additions to capacity. Both Europe and the Americas posted a growth in occupancies by some 2%, as well as increased average daily room rates (ADR) and revenue per available room (RevPAR). Contrastingly, Africa and the Middle East registered mostly negative results, in light of the Arab uprisings, with 4% decrease in occupancy to 57%. While performance of Egypt was severely impacted, substantial increases in occupancy however were evident in Abu Dhabi, Kuwait, Dubai and Saudi Arabia. STR Global reports that occupancy growth in Asia Pacific was virtually stagnant in 2011, nevertheless, the average daily rate (ADR), and the revenue per available room were up almost 10%.

According to the May 2012 issue of the UNWTO World Tourism Barometer, International tourist arrivals worldwide grew by 5.7% in the first two months of 2012. Worldwide, international tourist arrivals surpassed 131 million in the first two months of 2012, up from 124 million in the same period of 2011. Demand remained strong in both advanced and emerging economy destinations, despite economic constraints in many of the source markets of Europe and North America. According to the forecast prepared by UNWTO at the beginning of the year, international tourist arrivals are projected to increase by some 3% to 4% in 2012. For the year as a whole, the number of international tourist arrivals is expected to reach one billion for the first time.

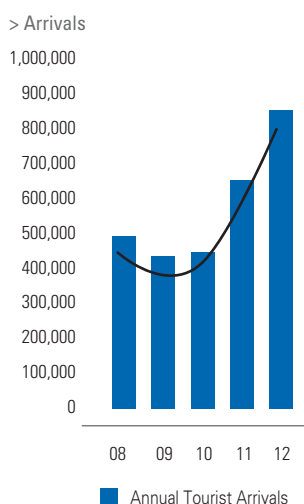
Sri Lanka's Tourism breaks new records

UNWTO World Tourism Barometer, Volume of March 2012 credits Sri Lanka as demonstrating the fourth fastest arrivals growth in 2011 with a total increase in tourism arrivals exceeding 31%. Sri Lanka followed major growth destinations; Saudi Arabia, Bhutan,

Georgia. Tourism remained one of the core foreign exchange earners for Sri Lanka and state revenue from the industry rose by 46.7% to US\$735.7 million in the first 11 months of the year.

Sri Lanka's tourist arrivals in 2011 jumped to a record 855,975 with extensive demand visible in the peak season month of December which drove the rate of growth in arrivals significantly. Tourist arrivals in December 2011 rose 15.2% from that of the previous year to hit a monthly record of 97,517, exceeding the nation's previous monthly high of 90,889 in November 2011.

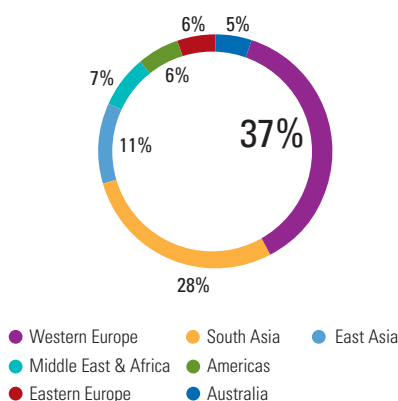
> Annual Tourist Arrivals - Sri Lanka



Sri Lanka's previous record high for tourist arrivals was 654,476 registered in 2010. A step-wise increase in arrivals has been evident from the end of the 30 year conflict in 2009, and many believe that the destination is yet to reap its true potential as a high yield tourism destination. In 2011, the tourism industry's expectations of the destination rang true as it overshoot the arrivals forecasts for the year.

Whilst traditional markets such as Europe continued to dominate the arrivals patterns, in 2011 the South Asia region further strengthened its demand for the destination recording the second biggest increase in arrivals, which rose by an impressive 35.3% to 237,647 arrivals in 2011. South Asia accounted for 28% of the total arrivals in 2011. The number of visitors from Western Europe, the island's biggest regional market, rose 22.7% to 315,210, accounting for 37% of the total.

> Major Generating Markets - Sri Lanka



According to a country-wise breakdown of arrivals, the highest number of tourists came from India in 2011, rising 35% to 171,374 from 2010. The United Kingdom was the second biggest market with 106,082 visitors, up marginally from 2010, while arrivals from Germany, one of the core traditional markets, rose 22.2% to 55,882. Visitors from emerging markets China rose 56.4% to 16,308 whilst those from Japan rose 43.4% to 20,586.

In 2011, a number of infrastructure improvements benefited the tourism sector. Notably, the construction and commissioning of the Southern Expressway has served to enhance accessibility to the southern coastal tourism resorts at a fraction of the time originally required to travel from Colombo to the coastal strip. The construction of Sri Lanka's second International Airport in Mattala, Hambantota will further serve to enhance air accessibility to the country especially in reaching the eastern coast and the Deep South. Internal air accessibility has vastly improved over the last two years and tourists are now better able to manage their time within the destination, allocating more time and resources to enjoyment as opposed to internal travel.

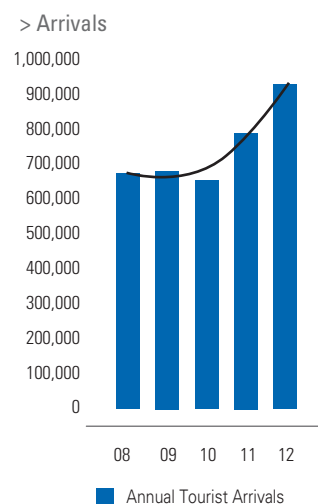
Yet, Sri Lanka remains largely untapped in terms of its latent potential. The fact that it is under marketed remains key to its obscurity in the international arena. The lack of an integrated marketing communications campaign that reaches pan regional and global targets is a necessity in the destination's drive for growth. However, associated constraints and challenges such as lack of quality accommodation capacity shortfalls and HR shortfalls need to be addressed before the destination can fully capitalise on its image as a virgin territory.

The Government of Sri Lanka remains confident of the destination's ability to meet forecasts as per its Master Plan for the tourism sector for the years 2011-2016. This strategic development plan projects that during the next 5 year period, tourism will attract US\$ 3,000 million worth of Foreign Direct Investment (FDI) most of which will be invested in tourism infrastructure development. Foreign exchange earnings are expected to increase from US\$ 500 million in 2010 to USD 2.75 billion by the year 2016. Tourism related employment is forecasted to grow from 125,000 people in 2010 to 500,000 by 2016.

Maldives battles unrest and posts impressive growth

Despite the adversities that Maldives faced in the year under review, specifically in the form of political unrest, the destination continued to demonstrate consistent growth. The atoll nations managed the political crisis well in international media, consistently reinforcing the safety of its resort islands by accentuating that conflict was localised to the capital island of Male. As in previous occasions, the destination's marketing machinery coped well with the challenge of negative publicity and successfully converted its weaknesses to opportunities in realising greater growth.

> Annual Tourist Arrivals - Maldives

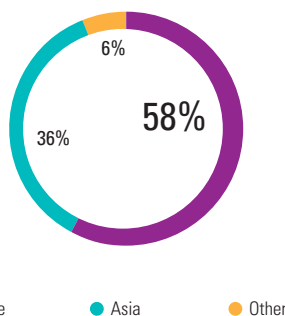


In 2011, the Maldives posted an arrivals figure of 931,333 up 17% from the previous year with arrivals from China hitting an all time high of 198,655 and comprising 21.3% of the total arrivals to the destination during the year.

Operational Review

As in the previous year, Chinese travellers flocked to the atolls and were instrumental in enhancing the tourism yield per day for the destination. Maldives has done well to continuously focus and attract targets that have high spending capability and it has demonstrated this over the years by marketing and securing arrivals from Russia and most recently the new rich of China. The United Kingdom was the second largest market for the destination, with 104,508 arrivals comprising of 11.2% of the total arrivals for the year. The destination offered 25,000 + beds during the year.

> Major Generating Markets - Maldives



In 2012, the growth momentum continues unabated with Maldives registering a total of 255,867 tourist arrivals for the period January to March 2012. This is an increase of 3.3% compared to the same period in 2011.

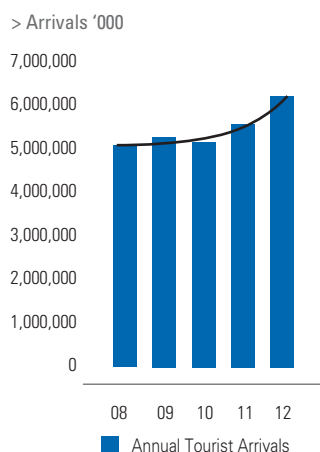
Maldives is currently in the process of formulating its fourth tourism master plan, which consciously attempts to integrate principles of sustainable tourism aligned against industry development. The nation is keen to promote itself as a blue economy in the context of sustainable development of its island states; environment and their associated vulnerabilities. Maldives has a vision to be carbon neutral by 2020, and towards this realisation is working towards reduction of electricity emission by 80%, and targets to generate 60% of electricity via solar power by the end of the decade, whilst the remaining 40% will be sourced by wind and biomass, with diesel remaining as back-up. It is putting in place a concerted plan for GHG reduction and HCFC phase out during these

same timelines. From a conservation perspective, the destination is targeting the establishment of a biosphere reserve, and hopes to increase marine protected areas annually whilst also securing CITES adoption by end of 2012.

India remains a destination of great potential

In India, the tourism sector has witnessed significant growth in recent years. During the period 2006 to 2011, the compounded annual growth rate of foreign tourist arrivals and foreign exchange earnings from tourism were 7.2% and 14.7% respectively. Despite the slowdown and recessionary trends in Europe and America, arrivals during 2011 to India were an impressive 6.29 million with an indicative growth of 8.9% over that of 2010. Forex earnings in 2011 were INR. 775,910 million with a growth of 19.6%. Domestic tourism is emerging as an important contributor to the sector providing much needed resilience. Domestic tourist visits during 2010 are estimated at 740.2 million, with a growth of 10.7%.

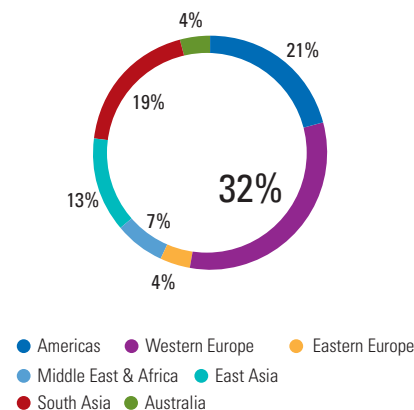
> Annual Tourist Arrivals - India



As at 31st December 2011, there were 2,895 classified hotels in India providing a capacity of 129,606 rooms across the country. The share of the hotel and restaurant sector in the overall economy has increased from 1.46% in 2005 to 1.53% in 2009 and then decreased to 1.46% in 2011. On the back of future demand, and inadequate capacities (STR Global cites India's total classified and unclassified room capacity at 167,806 as opposed to 168,856 rooms in Las Vegas), India's tourism and hospitality sector evidenced a much-needed injection of

investment into hospitality resort/hotel development in 2011. The development boom in the destination is officially underway, and is signified by a spate of recent development announcements from major international hospitality brands.

> Major Generating Markets - India



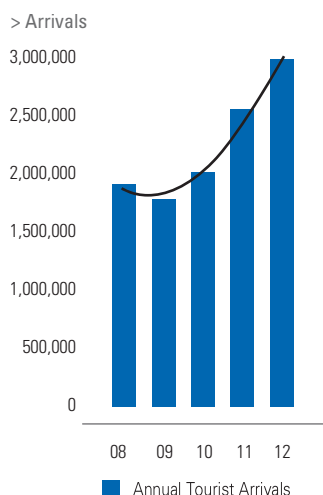
And with a population of more than 1.17 billion, according to the World Bank a tally comprising a burgeoning middle-class citizenry who for the first time in the country's history have the disposable income needed for domestic travel - India is geared to sustain development for the foreseeable future.

Aside from the potential of the domestic traveller, India continues to attract a diverse following from back-packers seeking a new vista on life to high-end travellers seeking health tourism, religious solace and those who come just for the adventure and history that India epitomises.

Oman posts strong recovery, strengthens infrastructure

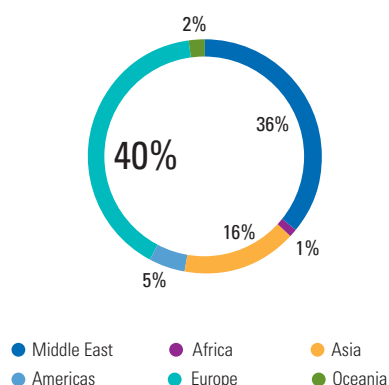
Oman built momentum for its tourism and hospitality sectors in 2011 with the opening of new national attractions and a record number of leisure and travel properties and services. Over the course of the year 2011, the destination commissioned over 1,400 new hotel rooms, a Royal Opera House in Muscat, and extended Muscat-Khasab routes from Oman's National Ferry Company, giving greater access into Oman from the United Arab Emirates.

> Annual Tourist Arrivals - Oman



Notably, the destination's capacity drive has been two-fold with emphasis placed not only on the development of high yield luxury properties but also being accommodative towards meeting the demand for broad-based budget and mid range properties. Muscat has been the centre of accommodation growth and in gearing up for MICE tourism, the destination is currently engaged in the construction of a Convention and Exhibition Centre, on track for a late 2013 opening. The facility includes a 3,000 seating capacity, 25,000 sqm of exhibition space and a total of 1,000 rooms over four hotels and is expected to give the destination considerable clout to bid for regional and international events.

> Major Generating Markets - Oman



Oman plans to attract 12 million visitors annually by 2020, an almost six fold increase on the current level. According to WTTC, the direct contribution of Travel and Tourism to the GDP is expected to

grow by 5.4% per annum to OMR 1,253 million (3.3% of GDP) by 2021.

By 2021, Travel & Tourism will account for 50,000 jobs directly, an increase of 15,000 over the next ten years. Indicative of the growth of the industry in terms of capacity expansion and entry of new players is the fact that Travel & Tourism is expected to attract capital investment of OMR 348 million, rising by 5.8% pa to OMR 611 million. This means that Travel & Tourism's share of total national investment will rise from 5.4% in 2011 to 6.0% in 2021.

For the 12 months ending June 2011, the number of passengers passing through Muscat International Airport rose by 15% to 2.23mn, according to data released by the International Air Transport Association (IATA). This indicates the robust nature of inbound tourism demand (leisure and business-related) at the present time.

Oman is expected to have realised an expansion of 7% in tourism arrivals for the year 2011 to just under 1.6 million. The destination suffered less than other Middle East and North Africa states in terms of public protests against the authorities. Although there were protests, notably during the first quarter of 2011, it was largely localised to certain areas of non-tourism significance.

Operational Strategy for 2011/12

A strategy of continuous development and benchmarking

The operational strategy for 2011/12 largely stemmed from a strategy of expansion initiated in the previous financial year. In transcending this to the reporting period, the Group concertedly sought to maintain its development drive whilst also continuing to focus on setting standards in a bid to maintain its position of leadership as a global hospitality provider.

As in previous years, Sri Lanka as a destination remained at the fulcrum of the Group's operations and Aitken Spence Hotels continued to build infrastructure and support systems to further leverage the latent potential of the destination. During the financial year, the destination brought to fruition the many strategies that the Group had laid as a foundation for viable business. The primary operational focus, therefore was to consistently augment these strategies for return optimisation. As

such in the financial year under review Aitken Spence Hotel Holdings catalysed a series of operational strategies aimed at strengthening the Group's commercial interests in the destination including a strategy for capacity enhancement, product development and overall standard enhancement.

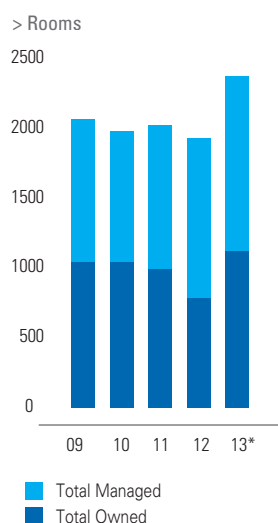
The Group is strongly positioned in the destination and has a sound reputation for offering unique experiences with iconic architecture and sustainable practice differentiating the Group's offer from the competition. It is these strengths that have enabled the Group to cascade its experience and commercial tact to viably operate in new destinations such as Oman and India. Whilst, Sri Lanka was a key strategic focus during the year, the Group continued to strengthen its operations in overseas markets specifically the Maldives, India and Oman as a risk mitigation and growth strategy. This support strategy is viewed as a means to consolidate tourism interests in the region and to leverage from economies of scale and know-how in the long-term.

During the previous financial year, the Group aggressively yet strategically acquired properties in a bid to grow the portfolio of owned resorts in Sri Lanka. Stemming from this and as a direct result of this strategy of expansion, in the financial year 2011/12, the Group continued to invest towards product upgrade in a bid to reposition the properties bought in the previous financial year whilst also striving to elevate these properties to the Group's hallmark service standards. The Group is of the view that only through continuous product development, standard and experience enhancements can it maintain its position as the veritable leader and preferred hospitality choice for the discerning traveller. Moreover, product enhancements have been undertaken with a view to reflect a comparative product and service offer to customers that is aligned with and validates the market-wide price increases that have been evident throughout the fiscal year.

In 2011/12, therefore, a total of 240 rooms were upgraded or are in the process of being upgraded across three resorts in Sri Lanka, at an estimated cost of Rs. 1,500 million. In addition, the Group is also involved in the complete reconstruction of Browns Beach Hotel in Negambo (associate company), and pursuing the development of an integrated resort complex in the

Operational Review

> Aitken Spence Hotels Room Count



* Including rooms under development

Eastern port of Trincomalee. These developments are expected to raise the bar of hospitality in Sri Lanka and assist towards positioning the destination as a high-end tourism provider. Whilst majority of the upgrades will be commissioned in 2012/13, the new developments are expected to become commercial reality in the next two to three years. With the intention of attracting MICE tourism and niche business travel segments to Heritance Kandalama, the Group invested in the construction of a state-of-the-art conference and business facility. During the year these investments were fully realised with the completion of construction of these facilities and they are expected to be fully commissioned for operations in the second quarter of 2012/13. Heritance Ayurveda Mahagedara – a unique one of a kind ayurvedic resort – was opened for business during the financial year and recorded commendable growth. The resort has built a reputation in a short period of time for its authentic and traditional ayurvedic product and remains one of the few resorts in Sri Lanka to offer a holistic experience that not only fits in with expectation of R&R but also pays homage to going back to basics of true Sri Lankan culture and way of life. It is largely looked upon as a benchmark in the provision of wellness tourism in Sri Lanka. The Group also commissioned “The Sands” Sri Lanka’s first all inclusive resort with a unique “dine around concept” in May 2012.

Construction of an additional 90 rooms to increase total room capacity at the resort to 200 is underway.

The Group’s operational strategy of continuous upgrades and resort development mirrors the destination’s overall strategy for capacity expansion in view of the expected growth in international tourism arrivals to the country over the next five years. Aitken Spence Hotels strategy of maintaining standards through continuous investment and product upgradation was in essence an initiative aimed at the retention of the destination’s long-term viability by being in a state of readiness for not only a surge in tourism arrivals but also to support the destination’s image as one of high-yield. Concerted brand strategies, investment into information technology to better drive marketing and management, as well as a consistent drive for quality and service excellence has been the foundation for growth in Sri Lanka. By setting standards in every aspect of the product and service offer, the Group has successfully consolidated its position of leadership in the marketplace and in the eyes of the consumer.

However, operations in Sri Lanka have not been without its challenges. The growing cost escalations associated with construction has impeded the Group’s momentum of growth. Whilst it has judiciously invested into selective properties, the constant escalation of prices related to construction has hampered its ability to optimise costs. Operationally, growing energy costs, which contributed considerably to the increase in the overall cost structure, also challenged the Group.

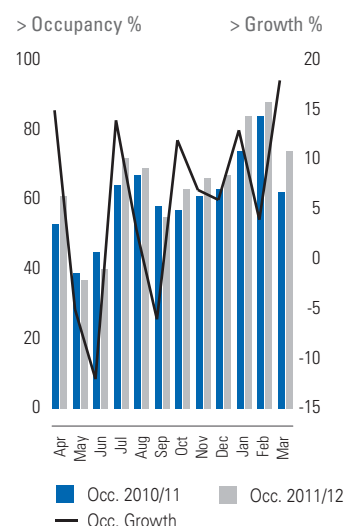
The Group’s expansionary drive to regional markets continued to be a support strategy. The viability of this strategic approach was evident in that during the year the operations of the Maldivian sector acted as the key contributor to the overall performance excellence of the Group. By expanding portfolios of India and Oman through a series of management contracts and investments, Aitken Spence Hotels identified the scope for the adaptation of this business model into additional growth markets as far back as five years ago. In 2011/12 this strategy of overseas expansion continued to be key and the optimism for future growth from these sectors remains high.

Sri Lanka: Operational Review

The Group’s Sri Lankan property portfolio continued to demonstrate accelerated profitability growth during the financial year in alignment with the growth in tourism arrivals and yield witnessed for the destination. The Group’s interests in Sri Lanka served as the second largest contributor to the Group’s overall financial performance in 2011/12.

With operational focus laid on upgrades and resort development, the Group’s overall profitability potential was hindered by the closure of properties for refurbishment. This is especially reflected in the operational performance of Heritance Kandalama – the Dambulla wing was closed for six months for refurbishment, “The Sands” – Kalutara and our associate company Browns Beach Hotel being closed for reconstruction for much of the financial year.

> Sri Lanka Hotels Occupancy Growth

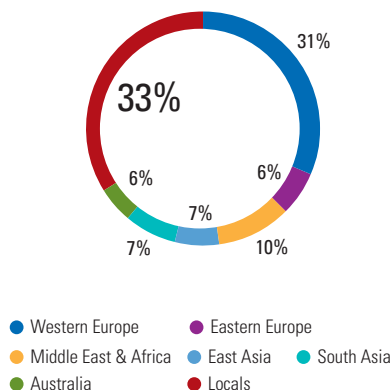


The Group’s joint venture to construct two properties with the globally acclaimed Six Senses Group initiated in the previous financial year reached a hiatus due in large to ownership changes to the Six Senses Group. The Group diligently pursued the conceptualisation and planning of an integrated resort complex in the Eastern Coast, Nilaveli in a quest to offer a unique and one of a kind experience to vacationers. During the year the preliminary basics were undertaken to be furthered upon in the financial year 2012/13.

The Group’s consistent focus on sustainable practice allowed Heritance Ahungalla to secure accreditation and

certification to ISO 50001 and it holds the veritable prestige of being the first resort in the world to comply with the international standard for energy management.

> Aitken Spence Hotels Major Generating Markets - Sri Lanka



During the financial year the Group acquired the associate/managed property Hotel Hilltop in Kandy. Preparations are made to upgrade the property in 2012/13 to fill an existing gap for a quality star class resort in the hill capital.

Heritage Kandalama – 152 roomed, 5 star resort

Blending perfectly with the natural environment, whilst preserving the aura of ancient hermit caves in its environs, Heritage Kandalama virtually leans against a thickly wooded rocky outcrop at the foot of 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. Heritage Kandalama was the first hotel in Asia to receive the Green Globe 21 certification. Relaunched under the Heritage brand, the resort underwent an extensive infrastructure upgrade in 2007/08 and continues to be a globally accepted case study on sustainable tourism.

In 2011/12, Heritage Kandalama consolidated its position as a leading resort property in Sri Lanka. In a bid to enhance the appeal of the resort for MICE tourism, the Group finalised the construction of a state-of-the-art conference facility at the resort. The facility has all of the standard

requirements of an international conference and exposition venue and is expected to be put into commercial use by the 2nd quarter of 2012/13. The facility has already effectively positioned the resort as a high-end MICE destination particularly for markets in the region, specifically India.

In 2011/12, the resorts' famous Dambulla wing remained closed for over six months of the financial year due to an upgrade and refurbishment contracting the performance yields of the property. During the year, the Resort's spa – Six Senses Spa continued to enthrall visitors and gain international media exposure.

During the financial year, Heritage Kandalama received the Internal Gold Award for the Built Environment at the International Green Apple Awards ceremony held at the University of Westminster in London and was presented with a Green Hero Award by The Green Organisation at their 18th annual international awards ceremony held at the House of Commons, UK, in recognition of the resorts' pioneering efforts towards sustainable operations. Heritage Kandalama also emerged winners at the National Green Awards and was awarded the Gold Award in the Large Scale Hotel category and was also awarded the Gold Flame Award at the Sri Lanka National Energy Efficiency Awards 2011 for its ability to demonstrate year-on-year energy reductions along with ongoing sustainability processes and energy management strategies. The resort was also awarded the Best Host Hotel for Eco-Tourism at the Sri Lanka Tourism Awards 2010 which concluded in May 2011 and was the Winner of the Most Outstanding Regional Team (Cultural Triangle Province) at the 14th Culinary Art Competition (August 2011) organised by the Chefs Guild of Sri Lanka.

The resort in 2011/12, continued to monitor its carbon footprint for the second consecutive year in a bid to assess and off-set its impact on the environment.

Heritage Ahungalla – 152-roomed 5 star resort

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

come to life. Heritage Ahungalla's spa, which is managed by a prestigious Balinese spa group, continued to offer one of the best spa experiences in Sri Lanka.

During the year, Heritage Ahungalla maintained its position as the Best 5 Star Resort in the Southern region and was awarded the accolade of being the best 5 star resort at the Sri Lanka Travel and Tourism Awards. Heritage Ahungalla also emerged as the Best Hotel Team and Best Culinary Team in Sri Lanka after competing against both international and domestic star class hotels at the 14th Culinary Art Competition 2011 organised by the Chefs Guild of Sri Lanka. Heritage Ahungalla also became a contender for the "World's Most Expensive Cake" with its creation "Pirate's Fantasy" priced at USD 35 million crafted and designed by Chef Dimuthu Kumarasinghe, Group Skills Development Chef, Aitken Spence Hotels and Heritage Hotels & Resorts.

On the sustainability front, the resort became the first large scale resort in the world to adopt and comply with the requirements of ISO 50001:2011 Energy Management Systems. During the year the resort introduced systems and processes in line with ISO 50001:2011 as a tool to reduce energy consumption, in recognition of the need to stem energy consumption and to minimise the effect of an ever-escalating energy cost and the impact on global warming due to the efforts to generate more energy. With the introduction of an Energy Management System, Heritage Ahungalla was able to effectively manage energy consumption without compromising the guest comfort. It also enables the hotel to meet the current and future mandatory energy efficiency targets and requirements of green house gas (GHG) emission reduction legislations.

As a consequence of its actions, the resort has already witnessed a reduction in the cost of energy through improved best practices and was awarded the Bronze Flame in the Large Hotel Sector category at the National Energy Efficiency Awards 2011.

The National Cleaner Production Awards has been held for four consecutive years to recognise and appreciate environmentally friendly businesses in Sri Lanka. At this event Heritage Ahungalla secured the Gold Sector Award and received Excellence Awards for Water and Material Utilisation and a Merit Certificate for Energy Utilisation.

Operational Review

Heritage Tea Factory – 54-roomed 4 star resort

The Tea Factory sits 6,800 feet above sea level, only six degrees from the Equator. In the mountain range, which gave the world Pure Ceylon Tea, the hotel began as a factory built in the days of the British Raj. Unused since 1972, the Hethersett factory and estate was converted through sheer vision and innovation to be the only tea factory in the world that is a hotel. It has been converted so that much of the original style and machinery remains, a reminder of the past in perfect blend with innovations of the present. In December 2009 the Tea Factory was re-launched under the Heritage brand after the completion of a comprehensive renovation of facilities.

During the year under review, Heritage Tea Factory was the recipient of the Sri Lanka Travel and Tourism award for the island's Best 4 Star Hotel (for the second consecutive year), Heritage Tea Factory, also walked away with the Silver Award in the Medium Scale Hotel category at the National Green Awards and the Silver Flame Award at the Sri Lanka National Energy Efficiency Awards 2011. At the National Cleaner Production Awards held in January 2011, Heritage Tea Factory secured the Silver Service Sector Award as well as receiving Excellence Awards for Energy, Water and Material utilisation.

Notably, the resort was the first Sri Lankan hotel to win a Pacific Asia Travel Association (PATA) Grand Award in its 2012 awards. Heritage Tea Factory was also presented a Green Hero Award by The Green Organisation at their 18th annual international awards ceremony held at the House of Commons in recognition of its sustainability stewardship. The resort also received the International Gold Award for Architectural Heritage at the International Green Apple Awards ceremony held at the University of Westminster in London.

Heritage Ayurveda Mahagedara - 64 roomed wellness resort

Formerly known as Neptune hotel and Neptune Ayurveda Village, this property is situated in the sun-laden beach of Beruwela. Closed from July 2009 for the purpose of a complete refurbishment, the property was commissioned for operations towards end 2011. The

property has been re-positioned as a "well-ness" resort catering to those seeking a spa and ayurveda experience and is a sustainable product that will promote responsible tourism. The property has been reconstructed to meet the exacting standards of the Heritage brand and re-opened under the flagship Heritage branding re-named as Heritage Ayurveda Mahagedara.

The strategy behind the re-positioning lies in the Group's realisation that a specialist centre for wellness is of greater marketability and carries greater demand as opposed to a beach resort.

Heritage Ayurveda Mahagedara, leveraged on innovative strategies in the area of renewable energy by breaking new ground by being the first hotel in the country to enter into a Net Metering Agreement using solar photovoltaic system as a renewable energy source. The Government of Sri Lanka approved the concept of Net Metering in August 2009. In early 2010, LECO was the first to announce the new procedure. Net Metering is a special metering and billing agreement entered between utility companies and their individual customers, which facilitates the connection of small, renewable energy generating systems to the power grid.

Solar Photovoltaic Systems can be broadly connected either as an Off-Grid System (solar power used to charge batteries) or an On-Grid System (solar power fed directly to the grid). The system installed at Heritage Ayurveda Mahagedara is a unique design having both features integrated into a single system. During the day, the power produced from the solar panels is used to charge the batteries as well as feed power to the grid. This has been achieved by increasing the capacity of the solar panels so that excess power is generated, more than required to charge the batteries. Once the batteries are fully charged, excess generated power is fed to the grid *via* the netmeter. During the night, the charged batteries are used to power the hotel garden lighting. The annual savings from the system is 4,639 kwh, equivalent to a reduction in the hotel's carbon footprint by 3.4 Tonnes.

In addition, the hotel also has a solar hot water system for pre-heating the water before it is sent to the heat exchanger, which acts as a storage for hot water. This reduces the furnace oil consumed

by the boiler. The hotel thus saved 1,417 Liters of furnace oil annually thus mitigating its carbon footprint by 4.6 Tonnes.

The resort's bio gas plant uses kitchen garbage as the primary source for the production of bio gas, which is utilised in the herbal preparation unit of the ayurveda resort.

The Sands (Formerly Ramada Resort - Kalutara) - 200-roomed, 4 star resort

An hour's drive from Colombo, the 200-room resort has one of the widest beaches in the area, making it a popular choice for families. Adding to this ambience of family fun is a five-acre garden and inviting surf.

Golden Sun Resort, a property held under Aitken Spence Management since the year 1998 was acquired by the Group in the financial year 2010/11 with a view to expanding the Group's portfolio strength. In 2011/12 the resort underwent an extensive refurbishment and renovation whilst the room capacity was increased to 110 under the first stage, the total room capacity will increase to 200 rooms with the completion of the second stage. Based in Kalutara, a beach haven, the property will add to and balance the number of "experiences" the Group's portfolio offers. During the year, the resort remained closed for business in view of the above extensive renovations to the property and was fully commissioned for operations in May 2012.

Browns Beach Hotel – Proposed new resort

Located in Negombo, a thriving fishing hamlet, once claimed by the Dutch, Portuguese and British in the Colonial era is now a sought after holiday destination. Spectacular golden sands fringed by the turquoise tropical sea create a breathtaking experience.

The close proximity to the International Airport is an added advantage for the location, which also lends itself as a hub in accessing the northern and central highlands. In the financial year under review Browns Beach Hotels, one of the island's oldest beach resorts was demolished to make way for a new hotel at an investment of over Rs. 4 billion.

Hotel Hilltop – 74 roomed, 3 star resort

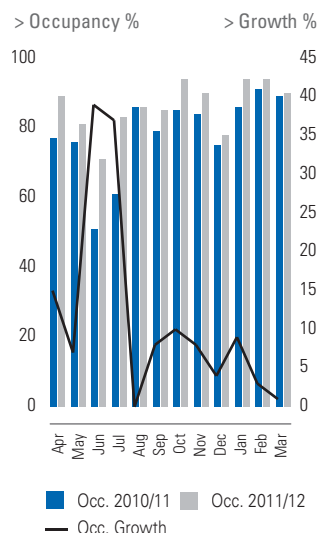
Hotel Hilltop sits majestically amidst the verdant hills of Kandy, overlooking the City's key landmarks including the Sacred Temple of the Tooth Relic. The hotel is a perfect base to tour the City and its environs. With 74 rooms, Hotel Hilltop is an ideal getaway and the total Kandyan experience. During the first quarter of 2011/12, the property was acquired by the Group given its strategic importance to the portfolio and possibility to garner greater efficiencies as a round-trip destination. As a round trip resort, the property maintained commendable occupancy during the financial year. It is expected that the Group will lead an overhaul of the product through planned aggressive renovations in 2012/13, to become a key resort in the hill capital.

Maldives: Operational Review

The Group posted another exceptional year of performance in the Maldives. Notably, the financial year was marked by critical changes to the operating structure of the portfolio in the atoll nation. The Group conducted a pervasive review of its operations in the destination, property strengths, market needs and traveller perspectives in determining a new operational model for each of the properties. Based on the global movement towards delivering greater value to travellers', and in a bid to offset the growing perception of the Maldives as an expensive destination, the Group reconfigured its operations to provide an all inclusive pricing structure. This operational strategy has proved to be beneficial to both customers as well as the Group and has considerably augmented returns in 2011/12 whilst the Group is perceptive of further accelerated growth to be evidenced in 2012/13. This shift in operational strategy is deemed opportune given the evolving uncertainty that prevails in the global economic scenario.

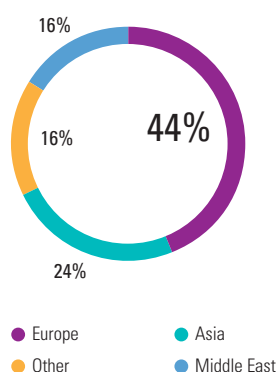
During the year, the destination suffered marginally from the political unrest experienced in Male. However, though the Group's operations contracted slightly, this was not a persistent trend as tourism rebounded strongly weeks later.

> Maldives Hotels Occupancy Growth



Changes in the operational environment were many in 2011/12. During the year Goods and Services Tax was increased from 3.5% to 6% effective from January 2012. This change in the taxation regime has impacted the cost structure of the Group's operations in the destination.

> Aitken Spence Hotels Major Generating Markets - Maldives



Additionally, the mode of resort lease rental exercised by the Maldivian Tourism Authorities changed during the year. Lease rentals were changed to reflect the acreage of each island as opposed to the historic system of per bed cost. This change proved to be advantageous to the Group and the existing Lease periods of the resorts were increased significantly from as much as 25 to 50 years on payment of due fees.

Property	Extension in Lease Period
Adaaran Club Rannalhi	Additional 25 years.
Adaaran Select Meedhupparu	Additional 25 years
Adaaran Prestige Vadoo	Additional 15 years
Adaaran Prestige Ocean Villas Hudhuranfushi	Sub lease – will hold for 14 years

The Group under the flagship brand Adaaran Resorts operates over 550 rooms in the Maldives in four islands including three properties with water villas: Adaaran Prestige Water Villas, Meedhupparu; Adaaran Prestige Ocean Villas, Hudhuranfushi; and Adaaran Prestige Vadoo. Other Adaaran properties are Adaaran Select Meedhupparu; Adaaran Select Hudhuranfushi and Adaaran Club Rannalhi.

The Group's Maldivian properties performed exceptionally during the year under review and was the primary contributor to overall Group revenue and profit. The sector enhanced the operational efficiencies and the returns in line with overall destination growth. Average occupancy for the resorts was high and superseded those of the previous years with marginal variations. Overall revenue and profitability were higher than in previous years. Investments were made towards a new reservations and property management system and was implemented in the Maldives operations, to garner a group perspective to decision making,

In the upcoming year, the Group plans to invest into upgrading the infrastructure of the Adaaran Prestige Ocean Villas Hudhuranfushi in a bid to maintain competitiveness. The expectation is to add an additional 34 water villas to the property as well as water restaurants in a bid to enhance the number of water villas to 70. The ocean villas will also have dedicated bar and lounge facilities.

Adaaran Club Rannalhi

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

Operational Review

102 beach villas. The resort continues to be dominated mainly by Italian, British, Russians and French clientele. During the year, Adaraan Club Rannalhi was the winner of the TEZ WORLDBERRY award in 2010 & 2011; Winner of best Hotel Partner category and the best Hotel-partner of TEZ TOUR – 2010, 2011

Adaaran Select HudhuRan Fushi

Added to the Aitken Spence Hotels chain in the year 2006/07, the resort is the former Lohifushi. The resort's close proximity to Male makes it one of the most sought after holiday spots in Maldives. The 4 star resort also known as the surf island, conducts surfing holidays in summer. The newly refurbished resort boasts of 137 villas including 37 prestige water villas and is the 2nd largest resort of the Adaaran group. In 2011/12, the resort underwent considerable refurbishment and was expanded by 32 water villas replete with a water restaurants, lounges and bars.

Adaaran Prestige Vadoo

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

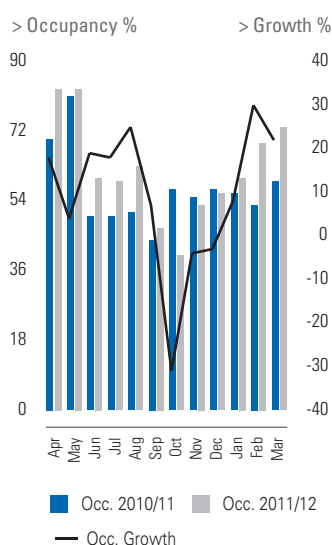
Adaaran Select Meedhupparu,

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. The twenty luxury water villas spread over 43 acres of thick vegetation within the Meedhupparu island makes Meedhupparu, a resort with a unique identity. The resort's water villas are categorised under the Adaaran Prestige sub-brand. During the year, the resort was the winner of the Thomson Gold Award 2011 for the Three T category in Maldives, winner of the Best Hotel Partner of TEZ TOUR in the TEZ WORLDBERRY Award for two consecutive years – 2010, 2011.

India: Operational Review

The performance of the Group's managed properties in India fell under the performance expectations for the year especially given the limitations of the market context. Though the portfolio of properties can be classified as ones of character and located in places with great potential, the Group's operations have not posted the momentum of growth forecasted over the years. Another year of static growth in the destination will require the Group to re-analyse the offer as well as the operational strategies in moving forward.

> India Hotels Occupancy Growth



Poovar Island Resort in Kerala, Athithi in Pondicherry and Barefoot at Havelock in the Andaman Islands secured substantial tour operator business. The remainder of the properties catered primarily to the domestic tourism market. The year was essentially another year of consolidation for the Indian operations with the Group seeking to increase its room capacity in the destination. In the financial year ahead, the Group targets the addition of another 100 rooms by securing properties for management.

Barefoot at Havelock, Andaman Islands -19 villas and 6 tents

The Andaman Island's are India's best-kept secret. Stunning beaches, aquamarine coral lagoons, lush green rainforests, active volcanoes, swimming elephants and giant fish are some of the innumerable attractions. Barefoot at Havelock is located on what the TIME Magazine rated as the best beach in

Asia, and set amidst a tropical rainforest which fringes a pristine 2 km stretch of white sandy beach named beach No. 7 on Havelock Island. The prestigious Conde Nast Traveller USA in September 2007 rated Beach No.7 as one of the 30 best beaches in the world.

Poovar Island Resorts, Kerala - 68 rooms

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

Poovar Island Resort is a 68-room property that has expanded with calm and serene beauty of the locality. Its iconic floating cottages are the prime focus at the entrance to this sprawling resort complex on a 23-acre land.

Poovar Ayurveda Village, Kerala – 10 rooms

A 10 Deluxe cottage Ayurveda Village operation consist of a free flowing swimming pool, restaurant and a spacious ayurveda therapy-centre that is possibly the most spacious in the whole of Kerala, has been met with enthusiasm by travellers seeking an ayurveda experience.

Atithi, Puducherry – 60 rooms

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.

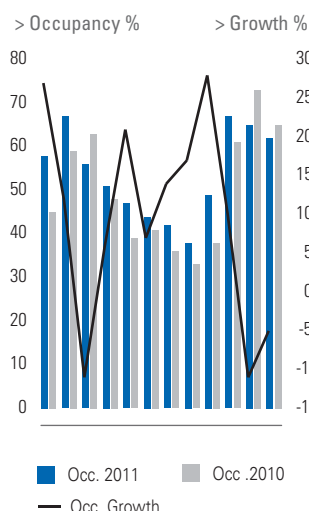
Atithi is a 60 room, 4 star hotel located in the heart of the commercial district of Puducherry. It has a spectacular roof top swimming pool overlooking the sea and is a 10-minute walk to the seaside.

Tamara, Coimbatore - 8 rooms

The latest addition to the Group's Hotels in India, Tamara is a boutique resort with an Ayurvedic centre. It has 8 air conditioned tents and one deluxe suite. Situated in a scenic location at the foothills of the Western Ghats. In Coimbatore, the resort commenced the operations in October 2009.

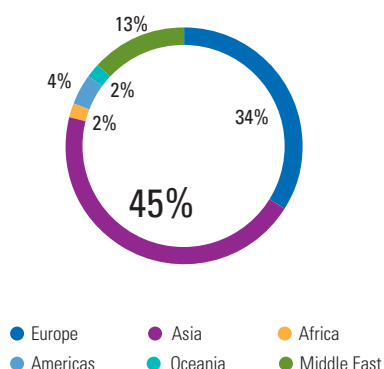
Oman: Operational Review

> Oman Hotels Occupancy Growth



The Group's operations in Oman posted a remarkable turnaround during the financial year that was driven by an improved demand in corporate travel. Despite a certain amount of political unrest, the destination recovered quickly and displayed great potential for the Group as a strategic revenue source that can be fully maximised in the years ahead.

> Aitken Spence Hotels Major Generating Mkts - Oman



The average number of room nights increased during the year whilst occupancies improved both of which are credited for the positive financial performance generated in 2011/12. This is reflective of the increase in arrivals to the destination evidenced throughout the financial year. Soft refurbishment of the properties in Muscat were undertaken during the year in a bid to enhance the Group's offer in Muscat, as tourism to the capital city is expected to rise phenomenally in the medium term. Refurbishments were also undertaken to the property in Sohar. The Group continues to place its presence in Oman with strategic intent, and is confident of its ability to enlarge its presence through an operational model of management. Revenue for the year registered an increase relative to 2010/11, driven mainly by enhanced occupancies and rising room rates.

Al Falaj Hotel, Muscat -140 rooms

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

The Hotel offers the utmost to the discerning traveller - exotic cuisine, large conference facilities that are the best the city has to offer, courteous staff and a choice of recreational activities. The Hotel underwent soft refurbishments during the year.

Ruwi Hotel, Muscat - 100 rooms

From business traveller to eager sightseer, 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.

The Hotel underwent soft refurbishments during the year.

Sur Plaza Hotel, Sur - 95 rooms

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 - 79 rooms

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 Sindbad the Sailor.

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

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

The Hotel underwent soft refurbishments during the year.

Desert Nights Camp - 26 tents

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. In 2011/12 it garnered further international media exposure and was featured in a number of high-end travel publications.

Setting Standards in Sustainability

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LA 5	Minimum notice periods	* Setting Standards in Sustainability - Key Labour Indicators	73
LA 7	Rates of injury, occupational diseases etc.	* Setting Standards in Sustainability - Key Labour Indicators	73
LA 10	Average hours of training per year per employee by employee category	* Setting Standards in Sustainability - Key Labour Indicators	73
LA 11	Programmes for skills management and lifelong learning	* Setting Standards in Sustainability	73
LA 12	Percentage of employees receiving regular performance and career development reviews	* Setting Standards in Sustainability - Key Labour Indicators	73
LA 14	Ratio of basic salary of men to women by employee category	* Setting Standards in Sustainability - Key Labour Indicators	73

	GRI Indicator	Section Heading	Reference
Human Rights			
	Management Approach disclosure	* Setting Standards in Sustainability - Management Approaches adopted	64-65
HR 4	Total number of incidents of discrimination and action taken	Nil	-
Society			
	Management Approach disclosure	* Setting Standards in Sustainability - Management Approaches adopted	-
SO 2	Percentage and total number of business units analysed for risks related to corruption	100% (refer risk management)	84-90
SO 3	Percentage of employee trained in organisation's anti-corruption policies and procedures	100% (refer risk management)	84-90
SO 8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance	Nil	-
Product Responsibility			
	Management Approach disclosure	* Setting Standards in Sustainability - Management Approaches adopted	64-65
PR 2	Total number of incidents of non-compliance in health and safety impacts of products and services during their life cycle by type of outcome	Nil	-
PR 5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	* Setting Standards in Sustainability	72
PR 7	Total number of incidents of non-compliance in marketing communications including advertising, promotion etc.	Nil	-
PR 8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Nil	-
PR 9	Monetary value of significant fines for non-compliance with the provision and use of products and services	Nil	-

Setting Standards in Sustainability

Report boundary & scope

Effort has been made towards achieving completeness of the report with regard to the dimensions of scope and boundary for the reporting period. This report covers the performance of the entity Aitken Spence Hotel Holdings PLC for the reporting period April 2011 to March 2012 and is presented as an integrated report that aims to give a holistic group perspective of sustainability performance.

Principles and reporting guidelines: Global Reporting Initiative (GRI)

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 G3 guidelines and indicator protocols for economic, environment, human rights, labour, product responsibility and societal performance. In the financial year under review, the Group will be reporting against B level requirements of GRI. However, in the medium term, the Group seeks to gradually improve on the reporting to meet GRI A level requirements. Once this is achieved the Group will seek certification by the Global Reporting Initiative.

It also seeks to report the Group's initiatives towards meeting the ten principles of the United Nations Global Compact (UNGC).

Materiality

As outlined in the GRI guidelines, the Group recognises and accepts the importance of materiality. This Sustainability Report covers topics and indicators that reflect the Group's significant economic, environmental and social impacts or that would substantively influence the assessments and decisions of its stakeholders.

Data Measurement Techniques

Data measurement and data collation is an inherent process that is embedded into the daily processes of the Group. Specific processes aimed at documentation of sustainability related activities is undertaken on a daily basis as property centric processes under the environmental management systems that govern the sustainability policies for each resort. This information is in turn collated and analysed at Group level, periodically.

Sustainable Tourism: Strategic and Management Approach

As tourism growth accelerated in 2011/12, the case for sustainable tourism became all the more relevant not only for the Group's operations but also for the preservation of the destinations authenticity, natural and heritage assets. The Group is cognizant of the role of tourism in aggravating global warming and environmental degradation, which has been a topic of key concern over the last decade. Tourism bodies such as the UNWTO, PATA and WTTC have been leading a campaign for sustainable tourism across the world, catalysing change in perceptions and behaviours of travellers themselves. With individuals demonstrating concern for their personal carbon footprints, long-haul travel and tourism properties have been areas of contention as primary sources of carbon accumulation.

Yet prior to sustainable tourism receiving the focus that it receives today, Aitken Spence Hotels was the forefront, spearheading responsible tourism, embracing sustainability and cascading a green philosophy long before the concept of sustainability gained popularity in the corporate world. The Group's sustainability leadership extends not only across Sri Lanka but also from a global context with sustainable measures adopted across its portfolio of operations.

This is amply demonstrated by the fact that the Group's flagship property Heritage Kandalama was the first LEED (Leadership in Energy and Environmental Design) certified Green Building outside of the United States, and the first LEED certified Green Hotel in the world, an achievement that dates back a decade when sustainability and responsible tourism was in its infancy across the world. This alone speaks volumes on

the vision and the commitment towards sustainable business practice and the Group's involvement in the creation of a pervasive green business policy. Aitken Spence Hotel Holdings have led by example and have been a source of inspiration to many an individual researching and studying sustainable development around the world.

The Strategic Approach

Aitken Spence Hotel Holdings has from its inception been an operator focused on sustainable practice, especially in view of the fact that the Group heralded sustainable business, where strategic commercial interests and sustainability issues were melded together as a core, aligned objective and its management approach, one where commercial objectives are driven by sustainability objectives.

With a sustainability focus that transcends beyond mere operational to one that is strategic and holistic with the entirety of the Group's long-term vision, Aitken Spence Hotel Holdings seeks to create an organisation-wide culture that in turn will inspire individuals to act as catalysts for global change. This sustainability vision for the Group simultaneously drives the Group's commercial objectives given the growing global demand amongst consumers for eco-tourism and sustainable tourism. Global tourism trends indicate that consumers choose destinations and resort properties that practice sustainable tourism in light of the opportunity to offset their individual carbon footprints.

By integrating CSR into core business processes and stakeholder engagement the Group recognises its ability to achieve the ultimate goal of creating both social value and corporate value. However, the adaptation of CSR and sustainability goes beyond face value, the Group views sustainability as a strategic avenue for growth in the long-term. As opposed to *ad-hoc* philanthropy, strategic sustainability streams are embedded into the overall business approach and filters to the fundamental business practice. Thus, the Group perceives sustainability beyond the scope of stepped-up environmental performance, but as a comprehensive way of doing business; one that delivers tremendous economic value and opens up a vast array of new opportunities.

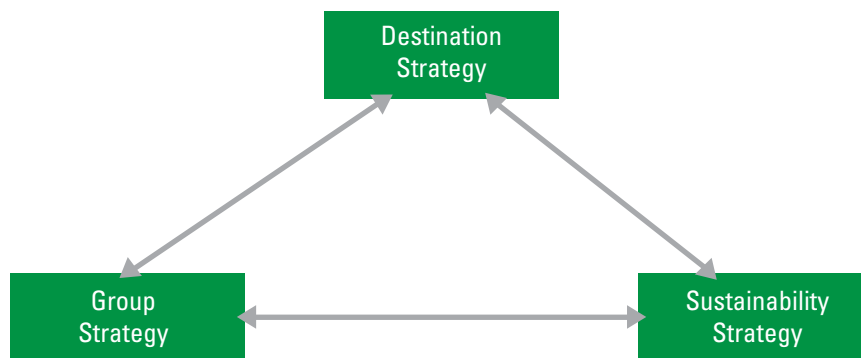


ACCA Sustainability Reporting Awards 2011



Heritage Tea Factory wins PATA Grand Award 2012
- Heritage and Culture category

Figure 1: **Strategic Approach to Sustainability**



The Group continues to strategically integrate sustainable practices across every aspect of its operation. The Group is in fact one of the few in Sri Lanka to implement an integrated sustainability policy which is by and large a proactive approach, driven internally that embeds sustainability to every conceivable operational process proactively across functions. The Group also 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 its efforts towards sustainable business.

Structurally, sustainability takes a top-down approach at Aitken Spence Hotel Holdings. With direct leadership from the Managing Director, the sustainability stewardship and structure is derived from the Group's Holding Company: Aitken Spence PLC.

The sustainability framework of the Group was formally structured in 2008 with the commissioning of a sustainability team by the Group's Holding Company. The team gives leadership to sustainability from the very top of the Holding Company hierarchy that then permeates to the

top management of the Group and is implemented in consultative collaboration across the hotel properties.

The Management Approach

An Integrated Sustainability Policy was put in place by the Holding Company in 2009 to formalise the Group's sustainability policy framework and is pervasively applicable to all of the Group's subsidiaries. The framework presents a more structured platform for sustainability commitments and enables decision makers to better embed the relevant principles into corporate policy.

The integrated sustainability policy encompasses a broad spectrum of aspects that affect corporate sustainability – taking a 360-degree view of the impacts to various stakeholders. These include compliance, ethical conduct, environment, community outreach, sustainable processes, stakeholder engagement, quality, customer service, talent management, innovation, safety and health, human rights, information security, continuous improvement and credible reporting.

The policy is being implemented under the guidance of the sustainability team of Aitken Spence PLC under the overall guidance and direction of

the Board of Management and the Board of Directors. In integrating to this structure, Aitken Spence Hotel Holdings has a sustainability sub committee, with representation from across different levels and functions. The team of representatives nominated by the Company makes up the corporate sustainability team. The Policy as an internally driven strategic initiative is embedded into the business policy and works in strategic tandem with corporate objectives. It is implemented through internally available skill through the Group's own sustainability stewards. In its implementation, the ISP complements the core values and brand structure of the Group's two main brands – Heritage and Aitken Spence Hotels.

Through the adoption of an Integrated Sustainability Policy that is pro-active in approach, the Group effectively innovated sustainable practice across the organisation's functions and thereby impacting a gamut of priority areas. Tiered action across different entities and levels of the Group are governed by the Policy.

Figure 2: **Key Areas of Sustainability Focus**



Setting Standards in Sustainability

The Integrated Sustainability Policy in itself is a dynamic document that evolves with the nature and transitions of the overall business.

Sustainability focus at Aitken Spence Hotel Holdings follows a continuum of strategic sustainability objectives which are directly aligned with the destination strategy in the broader perspective, corporate strategy and the sustainability strategy at corporate and Group level. The four areas of critical focus are 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.

In 2011/12, under these areas of key focus (as outlined in figure 2 above), the Group placed concentration on four priority areas in transcending the sustainability philosophy during the financial year.

Figure 3: *Priority Areas for the financial year*

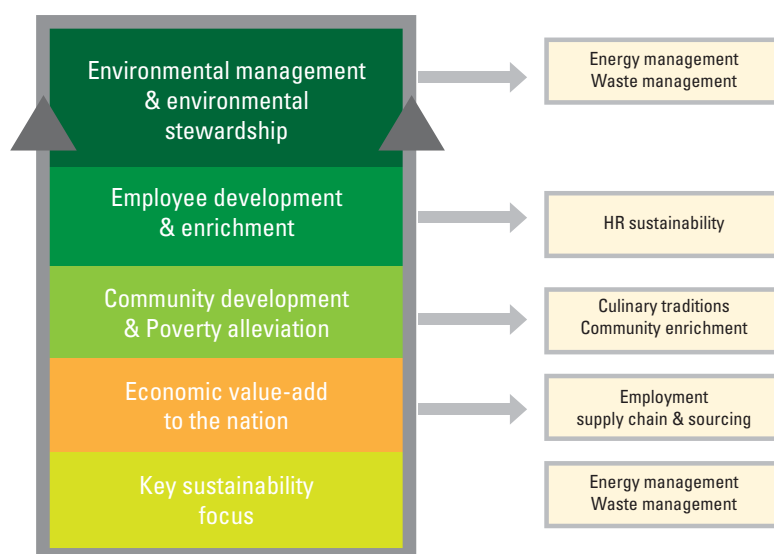


Table 1: *Summary of Management Approaches adopted*

Core areas:	Management Approach
Risk and Governance	<ul style="list-style-type: none"> Corporate governance structure and policies and principles. Risk Management Framework allows Board of Directors, the Board of Management, the Audit Committee, and the Senior Management of the Group to play an integral role in this process of Risk Management.
Market Presence and Economic Value Creation	<ul style="list-style-type: none"> Operates in four key destinations – Sri Lanka, Maldives, India and Oman. Follow a policy of recruitment from the communities in which the Group's resorts are located as well as sourcing of materials and food from suppliers in close proximity to the resorts.
Environmental & Social Sustainability	<ul style="list-style-type: none"> Environmental and social sustainability policies govern the sustainability efforts and parameters of each of the company's hotels, dependent on their locality and values of the communities that surround them. EMS manages the impacts of the company's activities on the environment. Separate committees are formed for different key areas such as energy, water usage, waste water, solid waste, air pollution, sound pollution, transport, eco system management, social and cultural development involving internal and external stakeholders. Carbon footprint calculated through strenuous mechanisms to determine impact on the environment.
Employee Development, Equal Opportunity & Anti-corruption	<ul style="list-style-type: none"> Adopts a revolutionary human development approach that has yielded groundbreaking results especially in terms of career development and inculcation of corporate values and ownership that extends beyond the convention. Adopts a policy of innovative training that overcomes the customary barriers to effective learning. Gender equality and equal opportunity governed by corporate policy as well as the terms of the UNGC. The Group is a signatory to the United Nations Women's Empowerment Principles. Anti-corruption training extended to all employees.

Core areas:	Management Approach
Sustainable Purchase and Produce	<ul style="list-style-type: none"> Sustainable supplier policy dictates that suppliers be evaluated based on their own commitments to sustainable practice. Preference given to suppliers who are able to deliver with the least handling and transport, who provide goods that carry eco-labels and recycle labels, offer biodegradable produce especially soaps and detergents with minimal chemicals and phosphates, sulphates, nitrates and boron salts. Bulk purchasing given priority and supplies in returnable containers or packaging that is biodegradable. First preference extended to communities around the periphery of operations. Supplier policy dictates that when sourcing for materials and services, the hotel properties first consider local produce and local services before assessing other suppliers. Local materials and fair trade products and services including elements of local art and cultural heritage are given precedence.

Figure 4: *Policies that govern the Management Approach*

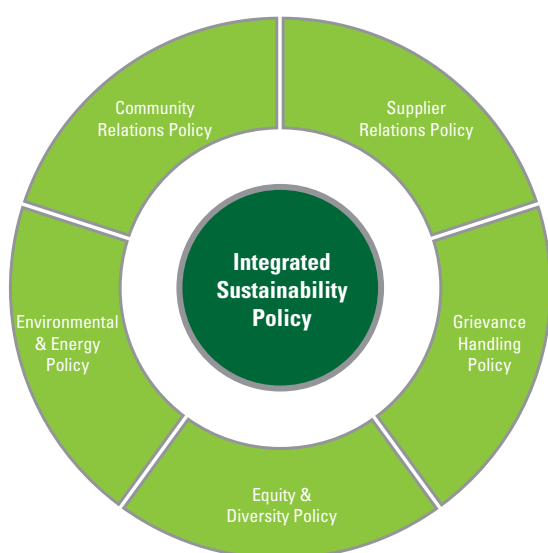


Table 2: *Product Responsibility: Conformity to global standards and service delivery criteria*

Benchmark/Certification	Certification Body	Number of Hotels Benchmarked/ certified/compliant
Earth Check Silver Certificate	Earth Check Asia Pacific	6
Earth Check Bronze Benchmark	Earth Check Asia Pacific	2
ISO 14001 Environmental Management Systems	International Organisation for Standardisation (ISO)	8 certified
5S - Good Housekeeping Methodologies	Self-compliant	9
Kaizen Quality Management Techniques	Self-compliant	9
ISO 22000/HACCP: 2005 Food Safety Management System	International Organisation for Standardisation (ISO)	All 4 Heritage properties are certified
Cleaner Production Technologies	National Cleaner Production Centre	9
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)	1

Memberships in Associations

- 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 Employee Federation of Sri Lanka

Statement of Value Added

The statement of value added shows the wealth created by the Group and its distribution among all stakeholders during the year.

	%	2011/12 Rs. '000	%	2010/11 Rs. '000	%	2009/10 Rs. '000	%	2008/09 Rs. '000	%	2007/08 Rs. '000
Total Revenue		9,614,828		8,059,152		7,137,672		6,611,893		6,412,699
Purchase of Goods & Services		(5,056,204)		(4,429,510)		(4,023,208)		(3,970,263)		(3,698,213)
		4,558,624		3,629,642		3,114,464		2,641,630		2,714,486
Other Income		279,489		282,734		102,048		332,774		72,243
Associate Companies share of profit/(loss) after tax		48,016		1,529		4,595		(3,240)		5,785
Total Value Added		4,886,129		3,913,905		3,221,107		2,971,164		2,792,514
Distributed as follows:										
To Government (Income tax & turnover tax)	16	776,045	10	390,330	10	337,555	11	321,636	12	343,325
To Employees (Salaries & other costs)	27	1,331,432	30	1,176,668	31	989,545	29	857,989	27	760,721
To Lenders of Capital (Interest on loan capital & minority interest)	19	932,474	14	552,573	20	628,884	20	600,494	23	639,376
To Shareholders (Dividends)	5	235,403	4	168,145	2	72,062	1	34,067	3	53,283
Retained for Reinvestment & Future Growth (Depreciation & retained profits)	33	1,610,775	42	1,626,189	37	1,193,061	39	1,156,979	35	995,809
		4,886,129		3,913,905		3,221,107		2,971,164		2,792,514

Sustainability Risk & Opportunity Assessment

The Group undertakes a Sustainability Risk and Opportunity Assessment process every year against the following parameters to determine strategic priorities going forward:

Social Risk

- Potential impacts of the business on social development, cultural values and social inclusiveness evaluated
- Risks vs. Opportunities:
 - Human capital unaffected by Groups commercial operations vs. skill development and social mobility
 - Loss of cultural values due to invasion of foreign values vs. renewal of cultural values, practices and indigenous art & crafts
 - Social alienation vs. social engagement in Group's commercial activity
- Engagement approaches in overcoming risks and harnessing opportunities identified:
 - Training & development for skill enhancement
 - Renewal of cultural values through inclusion in resort brand proposition
 - Social inclusiveness through consultation and creation of a sense of ownership
- Processes undertaken to minimise social risk:
 - Aitken Spence School of Hospitality, internships at hotel properties
 - Heritage brand brings alive the inheritance of Sri Lankan culture through history, cuisine, music, art and craft
 - Regular and ongoing Stakeholder engagement that builds community relations

Environmental Risk

- Potential impacts of the business on the environment includes global warming, threat to Bio-diversity and Eco-systems and Environmental degradation and positive outcomes from Carbon Neutral operations
- Risks vs. Opportunities:
 - Change in weather patterns, eco-systems vs. creation of a green identity for the Group
 - Depletion in bio-diversity and loss eco systems around properties vs. thriving natural environments as a differentiation strategy
 - Soil, erosion, water, air pollution and declining water tables vs. pristine, lush natural environments
 - Carbon neutral holidays can be offered to the growing base of "green" minded consumers
- Engagement approaches in overcoming risks and harnessing opportunities identified
 - Reduced emissions through alternative energy usage, zero impact green policy implementation
 - Protection of bio-diversity & eco-systems through sanctuaries and non-invasion/interference with natural habitat
 - Adoption of Organic farming techniques, waste water recycling, non-use of ground water, emission reduction
 - Calculation of Carbon footprint will allow for calculation of carbon accumulation
- Processes Undertaken to minimise environmental risk:
 - Implementation of Environmental Management System and Green policy processes
 - Calculation of carbon footprint at Heritage Kandalama has set in place processes that can be cascaded to other properties

Economic Risk

- Potential impacts of the business on the economy include the degree of impact on community empowerment and national wealth creation
- Risks vs. Opportunities:
 - Lowest cost sourcing vs. community based sourcing
 - Employment to individuals outside the perimeter of village vs. employment of villagers
 - Import of inputs to tourism product/service vs. revival of national economy through import substitution
- Engagement approaches in overcoming risks and harnessing opportunities identified:
 - Sourcing within a fixed radius of hotel property
 - Employment at village level
 - Local purchases given greater preference
- Processes undertaken to minimise economic risk:
 - Sourcing/supplier policy
 - Employment/recruitment policy
 - National industry focused policies



Donation of School Amenities by Heritance Kandalama



Shramadana at Elders' Home
Balapitiya by Heritance Ahungalla

Stakeholder Engagement

Figure 5: Engagement channels used to communicate with stakeholders





Roofing Sheets Donation to Ereula Temple, Dambulla



5S Education Programme conducted by Heritance Kandalama

Stakeholder Engagement in 2011/12

Type of Activity	Description of Activity
Philanthropic Initiatives	<p>Heritance Sahana Yaathra: a programme to assist flood victims of Hingurakgoda.</p> <p>Donation of roofing sheets to the village Temple and donations for Wesak activities.</p> <p>Blood donation campaigns on Wesak Day.</p> <p>Beach preservation activities: planting of 75 Moodilla plants near the coastal line on World Environment Day.</p> <p>Assisted to instil self-esteem for "Beach Guides" by re-designating them as Beach Agents and Drivers as Travel Assistants.</p> <p>Monthly Beach Cleaning programmes from Ahungalla to Balapitiya.</p> <p>Monthly alms giving to two village temples: Wele Kovila and Wele Pansala and donations to Kalundawa Aluthgama Temple.</p> <p>Donations made to the staff members for medication purposes pertaining to their families.</p> <p>Conservation awareness meetings to educate farmers in Walapane district on the environmental and financial benefits of growing Gliricidia.</p> <p>Contribution towards surgeries and medical aid for war heroes and facilitating towards remembrances and social events.</p> <p>An Art Competition was conducted among students of Schools in Kandapola to commemorate the World Tourism Day on 27th September 2011.</p> <p>Repairs to the 4 km. road from Kandapola to the hotel and the village at a cost of Rs. 15 million.</p> <p>Repair of Dambulla base hospital Main operation room Air Condition unit.</p> <p>Donations to Kalogaha Ela Death Benevolent society.</p>
Child/ Elder Care Programmes	<p>Donation of a Photocopy Machine for Ahungalla Model School.</p> <p>Donation of fabric for 58 students of a Dhamma School of Ahungalla.</p> <p>Donation of 24 benches for the "Anula" Children's Home at Ahungalla.</p> <p>Issued 20 Garbage bins to schools to create awareness on environmental cleanliness.</p> <p>Donation of 46 pairs of shoes for students of Nagalawewa primary school and 38 pairs of shoes for students of Polathawewa primary school.</p> <p>Donation of 478 spectacles to elderly recipients in 6 Villages (Whakotte, Palapathwela, Galewela, Kapela, Kalogahaela, Kandalama) and 225 spectacles to 3 Villages (Palepola, Kalundawewa, Kandalama 2nd Mile post) in Dambulla.</p> <p>Donation of 12 wheel chairs recipients in 10 villages (Kalogha ela, Tholubugolla, Galewela, Kalundawewa, Kap Ela, Sigirya, Pahala Ereula, Kandalama Galpothawela, Ihala Ereula).</p> <p>Donation of medical equipments for Wewalawewa Primary medical unit.</p> <p>Supporting children from surrounding villages through financing of English classes and year 5 scholarship classes.</p>
Employee Volunteerism	<p>Donations for funerals and alms giving of staff members.</p> <p>Donation to meet medical needs of employees post accidents.</p> <p>Conducted Maha shramadanas every month to clean the road environment.</p> <p>Awareness program on Reptiles to students of D.S. Senanayake School on World Environmental Day.</p> <p>Awareness program on environmental preservation held in 6 Maha Vidyalas in Dambulla.</p> <p>School amenities donated to 12 schools in Dambulla Education Zone.</p> <p>Donation of Water Pump to Palutawewa primary school.</p>

Sustainability Performance in 2011/12

Overview of Sustainability Performance		
Economic Performance	Policy, practices and proportion of spending on locally based suppliers (EC6)	<p>Supplier policy dictates that the first preference be extended to communities around the periphery of operations. Supplier policy dictates that when sourcing for materials and services, the hotel properties first consider local produce and local services before assessing other suppliers (Refer Table 1 Summary of Management Approaches).</p> <p>In 2011/12, the Group sourced from over 500 farmers for agricultural produce, over 200 families sold wood fuel for biomass plants, and over 45% of total purchases were from communities in close proximity to the Group's many resorts.</p>
	Development and impact of infrastructure investments and services provided (EC8)	<p>The Group's resorts provide electricity to over 700 families and thereby created conducive environments for self and micro entrepreneurship. Through the Group's interaction in infrastructure development it provides safe drinking water for over 600 families. The Group's presence in these communities has assisted to create opportunities and has been a driver for numerous economic activities and the foundation on which a number of businesses have commenced based primarily on the easy access for markets.</p> <p>The Group's Hotel School benefited over 62 students challenged by economic constraints and originating from conflict affected areas.</p>
Energy	Energy saved due to conservation and efficiency improvement efforts (EN5)	Total energy saving was 2,335 GJ in the Sri Lanka hotels.
	Initiatives to provide energy efficient or renewable energy based products and services (EN6)	<p>Gasifiers are used at Heritance Kandalama and Heritance Tea Factory to produce syngas from sustained biomass. The syngas is fed to boiler in lieu of diesel to produce steam for hot water generation and laundry operations.</p> <p>Bio-waste from the kitchens at Heritance Ayurveda Mahagedara is used to produce biogas for use in the Ayurvedic Herbal Preparation area.</p> <p>Solar Photovoltaic Systems incorporate into Heritance Ayurveda Mahagedara is used to produce electricity which is fed to the National Grid <i>via</i> a net metering agreement with the local service provider as well as power garden lighting <i>via</i> a battery bank.</p> <p>Also at Heritance Ayurveda Mahagedara solar hot water panels are used to augment the temperature of the water before being fed to the clarifier. This invariably reduces the consumption of furnace oil consumed by the boiler.</p> <p>At Hotel Hilltop eight solar hot water panels of the sixteen existing panels were replaced with new ones to produce hot water for in the guest rooms.</p>
	Direct energy consumption by primary energy source (EN3)	Direct Energy consumption by primary energy source was 27,162 GJ stemming from five properties in Sri Lanka and 216,717 GJ from four properties in Maldives.
	Indirect energy consumption by primary source (EN4)	Indirect Energy consumption by primary energy source was 28,780 GJ in five properties in Sri Lanka.
	Total direct and indirect greenhouse gas emissions by weight (EN16) (Carbon Footprint)	Total amount of GHG emissions as calculated is 7,221 tonnes in Sri Lanka operations and 14,105 tonnes in the Maldives operations (Scope 1 and Scope 2)
Emissions, effluents and waste	Initiatives to reduce greenhouse gas emissions and reductions achieved (EN18)	Total amount of GHG emissions reduced as calculated is 691 tonnes in Sri Lanka. (Refer EN6)



Staff members of Maldives Hotels cleaning waste at uninhabited islands.



Adaaran Select HudhuRan Fushi reuses garden waste as compost at the banana and vegetable plantation to reduce carbon emissions.

Overview of Sustainability Performance		
Water	Total water withdrawal by source (EN8)	<p>Municipal Water Utilities: Sri Lanka Hotels – Approx. 23,954m³</p> <p>Cooling Water for Chillers: Heritance Ahungalla – 7,703m³ Heritance Ayurveda Mahagedara – Not measured for 2011/12</p> <p>Ground Water: Sri Lanka Hotels – Heritance properties – 215,597m³</p> <p>Sea Water: Maldives hotels – 586,409m³</p>
	Percentage and total volume of water recycled and reused (EN10)	<p>100% of the waste water generated and almost 90% of the total water withdrawn is treated and recycled. An assumption is made that 10% of the total withdrawn water is lost due to evaporation).</p> <p>Sri Lanka hotels – 219,509m³ Treated water used for irrigation purposes is 1,750m³ (Assumption – 30% of the year are rainy days)</p> <p>Maldives hotels – 211,107m³ which is about 36% of the total water withdrawal.</p> <p>For Maldives properties an assumption is made that since there is no separate metering system, 10% of the total water produced by the RO Plant is lost due to evaporation and other means.</p>
Biodiversity	Location and size of land owned, leased managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas (EN11)	<p>The Heritance Kandalama Hotel 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.</p> <p>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.</p>
	Description of significant impacts of activities, products, services on biodiversity in protected areas and areas of high biodiversity value. (EN12)	<p>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 valuable role in protecting sick and injured animals and is a key model for community education and conservation.</p> <p>In the Maldives, the preservation practices such as separation of solid waste under the 7R principle (Reject, Reduce, Reuse, Reclaim, Repair, Replace, and Recycle) ensures zero dumping of solid waste. The liquid effluence including sewage is treated in STP's and the recycled water nourishes the greenery ensuring zero pollution of the marine environment.</p>

Setting Standards in Sustainability

Overview of Sustainability Performance		
Compliance	Monetary value of significant fines and total number of non-monetary sanctions for non compliance with laws and regulations (SO8) - None	
	Monetary value of significant fines and total number of non monetary sanctions for non compliance with environmental laws and regulations (EN28) - None	
	Monetary value of significant fines for non compliance with laws and regulations concerning the provision and use of products and services (PR9) - None	
Occupational Health & Safety	The Group communicates an OH&S policy organisation-wide. In 2011/12, there were zero reportable incidents concerning injuries or incidence of occupational diseases.	
Training & Education	Programmes for skills management and lifelong learning (LA11)	<p>The Aitken Spence Hotel School conducted training for over 62 students from less economically stable backgrounds and from conflict affected areas in 2011/12 of which all 62 were absorbed into the Group's operations.</p> <p>A total of 38,300 training man hours for over 1,100 employees across the Group was achieved in diverse areas of hospitality and general management.</p>
Product and Service Labelling	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction (PR5)	<p>Each of the Group's resorts determines customer satisfaction via a feedback form submitted to customers at the end of their stay. The results are collated resort-wise and reviewed periodically to determine shortfalls and identify areas that require service adjustment.</p> <p>The Group's loyalty club, Diamond Club, is one of the strongest links to its customers and serves as a conduit in not only strengthening customer loyalty but also as a means to gauge customer satisfaction.</p> <p>Social media is used actively to interact on a one on one basis with customers and potential customers. Of these Facebook and Twitter dominate whilst the Group's website is also a core base for interaction. Flickr, YouTube and Blogger are also used extensively to not only promote the Group's products on offer but also to interact with like-minded others who are passionate about sustainable tourism. The Group is also active on Skype and responds to customer queries <i>via</i> Skype 24/7.</p> <p>To enhance quality assurance at the Group's resorts practice 5S Good Housekeeping, Kaizen Quality Management techniques, ISO 22000/HACCP: 2005 Food Safety Management.</p>
Marketing Communications	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship (PR7) - None	
	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data (PR8) - None	



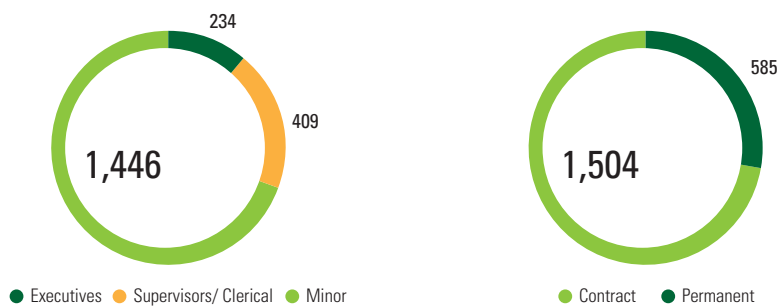
Aitken Spence School of Hospitality, Ahungalla



Aitken Spence School of Hospitality Student Batch – 2011

Key Labour Indicators – Owned Hotels (Sri Lanka & Maldives)

Figure 6: *Total Workforce by employment type and employment contract*



Benefits given to permanent employees		Bonus/Exgratia Festival Advance Full Service Charge Reimbursement of tuition/ exam fees on successful completion
Minimum notice period regarding significant changes	1 month	
Percentage of total workforce represented in formal, joint management-worker health and safety committees	100%	
Injuries per year	Nil	
Occupational diseases per year	Nil	
Death of employee as a result of occupational disease/injury	Nil	
Average training hours per staff member per year	Executive	29.25
	Supervisor/Clerical	24.20
	Staff	35.61
Percentage of employees receiving regular performance and career development reviews	100%	
Ratio of basic salary of men to women by employee category	1:1	

Setting the Industry Standard

Sustainable business and corporate responsibility have long been a tradition at Aitken Spence Hotel Holdings. Over the years, the Group has devised and evolved its business practice to incorporate and inculcate “green” philosophies and pioneered the practice of sustainable tourism in Sri Lanka. It truly led the global shift towards

responsible tourism long before the terminology gained popularity as a marketing differentiator and the Group concertedly immersed itself in setting the standard for not only Sri Lanka as a destination but also for tourism service providers the world over. Aitken Spence Hotels demonstrated its vision for sustainable tourism as far back as the 1990’s when the Group embarked on a visionary journey to construct an iconic green building near the historic Kandalama Tank.

But the Group’s philosophy of sustainability has never been limited. It has endeavoured through the years – despite challenging business times and slow growth in the tourism sector – to cascade its sustainability learnings across all of the Group’s properties both in Sri Lanka and abroad. It strived at every opportunity to create a platform for education and awareness thereby transposing its passion for sustainable practice to the communities that surround

Setting Standards in Sustainability

its operations and to a wider audience in Sri Lanka and global hospitality industry. Thus, Aitken Spence Hotel Holdings has continued to set the standard for sustainable and responsible tourism. In 2011/12, this position of leadership was furthered with the Group enhancing its place and reputation as a sustainability leader through a variety of sustainability initiatives and outcomes.

The Group's global leadership was demonstrated in that at the Pacific Asia Travel Association (PATA) Awards 2012 ceremony held in Malaysia, Heritance Tea Factory accepted the Grand Award in the Heritage and Culture category. Heritance Tea Factory was the only hotel to be presented with a Grand Award, the other winners being the Lao National Institute of Tourism and Hospitality, for Education and Training; Tourism Authority of Thailand for Environment; and Tourism New Zealand for Marketing. Moreover, Heritance Tea Factory was the only hotel in Sri Lanka to be recognised amongst 180 entries from 79 organisations world-wide at the PATA Gold Awards 2012. This global leadership position was strengthened when Aitken Spence Hotels bagged two awards at the International Green Apple Awards for the Built Environment and Architectural Heritage 2011. The Heritance Hotels beat many organisations from around the world to walk away with the awards. The Gold Award for Architectural Heritage in the Private Sector International category went to Heritance Tea Factory. Heritance Kandalama won the Gold Award for Built Environment.

On the environment sustainability front, Heritance Kandalama and Heritance Tea Factory emerged winners at the National Green Awards. Heritance Kandalama was awarded the Gold Award in the Large Scale Hotel category. Heritance Tea Factory was awarded the Silver Award in the Medium Scale Hotel category. At the Sri Lanka National Energy Efficiency Awards 2011 Heritance Hotels and Resorts was crowned the most energy efficient hotel chain in Sri Lanka. Heritance Hotels made a clean sweep of the Large Scale Hotel Sector category, a feat never been achieved in the history of the awards by a single hotel chain.



Arts & Crafts Centre at Heritance Ayurveda Mahagedara

Heritance Kandalama, the most awarded hotel in Sri Lanka walked away with the Gold Flame Award and was honoured for its ability to demonstrate year-on-year energy reductions along with ongoing sustainability processes and energy management strategies. Heritance Tea Factory the winner of the Sri Lanka Tourism Award for the Best 4 Star Hotel in Sri Lanka walked away with the Silver Flame award. Heritance Ahungalla, the winner of the Sri Lanka Tourism Award for the Best 5 Star Resort in the island who also emerged the overall champion at the Culinary Art 2011 was the proud winner of the Bronze Flame Award.

Heritance Ahungalla in 2011/12 was certified for Energy Management System ISO 50001:2011 and remains the first and only large scale hospitality provider to comply with the standard for energy management in the world. With the introduction of Energy Management System, Heritance Ahungalla is able to effectively manage energy consumption without compromising guest comfort and will also assist the hotel to meet the current and future mandatory energy efficiency targets and requirements of green house gas (GHG) emission reduction legislations.

In terms of sustainability reporting, Aitken Spence Hotel Holdings was adjudged the winner in the Medium Scale Category for the second consecutive year at the ACCA Sustainability Reporting Awards and to join the ranks of being one of the most transparent companies in the region. This win highlighted the importance Aitken Spence Hotels gives to sustainability, transparency and accountability and provides a clear indication on the company's ongoing commitment to report on its economic, social and environmental impacts.

Heritance Ayurveda Mahagedara's Arts and Crafts Centre epitomizes the Group's commitment to the preservation of culture and heritage. The Arts and Crafts Centre is considered by the Group as a special gift to the traditional craftsmen and women of coastal Sri Lanka. The Centre serves as hub for artisans to exchange know-how and market artisan products that are soon becoming a rarity in Sri Lanka. Artisans with experience in mask making, wood carving, beeralu lace making, and reed and rattan weaving which bring life to their craft at the Centre, providing an opportunity for them to not only find a viable marketplace for their produce but also create awareness on the heritage of the craft to tourists. Heritance Ayurveda Mahagedara is a sustainable operating model that is both environmentally and socially conscious in its operations.



Heritance hotels crowned the Most Energy Efficient Chain in Sri Lanka

Table 3: *Awards and Recognition in 2011/12*

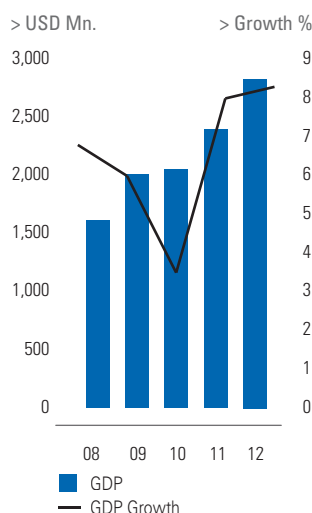
Aitken Spence Hotel Holdings (Group)
<p>Winner in the Hospitality Sector at the National Business Excellence Awards (NBEA) 2011 presented by the National Chamber of Commerce of Sri Lanka. Aitken Spence Hotel Holdings PLC also won a Merit Award in the Extra Large category.</p> <p>Silver award winner in the Hotel Companies category at the ICASL Annual Report Awards 2011.</p> <p>Winner of the Medium Scale category at the ACCA Sustainability Reporting Award 2012 (ACCA Sri Lanka).</p> <p>Heritage Hotels Crowned the Most Energy Efficient Hotel Chain in Sri Lanka at the National Energy Efficiency Awards 2011. The hotel chain bagged the Gold (Heritage Kandalama), Silver (Heritage Tea Factory) and Bronze (Heritage Ahungalla) Awards.</p> <p>Ranked at 8th place out of 63 leading corporate entities and state owned enterprises in Sri Lanka in the STING Corporate Accountability Index 2012. Aitken Spence Hotels Holdings was rated Gold.</p> <p>Heritage Hotels collectively won 13 special awards out of a total of 32 special awards at the 14th Culinary Art Competition organised by the Chefs Guild of Sri Lanka in August 2011 including the award for the Best Hotel Team in the island. Aitken Spence Hotels won an unprecedented 145 medals.</p>
Heritage Kandalama
<p>Heritage Kandalama received the Internal Gold Award for the Built Environment at the International Green Apple Awards ceremony held at the University of Westminster in London.</p> <p>Gold flame Award - Sri Lanka National Energy Efficiency Awards 2011.</p> <p>Gold Award in the Large Scale Hotel category - National Green Awards 2011.</p> <p>Presented with a Green Hero Award by The Green Organisation at their 18th annual international awards ceremony held at the House of Commons in recognition of the environmental projects at Heritage Kandalama.</p> <p>Gold Award in the Large Scale Hotel category in the National Green Awards 2011.</p> <p>Winner of the Most Outstanding Regional Team (Cultural Triangle Province) at the 14th Culinary Art Competition (August 2011) organised by the Chefs Guild of Sri Lanka.</p> <p>Awarded the Best Host Hotel for Eco Tourism at the Sri Lanka Tourism Awards 2010 which concluded in May 2011.</p>
Heritage Ahungalla
<p>Heritage Ahungalla became a contender for the ‘World’s Most Expensive Cake’ with its creation ‘Pirate’s Fantasy’ priced at USD 35mn crafted and designed by Chef Dimuthu Kumarasinghe, Group Skills Development Chef, Aitken Spence Hotels and Heritage Hotels & Resorts.</p> <p>Bronze Flame Award - Sri Lanka National Energy Efficiency Awards 2011.</p> <p>Named Best Hotel Team, Best Culinary Team in Sri Lanka and Most Outstanding Regional Team (Southern Province) at the 14th Culinary Art Competition (August 2011) organised by the Chefs Guild of Sri Lanka.</p> <p>Awarded the Best 5-Star Resort in the island at the Sri Lanka Tourism Awards 2010 (which concluded in May 2011).</p>
Heritage Tea Factory
<p>First Sri Lankan hotel to win a Pacific Asia Travel Association (PATA) Grand Award in its 2012 awards.</p> <p>Presented a Green Hero Award by The Green Organisation at their 18th annual international awards ceremony held at the House of Commons in recognition of the environmental projects at Heritage Tea Factory.</p> <p>Heritage Tea Factory received the International Gold Award for Architectural Heritage at the International Green Apple Awards ceremony held at the University of Westminster in London.</p> <p>Silver Flame Award in the Large Scale Hotel Sector category at the Sri Lanka Energy Efficiency Awards 2011.</p> <p>Awarded the Best 4-Star Resort in the island for the second year in a row at the Sri Lanka Tourism Awards 2010 (which concluded in May 2011).</p> <p>Silver Award in the Medium Scale Hotel category - National Green Awards 2011.</p>
Adaaran Select Meedhupparu
<p>Winner of the Thomson Gold Award 2011 for the Three T category in Maldives.</p> <p>Winner of the Best Hotel Partner category and the Best Hotel Partner of TEZ TOUR in the TEZ WORLDBERRY Award for two consecutive years – 2010, 2011.</p>
Adaaran Club Rannalhi
<p>Winner of the TEZ WORLDBERRY award in 2010 & 2011; Winner of best Hotel Partner category and the best Hotel-partner of TEZ TOUR – 2010, 2011.</p>

Financial Review

Macro Economic Framework

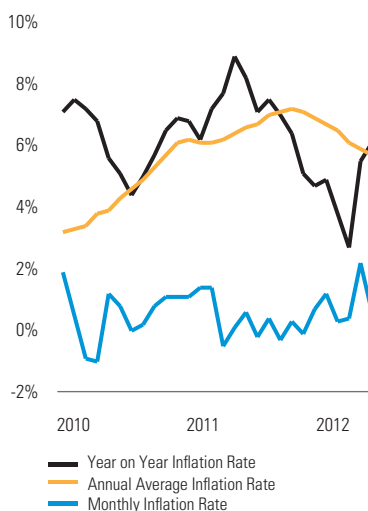
As per the Central Bank of Sri Lanka (CBSL) Sri Lanka achieved a real GDP growth of 8.3% during 2011 which is infact the highest growth witnessed during the past six decades and was achieved on top of the 8% growth achieved during 2010. This is a significant achievement given that it is the first instance where an 8% or more growth in GDP has been achieved in consecutive years post independence. We witnessed strong growth momentum across all sectors particularly the Services sector recorded its highest growth in the last 46 years and the Hotels and Restaurants sector recorded its 2nd highest growth in the last 12 years, except for the post Tsunami year.

> Sri Lanka GDP Growth



Inflation continued to be at single digit levels during the past three years as measured by the Colombo Consumers' Price Index (2006/07=100). Significant improvements in the domestic supply conditions coupled with a relatively stable exchange rate for the most part of the year helped to contain inflation in 2011. However appreciation of the dollar against the rupee towards the latter part of the year is anticipated to increase food & energy costs substantially in 2012.

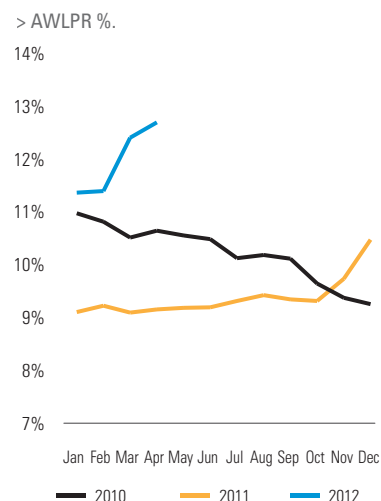
> Inflation Rates



A 3% devaluation of the LKR against USD was announced in November 2011 in the budget proposals put forward by the government and in February 2012, the Central Bank decided to limit its intervention in the forex market, so as to limit the supply of foreign exchange to the extent needed to settle the bulk of petroleum import bills.

In order to facilitate investments further and to support continued economic expansion, the CBSL Repurchase and Reverse Repurchase rates were reduced by 25 basis points and 50 basis points, respectively, in January 2011 and stood at 7% and 8.%, respectively. Market interest rates including yields on government securities remained broadly stable during the first three quarters of 2011. However, with the declining excess liquidity in the domestic money market, an upward movement in market interest rates and yields on government securities was observed during the fourth quarter of 2011. Meanwhile, in February 2012, the Central Bank raised its policy rates by a further 50 basis points.

> Average Weighted Prime Lending Rate



Tourism Industry in 2011

The global tourism industry continued the recovery experienced in 2010 with global arrivals increasing by 41 Million to hit 980 Million tourists which is a 4.4% increase from 2010. Advanced economies outperformed emerging economies to record a commendable growth of 4.7% while emerging economies witnessed a year on year growth of 4.1%

2011 witnessed continued growth in the Sri Lankan tourism sector continuing on the momentum generated in 2010 with the end of the three decade old civil war. Tourist arrivals grew by 31% to hit 855,975 well above the government forecast of 750,000. Accordingly the government has revised its forecast for 2012 anticipating the inbound tourist to hit the 1 million mark from an initial forecast of 925,000 and the expected foreign exchange inflow from tourism at USD 1.2 Billion.

During the year, Tourist arrivals to Maldives experienced an increase of 18% to reach 931,333 which was marginally below the initial government estimate of 957,000.

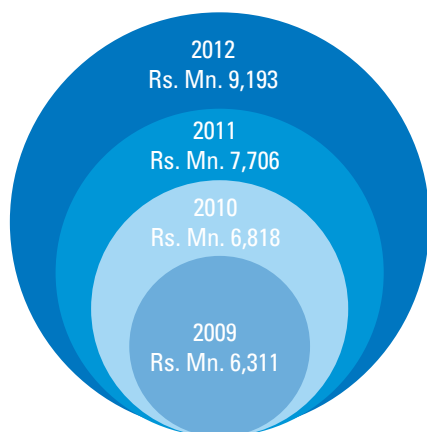
Analysis of Group Performance

Analysis of the financial statements of Aitken Spence Hotel Holdings represents the consolidated financial statements of the holding company, its subsidiaries, joint ventures and the share applicable to the holding company of the profits/losses of its associates. Please refer group portfolio on page 39.

Table - Summary of Key Income Statement Items

<i>Rs. Millions</i>	<i>F/Y 2011/12</i>	<i>F/Y 2010/11</i>	<i>change</i>	<i>Explanatory Notes</i>
Gross Revenue	9,615	8,059	19%	+ Growth in South Asian sector revenue by 20% & Sri Lankan sector revenue by 17%.
Other operating income	93	68	37%	+ Includes an exchange gain of Rs. 68 million.
Staff costs	(1,331)	(1,177)	13%	+ Increased staff cadre/Increments.
Depreciation & Amortisation	(451)	(760)	(41)%	+ The Lease period of the Resorts in Maldives have been extended resulting a reduction of depreciation on Buildings.
Other operating expenses - Direct	(1,974)	(1,661)	19%	+ Increased Cost of sales/volumes.
Other operating expenses - Indirect	(3,082)	(2,769)	11%	+ Increased cost of repairs & maintenance and marketing expenses by 54% & 39% respectively.
Finance income	187	215	(13)%	+ Utilisation/reduction of excess funds & low Interest rates prevailed during the first two quarters of the financial year.
Finance expense	(196)	(229)	(15)%	+ Settlement of loans during the year.
Share of Profit/(Loss) of associates	48	2	2,300%	+ Improved yield from investments.
Taxation	(354)	(37)	857%	+ The increase in profits for the year and imposition of Corporate Tax in Maldives.
Profit After Tax	2,132	1,358	57%	+ Improved operational performance and cost savings.

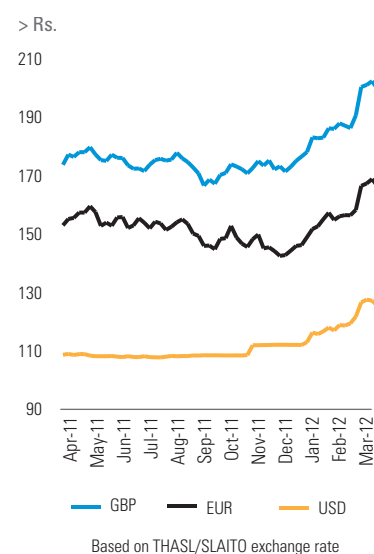
Revenue



The group recorded a consolidated net revenue of Rs. 9,193 million during the financial year which is a 19% increase from Rs. 7,706 million achieved during 2010/11. The South Asian sector headed by the Maldivian properties was the main contributor with Rs. 7,424 million being 77% of the total revenue. The Sri Lankan sector achieved Rs. 2,191 million, a growth of 17% from the last financial year despite the impacts we had due to closure of "Ramada Resort Kalutara" for refurbishments during the entire financial year and "Heritage Kandalama" being operated with a reduced inventory for seven months of the year due to refurbishment work being carried out to the Dambulla wing and the new conference hall construction work.

Impact on foreign exchange rate fluctuation

> Exchange Rate Fluctuation 2011/12

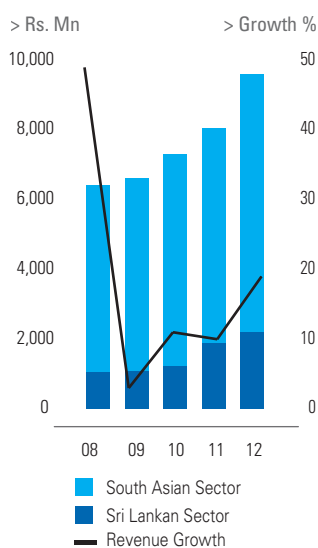


Financial Review

It must be noted that during the last four months of the financial year the LKR depreciated against the USD in excess of 15% against pre government budget levels. This complimented favourably on the revenues generated by Sri Lankan sector resorts as a considerable proportion of revenue generated through travel agents are based on foreign currency contracts.

However, the above positives were somewhat eroded due to increases made to revenue taxes in Sri Lanka and Maldives. The Sri Lankan hotel industry which was previously exempt from the Nation Building Tax (NBT) was made liable from 1st January 2011 at a rate of 2% while the Goods and Services Tax (GST) in Maldives was increased from 3.5% to 6% with effect from 1st January 2012.

> Segmental Revenue



Our Maldivian sector revenue recorded an impressive 20% growth from levels in 2010/11, which is far in excess of the national arrivals growth achieved in 2011 by the Maldives.

Significantly, the largest segment of tourists arrived from China while demand from Europe remained high across our resorts. It is also pleasing to note that our properties in the Maldives were able to achieve an increase in average room rates during the year while improving the year round average occupancy to 86% compared with 78% in 2010. Adaaran

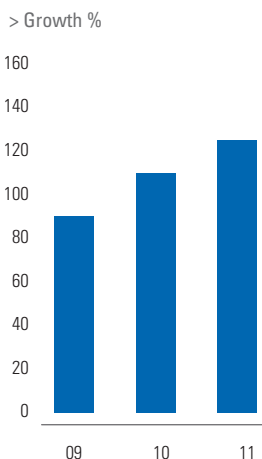
Select Meedhupparu continued to be the major contributor in the sector.

Revenue from the Oman operation registered a 5% improvement in 2011 over 2010 on the back of higher Food and Beverage revenues and marginally better occupancies. With the sultanate being named the 'Arab Tourism Capital' of 2012 by the Arab Tourism Ministers' Council coupled with the government's intention of doubling the tourism contribution to a GDP of 2.4% from the current level of 1.2% by 2020 the outlook of the Oman tourism industry looks promising.

Our Indian operation fell behind both expansion and performance targets mainly due to lack of scale. The group is constantly monitoring the performance of the sector and appropriate measures will be taken to consolidate our presence in India.

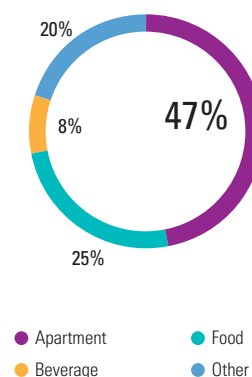
The company's emarketing initiatives are being further strengthened and have paid high dividends in the year under review. The group have invested heavily on web marketing over the years identifying the high growth potential in the segment, with our hotel chain being the first in Sri Lanka to have a dedicated internet payment gateway (IPG).

> Growth in Online/Web Sales



Composition of group revenue can be presented as follows:

> Composition of Revenue 2011-12



Income & Expenditure Distribution

Group's other operating income increased by 37% to Rs. 93 million in 2011/12 which includes exchange gains originating from the Maldivian operation and others amounting to Rs. 68 million.

Food and commodity prices continued to increase in 2011/12 driven by high fuel prices which had an adverse impact on the operational efficiencies of the industry. This negatively impacted the performance especially during the off-season. During the period in review Direct and Indirect Operating Expenses increased by 19% and 11% respectively and these increases are broadly inline with operational requirements arising due to increased occupancy.

The group depreciation and amortisation for the year was reported at Rs. 410 million and Rs. 41 million each which is a reduction of 41% from the preceding year and these decreases were mainly due to the re-computation/assessment of depreciation and amortisation required on buildings in Maldives due to extensions obtained in Maldivian island leases during the year.

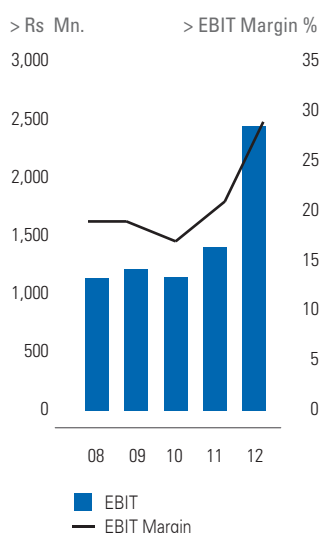
Tabulated below are key expense items as measured against Group Revenue achieved:

	2012 Rs. '000	%	2011 Rs. '000	%
Net Revenue	9,192,533		7,706,064	
Staff Costs	1,331,432	14.48	1,176,668	15.30
Depreciation & Amortisation	450,886	4.90	760,261	9.90
Other Operating Expenses - Direct	1,974,304	21.47	1,660,781	21.60
Other Operating Expenses - Indirect	3,081,900	33.50	2,768,729	35.90
EBIT	2,446,552	26.60	1,407,628	18.30

Earnings Before Interest and Tax (EBIT)

Strong earnings reported in both Sri Lankan and South Asian sectors resulted in an impressive 74% increase in EBIT during the year to reach Rs. 2,447 million an increase of Rs. 1,039 million from last year. The major contribution for the increase in EBIT came from the South Asian Sector headed by the Maldivian resorts. Increases in the occupancy and improving yields across the group enabled the EBIT Margin to improve up to 26.6% against the 18.3% achieved in 2010/11.

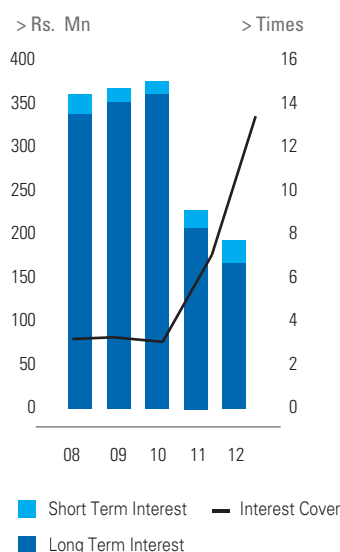
> Earnings Before Interest and Tax



Finance Expenses

The total interest bearing borrowings as at 31/03/2012 moved marginally up to Rs. 3,594 million with a net settlement of Rs. 432 million during the financial year. This enables to reduce the gearing ratio to a healthy 21% from 28% a year ago.

> Finance Expense

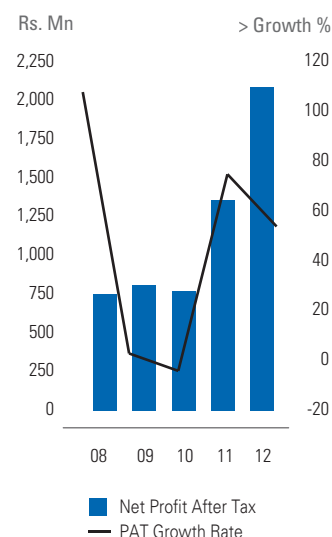


Group finance expenses were reported at Rs. 196 million, a reduction of 14.5% against the preceding year value of Rs. 229 million. Reduction in the interest expenses is attributed to loan settlements during the year and to the lower interest rates that prevailed in the first three quarters of the financial year. However a sharp increase of interest rates was seen in the final quarter of 2011/12 and if this high interest rate scenario prevails, it is expected to hinder the expansion in terms of high cost of funds. However, future developments in interest rates would be closely monitored to ensure interest rate risk is managed prudently. Interest cover further improved to 13.4 times from the 7.1 times in 2010/11 keeping in line with the reduction in finance expenses and improved earnings.

Net Profit

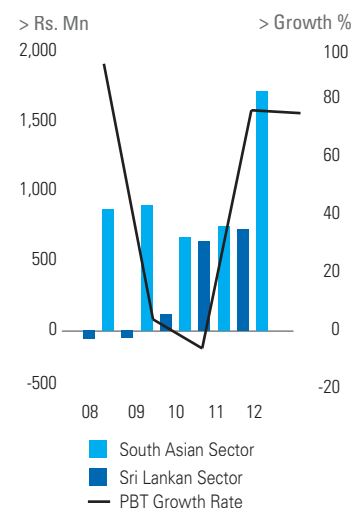
Positive revenue growth experienced in the Sri Lankan and South Asian sectors coupled with the Groups cost saving initiatives enabled the group to report a consolidated PAT of Rs. 2,132 million, a growth of 57% from the preceding year. The year was the best year ever for the Group in terms of profitability breaking through the two billion rupee mark for the first time in history.

> Net Profit After Tax



Once again the South Asian sector was the primary contributor to the Group's pre tax profit of Rs. 1,718 million while the Sri Lankan Sector contributed Rs. 768 million. Group profits include Interest income of Rs. 187 million mainly generated from investments of the funds received from the rights issue during the preceding year.

> Segmental Profit Before Tax



Financial Review

Sri Lankan sector reported a pre tax profit of Rs. 768 million which is an increase of 20% against figures posted during the last financial year. Sri Lankan sector profits were propelled by the “Heritage” properties. Continued growth in profitability was witnessed in our Heritage Tea Factory contributing towards the group profitability, during the year. Sector profits were somewhat dented due to the reduction in room inventory and costs involved with the current refurbishment work being carried out at two of our properties.

Maldivian resorts were the main contributors to the South Asian Sector profits with Adaaran Select Meedhupparu and Adaaran Select HudhuRanFushi being the key players. Sector profits were up by 128% to hit Rs. 1,718 million. During the year in review income taxes were introduced for the first time in Maldives at a rate of 15% resulting in tax payment of Rs. 238 million.

A figure of Rs. 48 million was accrued as profit from associate company, Browns Beach Hotel PLC, which is a significant increase from the last year figure.

During the year in review the group increased its stake at MPS Hotels Ltd (Operators of Hotel Hilltop) as fully owned subsidiary.

The Company reported a net profit of Rs. 663 million for the year which is a marginal increase of 3% against 2010/11. The company’s earnings from dividends received from subsidiary companies amounted to Rs. 501 million compared to Rs. 410 million in the previous year.

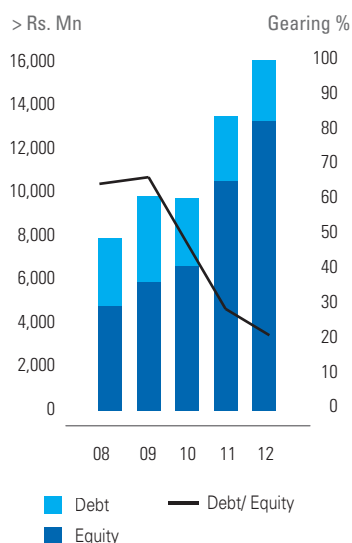
Balance Sheet

The Group reported a strong balance sheet for the year in review improving on the sound fundamentals built over the years through sustainable business practices.

Property Plant and Equipment additions during the year amounted to Rs 1,374 million mainly due to construction and refurbishment work carried out at Heritage Kandalama, Heritage Ayurveda Mahagedara and The Sands. The decision taken to extend the island leases of the groups Maldivian resorts and depreciation of the USD resulted in an increase of Rs. 1,188 million in the value of Leasehold Properties at the balance sheet date.

The groups gearing levels further reduced during the year end to 21% from 28% reported for 2010/11 on the back of a strong balance sheet.

> Gearing



Return on Equity for the year in review dropped marginally to 13.85% from 14.58% reported last year. The drop is attributed to the increase in the minority interest portion of the profit generated. However Group Return on Capital Employed (ROCE) increased to 14.28% from 9.86% in 2010/11 reflecting the increase in earnings.

Cashflow Statement

The Group’s cash position reduced against previous years’ cash position mainly due to the significant cash outflows made in lieu of the construction and refurbishment work carried out during the year. Cash outflow from Investing Activities was recorded at Rs. 2,533 million.

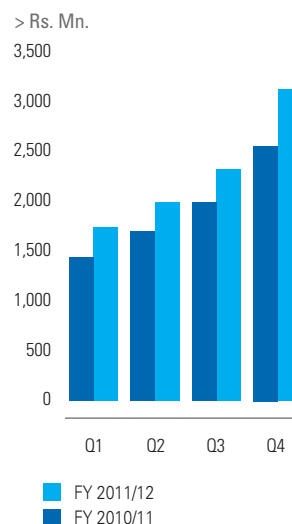
Statement of Changes in Equity

Shareholders’ funds as at 31st March 2012 increased by 22% against the preceding year and stood at Rs. 11,142 million as against Rs. 9,118 million on 31st March 2011 mainly on account of increase in profits attributable to the group.

Quarterly Performance

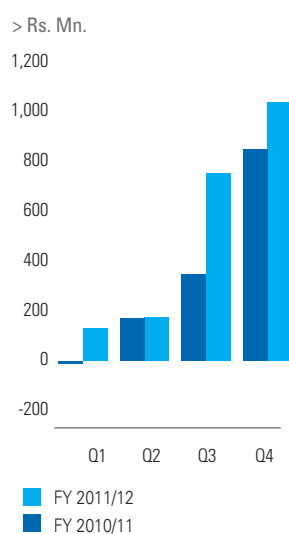
Consolidated quarterly group performance is tabulated below and depicts the increase in revenue from summer to winter as per the industry norm. Year on year quarterly revenue increase ranged from 17% to 22% with the highest growth being reported in the final quarter.

> Revenue Analysis - Quarterly



FY 2011/12						
Quarterly Review - Rs. (Mn.)	Q1	Q2	Q3	Q4	Total	
Net Revenue	1,739	1,996	2,327	3,131	9,193	
PAT	130	174	753	1,075	2,132	
Profit Attributable to Shareholders	85	105	507	698	1,395	
Shareholders' Funds	8,993	9,105	9,690	11,142	11,142	
Total Assets	15,914	16,106	17,193	19,855	19,855	

> Profit After Tax Analysis - Quarterly



Share Price

It was a bleak year for the Colombo Stock Exchange as the bourse saw an inevitable correction after remarkable 2010 in which it was termed as the best performing market in Asia. During the year in review the All Share Price Index (ASPI) having touched the 7500 points in mid April slipped by around 40% to 5400 points by the year end. The company shares were also affected by the depressed market conditions to slip by 28% to end the year on Rs. 70 per share.

The Earnings per Share (EPS) for the period in review is Rs. 4.10 an increase of 35% from the Rs. 3.03 reported in 2010/11. Net Assets per Share as at the financial year end was reported as Rs. 32.64 up from the Rs. 26.62 reported in the previous year.

Market Capitalisation

With the fall in share price, market capitalisation dropped to Rs. 23,540 million, with 336,290,010 shares from Rs. 32,956 million as per the last trade of the financial year 2011/12.

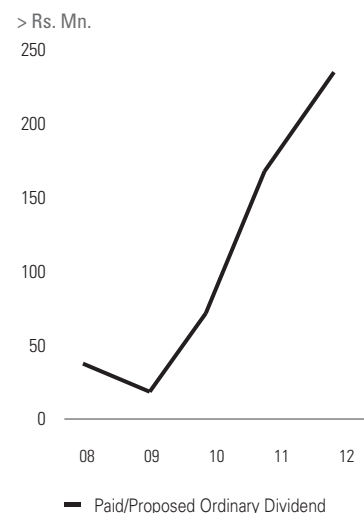
Increase in the EPS along with the drop in the share price forced the Price Earnings Ratio (PER) of the company to decreased to 17 times from 32 times reported in the preceding financial year. The lower PER should encourage investment in the share given the strong financial performance of the company and future growth potential in the tourism industry. Price to book value too followed the trend of PER by dropping to 2.1 times from 3.7 times 2010/11 on the back of strong earnings and lower share price.

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 Cents 70 per share was recommended by the Board of Directors payable on the 10th July 2012 keeping in line with the increase in group profits. The proposed dividend is a 40% increase from the dividend per share of Cents 50 in 2010/11 and will amount to a total outflow of Rs. 235 million, marginally increasing the dividend payout ratio to 17.1% from the 16.5% in 2010/11.

> Dividend Outflow



Financial Reporting

The financial statements of the Group have been prepared in accordance with the Sri Lanka Accounting Standards. The accounting policies adopted when preparing the financial statements are consistent with those applied in the previous years.

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards – 2011 applicable for financial periods beginning on or after 1st January 2012. As these IFRS complied standards have issued many changes to be complied with, the group has already taken necessary steps to assess the impact of these changes and is prepared for full compliance from next year. Key areas where substantial impact on financial statements are anticipated with the adoption of new Sri Lanka Accounting Standards are reported on page 82.

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

Accounting Standard	Key requirements of the Standard	Approximate potential impact to Financial Statements Up to 01st April 2011	Approximate potential impact to Financial Statements for the Y/E 31/03/2012
LKAS 16 - Property Plant and Equipments	<p>Component Depreciation</p> <p>Significant parts of Assets which have different useful lives need to be recognised separately and depreciated using their respective useful lives.</p> <p>The Group made a comprehensive study and Identified the significant components relating to two Classes of property plant and equipments namely Building & Plant & Machinery. Depreciation was re-computed on these identified components based on their new estimated useful lives.</p>	Based on the preliminary assessment made a adjustment of approximately Rs. 87 million is estimated to be charged to brought forward retained earnings as at 01st April 2011. This amount represents the value of depreciation under charged given the circumstances that the component depreciation was in practice in the infinite past.	On adoption of component depreciation, approximate increase to the depreciation charge for the financial year 2011/12 is Rs. 15 million.
LKAS 32 - Financial Instruments Presentation LKAS 39 - Financial Instruments Recognition and Measurement SLFRS 7 - Financial Instruments disclosure.	<p>Recognition of Financial Assets and Liabilities</p> <p>LKAS 39 requires the financial assets to be classified into four categories:</p> <ul style="list-style-type: none"> - Fair Value through Profit and Loss - Available for sale - Held to maturity - Loans and receivables <p>All equity investments made by Group companies for less than 20% of ordinary share capital of another company is classified under Available for Sale and measured at fair value with changes in fair value taken to statement of changes in Equity.</p>	The gain to brought forward reserves as at 01st April 2011 on categorisation and measurement of equity Investments is estimated at approximately Rs. 14 million.	Impact to reserves on fair value of equity investments less than 20% for the year 2011/12 is estimated at approximately Rs. 7 million.
SLFRS 1 - First Time time adoption of International Financial Reporting Standards.	This standard will apply to the Group when it first applies SLFRS and LKAS. The opening Statement of Financial Position prepared at the date of translation need to be prepared based on SLFRS and LKAS. All accounting policies that will be used with effect from 01st April 2012 should be used in the opening SLFRS complied Statement of Financial Position and all prior periods presented in the financial statements.	The first set of SLFRS and LKAS complied financial statement would be prepared for the Group for the 01st Quarter of 2012/13 which is the quarter ended 30/06/2012.	-

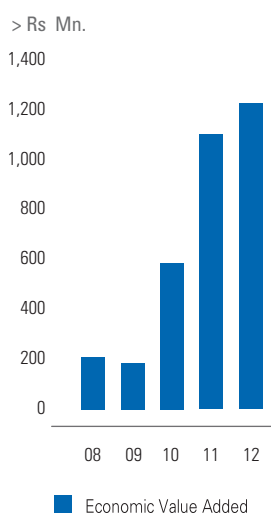
Economic Value Added (EVA)

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 groups 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:

	2011/12 Rs.	2010/11 Rs.	2009/10 Rs.	2008/09 Rs.	2007/08 Rs.
Net Profit	2,131,972	1,357,611	774,796	824,358	789,566
Add:					
Depreciation and Amortisation	450,886	760,261	741,347	598,458	536,441
Non cash & Non operational adjustments	(19,337)	26,041	16,600	3,534	9,630
Total interest on Debt	195,794	229,035	377,864	368,723	362,461
Adjusted Profit after tax	2,723,877	2,372,948	1,910,607	1,795,073	1,698,098
Total Investment Capital					
Total Equity	13,537,745	10,699,500	6,778,330	6,070,129	4,976,809
Add:					
Total Debt	2,615,308	2,832,565	2,962,320	3,746,361	2,930,155
Total short term Debt	1,366,365	829,686	887,487	892,987	831,043
Cumulative Depreciation	4,760,744	3,915,052	3,363,778	2,595,031	2,055,035
Adjusted Investment Capital	22,280,162	18,276,803	13,991,915	13,304,508	10,793,042
Weighted Average Cost of Capital	7.55%	7.86%	9.69%	13.35%	16.23%
Cost of average investment	1,530,990	1,268,884	1,321,935	1,608,157	1,487,883
Economic Value Added	1,228,325	1,104,064	588,672	186,916	210,215

> Economic Value Added



Risk Management

Risk Management is the process of analysing exposure to risks by identifying vulnerabilities and their probability of occurrence in order to determine how best to handle such exposure. Risk Management is concerned with implementing various policies, procedures and practices that work in unison to identify, analyse, evaluate, monitor and prioritise risks, followed by application of coordinated and economical solutions to minimise the probability and impact of identified vulnerabilities. Transferring risks to outside parties, lessening the negative effect of risk and avoiding risk altogether are considered as risk management strategies across the Group.

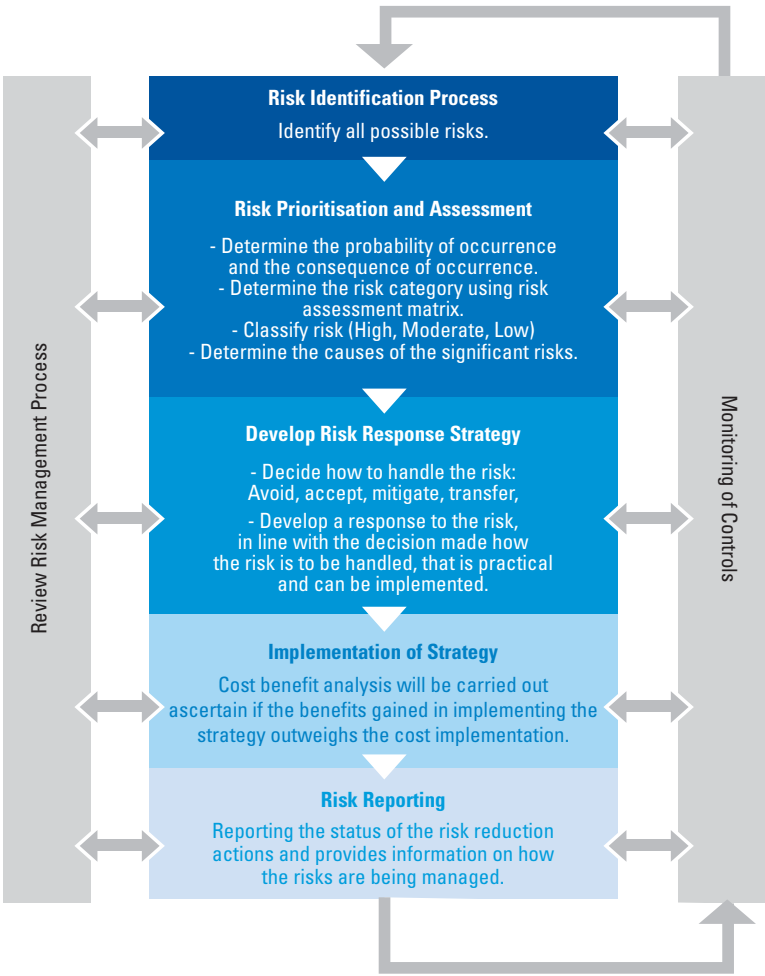
Risk Management is also a key element of Aitken Spence’s system of Corporate Governance. It attempts to create a suitable balance between entrepreneurial attitude and the level of risk associated with business opportunities.

The group identifies three main categories of risk,

- 1. Strategic Risk – Risk associated with future business plans and strategies of the group. These include plans for expansion, mergers etc...
- 2. Financial Risk – Risk that the company may not have sufficient cash flows to meet financial obligations.
- 3. Operational Risk – Risks caused due to day to day business functions.

Risk Management Structure

With the increasing number of avenues available for expansion and growth, the group considers Risk Management as an important tool when evaluating new projects. Aitken Spence Hotel Holdings recognises the importance of managing risks effectively, particularly major risks that may affect the business plans and strategic objectives; by doing so the Group is also able to protect its most valuable resources/assets.



Step 01 - Risk Identification

Risk Management process is designed to identify the risks which are to be managed. A systematic process is necessary to ensure that all relevant risks are identified. The risk will change, so an important part of monitoring and control is to identify new risks which have emerged for the group.

It is also essential to identify the susceptibility and resilience of the property. Part of the Tourism Risk Management Process is to reduce the level of susceptibility and increase the resilience of the group.

Aitken Spence Hotel Holdings is identifying relevant risk based on the above discussed categorisation and its impact on the group.

Strategic Risk	Operational Risk	Financial Risk
Business Risk	Reputation Risk	Credit Risk
Socio-Economic, Political & Environmental Risk	Fraud Risk	Foreign Exchange Risk
Competitive Risk	Operations Risk	Interest Rate Risk
	Employee Risk	Liquidity Risk
	Technology Risk	
	Legal Risk	

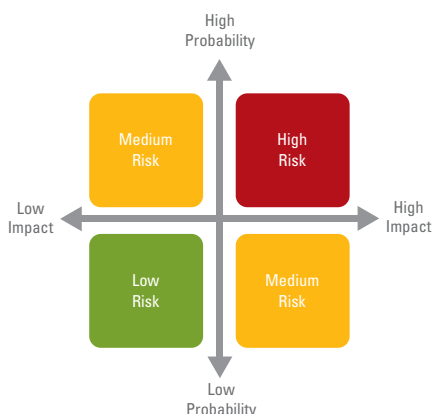
Step 02 - Risk Prioritisation and Assessment

The purpose of prioritisation risks is to develop an understanding of the risks the group is facing. This understanding will assist in the decision making on which risks need to be treated and in identifying the best risk treatment strategies to apply.

All the prioritised risks will be rated based on the probability of occurrence and the

reciprocal impact it will have. The risk rating matrix will be used in order to facilitate the ranking process. The level of risk absorbed by the business will depend on the group's risk appetite.

The above process helps assist the management formulate effective responses with regard to decisions relating to risk. Once risks are identified, the root cause can be evaluated. This will enable the organisation to identify the drivers of risk and thereby make it easier to design a risk metric that can address the risk at its source.



Step 03 - Develop Risk Response Strategy

Based on the risks identified, their drivers or root causes and their susceptibility to measurement, the management decides on the appropriate risk response. There are four categories of risk responses – avoid, accept, mitigate and transfer.

Aitken Spence Hotel Holdings first decides whether to accept or reject a risk based on an assessment of whether the risk is desirable or undesirable. A desirable risk is one that is inherent in the entity's business model or normal future operations and is one in which the company believes it can monitor and manage effectively. An undesirable risk is one that is off-strategy, offers unattractive rewards or cannot be monitored or managed effectively.

If an entity chooses to accept a risk, it can accept it at its present level, reduce its severity and/or its likelihood of occurrence.

Step 04 - Risk Reporting

Depending on the risk response selected, the management identifies any gaps in Risk Management capabilities and improves those capabilities as necessary to implement the risk response. Over time, the effectiveness of risk mitigation activities will be monitored.

Step 05 - Implementation of Strategy

Before risk can be treated it is necessary to identify the options available, to assess the relative merits of each, and to select the most appropriate. Risk treatment plans should then be developed and implemented.

Aitken Spence Hotel Holdings needs to consider a cost benefit analysis for proposed treatment options to ensure that the treatment is realistic in economic terms where benefit gained in implementing the strategy outweighs the cost of implementation.

Step 06 - Monitoring of Controls

Monitoring and control are enabling activities which are essential so that continual improvements can be achieved and to ensure the prevalence and relevance of the Tourism Risk Management Process. Risk doesn't remain static, so it's essential that Tourism Risk Management is an on going process with regular monitoring and review of hazards, elements at risk, and the process, outcomes and efficiency of risk treatment measures.

Regular reviews 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 of Aitken Spence Hotel Holdings which ensures separation of duties and assists good governance.

The ultimate responsibility for the group's internal controls and reviewing its effectiveness rests with the Board of Directors. External Auditors are also engaged in carrying-out special assignments where ever appropriate to ensure transparency and compliance.

Step 07 - Review Risk Management Process

The group continuously monitors its risk management procedures and will make improvements to the existing model taking in to account the dynamic business environment it operates in.

Throughout the year, Aitken Spence Hotel Holdings has set up standard processes to identify, evaluate and manage all risks which would have a significant impact on the company's strategic goals and performance. These processes have been designed with reference to ICASL Guidelines and Industry Bench Marking. The Audit Committee has also confirmed that the company's Risk Management process is exercised across various hotel chains in the Group.

Indicated below are the risks deemed to have the most significant impacts on the group's financial and operational performance, categorised according to risk type and rating.

STRATEGIC RISK			
Business Risk	Impact	Risk Management Strategies	Risk Rating Moderate
Failure to implement strategic plans, Revenue improvement & cost saving initiatives and under take profitable investments.	<p>Reduced revenue, cashflow and profitability.</p> <p>Impede future growth.</p>	<p>Regular meetings are held by the Board of Directors and members of the management committee in order to formalise future strategies and plans and to revise and update plans, taking in to consideration the changing circumstances of the group.</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>All members of the Board attend regular workshops, seminars and professional training programs 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 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 cashflow 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 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 Maldives, India and securing hotel management contracts in India and Oman ensures that the group is not reliant on any single geographical region for its revenues and cashflow.</p> <p>The group regularly reviews the socio-economic situation within countries it operates.</p>	
Risks from natural or man made disasters.	Loss of assets resulting in significant losses to the group.	<p>Transferring risks to third parties through insurance policies as far as possible. The adequacy of insurance covers are regularly reviewed and adjusted when necessary.</p> <p>Appropriate contingency plans and disaster management systems are adopted to safeguard the assets of the Company.</p>	

Competitive Risk	Impact	Risk Management Strategies	Risk Rating High
Risks from competitive actions from existing market participants and new entrants.	Reduced market share and rates reducing revenue, cashflow and profitability. Increased promotional expenditure.	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. 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 (Pvt) Ltd.) gives the group a significant advantage over its competitors.	
OPERATIONAL RISK			
Reputation Risk	Impact	Risk Management Strategies	Risk Rating Moderate
Risks to the group's reputation and Brand Image.	Decline in the customer base and difficulties in securing future management contracts resulting in reduced market share, revenues, cashflow and profitability. Deterioration of corporate image. The group may have to face litigation which can be costly.	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. 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. 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 operate. 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.	
Fraud Risk	Impact	Risk Management Strategies	Risk Rating Moderate
Risks from break down of internal controls, processes and procedures.	Disruptions to the normal course of operations. Wastage of management time and resources. Possible loss of data. Increased possibility of fraud and misuse.	Regular reviews of the effectiveness of internal controls by the corporate Internal Audit Department supplemented by regular management audits carried out by internal teams within the group ensure the robustness of internal controls. External Auditors are also engaged to carryout special Reviews/ Assignments wherever necessary. The Company uses comprehensive general & specific reporting and monitoring systems to identify, assess and manage risks. Staff rotation & Special verification audits across the Group.	

Risk Management

Operations Risk	Impact	Risk Management Strategies	Risk Rating Moderate
Risk of default by debtors.	Reduced cashflow 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 take legal or industrial action where appropriate.</p> <p>Steps are taken to obtain advances from travel agents and tour operators wherever possible.</p>	
Risks associated with sourcing hotel inputs.	Low quality raw materials could adversely impact the groups brand image.	A specialised Central Procurement Division ensures risks associated with sourcing raw materials are minimised and best prices are achieved through bulk buying incentives and leveraging the group's reputation.	
Project Implementation Risk.	Unbudgeted spend / 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 stake holders.</p> <p>Standardised 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> <p>Documenting the learning and findings derived from a project in order to mitigate possible risks in future projects.</p>	
Risk of increasing energy cost.	Significant impact on profit margins due to fluctuations in fuel/energy prices.	Biomass gasification has been introduced as a renewable energy source, in Heritance Tea Factory & Heritance Kandalama properties in order to minimise the increasing energy cost and improve the group's sustainability credentials.	
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.</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>	
Risk of organised 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>Development of a Multi-skilled work force through structured and focused training programmes.</p> <p>Standardisation 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> <p>Maintain cordial relationship with Trade Unions and adopting interest-based negotiations for win-win solutions.</p>	

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 cashflow 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>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>A dedicated central IT team 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 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 cashflow and profitability during low occupancy periods.	<p>Increased flexibility of the groups operational cost structure through seasonal recruitments, using rental agreements as apposed 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 in to 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 in to the agreements.</p>	
Foreign Exchange Risk	Impact	Risk Management Strategies	Risk Rating Moderate
Risks from adverse exchange rate fluctuations.	Reduced cashflow 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 for 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>	

Risk Management

Interest Rate Risk	Impact	Risk Management Strategies	Risk Rating High
Risks from adverse interest rate fluctuations.	Reduced cashflow and profitability.	<p>Entering in to loans with interest rate caps mitigated this risk and other instruments to minimise the volatility of cashflows.</p> <p>Working closely with the parent company treasury department to negotiate favourable 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 unfavourable terms when obtaining future loans resulting in reduced profitability.	<p>Preparation of regular cashflow forecasts in line with projected occupancy fluctuations in order to assess the liquidity position of the group in the short term.</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 to ensure achievement of budgeted targets.</p>	



Governance

Corporate Governance
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Remuneration Committee Report
Nomination Committee Report
Annual Report of the Board of Directors
Statement of Directors' Responsibilities

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Independent Auditors' Report
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Balance Sheet
Statement of Changes in Equity
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Form of Proxy
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Corporate Information

Corporate Governance

The primary objective of Corporate Governance is to contribute to improved corporate performance and corporate image in creating long term stakeholder value. At Aitken Spence Hotel Holdings PLC we strongly believe a sound corporate governance structure ensures the Company achieves its objectives through a transparent process by formulating, communicating and adopting sound 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 is primarily guided by the Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, and the listing rules of the Colombo Stock Exchange. The report below sets out corporate governance principle practised by the Group.

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 92 to 99)

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 100)

Corporate Governance Principle	Reference to SEC & ICASL Code	Compliance	Details of Compliance																		
SECTION 1. COMPANY																					
A. DIRECTORS																					
A.1 The Board																					
The Board of Directors comprise of Nine Directors including the Chairman and the Managing Director. From the total number of Directors three of whom 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 profile of the Directors are given on page 44 of this Annual Report.																					
Board Meetings	A.1.1	Complied	<p>Board Meetings were held five times during the financial year and presided over by the Chairman. Apart from taking decisions at the Board meetings, the Board also takes decisions <i>via</i> Circular Resolutions. The Directors are provided with minutes, the agenda, board papers and circular resolution papers in advance giving them adequate time to study the contents prior to the meetings, and/ or the circular resolution submitted for their decision making. The Board meetings are arranged in advance and all Directors are informed of the meetings.</p> <p>Board Attendance</p> <table><tr><td>D.H.S. Jayawardena</td><td>5/5</td></tr><tr><td>J.M.S. Brito</td><td>5/5</td></tr><tr><td>S.M. Hapugoda</td><td>5/5</td></tr><tr><td>C.M.S. Jayawickrama</td><td>5/5</td></tr><tr><td>G.P.J. Goonewardene</td><td>4/5</td></tr><tr><td>R.E.V. Casie Chetty</td><td>5/5</td></tr><tr><td>N.J. de Silva Deva Aditya</td><td>2/5</td></tr><tr><td>C.H. Gomez</td><td>1/5</td></tr><tr><td>R.N. Asirwatham</td><td>5/5</td></tr></table>	D.H.S. Jayawardena	5/5	J.M.S. Brito	5/5	S.M. Hapugoda	5/5	C.M.S. Jayawickrama	5/5	G.P.J. Goonewardene	4/5	R.E.V. Casie Chetty	5/5	N.J. de Silva Deva Aditya	2/5	C.H. Gomez	1/5	R.N. Asirwatham	5/5
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R.N. Asirwatham	5/5																				

Corporate Governance Principle	Reference to SEC & ICASL Code	Compliance	Details of Compliance
Responsibilities of the Board	A.1.2	Complied	<p>The Board of Directors are responsible for; 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 opinion on issues of strategy, performance, key appointments, standards of business conduct and all other 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 laws, statutes and regulations.</p> <p>In this process, compliance with all applicable laws and regulations 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, monitoring and ratifying all capital expenditure, acquisitions and divestitures and monitoring Senior Management performance.</p> <p>Ensuring that effective information and audit systems are in place.</p> <p>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 in discharging its duties seeks independent professional advice from external parties when necessary at the Company's expense.</p>
Company Secretary	A.1.4	Complied	<p>The Company Secretaries advise the Board on matters relating to the Companies Act, the Colombo Stock Exchange and other applicable rules and regulations and ensures appropriate, timely and accurate information is submitted to the Board and its Committees.</p> <p>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.</p>
Independent judgment of the Directors	A.1.5	Complied	<p>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, performance review, resource allocation and standards of conduct and business ethics.</p>

Corporate Governance Principle	Reference to SEC & ICASL Code	Compliance	Details of Compliance
Dedicating adequate time and effort	A.1.6	Complied	<p>The Board of Directors devotes adequate time to fulfil 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 arranged by the parent company's Human Resource Development Division.</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			
<p>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 acts as the Chief Executive Officer of the Company.</p>			
Clear division of responsibilities of the Chairman and the CEO	A.2.1	Complied	<p>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.</p>
A.3 Chairman's Role			
<p>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 gives direction to the Group. He is responsible for preserving good corporate governance in the Company.</p>			
Role of Chairman	A.3.1	Complied	<p>The Chairman provides leadership and strategic direction to the Board and ensures that all meetings are conducted in a professional manner.</p> <p>The Chairman encourages effective participation of all the Directors in decision making, seeks and ascertains the views of the Directors and thereby ensures that the Board functions in an efficient manner which is beneficial to the stakeholders and the Company.</p>
A.4 Financial Acumen			
Financial Acumen	A.4.1	Complied	<p>The Board includes four Senior Professional Accountants, one of whom is the Managing Director. They possess the necessary experience and expertise.</p>
A.5 Board Balance			
Presence of Non Executive Directors	A.5.1	Complied	<p>In the Company, the Chairman and the Managing Director are not the same person and from the total number of Directors three Non-Executive Directors are Independent. The Non-Executive Directors, whose brief resume's are provided on page 44 of this Annual Report.</p>

Corporate Governance Principle	Reference to SEC & ICASL Code	Compliance	Details of Compliance
Independence of Non Executive Directors	A.5.2 & A.5.3	Complied	<p>All three Non-Executive Directors are 'Independent'. The names of the Independent Non-Executive Directors are given on page 44 of this Annual Report.</p> <p>None of the Directors have a significant shareholding in the Company. Related Party Transactions are disclosed on pages 148 to 151 of this Annual Report. The Company maintains the 'Interest Register' required by the Companies Act No. 07 of 2007, which also shows details of Directors' interests in Contracts/Company.</p>
Annual Declaration of Non Executive Directors	A.5.4	Complied	The requisite declaration, which was used to determine the independence of the Independent Directors, was submitted by the Non-Executive Directors.
Requirement to appoint a 'Senior Non Executive Director'	A.5.6 & A.5.7	Not applicable	This is not relevant to the company as the Chairman and the Managing Director's roles are segregated.
Chairman conducting meetings with the Non Executive Directors	A.5.8	Complied	Meetings are held by the Chairman with Non-Executive Directors, without the presence of the Executive Directors to discuss issues relating to the operation/function of the Company. Independent Directors are also consulted by the Chairman to obtain their views on matters of importance, as and when required.
Recording of concerns in the Board minutes	A.5.9	Complied	Minutes of the Board meetings are prepared and circulated by the Company Secretaries. Any matters which are not unanimously adopted at a Board Meeting and the concerns expressed regarding such matters are recorded in the meeting minutes. Minutes of the Board meetings are circulated to all Directors.
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 Board meetings	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.
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 consists of three Independent Non Executive Directors of the parent company and 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 make recommendations to the Board.</p>

Corporate Governance Principle	Reference to SEC & ICASL Code	Compliance	Details of Compliance
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.
A.8 Re-election			
Re-election of Directors	A.8.1 & A.8.2	Complied	<p>The Company's Articles of Association provide for one third of the Directors for the time being, or if their number is not a multiple of three the number nearest to (but not greater than) one third to retire from office. A Director appointed to the office of Chairman, Chief Executive, Managing Director shall not, while holding that office be subject to retirement by rotation or be taken into account in determining the Directors to retire each year. Retiring Directors are selected on the basis of those who have been longest in office since their last election.</p> <p>In the event there are one or more Directors appointed on the same date, the retiring Director shall be determined either by agreement or by lot. A retiring Director shall be eligible for re-election. In order to ensure that the Board is comprised of members who add value to the group, the Board evaluates the qualifications and contribution of each retiring Director before recommending such person for re-election.</p>
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 and the Chairman based on a self appraisal basis.
A.10 Disclosure of information in respect of Directors			
Directors' disclosures	A.10.1	Complied	The names of the Directors, their qualification and expertise and the profile are disclosed on page 44.
A.11 Appraisal of Chief Executive			
Setting of the annual targets and the appraisal of the CEO	A.11.1 & A.11.2	Complied	The Board 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.
B DIRECTORS REMUNERATION			
B.1 Remuneration Procedure			
Establishment of a remuneration committee and its composition	B.1.1,B.1.2 & B.1.3	Complied	The Board has delegated powers to the Remuneration Committee established by the parent company, 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 this Annual Report.
Determination of the remuneration of the Non Executive Directors	B.1.4	Complied	The board determines as per the Articles of the Association of the Company the fees and expenses payable to Non Executive Directors.

Corporate Governance Principle	Reference to SEC & ICASL Code	Compliance	Details of Compliance
Consultation with the Chairman and the CEO	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 make up 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 comparative industry norms, 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 the goals and targets.
Executive Share Options	B.2.5	Not applicable	During the year under review there was 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 102.
Early Termination of Directors	B.2.7 & B.2.8	Complied	Determined by the Articles of Association.
Remuneration of Non Executive Directors	B.2.9	Complied	Non Executive Directors receive a fee for their participation in meetings.
B.3 Disclosure of Remuneration			
Disclosure of Remuneration	B.3.1	Complied	Please refer note 6 and 36.2 to the financial statements for the details of remuneration paid to Board of Directors and key management personnel.
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.
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, 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 of the Annual General Meeting and the relevant documents are dispatched to the shareholders at least 15 working days prior to the Annual General Meeting as per the Companies Act No. 07 of 2007.

Corporate Governance Principle	Reference to SEC & ICASL Code	Compliance	Details of Compliance
C.2 Major Transaction			
Disclosures of major transactions	C.2.1	Complied	During the financial year there were no major transactions, which materially altered the Company's net asset base or the Consolidated Group net asset base.
D. ACCOUNTABILITY AND AUDIT			
D.1 Financial Reporting			
Board responsibility to present the financial statements	D.1.1	Complied	The Board of Directors confirms that the financial statements of the Company and its subsidiaries have been prepared in accordance with the Sri Lanka Accounting Standards and the Companies Act No. 07 of 2007. The Company has duly complied with all the 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 104 to 107 covers all areas of this Section.
Statement by the Directors and the Auditors	D.1.3	Complied	The Independent Auditors Report on the financial statements is presented on page 109 of this Annual Report. The Statement of Directors' Responsibilities for Financial Statements is available on page 108.
Management Discussion and Analysis	D.1.4	Complied	The Integrated Management Discussion and Analysis is given on pages 48 to 90.
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 104 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 Groups 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 its own internal audit division.

Corporate Governance Principle	Reference to SEC & ICASL Code	Compliance	Details of Compliance
D.3 Audit Committee			
Composition of the Audit Committee and the Duties	D.3.1 & D.3.2	Complied	<p>The Parent Company's Audit Committee functions as the Audit Committee of Aitken Spence Hotel Holdings PLC. The Audit Committee comprises of four Non Executive 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 this Annual Report.</p> <p>The Audit Committee is a sub-committee of the Board 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 for the provision of non-audit services by the Auditor.</p>
Terms of Reference for Audit Committee	D.3.3	Complied	<p>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.</p>
Disclosures of names of the members of the Audit Committee	D.3.4	Complied	<p>The names of the members of the Committee are listed on the inner back cover of this Annual Report.</p> <p>The Audit Committee Report is available on page 101.</p>
D.4 Code of Business Conduct and Ethics			
Disclosure on a presence of code of business conduct and ethics	D.4.1	Complied	<p>The Company 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.</p>
Affirmation of the code of conduct and ethics	D.4.2	Complied	<p>Please refer the Chairman's Review on Pages 6 to 8 of the Annual Report.</p>
D.5 Corporate Governance Disclosures			
Disclosures of Corporate Governance	D.5.1	Complied	<p>This Report from pages 92 to 100 serves this requirement.</p>

Corporate Governance Principle	Reference to SEC & ICASL Code	Compliance	Details of Compliance
SECTION 2. SHAREHOLDERS			
E. INSTITUTIONAL INVESTORS			
E.1 Shareholders Voting			
Shareholder voting	E.1.1	Complied	The company conducts regular discussions with Institutional Investors.
F. OTHER INVESTORS			
F.1 Investing and Divesting Decision			
Investing and Divesting Decision	F.1	Complied	The Company has no restriction on any shareholder obtaining independent advice regarding their investment in the company.
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.

Audit Committee Report

Aitken Spence Hotel Holdings PLC, being the Tourism Sector business unit of the Aitken Spence Group, shares the expert knowledge of the Group Audit Committee which is formed at the Corporate Level.

Composition of the Audit Committee

It comprises of four Non Executive Independent Directors of Aitken Spence PLC of which the Chairman of the Committee is also a Non Executive Independent Director of Aitken Spence Hotel Holdings PLC. The Chairman of the Audit Committee is a fellow member of the Institute of Chartered Accountants of Sri Lanka.

Meetings and Attendance

The Committee formally met seven times during the year ended 31st March 2012.

The Managing Director, The Chief Corporate Officer, The Chief Financial Officer, The Company Secretary, The Chief Internal Auditor and The Senior Management Personnel from the Hotel Sector attended the meetings by invitation.

Functions of the Committee

Internal Audit and Internal Controls

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

Compliance with Financial Reporting, Laws and Regulations

In order to provide assurance on the reliability of financial statements through an independent review, the Audit Committee reviewed the quarterly and annual financial statements which were in line with the Companies Act No. 07 of 2007, the Sri Lanka Accounting Standards, appropriate statutes and regulations of relevant institutes and organisations prior to making recommendations to the Board for approval. The Audit Committee reviewed the reports submitted by the Management and Internal Auditors on the state of compliance with applicable laws and regulations, settlement of statutory payments and the Annual Report including the financial statements prior to the publication.

The review included:

- Appropriateness and changes in Accounting Policies.
- Significant estimates and judgments made by the management.
- Compliance with relevant Accounting Standards and applicable regulatory requirements.
- Adequacy of provision against possible losses.
- Issues arising from the Internal and External audit.
- The impact of the proposed implementations of the International Financial Reporting Standards (IFRS).

External Audit

The Audit Committee was briefed by the external auditors Messrs. KPMG, Chartered Accountants on the progress and conduct of the statutory audit and discussed audit related issues with them. The Audit Committee has received a declaration from the External Auditors, confirming that they do not have any relationship or interest in the Company as required by the Companies Act No. 07 of 2007. The Audit Committee also negotiated with the external auditors the quantum of their fees and out of pocket expenses.

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

Conclusion

The Audit Committee is satisfied that the effectiveness of the organisational structure of the Group and of the implementation of the Group's accounting policies and operational controls provide reasonable assurance that the affairs of the Group are managed in accordance with Group's policies and that the Group's assets are properly accounted for and adequately safeguarded.



R.N. Asirwatham
Chairman, Audit Committee

Colombo
25th May, 2012

Remuneration Committee Report

Aitken Spence Hotel Holdings PLC, being the Tourism Sector business unit of the Aitken Spence Group, receives the expertise of the Group's Remuneration Committee. Aitken Spence Hotel Holdings PLC has complied with the policies and procedures set out by the Remuneration Committee.

The Remuneration Committee consists of three Non-Executive Independent Directors one of whom functions as the Chairman of the Committee. The three Non Executive Independent Directors are independent of management and free from any business or other relationship, which can otherwise interfere with the exercise of their independent judgment. The Chairman and the Managing Director of Aitken Spence Hotel Holdings PLC attend the meetings by invitation. The Remuneration Committee formally met once during the year under review.

The Group's policy on remuneration is to attract the best available talent and also to motivate and retain the services of the star performers in the Company and its subsidiaries. This policy ensures that internal equity and fairness between various employees is maintained, no discrimination is practiced on account of gender, age, ethnicity or religion. The Group also recognises the need to keep the employees contented and the compensation packages therefore take into account the cost of living and inflation as well as industry norms. Attractive remuneration packages, in line with comparative industry levels, are offered and whenever required the Remuneration Committee obtains market research information from experts in various fields.

No director is involved in deciding his or her own remuneration. The Directors' emoluments are disclosed on page 124.



G.C. Wickremasinghe
Chairman - Remuneration Committee

Colombo
25th May, 2012

Nomination Committee Report

The Group Nomination Committee consists of three Non-Executive Independent Directors one of whom acts as the Chairman of the Committee; whilst the Chairman of Aitken Spence Hotel Holdings PLC, and the Managing Director of the Company are also members of the Committee. The members of the Committee individually and jointly possess a large reservoir of knowledge, experience and entrepreneurial skills which enables them to perform their responsibilities and duties effectively.

The Committee formally met once during the year under review. The primary function of the Committee is to evaluate the performance of the existing Directors, the suitability of new appointments and the re-appointments of existing Directors to Boards of the Group Companies. Accordingly, the Committee reviewed and recommended changes considered necessary to the Board of Directors, on the composition of Boards of Group Companies. The Nomination Committee further evaluated the suitability of promotions of employees to higher levels of managements and made recommendations to the Board of Directors.

The Nomination Committee's decisions were fair, free from any bias and were not influenced by personal or business relationships. This enabled the Committee to make sound and measured judgments in order to attract the best talent to the Group and also retain the services of the current employees by giving them fair and equal opportunities.

The Committee is satisfied that the combined knowledge and experience of the Board meet the strategic demand facing the Company.



G.C. Wickremasinghe

Chairman - Nomination Committee

Colombo
25th May, 2012

Annual Report of the Board of Directors

The Board of Directors of Aitken Spence Hotel Holdings PLC has pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31st March 2012.

Principal Activity of the Group

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

Review of the Year and Future Developments

The Review of the Chairman and the Managing Director contain detailed accounts of the year's operations and future aspirations of the Group. During the financial year the following projects were undertaken.

Aitken Spence Hotel Holdings PLC acquired MPS Hotels Ltd (Hilltop Hotel) in Kandy adding to its portfolio of resorts in Sri Lanka. Neptune Hotel after a complete refurbishment was launched as an Ayurveda Resort under the brand Heritance Ayurveda Mahagedara.

The Dambulla wing rooms of Heritance Kandalama were refurbished during the year and the hotel is constructing a state-of-the-art conference hall which is expected to be operational by mid 2012.

Golden Sun Resort subsequently renamed Ramada Resort in Kalutara which was acquired by the Group in 2010 was refurbished during the year and commenced operations on 1st May 2012 under the name "The Sands by Aitken Spence Hotels".

Internal Controls

The statement of Corporate Governance practices and the Statement of Directors' Responsibilities on pages 92 to 100 and 108 respectively set out in detail the Group's system of internal controls.

Corporate Governance

The Board of Directors is committed to maintain an effective Corporate Governance structure and process. The operations of the Company and its subsidiaries are effectively directed and controlled within the corporate governance framework outlined on pages 92 to 100 of this Report.

Risk Management

The Board and the Executive Management of the Company have put in place a comprehensive risk identification, measurement and mitigation process. A detailed overview of the process is outlined in the Risk Management Report on pages 84 to 90 of this Report.

Going Concern

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

Customers

The Group continuously strives to provide a unique experience to all its clients with emphasis on quality and service. Both local and foreign clientele are treated equally assuring value for money.

Suppliers

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

Employment Policy

As at 31st March 2012, the number of permanent and contract employees in the Group were 2,404. (31st March 2011 – 2,092). The total remuneration during the year amounted to Rs.899,197,405 (2010/11 - Rs. 757,094,674). As a socially responsible 'Equal Opportunity Employer', the Group's recruitment and employment policies are non-discriminatory.

The Group is committed to the development and utilisation of skills of the local labour force. In addition, the management has provided the opportunity for the employees to develop and share their knowledge in its endeavour.

Group Profits

	2011/12 Rs.	2010/11 Rs.
The Net Profit of the Group for the year after providing for all expenses, known liabilities and depreciation of property, plant & equipment was	2,485,721,268	1,394,853,439
From which Income Tax on Group Profits have to be added/ (deducted)	(353,749,714)	(37,242,227)
Leaving the Group with a Net Profit after Taxation of	2,131,971,554	1,357,611,612
From which Minority Interests has to be added/ (deducted)	(736,679,256)	(323,537,979)
Leaving a Profit for the year applicable to Shareholders of	1,395,292,298	1,034,073,233
To which the adjusted balance of the previous year has to be added	3,854,851,794	2,934,233,583
The amount available to the Company for appropriation therefore	5,250,144,092	3,968,306,816

Appropriations

The amount appropriated by your Directors is as follows:

Effect of changes in percentages holding in subsidiaries	5,887,614	6,905,942
Direct Share Issue Expenses	-	19,636,935
Dividends Paid - Preference	14,850,000	14,850,000
Dividends Paid - Ordinary	168,145,005	72,062,145
Leaving an unappropriated balance to be carried forward of	5,061,261,473	3,854,851,794
	5,250,144,092	3,968,306,816

Environmental Policy

The Group is committed to environmental conservation and minimising any adverse impact resulting from its operations. In order to monitor and manage the environmental and social performance of the hotels a formal Environmental Management System has been established. The Group's Environmental and Social practices are detailed on pages 58 to 75 of this Report.

Group Revenue

The revenue of the Group was Rs. 9,614,827,628 (2010/11 - Rs. 8,059,152,403) and is analysed on page 122.

Taxation

A detailed statement of the income tax rates applicable to the individual companies in the Group and a reconciliation of the accounting profits with the taxable profits is given in Note 9.6 to the Financial Statements.

It is the Group's policy to provide for deferred taxation on all known temporary differences on the balance sheet liability method for tax liable companies. The deferred tax liability of the Group is given in Note 29 to the Financial Statements.

Statutory Payments

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

Corporate Donations

Donations to charitable organisations amounted to Rs.1,107,915 (2010/11 – Rs.27, 705).

Property, Plant & Equipment

The total expenditure on acquisition of property, plant & equipment during the year amounted to Rs.1,374,379,472 (2010/11-Rs. 489,846,451) details of which are given in Note 33.2 to the Financial Statements.

Real Estate Holdings of the Group

The Real Estate Holdings of the Group are given on page 161 of this Report.

Dividend

The Directors recommend a first and final dividend of 70 cents per ordinary share and dividend of 90 cents (9%) per share on the cumulative preference shares for the Financial Year 2011/12. (2010/11- 50 cents per ordinary share and 90 cents per preference share)

Annual Report of the Board of Directors

The Directors have confirmed that the company satisfies the solvency test requirement under Section 56 of the Companies Act No.07 of 2007 after the payment of the recommended final dividend.

Stated Capital

The stated capital of the Company as at 31st March 2012 is Rs. 3,554,587,800 comprising of 336,290,010 ordinary shares and 16,500,000 preference shares.

Reserves

The total reserves of the group as at 31st March 2012 stood at Rs 7,587,738,355 (31st March 2011 - Rs. 5,563,908,533). This comprises of Reserves of Rs 2,526,476,883 (31st March 2011- Rs.1,709,056,740) and Retained Earnings of Rs 5,061,261,472 (31st March 2011-Rs.3,854,851,794). The movement in reserves is given in the statement of Changes in Equity on page 112.

Shareholdings

As at 31st March 2012 there were 3,822 registered shareholders. The distribution of shareholdings as at 31st March 2012 is shown on page 155.

Share Information

Information relating to share trading, earnings, dividends, net assets and market value per share is given in the Shareholder & Investor Information on pages 155 to 159 of this Report.

Major Shareholders

The names of the 20 largest shareholders of the Company and their shareholding as at 31st March 2012 is given in the Shareholder and Investor Information on page 158 of this Report.

Directors

The Board of Aitken Spence Hotel Holdings PLC consists of Nine Directors with wide financial and commercial knowledge and experience. The names of the Directors are given on page 44 of this Report.

Retirement of Directors

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

1. Mr. G.P.J. Goonewardene who retires by rotation in terms of Article 83 of the Articles of Association.
2. Mr. C.M.S. Jayawickrama who retires by rotation in terms of Article 83 of the Articles of Association.

Directors' Interest in Contracts in the normal course of business

Directors interested in contracts with the Company, both direct and indirect are disclosed on pages 148 to 151 of this Annual Report under related party transactions. The above discloses the transactions with entities where a Director of the Company either has control or exercises significant influence. These interests have been duly declared to the Company.

Interest Register

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

Directors' Fees

Details of Director's emoluments paid during the year are given in Note 06 to the Financial Statements.

Directors' Shareholding

The Directors of the Company together with their spouses held 320,795 shares as at 31st March 2012 which amounted to 0.095 per cent (31st March 2011-0.094 per cent) of the total number of ordinary shares issued.

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

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

As at 31st March	2012	2011
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. Goonewardene	5,460	5,460
Mr. R.E.V. Casie Chetty	207,739	207,739
Mr. N.J. de Silva Deva Aditya	-	-
Mr. C.H. Gomez	-	-
Mr. R.N. Asirwatham	1,000	-
	320,795	319,795

Shares held by the Directors in Group Companies:

Hethersett Hotels Ltd.

As at 31st March	2012	2011
Mr. R.E.V. Casie Chetty	2,500	2,500

Public Shareholding

The percentage of the shares held by the public as at 31st March 2012 is 25.41 per cent (31st March 2011-25.41 per cent).

Financial Statements

The Financial Statements of the Company & the Group for the year ended 31st March 2012 signed by the Chief Financial Officer and two of the Directors of the Company are given on pages 110 and 151 which form an integral part of the Annual Report of the Board.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in Conformity with the requirements of the Companies Act No. 07 of 2007, the Sri Lankan Accounting Standards and the Listing Rules of the Colombo Stock Exchange.

Changes in Accounting Policies

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

Post Balance Sheet Events

Details of event after the balance sheet date are provided in note 38 (Page 151) to the Financial Statements.

Annual General Meeting

The Thirty Fifth Annual General Meeting of the Company will be held at the Institute of Chartered Accountants of Sri Lanka, 30 A, Malalasekara Mawatha, Colombo 07., at 10.30 a.m. on Thursday, June 28, 2012.

Auditors

The accounts for the year have been audited by Messrs.KPMG, Chartered Accountants who offer themselves for re-appointment.

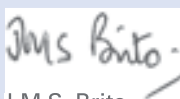
A sum of Rs. 4,132,755 (2010/11 - Rs.3,310,854) was paid to them on account of providing audit and related services. A sum of Rs.837, 472 (2010/11 - Rs.552,434) was paid to them on account of permitted non audit services including tax advisory services.

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

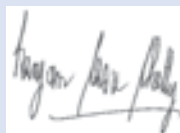
By Order of the Board of Directors.



D.H.S. Jayawardena
Chairman



J.M.S. Brito
Managing Director



R.E.V. Casie Chetty
Director

Aitken Spence Corporate Finance (Pvt) Ltd.
Secretaries

Colombo
25th May, 2012

Statement of Directors' Responsibilities

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

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

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

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

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

The Directors have extended full co-operation to the Auditors and have provided them every opportunity to carry out their statutory obligation of expressing an opinion on the Financial Statements. The responsibility of the Auditors in relation to the Financial Statements appears in the Report of the Auditors on page 109.

Messrs KPMG, Chartered Accountants the Auditors of the Company have examined the Financial Statements and the related records and information. Their opinion on the Financial Statements is given on page 109.

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

By Order of the Board of Directors.



R.E.V. Casie Chetty
Director

Aitken Spence Corporate Finance (Pvt) Ltd.,
Secretaries

Colombo
25th May, 2012

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
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Internet : www.lk.kpmg.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AITKEN SPENCE HOTEL HOLDINGS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Aitken Spence Hotel Holdings PLC, (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group") as at 31st March, 2012, which comprise the balance sheet as at that date, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 110 to 151 of this Annual Report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2012 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2012 and its profit and cash flows for the year ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2012 and its profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the members of the Company.

Report on Other Legal and Regulatory Requirements

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



CHARTERED ACCOUNTANTS
Colombo
25th May, 2012

KPMG, 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.

M.R. Mihular FCA
C.P. Jayatilaka FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Principals - S.R.J. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

Ms. M. P. Perera FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyaratne ACA
R.M.D.B. Rajapakse ACA

Income Statement

For the year ended 31st March	Notes	Group		Company	
		2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Gross Revenue	2	9,614,828	8,059,152	731,013	629,491
Revenue Tax		(422,295)	(353,088)	(16,067)	(4,992)
Net Revenue		9,192,533	7,706,064	714,946	624,499
Other Operating Income	3	92,541	68,003	516,391	413,244
Staff Costs		(1,331,432)	(1,176,668)	(124,494)	(109,153)
Depreciation		(409,491)	(688,002)	(85,182)	(78,607)
Amortisation		(41,395)	(72,259)	-	-
Other Operating Expenses - Direct	4	(1,974,304)	(1,660,781)	(135,488)	(121,435)
Other Operating Expenses - Indirect	5	(3,081,900)	(2,768,729)	(252,767)	(216,344)
Profit from Operations	6	2,446,552	1,407,628	633,406	512,204
Finance Income		186,948	214,731	133,769	197,491
Finance Expense	7	(195,794)	(229,035)	(39,974)	(59,038)
Net Finance Income/(Expense)		(8,846)	(14,304)	93,795	138,453
		2,437,706	1,393,324	727,201	650,657
Share of Profit of Associates after Tax	8	48,016	1,529	-	-
Profit Before Taxation		2,485,722	1,394,853	727,201	650,657
Income Tax Expense	9	(353,750)	(37,242)	(63,751)	(5,120)
Profit for the Year		2,131,972	1,357,611	663,450	645,537
Attributable to:					
Equity Holders of the Company		1,395,292	1,034,073	663,450	645,537
Minority Interest		736,680	323,538	-	-
		2,131,972	1,357,611	663,450	645,537
Earnings per Ordinary Share (Rs.)	10	4.10	3.03	1.93	1.88
Dividend per Ordinary Share (Rs.)	11	-	-	0.70	0.50

Figures in brackets indicate deductions.

The notes on pages 115 to 151 form an integral part of these Financial Statements.

Balance Sheet

As at 31st March	Notes	Group		Company	
		2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	12	11,215,701	8,949,807	1,658,697	1,414,959
Leasehold Properties	13	2,588,900	1,400,526	-	-
Intangible Assets	14	-	-	-	-
Investment in Subsidiaries and Joint Ventures	15	-	-	1,776,778	1,469,819
Investment in Associates	16	1,086,496	960,878	902,007	855,740
Long Term Investments	17	221,061	210,702	-	-
Deferred Tax Assets	18	130,716	49,019	6,458	42,709
		15,242,874	11,570,932	4,343,940	3,783,227
Current Assets					
Inventories	19	205,892	165,478	17,915	14,997
Trade and Other Receivables	20	1,192,473	852,003	171,447	119,213
Amounts Due from Ultimate Holding Company	21	35,800	503,588	-	503,588
Amount Due from Parent's Group Entities	22	375,346	358,403	1,888,607	1,184,451
Deposits and Prepayments		230,245	253,364	6,491	7,478
Current Tax Receivable		9,045	9,036	2,129	2,131
Short Term Deposits	23	2,421,676	2,009,855	1,252,523	1,245,150
Cash and Cash Equivalents		142,077	102,325	13,840	8,966
		4,612,554	4,254,052	3,352,952	3,085,974
Assets Held for Sale	24	-	9,826	-	-
TOTAL ASSETS		19,855,428	15,834,810	7,696,892	6,869,201
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Stated Capital	25	3,554,587	3,554,587	3,554,587	3,554,587
Reserves	26	2,526,477	1,709,057	660,050	356,650
Retained Earnings		5,061,261	3,854,852	2,731,794	2,251,339
		11,142,325	9,118,496	6,946,431	6,162,576
Minority Interest		2,395,420	1,581,004	-	-
Total Equity		13,537,745	10,699,500	6,946,431	6,162,576
Non-Current Liabilities					
Interest - Bearing Borrowings	27	2,615,308	2,832,565	371,642	466,492
Government Grants	28	923	1,079	-	-
Deferred Tax Liabilities	29	245,595	114,589	-	-
Employee Benefits	30	53,591	41,495	16,515	14,598
		2,915,417	2,989,728	388,157	481,090
Current Liabilities					
Trade Payables		359,814	242,840	22,209	16,532
Other Provisions and Payables	31	1,136,747	856,745	209,906	124,682
Amounts Due to Ultimate Holding Company		204,779	59,861	29,725	18,998
Amounts Due to Parent's Group Entities	32	108,181	99,849	810	28,416
Interest Bearing Borrowings	27	978,216	748,475	94,850	14,067
Current Tax Payable		226,380	56,601	1,150	22,840
Short term Bank Borrowings		388,149	81,211	3,654	-
		3,402,266	2,145,582	362,304	225,535
TOTAL LIABILITIES		6,317,683	5,135,310	750,461	706,625
TOTAL EQUITY AND LIABILITIES		19,855,428	15,834,810	7,696,892	6,869,201

The above Balance Sheet is to be read in conjunction with Notes to the Financial Statements on pages 115 to 151.

I certify that the Financial Statements for the year ended 31st March 2012 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

25th May 2012, Colombo.

Statement of Changes in Equity

Group

For the year ended 31st March	Attributable to Equity Holders of the Company.....							
	Stated Capital	Revaluation Reserve	General Reserves	Exchange Fluctuation Reserves	Retained Earnings	Total	Minority Interest	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 31st March, 2010	1,056,433	834,927	20,840	342,760	2,934,234	5,189,194	1,589,136	6,778,330
Effect of Acquisitions Disposal and Change to Percentage Holdings	-	-	-	-	(6,906)	(6,906)	(3,356)	(10,262)
Currency Translation Differences	-	-	-	(74,064)	-	(74,064)	(39,619)	(113,683)
Revaluation Surplus	-	584,594	-	-	-	584,594	-	584,594
Net Income Recognised Directly in Equity	-	584,594	-	(74,064)	(6,906)	503,624	(42,975)	460,649
Profit for the Year	-	-	-	-	1,034,073	1,034,073	323,538	1,357,611
	-	584,594	-	(74,064)	1,027,167	1,537,697	280,563	1,818,260
Rights Issue of Shares	2,498,154	-	-	-	-	2,498,154	-	2,498,154
Direct Share Issue Expenses	-	-	-	-	(19,637)	(19,637)	-	(19,637)
Dividend Paid - 2009/10 (Note -11)	-	-	-	-	(86,912)	(86,912)	-	(86,912)
Dividends of Subsidiaries	-	-	-	-	-	-	(288,695)	(288,695)
Balance as at 31st March, 2011	3,554,587	1,419,521	20,840	268,696	3,854,852	9,118,496	1,581,004	10,699,500
Effect of Acquisitions Disposal and Change to Percentage Holdings	-	-	-	-	(5,888)	(5,888)	(269)	(6,157)
Currency Translation Differences	-	-	-	449,947	-	449,947	228,698	678,645
Revaluation Surplus	-	367,473	-	-	-	367,473	35,411	402,884
Net Income Recognised Directly in Equity	-	367,473	-	449,947	(5,888)	811,532	263,840	1,075,372
Profit for the Year	-	-	-	-	1,395,292	1,395,292	736,680	2,131,972
	-	367,473	-	449,947	1,389,404	2,206,824	1,000,520	3,207,344
Dividend Paid - 2010/11 (Note -11)	-	-	-	-	(182,995)	(182,995)	-	(182,995)
Dividends of Subsidiaries	-	-	-	-	-	-	(186,104)	(186,104)
Balance as at 31st March, 2012	3,554,587	1,786,994	20,840	718,643	5,061,261	11,142,325	2,395,420	13,537,745

Company

For the year ended 31st March

	Stated Capital	Revaluation Reserve	General Reserves	Retained Earnings	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 31st March, 2010	1,056,433	335,810	20,840	1,712,351	3,125,434
Dividend Paid - 2009/10 (Note -11)	-	-	-	(86,912)	(86,912)
Rights Issue of Shares	2,498,154	-	-	-	2,498,154
Direct Share Issue Expenses	-	-	-	(19,637)	(19,637)
Profit for the Year	-	-	-	645,537	645,537
Balance as at 31st March, 2011	3,554,587	335,810	20,840	2,251,339	6,162,576
Dividend Paid - 2010/11 (Note -11)	-	-	-	(182,995)	(182,995)
Revaluation Surplus	-	303,400	-	-	303,400
Profit for the Year	-	-	-	663,450	663,450
Balance as at 31st March, 2012	3,554,587	639,210	20,840	2,731,794	6,946,431

Figures in brackets indicate deductions

The notes on pages 115 to 151 form an integral part of these Financial Statements.

Cash Flow Statement

<i>For the year ended 31st March</i>	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Profit Before Taxation	2,485,722	1,394,853	727,201	650,657
Adjustments for				
Depreciation	409,491	688,002	85,182	78,607
Amortisation of Pre Paid Lease Rentals	1,500	1,500	-	-
Amortisation of Leasehold Rights	39,895	68,770	-	-
Provision/(write back) of Doubtful Debts	(25,915)	12,086	998	1,500
Surplus on Acquisition of Companies	(10,510)	-	-	-
Impairment Goodwill on Acquisition	-	1,989	-	-
Amortisation of Government Grant	(156)	(156)	-	-
Interest Expense	195,794	229,035	39,974	59,038
Interest Income	(186,948)	(214,731)	(133,769)	(197,491)
Profit from Disposal of Investment	-	-	(8,825)	-
Profit on Sale of Property, Plant & Equipment	(4,920)	(35,073)	(1,195)	(1,823)
Provision for Retirement Benefit Obligations	13,274	13,495	3,064	4,407
Share of Associate Companies Profit After Tax	(48,016)	(1,529)	-	-
Foreign Exchange Gain	(67,867)	(1,160)	(3,619)	(959)
Movement of Assets Held for Sale	9,826	(9,826)	-	-
Operating Profit before Working Capital Changes	2,811,170	2,147,255	709,011	593,936
(Increase)/Decrease in Inventories	(40,414)	12,806	(2,918)	(2,164)
Increase in Trade and Other Receivables	(269,135)	(50,756)	(19,443)	(34,177)
(Increase)/ Decrease in Amount Due from Ultimate Holding Company	467,788	(503,588)	503,588	(503,588)
Increase in Amount Due from Parent's Group Entities	(16,943)	(77,327)	(704,156)	(515,418)
(Increase)/(Decrease) Deposits & Prepayments	23,119	(90,341)	987	(3,365)
Increase/(Decrease) in Trade Payables	116,974	(9,531)	5,677	(560)
Increase in Other Provisions & Payables	280,002	65,954	85,224	52,830
Increase/(Decrease) in Amount Due to Ultimate Holding Company	144,918	(586,573)	10,727	(105,681)
Increase/ (Decrease) in Amount Due to Parent's Group Entities	8,332	44,321	(27,606)	(35,723)
Cash Generated/(Used) from Operations	3,525,811	952,220	561,091	(553,910)
Interest Paid	(195,794)	(229,035)	(39,974)	(59,038)
Retirement Benefit Obligations Paid	(3,211)	(3,919)	(1,147)	(1,475)
Income Tax Paid	(134,671)	(56,009)	(49,188)	(23,728)
Net Cash Flow from Operating Activities	3,192,135	663,257	470,782	(638,151)

Figures in brackets indicate deductions

(carried forward to next page)

Cash Flow Statement (contd.)

For the year ended 31st March	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Net Cash Flow from Operating Activities (brought forward from previous page)	3,192,135	663,257	470,782	(638,151)
Cash Flow from Investing Activities				
Investments Made During the Year	(86,271)	(773,290)	(82,595)	(753,636)
Acquisition of Subsidiary (Note A)	(268,624)	(760)	(271,631)	-
Purchase of Property, Plant & Equipment	(1,374,379)	(489,846)	(26,429)	(10,690)
Purchase of Leasehold Rights	(1,022,800)	-	-	-
Proceeds from Sale of Property, Plant & Equipment	81,305	67,710	2,103	1,823
Proceeds from Retirement of Investments/ Assets Held for Sale	-	-	9,826	-
Interest Received from Deposits	141,528	173,926	99,980	159,407
Effect of Changes in Percentage Holdings and Acquisition of Subsidiary	(4,130)	(1,076)	-	-
Net Cash Used in Investing Activities	(2,533,371)	(1,023,336)	(268,746)	(603,096)
Cash Flow from Financing Activities				
Proceeds from Rights Issue of Shares	-	2,498,154	-	2,498,154
Direct Share Issue Expenses	-	(19,637)	-	(19,637)
Proceeds from Long-Term Borrowings	350,000	894,701	-	-
Repayment of Long-Term Borrowings	(782,203)	(1,032,413)	(14,067)	(209,521)
Dividends Paid	(182,995)	(86,912)	(182,995)	(86,912)
Dividend Paid by Subsidiary Companies	(186,104)	(288,695)	-	-
Net Cash Generated/(Used) in Financing Activities	(801,302)	1,965,198	(197,062)	2,182,084
Net Increase/(Decrease) in Cash & Cash Equivalents	(142,538)	1,605,119	4,974	940,837
Cash & Cash Equivalents at the Beginning of the Year	2,318,142	425,850	1,257,735	313,279
Cash & Cash Equivalents at the End of the Year	2,175,604	2,030,969	1,262,709	1,254,116
Analysis of Cash & Cash Equivalents at the End of the Year				
Cash at Bank and in Hand	142,077	102,325	13,840	8,966
Short Term Deposits	2,421,676	2,009,855	1,252,523	1,245,150
Short Term Bank Borrowings	(388,149)	(81,211)	(3,654)	-
Cash & Cash Equivalents as Previously Reported	2,175,604	2,030,969	1,262,709	1,254,116
Effect of Exchange Rate Changes	-	287,173	-	3,619
Cash & Cash Equivalents - Restated	2,175,604	2,318,142	1,262,709	1,257,735

Note A - Acquisition of Subsidiary

During the year the Group acquired total control of MPS Hotels Ltd.

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

	Rs. '000
Property Plant and Equipment	322,775
Inventories	2,428
Trade and Other Receivables	22,722
Deposits and Prepayments	957
Interest Bearing Borrowings	(2,407)
Employee Benefits	(2,027)
Deferred Tax Liabilities	(4,933)
Trade and Other Payables	(23,558)
Current Tax Liabilities	(709)
Cash and Cash Equivalents	3,007
Total Net Assets	318,255
Net Assets Acquired	318,255
Goodwill/(Negative Goodwill)	(10,510)
Purchase Consideration Made to Acquire the Subsidiary	307,745
Investments Made Prior to Acquisition of Majority Shares	(36,114)
Cash and Cash Equivalents Acquired	(3,007)
Net Cash Outflow on Acquisition of Subsidiary	268,624

Figures in brackets indicate deductions

The notes on pages 115 to 151 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Accounting Policies

1.1 Reporting Entity

Aitken Spence Hotel Holdings PLC (the 'Company') is a 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.

1.1.2 Principal activities and nature of operations

The group primarily is involved in Hoteliering.

1.1.3 Responsibility for financial statements

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

1.2 Basis of Preparation

1.2.1 Statement of compliance

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) 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.

The Financial Statements were authorised for issue by the Board on 25th May 2012.

1.2.2 Basis of measurement

The consolidated Financial Statements have been prepared on the historical cost basis except for certain investments and items of property, plant & equipment, which are measured at fair value as explained in paragraph 1.5.5 and 1.5.1.1 below and retirement benefit obligations which are measured at the present value of the defined benefit plan as explained in paragraph 1.8.4.2.

1.2.3 Functional and presentation currency

These consolidated Financial Statements are presented in Sri Lankan rupees which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand.

1.2.4 Use of estimates and judgments

The preparation of Financial Statements in conformity with SLAS 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 and judgmental decisions.

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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 1.9.7 – Deferred tax
- Note 1.8.4.2 – Measurement of retirement benefit obligations

1.3 Consolidation Policy

1.3.1 Basis of consolidation

The consolidated Financial Statements include the Company and its Subsidiaries and interest in Associates and Joint Ventures. All group subsidiary, associates and jointly controlled entities have a common financial year, which ends on 31st March except for Business Travel Services LLC, which has a financial year end of 31st December.

1.3.2 Subsidiaries

Subsidiaries are entities controlled by 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 which is evident when the Company controls the composition of the Board of Directors of the entity or holds more than 50% of the issued shares of the entity or 50% of the voting rights of the entity or is entitled to receive more than half of every dividend from shares carrying unlimited right to participate in distribution of profits or capital. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Entities that are subsidiaries of another entity which is a subsidiary of the Company are also treated as subsidiaries of the Company. A listing of the Company's Subsidiaries is set out in Note 15 to the financial statements.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interest even if doing so cause the non-controlling interests to have a deficit balance.

Notes to the Financial Statements

1.3.3 Investments in associates

Associates 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.

Investment in associates are accounted for using the equity method, where the Group's share of profits and losses is incorporated in the consolidated income statement, and the related investments are carried forward in the consolidated balance sheet at values adjusted to reflect the Group's share of net assets. Dividends declared by the Associates are recognised against the equity value of the Group's Investment.

List of associates are set out in Note 16 to the financial statements.

1.3.4 Jointly controlled operations

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

List of Joint Ventures are set out in Note 15.2 to the financial statements.

1.3.5 Transactions eliminated on consolidation

Intra group balances and transactions, and any unrealised 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 to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.3.6 Minority interest

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

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

1.3.7 Goodwill

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

Goodwill is initially recognised at cost. Such goodwill is identified into cash generating units and is annually tested for impairment. 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 assets in the Consolidated Balance Sheet.

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 difference is immediately recognised in the Consolidated Income Statement.

1.4 Foreign Currency

1.4.1 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 exchange rate at that date.

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 stated at fair value are translated to reporting currency using the exchange rate that was prevailing on the date the fair value was determined. The resulting gains or losses on translations are dealt with in the income statement.

1.4.2 Foreign operations

Subsidiaries incorporated outside Sri Lanka are treated as foreign entities. Assets and liabilities both monetary and non-monetary of foreign entities are translated at the rate of exchange prevailing on the reporting date. Income, expenses and the cash flows of the foreign entities are translated at exchange rate approximating to the actual rate at the time of the transaction. For practical purposes this is presumed to be the average rate during each month. Exchange differences arising on translating the financial statements of foreign entities are classified under equity in the consolidated financial statements.

Goodwill arising on the acquisition of foreign entities is reported using exchange rates that prevailed at the

date of acquisition in accordance with the Sri Lanka Accounting Standard No. 21 – Effects of Changes in Foreign Exchange Rates.

1.5 Assets and Bases of their Valuation

1.5.1.1 Property, plant and equipment - recognition and measurement

Items of property, plant and equipment are stated at costs (or valuation for land) less accumulated depreciation and accumulated impairment losses.

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

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. On revaluation of land any increase in the revaluation amount is credited to the revaluation reserve unless it offsets a previous decrease in value of the same asset that was recognised in the income statement. A decrease in value is recognised in the income statement where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to accumulated profits and is not taken into account in arriving at the gain or loss on disposal. The details of land valuation are disclosed in note 12.4 to the Financial Statements.

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.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment cost.

1.5.1.2 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.

1.5.1.3 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	10 - 50 years
• Plant & Equipment	05 - 15 years
• Kitchen Equipment	05 - 15 years
• Office Equipment	03 - 10 years
• Sports Equipment	05 - 10 years
• Motor Vehicles	04 - 06 years
• Boats	10 years
• Swimming Pool Equipment	15 - 20 years
• Furniture & Fittings	10 - 20 years
• Crockery, Cutlery & Glassware	03 - 05 years
• Soft Furnishing	05 - 10 years

Depreciation is not provided on land and assets under construction.

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

1.5.2 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.

Notes to the Financial Statements

1.5.3 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.

1.5.4 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.

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

1.5.5 Investments

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

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

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

Investments in associate companies are treated as long term assets and measured as explained in 1.3.3 above. In the parent company's financial statements, the investments are valued at cost.

1.5.6 Inventories

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

1.5.7 Trade and other receivables

Trade and other receivables are stated at the amounts

estimated to be realised after providing for bad and doubtful debts.

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

1.5.8 Cash and cash equivalents

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

1.5.9 Assets held for sale

Assets that are expected to be recovered primarily through a disposal rather than through continuing use are classified as held for sale, these assets are re-measured in accordance with the Group's accounting policies. Thereafter the assets 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 recognized in excess of any cumulative impairment loss.

1.6 Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amounts are estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amounts are estimated at each reporting date or more frequently, if events or changes in circumstances indicate that they might be impaired.

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

An impairment loss is recognised if the carrying amounts of an asset or its cash generating unit exceed its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash

flows that are largely independent from other assets and Groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the entity on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each 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 estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amounts does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.7 Government Grants

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

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

1.8 Liabilities and Provisions

1.8.1 Liabilities

Liabilities classified as current liabilities on the Balance Sheet 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 Balance Sheet.

1.8.2 Provisions

A provision is recognised in the Balance Sheet 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.

1.8.3 Trade and other payables

Trade and other payables are stated at cost.

1.8.4 Employee Benefits

1.8.4.1 Defined contribution plan

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contribution to a separate entity and will have no legal or constructive obligation 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. Contributions to defined benefit plans, EPF & ETF, are recognised as an employee benefit expense in profit and loss in the periods during which services are rendered by employees.

1.8.4.2 Defined benefit plans

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The liability recognised in the balance sheet 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, in conformity with SLAS 16 (Revised 2006) on Retirement Benefit Costs.

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.

1.8.4.3 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.

Notes to the Financial Statements

1.9 Income Statement

1.9.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, 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.
- Interest income is recognised in the profit and loss as it accrues.
- Dividend income is recognised in profit and loss when the right to receive dividends is established.

1.9.2 Expenses

Expenses are recognised in profit and loss on the basis of a direct association between cost incurred and the earning of specific items of income. 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 in arriving at the profit for the year.

For the purpose of presentation of Income Statements, the Directors are of the opinion that "function of expenses method" presents fairly the elements of the Company's performance and hence such presentation method is adopted.

1.9.3 Net financing income/(expenses)

Net financing income/(expenses) comprise interest on borrowings, interest receivable on funds invested and foreign exchange gains and losses. All interest and other costs incurred in connection with borrowings are expensed as incurred as part of net financing costs.

1.9.4 Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred. However, borrowing costs that are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use or sale, are capitalised as part of the asset.

1.9.5 Taxation

Income tax expense comprises both current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case is recognised in equity.

1.9.6 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.

1.9.7 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 the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits and differences relating to investment in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

A deferred tax assets are recognised for unusual 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.

1.9.8 Economic service charge

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.

1.10 Other Accounting Policies

1.10.1 Cash flow statement

The cash flow statement has been prepared using the "Indirect Method".

1.10.2 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand and demand deposits, readily converted to known amounts of cash and subject to insignificant risk of changes in value.

Interest paid are classified as operating cash flows for the purpose of presentation of Cash Flow Statement and reported based on the indirect method.

1.10.3 Capital commitments and contingencies

Capital Commitments and Contingent liabilities of the Company are disclosed in Note No. 12.6 & Note No. 35 to the financial statements.

1.10.4 Events occurring after the reporting period.

All material post balance sheet events have been considered and where appropriate adjustment to or disclosures have been made in the financial statements.

1.10.5 Comparative information

The Accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. No comparative information were changed during the year which require disclosure or adjustment in the financial statements. However, wherever the presentation or classification of items in the financial statements is amended, comparative amounts are also reclassified to conform to the current year's presentation.

1.10.6 Earnings per share (EPS)

The Company 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.

1.10.7 Segmental information

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

1.10.7.1 Primary and secondary segments

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

- ii) Segmental information analysed by geographical segments is disclosed in Notes 2 & 33 to the financial statements.
- iii) All transfers made between the hotels in the Group are based on normal market price.

1.11 New Accounting Standards Issued but not Effective as at Reporting Date

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards, which become applicable for annual periods beginning on or after 01st January 2012. Accordingly these Standards have not been applied in preparing these financial statements as they are not effective for the year ended 31st March 2012.

The new Sri Lanka Accounting standards comprising of SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS) have become applicable to the Company from 01st April 2012. The Company would be preparing its first set of IFRS compliant financial statements for the financial year ended 31st March 2013.

The group carried out an extensive impact analysis with the assistance of an external professional consultancy firm. Initial step was to identify the gaps between existing practices based on SLAS and the proposed IFRS requirements. Based on the findings, the group assessed the potential impact of the adjustments required to the financial statements for the 12 months period ending 31st March 2012 and the period upto 01st April 2011 respectively to comply with SLFRS and LKAS.

Notes to the Financial Statements

2 Revenue

2.1 Analysis of Segmental Results

	External		Group Intra Group		Total Revenue	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Sri Lankan Sector						
Resorts & hotels	2,112,520	1,825,107	33,262	5,216	2,145,782	1,830,323
Others	78,021	49,995	288,582	207,910	366,603	257,905
Total Sri Lanka sector	2,190,541	1,875,102	321,844	213,126	2,512,385	2,088,228
South Asian sector	7,424,287	6,184,050	120,274	120,493	7,544,561	6,304,543
	9,614,828	8,059,152	442,118	333,619	10,056,946	8,392,771
Intra group revenue					(442,118)	(333,619)
Total					9,614,828	8,059,152

2.1.1 Revenue Breakdown

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Total revenue	10,056,946	8,392,771	731,013	629,491
Less: Intra group revenue	(442,118)	(333,619)	-	-
Gross revenue	9,614,828	8,059,152	731,013	629,491
Less: Revenue tax	(422,295)	(353,088)	(16,067)	(4,992)
Net revenue	9,192,533	7,706,064	714,946	624,499

2.1.2 Categories of Revenue

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Apartment	4,477,301	3,457,195	321,056	267,238
Restaurant	2,424,020	2,320,735	327,030	279,196
Bar	743,677	698,023	54,970	54,259
Spa and ayurvedic	166,127	144,790	16,731	17,852
Transfers & excursions	1,283,223	1,004,615	1,582	486
Rent and shop income	223,409	176,447	7,334	8,162
Telephone	5,749	8,581	653	830
Diving and windsurfing	152,668	151,577	-	-
Laundry	7,858	8,371	1,657	1,468
Sale of air tickets	18,263	16,632	-	-
Management fees	112,533	72,186	-	-
Total	9,614,828	8,059,152	731,013	629,491

2.2 Geographical Segment Analysis - Income Tax and Profits

	Income Tax Expenses		Group Profit/(Loss) from Operations		Profit/(Loss) Before Taxation	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Sri Lankan sector						
Resorts & hotels	86,392	34,618	295,601	342,547	374,569	471,093
Others	29,484	(918)	316,240	167,985	334,495	168,338
	115,876	33,700	611,841	510,532	709,064	639,431
Share of profit of associates after tax	-	-	-	-	48,016	1,529
Total Sri Lankan sector	115,876	33,700	611,841	510,532	757,080	640,960
South Asian sector	237,874	3,542	1,824,201	899,085	1,718,132	755,882
Total	353,750	37,242	2,436,042	1,409,617	2,475,212	1,396,842
Amortisation of surplus on acquisition	-	-	10,510	-	10,510	-
Impairment of goodwill on acquisition	-	-	-	(1,989)	-	(1,989)
Total	353,750	37,242	2,446,552	1,407,628	2,485,722	1,394,853

3 Other Operating Income

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Recreation	992	934	36	65
Dividends (net) from investments	-	724	500,967	409,879
Profit on sale of property, plant & equipment	4,920	35,073	1,195	1,823
Amortisation of surplus on acquisition	10,510	-	-	-
Foreign currency exchange gain	67,867	1,160	3,619	959
Profit on disposal of investments	-	-	8,825	-
Receipts on insurance claims	-	98	-	98
Reversal of provision for doubtful debts	-	19,782	-	-
Sale of articles	-	168	-	-
Marketing income	-	1,890	-	-
Others	8,252	8,174	1,749	420
Total	92,541	68,003	516,391	413,244

4 Other Operating Expenses - Direct

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

5 Other Operating Expenses - Indirect

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Administration & establishment	1,346,957	1,451,218	89,557	79,870
Repairs and maintenance	514,145	334,503	25,808	25,063
Energy	756,146	630,761	58,949	50,499
Selling & marketing	350,063	251,951	38,604	26,211
Management fees	114,589	100,296	39,849	34,701
Total	3,081,900	2,768,729	252,767	216,344

Notes to the Financial Statements

6 Profit Before Tax

Profit before tax is stated after charging all expenses including the following:

	Group		Company	
	2011/2012	2010/2011	2011/2012	2010/2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost of inventories & services	1,974,304	1,660,781	135,488	121,435
Impairment of goodwill	-	1,989	-	-
Amortisation of surplus on acquisition	(10,510)	-	-	-
Directors fees and emoluments	8,339	4,793	7	7
Auditors' remuneration				
- KPMG	4,133	3,311	480	430
- Other auditors	1,108	829	-	-
Fees paid to auditors for non audit services				
- KPMG	837	552	274	115
- Other auditors	2,817	2,497	-	-
Finance charges on leases	1,500	1,500	-	-
Provision/(write back) of bad and doubtful debts	(25,915)	12,086	998	1,500
Donations	1,108	28	100	16
Contribution to provident fund	36,462	27,505	10,963	9,086
Contribution to employees trust fund	6,384	5,138	1,863	1,542
Employee benefits	13,274	13,495	3,064	4,407
Legal fees	3,229	3,192	1,620	1,011
Operating lease rentals	284,181	394,845	-	-

7 Finance Expense

	Group		Company	
	2011/2012	2010/2011	2011/2012	2010/2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest on Long Term loans	167,824	208,087	37,290	419
Interest on Short-Term loans	27,970	20,948	2,684	58,619
Total	195,794	229,035	39,974	59,038

8 Share of Profit of Associates after Tax

	Group	
	2011/2012	2010/2011
	Rs. '000	Rs. '000
M. P. S. Hotels Ltd.	-	6,142
Browns Beach Hotels PLC	48,016	(4,613)
Total	48,016	1,529

During the year M.P.S Hotels Ltd. became a 100% owned subsidiary of Aitken Spence Hotel Holdings PLC.

9 Income Tax Expense

- 9.1** Aitken Spence Hotel Holdings PLC., being a Company involved in the promotion of tourism is liable to Income Tax at a concessionary rate of 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:

9.2 Sri Lankan Sector

- 9.2.1** The Business Profit of Golden Sun Resorts (Pvt) Ltd. is exempt from Income Tax for a period of ten years ending in 2012/2013 under section 17 of BOI Law No. 04 of 1978.
- 9.2.2** The Business Profits of Aitken Spence Hotel Management Asia (Pvt) Ltd., is 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%.
- 9.2.3** The Business Profits and income of Hethersett Hotels Ltd., Aitken Spence Hotels Ltd., Kandalama Hotels (Pvt) Ltd. and MPS Hotels 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.
- 9.2.4** 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.
- 9.2.5** In addition, where any company carries on any undertaking with an annual turnover not exceeding Rs. 300 million (other than buying and selling), such profits have been taxed at 10%.

9.3 South Asian Sector

- 9.3.1** 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. and Business Travel Services LLC being non resident companies in Sri Lanka and not deriving Income from Sri Lanka are out of the Scope of Income Taxation in Sri Lanka.
- 9.3.2** The 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 the Republic of Maldives.
- 9.3.3** 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 the Republic of Maldives is subject to 10% Withholding Tax at source as per the Business Profit Tax Act of the Republic of Maldives.
- 9.3.4** The Business Profits of Aitken Spence Hotels International (Pvt) Ltd., are exempt from Income Tax in terms of Section 13 (b) of the Inland Revenue Act No.10 of 2006. Marketing 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.
- 9.3.5** 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.
- 9.3.6** 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.
- 9.3.7** Business Travel Services LLC being a Company incorporated in Oman would be liable for tax at 12% in Oman as per Oman Tax Law.

9.4 Associate Companies

- 9.4.1** 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.

Notes to the Financial Statements

9.5 Income Tax Expense

		Group		Company	
		2011/2012	2010/2011	2011/2012	2010/2011
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Taxation on current year profits	(Note No 9.6)	298,209	93,889	27,500	48,500
Over provisions in previous years		-	(6,433)	-	(671)
Deferred tax expense/ (income)	(Note No 9.7)	44,480	(55,692)	36,251	(42,709)
Tax on dividends paid by subsidiaries		11,061	5,478	-	-
Total		353,750	37,242	63,751	5,120

9.6 Reconciliation of Accounting Profit to Tax on Current Year

		Group		Company	
		2011/2012	2010/2011	2011/2012	2010/2011
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit before tax		2,485,722	1,394,853	727,201	650,657
Consolidation adjustments		(10,510)	1,989	-	-
Profit after adjustments		2,475,212	1,396,842	727,201	650,657
Income not liable for Income Tax		(584,043)	(933,626)	(509,792)	(409,879)
* Effect of revenue taxed at source		320,063	-	-	-
Adjusted profits		2,211,232	463,216	217,409	240,778
Aggregate disallowed expenses		508,557	265,457	114,731	110,661
Capital allowances		(511,703)	(197,039)	(67,884)	(71,916)
Aggregate allowable expenses		(453,756)	(33,889)	(16,094)	(12,565)
Utilisation of tax losses		(119,051)	(113,507)	(86,857)	(93,435)
Current year tax losses not utilised		463,459	76,036	-	-
Taxable income		2,098,738	460,274	161,305	173,523
Income tax charged at					
Standard rate of 28% (2010/11 - 35%)		19,218	37,933	13,447	37,711
Concessionary rate of 10% or 12% (2010/11 - 15%)		45,699	55,266	14,053	10,789
Varying rates on off shore profits		233,292	690	-	-
Taxation on current year profits		298,209	93,889	27,500	48,500

9.7 Deferred Tax Expense/ (Income)

Origination/ (reversal) of temporary differences	74,891	15,452	36,251	-
Impact of tax rate changes	-	(17,659)	-	10,677
Change in unrecognised other temporary differences	49,214	147,900	-	148,000
Recognition of previously unrecognised tax losses	(79,625)	(201,385)	-	(201,386)
Total	44,480	(55,692)	36,251	(42,709)

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 w.e.f. July 2011.

9.8 The Companies in the Group have carried forward tax losses amounting to Rs 1,729,782,671 (2010/11- Rs. 1,680,837,994) which are available to be set off against the future tax profits of those respective companies. Deferred Tax Assets, not accounted on these losses amounted to Rs. 2,835,718. (2010/11- Rs. 29,582,095)

9.9 Aitken Spence Hotel Holdings PLC. has a carried forward tax loss amounting to Rs. 1,020,357,046 (2010/11- Rs. 1,342,572,745) which are available to be set off against the future tax profits of the Company. There were no deferred tax assets, un-accounted on these losses as at 31.03.2012 (2010/11 - Nil)

10 Earnings per Ordinary Share

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

	Group		Company	
	2011/2012	2010/2011	2011/2012	2010/2011
Profit after taxation and minority interest attributable to Aitken Spence Hotel Holdings PLC	1,395,292,298	1,034,073,233	663,450,232	645,537,212
Preference dividend	(14,850,000)	(14,850,000)	(14,850,000)	(14,850,000)
	1,380,442,298	1,019,223,233	648,600,232	630,687,212
Weighted average number of shares deemed to be in issue for the year	336,290,010	336,290,010	336,290,010	336,290,010
Earnings per ordinary share - (Rs.)	4.10	3.03	1.93	1.88
Weighted average number of shares for EPS computation				
Ordinary shares held as at the beginning of the year	336,290,010	38,433,144	336,290,010	38,433,144
Issued during the year - Rights	-	9,608,286	-	9,608,286
	336,290,010	48,041,430	336,290,010	48,041,430
Subdivision of shares (7 shares for every one in 2010/11)	336,290,010	336,290,010	336,290,010	336,290,010

11 Dividends

	Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000
Preference dividend		
Preference dividend paid for 2010/11	(14,850)	(14,850)
Ordinary dividend		
Final ordinary dividend paid for 2010/11	(168,145)	(72,062)
Total	(182,995)	(86,912)
Final ordinary dividend proposed for 2011/12	235,403	168,145
Preference dividend proposed for 2011/12	14,850	14,850
Dividend per Ordinary Share - (Rs.)	0.70	0.50

The Directors have recommended a first and final dividend of Cts.0.70 per share and a 9% cumulative preference dividend for the year ended 31st March 2012 (2010/2011 - Cts. 50) If approved at the Annual General Meeting on 28th June 2012 the preference dividends and part of (Rs. 11.4 million) ordinary dividends proposed will be paid out of taxable dividends received from Subsidiary Companies from which 10% Withholding Tax has been deducted and the balance ordinary dividend will be paid out of dividends received from companies incorporated outside Sri Lanka which is taxable.

In accordance with the Sri Lanka Accounting Standard No. 12 (revised) - Events After the Balance Sheet Date, the recommended final dividends has not been recognised as a liability as at 31st March 2012.

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

Notes to the Financial Statements

12 Property Plant and Equipment

12.1 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 01.04.2011	1,631,163	7,890,690	1,830,514	154,942	735,117	327,005	295,428	12,864,859
Subsidiary acquired during the year	241,176	95,894	17,614	2,531	24,906	640	-	382,761
Exchange difference	1,745	886,889	145,670	17,727	42,525	36,244	2,272	1,133,072
Additions	68,176	74,691	150,102	15,708	10,254	76,824	978,624	1,374,379
Transfers	-	398,362	158,466	4,292	23,889	10,065	(595,074)	-
Revaluations	365,668	-	-	-	-	-	-	365,668
Disposals	-	(77,277)	(38,539)	(1,932)	(4,182)	(22,364)	-	(144,294)
Balance as at 31.03.2012	2,307,928	9,269,249	2,263,827	193,268	832,509	428,414	681,250	15,976,445
Accumulated depreciation								
Balance as at 01.04.2011	-	2,035,801	1,120,232	73,729	425,704	257,524	2,062	3,915,052
Subsidiary acquired during the year	-	23,340	11,727	2,531	22,008	380	-	59,986
Exchange difference	-	272,075	99,355	12,504	29,711	30,479	-	444,124
Charge for the year	-	125,454	143,910	25,440	60,801	53,886	-	409,491
Disposals	-	(9,064)	(34,708)	(1,932)	(2,901)	(19,304)	-	(67,909)
Balance as at 31.03.2012	-	2,447,606	1,340,516	112,272	535,323	322,965	2,062	4,760,744
Written down value as at 31.03.2012	2,307,928	6,821,643	923,311	80,996	297,186	105,449	679,188	11,215,701
Written down value as at 31.03.2011	1,631,163	5,854,889	710,282	81,213	309,413	69,481	293,366	8,949,807

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. 27.1

12.2 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 01.04.2011	261,600	955,670	412,174	2,266	208,679	50,760	1,891,149
Additions	-	1,361	7,718	-	1,030	16,320	26,429
Disposals	-	-	-	(605)	-	(5,336)	(5,941)
Revaluations	303,400	-	-	-	-	-	303,400
Balance as at 31.03.2012	565,000	957,031	419,892	1,661	209,709	61,744	2,215,037
Accumulated depreciation							
Balance as at 01.04.2011	-	125,500	210,408	2,266	99,372	38,644	476,190
Charge for the year	-	19,123	38,757	-	20,916	6,386	85,182
Disposal	-	-	-	(605)	-	(4,427)	(5,032)
Balance as at 31.03.2012	-	144,623	249,165	1,661	120,288	40,603	556,340
Written down value as at 31.03.2012	565,000	812,408	170,727	-	89,421	21,141	1,658,697
Written down value as at 31.03.2011	261,600	830,170	201,766	-	109,307	12,116	1,414,959

12.3 During the year borrowing costs amounting to Rs. 4,804,668 was capitalised by the Group. The total interest cost capitalised to date under Property, plant and equipment amounted to Rs. 155,255,720/-.

12.4 Revaluation Details of Land

Company	Location	Year of Valuation	Revaluation Surplus Land (Freehold) Rs. '000
Aitken Spence Hotel Holdings PLC - (Heritage Ahungalla)	Galle Road - Ahungalla	1996	11,855
Aitken Spence Hotel Holdings PLC - (Heritage Ahungalla)	Galle Road - Ahungalla	2002	102,574
Aitken Spence Hotel Holdings PLC - (Heritage Ahungalla)	Galle Road - Ahungalla	2007	128,969
Aitken Spence Hotel Holdings PLC - (Heritage Ahungalla)	Galle Road - Ahungalla	2012	303,400
Heritage (Pvt) Ltd.	Moragalla - Beruwela	2004	110,560
Heritage (Pvt) Ltd.	Moragalla - Beruwela	2009	72,860
Ahungalla Resorts Ltd.	Galle Road - Ahungalla	2009	218,500
Neptune Ayurvedic Village (Pvt) Ltd. - (Neptune Ayurveda Village)	Moragalla - Beruwela	2009	362
Kandalama Hotels (Pvt) Ltd. - (Heritage Kandalama)	Kandalama - Dambulla	2009	1,616
Ahungalla Resorts Ltd.	Galle Road - Ahungalla	2010	584,594
P.R Holiday Homes (Pvt) Ltd.	Cochin - India	2012	62,268
Total			1,597,558

- 12.4.1** Freehold land of Heritage Ahungalla as at 31st March 1996 was revalued by Rs. 11,855,000 based on valuation carried out on 11th February, 1994 by Mr. M.S.T.P. Senadhira F.S.I., F.I.V. an independent professional valuer based on "contractors principle method".
- 12.4.2** The Land at Heritage Ahungalla was valued by Mr. K. Arthur Perera, A.M.I.V (Sri Lanka) a professional valuer on 31st March 2002 on "Market Pricing Basis" and the excess of Rs. 102,573,540 over the net book value as at 31st March 2002 has been placed to the credit of revaluation reserve.
- 12.4.3** The Land at Heritage (Pvt) Ltd., was valued by Mr. K. Arthur Perera, A.M.I.V (Sri Lanka) a professional valuer on 31st March 2004 on "Market Pricing Basis" and the excess of Rs. 110,560,000 over the net book value as at 31st March 2005 has been placed to the credit of revaluation Reserve.
- 12.4.4** The Land at Heritage Ahungalla was valued by Mr. J. Rajasooriya H.N.D (Valuation) A.I.V (S/L) A.I.Q.S (S/L) M.P.V.A (S/L) a professional valuer on 26th March 2007 and the excess of Rs. 128,969,250 over the net book value as at 31st March 2007 has been placed to the credit of revaluation reserve.
- 12.4.5** The Land at Heritage (Pvt) Ltd., was valued by Mr. K.C.B. Condegama A.I.V (S/L) a professional valuer on 31st March 2009 and the excess of Rs. 72,860,000 over the net book value as at 31st March 2009 has been placed to the credit of revaluation reserve.
- 12.4.6** The Land at Ahungalla Resorts - Ahungalla was valued by Mr. K.C.B. Condegama A.I.V (S/L) a professional valuer on 31st March 2009 and the excess of Rs. 218,500,000 over the net book value as at 31st March 2009 has been placed to the credit of revaluation reserve.
- 12.4.7** The Land at Neptune Ayurvedic Village Moragalla Beruwela was valued by Mr. K.C.B. Condegama A.I.V (S/L) a professional valuer on 31st March 2009 and the excess of Rs. 360,909 over the net book value as at 31st March 2009 has been placed to the credit of revaluation reserve.
- 12.4.8** The Land at Kandalama Hotel - Dambulla was valued by Mr. K.C.B. Condegama A.I.V (S/L) a professional valuer on 31st March 2009 and the excess of Rs. 1,616,145 over the net book value as at 31st March 2009 has been placed to the credit of revaluation reserve.
- 12.4.9** The Land at Ahungalla Resorts - Ahungalla was valued by Mr. K.C.B. Condegama A.I.V (S/L) a professional valuer on 15th June 2010 and the excess of Rs. 584,593,689 over the net book value as at 31st July 2010 has been placed to the credit of revaluation reserve.
- 12.4.10** The Land at Heritage Ahungalla was valued by Mr. K.C.B. Condegama A.I.V (S/L) a professional valuer on 31st March 2012 and the excess of Rs. 303,400,000 over the net book value as at 31st March 2012 has been placed to the credit of revaluation reserve.
- 12.4.11** The Land at Cochin - India owned by P.R. Holiday Homes (Pvt) Ltd., was valued by Mr. T.T. Kripananda Singh B.S.C. (Eng.) Civil, MICA, FIE, FIV.C (Engg.) of Messers N. Raj Kumar & Associates - Professional Consortium of Valuers on 31st March 2012 and the excess of Rs. 62,267,729 over the net book value as at 31st March 2012 has been placed to the credit of revaluation reserve.

Notes to the Financial Statements

12.5 The Carrying Value of Freehold Land if they were Carried at Cost is as Follows:

Company	Carrying Value as at 31.03.2012 Rs. '000	Revaluation Surplus Rs. '000	Carrying Value at Cost as at 31.03.2012 Rs. '000
Aitken Spence Hotel Holdings PLC	565,000	546,798	18,202
Heritage (Pvt) Ltd.	194,500	183,420	11,080
Ahungalla Resorts Ltd.	1,082,527	803,094	279,433
Neptune Ayurvedic Village (Pvt) Ltd.	4,425	362	4,063
Kandalama Hotels (Pvt) Ltd.	9,000	1,616	7,384
P.R Holiday Homes (Pvt) Ltd.	208,300	62,268	146,032
Total	2,063,752	1,597,558	466,194

12.6 Capital Expenditure Commitments

The following commitments for capital expenditure approved by the Directors as at 31st March, 2012 have not been provided for in the accounts.

	Group 2011/2012 Rs. '000	2010/2011 Rs. '000
Approximate amount approved but not contracted for	3,531,868	1,358,330
Approximate amount contracted for but not accounted	179,000	315,024
Total	3,710,868	1,673,354

13 Leasehold Property

13.1 Pre Paid Lease Rental

	Group 2011/2012 Rs. '000	2010/2011 Rs. '000
Cost		
Balance brought forward	75,000	75,000
Payments made during the year	-	-
Balance carried forward	75,000	75,000
Accumulated amortisation		
Balance brought forward	(28,500)	(27,000)
Amortised during the year	(1,500)	(1,500)
Balance carried forward	(30,000)	(28,500)
Net Balance	45,000	46,500
Payable - Less than one year	1,500	1,500
- More than one year	43,500	45,000
Total	45,000	46,500

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

13.2 Leasehold Rights

	Group	
	2011/2012 Rs. '000	2010/2011 Rs. '000
Acquisition cost		
Balance brought forward	1,546,440	1,597,260
Exchange difference	243,460	(50,820)
* Additions	1,022,800	-
Balance carried forward	2,812,700	1,546,440
Accumulated amortisation		
Balance brought forward	(192,414)	(128,811)
Exchange difference	(36,491)	5,167
Amortised during the year	(39,895)	(68,770)
Balance carried forward	(268,800)	(192,414)
Unamortised leasehold rights as at 31st March	2,543,900	1,354,026
13.1 Pre paid lease rentals	45,000	46,500
13.2 Leasehold rights	2,543,900	1,354,026
Total	2,588,900	1,400,526

* Additions to Leasehold Rights is the total fees paid to the Maldives Tourism Authority to obtain the extension of lease for Maldives properties in terms of Section 8 of second amendment to the Maldives Tourism Act No. (Law No 2/99).

13.3 Unexpired Lease Periods of Leasehold Land :

Kandalama Hotels (Pvt) Ltd.	30 years
Hethersett Hotels Ltd.	82 years
Aitken Spence Hotels Ltd.	31 years
Jetan Travel Services Co. Pvt Ltd.	29 years
Cowrie Investment (Pvt) Ltd.	36 years
ADS Resorts (Pvt) Ltd.	14 years
Unique Resorts (Pvt) Ltd.	33 years

During the year Resorts in the Maldives obtained extension to their remaining lease periods in terms of Section 8 of second amendment to the Maldives Tourism Act (Law No. 2/99).

The unexpired lease periods of Maldives properties is reported above are after adjusting for the extension of lease periods obtained.

Additional information on leasehold land is given on Real Estate Holdings of the Group on Page 161.

13.4 Lease Commitments

	Group	
	2011/2012 Rs. '000	2010/2011 Rs. '000
Lease rentals payable within one year	325,510	280,080
Lease rentals payable within one to five years	1,627,955	1,069,593
Lease rentals payable after one year	6,588,954	965,409
Total	8,542,419	2,315,082

Lease commitments of Maldives properties have been estimated based on new remaining lease periods disclosed under Note 13.3 above. US Dollar conversion rate prevailed as at the Balance Sheet date, 31st March 2012 has been used to convert the future lease commitments of these properties.

Notes to the Financial Statements

14 Intangible Assets

14.1 Goodwill

	Group	
	2011/2012 Rs. '000	2010/2011 Rs. '000
Balance as at 01.04.2011	-	-
Additions during the year	-	1,989
Impairment during the year	-	(1,989)
Balance as at 31.03.2012	-	-

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

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

15 Investment in Subsidiaries & Joint Venture

15.1 Investments in Subsidiaries and Joint Ventures – Unquoted

		Company			
	Number of Shares	Company Holding	Group Holding	31.03.2012 Rs. '000	31.03.2011 Rs. '000
a) Equity Shares					
Subsidiary Companies					
Aitken Spence Hotels Ltd.	14,691,754	97.95%	97.95%	149,547	149,333
Crest Star Ltd.					
(Ordinary Shares of HK\$ 1 each)	10,000	100.00%	100.00%	9,921	9,921
Crest Star (BVI) Ltd.					
(Ordinary Shares of US\$ 1 each)	3,415,000	100.00%	100.00%	185,628	185,628
Cowrie Investment (Pvt) Ltd.					
(Ordinary Shares of Mrf 1000 each)	52,740	60.00%	60.00%	321,733	321,733
Hethersett Hotels Ltd.	24,514,500	87.55%	87.55%	161,146	161,146
Ahungalla Resorts Ltd.	10,000	100.00%	100.00%	100	100
Neptune Ayurvedic Village (Pvt) Ltd.	500,000	100.00%	100.00%	5,000	5,000
Ace Ayurvedic (Pvt) Ltd.	100,000	100.00%	100.00%	-	1,000
Aitken Spence Hotels International (Pvt) Ltd.	10,744,582	51.00%	51.00%	181,024	181,024
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	5,125,500	51.00%	51.00%	51,255	51,255
Golden Sun Resorts (Pvt) Ltd.	96,812,322	100.00%	100.00%	353,679	353,679
M.P.S. Hotels Ltd.	4,753,025	100.00%	100.00%	307,745	-
				1,726,778	1,419,819
Joint Ventures					
Business Travel Services LLC	137,500	-	25.50%	-	-
Net book value as at 31st March				1,726,778	1,419,819
b) Preference Shares					
Hethersett Hotels Ltd.	5,000,000	100.00%	100.00%	50,000	50,000
Net carrying amount of investments in subsidiaries and joint ventures - unquoted as at 31st March					
				1,776,778	1,469,819

15.2 Investments in Sub Subsidiaries and Joint Ventures

	Number of Shares	Company Holding	Group Holding	31.03.2012 Rs. '000	31.03.2011 Rs. '000
a) Equity Shares					
Sub subsidiary companies					
Aitken Spence Hotels Ltd.					
- Kandalama Hotels (Pvt) Ltd.	10,216,216	63.00%	61.71%	234,406	234,406
- Heritance (Pvt) Ltd. (Formerly Pearl Beach Hotels Ltd.)	25,627	100.00%	97.95. %	14,751	14,751
Total				249,157	249,157
Crest Star (BVI) Ltd.					
- Jetan Travel Services Co. (Pvt) Ltd.	47,500	95.00%	95.00%	367,222	317,273
Aitken Spence Hotels International (Pvt) Ltd.					
- ADS Resort (Pvt) Ltd.	1,275,000	100.00%	51.00%	103,970	103,970
- Unique Resorts (Pvt) Ltd.	6,375,000	100.00%	51.00%	562,663	562,663
- Aitken Spence Hotel Services (Pvt) Ltd.	10,000	100.00%	51.00%	271	271
- Aitken Spence Hotel Managements South India (Pvt) Ltd.	999,250	100.00%	51.00%	14,067	14,067
Total				680,971	680,971
Aitken Spence Hotel Managements Asia (Pvt) Ltd.					
- PR Holiday Homes (Pvt) Ltd.	616,219	84.57%	43.13%	173,840	173,840
Total				173,840	173,840
b) Preference Shares					
Sub Subsidiary Companies					
Crest Star (BVI) Ltd.					
- Unique Resorts (Pvt) Ltd.	2,540,000	100%	100%	255,700	220,920
Total				255,700	220,920
Joint Ventures					
Aitken Spence Hotel Managements Asia (Pvt) Ltd.					
- Business Travel Services LLC	137,500	50.00%	25.50%	47,148	47,148
Total				47,148	47,148

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 Management (South India) Pvt Ltd. are subsidiaries of Aitken Spence Hotels International (Pvt) Ltd.

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

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

Notes to the Financial Statements

16 Investments in Associate Companies

16.1 Investment In Associate Companies - Unquoted

	No. of Shares	Group Holding	Group 31.03.2012 Rs. '000	31.03.2011 Rs. '000	No. of Shares	Company Holding	Company 31.03.2012 Rs. '000	31.03.2011 Rs. '000
M. P. S. Hotels Ltd.	1,442,465	30.35%	-	36,114	1,442,465	30.35%	-	36,114
Net book value as at 31st March	1,442,465	30.35%	-	36,114	1,442,465	30.35%	-	36,114
Share of movement in equity value			-	9,772				
Equity value of investment			-	45,886				

Subsequent to the purchase of 100% shares during the year, MPS Hotels Ltd. became a subsidiary of Aitken Spence Hotel Holdings PLC.

16.2 Investments in Associate Companies – Quoted

	No. of Shares	Group Holding	Group 31.03.2012 Rs. '000	31.03.2011 Rs. '000	No. of Shares	Company Holding	Company 31.03.2012 Rs. '000	31.03.2011 Rs. '000
Browns Beach Hotels PLC	44,079,843	34.01%	834,244	67,810	43,044,411	33.21%	819,626	66,075
Investments made during the year	4,152,928	3.21%	86,271	766,434	4,152,082	3.21%	82,381	753,551
Net book value as at 31st March	48,232,771	37.22%	920,515	834,244	47,196,493	36.42%	902,007	819,626
Share of movement in equity value			43,331	(4,685)				
Surplus on revaluation			122,650	85,433				
Equity value of investment			1,086,496	914,992				
Market value of quoted investment as at 31st March			704,198	938,901			689,069	916,846
Equity value - Unquoted (Note No. 16.1)			-	45,886	Net book value - Unquoted		-	36,114
Equity value - Quoted (Note No. 16.2)			1,086,496	914,992	Net book value - Quoted		902,007	819,626
Equity value of investments in associate companies as at 31st March			1,086,496	960,878	Net book value 31st March		902,007	855,740

16.3 Summarised Financial Data of Associate Companies and Joint Ventures

	Associate Companies		Joint Ventures	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Total revenue	2,717	434,326	71,618	71,512
Net profit/(loss) before taxation	182,137	9,896	(13,489)	(41,215)
Income tax expenses	(53,120)	(3,223)	(9,733)	3,949
Net profit/(loss) after taxation	129,017	6,673	(23,222)	(37,266)
Total assets	3,099,998	2,916,506	176,124	222,584
Total liabilities	(180,880)	(74,953)	(161,129)	(184,904)
Net assets	2,919,118	2,841,553	14,995	37,680
Group share of results				
Net profit/(loss) after taxation	48,016	1,529	(5,922)	(10,510)
Net assets	1,086,496	960,878	3,824	9,608

17 Long Term Investments

	Group		Company	
	2011/2012	2010/2011	2011/2012	2010/2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Barefoot Resort and Leisure (Pvt) Ltd. (25, 000 shares of INR 1312.50/- each)	99,867	89,508	-	-
Less: Impairment of Investments	(5,456)	(5,456)	-	-
	94,411	84,052		
Floatels India (Pvt) Ltd. (988,764 shares at INR 55/- each)	126,650	126,650	-	-
Total	221,061	210,702	-	-

18 Deferred Tax Assets

	Group		Company	
	2011/2012	2010/2011	2011/2012	2010/2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at the beginning of the year	49,019	2,713	42,709	-
Companies acquired during the year	-	6,620	-	-
Exchange gains/ (losses)	104	(215)	-	-
Impact of rate change transferred from/ (to) Income Statement	-	(10,820)	-	(10,677)
Deductible temporary differences transferred from/ (to) Income Statement	81,593	50,721	(36,251)	53,386
Balance as at the end of the year	130,716	49,019	6,458	42,709
Composition of deferred tax assets				
Deferred tax assets attributable to;				
Carried forward tax losses	203,657	164,971	122,442	161,108
Defined benefit obligations	2,791	2,029	1,982	1,752
Other items	10,277	266	-	-
Companies acquired during the year	-	3,168	-	-
Property, plant and equipment	(86,009)	(121,415)	(117,966)	(120,151)
Net deferred tax assets	130,716	49,019	6,458	42,709

Movement in tax effect of temporary differences - Group

	Balance as at 01st April 2011 Rs.000	2011/2012 Recognised in Profit & Loss Rs.000	Exchange Gain/(Loss) Rs.000	Balance as at 31st March 2012 Rs.000
Deferred Tax Assets				
Tax losses carried forward	164,971	38,686	-	203,657
Tax effect on defined benefit obligations	2,029	762	-	2,791
Tax effect on other items	266	9,907	104	10,277
Companies acquired/ (transferred) during the year	3,168	(3,168)	-	-
	170,434	46,187	104	216,725
Deferred Tax Liabilities				
Property, plant & equipment	(121,415)	35,406	-	(86,009)
	(121,415)	35,406	-	(86,009)
Net Deferred Tax Assets	49,019	81,593	104	130,716

Notes to the Financial Statements

Movement in tax effect of temporary differences - Group

	Balance as at 01st April 2010 Rs. '000	Recognised in Profit & Loss Rs. '000	2010/2011 Exchange Gain/(Loss) Rs. '000	Companies Acquired Rs. '000	Balance as at 31st March 2011 Rs. '000
Deferred tax assets					
Tax losses carried forward	2,207	162,824	(60)	-	164,971
Tax effect on defined benefit obligations	-	2,029	-	-	2,029
Tax effect on other items	51	222	(7)	-	266
Companies acquired/ (transferred) during the year	447	(3,750)	(149)	6,620	3,168
	2,705	161,325	(216)	6,620	170,434
Deferred tax liabilities					
Property, plant & equipment	8	(121,424)	1	-	(121,415)
	8	(121,424)	1	-	(121,415)
Net deferred tax assets	2,713	39,901	(215)	6,620	49,019

Movement in tax effect of temporary differences - Company

	Balance as at 01st April 2011 Rs.000	2011/2012 Recognised in profit & loss Rs.000	Balance as at 31st March 2012 Rs.000	Balance as at 01st April 2010 Rs.000	2010/2011 Recognised in profit & loss Rs.000	Balance as at 31st March 2011 Rs.000
Deferred tax assets						
Tax losses carried forward	1,752	230	1,982	-	1,752	1,752
Tax effect on defined benefit obligations	161,108	(38,666)	122,442	-	161,108	161,108
	162,860	(38,436)	124,424	-	162,860	162,860
Less: Deferred tax liabilities						
Property, plant & equipment	(120,151)	2,185	(117,966)	-	(120,151)	(120,151)
	(120,151)	2,185	(117,966)	-	(120,151)	(120,151)
Net deferred tax assets	42,709	(36,251)	6,458	-	42,709	42,709

19 Inventories

	Group		Company	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Food	59,257	52,723	4,443	3,836
Beverage	34,678	31,566	4,246	3,628
Maintenance	15,871	19,207	5,427	5,140
Stationery	7,576	7,044	513	514
Housekeeping	18,737	15,047	948	475
Ayurveda Stocks	219	97	-	-
Fuel & Others	69,554	39,794	2,338	1,404
Total	205,892	165,478	17,915	14,997

There were no inventories pledged as security for overdraft facilities as at 31st March 2012. (as at 31st March 2011- nil)

20 Trade and Other Receivables

	Group		Company	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade debtors	1,001,739	831,817	97,634	76,719
Provision for bad and doubtful debts	(48,476)	(74,391)	(2,514)	(1,516)
	953,263	757,426	95,120	75,203
Interest receivable	86,225	40,805	71,873	38,084
Other receivables	152,985	53,772	4,454	5,926
Total	1,192,473	852,003	171,447	119,213

No loans were given to employees over and above Rs. 20,000/-.

No loans have been given to Directors of the Company.

21 Amount Due from Ultimate Holding Company

	Group		Company	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Short term investments	35,800	503,588	-	503,588
Total	35,800	503,588	-	503,588

The above short term investments were made on normal market interest rates.

22 Amount Due From Parent's Group Entities

	Group		Company	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Aitken Spence Travels (Pvt) Ltd.	195,402	169,329	45,355	39,663
Aitken Spence Hotel Managements (Pvt) Ltd.	177,409	187,419	53,710	50,512
Aitken Spence Shipping Ltd.	31	73	-	73
Aitken Spence Cargo (Pvt) Ltd.	65	8	-	8
Aitken Spence Overseas Travels Services (Pvt) Ltd.	-	-	-	17
Ace International Express (Pvt) Ltd.	34	-	34	-
Aitken Spence Resources (Pvt) Ltd.	27	130	-	-
Ace Printing and Packaging (Pvt) Ltd.	40	-	40	-
Elpitiya Plantations PLC	39	-	39	-
Ace Containers (Pvt) Ltd.	-	14	-	-
Business Travel Services LLC	1,724	1,264	-	-
Elevators (Pvt) Ltd.	45	21	-	-
Port Management Container Services (Pvt) Ltd.	530	145	530	145
Ahungalla Resorts Ltd.	-	-	286,354	255,847
Aitken Spence Hotels Ltd.	-	-	566,514	311,545
Neptune Ayurvedic Village (Pvt) Ltd.	-	-	-	26,338
Aitken Spence Resorts (Pvt) Ltd.	-	-	108,354	59,179
Heritance (Pvt) Ltd.	-	-	19,558	7,287
Kandalama Hotels (Pvt) Ltd.	-	-	77,714	160,551
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	-	-	262,305	251,305
Golden Sun Resorts (Pvt) Ltd.	-	-	430,300	18,010
Aitken Spence Hotels International (Pvt) Ltd.	-	-	-	3,971
Hethersett Hotels Ltd.	-	-	37,800	-
Total	375,346	358,403	1,888,607	1,184,451

Notes to the Financial Statements

23 Short Term Deposits

	Group		Company	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fixed deposits	1,750,085	107,373	1,205,523	-
Government securities	-	1,243,350	-	1,243,350
Term deposits	671,591	659,132	47,000	1,800
Total	2,421,676	2,009,855	1,252,523	1,245,150

23.1 Cash and Cash Equivalents

	Group		Company	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	142,077	102,325	13,840	8,966
	142,077	102,325	13,840	8,966
Less: Short term bank borrowings	(388,149)	(81,211)	(3,654)	-
	(246,072)	21,114	10,186	8,966
Total Cash and Cash Equivalents for Cash Flow Statement	2,175,604	2,030,969	1,262,709	1,254,116
Effect of exchange rate	-	287,173	-	3,619
Cash and Cash Equivalents - Restated	2,175,604	2,318,142	1,262,709	1,257,735

24 Assets held for Sale

	Group		Company	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net assets of group companies classified as held for sale	-	9,826	-	-
Total	-	9,826	-	-

Ace Ayurvedic Village (Pvt) Ltd., was liquidated during the year. Net assets classified as held for sale was realised on completion of the liquidation.

25 Stated Capital

	Group		Company	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	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 (01.4.2010 - 38,433,144)	3,389,587	891,433	3,389,587	891,433
Issued during the year	-	2,498,154	-	2,498,154
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				
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. shares adjusted for dividends in arrears. Preference shareholder is entitled to dividends at 9% annually.

Right Issue

During 2010/11 the Company made a right issue of one ordinary share for every four shares held at Rs.260/- per share and raised Rs.2,498,154,360. The number of ordinary shares of the Company was increased from 38,433,144 to 48,041,430.

Sub Division of Shares

Consequent to the right issue, the shares of the Company were subdivided on 22nd November 2010 on the basis of 07 shares for every one share held. The number of ordinary shares of the Company increased from 48,041,430 to 336,290,010 without any change to the Stated Capital of the Company.

26 Reserves

		Group		Company	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revaluation reserve	(Note 26.1)	1,786,994	1,419,521	639,210	335,810
General reserve	(Note 26.2)	20,840	20,840	20,840	20,840
Exchange fluctuation reserve	(Note 26.3)	718,643	268,696	-	-
Total		2,526,477	1,709,057	660,050	356,650
Transaction movement					
Balance as at 01.04.2011		1,709,057	1,198,527	356,650	356,650
Transfers to exchange fluctuation reserve during the year		449,947	(74,064)	-	-
Surplus on revaluation during the year		367,473	584,594	303,400	-
Balance as at 31.03.2012		2,526,477	1,709,057	660,050	356,650

26.1 Revaluation Reserves

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

26.2 General Reserves

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

26.3 Exchange Fluctuation Reserves

The exchange fluctuation reserves comprise of all foreign exchange difference arising from the translation of the Financial Statements of foreign entities.

Notes to the Financial Statements

27 Interest Bearing Borrowings

27.1 Analysed by Lending Institutions

Lending Institution	Group		Company		Remarks
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000	
DFCC Bank PLC	3,101	6,428	-	-	- Comprises of one loan Repayable in 42 monthly instalments commencing from January 2010 for which Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security.
Bank of Ceylon	6,050	20,117	6,050	20,117	Comprises of one loan Repayable in 60 monthly instalments commencing from June 2007 for which Corporate Guarantee from Aitken Spence PLC. has been provided as security.
Hongkong & Shanghai Banking Corporation Ltd.	372,896	432,635	-	-	- Comprises of one loan 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.
Hatton National Bank PLC	3,089,444	2,915,257	460,442	460,442	<p>Comprises of nine loans</p> <p>Loan 1 - Repayable in 72 monthly instalments commencing from May 2008. for which mortgage over leasehold rights of a Maldives Hotel Property has been provided as a security.</p> <p>Loan 2 - Repayable in 72 monthly instalments commencing from May 2008 for which Corporate Guarantee from Aitken Spence PLC has been provided as security.</p> <p>Loan 3 - Repayable in 84 monthly instalments commencing from August 2009 for which a mortgage over leasehold rights of a Maldives Hotel Property has been provided as security.</p> <p>Loan 4 - Repayable in 60 monthly instalments commencing from May 2010 for which immovable property of the Hotel has been mortgaged.</p> <p>Loan 5 - 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.</p> <p>Loan 6 - Repayable in 48 monthly instalments commencing from November 2011 for which a mortgage over leasehold rights of a Maldives Hotel property has been provided as security.</p>

Lending Institution	Group		Company		Remarks
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Hatton National Bank PLC (Contd.)					<p>Loan 7 - 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.</p> <p>Loan 8 - 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.</p> <p>Loan 9 - 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.</p>
Nations Trust Bank PLC	122,033	206,149	-	-	- Repayable in 60 monthly instalments commencing from September 2007 for which a mortgage over leasehold rights of a Maldives hotel property has been provided as security.
Federal Bank Ltd. - India	-	454	-	-	- -
Total loans	3,593,524	3,581,040	466,492	480,559	
Current portion of interest bearing borrowings	(978,216)	(748,475)	(94,850)	(14,067)	
Non current portion of interest bearing borrowings	2,615,308	2,832,565	371,642	466,492	

Notes to the Financial Statements

27.2 Movement in Interest Bearing Borrowings

	Group		Company	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Balance brought forward	3,581,040	3,815,066	480,559	690,080
Exchange difference	444,687	(96,314)	-	-
Loans received during the year	350,000	894,701	-	-
	4,375,727	4,613,453	480,559	690,080
Loan repayments during the year	(782,203)	(1,032,413)	(14,067)	(209,521)
	3,593,524	3,581,040	466,492	480,559
Current portion of interest bearing borrowings	(978,216)	(748,475)	(94,850)	(14,067)
Non current portion of interest bearing borrowings	2,615,308	2,832,565	371,642	466,492

27.3 Currency Analysis of Interest Bearing Borrowings

	Group		Company	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Rupees	833,139	505,318	466,492	480,559
Indian Rupees	-	454	-	-
United States Dollars	2,760,385	3,075,268	-	-
Total	3,593,524	3,581,040	466,492	480,559

27.4 Analysed by Repayment Period

	Group		Company	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Payable within one year	978,216	748,475	94,850	14,067
Payable between one and two years	974,603	905,786	177,600	80,050
Payable between two and five years	1,605,705	1,842,700	194,042	355,200
Payable after five years	35,000	84,079	-	31,242
Total	3,593,524	3,581,040	466,492	480,559

28 Government Grants

	Group		Company	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 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	(481)	(325)	-	-
Amortised during the year	(156)	(156)	-	-
Balance carried forward	(637)	(481)	-	-
Net balance	923	1,079	-	-

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

29 Deferred Tax Liabilities

	Group		Company	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at the beginning of the year	114,589	130,381	-	-
Companies acquired during the year	4,933	-	-	-
Impact of rate change transferred from/ (to) Income Statement	-	(28,479)	-	-
Deductible temporary differences transferred from/ (to) Income Statement	126,073	12,687	-	-
Balance as at the end of the year	245,595	114,589	-	-
Composition of deferred tax liabilities				
Deferred tax liabilities attributable to;				
Property, plant & equipment	242,575	125,590	-	-
Undistributed profits of consolidated entities	-	674	-	-
Companies acquired during the year	4,933	-	-	-
Defined benefit obligations	(2,825)	(2,199)	-	-
Carried forward tax losses	912	(9,476)	-	-
Net deferred tax liabilities	245,595	114,589	-	-

Movement in tax effect of temporary differences - Group

	2011/2012			
	Balance as at	Recognised	Companies	Balance as at
	01st April	in profit & loss	acquired	01st April
	2011			2012
	Rs.000	Rs.000	Rs.000	Rs.000
Deferred tax - liabilities				
Property, plant & equipment	125,590	116,985	-	242,575
Tax effect on undistributed profits of consolidated entities	674	(674)	-	-
Companies acquired/ (transferred) during the year	-	-	4,933	4,933
Total liabilities	126,264	116,311	4,933	247,508
Deferred tax - assets				
Defined benefit obligations	(2,199)	(626)	-	(2,825)
Tax losses carried forward	(9,476)	10,388	-	912
Total assets	(11,675)	9,762	-	(1,913)
Net deferred tax liabilities	114,589	126,073	4,933	245,595

	2010/2011			
	Balance as at	Recognised	Companies	Balance as at
	01st April	in profit & loss	acquired	01st April
	2010			2011
	Rs.000	Rs.000	Rs.000	Rs.000
Deferred tax - liabilities				
Property, plant & equipment	103,184	22,406	-	125,590
Tax effect on undistributed profits of consolidated entities	29	645	-	674
Companies acquired/ (transferred) during the year	44,664	(44,664)	-	-
Total liabilities	147,877	(21,613)	-	126,264
Deferred tax - assets				
Defined benefit obligations	(1,666)	(533)	-	(2,199)
Tax losses carried forward	(15,830)	6,354	-	(9,476)
Total assets	(17,496)	5,821	-	(11,675)
Net deferred tax liabilities	130,381	(15,792)	-	114,589

Notes to the Financial Statements

30 Employee Benefits

30.1 Provision for Retiring Gratuities

	Group		Company	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Retirement benefit obligations				
Present value of unfunded obligations	53,591	41,495	16,515	14,598
Present value of funded obligations	-	-	-	-
Recognised liability for defined benefit obligations	53,591	41,495	16,515	14,598

Movement in present value of the defined benefit obligations

	Group		Company	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Defined benefit obligations as at 01st April	41,495	31,515	14,598	11,666
Benefits paid by the plan	(3,211)	(3,919)	(1,147)	(1,475)
Current service cost	5,738	4,705	1,228	1,282
Interest cost	4,957	3,746	1,752	1,400
Actuarial (gains)/loss	2,579	5,044	84	1,725
Exchange differences	6	-	-	-
Defined benefit obligations of companies acquired during the year	2,027	404	-	-
Defined benefit obligations as at 31st March	53,591	41,495	16,515	14,598

Expenses recognised in the Income statement

	Group		Company	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current service cost	5,738	4,705	1,228	1,282
Interest cost	4,957	3,746	1,752	1,400
Net actuarial (gain)/ loss	2,579	5,044	84	1,725
Total	13,274	13,495	3,064	4,407

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

- (i) Discount rate of 12%
- (ii) Salary increment will range between 7%-11% per annum.
- (iii) Retirement age of 55 years.
- (iv) The Company will continue in business as a going concern.

30.3 The actuarial valuation was made on 31st March 2012. It is proposed that a valuation is obtained every year.

30.4 The liability is not externally funded.

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

31. Other Provisions and Payables

	Group		Company	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accrued and other payables	735,065	602,333	98,138	68,087
Payable to associate companies	12,763	-	1,073	-
Advances received	385,465	251,987	107,242	54,170
Unclaimed dividends	3,454	2,425	3,453	2,425
Total	1,136,747	856,745	209,906	124,682

32 Amount Due to Parent's Group Entities

	Group		Company	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Aitken Spence Exports Ltd.	964	13,793	346	8,247
Elevators (Pvt) Ltd.	267	686	-	-
Aitken Spence Travels (Pvt) Ltd.	437	153	316	-
Elpitiya Plantations PLC	94	88	-	-
Aitken Spence Printing and Packaging (Pvt) Ltd.	71	-	-	-
Aitken Spence Hotel Managements (Pvt) Ltd.	106,348	85,129	-	-
Hethersett Hotels Ltd.	-	-	43	17,500
Kandalama Hotels (Pvt) Ltd.	-	-	105	2,669
Total	108,181	99,849	810	28,416

33 Segmental Information

33.1 Assets

	Group		Net Assets	
	Total Assets			
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lanka sector				
Resorts & hotels				
Aitken Spence Hotel Holdings PLC - Heritance Ahungalla	4,128,271	4,298,506	3,377,917	3,612,052
Aitken Spence Hotels Ltd. - Heritance Ayurveda Mahagedara	807,086	328,694	550,954	349,847
Ahungalla Resorts Ltd.	1,053,548	964,634	963,593	939,623
Heritance (Pvt) Ltd.	202,450	202,450	202,376	201,423
Aitken Spence Resorts (Pvt) Ltd.	108,337	59,178	108,315	59,176
Neptune Ayurvedic Village (Pvt) Ltd. - Neptune Ayurveda Village	30,025	31,551	29,933	25,417
Kandalama Hotels (Pvt) Ltd. - Heritance Kandalama	902,766	783,549	640,204	571,831
Hethersett Hotels Ltd. - Heritance Tea Factory	401,229	289,781	326,871	229,064
MPS Hotels Ltd. - Hotel Hilltop	369,426	-	337,438	-
Golden Sun Resorts (Pvt) Ltd - The Sands	981,986	532,395	718,689	416,747
Total - Resorts & hotels	8,985,124	7,490,738	7,256,290	6,405,180
Others				
Aitken Spence Hotels International (Pvt) Ltd.	539,603	181,014	532,397	160,446
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	349,404	186,350	207,225	66,648
	889,007	367,364	739,622	227,094
Associate Companies	165,980	90,519	165,980	90,519
Total - Sri Lanka sector	10,040,111	7,948,621	8,161,892	6,722,793
South Asian sector				
Crest Star (BVI) Ltd.	474,228	412,751	439,355	400,232
Cowrie Investment (Pvt) Ltd. - Adaaran "Select" Meedhupparu	2,969,506	2,336,547	2,089,876	1,675,354
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran "Club" Rannalhi	1,342,914	959,608	529,029	326,630
ADS Resorts (Pvt) Ltd. - Adaaran "Select" Huduranfushi	1,318,519	1,045,748	783,694	433,608
Unique Resorts (Pvt) Ltd. - Adaaran "Presitige" Vadoo	3,379,979	2,837,448	1,306,232	943,164
Ace Ayurvedic (Pvt) Ltd.	-	9,826	-	9,826
Aitken Spence Hotel Management South India (Pvt) Ltd.	31,329	33,412	(18,925)	(8,642)
Aitken Spence Hotel Services (Pvt) Ltd.	1,130	6,993	185	6,259
P. R. Holiday Homes (Pvt) Ltd.	252,800	187,096	242,583	180,667
Business Travel Services LLC	44,912	56,760	3,824	9,609
Total - South Asian sector	9,815,317	7,886,189	5,375,853	3,976,707
Total	19,855,428	15,834,810	13,537,745	10,699,500

Notes to the Financial Statements

33.2 Property, Plant & Equipment

	Group			
	Capital Expenditure		Depreciation & Amortisation	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Sri Lanka sector				
Resorts & hotels				
Aitken Spence Hotel Holdings PLC. - Heritance Ahungalla	26,429	10,691	85,182	78,607
Aitken Spence Hotels Ltd. - Heritance Ayurveda Mahagedara	378,746	219,580	22,533	4,596
Ahungalla Resorts Ltd.	84,502	28,648	-	740
Aitken Spence Resorts (Pvt) Ltd	48,703	58,727	-	-
Neptune Ayurvedic Village (Pvt) Ltd. - Neptune Ayurveda Village	-	30	943	1,073
Kandalama Hotels (Pvt) Ltd. - Heritance Kandalama	124,928	37,778	54,279	49,946
Hethersett Hotels Ltd. - Heritance Tea Factory	11,545	9,578	13,341	12,236
MPS Hotels Ltd - Hotel Hilltop	8,057	-	7,601	-
Golden Sun Resorts (Pvt) Ltd - The Sands	483,880	16,947	15,130	14,600
Total - Resorts & hotels	1,166,790	381,979	199,009	161,798
Others				
Aitken Spence Hotels International (Pvt) Ltd	4,781	-	418	-
Aitken Spence Hotel Managements Asia (Pvt) Ltd	149	-	152	279
Total - Others	4,930	-	570	279
Total - Sri Lanka sector	1,171,720	381,979	199,579	162,077
South Asian Sector				
Cowrie Investment (Pvt) Ltd. - Adaaran "Select" Meedhupparu	48,501	52,068	49,243	151,636
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran "Club" Rannalhi	38,460	18,222	31,651	95,562
ADS Resorts (Pvt) Ltd - Adaaran "Select " Huduranfushi	78,240	31,767	89,434	228,419
Unique Resorts (Pvt) Ltd - Adaaran "Presitige" Vadoo	36,160	3,198	79,454	118,366
Ace Ayurvedic (Pvt) Ltd	-	-	-	16
Aitken Spence Hotel Managements South India (Pvt) Ltd	1,298	358	641	460
Aitken Spence Hotel Services (Pvt) Ltd	-	-	152	369
P.R Holiday Homes (Pvt) Ltd	-	2,118	-	-
Business Travel Services LLC	-	136	732	1,367
Total - South Asian sector	202,659	107,867	251,307	596,195
	1,374,379	489,846	450,886	758,272
Impairment of goodwill on acquisition	-	-	-	1,989
Total	1,374,379	489,846	450,886	760,261

33.3 Liabilities & Non-Cash Expenses

	Group		Non-Cash Expenses	
	Total Liabilities			
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lanka sector				
Resorts & hotels				
Aitken Spence Hotel Holdings PLC - Heritance Ahungalla	750,354	686,455	4,259	6,230
Aitken Spence Hotels Ltd. - Heritance Ayurveda Mahagedara	256,133	(21,153)	1,291	(3,839)
Ahungalla Resorts Ltd.	89,955	25,011	-	-
Heritance (Pvt) Ltd.	74	1,027	-	-
Aitken Spence Resorts (Pvt) Ltd.	22	-	-	-
Neptune Ayurvedic Village (Pvt) Ltd. - Neptune Ayurveda Village	92	6,134	-	528
Kandalama Hotels (Pvt) Ltd. - Heritance Kandalama	262,562	211,718	4,740	3,771
Hethersett Hotels Ltd. - Heritance Tea Factory	74,357	60,717	210	1,672
MPS Hotels Ltd. - Hotel Hilltop	31,988	-	2,310	-
Golden Sun Resorts (Pvt) Ltd. - The Sands	263,297	115,647	3,657	5,244
Total - Resorts & hotels	1,728,834	1,085,556	16,467	13,606
Others				
Aitken Spence Hotels International (Pvt) Ltd.	7,205	20,569	202	244
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	142,179	119,701	1,523	1,112
Total - Others	149,384	140,270	1,725	1,356
Total - Sri Lanka Sector	1,878,218	1,225,826	18,192	14,962
South Asian sector				
Crest Star (BVI) Ltd.	34,873	12,519	-	-
Cowrie Investment (Pvt) Ltd. - Adaaran "Select" Meedhupparu	879,630	661,193	77	12,041
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran "Club" Rannalhi	813,885	632,978	(278)	4,632
ADS Resorts (Pvt) Ltd. - Adaaran "Select" Huduranfushi	534,827	612,142	-	7,934
Unique Resorts (Pvt) Ltd. - Adaaran "Presitige" Vadoo	2,073,747	1,894,284	-	8,496
Aitken Spence Hotel Managements South India (Pvt) Ltd.	50,254	42,054	(57)	141
Aitken Spence Hotel Services (Pvt) Ltd.	945	734	-	-
P R Holiday Homes (Pvt) Ltd.	10,216	6,429	-	-
Business Travel Services LLC	41,088	47,151	261	-
Total - South Asian sector	4,439,465	3,909,484	3	33,244
Total	6,317,683	5,135,310	18,195	48,206

34 Foreign Currency Translation

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

	31.03.2012	31.03.2011
	Rs. '000	Rs. '000
US Dollar	127.85	110.46
Indian Rupee	2.51	2.48

35 Contingent Liabilities

The contingent liability as at 31st March 2012 on guarantees given by Aitken Spence Hotel Holdings PLC to third parties on facilities obtained by subsidiaries amounted to Rs 1,073,145,000/- (31.03.2011 - Rs. 165,240,000/-)

Notes to the Financial Statements

36 Related Party Transactions

36.1 Transactions with Related Companies

The Companies in the Group carries out transactions in the ordinary course of business with related Companies as defined in the Sri Lanka Accounting Standard 30 - Related Party disclosures (revised 2005), the details of which are reported below. The pricing applicable to such transactions are comparable with those that would have been charged from unrelated parties.

	Name of the Related Party	Common Directors and their relationship	Nature of Transaction	Terms of the transaction	Group		Company	
					Transaction Value Rs. '000	Outstanding as at 31.03.2012 Rs. '000	Transaction Value Rs. '000	Outstanding as at 31.03.2012 Rs. '000
36.1.1.	Transactions with Parent Company							
	Aitken Spence PLC	Mr. D.H.S. Jayawardena - <i>Chairman</i>	Interest earned	Market terms	32,191	-	23,491	-
		Mr. J.M.S. Brito - <i>Deputy Chairman & Managing Director</i>	Corporate gurantee charges paid	Market terms	5,410	-	5,410	-
		Mr. R.N. Asirwatham - <i>Director</i>	Lease rent paid on account of the land and building leased to Neptune Hotel	Contractual payment	1,500	-	-	-
		Mr. N.J. de.Silva Deva Aditya - <i>Director</i>	Fees paid for services	Market terms	45,194	(204,779)	14,135	(29,725)
		Mr. C.H. Gomez - <i>Director</i>	Short term Investments	Market terms	35,800	35,800	-	-
36.1.2	Transactions with Subsidiaries							
	Aitken Spence Hotel Management (Asia) Pvt Ltd.	Mr. D.H.S. Jayawardena - <i>Chairman</i>	Management fees for managing hotels	Percentage of revenue and profits	147,260	-	-	-
		Mr. G.P.J. Goonewardena <i>Director</i>	Temporary advances	Short term	-	-	11,000	262,305
	Ahungalla Resorts Ltd.	Mr. S.M. Hapugoda - <i>Director</i>	Temporary advances	Short term	-	-	30,507	286,354
		Mr. C.M.S. Jayawickrama <i>Director</i>						
		Mr. R.E.V. Casie Chetty - <i>Director</i>						
	Aitken Spence Hotels Ltd.	Mr. S.M. Hapugoda - <i>Director</i>	Project funding	Short term	-	-	254,969	566,514
		Mr. C.M.S. Jayawickrama <i>Director</i>						
		Mr. R.E.V. Casie Chetty - <i>Director</i>						
	Neptune Ayurvedic Village (Pvt) Ltd.	Mr. S.M Hapugoda - <i>Director</i>	Settlement of short term advances	Short term	-	-	(26,338)	
		Mr. C.M.S. Jayawickrama <i>Director</i>						
		Mr. R.E.V. Casie Chetty - <i>Director</i>						
	Golden Sun Resorts (Pvt) Ltd.	Mr. S.M. Hapugoda - <i>Director</i>	Project funding	Short term	-	-	412,290	430,300
		Mr. C.M.S. Jayawickrama <i>Director</i>						
		Mr. R.E.V. Casie Chetty - <i>Director</i>						
	Hethersett Hotels Ltd.	Mr. S.M. Hapugoda - <i>Director</i>	Preference dividends payable		-	-	37,800	37,757
		Mr. C.M.S. Jayawickrama <i>Director</i>						
		Mr. R.E.V. Casie Chetty - <i>Director</i>						

36 Related Party Transactions

36.1 Transactions with Related Companies

Name of the Related Party	Common Directors and their relationship	Nature of Transaction	Terms of the transaction	Group		Company	
				Transaction Value Rs. '000	Outstanding as at 31.03.2012 Rs. '000	Transaction Value Rs. '000	Outstanding as at 31.03.2012 Rs. '000
Aitken Spence Resorts (Pvt) Ltd.	Mr. S.M. Hapugoda - <i>Director</i> Mr. C.M.S. Jayawickrama <i>Director</i> Mr. R.E.V. Casie Chetty - <i>Director</i>	Project funding	Short term	-	-	49,175	108,354
Kandalama Hotels (Pvt) Ltd.	Mr. S.M. Hapugoda - <i>Director</i> Mr. C.M.S. Jayawickrama <i>Director</i> Mr. R.E.V. Casie Chetty - <i>Director</i>	Settlement of advances	Short term	-	-	(82,837)	77,609
Heritage (Pvt) Ltd.	Mr. S.M. Hapugoda - <i>Director</i> Mr. C.M.S. Jayawickrama <i>Director</i> Mr. R.E.V. Casie Chetty - <i>Director</i>	Temporary advance	Short term	-	-	12,271	19,558

36.1.3 Transactions with Associate Companies

Browns Beach Hotels PLC	Mr. D.H.S. Jayawardena - <i>Chairman</i> Mr. J.M.S. Brito - <i>Director</i> Mr. S.M. Hapugoda - <i>Director</i>	Purchase of capital goods	Market terms	12,763	(12,763)	1,073	(1,073)
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36.1.4 Transactions with Parent's Group Entities

Aitken Spence Travels (Pvt) Ltd.	Subsidiary of Aitken Spence PLC in which Mr. D.H.S. Jayawardena is the Chairman and Mr. J.M.S. Brito is the Deputy Chairman & Managing Director	Sale of hotel rooms in the ordinary course of business	Market terms	1,205,465	195,402	160,495	45,355
		Purchase of Air Tickets for overseas travels	Market terms	12,480	(437)	1,605	(316)
Aitken Spence Exports (Pvt) Ltd.	Mr. S.M. Hapugoda - <i>Director</i> Mr. C.M.S. Jayawickrama <i>Director</i> Mr. R.E.V. Casie Chetty - <i>Director</i>	Purchase of mineral water	Market terms	11,436	(964)	3,196	(346)
Aitken Spence Printing & Packaging (Pvt) Ltd.	Subsidiary of Aitken Spence PLC in which Mr. D.H.S. Jayawardena is the Chairman and Mr. J.M.S. Brito is the Deputy Chairman & Managing Director	Printing & typesetting hotel promotional literature and Annual Report	Market terms	3,812	(71)	3,428	-
Ace International Express (Pvt) Ltd.	Subsidiary of Aitken Spence PLC in which Mr. D.H.S. Jayawardena is the Chairman and Mr. J.M.S. Brito is the Deputy Chairman & Managing Director	Mail / Courier Services	Market terms	794	-	495	-

Notes to the Financial Statements

36 Related Party Transactions

36.1 Transactions with Related Companies

Name of the Related Party	Common Directors and their relationship	Nature of Transaction	Terms of the transaction	Group		Company	
				Transaction Value Rs. '000	Outstanding as at 31.03.2012 Rs. '000	Transaction Value Rs. '000	Outstanding as at 31.03.2012 Rs. '000
Aitken Spence Hotel Managements (Pvt) Ltd.	Mr. S.M. Hapugoda - <i>Director</i>	Management fees for managing the hotels	Percentage of revenue and profits	114,589		39,849	
	Mr. C.M.S. Jayawickrama - <i>Director</i>						
	Mr. R.E.V. Casie Chetty - <i>Director</i>	Central Purchasing & Merchandising unit handling charges	Market terms	51,298		4,498	
		Export of hotel supplies to Maldives	Market terms	145,863	71,061	-	53,710
Elevators (Pvt) Ltd.	Mr. J.M.S. Brito - <i>Chairman</i> Mr. R.E.V. Casie Chetty - <i>Director</i>	Repairs and maintenance of hotel elevators	Market terms	5,445	(267)	648	-
Elpitiya Planations PLC	Mr. J.M.S. Brito - <i>Chairman</i>	Purchase of tea leaves	Market terms	1,847	(94)	693	-
Aitken Spence Cargo (Pvt) Ltd.	Subsidiary of Aitken Spence PLC in which Mr. D.H.S. Jayawardena is the Chairman and Mr. J.M.S. Brito is the Deputy Chairman & Managing Director	Clearing of imported items	Market terms	2,714	-	244	-
36.1.5 Transactions with Other Related Companies							
Distilleries Company of Sri Lanka PLC	Mr. D.H.S. Jayawardena - <i>Chairman</i>	Purchase of beverages	Market terms	15,391	(1,596)	6,763	(983)
Stassen Exports (Pvt) Limited	Mr. D.H.S. Jayawardena - <i>Chairman</i>	Purchase of food items	Market terms	185,262	(24,211)	19,231	(1,008)
Lanka Milk Foods (CWE) PLC	Mr. D.H.S. Jayawardena - <i>Chairman</i>	Purchase of milk powder	Market terms	8,506	(484)	2,563	(15)
Hatton National Bank PLC	Mr. D.H.S. Jayawardena - <i>Director</i> till 31st December 2011	Payment of interest on loans till 31st December 2011	Market terms	107,889	-	27,070	-
		Interest earned till 31st December 2011	Market terms	67,189	-	51,001	-
		Loan funding till 31st December 2011	Market terms	350,000	(2,977,501)	-	(460,442)
DFCC Bank PLC	Mr. J.M.S. Brito - <i>Chairman</i>	Loan interest and repayments made	Market terms	3,689	(3,101)	-	-
Lanka Bell (Pvt) Ltd.	Mr. D.H.S. Jayawardena - <i>Chairman</i>	Provision of telecommunication services.	Market terms	4,431	(304)	1,299	(103)
Periceyl (Pvt) Ltd.	Mr. D.H.S. Jayawardena - <i>Chairman</i>	Purchase of beverages	Market terms	2,133	(313)	1,585	(271)
Lanka Orix Finance Co. Ltd.	Mr. R.N. Asirwatham - <i>Director</i>	Interest earned on deposits	Market terms	23,918	250,000	23,918	250,000
		Vehicle lease rent	Market terms	1,756	-	-	-
Continental Insurance Lanka Ltd.	Mr. D.H.S. Jayawardena - <i>Chairman</i>	Handling of Insurance policies	Market terms	11,450	-	5,620	-

36.1.6 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 2012 is disclosed above.

36.1.7 The Company and the Subsidiaries in the ordinary course of business have generated revenues amounting to Rs. 13.8 Million (Company Rs. 3.6 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 2012 is reflected in Note No. 22 - Amounts due from Parent's Group Entities.

36.2 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 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 Sri Lanka Accounting Standard 30 - Related Party Disclosures (revised 2005).

	Group		Company	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Short term employment benefits	18,277	16,302	-	394
Post employment benefits	-	-	-	-
Total	18,277	16,302	-	394

37 Acquisition of Minority Shares

The Company made an offer to the Minority Shareholders of Aitken Spence Hotels Ltd. on 8th June, 1999 to purchase their shares at Rs. 31/- per share. During this financial year 10,700 shares were acquired at the revised price of Rs. 20/- per share. The Company as at 31st March, 2012 held 97.95% of the equity share capital of Aitken Spence Hotels Ltd.

38 Events Occurring after the Reporting Period

1) The Board resolved to recommend the payment of :

A first and final Dividend of Cts. 0.70 per Ordinary Share for the financial year 2011/12 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.

39 Ultimate Holding Company

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

40 Capital Expenditure Commitments

There are no capital expenditure commitments other than those disclosed in Note No. 12.6 to the Financial Statements.

41 Average Number of Employees

The average number of employees as at 31st March 2012 amounts to 2,404. (2010/2011 - 2092)

42 Comparative Information

No comparative information were changed during the year which require disclosure or adjustments to the Financial Statements

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.

43 Directors Responsibility.

The Board of Directors of the Company are responsible for the preparation of Financial Statements.

Quarterly Statistics

<i>For the three months ended</i>	30th June 2011 Rs. '000	30th September 2011 Rs. '000	31st December 2011 Rs. '000	31st March 2012 Rs. '000	For the year 2011/12 Rs. '000
Income Statement - Group					
Net Turnover	1,739,045	1,996,048	2,326,852	3,130,588	9,192,533
Other Operating income	12,680	17,760	20,073	42,028	92,541
Staff Costs	(288,166)	(318,082)	(348,548)	(376,636)	(1,331,432)
Depreciation	(172,886)	(179,278)	42,598	(99,925)	(409,491)
Amortisation	(18,106)	(18,093)	4,262	(9,458)	(41,395)
Other Operating Expenses - Direct	(417,769)	(462,793)	(529,578)	(564,164)	(1,974,304)
Other Operating Expenses - Indirect	(720,440)	(759,494)	(688,515)	(913,451)	(3,081,900)
Profit from Operations	134,358	276,068	827,144	1,208,982	2,446,552
Finance Income	36,620	48,002	49,723	52,603	186,948
Finance Expenses	(46,504)	(45,628)	(47,593)	(56,069)	(195,794)
Share of Profit of Associates after Tax	13,603	6,411	12,437	15,565	48,016
Income Tax Expense	(8,025)	(111,000)	(89,099)	(145,626)	(353,750)
Net Profit for the Period	130,052	173,853	752,612	1,075,455	2,131,972
Profit attributable Equity Holders of the Parent	85,183	104,990	507,351	697,768	1,395,292
Minority Interest	44,869	68,863	245,261	377,687	736,680
	130,052	173,853	752,612	1,075,455	2,131,972

Balance Sheet - Group					
Assets					
Non Current Assets	11,875,619	12,090,533	12,708,615	15,242,874	
Current Assets	4,038,367	4,015,294	4,484,302	4,612,554	
Total Assets	15,913,986	16,105,827	17,192,917	19,855,428	
Equity and Liabilities					
Equity	8,993,025	9,105,444	9,690,232	11,142,325	
Minority Interest	1,610,861	1,546,507	1,824,440	2,395,420	
Total Equity	10,603,886	10,651,951	11,514,672	13,537,745	
Non Current Liabilities	2,704,897	2,969,651	2,829,778	2,915,417	
Current Liabilities	2,605,203	2,484,225	2,848,467	3,402,266	
Total Equity & Liabilities	15,913,986	16,105,827	17,192,917	19,855,428	

Share Information - Group					
Earnings Per Share	(Rs.)	0.24	0.30	1.50	4.10
Net Asset Value Per Share	(Rs.)	26.25	26.59	28.32	32.64
Market Price Per Share					
Highest	(Rs.)	102.00	82.90	72.40	102.00
Lowest	(Rs.)	74.00	68.00	55.00	55.00
Last Trade Price	(Rs.)	75.70	71.50	69.50	70.00

Consolidated Income Statement in US \$

For the year ended 31 st March

	2012 US \$ '000	2011 US \$ '000
Gross Revenue	75,204	72,960
Revenue Tax	(3,303)	(3,197)
Net Revenue	71,901	69,763
Other Operating Income	724	616
Staff Costs	(10,415)	(10,652)
Depreciation	(3,203)	(6,229)
Amortisation	(324)	(654)
Other Operating Expenses - Direct	(15,442)	(15,035)
Other Operating Expenses - Indirect	(24,106)	(25,065)
Profit from Operations	19,136	12,743
Finance Income	1,462	1,944
Finance Expense	(1,531)	(2,073)
Net Finance Income/ (Expense)	(69)	(129)
	19,067	12,614
Share of Profit of Associate Companies after Tax	376	14
Profit Before Taxation	19,443	12,628
Income Tax Expense	(2,767)	(337)
Profit for the Year	16,676	12,291
Attributable to:		
Equity Holders of the Company	10,914	9,362
Minority Interest	5,762	2,929
	16,676	12,291
Earnings per Ordinary Share (US \$)	0.04	0.03
Exchange Rate Used for Translation - (US \$)	127.85	110.46

Consolidated Balance Sheet in US \$

As at 31st March

	31.03.2012 US \$'000	31.03.2011 US \$'000
ASSETS		
Non-Current Assets		
Property, Plant & Equipment	87,726	81,023
Leasehold Property	20,250	12,679
Intangible Assets	-	-
Investment in Associates	8,498	8,699
Long -Term Investments	1,729	1,907
Deferred Tax Assets	1,022	444
	119,225	104,752
Current Assets		
Inventories	1,610	1,498
Trade and Other Receivables	9,327	7,713
Amounts Due from Ultimate Holding Company	280	4,559
Amount Due from Parent's Group Entities	2,936	3,245
Deposits & Prepayments	1,801	2,294
Current Tax Receivable	71	82
Short Term Deposits	18,942	18,195
Cash and Cash Equivalents	1,111	926
	36,078	38,512
Assets Held for Sale	-	89
TOTAL ASSETS	155,303	143,353
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Stated Capital	27,803	32,180
Reserves	19,762	15,472
Retained Earnings	39,587	34,898
	87,152	82,550
Minority Interest	18,736	14,313
Total Equity	105,888	96,863
Non-Current Liabilities		
Interest - Bearing Borrowings	20,457	25,643
Government Grants	7	10
Deferred Tax Liabilities	1,921	1,037
Employee Benefits	419	376
	22,804	27,066
Current Liabilities		
Trade Payables	2,814	2,198
Other Provisions and Payables	8,891	7,756
Amounts Due to Parents Group Entities	846	904
Amounts Due to Ultimate Holding Company	1,602	542
Interest Bearing Borrowings	7,651	6,776
Current Tax Payable	1,771	512
Short Term Bank Borrowings	3,036	735
	26,611	19,424
TOTAL LIABILITIES	49,415	46,490
TOTAL EQUITY AND LIABILITIES	155,303	143,353
Exchange Rate Used for Translation - (US \$)	127.85	110.46

Shareholder and Investor Information

1. Stock Exchange Listing

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

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

2. Shareholders

There were 3,822 registered Ordinary Shareholders as at 31st March, 2012 distributed as follows:

Range	31.03.2012			31.03.2011		
	No.of Shareholders	No.of Shares	%	No.of Shareholders	No.of Shares	%
1 to 1,000 shares	2,158	862,725	0.25	2,011	849,377	0.25
1,001 to 10,000 shares	1,266	4,204,301	1.25	1,299	4,236,339	1.26
10,001 to 100,000 shares	323	9,404,582	2.80	338	9,640,971	2.87
100,001 to 1,000,000 shares	61	18,654,477	5.55	57	15,937,410	4.74
1,000,001 & Above	14	303,163,925	90.15	17	305,625,913	90.88
	3,822	336,290,010	100.00	3,722	336,290,010	100.00

3. Analysis of Shareholders

Category	31.03.2012		31.03.2011	
	Shareholding	%	Shareholding	%
Nationals	329,944,636	98.11	332,282,875	98.81
Non-Nationals	6,345,374	1.89	4,007,135	1.19
	336,290,010	100.00	336,290,010	100.00
Aitken Spence PLC, and subsidiaries	250,507,418	74.49	250,507,418	74.49
Other Institutions	62,304,554	18.53	60,971,675	18.13
Individuals	23,478,038	6.98	24,810,917	7.38
	336,290,010	100.00	336,290,010	100.00

* Percentage of shares held by the public as at March 31st, 2012 is 25.41%.

4. Share Trading

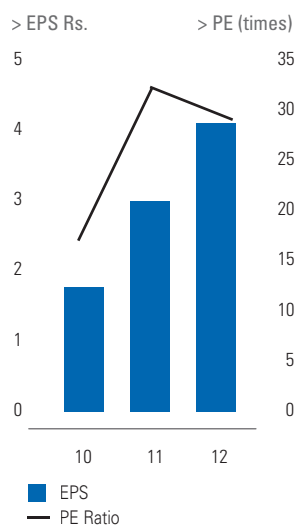
	2011/12	2010/11	2009/10	2008/09	2007/08
Number of Shares traded during the year	31,060,541	10,067,200	5,244,000	939,100	1,483,300
Value of Shares traded during the year (Rs.)	2,369,608,281	1,806,076,000	1,171,930,075	93,251,950	117,309,900
Number of Transactions	5,960	7,503	2,870	630	961

5. Ratios

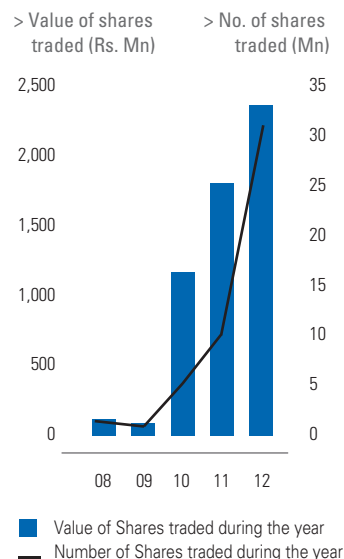
	2011/12	2010/11	2009/10
Earnings per Share (Rs.)	4.10	3.03	1.77*
Price Earnings Ratio (Times)	17.07	32.34	29.08
Net Asset per Share as at 31st March (Rs.)	32.64	26.62	14.93*

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

> EPS & PE Ratio



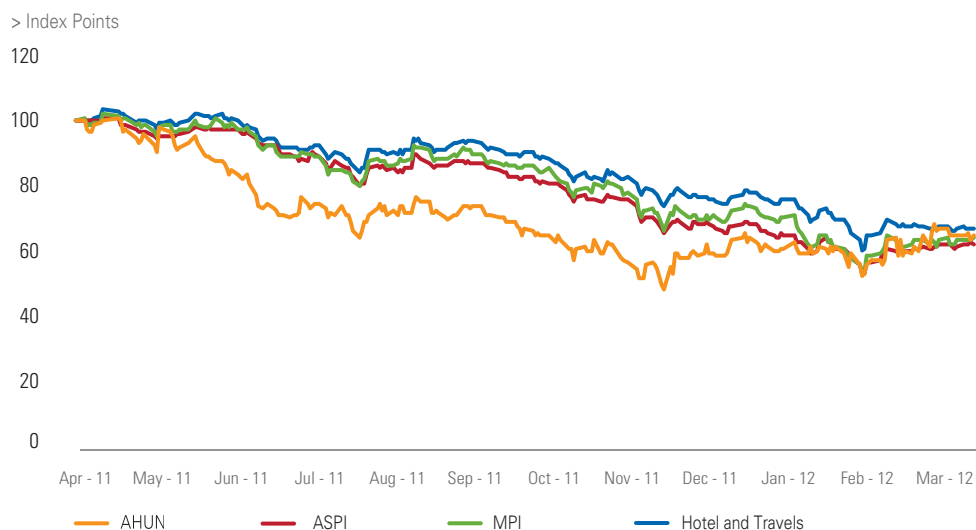
> Value of shares traded Vs Number of shares traded



6. Market Value

Financial Year	Highest		Lowest		Year End
	Pre Split Rs.	Post Split Rs.	Pre Split Rs.	Post Split Rs.	
2007-08	98.00	-	55.00	-	93.00
2008-09	119.00	-	83.25	-	90.00
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

> ASHH PLC Relative Performance Vs. Market



7. Dividends

The Directors recommended a first and final dividend of cents 70 per ordinary share for the financial year 2011/12 (2010/11 - Cents 50 per share)

Year	Dividend per share Rs.
2011/12	0.70
2010/11	0.50
2009/10	0.21*
2008/09	0.50
2007/08	1.00

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

8. Market Capitalisation (as at 31st March)

	Stated Capital & Reserves (Rs.'000)	Market Capitalisation (Rs.'000)
2008	3,756,811	3,574,282
2009	4,724,065	3,458,983
2010	5,189,194	14,796,760
2011	9,118,496	32,956,421
2012	11,142,325	23,540,301

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

Company - as at 31st March	2012	% 2011
Aitken Spence Hotels Ltd.	97.87	97.87
Kandalama Hotels (Pvt) Ltd.	61.65	61.65
Heritance (Pvt) Ltd.	97.87	97.87
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 Travels Services Co. (Pvt) Ltd. (MRF 10 each)	95.00	95.00
Cowrie Investment (Pvt) Ltd. (MRF 1,000 each)	60.00	60.00
ADS Resorts (Pvt) Ltd. (MRF 10 each)	51.00	51.00
Unique Resorts (Pvt) Ltd. (MRF 10 each)	51.00	51.00
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
Ace Ayurvedic (Pvt) Ltd.	-	100.00
M.P.S. Hotels Ltd.	100.00	30.35
Browns Beach Hotels PLC	37.22	33.21
Crest Star Ltd. (HK\$ 1 each)	100.00	100.00
Aitken Spence Hotels International (Pvt) Ltd.	51.00	51.00
Aitken Spence Hotel Management Asia (Pvt) Ltd.	51.00	51.00
Aitken Spence Hotel Management (South India) (Pvt) Ltd.	51.00	51.00
Golden Sun Resorts (Pte) Ltd.	100.00	100.00
Aitken Spence Resorts (Pvt) Ltd.	100.00	100.00
Business Travel Services LLC	25.50	25.50
Nilaveli Holidays (Pvt) Ltd.	100.00	100.00
Nilaveli Resorts (Pvt) Ltd.	100.00	100.00
Negombo Beach Resorts (Pvt) Ltd.	37.22	33.21

Shareholder and Investor Information

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

As at 31st March	2012	2011
Mr D.H.S. Jayawardena	-	-
Mr. J.M.S. Brito	106,596	106,596
Mr. R.E.V. Casie Chetty	207,739	207,739
Mr S.M. Hapugoda	-	-
Mr C.M.S. Jayawickrama	-	-
Mr. G.P.J. Goonewardena	5,460	5,460
Mr. R.N. Asirwatham	1,000	-
Mr. N.J. de S Deva Aditya	-	-
Mr. C.H. Gomez	-	-
Total	320,795	319,795

11. Twenty Largest Shareholders as at 31st March

	2012		2011	
	No. of Shares	%	No. of Shares	%
Aitken Spence PLC - A/C No. 1	239,472,667	71.210	239,472,667	71.210
Employees Provident Fund	29,779,210	8.855	16,779,473	4.990
Sri Lanka Insurance Corporation Limited - Life Fund	8,815,100	2.621	10,695,209	3.180
Ace Cargo (Private) Limited	4,423,601	1.315	4,423,601	1.315
Aitken Spence Hotel Managements (Pvt) Ltd.	3,530,639	1.050	3,530,639	1.050
HSBC Intl. Nominees Ltd. - JPMCB-Scottish ORL SML TR G	3,113,242	0.926	-	-
G.C. Wickremasinghe	2,852,241	0.848	2,852,241	0.848
Aitken Spence Aviation (Private) Limited	2,604,140	0.774	2,604,140	0.774
Bank of Ceylon # 1 Account	1,625,600	0.483	1,050,600	0.312
National Savings Bank	1,613,400	0.480	1,001,900	0.298
Employees Trust Fund Board	1,501,825	0.447	-	-
Aviva NDB Insurance PLC A/C # 07	1,440,509	0.428	1,556,625	0.463
Bank of Ceylon A/C Ceybank Century Growth Fund	1,387,155	0.412	2,197,055	0.653
F.A.A. Mack	1,004,596	0.299	1,183,796	0.352
The Ceylon Investment PLC A/C # 01	935,900	0.278	-	-
The Ceylon Investment PLC A/C # 02	882,900	0.263	3,500,000	1.041
The Ceylon Guardian Investment Trust PLC A/C # 02	879,000	0.261	2,604,750	0.775
A.T. Wickremasinghe	860,004	0.256	830,004	0.247
M.B. Sivaratnam	772,324	0.230	772,324	0.230
Cargo Boat Development Company PLC	733,193	0.218	-	-
Bank of Ceylon A/C Ceybank Unit Trust	-	-	9,723,217	2.891
Deutsche Bank AG as Trustee for Namal Acuity Value	-	-	1,400,000	0.416
Deutsche Bank AG - National Equity Fund	-	-	1,050,000	0.312
Pershing LLC S/A Averbach Grauson & Co.	-	-	917,475	0.273
Total	308,227,246	91.654	308,145,716	91.630

12. 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 Browns Beach Hotels PLC	638,020	6,380,200
1994/95	Share swap to acquire M. P. S. Hotels Ltd.	473,557	4,735,570
1999/00	Bonus Issue	3,431,531	34,315,310
1999/00	Rights Issue	14,412,429	144,124,290
2010/11	Rights Issue (1 for 4)	9,608,286	2,498,154,360
	Share Split (7 for 1)	288,248,580	-
Total as at 31st March, 2012		336,290,010	2,882,485,800

13. 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, 2012		16,500,000	165,000,000

Decade at a Glance

Year ended 31st March	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000	2006 Rs. '000	2005 Rs. '000	2004 Rs. '000	2003 Rs. '000
OPERATING RESULTS										
Gross Revenue	9,614,828	8,059,152	7,137,672	6,611,893	6,412,699	4,299,987	2,560,479	2,887,669	2,785,783	2,350,812
Profit Before Taxation	2,485,722	1,394,853	792,852	845,333	810,860	422,675	159,861	263,087	578,777	358,644
Taxation	(353,750)	(37,242)	(18,056)	(20,975)	(21,294)	(42,241)	(48,034)	(30,641)	(34,056)	171
Profit After Taxation	2,131,972	1,357,611	774,796	824,358	789,566	380,434	111,827	232,446	544,721	358,815
Profit Attributable to Equity Holders of the Parent	1,395,292	1,304,073	523,776	592,587	512,651	202,591	173,847	110,146	413,461	232,687
SHAREHOLDERS' FUNDS										
Stated Capital	3,554,587	3,554,587	1,056,433	1,056,433	1,055,810	1,055,810	1,055,810	1,055,810	1,055,810	1,055,810
Reserves	7,587,738	5,563,909	4,132,761	3,667,632	2,701,001	2,243,837	1,753,742	1,612,448	1,537,589	1,077,881
Shareholders' Funds	11,142,325	9,118,496	5,189,194	4,724,065	3,756,811	3,299,647	2,809,552	2,668,258	2,593,399	2,133,691
LIABILITIES										
Non-Current Interest Bearing Borrowings	2,615,308	2,832,565	2,962,320	3,746,361	2,930,155	1,125,325	851,514	239,092	323,821	561,965
Current Liabilities	3,197,487	2,085,721	2,004,139	2,001,455	2,543,913	2,761,307	1,513,524	825,160	829,256	1,012,013
Amount due to Ultimate Holding Company	204,779	59,861	646,434	779,109	-	615,000	615,000	-	-	-
Other Liabilities & Charges	300,109	157,163	163,131	114,317	117,401	116,683	112,452	28,237	29,551	19,557
Minority Interest	2,395,420	1,581,004	1,589,136	1,346,064	1,219,998	873,019	664,405	755,691	829,092	754,803
Deferred Income	-	-	-	-	-	-	16,780	18,300	19,793	21,288
TOTAL EQUITY AND LIABILITIES	19,855,428	15,834,810	12,554,354	12,711,371	10,568,278	8,790,981	6,583,227	4,534,738	4,624,912	4,503,317
ASSETS										
Property, Plant & Equipment	11,215,701	8,949,807	8,756,041	8,686,707	6,664,681	6,469,263	4,801,544	3,250,387	3,360,687	3,356,532
Leasehold Property	2,588,900	1,400,526	1,516,449	1,554,651	1,407,987	52,500	54,000	55,500	57,000	58,500
Intangible Assets	-	-	-	1,524	3,048	3,048	2,593	2,816	3,037	3,220
Investments	1,086,496	960,878	192,915	185,118	188,358	183,015	98,717	97,817	99,752	97,037
Long-Term Investments	221,061	210,702	211,770	218,081	86,600	10	10	10	34,049	34,049
Deferred Tax Assets	130,716	49,019	2,713	-	-	-	-	-	-	-
Current Assets	4,612,554	4,254,052	1,874,466	2,065,290	2,217,604	2,083,145	1,626,363	1,128,208	1,070,387	953,979
Assets Held for sale	-	9,826	-	-	-	-	-	-	-	-
TOTAL ASSETS	19,855,428	15,834,810	12,554,354	12,711,371	10,568,278	8,790,981	6,583,227	4,534,738	4,624,912	4,503,317
CASH FLOW										
From Operating Activities	3,192,135	663,257	1,484,828	1,503,360	793,933	1,204,504	995,252	1,048,974	343,663	397,002
From Investing Activities	(2,533,371)	(1,023,336)	(662,377)	(2,025,844)	(2,201,116)	(1,681,589)	(1,767,341)	(108,791)	(70,999)	(92,002)
From Financing Activities	(801,302)	1,965,198	(638,280)	605,561	1,377,478	135,561	685,889	(493,567)	(278,938)	(334,285)
Net Cash Inflow/(Outflow)	(142,538)	1,605,119	184,171	83,077	(29,705)	(341,524)	(86,200)	446,616	(6,274)	70,705
KEY INDICATORS										
Earnings per Ordinary Share (Rs.)	4.10	3.03	1.77*	15.03	12.95	4.88	4.14	2.48	9.99	5.67
Net Assets per Ordinary Share (Rs.)	32.64	26.62	14.93*	118.62	93.46	81.56	69.25	65.61	63.70	51.78
Market Value per Share (Rs.)	70.00	98.00	385.00	90.00	93.00	70.00	83.25	97.25	68.00	45.00
Dividend per Share (Rs.)	0.70	0.50	0.21*	0.50	1.00	0.75	0.50	0.50	2.50	-
Dividend Cover (Times)	5.86	6.06	8.42	30.06	12.95	6.51	8.28	4.96	4.00	-
Price to Earning Ratio (Times)	17.07	32.34	29.08	5.99	7.18	14.34	20.12	39.21	6.81	7.94
Debt to Equity Ratio	0.21	0.28	0.47	0.66	0.64	0.32	0.31	0.12	0.15	0.27
Interest Cover (Times)	13.45	7.08	3.09	3.30	3.22	2.62	5.29	9.04	9.09	4.20
Return on Average Shareholders' Funds (%)	13.77	14.45	10.57	13.97	14.53	6.63	6.35	4.19	17.49	11.62

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

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 31/03/12 (Rs.'000)
				Freehold	Leasehold	
Aitken Spence Hotel Holdings PLC <i>Heritance Ahungalla</i>	152	Ahungalla	253,590	11.96	-	1,377,413
Ahungalla Resorts Ltd.						
Main Land	-	Ahungalla	-	13.05	-	659,002
Meeraladuwa Island	-	Ahungalla	-	26.57	-	423,525
Kandalama Hotels (Pvt) Ltd. <i>Heritance Kandalama</i>	152	Dambulla	315,725	169.64	50	422,917
Hethersett Hotels Ltd. <i>Heritance Tea Factory</i>	54	Nuwara Eliya	50,999	-	25	165,721
Aitken Spence Hotels Ltd. <i>Heritance Ayurveda Mahagedara</i>	64	Beruwela	125,349	-	6.44	397,911
Heritance (Pvt) Ltd. <i>Formerly Pearl Beach Hotels Ltd.</i>	-	Beruwela	-	5.79	-	194,500
Neptune Ayurvedic Village (Pvt) Ltd. <i>Neptune Ayurvedic Village</i>	-	Beruwela	12,500	0.12	1.46	25,314
Golden Sun Resorts (Pte) Ltd. <i>The Sands by Aitken Spence Hotels</i>	110	Kalutara	192,686	5.5	-	403,894
Aitken Spence Resorts (Pvt) Ltd.	-	Kalutara	-	2.36	-	107,430
M P S Hotels Ltd. <i>Hotel Hilltop</i>	73	Kandy	65,514	3.3	-	311,807
Jetan Travel Services Co. (Pvt) Ltd. <i>Adaaran Club Rannalhi</i>	132	Maldives	97,545	-	10.2	598,251
Cowrie Investments (Pvt) Ltd. <i>Adaaran Select Meedhupparu</i>	235	Maldives	266,950	-	43	1,917,002
ADS Resorts (Pvt) Ltd. <i>Adaaran Select HudhuRan Fushi</i>	174	Maldives	166,836	-	78	599,032
Unique Resotrs (Pvt) Ltd. <i>Vadoo Island Resort</i>	50	Maldives	37,369	-	3.5	1,430,372
PR Holiday Homes (Pvt) Ltd.	-	India	-	16.9	-	208,300

Group Directory

Aitken Spence Hotel Holdings PLC

The holding company of the Group's hotel interests. Owns and operates Heritance 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 Ltd.

Owns and operates Heritance Ayurveda Mahagedara, holding company of Kandalama Hotels (Private) Ltd.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
N. Ratwatte

Heritance (Private) Ltd.

Owns a land for a proposed hotel project.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama (Appointed w.e.f. 30.12.11)
R.E.V. Casie Chetty (Appointed w.e.f. 30.12.11)

Kandalama Hotels (Private) Ltd.

Owns and operates Heritance Kandalama.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty (Appointed w.e.f. 20.03.12)

Hethersett Hotels Ltd.

Owns and operates Heritance Tea Factory.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty (Appointed w.e.f. 20.03.12)

Neptune Ayurvedic Village (Pvt) Ltd.

Leased company owned land & buildings to Aitken Spence Hotels Ltd.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty (Appointed w.e.f. 20.03.12)

Ahungalla Resorts Ltd.

Owns a land for a proposed hotel project.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty (Appointed w.e.f. 20.03.12)

Golden Sun Resorts (Pte) Ltd.

Owns and operates The Sands by Aitken Spence Hotels.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty (Appointed w.e.f. 20.03.12)

Crest Star Ltd.

Directors : C.M.S. Jayawickrama
S.M. Hapugoda (Appointed w.e.f. 30.12.11)
R.E.V. Casie Chetty (Appointed w.e.f. 30.12.11)

Crest Star (B.V.I.) Ltd.

The holding company and managing agents of Jetan Travel Services Company (Pvt) Ltd.

Directors : J.M.S. Brito (Chairman)
S.M. Hapugoda
C.M.S. Jayawickrama

Jetan Travel Services Co. (Pvt) Ltd.

Owns and operates Adaaran Club Rannalhi - Maldives.

Directors : H. Mohamed
M. Mahdy
S.M. Hapugoda
C.M.S. Jayawickrama

Cowrie Investments (Pvt.) Ltd.

Owns and operates Adaaran Select Meedhupparu Island Resort - Maldives.

Directors : J.M.S. Brito (Chairman)
I.M. Didi
M. Salih
C.M.S. Jayawickrama
S.M. Hapugoda

A D S Resorts (Pvt) Ltd.

Owns and operates Adaaran Select Hudhuranfushi – Maldives.

Directors : C.M.S. Jayawickrama
M. Mahdy
S.M. Hapugoda

Unique Resorts (Private) Ltd.

Owns and operates Adaaran Prestige Vaadhoo Resort – Maldives.

Directors : C.M.S. Jayawickrama
M.S. Hassan
S.M. Hapugoda
T.D.U.D. Peiris

PR Holiday Homes (Pvt) Ltd.

Owns a land in Cochin – India, for a proposed hotel project.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
K. Khadar
M. Narayanan
C.L.B. Ekanayake

Aitken Spence Hotel Services (Pvt) Ltd.

Marketing of the Indian Hotels.

Directors : R.S. Rajaratne
M.P. Wijesekara

Aitken Spence Hotels International (Pvt) Ltd.

Owns Maldivian resorts & manages international marketing activities of Maldives & Oman hotels.

Directors : R.E.V. Casie Chetty
S.M. Hapugoda (Appointed w.e.f. 20.03.12)
C.M.S. Jayawickrama (Appointed w.e.f. 20.03.12)

Aitken Spence Hotel Managements Asia (Pvt) Ltd.

Manages resorts in India, Maldives and in Oman.

Directors : Deshamanya D. H. S. Jayawardena(Chairman)
Dr. R. M. Fernando
Ms. N. Sivapragasam
G.P.J. Goonawardene

Aitken Spence Hotel Managements South India (Pvt) Ltd.

Manages resorts in India.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
C.L.B. Ekanayake

Aitken Spence Resorts Ltd.

To operate a future hotel project.

Directors : J.M.S. Brito
C.M.S. Jayawickrama
S.M. Hapugoda (Appointed w.e.f. 14.07.10)

Nilaveli Holidays (Pvt) Ltd.

To operate a future hotel project.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty (appointed w.e.f. 20.03.12)

Nilaveli Resorts (Pvt) Ltd.

To operate a future hotel project.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty (appointed w.e.f. 20.03.12)

M. P. S. Hotels Ltd.

Owns and operates Hotel Hilltop.

Directors : S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty (appointed w.e.f. 20.03.12)

Joint Venture Company**Business Travel Services LLC**

Destination Management Company organizing inbound and outbound tours in Oman. A joint venture with Oman Holdings International SOAG.

Directors : Dr.R.M. Fernando
G.P.J. Goonewardena
M.H.A. Saleh
B. Divecha

Associate Companies**Browns Beach Hotels PLC.**

Holding company of Negombo Beach Resorts (Pvt) Ltd.

Negombo Beach Resorts (Pvt) Ltd.

Proposed new beach resort.

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 principally through a sale transaction rather than through continuing use.

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 reporting 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.

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 identifiable net assets acquired when purchasing an interest in a Company.

Impairment

This occurs when recoverable amount through sale of asset or continuing use 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.

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.

Minority 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 operational policies of the business.

Return on Capital Employed

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

Return on Equity

Profit attributable to shareholders as a percentage of average shareholders 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 Fifth 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 Thursday, June 28, 2012, 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 2012.
- To declare a dividend as recommended by the Directors.
- To re-elect Mr. G.P.J. Goonawardene who retires in terms of Article 83 of the Articles of Association, as a Director.
- To re-elect Mr. C.M.S. Jayawickrama who retires in terms of Article 83 of the Articles of Association, as a Director.
- 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

Aitken Spence Corporate Finance (Private) Limited
Secretaries

25th May, 2012

Colombo

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 10th July 2012, 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 29th June 2012.

Form of Proxy

We of
..... being a member/members of
Aitken Spence Hotel Holdings PLC hereby appoint
..... of
..... (whom failing)

Don Harold Stassen Jayawardena of Colombo	(whom failing)
Joseph Michael Suresh Brito of Colombo	(whom failing)
Ranjan Emmanuel Victor Casie Chetty of Colombo	(whom failing)
Srilal Malin Hapugoda of Colombo	(whom failing)
Chrishanthus Mohan Susith Jayawickama of Colombo	(whom failing)
Gemunu Prasanna Jayasundera Goonewardene 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 28th day of June 2012, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this..... day of Two Thousand Twelve.

.....
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 26, 2012 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.

Telephone: +94 11 2308303

Facsimile: +94 11 2446838

Website: www.aitkenspencehotels.com

Directors

D H S Jayawardena - *Chairman*

J M S Brito, LLB, FCA, MBA

R E V Casie Chetty, FCA, FCMA, M.C.M.I., J.Dip, MA

S M Hapugoda, CIM (UK)

C M S Jayawickrama, ACMA

G P J Goonewardena

R N Asirwatham, FCA

N J de S Deva Aditya

C H Gomez

Group Audit Committee

R N Asirwatham - *Chairman*

G C Wickramasinghe

C H Gomez

N J Deva Aditya

Group Remuneration Committee

G C Wickramasinghe - *Chairman*

V M Fernando

R N Asirwatham

Group Nomination Committee

G C Wickramasinghe - *Chairman*

D H S Jayawardena

J M S Brito

V M Fernando

R N Asirwatham

Secretaries

Aitken Spence Corporate Finance (Pvt) Ltd.,
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

Hatton National Bank PLC

People's Bank

Bank of Ceylon

Hongkong and Shanghai Banking Corporation

Citibank N A

ICICI Bank

Nations Trust Bank

DFCC Bank

Deutsche Bank

Standard Chartered Bank

Holding Company

Aitken Spence PLC

Contact Point for further Information

Aitken Spence Corporate Finance (Pvt) Ltd.,
Secretaries

No. 315, Vauxhall Street Colombo 2, Sri Lanka.

Telephone: +94 11 2308303

Email: comsec@aitkenspence.lk

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Aitken Spence Hotel Holdings PLC

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Website: www.aitkenspencehotels.com