

AITKEN SPENCE HOTEL HOLDINGS PLC

Annual Report 2014/15



Signature
of
Quality

Aitken Spence  *Hotels*



Signature
of
Quality



The Diamond is representative of Aitken Spence's centrality within the services industry: it is a metaphor for excellence and endurance, a solidity and brilliance of cut that dates back to 1868, and one that will continue to cast its glow far into the future.

Signature of Quality

Aitken Spence Hotel Holdings PLC has over 36 years of experience in delivering unforgettable destination experiences to the thousands of guests we are privileged to serve. We have built a reputation for excellence in the classic elegance and architecture of our properties situated in some of the finest locations in the island and in the fine dining and luxurious accommodation only we can offer, all delivered with the original Aitken Spence signature of quality that few can match.

For years we have developed our offering, evolving your company to become one of the premier hospitality and leisure groups operating in Sri Lanka and beyond. This report analyses our triple bottom line performance in the year under review while looking ahead as well, to the vast potential for growth and progress in the future we see.



THE AITKEN SPENCE SIGNATURE OF QUALITY



Sculpture at Heritage Kandalama



Contents

Management Information and Performance Highlights

Chairman's Statement	15
Managing Director's Review	19
Group Performance Highlights	23
The Board of Directors	24
Corporate Management Team	28
Our Brands	32
Organisation Structure	68
Milestones	70

Integrated Management Discussion and Analysis (MD&A)

Introduction	72
Key Strategic Imperatives	75
Macro Framework and Industry Outlook	79
Group Performance	88
a. Group Financial Performance	88
b. Our Social Performance	95
i. Our Human Capital	95
ii. Engaging with our Communities	100
iii. Environmental Performance	102
c. Outlook	107

Governance

Corporate Governance	108
Audit Committee Report	124
Remuneration Committee Report	126
Nomination Committee Report	128
Annual Report of the Board of Directors	129
Statement of Directors' Responsibilities	134
Risk Management	135

Financial Reports

Independent Auditors' Report	145
Income Statement	146
Statement of Profit or Loss and Other Comprehensive Income	147
Statement of Financial Position	148
Statement of Changes in Equity	150
Statement of Cash Flow	151
Notes to the Financial Statements	153

Supplementary Information

Quarterly Statistics	220
Indicative US Dollar Financial Statements	221
Decade at a Glance	224
Investor Information	225
Real Estate Holdings of the Group	230
Group Directory	231
GRI Index	234
Glossary of Financial Terms	241
Corporate Information	243
Notice of Meeting	244
Form of Proxy	245
Investor Feedback Form	247



THE AITKEN SPENCE SIGNATURE OF QUALITY



Sunset at Ahungalla

Take only memories, leave only footprints.

Chief Seattle



THE AITKEN SPENCE SIGNATURE OF QUALITY



Elephants at the Kandalama Tank

Life is either a daring adventure or nothing.

Helen Keller



THE AITKEN SPENCE SIGNATURE OF QUALITY



Diving with the Sea Turtles - Maldives

It is not down in any map; true places never are.

Herman Melville



THE AITKEN SPENCE SIGNATURE OF QUALITY



Gadaladeniya Temple at Diggala

A good traveller has no fixed plans, and is not intent on arriving.

Lao Tzu



THE AITKEN SPENCE SIGNATURE OF QUALITY



Fine Dining at our Hotels

A journey is best measured in friends, rather than miles.

Tim Cahill



THE AITKEN SPENCE SIGNATURE OF QUALITY



Early Morning Balloon rides at Heritance Kandalama

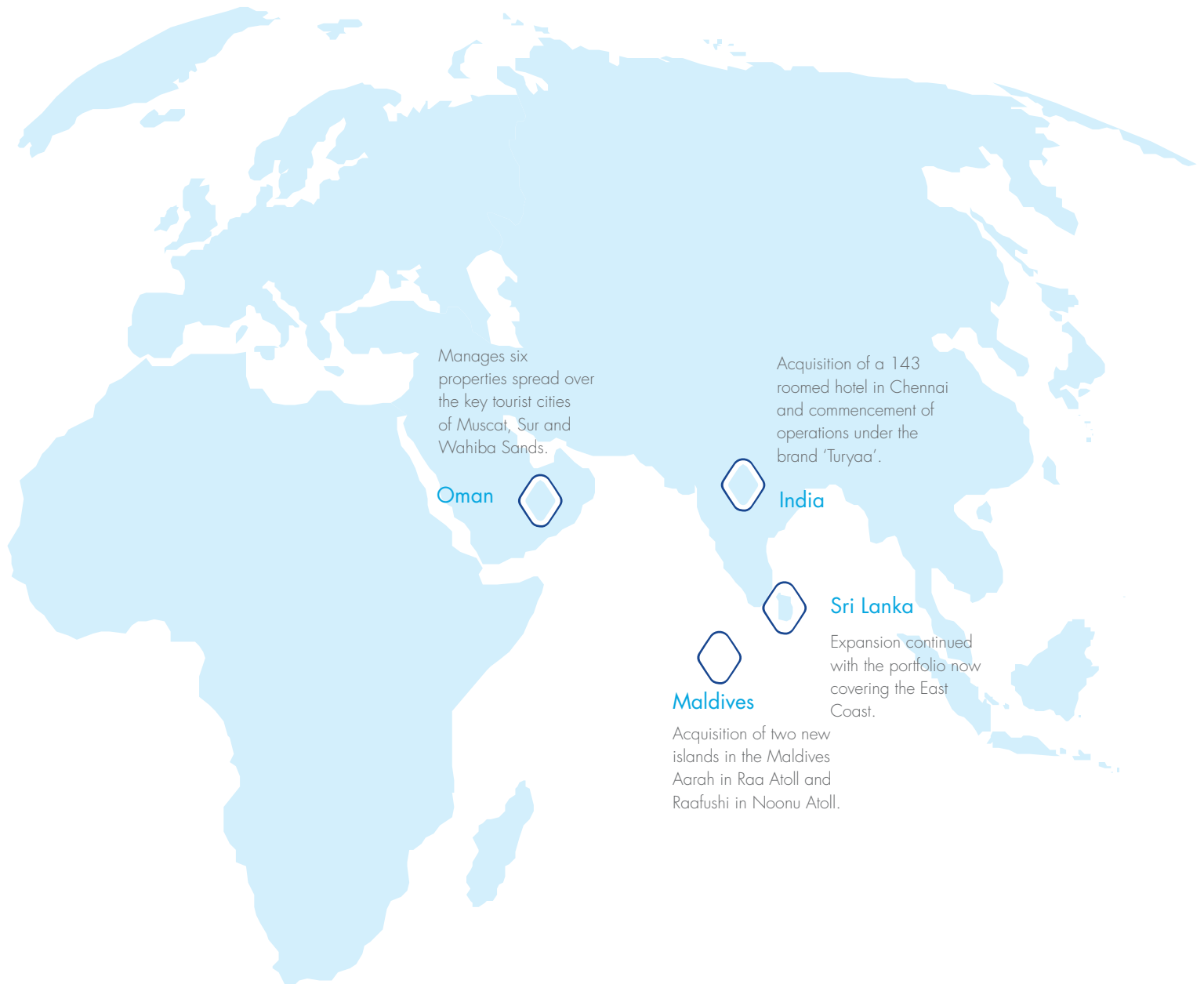
The world is a book and those who do not travel read only one page.

St. Augustine



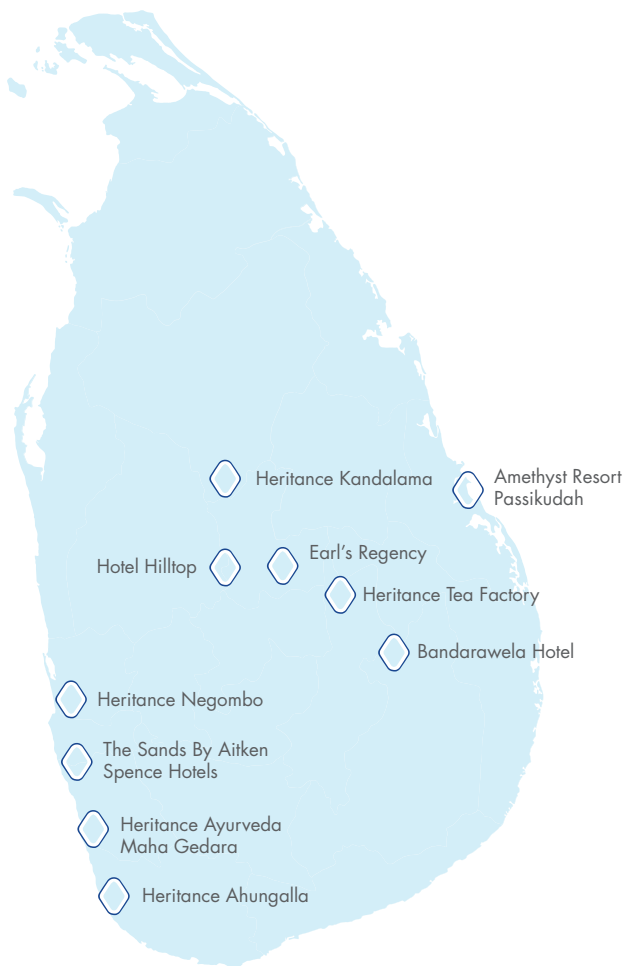
THE AITKEN SPENCE SIGNATURE OF QUALITY

Across the region





THE AITKEN SPENCE SIGNATURE OF QUALITY



HERITANCE Hotels & Resorts

Heritance Ahungalla
Heritance Kandalama
Heritance Tea Factory
Heritance Ayurveda Maha Gedara
Heritance Negombo



Adaaran Club Rannalhi
Adaaran Select HudhuRanfushi
Adaaran Select Meedhupparu
Adaaran Prestige Vadoo
Adaaran Prestige Water Villas



Sri Lanka

The Sands By Aitken Spence Hotels
Hotel Hilltop
Amethyst Resort Passikudah
Earl's Regency
Bandarawela Hotel

India

Turyaa Chennai

Oman

Al Falaj Hotel
Desert Nights Camp
Ruwi Hotel
Al Wadi Hotel
Sur Plaza Hotel
Jabal Akhdhar Hotel



THE AITKEN SPENCE SIGNATURE OF QUALITY





Chairman's Statement

Dear Stakeholder,

It is my pleasure to welcome you to the thirty eighth Annual General Meeting of Aitken Spence Hotel Holdings PLC and share with you the audited financial statements for the year ended 31st March 2015. Let me begin with an overview of the industry environment that provided the backdrop for your Company's performance.

Sri Lanka's Tourism Industry:

Continuing on the post war growth momentum, Sri Lanka's tourism sector performed well during the year, with arrivals exceeding the targeted 1.5 million and growing by 19.8% over 2013, to reach 1.527 million arrivals. Significant increases in investment, infrastructure development and introduction of new tourist attractions supported this rise in arrivals. Arrivals during the first three months of 2015 up to March, have grown by 13.6% over the corresponding period last year. Although Western Europe continued to be the largest origin of tourists, its share as a percentage of total arrivals further declined to 31.4% in 2014 from 33% in 2013 and 37% in 2012. Accordingly, the share of tourist arrivals from East Asia and Eastern Europe increased and China, Indonesia and Japan were the key contributors to this growth of arrivals from East Asia. On the basis of individual countries, India remained the leading country of origin followed by UK, China, Germany and Maldives. These five countries together accounted for over 46% of tourist arrivals to Sri Lanka in 2014. The highest growth of over 136%, to 128,166 - tourist arrivals was recorded from China. The majority of tourists who visited the country were for holiday purposes, accounting for 68% whilst those on business visits declined to 1.9%.

Sri Lanka's earnings from tourism continued to grow at a healthy pace increasing by 41% to US Dollars 2,431 million in 2014. It is encouraging that this growth was supported by higher spending and increased duration of stay. The average spending per tourist rose to US Dollars 160.8 per day in 2014 from US Dollars 156.5 per day in 2013, according to the latest annual survey on tourist spending and duration of stay conducted by the Sri Lanka Tourism Development Authority (SLTDA). Meanwhile, the average duration of stay per tourist increased to 9.9 days in 2014 compared to 8.6 days in 2013. However, hotel industry revenues grew only marginally as revenues generated from European markets declined, due to several factors such as the turmoil in Russia and Ukraine and the depreciation of the Euro vis-a-vis the US Dollar which reduced spending by this segment. Moreover, lack of effective destination marketing by

Sri Lanka also reduced demand whilst attractive off seasonal offerings by destinations such as Thailand and Vietnam also detracted tourists away from Sri Lanka.

At the same time Sri Lanka's inventory of hotels has also seen a rapid rise since the post war boom of the industry commenced in 2009. This has however, also resulted in excess capacity in certain areas with competition being based on price per se.

Group Performance:

During the year under review, your Group achieved a revenue growth of 2.5% over the previous year supported by higher arrivals. Although Group profit before tax declined marginally mainly reflecting the decline in profits in Sri Lanka's hotel sector. Our rates for resorts on the Southern coast line remained almost static due to intense price competition that inhibits the growth of the industry in Sri Lanka. Moreover, as I mentioned in my last year's message, the 4 and 5 star accommodation occupancies have not been reflective of the trend of sharp increases in arrivals to Sri Lanka. However, it is most encouraging that the year under review saw two of our flagship properties - Heritance Kandalama and Heritance Tea Factory, achieve their highest ever revenues and PBT respectively.

The contribution from our Maldivian sector declined during the year mainly due to the Russian and Ukraine crisis and the fact that the Ocean Villas at Adaaran Select HudhuRanFushi were non-operational during the first half of 2014 having been destroyed by a fire the previous year. Following restoration and upgrade the Ocean Villas have been open for occupancy since September 2014.

In my last year's review, I indicated our plans to grow our presence in the Maldives, and I am delighted to share with you the news that we were able to acquire two more islands since then. This brings the total number of islands held by Aitken Spence in the atolls to six. We will commence the construction of two new resort properties on these two islands, Aarah in Raa Atoll and Raafushi in Noonu Atoll during the year ahead.

Our strategy of being a regional player once again paid dividends and the properties in Maldives and Oman performed remarkably, with the Maldives properties being the highest contributor to the Group, accounting for over 70% of our profitability. We continued to be the largest single foreign operator in the Maldives in terms of resort capacity.



Chairman's Statement

Our recent investment in India includes a 143 roomed city hotel in Chennai. This property, has been redesigned and re-branded and is scheduled to be opened under our new brand "Turyaa" in July 2015. Brand "Turyaa" will be introduced to the market with the opening of this city property in Chennai, India.

As mentioned in my last year's message, the Browns Beach Hotel in Negombo under an Associate Company is being reconstructed and redesigned into a five star resort. Project work is now nearing completion and this 143 room state-of-the-art property, branded under the Group's premier Heritage brand, is scheduled to be opened during the second half of the year as "Heritage Negombo".

During the year under review, we also began the construction of 'RIU Resort Ahungalla'; a 501 roomed 5 star resort – in partnership with Spanish resort developer and operator RIU. Construction is expected to see completion in 2016. This venture will see the re-entry of Charter flights to Sri Lanka in the latter half of 2016 which will facilitate a plethora of opportunities for Sri Lanka's tourism industry and all its stakeholders.

Industry Challenges:

It is most encouraging that Sri Lanka was recognised as the 'Best Travel Destination' by the Travel and Leisure Magazine of China at the Annual Travel Award Ceremony held in January 2014. Sri Lanka was also listed among the 'top 10 coolest countries' in the world to visit in 2015, by the Forbes magazine.

Sri Lanka, since the conclusion of the war has been recognised as one of the most attractive destinations in the world, with its unique offer of sun, sea, culture, history and mountainous scape which can be reached within a few hours of travel. However several critical issues inhibit its growth and challenge the long term sustainability of the industry.

Cohesive Destination Marketing at a National Level

As I have repeatedly mentioned, it is an urgent imperative that Sri Lanka markets itself as a destination more effectively with emphasis on a strategic positioning that can aid differentiation. It must be ensured that such marketing is spearheaded at a national level rather than left to individual stakeholders. A strategically cohesive and integrated communications campaign in key markets is hence essential if we are to fully harness the

potential of post war Sri Lanka. It is also important that our marketing does not adopt a 'one size fits all' approach but that each individual communiqué focuses on different segments that Sri Lanka can attract. The industry must increase the demand for Sri Lanka, as competing on price per se vis-a-vis other regional players who have the benefit of greater economies of scale and lower input costs.

Infrastructure Development

We also hope that the pace of infrastructure development we experienced during the past few years, which have yielded invaluable benefits to tourists as well as tourism service providers will continue. This we believe will help the industry and enhance the product we can offer to leisure as well as MICE tourists. Sri Lanka has identified the need for the country to attract more high yield travellers to sustain profitability in the industry. Thus, the facilitation of speedy accessibility, through the development of domestic air travel to key resort areas would facilitate long term growth of the industry.

Human Resources

As previously pointed out, the dearth of skilled Human Resources as well as the growing cost of Human Resources in the industry, also remain considerable challenges, which once again exacerbate the high operating costs. The rising demand would further add to the costs and scarcity of people, leading to a drop in service levels in the future.

Incentives for Investment

High cost of construction in Sri Lanka inhibits capacity expansion in the tourism industry and exerts pressure on Return On Investments. Thus, the need for the government to play the role of catalyst in the development of infrastructure by facilitating various incentives.

Need for a Sustainability Policy

Sri Lanka's unique attributes and its hard to imitate competitive advantage relies on the diversity it can offer within a small land mass. However, our natural resources in particular are in danger due to lack of policies, regulation and controls. For instance overcrowding at national parks has not only become an eyesore but also a threat to the sustainability of our wildlife. It is our fervent hope that authorities would introduce strict regulations and implement a visitor quota for the long term sustainability



of our natural resources, as well as the tourism industry. It is also vital that policies and regulatory measures that impact our industry remain consistent across regimes in order to ensure sustainable growth and investor confidence. More positively, we have noticed that greater empowerment at provincial level for protection and development of resources in their localities, have helped in recognising the value of many assets which hitherto remained unrecognised. The development of these assets have enabled the local governments to earn revenue and help local and foreign tourists to enjoy these attractions.

Governance:

Your Company believes that the highest standards in governance is indispensable to creating long term value to its stakeholders and must be pursued uncompromisingly. Corporate Governance is about engendering trust and hence, about effective, transparent and accountable governance by the management including the Board - the highest governing body. The Board sets the tone at the top by promoting professional standards and corporate values that cascade down to senior management and other employees of the Company.

Looking Ahead: Growing & Harnessing the Synergies of being a Regional Player

The model we have for management contracts with managed properties is unique and has proven to be a success with the freedom and flexibility it affords to the owners to market on their own brand, without the imposition of our brand identity. We will continue to leverage on this win-win model in future ventures to which we will lend our experience, industry knowledge and management expertise.

We will look to grow our regional presence by building on the strengths and experience we have gained from international operations and enhance the many synergies that we can harness from a multi destination strategy; not merely to mitigate risks associated with a single destination but also to benefit from the exponential growth in global tourism.

We have also recognised the need for a unified positioning of our premier brand "Heritage". In enhancing the strength of our brand we hope to attract the price insensitive, experiential traveller in order to remain competitive in a sustainable framework. We will look to providing personal & instinctive service, making each Heritage property a

landmark within the destination; which provides an enriching experience of the indigenous charms of the location.

As we look to the year ahead and beyond, we will continue with those strategies that serve us well and review our strategies in keeping with changing dynamics of the industry and economic, social, technological and natural environments. We will continue to focus on leveraging our legacy and heritage as a pioneering tourism service provider to take your Company to its next tier of growth.

Conclusion

I would like to convey my sincere appreciation to my colleagues on the Board for their valuable support and guidance, and to the entire team of employees led by the Management Team whose unreserved effort and commitment have been the cornerstone of your Company's success. I also wish to extend my sincere gratitude to all our stakeholders including our tour operator partners, our clients and shareholders for their support and inspiration.

We look to the year ahead with renewed vigour, as your Company stands well poised to harness the value of its brand, the potential of Sri Lanka and other growth markets in which it is expanding its presence. The changes in the domestic political landscape, combined with an enhanced image of the nation, augments our optimism for the near and long term future, for the nation, industry and your Company.

D.H.S. Jayawardena
Chairman

26th May, 2015



THE AITKEN SPENCE SIGNATURE OF QUALITY





Managing Director's Review

Dear Stakeholder,

It is my pleasure to share with you our performance, progress and outlook. Your Company continued to perform well with revenues increasing, but saw a marginal profitability decline due to several challenges in the environment. Profit After Tax (PAT) declined by 2.3%. As in previous years, the highest contributor to profits were the Group's Maldivian resorts.

As the Management Review that follows discusses the economic environment at length, let me only provide a broad overview of a few salient points that provides the backdrop for the performance of your Company.

The Global and Local Economic Environment:

The recovery of the global economy which began to take hold in October 2013 continued into 2014, albeit at a weaker than expected and at an uneven pace due to some setbacks. According to the IMF, global growth was thus 3.4% in 2014 compared with 3.3% in 2013. The IMF projects global growth to be moderate in 2015, at 3.5%, and in line with its forecasts made in January 2015. Relative to last year, the outlook for advanced economies is said to be improving, while growth in emerging market and developing economies is projected to be lower, primarily reflecting weaker prospects for some large emerging market economies and oil-exporting countries. The moderate projections also reflect some possible challenges to world growth in 2015 such as shifts in global financial markets; currency instabilities, concerns of stagnation and low inflation in the Euro area and in Japan; an escalation of geo-political tensions in the Middle East and Ukraine; and the sharp slowdown of the Russian economy. The turmoil faced by the Russian economy, compounded by the sharp depreciation of the Ruble have posed significant challenges to Sri Lanka's exports such as Tea and Garments as these markets account for a significant share of Sri Lanka's exports, at the same time Sri Lanka's tourism earnings from these regions are also likely to fall as a result. On the other hand, the strengthening of the US economy and an appreciating Dollar augur well for some of Sri Lanka's export earnings and remittance income.

Demonstrating resilience in the face of domestic as well as external challenges, the Sri Lankan economy continued on the growth momentum since 2013 to grow at a robust 7.4%; compared with a growth of 7.2% in 2013 and 6.3% in 2012. Accordingly, GDP Per Capita increased to US Dollars 3,625 in 2014 from US Dollars 3,280 in the previous year. The economy was driven by domestic consumption expenditure that

constitutes the largest share of aggregate demand, while investments, particularly on construction, also provided an impetus to the economic expansion during the year. Sri Lankan government policy to a large extent has remained stable, and the low inflation levels and a low interest rate regime in 2014 were largely conducive to business. Inflation remained at single digit levels for the sixth consecutive year, with year-on-year and annual average inflation declining to 2.1% and 3.3%, respectively, by end 2014.

Strong growth is expected to continue in 2015; which as per the IMF's projections is to average 6.5% in 2015. The recent downward revision to interest rates by the Central Bank in April this year, indicates that the low interest rate environment is likely to continue over the next two quarters of 2015.

New Resort Development & Capacity Expansion:

The 'RIU Resort Ahungalla', a partnership venture with Spanish resort developer and operator RIU, and Aitken Spence Hotels as the lead investor is now under construction and scheduled to reach completion in 2016. The US Dollar 100 million project at Ahungalla will be a 501 roomed, 5 Star all inclusive resort which would offer the best of the RIU Brand and the expertise and experience of Aitken Spence Hotels. The Project would also see the re-launch of Charter flights to Sri Lanka in 2016, creating a plethora of opportunities for the tourism industry as well as other sectors of the Sri Lankan economy. Moreover, this partnership encompasses the marketing of the property and Sri Lanka, by RIU International in its key markets.

The development, including redesign and reconstruction, of our Associate Company property - the Browns Beach Hotel at Negombo, is nearing completion and this 143 room, state-of-the-art property branded as 'Heritage Negombo' is scheduled to be opened during the second half of the year. Located in close proximity to the Bandaranaike International Airport and at a point of transit to the country's cultural triangle, it will now fill a lacuna of a "Heritage" presence on Sri Lanka's Western coast line.

The expansion of "The Sands", Kalutara, is also nearing completion and the new wing is likely to be opened during the first half of the year ahead. With the construction of an additional 90 rooms, the capacity of "The Sands" has now been increased to 200 rooms, thus enhancing its value proposition predominantly as an all-inclusive hotel to accommodate more holiday makers.



Managing Director's Review

Additionally we also entered the Eastern coast beach segment through the acquisition of a strategic stake of 23% and management rights in Amethyst Resort, Passikudah during the year. The Resort, further enhances the Group's offering in its round trip options.

It gives me great pleasure to share our achievement during the period, of the acquisition of two more islands in the Maldives. We will commence the construction of the above two new resort properties on the two islands – Aarah and Raafushi during the next financial year with the projects to complete within 2 -3 years.

Our outlook is made more buoyant by the fact that the performance of our existing Maldivian properties have continued to exceed our expectations. The four Maldivian properties today are the highest contributors to your group's profitability.

Summary of Performance

Sri Lanka

Our flagship properties Heritance Kandalama and Heritance Tea Factory achieved their highest ever revenues and PAT during the year with a revenue growth of 9% and growth in PAT of 7% respectively.

Our beach properties - Heritance Ahungalla and The Sands did not perform as expected with profitability declining due to high room inventories on the beach front and the pressure on prices.

The performance of Heritance Ayurveda Maha Gedara, our Ayurveda wellness resort, was impacted due to disturbance from neighbouring resort construction, the economic downturn in Europe and the steep depreciation of the Euro vis-a-vis the US Dollar during the year.

Maldives

Maldives, led by our brand "Adaaran", which is now well established across the atolls and key markets, continued to be the highest contributor to our profitability this year as well, contributing more than 70% to profits during the year. Revenues from these properties increased by 3.3% to Rs. 10 billion during the year. Chinese visitors continued to make up the highest share of visitors to the Adaaran properties.

The Ocean Villas at Huduranfushi, which were destroyed by a fire during the last financial year were reconstructed during the year.

Your Company continues to leverage the competitive advantage of having all 3 of its resorts within the Male atoll, as it affords visitors significant advantages in terms of lower transfer costs and possibilities of night transfers. We continued to be the single largest foreign owner in terms of capacity in the Maldives with a total of 1,200 beds.

Oman

We were the first Sri Lankan company to make inroads into Oman which was until then dominated by local or Western hotel chains. The performance of the six properties we manage in Oman and operate under the brands of the owning entity, well typify the success of our model for management contracts and our diversified portfolio has enabled us to offer complete round trip packages in the Sultanate.

India

In my reviews during the last two years, I mentioned that we were reassessing our existing investments and business model in India to enable our presence there to make a more positive contribution to overall performance. Accordingly, our existing management contracts during the financial year were discontinued, whilst as a first step towards widening our foot print in South Asia, we acquired a 143 roomed five star hotel in Chennai. This property was redesigned and re-branded and is scheduled to open under our new brand "Turyaa" in July 2015.

Sustainable Value Creation

At Aitken Spence Hotels, "Sustainability" is not merely about being abreast with global trends in business and governance but one that truly springs from our belief that sustainability of an entity's profits ultimately depend on the sustainability of the community and environment that it is part of. It is this passion that has lead us to pioneer many social and environmental sustainability measures.

Previously, Heritance Hotels became the first hotel chain in Sri Lanka to be ISO 50001 certified. All our properties today have an Environmental Management System (EMS) which either negates or mitigates all our negative environmental impacts. A Triple Bottom Line approach to enterprise is thus intrinsic to our business. Heritance Tea Factory was the first hotel in Sri Lanka to develop renewable energy with the launch of a bio mass gasifier. Our properties such as Heritance Kandalama are today seamlessly integrated into the existing natural forest environment.



The communities in which we operate are the key stakeholders of our resorts in many different ways. For one, the majority of our staff are recruited from the localities. Secondly, we also add value to local resources by sourcing products & services from the localities as much as possible, thus encouraging entrepreneurship, facilitating income generation and farming amongst the neighbouring communities. Local artisans are given an opportunity to showcase their products and sustain their skills and knowledge for future generations. The Heritage Ayurveda Maha Gedara Arts and Crafts Centre is one such example of how we strive to sustain and promote uniquely Sri Lankan crafts and skills and also to provide them a link to markets in the world at large. Less tangible but equally important, the local ethos, traditions, ways of life and skills give meaning to who we are, and inspire us to preserve the heritage of each locality.

Additionally, Aitken Spence Hotels also follows the Principles of the United Nations Global Compact (UNGC) and the Millennium Development Goals to complement our sustainability focus. Our corporate reporting also adopts an integrated approach to review and preview our performance and adopt the GRI (G4) guidelines for reporting on our Sustainability Performance. This is our fourth year in integrated reporting and fourth year in adoption of the GRI guidelines.

Awards & Recognition:

It is most heartening that our Triple Bottom Line approach to business received external endorsement during the year, as all the hotels in the Heritage chain were awarded the Gold in the Hotels & Accommodations category by Travelife - the international sustainability certification scheme which assesses a property's performance in managing social, environmental and economic impacts. This remarkable achievement is not only a reward but an encouragement to the passion with which our team integrates and drives environmental and social sustainability measures at each location.

Moreover, Aitken Spence Hotels won the Gold award for the 3rd successive year, in the Hospitality Sector, at the Golden Jubilee of the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka held in December 2014.

Outlook:

Technology, we know plays a significant and an ever increasing role in our lives; contributing to changing life styles and aspirations of people across the globe. As we have mentioned in previous reviews we recognise

that it is now a game changer in the leisure industry as well. For one, it is a key factor in people's decision making on leisure and travel. Web based bookings has reduced booking times as travel and holiday plans are no longer being made six months in advance but a few weeks, days or hours ahead. We have hence aligned our marketing strategy to harness these rapidly evolving trends in the market place. During the year, the Company invested in several technological advancements to enhance customer interface, improve online customer convenience, facilitate more sophisticated reputation management and management information systems. We will continue to focus on leveraging technology as a competitive advantage in the year ahead.

We hope the new government will reignite some of the past strategies that served the industry well. We look forward to a focused and strategic destination marketing campaign integrated across all media to augment the efforts of our tour operators in those nations; the cost of not doing so in the past few years, has been considerable.

Increasing tourist arrivals to Sri Lanka and the number of higher yielding tourists is an imperative, made all the more urgent in the context of high construction and operational costs combined with diminishing opportunities for price competitiveness.

We also hope that the industry will benefit from regulation and better strategic planning in hotel and resort location for the medium and long term growth and sustainability of the industry.

Looking ahead at next year, it is likely that arrivals and revenues which originate from countries such as Russia and the CIS would reduce due to the economic turmoil in Russia and the devaluation of the Ruble. The depreciation of the Euro vis-a-vis the US Dollar could also impact spending by the Western European markets. The impact of the latter could also be further exacerbated by the fact that there was no destination marketing over the past year. We will thus look to diversify our markets whilst also focusing on rapidly growing markets which are less price sensitive, such as China, India and the Middle East. Your Company's regional presence makes it well poised to harness the potential in these countries. A United States economy led growth on the other hand, augurs well for world growth and hence world travel and tourism.

In the context of challenges in the external environment, managing costs, enhancing our brand value and harnessing the benefits of energy saving measures would also be amongst our priorities in the year ahead.



THE AITKEN SPENCE SIGNATURE OF QUALITY

Managing Director's Review

We will also focus on enhancing our brand value through the development of our products as well as the range of services we offer. For example via the offer of more customised solutions and online marketing. In the medium to long term we will look to expand in the regions in which we have already established a strong presence whilst in the long term we will look at expanding into new markets in the region.

Sri Lanka was the fastest growing South Asian nation during the year. We are convinced that Sri Lanka's post war growth story will continue at the right pace and tourism will be a key beneficiary as well as a key driver of this growth.

Acknowledgements

I would like to convey my appreciation to our Chairman for his visionary leadership and guidance and to my colleagues on the Board for their constant support and guidance and the confidence placed in me. My heartfelt thanks to our teams of employees, in Sri Lanka, Maldives, Oman and India whose tireless efforts, passion and commitment have fuelled our abilities to meet and exceed stakeholder expectations. I also extend a very sincere thank you to our shareholders, business associates and our clients for their loyalty and support which will continue to inspire us to expand our horizons.

J.M.S. Brito
Managing Director

26 May, 2015



Group Performance Highlights

Performance for the Year ended 31st March	2015	2014	Change
Gross Revenue - Rs. '000	13,270,918	12,947,076	3%
Group Profit Before Tax - Rs. '000	3,920,116	4,078,450	(4%)
Group Profit After Tax - Rs. '000	3,435,622	3,517,015	(2%)
Group Profit Attributable to Equity Holders of Parent - Rs. '000	2,234,804	2,340,934	(5%)
Ordinary Dividend Proposed - Rs. '000	504,435	504,435	0%
Dividend per Share - Rs.	1.50	1.50	0%
Earnings per Share (EPS) - Rs. (*Diluted EPS)	6.60	6.92	(5%)
Cost of Finance - Rs. '000	185,491	192,252	(4%)
(Increase)/Decrease in Cost of Finance - %	3.52%	22.05%	(84%)
Interest Cover - Number of Times	22.21	22.03	1%
Return on Equity - %	13.75%	16.63%	(17%)
Position as at the Year ended 31st March			
Total Assets - Rs. '000	32,788,267	25,976,928	26%
Long term interest bearing borrowings - Rs. '000	5,363,625	2,913,898	84%
Total Equity - Rs. '000	21,869,232	19,167,842	14%
Number of shares in issue - Number	336,290,010	336,290,010	0%
Net Assets per Share - Rs.	50.75	45.24	12%
Debt/Equity - %	25.47%	16.20%	57%
Debt/Total Assets - %	16.86%	11.85%	42%
Current Ratio	1.92 : 1	2.58 : 1	(26%)
Quick Asset Ratio	1.87 : 1	2.52 : 1	(26%)
Market/Shareholder Information as at year ended 31st March			
Market Price per Share - Rs.	67	70	(4%)
Market Capitalisation - Rs. '000	22,531,431	23,540,301	(4%)
Price Earnings Ratio - Number of Times	10.15	10.12	0%
Dividend Payout - %	22.72%	21.69%	5%
Dividend Yield - %	2.24%	2.14%	4%
Value Added for the year			
To Government - Rs. '000	801,195	976,610	(18%)
To Employees - Rs. '000	1,828,866	1,753,081	4%
To Providers of Capital - Rs. '000	1,386,309	1,368,333	1%
To Shareholders - Rs. '000	504,435	504,435	0%
Retained for reinvestment and future growth - Rs. '000	2,537,624	2,597,872	(2%)
Total Value Added - Rs. '000	7,058,429	7,200,331	(2%)
Total Economic Value Added - Rs '000	1,577,831	1,839,166	(14%)
Sustainability Indicators			
Water Consumption m ³	646,625	569,794	13%
Water Consumption Per Guest Night - Litres	958	837	14%
Total Energy Consumption MJ	305,905	284,727	7%
Energy Consumption Per Guest Night - GJ	453	418	8%
GHG Emissions Per Guest Night Kg (Scope 1 & 2)	39	35	10%
Training per Employee - Hours	103	102	1%
Community Engagement - No. of Persons Impacted	9,202	4,566	102%



THE AITKEN SPENCE SIGNATURE OF QUALITY

The Board of Directors



Deshamanya D.H.S. Jayawardena

Mr. J.M.S. Brito

Ms. D.S.T. Jayawardena

Mr. C.M.S. Jayawickrama

Mr. S.M. Hapugoda

Mr. G.P.J. Goonewardena

Mr. R.E.V. Casie Chetty

Mr. R.N. Asirwatham

Mr. N.J. de Silva Deva Aditya

Mr. C.H. Gomez



THE AITKEN SPENCE SIGNATURE OF QUALITY





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 export and import trade, and the Chairman of Lanka Milk Foods (CWE) PLC. He is also the Chairman of the Distilleries Company of Sri Lanka PLC, Browns Beach Hotels PLC, Balangoda Plantations PLC, and Madulsima Plantations PLC. In addition to being the Chairman of Lanka Bell Ltd., Melstacorp Limited, Milford Exports (Ceylon) (Pvt) Ltd., Ambewela Livestock Company Ltd., Ambewela Products (Pvt) Ltd., Lanka Dairies (Pvt) Ltd., Periceyl (Pvt) Ltd., Texpro Industries Ltd., Ceylon Garden Coir (Pvt) Ltd., he is also the Chairman/Managing Director/Director of several other successful and reputable companies. He is a former Director of Hatton National Bank PLC, the largest listed bank in Sri Lanka. He also served as the Chairman of Ceylon Petroleum Corporation and Sri Lankan Airlines.

In November 2005, he was awarded the title, "Deshamanya" in recognition of his services to the Motherland.

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

He currently serves on the Board of Directors of Sri Lankan Airlines.

Ms. D.S.T. Jayawardena

Ms. Stashani Jayawardena is overall responsible for the leisure sector of the Group that includes hotels, incoming destination management and overseas travel.

Ms. Jayawardena is a graduate of St. James' & Lucie Clayton College and Keele University in the United Kingdom.

She joined Aitken Spence PLC in January 2010, gaining experience in several of its key strategic business units and across the parent group companies. She was appointed to the Board of Aitken Spence PLC in December 2013 and to the Board of Aitken Spence Hotel Holdings PLC in July 2014.

Ms. Jayawardena is a member of the Young Leaders Steering Committee and the Banking, Finance & Capital Markets Steering Committee of the Ceylon Chamber of Commerce. She is the Chairperson of Splendor Media, a leading advertising and communication company.

She is also a Director at Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Milford Developers (Pvt) Ltd., Stassen Foods (Pvt) Ltd., C D B Exports (Pvt) Ltd., EcoCorp Asia (Pvt) Ltd., Amethyst Leisure Ltd. and Paradise Resort Passikudah (Pvt) Ltd.

She was the youngest intern to work under US Senator Hilary Rodham Clinton and the Former US President Bill Clinton in 2003. She is a member of EY Next Generation Club.

Ms. Jayawardena leads a team of young professionals that is endeavouring to develop a strategic development plan for future growth of Aitken Spence PLC.

Mr. C.M.S. Jayawickrama

Mr. Susith Jayawickrama a Fellow of the Chartered Institute of Management Accountants UK, is the Managing Director of Aitken Spence Hotel Managements (Pvt) Ltd., the company managing all the Group Hotels in Sri Lanka and overseas. He serves on the Boards of all the hotel companies in the Group. He has extensive experience at senior management positions in the Group's hotel sector for more than two decades and has considerable exposure in the tourism industry in Sri Lanka and overseas. He was also the Executive Vice President of the Resort Hotels of the Tourist Hotels Association of Sri Lanka (THASL).

Mr. S.M. Hapugoda

Mr. Malin Hapugoda was the Head of the Group's Hotels Sector till July 2014 and continues as a full time Director/Executive Consultant. He is a professional hotelier counting many years of managerial experience at senior level within several hotel companies. He 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. G.P.J. Goonewardena

Mr. Gemunu Goonewardene is the Vice President/Consultant responsible for Resource Planning & Development, Food & Beverage Services and facilities of the Hotels in the Group.

He is a Graduate of the Ceylon Hotel School and has concluded his Post Graduate studies at the Culinary Institute of America. He serves as an Honorary Consultant for the Postgraduate Diploma in Tourism, Economics & Hotel Managements leading to Masters programme, conducted by the University of Colombo.

Mr. Goonewardene was a member of the Tourist Hotels Classification Committee for 2014, and a member of the team which drafted the new Tourist Hotel Classification Criteria/Guideline Standards for hotels.

With extensive exposure, having worked in U.S.A., Europe and Australia and counting more than 40 years of valuable experience, he has been an integral part and a key member of the Aitken Spence Hotels Group, from its inception and has contributed immensely towards planning, and development of its iconic properties, in Sri Lanka and Maldives.

Mr. R.E.V. Casie Chetty

Mr. Ranjan Casie Chetty is the Company Secretary of Aitken Spence PLC, and a Director of Aitken Spence Group Ltd., Aitken Spence Hotel Holdings PLC, and various other companies in the Aitken Spence Group. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, a Fellow of the Chartered Institute of Management Accountants of UK and 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 many reputable private sector organisations. He continues to be actively involved in committees of Professional Institutes and Chambers of Commerce. He served as a Member of the Advisory Commission constituted under the Companies Act No. 17 of 1982. He was a former Chairman of the Sri Lanka Apparel Exporters Association.

Mr. R.N. Asirwatham

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

Mr. Asirwatham is a Fellow member of the Institute of Chartered Accountants of Sri Lanka. He is also a member of the Ceylon Chamber of Commerce - Advisory Council and a Member of the Council of the University of Colombo.

He also serves on the Boards of Vallibel One Limited, Ceylon Tea Services PLC, Royal Ceramics PLC, Dial Tex Industries (Pvt) Limited, Renuka Hotels (Pvt) Limited, CIC Holdings PLC, Rajawella Holdings (Pvt) Limited, Mercantile Merchant Bank, Yaal Hotels (Pvt) Limited, Dankotuwa Porcelain PLC, Ceylon Agro Industries Ltd., Colombo City Holdings PLC, Peninsular Properties (Pvt) Ltd. and Fentons Limited.

Mr. N.J. de Silva Deva Aditya

Mr. Niranjana Deva Aditya is an Aeronautical Engineer, Scientist and Economist, a Conservative Member of the European Parliament elected from the SE England. He is the Vice President of the Development Committee; ECR Co-ordinator and Conservative Spokesman for Overseas' Development and Co-operation.

He was the Co-Leader of the Parliamentary Delegation to the UN World Summit and General Assembly in 2006, Chairman Working Group A of the Development Committee overseeing Asia, Central Asia and Far East, Co-Coordinator at the Assembly of 79 Parliaments of the EU-ACP 2004 and the President of the EU India Chamber of Commerce from 2005.

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

Mr. C.H. Gomez

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



THE AITKEN SPENCE SIGNATURE OF QUALITY

Corporate Management Team





THE AITKEN SPENCE SIGNATURE OF QUALITY



Mr. Chethiya Perera
Mr. Rohitha Rajaratne
Mr. Mangala Wijesekera
Mr. B.H.R. Sariffo'deen
Mr. Tilak Gunawardana
Mr. Althaf M. Ali
Mr. Danesha Perera
Mr. Hussain Jayah
Mr. Jeevaka Vveerakone
Mr. Upul Peiris
Mr. Srinith de Silva



Corporate Management Team

Mr. C.M.S. Jayawickrama

(Profile on page 26)

Mr. S.M. Hapugoda

(Profile on page 26)

Mr. G.P.J. Goonewardena

(Profile on page 27)

Mr. Chethiya Perera

Mr. Chethiya Perera is the Chief Executive Officer of the Indian Sector of Aitken Spence Hotels. He is a Director of Aitken Spence Hotel Managements (South India) Private Limited, the hotel management company in India. He is a Fellow of the Ceylon Hotel School Graduates Association and is a member of HCIMA, UK and the Institute of Management UK. He has had extensive overseas training and has considerable industry experience, particularly in the Maldives, Sri Lanka & India.

Mr. Rohitha Rajaratne

Mr. Rohitha Rajaratne is the Head of Engineering for the Hotels in the Aitken Spence group.

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

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

Mr. Mangala Wijesekera

Mr. Mangala Wijesekera, Vice President, heads the Finance and Administration function of overseas ventures and projects of the Hotels in the Group. He carries with him a wealth of experience gathered over 2 decades in Finance, General & Project Management acquired in Sri Lanka and overseas.

He has a Bachelors Degree in Mathematics from the University of Colombo and holds an MBA from the University of Southern Queensland, Australia. Prior to the present position he was Head of Finance for the Maldives and Sri Lanka sectors of Aitken Spence Hotels.

Mr. B.H.R. Sariffo'deen

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

He was the President of the Ceylon Hotel School Graduates Association – CHSGA and the current immediate past president. He was the former president of the Cultural Triangle Hoteliers Association – CTHA and a Fellow of the Ceylon Hoteliers School Graduates Association (FCHSGA). He successfully completed his Masters in Business Administration (MBA) at the University of Cardiff Metropolitan.

He was in the panel of judges of the Culinary Competition in the Maldives in the year 2014.

He is also a Match Referee of the Sri Lanka Cricket Board and has officiated the Premier A Tournaments since year 2011.

Mr. Tilak Gunawardana

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

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

Mr. Althaf M. Ali

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

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



Mr. Danesha Perera

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

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

He held office as the President of the Institute of Supply & Materials Management Sri Lanka (ISMM) for 2011/12 and 2012/13 for two years. He is currently representing ISMM as a Past President.

He is a Fellow of the Institute of Supply & Materials Management.

He also held office as a Vice President of the Organisation of Professional Associations of Sri Lanka (OPA) for 2012/13. He currently represents the Institute of Supply & Materials Management Sri Lanka at the Organisation of Professional Associations of Sri Lanka as a Forum Member and Executive Council Member and serves as a member of the Membership Committee at the OPA.

He was presented with the "Garner Themion" international award by the International Federation of Supply Management (IFPSM) for 2012.

Mr. Hussain Jayah

Mr. Hussain Jayah is the Assistant Vice President - Marketing & Sales at Aitken Spence Hotels. He comes with a wealth of experience, and counts over 34 years in the Travel, Hospitality and Aviation industry. In the hospitality arena, he has been with International hotel chains, such as The Colombo Hilton, and thereafter headed the Marketing and Sales Department of the Taj Group of Hotels in Sri Lanka.

Prior to joining Aitken Spence he held managerial positions at Sri Lankan Airlines in the Promotions, Public Relations, Commercial Departments and was also posted to Saudi Arabia, Oman and Thailand as Country Manager. A former member of the Board of Management of the Sri Lanka Conventions Bureau, he also represented Sri Lankan Airlines in the Tourism Master Plan Committee of Sri Lanka, and currently holds the position of Vice President of the PATA Sri Lankan Chapter.

Mr. Jeevaka Weerakone

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

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

Mr. Upul Peiris

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

He has worked in the hotel industry in Sri Lanka and Maldives for over 30 years. He has been with Aitken Spence Hotels since 1989 and counts over 25 years of continuous service holding senior positions. He counts over 8 years of experience in handling operations in the Maldives.

Mr. Srinith De Silva

Mr. Srinith De Silva is the Chief Executive Officer of the Oman Sector of Aitken Spence Hotels. He is a Graduate of the Victoria University - Melbourne and counts many years of experience in international hotel chains, such as Sheraton, Raffles and Stamford. He has more than 20 years of experience in the hospitality industry in senior managerial positions handling operations and marketing in Saudi Arabia, Australia, Sri Lanka and India.



THE AITKEN SPENCE SIGNATURE OF QUALITY

Our Brands



HERITANCE Hotels & Resorts

Heritance Ahungalla
Heritance Kandalama
Heritance Tea Factory
Heritance Ayurveda Maha Gedara
Heritance Negombo

"Where Tradition is Alive"

Heritance 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 Heritance can offer. It is through this distinctive combination that Heritance Hotels & Resorts offers a unique hospitality experience: "Where Tradition is Alive".



— ADAARAN —

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

"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.



THE AITKEN SPENCE SIGNATURE OF QUALITY



Aitken Spence Hotels

Sri Lanka

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

India

Turyaa Chennai

"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

Oman

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

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!

Diamond
Club
Welcome to a world of extended privileges

"Welcome to a world of extended privileges"

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



THE AITKEN SPENCE SIGNATURE OF QUALITY



HERITANCE Hotels & Resorts

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

Aitken Spence Hotels

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





THE AITKEN SPENCE SIGNATURE OF QUALITY

Sri Lanka

"A Land Like No Other" for its diversity for any holiday maker - with many heritage sites, wildlife, lush landscape and mountainous scape and pristine beaches located within a mere couple of hours of each other! Since the end to a protracted domestic war in 2009, Sri Lanka is today one of the most attractive destinations in the world, whether for the sporty and adventurous who seek water sports or trekking or those who venture to be healed in mind, body and spirit by its indigenous Ayurveda medicine and the tranquillity of the green mountains or bathe in the sun & sea on our island coastline with an option of an East and a West coast that provides a friendly sea all year round. A nation rich in history and culture, Sri Lanka is also home to several world heritage sites, and one of its many wild life parks has the world's highest concentration of Leopards in a square mile.

Many have been the international accolades since the end to the thirty year war. Amongst them - Sri Lanka was recognised as the 'Best Travel Destination' by the Travel and Leisure Magazine of China at the Annual Travel Award Ceremony held in January 2014. Sri Lanka was also listed among the 'top 10 coolest countries' in the world to visit in 2015, by the Forbes magazine. The National Geographic Traveller Magazine named Sri Lanka amongst its top six destinations for World Travellers in 2012, Conde Nast Traveller ranked Sri Lanka as the sixth best destination for 2012; and Kuoni, in its annual poll, finds Sri Lanka amongst the "top five destinations for UK Travellers and the number one destination for weddings" whilst Travel Asia Online in its March 2012 report ranks Sri Lanka the "best place to visit in South Asia".

sri lanka
WONDER OF ASIA



Heritance Kandalama



THE AITKEN SPENCE SIGNATURE OF QUALITY





THE AITKEN SPENCE SIGNATURE OF QUALITY

Sri Lanka



HERITANCE Ahungalla

HERITANCE AHUNGALLA

Heritance Kandalama
Heritance Tea Factory
Heritance Ayurveda Maha Gedara
The Sands
Hotel Hilltop
Amethyst Resort
Earl's Regency
Bandarawela Hotel
Properties Under Development

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

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

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

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





THE AITKEN SPENCE SIGNATURE OF QUALITY





THE AITKEN SPENCE SIGNATURE OF QUALITY

Sri Lanka



HERITANCE Kandalama

Heritance Ahungalla
[HERITANCE KANDALAMA](#)
Heritance Tea Factory
Heritance Ayurveda Maha Gedara
The Sands
Hotel Hilltop
Amethyst Resort
Earl's Regency
Bandarawela Hotel
Properties Under Development

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

Blending perfectly with the natural environment, whilst preserving the aura of ancient hermit caves in its environs, 152 roomed, 5 star resort Heritance Kandalama virtually leans against a thickly wooded rocky outcrop at the foot of the Northern slopes of Sri Lanka's Central hills. Perched just above the Dambulla Tank, it overlooks an expanse of water that stretches the eye to the magnificent view of the fifth century AD Sigiriya rock fortress and the first century BC Dambulla Rock Temple, two of Sri Lanka's most prominent UNESCO World Heritage Sites. Heritance Kandalama, was the first hotel in Asia to receive the Green Globe 21 certification and continues to be a globally accepted case study on sustainable tourism.

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





THE AITKEN SPENCE SIGNATURE OF QUALITY





THE AITKEN SPENCE SIGNATURE OF QUALITY

Sri Lanka



HERITANCE Tea Factory

Heritance Ahungalla
Heritance Kandalama
[HERITANCE TEA FACTORY](#)
Heritance Ayurveda Maha Gedara
The Sands
Hotel Hilltop
Amethyst Resort
Earl's Regency
Bandarawela Hotel
Properties Under Development

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

Heritance Tea Factory sits 6,800 feet above sea level, only six degrees from the Equator. In the mountain range, which gave the world Pure Ceylon Tea, the hotel began as a factory built in the days of the British Raj. Unused since 1972, the Hethersett factory and estate was converted through sheer vision and innovation to be the only tea factory in the world that is a hotel. The 54 roomed, 4 star resort, is a reminder of the past in perfect blend with innovations of the present.

In 2014 Heritance Tea Factory was awarded the first organic certification in Sri Lanka by the Sri Lanka Standards Institute (SLSI) for the cultivation and processing of tea. After eight years of refining the processes used to cultivate and process organic black tea, green tea and herbal tea, the hotel emerged pioneers in achieving the organic certification. The mission to achieve 100% organic status was first realised in the year 2005 when the hotel discontinued the use of all forms of chemical fertilizer, pesticides or weedicides in the tea plantation. Artificial material was replaced with greener substitutes such as compost manure that is produced at the Hotel's in-house composting project. The growth of gotukola as an under layer in the tea plantation was encouraged to prevent the growth of weeds and aid in nourishing the soil.





THE AITKEN SPENCE SIGNATURE OF QUALITY





THE AITKEN SPENCE SIGNATURE OF QUALITY

Sri Lanka



HERITANCE Ayurveda Maha Gedara

Heritance Ahungalla
Heritance Kandalama
Heritance Tea Factory

[HERITANCE AYURVEDA MAHA GEDARA](#)

The Sands
Hotel Hilltop
Amethyst Resort
Earl's Regency
Bandarawela Hotel
Properties Under Development

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

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





THE AITKEN SPENCE SIGNATURE OF QUALITY



Aitken Spence  Hotels

Heritage Ahungalla
Heritage Kandama
Heritage Tea Factory
Heritage Ayurveda Maha Gedara
The Sands
Hotel Hilltop
Amethyst Resort
Earl's Regency
Bandarawela Hotel
Properties Under Development



HOTEL
Hilltop
KANDY



EARL'S
Regency





THE AITKEN SPENCE SIGNATURE OF QUALITY

Sri Lanka



The Sands
KALUTARA

Heritage Ahungalla
Heritage Kandalama
Heritage Tea Factory
Heritage Ayurveda Maha Gedara

THE SANDS

Hotel Hilltop
Amethyst Resort
Earl's Regency
Bandarawela Hotel
Properties Under Development



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.

An hour's drive from Colombo, the 110 roomed, 4 star resort has one of the widest beaches in the area, making it a popular choice for families. Adding to this ambience of family fun is a five-acre garden and inviting surf. The Sands offers unique beach front rooms with private balconies.



THE AITKEN SPENCE SIGNATURE OF QUALITY



Aitken Spence Hotels

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

PROPERTIES UNDER DEVELOPMENT



501 roomed five star RIU Resort in Ahungalla





THE AITKEN SPENCE SIGNATURE OF QUALITY

Sri Lanka



HERITANCE Negombo

Heritance Ahungalla
Heritance Kandalama
Heritance Tea Factory
Heritance Ayurveda Maha Gedara
The Sands
Hotel Hilltop
Amethyst Resort
Earl's Regency
Bandarawela Hotel
[PROPERTIES UNDER DEVELOPMENT](#)



143 roomed five star resort, Heritance Negombo





THE AITKEN SPENCE SIGNATURE OF QUALITY




ADAARAN
Luxury . Boutique . Wellness Resorts

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



THE AITKEN SPENCE SIGNATURE OF QUALITY

Maldives

Maldives is today one of the most sought after great tropical escapes for everyone, from all corners of the world. Bestowed with white sand beaches and an amazing underwater world, the wide array of hotels in Maldives offer unparalleled luxury for the holiday seeker, who wants to snorkel or dive-in and be awe inspired by the beauty of marine life, or immerse in the crystal clear waters and bask in the sun on the white sand beaches of Maldives.

With luxuriously warm seas and powder white beaches, the Maldives are a picture-perfect holiday destination. The island's unspoiled beaches are possibly the best in the world. Shores are fringed by swaying palm trees and sparkling waters with tropical fish, dolphins and five species of sea turtles.

The Maldives consists of two rows of atolls in the Indian Ocean, just across the equator. The country is made up of 1,190 coral islands formed around 26 natural ring like atolls, spread over 90,000 square kilometres. These atoll structures are formed upon a sharp ridge rising from the ocean, making way for their secluded uniqueness, breathtaking beaches and crystal clear waters.

Every atoll in the Maldives is made of a coral reef which encircles a lagoon, with deep channels dividing the reef ring. A string of islands take their places among this atoll ring. Each of the islands has its own reef encircling the island lagoon. The reefs are alive with countless types of underwater creatures and vibrant corals that protect the islands from the winds and waves of the surrounding vast oceans. 99% of the Maldives is the sea, making it an idyllic choice for that perfect getaway with water temperatures of 26-28 degrees year around.



Adaaran Club Rannalhi



THE AITKEN SPENCE SIGNATURE OF QUALITY





THE AITKEN SPENCE SIGNATURE OF QUALITY

Maldives



ADAARAN
Prestige
VADOO
MALDIVES

ADAARAN PRESTIGE VADOO

Adaaran Prestige Water Villas
Adaaran Select Meedhupparu
Adaaran Club Rannalhi
Adaaran Select HudhuRan Fushi

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

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





THE AITKEN SPENCE SIGNATURE OF QUALITY





THE AITKEN SPENCE SIGNATURE OF QUALITY

Maldives



Adaaran Prestige Vadoo

[ADAARAN PRESTIGE WATER VILLAS](#)

Adaaran Select Meedhupparu

Adaaran Club Rannalhi

Adaaran Select HudhuRan Fushi

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

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





THE AITKEN SPENCE SIGNATURE OF QUALITY





THE AITKEN SPENCE SIGNATURE OF QUALITY

Maldives



ADAARAN
Club
RANNALHI
MALDIVES

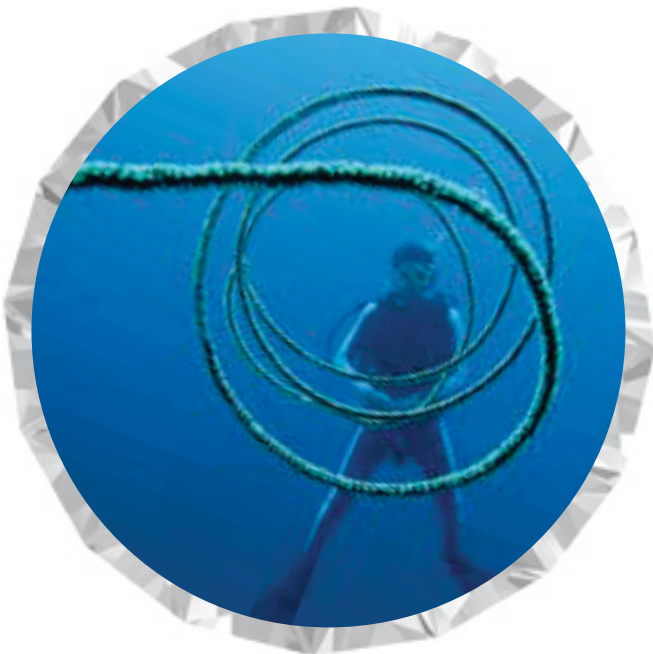
Adaaran Prestige Vadoo
Adaaran Prestige Water Villas
Adaaran Select Meedhupparu

[ADAARAN CLUB RANNALHI](#)

Adaaran Select HudhuRan Fushi

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

The 130 roomed, 4 star resort boasts of water villas and was one of the first resorts in the 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 reef that is home to exotic tropical fish. The resort offers 35 water villas and 95 beach villas.





THE AITKEN SPENCE SIGNATURE OF QUALITY





THE AITKEN SPENCE SIGNATURE OF QUALITY

Maldives



Adaaran Prestige Vadoo

Adaaran Prestige Water Villas

Adaaran Select Meedhupparu

Adaaran Club Rannalhi

[ADAARAN SELECT HUDHURAN FUSHI](#)

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

The resort's close proximity to Male makes it one of the most sought after holiday spots in Maldives. The newly refurbished resort boasts of 215 villas including 37 prestige water villas and is the 2nd largest resort of the Adaaran group. The 4 star resort also known as the surf island, conducts surfing holidays in summer. The resort ocean villas have dedicated bar and lounge facilities and the resort offers a number of over water restaurants.





THE AITKEN SPENCE SIGNATURE OF QUALITY



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



THE AITKEN SPENCE SIGNATURE OF QUALITY

Oman

Oman, the best kept secret of the Middle East !

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

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

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



Desert Nights Camp - Al Wasil



THE AITKEN SPENCE SIGNATURE OF QUALITY





THE AITKEN SPENCE SIGNATURE OF QUALITY

Oman



DESERT NIGHTS CAMP - AL WASIL

Al Falaj Hotel - Muscat
Ruwi Hotel - Muscat
Sur Plaza Hotel - Sur
Al Wadi Hotel - Sohar
Jabal Akhdhar Hotel

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

Desert Nights Camp is an oasis in the dazzling sands of Al Wasil in the Sharigiya region and is situated two hours away from Muscat. The 30 luxurious Bedouin style tents await those who seek the ultimate desert adventure. The camp had the honour of being 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.





THE AITKEN SPENCE SIGNATURE OF QUALITY



Desert Nights Camp - Al Wasil

AL FALAJ HOTEL - MUSCAT

RUWI HOTEL - MUSCAT

SUR PLAZA HOTEL - SUR

AL WADI HOTEL - SOHAR

JABAL AKHDHAR HOTEL



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

Al Wadi Hotel - Sohar

Al Wadi Hotel is located 200 Km's away from the Seeb International Airport - in the city of Sohar, the ancient maritime capital of Oman and home of Sinbad the Sailor. Sohar was recently voted the most beautiful city in the Middle East making it a must-see place for visitors to Oman. Sohar, is situated on the Batinah coast rich in heritage & culture, making it ideal for tourists who have time to explore the Wadis & the Forts while experiencing great hospitality at the hotel. The Sohar fort is one of the largest forts in Oman.



THE AITKEN SPENCE SIGNATURE OF QUALITY

Oman



Ruwi Hotel - Muscat



Al Falaj Hotel - Muscat



Sur Plaza Hotel - Sur



THE AITKEN SPENCE SIGNATURE OF QUALITY





THE AITKEN SPENCE SIGNATURE OF QUALITY

India

From Himalayan peaks to captivating beaches on the Indian Ocean coastline, golden deserts to cool green hills, serene backwaters and rich wildlife to pilgrimage sites, architectural splendours and a history that reaches back 5 millennia; India captures the heart of every tourist!. Traveling through the diverse 29 states of India, a tourist will discover a variety of festivals, colourful fairs, lively markets, diverse flavours and exotic cuisine and vibrant lifestyles, with the common thread of traditional Indian hospitality. This world's 2nd most populated nation provides an exhilarating experience that is - colourful and colliding, spiritual and soothing.

Incredible India



Turyaa Chennai



THE AITKEN SPENCE SIGNATURE OF QUALITY





THE AITKEN SPENCE SIGNATURE OF QUALITY

India



turyaa
CHENNAI

TURYAA CHENNAI

Conveniently located in the IT Corridor of Chennai, and just a drive away from the glorious Mahabalipuram, Turyaa Chennai is the ideal amalgamation of business and leisure. Whilst being a Business Hotel, Turyaa also transforms into an idyllic sanctuary of rest by evening; flaunting its poolside rooftop that opens out to the whole of the bustling city.

Being situated only 20 minutes away from the Chennai International Airport is definitely an advantage to any traveller and discerning guest looking for comfortable accommodation. For those interested in some adventure and history, Turyaa's neighbouring UNESCO world heritage site, Mahabalipuram, is home to rock carved temples shaped like chariots and cave sanctuaries, depicting glorious scenes from Hindu mythology. By the 7th century it was a port city of South Indian dynasty of the Pallavas. It has a group of sanctuaries, which was carved out of rock along the Coromandel coast in the 7th and 8th centuries.

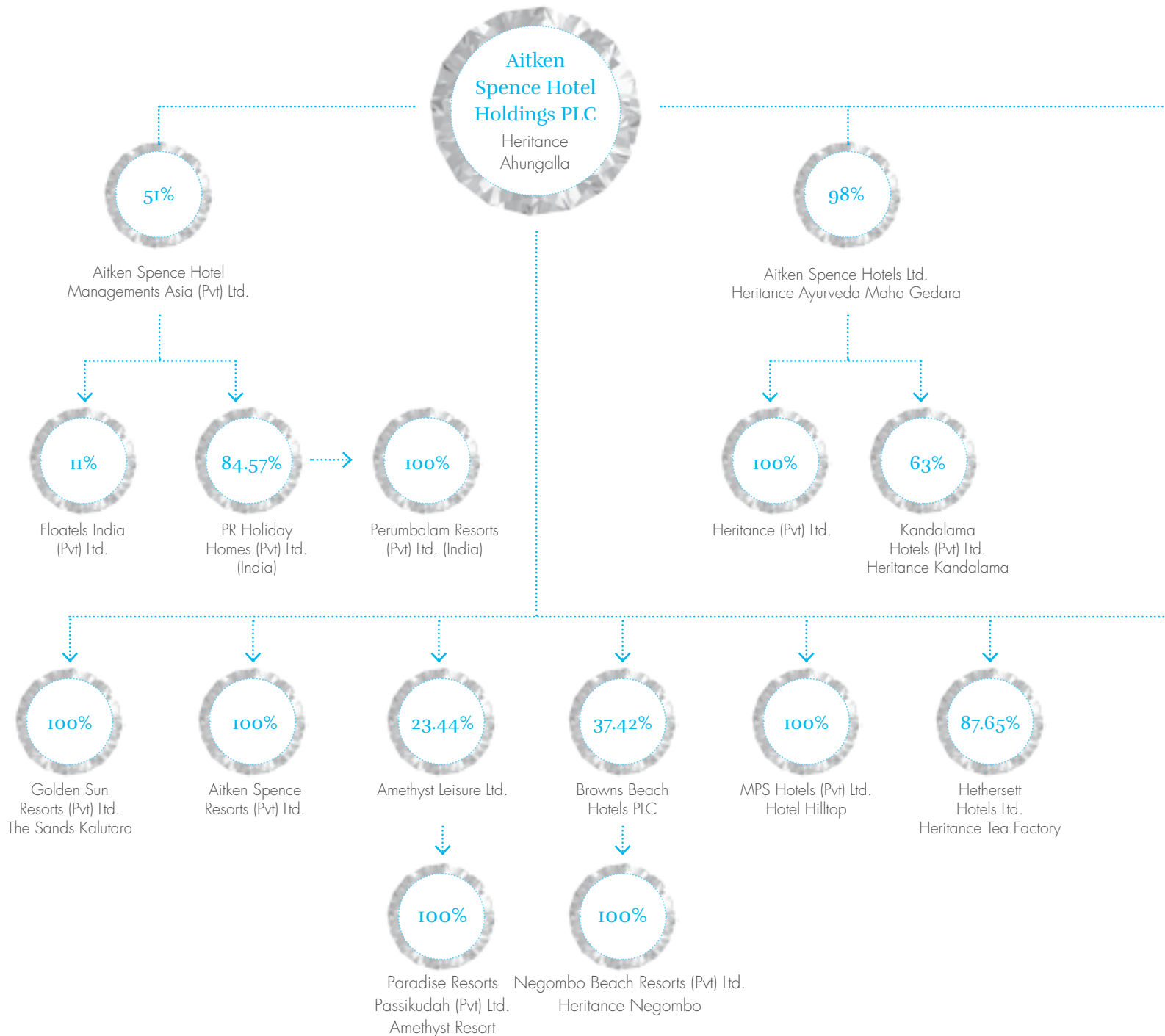
Turyaa Chennai is all about enterprise and entertainment right in the heart of the city of Chennai; the commercial, cultural, economic and educational centre of South India. Besides being the closest Hotel to the City Centre, it is also built to cater to the needs of a discerning, tech savvy, business clientele & Leisure travellers.

State-of-the art, astute in its 24 hour concierge services that begin from the point of airport transfer, Turyaa Chennai offers all its guests a hassle free and all-encompassing staying experience that facilitates them stay ahead of the game. The conveniences at the Hotel extend beyond the 24 hour Reception, 24 hour In-room dining, 24 hour Coffee shop and Currency exchange services; it also ventures to indulge its guests in pleasurable moments of lobby and restaurant music reveries, and rooftop siestas to rejuvenate during business breaks.



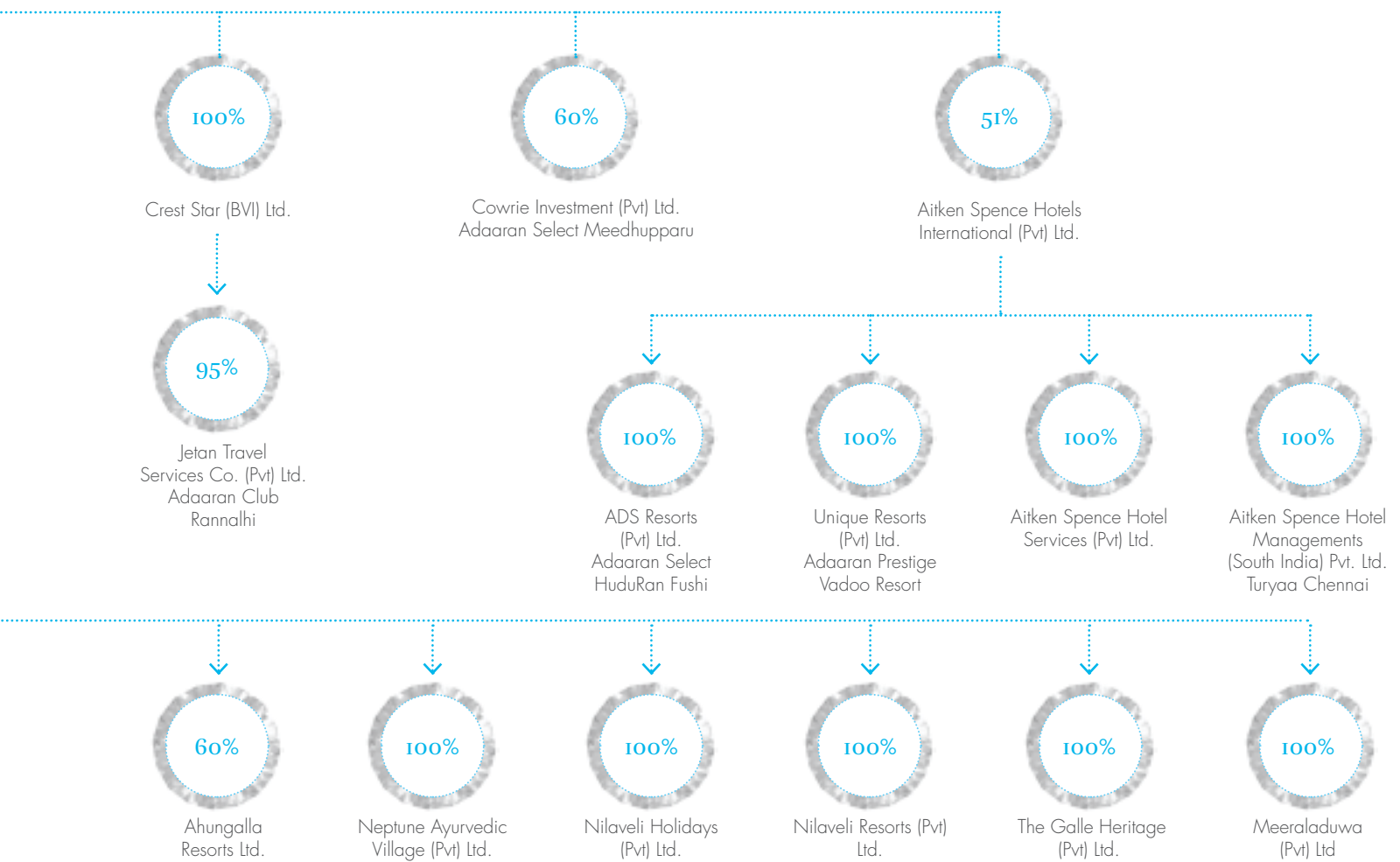


Organisation Structure



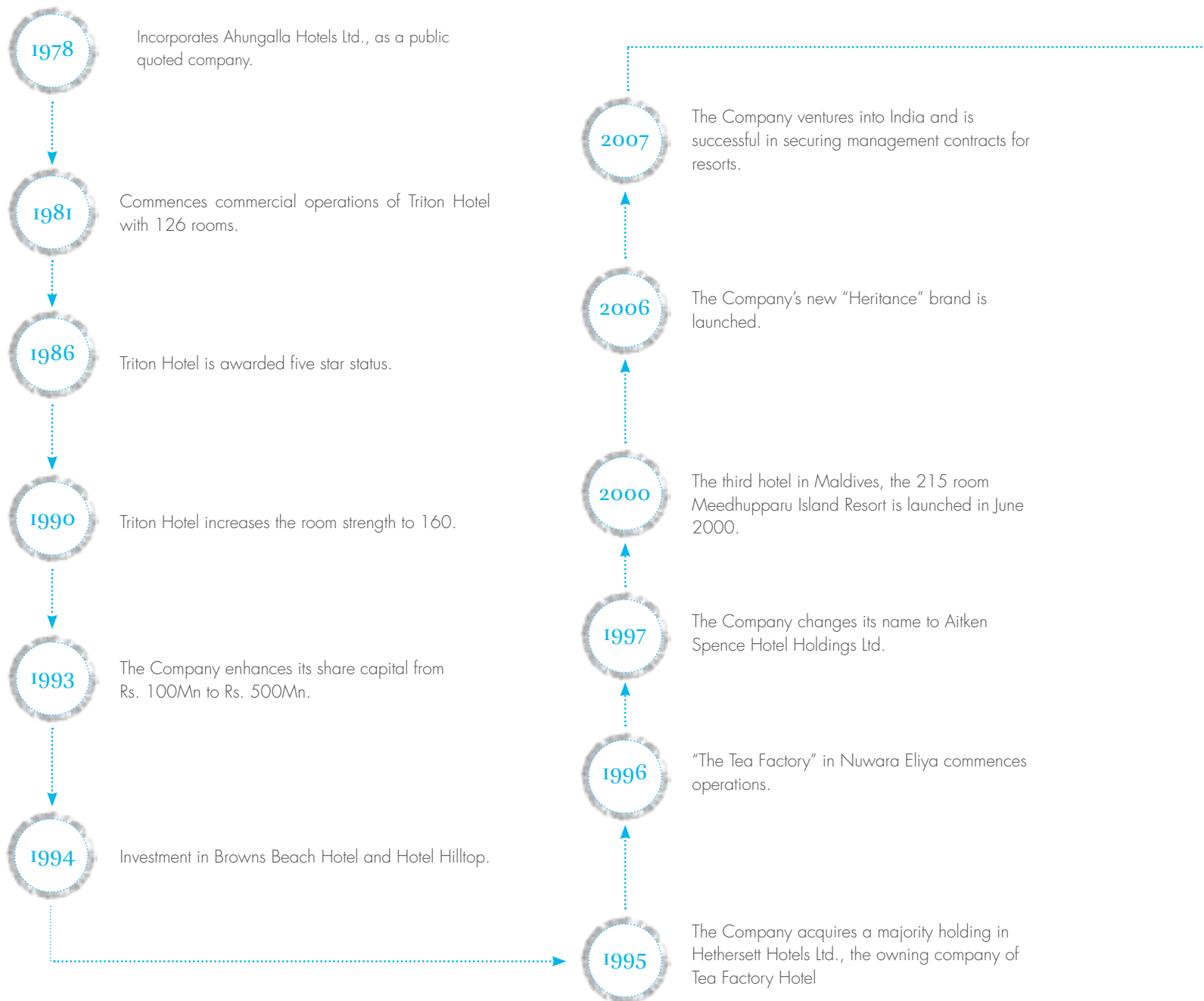


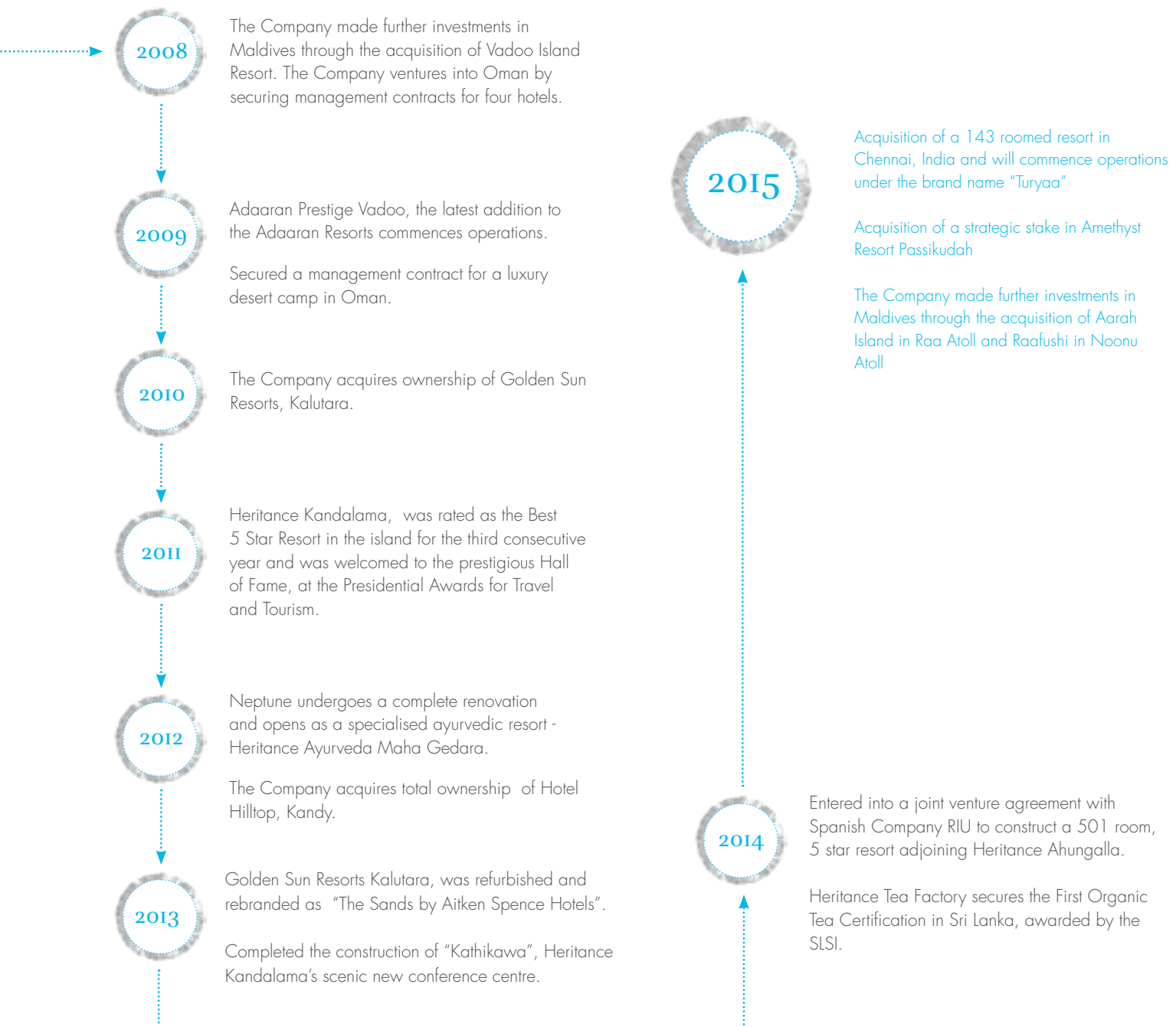
THE AITKEN SPENCE SIGNATURE OF QUALITY





Milestones







THE AITKEN SPENCE SIGNATURE OF QUALITY

Integrated Management Discussion & Analysis

INTRODUCTION

This 2014/15 Annual Report of Aitken Spence Hotel Holdings PLC is its fourth Integrated Report and it builds on the new method of Integrated Reporting we adopted in 2012.

Report Boundary and Scope

The details contained herein, report on the financial year from 1st April 2014 to 31st March 2015. The financial results reported are those of Aitken Spence Hotel Holdings PLC, its subsidiaries and the interest in equity accounted investees. The complete list of hotels within the Group is given in the "About the Group" section on page 73. The MD&A reports on operations which fall directly under our control as a Group and as individual properties.

In preparing this report we have drawn on concepts, guidance and methodology given in the International Integrated Reporting Council's framework and Sri Lanka Accounting Standards (SLFRS/LKAS) applicable for financial periods beginning on or after 1st January 2012. The accounting policies adopted are described in detail in the Financial Statements. Further, we are in compliance with the laws and regulations of the Companies Act No. 07 of 2007 and subsequent amendments and Listing Rules of the Colombo Stock Exchange (CSE).

The Social and Environmental sustainability reporting is based on the universally applicable and comparable framework for Sustainability Reporting developed by the Global Reporting Initiative (GRI) and its G4 guidelines. It also reports on the Group's initiatives towards meeting the Ten Principles of the United Nations Global Compact (UNGC).

This Integrated Annual Report contains certain forward looking statements which relate to the future performance and results of the operations of the Group.

These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may occur in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global and national economic conditions, changes in industry environment, interest rates, credit and the associated risk of lending, inventory levels, gross and operating margins achieved and competitive and regulatory factors.

About The Group

Aitken Spence Hotels operates a chain of 22 distinctive properties in Sri Lanka, Maldives, India and Oman. It is one of the largest resort operators in Sri Lanka and the largest international resort chain in the Maldives in terms of capacity. The range of international award-winning hotels and management expertise have set industry benchmarks for service quality, culinary standards and sustainable tourism.

The portfolio of hotels and resorts offers options for varied needs and budgets – including niche market hotels, award winning resorts and layover hotels - while maintaining exceptional standards of hospitality. The range of properties in Sri Lanka covers places of interest for the multitude of visitors and all key attractions of the Beach, Cultural Triangle, East Coast, Central Hills, Kandy and from next year includes the West Coast. The Group lays claim to many years of experience and expertise in the local and regional hospitality industry and is widely respected for its proficiency in hotel design, building and management, and its commitment to the highest standards of business excellence.

Aitken Spence Hotel Holdings PLC is a subsidiary of Aitken Spence PLC which was established in 1868, and today one of Sri Lanka's foremost diversified conglomerates playing a leading role in Hotels, Travel, Maritime Services and Logistics Solutions.



THE AITKEN SPENCE SIGNATURE OF QUALITY

SRI LANKA	MALDIVES	INDIA	OMAN
Heritance Ahungalla	Adaaran Prestige Vadoo	Turyaa Chennai	Desert Nights Camp, Al Wasil
Heritance Kandalama	Adaaran Prestige		Al Falaj Hotel, Muscat
Heritance Tea Factory	Water Villas		Ruwi Hotel, Muscat
Heritance Ayurveda	Adaaran Select		Sur Plaza Hotel, Sur
Maha Gedara	Meedhupparu		Al Wadi Hotel, Sohar
Heritance Negombo	Adaaran Club Rannalhi		Jabal Akhdhar Hotel
The Sands	Adaaran Select		
Hotel Hilltop	HudhuRan Fushi		
Amethyst Resort			
Earl's Regency			
Bandarawela Hotel			

Statement of Value Added

	%	2014/15 Rs. '000	%	2013/14 Rs. '000	%	2012/13 Rs. '000	%	2011/12 Rs. '000	%	2010/11 Rs. '000
Total Revenue		13,270,918		12,947,076		12,035,870		9,614,828		8,059,152
Purchase of Goods & Services		(6,877,703)		(6,442,670)		(6,013,939)		(5,070,489)		(4,429,510)
Other Income		6,393,215		6,504,406		6,021,931		4,544,339		3,629,642
Share of Profit/(Loss) of Equity Accounted Investees		679,604		661,034		209,652		279,489		282,734
Share of Profit/(Loss) of Equity Accounted Investees		(14,390)		34,891		70,248		48,016		1,529
Total Value Added		7,058,429		7,200,331		6,301,831		4,871,844		3,913,905
Distributed as follows:										
To Government (Income tax & turnover tax)	11	801,195	14	976,610	15	934,170	16	768,594	10	390,330
To Employees (Salaries & other costs)	26	1,828,866	24	1,753,081	26	1,648,248	27	1,331,432	30	1,176,668
To Lenders of Capital (Interest on loan capital & non controlling interest)	20	1,386,309	19	1,368,333	19	1,201,456	19	912,414	14	552,573
To shareholders (Dividends)	7	504,435	7	504,435	5	336,290	5	235,403	4	168,145
Retained for Reinvestment & Future Growth (Depreciation & retained profits)	36	2,537,624	36	2,597,872	35	2,181,667	33	1,624,001	42	1,626,189
		7,058,429		7,200,331		6,301,831		4,871,844		3,913,905

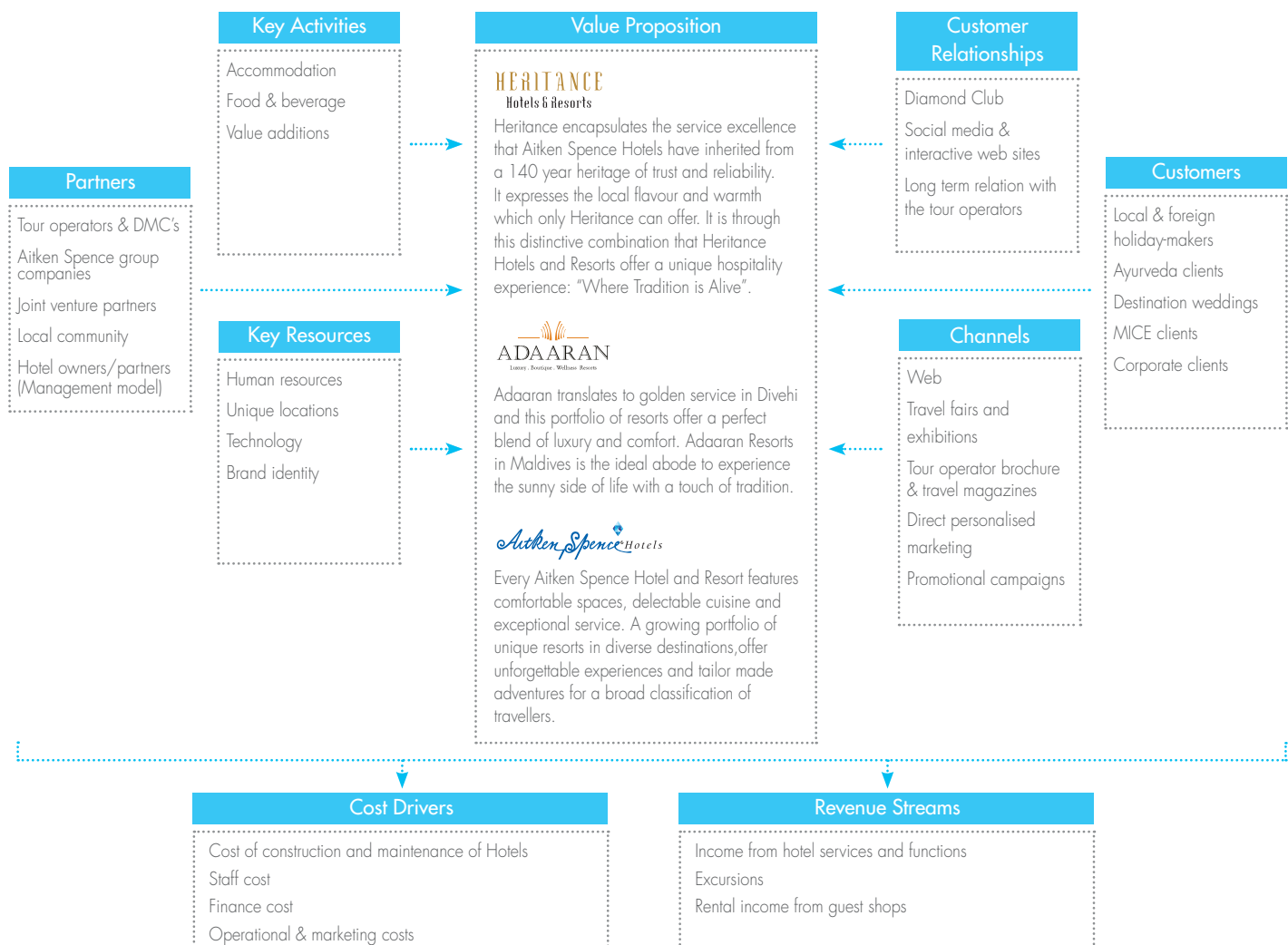


Integrated Management Discussion & Analysis

Aitken Spence Hotels has identified six strategic imperatives as important for the Group to reach its next tier in sustainable value creation and move towards its mission to “achieve excellence in all our activities, establish high growth businesses in Sri Lanka and across new frontiers, and become a globally competitive market leader in the region.” The Group’s strategies have been formulated taking into account its commitment to the Triple Bottom Line approach, stakeholder needs which have been identified and other key challenges, as enumerated on in the Chairman’s and MD’s Review and risks identified through our risk management process. These strategies are also those most likely to influence key stakeholders and

our relationship with them and have been formulated considering the objectives, strengths and weaknesses of the Group as well as the Holding Company, and the opportunities and risks in the environment they operate in. The stakeholders of the Group and our ways of engaging with them are presented below, following the strategic imperatives.

Our Business model presented below illustrates how our activities, key resources, partners, our diverse customer base, channels of engagement, and customer relationships contribute to create value for all our stakeholders





KEY STRATEGIC IMPERATIVES

Strategy	Strategies in Action in 2014/15	Plans for 2015/16
Strengthen our regional presence.	Acquisition of a new island in Maldives adjacent to Meedhupparu resort. Invested in a five star city property in Chennai, India which is scheduled to open in July 2015.	Construct resorts on the newly acquired islands in Maldives. Commence operation of the newly acquired property in India - "Turyaa," Chennai and launch brand "Turyaa"
Source new partners in order to expand our product offering and market linkages.	Commenced construction of a 501 roomed five star property in Ahungalla through a joint venture with RIU Hotels Spain.	Establish linkages and partnerships and collaborative efforts to market the destination. The Group envisages the new property to facilitate the commencement of charter flights to Sri Lanka.
Expand our presence across Sri Lanka in order to complete our portfolio of product offerings.	Acquired a strategic stake in Amethyst Resort Passikudah. On-going construction of Heritage Negombo which is scheduled for opening in 2015.	The Group is actively looking at opportunities within Sri Lanka, with a focus on developing existing land banks.
Harness the synergies and marketing opportunities as a regional player to benefit each destination.	Structural changes were made to the Group Sales & Marketing function in order to enhance cross selling.	Build on the measures set in place in 2014 and expand partnerships with tour operators to cross sell. Leverage on our strengths.
Reinforce and expand brand attributes.	We are currently engaged in a brand enhancement exercise to target the different segments of the market. The enhanced brand will also involve a strategic reposition of our level of service in order to deliver the new brand attributes.	Sustain and leverage the developed brand proposition based on the results of the brand exercise.
Leverage on technology as a competitive advantage.	Introduced 'Revinat' an online reputation management system. Made the company web site more responsive, enhanced automation to eliminate manual intervention. Launched the automatic real time translation of all web updates into other languages.	Maximise revenue generation from online channels. Expand the processes to other properties.
Taking initiatives to meet industry skills gap and dearth of trained HR.	Aitken Spence Management Development Centre was launched with the view of developing key competencies of young managers throughout the Group. Aitken Spence School of Hospitality continued to train youth. Continued to train in-house trainers to sustain the Learning & Development culture into the future.	The Group continues to monitor any training gaps which may arise and will provide continuous training to enable employees to perform on par with standards and expectations.



Integrated Management Discussion & Analysis

Strategy	Strategies in Action in 2014/15	Plans for 2015/16
Retaining talent.	Continuous enhancement of training.	Establish strategic HR outfits in Maldives and Oman. Fine tune Learning & Development and explore need to change Performance evaluation to emphasise other competencies. Enhance the facilities provided. Increase managerial level training.
Continue our Triple Bottom Line focused model with a focus on sustaining communities and the environment.	Became the first hotel chain in Sri Lanka to receive ISO 50001 certification.	Adopt a differentiated and branded sustainability initiative which is in sync with the Group's values, passion and objectives for a focused effort to make a significant impact.

Enhancing technology

Technology we know plays a significant and an ever increasing role in our lives; contributing to changing life styles and aspirations of people across the globe. As we've mentioned in previous reviews, we recognise that it is now a game changer in the leisure industry as well. For one, it is a key factor in peoples' decision making on leisure and travel. Web based booking has reduced booking times as travel and holiday plans are no longer being made six months in advance but a few days or hours ahead. We have hence aligned our marketing strategy to harness these rapidly evolving trends in the market place.

The year under review saw the Company make a number of enhancements to its IT to improve marketing and customer convenience. These developments include the introduction of "Revinote" to enable online reputation management with real time customer feedback, and tracking of competitor reviews and improving customer interface of our web site. The web site was made more responsive via dynamic options such as the offer of rates in multiple currencies. Furthermore, automation of processes was advanced to eliminate human intervention which was required for a guest reservation and the entry of that reservation into a hotel system.

Customer feedback is an essential element of our quest for excellence. Feedback is used to fine tune our offering to better suit the needs of guests and prospective guests. Following the incorporation of technology, customers are now e-mailed a feedback form. The e-mailed guest feedback forms receive immediate automated acknowledgements, followed by responses by a relevant manager or employee with remedial measures and/or appreciation communicated to the guest.

Expanding customer reach and enhancing customer engagement through technology

The Company's overall online sales currently exceeds 20% of the total room revenue and the group plans to increase this contribution within the next 2 years to 30%. We will also increase our use of social media such as Twitter and Facebook to interact with customers and, prospective guests more informally and one on one. We will also expand the use of Flickr, YouTube and Blogger to promote our products and offers and to share with the like minded our passion for sustainable tourism.

During the year, the Company invested in several technological advancements to enhance customer interface and online customer convenience and to facilitate more sophisticated reputation management and MIS. Initiative was taken to revamp and upgrade all hotel web sites. We will continue to focus on leveraging technology as a competitive advantage in the year ahead.

In addition to leveraging the technology driven channels, the Group also entered into a number of new contracts with online tour operators to expand the Group's reach.



Stakeholder Engagement and Inclusion

The scope and extent of our business leads to impacts on a multitude of stakeholders, both internal and external. Engaging meaningfully with these stakeholders enables us to identify our priorities within the wider socioeconomic context. By understanding the concerns and needs of

our stakeholders, we are in a better position to align our business value proposition with their goals thereby creating mutual and lasting value.

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



Community

Reason for Engagement

- To ensure harmonious coexistence and the social licence to operate

Methods of Engagement

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

Priorities

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



Environment

Reason for Engagement

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

Methods of Engagement

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

Priorities

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



Guest Experience

Reason for Engagement

- To ensure business continuity and create sustainability consciousness

Methods of Engagement

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

Priorities

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



Supply Chain

Reason for Engagement

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

Methods of Engagement

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

Priorities

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



Integrated Management Discussion & Analysis



Employees

Reason for Engagement

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

Methods of Engagement

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

Priorities

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



Investor Relationship

Reason for Engagement

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

Methods of Engagement

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

Priorities

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



Regulators

Reason for Engagement

- To build trust and constructive partnerships through compliance and proactive action, to obtain the permits to operate

Methods of Engagement

- Reports and submissions, including compliance documentation
- Direct dialogue and meetings with policymakers and regulators
- Participation in events and forums

Priorities

- Compliance
- Policy and regulatory development
- Business ethics and corporate citizenship
- Anti-corruption
- Job creation and economic value addition



Industry Associations

Reason for Engagement

- To become a meaningful partner in the growth of the tourism industry as a whole, thereby ensuring business continuity

Methods of Engagement

- Participation in industry forums and lobby groups
- Membership in industry bodies and business chambers

Priorities

- Partnership and collaboration
- Business ethics and fair competition
- Industry goals and standards
- Collective industry readiness and responses to potential risks



MACRO FRAMEWORK AND INDUSTRY OUTLOOK

ECONOMIC ENVIRONMENT

Value creation by an enterprise occurs in the context of its operating environment. This discussion of the Company's strategies and performance hence begins with a review and preview of relevant aspects of the local and global economic environment.

The Global backdrop

The recovery of the global economy which began to take hold in October 2013 continued into 2014, albeit at a weaker than expected and an uneven pace due to some set backs. According to the IMF, global growth was thus 3.4% in 2014 compared with 3.3% in 2013. The IMF projects global growth to be moderate and in line with its estimates made in January 2015; at 3.5% and 3.8%, in 2015 and 2016 respectively.

The modest growth of 3.4% in 2014, reflected a pickup in growth in advanced economies relative to the previous year and a slowdown in emerging markets and developing economies. Despite the slowdown, emerging market and developing economies still accounted for three-fourths of global growth in 2014. Complex forces that affected global activity in 2014 are still shaping the outlook for 2015-2016. These include medium and long-term trends, such as population aging and declining potential growth; global shocks such as lower oil prices; and many country- or region-specific factors such as crisis legacies and exchange rate swings triggered by actual and expected changes in monetary policies.

Outlook

Relative to last year, the outlook for advanced economies for the year ahead is said to be stronger in advanced economies but weaker in emerging markets, reflecting some subdued prospects for some large emerging market economies and oil exporters. According to the IMF, global growth is expected to remain moderate, weighed down by high debt, high unemployment and low investment, while the anticipated interest rate hike in the US and low inflation in some advanced economies could raise additional challenges. Nevertheless, global growth is expected to rise to 3.5% in 2015 and to 3.8% in 2016, supported by gradual recovery in advanced economies, receding domestic headwinds in developing countries and the sharp decline in oil price. Consumer price inflation in advanced economies is expected to remain below 1% in 2015, while subdued commodity prices are expected to increase the threat of deflation in some regions further. Some increase in consumer price inflation in emerging and developing economies is expected due to challenges emanating from spill-overs from quantitative easing measures.

A greater boost to demand from lower oil prices is an important positive factor that shapes the outlook, while on the downside, the most salient risks identified in the October 2014 outlook remain relevant, including those related to geopolitical tensions, disruptive asset price shifts in financial markets; and, in advanced economies, stagnation and low inflation. In this setting, raising actual and potential output continues to be a general policy priority. In many advanced economies, accommodative monetary policy remains essential to support economic activity and lift inflation expectations. Inflation is projected to decline in 2015 in both advanced economies and most emerging market and developing economies, reflecting primarily the impact of the decline in oil prices.

The turmoil faced by the Russian economy, compounded by the sharp depreciation of the Ruble have posed significant challenges to Sri Lanka's exports such as Tea and Garments as well as tourism earnings. Tourist arrivals from Russia are also likely to continue to fall compounded by the depreciation of the Ruble. The depreciation of the Euro by 22% vis a vis the US Dollar between 1st April 2014 and 1st April 2015, also impacted outbound tourism by the European markets. The beginning of the second quarter of 2015 however, has seen a stabilisation of the Euro and a continuation of this trend would minimise any adverse impacts on tourism earnings and arrivals from Europe towards year end. It is encouraging that growth in the Euro area has begun to show signs of picking up, supported by lower oil prices, low interest rates. On the other hand, the strengthening of the US economy and an appreciating Dollar augur well for some of Sri Lanka's export earnings and remittance income. A strong UK economy also augurs well for arrivals from one of Sri Lanka's key sources, which during 2014 were dampened by a 11% depreciation of the Sterling against the US Dollar.

Economies in the Commonwealth of Independent States (CIS) slowed further in the latter half of 2014, and according to the IMF's assessments, the outlook for the region has deteriorated markedly. The downward revisions are driven by Russia, whose economy is now expected to contract by 3.8% this year, more than 4% points below the previous forecast, and by 1.1% in 2016. Falling oil prices and international sanctions have compounded the country's underlying structural weaknesses and have undermined confidence, resulting in a significant depreciation of the ruble. The remainder of the CIS is projected to grow at 0.4% in 2015, 3.6% points below the previous forecast. Ukraine's economy is expected to bottom out in 2015 as activity stabilises with the beginning of reconstruction work, but the economy is still projected to contract by 5.5%.



Integrated Management Discussion & Analysis

World Growth Projections (% Change)

	2014	Projections	
		2015	2016
World output	3.4	3.5	3.8
Advanced economies	1.8	2.4	2.4
USA	2.4	3.1	3.1
Euro	0.9	1.5	1.6
UK	2.6	2.7	2.3
Japan	-0.1	1.0	1.2
CIS	0.9	-1.4	0.8
Russia	0.6	-3.0	-1.0
China	7.4	6.8	6.3
India	7.2	7.5	7.5
Association of South East Asian Nations (ASEAN)	4.6	5.2	5.3
Emerging & Developing Asia	6.8	6.6	6.4
Emerging & Developing economies	4.6	4.3	4.7
World Trade Volumes (goods & services)	3.4	3.7	4.7
Imports by Advanced economies	3.3	3.3	4.3
Imports by Emerging & Developing economies	3.7	3.5	5.5
Oil Prices (US Dollar) (average price of intermediate crude oil)	-7.5	6.6	6.4
London Interbank Offer Rate (LIBOR) (on US Dollar deposits)	0.3	0.7	1.9

Source: IMF, April 2015

Sri Lankan economy: The growth momentum continues

Demonstrating resilience in the face of domestic as well as external challenges, the Sri Lankan economy continued on the momentum since 2013, to grow at a robust 7.4%; compared with a growth of 7.2% in 2013 and 6.3% in 2012. Accordingly, GDP Per Capita increased to US Dollars 3,625 in 2014 from US Dollars 3,280 in the previous year. The economy was driven by domestic consumption expenditure that constitutes the largest share of aggregate demand, while investments, particularly on construction, also provided an impetus to the economic expansion during the year. GDP Growth was broad-based, with the exception of agriculture which suffered from drought early in the year, heavy rains and flooding in the fourth quarter. Sri Lankan government policy to a large extent has remained stable, and the low inflation levels and a low interest

rate regime in 2014 were largely conducive to business. Strong growth is expected to continue in 2015; which as per the IMF's projections is to average 6.5% per year until 2020.

The Services sector, the largest sector of the economy with a share of 57.6% of GDP, grew by 6.5% in 2014 compared to 6.4% growth in 2013. This growth was mainly attributable to the expansion in wholesale and retail trade sub sector, largely on account of the growth in the domestic trade along with import trade activities. Further, the banking, insurance and real estate sub sector also grew at a higher rate compared to the previous year.

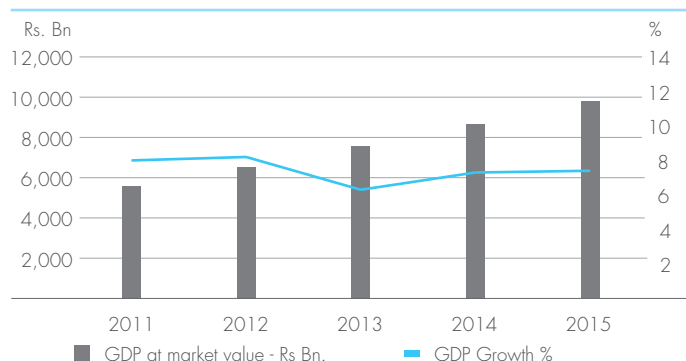


Sri Lanka GDP Growth % Change

2006 - 2016											
Average	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
4.3	4.7	6.8	6.0	3.5	8.0	8.2	6.3	7.3	7.4	6.5*	6.5*

Source, Central Bank of Sri Lanka; *IMF forecasts

Sri Lanka GDP Growth



Inflation continues on the downward trend

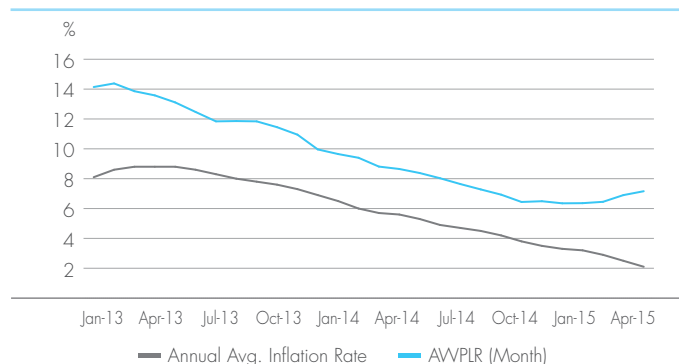
Consumer price inflation remained subdued throughout 2014, and at low single digit levels for the 6th consecutive year, largely on account of effectively managed demand pressures and favourable international commodity prices. Headline inflation as measured by the year-on-year change in Colombo Consumers' Price Index (CCPI, Base: 2006/07=100), year-on-year and annual average inflation declined to 2.1% and 3.3%, respectively, by end 2014, from 4.7% and 6.9%, respectively, at end 2013.

In addition, improvements in domestic supply of fresh food items during the early months of the year and the downward revision of administered prices of electricity, water, petrol, diesel, kerosene and LP Gas contributed to bring down the general price level and maintain inflation at low levels.

Meanwhile, Core Inflation, which excludes selected items with volatile prices and administratively determined prices, and hence directly measures underlying inflation pressures, remained low during the year. Core inflation, which peaked at 3.9% on a year-on-year basis in August 2014, continued on a declining trend thereafter to record 3.2% by end December 2014 compared to 2.1% at end 2013 and 7.6% at end

2012. Annual average core inflation declined from 4% at end 2013 to 3.5% by end 2014. Inflation will be a key factor in impacting domestic tourism in the country and it is encouraging that the low inflationary environment is expected to continue.

Inflation and Interest Rates



Interest Rates - still bottoming out

The relaxed monetary policy stance adopted by the Central Bank since December 2012 continued into 2014 as well, facilitated by mild inflation and inflation expectations. The decline in Sri Lanka's inflation has structural as well as cyclical roots, and was able to sustain downward pressure on interest rates throughout 2014.

In line with its policies unveiled in the "Road Map for 2014 and Beyond", CBSL introduced several adjustments to streamline the policy interest rate corridor at the beginning of 2014. It established a Standing Rate Corridor (SRC) in place of the Policy Rate corridor, while introducing Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) that replaced the Repurchase rate and the Reverse Repurchase rate of the Central Bank respectively. At the same time in order to maintain stability of short term interest rates, the SLFR was reduced by 50 basis points to 8% on 2nd January 2014, while the SDFR remained unchanged at 6.5%, during the year.



Integrated Management Discussion & Analysis

Reflecting the accommodative monetary conditions in the economy, liquidity levels in the domestic money market remained high throughout 2014 and most market interest rates reached historically low levels. The Average Weighted Call Money Rate (AWCMR) declined to 6.21% from 7.66% at end 2013, whilst the yield rates pertaining to government securities also declined to very low levels during the year. Reflecting the transmission of policy rates to market interest rates, commercial banks reduced their deposit and lending rates further during 2014. Accordingly, the average weighted deposit rate (AVVDR), declined to 6.20% while the average weighted fixed deposit rate (AVVDFR) declined to 7.33% at end 2014. Although at a slower pace than deposit rates, the weekly average weighted prime lending rate (AVVPR) declined to 6.26% by end 2014.

Considering the low inflation levels, a sustained increase in credit granted by commercial banks to the private sector, a resilient external sector and strong official foreign reserves during the first three months of 2015, the Central Bank decided to reduce the policy interest rates by 50 basis points on 15 April 2015; and accordingly, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank were reduced to 6.00% and 7.50%, respectively, thus directing interest rates to remain low during the first half of 2015.

Exchange Rate - stays stable

The Sri Lankan Rupee appreciated during the first half of the year amidst higher inflows including higher export earnings, but this trend reversed during the second half of the year, mainly on account of increased expenditure on imports and net outflows associated with foreign investments in government securities. Consequently, the Rupee remained relatively stable in 2014 while the real effective exchange rate indices

appreciated during the year. Accordingly, the year end and annual average exchange rates against the US Dollar stood at Rs. 131.05 and Rs. 130.56, respectively.

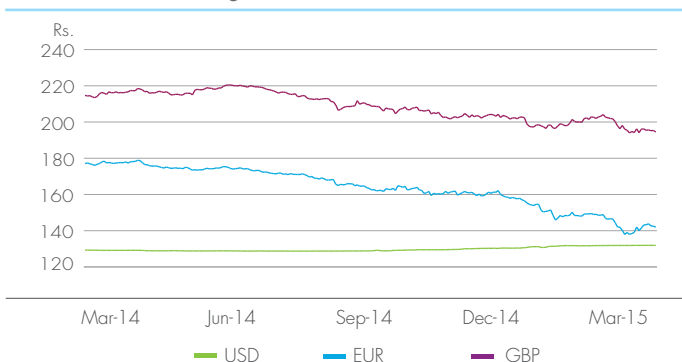
Reflecting the cross currency exchange rate movements, Sri Lankan Rupee, as per the year end rates, appreciated vis a vis all other major currencies; against the Japanese Yen by 13.48%, the Euro 13.19%, the Pound Sterling by 5.65% and the Indian Rupee by 2.13%. In terms of Annual Average rates however, the Sterling and the Euro both appreciated against the Sri Lankan rupee by 1.13% and 6.08% respectively.

Outlook

The Sri Lankan economy seems likely to continue on its high growth trajectory. An optimistic outlook is also bolstered by the political stability witnessed during and in the aftermath of elections where the smooth transition of administration enhanced the image of the country as a mature democracy. The IMF forecasts Sri Lanka's GDP to grow by 6.5% in 2015 whilst the Central Bank projects GDP growth of 7% in 2015 and 7.8% over the period 2016-2018. The expected slight moderation of economic growth in 2015 according to IMF estimates, is mainly due to the slowdown in public sector construction activity and the conservative sentiment of private investors, particularly in the first half of the year. Economic growth is expected to accelerate thereafter with the expected new policy initiatives of the government. The envisaged high growth trajectory over the medium term is expected to benefit from the growth supporting domestic policy framework, improved investor sentiment and improvements anticipated in global economic activity.

Sri Lanka's expected graduation to the upper middle income status in terms of per capita GDP would place the country among a new group of peers, strengthening its financial ability. Furthermore, the expected improvement in the investment climate along with developed infrastructure facilities would encourage investments flows to the country. Accordingly, inflows in the form of equity and FDI are projected to increase in the medium term.

Exchange Rate Fluctuations 2014/15



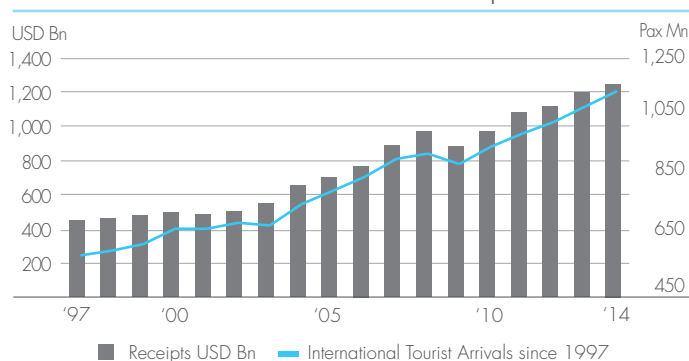


TOURISM INDUSTRY LANDSCAPE

Global Tourism

The global tourism landscape faces a range of influences which could potentially change the face of tourism over the next decade. These global macro trends create vast challenges for an industry which is critical to the global economy. We understand the need for constant evolution of how we do what we do and when we do to face these challenges. Given below are some of the trends we have identified and which we factor into our strategic decision making:

World Tourist Arrivals and Receipts



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



Integrated Management Discussion & Analysis

Factors Influencing Global Tourism Trends	Our Response
Technology	Quantum leaps in IT will define the future, with mobile becoming the primary platform for travellers while cloud solutions and big data will change the way we conduct business, while social media is already changing how we interact. We have been quick to adapt to new technologies and have in place a strong IT backbone that gives us a flexible and secure platform. We will continue to give priority to technology investments.
Safety and Security	Issues arising from security and terrorism have a growing influence on travellers, who shun tourism markets during times of volatility. Post-war Sri Lanka has been fortunate to become one of the safest destinations in the region. The entire destination must work towards preserving the safety and security which is increasingly becoming a source of competitive advantage. Also in this context, it is important that we continue to promote our product to the local market, to help offset a potential downturn in international arrivals.
Demographics	Changing demographics will have a dual impact on the demand for tourism products as well as the supply of labour over the next two decades. Factors such as an ageing population, population growth, changing family structures including more single person households and migration will influence travel patterns. Aitken Spence closely studies demographics in order to anticipate potential impact to make informed decisions regarding our offering and how we market ourselves.

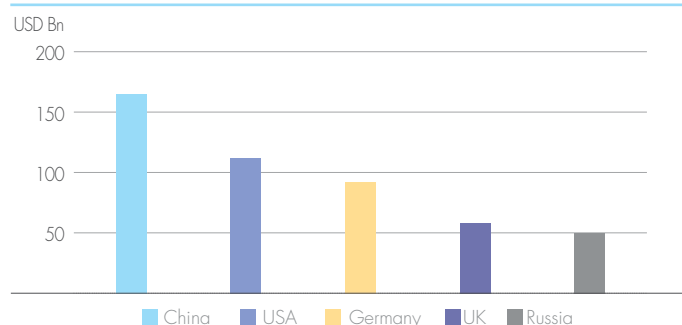
International tourism receipts increased by US Dollars 48 billion in 2014 to reach a record of US Dollars 1,245 billion according to World Tourism Organisation. An additional US Dollar 22 billion was generated from international passenger transport bringing total exports from tourism up to US Dollars 1.5 trillion in 2014.

Receipts from international visitors spend on accommodation, food and drink and other goods and services reached an estimated US Dollars 1,245 billion in 2014 which is an increase of 3.7% in real terms taking into account exchange rate fluctuations and inflation. International tourist arrivals (overnight arrivals) increased by 4.4% in 2014 reaching a total of 1,135 million, up from 1,087 million in 2013.

Long-term outlook

International tourist arrivals worldwide are expected to increase by 3.3% a year from 2010 to 2030 to reach 1.8 billion by 2030, according to UNWTO's long term forecast Tourism Towards 2030. Between 2010 and 2030, arrivals in emerging destinations (+4.4% a year) are expected to increase at twice the rate of those in advanced economies (+2.2% a year). The market share of emerging economies increased from 30% in 1980 to 47% in 2013, and is expected to reach 57% by 2030, equivalent to over 1 billion international tourist arrivals.

World's Top Tourism Spenders in 2014

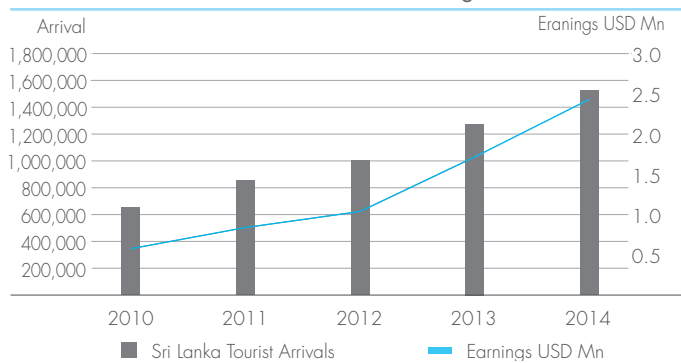


International tourism is an increasingly significant component of international trade as seen in export earnings from international tourism and passenger transport which reached US Dollars 1.5 trillion in 2014. In a scenario with decreasing commodity prices, spending on international tourism grew significantly in 2014 proving the sector's capacity to stimulate growth, boost exports and create jobs. International tourism (travel and passenger transport) accounts for 30% of world exports of service and 6% of overall exports of goods and services.



Sri Lanka's Tourism Industry

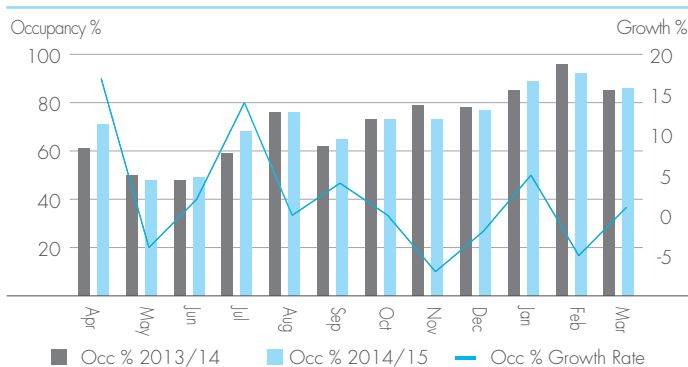
Annual Tourist Arrivals and Earnings - Sri Lanka



Source: Sri Lanka Tourism Development Authority

Continuing the post-war growth momentum, Sri Lanka's tourism industry performed well in 2014 exceeding the tourist arrivals it had targeted of 1.5 million arrivals; with arrivals from all major regions increasing. Significant increase in investment in the tourism industry, infrastructure developments, introduction of new tourist attractions and promotional campaigns conducted by the private sector and the government supported to attract more tourists in to the country. Accordingly, tourist arrivals in 2014 increased by 19.8% to 1,527,153 compared to 1,274,593 arrivals in 2013.

Aitken Spence Hotels Occupancy Growth



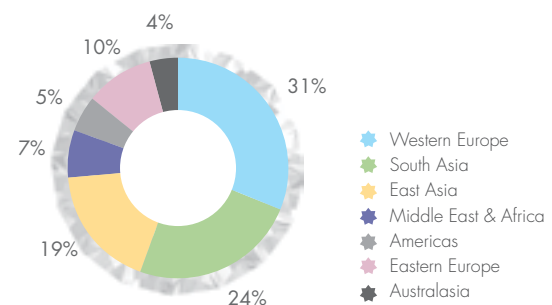
Highest growth in arrivals in 2014

Source country	Growth %	Total no.
China	136.1	128,166
Indonesia	68.5	29,558
Oman	67.1	12,756

Source: Central Bank of Sri Lanka

Western Europe continued to be the largest tourist origin for Sri Lanka with the number of tourist arrivals increasing by 13.8% to 479,007. However, tourist arrivals from Western Europe as a share of total arrivals, fell further to 31.4% in 2014 from 33% in 2013 and 37.1% in 2012. Meanwhile, the share of the South Asian region, which is the second major market also declined to 24.2% of arrivals in 2014 from 25.6% in 2013. This was due to the significant increase in tourist arrivals from other regions. Accordingly, the share of tourist arrivals from East Asia and Eastern Europe increased, supported by promotional campaigns conducted in those regions. Tourist arrivals from China contributed significantly to the growth of arrivals from East Asia, while Russia was the main contributor to the growth from Eastern Europe. In terms of individual country basis, India remained the leading country of tourist origin followed by UK, China, Germany and Maldives.

Major Generating Markets - Sri Lanka



Source: Sri Lanka Tourism Development Authority

Earnings from tourism continued to record a healthy growth in 2014 increasing by 41.7% to US Dollars 2,431 million in 2014 from US Dollars 1,715 million in 2013. The expansion in tourist arrivals together with increased duration of stay by tourists supported this growth. According to the latest annual survey on "tourist spending and duration of stay" conducted



Integrated Management Discussion & Analysis

by the Sri Lanka Tourism Development Authority (SLTDA), the average spending per tourist rose to US Dollars 160.8 per day in 2014 from US Dollars 156.5 per day in 2013. Meanwhile, the average duration of stay per tourist increased to 9.9 days in 2014 compared to 8.6 days in 2013. Meanwhile, outflows related to travel also grew by 6.3% to US Dollars 1,263 million in 2014 resulting in a net inflow of US Dollars 1,169 million from the travel and tourism sub-sector.

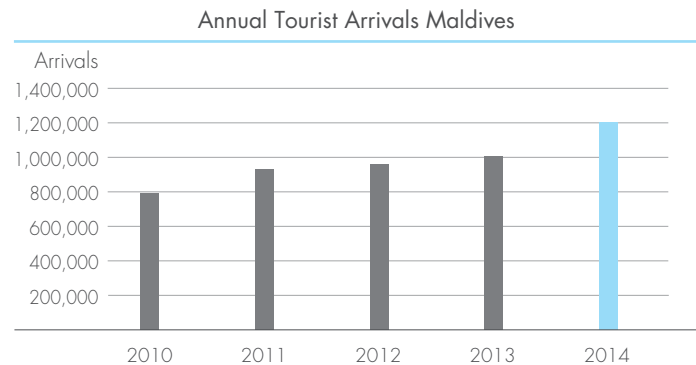
Investment in the tourism sector expanded further in 2014. International hotel chains including Shangri-La, Hyatt, Movenpick, Sheraton and RIU, continued their development work during the year whilst there were 68 new hotel investment proposals. Moreover, 20 new hotel projects commenced operations during the year, adding 1,112 rooms and expanding the capacity further. The tourism industry is blooming in the Eastern and Northern provinces since the end of the civil war in the country and local and foreign investors have commenced to move towards these provinces gradually. In addition, there were many private SME sector investments in those provinces. The SLTDA initiated the development of three new Tourism Resort Projects namely Kalpitiya, Kuchchaveli and Yala under the themes of 'Island Resort', 'Beach Resort' and 'Wildlife Resort', respectively.

Outlook

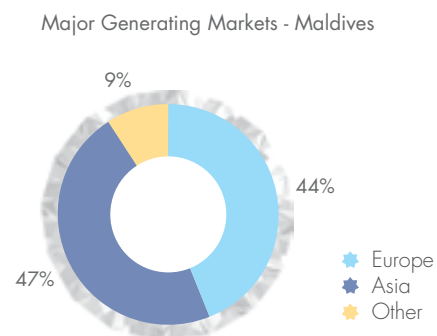
Sri Lanka tourism has set itself a target of 2.5 million arrivals by 2016, which requires an annual growth of around 28% in tourist arrivals in 2015 and 2016. Moreover, it also requires the increase in capacity and meeting the need for skilled human resources. The industry expects the hotel projects which are in the pipeline to be completed on time. However, as enumerated elsewhere in this report, the dearth of trained HR to meet the future demand is currently a constraint and could be a significant challenge in the future. Since new competitive markets have emerged in the global tourism industry, Sri Lanka also needs to initiate measures to increase numbers and in particular, from non-traditional markets. Branding and strategic repositioning remain essential to ensure sustainable growth in Sri Lanka's tourism industry over the medium to long-term.

Maldives

Despite a poor fourth quarter which saw a decline in arrivals to the Maldives, the Maldivian tourism industry was able to reach its annual targets as total arrivals to the country reached 1.2 million by end 2014. With the opening of two new hotels and the addition of 21 guest houses during the year, the total inventory in Maldives increased to 508 registered establishments and 31,737 beds.



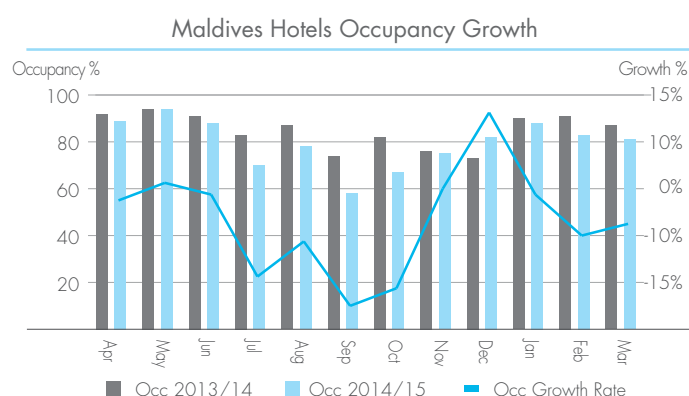
The last quarter which is usually the best quarter for tourist arrivals, experienced a decline in 2014, with arrivals from all of its top 10 markets, except Germany, reducing.



Despite the decline in the last quarter the average occupancy rate for 2014 was 74.5% whilst the average duration of stay of tourists was 6.1 days, which was 0.2 days less than that of 2013.



In terms of Market share, Asia and the Pacific accounted for the highest number of arrivals in 2014 with a 49% share, with arrivals from this region reaching 588,851 and recording an increase of +12% over 2013. Europe followed closely behind, accounting for 44% share of arrivals which grew by 0.4% to 529,292 tourists compared with the same period last year. The Third leading source was the Americas with 3.4% share. The highest increase in growth was also observed from the Americas with an increase of 25% compared to last year. The Middle Eastern arrivals also saw positive growth of 16.1% accounting for 3.1% of arrivals whilst the African region accounted for the lowest market share of 0.7% and declined by 1.6% compared with 2013.



Oman

1997-2006 Average	Oman				
	% change in Real GDP				
	Actual		Projections		
	2013	2014	2015	2016	2020
2.5	4.7	2.9	4.6	3.1	1.3

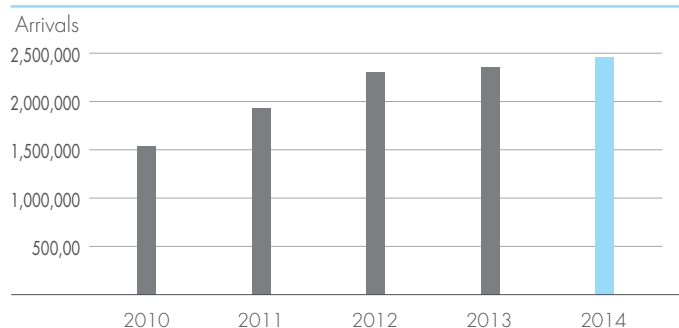
Source: IMF, April 2015

According to IMF statistics, Oman's GDP grew by 2.9% in 2014. And as per the World Tourism Council, the direct contribution to GDP from the country's travel and tourism industry is estimated to have grown by a significant 10.2% in 2014. Reflecting this robust growth in the tourism sector, the country was ranked 5th in the world, in terms of tourism sector's growth in contribution to GDP. The contribution from travel and tourism is projected to rise by as much as 5.4% per annum between 2014-2024, as the sector is expected to continue on the high growth trajectory, in line with other nations in the Middle East.

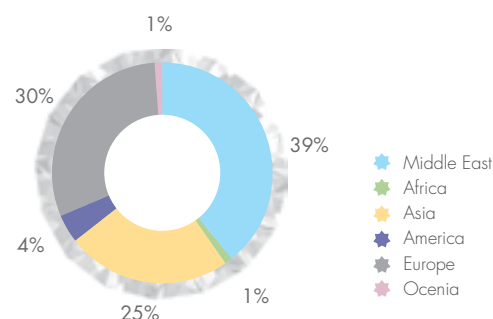
Estimated Contribution to the Economy from Travel and Tourism in Oman

Estimated % growth per annum from 2014-2024	%
Direct contribution to GDP	5.4
Total contribution to GDP	5.5
Direct contribution to Employment	3.9
Total contribution to Employment	3.8

Annual Tourist Arrivals - Oman



Major Generating Markets - Oman





Integrated Management Discussion & Analysis

GROUP PERFORMANCE

Aitken Spence Hotels is one of the largest hotel operators in Sri Lanka with a portfolio of over 1900 rooms spread across South Asia and the Middle East. Please refer table below for the total rooms in operation (owned and managed).

Destination	Room Inventory
Sri Lanka	812
Maldives	630
Oman	466
Rooms in Operation	1,908

The group hopes to expand its operating room portfolio substantially in the coming years with an aggressive expansion plan being initiated with the total room inventory expected to increase over 3,000 rooms. Projects under development are tabulated below.

As a step towards widening our foot print in South Asia, Group acquired a 143 roomed 5 star city hotel in Chennai, India. The property will commence operations under the Turyaa brand in July 2015.

Destination	Project	Rooms	Status
Sri Lanka	Heritage Negombo	143	The Hotel will commence operations in second half of 2015
	The Sands Expansion Project	90	The rooms are expected to be in operation by Winter 2015
	Joint venture with RIU Hotels and Resorts, Spain	501	Construction work is on-going with the hotel expected to be in operation by Winter 2016
Maldives	Aarah in Raa Atoll	160	Island was acquired in 2014 and design work is on-going. Construction to commence in 2015
	Raa Fushi in Noonu Atoll	200	Island acquired in April 2015 and planning/design work is on-going
India	Turyaa Chennai	143	Hotel to commence operations in July 2015
		1,237	

Group Financial Performance

The Group achieved a net revenue of Rs. 12,954 million during the financial year which is a marginal growth of 3.4% against the Rs. 12,532 million achieved during the corresponding year. The marginal growth in revenue was mainly due to some challenges in the global environment. The revenues generated by some of our properties which cater to a large clientele from the Euro zone, was adversely impacted by the depreciation of the Euro especially where most of the accommodation contracts entered into with foreign tour operators and local destination management companies are denominated in foreign currency.

The Group's South Asian sector headed by the Maldivian resorts was the main contributor to revenue, contributing as much as 75% of the total revenue and growing by 4%; mainly driven by increases in room rates with year around occupancy remaining unchanged.

Adaaran Select Meedhupparu recorded its highest ever revenue with a year on year growth of 3%. Moreover, in August 2014 the Group was able to recommence the operation of the 20 Ocean Villas at Adaaran Select HudhuRan Fushi which were destroyed by fire in 2013. In November 2014 the Goods and Services Tax on the tourism sector in the Maldives was increased to 12% from 8% (Goods and services tax was increased to 8% on 1st January 2013 (from 6%) and the bed tax of 8 US Dollars per guest night was abolished with effect from December 2014.

Revenue in the Sri Lankan sector amounted to Rs. 3,368 million, dropping marginally by less than 1% from 2013. The sector properties in the Southern coastline of the country experienced a reduction in room rates during the year due to increased competition and a substantial increase in room inventory in this coastal belt. Moreover, these properties were also impacted by the political turmoil in Eastern Europe which resulted in a sharp reduction in guest numbers during the winter months from markets



such as Russia and Ukraine. However, it is noteworthy that the Group's round trip properties performed admirably with the iconic Heritance Kandalama and Heritance Tea Factory reporting record revenues.

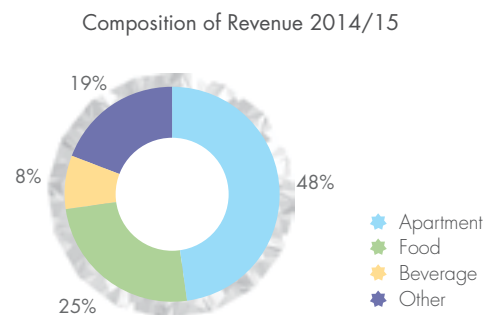
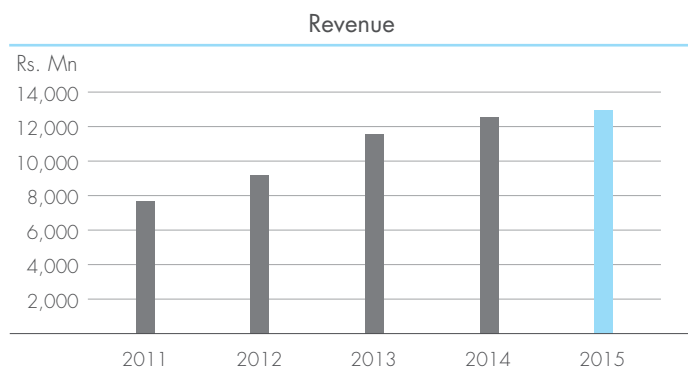
The Group's operations in Oman continue to perform satisfactorily, achieving a moderate increase in average occupancy and average rates over the preceding year. The group is presently actively looking at

increasing its presence in the sultanate with properties that will enhance its portfolio in the region.

Group revenue has seen a four year Compound Annual Growth Rate (CAGR) of 13.3% during the financials years 2012-2015 as local resorts have grown at a rate of 15.8% since the end of the civil war in Sri Lanka, whilst the South Asian sector has recorded a growth 12.5% during the same period.

Summary of Key Income Statement Items

Rs. Millions	F/Y 2014/15	F/Y 2013/14	% Change	Explanatory Notes
Net Revenue	12,954	12,532	3	Due to growth in South Asian sector revenue
Other operating income	418	392	7	Includes Insurance claim received of Rs. 351 million in lieu of the fire damage at HudhuRan Fushi (Rs. 370 million in 2013/14)
Staff costs	(1,829)	(1,753)	4	Increased staff cadre/Salary revisions across all staff grades
Depreciation & Amortisation	(807)	(761)	6	Increased Depreciation due to increased investment in new projects/capex
Other operating expenses - Direct	(2,521)	(2,398)	5	Increased cost of sales in line with price escalations & volume increases
Other operating expenses - Indirect	(4,356)	(4,045)	8	Mainly attributable to increase in island lease rent at Adaaran Select HudhuRan Fushi
Finance income	262	269	(3)	In line with reduction in market interest rates
Finance expense	(185)	(192)	(4)	Due to reduction in interest rates and repayment of debt
Share of profit/(loss) of equity accounted investees net of tax	(14)	35	(140)	Reduction in interest income & Group's share of non capitalised expenses at Browns Beach Hotels PLC
Taxation	(484)	(561)	14	Due to decrease in taxable profits





Integrated Management Discussion & Analysis

Group Income and Expenditure Distribution

Expenses and Profit From Operations as a Percentage of Net Revenue

	2015		2014		2013	
	Rs. '000	%	Rs. '000	%	Rs. '000	%
Net Revenue	12,954,217		12,531,901		11,566,595	
Staff Costs	1,828,866	14%	1,753,081	14%	1,648,248	14%
Depreciation & Amortisation	807,255	6%	761,373	6%	732,803	6%
Other Operating Expenses - Direct	2,521,374	19%	2,397,574	19%	2,273,094	20%
Other Operating Expenses - Indirect	4,356,329	34%	4,045,096	32%	3,740,845	32%
Gross Profit	10,432,843	81%	10,134,327	81%	9,293,501	80%
Profit From Operations	3,858,199	30%	3,966,497	32%	3,152,736	27%

Despite the moderate growth in the top line, the Group was able to maintain its Gross Profit margin at 81% due to several cost saving initiatives adopted during the year, to counter the external pressures on profitability. The Group's operating profit margin declined to 30% from the 32% reported in the previous year mainly due to a 17% year on year escalation in Indirect Operating expenses. This escalation is a result of the increase in the island lease rental at Adaaran Select HudhuRan Fushi. On the positive side, the Group benefited from the reduction in fuel and energy prices across all its operating segments especially during the final quarter, and was thus able to maintain a satisfactory operating margin despite other challenges in the operating environment.

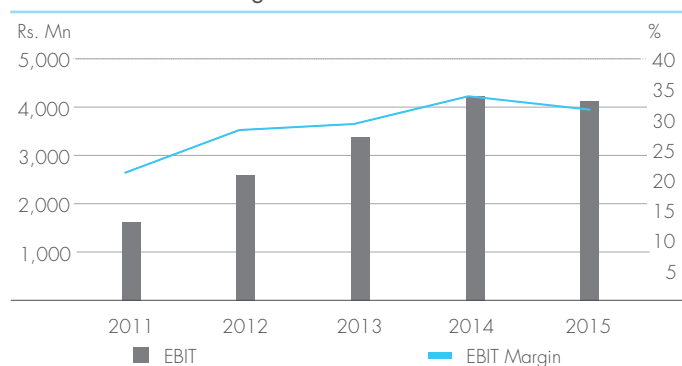
The Group's other income of Rs. 418 million includes an insurance received amounting to Rs. 351 million in lieu of interruption to business due to fire damage of Maldivian resort Adaaran Select HudhuRan Fushi and a gain of Rs. 45 million realised on the change of Group's status from "Subsidiary" to "Joint Venture" in Ahungalla Resorts (Pvt) Ltd.

Earnings Before Interest and Tax (EBIT)

An increase in overheads and a marginal growth in turnover resulted in a 3% drop in Earnings Before Interest and Tax (EBIT) to Rs. 4,120 million during the year.

The finance expenses of the Group decreased by 4% over the preceding year to Rs. 185 million during the year. The Group acquired additional debt finance to fulfil the funding requirements of the new projects initiated during the year with interest bearing borrowings increasing to Rs. 7,365

Earnings Before Interest and Tax



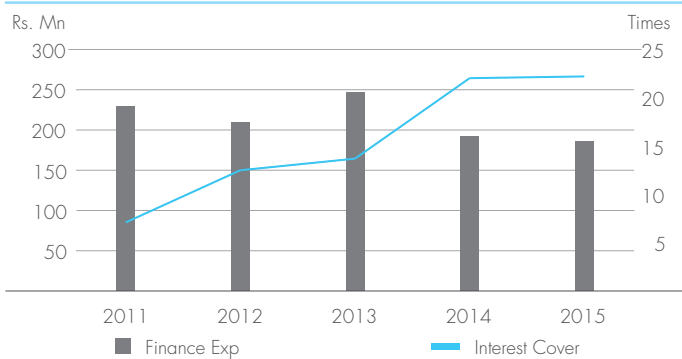
million from 31st March 2014. Net loan receipts during the year was Rs. 3,286 million with settlements of Rs. 1,504 million.

In view of the number of expansion/refurbishment projects by the Group which are in the pipeline, the Group is actively scanning the macro environment for sources of funds for additional funding requirements that may arise.

Group's interest cover remained at 22 times during the year. Given the Group's strong fundamentals, it remains confident of its strong ability to service the increased debt in the coming years.



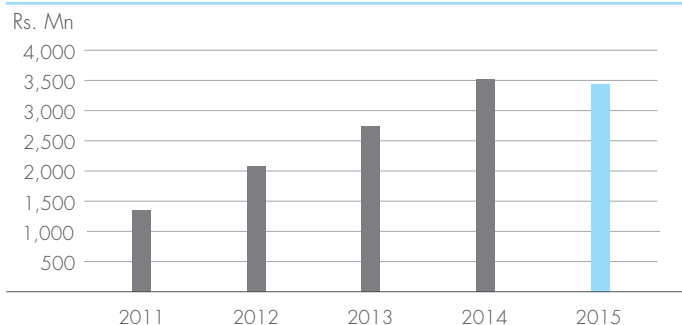
Finance Expense



The Group recorded a post-tax profit of Rs. 3,436 million during the year which reflects a marginal 2% contraction over the previous year. The effective cost saving initiatives implemented by the Group enabled to offset some of the pressures on Direct and Variable Operational Costs, enabling the Group to maintain a healthy net profit margin of 27% during the year.

The main contributor to Group profits was the South Asian sector with a pre tax profit of Rs. 2,650 million while the Sri Lankan sector contributed Rs. 1,270 million. The Group profits included Rs. 262 million as interest income derived from the short term investments made out of funds generated by operations.

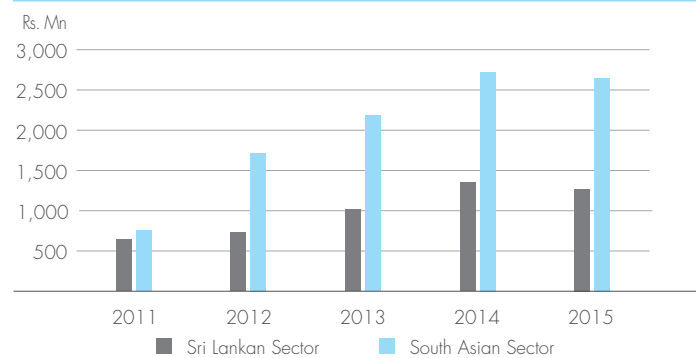
Net Profit After Tax



The year under review saw an accrual of Rs. 14 million as share of loss from equity accounted investees from the Group's investments in Browns Beach Hotels PLC and Amethyst Leisure Ltd.

The decrease in income tax expense during the year was primarily due to a reduction in pre tax profits reported by the group.

Segmental Profit Before Tax

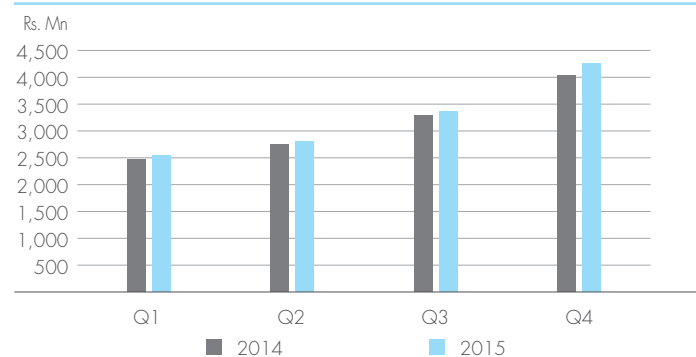


Quarterly Performance

Consolidated quarterly performance is illustrated in graph below which depicts an increase in revenue from summer to winter, is in line with the industry norm.

The year on year quarterly revenue increase ranged between 2% to 6% with the highest growth being reported in the final quarter.

Group Revenue Analysis - Quarterly





Integrated Management Discussion & Analysis

The Company reported a net profit of Rs. 1,304 million for the year which is a increase of 27% against 2013/14. The Company's earnings from dividends received from subsidiary companies amounted to Rs. 1,189 million compared to Rs. 871 million in the previous year.

Financial Position

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 and growth in operational performance.

Summary of Key Balance Sheet Items

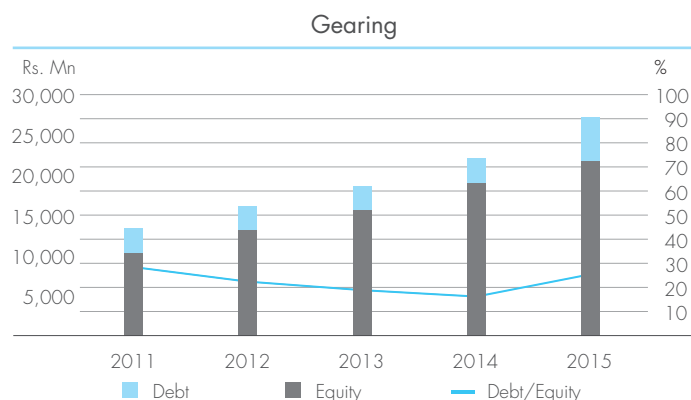
Rs. Millions	31.03.2015	31.03.2014	% change	Explanatory Notes
Property, plant, equipment & leasehold property and prepaid operating leases	19,376	15,082	28	Due to new acquisitions made in India, Maldives and routine capex additions
Investment in equity accounted investees	3,098	1,337	132	Investments made in Ahungalla Resorts (Pvt) Ltd. and Amethyst Leisure Ltd.
Other non-current assets	302	327	(8)	
Inventory	285	219	30	As per operational requirements
Cash and cash equivalents & Term deposits	7,304	6,915	6	Cash retained for operations and investments
Other current assets including trade and other receivables	2,423	2,097	16	Increase in trade volumes
Total Assets	32,788	25,977		
Shareholders Equity	17,231	15,378	12	
Non-Controlling interests	4,638	3,790	22	
Long term debt	7,365	3,981	85	Increase in long term debt for funding the ongoing projects and acquisitions.
Short term debt	385	24	1,509	In line with short term operational requirements
Other non current liabilities	344	321	7	
Other current liabilities (Including trade and other payables)	2,825	2,483	14	Increase in advances/collections received from customers
Total Liabilities	32,788	25,977		



Additions to Property, Plant and Equipment during the year amounted to Rs. 5,381 million, which includes capital expenditure incurred during the year for the acquisition and construction of a 143 roomed hotel in Chennai, India and the 90 room expansion of The Sands Kalutara. In addition to the above during the year the Group incurred Rs 1,342 million on investments made at Ahungalla Resorts Ltd under a joint venture agreement with RIU Hotels & Resorts Spain, to construct 501 roomed resort in Ahungalla, in Amethyst Leisure Ltd. and on the acquisition of a new island lease in Maldives.

Liquidity & Treasury Management

The Group's net working capital as at 31st March 2015, reduced to Rs 4,800 million from Rs. 5,658 million mainly due to the rise in the current interest bearing borrowings. Thus, in line with the increase in debt finance, gearing levels of the Group increased to 25.4% from 16.2% reported in 2014. However, the Group is confident of its ability to comfortably sustain this increase supported by the projected increased cash inflows in the medium term when the properties under development become fully operational.



The cash position of the Group remained strong with cash & cash equivalents, including term deposits as at 31st March, 2015 amounting to Rs. 6,919 million. The current ratio of the Group as at the financial year end was reported at a healthy 1.92 times as the Group policies on prudent cash management ensured that it maintained a healthy liquidity position. Net cash flow from operating activities increased by 4% to Rs. 3,986 million. Net cash used in investing activities during the year amounted to Rs. 6,137 million, mainly attributable to investments and acquisitions carried out during the year as discussed above.

Resorts funded by US Dollar loans mitigated impacts through creation of a "natural hedge" where Dollar denominated revenues were offset by creating Dollar denominated liabilities. The downward revision of interest rates during the year lowered the cost of Group's Rupee finance, particularly in the Sri Lankan sector.

Shareholders' Equity

Shareholders' funds as at 31st March 2015 increased by 14% against the preceding year and stood at Rs. 21,869 million as against Rs. 19,168 million on 31st March 2014 mainly on account of profits generated during the year. The Group recorded a Return on Equity of 13.75% in the year under review, compared with 16.63% reported in the preceding year.

Share Performance

Company shares closed trading at the financial year end on Rs. 67, down by Rs.3 from 31st March, 2014 whilst the highest and lowest price of the share traded during the year was Rs. 85 and Rs. 67 respectively.

The Earnings Per Share (EPS) for 2015 decreased to Rs. 6.60 from Rs. 6.92 reported in the preceding year. This 5% decrease in EPS and the year on year reduction of the share price at a lower rate of 4% resulted in the Price Earnings Ratio (PER) marginally increasing to 10.15 times from 10.12 times in 2014. Price to book value of the Company reduced to 1.4 times, from 1.5 times reported in 2014. Market Capitalisation as per the last trade of the year under review was Rs. 22,531 million. Net Assets per share of the Group increased to Rs. 50.75 from Rs. 45.24 reported in 2014.

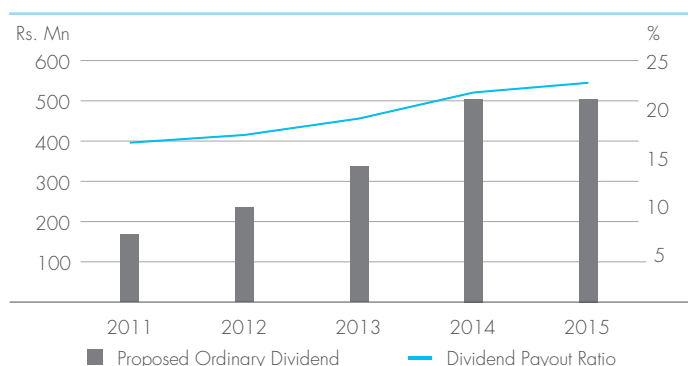
Dividends

The dividend policy of the Company seeks to ensure a dividend payout which correlates to the growth in Group profits, whilst retaining sufficient funds for future investments in a high growth industry and ensuring that shareholder returns are sustainable in the short, medium and long term. The company hopes to maintain a proposed dividend at the same level as the final dividend approved by the shareholders in 2014. Accordingly, a first and final dividend of Rs. 1.50 per share payable on the 10th July 2015 was recommended by the Board of Directors. The proposed dividend will amount to a total outflow of Rs. 504 million recording a dividend payout ratio of 22.7% for the year.



Integrated Management Discussion & Analysis

Dividend Outflow



Economic Value Added (EVA)

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

The Company's WACC is a function of the Group's average cost of borrowing, required rate of return on equity and the cost of preference share capital. The economic value added by the Group for the past five years is tabulated below:

Economic Value Added (EVA)

	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000
Net Profit					
Attributable to Shareholders	3,435,622	3,517,015	2,739,987	2,081,471	1,357,611
Add:					
Depreciation and Amortisation	807,255	761,373	732,803	481,428	760,261
Non Cash & Non-operational adjustments	(18,408)	(34,864)	(44,337)	(120,000)	26,041
Total Interest on debt	185,491	192,252	246,623	208,919	229,035
Adjusted Profit After Tax	4,409,960	4,435,776	3,675,076	2,651,818	2,372,948
Total Investment Capital					
Total Equity	21,869,232	19,167,842	15,829,440	13,358,930	10,395,771
Add:					
Total Long Term Debt	5,363,625	2,913,898	2,790,090	2,790,308	3,007,565
Total Short Term Debt	2,386,745	1,090,808	1,113,831	1,366,365	829,686
Cumulative Depreciation	6,789,099	5,987,351	4,849,064	3,974,930	3,915,052
Adjusted Investment Capital	36,408,701	29,159,899	24,582,425	21,490,533	18,148,074
Economic Value Added					
Weighted Average Cost of Capital	7.78%	8.90%	8.50%	7.60%	7.80%
Cost of Average Investment	2,832,129	2,596,610	1,958,100	1,500,113	1,250,204
Economic Value Added	1,577,831	1,839,166	1,716,976	1,151,705	1,122,744



OUR SOCIAL PERFORMANCE

External Recognition of our Triple Bottom line focus

- with Travelife Gold Award

All of the Group's Heritage Hotels received the Travelife Gold award for Hotels and Accommodations. Travelife is an international sustainability certification scheme which assesses the performance of an operation and/or destination in managing social, environmental and economic impacts. To gain Travelife Gold certification, a hotel must meet 150+ sustainability foci stipulated by the scheme. These criteria span across environmental issues, such as waste management, energy consumption, water and chemicals; positive action on social issues, such as employee welfare, working with the local communities, child protection and human rights. Hotels must also display how they support local businesses and protect local traditions and wildlife. The Gold award achieved by Heritage Hotels is a testament to the high level of commitment Aitken Spence Hotels has towards sustainability.

Product Responsibility & Commitment to Quality

Our commitment to excellence in what we do and how we do, urge us to comply with international benchmarks and best practices.

The international standards we have complied with, on a range of product and service delivery criteria include the following : ISO 9001 Quality Standards, ISO 14001 Environmental Standards and ISO 22000/HACCP Food Safety Standards. These standards also include stringent guidelines on food and water testing. Group resorts maintain good housekeeping practices such as the Japanese 5S system.

The Group's Sustainability Strategy

The Aitken Spence Group has in place a sustainability framework, from which all the Companies including Aitken Spence Hotel Holdings PLC., derives its sustainability stewardship and structure. This sustainability vision for the Group is integrated into the Group's commercial objectives, and increasingly so - in the context of growing global demand amongst consumers motivated by a higher purpose 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.

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

by the Managing Director and takes a top down approach, cascading strategies and policies from the Holding Company to the top management of the Hotels, which are then implemented in consultative collaboration across the hotel properties.

A sustainability focus is today intrinsic to our business and extends to an evaluation of social and environmental impacts at the stage of financial feasibility.

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

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

- Community Relations Policy
- Environmental Policy
- Energy Policy
- Child Protection Policy
- Supplier Relations Policy
- and the following HR policies:
- Equity & Diversity Policy
- Grievance Handling Policy
- Health & Safety Policy

Our Human Capital - Deriving and Delivering value with our core strength

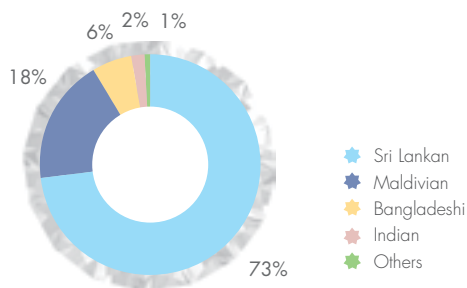
"You can design and create, and build the most wonderful place in the world. But it takes people to make the dream a reality" said Walt Disney.

We at Aitken Spence Hotels truly embrace this fact and recognise its value as fundamental. In a highly competitive market in the hospitality industry, the passion, commitment and talents of our people have been the key differentiator and the corner stone of the success of our brand. Aitken Spence is renowned for its architecturally unique and appealing properties. However, our brands Heritage and Adaaran today have become well established household names because of how our brand values are lived, communicated and translated into action, to exceed guest expectations and delight them.



Integrated Management Discussion & Analysis

Employees by Region



Having a team that can delight guests requires that the Company ensures that the team remains delighted and motivated. We understand the value of providing the right kind of environment towards this end, which enables our employees to harness their potential and the Group's.

The workplace environment and ethos play an important role in retaining and developing talent. The HR measures in place, thus gives priority to creating the right kind of environment and to continuous learning and development of the entire team. We continuously aim to be the employer of first choice in the industry. The following are the basic tenets of our culture:

- an open door policy with direct access to superiors,
- meaningful career development through effective training,
- meritocracy and fairplay,
- equal opportunity sans gender, ethnic or religious discrimination,
- treating all employees at all time with respect, courtesy and dignity and
- clean, pleasant and safe environments.

In fostering the right kind of environment, employee fellowship and interaction at both formal and informal levels are vital for employee well being and satisfaction. The Group promotes employee camaraderie via many formal as well as informal channels. Some of the informal channels during the year included staff trips, staff days and employee of the year socials such as Chilax Evenings, Christmas Party, the Spence Talent Show, Spence Beach Bash and Bowling Tournaments, Sing a Long and Sport O' Rama, Memory Enhancement Programmes and Children's Art Competition and Blood Donation Programmes.

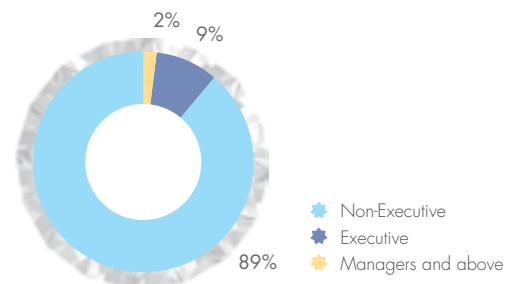
Equal Opportunity and Gender Equality

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

In addition, our code of Conduct and Equal Opportunities outlines the standards of behaviour expected of employees and cover areas such as anti-bribery, fair competition, protection of customer privacy and equal opportunities. We denounce all forms of exploitation and child labour.

Our expertise in hotel management developed over the years has been a result of selecting, recognising and moulding high performers and offering all our employees learning and development opportunities and mentoring, to help them become the best in the industry. Our people today are thus, our strongest asset. One of the external awards won by one of our teams in 2014 includes the Gold at the Culinary World Cup held in Luxembourg. Our workforce is gender balanced and its diversity offers the opportunity of learning from one another and to effectively engage with our international guests. The data below reflects the gender and ethnic diversity:

Employees by Type





As we've enumerated elsewhere in this report including the Chairman's message, the leisure industry in particular is hampered by a shortage of skilled labour and spiralling wage costs. Ensuring the long term sustainability of the industry's profitability thus requires strategic and urgent measures to address these challenges. The Group's HR management has

identified the following measures: training and development; the offer of unhindered career progression for those with talent and dedication; the creation of a positive work culture and promoting a healthy work life balance. We have achieved well above the industry standards in terms of skills development, retention and career progression.

Associates by number of years in service

	5 to 10 Years	11 to 15 Years	16 to 20 Years	21 to 25 Years	Above 25 Years
Heritage Kandalama	88	42	59	2	1
Heritage Ahungalla	58	30	29	29	30
Hotel Hilltop	16	4	5	4	4
The Sands	36	18	15	-	-
Heritage Ayurveda Mahagedera	24	9	2	9	3
Heritage Tea Factory	14	16	11	-	-



The Culinary World Cup
2014 Winners

Heritage Ahungalla won 7 medals including two gold medals at the recently concluded culinary world cup 2014 in Luxembourg from 22nd to 24th November 2014. The competition featured more than 1,000 chefs from 60 countries, as well as 105 national, regional and youth teams. The team was captained by our award winning Chef Dimuthu Kumarasinghe. Chef Kasun Premachandra, Chef Manoj Peris, Chef Manjula Dedduwa and Chef Kapila De Silva were the other team members.



Integrated Management Discussion & Analysis



Training Program at the Aitken Spence
School of Hospitality - Ahungalla

Aitken Spence School of Hospitality - Combining CSR with strategic need to meet a key industry challenge

Moreover, the launch of the Group's Aitken Spence School of Hospitality is a step towards the long term sustainability of the industry which aims to address the dearth of skilled labour in the future. This venture also combines CSR as the training we offer in basic hospitality, is free of charge and is to unemployed youth from economically disadvantaged backgrounds from formerly conflict ridden areas.

The school was launched in Ahungalla in 2006 and became operational in November 2007. It has trained more than 300 youth up to now with 95% of them absorbed into the Group's cadre where they receive on the job training. The Group is now looking at developing the school to enable learning and development to higher level positions through the knowledge and expertise of industry experts.

Buoyed by the success of our first school in Ahungalla, we also established the second school, the "Kandalama School of Tourism and Hotel Operation" based on a similar model.

In an industry environment where there is a dearth of skilled talent combined with a rising demand, retaining talent has also been a key challenge which is likely to exacerbate with the influx of several international chains.

Although our retention rates compare well with industry averages, we are cognisant of the importance of addressing this for the future. Our HR initiatives are geared towards this end.

Investing in the future of our people and the company through Training & Development

The Company's training calendar focuses on soft skills in addition to technical skills and encourages holistic growth to facilitate excellence. Training needs are identified during the annual performance evaluation and career development review processes, conducted for and with every employee. The calendar includes training courses conducted by internal and external experts, as well as programmes conducted internally. The topics range from industry standards to workshops on safe food handling, occupational health & safety, renowned quality experience to cultural orientation and leadership and personal development, F&B management, customer care, awareness creation on environmental management systems to information security. Our encouragement of learning also extends to the support of higher education by employees and thus we sponsor 75% of their course fees.

Training of skilled internal trainers has also been identified as a key focus area in order to sustain the training and development culture for the medium to long term.

In future, relevant training programs will be geared towards the awarding of certificates and diplomas that are externally recognised. Majority of the faculty will be trained resource personnel from the Aitken Spence family who possess a wealth of industry knowledge and experience.

The programme launched to develop the Managers of the Group (especially at our Maldives Resorts) continued this year, with extensive experimental content including managing productivity, developing subordinates, management and communication styles and team building exercises. The managerial level staff in the Maldives Resorts were also admitted to the Management Training Programme (MTP) of Aitken Spence, which is required as a licence, to manage in the Group.

Training Hours by Associate Category

	2014/15	2013/14	2012/13
Executive	32.7	32.4	30.1
Supervisor/Clerical	30.0	29.8	26.5
Staff	40.5	40.1	37.3



Heritage Kandalama
HRM awards 2014

Heritage Kandalama emerged as runners up at the National Human Resource Management Awards and were category winners for Talent Supply. In addition to the training and development initiatives the Company's HR efforts also focused on responding to the changing nature of the workforce, addressing Generation Y issues; as well as the regular benchmarking of remuneration and benefits.

We are also particularly proud that the Group, whilst being known as a hotbed for talent development, is also recognised as an employer that espouses lifetime employment, - a rare and unique attribute in today's world where loyalty is scarce. It is a key competitive advantage for us in an industry where retention rates are known to be a challenge. For us, the loyalty also means that the values of our brand become intrinsic to our people enabling the Group to sustain its brand equity and the commitment and passion to serve guests for the long haul. This probably explains why we have been an industry leader for over a century.

Human Rights at the Workplace

As signatories of the UN Global Compact (UNGC), we have made a commitment to protect human rights at the workplace. Accordingly, the Company's policies, practices and procedures were assessed *vis-a-vis* the Human Rights Protection Matrix of the UNGC and the Business Leaders Initiative on Human Rights. A network of support givers for human rights at the workplace was appointed across all SBU's by our Holding Company

during the year and a Peer Forum was launched among the Human Rights Support Givers to enable increased awareness of human rights at the workplace. We nominated seven support givers to this network with representation from across different levels of management and operational divisions. The support givers work with the human resource partners of the sector to ensure human rights at the workplace are protected.

Occupational Health & Safety

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

The hotels adheres to the Aitken Spence Occupational Health and Safety (OHS) Standards, ensuring adherence to the standards by conducting regular audits and routine training sessions to refresh staff awareness levels. In keeping with Group policy, OHS Teams, made up of representatives of all departments and functions have been appointed at each property and they are charged with leading the OHS initiatives at hotels, empowered through regular training sessions conducted by internal and external experts. Heritage Kandalama will be the first hotel in our portfolio to be certified OHSAS 18001 by this year.

No major injuries were reported among guests over the past year and the Group has not faced any regulatory or court imposed fines, settlements or awards related to violations in product safety.

33 workplace related accidents have been reported this year, while a collective 77 work days were lost due to work related accidents and illnesses, including cuts in the kitchen department. It is unfortunate that two workplace fatalities of our associates were reported during the year. The company has collectively taken steps to ensure continued support and means of income to the next of kin. In addition our associates have contributed along with the Company to ensure funds for future education of the effected children.

Heritage Ayurveda Maha Gedara conducts regular meetings and briefings with local drivers and tour guides to encourage safe working practices and ensure a high quality of service to guests.



Integrated Management Discussion & Analysis

Employees in the tourism sector in particular, are more vulnerable to certain life threatening diseases such as HIV/AIDS, and we ensure that our associates as well as their families and the wider community are educated and kept aware on prevention and risk control, while counselling, support and treatment are provided for serious diseases where relevant.

ENGAGING WITH OUR COMMUNITIES

"The mutual dependence and reciprocal interest which man has upon man, and all the parts of a civilised community upon each other, create that great chain of connection which holds it together." - Thomas Paine

The Heritance chain of Hotels, as a pioneer of a sustainable tourism model in Sri Lanka, firmly believes in the importance of interconnection and a reciprocal approach and that the sustainability of its profitability ultimately depends on the sustainability of the communities and environment it is part of.

The communities in which we operate are the key stakeholders of our resorts in many different ways. Our people are recruited from the localities wherever possible. We also add value to local resources by sourcing products from the localities as much as possible, thus encouraging entrepreneurship and farming to generate income amongst the neighbouring communities. Local artisans are given an opportunity to show case their products and sustain their skills and knowledge for future generations. Less tangibly but equally important, the local legends, ethos, traditions, ways of life and skills give meaning to who we are, and our heritage in turn helps sustain the heritage of each locality.

The Impact of our WIN-WIN model

Recruitment from the localities:

Amongst the hotels with a high proportion of managers from the local communities are the following:

Hotel	Percentage of Managers from the Local Community
Hotel Hilltop	75
Heritance Ayurveda Maha Gedera	50
Heritance Tea Factory	45
Maldives	25
Heritance Ahungalla	20
The Sands	20
Heritance Kandalama	17

Sourcing from local suppliers :

Moreover, the Company also follows a policy of giving priority to local suppliers when sourcing goods and services. How our procurement policy supports local suppliers:

Hotel	Percentage of Procurement Expenditure on Local Suppliers
The Sands	45
Hotel Hilltop	45
Heritance Kandalama	30
Heritance Ahungalla	30
Heritance Tea Factory	10
Heritance Ayurveda Maha Gedera	10
Maldives	2



Lace Making at the Arts and Crafts Centre at
Heritage Ayurveda Maha Gedara



Arts and Crafts Centre at Heritage
Ayurveda Maha Gedara

Over 500 farmers sell agricultural produce to us and over 200 families sell wood fuel for the bio mass plant. We have afforded ten craftsmen and women the opportunity to showcase their products. Moreover, villagers directly benefit from village tours conducted to educate tourists on local living.

The Group provided access of electricity to over 700 families through enabling infrastructure in the form of power poles and as a result has created a conducive environment for hundreds of households and micro enterprises. The Group has also facilitated safe drinking water to over 600 families. The hotel properties themselves are a tremendous driver for numerous economic activities and have been the impetus for the creation of a number of businesses based primarily on easy access to transport, staff transport between Heritage Kandalama and Dambulla Town by a villager owned bus is one such example.

Support to Sustain Culture and our Heritage

The Heritage Ayurveda Maha Gedara crafts workshop is one example of how we strive to sustain and promote uniquely Sri Lankan crafts and skills and also provide them a link to markets in the world.

The Centre aims to uplift indigenous arts and crafts such as the traditional masks and lace, by providing a platform for award-winning artisans and craftsmen and women to demonstrate their skills and creativity in crafts and techniques such as Palm weaving, Dumbara weaving, Lace making, Wood carving, Mask painting and Palm weaving. Guests are also given the opportunity of trying out the making of these crafts under the guidance of the craftsmen. The Arts and crafts created at the centre are available for purchase by guests, with all profits enjoyed by the craftsmen and women to promote their creations and livelihood.

The centre also houses a museum which displays examples of many other indigenous crafts, including lacquerware, brassware, coconut carving and batik.

Other support to local Communities

In addition to our business integrated action aimed at benefiting communities and the environment, our hotels also support local communities in numerous ways. These include child and elder care programmes, support of education and health care, support to the disabled, the local religious institutions, employee voluntarism and other philanthropic initiatives. The total funds channelled towards such community development amounted to over Rs. 250,000.



Integrated Management Discussion & Analysis

ENVIRONMENTAL PERFORMANCE - Driven by a Green Model

Taking leadership in environmental sustainability has enabled us to enhance business performance. Firstly by growing revenue due to increasing demand amongst travellers who like to off set their carbon footprint and contribute to uplift the natural environment and communities. Secondly, by reducing the costs of our operations through green operations, green buildings, energy reduction and carbon off setting. These measures add value to the environment and to our profitability.

In 2013, Heritance Hotels became the first resort chain in Sri Lanka to be ISO 50001 certified.

All our properties today have an Environmental Management System (EMS) which either negates or mitigates all our negative environmental impacts, a reflection of the fact that a Triple Bottom Line approach to enterprise is intrinsic to our business.

Heritance Tea Factory was the first hotel in Sri Lanka to develop renewable energy with the launch of a bio-gasifier in 2007. Our properties such as Heritance Kandalama are today seamlessly integrated into the existing natural forest environment.

Energy Management

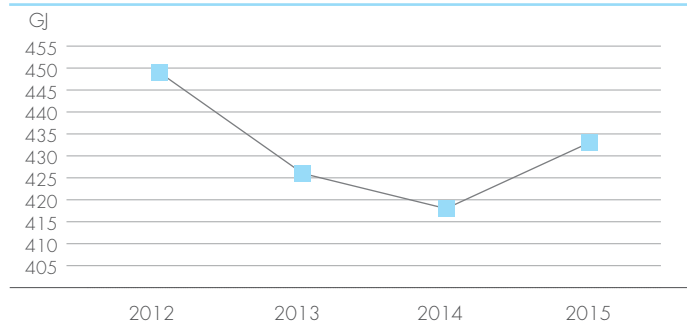
Aitken Spence Hotels has continually been in the forefront of developing efficient energy management systems via the control of procedures and operations to reduce consumption and through the development of several processes and equipment which allow better energy usage. As mentioned previously, Heritance is the first resort chain in Sri Lanka to be awarded the ISO 50001 certification for energy management systems. Our efficient systems have led to a total energy reduction of 18% per guest night from 2010/2011. The Group used a total of 581,485 cubic metres of water during the year, and recycled or reused 39.06% of this volume, amounting to 227,128 cubic metres.

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



The usage of LED Lights at the Heritance Ahungalla Conference Hall

Total Energy Consumption per Guest Night - GJ (SL & MV)



We have been able to decrease the usage of Diesel by 3%, from our total energy composition and increase the usage of biomass by 5%. The Group's reduction of greenhouse gas emissions to date, especially Carbon Dioxide (CO₂), has mainly been a result of improved energy efficiency.

Being a chain of hotels, we are able to share our good practices and learning's amongst our varied properties. For example, Heritance Tea Factory was the first hotel in Sri Lanka to commission a biomass gasifier, and a similar gasifier was installed thereafter at Heritance Kandalama. The gasifiers use sustained biomass to produce syngas which is then



fed to the boiler to generate energy, replacing the need for Diesel to produce steam for hot water generation and laundry operations. The biomass gasifier has thus enabled us to reduce the consumption of Diesel by 90%. Additionally, the waste heat from the gasifier is transferred to heat public areas at the Tea Factory while its by-products are used as organic fertilizer.

Amongst the other energy management initiatives at our Heritance Properties are regular energy audits, associates awareness, good preventive maintenance and constant introduction of new energy saving products wherever possible. Heritance Ahungalla has also achieved a 13% reduction in water consumption through measures such as the reuse of treated waste water for gardening.

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

Reducing chemical use

In January 2014, Heritance Tea Factory received the first organic certification in Sri Lanka awarded by the Sri Lanka Standards Institute for its cultivation and processing of tea. The organic certification involved a stringent set of tests and audits, conducted by institutions such as the Agricultural Research Centre in Kundasale, the Tea Research Institute in Talawakelle and the Sri Lanka Standards Institute.

The pioneering achievement came after eight years of refining the processes used to cultivate and process organic black tea, green tea and herbal tea in the 25 acre tea plantation that surround the hotel and at the mini tea factory. The organic tea is available for the consumption of guests and can be purchased as souvenirs.

The hotel discontinued the use of all forms of chemical fertilizer, pesticides and weedicides at the tea plantation in 2005, and replaced artificial fertilizer with natural substitutes such as compost and manure processed in-house. Gotukola was grown as an under layer in the tea plantation to prevent weeds and to help nourish the soil.

Heritance Tea Factory has successfully obtained 1 million Kgs of Carbon credits to date, by resorting to measures such as manual weeding instead of using weedicide; biodegradable detergents and chemicals at the laundry; and using only organic compost in the tea plantation and in



The Bio Gas plant at Heritance
Ayurveda Maha Gedara

its vegetable garden. Heritance Tea Factory has installed a rainwater-harvesting system as well as low flow aerator taps to minimise water wastage. 100% of the hotel's sewerage is recycled and reused.

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

Hotel Hilltop has made several improvements to its sustainability commitment by using LED and CFL bulbs, solar hot water panels to produce hot water and capacitor banks that help reduce the KVA demand. The Hotel's energy management team makes frequent inspections with a view to identifying methods of reducing energy use. Guests at the hotel are also engaged in the efforts to save energy and water through notices and posters in rooms. The property treats its waste water and effluents at a Sewerage Treatment Plant, which redirects the recycled water for gardening.

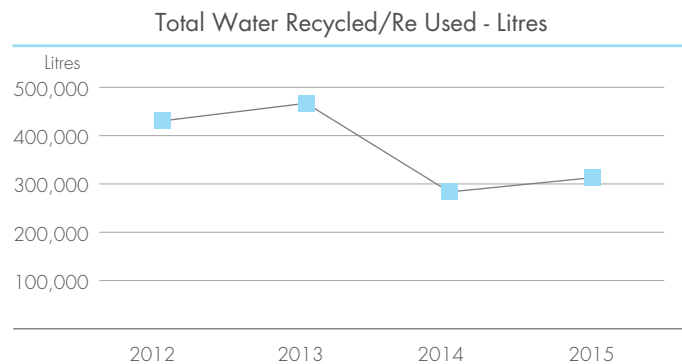
A sound proof generator and boiler have been installed at The Sands, to ensure no sound pollution takes place. The hotel's sewerage treatment plant and well water treatment plant enable the optimisation of water usage.



Integrated Management Discussion & Analysis

Water Management

Water conservation is an important component of our environmental strategy. Given the growing global water challenge, Aitken Spence Hotels is working internally to continuously improve our operations, and externally to understand local water conditions in which we operate. The Group understands the importance of water to our business, human health and the economic viability of the communities in which we operate. We have identified hotels which are in water stressed areas. 100% of the waste water generated and close to 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.



Total Water withdrawal by source		
Year	Ground Water M3	Sea Water M3
2011/2012	215,597	586,409
2012/2013	287,736	662,282
2013/2014	284,661	702,019
2014/2015	280,626	752,148



Recycling of wastage at
Heritance Ahungalla

Waste Management –our own creation of a 7 R approach

The progression we have made in the recycling and treatment of waste across our properties now means that we no longer use the term “waste” to refer to what is left over or generated, as nothing is wasted but is converted to a “resource” in most cases.

Aitken Spence Hotels spearheaded the implementation of a 7R approach towards waste management. This internally developed method encourages reuse before recycling and is aimed at reaching zero waste to land fill status. The hotels segregate waste by type, and thereafter different waste is dealt with the most effective and suitable manner. For example food waste is either used for compost or handed over to pig farms as animal feed or converted to Bio Gas. Water used in our bathrooms are aerated and used for gardening and other outdoor activities; kitchen waste is treated to trap the oils and fats and used for fertilizer whilst human waste is sundried and converted to fertilizer.



The weight of hazardous and non-hazardous waste generated during the 12 month period is given below:

Waste Details Sri Lankan and Maldivian Hotels	Measurement	2014/2015	2013/2014	Remarks
Waste type				
Paper	Kg	14,921	12,099	Segregated and sold/sent for recycling
Cardboard	Kg	32,172	29,517	Segregated and sold/sent for recycling
Plastic	Kg	13,840	12,358	Segregated and sold/sent for recycling
Polythene	Kg	5,015	3,168	Segregated and sold/sent for recycling, Supplier education on reducing packaging material planned
CFL Bulbs	Units/Kg	324/1021	360/773	Sent for recycling, Energy efficient LED lighting replacement program
Lead Acid Batteries	Units/Kg	6/595	6/706	Segregated and sold/Stored for later recycling
Alkaline Batteries	Units/Kg	485/223	20/186	Segregated and sold/Stored for later recycling
Tires	Units/Kg	36/856	16/1,116	Sent for Retreading/Sold to recycle
Scrap Metal	Kg	17,945	18,225	Segregated and sold
Glass	Kg	23,275	25,416	Segregated and sold/sent for recycling
Soiled Cotton	Kg	744	580	Sent to Thilafushi
Food Waste	Kg	2,456,781	1,108,355	Composted, Used in Bio Gas Generators, Sold/ Given to piggery
E – Waste	Units/Kg	4/268	2/328	Sold/sent for recycling

The 7 R approach developed and practiced by Aitken Spence

- 1. Reject** – all non-biodegradable material, such as packaging material and plastics wherever possible.
- 2. Reduce** – the use of resources, especially those based on non-biodegradable material that cannot be rejected. Use technologies such as Cleaner Production (CP) and Green Productivity (GP).
Includes reducing Energy usage – “Switching Off” policy
Water usage – “Closing Taps” policy
- 3. Reuse** – every possible resource especially those that cannot be rejected or reduced such as paper, plastic packaging material, construction material etc.
Eg: Durables against Disposables
- 4. Reclaim** – what cannot be totally reused.

- 5. Replace** – what cannot be rejected, reduced or reused with more environmentally friendly options.
Eg: Oil based paints with water based.
Plastic with other biodegradable options.
- 6. Repair** – what is broken and reuse them.
Eg: Broken furniture, machinery and other equipment can be repaired and reused without extracting new resources.
- 7. Recycle** – every material, so that nothing goes to waste.
Eg : Waste water, cooking oil, engine oil, metal cans, plastic containers, PET bottles etc.
In short all materials that cannot be rejected, reduced, reused, reclaimed, replaced, or repaired.



Integrated Management Discussion & Analysis

Our sustainable approach to reducing waste also encompasses thinking wisely, before we use resources. We believe that luxury is not about drowning our guests with excesses, but about pampering our guests with the finest, keeping in mind their needs and delighting them with unique experiences that last a lifetime. And these unique experiences are not necessarily about how much but how we do and the commitment to excellence.

Biodiversity

None of the Group's Sri Lankan 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. Heritance Kandalama has seamlessly integrated itself into a natural preservation of 198 acres of conservation forest in its perimeter and this ensures that the bio-diversity is protected. In addition the Hotel also conserves 58 acres of forest area, flora and fauna within the hotel. The preservation also protects the origins of 11 natural streams that provide irrigation water to 34 dry zone reservoirs. Moreover, the resort's Eco-park plays a valuable role in protecting and rehabilitating sick and injured animals and is a key model for community education and conservation.

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.



Preserving our Corals



Gold Award Winner in the Hotel Companies category
at the ICASL Annual Report Awards 2014

The Accolades achieved in 2014 :

We are heartened by the numerous awards and accolades received during the year, endorsing the Aitken Spence Hotels' commitment to excellence.

- Gold Award winner in the Hotel Companies Category at the Institute of Chartered Accountants of Sri Lanka Annual Report Awards 2014
- Gold Award Winner in the Hospitality Sector at the National Business Excellence Awards (NBEA) 2014 organised by The National Chamber of Commerce of Sri Lanka
- Gold Award Winner in Excellence in Performance Management at the National Business Excellence Awards (NBEA) 2014 organised by The National Chamber of Commerce of Sri Lanka
- Runners Up in the Leisure & Connected Services Category at the ACCA Sri Lanka Sustainability Reporting Awards 2014
- Four of our Heritance properties were awarded Travel Life Gold Award.
- Five Aitken Spence properties from Sri Lanka and the Maldives have entered the prestigious Trip Advisor Hall of Fame, having been recognised for its consistent high performance in customer reviews with the achievement of the 'Certificate of Excellence' for the fifth consecutive year.
- Booking.com outstanding Hotel Partner Award for our Maldives properties



Gold Award Winner in the Hospitality Sector and Excellence in Performance Management category, NBEA 2014

Memberships in Associations

Sri Lanka Tourism Development Authority
Maldives Association of Tourism Industry
The Ceylon Chamber of Commerce
The Hoteliers Association of Sri Lanka
The Field Ornithological Group of Sri Lanka
The Environmental Management System Users and Promoters Association
The Pacific Asia Travel Association
Travelife
The Employers Federation of Ceylon
Institute of Supply and Materials Management

OUTLOOK

Post war Sri Lanka's tourism industry has been on a strong growth trajectory, with all factors projecting continuing growth, and at a higher pace. Strong economic growth and the projected rise in arrivals in Sri Lanka are factors which underpin our buoyant prognosis for the industry in the near term. However, achieving significant increases in arrivals and the number of high yielding tourists to Sri Lanka remain paramount for the medium to long term growth and sustainability of the industry. Towards this end, an urgent imperative is a focused and strategic destination marketing campaign integrated across all media to augment the efforts of our tour operators in those nations; the cost of not doing so in the past few years, has been considerable. We thus hope that the new administration will reignite some of the past strategies that served the industry well.

Looking ahead at next year, it is likely that arrivals and revenues which originate from countries such as Russia and the CIS could contract due to the economic turmoil in Russia including the devaluation of the Ruble. A depreciated Euro vis a vis the US Dollar could also impact spending by Western European markets until 2016. We will thus look to diversify our markets whilst also focusing on rapidly growing markets which are less price sensitive, such as China, India and the Middle East. Your Company's regional presence with properties in Maldives Oman and India makes it well poised to harness the potential in these countries.

Aitken Spence growth strategy will look to expand its regional as well as Sri Lankan presence. The acquisition of two new islands in the Maldives is a significant step towards this end; and the Group is also actively exploring opportunities within Sri Lanka, with a focus on developing existing land banks, such as in Galle and Trincomalee. The increase in our inventory in 2015 and 2016, with the entry of RIU resort in 2016 and the commencement of operations of two new properties - Heritance Negombo and Turyaa in Chennai, India, in 2015; augur well for growth in our top line over the next few years.

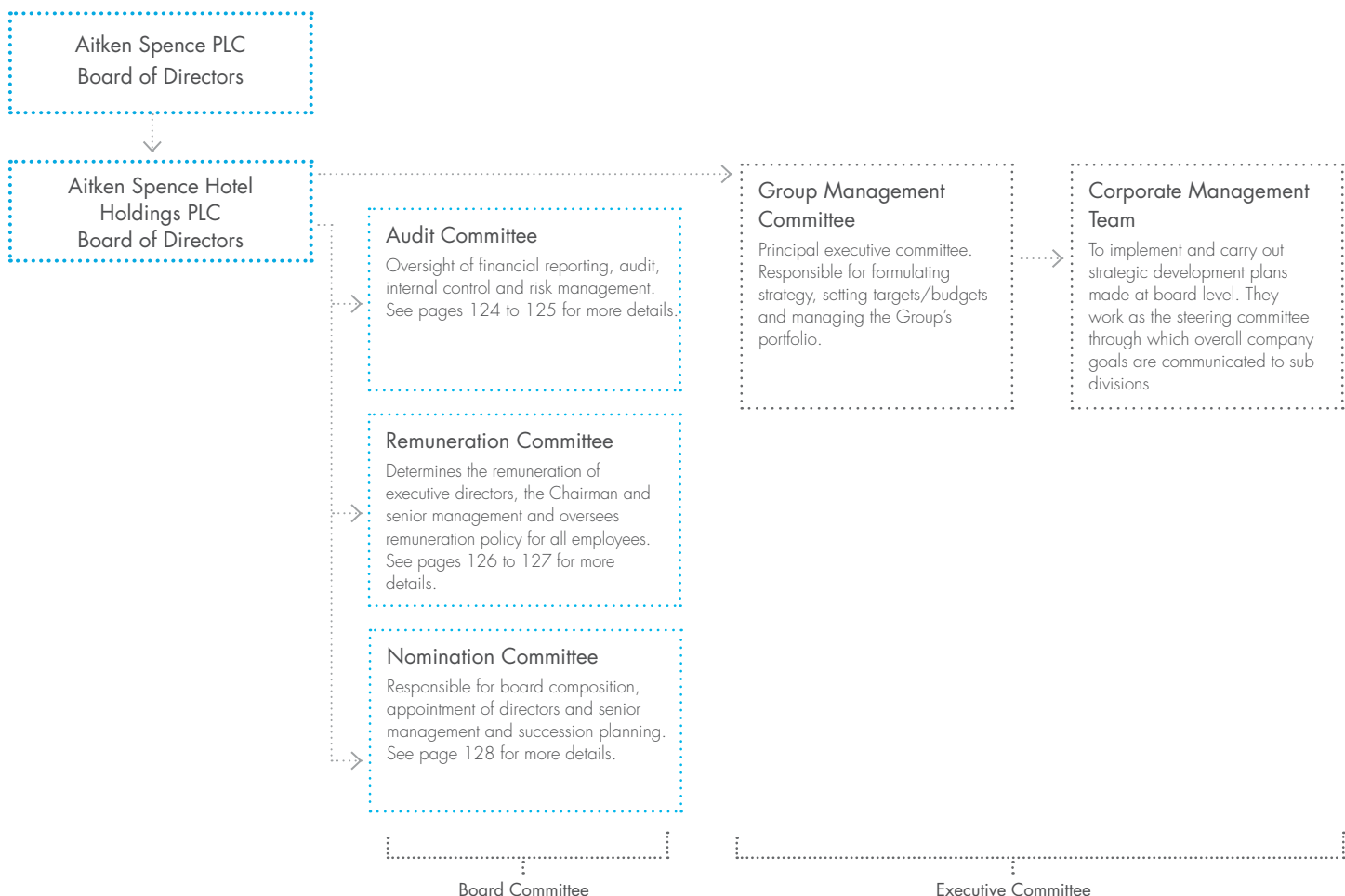
As we stand well poised to harness the opportunities in the environment, our leadership position in Sri Lanka's tourism industry and our strength as a regional player, are factors which add to our buoyant outlook, to increase sustainable value creation to all our stakeholders with in keeping with our Vision and a Triple Bottom Line focus.



Corporate Governance

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

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





SHAREHOLDER ENGAGEMENT

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

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

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

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

INTERNAL CONTROLS AND RISK MANAGEMENT

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

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

Review Effectiveness

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

Code of Business Conduct and Ethics

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

Going Concern

The relevant declaration regarding the Going Concern Statement is set out in the 'Annual Report of the Directors' on page 131 of this Annual Report.

Risk Management

An overview of the Group's framework for identifying and managing risk at an operational, strategic and financial level, is set out on pages 135 to 143.

Annual Report

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



Corporate Governance

Highlights of Financial Year 2014/15

37th Annual General Meeting held on Monday, June 30, 2014.

Elections/Re-elections to the Board

Deshamanya D.H.S. Jayawardena, Chairman of the Group, was re-elected to the Board as the Chairman upon his re-election as a Director by passing the following resolution.

"That the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. D.H.S. Jayawardena who has attained the age of 71 years and that he be re-elected a Director of the Company."

Mr. R.E.V Casie Chetty, a member of the Board since April 1998 was re-elected to the Board and appointed as a Director.

Mr. S.M. Hapugoda a member of the Board since April 2005 was re-elected to the Board and appointed as a Director.

Mr. R. N. Asirwatham a member of the Board since September 2009 was re-elected to the Board as a Director by passing the following resolution:

"That the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. R.N. Asirwatham who has attained the age of 71 years and that he be re-elected a Director of the Company."

Mr. R.N. Asirwatham is an Independent Non-Executive Director.

The following Resolutions were passed at the 37th AGM:

Approval of Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31 March 2014 and the Report of the Auditors thereon.

Approval of a Final Dividend of Rs.1.50 for f/y 2013/14.

Appointment of Messrs KPMG, Chartered Accountants, as the External Auditor of the Company for f/y 2014/15 and authorisation of the Directors to approve their remuneration.

Authorisation of the Board of Directors to determine contribution to charity for f/y 2014/15.

Major External Steering Instruments on Governance

- Companies Act No. 7 of 2007
- Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka
- Listing Rules of the Colombo Stock Exchange
- GRI Guidelines on Sustainability

Major Internal Steering Instruments on Governance

- Articles of Association of the Company
- Board approval policies on all major operational aspects
- Integrated risk management procedures
- Company's Code of Ethics
- Processes for internal controls

Statement of Compliance

The disclosures below reflect conformance to the Code of Best Practice on Corporate Governance which comprises of seven (7) fundamental principles.

These are namely:

- A. Directors
- B. Directors' Remuneration
- C. Relations with Shareholders
- D. Accountability and Audit
- E. Institutional Investors
- F. Other Investors and
- G. Sustainability Reporting

The structures in place and the conformance to the requirement and expectations are tabulated below under the said six fundamental principles.



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, Accountability and Audit. (See pages 111 to 121)

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 pages 122 to 123)

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
--------------------------------	---	------------	-----------------------

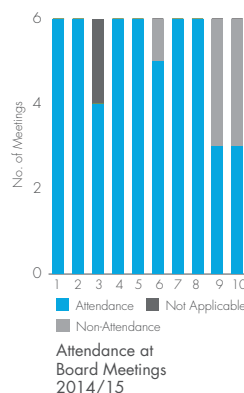
SECTION 1. COMPANY

A. DIRECTORS

A.1/Z.10.1(a), Z.10.2(a) and Z.10.3(c-d) - The Board

The Board of Directors comprises of ten Directors including the Chairman and the Managing Director. The Board has three Directors who are Independent Non Executive Directors. The Company believes that the present composition of the Board, which has at its disposal, a vast reservoir of knowledge and experience in all areas of the Company's operations such as Hoteliering, Marketing, Finance, Legal, Commerce and Entrepreneurship enables optimum efficiency and effectiveness. The names and the profiles of the Directors are given on pages 26 to 27 of this Annual Report.

Board Meetings	A.1.1	Complied	Board Meetings were held Six times during the financial year and presided over by the Chairman.
----------------	-------	----------	---



Board of Directors:

1. Mr. D.H.S. Jayawardena
2. Mr. J.M.S. Brito
3. Ms. D.S.T. Jayawardena
4. Mr. C.M.S. Jayawickrama
5. Mr. S.M. Hapugoda
6. Mr. G.P.J. Goonewardena
7. Mr. R.E.V. Casie Chetty
8. Mr. R.N. Asirwatham
9. Mr. N.J. de Silva Deva Aditya
10. Mr. C.H. Gomez

Note: Ms.D.S.T. Jayawardena joined Board w.e.f. 01 July 2014.

The Board meetings are scheduled in advance to enable the Directors to plan their commitments in order to facilitate attendance. Any instances of non-attendance at the meetings were due to personal commitments or illness.

Apart from taking decisions at the Board meetings, the Board also takes decisions via Circular Resolutions. The Directors are provided with the Agenda and Board papers in advance giving them adequate time to study the contents prior to the meetings. The Board meetings are arranged in advance and all Directors are informed of the meetings. When decisions are taken via circular resolutions, all relevant information is sent together with the circular resolution to enable the Directors to clearly comprehend the purpose for which a resolution is being circulated prior to obtaining their consent.

Attendance at these meetings are indicated in the table on page 123.



Corporate Governance

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



Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
Dedicating adequate time and effort	A.1.6	Complied	<p>The Board of Directors devotes adequate time to fulfill their duties as Directors of the Company. The Board has delegated the day to day operations of the Company to the Management Committee. The Management Committee comprises of the Managing Director, the Executive Directors and a specialist team of Senior Managers of the Company.</p> <p>The Board papers are received by the Directors, ahead of Board Meetings, enabling the Directors to review the papers and obtain clarifications prior to the meetings.</p>
Training for new and existing Directors	A.1.7	Complied	<p>Directors are provided with opportunities to attend workshops, seminars and professional training programmes.</p> <p>Directors are briefed on changes in laws and regulations, tax laws and accounting standards from time to time either during Board meetings or at specially convened sessions.</p>
A.2. Chairman and the Chief Executive Officer			
<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 also 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 giving 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 the Board effectively performs its functions, adheres to procedures and the relevant statutes.</p> <p>The Chairman encourages effective participation of all the Directors in decision making, seeks and ascertains the views of the Directors and thereby ensures that the Board functions in an efficient manner which is beneficial to the stakeholders and the Company.</p>



Corporate Governance

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
A.4 Financial Acumen			
Financial Acumen	A.4	Complied	The Board includes four Senior Professional Accountants, one of whom is the Managing Director. They possess the necessary experience and expertise.
A.5 Board Balance			
Presence of Non-Executive Directors	A.5.1 Z.10.1 (a) Z.10.2 (a) Z.10.3 (a)	Complied	The Board comprises of the Chairman, Managing Director and five Executive Directors and three Non-Executive Independent Directors. In the Company, the Chairman and the Managing Director are not the same person. The Non-Executive Directors' brief resumes are provided on page 27 this Annual Report.
Independence of Non-Executive Directors	A.5.2, A.5.3 & A.5.5 Z.10.2 (a-b) and Z.10.3 (a-b)	Complied	As indicated in the table on page 123 the Board comprises of three Non-Executive Directors namely, Mr. R.N. Asirwatham, Mr. N. J. de Silva Deva Aditya and Mr. C.H. Gomez. Mr. N. J. de Silva Deva Aditya although a Director of the Company and the Director of Institutions that hold over 15% of the shares of the parent company, is however determined as an Independent Director after taking into consideration all the relevant circumstances including the fact that he resides overseas. Furthermore, the Institutions in which he is a Director do not directly or indirectly get involved in the day to day management of either the Company or its subsidiaries and as such are independent of management and free of business relationships. Mr. R.N. Asirwatham and Mr. C.H. Gomez were appointed to the Board as Non-Executive Independent Directors.
Annual Declaration of Non-Executive Directors	A.5.4 Z.10.2 (b)	Complied	Each Non-Executive Director submits a signed declaration annually with regard to his independence/non-independence against the specific criteria.
Requirement to appoint a 'Senior Independent Director'	A.5.6, A.5.7 & A.5.8	Not applicable	This is not relevant to the company as the Chairman and the Managing Director roles are segregated.
Chairman conducting meetings with the Non-Executive Directors	A.5.9	Complied	The Chairman meets with only the Independent Non-Executive Directors as and when necessary.
Recording of concerns in the Board minutes	A.5.10	Complied	Any concerns raised by the Directors which cannot be resolved unanimously are recorded in Board minutes, if applicable.



Corporate Governance Principle	Reference to SEC & ICASL Code <u>CSE Listing Rules</u>	Compliance	Details of Compliance
A.6 Supply of Information			
Obligation of the Management to provide appropriate and timely information	A.6.1	Complied	The Group has a modern Management Information System in place. All the Board Members receive information on the operation and performance of the Group on a monthly basis. In addition, the Company has a centralised accounting process which is monitored by the respective Group Companies.
Adequate time for circulation of respective Board documents	A.6.2	Complied	The Board is provided with timely and appropriate information by the management by way of board papers and proposals. The Board members have access to additional information at all times. The Board minutes, agenda and papers are circulated, giving adequate time for individual Directors to study same, thus enabling the active and effective participation of each Board member.
A.7 Appointments to the Board			
Nomination Committee and the assessment of composition of the Board	A.7.1 & A.7.2	Complied	<p>The Nomination Committee which is a sub-committee of the Parent Company's Board consists of three Independent Non-Executive Directors of the Parent Company in addition to the Chairman and the Managing Director of the Company.</p> <p>The names of the members of the Committee are listed on page 243 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>
Disclosure to Shareholders	A.7.3	Complied	<p>Ms. D.S.T. Jayawardena was appointed as an Executive Director to the Board. Upon the appointment of a new Director to the Board, the Company informs the Colombo Stock Exchange with a brief resume of such Director containing the nature of his/her expertise, other directorships held, memberships in Board Committees and the nature of the appointment.</p> <p>Two of our Board Members Deshamanaya D.H.S. Jayawardena and Ms. D.S.T Jayawardena are related to each other, however, act in the best interest of the Group in their spirit, intention, purpose and attitude in their decision making.</p>



Corporate Governance

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
A.8 Re-Election			
Re-election of Directors including Chairman	A.8.1 & A.8.2	Complied	All Directors over the age of seventy years and all those who are retiring by rotation in terms of the Articles of Association of the Company, submit themselves for re-election at the AGM to be held on 30/06/2015 to be elected by the shareholders of the Company as per the Articles of Association. The Nominations Committee has declared to the Board that the contributions made by the Directors offering themselves for re-election at the AGM in 2015 are effective and affirms the Company's continuous support of their re-election.
A.9 Appraisal of Board performance			
Appraisals of the Board and the sub-committees	A.9.1, A.9.2 & A.9.3	Complied	Assessment of the performance of the Board, its Committees and individual Directors forms an integral part and takes place annually on a self-appraisal basis within the terms of reference to its/their key responsibilities outlined on the Nomination Committee Report (see page 128).
A.10 Disclosure of information in respect of Directors			
Directors' disclosures	A.10.1 <u>Z.10.3 (c-d)</u>	Complied	<p>The names of the Directors of the Board, their background leadership expertise, skills and their profiles are disclosed on pages 26 to 27 of this report.</p> <p>Directors' interest in contracts is disclosed on pages 216 to 219 of this annual report. The number of board meetings attended by the Directors is given on page 123 of this report.</p> <p>Names of the Chairman and the members of the Board Committees are provided on page 243 of the annual report.</p>
A.11 Appraisal of Chief Executive officer			
Setting of the annual targets and the appraisal of the CEO/MD	A.11.1 & A.11.2	Complied	The Board in consultation with the Managing Director reviews and approves the operational and financial budgets and monitors the performance. The evaluation of performance is conducted half yearly and at the end of the financial year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.



Corporate Governance Principle	Reference to SEC & ICASL Code <u>CSE Listing Rules</u>	Compliance	Details of Compliance
B DIRECTORS REMUNERATION			
B.1 / <u>Z.10.5</u> Remuneration Procedure			
Establishment of a remuneration committee and its composition	B.1.1, B.1.2 & B.1.3 <u>Z.10.5 (a) & Z.10.5 (b)</u>	Complied	The Board has delegated powers to the Remuneration Committee which is a sub-committee of the Parent Company's Board to formulate and review remuneration packages of Executive Directors and Executive Employees according to their responsibilities and performance. The evaluation of performance is conducted half yearly and at the end of the financial year. The Group Remuneration Committee consists of three Non-Executive Independent Directors of the Parent Company one of whom functions as the Chairman of the Remuneration Committee. The names of the members of the Committee are listed on page 243 of the Annual Report.
Determination of the remuneration of the Non-Executive Directors	B.1.4	Complied	The board determines the fees and expenses payable to Non-Executive Directors as per the Articles of Association of the Company.
Consultation with the Chairman and the CEO/MD	B.1.5	Complied	The Remuneration Committee consults the Chairman and the Managing Director regarding the remuneration proposals to Executive Directors and the senior management. No Director is involved in determining his own remuneration.
B.2 Level and Make up of Remuneration			
Level and makeup of the Remuneration of Directors and comparison of remuneration with other companies	B.2.1, B.2.2 & B.2.3	Complied	The Remuneration Committee is responsible for evaluating the performance of the Managing Director, Executive Directors and the individual and collective performance of the Directors and the Senior Management. The Committee structures remuneration packages to attract, retain and motivate Directors, the Senior Management and Executives. The remuneration packages are based on cost of living, inflation rates, comparative industry norms and the contribution of the individual to the Group and the respective subsidiary to which such individual is attached.
Performance based Remuneration	B.2.4	Complied	The Remuneration Committee reviews the performance of the Executive Directors and senior management and the performance bonus is based upon the achievement of goals and targets by the individual and the respective subsidiary to which such individual is attached.
Executive share options	B.2.5	Not applicable	During the year under review there were no share option schemes in operation.



Corporate Governance

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
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 pages 126 to 127.
Early Termination of Directors	B.2.7 & B.2.8	Complied	Determined by the Articles of Association of the Company.
Remuneration of Non-Executive Directors	B.2.9	Complied	Non-Executive Directors receive a fee for their participation in meetings.
B.3 /Z.10.5 (c) Disclosure of Remuneration			
Disclosure of remuneration	B.3.1	Complied	Please refer note 9 and 42.2 to the financial statements for the details of remuneration paid to Board of Directors and Key Management Personnel.
C. RELATIONS WITH SHAREHOLDERS			
C.1 Constructive use of the Annual General Meeting			
Use of Proxy	C.1.1	Complied	A Form of Proxy is forwarded to the shareholders along with the Annual Report and it is ensured that all proxy votes are counted.
Separate resolution for substantially separate issues	C.1.2	Complied	Separate resolutions are proposed for all substantially separate issues to provide shareholders with the opportunity to deal with each significant matter separately. This mechanism promotes better stewardship while assuring transparency in all activities of the Company.
Chairman of Board Committee to be present	C.1.3	Complied	At the Annual General Meeting the relevant Chairmen of the respective Committees are present to answer queries and provide clarification to shareholders where necessary.
Adequate notice of Annual General Meeting and summary of Procedure	C.1.4 & C.1.5	Complied	The notice and the agenda for the Annual General Meeting together with the Annual Report of the Company are dispatched to the shareholders at least 15 working days prior to the Annual General Meeting as per the Companies Act No. 07 of 2007.
C.2 Communication with Shareholders			
Effective communication with shareholders	C.2.1, C.2.2 & C.2.3	Complied	The Company encourages effective communication with the shareholders and answers queries and concerns of shareholders through the Company Secretaries and/or communications team.
Contact person in relation to shareholders matters.	C.2.4 & C.2.6	Complied	Persons to contact in relation to shareholders is the Company Secretary and in the absence of him/her, the Managing Director.



Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
Process to make Directors aware of the issues and concerns of Shareholders and disclosing same	C.2.5	Complied	<p>The Company Secretary shall maintain a record of all correspondence received and will deliver as soon as practicable such correspondence to the Board or individual director/s as applicable.</p> <p>The Board or individual director/s, as applicable, will generate an appropriate response to all validly received shareholder correspondence and will direct the Company Secretary to send the response to the particular shareholder.</p>
The process responding to shareholder matters	C.2.7	Complied	Refer to comments given for Section C.2.5
C.3 Major and Material Transaction			
Disclosures of major transactions	C.3.1	Complied	During the financial year there were no major transactions, which materially altered the Company's net asset base or the consolidated Group's net asset base.
D. ACCOUNTABILITY AND AUDIT			
D.1 Financial Reporting			
Board responsibility to present the financial statements	D.1.1	Complied	The Board of Directors confirm that the financial statements of the Company and its subsidiaries have been prepared in accordance with the Companies Act No. 07 of 2007, the Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The Company has duly complied with all the relevant Laws and reporting requirements of Regulatory Authorities. The consolidated financial statements and the financial statements of the Company were audited by Messrs KPMG, Chartered Accountants.
Annual report of the Directors	D.1.2	Complied	The "Annual Report of the Board of Directors" which is given on pages 129 to 133 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 145 of this Annual Report. The Statement of Directors' Responsibilities for Financial Statements is available from pages 134.
Management discussion and analysis	D.1.4	Complied	The Integrated Management Discussion and Analysis is given on pages 72 to 107.
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 131 of this Annual Report.



Corporate Governance

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
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.
Disclosure of related party transactions	D.1.7	Complied	<p>The Directors disclose their interest in transactions in companies as and when basis. However, they make disclosures of their interest in transactions with the Company in compliance with the requirements of the Companies Act and other relevant statutory requirements. The Company maintains an interest register as stipulated in the Companies Act.</p> <p>All related party transactions as defined in Sri Lanka Accounting Standard -24 (LKAS 24) on "Related Party Transactions" is disclosed in note No 42 to the Financial Statements on pages 216 to 219.</p>
D.2 Internal Control			
Directors to review Internal Controls	D.2.1	Complied	The Board is responsible for formulating and implementing appropriate systems of risk management and internal control for the Group and in turn assessing its effectiveness. The Group's internal audit division assists the Board of Directors and the Audit Committee in carrying out the above task. Any internal control system has its inherent limitations. The Board is aware of the inherent limitations and has taken appropriate steps to minimise same.
Requirement to review the need for an Internal Audit function	D.2.2	Not applicable	The Group has an internal audit division to assist in the maintenance of a sound system of internal control for purposes of protecting stakeholder investment and assets.
Audit Committee to carry out reviews of the process and effectiveness of risk management and Internal Controls and document to the Board	D.2.3	Complied	The Internal Audit Division of the Group carries out regular reviews on the internal control system including internal control over financial reporting. The Audit Committee monitors, reviews and evaluates the effectiveness of the risk management and internal control system including the internal controls over financial reporting.
Responsibilities of Directors in maintaining a sound system of Internal Control	D.2.4	Complied	The Directors' responsibility for maintaining a sound system of internal control is given in the Statement of Directors' Responsibilities on page 134.



Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
D.3/Z.10.6 Audit Committee			
Composition of the Audit Committee and the Duties	D.3.1 & D.3.2 <u>Z.10.6 (a) & Z.10.6 (b)</u>	Complied	<p>The Audit Committee which is a sub-committee of the Parent Company's Board, functions as the Audit Committee of Aitken Spence Hotel Holdings PLC. The Audit Committee comprises of four Non-Executive Independent Directors from the Parent Company one of whom acts as the Chairman of the Committee. The names of the members of the Committee are listed on page 243 of the Annual Report.</p> <p>The Audit Committee's 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	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.
Disclosures of names of the members of the Audit Committee	D.3.4 <u>Z.10.6 (C)</u>	Complied	Names of the members of the Audit Committee are listed on page 243 of this Annual Report. The report of the Audit Committee is available on pages 124 to 125.
D.4 Code of Business Conduct and Ethics			
Disclosure on a presence of code of business conduct and ethics	D.4.1	Complied	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.
Affirmation of the code of conduct and ethics	D.4.2	Complied	Please refer Chairman's Statement on Pages 15 to 17 of the Annual Report.
D.5 Corporate Governance Disclosures			
Disclosures of Corporate Governance	D.5.1	Complied	The Company aims to achieve greater year-on-year growth and value creation, improve stakeholder satisfaction and relationships in all its business activities whilst adhering to highest standards of corporate governance as is evident in this report from pages 108 to 123.



Corporate Governance

Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
SECTION 2. SHAREHOLDERS			
E. INSTITUTIONAL INVESTORS			
E.1 Shareholder voting			
Communication with Shareholders	E.1.1	Complied	The company conducts regular discussions with Institutional Investors. Existing and prospective investors are given a balanced report that enable them to make well-informed decisions in their dealings with the Company.
E.2 Evaluation of Governance Disclosures			
Due weight by Institutional Investors	E.2	Complied	The Institutional Investors are at liberty to give due weight on matters relating to the Board structure and composition, when they consider resolutions relating to Board structure and composition.
F. OTHER INVESTORS			
F.1 Investing and Divesting Decision			
Investing and Divesting Decision	F.1	Complied	The Company has no restriction with regard to investors carrying out adequate analysis and obtaining independent advice regarding their investment in the company and encourages any shareholder to do so.
F.2 Shareholder Voting			
Individual shareholders voting	F.2	Complied	All shareholders are encouraged to be present, actively participate and vote at general meetings. The Annual General Meeting provides an opportunity for shareholders to seek and obtain clarifications and information on the performance of the Company and to meet with the Directors after the meeting.
G. SUSTAINABILITY REPORTING			
G.1 Principles of Sustainability Reporting			
Principle 1 - Reporting of Economic Sustainability	G.1.1	Complied	Refer pages 72 to 107 of the 'Integrated Management Discussion & Analysis' for this requirement.
Principle 2 - Reporting on the Environment	G.1.2	Complied	Refer pages 102 to 106 of the 'Integrated Management Discussion & Analysis' for this requirement.
Principle 3 - Reporting on Labour Practices	G.1.3	Complied	Refer pages 95 to 100 of the 'Integrated Management Discussion & Analysis' for this requirement.
Principle 4 - Reporting on Society	G.1.4	Complied	Refer pages 72 to 107 of the 'Integrated Management Discussion & Analysis' for this requirement.
Principle 5 - Reporting on Product Responsibility	G.1.5	Complied	Refer page 95 of the 'Integrated Management Discussion & Analysis' for this requirement.



Corporate Governance Principle	Reference to SEC & ICASL Code CSE Listing Rules	Compliance	Details of Compliance
Principle 6 - Reporting on Stakeholder identification, engagement and effective communication	G.1.6	Complied	Refer pages 77 and 78 of the 'Integrated Management Discussion & Analysis' for this requirement.
Principle 7 - Sustainable reporting to be formalised as part of the reporting process and to take place regularly	G.1.7	Complied	Refer page 72 of the 'Integrated Management Discussion & Analysis' for this requirement.

Board Attendance and Committee Members

Name of Directors	Attendance at Board Meetings							Group Audit Committee	Group Remuneration Committee	Group Nomination Committee
	03-Jun-14	30-Jun-14	07-Aug-14	28-Oct-14	11-Dec-14	10-Feb-15	Total			
Chairman Deshamanya D.H.S. Jayawardena	✓	✓	✓	✓	✓	✓	6	-	-	●
Managing Director J.M.S. Brito	✓	✓	✓	✓	✓	✓	6	-	-	●
Executive/Non-Independent Directors										
Ms. D.S.T. Jayawardena - Appointed w.e.f. 01.07.2014	N/A	N/A	✓	✓	✓	✓	4	-	-	-
C.M.S. Jayawickrama	✓	✓	✓	✓	✓	✓	6	-	-	-
S.M Hapugoda	✓	✓	✓	✓	✓	✓	6	-	-	-
G.P.J. Goonewardene	✓	✓	x	✓	✓	✓	5	-	-	-
R.E.V. Casie Chetty	✓	✓	✓	✓	✓	✓	6	-	-	-
Non-Executive/Independent Directors										
R.N. Asirwatham	✓	✓	✓	✓	✓	✓	6	Chairman	●	●
N.J. de Silva Deva Aditya	✓	x	✓	✓	x	x	3	●	-	-
C.H. Gomez	x	✓	x	x	✓	✓	3	●	-	-
G.C. Wickremasinghe (Parent Company)	-	-	-	-	-	-	-	●	Chairman	Chairman
V.M. Fernando (Parent Company)	-	-	-	-	-	-	-	-	●	●



Audit Committee Report

Group Audit Committee Members

Chairman

Mr. R.N. Asirwatham¹,

Members

Mr. G.C. Wickremasinghe¹,

Mr. C.H. Gomez¹,

Mr. N.J. de S. Deva Aditya¹ /

Mr. A.L. Gooneratne

(Alternate Director for Mr. N.J. de Silva Deva Aditya),

Secretary

Mr. R.E.V. Casie Chetty

Aitken Spence PLC is the Parent Company of Aitken Spence Hotel Holdings PLC which is the Tourism sector business unit of the Aitken Spence Group. The Audit Committee of Aitken Spence PLC thus acts as the Audit Committee of Aitken Spence Hotel Holdings PLC which has complied with the policies and procedures set out by the Group Audit Committee.

Name	01st July 2014	08th August 2014	24th September 2014	27th October 2014	9th December 2014	9th February 2015
Mr. R.N. Asirwatham	√	√	√	√	√	√
Mr. G.C. Wickremasinghe	√	√	×	√	√	√
Mr. C.H. Gomez	√	×	×	×	√	√
Mr. N.J. de Silva Deva Aditya	×	×	×	×	×	×
Mr. A.L. Gooneratne (Alternate Director for Mr. N.J. de Silva Deva Aditya)	√	×	√	√	√	√

Composition of the Committee

The Committee consists of Independent Non-Executive Directors and is also chaired by an Independent Non-Executive Director.

Number of Committee Meetings

The Committee formally met six times during the year under review.

Attendance by Invitation

The Managing Director, Chief Financial Officer, Chief Corporate Officer and the Chief Internal Auditor attended the meetings by invitation.

Summary of key terms of reference

Risk Management

- Ensuring that the Group's internal controls and risk management systems are adequate.
- Ensuring that the business is conducted in accordance with the relevant laws of the country, international laws and codes of regulatory authorities, professional institutes and trade associations.

Financial Reporting and Financial Control

- Review the operational and any other management information reports submitted to the Committee.



- Review the Group quarterly and annual financial statements that are prepared in strict compliance with the Companies Act No. 07 of 2007, Sri Lanka Accounting Standards currently applicable and the requirements of any other regulatory bodies as applicable.
- Evaluation of the adequacy and effectiveness of the Group's accounting policies and all proposed changes in accounting policies and practices.

External Audit

- Review and approve the external audit plan presented by the External Auditors.
- Review and monitor the progress of the external audit.
- Review the management letter issued by the External Auditors, and ensuring that the management takes appropriate action to satisfactorily resolve issues highlighted.
- Assess the independence and effectiveness of the External Auditors on an annual basis.
- Review the fees proposed by the External Auditors and make recommendations to the Board on their re-appointment which is subject to approval of the shareholders at the forthcoming Annual General Meeting which would be effective until the conclusion of the succeeding Annual General Meeting.

Internal Audit

- Review the adequacy of the Internal Audit coverage of the Group.
- Approve and monitor the internal audit plan. A separate plan is prepared for the IT Security unit, in the Internal Audit Division.
- Review the financial and operational audit reports, IT security reports and risk reports of the Internal Auditors' and the Management's response to same.
- Evaluate the independence and effectiveness of the internal audit function.
- Review the effectiveness and resources required by the Group's Internal Audit Division.

Summary of key focus areas in the year ended 31st March 2015

- Reviewed the Risk Management System and highlighted the areas which required attention.

- Reviewed the operational and any other management information reports submitted to the Committee.
- Reviewed the quarterly and annual financial statements submitted by the Group to the Colombo Stock Exchange, and recommended improvements in the content and presentation.
- Evaluated significant accounting issues and recommended appropriate action wherever necessary.
- Reviewed, approved, monitored and suggested necessary changes to the external audit and internal audit plans.
- Reviewed and ensured the adequacy of the Group's internal controls and recommended corrective measures where necessary.
- Discussed the reports of the Internal Auditors, considered the response from the Management and suggested suitable action.
- Assessed the performance of the Internal Auditors and set out guidelines for the effective discharge of duties.
- Assessed the independence and evaluated the performance of External Auditors.
- Reviewed the fees and out of pocket expenses proposed by the External Auditors and made recommendations to the Board.

Re-appointment of Auditors

The Audit Committee having evaluated the performance of the External Auditors decided to recommend to the Board the re-appointment of Messrs. KPMG, Chartered Accountants as the Auditors of the Company for the current year, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

R.N. Asirwatham
Chairman
Audit Committee

Colombo
26th May 2015

1 Independent Non-Executive Director



Remuneration Committee Report

Group Remuneration Committee Members

Chairman

Mr. G.C. Wickremasinghe¹

Members

Mr. V. M. Fernando¹

Mr. R.N. Asirwatham¹

Secretary

Mr. R.E.V. Casie Chetty

By Invitation

Deshamanya D.H.S. Jayawardena²

Mr. J.M.S. Brito³

Aitken Spence PLC is the Parent Company of Aitken Spence Hotel Holdings PLC which is the tourism sector business unit of the Aitken Spence Group. Therefore the Remuneration Committee of Aitken Spence PLC acts as the Remuneration Committee of Aitken Spence Hotel Holdings PLC as well. The Company has complied with the policies and procedures set out by the Group Remuneration Committee.

Composition of the Committee

The Committee consists of a majority of Independent Non-Executive Directors and is also chaired by an Independent Non-Executive Director. The members of the Committee have wide experience and knowledge of business and industry.

Attendance by Invitation

The Chairman and the Managing Director attended the meeting by invitation and contributed greatly to the Committee's deliberations by making valuable suggestions and recommendations.

Independence of the Committee

The Committee is independent of the management and is totally free from any business, personal or other relationships that may interfere in making independent judgments.

Number of Committee Meetings

The Committee formally met once during the year under review.

Terms of Reference of the Committee

- Recommending a remuneration policy for the Directors and the Management team.
- Reviewing, monitoring and evaluating the performance of the Managing Directors, Executive Directors and the individual as well as the collective performance of the Directors and the Senior Management of the Strategic Business Units.
- Evaluating and recommending the individual remuneration packages of the Managing Directors, Executive Directors and Senior Management after giving due consideration to their skills, experience, level of responsibility, performance and industry norms.
- Determining compensation packages on termination of employment.

Key functions performed during the year under review

- Approved promotions after evaluating the performance of the Group, the Strategic Business Units and the contribution made by employees to their respective Strategic Business Units.
- The employee incentive scheme was revised based on a study conducted by AON Hewitt, a renowned human capital and management consulting services provider. Cost of living, inflation and comparative industry norms were also considered when determining the remuneration packages.
- Recommended revision of remuneration packages based on performance, cost of living and comparative industry norms.
- Abiding by the principles of good governance.



Methodology of the Committee

- The Group Remuneration policy remained unchanged during the year under review.
- The Committee approved promotions and revision of individual remuneration packages after evaluating performance of the Group, Strategic Business Units and the contribution of individual employees to their respective Strategic Business Units.
- One of the key purposes of the policy with regard to remuneration is to attract the best talent and retain them in the organisation.
- The Committee adopts a structured and unbiased methodology to evaluate employee performance to ensure equality among employees to prevent discrimination based on gender, age, ethnicity and religion.

The year ahead

The Committee would continue to propose remuneration policies and practices to attract and retain the best talent to the Group.

G.C. Wickremasinghe

Chairman

Remuneration Committee

Colombo

26th May 2015

- 1 Independent Non-Executive Director
- 2 Chairman of Aitken Spence PLC/Aitken Spence Hotel Holdings PLC
- 3 Managing Director of Aitken Spence Hotel Holdings PLC



Nomination Committee Report

Group Nomination Committee Members

Chairman

Mr. G.C. Wickremasinghe¹

Members

Deshamanya D.H.S. Jayawardena²

Mr. J.M.S. Brito³

Mr. V.M. Fernando¹

Mr. R.N. Asirwatham¹

Secretary

Mr. R.E.V. Casie Chetty

Aitken Spence PLC is the parent company of Aitken Spence Hotel Holdings PLC which is the tourism sector business unit of the Aitken Spence Group. Therefore the Nomination Committee of Aitken Spence PLC acts as the Nomination Committee of Aitken Spence Hotel Holdings PLC as well. The Company has complied with the policies and procedures set out by the Group Nomination Committee.

Composition of the Committee

The Committee is composed of the Chairman and the Managing Director of Aitken Spence PLC along with three Independent Non-Executive Directors. The Chairman of the Committee is an Independent Non-Executive Director. The members of the Committee possess wide experience and business acumen.

The Chairman and the Managing Director of the Company made valuable contributions to the deliberations of the Committee.

Number of Committee Meetings

The Committee formally met once during the year under review when all members were present.

Terms of Reference of the Committee

- Broaden, balance and diversify the effectiveness and composition of the Board.
- Identify and recommend suitable candidates as Directors to the Board considering the succession plan and requirements of the Board and the Group.
- Regularly review the structure, size and composition of the Boards of Group Companies.
- Oversee the Board, Committees of the Board and Individual Directors and evaluate their performance.

- Ensure the Board consists of persons possessing a large reservoir of knowledge, experience and entrepreneurial skills to advance the effectiveness of the Board.
- Review the Charter for the appointment and re-appointment of Directors to the Board and suggest amendments wherever necessary.

Key functions performed during the year under review

- Considered and promoted Board diversity and effectiveness.
- Reviewed and recommended changes to the Boards of Group Companies where necessary.
- Evaluated and recommended suitable internal and external candidates to higher levels of management.
- Actively contributed to Board discussions and decision making.

Methodology of the Committee

The Committee works closely with the Board of Directors and makes recommendations on matters that are referred to it for consideration.

The year ahead

The Committee will continue to review and to make decisions and recommendations that are fair, free from any bias and not influenced by personal and business relationships. This enables the Committee to make sound and measured judgments in attracting the best talent to the Group while retaining the services of talented employees by providing them fair and equal opportunities for promotion and advancement within the Group.

G.C. Wickremasinghe

Chairman

Nomination Committee

Colombo

26th May 2015

¹ Independent Non-Executive Director

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

³ Managing Director of Aitken Spence Hotel Holdings PLC



Annual Report of the Board of Directors

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and the best accounting practices. The Board of Directors of Aitken Spence Hotel Holdings PLC, has pleasure in presenting the Annual Report and the audited financial statements for the year ended 31st March 2015 which were approved by the Board of Directors on 26th of May 2015.

1. Principal Activities

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

2. Review of Operations

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

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

3.1. Group Revenue and Profits

Revenue generated by the Company during the year amounted to Rs.776 million. (2014 - Rs.825 million). The Group revenue was Rs.13,271 million (2014 - Rs.12,947 million) which is a growth of 2.50% compared to the previous year. An analysis of Group revenue based on geographical and business segments is disclosed in notes 4 & 5 to the financial statements on page 168 and 169.

The profit after tax of the Group was Rs.3,436 million (2014 - Rs.3,517 million). The Group's profit attributable to the equity shareholders of the Parent Company for the year was Rs.2,235 million (2014 - Rs.2,341 million). The segmental profits are disclosed in note 4 to the financial statements on page 168.

Group

<i>For the year ended 31 March</i>	2015 Rs. '000	2014 Rs. '000
The net profit after providing for all expenses, known liabilities and depreciation on property, plant and equipment	3,920,116	4,078,450
Provision for taxation including deferred tax	(484,494)	(561,435)
Net profit after tax	3,435,622	3,517,015
Other comprehensive income	138,795	514,461
Total comprehensive income for the year	3,574,417	4,031,476
Total comprehensive income attributable to the minority shareholders	(1,201,829)	(1,226,855)
Total comprehensive income attributable to equity shareholders	2,372,588	2,804,621
Transaction directly recognised in the equity statement	(376)	(900)
Balance brought forward from the previous year	15,378,288	12,925,707
Amount available for appropriations	17,750,500	15,729,428
Final dividend for 2013/14 (2012/13)	(519,285)	(351,140)
Balance Attributable to equity holders of the Company at the end of the period	17,231,215	15,378,288



Annual Report of the Board of Directors

3.2. Donations

During the year, donations amounting to Rs. 50,000/- were made by the Company, while the donations made by the Group during the year amounted to Rs. 263,654/-.

3.3 Taxation

A detailed statement of the income tax rates applicable to the individual companies in the Group and a reconciliation of the accounting profits with the taxable profits are given in note 11 to the financial statements.

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

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

3.4 Dividends

The Directors recommend for the year, a dividend payment of 90 cents per share on the cumulative preference shares and Rs. 1.50 per share on the ordinary shares. The entirety of the preference dividend and cents 43 per share of the ordinary dividend is paid out of taxable dividends received on which 10% withholding tax has already been deducted. The balance Rs. 1.07 per share of the ordinary dividend is subject to withholding tax of 10%. The Directors are confident that the Company would meet the solvency test requirement under Section 56 (2) of the Companies Act No. 07 of 2007 immediately after the payment of the final dividend.

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

4.1 Stated Capital and Reserves

As at 31st March 2015 the Company had issued 336,290,010 ordinary shares and the stated capital of the Company was Rs. 3,555 million. The Company's reserves as at 31st March 2015 were Rs. 5,549 million (2014 - Rs. 4,766 million) whereas the total Group's reserves as at 31st March 2015 were Rs. 13,677 million (2014 - Rs. 11,824 million). The movement in these reserves is shown in the Statement of Changes in Equity - Group on page 150.

4.2. Property, Plant and Equipment

The carrying value of property plant and equipment for the Company and the Group as at 31st March 2015 amounted to Rs.1,453 million and Rs.16,402 million respectively. The total expenditure on the acquisition of property, plant and equipment during the year in respect of new assets by the Company and the Group amounted to Rs.18 million and Rs. 5,381 million respectively.

4.3 Market Value of Freehold Properties

Land recognised as property, plant and equipment in the financial statements in the group is recorded at either fair value or revalued amounts. Revaluation of land is performed with sufficient regularity so that the carrying value of the land does not differ materially to its market value. Revaluation was performed by professionally qualified independent valuers having appropriate experience in valuing properties in the locality of the land being revalued. If the fair value of land does not change other than by an insignificant amount at each reporting date the Group revalues such land every five years.

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

4.4 Contingent Liabilities

The details of contingent liabilities are disclosed in note 37 to the financial statements on page 204.

5. Events Occurring After the Reporting Date

No event of material significance that requires adjustments to the financial statements has arisen other than that disclosed in note 44 to the financial statements on page 219.

6. Accounting Policies and Changes During the Year

The Company and the Group prepared the financial statements in accordance with Sri Lanka Accounting Standards (LKAS/SIFRS). The significant accounting policies adopted in the preparation of the financial statements of the Company and the Group are given in pages 153 to 167. The Board of Directors wishes to confirm that there were no changes to the accounting policies used by the Company and the Group.



Annual Report of the Board of Directors

7. Going Concern

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

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

8.1 Board of Directors

The Board of Directors of the Company as at 31st March 2015 comprised of:

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

All Directors of the Company held office during the entire year, with the exception of Ms. D.S.T. Jayawardena who was appointed w.e.f. 1st of July 2014.

The profiles of the Directors are given on pages 26 to 27 of the Annual Report.

8.2 Board Sub-Committees

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

8.3 Recommendation for re-election

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

Mr. G.P.J. Goonewardena retires in terms of Article 83 of the Articles of Association of the Company and offers himself for re-election at the forthcoming Annual General Meeting.

Deshamanya D.H.S. Jayawardena attained the age of 70 years on 17th August 2012 and in accordance with Section 210(2) of the Companies Act No. 07 of 2007, vacates office at the forthcoming Annual General Meeting. A notice of a resolution has been received from a shareholder that the age limit of 70 years referred to in Section 210(1) of the said Companies Act shall not apply to Deshamanya D.H.S. Jayawardena who has attained the age of 72 years and that he be re-elected as a Director at the Annual General Meeting.

Mr. R.N. Asirwatham attained the age of 70 years on 26th August 2012 and in accordance with Section 210(2) of the Companies Act No. 07 of 2007, vacates office at the forthcoming Annual General Meeting. A notice of a resolution has been received from a shareholder that the age limit of 70 years referred to in Section 210(1) of the said Companies Act shall not apply to Mr. R.N. Asirwatham who has attained the age of 72 years and that he be re-elected as a Director at the Annual General Meeting.

Ms. D.S.T. Jayawardena retires in terms of Article 90 of the Articles of Association of the Company and offers herself for election at the forthcoming Annual General Meeting.



Annual Report of the Board of Directors

8.4 Directors' Shareholding and their Interests

The Directors' shareholdings and their interests are provided in the Investor section on pages 216 and 228 of the Annual Report.

8.5 Interest Register

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

8.6 Directors' Remuneration

The Directors' remuneration and fees in respect of the Company and the Group for the financial year ended 31st March 2015 are disclosed on page 171 of the financial statements.

8.7 Related Party Transactions

Related party transactions of the Group are disclosed on pages 216 to 219 of the Annual Report. These interests have been duly declared by the Directors.

8.8 Subsidiary Board of Directors

The names of Directors of the subsidiary companies who held office as at 31st March 2015 and Directors who ceased to hold office during the accounting period are indicated on pages 231 to 233 of the Annual Report.

9. Human Resources

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

10. Corporate Governance

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

applies very high standards to protect and nurture the environment in which it operates and ensures strict adherence to all environment laws and practices.

The Company has no restrictions with regard to shareholders carrying out analysis or obtaining independent advice of a non-price sensitive nature regarding their investment in the Company and has made all endeavours to ensure the equitable treatment of shareholders. The Company's corporate governance practices are set out on pages 108 to 123 of the Annual Report.

11. Risk Management

The Directors have established and adhere to a comprehensive risk management framework at both Strategic Business Units and Group levels to ensure the achievements of their corporate objectives. The categories of risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted by the Group. The Board of Directors reviews the Risk Management Process through the Audit Committee. The Risk Management Report of the Group is on pages 135 to 143 of this report.

12. Internal Controls

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

The Statement of Directors' Responsibilities on page 134 and the Audit Committee Report set out on pages 124 to 125 of this report provide further information in respect of the above.

13. Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory financial obligations to the Government and to the employees have been either duly paid or adequately provided for in the financial statements. A confirmation of same is included in the Statement of Directors' Responsibilities on page 134 of this Annual Report.



Annual Report of the Board of Directors

14. Corporate Sustainability

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

15. Shareholder Information

There were 3,217 shareholders as at 31st March 2015. The distribution schedule of the number of shareholders and their share holdings are detailed on page 225 of the Annual Report. The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2015 are given on page 227 of the annual report. The percentage of the shares held by the public as at 31st March 2015 was 25.40%.

Information relating to earnings per share and the net assets per share for the Company and the Group, the dividend per share and the market price per share are given on page 23 and 226 of the Annual Report.

16. Auditors

The independent auditors' report on the financial statements is given on page 145 of the Annual Report. The retiring auditors Messrs KPMG, Chartered Accountants have stated their willingness to continue in office and a resolution to re-appoint them as auditors and grant authority to the Board to determine their remuneration will be proposed at the Annual General Meeting.

The fees payable to the Company auditors Messrs KPMG, Chartered Accountants was Rs. 680,000/-.

In addition to the above Rs. 242,556/- was payable by the Company for permitted non audit related services including tax advisory services. Messrs KPMG, Chartered Accountants the auditors of the Company are also the auditors of certain subsidiaries

and associate companies of the Group. The list of the subsidiaries and associate companies audited by them are included on pages 231 to 233 of the Annual Report.

The amount payable by the Group to Messrs KPMG, Chartered Accountants as audit fees was Rs. 5,469,746/- while a further Rs. 570,526/- was payable for permitted non audit related services including tax advisory services.

In addition to the above Rs. 1,021,967/- was payable to other auditors for carrying out audits in subsidiaries and associates where the audits were conducted by them. The amount payable to such other auditors for non audit related services including tax advisory services was Rs. 4,349,078/-. As far as the Directors are aware the auditors neither have any other relationship with the Company nor any of its subsidiaries and associates that would have an impact on their independence.

D.H.S. Jayawardena
Chairman

J.M.S. Brito
Managing Director

R.E.V. Casie Chetty
Director

Aitken Spence Corporate Finance (Pvt) Ltd
Secretaries

Colombo
26th May 2015



Statement of Directors' Responsibilities

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

The Directors confirm that the financial statements and other statutory reports of the Company and its Subsidiaries for the year ended 31st March 2015 incorporated in this report have been prepared in accordance with the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

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

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

The financial statements presented in this Annual Report for the year ended 31st March 2015, have been prepared based on the Sri Lanka Accounting Standards (SLFRS/LKASs) which came into effect from 1st January 2012. The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the financial statements.

The Board of Directors confirm that the Company and the Group's Consolidated Statements of Financial Position as at 31st March 2015 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2015 reflect a true and fair view of the Company and the Group.

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

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

By order of the Board,

R.E.V. Casie Chetty

Director

Aitken Spence Corporate Finance (Pvt) Ltd.

Secretaries

Colombo

26th May 2015



Risk Management

Aitken Spence Hotels believes that an essential part of being a responsible business is having in place robust and effective risk management and internal controls. This enables our business to be resilient, successful and trusted.

Management of risk is critical to the success of Aitken Spence Hotels. Our Group is exposed to a variety of risks that can have a financial, operational or reputational impact. Effective management of risk supports the delivery of our objectives and the achievement of sustainable growth.

Risk management comprises of identifying the types of risk exposure within the company, estimate the impact of various risks on the future earnings of the company, assess, prioritise and mitigate or transfer the risks. This is an essential part of being a Responsible Business.

In the context of being in an industry which is dynamic and more exposed to frequent changes in the global and local environments, Aitken Spence Hotel Holdings PLC has identified the importance of risk management by developing,

- Proactive risk management culture;
- Embedded risk management activity across our business;
- Comprehensive and accurate risk content; and
- Robust risk management processes and framework.

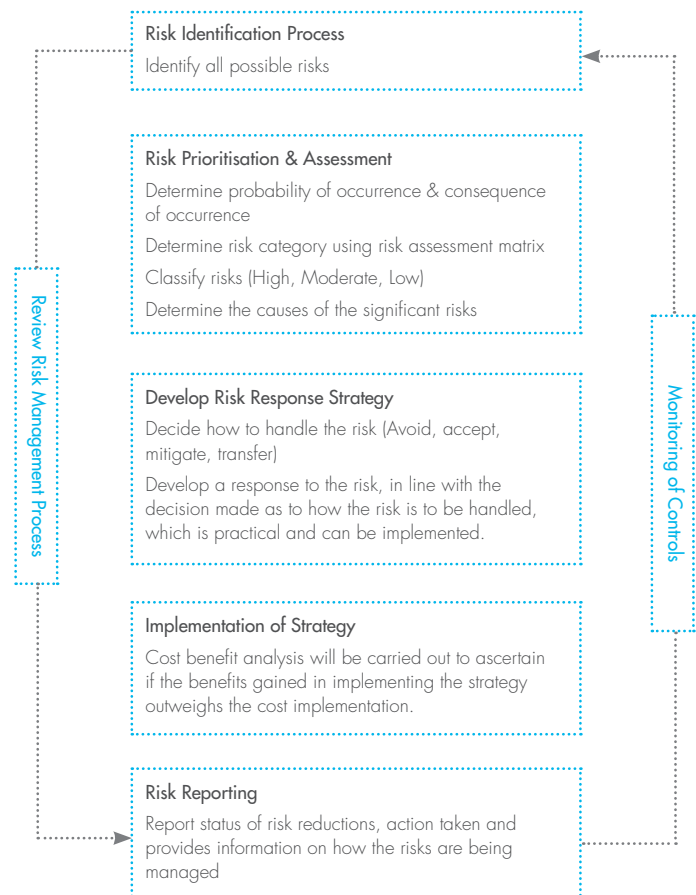
Proactive Risk Management Culture and Framework

Having in place an effective system of internal controls and risk management is essential to being a Responsible Business. Therefore, The Board aims to embed proactive risk management capability and culture throughout the business. In achieving this, The Board is supported by the Senior Management, Audit Committee, and Management Committee. Aitken Spence Hotels Holdings' ambition for risk management is to foster a culture that is well-informed, curious, alert, responsive, consistent and accountable so that risk management becomes instinctive.

At Aitken Spence Hotels, sustainability and risk management are inter-related with the focus firmly on minimising risk and seizing opportunities in a socially and environmentally responsible manner.

Aitken Spence Hotel Holdings has developed and follows a comprehensive risk management framework to evaluate new opportunities to diversify and to build competitive advantage over competitors. In formulating this framework the Board of Directors and Senior Management have identified and taken into consideration the Group's key business objectives, goals and strategies. Risk Management Process is a continuous cycle as risks will change on a regular basis, hence Risk Management process comprises with different steps, such as identification, evaluation, response and subsequent monitoring of risks.

Risk Identification





Risk Management

Risk Identification

Identification of all possible risks is the initial part of the risk management process. A methodological process is vital to ensure that all relevant internal and external risks are identified. The risks impacting the Group could change overtime and therefore it is an important part of the monitoring and controlling mechanism to identify new risks which have emerged for the Group.

Aitken Spence Hotels Holdings' major risks are categorised in terms of three facets as follows:

Strategic risk

Uncertainties and untapped opportunities embedded in group strategic intent and how well they are executed. As such, they are key matters for the board and has an effect on the business in its entirety.

Financial risk

Risks faced by the Group relate to the availability of funds to meet business needs and ability to deliver adequate return to the group.

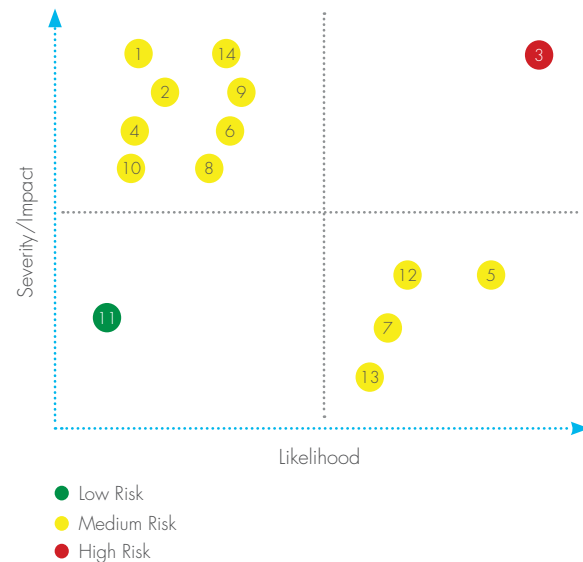
Operational risk

Risks directly affect business operations with a potential impact on financial position and business performance or the external activities which affect day to day activities of the Group.

Risk Assessment and Prioritisation

The identified risks are assessed and prioritised, based on the impact the risk will have on the organisation and the probability of its occurrence. The prioritisation process assists in deciding which risk is to be treated as a priority in formulating the risk strategy. The risk rating matrix will be used in order to facilitate the risk ranking process.

The above process assists the management to 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.





Develop Risk Response Strategy

Based on the prioritisation of the identified risks, the management decides on the appropriate risk response. The level of risk absorbed by the business will depend on the Group's risk appetite.

There are four strategies to developing a risk response i.e. avoid, accept, mitigate and transfer. Aitken Spence Hotel Holdings PLC first decides whether to accept or reject a risk based on an assessment of whether the risk is within the Group's risk appetite. If the risk is deemed above the Group's risk appetite it is considered undesirable and the company would aim to reduce the risk exposure through transfer, mitigate or avoiding the risk and thereby reduce the impact of the risk to the Group.

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.

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

Monitoring of Controls

Monitoring and control are enabling activities which are essential so that continuous improvements can be achieved and to ensure the prevalence and relevance of the Risk Management Process. Risk doesn't remain static, so it's essential that Risk Management is an on-going process with regular monitoring and reviewing of hazards, elements at risk, and the process, outcome and efficiency of the 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 PLC which ensures separation of duties and assists in 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 wherever appropriate to ensure transparency and compliance.

Review Risk Management Process

The group continuously monitors its risk management procedures and will make improvements to the existing model, taking into account the dynamic business environment it operates in. Throughout the year, Aitken Spence Hotel Holdings PLC 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 and the relevant risk management strategies initiated, categorised according to risk type and rating.



Risk Management

STRATEGIC RISK			
Business Risk	Impact	Risk Management Strategies	① Risk Rating Moderate
Failure to implement strategic plans, Revenue improvement & cost saving initiatives and undertake profitable investments.	<p>Reduced revenue, cash flow and profitability.</p> <p>Impede future growth.</p> <p>Damaged confidence of investors.</p>	<p>Integrating risk awareness directly into strategic decision making process by holding regular meetings of the Board of Directors and members of the management committee in order to 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>Focus on strategic resiliency by considering how strategic decisions can affect resiliency, incorporate resiliency into all decision making and always be on the lookout for more strategically resilient alternatives in order to build greater corporate agility.</p> <p>All members of the Board attend regular workshops, seminars and professional training programmes in order to update their skills and knowledge.</p> <p>Thorough due diligence and project feasibility studies are conducted for all major investments and professional advice is obtained from outside sources when necessary.</p> <p>The Group monitors its main competitors in order to lower the response time needed to counter any new strategies implemented by them.</p>	
Socio-Economic, Political & Environmental Risk	Impact	Risk Management Strategies	② Risk Rating Moderate
<p>Risks relating to the Political-Economic climate (nationally & internationally) including decrease in domestic and international travel.</p> <p>Risks from natural or man made disasters.</p>	<p>Lowering the competitiveness of the Group's product offering on the national and international market.</p> <p>Reduction in revenue and Increase in cost thereby reducing cash flow and profitability.</p> <p>Possible restrictions on movement of capital/repatriation of profits between countries.</p> <p>Loss of assets resulting in significant losses to the Group.</p>	<p>The Group works closely with lobby groups, relevant authorities and trade associations to ensure that the best interests of the tourism industry are fulfilled at all times.</p> <p>The Group is not reliant on any single geographical region for its returns and has forayed in to other regions in Asia such as Maldives, India and Oman, significantly reducing the adverse impact from this risk. (Risk Diversification)</p> <p>Making prudent investments in various countries such as Maldives, India and securing hotel management contracts in India and Oman ensures that the Group is not reliant on any single geographical region for its revenues and cash flow.</p> <p>The Group continues to monitor the macroeconomic situation within countries it operates and make necessary adjustments, including cost optimisation programmes where suitable and developing revenue management tools and guidelines to assist hotels to monitor local developments in supply and demand and to inform decisions on pricing, promotions channels and room inventory.</p> <p>Appropriate contingency plans and disaster management systems are adopted to safeguard the assets of the Company.</p>	



Competitive Risk	Impact	Risk Management Strategies	3 Risk Rating High
Risks from competitive actions from existing market participants and new entrants.	Reduced market share and rates reducing revenue, cash flow and profitability.	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.	
	Increased promotional expenditure.	Leveraging the Group's long-term relationship with major tour operators, and the strength of the sister company in the travel industry (Aitken Spence Travels Ltd.) gives the Group a significant advantage over its competitors.	
	The positive correlation between cost of resources and competition.	Maintaining a positive relationship with employees with a better remuneration and performance appraisal scheme.	

OPERATIONAL RISK

Reputation Risk	Impact	Risk Management Strategies	4 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, cash flow and profitability.	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.	
	Deterioration of corporate image.	Ensuring all statutory and legal obligations are met in all transactions.	
	The Group may have to face litigation which can be costly.	Regular training sessions are held to train and educate staff on quality standards and new developments in the hospitality industry ensuring the quality of the Group's product offering and to maintain our trusted reputation.	
		Deployment of an effective compliance system. The Group is committed to best environmental practices to ensure strict compliance with local regulations and maintains harmonious relationships with the localities in which the hotel operates.	
		Appropriate and intellectual property mechanisms are in place to ensure trade mark protections.	
		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.	



Risk Management

Fraud Risk	Impact	Risk Management Strategies	5 Risk Rating Moderate
Risks from break down of internal controls, processes and procedures.	<p>Wastage of management time and resources.</p> <p>Possible loss of data.</p> <p>Increased possibility of fraud and misuse.</p> <p>Disruptions to the normal course of operations.</p> <p>Lack of ability to track performance against budgets, forecasts and schedules.</p> <p>Illegal transactions include theft or misappropriation of assets by employees.</p>	<p>Regular reviews of the effectiveness of internal controls by the corporate internal audit department supplemented by regular management audits carried out by internal teams within the Group ensures the robustness of internal controls.</p> <p>The Company uses comprehensive general and specific reporting and monitoring systems to identify, assess and manage risks.</p> <p>Making each employee accountable for ethical behaviour, high standards for business conduct and adherence to laws ensures that transactions occur in a reliable way.</p> <p>Staff rotation and Special verification audits across the Group.</p> <p>External auditors are also engaged to carry out special reviews wherever necessary.</p> <p>The Company uses comprehensive general and specific reporting and monitoring systems to identify, assess and manage risks.</p> <p>Ensuring that only trained, trustworthy, knowledgeable and competent personnel perform tasks, prevents errors, irregularities and fraud.</p>	
Operations Risk	Impact	Risk Management Strategies	6 Risk Rating Moderate
Risk of default by debtors.	Reduced cash flow and profitability.	<p>Thorough credit policies and stringent controls to check credit worthiness prior to granting credit.</p> <p>Comprehensive systems are in place to monitor and review debtors. The Group conducts excellent working capital practices and takes legal or industrial action where appropriate.</p> <p>Steps are taken to obtain advances from travel agents and tour operators wherever possible.</p>	
Project Implementation Risk.	Unbudgeted spending/ cost over runs and delays in project implementation may have a significant impact on the estimated profit margins.	<p>Project timelines decided should be realistic and achievable after consulting all required stakeholders.</p> <p>Communicating the strategic planning messages and associated data to middle and first line managers. Well informed employees are most likely to commit to and support the plan.</p> <p>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>	



Operations Risk	Impact	Risk Management Strategies	7 Risk Rating Moderate
Health and Safety Risk.	Affects Group reputation and brand image.	<p>Increase food and hygiene standards through obtaining ISO 22000 and HACCP certifications.</p> <p>The Group's centralised security division constantly reviews and monitors the security status of individual resorts.</p> <p>Conducting Quality audits and risk management reviews, guest satisfaction surveys, intelligence gathering.</p>	
Risk of increasing energy cost.	Significant impact on profit margins due to fluctuations in fuel/energy prices.	<p>Biomass gasification has been introduced as a renewable energy source, in Heritance Tea Factory & Heritance Kandalama properties in order to minimise the increasing energy cost and to improve the Group's sustainability credentials.</p> <p>Conducting Energy Audit and raise awareness of the employees and guests on energy conservation.</p> <p>Implement an effective energy purchase strategy.</p>	
Employee Risk	Impact	Risk Management Strategies	8 Risk Rating Moderate
Risk from not being able to attract and retain skilled and experienced staff.	<p>Reduced productivity.</p> <p>Reduced quality of service resulting in reduced market share and Group's image.</p>	<p>Significant resources are invested in strengthening our human capital through the deployment of the latest Human Resource Information Systems, regular staff training & development, succession planning and fostering a performance-based culture.</p> <p>Maintaining cordial relationships with labour unions and adopting interest based negotiations for win-win solutions.</p> <p>Rewards and Recognition (E.g. Employee of the month).</p>	
Risk of 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>Maintain cordial relationship with Trade Unions and adopting interest-based negotiations for win-win solutions.</p> <p>Development of a Multi-skilled work force through structured and focused training programmes.</p> <p>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>	



Risk Management

Technology Risk	Impact	Risk Management Strategies	9 Risk Rating Moderate
Risks relating to Information Technology and security.	<p>Loss of revenue and business opportunities due to outdated software resulting in reduction in cash flow and profitability.</p> <p>Loss of key confidential information to competitors resulting in reduced market share.</p> <p>Loss of data and transactions.</p> <p>Increasing number of Online Travel Agents (OTAs).</p>	<p>The Group has implemented the latest in Property Management and Reservation software, along with the Group-wide Enterprise Resource Planning software, facilitating faster, more accurate information for decision making. Regular review of systems and upgrades where appropriate.</p> <p>Implementation of a comprehensive IT policy within the Group, supported by adequate systems and controls, ensure the safety and security of data. Contingency plans are in place to mitigate any short term loss on IT services.</p> <p>All employees are bound by the code of conduct to safeguard the Group's information, irrespective of its physical form.</p> <p>Aitken Spence Hotel Holdings PLC. continues to aim to be fully compliant with payment card industry-Data security standards using tools and services from a leading specialist third party provider with respect to payment card processing.</p> <p>A dedicated central IT team is in place to support all IT related aspects of the group.</p>	
Legal Risk	Impact	Risk Management Strategies	10 Risk Rating Moderate
Risk of legal action due to non performance of legal and statutory requirements.	<p>High cost of legal and penalty fees resulting in reduced profitability.</p> <p>Adverse impact to the Group's reputation and Brand image.</p>	<p>A comprehensive internal control system is in place supplemented by regular audit from the corporate internal audit department in collaboration with the corporate legal division.</p> <p>Ensuring all statutory and legal obligations are met in all transactions.</p>	
FINANCIAL RISK			
Credit Risk	Impact	Risk Management Strategies	11 Risk Rating Low
Risks from high operational gearing.	Significantly reduced cash flow and profitability during low occupancy periods.	<p>Increased flexibility of the Group's operational cost structure through seasonal recruitments, using rental agreements as opposed to outright purchase and outsourcing non-core operations.</p> <p>Sound capital structure and availability of adequate funding options in the group.</p> <p>Entering into guaranteed performance contracts with travel agents and tour operators. All the assigned rates, credit limits, settlement procedures, termination and penalties imposed for delayed payments are incorporated into the agreements.</p>	



Foreign Exchange Risk	Impact	Risk Management Strategies	12 Risk Rating Moderate
Risks from adverse exchange rate fluctuations.	Reduced cash flow and profitability.	<p>Negotiation of room rates in stronger currencies. Strong counter party backing and use of sophisticated financial instruments where appropriate.</p> <p>Matching outflows with inflows of the same currency to the extent that is permitted by the prevailing laws.</p> <p>The treasury division of the Parent Company monitors exchange rates on a daily basis and advises the company on the best rates to obtain foreign currency conversions.</p> <p>Considering the possibility of contracting in local currency with Local Travel Agents instead of foreign currency in order to transfer the possible exchange rate risk.</p> <p>Apply a bottom-up approach to identifying consolidated foreign currency exposures by determining in what currencies each foreign subsidiary collects receivables and makes payments.</p> <p>Develop a strategy to manage consolidated exposure.</p>	
Interest Rate Risk	Impact	Risk Management Strategies	13 Risk Rating Moderate
Risks from adverse interest rate fluctuations.	Reduced cash flow and profitability.	<p>Entering into loans with interest rate caps mitigated this risk and other instruments to minimise the volatility of cash flows.</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	14 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 cash flow forecasts in line with projected occupancy fluctuations in order to assess the liquidity position of the group in the short term.</p> <p>Strong capital structure of the group with sustainable growth in operating earnings.</p> <p>Making optimum use of cash inflows with the help of the corporate treasury division, ensuring the group-wide interest exposure is kept to a minimum.</p> <p>Regular review of actual performance against planned performance to ensure achievement of budgeted targets.</p>	



THE AITKEN SPENCE SIGNATURE OF QUALITY

Annual Financial Statements

Independent Auditors' Report	145
Income Statement	146
Statement of Profit or Loss and Other Comprehensive Income	147
Statement of Financial Position	148
Statement of Changes in Equity	150
Statement of Cash Flow	151
Notes to the Financial Statements	153

Financial Calender

Events/Information		2015
Thirty-Eighth Annual General Meeting		30th June
First and Final Dividend for 2014/2015		10th July
Ex Dividend		2nd July
Interim Statement for the three months ended 30th June	1st week of August 2015	
Interim Statement for the six months ended 30th September	1st week of November 2015	
		2016
Interim Statement for the nine months ended 31st December	1st week of February 2016	

Independent Auditors' Report



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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF AITKEN SPENCE HOTEL HOLDINGS PLC Report on the Financial Statements

We have audited the accompanying financial statements of Aitken Spence Hotel Holdings PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at March 31, 2015, and the Income Statement, statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 146 to 219 of the Annual Report.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility,

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above
- b) In our opinion:
 - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - The financial statements of the Company give a true and fair view of its financial position as at March 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS
Colombo

26th May, 2015

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	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyratne ACA	S.T.D.L. Perera FCA
G.A.U. Karunaratne ACA	R.M.D.B. Rajapakse ACA	Ms. B.K.D.T.N. Rodrigo ACA
R.H. Rajan ACA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA



THE AITKEN SPENCE SIGNATURE OF QUALITY

Income Statement

For the year ended 31st March	Notes	Group		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Revenue	5	13,270,918	12,947,076	776,340	825,022
Revenue taxes		(316,701)	(415,175)	(17,217)	(18,186)
Net revenue		12,954,217	12,531,901	759,123	806,836
Other income	6	417,806	391,720	1,201,330	887,108
Staff costs		(1,828,866)	(1,753,081)	(143,666)	(137,688)
Depreciation		(740,443)	(698,334)	(95,798)	(101,304)
Amortisation		(66,812)	(63,039)	(269)	(256)
Other operating expenses - direct	7	(2,521,374)	(2,397,574)	(175,976)	(167,381)
Other operating expenses - indirect	8	(4,356,329)	(4,045,096)	(298,809)	(297,476)
Profit from operations	9	3,858,199	3,966,497	1,245,935	989,839
Finance income		261,798	269,314	84,382	93,481
Finance expenses		(185,491)	(192,252)	(13,702)	(38,244)
Net financing income	10	76,307	77,062	70,680	55,237
		3,934,506	4,043,559	1,316,615	1,045,076
Share of profit / (loss) of equity accounted investees (net of tax)	19	(14,390)	34,891	-	-
Profit before taxation		3,920,116	4,078,450	1,316,615	1,045,076
Income tax expense	11	(484,494)	(561,435)	(12,955)	(22,971)
Profit for the year		3,435,622	3,517,015	1,303,660	1,022,105
Attributable to:					
Equity holders of the parent company		2,234,804	2,340,934	1,303,660	1,022,105
Non-controlling interests		1,200,818	1,176,081	-	-
		3,435,622	3,517,015	1,303,660	1,022,105
Earnings per ordinary share - Basic/Diluted (Rs)	12	6.60	6.92	3.83	3.00
Dividend per ordinary share (Rs)	13	1.50	1.50	1.50	1.50

Figures in brackets indicate deductions

The notes on pages 153 to 219 form an integral part of these financial statements.



Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Profit for the year	3,435,622	3,517,015	1,303,660	1,022,105
Other Comprehensive Income				
Items that will never be reclassified to profit or loss				
Revaluation of property, plant and equipment	90,961	377,935	-	-
Share of other comprehensive income of equity accounted investees	234	165	-	-
Actuarial gains/(losses) on defined benefit obligations	(9,858)	(9,001)	(3,876)	(2,555)
Income tax on actuarial gains/(losses) arising from retirement benefit obligations	924	825	465	307
Net change in fair value of available for sale financial assets	82,261	369,924	(3,411)	(2,248)
Items that are or may be reclassified to profit or loss				
Foreign currency translation differences of foreign operations	(22,306)	170,418	-	-
Net change in fair value of available for sale financial assets	78,840	(25,881)	-	-
	56,534	144,537	-	-
Other comprehensive income for the year net of tax	138,795	514,461	(3,411)	(2,248)
Total comprehensive income for the year net of tax	3,574,417	4,031,476	1,300,249	1,019,857
Attributable to:				
Equity holders of the parent company	2,372,588	2,804,621	1,300,249	1,019,857
Non-controlling interests	1,201,829	1,226,855	-	-
	3,574,417	4,031,476	1,300,249	1,019,857

Figures in brackets indicate deductions

The notes on pages 153 to 219 form an integral part of these financial statements.



THE AITKEN SPENCE SIGNATURE OF QUALITY

Statement of Financial Position

As at	Notes	Group		Company	
		31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
ASSETS					
Non-Current Assets					
Property, plant and equipment	14	16,402,491	12,571,903	1,453,271	1,531,360
Leasehold properties	15	1,906,527	1,461,100	-	-
Prepaid operating leases	16	1,067,063	1,048,621	-	-
Intangible assets	17	2,842	13,390	188	457
Investment in subsidiaries	18	-	-	3,045,142	3,234,960
Investment in equity accounted investees	19	3,098,474	1,336,814	1,974,415	906,602
Other investments	20	180,191	197,478	-	-
Deferred tax assets	21	119,017	115,977	2,855	186
		22,776,605	16,745,283	6,475,871	5,673,565
Current Assets					
Inventories	22	284,541	218,508	19,185	19,257
Trade and other receivables	23	1,143,190	1,363,252	108,533	219,337
Amounts due from ultimate holding company	24	133,850	20,000	25,005	20,000
Amounts due from parent's group entities	25	725,808	253,950	1,427,457	1,415,982
Deposits and prepayments		415,936	456,375	4,490	4,558
Current tax receivable		4,623	4,293	2,386	1,167
Term deposits	26	5,689,970	5,872,020	1,436,031	1,318,753
Cash and cash equivalents	26	1,613,744	1,043,247	55,274	151,065
		10,011,662	9,231,645	3,078,361	3,150,119
TOTAL ASSETS		32,788,267	25,976,928	9,554,232	8,823,684
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Stated capital	27	3,554,587	3,554,587	3,554,587	3,554,587
Reserves	28	3,233,366	3,383,982	662,139	660,050
Retained earnings		10,443,262	8,439,719	4,886,797	4,105,833
		17,231,215	15,378,288	9,103,523	8,320,470
Non-controlling interests		4,638,017	3,789,554	-	-
Total Equity		21,869,232	19,167,842	9,103,523	8,320,470



As at	Notes	Group		Company	
		31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Non-Current Liabilities					
Interest - bearing borrowings	29	5,363,625	2,913,898	-	16,442
Government grants	30	455	611	-	-
Deferred tax liabilities	31	243,817	242,491	-	-
Employee benefits	32	99,924	78,046	33,351	26,367
		5,707,821	3,235,046	33,351	42,809
Current Liabilities					
Trade payables		286,332	270,899	22,739	27,546
Other provisions and payables	33	1,939,152	1,520,847	87,921	120,305
Amounts due to ultimate holding company		37,518	92,315	24,058	44,072
Amounts due to parent's group entities	34	92,315	67,396	265,002	72,545
Interest bearing borrowings	29	2,001,690	1,066,881	16,442	177,600
Current tax payable		469,152	531,775	-	18,167
Short term bank borrowings		385,055	23,927	1,196	170
		5,211,214	3,574,040	417,358	460,405
TOTAL LIABILITIES		10,919,035	6,809,086	450,709	503,214
TOTAL EQUITY AND LIABILITIES		32,788,267	25,976,928	9,554,232	8,823,684

The above Statements of Financial Position are to be read in conjunction with notes to the financial statements on pages 153 to 219.

I certify that the financial statements for the year ended 31st March 2015 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 is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board

D.H.S. Jayawardena

Chairman

J.M.S. Brito

Managing Director

26th May 2015

Colombo

Sri Lanka



THE AITKEN SPENCE SIGNATURE OF QUALITY

Statement of Changes In Equity

Group

For the year ended 31st March

	Attributable to Equity Holders of the Parent						Non-Controlling Interests	Total Equity
	Stated Capital	General Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Revaluation Reserve	Retained Earnings		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st April 2013	3,554,587	20,840	683,482	1,456	2,208,116	6,457,226	12,925,707	2,903,733
Profit for the year	-	-	-	-	-	2,340,934	2,340,934	1,176,081
Other comprehensive income	-	-	116,644	(22,821)	376,265	(6,401)	463,687	50,774
	-	-	116,644	(22,821)	376,265	2,334,533	2,804,621	1,226,855
Effect of acquisitions disposal and change to percentage holdings	-	-	-	-	-	36	36	(56)
Share issue expenses	-	-	-	-	-	(936)	(936)	-
Dividends - 2012/13 (Note 13)	-	-	-	-	-	(351,140)	(351,140)	(351,140)
Dividends of Subsidiaries to non controlling interest	-	-	-	-	-	-	-	(340,978)
Balance as at 31st March, 2014	3,554,587	20,840	800,126	(21,365)	2,584,381	8,439,719	15,378,288	3,789,554
Profit for the year	-	-	-	-	-	2,234,804	2,234,804	1,200,818
Other comprehensive income	-	-	4,403	48,671	90,961	(6,251)	137,784	1,011
	-	-	4,403	48,671	90,961	2,228,553	2,372,588	1,201,829
Effect of acquisitions disposal and change to percentage holdings	-	-	-	-	-	(20)	(20)	1,225
Share issue expenses	-	-	-	-	-	(2,445)	(2,445)	-
Transfers	-	2,089	-	-	(296,740)	296,740	2,089	-
Dividends - 2013/14 (Note 13)	-	-	-	-	-	(519,285)	(519,285)	(519,285)
Dividends of Subsidiaries to non controlling interest	-	-	-	-	-	-	-	(354,591)
Balance as at 31st March, 2015	3,554,587	22,929	804,529	27,306	2,378,602	10,443,262	17,231,215	4,638,017

Company

For the year ended 31st March

	Stated Capital	General Reserve	Available for Sale Reserve	Revaluation Reserve	Retained Earnings	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st April 2013	3,554,587	20,840	-	639,210	3,437,116	7,651,753
Profit for the year	-	-	-	-	1,022,105	1,022,105
Other comprehensive income	-	-	-	-	(2,248)	(2,248)
Dividends - 2012/13 (Note 13)	-	-	-	-	(351,140)	(351,140)
Balance as at 31st March, 2014	3,554,587	20,840	-	639,210	4,105,833	8,320,470
Profit for the year	-	-	-	-	1,303,660	1,303,660
Other comprehensive income	-	-	-	-	(3,411)	(3,411)
Transfers	-	2,089	-	-	1,300,249	1,300,249
Dividends - 2013/14 (Note 13)	-	-	-	-	(519,285)	(519,285)
Balance as at 31st March, 2015	3,554,587	22,929	-	639,210	4,886,797	9,103,523
Dividend per ordinary share (Note 13)	Rs. 1.50 (2013/14 - Rs. 1.50)					

Figures in brackets indicate deductions

The notes on pages 153 to 219 form an integral part of these financial statements.



Statement of Cash Flow

For the year ended 31st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Profit before taxation	3,920,116	4,078,450	1,316,615	1,045,076
Adjustments for	-	-	-	-
Depreciation	740,443	698,334	95,798	101,304
Amortisation	66,812	63,039	269	256
Provision for impairment/(reversal of impairment) of trade receivables	1,024	(3,562)	(193)	(188)
Gain on loss of control of a subsidiary	(44,877)	-	-	-
Amortisation of government grant	(156)	(156)	-	-
Interest expense	185,491	192,252	13,702	38,244
Interest income	(261,798)	(269,314)	(84,382)	(93,481)
(Profit)/Loss on disposal of Investment	20,403	-	-	-
(Profit)/Loss on disposal of property, plant & equipment	(2,882)	47,505	(1,194)	1,075
Provision for retirement benefit obligations	19,040	15,715	5,443	4,742
Share of profit/(loss) of equity accounted investees (net of tax)	14,390	(34,891)	-	-
Effect of movement in exchange rates	(25,350)	(59,475)	(7,468)	(16,820)
Operating profit before working capital changes	4,632,656	4,727,897	1,338,590	1,080,208
(Increase)/decrease in inventories	(66,033)	4,330	72	(1,817)
(Increase)/decrease in trade and other receivables	157,682	(332,339)	68,180	(59,473)
(Increase)/decrease in amounts due from ultimate holding company	(113,850)	(7,000)	(5,005)	(20,000)
(Increase)/decrease in amount due from parent's group entities	(471,858)	105,643	(11,475)	(323,021)
(Increase)/decrease in deposits & pre-payments	40,439	(94,913)	68	1,467
Increase/(decrease) in trade payables	15,433	(100,864)	(4,807)	10,591
Increase/(decrease) in other provisions & payables	562,386	136,140	(30,295)	(58,597)
Increase/(decrease) in amounts due to ultimate holding company	(54,797)	(17,025)	(20,014)	3,731
Increase/ (decrease) in amount due to parent's group entities	24,919	4,725	192,457	29,784
Cash generated from operations	4,726,977	4,426,594	1,527,771	662,873
Interest paid	(185,491)	(192,252)	(13,702)	(38,244)
Retirement benefit obligations paid	(7,020)	(8,587)	(2,335)	(2,339)
Income taxes paid	(548,237)	(404,865)	(34,545)	(12,545)
Net cash flow generated from operating activities	3,986,229	3,820,890	1,477,189	609,745
Cash flow from investing activities				
Investments made during the year	(877,713)	-	(877,995)	(20)
Acquisition of property, plant & equipment	(5,381,278)	(895,260)	(18,197)	(34,207)
Purchase of intangible assets	(2,078)	(817)	-	(122)
Purchase of leasehold rights	(464,842)	-	-	-
Proceeds from disposal of investments	76,821	-	-	-
Proceeds from disposal of property, plant & equipment	6,414	52,764	1,682	1,664
Interest received from deposits	323,154	209,987	127,199	58,288
Proceeds/(Purchase) of term deposits	182,050	(2,813,042)	(117,278)	(15,711)
Net cash generated/(used) in investing activities	(6,137,472)	(3,446,368)	(884,589)	9,892

(carried forward to next page)

Figures in brackets indicate deductions



Statement of Cash Flow

For the year ended 31st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
(brought forward from previous page)				
Cash flow from financing activities				
Proceeds from long term borrowings	4,790,601	1,144,149	-	-
Repayment of long term borrowings	(1,503,800)	(1,059,343)	(177,600)	(177,600)
Dividends paid to equity holders of the parent	(519,285)	(351,140)	(519,285)	(351,140)
Dividend paid to shareholders of non-controlling interest	(354,591)	(340,978)	-	-
Net cash generated/(used) in financing activities	2,412,925	(607,312)	(696,885)	(528,740)
Net Increase in cash & cash equivalents	261,682	(232,790)	(104,285)	90,897
Cash & cash equivalents at the beginning of the year	967,007	1,252,110	158,363	59,998
Cash & cash equivalents at the end of the year	1,228,689	1,019,320	54,078	150,895
Analysis of cash & cash equivalents at the end of the year				
Cash at bank and in hand	433,913	212,651	55,274	44,265
Short term deposits	1,179,831	830,596	-	106,800
Short term bank borrowings	(385,055)	(23,927)	(1,196)	(170)
Cash & cash equivalent as previously reported	1,228,689	1,019,320	54,078	150,895
Effect of movement in exchange rates	-	(52,313)	-	7,468
Cash & cash equivalent as restated	1,228,689	967,007	54,078	158,363

Note: Divestment of Investment of a Subsidiary

The Group divested 40% stake in Ahungalla Resorts Ltd, a subsidiary, in a strategic partnership with RIU Hotels Spain resulting in the company now being treated as an equity accounted investee. The fair value of assets and liabilities thus divested are as follows:

	Rs. '000
Property, plant and equipment	997,663
Trade and other payables	(141,993)
	855,670
Gain on loss of control of a subsidiary	44,877
Total identified net assets divest at fair value	900,547
Reclassified to equity accounted investees	(900,547)
	-

Figures in brackets indicate deductions

The notes on pages 153 to 219 form an integral part of these financial statements



Notes to the Financial Statements

1. REPORTING ENTITY

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

The consolidated financial statements of the Company as at and for the year ended 31st March 2015 comprise the financial statements of Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investees.

1.1 Principal activities and nature of operations

The group primarily is involved in Hoteliering.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Consolidated financial statements of the Group and the separated financial statements of the Company which comprise of the Statement of Income, Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow and Notes thereto have been prepared in accordance with Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs) effective from 1st January 2012, laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirement of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

2.2 Responsibility for financial statements

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

2.3 Reporting date

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

2.4 Approval of financial statements by Directors

The financial statements of the Group and the Company for the year ended 31st March 2015 were authorised for issue by the Board of Directors on 26th May 2015.

2.5 Basis of measurement

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

- Land under property, plant and equipment is measured at cost on initial recognition and subsequently at fair value.
- Financial assets classified as available for sale financial assets are measured at fair value.
- Retirement benefit obligations are measured at the present value of defined benefit obligations.

2.6 Functional and presentation currency

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

2.7 Use of Estimates and judgments

The preparation of the financial statements of the Group and the Company in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making a judgment about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

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

2.8 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern, and being satisfied that it has the resources to continue in business for the foreseeable future confirm that they do not intend either to liquidate or to cease operations of any business unit of the Group. The financial statements are prepared on the going concern basis.



Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

The group's financial statements comprise consolidation of the financial statements of the company its subsidiaries prepared in terms of Sri Lanka Accounting standard (SLFRS -10) - Consolidated Financial Statements and share of profit or loss and net assets of equity accounted investees prepared in terms of Sri Lanka Accounting standard (LKAS 28) - Investments in Associates and Joint Ventures.

There had been no significant impact to financial statements due to the adoption of Sri Lanka Accounting standard (SLFRS -10) - Consolidated Financial Statements, Sri Lanka Accounting standard (SLFRS -12) - Disclosure of Interest in Other Entities, Sri Lanka Accounting standard (SLFRS -11) - Joint Arrangements and Sri Lanka Accounting standard (SLFRS -13) - Fair Value Measurement

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

As per the requirements of Sri Lanka Accounting Standard (SLFRS 3) - Business Combinations. When the Group acquires a business it assesses the financial assets and liabilities assumed under classifications or designations on the basis of the contractual terms, economic conditions, its operating or accounting policies and other pertinent conditions exist at the acquisition date. Which is the date on which control is transferred to the Group. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred plus the recognized amount of any non-controlling interests in the acquiree plus if the business combination achieved in stages, the fair value of the pre-existing interest in the acquiree less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the income statement.

The goodwill arising on acquisition of subsidiaries is presented as an intangible asset.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity acquired exceed the cost of the acquisition of the entity, the surplus, which is a gain on bargain purchase is recognised immediately in the consolidated income statement.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

3.1.2 Non-controlling interests

The proportion of the profits or losses after taxation applicable to outside shareholders of subsidiary companies is included under the heading "Non-controlling interests" in the Consolidated Income Statement. Losses applicable to the non-controlling interests in a subsidiary is allocated to the non-controlling interest even if doing so causes the non-controlling interests to have a deficit balance.

The interests of the minority shareholders in the net assets employed of these companies are reflected under the heading "Non-controlling interests" in the Consolidated Statement of Financial Position.

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



3.1.3 Subsidiaries

Subsidiaries are those entities that are controlled by the Group. Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investees. The group controls an investee if only if, the Group has

- * power over the investee (ie; existing rights that give it the current ability to direct the relevant activities of the investee
- * Exposure or rights to variable returns from its involvement with the investee
- * The ability to use its power over the investee to affect the amount of the investor's returns

When assessing control of an investee, an investor shall consider the purpose and design of the investee in order to identify the relevant activities, how decision about the relevant activities are made, who has the current ability to direct those activities and who receives returns from those activities.

When an investee's purpose and design are considered, it may be clear that an investee is controlled by means of equity instruments that give the holder proportionate voting rights, such as ordinary shares in the investee. In this case in the absence of any additional arrangements that alter decision making, the assessment of control focuses on which party, if any, is able to exercise voting rights sufficient to determine the investee's operating and financing policies. The investor that holds a majority of those voting rights, in the absence of any other factors, controls the investee.

Therefore Group considers all relevant facts and circumstances in accessing whether it has power over an investee including:

- * The contractual arrangement with the other vote holders of the investee
- * Rights arising from other contractual arrangements
- * The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

3.1.4 Loss of control

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

3.1.5 Investments in equity accounted investees (investment in associates and joint venture)

Associates are those entities in which the Group has significant influence, but not have control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not have the control or joint control over those policies. Significant influence is presumed to exist when the Group holds between 20% - 50% of the voting rights of another entity.

Joint venture are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

The Group determines significant influence or joint control by taking into account similar considerations necessary to determine control over subsidiaries.

The Groups investment in associate and joint venture are treated as equity accounted investees and accounted for using the equity method and are recognised initially at cost. The carrying amount of the investment is increased or decreased to recognise the investors share of net assets of the investee after the date of acquisition, The Investors share of Investees profit or loss is recognised in the Investors profit or loss. Distribution received from an investee reduce the carrying amount of the investment, Adjustment to the carrying amount may also be necessary for changes in the investors proportionate interest in the investee arising from changes in investees other comprehensive income. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and not tested for impairment individually.



Notes to the Financial Statements

The statement of profit or loss reflects the Groups share of the results of operations of the associates or joint venture. Any changes in OCI of those investees is presented as part of the Group's OCI. In addition when there has been a change recognised directly in equity of the associate or joint venture the Group recognises its share of any changes when applicable in the statement of changes in equity.

The aggregate of the Groups share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

At each reporting date the Group determines whether there is objective evidence that the investment in associate or joint venture is impaired. If there is such evidence that the investment in associate or joint venture is impaired. If there is such evidence the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying values and then recognises the loss as share of profit of an associate and joint venture in the income statement.

The Group discontinues the use of the equity method from the date it ceases to have significant influence over an associate or joint control over the joint venture and accounts for the investment in accordance with the Group's accounting policy for financial instruments. Any difference between the carrying amount of the associate or the joint venture upon loss of significant influence or joint control and fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.1.6 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated to the

functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to reporting currency using the exchange rate that was prevailing on the date the fair value was determined.

Foreign currency differences arising on retranslation are recognized in income statement, except for differences arising on the retranslation of available for sale equity investments, which was recognised in other comprehensive income. Foreign currency gains and losses are reported on a net basis in the income statement.

3.2.2 Foreign operations

Subsidiaries incorporated outside Sri Lanka are treated as foreign operations. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the rate of exchange prevailing on the reporting date. Income and expenses of the foreign entities are translated at exchange rate approximating to the actual rate at the time of the transaction. For practical purposes this is presumed to be the average rate during each month.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest, in any other partial disposal of foreign operation, the relevant proportion is reclassified to profit or loss.

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



3.3 Financial Instruments

Financial assets and financial liabilities are recognised when a Group company becomes a party to the contractual provisions of the instrument.

The classification of financial instruments at initial recognition is dependent on their purpose and characteristics and the management's intention in acquiring them.

Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities other than financial instruments recognised as fair value through profit and loss, are added to or deducted from the fair value of the financial instruments. Transaction costs, which are insignificant are expensed immediately to the income statement.

3.3.1 Non-derivative financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets.

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

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

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

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

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

Financial Assets at fair value through profit or loss

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

Attributable transaction costs of fair value through profit or loss financial assets are recognised in the income statement when incurred.

Financial assets at fair value through profit or loss comprise of its portfolio of investments in treasury bills and treasury bonds

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

Held-to-maturity financial assets

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

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

Loans and Receivables

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

Loans and receivables comprise cash and cash equivalents, trade and other receivables.



Notes to the Financial Statements

Available for sale financial assets

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

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

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

3.3.2 Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that is impaired. A financial asset is impaired if, there is objective evidence as a result of one or more events that has occurred after the initial recognition of the financial asset (an incurred 'loss event') and the estimated future cash flows of the investment have been affected.

3.3.2.1 Loans & Receivables

The objective evidence of impairment could include significant financial difficulty of the issuer or counter party, breach of contract such as default in interest or principal payments, or it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

The Group considers impairment of trade receivables at both a specific significant individual debtor level and collectively. Any Group company which has any individually significant debtors assesses them for specific impairment. All individually insignificant debtors that are not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together based on similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred and adjusted for the management's judgment. The carrying amount of the trade receivables is reduced through the use of the bad debt provision account and the amount of the loss is recognised in the income statement. If there is no realistic prospect of future recovery of a debt, the amount is written off.

An impairment loss in respect of other financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement to the extent that the carrying amount of the financial asset at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

3.3.2.2 Available for sale

For equity instruments classified as available for sale financial assets a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

Impairment losses of an available for sale security investment are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to the income statement as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to the income statement is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in the income statement. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

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

3.3.3 Derecognition of financial assets

The Group derecognises a financial asset when;

- The right to receive cash flows from the asset have expired or the entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either.
- The entity has transferred substantially all the risks and rewards of the asset, or



- The entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset or the carrying amount allocated to the portion of the asset transferred and the sum of the consideration received together with receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

3.3.4 Non-derivative financial liabilities

Initial recognition and measurement

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

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

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

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

Financial liabilities at fair value through profit or loss

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

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

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

Other financial liabilities

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

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

3.3.5 Derecognition of financial liabilities

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

3.3.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.3.7 Derivative financial instruments

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

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

3.3.8 Stated capital

Ordinary shares

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



Notes to the Financial Statements

Preference Shares

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

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

3.3.9 Determination of Fair Value

Fair values the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- * in the principal market for the asset or liability or
- * in the absence of a principal market in the most advantageous market for asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1 - Quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observed.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3.3.10 Impairment

3.3.10.1 Non-financial assets

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

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit or CGU). For the purpose of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGU's that is expected to benefit from the synergies of the combination. The allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is amortised for internal reporting purposes.

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

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



3.4 Assets and bases of their valuation

3.4.1 Property, plant and equipment

3.4.1.1 Recognition and measurement

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

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

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

The Group recognizes land owned by them in the statement of financial position at their revalued amount. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period. If the fair values of land does not change other than by an insignificant amount at each reporting period the Group will revalue such land every five years.

Any surplus arising on the revaluation is recognized in other comprehensive income except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognized in income statement, in which case the credit to that extent is recognized in income statement. Any deficit on revaluation is recognized in income statement except to the extent that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognized in other comprehensive income. Therefore, revaluation increases and decreases cannot be offset, even within a class of assets.

Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to accumulated profits and is not taken into account in arriving at the gain or loss on disposal. The details of land valuation are disclosed in note 14.3.1 to the financial statements.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property plant and equipment and depreciated separately based on their useful life.

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

3.4.1.2 Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the item will flow to the Group, and the cost of the item can be measured reliably. The costs of the day-to-day servicing and any other costs are recognised in the income statement as and when incurred.

3.4.1.3 Depreciation

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

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

The estimated useful lives are as follows:

• Leasehold Premises	Over the remaining lease period
• Buildings	08 - 50 years
• Plant & Equipment	10 - 20 years
• Kitchen Equipment	05 - 15 years
• Office Equipment	03 - 10 years
• Sports Equipment	05 - 10 years
• Motor Vehicles	04 - 06 years
• Boats	05 years
• Swimming Pool & Equipment	15 - 30 years
• Furniture & Fittings	10 - 20 years
• Crockery, Cutlery & Glassware	03 - 05 years
• Soft Furnishing	05 - 10 years



Notes to the Financial Statements

Depreciation is not provided on land and assets under construction.

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

3.4.2 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses if any.

3.4.3 Leasehold property - land

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

3.4.4 Intangible assets

Initial Recognition and measurement

The Group recognises intangible assets if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Separately acquired intangible assets are measured on initial recognition at cost. The cost of such separately acquired intangible assets include the purchase price, import duties, non-refundable purchase taxes and any directly attributable cost of preparing the asset for its intended use.

The cost of intangible assets acquired in a business combination is the fair value of the asset at the date of acquisition.

The cost of an internally generated intangible asset arising from the development phase of an internal project which is capitalised includes all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by the Management. Other development expenditure and expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding is expensed in the income statement as and when incurred.

Subsequent costs

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

3.4.5 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The policy on measurement of goodwill is at initial recognition.

Subsequent measurement

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

3.4.6 Computer software

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

Subsequent measurement

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

Amortisation

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

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

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

3.4.6.1 Website costs

Costs incurred on development of websites are capitalized.

3.4.7 Investment properties

Investment properties are land and buildings that are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production



or supply of goods and services or for administrative purposes. Investment property is measured at cost at initial recognition and subsequently at cost less aggregate depreciation. However, if there is impairment in value, other than of a temporary nature, the carrying amount is reduced to recognize the decline.

3.4.8 Investments

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

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

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

3.4.9 Inventories

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

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

3.4.10 Trade and other receivables

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

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

3.4.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short term deposits with original maturity of three months or less. Bank overdrafts are shown within borrowings in current liabilities. For purpose of Cash flow Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as components of cash and cash equivalent.

3.4.12 Non-current assets held for sale

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

3.5 Liabilities and Provisions

3.5.1 Liabilities

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

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

3.5.2 Provisions

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

3.5.3 Trade and other payables

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

3.5.4 Government grants

A government grant is recognised initially as deferred income at fair value when there is a reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant.



Notes to the Financial Statements

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

3.5.5 Employee benefits

3.5.5.1 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligations to pay further amounts. All employees of the Company are members of the Employees' Provident Fund and Employees' Trust Fund, to which their employers contribute 12% - 15% and 3% respectively of such employees' basic or consolidated wage or salary, cost of living and all other allowances. Obligations for contributions to defined benefit plans, EPF & ETF, are recognised as an employee benefit expense in income statement in the periods during which services are rendered by employees.

3.5.5.2 Retirement Pension Scheme - Maldives

All Maldivian employees of the Group are members of the Retirement Pension Scheme established in the Maldives. Both employer and employee contributes 7% respectively to this scheme of such employees' pensionable wage. Employers obligations for contributions to pension scheme is recognised as an employee benefit expense in income statement in the periods during which services are rendered by employees.

3.5.5.3 Defined Benefit Plans - retiring gratuities

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the Projected Unit Credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the liability.

Provision has been made in the financial statements for retiring gratuities from the first year of service for all employees.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of five years continued service.

The liability is not externally funded.

The Group recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in staff cost in income statement.

3.5.5.4 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service rendered by the employee and the obligation can be measured reliably.

3.6 Revenue

Group revenue represents sales to customers outside the Group and excludes value added tax. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, value added taxes and intra-group revenue. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

The following specific criteria are used for the purpose of recognition of revenue:

- Apartment revenue is recognised for the rooms occupied on a daily basis, whilst food and beverage sales are accounted for at the time of sale. All revenues are recognised on an accrual basis and matched with the related expenditure.
- Dividend income is recognised in income statement when the right to receive dividends is established.
- Interest income is recognised as it accrues.
- The Group has a customer loyalty program whereby customers are awarded credits (reward points) known as "Diamond points", which allows customers to accumulate points when they occupy group hotels. These points can then be redeemed for future hotel accommodation.

The fair value of the consideration received or receivable in respect of initial sale is allocated between "diamond points" and the current sales. The fair value of the "diamond points" is based on a statistical analysis, adjusted to take into account the expected forfeiture rate. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.



3.7 Expenses

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

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

3.8 Financing Income/(Expenses)

Finance income comprises interest income on funds invested, including the income from investment categorized under available for sale financial assets. Gains on the disposal of interest generating investment classified under available for sale financial assets is recognised under finance income.

Interest income is recognised as it accrues in income statement, using the effective interest method.

Finance expenses comprise interest expense on borrowings, preference dividends of preference shares classified as debt and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in income statement using the effective interest method.

3.9 Income tax expenses

Income tax expense comprises both current and deferred tax. Income tax expense is recognised in income statement except to the extent that it relates to items recognised directly in equity, in which case is recognised in the statement of comprehensive income or statement of changes in equity, in which case it is recognised directly in the respective statements.

3.9.1 Current taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the financial statements. When the amount of taxation already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset in the financial statements.

3.9.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for temporary differences arising on initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits and differences relating to investment in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities recognised by individual companies within the Group are disclosed separately as assets and liabilities in the Group statement of financial position and are not offset against each other.

3.9.3 Economic Service Charge (ESC)

As per the provisions of the Economic Service Charge Act No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable as per the relevant provisions in the Act.

3.10 Cash flow statement

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

3.11 Capital commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Group's control. Capital commitments and contingent liabilities of the Company are disclosed in Note No. 14.4 and 37 to the



Notes to the Financial Statements

financial statements.

3.12 Events occurring after the reporting date.

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

3.13 Earnings per share (EPS)

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.14 Segmental Information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.14.1 Primary and Secondary Segments

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

ii) Segmental information analysed by geographical segments is disclosed in Notes 4 & 35 to the financial statements.

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

3.15 New and amended standards and interpretations adopted during the year for the first time

The Group applied, the following new Sri Lanka Accounting

Standards and amendments which became applicable to the financial statements with effect from 1st January 2014.

SLFRS 10 Consolidated Financial Statements,
With the adoption of SLFRS 10, the Group changed its accounting policy for determining whether an investee is a subsidiary based on the definition of control as explained in note 3.1.3. On adoption of this standard, Group reassessed the control conclusion for its investees. There were no changes made to the existing portfolio of subsidiaries based on the requirements of the new standard other than for Ahungalla Resorts Ltd, which was a Subsidiary of the Group was treated as a Joint Venture based on the Joint Venture agreement entered into by the Company during the year.

SLFRS 11 Joint Arrangements,
With the adoption of SLFRS 11 in Sri Lanka, the Group changed its accounting policy for its interests in joint arrangements. Under SLFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification. There was no impact to the Group on adoption of this standard as there were no joint arrangements within the group.

SLFRS 12 Disclosure of Interests in Other Entities
SLFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Disclosures required under this standard are provided in Note 19 to these financial statements.

SLFRS 13 Fair Value Measurement
SLFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other SLASs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. Application of this standard has not materially impacted the fair value measurements carried out by the Group.

Amendments to SLAS 1 Presentation of Financial Statements
As a result of the amendment to SLAS 1, Group modified the presentation of items of OCI in the statement of profit or loss and OCI, to present separately items that would be reclassified to profit



or loss from those that would never be reclassified to profit or loss. Comparative information has been re-presented accordingly.

3.16 New and amended standards issued but not effective as at the reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing these financial statements. The Group is currently in the process of evaluating the potential effect of adoption of these standards and amendments on its financial statements. Such impact has not been quantified as at the balance sheet date. The Group will be adopting these standards when they become effective.

SLFRS 9 - Financial Instruments - effective for annual periods beginning on or after 1st of January 2018.

SLFRS 14 - Regulatory Deferral Accounts - effective for annual periods beginning on or after 1st of January 2016.

SLFRS 15 - Revenue from Contracts with Customers- effective for annual periods beginning on or after 1st of January 2018.

Amendment to LKAS 16 and LKAS 41 Agriculture; Bearer Biological Plants - effective for annual periods beginning on or after 1st of January 2016.

Amendments to SLFRS 10, SLFRS 12 and LKAS 28 - Investment Entities: Applying the Consolidation Exception - effective for annual periods beginning on or after 1st of January 2016.

Amendments to LKAS 27 - Equity Method in Separate Financial Statements - effective for annual periods beginning on or after 1st of January 2016.

Amendments to SLFRS 10 and LKAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - effective for annual periods beginning on or after 1st of January 2016.

Amendments to SLFRS 11 - Accounting for Acquisitions of Interests in Joint Operations - effective for annual periods beginning on or after 1st of January 2016.



Notes to the Financial Statements

4 Operating Segments

4.1 Analysis of Geographical Segmental Results - Revenue

	External		Group Intra Group		Total Revenue	
	2014/2015 Rs. '000	2013/2014 Rs. '000	2014/2015 Rs. '000	2013/2014 Rs. '000	2014/2015 Rs. '000	2013/2014 Rs. '000
Sri Lankan Sector						
Resorts & Hotels	3,261,632	3,280,171	10,095	19,316	3,271,727	3,299,487
Others	106,428	105,546	449,874	436,145	556,302	541,691
Total Sri Lankan Sector	3,368,060	3,385,717	459,969	455,461	3,828,029	3,841,178
South Asian Sector	9,902,858	9,561,359	139,473	161,840	10,042,331	9,723,199
	13,270,918	12,947,076	599,442	617,301	13,870,360	13,564,377
Intra group revenue					(599,442)	(617,301)
Total					13,270,918	12,947,076

4.2 Analysis of Geographical Segmental Results - Income Tax & Profits

	Income Tax Expenses		Group Profit/(Loss) from Operations		Profit/(Loss) before Taxation	
	2014/2015 Rs. '000	2013/2014 Rs. '000	2014/2015 Rs. '000	2013/2014 Rs. '000	2014/2015 Rs. '000	2013/2014 Rs. '000
Sri Lankan Sector						
Resorts & Hotels	78,816	109,919	634,816	703,442	698,437	742,063
Others	48,193	56,728	480,315	483,065	586,037	576,532
	127,009	166,647	1,115,131	1,186,507	1,284,474	1,318,595
Share of Profit/(Loss) of equity accounted investees after tax	-	-	-	-	(14,390)	34,891
Total Sri Lankan Sector	127,009	166,647	1,115,131	1,186,507	1,270,084	1,353,486
South Asian Sector	357,485	394,788	2,743,068	2,779,990	2,650,032	2,724,964
Total	484,494	561,435	3,858,199	3,966,497	3,920,116	4,078,450

4.3 Analysis of Geographical Segmental Results - Finance Income & Finance Expenses

	Finance Income		Group Finance Expenses	
	2014/2015 Rs. '000	2013/2014 Rs. '000	2014/2015 Rs. '000	2013/2014 Rs. '000
Sri Lankan Sector				
Resorts & Hotels	109,586	123,170	45,965	84,549
Others	105,721	93,467	-	-
Total Sri Lankan Sector	215,307	216,637	45,965	84,549
South Asian Sector	46,491	52,677	139,526	107,703
Total	261,798	269,314	185,491	192,252



5 Revenue

5.1 Revenue Breakdown

	Group		Company	
	2014/2015 Rs. '000	2013/2014 Rs. '000	2014/2015 Rs. '000	2013/2014 Rs. '000
Total revenue	13,870,360	13,564,377	776,340	825,022
Less: Intra group revenue	(599,442)	(617,301)	-	-
Revenue	13,270,918	12,947,076	776,340	825,022
Less: revenue taxes	(316,701)	(415,175)	(17,217)	(18,186)
Net revenue	12,954,217	12,531,901	759,123	806,836

5.2 Categories of Revenue

	Group		Company	
	2014/2015 Rs. '000	2013/2014 Rs. '000	2014/2015 Rs. '000	2013/2014 Rs. '000
Rendering of hotel services	13,270,918	12,947,076	776,340	825,022
	13,270,918	12,947,076	776,340	825,022

5.3 Revenue generated from rendering of hotel services

	Group		Company	
	2014/2015 Rs. '000	2013/2014 Rs. '000	2014/2015 Rs. '000	2013/2014 Rs. '000
Apartment	6,350,120	6,296,767	265,114	342,214
Restaurant	3,326,690	3,114,763	412,225	384,425
Bar	1,048,492	1,024,685	66,679	65,307
Spa related	200,758	226,764	18,571	19,631
Transfers & excursions	1,726,272	1,688,572	2,402	2,388
Rent and shop income	245,177	280,080	9,926	9,148
Telephone	7,028	7,807	260	531
Diving and windsurfing	208,833	161,345	-	-
Laundry	10,543	10,038	1,163	1,378
Management fees	147,005	136,255	-	-
	13,270,918	12,947,076	776,340	825,022

The group operates for Sri Lanka hotels a customer reward programme identified as "Diamond Club" as a value addition service to its customers. Reward points are granted to customers who utilises hotel services for more than a designated value. Points could be redeemed in Group Hotels in Sri Lanka.



Notes to the Financial Statements

6 Other Income

	Group		Company	
	2014/2015 Rs. '000	2013/2014 Rs. '000	2014/2015 Rs. '000	2013/2014 Rs. '000
Recreation	282	494	69	70
Dividends (net) from investments	-	681	1,189,463	870,809
Profit/(Loss) on disposal of property, plant & equipment	2,882	(47,505)	1,194	(1,075)
Effect of movement in exchange rates	25,350	59,475	7,468	16,820
Profit/(Loss) on disposal of investments	(20,403)	-	-	-
Gain on loss of control of a subsidiary	44,877	-	-	-
* Insurance income	351,214	370,246	-	213
Sundry income	13,604	8,329	3,136	271
	417,806	391,720	1,201,330	887,108

*During the year 2013/14, sixteen ocean villas of ADS Resorts (Pvt) Ltd. - Maldives (Adhaaran Select HudhuRan Fushi) was destroyed due to a fire. Insurance income reflected above is the balance compensation received from the Insurance Company for the loss of profits due to business interruption.

7 Other Operating Expenses - Direct

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

8 Other Operating Expenses - Indirect

	Group		Company	
	2014/2015 Rs. '000	2013/2014 Rs. '000	2014/2015 Rs. '000	2013/2014 Rs. '000
Administration & establishment	2,065,848	1,775,198	105,784	110,707
Repairs and maintenance	685,077	636,530	42,116	29,912
Energy	986,868	999,598	76,671	78,468
Selling & marketing	444,639	450,089	37,537	35,279
Management fees	173,897	183,681	36,701	43,110
	4,356,329	4,045,096	298,809	297,476



9 Profit from Operations

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

	Group		Company	
	2014/2015 Rs. '000	2013/2014 Rs. '000	2014/2015 Rs. '000	2013/2014 Rs. '000
Cost of inventories & services	2,521,374	2,397,574	175,976	167,381
Directors fees and emoluments	9,821	12,486	7	7
Auditors' remuneration				
- KPMG	5,470	4,921	680	620
- Other auditors	1,022	1,140	-	-
Fees paid to Auditors for non audit services				
- KPMG	571	624	243	289
- Other auditors	4,349	3,122	-	-
Finance charges on leases	1,500	1,500	-	-
Impairment/(reversal of impairment) of trade receivables	1,024	(3,562)	(193)	(188)
Donations	264	193	50	39
Contribution to Employees Provident Fund	48,447	40,255	14,152	13,476
Contribution to Employees Trust Fund	9,569	8,766	2,409	2,265
Retirement Pension Scheme - Maldives	19,067	18,944	-	-
Defined benefit plan cost - retirement benefits	19,040	15,715	5,443	4,742
Legal expenses	955	2,371	65	35
Operating lease rentals	334,238	329,641	-	-

10 Net Financing income

	Group		Company	
	2014/2015 Rs. '000	2013/2014 Rs. '000	2014/2015 Rs. '000	2013/2014 Rs. '000
Finance income				
Finance income from receivable	261,798	269,314	84,382	93,481
	261,798	269,314	84,382	93,481
Finance expense				
Interest expense on financial liabilities measured at amortised cost	172,366	179,127	13,702	38,244
Interest expense on preference shares	13,125	13,125	-	-
	185,491	192,252	13,702	38,244
Net Financing income	76,307	77,062	70,680	55,237



Notes to the Financial Statements

11 Income Tax Expense

- 11.1 Aitken Spence Hotel Holdings PLC., being a Company involved in the promotion of tourism is liable to Income Tax at a concessory rate of 12% on the Hotels's operating profits in terms of section 46 of the Inland Revenue Act No. 10 of 2006.

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

11.2 Sri Lankan Sector

- 11.2.1 The business profits of Aitken Spence Hotel Managements Asia (Pvt) Ltd., and Aitken Spence Hotels International (Pvt) Ltd. are exempt from tax in Sri Lanka, under Section 13 (b) of the Inland Revenue Act No. 10 of 2006. Management fee income received from Republic of Maldives is subject to 10% withholding tax at source as per the Business Profit Tax Act of Republic of Maldives. Further profits earned by the Company in Oman is taxed at 12%.
- 11.2.2 The business profits and income of Hethersett Hotels Ltd., Aitken Spence Hotels Ltd., Kandalama Hotels (Pvt) Ltd., Golden Sun Resorts (Pvt) Ltd. and MPS Hotels (Pvt) Ltd. being Companies involved in the promotion of tourism are liable to tax at a concessory rate of 12% in terms of section 46 of the Inland Revenue Act No. 10 of 2006.
- 11.2.3 The business profits and income of Neptune Ayurvedic Village (Pvt) Ltd. arising from leasing out land, is liable for income tax at standard rate of 28% as per the Inland Revenue Act No. 10 of 2006.
- 11.2.4 The business profits of Aitken Spence Resorts (Pvt) Ltd., would be exempt from income tax under section 17A of Inland Revenue Act No. 10 of 2006 for a period of 10 years once the Company commences commercial operations.
- 11.2.5 The profits and income earned in foreign currency (other than any commission, discount or similar receipt) from services rendered in or outside Sri Lanka to a party outside Sri Lanka for tax payment in foreign currency are exempt from income tax in terms of section 13(ddd) of the Inland Revenue Act No. 10 of 2006 and amendments thereto.
- 11.2.6 In addition, a maximum of 25% qualifying payment deduction is available for expansions under section 34 of the Inland Revenue Act No. 10 of 2006, for investments not less than Rs.50 million in fixed assets made by any undertaking on investments specified in section 16C or 17A.

11.3 South Asian Sector

- 11.3.1 The business profits of Jetan Travel Services Co. Pvt Ltd., Cowrie Investment Pvt Ltd., ADS Resorts (Pvt) Ltd, Unique Resorts (Pvt) Ltd. Crest Star Ltd., Crest Star (BVI) Ltd., P.R Holiday Homes (Pvt) Ltd, Aitken Spence Hotel Services Ltd and Aitken Spence Hotel Managements South India (Pvt) Ltd., being non resident companies in Sri Lanka and not deriving Income from Sri Lanka are out of the Scope of Income Taxation in Sri Lanka.
- 11.3.2 The business profits of Jetan Travel Services Co. Pvt Ltd., Cowrie Investment Pvt Ltd., ADS Resorts (Pvt) Ltd., and Unique Resorts (Pvt) Ltd Companies incorporated in the Republic of Maldives are liable for corporate tax in Maldives at a rate of 15% as per Business Profit Tax Act of Republic of Maldives.
- 11.3.3 Crest Star Ltd., a Company incorporated in Hong Kong is not liable for Income Tax. Crest Star (BVI) Ltd., a company incorporated in the British Virgin Islands is exempt from Income Tax. Management fee income received from Republic of Maldives is subject to 10% withholding tax at source as per the Business Profit Tax Act of Republic of Maldives.
- 11.3.4 The business profits of P.R. Holiday Homes (Pvt) Ltd., being a Company incorporated in India would be liable for tax at a rate of 30.9% in India, once the Company commences commercial operations.
- 11.3.5 The business profits of Aitken Spence Hotel Services and Aitken Spence Hotel Managements South India (Pvt) Ltd., being Companies incorporated in India would be liable to an effective income tax rate of 30.9% as per the Indian tax law.

11.4 Equity Accounted Investees

- 11.4.1 During the year there were no business profits generated from Browns Beach Hotels PLC., due to the demolishing of the hotel to construct the proposed new hotel. Income tax has been computed on interest income which is taxed at standard rate of 28% as per the Inland Revenue Act No. 10 of 2006.
- 11.4.2 The business profits of Negombo Beach Resorts (Pvt) Ltd, would be exempt from income tax under section 17 of BOI Law No. 04 of 1978 for a period of 12 years once the Company commences commercial operations.
- 11.4.3 The business profits and income of Amethyst Leisure Ltd., is liable for income tax at standard rate of 28% as per the Inland Revenue Act No. 10 of 2006.
- 11.4.4 The business profits and income of Paradise Resorts Passikudah (Pvt) Ltd., being a Company involved in the promotion of tourism is liable to tax at a concessory rate of 12% in terms of section 46 of the Inland Revenue Act No. 10 of 2006.
- 11.4.5 The business profits of Ahungalla Resorts Ltd., would be exempt from income tax under section 17A of Inland Revenue Act No. 10 of 2006 for a period of 12 years once the Company commences commercial operations.



11.5 Income Tax Expense

		Group		Company	
		2014/2015 Rs. '000	2013/2014 Rs. '000	2014/2015 Rs. '000	2013/2014 Rs. '000
Taxation on current year profits	(Note No. 11.7)	486,536	530,352	17,500	21,000
(Over)/Under provision in previous years		(25,792)	4	(2,341)	-
Tax on dividends paid by subsidiaries		25,449	14,260	-	-
		486,193	544,616	15,159	21,000
Deferred tax expense/(income)	(Note No. 11.8)	(1,699)	16,819	(2,204)	1,971
Total		484,494	561,435	12,955	22,971

11.6 Income Tax expense recognised in Other Comprehensive Income

	Group					
	2014/2015			2013/2014		
	Before Tax Rs. '000	Tax expense/ (income) Rs. '000	Net of Tax Rs. '000	Before Tax Rs. '000	Tax expense/ (income) Rs. '000	Net of Tax Rs. '000
Foreign Currency translation differences of foreign operations	22,306	-	22,306	(170,418)	-	(170,418)
Revaluation of property, plant & equipment	(90,961)	-	(90,961)	(377,935)	-	(377,935)
Share of other comprehensive income of equity accounted investees (net of tax)	(234)	-	(234)	(165)	-	(165)
Net change in fair value of available for sale financial assets	(78,840)	-	(78,840)	25,881	-	25,881
Actuarial gains/(losses) arising from retirement - benefit obligations	9,858	(924)	8,934	9,001	(825)	8,176
Total	(137,871)	(924)	(138,795)	(513,636)	(825)	(514,461)

Tax recognised in other comprehensive income excludes, the Group's share of tax expense of the Group's equity accounted investees recognised in profits/(loss) of Rs.1,739,630 (2013/14 Rs. 16,132,931) which has been included in share of other comprehensive income of equity accounted investees (net of tax).

	Company					
	2014/2015			2013/2014		
	Before Tax Rs. '000	Tax expense/ (income) Rs. '000	Net of Tax Rs. '000	Before Tax Rs. '000	Tax expense/ (income) Rs. '000	Net of Tax Rs. '000
Actuarial gains/(losses) arising from retirement benefit obligations	3,876	(465)	3,411	2,555	(307)	2,248
Total	3,876	(465)	3,411	2,555	(307)	2,248



Notes to the Financial Statements

11.7 Reconciliation of Accounting Profit to Tax on current year

	Group		Company	
	2014/2015 Rs. '000	2013/2014 Rs. '000	2014/2015 Rs. '000	2013/2014 Rs. '000
Profit before taxation	3,920,116	4,078,450	1,316,615	1,045,076
Consolidated adjustments	(30,487)	(34,891)	-	-
Profit after adjustments	3,889,629	4,043,559	1,316,615	1,045,076
Income not liable for income tax	(811,137)	(611,595)	(25,718)	-
* Effect of revenue taxed at source	628,448	588,352	-	-
Adjusted Profits	3,706,940	4,020,316	1,290,897	1,045,076
Non taxable receipts/gains	-	-	(1,189,463)	(870,809)
Aggregate disallowed expenses	1,029,057	1,007,155	124,156	124,111
Capital allowances	(950,346)	(1,007,798)	(31,069)	(38,585)
Aggregate allowable expenses	(407,878)	(270,120)	(25,274)	(18,233)
Utilisation of tax losses	(60,985)	(93,096)	(59,236)	(84,546)
Qualifying payment deductions	(66,132)	(66,132)	-	-
Current year losses not utilised	157,070	134,351	-	-
Taxable Income	3,407,726	3,724,676	110,011	157,014
Income Tax charged at				
Standard rate of 28%	15,390	20,721	7,153	2,592
Concessionary rate of 12%	57,670	67,579	10,347	18,408
Off shore profits at varying rates	413,476	442,052	-	-
Taxation on current year profits	486,536	530,352	17,500	21,000
11.8 Deferred tax expenses/(income)				
Deferred tax expense/(income) arising from				
Property, plant and equipment	14,433	(7,512)	(7,868)	(7,885)
Defined benefit obligations	(1,167)	(1,207)	(372)	(288)
Tax losses carried forward	(14,965)	35,450	6,036	10,144
Other items	-	(9,912)	-	-
Total	(1,699)	16,819	(2,204)	1,971
11.9 Tax Losses Carried Forward				
Tax losses brought forward	1,388,515	1,693,107	875,379	959,925
Adjustments to prior year tax liability and tax losses arising during the year	163,847	(211,496)	8,937	-
Utilisation of tax losses	(60,985)	(93,096)	(59,236)	(84,546)
Total	1,491,377	1,388,515	825,080	875,379

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%.

- 11.10 As specified in Note No. 11.9, the companies in the Group have carried forward tax losses which are available to be set off against the future tax profits of those companies. From these losses, companies in the Group have not accounted for deferred tax assets, amounts to Rs. 2,183,416/- (2013/14 - Rs. 4,740,924/-). For Aitken Spence Hotel Holdings PLC, there were no deferred tax assets unaccounted on losses as at 31.03.2015. (2013/14 - Nil)

**12 Earnings per ordinary share**

Basic earnings per share is calculated by dividing the profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computation:

	Group		Company	
	2014/2015 Rs.	2013/2014 Rs.	2014/2015 Rs.	2013/2014 Rs.
Amounts used as numerator				
Profit after taxation and non-controlling interest attributable to Aitken Spence Hotel Holdings PLC	2,234,803,535	2,340,933,572	1,303,660,199	1,022,105,404
Preference dividend	(14,850,000)	(14,850,000)	(14,850,000)	(14,850,000)
	2,219,953,535	2,326,083,572	1,288,810,199	1,007,255,404
Number of ordinary shares used as the denominator				
Weighted Average No. of shares in issue applicable to basic earnings per share	336,290,010	336,290,010	336,290,010	336,290,010
Earnings per ordinary share-(Rs.)	6.60	6.92	3.83	3.00

13 Dividends

	Company	
	2014/2015 Rs. '000	2013/2014 Rs. '000
Preference Dividend		
Preference dividend paid for 2013/14	(14,850)	(14,850)
Ordinary Dividend		
Final ordinary dividend paid for 2013/14	(504,435)	(336,290)
Total	(519,285)	(351,140)
Final ordinary dividend proposed for 2014/15	504,435	504,435
Preference dividend proposed for 2014/15	14,850	14,850
Ordinary Dividend per Share-(Rs.)	1.50	1.50

The Directors have recommended a first and final dividend of Rs. 1.50 per share (2013/14 Rs. 1.50) and a 9% cumulative preference dividend for the year ended 31st March 2015. If approved at the Annual General Meeting on 30th June 2015 the above preference dividends and cents 43 of the ordinary dividends will be paid out of taxable dividends received from Subsidiary Companies from which 10% withholding tax has been already deducted and the balance ordinary dividend of Rs. 1.07 will be paid out of dividends received from companies incorporated outside Sri Lanka which is subject to 10% withholding tax.

In accordance with LKAS 10 - Events After the Reporting Period, the recommended final dividends has not been recognised as a liability as at 31st March 2015.

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



Notes to the Financial Statements

14 Property Plant and Equipment

14.1 Group

	Land (Freehold) Rs. '000	Buildings (Freehold) Rs. '000	Plant Machinery & Equipment Rs. '000	Motor Vehicles Rs. '000	Furniture & Fittings Rs. '000	Furnishing, Cutlery, Crockery & Glassware Rs. '000	Capital work-in progress Rs. '000	Total Rs. '000
Cost or Valuation								
Balance as at 01.04.2014	2,960,040	10,071,409	3,074,347	232,191	973,976	490,808	786,217	18,588,988
Additions	507,142	582,912	327,879	28,218	49,783	61,402	3,823,942	5,381,278
*Revaluations	90,961	-	-	-	-	-	-	90,961
Reclassified as equity accounted investees	(855,000)	-	-	-	-	-	(142,663)	(997,663)
Disposals	-	-	(21,304)	(3,317)	(883)	(27,868)	-	(53,372)
Effect of movement in exchange rates	(2,905)	135,039	29,987	2,986	7,642	6,573	2,076	181,398
Balance as at 31.03.2015	2,700,238	10,789,360	3,410,909	260,078	1,030,518	530,915	4,469,572	23,191,590
Accumulated Depreciation								
Balance as at 01.04.2014	-	3,161,735	1,589,007	167,154	670,493	428,696	-	6,017,085
Charge for the year	-	320,083	251,937	28,039	74,535	65,849	-	740,443
Disposals	-	-	(19,762)	(3,317)	(803)	(25,958)	-	(49,840)
Effect of movement in exchange rates	-	48,660	19,242	2,578	5,495	5,436	-	81,411
Balance as at 31.03.2015	-	3,530,478	1,840,424	194,454	749,720	474,023	-	6,789,099
Carrying value								
As at 31.03.2015	2,700,238	7,258,882	1,570,485	65,624	280,798	56,892	4,469,572	16,402,491
As at 31.03.2014	2,960,040	6,909,674	1,485,340	65,037	303,483	62,112	786,217	12,571,903

*Relates to recognition of revaluation reserves prior to divestment of investment in Ahungalla Resorts Ltd.

The gross carrying amount of fully depreciated property plant and equipment that is still in use for the Group as at 31st March 2015 was Rs. 993,715,046/- (Company Rs. 52,181,286/-)

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 Indian Rupees translated to the reporting currency at the closing rate.

Assets pledged as security against borrowings are disclosed in Note No. 29.1.



14.2 Company

	Land (Freehold) Rs. '000	Buildings (Freehold) Rs. '000	Plant Machinery & Equipment Rs. '000	Motor Vehicles Rs. '000	Furniture & Fittings Rs. '000	Furnishing, Cutlery, Crockery & Glassware Rs. '000	Total Rs. '000
Cost or Valuation							
Balance as at 01.04.2014	570,207	957,687	427,275	1,661	220,147	86,642	2,263,619
Additions	-	-	3,118	47	1,469	13,563	18,197
Disposals	-	-	-	(1,061)	-	(1,934)	(2,995)
Balance as at 31.03.2015	570,207	957,687	430,393	647	221,616	98,271	2,278,821
Accumulated Depreciation							
Balance as at 01.04.2014	-	243,304	257,288	1,661	163,112	66,894	732,259
Charge for the year	-	25,650	35,880	12	22,102	12,154	95,798
Disposal	-	-	-	(1,061)	-	(1,446)	(2,507)
Balance as at 31.03.2015	-	268,954	293,168	612	185,214	77,602	825,550
Carrying value							
As at 31.03.2015	570,207	688,733	137,225	35	36,402	20,669	1,453,271
As at 31.03.2014	570,207	714,383	169,987	-	57,035	19,748	1,531,360



Notes to the Financial Statements

14.3 Freehold Land

14.3.1 Land carried at revalued amounts

Company	Location	Last revaluation date	Land extent	Carrying amount as at 31.03.2015 Rs.'000	Revaluation Surplus Rs.'000	Carrying amount at cost Rs.'000
Aitken Spence Hotel Holdings PLC (i)	"Heritage Ahungalla" Galle Road, Ahungalla	31.03.2012	11A 3R 34.02P	565,000	546,798	18,202
Heritage (Pvt) Ltd. (i)	Moragalla, Beruwala	23.01.2014	5A 3R 6.80P	278,000	266,920	11,080
Meeraladuwa Resorts (Pvt) Ltd. (i)	Meeraladuwa Island Balapitiya	23.01.2014	29A 2R 09P	450,830	360,398	90,432
Kandalama Hotels (Pvt) Ltd. (i)	Kandalama, Dambulla	23.01.2014	169A 2R 22.00P	9,000	1,616	7,384
Neptune Ayurvedic Village (Pvt) Ltd. (i)	Ayurvedic Village, Moragalla, Beruwala	23.01.2014	0A 0R 19.30P	4,425	362	4,063
P.R. Holiday Homes (Pvt) Ltd. (ii)	Cochin - Kerala	31.03.2012	14A, 0R.7.52P	185,764	62,268	123,496
Golden Sun Resorts (Pvt) Ltd. (i)	418, Parallel Road Kudawaskaduwa, Kalutara	20.10.2012	5A 1R 37.9P	280,500	260,735	19,765
	49, Sea Beach Road, Kalutara	20.10.2012	0A 1R 30.32P	21,000	19,512	1,488
Aitken Spence Resorts Ltd. (i)	Kudawaskaduwa, Kalutara	21.01.2014	1A 3R 33.20P	86,000	29,221	56,779
	Kudawaskaduwa, Kalutara	21.01.2014	0A 1R 34.30P	16,700	7,526	9,174
M.P.S. Hotels (Pvt) Ltd. (i)	200/21, Peradeniya Road - Kandy	29.01.2014	3 A 3R 1.52P	300,500	59,324	241,176
Total				2,197,719	1,614,680	583,039

The above lands have been revalued by independent, qualified valuers on the basis of current market value.

(i) Valuation of the land was carried out by Mr. K.C.B. Condegama, A.I.V. (Sri Lanka) -

(ii) Valuation of the land carried out by Mr. T.T. Kripananda Singh B.Sc. (Eng.) Civil, MICA, FIE, FIV.C (Eng.) of Messers N. Raj Kumar and Associates (India)

14.3.2 Land carried at Cost

Company	Location	Acquisition date	Extent	Carrying amount as at 31.03.2015 Rs.'000
Aitken Spence Hotel Holdings PLC	Galle Road, Ahungalla	05.06.2013	39.26P	5,207
Aitken Spence Hotel Managements South India (Pvt) Ltd.	144/7, Kottivakkam, OMR, Chennai	09.06.2014	0A,3R,15.14P	488,460
Perumbalam Resorts (Pvt) Ltd.	Cochin - Kerala	30.04.2012	4A, 0R, 0.9P	8,852
Total				502,519

14.3.3 Total carrying amount of land

Land carried at revalued amounts	(Note 14.3.1)	2,197,719
Land carried at cost	(Note 14.3.2)	502,519
Total		2,700,238

14.3.4 During the year borrowing cost amounting to Rs. 157,763,027/- was capitalised by the Group. The total interest cost capitalised to date under property plant and equipment amounts to Rs. 315,155,281/-.

**14.4 Capital Expenditure Commitments**

The following commitments for capital expenditure approved by the Directors as at 31st March, 2015 have not been provided for in the accounts:

	Group	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Approximate amount approved but not contracted for	1,784,649	7,922,963
Approximate amount contracted for but not accounted	1,797,136	1,016,500
Total	3,581,785	8,939,463

15 Leasehold Properties

	Group	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Acquisition Cost		
Balance brought forward	1,830,220	1,710,968
Effect of movement in exchange rates	(27,439)	119,252
Additions during the year	464,842	-
Balance carried forward	2,267,623	1,830,220
Accumulated Amortisation		
Balance brought forward	(369,120)	(247,038)
Effect of movement in exchange rates	60,681	(74,950)
Amortised during the year	(52,657)	(47,132)
Balance carried forward	(361,096)	(369,120)
Unamortised leasehold properties as at 31st March	1,906,527	1,461,100

Leasehold properties represent the acquisition cost of leasehold rights of some of the hotel properties in the Maldives. The amount paid for the acquisition of the leasehold rights of A'arah island during the year is recognised under additions during the year.

16 Pre-paid Operating Leases

	Group	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Cost		
Balance brought forward	1,081,621	1,052,053
Effect of movement in exchange rates	19,942	29,568
Balance carried forward	1,101,563	1,081,621
Accumulated Amortisation		
Balance brought forward	(33,000)	(31,500)
Amortised during the year	(1,500)	(1,500)
Balance carried forward	(34,500)	(33,000)
Unamortised leasehold properties as at 31st March	1,067,063	1,048,621



Notes to the Financial Statements

16.1 Unexpired Lease periods of leasehold land:

Kandalama Hotels (Pvt) Ltd.	27 years
Hethersett Hotels Ltd.	79 years
Aitken Spence Hotels Ltd.	28 years
Jetan Travel Services Co. (Pvt) Ltd.	26 years
Cowrie Investment (Pvt) Ltd. - (existing island)	33 years
- (new island)	50 years
ADS Resorts (Pvt) Ltd.	11 years
Unique Resorts (Pvt) Ltd.	30 years

16.2 Lease Commitments

	Group	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Lease rentals payable within one year	338,447	332,878
Lease rentals payable within one to five years	1,746,403	1,665,149
Lease rentals payable after five years	5,775,110	6,068,776
	7,859,960	8,066,803

Lease commitments have been estimated based on remaining lease periods disclosed under Note 16.1 above.

US Dollar conversion rate prevailed as at the reporting date 31st March 2015 has been used to convert the future lease commitments of Maldives properties.

17 Intangible Assets

17.1 Computer Software

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Cost				
Balance brought forward	55,328	53,433	5,537	5,415
Additions during the year	2,078	817	-	122
Effect of movement in exchange rates	758	1,078	-	-
Balance carried forward	58,164	55,328	5,537	5,537
Amortisation				
Balance brought forward	(41,938)	(26,504)	(5,080)	(4,824)
Effect of movement in exchange rates	(729)	(1,027)	-	-
Amortisation	(12,655)	(14,407)	(269)	(256)
Balance carried forward	(55,322)	(41,938)	(5,349)	(5,080)
Carrying value as at 31st March	2,842	13,390	188	457

Intangible assets as at 31st March 2015 includes fully amortised assets having a gross carrying amount of Rs. 34,546,848/- that is still in use. (Company Rs. 5,080,278/-) there were no intangible assets pledged by the Group as security for facilities obtained from banks.



18 Investment in Subsidiaries

18.1 Investments in Subsidiaries - Unquoted

	Company				31.03.2015 Rs. '000	31.03.2014 Rs. '000
	Country of incorporation	Number of Shares	Company Holding	Group Holding		
a) Equity Shares						
Subsidiary Companies						
Aitken Spence Hotels Ltd.	Sri Lanka	14,701,204	98.00%	98.00%	149,736	149,704
Crest Star Ltd. (Ordinary Shares of HK\$ 1 each)	Hongkong	10,000	100.00%	100.00%	9,921	9,921
Crest Star (BVI) Ltd. (Ordinary Shares of US\$ 1 each)	British Virgin Island	3,415,000	100.00%	100.00%	185,628	185,628
Cowrie Investment (Pvt) Ltd. (Ordinary Shares of Mrf 1000 each)	Maldives	52,740	60.00%	60.00%	321,733	321,733
Hethersett Hotels Ltd.	Sri Lanka	24,542,000	87.65%	87.65%	161,421	161,171
Ahungalla Resorts Ltd.	-	-	-	-	-	190,100
Neptune Ayurvedic Village (Pvt) Ltd.	Sri Lanka	500,000	100.00%	100.00%	5,000	5,000
Aitken Spence Hotels International (Pvt) Ltd.	Sri Lanka	10,744,582	51.00%	51.00%	181,024	181,024
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	Sri Lanka	5,125,500	51.00%	51.00%	51,255	51,255
Golden Sun Resorts (Pvt) Ltd.	Sri Lanka	150,812,322	100.00%	100.00%	893,679	893,679
MPS Hotels (Pvt) Ltd.	Sri Lanka	4,753,025	100.00%	100.00%	307,745	307,745
Aitken Spence Resorts (Pvt) Ltd.	Sri Lanka	32,800,000	100.00%	100.00%	328,000	328,000
b) Preference Shares						
Hethersett Hotels Ltd.	Sri Lanka	5,000,000			50,000	50,000
Aitken Spence Hotels Ltd.	Sri Lanka	40,000,000			400,000	400,000
Net Carrying Amount of Investments in Subsidiaries - Unquoted as at 31st March					3,045,142	3,234,960

The Group divested 40% stake in Ahungalla Resorts Ltd. during the year, resulting in the Company now being treated as an equity accounted investee.



Notes to the Financial Statements

18.2 Investments in Sub Subsidiaries

	Country of incorporation	Number of Shares	Company Holding	Group Holding	31.03.2015 Rs. '000	31.03.2014 Rs. '000
a) Equity Shares						
Sub Subsidiary Companies						
Aitken Spence Hotels Ltd.						
- Kandalama Hotels (Pvt) Ltd.	Sri Lanka	10,216,216	63.00%	61.74%	234,406	234,406
- Heritance (Pvt) Ltd.	Sri Lanka	25,627	100.00%	98.00%	14,751	14,751
					249,157	249,157
Crest Star (BVI) Ltd.						
- Jetan Travel Services Co. (Pvt) Ltd.	Maldives	47,500	95.00%	95.00%	382,933	375,494
					382,933	375,494
Aitken Spence Hotels International (Pvt) Ltd.						
- ADS Resorts (Pvt) Ltd.	Maldives	1,275,000	100.00%	51.00%	103,970	103,970
- Unique Resorts (Pvt) Ltd.	Maldives	6,375,000	100.00%	51.00%	562,663	562,663
- Aitken Spence Hotel Services (Pvt) Ltd.	India	10,000	100.00%	51.00%	271	271
- Aitken Spence Hotel Managements South India (Pvt) Ltd.	India	123,195,070	100.00%	51.00%	2,766,306	14,067
					3,433,210	680,971
Aitken Spence Hotel Managements Asia (Pvt) Ltd.						
- PR Holiday Homes (Pvt) Ltd.	India	621,310	84.57%	43.13%	174,949	173,840
					174,949	173,840
- PR Holiday Homes (Pvt) Ltd.						
- Perumbalam Resorts (Pvt) Ltd.	India	10,000	100.00%	43.13%	212,957	-
					212,957	-

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.

Perumbalam Resorts (Pvt) Ltd. is a subsidiary of PR Holiday Homes (Pvt) Ltd



18.3 Non Controlling Interest - Subsidiaries

The following Subsidiaries identified with material NCI:

Name	Principal place of Business/ Country of incorporation	Operating Segment	Ownership interest held by NCI	
			As at 31st March 2015	As at 31st March 2014
Aitken Spence Hotels International (Pvt) Ltd.	Sri Lanka	Sri Lanka Sector - Others	49%	49%
Cowrie Investments (Pvt) Ltd.	Republic of Maldives	South Asian Sector	40%	40%
ADS Resorts (Pvt) Ltd.	Republic of Maldives	South Asian Sector	49%	49%
Unique Resorts (Pvt) Ltd.	Republic of Maldives	South Asian Sector	49%	49%
Aitken Spence Hotel Management South India (Pvt) Ltd.	India	South Asian Sector	49%	49%

Other than for Cowrie Investments (Pvt) Ltd., the non-controlling interest of rest of the subsidiaries are held with the ultimate holding company, Aitken Spence PLC.

Summarised financial information of Subsidiaries with material NCI - Cowrie Investments (Pvt) Ltd.

	2015 Rs. '000	2014 Rs. '000
Revenue	3,333,705	3,197,073
Profit/(Loss)	903,520	816,888
Profit attributable to NCI	361,408	326,755
Other comprehensive income	60,663	75,563
Total comprehensive income	964,183	892,451
Total comprehensive income attributable to NCI	385,673	356,980
Current Assets	1,188,537	978,576
Non-Current Assets	2,985,818	2,457,774
Current Liabilities	(814,483)	(573,837)
Non-Current liabilities	(311,455)	(155,603)
Net Assets	3,048,417	2,706,910
Net assets attributable to NCI	1,219,367	1,082,764
Cash flow from operating activities	986,521	852,068
Cash flow from investing activities	(592,335)	(77,581)
Cash flow from financing activities	(386,014)	(675,845)
Net increase/(decrease) in cash and cash equivalents	8,172	98,642
Dividends paid to NCI during the year	(197,478)	(230,247)

The above figures are before elimination of inter company transactions.



Notes to the Financial Statements

19 Investment in equity accounted investees

19.1 Investment in Associates

19.1.1 Investment in Associates - Quoted

	Group				Company			
	No. of Shares	Group Holding	31.03.2015 Rs. '000	31.03.2014 Rs. '000	No. of Shares	Company Holding	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Browns Beach Hotels PLC (Consolidated with Negombo Beach Resorts (Pvt) Ltd.)	48,492,451	37.42%	925,110	925,110	47,455,750	36.62%	906,602	906,602
Investments made during the year	-	-	-	-	-	-	-	-
Net book value as at 31st March	48,492,451	37.42%	925,110	925,110	47,455,750	36.62%	906,602	906,602
Share of movement in equity value			139,842	148,179				
Surplus on revaluation			263,525	263,525				
Equity value of Investment as at 31st March			1,328,477	1,336,814			906,602	906,602
Market value of quoted investment at 31st March			1,212,311	921,357			1,186,394	901,659

19.1.2 Investment in Associates - Unquoted

Amethyst Leisure Ltd. (Consolidated with Paradise Resorts Passikudah (Pvt) Ltd.)								
Investments made during the year	86,532,335	23.44%	191,409	-	86,532,335	23.44%	191,409	-
Net book value as at 31st March		23.44%	191,409	-	-	23.44%	191,409	-
Share of movement in equity value			(8,648)	-				
Equity value of Investment as at 31st March			182,761	-			191,409	-
Total Equity Value of Investments - Quoted (19.1.1)			1,328,477	1,336,814			906,602	906,602
Total Equity Value of Investments - Unquoted (19.1.2)			182,761	-			191,409	-
Total Equity Value of Investments as at 31st March			1,511,238	1,336,814			1,098,011	906,602

19.2 Investment in Joint Ventures

	Group				Company			
	No. of Shares	Group Holding	31.03.2015 Rs. '000	31.03.2014 Rs. '000	No. of Shares	Company Holding	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Ahungalla Resorts Ltd.								
Investments made during the year	33,846,957	60.00%	686,304	-	33,846,957	60.00%	876,404	-
Net book value as at 31st March		60.00%	686,304	-	-	60.00%	876,404	-
Share of movement in equity value			900,932	-			-	
Equity value of Investment as at 31st March			1,587,236	-			876,404	-
Total Equity Value of Investments in Associates (19.1)			1,511,238	1,336,814			1,098,011	906,602
Total Equity Value of Investments in Joint Ventures (19.2)			1,587,236	-			876,404	-
Total Equity Value of Investments in equity accounted investees			3,098,474	1,336,814			1,974,415	906,602



19.3 Non Controlling Interest - Equity Accounted Investees - Associates

Name	Principle Place of Business/ Country of Incorporation	Nature of Relationship with the Group	Ownership Interest % Voting Rights Held As at 31st March 2015	Fair Value of Ownership Interest (if listed) Rs. '000
Browns Beach Hotels PLC	Sri Lanka	Owens Negombo Beach Resorts (Pvt) Ltd.	37.42%	1,212,311
Negombo Beach Resorts (Pvt) Ltd. (100% owned subsidiary of Browns Beach Hotels PLC)	Sri Lanka	Owens and Operates "Heritage Negombo"	37.42%	-
Amethyst Leisure Ltd.	Sri Lanka	Owens Paradise Resorts Passikudah (Pvt) Ltd.	23.44%	-
Paradise Resorts Passikudah (Pvt) Ltd. (100% owned subsidiary of Amethyst Leisure Ltd.)	Sri Lanka	Owens and Operates "Amethyst Resort" Passikudah	23.44%	-

Summarised financial information of Associates with material NCI

	Browns Beach Hotels PLC (Consolidated with Negombo Beach Resorts (Pvt) Ltd.)	
	2015 Rs.'000	2014 Rs.'000
Revenue	-	-
Profit/(Loss)	(15,710)	90,748
Other comprehensive income	(6,572)	-
Total comprehensive income	(22,282)	90,748
Attributable to NCI	(13,945)	56,628
Attributable to Investees Shareholders	(8,337)	34,120
Current Assets	87,119	1,048,716
Non-Current Assets	4,255,994	2,536,628
Current Liabilities	(126,800)	(12,127)
Non-Current liabilities	(665,848)	(471)
Net Assets	3,550,465	3,572,746
Attributable to NCI	2,221,988	2,235,932
Attributable to Investees Shareholders	1,328,477	1,336,814
Group's interest in net assets of investee at the beginning of the year	1,336,814	1,302,694
Investments made during the year	-	-
Total comprehensive income attributable to the Group	(8,337)	34,120
Dividends received during the year	-	-
Group's interest in net assets of investee at the end of the year	1,328,477	1,336,814
Goodwill	-	-
Carrying amount of interest in investee at the end of the year	1,328,477	1,336,814



Notes to the Financial Statements

19.4 Non Controlling Interest - Equity Accounted Investees - Joint Ventures

Ahungalla Resorts Ltd., is a joint arrangement in which the Group has 60% ownership with RIU Hotels Spain to develop 501 room luxury hotel in Ahungalla. Ahungalla Resorts Ltd., is a structured separate entity and the Group has a residual interest in its net assets. Accordingly, the Group has classified its interest in Ahungalla Resorts Ltd., as a Joint Venture.

20 Other Investments

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Barefoot Resort and Leisure (Pvt) Ltd. (25,000 shares of INR 1312.50 each)	75,680	97,439	-	-
Fair value adjustment	-	(24,046)	-	-
Effect of movement in exchange rates	-	2,287	-	-
Disposal of Investment	(75,680)	-	-	-
	-	75,680	-	-
Floatels India (Pvt) Ltd. (988,764 shares at INR 55/- each)	121,798	123,633	-	-
Fair value adjustment	58,393	(1,835)	-	-
	180,191	121,798	-	-
Total	180,191	197,478	-	-

21 Deferred Tax Assets

21.1 Movement in deferred tax assets

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Balance as at the beginning of the year	115,977	132,722	186	1,851
Effect of movement in exchange rates	1,097	1,510	-	-
Reversal of temporary differences				
- Recognised in income statement	1,467	(18,635)	2,204	(1,972)
- Recognised in other comprehensive income	476	380	465	307
Balance as at the end of the year	119,017	115,977	2,855	186

21.2 Composition of deferred tax assets

Deferred tax assets attributable to;				
Defined benefit obligations	4,781	3,925	4,001	3,164
Tax losses carried forward	144,225	149,238	99,009	105,045
Other items	22,673	23,078	-	-
Property, plant and equipment	(52,662)	(60,264)	(100,155)	(108,023)
Net deferred tax assets	119,017	115,977	2,855	186



21.3 Movement in tax effect of temporary differences - Group

	Balance as at 01st April 2014 Rs. '000	Recognised in profit & (loss) Rs. '000	2014/2015 Recognised in other comprehensive income Rs. '000	Exchange gain/(loss) Rs. '000	Balance as at 31st March 2015 Rs. '000
Deferred Tax Asset					
Defined benefit obligations	3,925	380	476	-	4,781
Tax losses carried forward	149,238	(5,013)	-	-	144,225
Other items	23,078	-	-	(405)	22,673
	176,241	(4,633)	476	(405)	171,679
Deferred Tax Liabilities					
Property, plant & equipment	(60,264)	6,100	-	1,502	(52,662)
	(60,264)	6,100	-	1,502	(52,662)
Net Deferred Tax Assets	115,977	1,467	476	1,097	119,017

21.4 Movement in tax effect of temporary differences - Group

	Balance as at 01st April 2013 Rs. '000	Recognised in profit & (loss) Rs. '000	2013/2014 Recognised in other comprehensive income Rs. '000	Exchange gain/(loss) Rs. '000	Balance as at 31st March 2014 Rs. '000
Deferred Tax Asset					
Defined benefit obligations	3,104	441	380	-	3,925
Tax losses carried forward	199,583	(50,345)	-	-	149,238
Other items	14,134	7,434	-	1,510	23,078
	216,821	(42,470)	380	1,510	176,241
Deferred Tax Liabilities					
Property, plant & equipment	(84,099)	23,835	-	-	(60,264)
	(84,099)	23,835	-	-	(60,264)
Net Deferred Tax Assets	132,722	(18,635)	380	1,510	115,977



Notes to the Financial Statements

21.5 Movement in tax effect of temporary differences - Company

	2014/15			Balance as at 31st March 2015 Rs. '000
	Balance as at 01st April 2014 Rs. '000	Recognised in profit & (loss) Rs. '000	Recognised in other comprehensive income Rs. '000	
Deferred tax assets				
Defined benefit obligations	3,164	372	465	4,001
Tax losses carried forward	105,045	(6,036)	-	99,009
	108,209	(5,664)	465	103,010
Less: Deferred tax liabilities				
Property, plant & equipment	(108,023)	7,868	-	(100,155)
	(108,023)	7,868	-	(100,155)
Net deferred tax assets	186	2,204	465	2,855

21.6 Movement in tax effect of temporary differences - Company

	2013/14			Balance as at 31st March 2014 Rs. '000
	Balance as at 01st April 2013 Rs. '000	Recognised in profit & (loss) Rs. '000	Recognised in other comprehensive income Rs. '000	
Deferred tax assets				
Defined benefit obligations	2,569	288	307	3,164
Tax losses carried forward	115,190	(10,145)	-	105,045
	117,759	(9,857)	307	108,209
Less: Deferred tax liabilities				
Property, plant & equipment	(115,908)	7,885	-	(108,023)
	(115,908)	7,885	-	(108,023)
Net deferred tax assets	1,851	(1,972)	307	186

**22 Inventories**

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Food	71,566	63,363	6,006	4,793
Beverage	42,595	34,467	3,798	3,518
Maintenance	91,967	22,621	4,445	6,455
Stationery	8,613	8,615	932	716
Housekeeping	19,661	19,212	1,435	1,192
Ayurveda Stocks	1,479	1,510	-	-
Fuel & Others	48,660	68,720	2,569	2,583
Total	284,541	218,508	19,185	19,257

There were no inventories pledged as security for banking facilities as at 31st March 2015. (as at 31st March 2014- nil)

23 Trade and Other Receivables

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Trade receivables	801,622	769,207	94,564	149,050
Provision for impairment	(12,221)	(11,197)	(1)	(194)
	789,401	758,010	94,563	148,856
Interest income receivable	30,860	92,216	11,278	54,095
Insurance receivable	33,841	296,706	-	-
Non-trade receivables	123,313	91,055	2,201	2,147
	977,415	1,237,987	108,042	205,098
Taxes receivable	27,038	65,844	-	12,771
Other receivables	138,737	59,421	491	1,468
Total	1,143,190	1,363,252	108,533	219,337

No loans were given to Employees above Rs. 20,000/-.

No loans have been given to Directors of the company.

24 Amounts due from Ultimate Holding Company

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Short term investments	133,850	20,000	25,005	20,000
Total	133,850	20,000	25,005	20,000

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



Notes to the Financial Statements

25 Amounts due from Parent's Group Entities

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Aitken Spence Travels (Pvt) Ltd.	167,781	173,474	13,583	19,725
Aitken Spence Hotel Managements (Pvt) Ltd.	126,508	80,408	19,563	166
Aitken Spence Overseas Travel Services (Pvt) Ltd.	21	-	21	-
Aitken Spence Shipping Ltd.	24	-	24	-
Aitken Spence Cargo (Pvt) Ltd.	30	36	-	36
Ace International Express (Pvt) Ltd.	80	-	25	-
Ace Printing and Packaging (Pvt) Ltd.	30	-	30	-
Spence Logistics (Pvt) Ltd.	64	-	-	-
Vauxhall Cargo Logistics (Pvt) Ltd.	81	-	-	-
Ace Containers (Pvt) Ltd.	25	-	-	-
Ace Exports (Pvt) Ltd.	28	-	-	-
MMBL Money Transfer (Pvt) Ltd.	-	3	-	-
Shipping and Cargo Logistics (Pvt) Ltd.	28	-	28	-
Aitken Spence PLC	605	-	572	-
Clark Spence & Co. Ltd.	-	29	-	29
Ahungalla Resorts Ltd.	393,915	-	393,915	195,727
Aitken Spence Hotels Ltd.	-	-	25,597	98,371
Aitken Spence Resorts (Pvt) Ltd.	-	-	97,683	377,876
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	-	-	127,396	190,804
Golden Sun Resorts (Pvt) Ltd.	-	-	502,035	527,109
MPS Hotels (Pvt) Ltd.	-	-	8,092	6,139
Kandalama Hotels (Pvt) Ltd.	-	-	58	-
Meeraladuwa (Pvt) Ltd.	-	-	202,247	-
Paradise Resorts Passikudah (Pvt) Ltd.	36,588	-	36,588	-
Total	725,808	253,950	1,427,457	1,415,982

26 Term Deposits

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Fixed Deposits	5,689,970	5,872,020	1,436,031	1,318,753
Total	5,689,970	5,872,020	1,436,031	1,318,753



26.1 Cash and Cash Equivalents

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Short term deposits less than 90 days	1,179,831	830,596	-	106,800
Cash at bank and in hand	433,913	212,651	55,274	44,265
Cash and cash equivalents	1,613,744	1,043,247	55,274	151,065
Less: Short term Bank Borrowings	(385,055)	(23,927)	(1,196)	(170)
Total cash and cash equivalents for cash flow statement	1,228,689	1,019,320	54,078	150,895
Effect of movement in exchange rates	-	(52,313)	-	7,468
Cash and cash equivalents - restated	1,228,689	967,007	54,078	158,363

27 Stated Capital

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Issued & fully paid				
Ordinary Share Capital				
At the beginning of the year - 336,290,010 ordinary shares	3,389,587	3,389,587	3,389,587	3,389,587
Issued during the year	-	-	-	-
At the end of the year - 336,290,010 ordinary shares	3,389,587	3,389,587	3,389,587	3,389,587
Preference Share Capital - Redeemable Cumulative				
At the beginning of the year - 16,500,000 preference shares	165,000	165,000	165,000	165,000
Issued during the year	-	-	-	-
At the end of the year - 16,500,000 preference shares	165,000	165,000	165,000	165,000
Total	3,554,587	3,554,587	3,554,587	3,554,587

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

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

Preference shareholder is entitled to dividends at 9% annually.(Cents 90 per share)



Notes to the Financial Statements

28 Reserves

		Group		Company	
		31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Revaluation reserve	(Note 28.1)	2,378,602	2,584,381	639,210	639,210
General reserve	(Note 28.2)	22,929	20,840	22,929	20,840
Available for sale reserve	(Note 28.3)	27,306	(21,365)	-	-
Foreign currency translation reserve	(Note 28.4)	804,529	800,126	-	-
Total		3,233,366	3,383,982	662,139	660,050
Transaction movement					
Balance as at 01st April		3,383,982	2,913,894	660,050	660,050
Transfers to/(from) foreign currency translation reserve during the year		4,403	116,644	-	-
Transfer to/(from) available for sale reserve		48,671	(22,821)	-	-
Transfers		(294,651)	-	2089	-
Surplus on revaluation		90,961	376,265	-	-
Balance as at 31st March		3,233,366	3,383,982	662,139	660,050

28.1 Revaluation Reserves

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

28.2 General Reserves

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

28.3 Available for Sale Reserve

This represents the fair value movement of assets categorised as AFS in the statement of financial position.

28.4 Foreign Currency Translation Reserve

The foreign currency translation reserve comprise of all foreign exchange difference arising from the translation of the financial statements of foreign entities.



29 Interest Bearing Borrowings

29.1 Analysed by Lending Institutions

Lending Institution	Group		Company		Borrowing terms
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000	
Hongkong & Shanghai Banking Corporation Ltd.	6,198,036	3,180,764	-	-	<p>- Comprises of nine USD loans and one INR loans</p> <p>Loan 1 (USD) - Repayable in 60 monthly instalments commencing from August 2012 for which Corporate Guarantee from Aitken Spence Hotel Holdings PLC and a mortgage over leasehold rights of the Maldives Property has been provided as security. Interest linked to LIBOR (Balance outstanding as at 31st March 2015 in Rs. 175 million)</p> <p>Loan 2 (USD) - Repayable in 60 monthly instalments commencing from October 2012 for which Corporate Guarantee from Aitken Spence Hotel Holdings PLC and mortgage over leasehold rights of the Maldives Hotel property has been provided as security. Interest linked to LIBOR (Balance outstanding as at 31st March 2015 in Rs. 167 million)</p> <p>Loan 3 (USD) - Repayable in 60 monthly instalments commencing from December 2012 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC and a mortgage over leasehold rights of Maldives Hotel Property has been provided as security. Interest link to LIBOR. (Balance outstanding as at 31st March 2015 in Rs. 959.9 million)</p> <p>Loan 4 (USD) - Repayable in 60 monthly instalments commencing from April 2015. Loan provided on clean basis. Interest link to LIBOR. (Balance outstanding as at 31st March 2015 in Rs. 235.6 million)</p> <p>Loan 5 (USD) - Repayable in 60 monthly instalments commencing from April 2014 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC and a mortgage over leasehold rights of Maldives Hotel Property has been provided as security. Interest link to LIBOR. (Balance outstanding as at 31st March 2015 in Rs. 571.8 million)</p>



Notes to the Financial Statements

29 Interest Bearing Borrowings (Contd.)

29.1 Analysed by Lending Institutions (Contd.)

Lending Institution	Group		Company		Borrowing terms
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000	
Hongkong & Shanghai Banking Corporation Ltd.	6,198,036	3,180,764	-	-	<p>Loan 6 (USD) - Repayable in 24 monthly instalments commencing from February 2015 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC and a mortgage over leasehold rights of Maldives Hotel Property has been provided as security. Interest link to LIBOR (Balance outstanding as at 31st March 2015 in Rs. 103.3 million)</p> <p>Loan 7 (USD) - Repayable in 55 monthly instalments commencing from February 2015 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security. Interest link to LIBOR (Balance outstanding as at 31st March 2015 in Rs. 159.9 million)</p> <p>Loan 8 (USD) - Repayable in 72 monthly instalments commencing from June 2015 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security. Interest link to LIBOR (Balance outstanding as at 31st March 2015 in Rs. 294.4 million)</p> <p>Loan 09 (USD) - Repayable in 16 quarterly instalments commencing from February 2016 for which a Corporate Guarantee from Aitken Spence Hotels International (Pvt) Ltd. has been provided as security. Interest link to LIBOR (Balance outstanding as at 31st March 2015 in Rs. 2.6 billion)</p> <p>Loan 10 (INR) - Repayable in 24 monthly instalments commencing from April 2015 for which a Corporate Guarantee from Aitken Spence Hotels International (Pvt) Ltd., has been provided as security. (Balance outstanding as at 31st March 2015 in Rs. 851.3 million)</p>



29 Interest Bearing Borrowings (Contd.)

29.1 Analysed by Lending Institutions (Contd.)

Lending Institution	Group		Company		Borrowing terms
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000	
Hatton National Bank PLC	191,756	625,015	16,442	194,042	Comprises of four loans (in LKR) Loan 1- Repayable in 72 monthly instalments commencing from May 2008 for which Corporate Guarantee from Aitken Spence PLC has been provided as security. Interest linked to AVVDR. (Balance outstanding as at 31st March 2015 in Rs. 16.4 million) Loan 2 (in LKR) - Repayable in 60 monthly instalments commencing from May 2010 for which freehold land of the Hotel has been mortgaged for Rs. 10 m. Interest linked to AVVPLR. (Balance outstanding as at 31st March 2015 in Rs. 0.3 million) Loan 3 (in LKR) - Repayable in 60 monthly instalments commencing from October 2012 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security. Interest linked to AWDNR. (Balance outstanding as at 31st March 2015 in Rs. 75 million) Loan 4 (in LKR) - Repayable in 60 monthly instalments commencing from October 2012 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security. Interest linked to AWDNR. (Balance outstanding as at 31st March 2015 in Rs. 100 million)
DFCC Bank	800,523	-	-	-	(in LKR) - Repayable in 72 monthly instalments commencing from November 2016 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security. Interest linked to AVVPLR. (Balance outstanding as at 31st March 2015 in Rs. 800.5 million)
Total Loans	7,190,315	3,805,779	16,442	194,042	
Preference Shares 17,500,0000 redeemable cumulative preference shares of Subsidiary Company	175,000	175,000	-	-	
Total borrowings	7,365,315	3,980,779	16,442	194,042	
Current portion of interest bearing borrowings	(2,001,690)	(1,066,881)	(16,442)	(177,600)	
Non-Current portion of interest bearing borrowings	5,363,625	2,913,898	-	16,442	



Notes to the Financial Statements

29.2 Movement in Interest bearing borrowings

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Balance brought forward	3,980,779	3,807,089	194,042	371,642
Effect of movement in exchange rates	97,735	88,884	-	-
Loans received during the year	4,790,601	1,144,149	-	-
	8,869,115	5,040,122	194,042	371,642
Loan repayments during the year	(1,503,800)	(1,059,343)	(177,600)	(177,600)
	7,365,315	3,980,779	16,442	194,042
Current portion of interest bearing borrowings	(2,001,690)	(1,066,881)	(16,442)	(177,600)
Non-current portion of interest bearing borrowings	5,363,625	2,913,898	-	16,442

29.3 Currency Analysis of Interest Bearing Borrowings

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Rupees	1,167,279	616,908	16,442	194,042
United States Dollars	5,346,652	3,363,871	-	-
Indian Rupees	851,384	-	-	-
Total	7,365,315	3,980,779	16,442	194,042

29.4 Analysed by repayment period

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Payable within one year	2,001,690	1,066,881	16,442	177,600
Payable between one and two years	1,444,225	886,750	-	16,442
Payable between two and five years	2,580,927	1,852,148	-	-
Payable after five years	1,338,473	175,000	-	-
Total	7,365,315	3,980,779	16,442	194,042



30 Government Grants

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 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	(949)	(793)	-	-
Amortised during the year	(156)	(156)	-	-
Balance carried forward	(1,105)	(949)	-	-
Net balance	455	611	-	-

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

31 Deferred Tax Liabilities

31.1 Movement in deferred tax liabilities

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Balance as at the beginning of the year	242,491	241,856	-	-
Effect of movement of exchange rates	2,005	2,896	-	-
Origination of temporary differences	-	-	-	-
- recognised in income statement	(231)	(1,816)	-	-
- recognised in other comprehensive income	(448)	(445)	-	-
Balance as at the end of the year	243,817	242,491	-	-

31.2 Composition of deferred tax liabilities

Deferred tax liabilities attributable to;				
Property, plant & equipment	284,379	261,840	-	-
Defined benefit obligations	(5,688)	(4,453)	-	-
Carried forward tax losses	(34,874)	(14,896)	-	-
Net deferred tax liabilities	243,817	242,491	-	-



Notes to the Financial Statements

31.3 Movement in tax effect of temporary differences - Group

	2014/2015				
	Balance as at 01st April 2014	Recognised in profit & (loss)	Recognised in Other Comprehensive Income	Exchange gain/(losses)	Balance as at 31st March 2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax - liabilities					
Property, plant & equipment	261,840	20,534	-	2,005	284,379
Total liabilities	261,840	20,534	-	2,005	284,379
Deferred tax - assets					
Defined benefit obligations	(4,453)	(787)	(448)	-	(5,688)
Tax losses carried forward	(14,896)	(19,978)	-	-	(34,874)
Total assets	(19,349)	(20,765)	(448)	-	(40,562)
Net deferred tax liabilities	242,491	(231)	(448)	2,005	243,817

31.4 Movement in tax effect of temporary differences - Group

	2013/2014				
	Balance as at 01st April 2013	Recognised in profit & (loss)	Recognised in Other Comprehensive Income	Exchange gain/(losses)	Balance as at 31st March 2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax - liabilities					
Property, plant & equipment	245,098	13,846	-	2,896	261,840
Total liabilities	245,098	13,846	-	2,896	261,840
Deferred tax - assets					
Defined benefit obligations	(3,242)	(766)	(445)	-	(4,453)
Tax losses carried forward	-	(14,896)	-	-	(14,896)
Total assets	(3,242)	(15,662)	(445)	-	(19,349)
Net deferred tax liabilities	241,856	(1,816)	(445)	2,896	242,491

32 Employee Benefits

32.1 Retirement benefit obligations

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Present value of unfunded obligations	99,924	78,046	33,351	26,367
Recognised liability for defined benefit obligations	99,924	78,046	33,351	26,367



32.2 Movement in present Value of the defined benefit obligations

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Defined benefit obligations at the beginning of the year	78,046	62,103	26,367	21,409
Expenses recognised in the income statement	19,040	15,715	5,443	4,742
Expenses recognised in other comprehensive income	9,858	9,001	3,876	2,555
Benefits paid	(7,020)	(8,587)	(2,335)	(2,339)
Effect of movement in exchange rates	-	(186)	-	-
Defined benefit obligations at the end of the year	99,924	78,046	33,351	26,367

32.3 Expenses recognised in the income statement

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Expenses recognised in the income statement				
Current service cost	10,845	8,263	2,675	2,173
Interest cost	8,195	7,452	2,768	2,569
	19,040	15,715	5,443	4,742
Expenses recognised in other comprehensive income				
Net actuarial (gains)/losses	9,858	9,001	3,876	2,555
	9,858	9,001	3,876	2,555
Total	28,898	24,716	9,319	7,297

32.4 Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year 2014/15.

The sensitivity of the Comprehensive Income and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss for the year and employment benefit obligations as at 31st March 2015.

	Effect on comprehensive income (reduction)/increase Rs. '000	Effect on employment benefit liability (reduction)/increase Rs. '000
Increase/(decrease) in discount rate		
-1%	(9,237)	9,237
+1%	8,037	(8,037)
Increase/(decrease) in salary escalation rate		
-1%	8,458	(8,458)
+1%	(9,580)	9,580



Notes to the Financial Statements

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

- (i) Discount rate of 9.5% (2013/14 - 10.5%)
- (ii) Salary increment will range between 7.5% - 11% per annum. (2013/14 - 7.5% - 11%)
- (iii) Retirement age of 55 years
- (iv) The Company will continue in business as a going concern

32.6 The actuarial valuation was made on 31st March 2015. It is proposed that a valuation is obtained every year.

32.7 The liability is not externally funded.

32.8 The actuarial valuation was carried out by professionally qualified actuaries, Mr. Poopalanathan of M/s Actuarial Management Consultants (Pvt) Ltd using projected unit credit (PUC) method.

33 Other Provisions and Payables

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Accrued payables	930,851	638,247	48,426	51,531
Advances received	731,893	549,954	-	23,910
	1,662,744	1,188,201	48,426	75,441
Unclaimed dividends	3,928	1,339	3,753	1,339
Taxes and other miscellaneous payables and provisions	272,480	331,307	35,742	43,525
Total	1,939,152	1,520,847	87,921	120,305

34 Amounts due to Parent's Group Entities

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Aitken Spence Exports Ltd.	23,170	3,341	20,367	-
Elevators (Pvt) Ltd.	774	434	-	-
Elpitiya Plantations PLC	20	27	-	-
Aitken Spence Printing and Packaging (Pvt) Ltd.	6	219	3	142
Aitken Spence Hotel Managements (Pvt) Ltd.	68,118	63,145	-	18,119
Aitken Spence Cargo (Pvt) Ltd.	227	230	81	-
Kandalama Hotels (Pvt) Ltd.	-	-	159,800	54,284
Hethersett Hotels Ltd.	-	-	84,751	-
Total	92,315	67,396	265,002	72,545



35 Segmental Information

35.1 Assets

	Group			
	Total Assets		Net Assets	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Sri Lanka Sector				
Resorts & Hotels				
Aitken Spence Hotel Holdings PLC. - Heritance Ahungalla	4,667,227	4,190,990	4,463,455	3,742,059
Aitken Spence Hotels Ltd. - Heritance Ayurveda Maha Gedara	715,537	758,195	583,185	578,443
Ahungalla Resorts Ltd.	-	1,211,184	-	1,210,457
Heritance (Pvt) Ltd.	285,974	285,938	285,047	285,485
Meeraladuwa (Pvt) Ltd.	451,040	-	450,921	-
Aitken Spence Resorts (Pvt) Ltd.	1,340,340	741,569	455,492	740,630
Neptune Ayurvedic Village (Pvt) Ltd.	23,654	24,789	23,495	24,719
Kandalama Hotels (Pvt) Ltd. - Heritance Kandalama	1,330,417	1,284,792	845,797	785,819
Hethersett Hotels Ltd. - Heritance Tea Factory	610,251	581,539	524,156	487,576
MPS Hotels (Pvt) Ltd. - Hotel Hilltop	449,974	442,906	411,586	397,510
Golden Sun Resorts (Pvt) Ltd. - The Sands	1,609,996	1,742,983	1,412,198	1,471,110
	11,484,410	11,264,885	9,455,332	9,723,808
Others				
Aitken Spence Hotels International (Pvt) Ltd.	2,760,256	2,728,162	74,316	2,713,804
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	666,481	454,823	625,034	418,347
	3,426,737	3,182,985	699,350	3,132,151
Equity accounted investees	1,978,986	410,448	1,978,986	410,448
Total Sri Lanka Sector	16,890,133	14,858,318	12,133,668	13,266,407
South Asian Sector				
Crest Star (BVI) Ltd.	174,507	480,666	125,987	436,390
Cowrie Investment (Pvt) Ltd. - Adaaran "Select" Meedhupparu	4,174,356	3,436,351	2,929,469	2,596,317
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran "Club" Rannalhi	1,785,456	1,844,608	1,291,088	1,107,025
ADS Resorts (Pvt) Ltd. - Adaaran "Select" Huduranfushi	2,417,882	1,680,693	588,095	292,209
Unique Resorts (Pvt) Ltd. - Adaaran "Prestige" Vadoo	3,509,513	3,397,019	1,919,950	1,249,387
Aitken Spence Hotel Management South India (Pvt) Ltd.	3,607,427	46,274	2,672,689	8,659
Aitken Spence Hotel Services (Pvt) Ltd.	376	620	(8)	94
Perumbalam Resorts (Pvt) Ltd.	8,852	-	8,736	-
P. R Holiday Homes (Pvt) Ltd.	219,765	232,379	199,558	211,354
Total South Asian Sector	15,898,134	11,118,610	9,735,564	5,901,435
Total	32,788,267	25,976,928	21,869,232	19,167,842



Notes to the Financial Statements

35.2 Property, Plant & Equipment

	Group		Group	
	Capital Expenditure		Depreciation & Amortisation	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Sri Lanka Sector				
Resorts & Hotels				
Aitken Spence Hotel Holdings PLC - Heritance Ahungalla	18,197	34,207	96,067	101,560
Aitken Spence Hotels Ltd. - Heritance Ayurveda Maha Gedara	13,042	19,465	36,548	33,937
Ahungalla Resorts Ltd.	136,793	20,980	-	-
Meeraladuwa (Pvt) Ltd.	9,830	-	-	-
Aitken Spence Resorts (Pvt) Ltd.	567,457	361,711	-	-
Neptune Ayurvedic Village (Pvt) Ltd.	-	-	952	1,088
Kandalama Hotels (Pvt) Ltd. - Heritance Kandalama	42,942	75,691	81,953	80,421
Hethersett Hotels Ltd. - Heritance Tea Factory	18,146	14,511	19,943	17,738
MPS Hotels (Pvt) Ltd. - Hotel Hilltop	16,096	22,703	10,330	9,270
Golden Sun Resorts (Pvt) Ltd. - The Sands	22,728	68,325	86,123	83,466
	845,231	617,593	331,916	327,480
Others				
Aitken Spence Hotels International (Pvt) Ltd.	5,250	1,479	1,437	1,273
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	325	365	277	203
	5,575	1,844	1,714	1,476
Total Sri Lanka Sector	850,806	619,437	333,630	328,956
South Asian Sector				
Cowrie Investment (Pvt) Ltd. - Adaaran "Select" Meedhupparu	134,114	98,172	122,722	117,906
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran "Club" Rannalhi	48,287	26,035	67,288	66,604
ADS Resorts (Pvt) Ltd. - Adaaran "Select" Huduranfushi	769,000	124,364	141,005	110,157
Unique Resorts (Pvt) Ltd. - Adaaran "Prestige" Vadoo	87,800	26,877	139,641	137,217
Aitken Spence Hotel Managements South India (Pvt) Ltd.	3,482,392	375	2,969	533
P.R Holiday Homes (Pvt) Ltd.	27	-	-	-
Perumbalam Resorts (Pvt) Ltd.	8,852	-	-	-
	4,530,472	275,823	473,625	432,417
Total South Asian Sector	4,530,472	275,823	473,625	432,417
Total	5,381,278	895,260	807,255	761,373



35.3 Liabilities & Non-Cash Expenses

	Group			
	Total Liabilities		Non-Cash Expenses	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Sri Lanka Sector				
Resorts & Hotels				
Aitken Spence Hotel Holdings PLC. - Heritance Ahungalla	203,772	448,931	7,882	8,372
Aitken Spence Hotels Ltd. - Heritance Ayurveda Maha Gedara	132,353	179,752	3,328	1,906
Ahungalla Resorts Ltd.	-	728	-	1,829
Meeraladuwa (Pvt) Ltd.	119	-	-	-
Heritance (Pvt) Ltd.	927	453	-	-
Aitken Spence Resorts (Pvt) Ltd.	884,848	939	(144)	144
Neptune Ayurvedic Village (Pvt) Ltd.	158	70	-	-
Kandalama Hotels (Pvt) Ltd. - Heritance Kandalama	484,620	498,973	9,114	3,559
Hethersett Hotels Ltd. - Heritance Tea Factory	86,095	93,963	3,250	2,185
MPS Hotels (Pvt) Ltd. - Hotel Hilltop	38,388	45,397	3,254	309
Golden Sun Resorts (Pvt) Ltd. - The Sands	197,798	271,873	1,665	1,546
	2,029,078	1,541,079	28,349	19,850
Others				
Aitken Spence Hotels International (Pvt) Ltd.	2,685,940	14,359	878	946
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	41,447	36,476	3,374	1,846
	2,727,387	50,835	4,252	2,792
Total Sri Lanka Sector	4,756,465	1,591,914	32,601	22,642
South Asian Sector				
Crest Star (BVI) Ltd.	48,519	44,276	-	-
Cowrie Investment (Pvt) Ltd. - Adaaran "Select" Meedhupparu	1,244,887	840,033	-	-
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran "Club" Rannalhi	494,369	737,582	(717)	153
ADS Resorts (Pvt) Ltd. - Adaaran "Select" Huduranfushi	1,829,788	1,388,485	-	50,063
Unique Resorts (Pvt) Ltd. - Adaaran "Prestige" Vadoo	1,589,563	2,147,632	(1,500)	39
Aitken Spence Hotel Managements South India (Pvt) Ltd.	934,738	37,614	1,784	1,094
Aitken Spence Hotel Services (Pvt) Ltd.	383	525	-	-
P R Holiday Homes (Pvt) Ltd.	20,207	21,025	-	-
Perumbalam Resorts (Pvt) Ltd.	116	-	-	-
Total South Asian Sector	6,162,570	5,217,172	(433)	51,349
Total	10,919,035	6,809,086	32,168	73,991



Notes to the Financial Statements

36 Foreign Currency Translation

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

	31.03.2015	31.03.2014
US Dollar	133.32	130.73
Indian Rupee	2.13	2.18

37 Contingent Liabilities

The contingent liability as at 31st March 2015 on guarantees given by Aitken Spence Hotel Holdings PLC to third parties on facilities obtained by subsidiaries amounted to Rs. 8,830,593,960 (31.03.2014 - Rs.4,680,593,960/-) Liability as at 31st March 2015 on guarantees given by subsidiaries to third parties amounted to Rs. 487,484,000 (31.03.2014 nil).

38 Financial Instruments

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The following table analyse the carrying amount of financial assets and liabilities by category as defined in LKAS 39 - Financial Instruments: Recognition and measurement under headings reported in the Statement of Financial Position:

Group - 2014/2015				
Note	Financial Assets Available for Sale Rs. '000	Financial Assets Loans & Receivables Rs. '000	Financial Liabilities Other Financial Liabilities Rs. '000	Total Rs. '000
Financial Assets				
Other Investments - (Unquoted equity shares)	20	180,191		180,191
Trade and other receivables	23		977,415	977,415
Term deposits	26		5,689,970	5,689,970
Cash and cash equivalents	26.1	-	1,613,744	1,613,744
Total financial Assets		180,191	8,281,129	-
- Total non-current		180,191		180,191
- Total current			8,281,129	8,281,129
		180,191	8,281,129	-
Financial Liabilities				
Interest bearing borrowings	29		7,365,315	7,365,315
Trade payables			286,332	286,332
Provisions and other payables	33		1,662,744	1,662,744
Short term bank borrowings			385,055	385,055
Total financial Liabilities		-	-	9,699,446
- Total non-current			5,363,625	5,363,625
- Total current			4,335,821	4,335,821
		-	-	9,699,446



Group - 2013/14

Note	Financial Assets Available for Sale Rs. '000	Financial Assets Loans & Receivables Rs. '000	Financial Liabilities Other Financial Liabilities Rs. '000	Total Rs. '000
Financial Assets				
Other Investments - (Unquoted equity shares)	20	197,478		197,478
Trade and other receivables	23	1,237,987		1,237,987
Term deposits	26	5,872,020		5,872,020
Cash and cash equivalents	26.1	1,043,247		1,043,247
Total financial Assets		8,153,254	-	8,350,732
- Total non-current		197,478		197,478
- Total current		8,153,254		8,153,254
	197,478	8,153,254	-	8,350,732
Financial Liabilities				
Interest bearing borrowings	29		3,980,779	3,980,779
Trade payables			270,899	270,899
Provisions and other payables	33		1,188,201	1,188,201
Short term bank borrowings			23,927	23,927
Total financial Liabilities		-	5,463,806	5,463,806
- Total non-current			2,913,898	2,913,898
- Total current			2,549,908	2,549,908
	-	-	5,463,806	5,463,806

Company - 2014/15

Note	Financial Assets Available for Sale Rs. '000	Financial Assets Loans & Receivables Rs. '000	Financial Liabilities Other Financial Liabilities Rs. '000	Total Rs. '000
Financial Assets				
Trade and other receivables	23	108,042		108,042
Term deposits	26	1,436,031		1,436,031
Cash and cash equivalents	26.1	55,274		55,274
Total financial Assets		1,599,347	-	1,599,347
- Total non-current				
- Total current		1,599,347		1,599,347
-		1,599,347	-	1,599,347
Financial Liabilities				
Interest bearing borrowings	29		16,442	16,442
Trade payables			22,739	22,739
Provisions and other payables	33		48,426	48,426
Short term bank borrowings			1,196	1,196
Total financial Liabilities		-	88,803	88,803
- Total non-current			-	-
- Total current			88,803	88,803
-	-	-	88,803	88,803



Notes to the Financial Statements

Company - 2013/14				
Note	Financial Assets Available for Sale Rs. '000	Financial Assets Loans & Receivables Rs. '000	Financial Liabilities Other Financial Liabilities Rs. '000	Total Rs. '000
Financial Assets				
Trade and other receivables	23	205,098		205,098
Term deposits	26	1,318,753		1,318,753
Cash and cash equivalents	26.1	151,065		151,065
Total financial Assets	-	1,674,916	-	1,674,916
- Total non-current				
- Total current		1,674,916		1,674,916
	-	1,674,916	-	1,674,916
Financial Liabilities				
Interest bearing borrowings	29		194,042	194,042
Trade payables			27,546	27,546
Provisions and other payables	33		75,441	75,441
Short term bank borrowings			170	170
Total financial Liabilities	-	-	297,199	297,199
- Total non-current			16,442	16,442
- Total current			280,757	280,757
	-	-	297,199	297,199

38.2 Fair values measurement

The fair value of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position as at the reporting date are as follows:

	Group - 2014/15		Company - 2014/15	
	Carrying amount Rs. '000	Fair value Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Financial Assets				
Other Investments - (Unquoted equity shares)	180,191	180,191	-	-
Trade and other receivables	977,415	977,415	108,042	108,042
Term deposits	5,689,970	5,689,970	1,436,031	1,436,031
Cash and cash equivalents	1,613,744	1,613,744	55,274	55,274
Total financial Assets	8,461,320	8,461,320	1,599,347	1,599,347
Financial Liabilities				
Interest bearing borrowings	7,365,315	7,365,315	16,442	16,442
Trade payables	286,332	286,332	22,739	22,739
Provisions and other payables	1,662,744	1,662,744	48,426	48,426
Short term bank borrowings	385,055	385,055	1,196	1,196
Total financial Liabilities	9,699,446	9,699,446	88,803	88,803



	Group - 2013/14		Company - 2013/14	
	Carrying amount Rs. '000	Fair value Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Financial Assets				
Other Investments - (Unquoted equity shares)	197,478	197,478	-	-
Trade and other receivables	1,237,987	1,237,987	205,098	205,098
Term deposits	5,872,020	5,872,020	1,318,753	1,318,753
Cash and cash equivalents	1,043,247	1,043,247	151,065	151,065
Total financial Assets	8,350,732	8,350,732	1,674,916	1,674,916
Financial Liabilities				
Interest bearing borrowings	3,980,779	3,980,779	194,042	194,042
Trade payables	270,899	270,899	27,546	27,546
Provisions and other payables	1,188,201	1,188,201	75,441	75,441
Short term bank borrowings	23,927	23,927	170	170
Total financial Liabilities	5,463,806	5,463,806	297,199	297,199

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods:

Property plant and equipment

The fair value of freehold land is determined based on market values.

The market value of land is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

Other Investments in Unquoted equity Shares

The fair value investments in quoted equity shares for which there is an active share market is determined using the closing market prices. Investments in non quoted shares are determined based on present value of future cash flows discounted at the market interest rates at the reporting date.

Trade and other receivables

Fair value of trade receivables is determined at amount estimated to be realised after making provision for impairment which is computed based on a loss rate using past three years debtors data.

Fair value of other receivables are determined based on the amount estimated to be reasonably realised.

Financial Liabilities

Fair value of interest bearing borrowings, Trade and other payable and short term bank borrowings are determined based on the amount estimated to be reasonably incurred in the foreseeable future.



Notes to the Financial Statements

38.3 Determination of Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- (ii) Directly or indirectly observable prices in active market for similar assets or liabilities (level 2)
- (iii) Inputs that are unobservable that reflect management own assumptions (level 3)

Fair Value Hierarchy

Group -2014/15				
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Available for sale Financial Assets				
Other Investments - Unquoted equity shares	-	-	180,191	180,191
	-	-	180,191	180,191

Group -2013/14				
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Available for sale Financial Assets				
Other Investments - Unquoted equity shares	-	-	197,478	197,478
	-	-	197,478	197,478

39 Financial Risk Management

39.1 Overview

The Group has exposure to the following risks from its use of financial instruments

- * Credit risk
- * Liquidity risk
- * Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

39.2 Risk management framework

The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is supported by the Board of management, and the Audit committee in managing all risks affecting the Group. The Group audit committee is assisted in its oversight role by Group's internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures the results of which is reported to the audit committee. Central Treasury Department of the Holding Company also implement and carries out specific risk management policies laid down and approved by the management. Central Treasury in close co-operation with the Group's operating units identifies, evaluates and formulates principles for risk management covering specific areas such as foreign exchange risk and interest rate risk.



39.3 Credit risk

Credit risk is the risk of finance loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments.

Credit risk exposure

The Group's maximum exposure to credit risk as at the year end based on the carrying value of financial assets in the statement of financial position is given below. There were no off balance sheet exposure as at the year end date.

As at 31st March	Group 2015 Rs. '000	% allocation	Company 2015 Rs. '000	% allocation
Financial Assets				
Available for sale investments				
Other Investments - Unquoted equity shares	180,191	2%	-	-
Loans and receivables				
Trade and other receivables	977,415	12%	108,042	7%
Term deposits	5,689,970	67%	1,436,031	90%
Cash and cash equivalents	1,613,744	19%	55,274	3%
Total credit exposure	8,461,320	100%	1,599,347	100%

Credit Exposure on receivables

Trade receivables

The Group's maximum exposure to credit risk on trade receivables as at the year end based on the carrying value in the statement of financial position is given below:

As at 31st March	Note	Group 2015 Rs. '000	Company 2015 Rs. '000
Trade receivables	23	801,622	94,564
Total		801,622	94,564

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers various statistics of the group's customer base, including the default risk, business relationships with due attention given to past performances, stability in the industry and creditworthiness, as these factors may have an influence on credit risk.

In monitoring customer credit risk customers are grouped according to their business volumes and consider separately for granting credit limits. Some customers are graded as "high risk" based on the credit worthiness established through past experience. Such customers are monitored carefully and future sales are made on a prepayment basis.

The group has established a credit policy under which each new customer is analysed individually for creditworthiness. The Group's review includes obtaining bank guarantees (collaterals) and references. As at the reporting date value of collaterals obtained from customers amounted to Rs. 25 million. Credit limits are established for each customer and these limits are reviewed frequently. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.



Notes to the Financial Statements

Maximum exposure to credit risk for trade receivables at the reporting date by type of counterparty

The below table gives an overview of the Group's credit exposure related to trade receivables by counterparty.

As at 31st March	Group 2015 Rs. '000	% allocation	Company 2015 Rs. '000	% allocation
Operators - Local	189,400	24%	32,865	35%
Operators - Foreign	461,091	57%	44,787	47%
Corporates	17,591	2%	359	-
Others	86,385	11%	13,835	15%
Related - non group	47,155	6%	2,718	3%
Total	801,622	100%	94,564	100%

As at 31st March 2015, 57% of the group's trade receivables are from revenue generated from reputed foreign tour operators.

Impairment losses

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures based on aging of the outstanding. A collective loss component established for groups of similar aging in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data for past three years.

The aging of trade receivables - out side the Group as at the reporting date was:

As at 31st March	Group 2015 Rs. '000	Company 2015 Rs. '000
Less than 30 days	566,876	63,273
30 - 60 days	191,315	18,800
60 - 90 days	37,578	8,320
90 - 180 days	13,667	3,529
180 - 365 days	5,520	642
more than 365 days	12,122	-
Advances received	(25,456)	-
	801,622	94,564
Less: Impairment on trade receivables	(12,221)	(1)
Carrying value of trade receivables	789,401	94,563



The movement in the allowance for impairment in respect of trade receivables during the year was:

	Group 2015 Rs. '000	Company 2015 Rs. '000
As at 31st March		
Balance at the beginning of the year	(11,197)	(194)
Impairment provision recognised	(1,108)	193
Effect of movement in exchange rate	84	-
Balance at the end of the year	(12,221)	(1)

Term deposits

The Group's maximum exposure to credit risk on term deposits as at the year end based on the carrying value in the statement of financial position is given below:

	Group 2015 Rs. '000	% allocation	Company 2015 Rs. '000	% allocation
As at 31st March				
Government owned Banking Institutions	2,797,265	49%	429,077	30%
Commercial Banks	2,892,705	51%	1,006,954	70%
Total	5,689,970	100%	1,436,031	100%

Government owned Banking Institutions

Term deposits and fixed deposits held with Government owned Banking Institutions accounts for 49% of the total term deposits. As at 31st March 2015 there were no investments made with government securities by the group.

Commercial Banks

Investments made with commercial banks consist of fixed deposits held with licensed commercial banks. As at 31st March 2015, 51% of the term deposits were held with rated commercial banks.

Credit exposure on available for sale assets

Cash and cash equivalents

The Group limits its exposure to credit risk by investing only in liquid instruments with reputed banking Institutions. The Group also use broad investment portfolio and limit investments with a single counterparty.



Notes to the Financial Statements

39.4 Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The group continuously prepare and monitors rolling cash flow forecasts and assess the liquidity requirements of each operating unit to ensure it has sufficient cash to meet operational needs. Regular reviews are also carried out to check actual performance against budgeted targets.

Surplus cash held by the operating units over and above balance required for working capital management are invested in interest bearing time deposits or with group treasury. At the reporting date, the group held term deposits that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the group's non-derivative financial liabilities into relevant maturity grouping based on the maturity of liabilities as at the reporting date:

	Group			
	Carrying Amount 2015 Rs. '000	Current Rs. '000	Non-Current Rs. '000	Payable on demand Rs. '000
As at 31st March				
Financial Liabilities				
Interest bearing borrowings	7,365,315	2,001,690	5,363,625	-
Trade payables	286,332	269,173	17,159	-
Other provisions and payables	1,662,744	1,329,498	333,246	-
Short term bank borrowings	385,055	-	-	385,055
Total	9,699,446	3,600,361	5,714,030	385,055

	Company			
	Carrying Amount 2015 Rs. '000	Current Rs. '000	Non-Current Rs. '000	Payable on demand Rs. '000
As at 31st March				
Financial Liabilities				
Interest bearing borrowings	16,442	16,442	-	-
Trade payables	22,739	19,986	2,753	-
Other provisions and payables	48,426	16,699	31,727	-
Short term bank borrowings	1,196	-	-	1,196
Total	88,803	53,127	34,480	1,196

"Current" represents financial liabilities which are due to mature within one year.

**39.5 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

39.5.1 Foreign exchange risk

The Group being involved in hoteliering operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect of the US Dollar. Certain room contracts are entered into in foreign currencies and invoiced in SLR using the conversion rates established by the industry. Purchases such as import of capital goods for hotel operations are also transacted in foreign currency.

The Group has investment in foreign operations, who's net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed, primarily through borrowings denominated in the relevant foreign currencies.

However for purposes of disclosure the exposure for currency risk is only provided on Group's foreign currency denominated financial instruments.

The Group's exposure to foreign currency risk as at 31st March 2015 and sensitivity analysis to Profit & loss and Equity if exchange rate increase/decrease by Rs.1/-.

Profit & Loss

		Group	Company
Foreign Currency exposure for 2014/15			
Foreign currency denominated income	- USD	1,063,686	236,667
Foreign currency denominated expenses	- USD	(781,723)	-
Net exposure - in foreign currency	- USD	281,963	236,667
Avg conversion rate used for the year 2014/15		131.36	131.36
Net exposure - in Rs. '000		37,039	31,089
Sensitivity Analysis			
Avg conversion rate with Rs. 1.00 increase		132.36	132.36
Avg conversion rate with Rs. 1.00 decrease		130.36	130.36
Net exposure - in SLR with Rs. 1.00 increase in the average conversion rate - in Rs. '000		37,321	31,325
Net exposure - in SLR with Rs. 1.00 decrease in the average conversion rate - in Rs. '000		36,757	30,852
Impact to Profit & Loss			
with Rs. 1.00 increase in the average conversion rate - in Rs. '000		282	237
with Rs. 1.00 decrease in the average conversion rate - in Rs. '000		(282)	(237)



Notes to the Financial Statements

Equity

	Group				Company		
	USD	GBP	EURO	OMR	USD	GBP	EURO
Foreign Currency denominated financial assets as at 31st March 2015							
Trade and other receivables	206,396	159,182	485,542	91,989	73,384	61,565	153,078
Term deposits	26,716,296	10,238	78,819	-	3,218,400	-	1,081
Cash and cash equivalents	192,847	-	-	-	101,661	-	-
Interest bearing borrowings	(20,100,000)	-	-	-	-	-	-
Net exposure - in foreign currency	7,015,539	169,420	564,361	91,989	3,393,445	61,565	154,159
Conversion rate used as at 31st March 2015	133.32	197.19	143.29	346.63	133.32	197.19	143.29
Net exposure - in Rs. '000	935,312	33,408	80,867	31,886	452,414	12,140	22,089
Sensitivity Analysis							
Avg conversion rate with Rs. 1.00 increase	134.32	198.19	144.29	347.63	134.32	198.19	144.29
Avg conversion rate with Rs. 1.00 decrease	132.32	196.19	142.29	345.63	132.32	196.19	142.29
Net exposure - in SLR with Rs. 1.00 increase in the average conversion rate - Rs. '000	942,328	33,577	81,431	31,978	455,807	12,202	22,243
Net exposure - in SLR with Rs. 1.00 decrease in the average conversion rate - Rs. '000	928,296	33,239	80,303	31,794	449,021	12,078	21,935
Impact to Profit and Loss							
with Rs. 1.00 increase in the average conversion rate - Rs. '000	7,016	169	564	92	3,393	62	154
with Rs. 1.00 decrease in the average conversion rate - Rs. '000	(7,016)	(169)	(564)	(92)	(3,393)	(62)	(154)

The above table demonstrate the sensitivity to a reasonably possible change in the exchange rate by Rs. 1/- with all other variables held constant.

39.5.2 Interest rate risks

Interest rate risk is the risk of fluctuation of the value or cash flows of an instrument due to changes in the market interest rates.

The Group's exposure to interest rate risk as at 31st March 2015 and sensitivity analysis to Profit & loss if interest rate increased/decrease by 100 basis points for Rupee loans and 10 basis points for USD loans.

	Increase/decrease in basis points	Effect on Profit before Tax	
		Group Rs. '000	Company Rs. '000
Financial year - 2014/15			
Sri Lanka rupee loans	+100	11,673	164
USD loans	+10	6,198	-
Sri Lanka rupee loans	-100	(11,673)	(164)
USD loans	-10	(6,198)	-

The above table demonstrates the sensitivity to a reasonably possible change in interest rates on loans where floating rates are applicable by 100 basis points for Rupee loans and 10 basis points for USD loans with all other variables held constant.



Constant monitoring of market interest rates is carried out to ensure appropriate steps are taken to maximise the return on financial management and to minimise the cost of borrowings. Group very strongly negotiate with banks and obtains best possible interest rates for the Group's borrowings. Listed below are steps adopted by the group to minimise the effect of interest rate risks:

- 1 Entering into loans with interest rate caps and fixed rates.
- 2 Re-negotiating with banks on interest rates when ever there is favourable fluctuations in the market rates.

39.5.3 Equity prices

The Group does not carry quoted investments other than investment in equity accounted investees in their Consolidated Statement of Financial Position. Equity investments carried in the Consolidated Statement of Financial Position as available for sale are non quoted and there is no risk of variations in the prices. Non-quoted investments are fair valued as at each reporting date.

40 Capital management

The Groups objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of the capital.

The capital of the company consist of the following:

Equity Capital

- Ordinary share capital
- Preference share capital

Debt

- Long term borrowings

The group monitors capital on the basis of the debt equity ratio. Total debt consist of total non current borrowings and total equity consist of total equity less preference shares capital. The following factors are also objectively taken into consideration in managing capital of the group:

1. Maintain sufficient capital to meet minimum regulatory requirements. (Companies Act)
2. Maintain strong equity base as opposed to debt capital
3. Group's future developments, investments and business strategies
4. Group cash flow projections and ability to pay higher returns to shareholders

41 Director's fees

The Directors of the Company have received fees amounting to Rs. 28,800/- from subsidiaries for the year ended 31st March 2015.

42 Related party transactions

Aitken Spence Hotels Holdings Group carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard IKAS 24 - Related Party Disclosures, which are transacted at normal business terms. The pricing policy applicable to such transactions are comparable with those that would have been charged from unrelated companies.

Mr. D.H.S. Jayawardena Chairman of the Company is also the Chairman of the Parent Company Aitken Spence PLC and Aitken Spence Hotel Management Asia (Pvt) Ltd. He is also the Chairman of Browns Beach Hotels PLC, and Negombo Beach Resorts (Pvt) Ltd. which are associate companies of the Group and the Chairman, of Distilleries Company of Sri Lanka PLC, Stassen Exports (Pvt) Ltd., Lanka Milk Foods (CWE) PLC, Lanka Bell Ltd., Periceyl (Pvt) Ltd., Lanka Dairies (Pvt) Ltd. and Pattipola Live Stock Company Ltd. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note. No. 42.1.1, 42.1.2 and 42.1.4.



THE AITKEN SPENCE SIGNATURE OF QUALITY

Notes to the Financial Statements

42 Related party transactions (Contd.)

Mr. J.M.S. Brito, Managing Director of the Company is also the Managing Director of the Parent Company Aitken Spence PLC. He is also the Chairman, Deputy Chairman or a Director of Browns Beach Hotels PLC, Crest Star (BVI) Ltd., Cowrie Investments (Pvt) Ltd., Aitken Spence Hotel Managements South India (Pvt) Ltd., Aitken Spence Travels (Pvt) Ltd., Elevators (Pvt) Ltd. and Elpitiya Plantations PLC, which are subsidiaries, joint ventures and equity-accounted investees of the Group and Parent company. Transactions carried out by the group with these companies in the ordinary course of business is disclosed in Note No. 42.1.1 and 42.1.4.

Mr. C.H. Gomez a Director of the company is also a Director of the Parent Company Aitken Spence PLC.

R. N.J. De S Deva Aditya a Director of the company is also a Director of the Parent Company Aitken Spence PLC. He is also a Director of Distilleries Company of Sri Lanka PLC. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note No. 42.1.1 and 42.1.4.

Mr. R.N. Asirwatham a Director of the company is also a Director of the Parent Company Aitken Spence PLC. He is also a Director of CIC Holdings PLC, and Royal Ceramics PLC. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note No. 42.1.1, and 42.1.5.

Mr. G.P.J. Goonewardena a Director of the Company is also a Director of Aitken Spence Hotel Managements Asia (Pvt) Ltd. which is a subsidiary of the Group with which company, Group carried out transactions in the ordinary course of business as disclosed in Note No. 42.1.2

Mr. S.M. Hapugoda a Director of the Company is also a Director of Aitken Spence Hotel Managements (Pvt) Ltd., Ahungalla Resorts Ltd., Aitken Spence Hotels Ltd., Golden Sun Resorts (Pvt) Ltd., Aitken Spence Resorts (Pvt) Ltd., Kandalama Hotels (Pvt) Ltd., MPS Hotels (Pvt) Ltd., Hethersett Hotels Ltd., Heritance (Pvt) Ltd, Neptune Ayurvedic Village (Pvt) Ltd., Crest Star (BVI) Ltd, Jetan Travel Services Company (Pvt) Ltd., Cowrie Investments (Pvt) Ltd., A D S Resorts (Pvt) Ltd. Unique Resorts (Pvt) Ltd, P R Holiday Homes (Pvt) Ltd., Aitken Spence Hotel Managements South India (Pvt) Ltd., and Aitken Spence Hotels International (Pvt) Ltd., which are subsidiaries/equity accounted investees of the Group. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note No. 42.1.2 and 42.1.3.

Mr. C.M.S. Jayawickrama a Director of the Company is also the Managing Director of Aitken Spence Hotel Managements (Pvt) Ltd., a Director of Ahungalla Resorts Ltd., Aitken Spence Hotels Ltd., Golden Sun Resorts (Pvt) Ltd., Aitken Spence Resorts (Pvt) Ltd., Kandalama Hotels (Pvt) Ltd., MPS Hotels (Pvt) Ltd., Hethersett Hotels Ltd., Heritance (Pvt) Ltd, Neptune Ayurvedic Village (Pvt) Ltd., Crest Star (BVI) Ltd., Jetan Travel Services Company (Pvt) Ltd., Cowrie Investments (Pvt) Ltd., A D S Resorts (Pvt) Ltd. Unique Resorts (Pvt) Ltd., P R Holiday Homes (Pvt) Ltd., Aitken Spence Hotel Managements South India (Pvt) Ltd., and Aitken Spence Hotels International (Pvt) Ltd., which are subsidiaries/equity accounted investees of the Group. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note No. 42.1.2 and 42.1.3.

Mr. R.E.V. Casie Chetty a Director of the Company is also a Director of Aitken Spence Hotel Managements (Pvt) Ltd., Ahungalla Resorts Ltd., Golden Sun Resorts (Pvt) Ltd., Aitken Spence Resorts (Pvt) Ltd., Kandalama Hotels (Pvt) Ltd., MPS Hotels (Pvt) Ltd., Hethersett Hotels Ltd., Heritance (Pvt) Ltd., Neptune Ayurvedic Village (Pvt) Ltd., Crest Star Ltd., Aitken Spence Hotels International (Pvt) Ltd., Elevators (Pvt) Ltd. and Aitken Spence Export (Pvt) Ltd., which is are subsidiaries/equity accounted investees of the Group. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note No. 42.1.2, 42.1.3. and 42.1.4.

Ms. D.S.T. Jayawardena who was appointed as a director of the Company with effect from 01st July 2014 is also a Director of the parent Company Aitken Spence PLC. She is also a Director of Amethyst Leisure Ltd., Paradise Resorts Passikudah (Pvt) Ltd., Stassen Exports (Pvt) Ltd. and Chairperson of Splendor Media (Pvt) Ltd.

Details of transactions carried out by the Group with related parties and outstanding balances with the related parties are given in Note No. 42.1.1 to 42.1.5.



42.1 Details of transactions carried out with Related Companies

Name of the Related Party	Relationship	Nature of transaction	Terms of the transaction	Group		Company	
				Transaction Value Rs. '000	Outstanding as at 31.03.2015 Rs. '000	Transaction Value Rs. '000	Outstanding as at 31.03.2015 Rs. '000
42.1.1. Transactions with Parent Company							
Aitken Spence PLC	Parent Company	Interest earned/paid	Market terms	5,338	-	3,941	-
		Lease Rent paid	Contractual Payment	1,500	-	-	-
		Fees paid for services	Market terms	87,375	(37,518)	17,506	(24,058)
		Short term investments	Market terms	-	133,850	-	25,005
42.1.2 Transactions with Subsidiaries							
Aitken Spence Hotel Mgt Asia (Pvt) Ltd.	Subsidiary	Management fees for managing hotels	Percentage of revenue and profits	244,065	-	-	-
		Settlement of short term advances	Short term	-	-	(63,408)	127,396
Aitken Spence Hotels Ltd.	Subsidiary	Settlement of short term advances	Short term	-	-	(72,774)	25,597
Golden Sun Resorts (Pvt) Ltd.	Subsidiary	Settlement of short term advances	Short term	-	-	(25,074)	502,035
Aitken Spence Resorts (Pvt) Ltd.	Subsidiary	Settlement of short term advances	Short term	-	-	(280,193)	97,683
Kandalama Hotels (Pvt) Ltd.	Subsidiary	Short term advances obtained	Short term	-	-	105,458	(159,742)
Hethersett Hotels Ltd.	Subsidiary	Short term advances obtained	Short term	-	-	84,751	(84,751)
MPS Hotels (Pvt) Ltd.	Subsidiary	Temporary advances	Short term	-	-	1,953	8,092
Meeraladuwa (Pvt) Ltd.	Subsidiary	Short term advances	Short term	-	-	202,247	202,247
42.1.3. Transactions with Equity Accounted Investees							
Ahungalla Resorts Ltd.	Joint Venture	Short term advances	Short term	-	393,915	198,188	393,915
Paradise Resorts Passikudah (Pvt) Ltd.	Associate	Short term advances	Short term	-	-	36,588	36,588
42.1.4 Transactions with Parent's Group Entities							
Aitken Spence Travels (Pvt) Ltd.	Joint Venture of the Parent Company	Sale of Hotel rooms in the ordinary course of business	Market terms	1,368,065	167,781	129,813	13,583
		Purchase of Air Tickets for overseas travel	Market terms	11,828	-	4,347	-
Aitken Spence Exports (Pvt) Ltd.	Subsidiary of the Parent Company	Purchase of mineral water	Market terms	9,290	(23,170)	3,005	(20,367)
Aitken Spence Printing & Packaging (Pvt) Ltd.	Subsidiary of the Parent Company	Printing & Typesetting hotel promotional literature and Annual Reports	Market terms	2,893	(6)	1,955	(3)
Aitken Spence Hotel Managements (Pvt) Ltd.	Subsidiary of the Parent Company	Management fees for managing the hotels	Percentage of revenue and profits	176,942	-	36,701	-
		Central Purchasing & Merchandising unit handling charges	Market terms	40,971	-	6,556	-
		Export of Hotel Supplies to Maldives	Market terms	191,662	58,390	-	19,563
Elevators (Pvt) Ltd.	Subsidiary of the Parent Company	Repairs and Maintenance of Hotel Elevators	Market terms	5,901	(774)	875	-
Elpitiya Plantations PLC	Subsidiary of the Parent Company	Purchase of tea leaves	Market terms	2,958	(20)	722	-
Aitken Spence Cargo (Pvt) Ltd.	Subsidiary of the Parent Company	Clearing of imported items	Market terms	1,046	(197)	182	(81)



Notes to the Financial Statements

Name of the Related Party	Relationship	Nature of transaction	Terms of the transaction	Group		Company	
				Transaction Value Rs. '000	Outstanding as at 31.03.2015 Rs. '000	Transaction Value Rs. '000	Outstanding as at 31.03.2015 Rs. '000
42.1.5 Transactions with Other Related Companies							
Distilleries Company of Sri Lanka PLC	Other related Company	Purchase of beverages	Market terms	18,092	(1,672)	4,758	(525)
Stassen Exports (Pvt) Limited	Other related Company	Purchase of food items	Market terms	287,844	(12,774)	23,052	-
Lanka Milk Foods (CWE) PLC	Other related Company	Purchase of milk powder	Market terms	14,817	(813)	3,536	(225)
Lanka Dairies (Pvt) Ltd.	Other related Company	Purchase of food items	Market terms	137,100	(12,141)	-	-
Lanka Bell Ltd.	Other related Company	Provision of telecommunication services.	Market terms	3,353	(151)	909	(75)
Periceyl (Pvt) Ltd.	Other related Company	Purchase of beverages	Market terms	7,800	(1,393)	3,382	(525)
CIC Holdings PLC	Other related Company	Purchase of food items	Market terms	455	-	374	-
Pattipola Live Stock Company Ltd.	Other related Company	Purchase of food items	Market terms	1,142	(105)	-	-
Royal Ceramic PLC	Other related Company	Purchase of goods	Market terms	193	-	-	-
Splendor Media (Pvt) Ltd.	Other related Company	Purchase of services	Market terms	1,400	-	278	-
42.1.6	The Company and the Subsidiaries in the ordinary course of business 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 2015 is disclosed above.						
42.1.7	The Company and the Subsidiaries in the ordinary course of business have generated revenues amounting to Rs. 28 million (Company Rs 8.2 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 2015 is reflected in Note No. 25 - Amounts due from Parent's Group Entities.						

**42.2 Transactions with Key Management Personnel.**

Aitken Spence Hotel Holdings PLC, considers its Board of Directors as the key management personnel of the Company. The Board 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 employment benefits disclosed below carried out during the year with Key management personnel and their close family members which require disclosure per LKAS - 24 - Related Party Disclosures.

Year Ended 31st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Short term employment benefits	16,170	19,311	-	-
Post employment benefits	-	-	-	-
Total	16,170	19,311	-	-

43 Acquisition of non-controlling shares

The Company made an offer to the Minority Shareholders of Aitken Spence Hotels Ltd. on 8th June, 1999 to purchase their shares at Rs. 31/- per share. During this financial year 1600 shares were acquired at the revised price of Rs. 20/- per share. The Company as at 31st March, 2015 held 98% of the equity share capital of Aitken Spence Hotels Ltd.

44 Events after reporting date

1) The Board resolved to recommend the payment of:

A first and final dividend of Rs. 1.50 per Ordinary Share for the financial year 2014/15 once approved by the shareholders at the Annual General Meeting.

Aitken Spence Hotels International (Pvt) Ltd. invested USD 5 million in Ace Resorts (Pvt) Ltd., a fully owned subsidiary, to acquire the leasehold rights of Raafushi Island in Noonu Atoll of the Republic of Maldives.

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

45 Ultimate Holding Company

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

46 Capital Expenditure Commitments

There are no capital expenditure commitments other than those disclosed in Note No 14.4 to the Financial Statements.

47 Average Number of Employees

The average number of employees as at 31st March 2015 amounts to 2,251 (2013/2014 - 2,222)

48 Comparative Information

No comparative information were changed during the year which require disclosure or adjustments in the financial statements. However the presentation and classification of financial statements of the comparative year has been amended where relevant to be comparable with those of the current year.

49 Directors Responsibility

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



THE AITKEN SPENCE SIGNATURE OF QUALITY

Quarterly Statistics

For the three months ended

	30th June 2014 Rs. '000	30th September 2014 Rs. '000	31st December 2014 Rs. '000	31st March 2015 Rs. '000
Income Statement - Group				
Net Revenue	2,543,873	2,796,254	3,363,835	4,250,255
Other income	256,971	141,743	47,186	(28,094)
Staff Costs	(449,869)	(437,056)	(454,629)	(487,312)
Depreciation	(174,780)	(178,499)	(188,758)	(198,406)
Amortisation	(15,820)	(15,821)	(18,632)	(16,539)
Other Operating Expenses - Direct	(565,014)	(619,765)	(648,197)	(688,398)
Other Operating Expenses - Indirect	(1,010,464)	(1,210,861)	(978,945)	(1,156,059)
Profit from operations	584,897	475,995	1,121,860	1,675,447
Finance Income	77,294	66,756	54,769	153,979
Finance Expenses	(50,666)	(99,490)	(75,429)	(50,906)
Share of Profit/(Loss) of equity accounted investees net of tax	2,317	(1,417)	(8,071)	(7,219)
Income Tax Expense	(137,046)	(144,216)	(90,025)	(113,207)
Net Profit for the period	476,796	297,628	1,003,104	1,658,094
Profit attributable Equity holders of the Parent	284,729	211,783	638,030	1,100,262
Non-controlling interests	192,067	85,845	365,074	557,832
	476,796	297,628	1,003,104	1,658,094

Statement of Financial Position - Group

As at	30th June 2014	30th September 2014	31st December 2014	31st March 2015
Assets				
Non-Current Assets	20,177,119	20,390,226	21,366,317	22,776,605
Current Assets	10,317,243	9,969,627	9,815,022	10,011,662
Total Assets	30,494,362	30,359,853	31,181,339	32,788,267
Equity and Liabilities				
Equity	15,128,664	15,283,536	15,949,972	17,231,215
Non-controlling interest	3,777,983	3,648,926	4,029,649	4,638,017
Total Equity	18,906,647	18,932,462	19,979,621	21,869,232
Non-Current Liabilities	6,218,942	6,926,584	6,262,743	5,707,821
Current Liabilities	5,368,773	4,500,807	4,938,975	5,211,214
Total Equity & Liabilities	30,494,362	30,359,853	31,181,339	32,788,267
Share Information - Group				
Earnings Per Ordinary Share	(Rs.) 0.84	0.62	1.89	3.26
Net Asset Value Per Share	(Rs.) 44.50	44.96	46.94	50.75
Market Price Per Share				
Highest	(Rs.) 79.50	87.00	87.00	85.00
Lowest	(Rs.) 70.00	75.00	76.90	67.00
Last Trade Price	(Rs.) 76.60	85.90	78.50	67.00



THE AITKEN SPENCE SIGNATURE OF QUALITY

Indicative US Dollar Financial Statements

Income Statement in US \$

Consolidated

For the year ended 31st March

	2015 US \$ '000	2014 US \$ '000
Revenue	99,542	99,037
Revenue taxes	(2,375)	(3,176)
Net Revenue	97,167	95,861
Other Income	3,134	2,996
Staff Costs	(13,718)	(13,410)
Depreciation	(5,554)	(5,342)
Amortisation	(501)	(482)
Other Operating Expenses - Direct	(18,912)	(18,340)
Other Operating Expenses - Indirect	(32,677)	(30,942)
Profit from Operations	28,939	30,341
Finance Income	1,964	2,061
Finance Expenses	(1,391)	(1,471)
Net Finance Income	573	590
	29,512	30,931
Share of Profit of equity accounted investees (net of tax)	(108)	267
Profit Before Income Tax	29,404	31,198
Income Tax Expenses	(3,634)	(4,295)
Profit for the Year	25,770	26,903
Attributable to:		
Equity Holders of the Parent	16,763	17,907
Non-controlling interest	9,007	8,996
	25,770	26,903
Earnings per Ordinary Share (US \$)	0.05	0.05
Exchange Rate used for translation (One US \$) =	133.32	130.73



THE AITKEN SPENCE SIGNATURE OF QUALITY

Statement of Profit or Loss and other Comprehensive Income in US \$

For the year ended 31 st March	Consolidated	
	2015 US \$ '000	2014 US \$ '000
Profit for the year	25,770	26,903
Other Comprehensive Income		
Items that will never be reclassified to profit or loss		
Revaluation of property, plant and equipment	682	2,891
Share of other comprehensive income of equity accounted investees	2	1
Actuarial gains/(losses) on defined benefit obligations	(74)	(69)
Income tax on actuarial gains/(losses) arising from retirement benefit obligations	7	6
Net change in fair value of available for sale financial assets	617	2,829
Items that are or may be reclassified to profit or loss		
Foreign currency translation differences of foreign operations	(167)	1,304
Net change in fair value of available for sale financial assets	591	(198)
	424	1,106
Other comprehensive income for the year net of tax	1,041	3,935
Total comprehensive income for the year net of tax	26,811	30,838
Attributable to:		
Equity holders of the parent company	17,795	21,453
Non-controlling interests	9,016	9,385
	26,811	30,838
Exchange Rate used for translation (One US \$) =	133.32	130.73



THE AITKEN SPENCE SIGNATURE OF QUALITY

Statement of Financial Position in US \$

AS at 31st March	Consolidated	
	2015 US \$ '000	2014 US \$ '000
Assets		
Non-Current Assets		
Property, Plant & Equipment	123,031	96,167
Leasehold Property	14,300	11,176
Prepaid operating leases	8,004	8,021
Intangible Assets	21	102
Investment in equity accounted investees	23,241	10,226
Other Investments	1,352	1,511
Deferred Tax Assets	893	887
	170,842	128,090
Current Assets		
Inventories	2,134	1,671
Trade and Other Receivables	8,575	10,428
Amounts due from Ultimate Holding Company	1,004	153
Amount due from Parent's Group Entities	5,444	1,943
Deposits & Prepayments	3,120	3,491
Current Tax Receivable	35	33
Term Deposits	42,679	44,917
Cash and Cash Equivalents	12,104	7,980
	75,095	70,616
Total Assets	245,937	198,706
Equity and Liabilities		
Equity Attributable to Equity Holders of the Company		
Stated Capital	26,662	27,190
Reserves	24,253	25,885
Retained Earnings	78,332	64,558
	129,247	117,633
Non-controlling Interests	34,789	28,988
Total Equity	164,036	146,621
Non-Current Liabilities		
Interest - Bearing Borrowings	40,231	22,289
Government Grants	3	5
Deferred Tax Liabilities	1,829	1,855
Employee Benefits	750	597
	42,813	24,746
Current Liabilities		
Trade Payables	2,148	2,072
Other Provisions and Payables	14,545	11,633
Amounts due to Ultimate Holding Company	281	706
Amounts due to Parent's Group Entities	692	516
Interest Bearing Borrowings	15,014	8,161
Current Tax Payable	3,519	4,068
Short term Bank Borrowings	2,889	183
	39,088	27,339
Total Liabilities	81,901	52,085
Total Equity and Liabilities	245,937	198,706
Exchange rate used for translation	(One US \$) =	133.32 130.73



THE AITKEN SPENCE SIGNATURE OF QUALITY

Decade at a Glance

Year ended 31st March	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating Results										
Revenue	13,270,918	12,947,076	12,035,870	9,614,828	8,059,152	7,137,672	6,611,893	6,412,699	4,299,987	2,560,479
Profit/(Loss) before Taxation	3,920,116	4,078,450	3,204,882	2,427,770	1,394,853	792,853	845,333	810,860	422,675	159,861
Taxation	(484,494)	(561,435)	(464,895)	(346,299)	(37,242)	(18,056)	(20,975)	(21,294)	(42,241)	(48,034)
Profit/(Loss) after Taxation	3,435,622	3,517,015	2,739,987	2,081,471	1,357,611	774,796	824,358	789,566	380,434	111,827
Profit/(Loss) attributable to Equity holders of the parent	2,234,804	2,340,934	1,785,154	1,377,976	1,304,073	523,776	592,587	512,651	202,591	173,847
Shareholders' Funds										
Stated Capital	3,554,587	3,554,587	3,554,587	3,554,587	3,554,587	1,056,433	1,056,433	1,055,810	1,055,810	1,055,810
Reserves and Retained Earnings	13,676,628	11,823,701	9,371,120	7,614,992	5,468,654	4,132,761	3,667,632	2,701,001	2,243,837	1,753,742
Shareholders' Funds	17,231,215	15,378,288	12,925,707	11,169,579	9,023,241	4	4,724,065	3,756,811	3,299,647	2,809,552
Liabilities										
Non-Current Interest bearing Borrowings	5,363,625	2,913,898	2,790,090	2,790,308	3,007,565	2,962,320	3,746,361	2,930,155	1,125,325	851,514
Current Liabilities	5,173,696	3,481,725	3,326,203	3,249,987	2,164,471	2,004,139	2,001,455	2,543,913	2,761,307	1,513,524
Amount due to ultimate Holding Company	37,518	92,315	109,340	204,779	59,861	646,434	779,109	-	615,000	615,000
Other Liabilities & Charges	344,196	321,148	304,726	287,278	147,925	163,131	114,317	117,401	116,683	112,452
Non-Controlling Interest	4,638,017	3,789,554	2,903,733	2,189,351	1,372,530	1,589,136	1,346,064	1,219,998	873,019	664,405
Deferred Income	-	-	-	-	-	-	-	-	-	16,780
Total Equity And Liabilities	32,788,267	25,976,928	22,359,799	19,891,282	15,775,593	12,554,354	12,711,371	10,568,278	8,790,981	6,583,227
Assets										
Property, Plant & Equipment	16,402,491	12,571,903	11,962,472	11,087,739	8,879,249	8,756,041	8,686,707	6,664,681	6,469,263	4,801,544
Leasehold Property	1,906,527	1,461,100	1,463,930	1,521,100	1,354,026	1,516,449	1,554,651	1,407,987	52,500	54,000
Prepaid operating Leases	1,067,063	1,048,621	1,020,553	1,067,800	46,500	-	-	-	-	-
Intangible Assets	2,842	13,390	26,929	26,862	-	-	1,524	3,048	3,048	2,593
Investments	3,098,474	1,336,814	1,302,694	1,227,371	960,878	192,915	185,118	188,358	183,015	98,717
Long-Term Investments	180,191	197,478	221,072	233,207	222,395	211,770	218,081	86,600	10	10
Deferred Tax Assets	119,017	115,977	132,722	130,018	48,399	2,713	-	-	-	-
Current Assets	10,011,662	9,231,645	6,229,427	4,597,185	4,254,320	1,874,466	2,065,290	2,217,604	2,083,145	1,626,363
Assets Held for sale	-	-	-	-	9,826	-	-	-	-	-
Total Assets	32,788,267	25,976,928	22,359,799	19,891,282	15,775,593	12,554,354	12,711,371	10,568,278	8,790,981	6,583,227
Cash Flow										
From Operating activities	3,986,229	3,820,890	3,528,361	3,156,697	663,257	1,484,828	1,503,360	793,933	1,204,504	995,252
From Investing activities	(6,137,472)	(3,446,368)	(1,686,804)	(2,533,371)	(1,023,336)	(662,377)	(2,025,844)	(2,201,116)	(1,681,589)	(1,767,341)
From Financing activities	2,412,925	(607,312)	(389,776)	(765,864)	1,965,198	(638,280)	605,561	1,377,478	135,561	685,889
Net Cash Inflow/(Outflow)	261,682	(232,790)	1,451,781	(142,538)	1,605,119	184,171	83,077	(29,705)	(341,524)	(86,200)
Key Indicators										
Earnings per ordinary share (Rs.)	6.60	6.92	5.26	4.05	3.03	1.77	15.03	12.95	4.88	4.14
Net Assets value per Ordinary share (Rs.)	50.75	45.24	37.95	32.72	26.34	14.93	118.62	93.46	81.56	69.25
Market value per share (Rs.)	67.00	70.00	74.00	70.00	98.00	385.00	90.00	93.00	70.00	83.25
Dividend per share (Rs.)	1.50	1.50	1.00	0.70	0.50	0.21	0.50	1.00	0.75	0.50
Dividend cover (Times)	4.40	4.61	5.26	5.79	6.06	8.42	30.06	12.95	6.51	8.27
Price to Earning Ratio (Times)	10.15	10.12	14.07	17.28	32.33	29.08	5.99	7.18	14.34	20.12
Debt Equity ratio	0.25	0.16	0.19	0.22	0.28	0.47	0.66	0.64	0.32	0.31
Interest cover (Times)	22.21	22.03	13.71	12.40	7.08	3.09	3.30	3.22	2.62	5.29
Return on Average Shareholders' funds (%)	13.75	16.63	14.90	13.73	14.68	10.57	13.97	14.53	6.63	6.35



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 3,217 registered ordinary shareholders as at 31st March, 2015 distributed as follows:

Range	31.03.2015			31.03.2014		
	No. of Shareholders	No. of Shareholding	%	No. of Shareholders	No. of Shareholding	%
1 to 1,000 shares	1,769	641,903	0.19	1,869	692,636	0.20
1,001 to 10,000 shares	1,061	3,541,784	1.05	1,074	3,532,061	1.06
10,001 to 100,000 shares	310	8,914,863	2.65	286	8,429,603	2.51
100,001 to 1,000,000 shares	62	20,510,352	6.10	56	16,623,472	4.94
1,000,001 & Above	15	302,681,108	90.01	16	307,012,238	91.29
	3,217	336,290,010	100.00	3,301	336,290,010	100.00

3. Analysis of Shareholders

Category	31.03.2015		31.03.2014	
	Shareholding	%	Shareholding	%
Nationals	330,224,527	98.20	325,138,316	96.68
Non-Nationals	6,065,483	1.80	11,151,694	3.32
	336,290,010	100.00	336,290,010	100.00

Category	31.03.2015		31.03.2014	
	Shareholding	%	Shareholding	%
Aitken Spence PLC, and subsidiaries	250,507,418	74.49	250,507,418	74.49
Other Institutions	62,989,577	18.73	64,501,181	19.18
Individuals	22,793,015	6.78	21,281,411	6.33
	336,290,010	100.00	336,290,010	100.00

* Percentage of shares held by the public as at 31st March, 2015 is 25.40%. Number of public shareholders as at 31st March 2015 is 3,205.

4. Share Trading

	2014/15	2013/14	2012/13	2011/12	2010/11
Number of Shares traded during the year	14,623,056	5,879,926	7,101,727	31,060,541	10,067,200
Value of Shares traded during the year (Rs.)	1,171,857,188	418,255,629	511,061,713	2,369,608,281	1,806,076,000
Number of Transactions	3,395	2,404	2,980	5,960	7,503

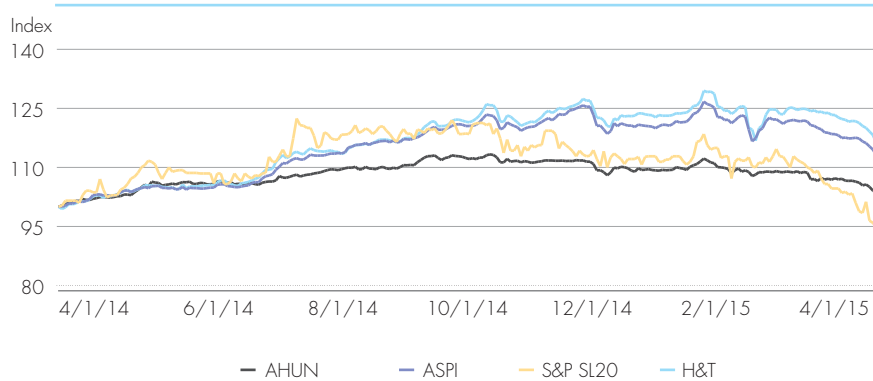


Investor Information

5. Market Value

Financial Year	Highest		Lowest		Year End
	Pre-Split Rs.	Post-Split Rs.	Pre-Split Rs.	Post-Split Rs.	Rs.
2010/11	900.00	114.90	339.75	90.00	98.00
2011/12	102.00	-	55.00	-	70.00
2012/13	81.00	-	61.00	-	74.00
2013/14	81.00	-	62.10	-	70.00
2014/15	87.00	-	67.00	-	67.00

AHUN's Relative Performance vs Market



6. Ratios

	2014/15	2013/14	2012/13	2011/12	2010/11
Earnings per Share (Rs.)	6.60	6.92	5.26	4.05	3.03
Price Earnings Ratio (Times)	10.15	10.12	14.07	17.28	32.33
Net Asset per Share as at 31st March (Rs.)	50.75	45.24	37.95	32.72	26.34

7. Dividends

Financial Year	Dividend per share		Dividend Yield
	Rs.		%
2010/11	0.50		0.51
2011/12	0.70		1.00
2012/13	1.00		1.35
2013/14	1.50		2.14
2014/15	1.50		2.24



8. Market Capitalisation (as at 31st March)

Years	Stated Capital & Reserves (Rs. '000)	Market Capitalisation (Rs. '000)
2010/11	9,118,496	32,956,421
2011/12	11,028,704	23,540,301
2012/13	12,925,707	24,885,461
2013/14	15,378,288	23,540,301
2014/15	17,231,215	22,531,431

9. Twenty Largest Shareholders as at 31st March

	2015		2014	
	No. of Shares	%	No. of Shares	%
01 Aitken Spence PLC - A/C No. 1	239,472,667	71.21	239,472,667	71.21
02 Employees Provident Fund	30,504,008	9.07	29,724,950	8.84
03 Sri Lanka Insurance Corporation Ltd. - Life Fund	5,518,727	1.64	7,268,727	2.16
04 Ace Cargo (Private) Limited	4,423,601	1.32	4,423,601	1.32
05 Aitken Spence Hotel Managements (Pvt) Ltd.	3,530,639	1.05	3,530,639	1.05
06 Aitken Spence Aviation (Private) Limited	2,604,140	0.77	2,604,140	0.77
07 Bank of Ceylon No 1 Account	2,407,422	0.72	1,625,600	0.48
08 Employees Trust Fund Board	2,370,705	0.71	2,370,705	0.70
09 Seylan Bank PLC/ARC Capital (Pvt) Ltd.	2,110,305	0.63	-	-
10 National Savings Bank	2,102,133	0.63	1,963,333	0.58
11 G.C. Wickremasinghe	2,082,241	0.62	2,082,241	0.62
12 HSBC Intl Nom Ltd - BBH-Matthews Emerging Asia Fund	1,973,457	0.59	1,536,994	0.46
13 AIA Insurance Lanka PLC A/C No. 07	1,515,109	0.45	1,743,956	0.52
14 A.T. Wickremasinghe	1,245,004	0.37	1,245,004	0.37
15 The Ceylon Guardian Investment Trust PLC A/C # 02	1,044,480	0.31	1,025,480	0.31
16 F.A.A. Mack	1,021,474	0.30	1,004,550	0.30
17 M.J. Fernando	1,000,000	0.30	-	-
18 K. Fernando	991,149	0.29	991,149	0.30
19 Bank of Ceylon A/C Ceybank Century Growth Fund	988,947	0.29	1,009,248	0.30
20 Ceylon Investment PLC A/C # 01	985,900	0.29	985,900	0.29
	307,892,108	91.56	304,608,884	90.58



THE AITKEN SPENCE SIGNATURE OF QUALITY

Investor Information

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

As at 31st March	2015	2014
Deshamanya D.H.S. Jayawardena	-	-
Mr. J.M.S. Brito	106,596	106,596
Ms. D.S.T. Jayawardena	16,000	N/A
Mr. R.E.V. Casie Chetty	193,564	207,739
Mr. S.M. Hapugoda	-	-
Mr. C.M.S. Jayawickrama	-	-
Mr. G.P.J. Goonewardena	5,460	5,460
Mr. R.N. Asirwatham	1000	1000
Mr. N.J. de Silva Deva Aditya	-	-
Mr. C.H. Gomez	-	-
Total	322,620	320,795

11. Group Effective Holding in Subsidiary, Joint Ventures and Associate Companies

As at 31st March	2015	2014
	%	
Company		
Aitken Spence Hotels Ltd.	97.99	97.99
Kandalama Hotels (Pvt) Ltd.	61.73	61.73
Heritance (Pvt) Ltd.	97.99	97.99
Ahungalla Resorts Ltd.	60.00	100.00
Hethersett Hotels Ltd.	87.65	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
MPS Hotels (Pvt) Ltd.	100.00	100.00
Browns Beach Hotels PLC	37.42	37.42
Crest Star Ltd. (HK\$ 1 each)	100.00	100.00
Aitken Spence Hotels International (Pvt) Ltd.	51.00	51.00
Aitken Spence Hotel Management Asia (Pvt) Ltd.	51.00	51.00
Aitken Spence Hotel Management (South India) (Pvt) Ltd.	51.00	51.00
Golden Sun Resorts (Pvt) Ltd.	100.00	100.00



11. Group Effective Holding in Subsidiary, Joint Ventures and Associate Companies (Contd.)

		%
As at 31st March	2015	2014
Aitken Spence Resorts (Pvt) Ltd.	100.00	100.00
Nilaveli Holidays (Pvt) Ltd.	100.00	100.00
Nilaveli Resorts (Pvt) Ltd.	100.00	100.00
Negombo Beach Resorts (Pvt) Ltd.	37.42	37.42
The Galle Heritage (Pvt) Ltd.	100.00	100.00
Meeraladuwa (Pvt) Ltd.	100.00	-
Amethyst Leisure Ltd.	23.44	-
Paradise Resorts Passikudah (Pvt) Ltd.	23.44	-
Perumbalam Resorts (Pvt) Ltd. (India)	43.13	-

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 Brown's Beach Hotels Ltd.	638,020	6,380,200
1994/95	Share swap to acquire MPS 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, 2015		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, 2015		16,500,000	165,000,000



THE AITKEN SPENCE SIGNATURE OF QUALITY

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 31/03/2015 (Rs. '000)	
				Freehold	Leasehold	Land	Building
Aitken Spence Hotel Holdings PLC							
Heritage Ahungalla	152	Ahungalla	253,590	11.96	-	565,000	688,732
Meeraladuwa Resorts (Pvt) Ltd.							
Meeraladuwa Island		Balapitiya		29.55		450,830	
Kandalama Hotels (Pvt) Ltd.							
Heritage Kandalama	152	Dambulla	426,553	169.64	50	9,000	492,451
Hethersett Hotels Ltd.							
Heritage Tea Factory	54	Nuwara Eliya	50,999	-	25	-	135,940
Aitken Spence Hotels Ltd.							
Heritage Ayurveda Maha Gedara	64	Beruwala	125,349	-	6.44		407,428
Heritage (Pvt) Ltd.	-	Beruwala	-	5.79	-	278,000	
Neptune Ayurvedic Village (Pvt) Ltd.	-	Beruwala	12,500	0.12	-	4,425	15,596
Golden Sun Resorts (Pvt) Ltd.							
The Sands by Aitken Spence Hotels	110	Kalutara	192,686	5.93	-	301,500	799,197
Aitken Spence Resorts (Pvt) Ltd.	-	Kalutara	-	2.42	-	102,700	
MPS Hotels (Pvt) Ltd.							
Hotel Hilltop	73	Kandy	65,514	3.76	-	300,500	67,706
Jetan Travel Services Co. (Pvt) Ltd.							
Adaaran Club Rannalhi	130	Maldives	105,553	-	10.2	-	544,630
Cowrie Investments (Pvt) Ltd.							
Adaaran Select Meedhuparu	235	Maldives	299,989	-	43	-	1,806
Island of Aarah in Raa Atoll	-	Maldives	-	-	26.9	-	-
ADS Resorts (Pvt) Ltd.							
Adaaran Select HudhuRan Fushi	215	Maldives	181,779	-	78	-	985,228
Unique Resorts (Pvt) Ltd.							
Vadoo Island Resort	50	Maldives	42,606	-	3.5	-	1,328
Aitken Spence Hotel Managements (South India) Pvt Ltd.							
Turyaa Chennai	143	India/Chennai	126,825	0.84	-	488,460	-
Perumbalam Resorts (Pvt) Ltd.		India/Cochin	-	4.05		8,852	
P.R Holiday Homes (Pvt) Ltd.	-	India/Cochin	-	14.04	-	185,764	-



THE AITKEN SPENCE SIGNATURE OF QUALITY

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)
Ms. D.S.T. Jayawardena (Appointed w.e.f. 01-07-2014)
R.E.V. Casie Chetty
S.M. Hapugoda
C.M.S. Jayawickrama
G.P.J. Goonewardena
R.N. Asirwatham
C.H. Gomez
N.J. de Silva Deva Aditya

Aitken Spence Hotels Limited *

Owns and operates Heritance Ayurveda Maha Gedera, Holding Company of Kandalama Hotels (Private) Limited and Heritance (Private) Limited

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

Heritance (Private) Limited *

Owns a land for a proposed hotel project

Directors: S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Kandalama Hotels (Private) Limited *

Owns and operates Heritance Kandalama.

Directors: S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Hethersett Hotels Limited *

Owns and operates Heritance Tea Factory.

Directors: S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Neptune Ayurvedic Village (Private) Limited *

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

Directors: S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Aitken Spence Resorts (Pvt) Limited *

Construction of new hotel.

Directors: S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Golden Sun Resorts (Private) Limited *

Owns and operates "The Sands" by Aitken Spence Hotels

Directors: S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Crest Star Limited

Directors: S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Crest Star (B.V.I.) Limited

The holding company and managing agents of Jetan Travel Services Company Private Ltd.

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

Jetan Travel Services Company Private Limited *

Owns and operates Adaaran Club Rannalhi - Maldives.

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



THE AITKEN SPENCE SIGNATURE OF QUALITY

Group Directory

Cowie Investments (Private). Limited *

Owns and operates Adaaran Select Meedhupparu Island Resort - Maldives.

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

A D S Resorts Private Limited *

Owns and operates Adaaran Select Hudhuranfushi – Maldives.

Directors: S.M. Hapugoda (Managing Director)
C.M.S. Jayawickrama
M. Mahdy

Unique Resorts Private Limited *

Owns and operates Adaaran Prestige Vaadhoo Resort – Maldives.

Directors: S.M. Hapugoda (Managing Director)
C.M.S. Jayawickrama
M.S. Hassan
T.D.U.D. Peiris

PR Holiday Homes (Private) Limited

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

Directors: S.M. Hapugoda
C.M.S. Jayawickrama
Kabeer Khadar Meera Rawther
M. Narayanan
K.A.A.C. Perera

Perumbalam Resorts Private Limited

Owns a land in Cochin – India

Directors: M.R. Narayanan
Kabeer Kadar Meera Rawther
S.M. Hapugoda
C.M.S. Jayawickrama
Mrs. Radha Narayanan
Lakshman Ekanayake

Floatels India Private Limited

Owns and operates Poovar Island Resort

Directors: M.R. Narayanan
Kabeer Kadar Meera Rawther
Mrs. Zeenath Kabeer
Kabeen Khadar Kabeer
S.M. Hapugoda

Aitken Spence Hotel Services (Private) Limited

Local Marketing of the Indian Hotels in India.

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

Aitken Spence Hotels International (Private) Limited *

Owns resorts in the Maldives and provides international marketing services to overseas resorts.

Directors: R.E.V. Casie Chetty
S.M. Hapugoda
C.M.S. Jayawickrama
V.M. Gunatilleka (Appointed w.e.f 01-04-2014)

Aitken Spence Hotel Managements Asia (Private) Limited *

Manages resorts in India, Maldives and in Oman.

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

Aitken Spence Hotel Managements (South India) Private Limited

Owns & Manage resorts in India.

Directors: J.M.S. Brito (Chairman)
S.M. Hapugoda (Managing Director)
C.M.S. Jayawickrama
K.A.A.C. Perera

Nilaveli Holidays (Private) Limited

To operate a future hotel project.

Directors: S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

* The companies' financial statements are audited by M/S KPMG. Chartered Accountants



THE AITKEN SPENCE SIGNATURE OF QUALITY

Nilaveli Resorts (Private) Limited

To operate a future hotel project.

Directors: S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

M P S Hotels (Private) Limited *

Owns and operates Hotel Hilltop.

Directors: S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

The Galle Heritage (Private) Limited

To operate a future hotel project

Directors: S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Meeraladuwa (Private) Limited *

Owns a land for future hotel project

Directors: S.M. Hapugoda
C.M.S. Jayawickrama
R.E.V. Casie Chetty

Associate Companies and Joint Ventures

Ahungalla Resorts Limited *

Construction of new five star hotel. (Joint Venture with RIU Hotels, Spain)

Browns Beach Hotels PLC *

Holding Company of Negombo Beach Resorts (Private) Limited.

Negombo Beach Resorts (Private) Limited *

Owns and operates Heritage Negombo (under construction)

Amethyst Leisure Limited *

Holding Company of Paradise Resort Passikudah (Private) Limited

Paradise Resort Passikudah (Private) Limited *

Owns and operates Amethyst Resort - Passikudah

* The companies' financial statements are audited by M/S KPMG. Chartered Accountants



The GRI Index

The Global Reporting Initiative (GRI) G4 content Index

This report contains Standard Disclosures from the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines and is aligned with the GRI G4 Guidelines.

Indicator	Description	Location	Reference
Strategy and Analysis			
G4-1	Statement from most senior decision maker	* Managing Director's Review	19 - 22
G4-2	Key impacts, risks and opportunities	* Integrated MD&A	
	a. Organisation's key impacts on sustainability	* Risk Management	72
	b. Impact of sustainability trends, risks and opportunities		135 - 143
Organisational Profile			
G4-3	Name of the Organisation	* Corporate Information	243
G4-4	Primary brands, products and/or services	* Our Brands	32 - 33
		* Integrated MD&A	72 - 94
G4-5	Location of the organisation's headquarters	* Corporate Information	243
G4-6	Number of countries where the organisation operates	* About the Group	72 - 73
G4-7	Nature of ownership and legal form	* Corporate Information	243
G4-8	Markets served	* Integrated MD&A - Macro Framework and Industry Outlook	79 - 87
G4-9	Scale of the reporting organisation	* Integrated MD&A	79 - 87
		* Financial Information	146 - 219
		* Investor Information	225 - 229
G4-10	Total workforce by employment type, employment contract, and region	* Integrated MD&A - Our Human Capital	96
G4-11	Percentage of total employees covered by collective bargaining agreements	* Integrated MD&A - Our Human Capital	95 - 98
G4-12	Describe the organisation's supply chain	* Integrated MD&A	75 - 76
G4-13	Significant changes during the reporting period regarding size, structure or ownership	* Integrated MD&A - Group Performance	88
Commitments to External Initiatives			
G4-14	Precautionary approach or principle is addressed by the organisation	* About the Group	74 - 78
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	* Corporate Governance Trade Associates	108 - 123



Indicator	Description	Location	Reference
G4-16	Memberships in Associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: <ul style="list-style-type: none"> • Has positions in governance bodies • Provides substantive funding beyond routine membership dues • Views membership as strategic 	* Integrated MD&A - Our Social Performance	107
Identified Material Aspects and Boundaries			
G4-17	All entities included in the organization's consolidated financial statements or equivalent documents and whether any of these entities is not covered by the report	* Annual Financial Statements	146 - 219
G4-18	Explain the process for defining the report content and the Aspect Boundaries and how the organization has implemented the Reporting Principles for Defining Report Content	* Integrated MD&A - Report Boundary and Scope	72
G4-19	All the material Aspects identified in the process for defining report content	* Integrated MD&A - Report Boundary and Scope	72
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	* Annual Financial Statements	146 - 219
G4-23	Significant changes from previous reporting periods	* Integrated MD&A - Macro Framework and industry outlook * Annual Financial Statements	79 -94 146 - 219
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organisation	* Integrated MD&A - Stakeholder Engagement and Inclusion	77 - 78
G4-25	Basis of identification and selection of stakeholders	* Integrated MD&A - Stakeholder Engagement and Inclusion	77 - 78
G4-26	Approaches to stakeholder engagement	* Integrated MD&A - Stakeholder Engagement and Inclusion	77 - 78
G4-27	Key topics and concerns from stakeholders	* Integrated MD&A - Stakeholder Engagement and Inclusion	77 - 78
Report Profile			
G4-28	Reporting Period	* Integrated MD&A - Report Boundary and Scope	72
G4-29	Date of the most recent previous report	* 31st March, 2014	-
G4-30	Reporting cycle	* Annual	-
G4-31	Contact point for further information	* Corporate Information	243



The GRI Index

Indicator	Description	Location	Reference
Governance			
G4-34	Governance structure of the organisation	* Corporate Governance	108 - 123
G4-35	The process for delegating authority	* Corporate Governance	108 - 123
G4-36	Whether the organization has appointed an executive - level position or positions with responsibility for economic, environmental and social topics and whether post holders report directly to the highest governance body	* Corporate Governance	108 - 123
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	* Corporate Governance * Investor Feedback Form * Annual and Quarterly Reports * Annual General Meeting	108 - 123 247
G4-38	Composition of the highest governance body and its committees	* Corporate Governance - A.1 The Board	111
G4-39	Indicate whether the chair of the highest governance body is also an executive member	* Corporate Governance - A.3 Chairman's Role	113
G4-40	The nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	* Corporate Governance - A. 7.1 and A. 7.2 * Nomination Committee Report	115 128
G4-41	Avoiding conflicts of interest	* Corporate Governance - A.1 The Board	111
G4-42	The highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies and goals	* Corporate Governance * Management Committees	108 - 123
G4-43	Measures taken to develop and enhance the highest governance body's knowledge	* Corporate Governance	108 - 123
G4-44	Evaluating the performance of the highest governing body	* Corporate Governance - B.1.1, B.1.2, B.1.3, B.1.4 & B.1.5 Remuneration Procedure	117
G4-45	Overseeing the organisations identification and management of economic, environmental and social performance	* Corporate Governance - A.1.6 - Dedicating adequate time and effort CSR issues are also discussed at Board Level	113
G4-46	Highest governance body's role in reviewing the effectiveness of the organisation's risk management process	* Risk Management	135 - 143
G4-47	Frequency of the highest governance body's review on economic, environmental, and social impacts, risks and opportunities	* Risk Management	135 - 143



THE AITKEN SPENCE SIGNATURE OF QUALITY

Indicator	Description	Location	Reference
G4-48	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	* Corporate Governance - A1.6 Dedicating adequate time and effort CSR issues are also discussed at Board Level	113
G4-49	Process for communicating critical concerns to the highest governance body	* Investor Feedback Form	247
G4-51	Linkage between compensation and the organisation's performance	* Corporate Governance - B. Directors Remuneration	117 - 118
G4-52	Directors Remuneration	* Corporate Governance - B. Directors Remuneration	117 - 118
G4-53	Stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals	* Remuneration Committee Report * Salary Surveys	126 - 127
Ethics and Integrity			
G4-56	The organization's values, principles, standards, and norms of behaviour such as codes of conduct and codes of ethics	* Corporate Governance	108 - 123
G4-57	The internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines	* Corporate Governance	108 - 123
G4-58	The internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms, or hotlines	* Corporate Governance	108 - 123
Specific Standard Disclosures			
Category: Economic			
DMA-EC	Disclosure on Management Approach EC (Economic)	* Integrated MD&A - Group Performance	88 - 94
Aspect:Economic Performance			
G4-EC1	Direct economic value generated and distributed	* Value Addition to the Economy	73
G4-EC3	Coverage of the organisations defined benefit plan obligations	* Annual Financial Statements - Employee Benefits	164
G4-EC4	Significant financial assistance received from the government	* Annual Financial Statements	163
Aspect:Market Presence			
G4-EC6	Proportion of Senior Management hired from the Local Community at significant locations of operation	* Integrated MD&A - Recruitment from the Localities	100
Aspect:Indirect Economic Impacts			



The GRI Index

Indicator	Description	Location	Reference
G4-EC7	Development and impact of infrastructure investments and services provided	* Integrated MD&A - The impact of our win-win model	100 - 101
Category: Environmental			
DMA-EN	Disclosure on Management Approach EN (Environmental)	* Integrated MD&A – Environmental Performance	102 - 106
Aspect:Energy			
G4-EN3	Direct energy consumption by primary energy source	* Integrated MD&A – Energy Management	102 - 103
G4-EN6	Reduction of energy consumption	* Integrated MD&A – Energy Management	102 - 103
G4-EN7	Reductions in Energy Requirements of Products and Services	* Integrated MD&A – Energy Management	102 - 103
Aspect:Water			
G4-EN8	Total water withdrawal by source	* Integrated MD&A – Water Management	104
G4-EN10	Percentage and total volume of water recycled and reused	* Integrated MD&A – Water Management	104
Aspect:Biodiversity			
G4-EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	* Integrated MD&A - Biodiversity	106
		* Real Estate Holdings of the Group	230
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Nil	-
Aspect:Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	* Integrated MD&A – Energy Management	102 - 103
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	* Integrated MD&A – Energy Management	102 - 103
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	* Integrated MD&A – Energy Management	102 - 103
G4-EN19	Initiatives to reduce greenhouse gas (GHG) emissions and reductions achieved	* Integrated MD&A – Energy Management	102 - 103
G4-EN20	Emissions of ozone-depleting substances by weight	Nil	-



Indicator	Description	Location	Reference
Aspect: Effluents and Waste			
G4-EN23	Total Weight of Waste by type and Disposal Method	* Integrated MD&A - Waste Management	104 - 105
Aspect: Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Nil	-
Category: Social			
Labour Practices and Decent Work			
DMA-LA	Disclosure on Management Approach LA (Labour Practices and Decent Work)	* Integrated MD&A - Our Human Capital	95 - 98
Aspect: Employment			
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operations	* Integrated MD&A - Our Human Capital	96
Aspect: Labour/Management Relations			
G4-LA4	Minimum notice periods	* Integrated MD&A - Our Human Capital	96
Aspect: Occupational Health and Safety			
G4-LA6	Rates of injury, occupational diseases etc.	* Integrated MD&A - Human Rights at the Workplace	99
Aspect: Training and Education			
G4-LA9	Average hours of training per year per employee by employee category	* Integrated MD&A - Our Human Capital	95 - 98
G4-LA10	Programmes for skills management and lifelong learning	* Integrated MD&A - Our Human Capital	95 - 98
G4-LA11	Percentage of employees receiving regular performance and career development reviews	* Integrated MD&A - Our Human Capital	95 - 98
Aspect: Equal Remuneration for Women and Men			
G4-LA13	Ratio of basic salary of men to women by employee category	* Integrated MD&A - Our Human Capital	96 - 97
Human Rights			
DMA-HR	Disclosure on Management Approach HR (Human Rights)	* Integrated MD&A - Human Rights at the Workplace	99



The GRI Index

Indicator	Description	Location	Reference
Aspect: Investment			
G4-HR3	Total number of incidents of discrimination and action taken	Nil	-
Society			
DMA-SO	Disclosure on Management Approach SO (Society)	* Integrated MD&A - Our Social Performance	95 - 101
Aspect: Anti-Corruption			
G4-SO3	Percentage and total number of business units analysed for risks related to corruptions	100% (Refer Risk Management)	135 - 143
G4-SO4	Percentage of employee trained in organization's anti-corruption policies and procedures	100% (Refer Risk Management)	135 - 143
Aspect: Compliance			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance	Nil	-
Product Responsibility			
DMA-PR	Disclosure on Management Approach PR (Product Responsibility)	* Integrated MD&A - Product Responsibility & Commitment to Quality	95
Aspect: Customer Health and Safety			
G4-PR2	Total number of incidents of non-compliance in health and safety impacts of products and services during their life cycle by type of outcome	Nil	-
Aspect: Product and Service Labelling			
G4-PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	* Integrated MD&A - Expanding Customer reach & enhancing Customer Engagement through Technology	76 - 77
Aspect: Marketing Communications			
G4-PR7	Total number of incidents of non-compliance in marketing communications including advertising, promotion etc.	Nil	-
Aspect: Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Nil	-
Aspect: Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with the provision and use of products and services	Nil	-



Glossary of Financial Terms

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Accrual Basis

Recording revenue & expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Asset Held For Sale

The carrying amount of the asset value which will be recovered through a sale transaction rather than through continuing use.

Average Weighted Prime Lending Rate (AWPLR)

Reflects rates applicable on loans and advances granted by commercial banks to their most creditworthy customers.

Asset Turnover

Total revenue divided by average total asset.

Capital Employed

Total shareholders' funds plus debt and minority interest.

Cash Equivalents

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

Compound Annual Growth Rate (CAGR)

The year-over-year growth rate of an investment over a specified period of time.

Contingent Liabilities

A condition or situation at the Balance Sheet date of which the financial effect will be determined only on the occurrence, or non-occurrence of one or more uncertain future events.

Collateral

Monetary or non-monetary asset pledged or received as security in lieu of a loan or credit terms obtained or provided.

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.

Derivative

A security whose price is dependent upon or derived from one or more underlying assets.

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 amortization.

Effective Rate of Taxation

Income tax over profit before tax.



Glossary of Financial Terms

EPS Growth

Percentage of increase in the EPS over the previous year.

Financial Leverage

Total average assets divided by total average equity.

Gearing

Borrowings to capital employed.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Interest Cover

This indicates the ability of an entity to cover long-term and short-term interest expenses with EBIT.

(Profit before Interest & Taxation divided by total Interest charged for the year).

Market Capitalisation

The number of ordinary shares in issue multiplied by the market price per share as at the reported date.

Net Assets Per Share

Shareholders' funds divided by the number of ordinary shares in issue as at the end of the year.

Non-Controlling Interest

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

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.

Return on Capital Employed

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

Return on Equity

Profit attributable to shareholders as a percentage of average shareholders' funds.

Return on Shareholder's Funds.

Attributable profits divided by average Shareholders' funds.

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.

Yield to Maturity

The discount rate that equals present value of all expected interest payment and the repayment of principal.



THE AITKEN SPENCE SIGNATURE OF QUALITY

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

31st March

Registered Office

No. 315, Vauxhall Street Colombo 2, Sri Lanka

Tel : +94 11 2308308

Fax : +94 11 2446838

Directors

Deshamanya D H S Jayawardena - *Chairman*

Mr. J M S Brito, LLB, FCA, MBA - *Managing Director*

Ms. D S T Jayawardena - Appointed w.e.f 01.07.2014

Mr. R E V Casie Chetty, FCA, FCMA, M.C.M.I., J.Dip, MA

Mr. C M S Jayawickrama, FCMA

Mr. S M Hapugoda, CIM UK

Mr. G P J Goonewardena

Mr. R N Asirwatham, FCA

Mr. N J de Silva Deva Aditya

Mr. C H Gomez

Secretaries

Aitken Spence Corporate Finance (Private) Limited

Secretaries,

No. 315, Vauxhall Street Colombo 2, Sri Lanka

Auditors

Messrs. KPMG

Chartered Accountants.

32A, Sir Mohamad Macan Marker Mawatha,

P.O Box 186, Colombo 03.

Bankers

Bank of Ceylon

Citibank N A

Commercial Bank of Ceylon PLC

Deutsche Bank

DFCC Bank PLC

Hatton National Bank PLC

Hongkong and Shanghai Banking Corporation

ICICI Bank

Nations Trust Bank PLC

People's Bank

Standard Chartered Bank

Group Audit Committee

Mr. R N Asirwatham – Chairman

Mr. G C Wickremasinghe

Mr. C H Gomez

Mr. N J de Silva Deva Aditya

Group Remuneration Committee

Mr. G C Wickremasinghe – Chairman

Mr. V M Fernando

Mr. R N Asirwatham

Group Nomination Committee

Mr. G C Wickremasinghe – Chairman

Deshamanya D H S Jayawardena

Mr. J M S Brito

Mr. V M Fernando

Mr. R N Asirwatham

Holding Company

Aitken Spence PLC

Website

www.aitkenspencehotels.com



Contact Point For Further Information

Aitken Spence Corporate Finance (Private) Limited.,
Secretaries

No. 315, Vauxhall Street Colombo 2, Sri Lanka.

Tel : (94 11) 2308308

Fax : (94 11) 2308099

(94 11) 2445406

E-mail : comsec@aitkenspence.lk



THE AITKEN SPENCE SIGNATURE OF QUALITY

Notice of Meeting

Notice is hereby given that the Thirty Eighth Annual General Meeting of Aitken Spence Hotel Holdings PLC will be held at the Auditorium of the Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7, at 10.30 a.m. on Tuesday, June 30, 2015, 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 2015.
- To declare a dividend as recommended by the Directors.
- To re-elect Mr. C.M.S. Jayawickrama who retires in terms of Article 83 of the Articles of Association, as a Director.
- To re-elect Mr. G.P.J. Goonawardena who retires in terms of Article 83 of the Articles of Association, as a Director.
- To re-elect Deshamanya D.H.S. Jayawardena who is over the age of 70 years, as a Director by passing the following resolution.

"That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Deshamanya D.H.S. Jayawardena who has attained the age of 72 years and that he be re-elected a Director of the Company."

- To re-elect Mr. R.N. Asirwatham who is over the age of 70 years, as a Director by passing the following resolution.

"That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. R.N. Asirwatham who has attained the age of 72 years and that he be re-elected a Director of the Company."

- To elect Ms. D.S.T. Jayawardena who retires in terms of Article 90 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 HOLDING PLC

R.E.V. Casie Chetty
Director

AITKEN SPENCE CORPORATE FINANCE (PRIVATE) LIMITED
SECRETARIES

26th May, 2015

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 2015 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 02nd July 2015.



THE AITKEN SPENCE SIGNATURE OF QUALITY

Form of Proxy

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

Don Harold Stassen Jayawardena of Colombo	(whom failing)
Joseph Michael Suresh Brito of Colombo	(whom failing)
Don Stasshani Therese Jayawardena of Colombo	(whom failing)
Ranjan Emmanuel Victor Casie Chetty of Colombo	(whom failing)
Srilal Malin Hapugoda of Colombo	(whom failing)
Chrisanthus Mohan Susith Jayawickrama of Colombo	(whom failing)
Gemunu Prasanna Jayasundera Goonewardena of Colombo	(whom failing)
Rajanayagam Nalliah Asirwatham of Colombo	(whom failing)
Charles Humbert Gomez of Gibraltar	(whom failing)
Niranjan Joseph de Silva Deva Aditya of the United Kingdom	

as my/our Proxy to represent me/us, to speak and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 30th day of June 2015, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this..... day of Two Thousand Fifteen

.....
Signature

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



THE AITKEN SPENCE SIGNATURE OF QUALITY

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. If the proxy form is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.
3. In the case of a Company/Corporation, the proxy must be executed in the manner prescribed by its Articles of Association.
4. The completed form of proxy should be deposited at the Registered Office of the Company, No.315 Vauxhall Street, Colombo 2 by 10.30 a.m. on June 28, 2015 being 48 hours before the time appointed for the holding of the meeting.



THE AITKEN SPENCE SIGNATURE OF QUALITY

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

